

**Principal Asset Management Company (Asia) Limited**  
**Form ADV Part 2A**

**Unit 1001-1002 Central Plaza**

**18 Harbour Road**

**Wanchai, Hong Kong**

**[www.principalglobal.com](http://www.principalglobal.com)**

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This brochure provides information about the qualifications and business practices of Principal Asset Management Company (Asia) Limited ("PAM"). If you have any questions about the contents of this brochure, please contact us at 800- 533-1390. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about PAM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

PAM is an SEC registered investment adviser. This registration does not imply any certain level of skill or training.

## **Item 2 – Material Changes Summary**

As of January 1<sup>st</sup>, 2023 Principal Global Investors (Hong Kong) and Principal Asset Management (Asia) Limited have merged into one combined entity. Changes were made throughout all sections of the document to reflect the new combined business. Additionally, the Principal Place of business was updated to reflect the new headquarters of 18 Harbour Road Wanchai, Hong Kong.

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## **Item 4 – Advisory Business**

### **Introduction**

Principal Asset Management Company (Asia) Limited (“PAM”) was licensed by the Hong Kong Securities and Futures Commission to perform advising on securities, and asset management regulated activities in November 2004. PAM utilizes a specialized investment team strategy which enables PAM to provide an expanded range of diverse investment capabilities through a network of specialized investment groups and affiliates. Its capabilities encompass an extensive range of equity, fixed income, alternative investments, and asset allocation services. PAM is an indirect wholly owned subsidiary of Principal Financial Group, Inc. (NASDAQ: PFG).

### **PAM’s Services**

PAM, a Registered Investment Adviser, provides investment advisory services to institutional investors on a discretionary or non-discretionary basis, as well as offering a range of funds that include equity, fixed income, mixed assets, and money market vehicles to pension and retail investors. The funds are distributed, via distributors, through major financial institutions, including retail and private banks, and insurance companies. PAM also provides investment advisory services to institutional investors on a discretionary or non-discretionary basis. PAM has divided its investment management operations into several distinct investment teams including equity, fixed income, and asset allocation. PAM may hire other investment advisers to provide discretionary investment advisory services in a sub-advisory capacity. These sub-advisors may be affiliated or non-affiliated.

PAM generally provides continuous investment advice based on the defined investment strategies, objectives, and policies of its clients. This arrangement is documented through an investment management agreement or unilateral or bi-lateral trust deed, which incorporates investment management restrictions and guidelines developed in consultation with each client, as well as any additional services required by the client. These restrictions and guidelines customarily impose limitations on the types of securities that may be purchased and the percentage of account assets that may be invested in certain types of securities. Clients may also choose to restrict investment in specific securities or groups of securities for social, environmental, or other reasons. PAM may also provide certain non-discretionary services to clients, such as model portfolios.

The policies adopted by PAM may include utilizing affiliated registered investment advisers where appropriate to fulfil their obligations.

### **Assets Under Management**

PAM managed \$13,487,744,308 in discretionary assets as of December 31, 2022.

## **Item 5 – Fees and Compensation**

PAM’s fees generally depend on the services being provided. PAM offers its services for compensation based primarily on a percentage of assets under management or on a fixed fee basis. PAM may negotiate and charge different fees for different accounts. For example, PAM may consider a variety of factors when offering discounted fee schedules to certain



clients, including but not limited to the totality of the client's (and/or their affiliates) relationship with PAM or its affiliates, the number of accounts managed, the size or asset level of the account(s), the nature of services rendered, the country of domicile, and any special requirements of the account(s) managed. PAM may consider these and other factors when making such determinations.

PAM also differentiates fee schedules offered based on whether the investment is into a PAM managed fund vehicle, as is typical for retail and pension investors, and those offered as institutional mandates. These differences may be the result of costs associated with the administration of fund vehicles and/or structures that are associated with the retail and pension investor accounts or a variety of additional factors

For clients with whom PAM has agreed to give the lowest fee rate charged to any other similarly situated client, all these factors, including the totality of PAM's relationship with a client and/or its affiliates, may be taken into consideration in determining whether a client is similarly situated to another. PAM may also consider the impact such arrangements could have on agreements that have previously been entered into with other clients. When deciding whether to negotiate a particular fee, PAM may also consider its capacity to manage assets in a particular strategy. In addition, PAM may offer or make available to certain clients a specified asset level or capacity maximum that PAM will allow them to invest in each strategy. The amount of capacity offered may impact fee negotiations. The negotiation of fees may result in similarly situated clients paying different fees for comparable advisory services.

## **Fees for Institutional Client Accounts**

### **Equities Fee Schedules:**

PAM's standard annual fees for investment management services are based on the fair market value of assets under management as outlined in the table below. Published fee schedules are shown for separately contracted client portfolios which are individually managed (segregated and discretionary) and subject to the stated minimum account sizes. Fees and minimum investment amounts in all categories and ranges can be subject to negotiation as appropriate and be higher or lower than those described below.

<b>International Equity</b>	<b>Fee Schedule</b>
Diversified International Equity International Opportunities Equity International Responsibility Equity	0.60% on the first \$50 million 0.55% on the next \$50 million 0.50% thereafter Minimum Account Size: \$50 million
International Core Equity International Growth Equity	0.55% on the first \$50 million 0.50% on the next \$50 million 0.45% thereafter Minimum Account Size: \$25 million

Global Emerging Markets Equity Emerging Global Leaders Equity	0.75% on the first \$50 million 0.70% on the next \$50 million 0.60% thereafter Minimum Account Size: \$50 million
Asia Pacific ex Japan Equity Asia Ex Japan Equity	0.65% on the first \$50 million 0.60% on the next \$50 million 0.50% thereafter Minimum Account Size: \$25 million
European Equity European Responsible Equity	0.50% on the first \$50 million 0.40% on the next \$50 million 0.30% thereafter Minimum Account Size: \$25 million
International Small Cap Equity	0.85% on the first \$50 million 0.80% on the next \$50 million 0.70% thereafter Minimum Account Size: \$50 million
International SMID Equity	0.75% on the first \$50 million 0.70% on the next \$50 million 0.60% thereafter Minimum Account Size: \$50 million
Global Opportunities Equity Global Responsible Equity	0.55% on the first \$50 million 0.50% on the next \$50 million 0.45% thereafter Minimum Account Size: \$50 million
International Strategic Beta	0.175% on the first \$100 million 0.15% thereafter Minimum Account Size: \$50 million
<b>Principal Equities</b>	<b>Fee Schedule</b>
U.S. Small Cap Equity U.S. Small Cap Select Equity U.S. Small Cap Select Value Equity	0.60% on the first \$50 million 0.55% on the next \$50 million 0.45% thereafter Minimum Account Size: \$10 million
U.S. Strategic Beta	0.15% on the first \$100 million 0.125% thereafter Minimum Account Size: \$50 million
<b>Principal Aligned</b>	<b>Fee Schedule</b>
U.S. Blue Chip Equity U.S. Mid-Cap Equity	0.60% on the first \$50 million 0.55% on the next \$50 million 0.45% thereafter Minimum Account Size: \$25 million
Focused Equity	0.70% on the first \$50 million 0.65% on the next \$50 million 0.55% thereafter Minimum Account Size: \$25 million

<b>Principal Edge</b>	<b>Fee Schedule</b>
Capital Appreciation Equity Income	0.50% on the first \$50 million 0.45% on the next \$50 million 0.40% on the next \$100 million Negotiable on all thereafter Minimum Account Size: \$25 million
Concentrated Mid Cap	0.60% on the first \$50 million 0.55% on the next \$50 million 0.50% on the next \$100 million Negotiable on all thereafter Minimum Account Size: \$25 million
SMID Equity Income	0.70% on the first \$50 million 0.65% on the next \$50 million 0.60% on the next \$100 million Negotiable on all thereafter Minimum Account Size: \$25 million
<b>Principal Dynamic Growth</b>	<b>Fee Schedule</b>
Mid-Cap	0.75% on the first \$100 million 0.50% above \$100 million
SMID	0.85% on the first \$50 million 0.75% above \$50 million
Small-Cap	0.85% on the first \$50 million 0.75% above \$50 million

## Fixed Income Fee Schedules

PAM's standard annual fees for investment management services are based on the fair market value (unless book value is specified in the negotiated contract) of assets under management as outlined in the tables below. Published fee schedules are shown for unaffiliated client portfolios which are individually managed (segregated and discretionary) and subject to the stated minimum accounts sizes. Fees in all categories and ranges described below can be subject to negotiation as appropriate. Fees and minimum investment amounts in all categories and ranges can be subject to negotiation as appropriate and be higher or lower than those described below.

<b>Principal Fixed Income</b>	<b>Fee Schedule</b>
Aggregate Passive	0.08% on the first \$250 million 0.06% on the next \$250 million 0.04% on all thereafter Minimum Account Size: \$50 million
Global Multi-Sector	0.35% on the first \$50 million 0.30% on the next \$50 million 0.25% on the next \$50 million 0.20% thereafter Minimum Account Size: \$50 million

Core Plus Bond	0.30% on the first \$100 million 0.25% on the next \$100 million 0.20% thereafter Minimum Account Size: \$50 million
Core Fixed Income	0.25% on the first \$50 million 0.20% on the next \$50 million 0.15% thereafter Minimum Account Size: \$50 million
Corporate Plus Investment Grade Corporate Long Duration Investment Grade Corporate Long Duration Fixed Income Credit Emphasis	0.30% on the first \$50million 0.25% on the next \$50 million 0.20% thereafter Minimum Account Size: \$50 million
Emerging Market Broad	0.50% on the first \$100 million 0.45% on the next \$100 million 0.40% thereafter Minimum Account Size: \$50 million
Emerging Market Systematic - Defensive	0.26% on the first \$250 million 0.24% on the next \$250 million 0.22% thereafter Minimum Account Size: \$50 million
Investment Grade Opportunistic	0.35% on the first \$50 million 0.30% on the next \$50 million 0.25% thereafter Minimum Account Size: \$50 million
Global Investment Grade Corporate Systematic - Defensive	0.18% on the first \$250 million 0.16% on the next \$250 million 0.14% on all thereafter Minimum Account Size: \$50 million
Global Credit Opportunities	0.45% on the first \$50 million 0.40% on the next \$50 million 0.35% on all thereafter Minimum Account Size: \$50 million
Global Short Duration Credit Global Short Duration Fixed Income	0.35% on the first \$50 million 0.30% on the next \$50 million 0.25% thereafter Minimum Account Size: \$50 million
Government & High-Quality Fixed Income	0.25% on the first \$100 million 0.20% on the next \$100 million 0.15% on the next \$100 million Negotiable on all thereafter Minimum Account Size: \$50 million
Morley Stable Value Account Composite	0.15% on the first \$100 million 0.12% on the next \$100 million Minimum Account Size: \$50 million

Mortgage-Backed Securities	0.30% on the first \$50 million 0.25% on the next \$50 million 0.20% thereafter Minimum Account Size: \$50 million
Short Term Income	0.20% on the first \$150 million 0.15% on the next \$150 million 0.10% on the next \$150 million Negotiable on all thereafter Minimum Account Size: \$50 million
Ultra-Short High Quality	0.15% on the first \$100 million 0.13% on the next \$100 million 0.10% thereafter Minimum Account Size: \$50 million

High Yield	Fee Schedule
Bank Loans	0.50% on the first \$100 million 0.45% on the next \$150 million 0.40% thereafter Minimum Account Size: \$50 million
High Yield High Yield Quality Constrained High Yield Opportunistic	0.50% on the first \$50 million 0.45% on the next \$50 million 0.40% thereafter Minimum Account Size: \$50 million
Global High Yield Global High Yield Quality Constrained Unhedged	0.50% on the first \$50 million 0.45% on the next \$50 million 0.40% thereafter Minimum Account Size: \$50 million
Global High Yield Systematic - Defensive	0.24% on the first \$250 million 0.22% on the next \$250 million 0.20% on all thereafter Minimum Account Size: \$50 million
Short Duration High Yield	0.50% on the first \$50 million 0.45% on the next \$50 million 0.40% on all thereafter Minimum Account Size: \$50 million
Municipal	Fee Schedule
Opportunistic Municipal	0.30% on the first \$50 million 0.25% on the next \$50 million 0.20% thereafter Minimum Account Size: \$50 million
Municipal Impact	0.40% on the first \$50 million 0.35% on the next \$50 million 0.30% thereafter Minimum Account Size: \$50 million
Municipal California Fixed Income Municipal Fixed Income	0.25% on the first \$100 million 0.20% on the next \$100 million 0.15% thereafter Minimum Account Size: \$50 million

Taxable Municipal Fixed Income Limited Trading	0.22% on the first \$50 million 0.19% on the next \$100 million 0.16% thereafter Minimum Account Size: \$50 million
Taxable Municipal Long Fixed Income	0.30% on the first \$50 million 0.25% on the next \$100 million 0.20% thereafter Minimum Account Size: \$50 million

Asia Credit	Fee Schedule
Asia Credit Strategy	0.40% on the first \$100 million 0.35% on the next \$100 million 0.30% thereafter
Asia Investment Grade Credit	0.35% on the first \$100 million 0.30% on the next \$100 million 0.25% thereafter
Asia High Yield	0.55% on the first \$50 million 0.50% on the next \$50 million 0.45% thereafter

### Asset Allocation Fee Schedule

PAM's standard annual fees for investment management services are based on the value of assets under management as outlined in the table below. Published fee schedules are shown for unaffiliated client portfolios and subject to the stated minimum accounts sizes. Fees and minimum investment amounts in all categories and ranges can be subject to negotiation as appropriate and be higher or lower than those described below.

Asset Allocation Strategies	Fee Schedule
Dynamic Risk DR - Balanced Dynamic Risk DR – Conservative Balanced Dynamic Risk DR – Conservative Growth Dynamic Risk DR – Flexible Income Dynamic Risk DR – Strategic Growth	0.45% on the first \$50 million 0.42% on the next \$50 million 0.39% on the next \$50 million 0.34% thereafter Minimum Account Size: \$25 million

Clients may pay certain expenses such as custodian expenses and brokerage fees (along with other transaction costs) in addition to PAM's investment management fees. For additional information regarding brokerage fees and other transaction costs, see Item 12.

### Fee Schedules for Commingled Vehicles

Clients may invest in PAM managed funds / commingled vehicles. Information regarding advisory fees charged by Principal Asset Management and other expenses payable by investors are set forth in the offering documents for the applicable fund / commingled vehicle.

The fees for funds that are managed by PAM are called out more fully in the offering documents and may be negotiable based on the agreements between the investor and PAM. In addition to investment management fees charged by PAM, trustee and administration fees (as well as other fees designated by contract) may be paid to affiliated or unaffiliated service providers per separate contractual agreement.

#### Fund/Vehicle Fee Schedule

Investment/Fund Strategy	Fee Range*
Active Equity Strategies <ul style="list-style-type: none"> <li>• Global Equity</li> <li>• European Equity</li> <li>• Hong Kong Equity</li> <li>• China Equity</li> <li>• Asia Ex-Japan Equity</li> <li>• Asia Pacific ex-Japan Equity</li> <li>• US Equity Income</li> <li>• US Equity Growth</li> <li>• Global Smaller Companies' Equity</li> <li>• U.S. Small Cap</li> </ul>	0.30% - 1.50%
Strategic Beta Index Strategies	0.05% – 0.50%
Passive Index Strategies	0.05% - 0.35%
Global Bonds <ul style="list-style-type: none"> <li>• Investment Grade Corporate Credit</li> <li>• Multi-sector Fixed Income</li> <li>• Asian Credit</li> <li>• Asian High Yield</li> <li>• Short – Term Income</li> </ul>	0.10% - 1.00%
Asset Allocation Strategies	0.20% - 1.50%

PAM may impose limits on redemptions from certain accounts in response to large distribution requests. These limits are typically imposed when distributions amount to 10% or more of the total net asset value of the account and are set forth in the offering documents.

**\*Discounts to fees may be added at PAM's sole discretion.**

### **Item 6 – Performance-Based Fees and Side-by-Side Management**

Certain PAM accounts can be charged performance fees in accordance with the conditions

and requirements of Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Any such performance fees will be negotiated on an individual basis with the client. PAM is willing to consider incentive fees in appropriate circumstances. In measuring clients' assets for the calculation of performance-based fees, realized and unrealized capital gains and losses are included depending upon contractual provisions.

Performance-based fee arrangements can create an incentive for PAM to recommend investments that could be riskier or more speculative than investments that would be recommended under a different fee arrangement. Such fee arrangements also create an incentive for PAM to favor client accounts that pay performance-based fees over other accounts in the allocation of investment opportunities, and to aggregate or sequence trades in favor of such accounts.

Principal Global Investors, LLC (“PGI”), who also does business as Principal Asset Management “Principal AM”, is an affiliated company, manages investments for a variety of clients including pension funds, retirement plans, mutual funds, ETFs (Exchange Traded Funds), large institutional clients, managed accounts, and private funds. The potential for conflicts of interest can arise from the side-by-side management of these clients along with PAM clients based on fee structures.

PAM seeks to mitigate these conflicts by managing accounts in accordance with applicable laws and its policies and procedures, which are designed to ensure all clients are treated fairly, and to prevent any client or group of clients from being systematically favored or disadvantaged in the allocation of investment opportunities. PAM’s policies and procedures regarding allocation of investment opportunities and trade executions are described below in “Item 12 - Brokerage Practices.”

## **Item 7 – Types of Clients**

PAM provides asset management services to a variety of clients including investment funds, pension programs, businesses, pension and profit-sharing plans, government entities and institutional investors. Some of PAM’s clients are affiliated entities.

Generally, the minimum account size for opening and maintaining a separately managed equity portfolio/account is \$10-50 million and is based on the type of strategy used for the client’s portfolio.

Generally, the minimum account size for opening and maintaining a separately managed fixed income portfolio/account is \$25-100 million and is based on the type of strategy used for the client’s portfolio. PAM reserves the right in its sole discretion to accept client accounts with fewer initial assets.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Each of the investment strategies listed below is subject to certain risks. There is no guarantee that any investment strategy will meet its investment objective.

### **Equities**



PAM has various equity teams that offer several actively managed and systematic strategies, all utilizing equity securities to help meet its clients' investment objectives and goals. PAM is generally a long-only manager. Many of the portfolios are discretionary. Please refer to Item 16 regarding discretion over client accounts.

Equity teams provide client-focused investment solutions spanning equity markets worldwide. This process generally utilizes internally generated fundamental research that focuses on bottom-up stock selection within a sophisticated comparative framework. The entire scope of research encompasses over 10,000 companies, large and small, in emerging and developed markets, although the universe of companies relevant to any single investment strategy will typically be smaller. The use of technical methods of analysis can also be used within the research. The proprietary systems include some data sourced from outside investment research specialists. Teams of investment analysts are organized by regions and industry sectors globally. Their research plays an integral part in the selection of securities for the client portfolios.

Research teams reference many sources when analyzing a company, including but not limited to investment publications on general economic conditions, financial publications from the investment banking industry, corporate annual reports and regulatory filings, and meetings with Senior Management of companies whose stocks in which the specialized investment teams have invested or are being considered for investment when deemed appropriate or as necessary, in the teams' judgement.

The types of equity securities typically utilized for these strategies include common stock (exchange traded, over the counter and initial or follow-on offerings) issued by U.S. and non-U.S. corporations or other issuers. The specialized investment teams can utilize different instruments, at their preference, to fulfill their selection including but not limited to: (1) American Depositary Receipts and Global Depositary Receipts, if liquidity is suitable; (2) open-end funds and ETFs for cash equitization purposes and to gain exposure to certain markets; (3) closed-end funds, participation notes, private placement securities and rights and warrants on equity securities (although rare); and (4) where allowed by regulation, forward currency contracts to hedge the exposure of foreign currency fluctuations in the equity portfolios.

PAM's philosophy is that equity markets are not perfectly efficient, and therefore provide opportunities to add value through fundamental research and active risk management. Our strategies are built on the belief that bottom-up stock selection is the most reliable and repeatable source of consistent competitive performance over time. To that end, the lead portfolio manager for each strategy collaborates directly with the investment analysts regarding the output of their analysis and is ultimately responsible for security selection and for the individual weighting of each portfolio holding.

Risk management is embedded in the investment processes of each distinct investment team. The portfolio managers have several risk management systems/tools at their disposal, each serving a different purpose within the portfolio construction process. These systems monitor risk and guidelines (in terms of region, country, currency, sector, industry, market capitalization distribution, style factor distribution, beta sensitivity and individual position weights) in each client's portfolio. Generally, the portfolio management teams monitor portfolio risk exposures through a series of weighting constraints relative to each portfolio's

benchmark and each portfolio's overall characteristics and individual security holdings. Furthermore, the risk management tools allow for Senior Management of the specialized investment teams to view portfolio positioning for their respective strategies at any time. The Chief Investment Officers for equity are charged with supporting risk management efforts that quantify the portfolio managers' success in achieving risk and return objectives for the accounts they manage. Prospective clients should be aware that no risk management system is fail-safe, and no assurance can be given that risk frameworks employed by the specialized investment teams will achieve their objectives and prevent or otherwise limit substantial losses. There is also the risk that the investment approach taken will be out of favor at times, causing strategies to underperform other strategies or funds that also seek capital appreciation but use different approaches to the stock selection and portfolio construction process. A further discussion of the risks inherent in our equity strategies is provided below.

PAM offers a broad range of global and regional active equity strategies across developed and emerging markets, specified market segments and style preferences, which include, but are not limited to:

## International (ex-U.S.) Equity Strategies

### *Diversified International Equity, International Opportunities Equity, International Responsible Equity*

These strategies offer a broad exposure to equity investment opportunities outside the U.S. They are active core strategies including moderate strategic allocations to emerging markets. The "Responsible" designated strategy also incorporates certain specific industry exclusions and carbon related ESG enhanced features.

### *International Core Equity, International Growth Equity*

These strategies can provide broad exposure to selected equity investment opportunities in developed markets outside of the U.S. utilizing a disciplined active approach. The growth-oriented strategy is focused on delivering growth without excessive valuation premiums.

### *International Small Cap, International SMID Equity*

These strategies provide diversified exposure among selected smaller capitalization companies in developed regions outside the U.S. utilizing a disciplined active core approach.

### *European Equity, European Responsible Equity*

These strategies offer a broad exposure to European equity investment opportunities (inclusive of the United Kingdom, and excluding European emerging markets), utilizing a disciplined active core approach. The "Responsible" designated strategy also incorporates certain specific industry exclusions and carbon related ESG enhanced features.

### *International Strategic Beta*

The International Strategic Beta Index strategy is passively managed and replicates a rules-

based “strategic beta” index designed by PAM. The proprietary index incorporates a factor-based approach to generating potential out performance relative to traditional, capitalization weighted indexes. The strategy can be tailored to specific client needs and objectives. A specialty version that invests in U.S. and non-U.S. companies that derive a high proportion of revenue from the Millennials generation is also available.

Each of the above strategies can be tailored to include emerging market country exposure upon request.

### **Emerging Markets Equity Strategy**

#### *Global Emerging Markets Equity, Emerging Global Leaders Equity*

These strategies can provide diversified exposure among companies within growing segments of the economy in emerging markets countries and focused on delivering growth without excessive valuation premiums.

#### *Asia ex-Japan Equity, Asia Pacific ex-Japan Equity*

These strategies invest in companies domiciled in the Asia & Asia Pacific region, excluding Japan, with broad latitude to focus on our highest conviction investment opportunities across the region.

### **Global Equity Strategies**

#### *Global Opportunities Equity, Global Responsible Equity*

These strategies invest in companies domiciled in the United States, developed international and emerging market countries, with broad latitude to focus on our highest conviction investment opportunities across the world. The “Responsible” designated strategy also incorporates certain specific industry exclusions and carbon related ESG enhanced features.

### **Domestic U.S. Equity Strategies**

#### *U.S. Small Cap, U.S. Small Cap Select, U.S. Small Cap Select Value*

The objectives of these strategies are to provide a diversified exposure among selected smaller capitalization U.S. companies. The U.S. Small Cap and U.S. Small Cap Select strategies are core offerings while the U.S. Small Cap Select Value strategy has value-oriented characteristics.

#### *Small Cap Growth, Mid Cap Growth, and Large Cap Growth*

The growth strategies focus primarily on stocks within the market capitalization ranges of the Russell Mid Cap Growth Index, Russell 2500 Growth Index and Russell 2000 Growth Index, respectively. The strategies focus on leading indicators of fundamental business improvement that drive eventual reported results, and continuously monitor changes in fundamentals and expectations. The strategies strive to invest in companies poised to

exceed investors' expectations and sell or avoid those whose fundamentals signal disappointment relative to expectations. Each strategy seeks long term growth of capital and aims to outperform its relevant index over a 3–5-year market cycle.

#### *MidCap, Blue Chip, Focused Equity*

The MidCap, Blue Chip, and Focused Equity strategies are designed for investors seeking equity investment opportunities irrespective of benchmark orientation. The strategy focuses primarily on long-term ownership of high-quality businesses with sustainable competitive advantages, owner-operator management teams, and discounted valuations.

#### *U.S. Strategic Beta Indexes*

These strategies are passively managed and replicate rules-based “strategic beta” indexes designed by PAM. The proprietary indexes incorporate a factor-based approach to generating potential outperformance relative to traditional, capitalization weighted indexes.

U.S. Strategic Beta Indexes are available that provide exposure to one or more groups of factors. Specialty versions are also available including one that allocates among a universe of innovative mid and small cap healthcare companies. Mega cap and small cap specialty versions of the U.S. Strategic Beta Indexes are also available. Fee schedules for specialty versions are available upon request.

#### *Capital Appreciation*

The Capital Appreciation strategy seeks long-term growth of capital by investing in common stocks of companies across the capitalization spectrum.

#### *Equity Income*

The Equity Income strategy seeks a relatively high level of current income and long-term growth of income and capital by investing primarily in the common stocks of U.S. large-cap companies.

#### *Concentrated Mid-Cap*

The Concentrated Mid-Cap strategy seeks long term growth of capital by investing primarily in the common stocks of U.S. companies in the medium market capitalization range.

#### *SMID Equity Income*

The objective of the SMID Equity Income strategy is to seek a relatively high level of current income and long-term growth of income and capital by investing primarily in common stocks of small and mid-cap U.S. companies.

### **Passive Index Strategies**

In addition to actively managed strategies, PAM also manages passive capitalization-weighted index replication strategies. Fee schedules for index replication strategies are available upon request.

### **Fixed Income**

PAM manages strategies covering a full range of global fixed income securities, including products that integrate multiple fixed income sectors (multi-strategy) as well as products that emphasize a single fixed income sector.

The fixed income multi-strategy services focus on U.S. dollar-denominated securities as well as fixed income securities issued outside the U.S. and denominated in multiple currencies benchmarked to a range of short, intermediate, and long duration strategies. The single sector focused strategies include global, and U.S. dollar-denominated strategies focused on investment grade corporate credit, high yield securities, emerging market debt, municipals or government and government-related bonds.

PAM believes superior returns are best achieved through the integration of rigorous fundamental research, a global perspective and disciplined risk management. These common threads serve as the three cornerstones of the fixed income process:

#### *Macro/Risk Perspective*

A broad approach to identifying macro trends and inconsistencies.

#### *Investment Research Framework*

A consistent comparative framework based on fundamentals, technical, valuations and independent internal research, which is used throughout the investment process and facilitates communication as well as portfolio positioning.

#### *Risk Management*

A comprehensive, multi-dimensional approach to risk management at each stage of the investment process. A further discussion of the risks inherent in our fixed income strategies is provided below.

#### *Use of Derivatives*

While derivatives are not a distinct strategy, periodically PAM uses derivatives if permitted by the client. Common fixed income derivatives used include credit default swaps (“CDS”), interest rate swaps, treasury futures, TBA (To Be Announced MBS Forward), collateralized debt obligations (“CDO”), and currency swaps, among others. PAM utilizes the exchange traded and over the counter markets, and derivatives are primarily used for asset replication, hedging and structured products.

### **Fixed Income Strategies**

#### *Bank Loans*

The Bank Loan strategy seeks to provide a return consisting of income and capital appreciation over the long term primarily through security selection. Investments are in U.S. dollar denominated floating rate bank loan securities.

#### *Emerging Market Broad*

The Emerging Market Broad strategy focuses on independent, forward-looking fundamental analysis of both sovereign and corporate credits within the context of the global business cycle. The goal of the strategy is to add value to an actively managed emerging markets debt portfolio.



### *Global Bonds*

The Global Bonds strategy aims to exploit global bond market opportunities through assessment of the global business/growth cycle and the relative position of individual countries within the cycle. The goal of the strategy is to add value to an actively managed global bond portfolio. The strategy includes: Global Bonds, Global Corporate Plus, Global Investment Grade Corporate, Global Credit Opportunities, Global Short Duration Credit and Global Short Duration Fixed Income.

### *High Yield*

The High Yield strategy tactically allocates across the high yield spectrum, focusing on the individual ratings of securities. The goal of the strategy is outperformance of the benchmark over a three to five-year period with a below market level of volatility. High yield strategies include: High Yield Traditional, Global High Yield, High Yield Opportunistic, High Yield, High Yield Quality Constrained and Short Duration High Yield. This strategy is subject to greater credit quality risk than securities that invest in higher rated fixed income securities and should be considered speculative.

### *Investment Grade Corporate Credit*

The Investment Grade Corporate Credit strategy is built upon a forward-looking credit research process to identify quality issuers in the investment grade universe. This strategy benefits from a dedicated team of credit analysts and high yield specialists to add value to an actively managed credit portfolio. This strategy includes: Investment Grade Corporate.

### *Long Duration*

The Long Duration strategy seeks to provide consistent outperformance through an active management strategy capturing multiple sources of excess returns. The goal of the strategy is to add value to an actively managed long duration portfolio. This strategy includes: Long Duration Fixed Income Credit Emphasis, Long Duration Core Plus, Long Duration Investment Grade Corporate.

### *Multi-Sector Fixed Income*

The Multi-Sector Fixed Income strategy seeks to provide consistent risk-adjusted returns through balancing the understanding of the quantitative risks with the associated return opportunities. The goal is to provide consistent alpha created through sector allocation, security selection and structural positioning/asset replication. This strategy includes: Core Plus Bond Opportunistic, Core Plus Bond, Corporate Plus, Core Plus Universal and Core Plus Long-Term Focus.

### *Municipal Bonds*

The Municipal Bond strategies invest in securities issued by, or on behalf of, state or local governments, and other public authorities and are tax-exempt. The strategies invest in a broad array of municipal bonds with varying maturities. Municipal strategies include: Municipal California Fixed Income, Municipal Fixed Income and Opportunistic Municipal.

### *Securitized Debt*

Mortgage-Backed Securities strategy invests primarily in Fannie Mae, Freddie Mac, and Ginnie Mae agency mortgage-backed securities (MBS), with the ability to invest in treasuries, U.S. agencies, asset-backed securities (ABS) and non-agency MBS. This strategy invests entirely in U.S. based issuers. The Government & High-Quality Fixed Income strategy seeks

to provide a high level of current income consistent with stability and liquidity by investing primarily in securities issued by the U.S. government, its agencies, and instrumentalities and other high-quality MBS.

### *Stable Value*

The Morley Stable Value strategy seeks to provide capital preservation and stable, competitive returns through the consistent application of three factors: a disciplined investment process that combines top-down economic research with fundamental bottom-up security analysis; a focus on building high-quality, well diversified portfolios by wrap provider, investment manager and mandate; and a commitment to risk management.

### *Systematic*

The Systematic strategies utilize the primary factor of default risk as a filter, in conjunction with a portfolio optimizer, to systematically construct a diversified debt portfolio to capture higher yield with lower credit losses than a passive strategy. Our Systematic strategies may invest across multiple fixed income sectors or focus on one sector such as emerging market or high yield.

### *Asia Credit*

The Asia Credit strategy seeks to maximize total returns from investing in a broad range of Asian credits across investment grade and high yield issuers. The strategy focuses on delivering returns via asset allocation between high yield and investment grade, duration management, and bottom-up security selection. The strategy is actively managed with emphasis on relative value trading and harnessing liquidity premium in Asia credit.

### *Asia High Yield*

The Asia High Yield strategy aims to provide a return consisting of income and, over a market cycle, capital growth, focusing on a combination of carry, macro, and bottom-up credit selection. The strategy focuses on delivering income accompanied with risk management to attempt to minimize downside risk. The strategy seeks to achieve its overall objective by investing in Asia high yield fixed income securities primarily, and it also allocates tactically across the broader high yield spectrum including emerging markets and developed high yield.

### *Other Strategies*

The Investment Grade Opportunistic strategy is a global investment grade credit strategy that invests primarily in global investment grade corporate bonds and opportunistically in some lower rated issuers maintaining an average portfolio credit quality of BBB or higher. This strategy uses thematically driven security selection to build highly concentrated portfolios and is implemented on a best ideas basis.

Passive Strategies seek to mimic the indices they track, providing similar risk and return statistics while minimizing tracking error.

The Short -Term Income strategy seeks to provide a high level of current income consistent with stability and liquidity by investing primarily in high quality short-term fixed income securities that are deemed to be investment grade at the time of

purchase.

The Ultra Short High Quality and Ultra Short Enhanced Yield strategies invest in short duration securities across multiple fixed income sectors, including those not typically included in traditional money market funds, with the goal to provide yield benefits and necessary liquidity.

### Asset Allocation

Principal Asset Allocation (“Principal Asset Allocation”), an asset allocation team within Principal Global Investors, primarily provides asset allocation services, which includes recommendations relating to overall asset class selection, risk management, asset class rebalancing and manager selection within asset classes, both within and outside of Principal Global Investors. Principal Asset Allocation, is a team within Principal Global Investors that can utilize asset classes in their modeling such as U.S. and foreign equity, U.S. and foreign fixed income, cash equivalents, and real estate with further differentiation based on market capitalization (as an example, large-cap vs. small-cap) and/or investment style (as an example, value vs. growth) as well as other asset subclasses. The asset allocations for retirement plan clients holding a group annuity contract include Principal Life separate account investment options. Principal Asset Allocation also makes recommendations and allocations to underlying investment strategies as detailed below.

Principal Asset Allocation conducts detailed analyses and review of the appropriateness of the exposure and weightings of each asset class within a specific client’s portfolio or mandate based upon the agreed upon parameters of each individual investment management agreement.

Principal Asset Allocation will assess current asset class weightings based upon any number of individual factors and make adjustments to those allocations over time. In identifying potential areas of investment, Principal Asset Allocation takes into consideration the ability of an asset class to provide capital appreciation, the ability to generate current income, certain diversification characteristics of the asset class, the potential need for capital preservation and/or certain risk hedging characteristics when making its allocation recommendations.

Principal Asset Allocation also evaluates the risk premium associated with each asset class or sector in an effort to determine the appropriateness of the allocations related to the overall intended risk profile and strategy of the client. Principal Asset Allocation employs an asset allocation approach to portfolio construction as client assets are allocated across one or any number of predetermined separate accounts or commingled funds. Principal Asset Allocation primarily utilizes mutual funds, unit investment trusts, separate accounts, ETFs and/or other commingled funds that are typically sub-advised by affiliated managers.

The portfolio construction process includes a comprehensive analysis of manager style for each of the asset classes employed in the asset allocation strategy, based on their portfolio



returns and holdings.

Principal Asset Allocation conducts a rigorous investment due diligence process on each affiliated manager, and on other managers who might be specified by the client. This due diligence takes into account qualitative factors; quantitative factors; an assessment of each manager's style against our medium-term view on markets; and finally, an assessment of their ability to manage the investment risk in their holdings.

After a portfolio is initially constructed, Principal Asset Allocation monitors the aggregate portfolio as well as the underlying managers for each asset class on an ongoing basis to determine that the asset allocation model continues to operate within each client's stated investment guidelines. The asset class selection and risk management analyses are used to determine both the timing of portfolio rebalancing and the magnitude by which allocations are allowed to drift away from neutral target allocations. Portfolio rebalancing recommendations typically rely on a combination of fundamental and quantitative inputs within pre-established risk parameters and rebalancing is employed generally as a risk reduction measure rather than a tactical measure.

Principal Global Advisors (PGA), an asset allocation team within Principal AM, primarily provides asset allocation services to pension and profit-sharing plans, Taft-Hartley plans, foundations, endowments, municipalities, and institutional investors. qualified retirement plans funded by group annuity contracts issued by Principal Life. PGA utilizes a long-term, strategic outlook toward investment markets and builds efficient, well-diversified portfolios for clients. The investment market outlook utilizes both historical-based and forward-looking return forecasts to establish future return expectations for various asset classes. These various asset classes are then combined and optimized into an array of efficient portfolios with distinct risk and return characteristics.

PGA implements the core asset allocation strategy based on information provided by a client as it relates to their goals and objectives. Based upon that information, PGA selects the specific investment options that meet the client's goals and objectives.

## **Risks**

The risks set forth below represent a general summary of certain material risks involved in the investment strategies we offer. If applicable, please refer to the risks in the offering documents for a more detailed discussion of the risks involved in an investment in any pooled vehicle. Not all material risks will be applicable to each strategy.

**Investment Risk:** The investment portfolio may fall in value due to any of the key risk factors below and therefore investment may suffer losses. There is no guarantee of the repayment of principal.

**Currency Risk:** Certain strategies may make investments denominated in currencies other than the clients' base currency. The strategies may be affected unfavorably by fluctuations in

the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

**Interest Rate Risk:** Certain strategies may invest in securities whose value is driven significantly by changes in interest rates, and the strategies may be subject to interest rate risk. When interest rates rise, the value of previously issued debt securities will normally fall because new debt securities issued will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously issued debt securities will normally rise. As a result, rising or falling interest rates may have an adverse impact on a strategy's performance.

**Downgrading Risk:** The credit rating of a debt security or its issuer may subsequently be downgraded, lowering the value of a strategy's investment in such security.

**Valuation Risk:** Valuation of investments may involve uncertainties and judgmental determinations. If such a valuation turns out to be incorrect, the investment could be negatively affected and suffer a loss.

**Convertible Bonds Risk:** Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertible bonds will be exposed to equity movement and greater volatility than straight bond investments. Investment in convertible bonds is subject to the same interest rate risk, credit risk and liquidity risk associated with straight bond investments.

**Collective Investment Schemes Risk:** Certain strategies may invest in collective investment schemes which are subject to the risks associated with the underlying funds. Such strategies do not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved. There may be additional costs involved when investing in these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet redemption requests as and when made.

**Real Estate Investment Trust (REIT) Risk:** Investments in REITs which invest primarily in real estate may involve a higher level of risk. The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore be subject to risks like those from direct ownership of real property. Real estate investments are relatively illiquid, and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition, and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities. Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs may have their assets concentrated in specific real property sectors and are therefore subject to the risks associated with adverse developments in these sectors. REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their

obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result. REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist. Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

PAM does not invest directly in real estate, and insofar as it directly invests in REITs, any dividend policy or dividend payout under certain strategies may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

**Urban Investment Bond Risk:** Urban investment bonds are issued by local government financing vehicles (“LGFVs”); such bonds are typically not guaranteed by local governments or the central government of Mainland China. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the investment could be negatively affected and suffer a loss.

**China Interbank Bond Market (the “CIBM”) and/or Bond Connect Risk:** Investing in China debt securities through the CIBM initiative / Bond Connect (the “Program”) is subject to various risks such as regulatory changes, market volatility, insufficient liquidity, agency default and other risks applied to investment in debt securities. Investors and their investment could be negatively affected and suffer a loss. The regulations or policies relating to the Program may change from time to time. There is no guarantee that the Program will not be restricted or ceased. Low trading volume in the CIBM may cause market volatility and insufficient liquidity. Prices of debt securities traded on this market may fluctuate significantly, which may widen the bid and offer spreads. This may incur material trading and realization costs. Foreign investors may invest in the Program through opening an account with onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). Investors are therefore subject to the risk of default or errors on these agents.

**China Stock Connect Program Risk:** Investment in China A-Shares through stock connect programs carries a number of specific risks, including legal and regulatory risk, trading risks, clearing and settlement risks and potential limitations on participation in corporate actions and shareholder meetings. These risks are highlighted below:

- (a) **Legal and Regulatory Risk:** Investment in China A-Shares through stock connect (“Stock Connect”) programs which aim to achieve mutual stock market access between Mainland China and Hong Kong, such as Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. Stock Connect programs are novel

in nature and the relevant rules and regulations will be subject to change which may have potential retrospective effects.

- (b) **Trading Risks:** Trading in China A-Shares through Stock Connect programs is subject to quota limitations, operational risks, risks arising from differences in trading days and restrictions on selling imposed by front end monitoring and recalling of eligible stocks. Further, investments through such programs are not covered by Hong Kong's Investor Compensation Fund. Where a suspension in the trading through a program is affected, the ability to invest in China A-shares or access the PRC market through such program will be adversely affected.
- (c) **Clearing and Settlement Risk:** The Hong Kong Securities Clearing Company Limited (HKSCC) and China Securities Depository and Clearing Corporation Limited (ChinaClear) have established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. As the central counterparty of the securities market in Mainland China, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote. Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the recovery process may be delayed or may not be able to recover in full from ChinaClear.
- (d) **Shareholder Participation Risk:** The HKSCC will keep Central Clearing and Settlement System (CCASS) participants informed of corporate actions of SSE securities and SZSE securities. Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the Mainland China regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholders on record, if so, permitted under the relevant regulations and requirements. Hong Kong and overseas investors will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e., CCASS participants). The time for them to take actions for some types of corporate actions of SSE securities and SZSE securities may be very short. Therefore, some corporate actions may not be



participated in a timely manner.

**Custodial Risk:** Custodians or sub-custodians may be appointed in local markets for the purpose of safekeeping assets in those markets. Investment in markets where custodial and/or settlement systems are not fully developed may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, it may take a longer time to recover its assets or, in extreme cases, be unable to recover its assets. The costs of investing and holding investments in such markets will be generally higher than in an organized securities market.

**Hedging Risk:** For strategies that are permitted, but not obliged, to use hedging instruments or hedging techniques to attempt to offset risks, there is no guarantee that hedging instruments will be available or hedging techniques will achieve their desired result.

**Foreign Account Tax Compliance Act (“FATCA”) Risk:** PAM intends to fully comply with the legislation and the obligations imposed on it by FATCA and meet its obligation under the IGA (as defined below) with the US government. However, no assurance can be given that a strategy will be able to fully achieve this and avoid being subject to US withholding taxes. In the event that Hong Kong as a jurisdiction is deemed not to meet its obligations, or if a strategy as a Hong Kong financial institution is deemed by the Hong Kong and/or US government not to be meeting its obligations in the future, such strategy may become subject to additional US withholding taxes, which could materially impact US sourced income (including predominantly interests, dividends and certain derivative payments). Investors should consult their legal, tax and financial advisers to determine their status under the FATCA regime before making any decision to invest in a strategy.

**Qualified Foreign Investor (“QFI”) Regime Risk:** A strategy’s ability to make the relevant investments or to fully implement or pursue its investment objective is subject to the applicable laws, rules, and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to change and such change may have potential retrospective effect. A strategy may suffer substantial losses if the approval of the QFI status is being revoked/terminated or otherwise invalidated as a strategy and may be prohibited from trading of relevant securities and repatriation of a strategy’s monies, or if any of the key operators or parties (including QFI custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

**ESG Investment Policy Risk:** The use of ESG criteria may affect a strategy’s investment performance and, as such, such strategy may perform differently compared to a similar strategy that does not use such criteria. For instance, ESG criteria used may result in forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to such securities no longer complying with the ESG criteria when it might be disadvantageous to do so. As such, the application of ESG criteria may restrict the ability of such strategy to acquire or dispose of its investments at a price and time that it wishes to do so and may therefore result in a loss. The use of ESG criteria may also result in such a strategy being concentrated in companies with a focus on ESG criteria

and its value may be more volatile than that of a strategy having a more diverse portfolio of investments. The selection of securities may involve subjective judgement. There is also a lack of standardized taxonomy of ESG criteria evaluation methodology and the way in which different strategies apply such ESG criteria may vary. ESG assessment considers ESG data and research from external data providers, which may be incomplete, inaccurate, or unavailable. As a result, there is a risk associated with the assessment of a security or issuer based on such information or data.

**Pricing Adjustments Risk:** Subscriptions or redemptions to a fund may dilute a strategy's assets due to dealing and other costs associated with the trading of underlying securities. To counter this impact, adjustment of prices (including swing pricing) may be adopted to protect the interests of the Unitholders. Consequently, investors may subscribe (or realize) at a higher Issue Price (lower Realization Price). Investors should note that the occurrence of events which may trigger adjustment of prices is not predictable.

It is not possible to accurately predict how frequent such adjustments of prices will need to be made. Adjustments may be greater than or less than the actual charges incurred. Investors should also be aware that adjustment of prices may not always, or fully, prevent the dilution of a strategy's assets.

**Inflation and Deflation Risk:** Inflation risk is the risk that the present value of assets or income will be worth less in the future as inflation decreases the present value of money. Deflation risk is the risk that prices throughout the economy decline over time creating an economic recession, which could make issuer default more likely and may result in a decline in the value of a strategy's assets.

**Cybersecurity Risk:** With the increased use of technologies, such as the Internet, to conduct business and the sensitivity of client information, investment strategy and holdings, a portfolio is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate internal or external attacks or unintentional events and are not limited to gaining unauthorized access to digital systems, and misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches either internally at PAM or externally by a third-party service provider or at or against issuers of securities in which the portfolio invests have the ability to cause disruptions and impact business operations. Such events could potentially result in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

**Business Disruption Risk:** PAM has developed a Business Continuity Program (the "Program") that is designed to minimize the disruption of normal business operations in the event of an adverse incident impacting PAM or its affiliates. While PAM believes that the Program is comprehensive and should enable it to reestablish normal business operations in a timely manner in the event of an adverse incident, there are inherent limitations in such programs (including the possibility that contingencies have not been anticipated and procedures do not work as intended) and under some circumstances, PAM and its affiliates,

any vendors used by PAM or its affiliates or any service providers to the portfolios PAM manages could be prevented or hindered from providing services to the portfolio for extended periods of time. These circumstances may include, without limitation, acts of God, acts of governments, any act of declared or undeclared war or of a public enemy (including acts of terrorism), power shortages or failures, utility or communication failure or delays, labor disputes, strikes, epidemics, shortages, supply shortages, and system failures or malfunctions. All of the above could cause disruptions and negatively impact a portfolio's service providers and a portfolio's operations, potentially including impediments to trading portfolio securities. A portfolio's ability to recover any losses or expenses it incurs as a result of a disruption of business operations may be limited by the liability, standard of care and related provisions in its contractual arrangements with PAM and other service providers.

**Affiliated Entity Conflicts:** PAM and affiliated trustees may from time-to-time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those managed by PAM.

It is, therefore, possible that any of them may, during business, have potential conflicts of interest with the relevant investments. Each affiliate will, always, have regard in such event to its obligations to the investment; its obligations under the governing instruments and other contractual agreements in relation to the investment, and will endeavor to ensure that such conflicts are resolved fairly.

PAM shall maintain and operate effective organizational and administrative arrangements with a view to taking reasonable steps designed to identify, prevent, manage, and monitor any actual or potential conflicts of interest including carrying out transactions in good faith at arm's length and in the best interests of the investment on normal commercial terms.

From time to time conflicts may arise between PAM, the Trustee and the sub-advised investments and their permitted delegates, for example, where an appointed delegate is an affiliated group company (as is the case) and is providing a product or service to a sub-advised investment and has a financial or business interest in such product or service or where an appointed delegate is an affiliated group company which receives remuneration for other related products or services it provides to the investments.

**American Depositary Receipts and Global Depositary Receipts Risk:** American depositary receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by non-U.S. issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global depositary receipts ("GDRs") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on non-U.S. stock exchanges or non-U.S. over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the

underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sales or disposition proceeds, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

**Asset-Backed Securities Risk:** General downturns in the economy could cause the value of asset-backed securities to fall. In addition, asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, these securities may provide a strategy with a less effective security interest in the related collateral than do mortgage-backed securities. Therefore, there is the possibility that recoveries on the underlying collateral may not, in some cases, be available to support payments on these securities.

**Automated Rebalancing and Trading Risk:** Certain strategies rely on computer models, data inputs and assumptions in generating trade orders. Statistical investing models rely on back-tested information and, thus, may not operate as expected or intended when events having few or no historical antecedents occur, and, accordingly, may generate losses another manager could have been able to avoid.

Likewise, use of algorithms and other rebalancing technology may result in a portfolio that may be more aggressive or more conservative than necessary or incorrectly trigger or fail to initiate rebalancing. Changes to algorithmic code may materially affect a client's account and may not have the desired effect over time.

**Concentration Risk:** A strategy that concentrates investments in a particular industry or group has greater exposure than other strategies to market, economic and other factors affecting the industry or group.

**Counterparty Risk:** Under certain conditions, a counterparty to a transaction, including derivative instruments, could fail to honor the terms of the agreement, default and the market for certain securities or financial instruments in which the counterparty deals may become illiquid. To help mitigate counterparty risk, PAM utilizes collateral agreements, as required by clients or applicable regulations.

**Credit Quality Risk:** Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond can cause a bond's price to fall, lowering the value of a strategy's investment in such security. The lower a security's credit rating, the greater the chance that the issuer of the security will default or fail to meet its payment obligation.

**Derivatives Risk:** A small investment in derivatives could have a potentially large impact on a strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives



can be highly volatile, illiquid, and difficult to value and there is the risk that changes in the value of a derivative held by a strategy will not correlate with the underlying instruments or the strategy's other investments. Transactions in derivatives (such as options, futures, and swaps) have the potential to increase volatility, cause liquidation of portfolio positions when not advantageous to do so and produce disproportionate losses. All derivatives used for hedging purposes involve basis risk. This occurs when the value of the underlying hedging instrument moves differently (not perfectly correlated) than the corresponding item being hedged.

**Duration Risk:** Duration is a measure of the expected life of a fixed income security and its sensitivity to changes in interest rates. Generally, securities with longer durations or maturities are more sensitive to changes in interest rates than securities with shorter durations or maturities, causing them to be more volatile. Conversely, fixed-income securities with shorter durations or maturities will be less volatile but may provide lower returns than fixed-income securities with longer durations or maturities.

**Economic and Market Events Risk:** Markets can be volatile in response to a number of factors, as well as broader economic, political, and regulatory conditions. Some of these conditions may prevent PAM from executing a particular strategy successfully.

For example, a pandemic and reactions thereto could cause uncertainty in financial markets and the operation of businesses, including PAM's business, and may adversely affect the performance of the global economy, induce market volatility, and cause market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. It is not always possible to access certain markets or to sell certain investments at a particular time or at an acceptable price, thereby impacting the liquidity of a given portfolio.

Leverage and most types of derivatives create exposure in an amount exceeding the initial investment, which can increase volatility by magnifying gains or losses. The value of a client portfolio will change daily based on changes in market, economic, industry, political, regulatory, geopolitical, and other considerations. A client portfolio will not always achieve its objective and/or could decrease in value.

**Emerging Markets Risk:** Foreign investment risks are greater in emerging markets than in developed markets. Emerging market investments are often considered speculative. Emerging market countries, including some Latin American countries, may have economic and political systems that are less developed, and can be expected to be less stable than developed markets. For example, the economies of such countries can be subject to rapid and unpredictable rates of inflation or deflation.

**Equity Risk:** Clients are subject to the risk that stock prices will fall over short or extended periods of time, and clients could lose all, or a substantial portion, of the value of their investments. Historically, the equity markets have moved in cycles, and the value of equity securities can fluctuate significantly from day to day. Markets go through periods of rising prices as well as periods of falling prices depending on investors' perceptions about the economy, interest rates, and the attractiveness of other securities such as bonds or real estate. Individual companies can report poor results or be negatively affected by industry and/or economic trends and developments. The prices of these companies' securities can decline in response. These factors contribute to price volatility, which is a principal risk of

equity investing.

**Fixed Income Risk:** The market value of a fixed-income security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. The fixed-income securities market can be susceptible to increases in volatility and decreases in liquidity. Liquidity can decline unpredictably in response to overall economic conditions or credit tightening. Increases in volatility and decreases in liquidity may be caused by a rise in interest rates (or the expectation of a rise in interest rates), which are at or near historic lows in the U.S. and in other countries. An unexpected increase in strategy redemption requests, which may be triggered by market turmoil or an increase in interest rates, could cause the strategy to sell its holdings at a loss or at undesirable prices and adversely affect the strategy's performance and increase the strategy's liquidity risk, expenses and/or taxable distributions.

**Foreign Investment Risk:** To the extent that PAM invests in companies based outside the U.S., it faces the risks inherent in foreign investing, which includes the loss of value as a result of political or economic instability; nationalization, expropriation, or confiscatory taxation; changes in foreign exchange rates and restrictions; settlement delays and limited government regulation.

Adverse political, economic, or social developments could undermine the value of PAM's investments or prevent PAM from realizing their full value. Financial reporting standards for companies based in foreign markets differ from those in the U.S. Additionally, foreign securities markets generally are smaller and less liquid than U.S. markets. To the extent that PAM invests in non-U.S. dollar denominated foreign securities, changes in currency exchange rates may affect the U.S. dollar value of foreign securities or the income or gain received on these securities.

Foreign governments may restrict investment by foreigners, limit withdrawal of trading profit or currency from the country, restrict currency exchange or seize foreign investments. Investments may also be subject to foreign withholding taxes. Foreign transactions and custody of assets may involve delays in payment, delivery or recovery of money or investments. In addition, there is significant market uncertainty regarding Brexit's ramifications, and the range and potential implications of possible political, regulatory, economic, and market outcomes are difficult to predict. This uncertainty may affect other countries in the EU (European Union) and elsewhere and may cause volatility within the EU, triggering prolonged economic downturns in certain countries within the EU.

**High Yield Risk:** Strategies that invest in high yield securities and unrated securities of similar credit quality (commonly known as "high yield securities" or "junk bonds") may be subject to greater levels of credit risk, call risk and liquidity risk than strategies that do not invest in such securities. These securities are considered predominantly speculative with respect to an issuer's continuing ability to make principal and interest payments and may be more volatile than other types of securities. An economic downturn or individual corporate developments could adversely affect the market for these securities and reduce PAM's ability to sell these securities at an advantageous time or price. An economic downturn would generally lead to a higher non-payment rate and a high yield security may lose significant market value before a default occurs. Issuers of high yield securities may have the right to "call" or redeem the issue prior to maturity, which may cause PAM to have to reinvest the proceeds in other high yield securities or similar instruments that may pay lower interest rates. In addition, the high yield securities in which a strategy invests may not be listed on any exchange and a secondary market for such securities may be comparatively illiquid relative to markets for other more liquid fixed income securities. Consequently, transactions in high yield securities may involve greater costs than transactions in more actively traded securities. A lack of publicly available information, irregular trading activity and wide bid/ask spreads among other factors, may, in certain circumstances, make high yield debt more difficult to sell at an advantageous time or price than other types of securities or instruments.

**Large Cap Stock Risk:** To the extent a strategy invests in large capitalization stocks, the strategy may underperform strategies that invest primarily in the stocks of lower quality, smaller capitalization companies during periods when the stocks of such companies are in favor.

**Laws, Regulations and Taxation Risk:** Many different regulatory bodies govern our company. We are required to comply with federal securities laws; insurance regulations; employee benefit plan regulation; financial services regulation; U.S. and international tax regulations; environmental, social and governance (“ESG”) requirements and cybersecurity and privacy regulations. Complying with the various regulations can increase our cost of doing business. We would also face potential fines or reputational risk if we do not comply. In addition, changes in tax laws can reduce sales of certain tax-advantaged products or increase our operating expenses. Changes in accounting standards may adversely impact reported results of operations and financial condition. Litigation and tax audits can increase costs and create adverse publicity for us.

**Liquidity Risk:** When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell.

If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect the strategy’s ability to sell such municipal bonds at attractive prices.

Trading limits (such as “daily price fluctuation limits” or “speculative position limits”) on futures trading imposed by regulators and exchanges could prevent the prompt liquidation of unfavorable futures positions and result in substantial losses. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. Therefore, in some cases, the execution of trades to invest or divest cash flows may be postponed, which could adversely affect the withdrawal of assets and/or performance. The risk can be magnified by other risks like credit risk, equity risk and fixed income risk as well as additional factors.

**Loans Risk:** Loans are traded in a private, unregulated inter-dealer or inter-bank resale market and are generally subject to contractual restrictions that must be satisfied before a loan can be bought or sold. These restrictions may impede PAM’s ability to buy or sell loans (thus affecting their liquidity) and may negatively impact the transaction price. The types of covenants included in loan agreements generally vary depending on market conditions, the creditworthiness of the issuer, the nature of the collateral securing the loan and possibly other factors. Loans with fewer covenants that restrict activities of the borrower may provide the borrower with more flexibility to take actions that may be detrimental to the loan holders and provide fewer investor protections in the event of such actions or if covenants are breached. A strategy may experience relatively greater realized or unrealized losses or delays and expense in enforcing its rights with respect to loans with fewer restrictive covenants. Loans may be structured such that they are not securities under securities law, and in the event of fraud or misrepresentation by a borrower, lenders may not have the protection of the anti-fraud provisions of the federal securities laws. Loans are also subject to

risks associated with other types of income investments, including credit risk and risks of lower rated investments. Investments in bank loans are subject to the credit risk of both the financial institution and the underlying borrower.

**Mortgage-Related Securities Risk:** Mortgage-related securities are complex derivative instruments, subject to credit, prepayment, and extension risk, and may be more volatile, less liquid, and more difficult to price accurately, than more traditional fixed-income securities.

A strategy that invests in mortgage-related securities is subject to the credit risk associated with these securities, including the market's perception of the creditworthiness of the issuing federal agency, as well as the credit quality of the underlying assets. Although certain mortgage-related securities are guaranteed as to the timely payment of interest and principal by a third party (such as a U.S. government agency or instrumentality with respect to government-related mortgage-backed securities) the market prices for such securities are not guaranteed and will fluctuate. Declining interest rates may result in the prepayment of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the strategy's potential price gain in response to falling interest rates, reduce the strategy's yield or cause the strategy's share price to fall (prepayment risk). Rising interest rates may result in a drop in prepayments of the underlying mortgages, which would increase the strategy's sensitivity to rising interest rates and its potential for price declines (extension risk).

**Municipal Securities Risk:** Municipal securities are issued by or on behalf of states, territories, possessions and local governments and their agencies and other instrumentalities and may be secured by the issuer's general obligations or by the revenue associated with a specific capital project. Both "general obligation" municipal bonds and "revenue" bonds are subject to interest rate, credit and market risk, and uncertainties related to the tax status of a municipal bond, or the rights of investors invested in these securities. The ability of an issuer to make payments could be affected by litigation, legislation or other political events or the bankruptcy of the issuer. In the event of bankruptcy of such an issuer, a strategy investing in the issuer's securities could experience delays in collecting principal and interest, and may not, in all circumstances, be able to collect all principal and interest to which it is entitled. In addition, imbalances in supply and demand in the municipal market may result in a deterioration of liquidity and lack of price transparency in the market.

At certain times, this may affect pricing, execution, and transaction costs associated with a particular trade. The value of certain municipal securities, in particular obligation debt, may also be adversely affected by rising health care costs, increasing unfunded pension liabilities, changes in accounting standards, and by the phasing out of federal programs providing financial support. Municipal securities may be less liquid than taxable bonds and there may be less publicly available information on the financial condition of municipal securities issuers than for issuers of other securities. The secondary market for municipal securities also tends to be less well-developed or liquid than many other securities markets, a by-product of lower capital commitments to the asset class by the dealer community, which may adversely affect PAM's ability to sell municipal securities it holds at attractive prices or value municipal securities. Lower rated municipal bonds are subject to greater credit and market risk than higher quality municipal bonds.

**Prepayment Risk:** When interest rates fall, the principal on mortgage-backed and certain asset-backed securities may be prepaid. The loss of higher yielding underlying mortgages and



the reinvestment of proceeds at lower interest rates can reduce a strategy's potential price gain in response to falling interest rates, reducing the value of your investment.

**Small and Mid-Size Company Risk:** Small and mid-size company stocks have historically been subject to greater investment risk than large company stocks. The prices of small and mid-size company stocks tend to be more volatile than the prices of large company stocks.

**Sovereign Debt Risk:** A strategy that invests in fixed income instruments issued by sovereign entities may decline in value as a result of default or other adverse credit events resulting from the issuer's inability or unwillingness to make principal or interest payments in a timely fashion. A sovereign entity's failure to make timely payments on its debt can result from many factors, including, without limitation, insufficient foreign currency reserves or an inability to sufficiently manage fluctuations in relative currency valuations, an inability or unwillingness to satisfy the demands of creditors and/or relevant supranational entities regarding debt service or economic reforms, the size of the debt burden relative to economic output and tax revenues, cash flow difficulties, and other political and social considerations. The risk of loss to a strategy in the event of a sovereign debt default or other adverse credit event is heightened by the unlikelihood of any formal recourse or means to enforce its rights as a holder of the sovereign debt. In addition, sovereign debt restructurings, which may be shaped by entities and factors beyond PAM's control, may result in a loss in value of a strategy's sovereign debt holdings.

**Structured Products Risk:** Structured products are complex credit instruments involving a series of CDS or CDOs as an example. The instruments typically have several tranches, and the investing party is potentially exposed to one or several levels of payment risk. The instrument will have provisions which spell out participation in revenue and loss or repayment of principal when certain conditions are experienced by the underlying assets.

**Tax Risk:** Changes to tax laws can result in various risks with regard to bonds and or equity investments in various markets in which strategies are invested.

**U.S. Government Securities Risk:** Not all obligations of the U.S. government's agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality and in some cases, there may be some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the strategy does not apply to the market value of such security. A security backed by the U.S. Treasury, or the full faith and credit of the U.S., is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of U.S. government securities trade actively outside the U.S., their prices may rise and fall as changes in global economic conditions affect the demand for these securities.

No assurance can be given that the U.S. government will provide financial support to its agencies and instrumentalities, since it is not obligated to do so by law. Securities issued by U.S. government sponsored enterprises such as FHLMC, FNMA and the Federal Home Loan Bank are not issued or guaranteed by the U.S. Treasury. Yields available from U.S. government securities are generally lower than yields from other fixed income securities.

**Volatility Risk:** The market value of the investments made on behalf of advisory clients may decline unexpectedly due to changes in market rates of interest, general economic or political conditions, industry specific developments, or the condition of financial markets.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PAM or the integrity of PAM's management. To the best of PAM's knowledge, PAM has no information applicable to this item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Affiliated Entities**

#### **Affiliated Investment Advisers**

Principal Asset Management ("Principal AM") is an investment adviser registered with the SEC. Principal AM offers portfolio management services for fixed income, equities, and asset allocation products to affiliated and non-affiliated persons. Principal AM is a member of the National Futures Association (NFA) and is registered as a commodity trading advisor (CTA) and commodity pool operator (CPO) with the Commodity Futures Trading Commission (CFTC).

Principal Real Estate Investors, LLC ("Principal Real Estate") is an investment adviser registered with the SEC. Principal Real Estate offers portfolio management and investment advisory and sub-advisory services for public and private real estate products to affiliated (including Principal AM) and non-affiliated persons.

Principal Enterprise Capital, LLC ("PEC") is an investment adviser registered with the SEC. PEC invests in Real Estate Operating Companies ("REOCs").

Principal Advised Services, LLC ("PAS") is an investment adviser registered with the SEC. PAS provides asset allocation advice implemented with assistance of proprietary algorithms.

Post Advisory Group ("Post") is an investment adviser registered with the SEC. Post offers services in managing client funds invested in high yield debt securities and distressed securities.

Principal Origin ("Origin") an investment adviser registered with the SEC. Origin offers services in managing client funds invested in global (ex U.S.) equity securities.

Spectrum Asset Management, Inc. ("Spectrum") is a member of the National Futures Association (NFA) and is registered as a commodity trading advisor (CTA) and commodity pool operator (CPO) with the Commodity Futures Trading Commission (CFTC).

Spectrum is also an investment adviser registered with the SEC. Spectrum offers services managing client funds invested in preferred securities. Spectrum is also a member of the National Futures Association and registered with the Commodity Futures Trading Commission.

Principal Securities, Inc. (“PSI”) is an investment adviser registered with the SEC and is a FINRA registered broker-dealer that markets a variety of proprietary and non-proprietary mutual funds, unit investment trusts, and limited partnerships. Principal AM currently does not execute security transactions with PSI. PSI is an introducing broker-dealer for retail funds business

### **Affiliated Broker Dealers**

SAMI Brokerage, LLC (“SAMI”) is a registered broker-dealer and a FINRA (Financial Industry Regulatory Authority) member. Principal AM executes securities transactions for clients through SAMI in certain circumstances, but only in compliance with applicable rules.

Principal Securities, Inc. (“PSI”) is an investment adviser registered with the SEC and a FINRA registered broker-dealer that markets a variety of proprietary and non-proprietary mutual funds, unit investment trusts, and limited partnerships. Principal Real Estate currently does not execute security transactions with PSI. PSI is an introducing broker-dealer for retail funds business.

Principal Funds Distributor, Inc. (“PFD”) is a registered broker-dealer and a FINRA member. PFD is the principal underwriter for Principal Funds, Inc., an investment company. Principal Real Estate acts as sub-adviser to certain of the Principal Funds. Principal Real Estate does not execute security transactions with PFD.

### **Other Affiliated Entities**

Principal Trust Company (Asia) Limited (“PTCA”) is a trustee company licensed under the Trust or Company Service Provider Regime under the Companies Registry in Hong Kong and is also regulated by the Mandatory Provident Fund (“MPF”) Schemes Authority. It acts as the trustee of MPF funds and retail funds for which PAM acts as the investment manager. PAM is appointed by PTCA as the investment manager and PTCA provides administrative support services and fund valuation service to PAM.

Principal Trust Company (Hong Kong) Limited (“PTCHK”) is a trustee company licensed under the Trust or Company Service Provider Regime under the Companies Registry in Hong Kong. It acts as the trustee of some Occupational Retirement (“ORSO”) voluntary retirement plan schemes for which PAM acts as the investment manager/investment adviser. PAM is appointed by PTCHK as the investment manager/investment adviser of these ORSO schemes.

Principal Insurance Company (Hong Kong) Limited (“PICHK”) is a licensed insurance company regulated by the Insurance Authority in Hong Kong. PICHK issues Class H and Class G (guaranteed policies) insurance policies. PICHK has appointed PAM to manage the assets under the policies issued by PICHK.



Principal Investment & Retirement Services Limited (“PIRS”) holds Type 1 (dealing in securities) and Type 4 (advising on securities) licenses under the Securities and Futures Ordinance and is regulated by the Securities and Futures Commission in Hong Kong. PIRS is the principal distributor of the funds managed by PAM.

Principal Nominee Company (Hong Kong) Limited (“PNC”) is a licensed provider under the Trust or Company Service Provider Regime under the Companies Registry in Hong Kong.

PNC provides nominee service to clients of PIRS and houses PIRS clients’ investments in funds managed by PAM under PNC’s nominee account. Nominee services include appointing an individual to act as a fiduciary over foreign business interests.

Principal International (Asia) Limited (“PIAL”) is a holding company incorporated in Hong Kong. It is the sole shareholder of PAM.

Principal International, LLC is a limited liability company, and is the sole shareholder of PIAL.

Principal Global Investors, LLC, doing business as Principal Asset Management “Principal AM”, is an investment adviser registered with the SEC. PGI offers portfolio management services for fixed income, equities, and asset allocation products to affiliated and non-affiliated persons. PGI is a member of the National Futures Association and registered as a commodity trading advisor and commodity pool operator with the Commodity Futures Trading Commission. It is an investment delegate of PAM. \*

Principal Global Investors (Europe) Limited is an investment delegate/sub-delegate of PAM.\*

Principal Global Investors (Singapore) Limited is an investment sub-delegate of PAM.\*

\*PGI related entities serve as the investment manager sub-delegated by PAM for investment of client assets.

Principal Asset Management (S) PTE Limited is an investment sub-delegate of PAM.

Principal Real Estate Investors, LLC is an investment adviser registered with the SEC. PrinREI offers portfolio management and investment advisory and sub-advisory services for public and private real estate products to affiliated and non-affiliated persons.

Principal International, Inc. (“Principal International”) is an affiliate of PAM. PAM manages certain portfolios of Principal International and of Principal International’s insurance subsidiaries.

The Principal Real Estate Europe Group (“the PrinREE Group”), which was acquired by Principal in April 2018, manages alternative investment funds and separate account mandates investing in European real estate on behalf of investors and clients. The PrinREE Group includes 5 authorized Alternative Investment Fund Managers (“AIFMs”): Principal Real Estate Limited- authorized in the UK by the FCA (Financial Conduct Authority); Principal Real

Estate SAS- authorized in France by the AMF; Principal Real Estate S.À R.L.- authorized in Luxembourg by the CSSF; Principal Real Estate Kapitalverwaltungsgesellschaft mbH and Principal Real Estate Spezialfondsgesellschaft mbH- each of which are registered in Germany by BaFin. PrinREI has a Participating Affiliate Arrangement with the PrinREE Group that allows the PrinREE Group to provide advisory services to PrinREI clients.

Claritas Investments Ltd. (“Claritas”), an investment adviser in Brazil, specializes in alternative investments and hedge funds in local markets and abroad.

Principal Life Insurance Company (“Principal Life”) is a licensed insurance company in all 50 states and the District of Columbia.

### **Other Financial Industry Activities**

PAM is part of a diversified, global financial services organization with many types of affiliated financial services providers, including but not limited to broker-dealers, insurance companies and other investment advisers. PAM enters into arrangements, as needed, to provide services or otherwise enters into some form of business relationship with these foreign and/or domestic affiliates. Additional disclosure of these relationships will be provided upon request.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

PAM has adopted a Code of Ethics (the “Code”). The principal purposes of the Code are to provide policies and procedures consistent with applicable laws and regulations, including Rule 204A-1 under the Investment Advisers Act of 1940, to prevent conflicts of interests or the appearance of such conflicts when PAM’s officers, directors, employees, and certain non-employees of PAM with access to client and trading information of PAM (“Access Persons”) own or engage in their own personal transactions involving securities. Clients of PAM can obtain a copy of the Code of Ethics by contacting the Chief Compliance Officer at 800-533-1390.

### **Employee Personal Trading**

The Code requires all Access Persons to adhere to high standards of honest and ethical conduct, and the interests of our advisory clients must be placed first at all times. All Access Persons of the firm are required to certify upon association/employment and at least annually thereafter that they have read, understood, and complied with the Code. This includes that they have complied with the requirements and disclosed covered accounts, reportable securities and pre-cleared transactions as required by the Code. Access Persons are permitted to personally buy and sell securities of issuers that PAM also trades for its clients, so long as those buy and sell transactions are conducted in accordance with the Code. As such, there are procedures in place to prevent instances where potential conflicts of interest arise between the personal securities transactions of the Access Persons and the securities transactions that PAM conducts for the accounts of clients. Compliance monitors personal trading via an online pre-clearance system. The

procedures provide for the maintenance of a master securities list that includes all securities traded by PAM for purchase or sale on behalf of clients. All Access Persons are required to obtain pre-clearance approval to buy and sell reportable securities (excluding exempt securities and transactions) through the online monitoring system before executing a personal security transaction to make sure the proposed transaction conforms to our Code provisions. There is also a quarterly review of reportable transactions, as well as at least an annual certification of accounts and holdings by Access Persons. Please refer to the Code for a detailed overview of the provisions.

From time to time, PAM advises clients to purchase securities which could coincide with other client purchases, or where one or more affiliates of PAM could also (1) be purchasing or selling and/or (2) holding. Such situations will be subject to procedures designed to assure fair allocation of available transactions. PAM recommends to its clients the purchase, sale or holding of shares of affiliated mutual funds and/or ETFs for which PAM and its affiliates also provide advisory services while considering suitability. PAM has policies and procedures that address trading and potential conflicts of interest.

These conflicts, along with all potential conflicts of interest, are overseen according to our relevant policies and procedures.

## **Item 12 – Brokerage Practices**

When acting as a discretionary adviser, PAM determines which securities or other instruments are bought or sold for an account, the amount of such securities or other instruments and the timing of the purchases and sales, the broker, dealer, underwriter through which transactions are affected and the commission rates or spreads paid, except as specifically directed by the client. Our discretion in those matters, however, is limited by our responsibility to act in the best interest of our clients in fulfilling their investment objectives.

### **Selection of Brokers and Dealers**

PAM's principal objective in selecting broker-dealers and entering client trades is to seek best execution for clients' transactions. In general, best execution means executing trades at the best net price considering all relevant circumstances.

While best execution is our objective for all transactions, it can be evaluated over time through several transactions rather than through a single transaction. In seeking best execution, the key factor is not necessarily the highest bid or the lowest offer, but whether the transaction represents the best qualitative execution for the client. This assessment will be influenced by many factors including current market conditions and the type of instrument in question and the markets in which it trades. In selecting brokers and dealers, PAM considers a variety of factors including, but not limited to:

- Financial strength and stability
- Best price for the trade
- Reasonableness of their commission, spreads, or markups
- Ability to execute and clear a trade in a prompt and orderly manner
- Quality of executions in the past and existing relationship to date
- Confidentiality provided by the broker or dealer
- Execution capabilities and any related risks in trading a block of securities

- Broad market coverage resulting in a continuous flow of information concerning bids and offerings
- Consistent quality of service, including the quality of any investment-related services provided
- Recordkeeping practices (e.g., timely and accurate confirmations); and
- Cooperation in resolving differences.

PAM reviews a variety of internal and external trading reports and forensic tests to evaluate the quality of execution of certain transactions over time. In some instances, PAM will pay broker commissions that are higher than the commissions another broker might have charged for the same transaction. Please see the section on Soft Dollar Practices below for additional information about brokerage and research services received by PAM.

PAM maintains an approved list of brokers and dealers; our traders are required to direct trades only through these approved counterparties.

New counterparty arrangements must be reviewed and approved by the Counterparty Team before trading can begin through the new counterparty. Alternative trading systems that meet the Counterparty Team's guidelines are also eligible for consideration. Once a broker or dealer is approved, it is added to the Counterparty Authorization List and communicated to traders.

Counterparties are regularly monitored by the Counterparty Team for signs of deterioration in business operations, creditworthiness, and rating changes.

PAM generally does not intend to place portfolio trades for any of its equity or fixed income clients with an affiliated broker-dealer.

PAM through affiliates, conducts an annual fixed income broker review that gathers input from key investment staff. Portfolio managers, research analysts and traders rate brokers and dealers based on the value they believe they receive from the broker or dealer through reports, meetings, conference calls, management visits and other research.

Traders rate brokers and dealers based on factors that include, but are not limited to, execution quality, information flow, volume of trading in PAM's orders, willingness to take the other side of the trade in a principal transaction, bids and offers and the broker's execution cost history. Based on their responses, an aggregate score will be calculated for each broker and dealer and a relative ranking determined. In addition to ratings, feedback is gathered on the strengths and weaknesses of each broker and dealer (e.g., research sales, strategy, and trading).

### **Brokerage Commissions**

Transactions on stock exchanges and other agency transactions, as applicable, involve the payment by the client of negotiated brokerage commissions. Such commissions vary among different brokers and dealers and a particular broker or dealer often charges different

commissions based on the difficulty and size of the transaction or the means of execution (i.e., program, algorithmic or sales trader), among other things.

Although commission rates are considered by PAM in our brokerage selection process and are reasonable in relation to the value of the services provided, our clients may not realize the lowest possible commission rates as our determination process considers the additional factors outlined above.

### **Cross Trades**

PAM generally will not arrange for one client to purchase or sell securities to another client (a “cross trade”) unless the clients in question have adopted a policy that permits cross trades and the regulatory authority governing the client accounts clearly permits the cross trade to occur. PAM has implemented policies and procedures regarding the execution of cross trades when appropriate for both clients and permissible under applicable law. Cross trades are only considered in circumstances where the transaction is in the best interests of both parties, the purchase and sale of the security satisfies the investment guidelines for each of the portfolios involved, and all applicable regulatory requirements are satisfied (e.g., for mutual funds, the cross trade is consistent with Rule 17a-7 procedures).

When entering into cross trades, PAM takes steps to obtain a price it has determined by reference to independent market indicators, and which PAM believes is consistent with its duty to seek “best execution” for each party. To the extent required by applicable law, PAM will obtain the necessary clients’ consent prior to engaging in a cross trade and/or inform clients of the relevant details of the cross trade. For all cross trades that are executed, a form must be completed and signed by the portfolio managers assigned to the portfolios and submitted to Compliance for review.

The form requires that the portfolio managers provide written statements regarding the reasons the transaction is beneficial for both parties involved, and requests information regarding any commissions or fees to be paid, if any, and how the market price was determined.

Because PAM manages different styles of accounts with different portfolio managers, it sometimes happens that two or more portfolio managers initiate orders to buy or sell the same equity security at the same time. If one portfolio manager has entered a buy order for a stock while another portfolio manager has a sell order, the orders will be worked separately to ensure that one account does not buy from the other.

### **Principal Transactions**

PAM does not generally engage in principal transactions, as defined by Section 206-3 under the Advisers Act, as part of its trading processes for clients. In the event that PAM engages in a principal transaction, PAM will take action to ensure compliance with the relevant requirements of the Advisers Act. Section 206-3 prohibits any investment adviser from engaging in or effecting a transaction on behalf of a client while acting either as principal for its own account, or as broker for a person other than the client, without disclosing in writing to the client, before the completion of the transaction, the adviser's role in the transaction and obtaining the client's consent. An investment adviser is not "acting as broker" if the adviser receives no compensation (other than its advisory fee) for effecting a particular agency transaction between advisory clients.



## New Issues

Newly issued securities (including new securities sold in reliance on Rule 144A) will normally be purchased directly from the issuer or from an underwriter for the securities. Such transactions involve no brokerage commissions. Purchases from underwriters will typically involve a commission or concession paid by the issuer (and not by clients of PAM) to the underwriter. In some new issue transactions, there is only one underwriter and, accordingly, any orders for that new issue security will be placed with that underwriter. In other new issue transactions in which an underwriting group is involved, pricing should be uniform among the underwriters and PAM will normally place its orders with the lead manager, in an effort to maximize the prospects for getting the orders filled.

Secondary purchases from and sales to dealers will include the spread between the bid and asked prices. In general, PAM's primary objective in exercising any available authority concerning the selection of an underwriter, broker, or dealer is to obtain the best overall terms for the PAM's clients. In pursuing this objective, PAM considers all matters it deems relevant (both for the specific transaction and on a continuing basis), including the breadth of the market in the security, the price of the security, the financial condition and executing capability of the broker or dealer and the reasonableness of the compensation, if any, received by the underwriter, broker, or dealer.

## Foreign Exchange Transactions

It is the responsibility of a client's custodian to handle foreign exchange transactions ("FX Transactions") for client accounts, to settle trades and to repatriate dividends, interest and other income payments received into the client account to the account's base currency when necessary. However, PAM will, when requested by the client and where PAM determines that it is cost effective or efficient, arrange for its trade desk or a third party to handle trade settlement related FX Transactions in unrestricted currencies.

Under this type of arrangement, should a client so request, the trade desk is responsible for seeking best execution of FX Transactions, either with the client's custodian or with third parties.

Unless otherwise agreed to, PAM will continue to issue standing instructions to each client's custodian for all other types of FX Transactions in unrestricted currencies, such as those related to dividend and interest repatriation.

Because of various limitations regarding transactions in restricted currencies (generally in jurisdictions where all FX Transactions must be done by the client's custodian), all FX Transactions in restricted currencies will continue to be affected by each client's custodian pursuant to standing instructions and PAM will not be in a position to seek best execution.

In cases where a client has not requested that PAM handle arrangements for trade settlement related FX Transactions in non-U.S. securities, and/or PAM has deemed that it is not cost effective to do so, PAM will instruct the client's custodian to execute the necessary FX Transactions. This is done either through standing instructions communicated to the custodian when the account is established, or at the time settlement instructions are sent to the custodian for a particular transaction. The custodian is responsible for executing FX Transactions, including the timing and applicable rate of such execution pursuant to its own

internal processes. As clients generally have arrangements with their custodian regarding the execution of FX Transactions, such arrangements impact the fees and expenses charged to the client by the custodian.

### **Trade Errors**

PAM maintains a system of checks and balances designed to limit the errors it makes in placing trades for client accounts. It is PAM's policy that the utmost care is taken in making and implementing investment decisions on behalf of our Funds and our client accounts. Nonetheless, PAM will, from time to time, make such errors. It is PAM's policy to absorb all losses on trades it places in error. In rectifying erroneous trades, PAM distinguishes between errors it identifies prior to the time a client's custodian settles the erroneous trade and posts it to the client's custodial statement ("Time of Settlement") and those it identifies after the Time of Settlement. With respect to securities, PAM, through affiliates maintains an error account and settles into it all erroneous trades it identifies prior to the Time of Settlement. Any profits from erroneous trades identified before settlement are retained in the error account and can only be used to offset losses caused by subsequent errors. It is PAM's policy to accord clients any profitable erroneous trades it identifies after the Time of Settlement, and to net profits and losses of related transactions arising from the same underlying error when calculating client losses.

PAM's policy covering the correction of trading errors generally applies only to the extent that PAM has control of resolving errors for client accounts.

Because of the actions or omissions of a broker-dealer, a trade executed in the market may materially differ from the instructions or order given by the applicable portfolio manager or the trading desk personnel for that trade. Errors attributable to brokers are not considered trade errors, but PAM will oversee the resolution of a broker's error.

### **Soft Dollars – Commission Sharing Agreements**

It is PAM's policy to use all soft dollar credits generated by brokerage commissions attributable to client accounts in a manner consistent with the "safe harbor" established by Section 28(e) of the Securities Exchange Act. Except as discussed below with respect to "mixed-use" products and services, services retained via soft dollar arrangements are exclusively used for either research or in connection with brokerage and trading functions within that "safe harbor." PAM has implemented procedures intended to track and evaluate the benefits received by PAM and how client commissions are used to pay for eligible research.

PAM has entered into Commission Sharing Arrangements ("CSA") with selected broker dealers to generate and use commission credits to pay for research from providers regardless of the trading relationship. Transaction commission rates are negotiated at an execution rate and a commission credit rate with an executing broker. Pursuant to the CSA, the research component of the commission is swept to a centralized commission aggregator account maintained by a third-party on behalf of PAM.

The centralized commission account is used to pay for approved research consumed to support PAM's investment process in accordance with the PAM procedures. PAM believes the use of CSAs minimizes conflicts of interest inherent in the use of soft dollars as PAM directs commissions to the best execution venue and uses accumulated commission credits to pay

for research. The use of CSAs allows PAM to monitor the cost of the execution relationship as well as the research relationships.

The commission aggregator, under PAM's supervision, pays for eligible research. This research payment may be made to a provider who is also an executing broker or another third-party research provider. If the broker or third party does not assign a value to the research provided, PAM will assign the value based on PAM's assessment of the research. PAM utilizes a semi-annual research provider evaluation process to assist in this determination of value. PAM maintains records of this valuation process.

In isolated soft dollar arrangements, PAM could receive products and services that are considered "mixed use." These products and services may be included alongside research but have been deemed administrative or somehow ineligible as research within the "safe harbor." In such cases, PAM makes a reasonable allocation of the cost of the product or service according to the use. PAM pays for the portion of the product or service that consists of research benefiting PAM's investment decision making processes using commission dollars while paying the portion that is ineligible as research using PAM's own assets. PAM maintains records of this process.

### **Allocation of Soft Dollar Benefits and Costs**

The aggregation of commission credits may unintentionally result in some PAM clients paying a lower amount of commissions compared to another client. Research obtained through CSAs may be used to benefit any PAM client and is not limited to the client whose account generated the credits. Research is not allocated to the client accounts in direct proportion to the commission credits that the client account may have earned.

PAM may also share research across teams such that clients who did not earn commission credits may receive a benefit from such research. PAM determines and pays a fair and reasonable amount for research out of its own assets to offset those clients who do not participate in the CSA program and therefore do not earn commission credits.

PAM also mutually utilizes research with and/or may sub-advise entities that are subject to the European Union's Markets in Financial Instruments Directive II ("MIFID II"). While PAM may not be directly subject to MIFID II provisions, PAM has determined it is appropriate and reasonable to pay for research utilized by those investment professionals employed by PAM's affiliated MIFID II subjected entity from PAM's own assets. Such payments may benefit those PAM clients not directly subject to MIFID II provisions as these accounts utilize investment decision making provided by the affiliated MIFID II entity.

PAM does not accept the use of soft dollar credits and currently does not engage in "deal credit" arrangements in municipal bond transactions on behalf of PGI Fixed Income.

### **Trade Order Aggregation and Allocation for Equity Accounts**

PAM acts as investment adviser for a variety of accounts and will place orders to trade securities for each of those accounts from time to time. If, in carrying out the investment objectives of the accounts, occasions arise when purchases or sales of the same securities are to be made for two or more of the accounts at the same time, PAM may submit the orders to purchase or sell to a broker or dealer for execution on an aggregate or "bunched" basis (Including, orders for accounts in which PAM, its affiliates and/or its personnel have



beneficial interests). In aggregating trade orders and allocating available securities, PAM seeks to provide fair and equitable treatment to all clients participating in the “bunched order.” The fairness of a given allocation depends on the facts and circumstances involved, including the client’s investment criteria and account size and the size of the order. PAM aggregates trades to give clients the benefits of efficient and cost-effective delivery of investment management services. By aggregating trades, it is possible for PAM to also obtain more favorable execution for clients.

PAM may create several aggregate or “bunched” orders relating to a single security at different times during the same day. On such occasions, when not restricted by the client’s investment management agreement, PAM generally prepares, before entering an aggregated order, a written allocation statement as to how the order will be allocated among the various accounts. Securities purchased or proceeds of sales received on each trading day with respect to each such aggregate or “bunched” order shall be allocated to the various accounts whose individual orders for purchase or sale make up the aggregate or “bunched” order by filling each account’s order in accordance with the allocation statement. In the event that the aggregated order cannot be completely filled, the securities purchased or sold will generally be allocated among the various accounts on a pro rata basis, subject to rounding to avoid less easily traded lots and individual issuer de minimis limits. Securities purchased for client accounts participating in an aggregate or “bunched” order will be placed into those accounts at a price equal to the average of the weighted prices achieved in the course of filling that aggregate or “bunched” order.

Although PAM generally allocates trades pro rata, trades may be allocated on a basis other than strictly pro rata if we believe such allocation is fair and reasonable to all accounts involved in the order. For example, changes in the availability of cash or liquidity needs subsequent to the initial order, a de minimis holding resulting from such an allocation, or a change in the client’s needs subsequent to an initial allocation could form the basis of a decision to make a non-pro rata allocation.

PAM expects aggregation or “bunching” of orders, on average, to reduce the cost of execution. PAM generally will not aggregate a client’s order if, in a particular instance, it believes that aggregation will increase the client’s cost of execution. In some cases, aggregation or “bunching” of orders could increase the price a client pays or receives for a security or reduce the amount of securities purchased or sold for a client account.

### **Valuation**

Proper and fair valuation of fund assets is crucial to ensure the funds are acting in good faith and the best interest of the funds’ investors. PAM has the responsibility to establish comprehensive, documented policies and procedures to monitor the valuation of assets of the funds under its management.

Ongoing supervision and periodic review of the above valuation activities are conducted by PAM through annual due diligence questionnaire, monthly price review or other means as PAM considers appropriate.

## **Item 13 – Review of Accounts**

## Review of All Accounts

PAM reviews each client account to monitor portfolio performance and to ensure that each portfolio conforms to guidelines established by PAM and the client. Separately negotiated contracts with each client contain the precise nature of the advisory services to be furnished to that client. These contracts can specify the criteria and process for the account review furnished by the client. In addition, PAM uses its own review processes and procedures during the ongoing management of the client's portfolio. PAM generally sends reports to clients/ makes such reports available to clients on the investment status of their portfolios quarterly, or more frequently if required under the terms of the client contract.

PAM utilizes a compliance system to assist in the automated review and monitoring of portfolios. Many client account investment guidelines can be input into this compliance system. Each trade order is submitted to the system and reviewed electronically for compliance with the account's investment guidelines. This is done prior to the trade order being submitted to PAM/its delegate's trade desk. The system blocks trades that would cause an explicit breach of client guidelines. PAM generates daily reports identifying exceptions for further analysis.

PAM has a liquidity risk management process to identify, monitor, manage and mitigate liquidity risks of accounts that it manages. PAM's liquidity risk management process takes account of the investment strategy, dealing frequency, expected redemption patterns and the liquidity profile of underlying assets and the overall liquidity of the market.

## Reviews by Strategy

### Equities:

Equity portfolios receive ongoing review during the trading process. The portfolio managers utilize proprietary and third-party portfolio construction tools to monitor pre-trade and post-trade risks before trade orders are ever sent to the trading desk. These systems allow the team to evaluate the impact of potential trades on the overall portfolio exposures which cannot be monitored through automated compliance system yet are a client objective or guideline.

Authorized members of the specialized investment teams can monitor portfolios on an ongoing basis and allow for Senior Management to view portfolio positioning for all strategies at any time. Daily performance reports on representative samples of client portfolios are compared to relative benchmarks. PAM runs monthly risk analysis and exception reports on a representative sample of portfolios relative to benchmarks, and in addition, portfolio managers formally review a representative group of client portfolios each month.

### Fixed Income:

Each fixed income portfolio is reviewed daily by its portfolio manager and team members assigned to that portfolio. PAM runs daily reports on a sampling of accounts indicating performance of each portfolio, market value and cash for each account included in the sampling. PAM has an oversight process to monitor portfolios. PAM runs monthly

performance reports on all accounts, which are provided to the members who have oversight authority. Risk management reports showing tracking error and characteristics are run at least quarterly. Each portfolio manager meets quarterly to review the activity in the portfolio(s) for which the portfolio manager is responsible.

#### **Asset Allocation:**

Principal Asset Allocation reviews fund positioning and performance on a daily basis. Sector, risk factor, and issuer concentrations are monitored through FactSet. Investment guidelines are established and monitored for each sub-advisor in the Fund that establish criteria for individual security weightings, sector allocation bands, tracking error relative to the benchmark, etc. Quarterly monitoring calls are also held with each sub-advisor. These calls are supplemented with reviews of managers' monthly and quarterly attribution and risk management materials, annual face-to-face meetings, and an annual re-underwriting of the investment and operations due diligence. Sub-advisors may be removed or replaced as needed.

#### **Reviewers**

PAM has several committees that review all client portfolios falling within their respective equities or fixed income area of focus. All committee members are officers of PAM and generally hold the title of Director, Managing Director, or Executive Director. The appropriate committee assists the portfolio manager in reviewing objectives and constraints of the client, investment activity, operational activity, and client relations at least quarterly. The number of accounts each committee reviews varies by committee.

### **Item 14 – Client Referrals and Other Compensation**

PAM enters compensation arrangements with certain related persons who act as solicitors of clients for PAM. In addition, PAM has, from time to time, entered arrangements with other persons who act as solicitors of clients when it appears to PAM that a solicitor could provide access to clients PAM might not otherwise have. Such arrangements will be maintained in compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940. PAM may pay any such solicitor (a) a salary, or (b) a percentage of the management fee PAM earns from the account a solicitor has introduced, or (c) a one-time fee, or (d) any combination of (a), (b), or (c).

### **Item 15 – Custody**

PAM does not hold, directly or indirectly, funds or securities of U.S. clients, have any authority to obtain possession of them, or otherwise have "custody" of U.S. client assets as that term is used in Rule 206(4)-2 under the Investment Advisers Act of 1940. All client assets are held at designated custodians, and PAM provides all clients with monthly or quarterly valuation and transaction reports. In addition, PAM will provide those reports to clients more frequently upon request.

### **Item 16 – Investment Discretion**

PAM generally receives discretionary authority from the client at the outset of an advisory relationship to select the identity and number of securities to be bought or sold. In all cases,

however, such discretion is to be exercised in a manner consistent with the stated investment objectives, guidelines and restrictions for the client account memorialized in a written agreement.

When selecting securities and determining amounts, PAM observes the investment policies, limitations, and restrictions of the clients for which it advises.

PAM may accept accounts for which it has discretionary authority to purchase securities for the account, but not to select broker-dealers for transactions. These are commonly known as “client directed brokerage relationships.” PAM may also accept non-discretionary arrangements, such as providing a series of securities recommendations by periodically updating a model portfolio or where clients retain investment discretion with respect to transactions in the account.

In these situations, PAM’s lack of investment discretion may cause the client to lose possible advantages that our discretionary clients may derive from our ability to act for those discretionary clients in a timelier fashion, such as the aggregation of orders for several clients as a single transaction.

## **Item 17 – Voting Client Securities**

PAM has adopted and implemented written Proxy Voting Policies and Procedures which are designed to reasonably ensure that PAM satisfies its fiduciary obligation with respect to voting proxies for clients which have authorized PAM to vote proxies.

Clients can choose to retain the right to vote proxies. PAM’s guiding principles in performing proxy voting are to make decisions that (i) favor proposals that tend to maximize a company’s shareholder value and (ii) are not influenced by conflicts of interest.

The principles and positions in the Proxy Voting Policies and Procedures are designed to guide PAM in voting proxies, and not necessarily in making investment decisions. PAM uses voting recommendations of third-party research providers (“Guidelines”) when developing its Proxy Voting Policies and Procedures. Investment teams may, subject to the requirements of the Proxy Voting Policies and Procedures, diverge from the Guidelines where the investment teams determine that it is in the clients’ best interest.

PAM believes a company’s environmental, social and governance (“ESG”) practices may influence the value of the company, and PAM takes these factors into consideration when voting. Where PAM is vested with proxy voting authority, it is PAM’s policy to attempt to vote all proxies on behalf of the client, unless PAM determines in accordance with its policies to refrain from voting. Because of the volume and complexity of the proxy voting process, including inherent inefficiencies in the process that are outside PAM’s control (e.g., delays or incomplete information from intermediaries such as custodians, proxy agents or parties involved in Wrap Fee Programs), not all proxies may be voted.

PAM will make reasonable efforts to vote foreign securities on behalf of clients but voting proxies of companies not domiciled in the U.S. may involve greater effort and cost due to the variety of regulatory schemes and corporate practices. Certain non-U.S. countries require

securities to be blocked prior to a vote, which means that the securities to be voted may not be traded within a specified number of days before the shareholder meeting.

PAM typically will not vote securities in non-U.S. countries that require securities to be blocked as the need for liquidity of the securities in the funds will typically outweigh the benefit of voting. Some clients may participate in securities lending programs. In these situations, where PAM is responsible for voting a client's proxies, PAM will work with the client to determine whether there will be situations where securities loaned out under these lending arrangements will be recalled for the purpose of exercising voting rights. In certain circumstances securities on loan may not be recalled due to clients' preferences or due to circumstances beyond PAM's control.

The administration of PAM's proxy voting process is handled by a central point of administration (the "Proxy Team") servicing PAM and its affiliates. Among other duties, the Proxy Team coordinates with PAM's third-party proxy voting and research providers.

Investment personnel may also make recommendations about voting on a proposal, which may include a recommendation to vote in a manner contrary to our proxy voting principles, subject to established controls. In addition, while PAM ultimately decides how each proxy will be voted, a Proxy Voting Committee reviews policies and procedures and helps ensure quality and objectivity in connection with our proxy voting procedures.

PAM maintains proxy voting records and related records designed to meet its obligations under applicable law. Where permitted by and in accordance with applicable law, PAM may rely on third parties to make and retain, on our behalf, a copy of the relevant records. Clients may obtain a complete copy of our proxy voting policies and other information regarding how their proxies were voted upon request.

In the rare event that a proxy ballot is received for a fixed income account, the relevant portfolio manager will be responsible for voting the ballot.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about PAM's financial condition. PAM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.