

# Principal MidCap Fund

Fourth quarter 2022

## Fund overview

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

## Morningstar overall rating:



Overall Morningstar Rating™ as of 12/31/2022 among 534 Mid-Cap Growth Funds

Morningstar ratings may vary between share classes, are based on historical risk-adjusted total returns and are subject to change.

## Ticker

Class I: PCBIX    Class C: PMBCX  
Class A: PEMGX    Class R6: PMAQX

## Portfolio management

**K. William Nolin, CFA**

30 years of experience

**Thomas Rozycki, CFA**

23 years of experience

## Fund information

	Fund	Index
Fund AUM	\$18.0B	—
Number of holdings	71	818
Operating margin	23.4%	18.7%
Active share	90.0%	—
Market Cap <sup>1</sup>	\$28.7B	\$21.2B
Turnover <sup>2</sup>	14.1%	—
Sharpe ratio (15-year)	0.6	0.5

Source: FactSet and Morningstar

<sup>1</sup> Weighted average

<sup>2</sup> Turnover is calculated semi-annually; reflects most recent available calculation.

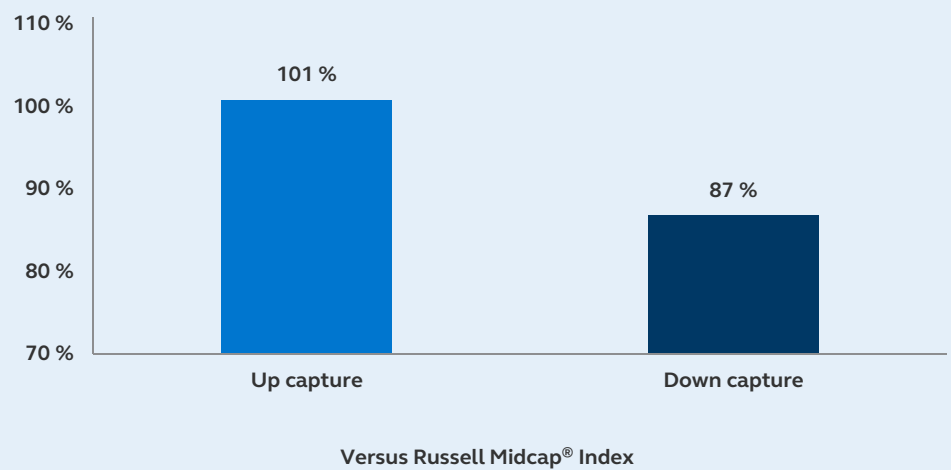
**Active share:** Measures how much different portfolio weights in securities are from benchmark weights. The higher the active share, the more the portfolio differs from the benchmark. **Sharpe ratio:** Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance.

Reported FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

## A highly active approach that focuses on owner-operators

- 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.

## A focus on risk reduction PCBIX capture ratios - 15-year



01/01/2008 - 12/31/2022

Source: Morningstar

Capture ratios: Shows the relationship of the fund's performance to the performance of an index during a specific timeframe, as a percentage of that index's positive (upside capture) and negative (downside capture) performance. Represents quarterly returns for both fund and index returns. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

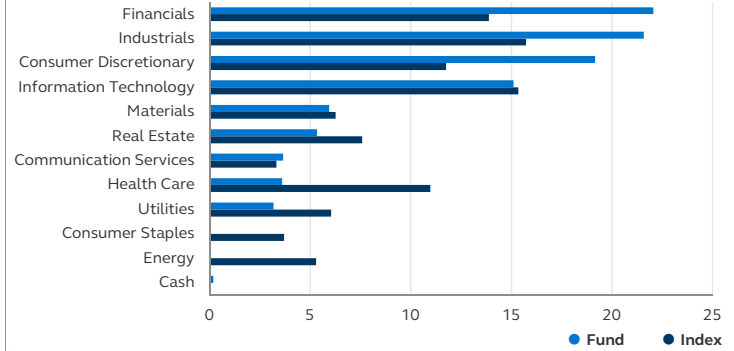
## Why allocate to a portfolio:

- **Track record of attractive risk-adjusted returns:** Historically, mid-cap stocks have provided attractive risk-adjusted returns over full market cycles.
- **The best of both worlds:** Mid-cap companies have the potential to grow faster than large-cap companies — and they generally have greater liquidity and less cyclical volatility than small-caps.
- **Potential diversification benefits:** Mid-cap equities are often overlooked by investors in favor of large- or small-cap stocks.

Top 10 holdings<sup>3</sup>

	% of net assets
TransDigm Group Inc	5.4
O'Reilly Automotive Inc	4.9
CoStar Group Inc	4.6
Copart Inc	4.4
HEICO Corp - Class A	3.8
Brookfield Corp	3.7
Hilton Worldwide Holdings Inc	3.5
Markel Corp	3.2
Vulcan Materials Co	3.1
KKR & Co Inc	3.0
<b>Total</b>	<b>39.6</b>

<sup>3</sup> The holdings listed do not constitute a recommendation to purchase or sell a particular security. Cash and/or derivative positions that are not part of the core investment strategy will not be reflected in the top holdings list.

Sector allocation (%)<sup>4</sup>

<sup>4</sup> Source: FactSet. Fund holdings and allocations shown are unaudited and may not be representative of current or future investments. Percentages may not add up to 100% due to rounding and/or inclusion or exclusion of cash.

## Performance, rankings, &amp; ratings

	Average annual total returns (%)							Expense ratio <sup>11</sup> (net/gross)	Expense limit expiration date	
	3-month	1-year	3-year	5-year	10-year	Since inception <sup>10</sup> (03/01/2001)				
Class I <sup>5</sup>	7.99	-23.18	4.42	8.71	12.35	10.38	0.67/0.67	—		
Russell Midcap® Index <sup>6,7</sup>	9.18	-17.32	5.88	7.10	10.96	8.73	—	—		
Morningstar Category Average	5.07	-27.79	4.14	7.09	10.67	—	—	—		
<b>Morningstar rankings and ratings</b>										
Category and number of funds in category: Mid-Cap Growth	589	586	534	499	389	—	—	—		
Class I percentile rankings <sup>8</sup>	—	23	47	25	16	—	—	—		
Class I ratings <sup>9</sup>	—	—	***	****	****	Overall ****	—	—		
<b>Calendar year returns (%)</b>										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Class I <sup>5</sup>	33.60	12.69	1.47	10.25	25.32	-6.69	42.91	18.26	25.32	-23.18
Russell Midcap® Index <sup>6,7</sup>	34.76	13.22	-2.44	13.80	18.52	-9.06	30.54	17.10	22.58	-17.32
Morningstar Category Average	34.93	7.00	-0.95	6.03	23.91	-6.65	32.52	39.26	13.05	-27.79

Morningstar percentile rankings are based on total returns. Morningstar ratings are based on risk-adjusted returns.

**Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit [www.PrincipalAM.com/mutual](http://www.PrincipalAM.com/mutual).**

<sup>5</sup> Performance assumes reinvestment of all dividends and capital gains.

<sup>6</sup> The Russell Midcap® Index is a market capitalization weighted index that represents the smallest 800 companies in the Russell 1000® Index (Companies 201-1000).

<sup>7</sup> Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

<sup>8</sup> Morningstar percentile rankings are based on total returns and do not reflect the inclusion of sales charges. If sales charges were reflected, rankings could be lower.

<sup>9</sup> The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar ratings do not reflect the inclusion of sales charges. If sales charges were reflected, ratings could be lower.

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<sup>10</sup> Class I shares were first sold on 03/01/2001. Returns for Class I shares prior to 03/01/2001, including since inception performance, are based on performance of R-3 shares adjusted to reflect the fees and expenses of Class I shares. R-3 shares were first sold 12/06/2000.

<sup>11</sup> The net expense ratio reflects contractual expense limits, if any, which may lower net expenses and cause the gross and net expense ratios to differ. In such cases a date is listed through which expense limits are expected to apply; however, Principal Funds and the investment adviser may mutually agree to terminate the expense limits prior to the end of the period. Returns displayed are based on net total investment expense.

Returns shown for periods of less than one year are not annualized.

Small and mid-cap stocks may have additional risks including greater price volatility.

Class I shares are available only to eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs. See the prospectus for eligibility requirements.

Effective June 14, 2013, the Principal MidCap Fund closed to certain new investors. Please see the prospectus for more complete information.

**Carefully consider a fund's objectives, risks, charges, and expenses. Contact your financial professional or visit [www.PrincipalAM.com](http://www.PrincipalAM.com) for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.**

Investing involves risk, including possible loss of principal.

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