Global High Yield
31 December 2020

Strategy description
A corporate bond strategy primarily invested in US and European domiciled companies and is focused on income and capital appreciation derived primarily from security selection.

Portfolio managers
Mark Denkinger, CFA
30 years’ experience
Darrin Smith, CFA
29 years’ experience
Joshua Rank, CFA
20 years’ experience

Index
ICE Bank of America Merrill Lynch Global High Yield USD Hedged Index**

Risk warning
- The potential for profit is accompanied by the possibility of loss.
- Fixed Income investments are subject to interest rate risk; when interest rates rise, the price of debt typically declines.
- Potential investors should be aware that fixed investments carry credit risks, default risk, liquidity risks, currency risks, operational risks, legal risks, counterparty risk and valuation risks.
- Non-investment grade securities offer a potentially higher yield but carry a greater degree of risk.

Composite performance (%)
<table>
<thead>
<tr>
<th></th>
<th>3M</th>
<th>1YR</th>
<th>3YR</th>
<th>5YR</th>
<th>10YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global High Yield (gross)</td>
<td>5.85</td>
<td>6.46</td>
<td>5.83</td>
<td>8.22</td>
<td>7.55</td>
</tr>
<tr>
<td>ICE Bank of America Merrill Lynch Global High Yield USD Hedged Index***</td>
<td>6.59</td>
<td>6.61</td>
<td>6.20</td>
<td>8.49</td>
<td>6.87</td>
</tr>
<tr>
<td>Excess gross return</td>
<td>-0.74</td>
<td>-0.15</td>
<td>-0.37</td>
<td>-0.27</td>
<td>0.68</td>
</tr>
<tr>
<td>Global High Yield (net)</td>
<td>5.75</td>
<td>6.03</td>
<td>5.39</td>
<td>7.71</td>
<td>6.92</td>
</tr>
</tbody>
</table>

12-month rolling return (%)
<table>
<thead>
<tr>
<th></th>
<th>Jan 16 - Dec 16</th>
<th>Jan 17 - Dec 17</th>
<th>Jan 18 - Dec 18</th>
<th>Jan 19 - Dec 19</th>
<th>Jan 20 - Dec 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global High Yield (gross)</td>
<td>15.27</td>
<td>8.65</td>
<td>-3.55</td>
<td>15.44</td>
<td>6.46</td>
</tr>
<tr>
<td>Global High Yield (net)</td>
<td>14.58</td>
<td>8.10</td>
<td>-3.96</td>
<td>14.98</td>
<td>6.03</td>
</tr>
<tr>
<td>ICE Bank of America Merrill Lynch Global High Yield USD Hedged Index***</td>
<td>16.22</td>
<td>7.99</td>
<td>-1.89</td>
<td>14.54</td>
<td>6.61</td>
</tr>
</tbody>
</table>

As of December 2020.
Source: Principal Global Investors.
Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Periods over one year are annualized. Please see disclosures for additional information on performance.

Sector distribution1 Market value (%)
- Energy
- Basic Industry
- Capital Goods
- Media
- Healthcare
- Telecommunications
- Leisure
- Financial Services
- Retail
- Automotive Services
- Consumer Goods
- Technology & Electronics
- Other
- Cash

Quality distribution1 Market value (%)
- AAA*
- BBB
- BB
- B
- CCC and Below
- Not Rated

Portfolio characteristics1
- Yield to worst: Portfolio 4.1% Index 4.2%
- Average credit quality: Portfolio BB- Index BB-
- Average coupon: Portfolio 5.4% Index 5.6%

Portfolio Index

Regional distribution1 Market value (%)
- North America
- Europe
- Emerging Market
- Asia
- FX Forwards

†Source: Bank of America Merrill Lynch
^Source: Certain analytics powered by Aladdin® by BlackRock®. BlackRock® and Aladdin® are trademarks and service marks of BlackRock, Inc. and its affiliates (collectively, "BlackRock"). BlackRock owns all proprietary rights in the marks and in the Aladdin® by BlackRock® services. BlackRock neither approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom. Characteristics shown are of the representative portfolio.
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.

For more information, visit www.principalglobal.com
About Principal Global Fixed Income

Principal Global Fixed Income is a specialized investment management group within Principal Global Investors. Our fixed income capabilities span multiple credit market cycles and draw upon the depth and breadth of our credit research process. Our analysts are industry experts, providing independent credit ratings and investment recommendations on over 1500 issuers.

Our macroeconomic and risk perspective serves as a consistent foundation for evaluating all opportunities and is integrated into the risk management process; this unique part of our process aims to deliver downside risk reduction while allowing for upside capture.

Investment philosophy

We believe superior returns are best achieved for our clients through the integration of rigorous fundamental research, a global perspective, and disciplined risk management.

Investment process

We believe a significant driver in our goal of delivering consistent peer outperformance over a full market cycle is our research process. We employ bottom-up security selection using a dedicated high yield team that is integrated within our broad fixed income capabilities. Additionally, our approach employs well-defined exit strategies to ensure maximum sensitivity to credit and valuation changes. Allocation and security decisions are aligned with our client objectives to construct diversified portfolios. Thorough, ongoing monitoring of macro and issuer risk ensures consistency with those client objectives.

Disclosures

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All figures shown in this document are in US dollars unless otherwise noted. Indices are unmanaged and do not take into account fees, expenses and transaction costs are not available for direct investment.

The ICE BofA Merrill Lynch Global High Yield Hedged to USD Index is the hedged version of the ICE BofA Merrill Lynch Global High Yield Index. The index tracks the performance of USD, CAD, GBP, and EUR denominated below investment grade corporate debt publicly issued in the major domestic or Eurobond market. Qualifying securities must have a below investment grade rating (based on the average of Moody’s, S&P, and Fitch). In addition, such Principal Global Investors (PGI) must have an investment-grade rated country of risk (based on an average of Moody’s, S&P, and Fitch foreign currency long term sovereign debt ratings), at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of USD 100 million, EUR 100 million, GBP 50 million, or CAF 100 million. In reports issued prior to January 1, 2015 the ICE BofA Merrill Lynch Global High Yield Index was used for comparison purposes. The benchmark shown was changed to be more representative of the composite strategy. Information regarding the comparison to the ICE BofA Merrill Lynch Global High Yield Hedged to USD Index is available upon request.

**Prior to 1 January 2015 the benchmark used for comparison purposes for the Global High Yield strategy is the Bank of America Merrill Lynch Global High Yield Index. On 1 January 2015 the strategy benchmark was changed to the ICE Bank of America Merrill Lynch Global High Yield USD Hedged Index.

Composite performance results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce portfolio performance.

Net performance results reflect a reduction for investment advisory fees based on the firm’s applicable asset management fee schedule. Additional information on calculation of composite performance data is available on request. Actual investment advisory fees charged to clients may vary.

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. The holdings listed should not be considered a recommendation to purchase or sell any security and there is no assurance an investment in these securities will be profitable.

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