

Principal Asset Allocation

SmallCap Growth I Fund

FOURTH QUARTER 2022

Quarterly Report
Class I: PGRTX

Market review

Quarterly

Equity markets continued their roller-coaster ride during the 4th quarter, ultimately ending in positive territory. All equity asset classes posted positive returns for the three-month period, benefiting from a pull-back in treasury yields and the dollar, a less than expected decline Q3 earnings, a relaxation in China's zero-COVID policy, and slowing inflation, pointing to a slowing pace of global policy tightening. By market capitalization, U.S. midcap blend equities outperformed both large and small-cap blend stocks for the quarter. Value names outperformed growth across the board.

Trailing one-year

Equity markets were sharply negative in 2022. The reality of a global economic slow-down, ongoing geopolitical unrest, and aggressive global central bank policy tightening to tame inflation weighed on global markets. U.S. midcap blend equities outperformed both large and small-cap blend stocks for the year, but all three were down double-digits. Value outperformed growth by a wide margin.

As of December 31, 2022. Source: Principal Asset Allocation. The commentary represents the opinions of the investment manager and may not come to pass.

¹Morningstar. Return data represented by Russell 1000® Value Index (large-cap value), Russell 1000® Index (large-cap blend), Russell 1000® Growth Index (large-cap growth), Russell Midcap® Value Index (mid-cap value), Russell Midcap® Index (mid-cap blend), Russell MidCap® Growth Index (mid-cap growth, Russell 2000® Value Index (small-cap value), Russell 2000® Index (small-cap blend), Russell 2000® Growth Index (small-cap growth).

QUARTERLY CUMULATIVE RETURNS (%)¹

	VALUE	BLEND	GROWTH
LARGE	12.42	7.24	2.20
MID	10.45	9.18	6.90
SMALL	8.42	6.23	4.13

TRAILING ONE-YEAR CUMULATIVE RETURNS (%)¹

	VALUE	BLEND	GROWTH
LARGE	-7.54	-19.13	-29.14
MID	-12.03	-17.32	-26.72
SMALL	-14.48	-20.44	-26.36

Performance commentary

Portfolio commentary

SmallCap Growth I outperformed the Russell 2000 Growth for the quarter and ranked in the second quartile of the Morningstar Small Growth peer group. Over the past quarter, Brown and Emerald outperformed the index, while Alliance Bernstein detracted from performance.

One-year returns underperformed the benchmark, with a peer ranking in the third quartile of the peer group. During this time, Emerald and Brown were positive contributors and Alliance Bernstein underperformed.

Satellite manager commentary

For the quarter, Alliance Bernstein underperformed the Russell 2000 Growth index due to poor stock selection in the health care and information technology sectors. Emerald outperformed the index due to strong stock selection within the health care and information technology sectors. Brown outperformed the index due to positive stock selection in the health care and information technology sectors.

In the one-year period, Alliance Bernstein underperformed the index due to poor stock selection within the health care and industrials sectors. Emerald contributed to results due to positive stock selection within the health care and information technology sectors. Brown outperformed the index due to strong stock selection within the information technology sector.

SMALLCAP GROWTH I FUND

Performance

	Average annual total returns (%)							Expense ratio (net/gross)	Contractual cap/waiver expire date
	3-month	YTD	1-year	3-year	5-year	10-year	Since inception (12/06/2000)		
Class I	4.90	-28.55	-28.55	2.87	6.58	10.80	6.59	0.94/0.96	02/28/2023
Russell 2000® Growth Index	4.13	-26.36	-26.36	0.65	3.51	9.20	-		

Morningstar rankings and ratings

Class I percentile rankings	-	-	57	60	49	36			
Total funds in category: Small Growth	618	604	604	576	530	399			
Class I ratings				★★★	★★★	★★★		★★★ (overall)	

Calendar year returns (%)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Class I	-28.55	7.24	42.06	33.59	-5.42	26.32	9.25	1.19	1.54	43.00
Russell 2000 Growth Index	-26.36	2.83	34.63	28.48	-9.31	22.17	11.32	-1.38	5.60	43.30

Morningstar rankings and ratings

Class I percentile rankings	57	66	35	23	47	24	57	16	65	38
Total funds in category: Large growth	604	615	616	640	676	684	669	730	722	714

Performance data quoted represents past performance. Past performance is no guarantee of future results and investment returns, and principal value of the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. Visit principalfunds.com for current month-end performance.

As of December 31, 2022. Source: Morningstar. Morningstar percentile rankings are based on total returns. Morningstar star ratings are based on risk adjusted returns.

Total returns for periods longer than one year are average annual total returns. Total returns shown for periods of less than one year are not annualized.

Third party rankings and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results. See important information section for ratings information. The Morningstar percentile ranking is based on a fund's total return (including income and capital gains, if any, and excluding sales charges) relative to all funds in the same category for the period and may not indicate positive performance. Additional information is available in the important information section of this document.

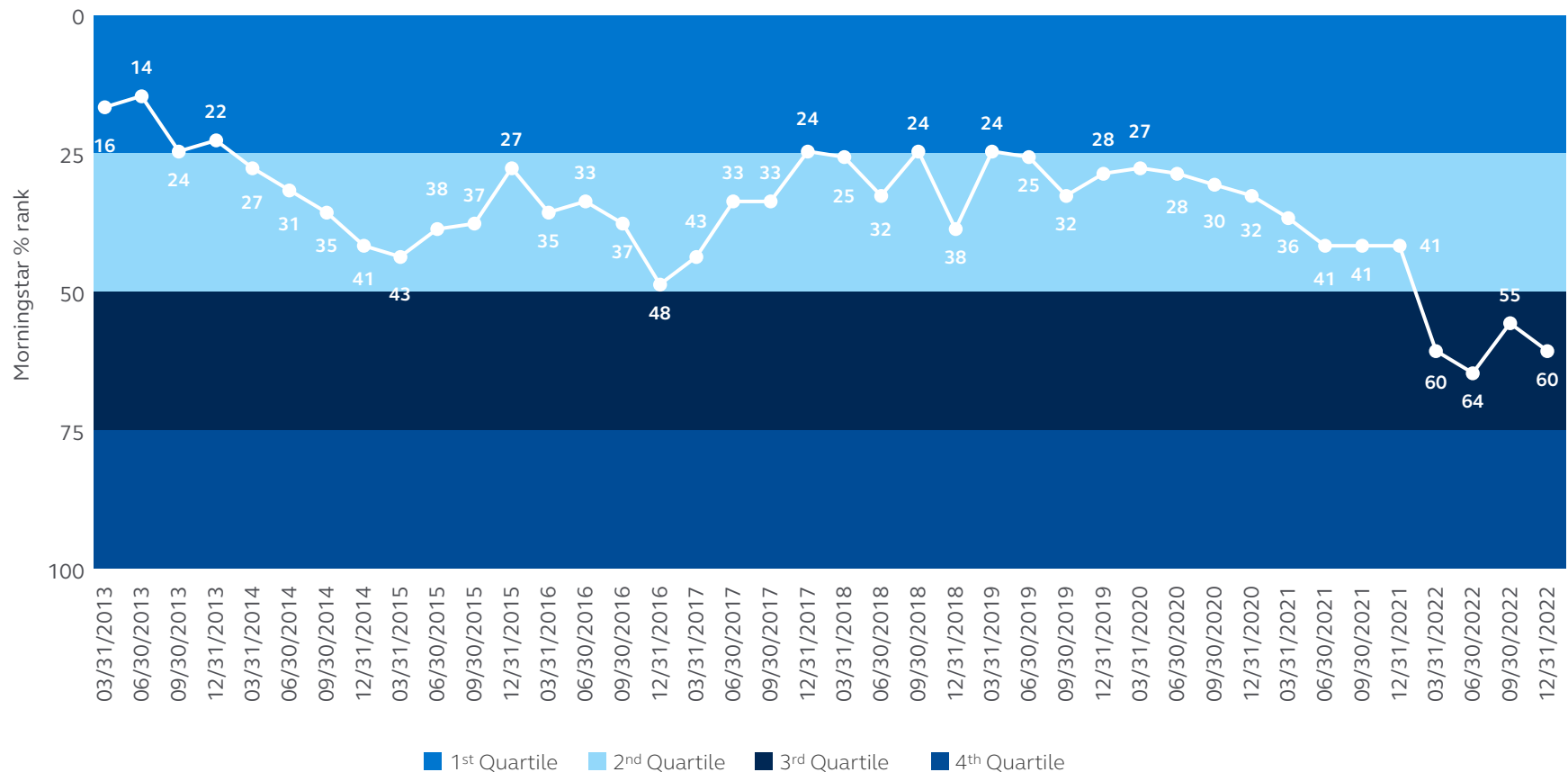
The investment adviser has contractually agreed to reduce total annual fund operating expenses for the Fund by waiving a portion of its management fee, or reimbursing the Fund, to the extent that total expenses exceed 0.68% (excluding interest expense, expenses related to fund investments, acquired fund fees and expenses, and other extraordinary expenses) expressed as a percent of average net assets on an annualized basis. It is expected that the expense limit will continue through the period ending Feb. 28, 2023; however, Principal Funds and the investment adviser may mutually agree to terminate the expense limit prior to the end of the period.

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SMALLCAP GROWTH I FUND

Quarterly percentile ranks

Principal SmallCap Growth I Fund (I shares) rolling 3-year Morningstar ranking

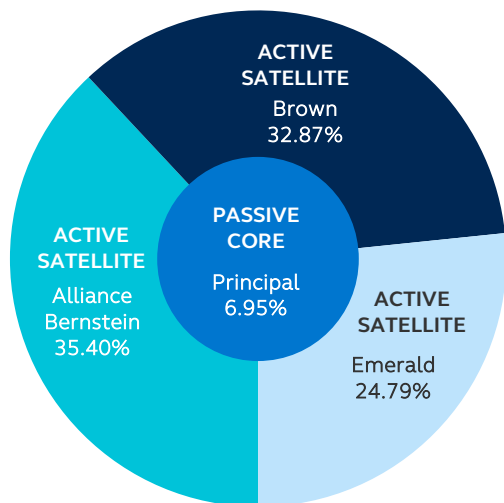


As of December 31, 2022. Source: Morningstar. Data is U.S. Fund Small Growth category. Morningstar percentile rankings are based on total returns.

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SMALLCAP GROWTH I FUND

Portfolio positioning and performance



	Alliance Bernstein	Brown Advisory	Emerald
Process summary	<ul style="list-style-type: none"> Invest in quality companies that are demonstrating improving fundamentals and favorable earnings momentum Employ a stock ranking system that utilizes both fundamental and quantitative research 	<ul style="list-style-type: none"> Invest in fast growing companies where the total return profile of the portfolio is optimized to account for both expected earnings per share growth (emphasis on high absolute and sustainable growth) as well as valuation 	<ul style="list-style-type: none"> Identify under-researched companies with key attributes such as competitive advantages, leadership position, etc. Uses a 10-step process that culminates with internal report on each company
Number of holdings	90-135	50-90	100-150
Sector bands relative to index	+/- 10.0% relative to the benchmark index	No sector will exceed 50% of the portfolio	No more than three times the index, with absolute maximum of 45%
Date added to the fund	March 2003	September 2010	April 2014

Total return	3-month	YTD	1-year	3-year	5-year	3-year Sharpe ratio	3-year standard deviation (volatility)
Quarter end (%)							
Principal SmallCap Growth I Fund	4.90	-28.55	-28.55	2.87	6.58	0.20	25.09
Active satellite: Alliance Bernstein	3.35	-38.37	-38.37	2.03	7.87	0.17	26.79
Active satellite: Brown Advisory	6.08	-19.42	-19.42	5.66	9.14	0.31	24.02
Active satellite: Emerald	6.74	-23.54	-23.54	3.78	5.51	0.24	25.66
Passive core: Principal	4.24	-26.07	-26.07	-0.14	3.03	0.10	26.77
Russell 2000® Growth Index	4.13	-26.36	-26.36	0.65	3.51	0.12	26.57

As of December 31, 2022. Allocations will change over time. Asset allocation and diversification do not ensure a profit or protect against a loss. May not reflect current holdings or allocations. Percentages may not add up to 100% due to rounding.

Source: Morningstar, FactSet. Performance shown represents unaudited historical performance calculations of the individual investment sleeves, gross of fees and other costs, and should not be relied upon as a sole basis for investment decisions. Investment sleeves do not reflect the overall performance of the Fund and investors may not purchase the sleeves independently. Past performance does not guarantee future results.

SMALLCAP GROWTH I FUND

Attribution summary (trailing, three months)

	Average weight	Total return	Average weight	Total return	Manager selection effect	Total effect
Fund attribution (%)	Fund		Russell 2000® Growth Index		Attribution analysis	
Class I	100.00	5.17	100.00	4.13	1.04	1.04
Manager attribution (%)	Manager		Russell 2000® Growth Index		Attribution analysis	
Active satellite: Alliance Bernstein	34.20	3.35	--	--	-0.18	-0.18
Active satellite: Brown Advisory	33.64	6.08	--	--	0.58	0.58
Active satellite: Emerald	24.71	6.74	--	--	0.63	0.63
Passive core: Principal	7.44	4.24	--	--	0.01	0.01

As of December 31, 2022. Allocations Source: FactSet. Holdings September 30, 2022 to December 31, 2022.

Attribution analysis is used to help determine the factors that contributed to a fund's performance relative to a relevant index over a stated time frame and may be subjective. Performance attribution reflects gross performance and does not take into consideration sales, product, administrative, or service fees. Investors and financial professionals should consider all components of the investment product prior to making an investment decision.

Additional information is available in the important information section of this document.

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SMALLCAP GROWTH I FUND

Attribution summary (trailing, three months)

	Average weight	Total return	Benchmark average weight	Benchmark total return	Allocation effect	Selection + interaction	Total effect
GICS sector attribution (%)	Fund		Russell 2000® Growth Index		Attribution analysis		
Communication services	1.42	1.53	2.37	-0.80	0.05	0.03	0.08
Consumer discretionary	11.71	6.78	10.99	5.36	0.02	0.16	0.18
Consumer staples	4.01	10.05	4.39	11.25	-0.01	-0.06	-0.07
Energy	7.15	26.99	7.20	17.14	-0.22	0.60	0.38
Financials	7.57	-4.57	6.12	0.65	-0.04	-0.42	-0.46
Healthcare	23.51	-0.76	22.80	-3.24	-0.04	0.62	0.58
Industrials	16.95	8.69	17.81	7.44	-0.04	0.22	0.19
Information technology	20.07	5.82	19.80	4.77	-0.00	0.20	0.19
Materials	2.19	14.74	4.53	7.68	-0.08	0.14	0.06
Real estate	1.03	3.84	2.22	8.78	-0.05	-0.05	-0.10
Utilities	0.12	0.95	1.77	0.95	0.05	-0.00	0.05
Cash	3.96	0.17	--	--	-0.29	--	-0.29
Unassigned*	0.31	3.91	--	--	0.00	--	0.00
Total	100.00	4.94	100.00	4.13	-0.64	1.44	0.81

5 top contributors to active return (%)		
Company	Attribution	total effect
1 ChampionX Corporation	0.30	
2 Shockwave Medical, Inc.	0.25	
3 Planet Fitness, Inc.	0.25	
4 Rogers Corporation	0.21	
5 Imago BioSciences, Inc.	0.18	

5 top detractors to active return (%)		
Company	Attribution	total effect
1 Palomar Holdings, Inc.	-0.35	
2 R1 RCM, Inc.	-0.26	
3 Madrigal Pharmaceuticals, Inc.	-0.24	
4 Blueprint Medicines Corp.	-0.22	
5 Lantheus Holdings, Inc.	-0.19	

As of December 31, 2022. Source: FactSet. Attribution analysis is used to help determine the factors that contributed to a fund's performance relative to a relevant index over a stated time frame and may be subjective. Performance attribution reflects gross performance and does not take into consideration sales, product, administrative, or service fees. Investors and financial professionals should consider all components of the investment product prior to making an investment decision.

Additional information is available in the important information section of this document. *Securities not assigned a sector are noted as "unassigned".

SMALLCAP GROWTH I FUND

Attribution summary (trailing, one year)

	Average weight	Total return	Average weight	Total return	Manager selection effect	Total effect
Fund attribution (%)	Fund		Russell 2000® Growth Index		Attribution analysis	
Class I	100.00	-27.87	100.00	-26.36	-1.51	-1.51
Manager attribution (%)	Manager		Russell 2000® Growth Index		Attribution analysis	
Active satellite: Alliance Bernstein	33.54	-38.37	--	--	-4.33	-4.33
Active satellite: Brown Advisory	34.22	-19.42	--	--	2.15	2.15
Active satellite: Emerald	23.84	-23.54	--	--	0.64	0.64
Passive core: Principal	8.40	-26.07	--	--	0.02	0.02

As of December 31, 2022. Allocations Source: FactSet. Holdings December 31, 2021 to December 31, 2022.

Attribution analysis is used to help determine the factors that contributed to a fund's performance relative to a relevant index over a stated time frame and may be subjective. Performance attribution reflects gross performance and does not take into consideration sales, product, administrative, or service fees. Investors and financial professionals should consider all components of the investment product prior to making an investment decision.

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SMALLCAP GROWTH I FUND

Attribution summary (trailing, one year)

	Average weight	Total return	Benchmark average weight	Benchmark total return	Allocation effect	Selection + interaction	Total effect
GICS sector attribution (%)	Fund		Russell 2000® Growth Index		Attribution analysis		
Communication services	1.49	-40.02	2.82	-36.79	0.13	-0.06	0.07
Consumer discretionary	13.00	-34.13	12.53	-31.01	0.05	-0.45	-0.40
Consumer staples	3.50	-16.09	4.33	-8.74	-0.14	-0.26	-0.40
Energy	4.19	48.88	5.01	40.70	-0.64	0.27	-0.37
Financials	7.49	-31.78	6.00	-28.51	-0.01	-0.25	-0.26
Healthcare	22.24	-32.51	23.79	-28.37	0.16	-0.94	-0.78
Industrials	16.70	-26.75	16.78	-19.49	0.00	-1.16	-1.15
Information technology	23.36	-29.41	20.96	-34.63	-0.29	1.34	1.05
Materials	2.40	-30.28	4.06	-12.01	-0.14	-0.45	-0.58
Real estate	1.19	-40.07	2.62	-43.96	0.28	0.07	0.35
Utilities	0.08	-19.74	1.10	-19.75	-0.01	0.00	-0.01
Cash	4.01	0.36	--	--	0.73	--	0.73
Unassigned*	0.35	-18.95	--	--	0.02	--	0.02
Total	100.00	-28.10	100.00	-26.36	0.15	-1.89	-1.74

5 top contributors to active return (%)		
Company	Attribution	total effect
1 Zynga Inc.	0.38	
2 EVO Payments, Inc.	0.34	
3 Casey's General Stores, Inc.	0.25	
4 Neurocrine Biosciences, Inc.	0.24	
5 Prosperity Bancshares, Inc.	0.22	

5 top detractors to active return (%)		
Company	Attribution	total effect
1 AZEK Company Inc.	-0.34	
2 NeoGenomics, Inc.	-0.29	
3 Tandem Diabetes Care, Inc.	-0.25	
4 Rapid7 Inc.	-0.23	
5 Ranpak Holdings Corp.	-0.23	

As of December 31, 2022. Source: FactSet. Attribution analysis is used to help determine the factors that contributed to a fund's performance relative to a relevant index over a stated time frame and may be subjective. Performance attribution reflects gross performance and does not take into consideration sales, product, administrative, or service fees. Investors and financial professionals should consider all components of the investment product prior to making an investment decision.

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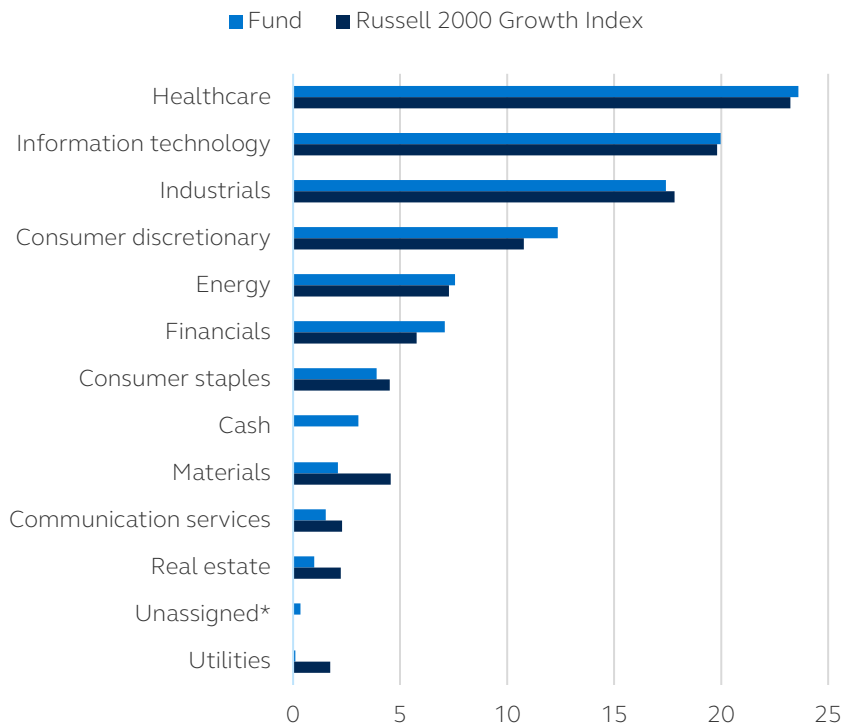
SMALLCAP GROWTH I FUND

Holding characteristics

Top 10 holdings		
Company		Weighting (%)
1	ChampionX Corporation	1.65
2	Waste Connections, Inc.	1.17
3	Genpact Limited	1.13
4	MACOM Technology Solutions Holdings, Inc.	1.07
5	Churchill Downs Incorporated	1.02
6	BlackLine, Inc.	0.98
7	Prosperity Bancshares, Inc.(R)	0.95
8	Planet Fitness, Inc. Class A	0.95
9	SPDR S&P BIOTECH ETF	0.93
10	Cactus, Inc. Class A	0.93
Total weight		10.78

	Fund	Russell 2000® Growth Index
Portfolio characteristics		
Active share (%)	71.65	N/A
Number of holdings	1,235	1,109
Market capitalization ¹	\$4,811	\$3,091

GICS sectors (%)



As of December 31, 2022. Source: FactSet. ¹Weighted average in millions USD.

May not reflect current holdings/allocation. It should not be assumed that securities identified above will prove to be profitable. Any reference to a specific investment or security does not constitute a recommendation to buy, sell or hold such investment security. The holdings listed do not constitute a recommendation to purchase or sell a particular security. Cash and/or derivative positions that are not part of the core investment strategy will not be reflected in the top holdings list. *Securities not assigned a sector are noted as "unassigned".

Important information

Professional credentials



JAMES FENNESSEY, CFA – PORTFOLIO MANAGER

James is a Portfolio Manager within Principal Asset Allocation, an investment team within Principal Asset ManagementSM that engages in the creation of asset allocation solutions. He joined Principal in 2000. He has been a portfolio manager for the Principal LifeTime target date portfolios since 2007 and the Principal LifeTime Hybrid Target Date Funds since their inception in 2009. He serves as a Portfolio Manager on the multi-managed core/satellite funds and is also responsible for New Mexico 529 Plan. James graduated from Truman State University with a B.S. in Business Administration, with an emphasis in Finance and a minor in Economics. He has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute.



RANDY WELCH – MANAGING DIRECTOR, PORTFOLIO MANAGER

Randy Welch is Managing Director, Portfolio Manager at Principal Asset Allocation, an investment team within Principal Asset ManagementSM that engages in the creation of asset allocation solutions. He is responsible for overseeing the Strategic Asset Allocation team. He has been a portfolio manager for the Principal LifeTime target date portfolios since 2007 and the Principal LifeTime Hybrid target date funds since their inception in 2009. He serves as a Portfolio Manager on the multi-managed core/satellite funds and is also responsible for the New Mexico 529 Plan. Randy joined Principal in 1989 and has been in the investment industry since 1985. Randy received an M.B.A. from Drake University and a bachelor's degree from Grand View College. Randy is an affiliate member of the Chartered Financial Analysts (CFA) Institute.



JASON HARVEY, CFA – PORTFOLIO ANALYST

Jason is a Portfolio Analyst for Principal Asset Allocation, an investment team within Principal Asset ManagementSM that engages in the creation of asset allocation solutions. He is involved with asset class & market research, glide path & portfolio modeling, risk & analytics and portfolio trading associated with the strategies run by the Strategic Asset Allocation Team, which includes Principal LifeTime portfolios, Core-Satellite, and 529 Plans. Jason joined the firm in 2011. Prior to his current role, he was a Quantitative Specialist for Principal International. Jason graduated from Central College in Pella, IA with a B.A. in Business Management, with an emphasis in Finance and a minor in accounting. He has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute.



CHAD SEVERIN – SENIOR PORTFOLIO ANALYST

Chad is a Senior Portfolio Analyst for Principal Asset Allocation, an investment team within Principal Asset ManagementSM that engages in the creation of asset allocation solutions. He is involved with asset class & market research, glide path & portfolio construction/modeling, portfolio risk & analytics, and trading associated with the strategies run by the Strategic Asset Allocation Team, which includes Principal LifeTime portfolios, Core-Satellite, and 529 Plans. Chad joined the firm in 2003. Prior to his current role, Chad served as an analyst for the Strategic Asset Allocation Team, as well as a manager of equity performance & analytics at Principal Asset Management. He received a bachelor's degree in accounting from Simpson College.

Important information

Carefully consider the Fund's objectives, risks, charges, and expenses. Contact your financial professional or visit PrincipalAM.com for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.

Attribution analysis is used to help determine the factors that contributed to a fund's performance relative to a relevant index over a stated time frame. Typically, the analysis will look at the effect of sector positioning and stock selection. Generally, where the manager deviates from the index (over or underweighting particular sectors and/or securities as well as investing in securities not held by the index) is where the manager is seeking to add alpha. The analysis was prepared using FactSet, which is a provider of financial and economic information, including fundamental financial data. Not all performance attribution providers assign specific securities to the same sector; large companies with different product lines may cross into several sectors. This subjectivity should be considered when reviewing the statistics in this report. Performance attribution reflects the gross performance and does not take into consideration sales, product, administrative, or service fees. Investors and financial professionals should consider all components of the investment product prior to making an investment decision.

Investing involves risk, including possible loss of principal.

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Past performance does not guarantee future results. The securities listed do not constitute a recommendation to purchase, hold or sell a particular security and there is no assurance an investment in these securities in the future will be profitable or will equal the past performance of these securities. Information is current as of the date(s) referenced and subject to change without notice. Portfolio holdings may not reflect current portfolio composition. Holdings are provided as general information and are not to be used for audit purposes.

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All figures shown in this document are in U.S. dollars unless otherwise noted. All assets under management figures shown in this document are gross figures and may include leverage, unless otherwise noted. Assets under management may include model-only assets managed by the firm, where the firm has no control as to whether investment recommendations are accepted, or the firm does not have trading authority over the assets.

INDEX DESCRIPTIONS

Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000. **Russell 1000® Growth Index** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. **Russell 1000® Value Index** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. **Russell 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000 Index. **Russell 2000® Growth Index** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. **Russell 2000® Value Index** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. **Russell Midcap® Index** measures the performance of the 800 smallest companies in the Russell 1000 Index. **Russell Midcap® Growth Index** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index. **Russell Midcap® Value Index** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

Important information

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Morningstar ratings may vary between share classes, are based on historical risk-adjusted total returns and are subject to change.

Morningstar percentile rankings are based on total returns and do not reflect the inclusion of sales charges. If sales charges were reflected, rankings could be lower.

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar ratings do not reflect the inclusion of sales charges. If sales charges were reflected, ratings could be lower.

The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five-pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark over the long term on a risk adjusted basis. They consider quantitative and qualitative factors in their research. For actively managed strategies, people and process each receive a 45% weighting in their analysis, while parent receives a 10% weighting. For passive strategies, process receives an 80% weighting, while people and parent each receive a 10% weighting. For both active and passive strategies, performance has no explicit weight as it is incorporated into the analysis of people and process; price at the share-class level (where applicable) is directly subtracted from an expected gross alpha estimate derived from the analysis of the other pillars. The impact of the weighted pillar scores for people, process and parent on the final Analyst Rating is further modified by a measure of the dispersion of historical alphas among relevant peers. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, the modification by alpha dispersion is not used.

The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. For active funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that an active fund will be able to deliver positive alpha net of fees relative to the standard benchmark index assigned to the Morningstar category. The level of the rating relates to the level of expected positive net alpha relative to Morningstar category peers for active funds. For passive funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will be able to deliver a higher alpha net of fees than the lesser of the relevant Morningstar category median or 0. The level of the rating relates to the level of expected net alpha relative to Morningstar category peers for passive funds. For certain peer groups where, standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will deliver a weighted pillar score above a predetermined threshold within its peer group. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <https://shareholders.morningstar.com/investor-relations/governance/Compliance--Disclosure/default.aspx>.

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group's expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

Important information

Alpha is the difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta).

Beta is an investment's sensitivity to market movements.

R-squared ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index.

Standard deviation measures how much an investment's returns are likely to fluctuate.

Sharpe ratio measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance.

Information ratio is a risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Past performance is no guarantee of future results.

Asset allocation and diversification does not ensure a profit or protect against a loss.

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

Class I shares are available only to eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs. See the prospectus for eligibility requirements.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after total investment expense of the investment option.

Any operating expenses of a mutual fund or underlying mutual fund that are part of net total investment expense are obtained from the mutual fund's most recent prospectus. The operating expenses shown as part of total investment expense include voluntary expense limits and fee credit.

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