Principal[SM]

Alternative Credit Direct Lending

Delivering value through middle market direct lending

Principal Alternative Credit, the direct lending investment team within Principal Global Investors, expands on the 50+ year private credit lending heritage of Principal[1]. The team focuses on relationship lending by providing flexible financing solutions to both sponsor-backed and non-sponsored middle market companies throughout North America.

Why invest with Principal Alternative Credit

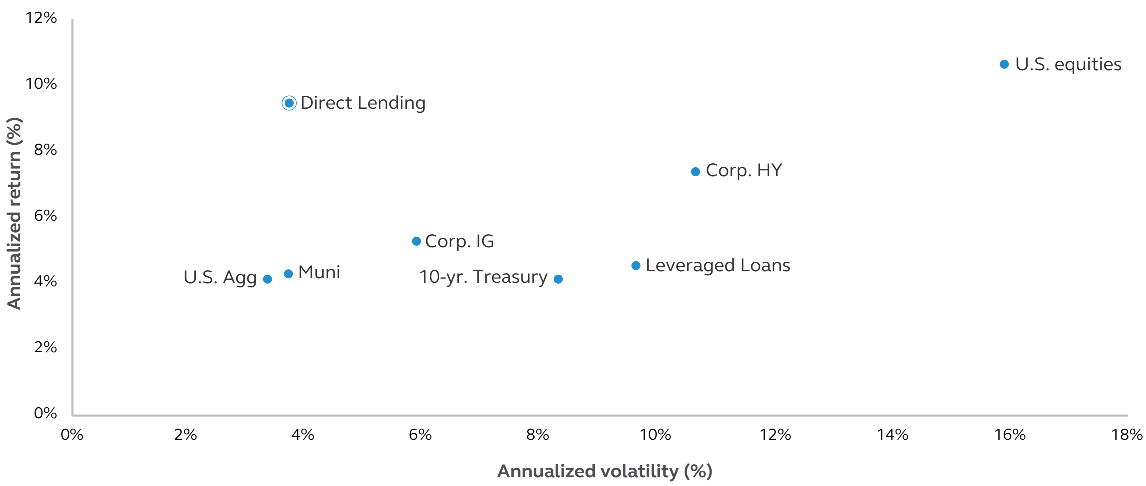
- **Alignment of interest** – Principal invests alongside our investors in every deal and co-investment in funds
- **Diverse origination capabilities** – dedicated regional coverage of more than 300 select sponsors plus non-sponsored loan origination direct with borrowers, through advisors and the Principal client network
- **Intentional portfolio construction** – originate loans in targeted industries and avoid those prone to higher defaults
- **Targeting lower and core middle market** – borrower size of $5-$50 million EBITDA can potentially provide higher expected return and better structure than the upper middle market
- **ESG integration** – engage borrowers to assess risks and opportunities, assigning an ESG score for every loan

Seasoned professionals with varied backgrounds and perspectives

- Dedicated direct lending team with an average of over 15 years of credit investing experience
- Credit expertise across multiple cycles with workout and restructuring experience throughout the team
- Originator and at least two underwriters dedicated to each deal, providing different perspectives to avoid unintended bias
- Draw from expert networks and proprietary public credit and commercial real estate research platforms

The direct lending market has historically delivered stronger risk-adjusted returns with lower volatility

Historical index risk/return since 2004*



Correlation
Direct lending vs.

Corp. IG	0.21
Muni	0.12
U.S. Agg	-0.29
10-year Treasury	-0.60

As of June 30, 2021. [1]Experience includes investment management activities of predecessor firms beginning with the investment department of Principal Life Insurance Company. *Since inception of Cliffwater Direct Lending index on September 30, 2004. Sources: Bloomberg, Cliffwater Direct Lending Index, S&P 500 S&P/LSTA Leverage Loan Index, Bloomberg U.S. Aggregate Bond Index, Bloomberg U.S. Municipal Index, Bloomberg U.S. Corporate Bond Index, Bloomberg U.S. Corporate High Yield Index, Private Equity Total Return Index USD. Risk measured as standard deviation of quarterly returns.

Philosophy and approach

We actively and intentionally manage risk of each loan and exposure across the portfolio. We prioritize appealing credit risk and structure rather than chase yield. Our team, process, and resources allow us to focus on less competitive aspects of the market, including lower middle market and non-sponsored opportunities. Our flexible solutions offered to borrowers and sponsors provide us a competitive advantage to originate loans that other lenders cannot address. Importantly, we underwrite to worst case scenario standards, based on historic cycles and potential negative future outcomes.

We customize each portfolio to align with our client's investment goals and objectives.

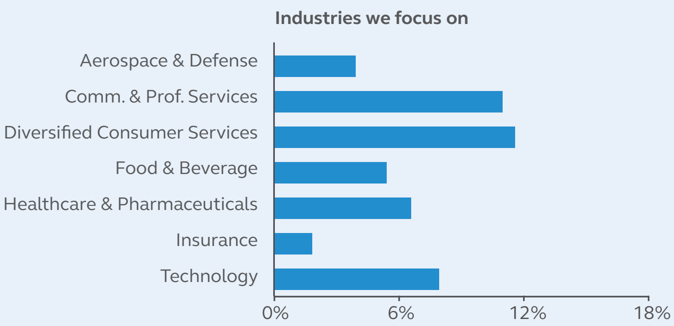
Our objective is to realize higher returns, with better credit risk and structure, than what is generally available in the middle market through:

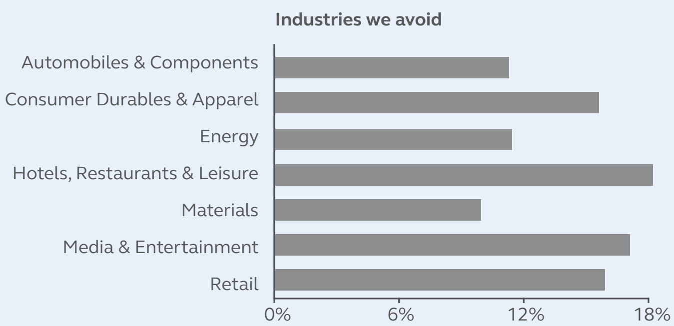
- A transparent process with independent credit ratings, quantitative model ratings (Moody's RiskCalc and Principal Credit IQ), and scores that summarize loan performance and ESG assessment
- Diversification across industry, credit, quality, structure and other risk exposures
- Deals with lower leverage, better covenant protection, and more favorable pricing than is standard in the middle market – leverage of our closed loans in Q3 2021 was 4.0x debt to EBITDA compared to 4.4x market average*
- Desired exposure to specific industries with emphasis on non-cyclical, resilient industries
- Proactive ESG analysis, highlighting potential opportunities and screening out others

* Source: Refinitiv LPC.

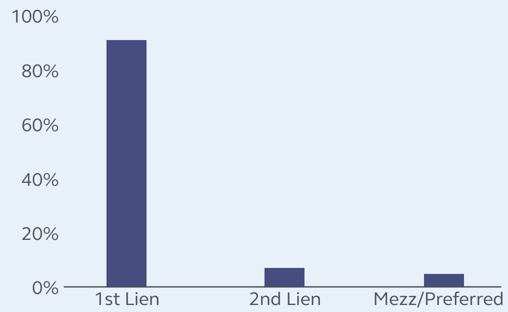
Portfolio construction objectives that seek to reduce expected defaults and enhance returns

Historic market 5-year cumulative default rates[1]

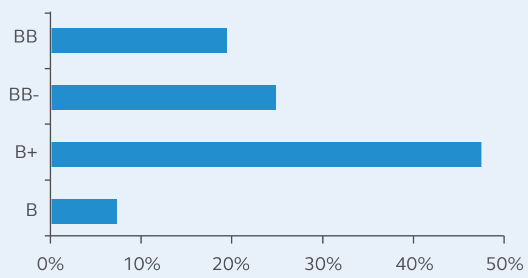




Target capital structure exposure



Target credit ratings



[1]As of December 31, 2020.

For illustrative/example purposes only. Target industry portfolio shows the 5-year cumulative default rate of industry as defined by Moody's. Target portfolio represents an estimate given our current business plans, expectations, and market conditions. Portfolio ratings based on Principal Global Investor's proprietary credit rating system. The rating designations BB through B are not those of any independent rating service but are meant to describe Principal Global Investors' assessment that the portfolio, if it was rated by Standard and Poor's, would have this ratings mix. Expectations regarding the default level and potential return enhancements may not be achieved.

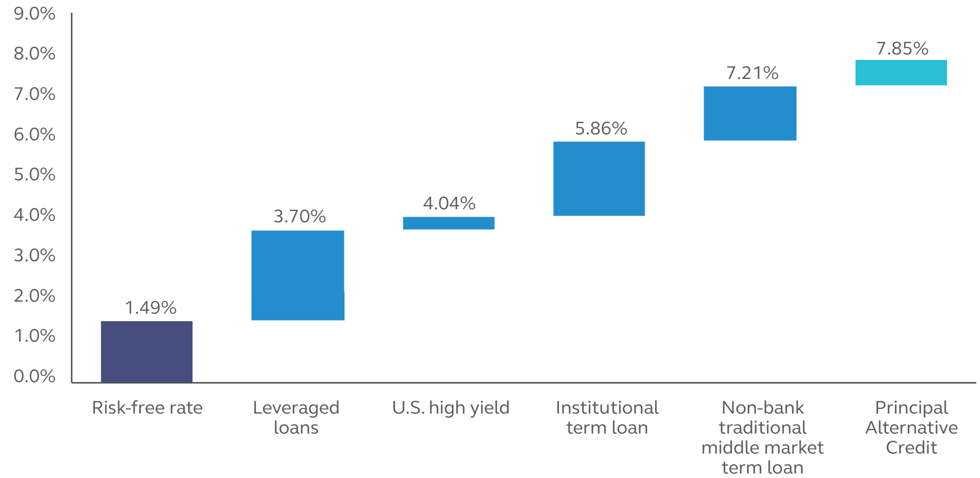
Principal Alternative Credit loan portfolio profile

First lien emphasis, lower leverage, and meaningful covenants can support capital preservation

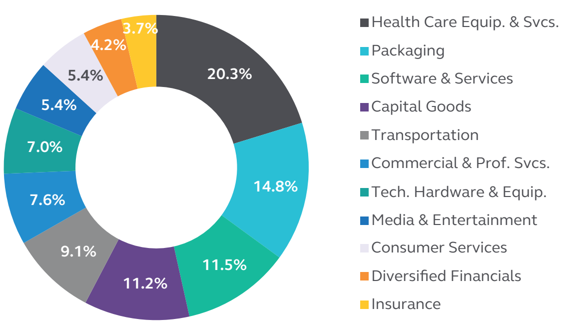
Characteristics

Average EBITDA	$27.8 m
Weighted average expected yield to maturity[1]	7.85%
Weighted average LIBOR spread	L + 608
Weighted average loan-to-value %	42.2%
Weighted average senior debt to EBITDA	4.0x
First lien exposure	100%
Maintenance covenants	100%

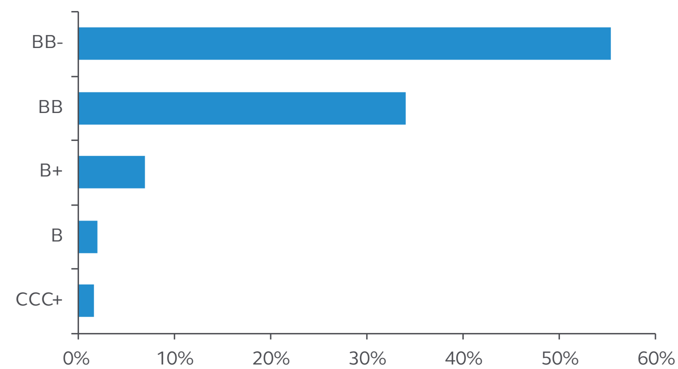
Yield premiums[2]



Portfolio structure



Portfolio ratings mix[3]



As of September 30, 2021. Source: Principal Global Investors. [1]Yield to maturity at time of close. [2]Labels are representative of the following: Risk free rate – 10-year U.S. Treasury; Leveraged loans – S&P/LSTA U.S. Leveraged Loan 100 BB/B Index weighted average yield; U.S. high yield – Bloomberg U.S. High Yield Index yield-to-worst; Institutional term loan – Middle market institutional term loan (rated, syndicated term loan B; Non-bank traditional middle market term loan – Non-bank traditional middle market term loan (issuers with a loan deal size of 0-$100M); Principal Alternative Credit – Principal Alternative Credit weighted average book yield. [3]Portfolio ratings based on Principal Global Investor's proprietary credit rating system. The rating designations BB through B are not those of any independent rating service but are meant to describe Principal Global Investors' assessment that the portfolio, if it was rated by Standard and Poor's, would have this ratings mix. Past performance is not an indicator of future performance and should not be relied upon when making an investment decision.

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