

31 DECEMBER 2016

## 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 Global Equity strategy primarily invests in companies domiciled in developed markets around the world that exhibit positive fundamental change, exploitable expectation gaps, and attractive relative valuation.

## PORTFOLIO MANAGERS

Mustafa Sagun, Ph.D., CFA  
25 years' experience

Christopher Ibach, CFA  
22 years' experience

Xiaoxi Li, CFA, FRM  
17 years' experience

Scott P. Leiberton, CFA  
27 years' experience

## BENCHMARK

MSCI World NTR Index



## COMPOSITE PERFORMANCE (%)

	3M	1YR	3YR	5YR	10YR
Global Equity (Gross)	1.58	3.11	2.09	10.52	3.62
MSCI World NTR Index <sup>^</sup>	1.86	7.51	3.80	10.40	3.82
Excess Gross Return	-0.27	-4.40	-1.70	0.12	-0.20
Global Equity (Net)	1.47	2.71	1.74	10.14	3.25
Standard Deviation - Composite		10.12	10.20	10.89	16.69
Tracking Error		1.38	1.76	1.85	2.21
Information Ratio		-3.20	-0.97	0.07	-0.09

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 <sup>^</sup>
Earnings Growth <sup>1</sup>	12.1%	8.1%
Earnings Revision <sup>2</sup>	43.2%	12.7%
Price/Earnings	15.3x	18.2x
Active Share Ratio <sup>3</sup>	70.3%	0.0%
# of Holdings	175	1,654
Market Cap. Weighted Median	\$36.1bil	\$51.2bil

<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*
JPMorgan Chase & Co.	1.8	0.9
SunTrust Banks, Inc.	1.0	0.9
Anthem, Inc.	0.9	0.8
Digital Realty Trust, Inc.	0.8	0.8
Fifth Third Bancorp	0.8	0.8
Bank of America Corporation	1.4	0.7
Wal-Mart Stores, Inc.	1.1	0.7
CVS Health Corporation	1.0	0.7
Microsoft Corporation	2.1	0.7
Fuji Heavy Industries Ltd.	0.8	0.7

\*Portfolio security weight minus the benchmark security weight.

SECTOR DISTRIBUTION (%)<sup>†</sup>

	Portfolio	Benchmark <sup>^</sup>	Active*
Industrials	14.6	11.2	3.4
Financials	20.9	18.0	2.9
Energy	7.6	7.3	0.3
Real Estate	3.1	3.2	-0.1
Information Technology	14.4	14.6	-0.2
Materials	4.7	5.0	-0.3
Telecommunication Services	2.9	3.4	-0.4
Health Care	11.3	12.0	-0.7
Utilities	1.7	3.2	-1.5
Consumer Discretionary	10.4	12.3	-1.9
Consumer Staples	6.4	9.7	-3.4
Cash	2.0	0.0	2.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>

\*Portfolio security weight minus the benchmark security weight.

GEOGRAPHIC DISTRIBUTION (%)<sup>†</sup>

	Portfolio	Benchmark <sup>^</sup>	Active*
Developed	98.0	100.0	-2.0
Americas	66.1	63.7	2.4
Canada	4.9	3.6	1.2
United States	61.2	60.1	1.1
Asia Pacific	11.4	13.1	-1.7
Japan	8.6	8.7	-0.1
Asia Pacific Ex Japan	2.8	4.4	-1.6
Europe	20.4	23.1	-2.7
United Kingdom	6.6	6.6	0.0
Europe Ex Uk	13.8	16.5	-2.7
Cash	2.0	0.0	2.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>

\*Portfolio security weight minus the benchmark security weight.

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

<sup>^</sup>Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI. 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

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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 MSCI World NTR Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. This index consists of developed market country indices. For reports issued from Feb 29, 2008 to December 12, 2013, the MSCI World GTR Index was used for comparison purposes. The benchmark was changed to align with the decision to report composite results net of withholding taxes. Information regarding the comparison to both versions of the MSCI World Index is available upon request.

### Representative Portfolio

Each portfolio included in the Global 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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