

Blue Chip Equity

30 September 2022

Strategy description

The strategy invests for the long-term in high-quality companies led by owner-operators and uses a highly active approach to U.S. large-cap equities that aims for long-term outperformance with less risk.

Strategy facts

Manager: Aligned Investors

Inception: 1 July 2012

Index: Russell 1000 Growth Index

Available Vehicles¹: IMA, CIT, SMA, UCITS, U.S. Mutual Fund

Targeted number of holdings²: 35-55

Expected turnover²: 15-30%

Key differentiators

- A wide latitude to depart from index weights results in **higher active share and more concentrated top holdings than peers.**
- **Aligned incentives:** Owner-operators tend to be passionate and cost conscious. We believe they have longer-term outlooks and are better capital allocators.
- **An experienced team** with a history of delivering excess risk-adjusted returns over market cycles.

Portfolio management

K. William Nolin, CFA

29 years' experience

Thomas Rozycki, CFA

22 years' experience

Investment philosophy

We are long-term, completely fundamental investors. We invest in owner-operator management teams and companies we believe have sustainable competitive advantages. We're constantly focused on valuation and reducing risk.

Composite performance (%)

	3M	YTD	1YR	3YR	5YR	10YR	Performance Start (1 July 2012)
Blue Chip Equity (gross)	-5.67	-34.20	-30.27	7.10	11.74	13.77	14.03
Blue Chip Equity (net)	-5.81	-34.51	-30.70	6.54	11.18	13.21	13.47
Russell 1000 Growth Index	-3.60	-30.66	-22.59	10.66	12.16	13.69	13.99
Excess gross return	-2.07	-3.54	-7.68	-3.56	-0.42	0.08	0.03

Calendar year returns (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Blue Chip Equity (gross)	—	30.25	11.51	6.18	9.61	29.72	3.72	39.71	35.58	25.98
Blue Chip Equity (net)	—	29.53	10.97	5.69	9.10	29.12	3.24	39.07	34.98	25.28
Russell 1000 Growth Index	—	33.48	13.05	5.67	7.08	30.21	-1.51	36.39	38.49	27.60
Excess gross return	—	-3.24	-1.54	0.51	2.53	-0.50	5.23	3.32	-2.91	-1.62

Source: Principal Global Investors.

As of September 2022. Investing involves risk, including possible loss of principal. Periods over one year are annualized. Please see disclosures for additional information on performance.

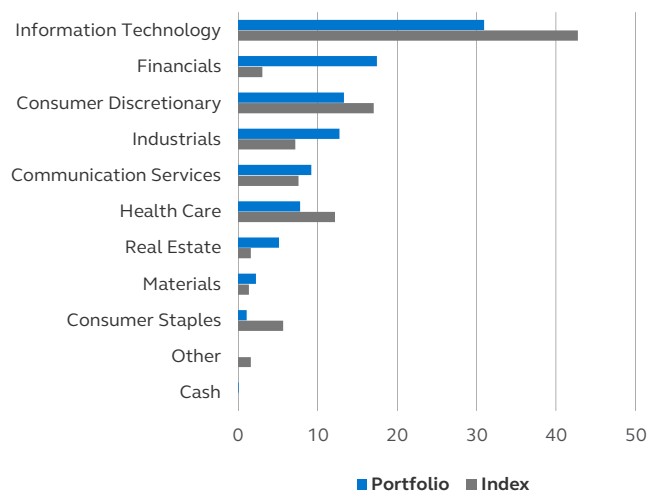
¹Not all vehicles are available to investors in all jurisdictions.

²Investment guidelines are subject to change.

Top 10 holdings (%)³

	Sector	Portfolio	Index	Active weight ⁴
1 Microsoft Corporation	Information Technology	10.0	10.3	-0.3
2 Amazon.Com, Inc.	Consumer Discretionary	8.3	5.9	2.4
3 Alphabet Inc.	Communication Services	6.5	5.6	0.9
4 Transdigm Group Incorporated	Industrials	5.2	0.1	5.2
5 Visa Inc.	Information Technology	5.0	1.7	3.3
6 Brookfield Asset Management Inc.	Financials	5.0	—	5.0
7 Mastercard Inc.	Information Technology	5.0	1.4	3.5
8 American Tower Corporation	Real Estate	4.7	0.5	4.3
9 Danaher Corporation	Health Care	4.2	0.1	4.1
10 Adobe Incorporated	Information Technology	3.7	0.8	2.9

Sector allocation (%)³



Portfolio characteristics³

	Portfolio	Index
Number of holdings	37	518
Operating margin	36.3%	29.8%
Active share ⁵	69.4%	-
Market cap (weighted average)	\$442.4B	\$715.7B
Turnover – last 12 months	25.3%	-

Portfolio risk statistics⁶

	3YR	5YR
Sharpe ratio	0.28	0.52
Standard deviation	23.59	20.51
Information ratio	-0.80	-0.10
Tracking error	4.43	4.28

³ Source: FactSet. Characteristics and weightings shown are of the representative portfolio. FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

⁴ Portfolio security weight minus the benchmark security weight.

⁵ A measure of the proportion of stock weights in a manager's portfolio that differ from the index.

⁶ Source: Principal Global Investors. Portfolio information is based on the strategy's composite.

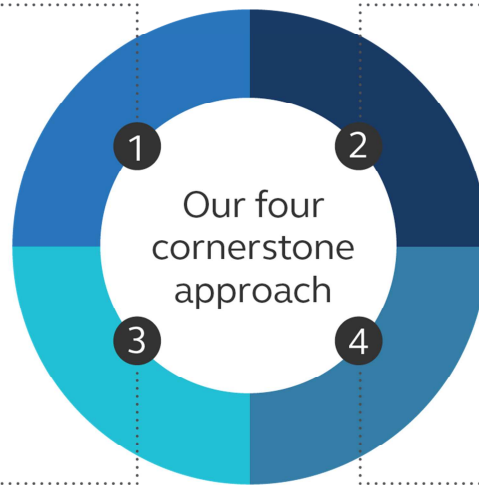
Due to rounding, figures and percentages shown may not add to the total or equal 100%. Figures relating to the index are shown for comparative purposes only. The two methods of calculation may not be identical and it is not possible to invest in an index.

Investment process overview

High-quality companies led by owner-operators

High-quality businesses with a sustainable competitive advantage

Businesses with owner-operator management or culture



Focused on risk reduction throughout the entire process

Valuation discipline builds in a margin of safety

- Long horizon (5-10 years) shapes what we look for
- All efforts focused on fundamental analysis of individual companies
- Quality companies, led by owner-operators, trading at a discount

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All figures shown in this document are in U.S. dollars unless otherwise noted.

Indices are unmanaged and do not take into account fees, expenses and transaction costs are not available for direct investment.

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Each portfolio included in the composite is managed according to its own individual investment restrictions and limitations and therefore their characteristics may vary from those of the Representative Portfolio shown. Portfolio performance, characteristics and volatility may differ from the benchmark shown. Holdings and weightings are subject to change daily.

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