Principal Morley

STABLE VALUE INSIGHTS

Capital preservation comparison - Update

SEPTEMBER 2022

What we'll discuss

- Fed tightening impact on money market fund returns
- Historical risk/return of capital preservation options
- Performance comparison of stable value and other capital preservation options

Financial markets continued their broad retreat in the second quarter and in August as investors weighed the potential economic fallout from increasingly aggressive central bank efforts to reduce multi-decade high inflation levels. Stable value fund crediting rates have risen through the year given Fed tightening, money market fund yields have also risen materially this year while short term bond funds have printed negative market value returns year-to-date. In times of market uncertainty, capital preservation options typically receive increased attention from plan sponsors and participants.

We have provided the following update on the current and historical performance of stable value strategies relative to money market funds and short-term bond funds in this volatile market environment.

Money market fund yields have increased significantly given the tightened monetary policy being implemented by the Fed. Money market fund yields have risen from near 0.00% to approximately 1.75%, and short-term bond indices have generally provided negative returns through August of 2022.

The Morley Stable Value Fund has continued to provide a positive crediting rate and has maintained a crediting rate premium (see Exhibit 1) compared to money market funds due to the positive spread offered in corporate and structured sectors, like ABS, CMBS and MBS. That premium has narrowed given a flat to inverted yield curve and the rapid increase in short term rates as the Fed fights inflation.

A longer-term comparison of the risk/return characteristics of capital preservation options, validated across a wide range of market cycles through June 2022, highlights the benefits of stable value compared to money market funds and short-term bond funds. In Exhibit 2, we've presented 10 years of data comparing the risk/return profiles of these three capital preservation options. It is evident that investment risk of stable value, as measured by standard deviation, has been comparable to MMFs with performance that has been higher over time. Returns for stable value and short bond funds have been similar over 10 years, however, stable value provided a lower risk profile.

Participants who use stable value in place of a similar duration bond fund may reduce the risk profile of their retirement portfolio and participants who use stable value in place of MMFs may increase the return on their portfolio.

EXHIBIT 1: Fed policy impacts money market yields

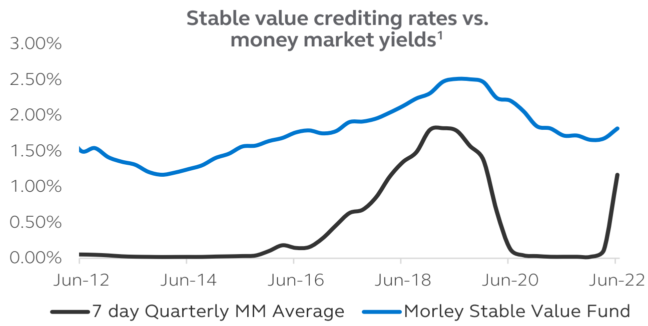
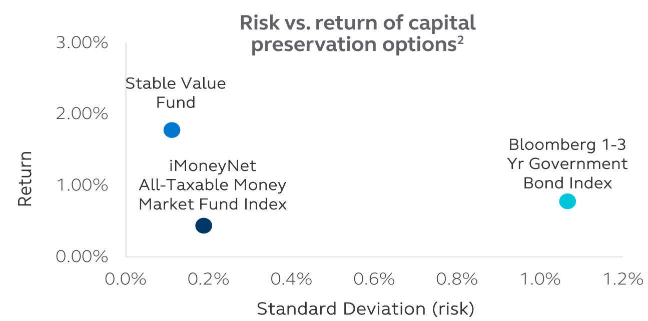


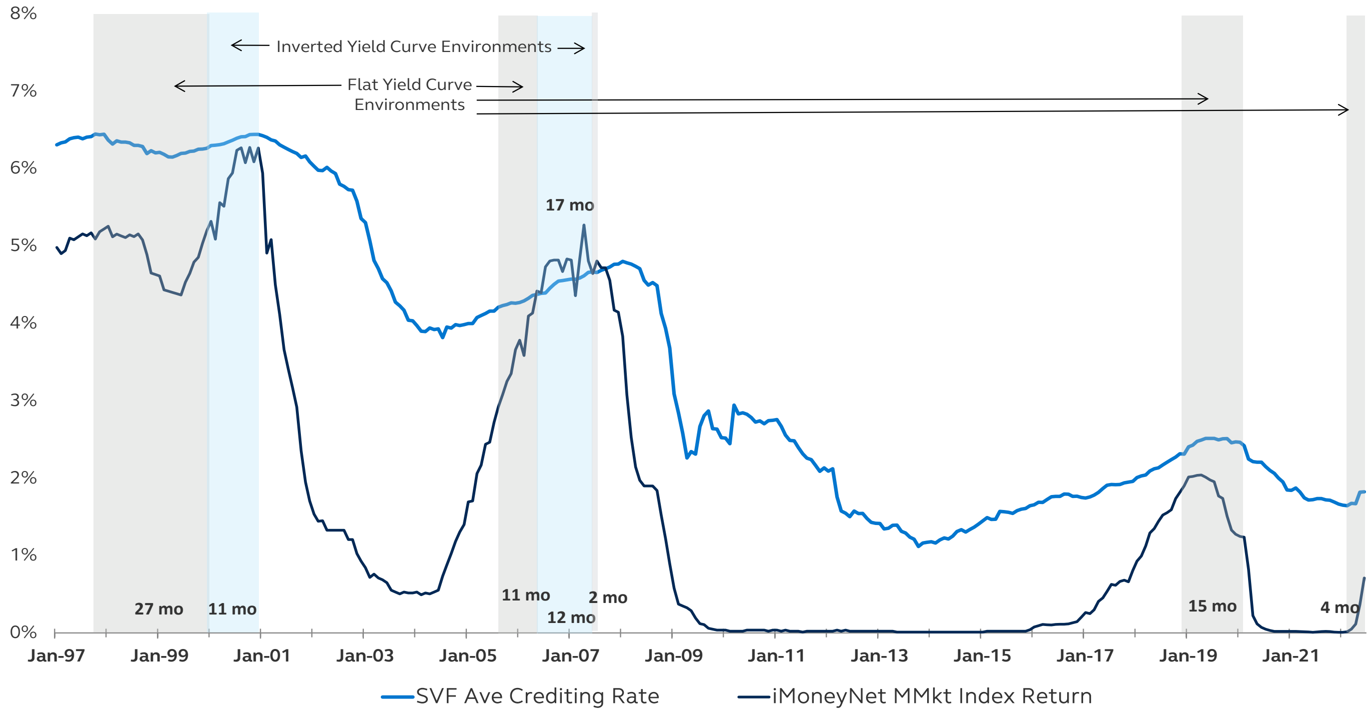
EXHIBIT 2: Stable value risk/return



[1]Source: Morningstar as of June 30, 2022. [2]Gross annualized returns statistics provided for the 10-year period ending June 30, 2022. **Past performance does not guarantee future results.** Performance returns assume the reinvestment of dividends and other earnings.

Stable value crediting rate vs. money market returns

Stable value performance across historical yield curve environments



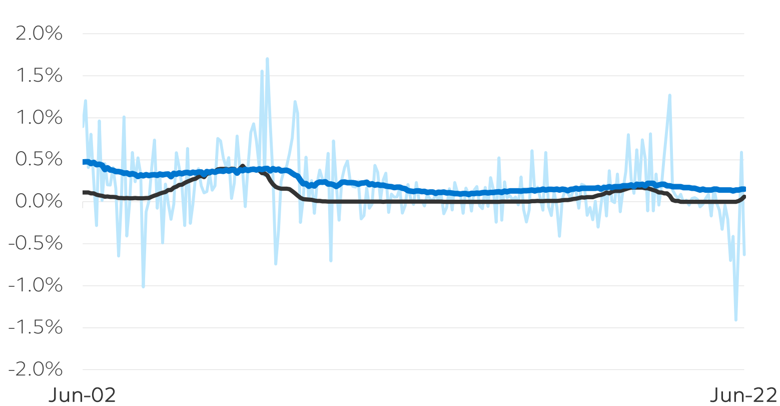
As of June 30, 2022. **Past performance does not guarantee future results.**

Stable value funds crediting rates track the overall direction in the general level of interest rates, but with a lag given the method for calculating individual crediting rates for stable value contracts. The nature of the crediting rate formula embedded in the contracts dampens the immediate impact of price movements, smoothing out the impact over, typically, the duration of the assets wrapped. That creates a smoother performance path than an unwrapped short term bond fund or a money market fund.

Specific to the ongoing financial and economic impact of the Fed's renewed push to fight inflation and maintain a significantly tighter monetary stance, Treasury yields have increased through much of 2022 and are projected to increase further in 2023. Spread sectors have widened as economic conditions and outlooks have responded to more aggressive Fed policy, but remain attractive compared to Treasury rates. Stable value funds continue to provide spread and duration benefits over MMFs.

Monthly returns

For the 20 year period ending June 30, 2022



The Morley Stable Value Fund has typically outperformed the money market fund index over a 20-year period without the volatility of the short-term high-quality bond index.

Contact us

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Definitions and disclosures

Capital preservation-focused – Fixed income investment options that seek to preserve capital; this strategy is often met through either a guaranteed product or a stable value product.

Return-focused – Fixed income investment options that seek to generate income; market value risk generally applies.

7-Day yield – The 7-Day Yield percentage more closely reflects the current earnings of this money market investment option than the total return displayed.

Characteristics of a stable value fund

- The underlying portfolio's market performance or fluctuation is intended to be smoothed over time through wrap contracts that provide book value crediting rates.
- The investment option's goal is to produce higher returns than money market investment options while seeking safety and stability of principal.
- This investment option offers less volatility than the return-focused investment options, and thus less risk and return on a day-to-day basis at the participant level related to the portfolio of securities held in the investment option.
- Participant redemptions from the stable value fund are generally permitted without restriction.
- Depending on market conditions, Stable Value investment options may impose liquidity restrictions on employer transactions.

Characteristics of short-term, return-focused fund

- This type of investment generally has a low correlation to equity markets, resulting in increased diversification and potentially lower volatility for participants.[1]
- May provide a clearer, more straightforward cost structure.
- Features direct crediting of portfolio performance.
- Each portfolio has a specific investment strategy and objective.
- Participant transactions occur at market value without surrender charge.[2]
- The more volatile of the two types of fixed income investment options, with potential for greater investment risk and possible returns for the retirement plan and participants.[3]
- Open-ended investment options which allow for purchasing and redeeming at the next calculated public offering price.

[1]Correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel; a negative correlation indicates the extent to which one variable increases as the other decreases.
[2]See the fund prospectus or group annuity contract for any restrictions which might apply for frequent purchases or redemptions.
[3]Return-focused options may be mutual funds or insurance company separate accounts.

Carefully consider the applicable money market and bond fund's objectives, risks, charges, and expenses. Contact your financial professional or visit principal.com for money market and bond fund prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.

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The Morley Stable Value Fund (the Fund), is a collective investment trust maintained by Principal Global Investors Trust Company, (the Trust Company). PPrincipal Morley is an investment team within Principal Global Investors (the Adviser), serves as investment manager with respect to the Fund, subject to the Trust Company's supervision and review. Principal Asset ManagementSM is a trade name of Principal Global Investors, LLC. The Adviser is an indirect wholly owned subsidiary of Principal Financial Group® and is under common control with the Trust Company.

The Fund is not a mutual fund and is not registered with the Securities and Exchange Commission. The Trust Company is regulated by the State of Oregon. **Units of the Fund are not deposits or obligations of, guaranteed by, or insured by the Trust Company or any affiliate, and are not insured by the FDIC or any other federal or state government agency. The value of the Fund may fluctuate so that when redeemed, units may be worth more or less than the original cost.**

The declaration of trust, participation agreement, and disclosure documents contain important information about investment objectives, risks, fees and expenses associated with investment in the Fund and should be read carefully before investing.

Past performance is not a guarantee of future results. Performance returns assume the reinvestment of dividends and other earnings. Returns for periods less than one year are not annualized. Gross returns are presented net of Fund Level Expenses which include Stable Value Investment Contract Fees, Sub-Adviser Fees, and Acquired Fund Fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming a) quarterly fee assessment, b) $1 million investment, c) portfolio return of 5% a year, and d) 0.25% investment management fee would be approximately $632.81 for the quarter, $2,576.67 for the first year, $8,109.53 for a three year period, $14,190.01 for a five year period and $32,156.08 over a ten year period. Actual investment advisory incurred by clients may vary. Investment carries the risk of loss. Fees are described in the Adviser's ADV Part 2A.

Market indices have been provided for comparison purposes only. Indices are unmanaged and do not reflect the deduction of fees and other expenses. Individuals cannot invest directly in an index. The iMoneyNet All-Taxable Money Market Fund Index measures the equally weighted returns of the largest taxable money market funds. The Bloomberg Stable Income Market Index represents a low-risk blend of asset classes from within the Bloomberg U.S. Aggregate Bond Index, focusing on shorter maturities, and providing diversified exposure to debt from the government, credit and securitized sectors. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. You could lose money by investing in it. Although the money market fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. The money market fund's sponsor has no legal obligation to provide financial support to it, and you should not expect that the sponsor will provide financial support to the money market fund at any time.

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