

Principal®

*Global Fixed  
Income***Strategy at a Glance**

Focused on meeting customized client objectives by investing in long duration bonds, with an emphasis in corporate credit

**Experience**

- Co-portfolio managers, Tim Warrick, Bill Armstrong, and Tina Paris, average over 20 years of experience
- Principal Global Fixed Income has been managing long duration bonds since 2004

**Strategy Distinctions**

- Objective-based strategy focused on matching liabilities
- Emphasis on corporate credit
- Customizable range of solutions to match complexity of liabilities

**Typical Investment Universe**

- Government securities (Treasuries and agencies)
- Investment grade corporate
- High yield
- Securitized assets
- Emerging market debt

# PRINCIPAL GLOBAL FIXED INCOME

## Liability Driven/Long Duration Investing (LDI)

**Why LDI with Principal Global Fixed Income?**

Principal Global Fixed Income is a specialized investment management group with expertise across all major fixed income sectors and security types, but with signature capability in managing credit strategies.

- **Access to long duration bonds:** with growing demand for longer-duration assets and limited supply, Principal Global Fixed Income is just the right size, meaning we are big enough to get a significant allocation of new bond deals but not so big that allocations are too small when divided among our clients.
- **Corporate credit emphasis to better match liability discount rate:** compared to traditional core multi-sector mandates, long duration portfolios have a greater allocation to corporate credit. Our expertise extends beyond traditional asset allocation, exploiting our strength as a global credit specialist. Principal Global Fixed Income has been conducting independent credit research since 1965\*, generating independent credit ratings for every portfolio holding and covering approximately 1500 global issuers.
- **Security selection and asset allocation drive alpha and help meet target yield:** our multi-dimensional approach to LDI moves beyond duration management to integrate dynamic asset allocation with active credit management, guiding strategic and tactical portfolio adjustments both now and into the future.
- **Customized client solutions, tailored to client objectives:** no matter the complexity of the liabilities an investor is looking to immunize, Principal Global Fixed Income has the demonstrated ability to create customized solutions with liability-matched benchmarks.

**A Range of Customized Solutions**

Principal Global Fixed Income, in partnership with Principal Financial Group®, offers three flexible solutions to meet clients' liability driven/long duration investing needs.

- **Traditional Long Duration:** designed for clients looking to make a dedicated allocation to long duration fixed income. This strategy permits customization, defining the duration and credit risk profile, and can exist alongside other current fixed income strategies.
- **Core/Satellite:** designed for clients searching for higher yields over a standard LDI portfolio. Used to supplement a core portfolio and provide an additional source of alpha.
- **Glidepath:** designed for clients searching for a comprehensive LDI strategy. This strategy gradually matches the clients' assets with liabilities and is designed to work with Dynamic Asset Allocation (DAA).

## Portfolio Managers

Timothy R. Warrick, CFA  
24 years' investment experience  
MBA, Drake University

William C. Armstrong, CFA  
29 years' investment experience  
MBA, University of Iowa

Tina Paris, CFA  
13 years' investment experience  
MBA, University of Iowa

Liability driven/long duration portfolios are managed using a team-based approach, with portfolio managers **Tim Warrick**, **Bill Armstrong**, and **Tina Paris** jointly responsible and accountable for reflecting client objectives and risk tolerances in the portfolio. The portfolio managers have ultimate decision-making authority as well as direct accountability to clients, but leverage the expertise of our Investment Strategy Group (responsible for developing our macro and risk perspective and overall risk-taking framework), sector portfolio managers, and research analysts—a total of more than 60 fixed income professionals.

The sector portfolio managers are responsible for making individual security decisions within a sector and rely on our desk analysts to make issue and issuer recommendations and traders to help assess market technicals of securities. The Principal Global Fixed Income team conducts independent research on approximately 800 investment grade, 350 high yield, 300 emerging market, and 200 private placement bond issuers, and has access to proprietary modeling for approximately 600 CMBS deals. Our global research effort spans sovereign and corporate debt markets in more than 50 countries worldwide.

## How we Invest

Rigorous fundamental research, a global perspective, and disciplined risk management are the foundation for constructing portfolios to potentially benefit from multiple sources generating excess returns.



- Macro & Risk Perspective:** This top-down macro analysis focuses on macro risk drivers and technical aspects of the market that may drive volatility and valuations. It provides a framework for evaluating all fixed income opportunities and also establishes a Dynamic Risk Score (our assessment of prospective risk pricing, which ranges from 1 to 10) that translates into risk limits at the portfolio, sector, and security levels.
- Sector Allocation:** Portfolio managers are responsible for sector allocation decisions, which they base on our macro and risk analysis and the recommendations they receive from our sector teams. Each sector team is responsible for formalizing fundamental, technical, and valuation (FTV) factors that rank the attractiveness of their sector relative to other fixed income sectors.
- Security Selection:** Our security selection process integrates both qualitative and quantitative fundamental analysis. The analysis focuses on extensive financial analysis, both historical and projected, to assess financial strength and liquidity. The analysis is based on our FTV scoring model, which assigns scores to companies' or issuers' fundamental, technical, and valuation factors. This assessment allows us to rank issuers according to their attractiveness.
- Portfolio Construction & Monitoring:** The portfolio managers use their qualitative judgment to convert the FTV analysis into sector allocations and security weightings that they believe and will outperform their respective sectors and their component of the overall benchmark. Portfolios are analyzed on a daily basis and formal performance attribution analysis is conducted to help ensure security-specific performance contribution is as expected.

\* Experience includes investment management activities of predecessor firms beginning in the investment department of Principal Life Insurance Company. The information in this document is sourced from Principal Global Investors or its affiliates (unless otherwise indicated) and is accurate as of February 2015. Information derived from sources other than Principal Global Investors or its affiliates is believed to be reliable; however we do not independently verify or guarantee its accuracy or validity.

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Principal Global Fixed Income is a specialized investment management group within Principal Global Investors.

Pensions & Investments, "the Best Places to Work in Money Management among companies in our size category", 12/09/2013.

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