

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 by identifying companies exhibiting:

- Fundamental Change – placing particular emphasis on sustainable earnings trends
- Expectation Gaps – opportunities offering the greatest potential for positive earnings surprise
- Relative Valuation – focusing on companies offering a valuation discount with re-rating potential

The strategy aims to provide long-term capital growth by investing primarily in the shares of mid-cap companies domiciled in the US with sustainable dividend yields.

PORTFOLIO MANAGERS

Phil Nordhus, CFA
28 years' experience

Donghui (David) Han, CFA
17 years' experience

BENCHMARK

Russell Mid-Cap Value Index



COMPOSITE PERFORMANCE (%)

	3M	1YR	3YR	5YR	10YR
U.S. Mid-Cap Value Equity (Gross)	-18.22	-19.75	0.83	2.35	11.64
Russell Mid-Cap Value Index [^]	-14.95	-12.29	6.05	5.44	13.02
Excess Gross Return	-3.26	-7.46	-5.22	-3.09	-1.38
U.S. Mid-Cap Value Equity (Net)	-18.32	-20.13	0.35	1.86	11.09
Standard Deviation - Composite		15.12	12.05	11.24	15.02
Tracking Error		2.67	3.21	3.15	3.28
Information Ratio		-2.80	-1.63	-0.98	-0.42

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[†]

	Portfolio	Benchmark [^]
Earnings Growth ¹	18.5%	12.1%
Earnings Revision ²	27.9%	11.9%
Price/Earnings	13.1x	15.5x
Active Share Ratio ³	85.3%	0.0%
# of Holdings	81	592
Market Cap. Weighted Median	\$10.3bil	\$11.5bil
Dividend Yield (Weighted Average)	2.3%	2.7%

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

² Percentage of companies with positive EPS revisions less percentage with negative EPS revisions.

³ 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 (%)[†]

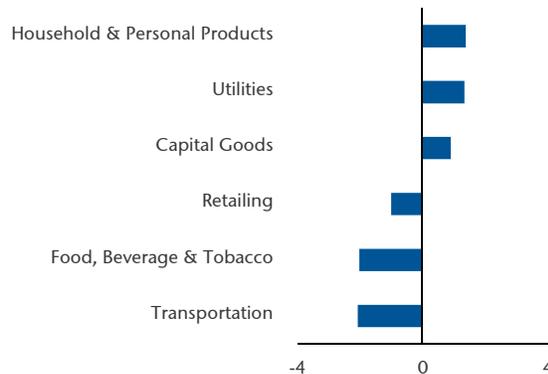
	Portfolio	Active*
Entergy Corporation	3.4	3.0
Atmos Energy Corporation	3.1	2.8
FirstEnergy Corporation	3.2	2.7
Prologis Incorporated	2.7	2.7
Equity LifeStyle Properties, Inc.	2.4	2.4
Ameren Corporation	2.6	2.2
Centene Corporation	2.1	2.0
Synopsys, Inc.	2.2	1.9
Hanover Insurance Group, Inc.	1.9	1.8
Park Hotels & Resorts, Inc.	1.9	1.8

*Portfolio security weight minus the benchmark security weight.

SECTOR DISTRIBUTION (%)[†]

	Portfolio	Benchmark [^]	Active*
Utilities	13.3	12.0	1.3
Energy	6.3	5.7	0.6
Financials	17.9	17.5	0.4
Health Care	7.0	6.8	0.2
Consumer Discretionary	8.9	8.8	0.1
Real Estate	14.3	14.2	0.1
Industrials	11.7	11.9	-0.3
Information Technology	8.0	8.4	-0.4
Materials	5.4	6.2	-0.8
Communication Services	2.0	3.3	-1.3
Consumer Staples	3.7	5.2	-1.5
Cash	1.5	0.0	1.5
Total	100.0	100.0	-

*Portfolio security weight minus the benchmark security weight.

INDUSTRY GROUP ACTIVE WEIGHT (%)[†]

[†]Source: Factset. Characteristics shown are of the representative portfolio.

[^]Source: Russell Investment Group is the source and owner of the trademarks, service marks & copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

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. The investment team is powered by an intensive research effort encompassing focused fundamental analysis, a deep understanding of the principles of behavioral finance and specialized expertise in equity factor risk premiums. Our objective is to deliver competitive risk-adjusted returns across a diverse range of investment solutions to help clients meet their investment goals.

INVESTMENT PHILOSOPHY

We believe that bottom-up stock selection is the most reliable and repeatable source of long-term, consistent performance. We believe persistent behavioral biases and structural inefficiencies create robust alpha opportunities over time. We seek to exploit these anomalies and inefficiencies through a focused fundamental research process, emphasizing the early identification of fundamental change, relative to expectations at attractive valuations.

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 consensus expectations 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 powerful analytical tools and technology platforms 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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All figures shown in this document are in U.S. dollars unless otherwise noted. The index benchmarks are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the portfolios included in the composites. The two methods of calculating performance of the composite and the index may not be identical and it is not possible to invest in an index. Indices are unmanaged and do not take into account fees, expenses and transaction costs and are not available for direct investment.

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 Russell Midcap Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. The index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap value market. In reports issued prior to January 1, 2001, the S&P 400 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 U.S. Mid-Cap Value 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. Representative portfolios utilized to illustrate portfolio characteristics are selected on non-performance-based criteria including account restrictions, size that is representative of strategy, length of time under advisor's management and affiliation.

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