

High Yield

31 December 2020

Strategy description

A corporate bond strategy primarily invested in U.S.-domiciled companies and is focused on income and capital appreciation derived primarily from security selection.

Portfolio managers

Mark Denking, CFA
30 years' experience

Darrin Smith, CFA
29 years' experience

Joshua Rank, CFA
20 years' experience

Index

Bloomberg Barclays U.S. High Yield 2% Issuer Constrained 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 (%)

	3M	1YR	3YR	5YR	10YR
High Yield (gross)	6.04	6.91	5.70	8.13	7.17
Bloomberg Barclays U.S. High Yield 2% Issuer Constrained Index [^]	6.44	7.05	6.21	8.56	6.78
Excess gross return	-0.40	-0.13	-0.50	-0.43	0.39
High Yield (net)	5.94	6.48	5.28	7.70	6.70

12-month rolling return (%)

	Jan 16 - Dec 16	Jan 17 - Dec 17	Jan 18 - Dec 18	Jan 19 - Dec 19	Jan 20 - Dec 20
High Yield (gross)	15.29	8.61	-3.60	14.62	6.91
High Yield (net)	14.80	8.17	-4.00	14.15	6.48
Bloomberg Barclays U.S. High Yield 2% Issuer Constrained Index [^]	17.13	7.50	-2.08	14.32	7.05

As of December 2020.

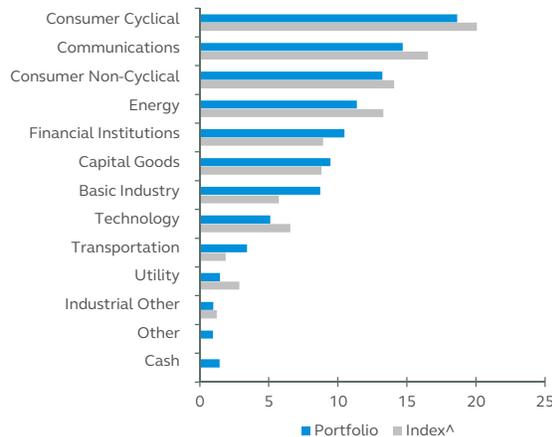
Source: Principal Global Investors.

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.

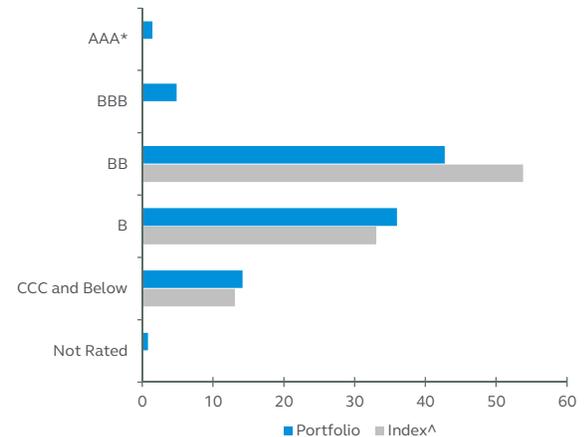
Sector distribution[†]

Market value (%)



Quality distribution[†]

Market value (%)



*Includes cash

Quality distribution shown is based on ratings from S&P, Moody's, and Fitch. The Not Rated category consists of rateable securities that have not been rated by a nationally recognized statistical rating organization.

Portfolio characteristics[†]

	Portfolio	Index [^]
Option adjusted yield to worst	4.3%	4.1%
Option adjusted duration (years)	3.3	3.7
Average credit quality [*]	B+	B+
Average coupon	5.9%	6.0%
Average life	3.9	4.2

^{*} Average credit quality shown is not based on ratings of one rating agency. More information regarding the averaging methodology and quality distribution is available upon request.

Top 10 holdings (%)[†]

Company	Portfolio
Principal Government Money Market Fund	2.6
Voya Financial Inc	1.4
Hca Inc	0.9
Csc Holdings Llc	0.8
Commscope Inc	0.8
Southwestern Energy Co	0.8
Centene Corp	0.8
Upc Holding Bv	0.8
Post Holdings Inc	0.7
Dell International Llc / Emc Corp	0.7
Total	10.3

Securities listed are based on the issue, not the issuer.

[^]Source: Bloomberg

[†]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.

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.

Bloomberg Barclays U.S. High Yield 2% Issuer Constrained Index is a component of the U.S. Corporate High Yield Bond Index with a maximum exposure of 2% per issuer. The index includes all fixed income securities having a maximum quality rating of Ba1, a minimum amount outstanding of \$150 million, and at least 1 year to maturity. The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Constrained Index covers fixed rate, non-investment grade securities rated BB+ through C by S&P. No single issuer can comprise more than 2% of the Index. Information regarding the comparison to the Bloomberg Barclays High Yield 2% Issuer Constrained Index is available upon request.

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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