

## STRATEGY DESCRIPTION

We are bottom-up, earnings-focused investors who embrace the principles of behavioral finance.

Recognizing that investors are change averse and risk averse, we capitalize on persistent biases, anomalies and inefficiencies through:

- Focused Stock Selection – understanding the distinction between good companies and good investments
- Strategic Portfolio Construction – seeking to isolate stock selection as key driver of our results over time

Our Hong Kong & China Equity strategy primarily invests in Hong Kong and Hong Kong-listed Chinese companies that exhibit positive fundamental change, exploitable expectation gaps, and attractive relative valuation.

## PORTFOLIO MANAGERS

Alan Wang  
17 years' experience

Mihail Dobrinov, CFA  
21 years' experience

## BENCHMARK

92% BMI HK & China + 8% HSBC (MPF Approved)



## COMPOSITE PERFORMANCE (%)

	3M	1YR	3YR	5YR	10YR
Hong Kong & China Equity (Gross)	-6.23	2.05	0.74	7.84	6.51
92% BMI HK & China + 8% HSBC (MPF Approved)	-4.97	1.47	0.21	6.54	4.63
Excess Gross Return	-1.26	0.59	0.53	1.30	1.88
Hong Kong & China Equity (Net)	-6.33	1.62	0.27	7.31	5.89
Standard Deviation - Composite		17.04	17.65	17.07	23.93
Tracking Error		1.90	2.46	2.29	2.46
Information Ratio		0.31	0.22	0.57	0.76

Periods over one year are annualized. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. See back for additional disclosure information.

PORTFOLIO CHARACTERISTICS<sup>†</sup>

	Portfolio	Benchmark
Earnings Growth <sup>1</sup>	2.4%	2.4%
Earnings Revision <sup>2</sup>	33.6%	12.1%
Price/Earnings	13.9x	14.8x
Active Share Ratio <sup>3</sup>	47.0%	0.0%
# of Holdings	66	924
Market Cap. Weighted Median	\$35.1bil	\$26.1bil

<sup>1</sup> Average of trailing one year and forward one year earnings per share (EPS) growth.

<sup>2</sup> Percentage of companies with positive EPS revisions less percentage with negative EPS revisions.

<sup>3</sup> Active Share Ratio is a measure of the proportion of stock weights in a manager's portfolio that differ from the benchmark index.

TOP 10 OVERWEIGHTS (%)<sup>†</sup>

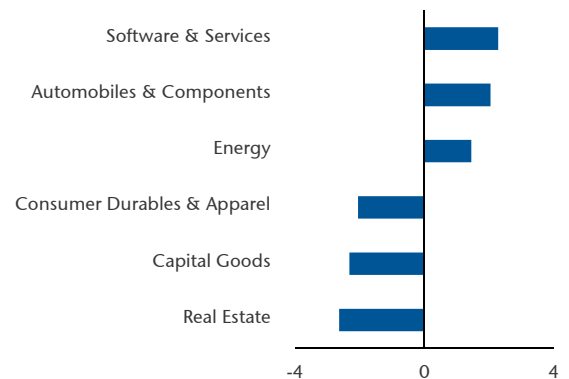
	Portfolio	Active*
BOC Hong Kong (Holdings) Limited	3.6	2.4
Tencent Holdings Ltd.	7.5	1.6
Haitong International Securities Group Limited	1.7	1.6
Orient Overseas (International) Limited	1.6	1.6
Far East Horizon Limited	1.6	1.5
IGG, Inc.	1.5	1.5
Nexteer Automotive Group Limited	1.6	1.5
WH Group Ltd. (HK)	1.7	1.5
Galaxy Entertainment Group Limited	2.5	1.5
Chongqing Rural Commercial Bank Co. Ltd. Class H	1.4	1.4

\*Portfolio security weight minus the benchmark security weight.

SECTOR DISTRIBUTION (%)<sup>†</sup>

	Portfolio	Benchmark	Active*
Information Technology	11.6	9.1	2.5
Energy	4.7	3.3	1.5
Telecommunication Services	5.3	4.0	1.3
Consumer Staples	3.3	2.4	0.9
Utilities	6.8	6.5	0.3
Materials	1.9	1.8	0.1
Health Care	1.9	2.1	-0.2
Financials	34.4	35.2	-0.9
Consumer Discretionary	9.0	10.0	-1.0
Real Estate	11.6	14.2	-2.6
Industrials	8.5	11.5	-3.0
Cash	1.1	0.0	1.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>

\*Portfolio security weight minus the benchmark security weight.

INDUSTRY GROUP ACTIVE WEIGHT (%)<sup>†</sup>

<sup>†</sup>Source: Factset. Characteristics shown are of the representative portfolio.

Due to rounding, figures and percentages shown may not add to the total or equal 100%.

## ABOUT PRINCIPAL GLOBAL EQUITIES

Principal Global Equities is a specialized investment management group within Principal Global Investors. We are fundamental investors, focused on bottom up stock selection, providing client-focused investment solutions spanning equity markets worldwide. We are distinguished by a globally integrated culture that embraces collaboration, the unified adherence to a distinctive bottom-up stock selection investment philosophy and process, and the ways we leverage technology to consistently and effectively manage portfolios and client relationships.

## INVESTMENT PHILOSOPHY

### Focused Stock Selection

- We utilize a proprietary quantitative ranking tool to generate ideas and clearly prioritize the most promising subset of candidates
- Our analysts conduct original fundamental company due diligence, focusing on key earnings-based fundamental characteristics and challenging both sell-side and company management teams in order to understand a company's key earnings drivers

### Strategic Portfolio Construction

- We build high alpha portfolios that clearly reflect our stock selection philosophy and focus on fundamental change
- Our portfolio managers align analyst recommendations with specific portfolio objectives ensuring that all risk exposures are intended

## INVESTMENT PROCESS

We leverage the best analytical tools and technology platforms in the industry to complement our investment professionals' original fundamental research, analysis, and insights in order to make well-informed, high-conviction stock selection and portfolio construction decisions.

All of our resources and efforts are focused on bottom-up stock selection, with the connections across our globally integrated team enhancing our macro awareness and responsiveness to global earnings trends.

## DISCLOSURES

Unless otherwise noted, the information in this document has been derived from sources believed to be accurate as of December 2016. 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. Past performance is not necessarily indicative of a guarantee of future performance and should not be relied upon to make an investment decision.

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### Composite Performance

Composite Performance results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite returns are calculated by asset weighting the individual portfolio returns using beginning-of-period values, or a method that reflects both beginning-of-period values and external cash flows. Returns from cash and cash equivalents are included in total return calculations. Gross performance results reflect total time weighted rates of returns, including income and market value changes, are shown net of commissions and other transaction costs incurred in the management of the accounts and include the reinvestment of net realized gains and income. 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.

### Benchmark

The 92% BMI HK & China + 8% HSBC (MPF Approved) Index is a custom index with a weighting scheme of 46% S&P Hong Kong-Listed China BMI + 46% S&P China BMI, with the remaining 8% being assigned to HSBC common stock. The S&P China BMI is a comprehensive benchmark that defines and measures the investable universe of publicly traded companies that are domiciled in China but legally available to foreign investors. The S&P Hong Kong-Listed China BMI is designed as a tool for Chinese institutional investors to gain exposure to all Mainland China securities listed in Hong Kong, including H-Shares and Red Chips. This index makes it possible for domestic Chinese investors to gain access to the China market. Beginning in July 2009, all securities that do not have a primary listing on the local exchange, but trade as an ADR, have been excluded from this new customized index to comply with MPF approved regulations. For periods prior to July 2009, these securities were not excluded. In reports issued prior to December 1, 2008, the BMI Hong Kong Index was used for comparison purposes. The benchmark was changed to be more representative of the composite strategy. Information regarding the comparison to the benchmarks is available upon request.

### Representative Portfolio

Each portfolio included in the Hong Kong & China Equity 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 particular security and there is no assurance an investment in these securities will be profitable.

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