

Form ADV Part 2A - The Brochure

Item 1 – Cover Page

Spectrum Asset Management, Inc.

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This Brochure provides information about the qualifications and business practices of Spectrum Asset Management, Inc., hereinafter referred to as “Spectrum” or “Adviser”. 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.

Spectrum is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

If you have any questions about the contents of this Brochure, please contact us at (203) 322-0189 and/or jhanczor@samipfd.com.

Additional information about Spectrum is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

There have been no material changes since the last annual amendment on March 22, 2017.

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Item 4 – Advisory Business

Spectrum was founded in 1987 and specializes in the management of portfolios of preferred securities and other junior subordinated capital securities including contingent convertible capital securities. These are generally some of the highest-yielding investment grade and below investment grade securities in the U.S. and E.U. capital markets. Spectrum also manages portfolios that include various derivatives-based volatility mitigation strategies relative to interest rate, credit and broad market volatility. Spectrum manages portfolios for a global universe of corporate, pension fund, insurance and endowment clients, open-end mutual funds, including those distributed by Principal Funds, and closed-end mutual funds domiciled in the United States, Ireland (“UCITS”) and Japan, and separately managed account programs for high net worth individual investors sponsored by a variety of broker-dealers, and distributed by Principal Global Investors, LLC (“PGI”) Spectrum is one of the largest investment advisers in the world specializing in the preferred securities and other junior subordinated capital securities market with \$23.5 billion in assets under management as of 12/31/17. Of this amount, discretionary assets totaled \$19.6 billion and non-discretionary assets totaled \$3.9 billion.

Spectrum was acquired in 2001 by PGI, the asset management arm of The Principal Financial Group® (“PFG”). Spectrum is 100% directly owned by Principal Global Investors Holding Company (US), LLC, which is 100% directly owned by Principal Financial Services, Inc. (“PFSI”). PFSI is 100% directly owned by PFG. The Principal Financial Group was established in 1879 and became a public company listed on the New York Stock Exchange in 2001 under the ticker symbol PFG.

Spectrum is a dually registered firm. It is an investment adviser registered with the SEC and a broker/dealer member firm of the Financial Industry Regulatory Authority (“FINRA”). Spectrum is also a member of the National Futures Association (“NFA”) and is registered with the Commodity Futures Trading Commission (“CFTC”) as a Commodity Trading Advisor.

Spectrum is an investment manager for the separately managed account/wrap fee programs (“wrap programs”) listed in Schedule D, Section 5.1(2) of Spectrum’s Form ADV Part 1, including wrap programs created and/or serviced by the financial institutions listed in Schedule D, Section 5.1(2) of Spectrum’s Form ADV Part 1 that are “private-labeled” by third-parties. (See Section 5 below for a description of these services.)

Item 5 – Fees and Compensation

Spectrum provides discretionary investment advisory services to institutional clients generally investing at least \$25,000,000 for discretionary individually managed accounts. Spectrum typically offers such services for an advisory fee calculated as a percentage of assets under management as described below, and on a limited basis offers certain investment management services based on a performance fee as described in Section 6. Spectrum charges commissions for certain securities transactions executed by its FINRA member broker/dealer according to its commission schedule, a copy of which is available upon request. Item 12 herein further describes the factors that Spectrum considers in selecting or recommending broker/dealers for client transactions and determining the reasonableness of their commissions. Clients may also pay custodial fees to the custodian of their choosing, exchange fees and other charges. Spectrum does not reduce its advisory fees to offset commissions.

A client wanting to terminate an investment advisory contract before its expiration date generally may do so by giving 30 days written notice, unless otherwise specified in the negotiated contract.

The investment advisory fees generally charged by Spectrum for each of its products are as follows:

Individually Managed Accounts: Fees are generally charged based on the average daily value or month end value of client assets under management, payable quarterly in arrears. Fees are negotiable and may vary from those shown below to reflect circumstances that may apply to a specific client or account. Accounts with special investment guidelines or other special circumstances or requirements may be charged differently based on the services rendered. Some existing clients may pay different fees that are not available to new clients. Clients may withdraw funds from management at any time, upon delivery of notice to Spectrum. Clients are asked to provide 30 days' notice of a withdrawal so that liquidation may be effected efficiently. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any paid, unearned fee will be promptly refunded, and any earned, unpaid fee will be due and payable.

Spectrum's current basic fee schedule for individually managed accounts is as follows:

<u>Account Value</u>	<u>Annual Fee Rate</u>
Initial \$50 million	0.50%
Next \$200 million	0.45%

Next \$750 million	0.40%
Over \$1 billion	0.35%

Investment Companies: Spectrum acts as a sub-adviser to U.S. registered investment companies ("registered funds") and UCITS funds domiciled in Dublin, Ireland. The fees and other contractual arrangements for each of these registered funds are described in the registered fund's registration statement filed with the Securities and Exchange Commission and with the Central Bank of Ireland.

Wrap Programs: Spectrum is an investment manager for the separately managed account/wrap fee programs ("wrap programs") listed in Schedule D, Section 5.l(2) of Spectrum's Form ADV Part 1, including wrap programs created and/or serviced by the financial institutions listed in Schedule D, Section 5.l(2) of Spectrum's Form ADV Part 1 which are "private-labeled" by third-parties. In a typical wrap program, each client enters into an agreement with the sponsor of the wrap program, and each investment manager available in the program maintains a sub-advisory agreement with the sponsor of the wrap program or other service providers involved in the program. Clients typically pay a single all-inclusive "wrap" fee to the wrap program sponsor that covers, among other things, advisory, brokerage execution and custodial services.

Spectrum handles the placement of trades for some wrap fee programs and provides model portfolio recommendations to the program sponsor. Model portfolio recommendations are provided to the program sponsor at the close of each business day. The delivery of changes in model portfolio recommendations typically occurs after similar changes have been implemented, or may be in the process of implementation, across institutional accounts managed by Spectrum. It should be expected therefore that accounts receiving recommendations that are implemented following Spectrum's institutional accounts will have different performance than the institutional accounts because of favorable or unfavorable market changes during the ensuing period. For trade rotation purposes, "model only" wrap fee program sponsors are accorded rotation slots on a similar basis as the slots accorded to other wrap fee program sponsors, the only difference being that the model portfolio is communicated to the "model only" wrap fee program sponsors and the trade orders based on the model portfolio are communicated to the other wrap fee program sponsors.

Spectrum receives fees paid by wrap program sponsors that are generally a per annum percentage of the market value of the accounts in the program. Some wrap programs provide for the wrap fee (including the portfolio management portion payable to Spectrum out of that wrap

fee) to be paid by the client before the services are rendered by Spectrum, while some wrap programs provide for the wrap fee to be paid in arrears by the client after Spectrum provides services for the period covered by the fee.

Spectrum, in agreement with the wrap sponsor, steps-out trades for the benefit of client accounts in certain circumstances such as when, for example, the sponsor and Spectrum believe that Spectrum may be able to achieve better execution, e.g. for larger block trades. In the event Spectrum steps-out trades, Spectrum, as a registered broker-dealer, will facilitate the purchase and sale of securities in accordance with its policies and procedures. (See Item 12). Spectrum does not charge commissions for step-out trades. In certain programs, the fees and services may be unbundled, and Spectrum may enter into an investment advisory agreement directly with the clients. Spectrum's fees for portfolio management of wrap fee programs are asset based and generally range between 0.25% and 0.35% annually. The minimum account size may vary by program but is typically \$100,000 – \$500,000. Spectrum provides discretionary and non-discretionary investment management services to the wrap programs. Various other services, including performance review and reporting, may be performed by the wrap program sponsor and/or other service providers.

Item 6 – Performance-Based Fees and Side-By-Side Management

Spectrum, in very limited circumstances, charges performance fees in compliance with Rule 205-3 of the Investment Advisers Act of 1940. Any such performance fees will be negotiated on an individual basis with the client. Spectrum is willing to consider incentive fees in appropriate circumstances. In measuring clients' assets for the calculation of performance-based fees, Spectrum may include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for the adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor performance based fee-paying accounts over other accounts in the allocation of investment opportunities. Spectrum manages investments for a variety of clients including mutual funds, exchange-traded funds, large institutional clients, and SMA program accounts. Potential conflicts of interest may arise from the side-by-side management of these clients based on fee structures. Spectrum has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

Spectrum provides portfolio management services to registered mutual funds, private investment funds, foreign funds such as UCITS, sponsors of wrap account programs, corporate pension and profit-sharing plans, charitable institutions, insurance companies, foundations, endowments, and other U.S. and international institutions. Generally, the minimum account size for opening and maintaining an account is \$25 million.

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

Introduction:

We believe that the junior subordinated capital securities of a high-quality issuer may offer a superior risk-adjusted return versus the senior debt of a similar and/or lower quality issuer due to relative credit risk premium and recovery characteristics experienced in the asset class. In addition, a preponderance of retail investors in the junior subordinated capital securities market may create inefficiencies or opportunities for a professional investment manager to generate alpha.

Spectrum's investment philosophy is premised on junior subordinated capital securities providing investors with high current income and efficient diversification with diligent management of credit risk. Junior subordinated capital securities are generally the highest-yielding securities available from a universe of issuers that have predominantly investment-grade senior debt ratings.

Important elements of Spectrum's active management strategy of junior subordinated capital securities include:

- A team of junior subordinated capital securities market specialists
- A disciplined, scalable investment process
- Independent fundamental and quantitative research with relative fundamental scoring and concentration tiering that assist with the portfolio management process
- Relative value orientation
- Downside risk management
- Responsiveness to market evolution

- Interest rate volatility mitigation

Spectrum's investment process reflects a core commitment to fundamental credit and security analyses. An integrated global process networked with our parent can also complement our boutique style through a team orientation with Principal Global Investors®. A significant amount of our time and resources are focused on gathering and analyzing the information necessary for our bottom-up investment process. Specific portfolio risk is managed through credit approval and security selection, and may be complemented systemically by risk management solutions aimed to mitigate market risk.

Quality: Spectrum's investment universe comprises securities that are issued primarily by companies with senior unsecured debt rated as investment grade at the time of purchase by Moody's or S&P. Investment-grade-rated debt issuers may also have issued junior subordinated capital securities that are either investment grade at the time of issue, below investment grade at the time of issue, or were investment grade at the time of issue but were subsequently downgraded to below investment grade at the time of purchase, all of which could be included in Spectrum's investment universe.

Liquidity: At least US\$250 million of issuance outstanding. Liquidity is considered at the time of potential investment.

Credit Process:

The Spectrum credit process comprises our "3R" method of Research, Review (& Analysis) and Recommendation. Based on quantitative and qualitative inputs, we conduct a top-down analysis of global, sovereign and industry risks and opportunities, combined with a bottom-up analysis of individual company fundamentals. The primary focus is on global junior subordinated capital security issuers in the bank, insurance, REIT and financial services sectors. We also provide coverage on issuers in the utility, telecom, energy and other non-financial sectors. The credit team is headed by Executive Director Joseph Urciuoli, and includes Senior Vice President and lead banking and REIT analyst John J. Kriz, and Vice President and lead insurance analyst Chad Stogel.

Research:

In addition to Spectrum leveraging its unique relationship with the Principal Global Investors® fixed income group (a comprehensive network of over 20 domestic and international credit analysts and economists), we utilize a mosaic approach in collecting research data through:

- Audited company financial statements
- Sell-side research and independent third party opinions
- Rating agency research
- Bloomberg news and data
- Industry conferences
- One-on-one meetings with company management
- Analyst dialogue
- Comprehensive Principal Global Investors® research resources
- Financial media

Review and Analysis:

Top-Down

- Global: Geopolitical risk, global instability, energy price volatility, man-made/natural catastrophes, war and/or terrorism, spread of infectious diseases, weapons of mass destruction, cyber-attacks
- Sovereign: Macroeconomic conditions, central bank monetary/fiscal policy, competition, indebtedness, weakening/strengthening currency, political uncertainty, ratings, government instability, social unrest
- Industry: Consolidation, life cycle (growth, maturity, decline), defensive/cyclical characteristics, regulation, capital/labor intensive, barriers to entry, market leadership, competitive challenges, emerging technology, demographics

Bottom-Up -- Company Fundamental Analysis

- Quantitative Metrics: CAMEL - style analysis including a review of capital adequacy, asset quality, management, earnings, liquidity and leverage

- Qualitative Factors: Business line mix, litigation, ownership, acquisitiveness, risk temperament, management style, expense controls, disclosure, track record, strategic direction, company structure, footprint, systemic importance.
- Ratings: Major agencies

Recommendation:

Following a comprehensive review and analysis of all relevant information, the credit team renders Buy, Hold, or Sell issuer recommendations to the portfolio management team. Under a “Buy” recommendation the credit team independently sets parameters (sovereign, industry and issuer limits) under which the portfolio management team can purchase selected issuers. The team also identifies those issuers in the portfolio that are a “Hold” whereby the PMs must not add to existing positions, and issuers which are a “Sell.” Using a multi-tier methodology, the team also assigns a maximum concentration ranking to each “Buy” recommendation, predicated on issuer size and risk profile. In general, concentration rankings are tiered from 1% to 5%. The credit team actively monitors its “master list” of approved credits and rankings, with any changes immediately communicated to the investment team.

The credit team formally presents changes in their opinions at the weekly investment committee meetings which, in addition to Mr. Urciuoli and his credit team, John J. Kriz and Chad Stogel, are attended by the entire portfolio management group comprising CEO Mark Lieb, CIO Phil Jacoby, and portfolio managers Fred Diaz, Bob Giangregorio, Manu Krishnan and Kevin Nugent. These meetings also provide a forum for investment committee members to discuss important topics related, but not limited to, portfolio management, the junior subordinated capital securities market, interest rates, and the US and global economic outlook. Outside of these formal committee meetings, the credit team routinely communicates directly with the portfolio managers regarding salient credit issues or opportunities.

Security Analysis Process: Once the credit analysis of the issuer is complete, Spectrum analyzes the various junior subordinated capital securities in issuance. The focus of Spectrum’s security analysis is to assess the relative value among various junior subordinated capital securities on the basis of key features, which could include call protection, subordination, option-adjusted spread and security credit rating.

Spectrum compares yields and option-adjusted spreads (OAS) of a particular issue relative to:

- The issuer's senior debt
- The issuer's junior subordinated capital securities of a different trading market sector, such as US\$25 par issues versus US\$1,000 par issues.
- The issuer's junior subordinated capital securities of the same type, such as US\$25 par issues. vs. other US\$25 par issues, or US\$1,000 par vs. other US\$1,000 par issues.
- Junior subordinated capital securities of other issuers.

Spectrum has built a system that sources US\$25 par security prices from FINRA brokers and NYSE floor specialists, and combines them with IDC and Bloomberg prices for US\$1,000 par junior subordinated capital securities and senior debt. This tool allows Spectrum to compare the spreads described above on a real time basis. It allows Spectrum not only to highlight possible attractive relative securities, but to also identify potential market inefficiencies or trading opportunities.

Security Selection: Key drivers in the security selection process are credit strength and yield. For a security to be considered for investment, the credit status of the issuer generally must be stable to improving. The security yield must be appealing, given the credit rating and trend relative to other junior subordinated capital securities. In addition, the junior subordinated capital issue is analyzed relative to the real or theoretical level of the same issuer's corporate debt. Features such as call protection, subordination, and option-adjusted spreads are assessed to help determine if a given issue may provide a yield premium to justify its inclusion in the portfolio.

Portfolio Construction: Portfolio construction is a bottom-up approach whereby the credit team initially conducts extensive analysis described above. Parameters of credit risk tolerances are determined for all issuers held or expected to be held in the portfolios. Initial emphasis is on industries which are considered by the credit team to possess stable and/or improving fundamentals. The credit and research team then categorizes the various issuers into tiers which set the concentration limits for the portfolio managers to follow in constructing the portfolios.

The next step in the process is for the portfolio managers to construct junior subordinated capital security model portfolios which are suitably diversified with the objective of obtaining optimum potential income and capital preservation. The portfolio managers are responsible for

constructing individualized portfolios that capture desired return objectives while adhering to specified client policy guidelines and preferences. Portfolios are continuously reviewed for opportunities to increase yield while balancing risk.

Sell decisions can be either a function of a credit development or recognition that the junior subordinated capital yield has become "rich" in the absolute or relative to the yield of senior debt. Diversification is a primary consideration, and while most portfolio guidelines specify 5% as the maximum position for an individual credit, holdings are typically in the 0.5% to 3.0% issuer concentration range.

The process is designed to actively manage the portfolios. This involves formally establishing target duration, industry allocation, credit quality and liquidity parameters relative to predetermined benchmarks and risk management guidelines. The portfolio managers are assigned the ultimate responsibility for constructing individualized portfolios for our clients.

The main drivers of our portfolio risk management process are:

Credit Risk

Spectrum actively manages credit risk by monitoring global, sovereign, industry and issuer trends for potential improvement or deterioration in credit quality. Diversification is a core action which may mitigate certain risks. Typically, no single issue will represent more than 5% of the portfolio. In addition to internally generated analyses, Spectrum communicates with Principal Global Investors[®], and utilizes the services of the major rating agencies, third-party research opinions as well as industry analysts at our counterparty investment banks.

Spread Risk

Spread risk refers to the risk that valuation yield spreads on corporate debt securities, and on junior subordinated capital securities in particular, may widen relative to US Treasury bond yields. This market risk is also known as systematic risk. Systematic risk may be reduced through structure selection, duration choice and hedging solutions.

Liquidity Risk

The junior subordinated capital securities market is often less liquid than the US Treasury, agency, corporate and asset-backed markets. Our minimum liquidity requirements serve to mitigate this risk. Securities are initially screened for minimum size preference of US\$250 million of issuance outstanding. In addition, Spectrum is an active participant in the junior subordinated capital securities secondary markets which trade over-the-counter. Spectrum also maintains a direct presence in junior subordinated capital securities that trade on the floor of the New York Stock Exchange, which enables us to add value via trading as an agent.

Trading Risk: There can be risks to a portfolio when there is frequent trading of securities. Spectrum does not engage in what we believe to be frequent trading or portfolio turnover.

Portfolio Guideline Risk: This risk is monitored daily. All investment guidelines and other account rules are contained in our proprietary allocation model. All prospective trades are run through the model and checked against investment guidelines prior to execution. Spectrum uses Bloomberg AIM for guideline compliance monitoring which provides a centralized and organized view of investment guideline compliance operations.

Volatility Mitigation Strategies

Spectrum employs volatility mitigation strategies relative to interest rate, credit and broad market volatility for certain accounts that have authorized such strategies.

Spectrum's Volatility Mitigation for Bonds ("VMB") strategy is an active strategy that trades listed options on U.S. Treasury long bond futures and U.S. Treasury long bond futures. The Volatility Mitigation for Stocks ("VMS") strategy is an active strategy that buys vertical put spreads and vertical call spreads on the S&P 500* Index (or the S&P 500 ETF options on S&P 500 Index futures). The strategies employ quantitative, rules-based processes to determine both the entry to and exit from options and futures positions.

The primary risks with these strategies are those associated with purchasing option spreads. These include: 1) premium reduction as time passes, and 2) option expiration with no option value. Volatility management strategies may increase transaction costs, which could increase losses or reduce gains. These strategies may not protect against market declines and may reduce participation in market gains. Transactions in derivatives may increase volatility,

cause the liquidation of portfolio positions when not advantageous to do so and produce disproportionate losses.

*Note: "Standard & Poor's 500" and "S&P 500®" are trademarks of The McGraw-Hill Companies, Inc. and have been licensed by Principal. The strategies are not sponsored, endorsed, sold, or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the strategies.

Item 9 – Disciplinary Information

Spectrum, as a registered investment adviser, is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Spectrum or the integrity of Spectrum's management. Spectrum has no items that are reportable under this item.

Item 10 – Other Financial Industry Activities and Affiliations

Spectrum is a dually registered firm. It is an investment adviser registered with the SEC and a broker/dealer FINRA member firm. (See the discussion in Section 12 of the conflicts of interest that arise from this dually registered structure). Spectrum is also a member of the National Futures Association and registered with the Commodity Futures Trading Commission as a Commodity Trading Adviser.

Spectrum was acquired by Principal Global Investors ("PGI") in 2001. PGI is the asset management arm of The Principal Financial Group® (The "Principal"). The Principal Financial Group was established in 1879 and became a public company listed on the New York Stock Exchange in 2001 under the ticker symbol PFG. ("The Principal Financial Group" and "The Principal" are registered trademarks of Principal Financial Services, Inc., a member of the Principal Financial Group).

Spectrum has various financial industry affiliations including with Principal Global Investors and subsidiaries of The Principal as set forth in Section 7. A. of Spectrum's Form ADV Part 1 and with the majority owned affiliates of Principal International, Inc. Assets under management include assets managed by investment professionals of Principal Global Investors under dual employee arrangements with other subsidiaries of The Principal.

PGI is an investment advisor registered with the SEC. PGI provides Spectrum various resources and services, including but not limited to, legal, compliance, internal audit, human resources, and sales and marketing. Spectrum has common directors with PGI.

Spectrum is under common control with Principal Securities, Inc., a broker-dealer registered with the SEC and a FINRA member firm that markets a variety of mutual funds, unit investment trusts and limited partnerships. Principal Securities is the principal underwriter and distributor of institutional shares of a family of mutual funds organized by Principal Life Insurance Company ("Principal Life"). Spectrum currently does not conduct any brokerage business with Principal Securities. Spectrum personnel are not eligible to receive compensation for any sales of securities made to Principal Securities clients or prospective clients.

Spectrum is under common control with Principal Funds Distributor, Inc. ("PFD"), a broker-dealer registered with the SEC and a FINRA member firm. PFD is the principal underwriter and distributor of retail and institutional shares of a family of mutual funds organized by Principal Life. Spectrum currently does not conduct any brokerage business with PFD.

Spectrum is under common control with Principal Life, a life insurance company licensed in all 50 states and the District of Columbia.

We are 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. We may enter into arrangements to provide services or otherwise enter some form of business relationship with our foreign affiliates. Additional disclosure of these relationships will be provided upon request.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics: Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, Spectrum has adopted a Code of Ethics (the "Code"), which sets forth standards of business and personal conduct for directors, officers and employees of Spectrum. The Code addresses conflicts that may arise from personal trading by Spectrum's employees, all of whom are deemed to be Access Persons. The Code is predicated on the principle that directors, officers and employees of Spectrum will adhere to the highest ethical standards and fiduciary principles, and must:

- place client interests first;

- engage in personal securities transactions consistent with the Code and avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility;
- not take inappropriate advantage of their positions;
- keep security holdings and financial circumstances of clients confidential; and
- adhere to the principle that independence in the investment decision-making process is paramount.

Spectrum maintains high ethical standards and requires employees to conduct themselves in an appropriate manner, as more fully described in the Code. All employees of Spectrum receive a copy of the Code at the beginning of their employment by or association with Spectrum and certify that they understand and will abide by the Code. Employees are also provided a copy of the Code whenever material amendments are made and they are required to certify, upon such amendment, as well as on an annual basis, that they understand and have complied with the Code.

The Code requires that employees report any violations of the Code promptly to Spectrum's Chief Compliance Officer ("CCO"). Material violations of the Code will be reported to Spectrum's Board of Directors.

As part of the Code, Spectrum has adopted personal securities transaction reporting policies. Each Access Person is required to report to Spectrum via FIS PTA transactions in reportable securities in personal accounts.

Access Persons are prohibited from purchasing individual junior subordinated capital securities. Therefore, Spectrum employees are prohibited from buying the type of securities that are purchased for client portfolios. Also, Spectrum employees may not purchase common stock of Spectrum clients. Access Persons also are prohibited from acquiring any securities in an initial public offering. Access Persons may not, directly or indirectly, acquire any security in a private placement transaction without obtaining prior approval of the Chief Compliance Officer of Spectrum.

Access Persons are discouraged from frequent personal securities trading. Access Persons who purchase shares of mutual funds advised or sub-advised by Spectrum are instructed that they should retain such shares for a minimum of 30 days, and redemptions or exchanges of such shares within 30 days of purchase must be pre-cleared by the CCO, who will grant approval only

under special circumstances. Additional requirements apply to transactions in investment products of Spectrum's parent company or stock of such company.

Access Persons generally are prohibited from serving as board members of publicly traded companies, and exceptions will be made by the CEO and CCO only when it does not conflict with the interests of Spectrum or its clients. Access Persons may not undertake other business activities outside of Spectrum that may cause, or appear to cause, any conflict of interest, and Access Persons must disclose all directorships in businesses and other interests in businesses where they either have a controlling or influencing position or receive monetary compensation for their involvement in that business.

In accordance with Section 204-A of the Investment Advisers Act of 1940, Spectrum also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the firm or any person associated with the firm.

Spectrum recommends the purchase of shares of affiliated mutual funds for which Spectrum and its affiliates provide advisory services. Spectrum may recommend securities to unaffiliated clients that are currently held in affiliated client portfolios or personally held by Spectrum's employees. Spectrum does not buy or sell for itself securities that it also recommends to clients.

Clients of Spectrum can obtain a copy of the Code of Ethics by contacting Joseph Hanczor, Chief Compliance Officer at (203) 322-0189, or jhanczor@samipfd.com.

Cross Trades: Spectrum may occasionally conduct cross trades for client accounts. A cross trade occurs when Spectrum purchases and sells a particular security between two or more accounts under Spectrum's management. Spectrum utilizes cross trades when it deems the practice to be advantageous for each participant. Spectrum has a conflict of interest when effecting a cross trade because Spectrum must consider the interests of both the selling account and the buying account in the same transaction. This conflict of interest may be greater in situations where one of the clients involved in the transaction pays Spectrum a higher management fee or a performance-based fee. Additionally, clients might have received a more favorable price if the transaction were executed in the open market rather than having the security bought or sold through a cross trade.

To address these concerns, Spectrum's procedures require that cross trades be effected at the independent current market price of the security as determined by reference to independent

third-party sources. Under Spectrum's policy, cross trades are currently not permitted in accounts that are subject to the Employee Retirement Income Security Act ("ERISA"). Spectrum does not receive brokerage commissions when conducting cross trades for client accounts. Spectrum will seek to ensure that the terms of the transactions, including the consideration to be paid or received, are fair and reasonable, and the transactions are executed in a manner that is in the best interest of the clients involved in the cross trade.

Item 12 – Brokerage Practices

To the extent permissible under applicable law, Spectrum as broker/dealer will generally effect all securities transactions on behalf of Spectrum's clients, including securities traded on an exchange or in the over-the-counter ("OTC") market, unless a client directs the execution of its transactions to another broker-dealer. Spectrum's brokerage services include placing and monitoring buy and sell orders on the floor of the exchange or with broker-dealers in the OTC market, and monitoring the markets. Spectrum obtains client consent to effect all brokerage transactions through Spectrum's broker/dealer, consistent with regulatory requirements.

In addition to the advisory fees Spectrum receives, Spectrum generally receives a brokerage commission, net of commission costs, for certain transactions in accordance with the firm's commission schedule which is available to all clients. Depending upon the size of a client account, the volume of securities traded for the account, and other factors, the commissions Spectrum charges may vary by client, and some clients may pay a lower or no commission. Spectrum believes that the brokerage commissions and fees charged by Spectrum for its services are commercially reasonable and consistent with its best execution responsibilities.

In addition, a client may direct Spectrum to effect futures transactions on the client's behalf as a commodity trading advisor. Such trades would be cleared through a third-party futures clearing firm and clients would pay commissions and charges for such transactions in accordance with Spectrum's commission schedule.

Conflicts of Interest: Spectrum has a conflict of interest in directing clients' brokerage to its FINRA member broker/dealer and generally executing its clients' transactions because the commissions described above are an incentive for Spectrum to effect the transactions rather than direct trades to other broker/dealers. Spectrum addresses this conflict of interest as described in this section.

Also, Spectrum recommends, and buys and sells securities for accounts of its related persons; and Spectrum may buy or sell for clients securities in which Spectrum's related persons have a

financial interest or position. Spectrum addresses this potential conflict of interest by, among things, the trade allocation practices described herein.

Selection of Brokers or Dealers: As stated above, Spectrum generally executes all transactions on behalf of its clients with client consent and has the authority to determine, without client consultation or consent, the clearing broker through which securities or other instruments are cleared and the commission rates or dealer spreads at which transactions are effected.

Certain clients limit Spectrum's discretionary authority over their accounts and instruct Spectrum which brokers and dealers to use or not to use to execute securities transactions. These clients may pay different transaction costs (including commissions) because Spectrum does not negotiate commissions. They also may obtain different prices for securities than if Spectrum executed the client's trades because Spectrum may not be able to aggregate these transactions with trades for its other clients. In addition, guidelines employed by Spectrum to distribute investment opportunities fairly among all clients may occasionally limit these clients' ability to participate in a particular investment.

Because Spectrum does not negotiate brokerage commissions on behalf of its advisory clients, clients may pay different commissions than if Spectrum negotiated commissions with a third party. The total commissions for transactions Spectrum effects on an exchange may be higher or lower than that which might have been charged by other broker/dealers for the same transactions. Also, the cost of an OTC trade effected by Spectrum acting as broker-dealer may be higher or lower than if Spectrum, in its capacity as investment adviser, caused its client to transact directly with a dealer in the OTC market.

All clients other than those discussed above consent to the use of Spectrum to execute all their transactions as broker/dealer. Spectrum believes that this provides significant advantages. These advantages include expertise in trading junior subordinated capital securities, client anonymity, direct access to the floor of the NYSE, minimizing the chance of error otherwise associated with a large number of individual purchases and delivery instructions, a greater ability to purchase and allocate blocks of junior subordinated capital securities to Spectrum separate accounts, and the potential for price improvements on securities transactions for the benefit of clients. Additionally, Spectrum, acting as a broker-dealer, is able to aggregate all or a portion of a block of client trades before selling them to a dealer, which may minimize the opportunity for third party errors, increase overall speed and efficiency, and result in price improvements. Spectrum cannot quantify the value of the advantages described above.

It is possible that a client could obtain better execution of transactions in junior subordinated capital securities by using another broker/dealer. Spectrum cannot conclusively demonstrate

whether the commissions charged by other broker/dealers are less than, equal to or exceed the commissions that Spectrum charges on such transactions. Additionally, determining best execution for junior subordinated capital securities is difficult, particularly junior subordinated capital securities traded in the OTC market, due to the limited number of investment advisers specializing in junior subordinated capital securities, the structure of the junior subordinated capital securities market, and the lack of timely consolidated tape reporting in parts of the OTC market. Thus, it is possible that Spectrum, acting as broker, will not achieve best execution in all cases.

In the event that junior subordinated capital securities trade in odd lots, a client account may not receive the best execution possible when trading in odd lots compared to the execution they would receive trading in round lots.

Aggregation and Allocation: If Spectrum believes that the purchase or sale of a security is in the best interest of more than one client, it may (but is not obligated to) aggregate the orders to be sold or purchased to seek favorable execution or lower brokerage commissions, to the extent permitted by applicable law and regulation. Aggregation of orders under this circumstance should, on average, decrease the costs of execution. Each client that participates in an aggregated transaction will receive the average share price calculated for all trades. Transaction costs may vary by client according to each client's level of participation in the transaction and its commission rate.

Allocations will be designed to ensure that over time no account (or group of accounts) will be systematically favored over any other account (or group of accounts). Allocation methodologies may include pro rata based on account size, percentage of account size, and random allocation.

The accounts aggregated may include registered funds advised by Spectrum, as well as accounts of Spectrum's related persons. Spectrum may not be able to aggregate securities transactions for clients who direct Spectrum to use another broker-dealer. Such clients would not benefit from any improved execution or lower commissions that may be available for aggregated transactions.

For purchases, available cash or the lowest issue/issuer/sector concentration may also be factors used to determine allocations. For sales, the lowest cash percentage, the highest concentration in the issue/issuer/sector, or the current need for cash may also be factors used to determine allocations. In addition, account specific investment restrictions may affect allocation methodology.

Soft Dollars: Spectrum does not maintain any "soft dollar" arrangements. However, various broker-dealers provide Spectrum with proprietary research and other products and services.

Spectrum believes that it would obtain this research and other products and services regardless of the amount of business that it directs to such firms throughout the year, and, therefore, Spectrum does not believe it is "paying up" for the proprietary research and other products and services offered by the various broker/dealers utilized by Spectrum.

Choice of Futures Commission Merchant: Spectrum may execute futures transactions on behalf of its clients, with client consent. In such cases, Spectrum has the authority to determine, without further client consultation or consent, the futures firm through which those futures transactions are cleared, and the rates or spreads at which the transactions are effected. A client may pay lower commissions on futures transactions by using another futures commission merchant.

Cross Trades: See discussion in Section 11 above.

Item 13 – Review of Accounts

Senior members of Spectrum's Investment Committee, typically the firm's Chief Investment Officer and Portfolio Managers generally review client accounts each business day. In addition, Spectrum has weekly meetings of the Investment Committee to review client accounts.

A complete set of accounting and performance reports generally is provided to each client monthly.

Special reports are furnished to the Board of Directors/Trustees of registered funds, to assist in compliance with the Investment Company Act of 1940, regulations of the Central Bank of Ireland and as otherwise requested.

Item 14 – Client Referrals and Other Compensation

Spectrum may pay fees to persons, including affiliates of Spectrum, who refer advisory clients to Spectrum. In addition, Spectrum may pay a portion of its advisory fees to Spectrum affiliates for referrals of advisory clients. Any compensation paid for referrals to Spectrum of advisory clients will be done in compliance with applicable law and any other applicable obligations of the persons receiving such compensation.

Item 15 – Custody

Spectrum does not maintain custody of client assets. Our clients select their own custodians. Clients should receive at least quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains clients' investment assets. Spectrum urges our clients to carefully review such statements and compare such official custodial records to the account statements that we may provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies for certain securities.

Item 16 – Investment Discretion

Spectrum usually receives discretionary authority from clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold, the broker/dealer to be used to execute trades (typically Spectrum's broker/dealer) and the commission rates to be paid. This discretionary authority is documented through an investment management agreement and the accompanying investment guidelines. Clients are free to restrict the discretionary authority they grant to Spectrum. In all cases discretion as granted is exercised in a manner consistent with the stated investment objectives, limitations and restrictions for the particular client account. Investment guidelines and restrictions must be provided to Spectrum in writing.

For registered investment companies, Spectrum's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Item 17 – Voting Client Securities

Spectrum has adopted a Policy on Proxy Voting for Investment Advisory Clients (the "Voting Policy"), which provides that Spectrum aims to ensure that, when delegated proxy voting authority by a client, Spectrum acts (1) solely in the interest of the client in providing for ultimate long-term stockholder value, and (2) without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. Spectrum relies on the custodian bank to deliver proxies to Spectrum for voting.

Spectrum has selected Institutional Shareholder Services, Inc., ("ISS") to assist with Spectrum's proxy voting responsibilities. Spectrum generally follows ISS's standard proxy voting guidelines, which embody the positions and factors Spectrum considers important in casting proxy votes. In connection with each proxy vote, ISS prepares a written analysis and recommendation based on

its guidelines. To avoid any conflict of interest for ISS, the CCO will require ISS to deliver additional information or certify that ISS has adopted policies and procedures to detect and mitigate such conflicts of interest in issuing voting recommendations. Spectrum also may obtain voting recommendations from two proxy voting services as an additional check on the independence of ISS's voting recommendations.

Spectrum may, on any particular proxy vote, diverge from ISS's guidelines or recommendations. In such a case, the Voting Policy requires: (i) the requesting party to document the reason for the request; (ii) the approval of the Chief Investment Officer; (iii) notification to appropriate compliance personnel; (iv) a determination that the decision is not influenced by any conflict of interest; and (v) a written record of the process.

When Spectrum determines not to follow ISS's guidelines or recommendations, Spectrum classifies proxy voting issues into three broad categories: (1) Routine Administrative Items; (2) Special Interest Issues; and (3) Issues having the Potential for Significant Economic Impact, and casts proxy votes in accordance with the following philosophy and decision guidelines developed for that category in the Voting Policy:

- Routine Administrative Items – Spectrum is willing to defer to management on matters of a routine administrative nature. Examples of issues on which Spectrum will normally defer to management's recommendation include selection of auditors, increasing the authorized number of common shares and the election of unopposed directors.
- Special Interest Issues – In general, Spectrum will abstain from voting on shareholder social, political and environmental proposals because their long-term impact on share value cannot be calculated with any reasonable degree of confidence.
- Issues Having the Potential for Significant Economic Impact - Spectrum is not willing to defer to management on proposals which have the potential for major economic impact on the corporation and the value of its shares and believes such issues should be carefully analyzed and decided by shareholders. Examples of such issues are classification of board of directors, cumulative voting and supermajority provisions, defensive strategies (e.g., greenmail prevention), business combinations, restructurings and executive and director compensation.

Conflicts of Interest: There may be a material conflict of interest when Spectrum votes, on behalf of a client, a proxy that is solicited by an affiliated person of Spectrum or another Spectrum client. To avoid such conflicts, Spectrum has established procedures under its Voting Policy to seek to ensure that voting decisions are based on a client's best interests and are not the product of a material conflict. In addition to employee monitoring for potential conflicts, the CCO reviews

Spectrum's and its affiliates' material business relationships and personal and familial relationships of senior personnel of Spectrum and its affiliates to monitor for conflicts of interest. If a conflict of interest is identified, Spectrum considers both financial and non-financial materiality to determine if a conflict of interest is material. If a material conflict of interest is found to exist, the CCO discloses the conflict to affected clients and obtains consent from each client as to the way Spectrum proposes to vote.

Spectrum clients can obtain a copy of the Voting Policy or information on how Spectrum voted their proxies by calling Spectrum's Compliance Department at (203) 322-0189.

Item 18 – Financial Information

Registered investment advisers are required to provide clients with certain financial information or disclosures about their financial condition. Spectrum 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.

Form ADV Part 2B
Brochure Supplement to Form ADV Part 2A

Spectrum Asset Management, Inc.

2 High Ridge Park

Stamford, CT 06905

(203) 322-0189

www.samipfd.com

March 28, 2018

Supervised Persons

Mark Lieb

L. Phillip Jacoby

Fernando Diaz

Roberto Giangregorio

Manu Krishnan, CFA

Kevin Nugent

This brochure supplement provides information about the above-referenced individuals (collectively, the “Supervised Persons”) which supplements the brochure of Spectrum Asset Management, Inc. (“Spectrum”). You should have received a copy of that brochure. Please contact Joseph Hanczor, Chief Compliance Officer at (203) 322-0189 if you did not receive Spectrum’s brochure or if you have any questions about the content of this supplement.

Additional information about the Supervised Persons is available on the SEC’s website at

www.adviserinfo.sec.gov.

Item 2 – Educational Background and Business Experience

Listed below is the name, year of birth, formal education after high school, and business background for the preceding five years for each Supervised Person.

Mark Lieb:

- 1950
- MBA Finance, University of Hartford
- BA Economics, Central Connecticut State College
- President and Chief Executive Officer of Spectrum- 2010 to present
- Executive Director/Senior Officer of Spectrum- 1987 to 2010
- Founder of Spectrum 1987

L. Philip Jacoby IV:

- 1959
- BSBA Finance, Boston University Questrom School of Business
- Executive Director and Chief Investment Officer of Spectrum- 2010 to present
- Senior Portfolio Manager/Senior Officer of Spectrum- 1995 to 2010

Fernando Diaz:

- 1961
- Aviation High School
- Vice President and Portfolio Manager of Spectrum- 2000 to present

Roberto Giangregorio:

- 1968
- MBA Finance with Distinction Cornell University
- MS Mechanical Engineering University of Wisconsin-Madison
- BS Mechanical Engineering S.U.N.Y. at Stony Brook
- Vice President and Portfolio Manager of Spectrum- 2003 to present

Manu Krishnan, CFA:

- 1976
- MBA Finance Cornell University
- MS Mechanical Engineering University of Delaware
- BS Mechanical Engineering College of Engineering, Osmania University, India

- Vice President and Portfolio Manager of Spectrum- 2004 to present

Kevin Nugent:

- 1958
- BA Political Science Ohio Wesleyan
- Vice President and Portfolio Manager of Spectrum- 2012 to present
- Bishop Asset Management: 2007-2012

Item 3 – Disciplinary Information

The Supervised Persons have not been involved in any legal events or subjected to any disciplinary actions which are material to Spectrum's clients or prospective clients.

Item 4 – Other Business Activities

No Supervised Person is actively engaged in any other investment-related businesses or other occupations, except that all supervised persons are registered representatives of Spectrum's FINRA member broker/dealer and associated persons with Spectrum which is a Commodity Trading Advisor member of the National Futures Association and registered with the Commodity Futures Trading Commission.

Item 5 – Additional Compensation

The Supervised Persons do not receive from Spectrum, its clients or third parties, any special economic benefits, including sales awards, commissions, prizes or bonuses, which are based upon the number or amount of sales, client referrals or new accounts. The Supervised Persons receive regular fixed salary and incentive-based compensation from Spectrum. Incentive-based compensation is determined by an evaluation of each Supervised Person's professional performance and firm profitability.

Item 6 – Supervision

Spectrum manages client portfolios using a team approach. Mark Lieb serves as the President and Chief Executive Officer of Spectrum and is responsible for supervising Messrs. Jacoby and Byer. Mr. Lieb reports to Spectrum's board of directors. Mr. Lieb may be reached at (203) 322-0189 or via email at mlieb@bloomberg.net. Mr. Jacoby, as Chief Investment Officer, and Spectrum's Investment Committee, monitor all client portfolios on a regular basis, but no less frequently than weekly, and may initiate a more detailed review of a client account if a

situation warrants. The Investment Committee is composed of Spectrum's President/CEO, CIO and the other Portfolio Managers. Mr. Jacoby supervises Messrs. Diaz, Giangregorio, Krishnan and Nugent. Mr. Jacoby may be reached at (203) 322-0189 or via email at pjacoby@samipfd.com. Spectrum senior personnel monitor the advice rendered by Supervised Persons to clients by, among other things, reviewing electronic and hard copy communications, participating in and overseeing client meetings, and reviewing client reports and market commentaries.

POLICY ON PROXY VOTING
SPECTRUM ASSET MANAGEMENT, INC.
FOR INVESTMENT ADVISORY CLIENTS:

GENERAL POLICY

Spectrum, an investment adviser registered with the Securities and Exchange Commission, acts as investment advisor for various types of client accounts (e.g. employee benefit plans, governmental plans, mutual funds, insurance company separate accounts, corporate pension plans, endowments and foundations). While Spectrum receives few proxies for the preferred shares it manages, Spectrum nonetheless will, when delegated the authority by a client, vote these shares per the following policy voting standards and processes:

STANDARDS:

Spectrum's standards aim to ensure the following in keeping with the best interests of its clients:

- That Spectrum act solely in the interest of its clients in providing for ultimate long-term stockholder value.
- That Spectrum act without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote.
- That the custodian bank is aware of our fiduciary duty to vote proxies on behalf of others – Spectrum relies on the best efforts of the custodian bank to deliver all proxies we are entitled to vote.
- That Spectrum will exercise its right to vote all proxies on behalf of its clients (or permit clients to vote their interest, as the case(s) may be).
- That Spectrum will implement a reasonable and sound basis to vote proxies.

PROCESSES:

A. Following ISS' Recommendations

Spectrum has selected Institutional Shareholder Services (ISS) to assist it with its proxy voting responsibilities. Spectrum follows ISS Standard Proxy Voting guidelines (the "Guidelines"). The Guidelines embody the positions and factors Spectrum generally considers important in casting proxy votes. They address a wide variety of individual topics, including, among other matters, shareholder voting rights, anti-takeover defenses, board structures, the election of directors, executive and director compensation, reorganizations, mergers, and various shareholder proposals. Recognizing the

complexity and fact-specific nature of many corporate governance issues, the Guidelines often do not direct a particular voting outcome, but instead identify factors ISS considers in determining how the vote should be cast.

In connection with each proxy vote, ISS prepares a written analysis and recommendation (an "ISS Recommendation") that reflects ISS's application of Guidelines to the particular proxy issues. Where the Guidelines do not direct a particular response and instead list relevant factors, the ISS Recommendation will reflect ISS's own evaluation of the factors. Spectrum may on any particular proxy vote decide to diverge from the Guidelines or an ISS Recommendation. In such cases, our procedures require: (i) the requesting Portfolio Manager to set forth the reasons for their decision; (ii) the approval of the Chief Investment Officer; (iii) notification to the Compliance Department and other appropriate Principal Global Investors personnel; (iv) a determination that the decision is not influenced by any conflict of interest; and (v) the creation of a written record reflecting the process.

Spectrum generally votes proxies in accordance with ISS' recommendations. When Spectrum follows ISS' recommendations, it need not follow the conflict of interest procedures in Section B, below.

From time to time ISS may have a business relationship or affiliation with one or more issuers held in Spectrum client accounts, while also providing voting recommendations on these issuers' securities. Because this practice may present a conflict of interest for ISS, Spectrum's Chief Compliance Officer will require from ISS at least annually additional information, or a certification that ISS has adopted policies and procedures to detect and mitigate such conflicts of interest in issuing voting recommendations. Spectrum may obtain voting recommendations from two proxy voting services as an additional check on the independence of the ISS' voting recommendations.

B. Disregarding ISS' Recommendations

Should Spectrum determine not to follow ISS' recommendation for a particular proxy, Spectrum will use the following procedures for identifying and resolving a material conflict of interest, and will use the Proxy Voting Guidelines (below) in determining how to vote. The Report for Proxy Vote(s) against ISS Recommendation(s), Exhibit A hereto, shall be completed in each such instance.

Spectrum will classify proxy vote issues into three broad categories: Routine Administrative Items, Special Interest Issues, and Issues Having the Potential for Significant Economic Impact. Once the Senior Portfolio Manager has analyzed and identified each issue as belonging in a particular category, and disclosed the conflict of interests to affected clients and obtained their consents prior to voting, Spectrum will cast the client's vote(s) in accordance with the philosophy and decision guidelines developed for that category. New and unfamiliar issues are constantly appearing in the proxy voting process. As new issues arise, we will make every effort to classify them among the three

categories below. If we believe it would be informative to do so, we may revise this document to reflect how we evaluate such issues.

Due to timing delays, logistical hurdles and high costs associated with procuring and voting international proxies, Spectrum has elected to approach international proxy voting on the basis of achieving “best efforts at a reasonable cost.”

As a fiduciary, Spectrum owes its clients an undivided duty of loyalty. We strive to avoid even the appearance of a conflict that may compromise the trust our clients have placed in it. This is true with respect to proxy voting and thus Spectrum has adopted the following procedures for addressing potential or actual conflicts of interest.

Identifying a Conflict of Interest. There may be a material conflict of interest when Spectrum votes a proxy solicited by an issuer whose retirement plan or fund we manage or with whom Spectrum, an affiliate, or an officer or director of Spectrum or of an affiliate has any other material business or personal relationship that may affect how we vote the issuer's proxy. To avoid any perceived material conflict of interest, the following procedures have been established for use when Spectrum encounters a potential material conflict to ensure that voting decisions are based on a clients' best interest and are not the product of a material conflict.

Monitoring for Conflicts of Interest. All employees of Spectrum are responsible for monitoring for conflicts of interest and referring any that may be material to the CCO for resolution. At least annually, the CCO will take reasonable steps to evaluate the nature of Spectrum's material business relationships (and those of its affiliates) with any company whose preferred securities are held in client accounts (a “portfolio company”) to assess which, if any, could give rise to a conflict of interest. CCO's review will focus on the following three categories:

- **Business Relationships** – The CCO will consider whether Spectrum (or an affiliate) has a substantial business relationship with a portfolio company or a proponent of a proxy proposal relating to the portfolio company (e.g., an employee group), such that failure to vote in favor of management (or the proponent) could harm the adviser's relationship with the company (or proponent). For example, if Spectrum manages money for the portfolio company or an employee group, manages pension assets, leases office space from the company, or provides other material services to the portfolio company, the CCO will review whether such relationships may give rise to a conflict of interest.
- **Personal Relationships** – The CCO will consider whether any senior executives or portfolio managers (or similar persons at Spectrum's affiliates) have a personal relationship with other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships that might give rise to a conflict of interest.

- **Familial Relationships** – The CCO will consider whether any senior executives or portfolio managers (or similar persons at Spectrum's affiliates) have a familial relationship relating to a portfolio company (e.g., a spouse or other relative who serves as a director of a portfolio company, is a candidate for such a position, or is employed by a portfolio company in a senior position).

In monitoring for conflicts of interest, the CCO will consider all information reasonably available to it about any material business, personal, or familial relationship involving Spectrum (and its affiliates) and a portfolio company, including the following:

- A list of clients that are also public companies, which is prepared and updated by the Operations Department and retained in the Compliance Department.
- Publicly available information.
- Information generally known within Spectrum.
- Information actually known by senior executives or portfolio managers. When considering a proxy proposal, investment professionals involved in the decision-making process must disclose any potential material conflict that they are aware of to the CCO prior to any substantive discussion of a proxy matter.
- Information obtained periodically from those persons whom the CCO reasonably believes could be affected by a conflict arising from a personal or familial relationship (e.g., portfolio managers, senior management).

The CCO may, at his discretion, assign day-to-day responsibility for monitoring for conflicts to a designated person. With respect to monitoring of affiliates, the CCO in conjunction with PGI's CCO may rely on information barriers between Spectrum and its affiliates in determining the scope of its monitoring of conflicts involving affiliates.

Determining Whether a Conflict of Interest is "Material" – On a regular basis, CCO will monitor conflicts of interest to determine whether any may be "material" and therefore should be referred to PGI for resolution. The SEC has not provided any specific guidance as to what types of conflicts may be "material" for purposes of proxy voting, so therefore it would be appropriate to look to the traditional materiality analysis under the federal securities laws, i.e., that a "material" matter is one that is reasonably likely to be viewed as important by the average shareholder.

Whether a conflict may be material in any case will, of course, depend on the facts and circumstances. However, in considering the materiality of a conflict, Spectrum will use the following two-step approach:

1. **Financial Materiality** – The most likely indicator of materiality in most cases will be the dollar amount involved with the relationship in question. For purposes of proxy voting, it will be presumed that a conflict is not material unless it involves at least 5% of Spectrum's annual revenues or a minimum dollar

amount of \$1,000,000. Different percentages or dollar amounts may be used depending on the nature and degree of the conflict (e.g., a higher number if the conflict arises through an affiliate rather than directly with Spectrum).

2. Non-Financial Materiality – A non-financial conflict of interest might be material (e.g., conflicts involving personal or familial relationships) and should be evaluated based on the facts and circumstances of each case.

If the CCO has any question as to whether a particular conflict is material, it should presume the conflict to be material and refer it to the PGI's CCO for resolution. As in the case of monitoring conflicts, the CCO may appoint a designated person or subgroup of Spectrum's investment team to determine whether potential conflicts of interest may be material.

Resolving a Material Conflict of Interest – When an employee of Spectrum refers a potential material conflict of interest to the CCO, the CCO will determine whether a material conflict of interest exists based on the facts and circumstances of each particular situation. If the CCO determines that no material conflict of interest exists, no further action is necessary and the CCO will notify management accordingly. If the CCO determines that a material conflict exists, CCO must disclose the conflict to affected clients and obtain consent from each as to the manner in which Spectrum proposes to vote.

Clients may obtain information about how we voted proxies on their behalf by contacting Spectrum's Compliance Department.

PROXY VOTING GUIDELINES

CATEGORY I: Routine Administrative Items

Philosophy: Spectrum is willing to defer to management on matters of a routine administrative nature. We feel management is best suited to make those decisions which are essential to the ongoing operation of the company and which do not have a major economic impact on the corporation and its shareholders. Examples of issues on which we will normally defer to management's recommendation include:

1. selection of auditors
2. increasing the authorized number of common shares
3. election of unopposed directors

CATEGORY II: Special Interest Issues

Philosophy: While there are many social, political, environmental and other special interest issues that are worthy of public attention, we do not believe the corporate proxy

process is the appropriate arena in which to achieve gains in these areas. Our primary responsibility in voting proxies is to provide for the greatest long-term value for Spectrum's clients. We are opposed to proposals which involve an economic cost to the corporation, or which restrict the freedom of management to operate in the best interest of the corporation and its shareholders. However, in general we will abstain from voting on shareholder social, political and environmental proposals because their long-term impact on share value cannot be calculated with any reasonable degree of confidence.

CATEGORY III: Issues Having the Potential for Significant Economic Impact

Philosophy: Spectrum is not willing to defer to management on proposals which have the potential for major economic impact on the corporation and the value of its shares. We believe such issues should be carefully analyzed and decided by the owners of the corporation. Presented below are examples of issues which we believe have the potential for significant economic impact on shareholder value.

1. Classification of Board of Directors. Rather than electing all directors annually, these provisions stagger a board, generally into three annual classes, and call for only one-third to be elected each year. Staggered boards may help to ensure leadership continuity, but they also serve as defensive mechanisms. Classifying the board makes it more difficult to change control of a company through a proxy contest involving election of directors. In general, we vote on a case by case basis on proposals for staggered boards, but generally favor annual elections of all directors.
2. Cumulative Voting of Directors. Most corporations provide that shareholders are entitled to cast one vote for each director for each share owned - the one share, one vote standard. The process of cumulative voting, on the other hand, permits shareholders to distribute the total number of votes they have in any manner they wish when electing directors. Shareholders may possibly elect a minority representative to a corporate board by this process, ensuring representation for all sizes of shareholders. Outside shareholder involvement can encourage management to maximize share value. We generally support cumulative voting of directors.
3. Prevention of Greenmail. These proposals seek to prevent the practice of "greenmail", or targeted share repurchases by management of company stock from individuals or groups seeking control of the company. Since only the hostile party receives payment, usually at a substantial premium over the market value of its shares, the practice discriminates against all other shareholders. By making greenmail payments, management transfers significant sums of corporate cash to one entity, most often for the primary purpose of saving their jobs. Shareholders are left with an asset-depleted and often less competitive company. We think that if a corporation offers to buy back its stock, the offer should be made to all

shareholders, not just to a select group or individual. We are opposed to greenmail and will support greenmail prevention proposals.

4. Supermajority Provisions. These corporate charter amendments generally require that a very high percentage of share votes (70-81%) be cast affirmatively to approve a merger, unless the board of directors has approved it in advance. These provisions have the potential to give management veto power over merging with another company, even though a majority of shareholders favor the merger. In most cases we believe requiring supermajority approval of mergers places too much veto power in the hands of management and other minority shareholders, at the expense of the majority shareholders, and we oppose such provisions.
5. Defensive Strategies. These proposals will be analyzed on a case by case basis to determine the effect on shareholder value. Our decision will be based on whether the proposal enhances long-term economic value.
6. Business Combinations or Restructuring. These proposals will be analyzed on a case by case basis to determine the effect on shareholder value. Our decision will be based on whether the proposal enhances long-term economic value.
7. Executive and Director Compensation. These proposals will be analyzed on a case by case basis to determine the effect on shareholder value. Our decision will be based on whether the proposal enhances long-term economic value.

Exhibit A to Proxy Policy

Report for Proxy Vote(s) Against ISS Recommendation(s)

This form should be completed in instances in which Spectrum Portfolio Manager(s) decide to vote against ISS recommendations.

1. Security Name / Symbol: _____

2. Issue up for vote:

3. Summary of ISS recommendation (see attached full ISS recommendation):

4. Reasons for voting against ISS recommendation (supporting documentation may be attached):

5. Determination of potential conflicts (if any):

6. Contacted Compliance Department: Yes / No
Name of individual contacted: _____
Date: _____

7. Contacted other Spectrum portfolio managers who have position in same security:
Yes / No
Name of individual contacted: _____
Date: _____

8. Portfolio Manager Signature: _____
Date: _____
Portfolio Manager Name: _____

Portfolio Manager Signature*: _____
Date: _____
Portfolio Manager Name: _____

*Note: All Portfolio Managers who manage portfolios that hold relevant security must sign.

INFORMATION SECURITY AND PRIVACY POLICY

SPECTRUM ASSET MANAGEMENT, INC.

Spectrum Asset Management, Inc. has adopted the following information security (aka cyber security) and privacy policy in order to safeguard and properly dispose of the personal information of its clients in accordance with the rules and regulations promulgated under the Gramm Leach Bliley Act (the "Act"). The firm only shares nonpublic personal information on its clients if permitted or required by law, at the client's direction, or as necessary to service client account(s).

Protecting the Confidentiality and Security of Information

We are committed to protecting the confidentiality and security of the information we collect and maintain on our clients (both active and inactive) and those persons that do not become clients in accordance with Regulation S-P and any other applicable laws, rules and regulations promulgated under the Act. We will ensure: (a) the security and confidentiality of client records and information; (b) that client records and information are protected from any anticipated threats and hazards; and (c) that unauthorized access to or use of client records or information is protected against; (d) that client records and information are properly disposed of. The protection of consumer information also extends to current and prospective employees. The firm has implemented procedures to help ensure protection and security of client and employee information, including the following:

Physical Safeguards:

- Client information will not be left unattended in offices or conference rooms, or other locations.
- Client records will be locked in cabinets or desks when not in use.
- Client records will be appropriately secured at the end of the day.
- Client records will not be removed from the office unless necessary and properly secured at all times.
- Office doors will be locked at the close of business.
- A key or other security provisions will be required for access to the office after business hours.
- Visitors will not be permitted to walk unattended in areas where client information is accessible.
- Documents containing client information will be shredded or destroyed before disposal.
- Off-site record maintenance facilities will be reviewed for security measures.
- Physical safeguards will be tested regularly to confirm they are operating properly.

Electronic Records:

- Password protections will be implemented in order to access computer records. Computers with access to client information will not be left unattended, or in the alternative, screen savers/sleep mode will incorporate password protection.
- Access to client information on a network will be limited to those employees who need access to the information to serve the client or conduct firm operations.
- Client information being sent electronically will be encrypted.
- Access to back-up computer systems and data will be limited to those employees who need such information.
- Access to the network from a remote location will be limited to those employees who need such access to perform their job responsibilities, and security measures will be taken to prevent the unauthorized use of the network.
- Prior to discarding, selling, donating or transferring any medium, including computer equipment on which client information is stored, all client information must be destroyed or erased. A record of any such disposal, sale and/or donation must be made for documentation purposes.

Web Site:

General Information regarding Spectrum's program may be accessed via our web site at www.samipfd.com. Clients may view their monthly statements with the use of an individual password which is provided by Spectrum Asset Management, Inc.

Data and System Security—Summary of Safeguards:

Summary of the policies and procedures to safeguard Spectrum's systems (computer, trading, software, etc.) and the integrity of the data in those systems from unauthorized access:

- Access to the office is controlled through keycard access.
- All servers are located in a locked room with access provided only by the CIO or office manager.
- A separate hardware firewall is installed on the network to block unauthorized access to servers or workstations.
- All PCs have business security software installed on them which is updated automatically.
- All user accounts are password protected.
- Passwords must be of sufficient length and complexity.
- Passwords expire every 90 days and must be replaced or system access is denied.

- All PCs are locked after 30 minutes of inactivity and users must re-enter password to re-gain access.
- Any company issued laptops must have hard drive encryption enabled in the event of loss or theft.
- Write/modify access to sensitive portfolio management and accounting systems is limited.
- The use of USB remote drives on our workstations is prohibited.

Personal Device Protection Policy:

Spectrum does not provide mobile devices to employees for business use. Employees may access company email and attachments and certain other documentation on their personal mobile devices. Spectrum has extensive procedures in place to protect the integrity of such information, including but not limited to:

- All personal mobile devices must implement access controls including a login process or power-on password.
- All personal mobile devices are subject to remote wipe of company data by the firm.
- All personal mobile devices are subject to review and potentially removal from the network or from business use by the firm.
- Employees must use company provided solutions and practice appropriate due diligence in protecting company information assets.
- The firm must be notified within 24 hours of the loss of a personal mobile device regardless of location.
- All personal mobile devices must use an effective encryption solution approved by the firm to encrypt company non-public information.
- Any personal mobile device must have the information securely removed when it is no longer needed, when the device is retired, or the worker leaves the firm.
- Workers must be cautious when using personal mobile devices for business activities in public places, meeting rooms and other unprotected areas and are trained on such appropriate security procedures.

Disclosing Personal Information

Employees may not disclose any personal information regarding any clients over the telephone, in person, or in response to an email or other written communication unless they have identified the person to whom they are communicating as either the client, a fiduciary representative of the client with authority to receive client information (such as an attorney or accountant), or a third party that has been contracted by the firm to service the client's account (such as broker-dealers or custodians). Employees may share such personal information with Principal Financial Group, or other affiliates on an as needed basis.

The firm will not share customer information with unaffiliated third parties other than as described above or permitted by law without providing an opt out right to clients. If an employee has any doubt whether or not to disclose personal information, the employee should immediately consult with the firm's Chief Compliance Officer before disclosing any personal information.

Only those employees that need access to clients' personal information to either service the client's account or conduct firm operations will have access to client information.

Training Employees on Privacy Policy

The firm will give all employees a copy of the firm's Privacy Policy to review and consult as needed. The Chief Compliance Officer will review the firm's privacy policy describing the correct treatment of customer information with all new employees on their first day of employment, and annually with all employees (including full and part time employees and consultants).

All employees must certify their receipt, understanding and compliance with the firm's privacy policy upon initial receipt of the policy and annually or as amended thereafter via SunGard PTA.

Third Party Access to Client Records

The firm's Chief Compliance Officer or designee will maintain a list of all contracts and service arrangements entered into with or on behalf of the firm, client accounts or products that have been implemented to service client accounts or provide service to the firm.

The firm's Chief Compliance Officer will review all existing contractual agreements with third parties for confidentiality provisions. If the contract does not contain a confidentiality provision and the service provider has access to client information, the Chief Compliance Officer will obtain by letter amendment a provision prohibiting the third party from re-disclosing or reusing the client information other than to carry out the purposes for which the firm disclosed the information.

The Chief Compliance Officer will regularly review (but no less frequently than annually) security measures of third parties with which the firm shares client information for

compliance with the Act or other applicable privacy regulations, including obtaining such firm's privacy policy or checking the firm's web site for privacy procedures.

Delivery of Privacy Notices to Clients

- The firm will mail its privacy notice to all consumers prior to becoming a client by conspicuously enclosing a copy of the privacy notice with its account application. However, in certain circumstances, Spectrum may deliver the notice within a reasonable time after they establish a customer relationship so not to delay the investment process. In this case, a reasonable time is delivery of the notice with the confirmation.
- The firm distributes its privacy notice, in conjunction with its Form ADV Part 2 offering to all active clients on an annual basis via email.
- Although the firm does not presently have individual clients, if the firm receives personal information from a person who for whatever reason does not become a client, the firm will not send the consumer an annual privacy notice, but will treat the confidentiality of such information as if the consumer was an active client.
- Spectrum has posted its privacy notice on the web site; however, this posting will be for informational purposes only, and not to satisfy an obligation to deliver privacy notices to clients.

Responsibility of the Compliance Officer

In addition to implementing and monitoring compliance with the firm's privacy policy described herein, the firm's Chief Compliance Officer will be responsible for ensuring that the firm's privacy policy is in compliance with federal regulations promulgated under the Act, and any state regulations regarding the confidentiality of nonpublic personal information. The Chief Compliance Officer will also be responsible to review:

- The firm's retention and storage procedures for information of former clients. These procedures should be identical to those in place for active clients.
- The firm's privacy policies on a periodic basis to assess their adequacy and to identify new threats or hazards.
- The firm's privacy notice mailed to clients to ensure its accuracy. The Chief Compliance Officer should evaluate revisions to the notice and mail updated notices to current clients, as necessary.
- Amendments to Regulation SP and other federal or state regulations regarding nonpublic personal information.

Principal Global Investors, LLC

Form ADV Part 2A

801 Grand Ave
Des Moines, IA 50309
Phone: 800-533-1390

www.principalglobals.com

March 29, 2018

This brochure provides information about the qualifications and business practices of Principal Global Investors, LLC (“PGI”). 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 PGI also is available on the SEC's website at www.adviserinfo.sec.gov.

PGI is a registered investment adviser. Registration of an Investment Adviser does not imply any certain level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Item 2: Material Changes Summary

This brochure is our annual updating amendment to the prior brochure dated May 31, 2017. There have been no material changes from the last annual update.

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ITEM 4 -- ADVISORY BUSINESS

PGI is a diversified global asset management organization utilizing a multi-boutique strategy which enables PGI 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, currency and ETF investments. PGI, established in 1998, is a wholly owned subsidiary of the Principal Global Investors Holding Company (US), LLC (the "Holding Company"). The Holding Company was established in 2017 and is an indirect wholly owned subsidiary of Principal Financial Services, Inc. ("PFSI"). PFSI is a wholly owned subsidiary of Principal Financial Group, Inc. (NASDAQ: PFG).

PGI provides investment advisory services to institutional investors and individuals. PGI has divided its investment management operations into several unique boutiques. The equities boutiques render advice primarily for equity securities. The fixed income boutique renders advice primarily for debt securities. The currency boutiques render advice for active and passive currency. The asset allocation boutique renders advice primarily on asset allocation strategies.

PGI works with clients to determine their investment needs. Individual portfolios can be tailored to the specific requirements of the client through an investment advisory agreement. Clients can direct PGI to impose restrictions on their investments.

PGI serves as investment adviser and fund administrator for Principal Funds, Inc., Principal Variable Contracts, Inc., and the Principal Exchange-Traded Funds (collectively referred to as "Principal Funds"). PGI serves as a "manager of managers" on behalf of Principal Funds. As a manager of managers, PGI recommends the hiring and firing of sub-advisory firms and provides ongoing oversight of the sub-advisory firms in connection with the services provided to the Principal Funds.

Separately Managed Accounts ("SMA") / Wrap Programs

PGI provides investment advisory services to Separately Managed Account/Wrap fee programs ("SMA Programs") or similar programs, sponsored by broker-dealers, banks or other investment advisers affiliated with broker-dealers. PGI typically directs trades to the sponsor firm, on occasion handles the placement of trades in some SMA program client accounts or provides model portfolio recommendations to the program sponsor. The delivery of changes in model portfolio recommendations typically occur after similar changes have been implemented, or in the process of implementation, across institutional accounts and mutual funds managed by PGI. It should be expected therefore that accounts receiving recommendations that are implemented following PGI's institutional accounts could have different performance than the institutional accounts because of favorable or unfavorable market changes during the ensuing period.

For trade rotation purposes, the equities boutiques' "model only" programs are accorded rotation slots on a similar basis as the slots accorded to other SMA discretionary

programs. The primary difference is that the model portfolio is communicated to the “model only” program sponsors or designated overlay manager for execution.

Fixed income SMA Program clients currently trade at the same time as other fixed income clients except for time limitations set forth in client agreements.

Generally, the services provided by PGI to SMA program ERISA plan clients ordinarily are described in the client’s contract with the SMA sponsor and/or in the sponsor’s program brochure.

Assets Under Management

PGI managed \$292,366,302,339 in discretionary assets and \$60,563,171,510 in non-discretionary assets as of December 31, 2017.

ITEM 5 – FEES AND COMPENSATION

PGI offers its services for compensation based primarily on a percentage of assets under management or on a fixed fee basis.

Equities Fee Schedules:

PGI'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 unaffiliated client portfolios which are individually managed (segregated and discretionary) and subject to the stated minimum accounts sizes. Fees and minimum investment amounts in all categories and ranges can be subject to the negotiation as appropriate, and be higher or lower than those described below.

International Equity	Fee Schedule
International Core Equity International Growth Equity	0.65% on the first \$50 mm 0.60% on the next \$50 mm 0.50% on all thereafter Minimum separate account size: \$25 mm
Global Equity Global Growth Equity Global Value and Income Equity	0.60% on the first \$50 mm 0.50% on the next \$50 mm 0.40% on all thereafter Minimum separate account size: \$25 mm
Diversified International Equity International Opportunities Equity International All Country Equity	0.70% on the first \$50 mm 0.60% on the next \$50 mm 0.50% on all thereafter Minimum separate account size: \$50 mm
International Small Cap Equity	0.85% on the first \$50 mm

Global Small Cap Equity	0.80% on the next \$50 mm 0.70% on all thereafter Minimum separate account size: \$50 mm
Emerging Global Leaders Equity	0.85% on the first \$50 mm 0.80% on the next \$50 mm 0.70% on all thereafter Minimum separate account size: \$50 mm
Global Opportunities Equity Global All Country Equity	0.65% on the first \$50 mm 0.55% on the next \$50 mm 0.45% on all thereafter Minimum separate account size: \$50 mm
Emerging Markets Equity	0.80% on the first \$50 mm 0.75% on the next \$50 mm 0.65% on all thereafter Minimum separate account size: \$50 mm
Global Strategic Beta International Strategic Beta	0.30% on the first \$50 mm 0.25% on the next \$50mm 0.20% on all thereafter Minimum separate account size: \$50mm
International Equity Income ADR	0.60% on the first \$50mm 0.55% on the next \$50mm 0.50% on all thereafter Minimum separate account size: \$25mm
European Equity Japanese Equity	0.50% on the first \$50 mm 0.40% on the next \$50 mm 0.30% on all thereafter Minimum separate account size: \$25 mm

Domestic Equity	Fee Schedule
U.S. Mid-Cap Value Equity	0.60% on the first \$50 mm 0.55% on the next \$50 mm 0.45% on all thereafter Minimum separate account size: \$10 mm
U.S. Blue Chip Equity U.S. Mid-Cap Equity	0.60% on the first \$50mm 0.55% on the next \$50mm 0.45% on all thereafter Minimum separate account size: \$25mm
Focused Blue Chip Equity	0.70% on the first \$50mm 0.65% on the next \$50mm 0.55% on all thereafter Minimum separate account size: \$25mm
U.S. Value Equity	0.55% on the first \$50 mm 0.50% on the next \$50 mm 0.40% on all thereafter Minimum separate account size: \$10 mm

U.S. Small Cap Equity U.S. Small Cap Select Equity U.S. Small Cap Opportunities Equity	0.75% on the first \$50 mm 0.70% on the next \$50 mm 0.60% on all thereafter Minimum separate account size: \$10 mm
U.S. Select Equity	0.45% on the first \$50 mm 0.40% on the next \$50 mm 0.35% on all thereafter Minimum separate account size: \$10 mm
U.S. Strategic Beta	0.25% on the first \$50mm 0.20% on the next \$50mm 0.15% on all thereafter Minimum separate account size: \$50mm
Capital Appreciation Large Cap Value/Equity Income	0.50% on the first \$50mm 0.45% on the next \$50mm 0.40% on the next \$100mm Negotiable on all thereafter Minimum account size: \$25 mm
Mid Cap Core	0.60% on the first \$50mm 0.55% on the next \$50mm 0.50% on the next \$100mm Negotiable on all thereafter Minimum account size: \$25 mm
Small Mid Cap Value/Equity Income Small Mid Cap US Value/Equity Income	0.70% on the first \$50mm 0.65% on the next \$50mm 0.60% on the next \$100mm Negotiable on all thereafter Minimum account size: \$25 mm

Fixed Income Fee Schedules:

PGI'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 the negotiation as appropriate, and be higher or lower than those described below.

Fixed Income	Fee Schedule
Global Bonds Global Corporate Plus Global Investment Grade Corporate Core Plus Universal	0.35% on the first \$50 mm 0.30% on the next \$50 mm 0.25% on the next \$50 mm 0.20% on all thereafter Minimum account size: \$50 mm
Core Plus Bond	0.30% on the first \$100 mm 0.25% on the next \$100 mm 0.20% on all thereafter Minimum account size: \$50 mm
Mortgage Backed Securities	0.30% on the first \$50 mm 0.25% on the next \$50 mm 0.20% on all thereafter Minimum account size: \$50 mm
Global Capital Structure Opportunities	0.55% on the first \$50 mm 0.50% on the next \$50 mm 0.45% on all thereafter Minimum account size: \$50 mm
Investment Grade Opportunistic	0.35% on the first \$50mm 0.30% on the next \$50mm 0.25% on all thereafter Minimum account size: \$50 mm
Global Credit Opportunities	0.45% on the first \$50 mm 0.40% on the next \$50 mm 0.35% on all thereafter Minimum account size: \$50 mm
Global Short Duration Credit Global Short Duration Fixed Income	0.35% on the first \$50 mm 0.30% on the next \$50 mm 0.25% on all thereafter Minimum account size: \$50 mm
Global Sovereign Bonds	0.40% on the first \$50 mm 0.35% on the next \$50 mm 0.30% on the next \$50 mm 0.25% on all thereafter Minimum account size: \$50 mm
Emerging Market Broad	0.55% on the first \$50 mm 0.50% on the next \$50 mm 0.45% on all thereafter Minimum account size: \$50 mm
Core Plus Bond Opportunistic	0.40% on the first \$50 mm 0.35% on the next \$50 mm 0.30% on the next \$50mm 0.25% on all thereafter Minimum account size: \$50mm

Corporate Plus Investment Grade Corporate Intermediate Duration Investment Grade Corporate Long Duration Investment Grade Corporate Long Duration Fixed Income Credit Emphasis Long Duration Core Plus	0.30% on the first \$50 mm 0.25% on the next \$50 mm 0.20% on all thereafter Minimum account size: \$50 mm
Private Market	0.25% on the first \$100 mm 0.20% on the next \$100 mm 0.15% on all thereafter Minimum account size: \$50 mm
Ultra Short High Quality	0.15% on the first \$100 mm 0.13% on the next \$100 mm 0.10% on all thereafter Minimum account size: \$50 mm
Ultra Short Enhanced Yield	0.25% on the first \$25 mm 0.20% on the next \$75 mm 0.15% on all thereafter Minimum account size: \$50 mm
MBS CMO Interest Only Focus	0.38% on the first \$100mm 0.33% on the next \$150mm 0.28% on all thereafter Minimum account size: \$50 mm
Core Plus	0.30% on the first \$100 mm 0.25% on the next \$100 mm 0.20% on the next \$100 mm Negotiable on all thereafter Minimum account size: \$25 mm
Investment Grade Corporate Intermediate Corporate Plus	0.30% on the first \$50 mm 0.25% on the next \$50 mm 0.20% on the next \$50 mm Negotiable on all thereafter Minimum account size: \$25 mm
Mortgage Securities	0.25% on the first \$100 mm 0.20% on the next \$100 mm 0.15% on the next \$100 mm Negotiable on all thereafter Minimum account size: \$25 mm
Short Term Income	0.20% on the first \$150 mm 0.15% on the next \$150 mm 0.10% on the next \$150 mm Negotiable on all thereafter Minimum account size: \$25 mm

High Yield	Fee Schedule
High Yield High Yield Traditional High Yield Quality Constrained Global High Yield High Yield Opportunistic Short Duration High Yield	0.50% on the first \$50 mm 0.45% on the next \$50 mm 0.40% on all thereafter Minimum account size: \$50 mm
Bank Loans	0.50% on the first \$100 mm 0.45% on the next \$150 mm 0.40% on all thereafter Minimum account size: \$50 mm
High Yield High Quality	0.50% on the first \$50 mm 0.45% on the next \$50 mm 0.20% on the next \$50 mm Negotiable on all thereafter Minimum account size: \$25 mm

Municipal	Fee Schedule
Opportunistic Municipal	0.35% on the first \$50 mm 0.30% on the next \$100 mm 0.25% on all thereafter Minimum account size: \$50 mm
Municipal California Fixed Income Municipal Fixed Income	0.25% on the first \$50 mm 0.20% on the next \$100 mm 0.15% on all thereafter Minimum account size: \$50 mm

Currency Fee Schedule:

PGI'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 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 the negotiation as appropriate, and be higher or lower than those described below.

Active Currency Strategies	Fee Schedule
Passive	0.03% on the first \$500 mm 0.025% on the next \$500 mm 0.02% on all thereafter Minimum account size: \$100 mm

Fundamental Discretionary Absolute Return	0.25% on the first \$100 mm 0.20% on the next \$400 mm 0.15% on all thereafter Minimum account size: \$100 mm
G10 Global Time Diversified	1.50% flat fee and 20% performance fee Minimum account size: \$20 mm
G10 Strategic Currency Program	0.125% on the first \$100 mm 0.100% on the next \$400 mm 0.075% on all thereafter Minimum account size: \$100 mm
High Alpha Broad Universe Global Macro	1.5% flat fee and 20% performance fee Minimum account size: \$20 mm

Asset Allocation Fee Schedule:

PGI'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 the negotiation as appropriate, and be higher or lower than those described below.

Asset Allocation Strategies	Fee Schedule
Lifetime 2010	0.60% on the first \$250 mm
Lifetime 2020	0.55% on the next \$250 mm
Lifetime 2030	0.50% on the next \$500 mm
Lifetime 2040	negotiable on all thereafter
Lifetime 2050	Minimum account size: \$100 mm
Lifetime Strategic Income	
Asset Allocation	0.60% on the first \$50 mm
Balanced Allocation	0.50% on the next \$50 mm
Conservative Growth Asset Allocation	0.40% on the next \$100 mm
Flexible Income Asset Allocation	negotiable on all thereafter
Strategic Growth Asset Allocation	Minimum account size: \$25 mm
Multi-Asset High Income	
Global Income	0.65% on the first \$50 mm 0.60% on the next \$50 mm 0.55% on the next \$100 mm negotiable on all thereafter Minimum account size: \$25 mm

The asset allocation clients are institutional clients. Each institutional client has the ability to negotiate individual fee schedules based upon a number of factors which

include, but are not limited to; specific asset classes, asset allocation models and the overall size of the relationship. The fees charged by PGI's fee schedule encompass the management fees that are charged on the underlying investment level as well as the services provided by PGI.

Other:

PGI provides investment advisory services to eligible investors in the private commingled vehicles offered through the Principal Global Investors Trust. Fees are negotiated with each investor and the minimum account size is \$5,000,000. Additional information and disclosures would be provided through the subscription agreement or offering memorandum.

Fee payment and termination:

Generally, compensation is payable following provision of service. Fees are computed and billed to the client within the first 20 days of each quarter. The fee calculation generally is a two-step process. Step 1: Unless otherwise provided in a negotiated contract, the annual stated rate for investment advisory services is multiplied by the market value of the account on the last day of the previous quarter to calculate an annualized fee. Step 2: Unless otherwise provided, in a negotiated contract, the annualized fee is multiplied by the ratio of the number of days in the quarter over number of days in the year to determine the quarterly fee.

Fees are due upon receipt of invoice by the client. Electronic remittance of fees is encouraged.

Generally, contracts are terminable by any client upon not more than 30 day's notice unless otherwise specified in the negotiated contract.

For Separately Managed Account/Wrap fee programs (“SMA Programs”):

The annual fees paid to PGI for SMA strategies generally range from 0.23% to .55% of the relevant SMA account holders respective accounts. Some SMA programs provide for the wrap fee (including the portfolio management portion payable to PGI) to be paid by the SMA account holder before the services are rendered to the SMA account holder by PGI, while some SMA programs provide for the wrap fee (and PGI's portfolio management portion) to be paid in arrears by the SMA account holder after PGI provides services for the period covered by the fee. In the event the SMA program provides for prepayment of fees by the SMA account holder, the SMA account holder is directed to the program sponsor's brochure for information concerning termination and refund conditions and procedures.

For additional information regarding brokerage fees and other transaction costs, see Item 12.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Certain PGI accounts are charged performance fees in compliance with Rule 205-3 of the Investment Advisers Act of 1940. Any such performance fees will be negotiated on an individual basis with the client. PGI is willing to consider incentive fees in appropriate circumstances. In measuring clients' assets for the calculation of performance-based fees, PGI realized and unrealized capital gains and losses are included dependent upon contractual provisions. Performance based fee arrangements can create an incentive for the adviser to recommend investments which could be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor performance based fee-paying accounts over other accounts in the allocation of investment opportunities.

PGI manages investments for a variety of clients including pension funds, retirement plans, mutual funds, exchange-traded funds, large institutional clients, SMA program accounts and private funds. The potential of conflicts of interest can arise from the side-by-side management of these clients based on fees structures.

PGI has policies and procedures designed and implemented to ensure that all clients are treated fairly and to prevent this conflict from influencing the allocation of investment opportunities among clients.

ITEM 7 – TYPES OF CLIENTS

PGI provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, ETFs, trusts, sovereign wealth funds, foreign funds, supranationals, central banks, collective investment trusts, wrap programs, insurance separate accounts, life insurance company general accounts, fund of funds and other U.S. and international institutions. Some of PGI's clients are affiliates.

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.

Generally, the minimum account size for opening and maintaining a separately managed currency portfolio/account is \$20-100 million and is based on the type of strategy used for the client's portfolio.

Generally, the minimum account size for investing in the Principal Global Investors Business Trust is \$5,000,000.

PGI reserves the right in its sole discretion to accept client accounts with fewer initial assets.

The minimum account size for the SMA programs that PGI participates in are generally \$100,000, although the investment minimum differs from program to program and is determined by wrap program sponsor, not PGI.

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.

Equities

PGI has various equity boutiques that offer a number of actively managed strategies, enhanced index strategies as well as passively managed strategies, all utilizing equity securities to help meet its clients' investment objectives and goals. PGI is generally a long-only manager. The vast majority of the portfolios are discretionary. Please refer to Item 16 regarding discretion over client accounts.

Equity boutiques 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. 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 avail themselves of various approaches including meeting with senior management of companies whose stocks in which the boutiques have invested or being considered for investment in when deemed appropriate or as necessary, in the teams' judgement. The analysts will also research investment publications on general economic conditions, financial publications from the investment banking industry, corporate annual reports and regulatory filings.

The types of equity securities typically utilized for these strategies include common stock (exchange traded, over the counter and initial public offerings) issued by US and foreign (ex-US) corporations or other issuers. The boutiques 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 Exchange Traded Funds (ETFs) for cash equitization purposes; 3) Although

rare - closed-end funds, participation notes, private placement securities and rights and warrants on equity securities; 4) forward currency contracts to hedge the exposure of foreign currency fluctuations in the equity portfolios.

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

Global Equity Strategies

Global Opportunities Equity

Our borderless Global Opportunities Equity strategy invests in companies domiciled in developed and emerging market countries, aiming to provide long-term risk adjusted returns with lower absolute volatility than the broad equity market (e.g. MSCI AC World Index).

Like all of our active equity strategies, our Global Opportunities Equity strategy we seek companies demonstrating positive fundamental change, with exploitable expectation gaps, at attractive relative valuations. Our Global Opportunities Equity strategy provides our portfolio managers broad latitude to focus on our highest conviction investment opportunities across the world, intentionally disregarding standard market indexes when selecting stocks, and determining sector and region weights. Our framework incorporates base volatility premia (the “price of defense”) as well as size, value, momentum, and other key style factors. At the client’s request for individually managed accounts, this strategy can be further tailored to exclude certain emerging markets or single countries or sectors.

Global Equity, Global Value and Income Equity, Global Growth Equity, Global All Country Equity

These strategies are designed for investors seeking broad exposure to selected equity investment opportunities in developed markets based companies. The value oriented strategy has a secondary emphasis on above average dividend yields in developed markets worldwide. The growth oriented strategy has a secondary emphasis on above average growth characteristics. These can be further tailored to include emerging markets: Global All Country Equity, Global All Country Value and Income and Global All Country Growth.

Global Strategic Beta

This strategy is actively managed with a quantitative approach, incorporating measures of variable risk premiums (i.e. multi-factor) for stock selection decisions. The objective is to provide stronger returns or minimize risk relative to a traditional market-capitalization-weighted benchmark.

Global Small-Cap Equity

The Global Small-Cap strategy invests in a broad-market of developed and emerging market economies. It is focused on investing in small-capitalization companies and

managed to provide broadly diversified portfolios by region, country, and sector. This strategy has been further tailored to expand into mid-cap companies, with an overall portfolio income objective: Global SMID value & income.

International Equity Strategies

Diversified International Equity, International All-Country Equity, International Opportunities Equity

This strategy offers a broad exposure to equity investment opportunities outside the United States. It is an active core strategy including moderate strategic allocations to emerging markets.

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

The objective is to provide a diversified exposure among selected smaller capitalization companies in developed regions outside the U.S. utilizing a disciplined active core approach.

International Equity Income ADR

This strategy seeks a relatively high level of current income and long-term growth of income and capital by investing primarily in non-U.S. companies in developed markets.

European Equity, Japanese Equity

The objective is to provide regional and country exposure tailored to investor's preferences.

International Dynamic Risk Premium

This strategy is actively managed with a quantitative approach, incorporating measures of variable risk premiums (i.e. multi-factor) for stock selection decisions. The objective is to provide stronger returns or minimize risk relative to a traditional market-capitalization-weighted benchmark.

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

Emerging Markets Equity Strategy

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.

Domestic Equity Strategies

U.S. Select, U.S. Value, U.S. Mid-Cap Value

These strategies can provide diversified exposure among selected companies within growing segments of the U.S. economy. The overall portfolios are constructed to exhibit a consistent bias towards core, growth or value oriented companies through disciplined stock selection.

U.S. Small Cap, U.S. Small Cap Select Value, U.S. Small Cap Select Opportunities

The objectives of these strategies are to provide a diversified exposure among selected smaller capitalization U.S. companies. With the exception of U.S. Small Cap Select Value, these portfolios have no particular style bias and invest in companies with both growth and value oriented characteristics.

MidCap, Blue Chip, Focused Blue Chip

The MidCap, Blue Chip, and Focused Blue Chip 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

This strategy is actively managed with a quantitative approach, incorporating measures of variable risk premiums (i.e. multi-factor) for stock selection decisions. The objective is to provide stronger returns or minimize risk relative to a traditional market-capitalization-weighted benchmark.

Capital Appreciation

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

Large Cap Value/Equity Income

This 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.

Mid Cap Core

This strategy seeks long term growth of capital by investing primarily in the common stocks of U.S. companies in the medium market capitalization range.

Small Mid-Cap Value/Equity Income

This strategy seeks 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.

Small Mid-Cap U.S. Value/Equity Income

The objective of this 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, Enhanced Index and Alternative Index Strategies

In addition to actively managed strategies, PGI also manages passive index replication strategies and offers benchmark-focused strategies that provide a low-cost enhancement to traditional passive management. This enhanced index strategy reflects an exclusion approach, distinct and complementary to traditional active strategies. It utilizes the systematic identification of a small subset of stocks best avoided or underweighted, while keeping the overall benchmark risk profile and style characteristics intact. PGI also manages a range of alternative index strategies that seek outperformance relative to traditional capitalization weighted indexes using rules-based portfolio construction techniques.

Philosophy and Risk Management

PGI's philosophy is that equity markets are not perfectly efficient, and therefore provide opportunities to add value through fundamental research and active risk management. The 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 boutiques' investment process. The portfolio managers have a number of 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 boutiques 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. There is a monthly peer review meeting to discuss risks across all strategies. These meetings focus on a review of all strategies and use detailed reports of absolute and relative portfolio weightings in sectors, companies, industries and market capitalization as well as a wide range of portfolio level systematic risk metrics.

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 boutiques 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.

Risks of Enhanced Index and Passive Equity Investment Strategies

Every strategy entails market risk, liquidity risk and operational risk. Past performance does not necessarily predict future returns. 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. 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.

The Global and International Equity strategies utilize foreign investments. Foreign investments are subject to special risks not typically associated with domestic U.S. stocks. Investing in issuers headquartered or otherwise located in foreign countries poses additional risks since political and economic events unique to a country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States.

Fixed Income

PGI 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 United States and denominated in multiple currencies benchmarked to a range of short, intermediate and long duration strategies. Within the single sector focused strategies these include global and U.S.

dollar-denominated strategies focused on investment grade corporate credit, high yield securities, emerging market debt or government and government related bonds.

PGI 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, technicals, 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.

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 Sovereign Bonds, 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.

Investment Grade Corporate

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: Ultra Short High Quality, and Ultra Short Enhanced Yield.

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, and 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 and Core Plus Universal.

Municipal Bonds

The municipal 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.

Other Strategies

Private Market seeks to provide incremental yield and return over comparable public corporate bonds, while also focusing on preservation of capital. Performance will primarily come from security selection.

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 treasurys, U.S. agencies, asset-backed securities (ABS) and non-agency MBS. This strategy invests entirely in U.S. based issuers.

The Mortgage Securities 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 highly rated mortgage-backed securities.

The Global Capital Structure Opportunities strategy has a global credit focus that invests primarily in investment grade-rated financial issuers and opportunistically allocates across the entire debt capital structure. The strategy consists of high conviction portfolios, holding fewer issuers than traditional investment-grade corporate mandates. The strategy maintains an average of investment grade credit quality at all times.

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.

The Intermediate Duration Investment Grade Corporate strategy primarily invests in investment grade corporate bonds with maturity of 10 years or shorter. The strategy is diversified across all sectors of the investment grade universe.

The Intermediate Corporate Plus strategy seeks a high level of current income consistent with the stability of principal by investing primarily in corporate fixed income securities that are deemed to be investment grade.

The MBS CMO Interest Only Focus strategy invests primarily in agency mortgage-backed securities and collateralized mortgage obligation – intern only (IO) and inverse interest only (IIO) securities. The strategy also has allocations to asset-backed securities and securities to hedge interest rate risks.

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.

Derivatives

While derivatives are not a specific strategy, periodically they are able to be utilized in certain portfolios by agreement with the client. Common fixed income derivatives used are credit default swaps (CDS) (Risk – credit exposure or protection), interest rate swaps (Risk – fixed rate for floating rate exposure or the reverse), Treasury Futures (Risk – exposure or protection on interest rate movements), TBA (To Be Announced MBS Forward) (Risk - Risk – exposure or protection on upcoming issuance), collateralized debt obligations (CDO) (Risk – see structured instruments below), and currency swaps (Risk – exposure or protection on rate movement between two or a basket of currencies) among others. Certain of these instruments are subject to regulation by the Commodity Futures Trading Commission (“CFTC”) under the provisions of Dodd-Frank Financial

Reform legislation. The purchase of derivatives occurs in either the exchange traded and over the counter markets. The exchange traded derivatives market is very transparent as are the settlement risks (i.e. Treasury Futures). This is not necessarily the case in the over the counter market (CDS, interest rate swaps, etc.). In this market, one trades a portfolio risk for a counterparty risk. To help mitigate counterparty risk, the Firm utilizes collateral agreements, as required, by clients or applicable regulations.

Various instruments have moved to centralized clearing over the past several years. In addition, several of the instruments are moving to electronic trading (SEFs) as the CFTC and SEC approves trading platforms. With the advent of centralized clearing, there are initial and ongoing margin requirements the client must meet. In addition, a Legal Entity Identifier (“LEI”) number must be obtained by the client and contained on each trade. This is to help identify systemic risk at an entity or consolidated enterprise level.

Derivatives are primarily used for asset replication, hedging and structured products. In an asset replication use, credit default swaps are purchased when a portfolio manager believes that there is attractive pricing versus the cash bond market to gain exposure to a given name, sector or index.

All derivatives used for hedging purposes involve basis risk. This occurs when the value of underlying hedging instrument moves differently (not perfectly correlated) than the corresponding item being hedged.

Risks of the Fixed Income Strategies

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.

PGI does not primarily recommend a particular type of fixed income security. However, within the fixed income team, the firm manages strategies requested by institutional investors seeking fixed income solutions to their investment objectives.

There are a number of risks which affect fixed income investments which include but are not limited to: interest rate, credit, volatility, liquidity, duration, prepayment, derivative, optionality, inflation, reinvestment, event, sector, disclosure, foreign exchange, legal, economic, geopolitical, and systemic.

All fixed income securities are subject to interest rate and credit quality risk. The market value of fixed income securities generally declines when interest rates rise and an issuer of fixed income securities could default on its payment obligations.

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.

Derivatives Risk: 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.

Duration Risk: duration is a measure of the expected life of a fixed income security and its sensitivity to changes in interest rates. The longer a portfolio's average duration, the more sensitive the fund will be to changes in interest rates.

Prepayment Risk: unscheduled prepayments on mortgage-backed and asset-backed securities reinvested at lower rates. A reduction in prepayments resulting in an increase in the effective maturities of these securities, exposing them to the risk of decline in market value over time.

U.S. Government Securities Risk: Yields available from U.S. government securities are generally lower than yields from other fixed income securities.

U.S. Government Sponsored Securities Risk: 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.

The High Yield strategy is also subject to greater credit quality risk than higher rated fixed income securities and should be considered speculative.

The Emerging Market Debt and Global Bonds strategies are also subject to Foreign Securities Risk, 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.

State and Political Subdivisions Risk: subject to credit, transparency/disclosure, political, and other similar risks.

Changes to tax laws can result in various risks with regards to bonds.

Currency

PGI offers currency management strategies tailored to client requirements. Applying a fundamental-discretionary, macroeconomic theme-based investment approach to portfolio management, the strategies include absolute return as well as base currency hedging strategies. Portfolio positions are primarily implemented via currency forward contracts although PGI does use over the counter traded currency options from time to time where portfolio guidelines enable.

Active, absolute return:

Investing on a forward-looking basis, PGI looks to identify global investment themes that are large enough to drive significant cross-border capital flow and so influence exchange rate pricing. Investment themes can be economic or financial market trends expected to

unfold over the next two-to-six months. Portfolio construction philosophy focuses on the identification of multiple independent themes which can provide portfolio diversification.

Working within the currencies of the Fundamental Discretionary Absolute Return strategy and the G10 Strategic Currency Program (SCP) (developed market) and G10 Global Time Diversified strategy and High Alpha Broad Universe Global Macro strategy universes, and to client portfolio guidelines, PGI implements a consistent view formation process with position sizes scaled to the required volatility of the various portfolios. PGI manages portfolios across a range of volatility targets, from traditional low tracking error overlays (2-4% tracking error) to leveraged pooled vehicles (15-25% volatility); there is no guarantee, however, that the target will be realized.

Base currency hedging (Passive Currency Management):

This process is designed to reduce the impact that adverse exchange rate moves have on investment portfolio where the investments are made outside of the home market of the investor, and the primary aim of a base currency hedging strategy is risk reduction. The risk exposure of adverse exchange rate moves can be hedged using currency forwards and options at different levels. PGI can provide clients and prospects with the strategic views relating to currency markets, and offer advice on the where to set hedge ratios appropriate to their investment portfolios. However, the ultimate decision as to where to set the hedge ratio lies with the client. In the view of PGI, a 0% hedge ratio (i.e. the portfolio retains full exposure to non-domestic currency risk) is appropriate when the home currency is depreciating; a 100% hedge ratio (i.e. there is no currency diversification within the portfolio) is best when the home currency is expected to appreciate.

Risk Management and Risks of the Currency Strategies

The primary focus of risk management is strategy dependent: for base currency hedging strategies, risk management is concentrated on minimizing deviation of a portfolio's currency exposures from targeted exposures, best execution, settlement and counterparty management, while managing investment risk is the key focus within the active managed portfolios. However, it is important to note that risk management – both investment and operational – underpins the process across all strategies.

Base currency hedging: once the preferred hedge ratio has been agreed and the hedges put in place, portfolios are rebalanced daily so as to minimize tracking error, while the size of the hedge, the underlying currency exposures, and the benchmark can be reset as preferred by the client – this is usually done on a monthly basis. PGI operates a broad counterparty panel of leading investment banks, all of whom have been reviewed by the Counterparty Team. The service PGI receives from the counterparties is evaluated on a trade-by-trade basis in an open manner; by engaging with the banks on matters of service and pricing PGI believes PGI can implement best execution for the clients.

Active, absolute return: for the active portfolios, currency positions are implemented within a conviction-driven risk unit methodology framework. Risk unit sizing is a

function of the volatility, downside risk and liquidity of the featured currency pairs, ensuring that themes of the same risk unit size have the same potential ratio of upside returns to downside risk on the portfolio regardless of the currencies utilized to implement the theme. Themes are generally initiated with a single risk unit size, position size increasing (to a maximum of five risk units) based on the Portfolio Manager's level of conviction.

There are a number of risks which affect currency investments which include, but are not limited to: volatility, liquidity, events, economic, geopolitical, and systemic. PGI can also employ leverage if consistent with the client's investment objectives and risk tolerance. The potential benefit of leverage is that it can amplify investment returns. Leverage also increases risk, because it magnifies negative returns when performance and/or market conditions deteriorate. Base currency hedging shares some of these risks including credit exposure risks and can affect the returns of the portfolio. Adverse moves can be detrimental to the portfolio depending on the hedge ratio tolerance as a trade-off to avoidance of overtrading and excessive transaction costs.

Asset Allocation

PGI 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 PGI. PGI 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 Firm also makes recommendations and allocations to underlying investment strategies as detailed below.

PGI 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. PGI will assess current asset class weightings based upon any number of individual factors and makes adjustments to those allocations over time. In identifying potential areas of investment, PGI 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.

PGI 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. PGI employs a fund of funds approach to portfolio construction as client assets are allocated across one or any number of predetermined commingled funds. PGI 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.

PGI 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, PGI 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.

Underlying portfolio risks include, but are not limited to, size/style drift and earnings quality for equities; credit quality and interest rate sensitivity for fixed income portfolios; specific sectors and countries for real estate portfolios. There is also a risk that one, some or all of the underlying portfolios selected for inclusion in the asset allocation models do not meet their stated investment objective or that the overall asset allocation recommendations that are made by PGI do not perform as expected. As with every investment, there is also the risk that the investment decisions made result in the loss of principal and that the investment could be worth less money at the time of redemption than the investor contributed to the portfolio.

PGI monitors portfolio risk in a number of ways, including the processes detailed above relating to portfolio construction and the ongoing monitoring of the portfolios. PGI monitors the performance of each underlying manager for in the portfolio relative to the benchmark established for each asset class as well as relative to a peer group.

PGI continually monitors the macro-economic environment to which the asset classes are exposed. The economic environment is a factor in the risk analysis allocation and portfolio rebalancing decisions discussed above.

A variety of software applications are used to monitor the current asset allocation mix in the client's portfolio to identify the principal sources of portfolio risk, and to verify that the risk/return profile for the portfolio is in agreement with the client's stated investment objective and applicable guidelines.

All Strategy Risks:

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 PGI 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.

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 PGI or the integrity of PGI's management. PGI has no information applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

PGI is registered with the CFTC as a Commodity Trading Advisor ("CTA") and as a Commodity Pool Operator ("CPO"). PGI operates one or more controlled foreign corporations ("CFC") of the registered fund for which it acts as a registered CPO and is a member of the National Futures Association ("NFA"). PGI advises qualified eligible persons ("QEPs") under CFTC Regulation 4.7.

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

PGI is under common control with Principal Funds Distributor, Inc. ("PFD"), a registered broker-dealer and a FINRA member. PFD serves as a principal underwriter for Principal Funds, Inc. and Principal Variable Contracts, Inc. PGI does not currently execute security transactions with PFD.

Some of PGI's staff are registered representatives of PFD and/or PSI. From time to time in their capacity as registered representatives of PSI, solicit investment in Principal Funds

or in unregistered private investment funds which are sponsored or managed by PGI or its affiliates. Only the registered representatives on PGI’s distribution staff are eligible to receive sales compensation for any sales of shares of the Principal Funds or interests in unregistered private investment funds. In addition to the sales compensation paid to PGI’s distribution staff, Principal Funds and unregistered private investment funds pay advisory fees that are received by PGI or its affiliated advisers. As such, there is a conflict of interest when Funds that are paying advisory fees to PGI or its affiliated advisers are recommended by the sales staff.

PGI is under common control with Spectrum Asset Management, Inc. (“Spectrum”), a registered broker-dealer and an investment adviser registered with the SEC. PGI executes securities transactions for clients through Spectrum in certain circumstances, but only in compliance with applicable rules. Spectrum is also a member of the NFA and registered with the CFTC.

PGI is the investment adviser to the Principal Funds, which includes three separate registered investment companies.

PGI is under common control with Principal Real Estate Investors, LLC, an investment adviser registered with the SEC. Principal Real Estate Investors offers portfolio management and investment advisory and subadvisory services concerning primarily equity real estate and commercial mortgage investments to affiliated (including PGI) and non-affiliated persons. PGI furnishes certain personnel, facilities, and other resources to Principal Real Estate Investors and certain of its clients. On occasion, PGI utilizes personnel or other resources of Principal Real Estate Investors to assist PGI in the performance of investment advisory services. PGI and Principal Real Estate Investors have other common directors and officers.

PGI is under common control with Principal Financial Advisers, Inc. (“PFA”), a registered investment adviser with the SEC. PGI and PFA share personnel in the performance of investment advisory services.

PGI is an affiliate of Post Advisory Group, LLC (“Post”), an investment adviser registered with the SEC. Post, in general, offers services in managing client funds invested in high yield debt securities and distressed securities. On occasion, Post provides such services as a sub-adviser to PGI. PGI and its affiliates share investment and compliance information, as well as certain personnel and other resources, with Post as necessary for Post to fulfill its service as sub-adviser to PGI.

PGI is an affiliate of Columbus Circle Investors (“Columbus Circle”), an investment adviser registered with the SEC. Columbus Circle, in general, offers services in managing client funds invested in equity securities. On occasion, Columbus Circle provides such services as a sub-adviser for PGI. PGI and its affiliates share investment and compliance information, as well as certain personnel and other resources, with Columbus Circle to fulfill its service as sub-adviser to PGI.

PGI is under common control with Spectrum, an investment adviser registered with the SEC. Spectrum offers portfolio management and investment advisory and subadvisory services concerning primarily preferred securities to affiliated (including PGI) and non-affiliated persons. PGI and its affiliates share investment and compliance information, as well as certain personnel and other resources, with Spectrum to fulfill its service as sub-adviser to PGI. PGI is a party to a revenue sharing agreement dated September 28, 2001, with Spectrum, as amended, whereby certain advisory fees generated by Spectrum and its affiliate broker-dealer are allocated between the PGI and Spectrum.

Morley Capital Management, Inc. (“Morley”), an investment adviser registered with the SEC, is under common control of PGI. Morley offers portfolio management and investment advisory and subadvisory services concerning primarily fixed income and stable value securities. PGI and its affiliates share investment and compliance information, as well as certain personnel and other resources, with Morley to fulfill its service as sub-adviser to PGI.

PGI is an affiliate of Origin Asset Management LLP (“Origin”), an investment adviser registered with the SEC. Origin in general offers services in managing client funds invested in global (ex U.S.) equity securities. On occasion, PGI utilizes personnel or other resources of Origin to assist PGI in the performance of investment advisory services.

PGI is an affiliate of Finisterre Capital LLP (“Finisterre”), an investment adviser registered with the SEC. Finisterre in general offers services in managing client funds invested in emerging market fixed income securities. Finisterre is also a member of the National Futures Association and registered with the CFTC as a CTA and a CPO. On occasion, PGI utilizes personnel or other resources of Finisterre to assist PGI in the performance of investment advisory services.

PGI is under common control of Principal Enterprise Capital, LLC (“PEC”), an investment adviser registered with the SEC. PEC is the manager for a single client, an entity that was created for the benefit of an unaffiliated third party and includes a trust for the benefit of affiliated employees of Principal Life Insurance Company. PEC identifies structures, creates and manages strategic investments of equity capital primarily in private real estate operating companies (“REOCs”). REOCs are entities that generally acquire, develop, redevelop and operate commercial real estate properties and are the entities in which investments are made.

Some Separately Managed Account/Wrap fee programs (“SMA Programs”) include investment styles with respect to which one or more of PGI’s affiliated investment advisory firms has particular expertise and experience. Where that is the case, both PGI and the affiliated advisory firm(s) will be involved in the provision of investment advisory services to program participants electing the investment style, with (i) the affiliated advisory firm responsible for providing model portfolio creation and maintenance services for the style, and (ii) PGI responsible for placing client account trades, proxy voting (for those clients electing to authorize the investment adviser to vote

proxies), implementing reasonable client-imposed investment restrictions, establishing and implementing procedures used to select securities to be liquidated when a client requests partial liquidation of the client's account, and all other responsibilities imposed upon the investment adviser in the particular wrap fee program. In some wrap fee programs, the affiliated advisory firm is also granted authority to handle larger trades, typically those associated with changes to the model portfolio, where appropriate, in order to seek best execution. In those situations, in which one of PGI's affiliated advisory firms provides model portfolio creation and maintenance services, the affiliated advisory firm ordinarily provides those services as a sub-adviser to PGI and the client's direct agreement ordinarily is with PGI as the investment adviser. In those situations, PGI is responsible to the client for the actions and decisions of PGI's affiliated sub-adviser and PGI is responsible for paying its affiliated sub-adviser out of the fees PGI receives as the client's investment adviser. In the event that PGI uses Spectrum as a broker on trades for accounts in wrap fee programs, no brokerage commissions will be paid to Spectrum in connection with those trades.

Principal Global Investors Trust Company ("PGI Trust"), an Oregon banking corporation, is under common control with PGI. PGI Trust is trustee of certain collective investment trusts. PGI Trust, as trustee, retains PGI as investment adviser for one or more bank collective investment trusts. For some of the bank collective investment trusts, PGI is granted discretion or mandated to retain one or more affiliated investment advisory firms as sub-adviser.

Principal Life Insurance Company ("Principal Life") is an affiliate of PGI. Principal Life is licensed as an insurance company in all 50 states and the District of Columbia. PGI and Principal Life have entered into a Subsidiary Expense Reimbursement Agreement pursuant to which Principal Life or its global affiliates will furnish certain personnel, services and facilities used by PGI and PGI will reimburse Principal Life for its expenses incurred in that regard. PGI and Principal Life have certain common officers. PGI manages certain portfolios and accounts within the general and separate accounts of Principal Life. PGI provides advice and management services to Principal Life's spread lending operations.

Principal International, Inc. ("Principal International") is an affiliate of PGI, as both Principal International and PGI are direct or indirect wholly owned subsidiaries of PFSI. PGI manages certain portfolios of Principal International and of Principal International's insurance subsidiaries.

Principal Insurance Company (Hong Kong) Limited ("PIC Hong Kong") is an affiliate of PGI, as both PIC Hong Kong and PGI are indirect wholly-owned subsidiaries of PFSI. PGI acts as sub-adviser with regard to certain portfolios of PIC Hong Kong.

PGI utilizes personnel or other resources or services of its non-US affiliates, Principal Global Investors (Europe) Ltd, Principal Global Investors (Singapore) Ltd, Principal Global Investors (Australia) Ltd, Principal Global Investors (Hong Kong) Ltd, and Principal Global Investors (Japan) Ltd to assist PGI in the performance of investment

advisory services. Those advisory affiliates recommend to their clients, or invest on behalf of their clients in securities that are the subject of recommendations to, or discretionary trading on behalf of, PGI's clients. Investment professionals from the advisory affiliates render portfolio management, research or trading services to PGI's clients, including registered investment companies, and are subject to supervision by PGI. Biographies of these professionals will be provided as required or upon request.

PGI 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. PGI enters into arrangements, as needed, to provide services or otherwise enter into some form of business relationship with these foreign and/or domestic affiliates. Additional disclosure of these relationships will be provided upon request.

PGI acts as investment adviser to certain index ETFs for which the NASDAQ Stock Market LLC ("NASDAQ") serves as index service provider. PGI retains certain intellectual property rights with respect to such indexes and may also be consulted by NASDAQ prior to the implementation of index rule changes. PGI has not identified any material conflicts of interest resulting from such relationship.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

PGI 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 PGI's officers, directors, employees and certain non-employees of PGI with access to client and trading information of PGI ("Access Persons") own or engage in their own personal transactions involving securities. 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 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 PGI 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 PGI conducts for the accounts of clients. Compliance monitors personal trading via the on-line pre-clearance system, FIS Personal Trading Assistant. The procedures provide for the maintenance of a master securities list that includes all securities traded by PGI 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, FIS Personal Trading Assistant, before executing a personal security transaction to make sure the proposed transaction conforms to our Code provisions. There is also quarterly review of reportable transactions, as well as annual certification of accounts and holdings by Access Persons. Please refer to the Code for a detailed overview of provisions.

Clients of PGI can obtain a copy of the Code of Ethics by contacting the Chief Compliance Officer at 800-533-1390.

From time to time, PGI advises clients to purchase securities which could coincide with other client purchases, one or more affiliates of PGI 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. PGI also advises clients to participate in investment vehicles (e.g. Principal Global Investors Trust), with other participants and potentially include one or more affiliates of PGI. PGI recommends to its clients the purchase, sale or holding of shares of affiliated mutual funds and/or ETFs for which PGI and its affiliates also provide advisory services while considering suitability. PGI 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.

PGI, Principal Real Estate Investors, Spectrum Asset Management, and Columbus Circle Investors are investment managers for Principal Global Investors Trust (the “Trust”). PGI organized the Trust, a Delaware business trust and a private investment company of the series type, in June 1999. The Directed Trustee is the Bank of New York. Principal Trust Company is the resident trustee, but does not have any discretion of the Trust. The Trust offers a number of commingled investment portfolios having different investment objectives. Principal Life acts as “tax matters partner” for, and owns units of, most of the portfolios. An indirect wholly-owned subsidiary of Principal Life (Equity F.C., Ltd.), (i) acts as tax matters partner in these instances where Principal Life does not and (ii) owns units of some of those portfolios. Members of PGI’s staff will, from time to time solicit investment in the Trust to PGI’s clients or prospective clients, when circumstances indicate that an investment in the Trust would be appropriate for the client or prospective client. Only members of PGI’s marketing registered representative staff are eligible to receive compensation for any sales of investments in the Trust made to clients or prospective clients.

PGI will invest its own financial assets primarily in U.S. Treasury securities that it also recommends to clients. It also invests its own financial assets in a short-term investment pool of its indirect parent company, PFSI or in a checking account in the name of PGI. In addition, Principal Life owns units in various portfolios of Principal Global Investors Trust.

PGI furnishes investment advice with respect to various portfolios of its direct parent company, Principal Life. In fulfilling its responsibilities, PGI buys and/or sells for

Principal Life securities or other investment products that it also recommends to its clients who are not related persons of PGI.

PGI is the investment manager of various securities portfolios of Principal Life, Principal International and other related persons. PGI is the adviser to a number of the Principal Funds, a family of mutual funds organized by Principal Life and distributed by Principal Securities, Inc. and Principal Funds Distributor, Inc. Principal Life, Principal International, PSI and PFD are related persons of PGI. In carrying out its responsibilities in each of these arrangements, PGI buys or sells for related persons securities that it also recommends to its clients who are not related persons of PGI.

ITEM 12 – BROKERAGE PRACTICES

As a discretionary adviser, PGI 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 (and in the case of the Currency Boutique, the foreign exchange dealer) through which transactions are effected 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. PGI does not engage in principal trading with client accounts.

Equities

Selection of Brokers and Dealers

PGI seeks to obtain the best overall execution when selecting a broker or dealer for Client portfolio transactions. In selecting brokers and dealers, PGI considers a variety of factors including, but not limited to:

- Their financial strength and stability;
- Best price for the trade;
- Reasonableness of their commission, spreads or markups;
- Their ability to execute and clear the trade in a prompt, orderly and satisfactory manner;
- Quality of their executions in the past and existing relationship to date;
- The confidentiality they provide as to the trades placed through them by PGI;
- Their execution capabilities and any related risks in trading a particular block of securities;
- Their broad market coverage resulting in a continuous flow of information concerning bids and offerings;
- The consistent quality of their services, including the quality of any investment-related services provided (e.g. a first call on the release of influential securities reports);

- Their record keeping practices (e.g. timely and accurate confirmations); and
- Their cooperation in resolving differences.

PGI may also use the above factors to establish generally the proportion of the overall commissions to be allocated to each broker or dealer used in effecting equity trades on behalf of its clients. There is a broker voting process that includes research analysts, portfolio managers and traders. The broker vote is designed to rank brokers based on the quality of research and trading services provided. Recommendations are made for commission allocation based on the results of the vote. These factors and the results of the broker vote are used as general guidelines by the equity trading desk in deciding which broker-dealer to use for specific securities transactions. Because of the variety of factors used to select brokers or dealers, the determining factor in seeking best execution is not the lowest possible commission, but whether the transaction represents the best overall execution for the client. In some instances, PGI will pay a broker commissions that are higher than the commissions another broker might have charged for the same transaction. Further, in the case where a firm bundles research services with its execution services, PGI may consider the receipt of research services provided (including soft dollar services) if it does not compromise the selection of best overall execution. Please see the section on Soft Dollar Practices below for additional information about brokerage and research services received by PGI.

PGI maintains an approved list of brokers and dealers. New counterparty arrangements must be reviewed and approved by the Counterparty Team of PGI before trading can begin through the new counterparty. Alternative trading systems that meet the guidelines are also eligible for consideration. The traders are required to direct trades only through approved counterparties. Counterparties are regularly monitored by the Counterparty Team for signs of deterioration in business operations, creditworthiness and rating changes.

PGI Equities does not use affiliated broker-dealers to place client trades for equity securities.

Brokerage Commissions

Transactions on stock exchanges and other agency transactions 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 according to such factors as the difficulty and size of the transaction or the means of execution (i.e. program, algorithmic or sales trader). Although commission rates are considered by PGI 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.

Client Directed Brokerage

If PGI agrees, a client can instruct the Firm to direct trading for their account to a particular broker. If a client directs PGI to use a particular broker or dealer, the Firm it is

possible the firm will be unable to negotiate commissions, obtain volume discounts, ensure best execution, and to batch trades on the client's behalf. Consequently, clients who direct the Firm to use a particular broker could possibly pay more in commissions than those who do not. No assurance can be given that transactions executed in accordance with such directed brokerage arrangements result in the best execution available to the client. Separately Managed Account/Wrap fee programs ("SMA Programs") occasionally include client directed brokerage provisions. More commonly, SMA Program clients pay a fee to the sponsor that covers, among other things, brokerage commissions for trades executed with the sponsor or the sponsor-designated broker-dealer. The fee does not cover brokerage commissions charged on trades executed with other broker-dealers. As a result, best execution decisions by PGI for SMA Program trades tend to favor use of the program sponsor or the sponsor-designated broker-dealer because of the commission expense, although other circumstances sometimes dictate that other brokers be used in our seeking to achieve best execution. Depending on a variety of factors, including the amount of the wrap fee, the trading activity and the value of custodial and other services, the single fee may or may not exceed the separate costs of such services. The policy is to seek execution of portfolio transactions at prices which are advantageous to our clients as a whole and at commission rates that are competitive, taking into account the full range and quality of an executing broker-dealer firm's services. This process of weighing the interests of each of the clients may result in the trade orders for accounts subject to client directed brokerage arrangements, (including SMA Programs) being placed after completion of non-directed orders so as to avoid conflicts in the trading marketplace. In addition, client directed brokerage on behalf of employee benefit plan clients might be subject to special requirements under the Employee Retirement Income Security Act of 1974 ("ERISA").

Soft Dollar Practices

It is PGI'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. In most cases, services retained via soft dollar arrangements are exclusively used for either research or in connection with brokerage and trading functions within that "safe harbor". In isolated-soft dollar arrangements, PGI could receive products and services that perform an administrative function as well as a research function, a brokerage/trading function, or both. In such cases, PGI will make a reasonable allocation of the cost of the product or service according to the use. PGI will pay for the portion of the product or service that consists of research or brokerage/trading in commission dollars. PGI will pay for the portion that provides administrative or non-research or non-brokerage/trading support directly rather than use soft dollar commissions. PGI's allocation of the cost of such products and services between research and non-research functions poses a conflict of interest between PGI and its clients because, to the extent we categorize products and services as research or brokerage/trading related, PGI avoids paying for those products and services with its own money.

In allocating brokerage business, PGI gives consideration to products and services provided to it by introducing as well as clearing brokers (e.g., the furnishing of statistical

data and research generally consisting of information of the following types: analyses and reports concerning issuers, industries, economic factors and trends, portfolio strategy and performance of client accounts as well as systematic or quantitative processes that supports research). In making such allocations, the primary criterion used is obtaining the best overall terms for such transactions. PGI could pay additional commission amounts for research services but generally does not do so. Such statistical data and research information received from brokers or dealers could be useful in varying degrees, and PGI could use it in servicing some or all of the accounts it manages. Clients could pay higher commission rates than those normally obtained from other brokers. Some of the products and services could benefit a specific segment of PGI. Commission credits are used in aggregate and are not attributed nor specifically benefit the client whose transaction created the credit unless otherwise directed by the client. Some products and services obtained from brokers may not necessarily be used for a client even though its commission dollars (or other transaction charges) paid for the products and services. Therefore, it is possible a client will not be a direct or indirect beneficiary of the products and services provided. Some statistical data and research information paid for by a particular client account brokerage may not be useful to PGI in managing the client account. However, in PGI's opinion, the value thereof is not determinable and it is not expected that client's expenses will be significantly raised since the receipt of such statistical data and research information is only supplementary to the Firm's own research efforts.

PGI does not utilize all commissions attributable by client accounts to purchase research services through soft dollar arrangements. PGI will generally limit its participation in soft dollar arrangements annually to an amount that, in its judgment, ensures best execution of client transactions.

With respect to PGI's purchase of statistical data and research information with commission dollars, clients who afford PGI complete discretion in selecting brokers to execute transactions for their accounts may, in effect, subsidize the purchase of research PGI utilizes in managing accounts of those clients who do not afford PGI such discretion.

Trade Order Aggregation and Allocation for Equity Accounts

In carrying out the investment objectives of its clients, occasions arise in which PGI deems it advisable to purchase or sell the same equity securities for two or more client accounts at the same or approximately the same time. In those cases, PGI could submit the orders to purchase or sell to a broker or dealer for execution on an aggregate or "bunched" basis. PGI expects aggregation or "bunching" of orders, on average, to reduce the cost of execution. PGI, 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. Trade orders for SMA Programs are not generally "bunched" with institutional client account orders. PGI, on occasion, "bunches" trades with its affiliate, Principal Real Estate Investors.

PGI will not aggregate orders unless it believes that aggregation is consistent with (1) its duty to seek best execution and (2) the terms of its investment advisory agreements with its clients. Aggregated orders will be executed only after order tickets have been received by the trading desk specifying the participating accounts and the number or percentage of shares to be allocated among the various accounts (“allocation statement”); each client portfolio that participates in an aggregated order will generally participate at the average share price for the securities in the same aggregate transaction on a given business day, with all transaction costs shared pro rata based on each client’s participation in the transaction; and if an aggregated order cannot be filled completely, allocation among orders will be made pro rata based on the allocation statement.

However, the order may be allocated on a basis different from that specified in the Allocation Statement if all accounts of clients whose orders are allocated receive fair and equitable treatment. PGI’s equity trading desk, at times, will depart from the above procedures if, in the exercise of its reasonable judgment, it determines that such a departure is in the clients’ interests taken as a whole. As a result of such allocations, there will be instances when a client’s account does not participate in a transaction that is allocated among other clients. As an example, there can be de minimis deviation from that stated in the Allocation Statement when necessary to correct a pro rata distribution that results in a participating account holding (1) too small a number of shares in relation to the size of the participating account or its investment strategy or (2) an odd-lot.

PGI enters aggregated orders to participate in initial public equity offerings (IPOs). In determining whether to enter an order for an IPO for any client account, PGI considers the account’s investment restrictions, risk profile, asset composition and cash level. Accordingly, it is unlikely that every client account will participate in every available IPO order. Partially filled aggregated IPO orders will be allocated pro rata across participating accounts in accordance with the procedures set out above. It is possible, therefore, that some accounts participating in the aggregated order will receive no shares in the allocation.

Cross Trades

PGI 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. However, policies and procedures exist for those situations where cross trades are appropriate and permitted by applicable law. Cross trades are only considered in isolated instances when it is determined that there are two or more parties; at least one of which wishes to dispose of a particular security while the other(s) wishes to add it to its portfolio. Steps are taken to ensure that the transaction is in the best interests of both parties, the purchase and sale of the security satisfy the investment guidelines for each of the portfolios involved and the applicable regulatory requirements are satisfied, (as an example for mutual funds, consistent with the funds’ Rule 17a-7 procedures).

When entering into cross trades, PGI takes steps to obtain a price it has determined by reference to independent market indicators, and which PGI believes is consistent with its duty to seek “best execution” for each party and all parties are informed of all relevant details of the transaction and have consented. 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 explaining why they believe the transaction is beneficial for both parties involved. The form also asks about any commissions or fees to be paid, if any, and how the market price was determined.

Transactions involving the purchase and sale of a security that involves an ERISA plan have additional requirements that are outlined in the policies and procedures.

Because PGI 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.

Trade Errors

PGI maintains a system of checks and balances designed to limit the errors it makes in placing trades for client accounts. Nonetheless, PGI will, from time to time, make such errors. It is PGI’s policy to absorb all losses on trades it places in error. In rectifying erroneous trades, PGI 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. PGI 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 PGI’s policy to accord clients any profitable erroneous trades it identifies after the Time of Settlement.

PGI’s policy covering the correction of trading errors generally applies only to the extent that PGI has control of resolving errors for client accounts. For the SMA Programs, the Sponsor Firms may have control over the resolution of errors of participating investment managers, including PGI.

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

Foreign Exchange Transactions – Incidental to Management of Equity Accounts

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’s base currency when necessary. However, PGI will, when requested by the client and the Firm 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, PGI 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 effected by each client's custodian pursuant to standing instructions and PGI will not be in a position to seek best execution.

In cases where a client has not requested that PGI handle arrangements for trade settlement related FX Transactions in non-U.S. securities, and/or PGI has deemed that it is not cost effective to do so, the Firm 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.

Fixed Income

PGI'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 the 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 offers, but whether the transaction represents the best qualitative execution.

PGI takes into account the following considerations in its attempt to seek best execution:

- Best price for the trade;
- The broker or dealer's ability to execute and clear the trade in a prompt, orderly and satisfactory manner;
- Quality of executions in the past and existing relationship to date;
- Confidentiality provided by the broker or dealer;
- The broker or dealer's execution capabilities and any related risks in trading a block of securities;
- The broker or dealer's broad market coverage resulting in a continuous flow of information concerning bids and offerings;
- The broker or dealer's consistent quality of service, including the quality of any investment-related services provided;

- The broker or dealer's record keeping practices (e.g. timely and accurate confirmations); and
- Cooperation in resolving differences.

PGI reviews a variety of internal and external trading reports and forensic tests to evaluate best execution with its Fixed Income trades.

PGI only executes fixed income trades through brokers or dealers that are approved by its Counterparty Team. Brokers and dealers are evaluated internally by the Counterparty Team credit analyst to determine the financial capability and stability of the counterparty. Once a broker or dealer is approved, it is added to the Counterparty Authorization List and communicated to Traders.

PGI 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 includes, but are not limited to, execution quality, information flow, volume of trading in PGI'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).

PGI 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, PGI 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 PGI, its affiliates and/or its personnel have beneficial interests). In aggregating trade orders and allocating available securities, PGI must provide fair and equitable treatment to all clients participating in the "bunched order". It is important to recognize, however, that all clients cannot be treated exactly alike. 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. PGI aggregates trades to give clients the benefits of efficient and cost-effective delivery of investment management services. By aggregating trades, it is possible for PGI to also obtain more favorable execution. PGI 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, PGI 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, PGI generally follows a pro rata allocation method, various judgmental and other factors could support non-pro rata allocations. Judgmental factors (e.g. changes in the availability of cash or liquidity needs subsequent to the initial order, a de minimis holding resulting from such an allocation, a change in the client’s needs subsequent to an initial allocation or other such judgmental factors) could form the basis of a decision for a non-pro rata allocation. In these cases, a portfolio manager must use reasonable business judgment in making a non-pro rata allocation that he or she believes is in the best interest of the affected clients.

PGI expects aggregation or “bunching” of orders, on average, to reduce the cost of execution. PGI, 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.

PGI generally does not engage in cross trades. However, PGI has procedures in place to effect cross trades when permitted by the clients and if permissible under applicable regulations applicable to both accounts. In all situations that involve a cross trade, the portfolio manager will be required to provide a statement that explains why the transaction is in the best interest of both parties. Under no circumstances an ERISA account will be permitted to participate in a cross trade without prior approval of the management of PGI and Compliance.

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

It is PGI’s policy that the utmost care to be taken in making and implementing investment decisions on behalf of our funds and our client accounts. Nonetheless, PGI will, from time to time, make such errors. It is PGI’s policy to absorb all losses on trades it places in error. In rectifying erroneous trades, PGI 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.

PGI policy covering the correction of trading errors generally applies only to the extent that the Firm has control of resolving errors for client accounts. For the SMA Programs, the Sponsor Firms may have control over the resolution of errors of participating investment managers, including PGI.

Because of the actions or omissions by a broker-dealer, a trade executed in the market could materially differ from the instructions or order given by the Adviser's Portfolio Manager or the trading desk personnel for that trade. Errors attributable to brokers are not trade errors but PGI will oversee the resolution of a broker's error.

PGI 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 the Firm should endeavor to engage in a principal transaction, the Firm 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 issue portfolio securities (including new securities sold in reliance on Securities and Exchange Commission 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 include a commission or concession paid by the issuer (and not by clients of PGI) 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 PGI 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, PGI'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 Firm's clients. In pursuing this objective, PGI 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.

PGI Fixed Income does not accept the use of soft dollar credits and currently does not engage in "deal credit" arrangements in municipal bond 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, PGI will, when requested by the client and the Firm determines that it is cost effective or efficient, arrange for its trade desk 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, PGI 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 effected by each client's custodian pursuant to standing instructions and PGI Fixed Income will not seek best execution.

In cases where a client has not requested that PGI handle arrangements for trade settlement related FX transactions in non-U.S. securities, and/or the Firm has deemed that it is not cost effective to do so, PGI will instruct the client's custodian to effect 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.

Currency

The execution process for currency trading has been designed to ensure the provision of best execution whenever possible. The process is implemented by a trading team with members sitting across multiple time zones and draws on support from compliance and credit research functions within PGI.

ITEM 13 – REVIEW OF ACCOUNTS

Review of All Accounts

PGI reviews each client account to monitor portfolio performance and to ensure that each portfolio conforms to guidelines established by PGI 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, PGI uses its own review processes and procedures during the ongoing management of the client's portfolio. PGI generally sends reports to clients on the investment status of their portfolios quarterly, or more frequently if required under the terms of the client contract.

Reviews by Strategy

Equities:

Equity portfolios receive ongoing review during the trading process. PGI 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 equity trade order is submitted into the system and reviewed electronically for compliance with the account's investment guidelines. This is done prior to the trade

order being submitted to PGI's trade desk. The system blocks trades that would cause an explicit breach of client guidelines. PGI generates daily reports identifying exceptions for further analysis.

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 equity boutiques 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. PGI 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. PGI runs daily reports on a sampling of accounts indicating performance of each portfolio, market value and cash for each account included in the sampling. PGI has an oversight process to monitor portfolios. The Firm 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.

Currency:

Views are implemented on a consistent basis across the relevant portfolios (working within each portfolio's specified guidelines), with position size scaled to meet the volatility requirements of each portfolio. Portfolios are monitored in real time by the portfolio, trading and risk management functions so as to ensure coherency and minimize dispersion.

Portfolio parameters are agreed in conjunction with the client so as to most effectively meet their needs. These guidelines are hard coded into ThinkFolio to ensure compliance on both a pre- and post-trade basis. Oversight is provided by the independent compliance function of PGI. Guideline amendments are only executed upon the receipt of an amended client-specific investment advisory agreement.

Reviewers

PGI 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 PGI 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

PGI enters into compensation arrangements with certain related persons who act as solicitors of clients for the Firm. In addition, PGI has from time to time entered into arrangements with other persons who act as solicitors of clients when it appears to the Firm that a solicitor could provide access to clients PGI might not otherwise have. Such arrangements will, at all times, be maintained in compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940. PGI may pay any such solicitor (a) a salary, or (b) a percentage of the management fee PGI earns from the account a solicitor has introduced, or (c) a one-time fee, or (d) any combination of (a), (b), or (c). In the event PGI utilizes unaffiliated solicitors to procure clients for investment pools they manage, the payments will not be treated as cash solicitation fees per Rule 206(4)-3. The SEC in an Interpretive Letter dated July 28, 2008 to Mayer Brown LLP indicated that Rule 206(4)-3 does not apply to an investment adviser's cash payment to a person solely to compensate that person for soliciting investments in investment pools managed by the investment adviser.

ITEM 15 – CUSTODY

When required, clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. PGI urges you to carefully review such statements and compare such official custodial records to the account statements that PGI provides to you. The statements can vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

ITEM 16 – INVESTMENT DISCRETION

PGI generally receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount 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 for the particular client account.

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

Investment guidelines and restrictions must be provided to PGI in writing.

ITEM 17 – VOTING CLIENT SECURITIES

PGI has adopted and implemented written Proxy Voting Policies and Procedures which are designed to reasonably ensure that the Firm votes proxies in the best interests of its advisory clients who have authorized the PGI to address these matters on their behalf. PGI'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 Policy are designed to guide the Firm in voting proxies, and not necessarily in making investment decisions. Portfolio Management Teams base their determinations of whether to invest in a particular company on a variety of factors.

The client can authorize PGI to vote proxies or chose to retain that right. Clients can obtain a summary report relating to their account by contacting their representative. PGI has established a general Proxy Voting Policy using the Institutional Shareholder Services, Inc. (ISS) Standard Proxy Voting Guidelines (the Guidelines) except where a portfolio management team decides to diverge from the Guidelines. In this case, the policy requires certain procedures and documentation to be met.

Clients can obtain a copy of PGI's complete proxy voting policies and procedures 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 the Firm's financial condition. PGI 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.

FACTS
WHAT DOES PRINCIPAL GLOBAL INVESTORS DO WITH YOUR PERSONAL INFORMATION?
Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and transaction history
- Income and account investment experience
- Account transactions and risk tolerance

When you are no longer our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Principal Global Investors chooses to share; and whether you can limit this sharing.

REASONS WE CAN SHARE YOUR PERSONAL INFORMATION
DOES PRINCIPAL GLOBAL INVESTORS SHARE?
CAN YOU LIMIT THIS SHARING?

For our everyday business purposes —such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes —to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes —information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes —information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?

Call 1-800-533-1390 or go to www.principalglobals.com/about-us/contact-information

Who we are	
Who is providing this notice?	Principal Global Investors and its affiliates.
What we do	
How does Principal Global Investors protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Principal Global Investors collect my personal information?	We collect your personal information, for example, when you <ul style="list-style-type: none">• Open an account or seek advice about your investments• Direct us to buy securities or make deposits, or withdrawals from your account• Give us your contact information or show your government issued ID We also collect your personal information from others, such as affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only <ul style="list-style-type: none">• sharing for affiliates' everyday business purposes—information about your creditworthiness• affiliates from using your information to market to you• sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.
Definitions	
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none">• Our affiliates include companies with the Principal Global Investor name as listed below.
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none">• Principal Global Investors does not share with nonaffiliates so they can market to you.
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none">• Principal Global Investors doesn't jointly market.
Other important information	
Who is providing this notice: Principal Global Investors companies, including the following: Principal Global Investors, LLC, Principal Global Investors Trust, Principal Real Estate Investors, LLC, Principal Commercial Acceptance, LLC, Principal Commercial Funding, LLC, Principal Green Property Fund Employees II, LLC, Spectrum Asset Management, Inc., Principal Funds Distributor, Inc.	

B. Proxy Voting and Class Action Monitoring

Rule 206(4)-6

Background

Rule 206(4)-6 under the Advisers Act requires every investment adviser who exercises voting authority with respect to client securities to adopt and implement written policies and procedures, reasonably designed to ensure that the adviser votes proxies in the best interest of its clients. The procedures must address material conflicts that may arise in connection with proxy voting. The Rule further requires the adviser to provide a concise summary of the adviser's proxy voting process and offer to provide copies of the complete proxy voting policy and procedures to clients upon request. Lastly, the Rule requires that the adviser disclose to clients how they may obtain information on how the adviser voted their proxies.

Policy

The Advisers believe that proxy voting and the analysis of corporate governance issues, in general, are important elements of the portfolio management services provided to advisory clients. The Advisers' 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. These principles reflect the Advisers' belief that sound corporate governance creates a framework within which a company can be managed in the interests of its shareholders.

In addition, as a fiduciary, the Advisers also monitor certain Clients' ability to participate in class action events through the regular portfolio management process. Accordingly, the Advisers have adopted the policies and procedures set out below, which are designed to ensure that the Advisers comply with legal, fiduciary, and contractual obligations with respect to proxy voting and class actions.

Proxy Voting Procedures

The Advisers have implemented these procedures with the premise that portfolio management personnel base their determinations of whether to invest in a particular company on a variety of factors, and while corporate governance is one such factor, it may not be the primary consideration. As such, the principles and positions reflected in the procedures are designed to guide in the voting of proxies, and not necessarily in making investment decisions.

The Investment Accounting Department has assigned a Proxy Voting Team to manage the proxy voting process. The Investment Accounting Department has delegated the handling of class action activities to a Senior Investment Accounting Leader.

Institutional Shareholder Services

Based on the Advisers' investment philosophy and approach to portfolio construction, and given the complexity of the issues that may be raised in connection with proxy votes, the Advisers have retained the services of Institutional Shareholder Services ("ISS"). ISS is a leading global provider of investment decision support tools. ISS offers proxy voting solutions to institutional clients globally. The services provided to the Advisers include in-depth research, voting recommendations, vote execution, recordkeeping, and reporting.

The Advisers have elected to follow the ISS Standard Proxy Voting Guidelines (the “Guidelines”), which embody the positions and factors that the Advisers’ Portfolio Management Teams (“PM Teams”) generally consider important in casting proxy votes.¹ The Guidelines address a wide variety of individual topics, including, among other matters, shareholder voting rights, anti-takeover defenses, board structures, the election of directors, executive and director compensation, reorganizations, mergers, and various shareholder proposals. In connection with each proxy vote, ISS prepares a written analysis and recommendation (“ISS Recommendation”) that reflects ISS’s application of the Guidelines to the particular proxy issues. ISS Proxy Voting Guidelines Summaries are accessible to all PM Teams on the ISS system. They are also available from the Proxy Voting Team.

Voting Against ISS Recommendations

On any particular proxy vote, Portfolio Managers may decide to diverge from the Guidelines. Where the Guidelines do not direct a particular response and instead list relevant factors, the ISS Recommendation will reflect ISS’s own evaluation of the factors.

If the Portfolio Manager’s judgment differs from that of ISS, a written record is created reflecting the process (See Appendix titled “Report for Proxy Vote(s) Against the ISS Recommendation(s)”), including:

1. The requesting PM Team’s reasons for the decision;
2. The approval of the lead Portfolio Manager for the requesting PM Team;
3. Notification to the Proxy Voting Team and other appropriate personnel (including other Advisers Portfolio Managers who may own the particular security);
4. A determination that the decision is not influenced by any conflict of interest; and review and approval by the Compliance Department.

(In certain cases, Portfolio Managers may not be allowed to vote against ISS recommendations due to a perceived conflict of interest. For example, Portfolio Managers will vote with ISS recommendations in circumstances where PGI is an adviser to the PGI CITs and those CITs invest in Principal mutual funds.)

Conflicts of Interest

The Advisers have implemented procedures designed to prevent conflicts of interest from influencing proxy voting decisions. These procedures include our use of the Guidelines and ISS Recommendations. Proxy votes cast by the Advisers in accordance with the Guidelines and ISS Recommendations are generally not viewed as being the product of any conflicts of interest because the Advisers cast such votes pursuant to a pre-determined policy based upon the recommendations of an independent third party.

Our procedures also prohibit the influence of conflicts of interest where a PM Team decides to vote against an ISS Recommendation, as described above. In exceptional circumstances, the approval process may also include consultation with the Advisers’ senior management, the Law Department, Outside Counsel, and/or the Client whose account may be affected by the conflict. The Advisers maintain records of the resolution of any proxy voting conflict of interest.

Proxy Voting Instructions and New Accounts

Institutional Accounts

As part of the new account opening process for discretionary institutional Clients that require the Adviser to vote proxies, the Advisers’ Investment Accounting Department is responsible for sending a proxy letter to the Client’s custodian. This letter instructs the custodian to send the Client’s proxy materials to ISS for voting. The custodian must complete the letter and provide it to ISS, with a copy to the Advisers’ Investment Accounting Department. This process is designed to ensure and document that the custodian is aware of its responsibility to send proxies to ISS.

The Investment Accounting Department is responsible for maintaining this proxy instruction letter in the Client’s file and for scanning it into the Advisers’ OnBase system. These steps are part of the Advisers’ Account Opening Process.

1. The Advisers have various Portfolio Manager Teams organized by asset classes and investment strategies.

SMA – Wrap Accounts

The Advisers' SMA Operations Department is responsible for servicing wrap accounts, which includes providing instructions to the relevant wrap sponsor for setting up accounts with ISS.

Fixed Income and Private Investments

Voting decisions with respect to Client investments in fixed income securities and the securities of privately-held issuers will generally be made by the relevant Portfolio Managers based on their assessment of the particular transactions or other matters at issue.

Client Direction

Clients may choose to vote proxies themselves, in which case they must arrange for their custodians to send proxy materials directly to them. Clients may provide specific vote instructions for their own ballots. Upon request, the Advisers may be able to accommodate individual Clients that have developed their own guidelines. Clients may also discuss with the Advisers the possibility of receiving individualized reports or other individualized services regarding proxy voting conducted on their behalf. Such requests should be centralized through the Advisers' Proxy Voting Team.

Securities Lending

At times, neither the Advisers nor ISS will be allowed to vote proxies on behalf of Clients when those Clients have adopted a securities lending program. Typically, Clients who have adopted securities lending programs have made a general determination that the lending program provides a greater economic benefit than retaining the ability to vote proxies. Notwithstanding this fact, in the event that a proxy voting matter has the potential to materially enhance the economic value of the Client's position and that position is lent out, the Advisers will make reasonable efforts to inform the Client that neither the Advisers nor ISS is able to vote the proxy until the lent security is recalled.

Abstaining from Voting Certain Proxies

The Advisers shall at no time ignore or neglect their proxy voting responsibilities. However, there may be times when refraining from voting is in the Client's best interest, such as when the Advisers' analysis of a particular proxy issue reveals that the cost of voting the proxy may exceed the expected benefit to the Client. Such proxies may be voted on a best-efforts basis. These issues may include, but are not limited to:

- Restrictions for share blocking countries;²
- Casting a vote on a foreign security may require that the adviser engage a translator;
- Restrictions on foreigners' ability to exercise votes;
- Requirements to vote proxies in person;
- Requirements to provide local agents with power of attorney to facilitate the voting instructions;
- Untimely notice of shareholder meeting;
- Restrictions on the sale of securities for a period of time in proximity to the shareholder meeting.

Proxy Solicitation

Employees should inform the Advisers' Proxy Voting Team of the receipt of any solicitation from any person related to Clients' proxies. As a matter of practice, the Advisers do not reveal or disclose to any third party how the Advisers may have voted (or intend to vote) on a particular proxy until after such proxies have been counted at a shareholder's meeting. However, the Proxy Voting Team may disclose that it is the Advisers' general policy to follow the ISS Guidelines. At no time may any Employee accept any remuneration in the solicitation of proxies.

2. In certain markets where share blocking occurs, shares must be “frozen” for trading purposes at the custodian or sub-custodian in order to vote. During the time that shares are blocked, any pending trades will not settle. Depending on the market, this period can last from one day to three weeks. Any sales that must be executed will settle late and potentially be subject to interest charges or other punitive fees.

Handling of Information Requests Regarding Proxies

Employees may be contacted by various entities that request or provide information related to particular proxy issues. Specifically, investor relations, proxy solicitation, and corporate/financial communications firms (e.g., Ipreo, DF King, Georgeson Shareholder) may contact the Advisers to ask questions regarding total holdings of a particular stock across advisory Clients, or how the Advisers intends to vote on a particular proxy. In addition, issuers may call (or hire third parties to call) with intentions to influence the Advisers' votes (i.e., to vote against ISS).

Employees that receive information requests related to proxy votes should forward such communications (e.g., calls, e-mails, etc.) to the Advisers' Proxy Voting Team. The Proxy Voting Team will take steps to verify the identity of the caller and his/her firm prior to exchanging any information. In addition, the Proxy Voting Team may consult with the appropriate Portfolio Manager(s) and/or the CCO with respect to the type of information that can be disclosed. Certain information may have to be provided pursuant to foreign legal requirements (e.g., Section 793 of the UK Companies Act).

External Managers

Where Client assets are placed with managers outside of the Advisers, whether through separate accounts, funds-of-funds or other structures, such external managers are responsible for voting proxies in accordance with the managers' own policies. The Advisers may, however, retain such responsibilities where deemed appropriate.

Proxy Voting Errors

In the event that any Employee becomes aware of an error related to proxy voting, he/she must promptly report that matter to the Advisers' Proxy Voting Team. The Proxy Voting Team will take immediate steps to determine whether the impact of the error is material and to address the matter. The Proxy Voting Team, with the assistance of the CCO (or designee), will generally prepare a memo describing the analysis and the resolution of the matter. Supporting documentation (e.g., correspondence with ISS, Client, Portfolio Managers/ analysts, etc.) will be maintained by the Compliance Department. Depending on the severity of the issue, the Law Department, Outside Counsel, and/or affected Clients may be contacted. However, the Advisers may opt to refrain from notifying non-material de minimis errors to Clients.

Recordkeeping

The Advisers must maintain the documentation described in the following section for a period of not less than five (5) years, the first two (2) years at the principal place of business. The Proxy Voting Team, in coordination with ISS, is responsible for the following procedures and for ensuring that the required documentation is retained.

Client request to review proxy votes:

- Any request, whether written (including e-mail) or oral, received by any Employee of the Advisers, must be promptly reported to the Proxy Voting Team. All written requests must be retained in the Client's permanent file.
- The Proxy Voting Team records the identity of the Client, the date of the request, and the disposition (e.g., provided a written or oral response to Client's request, referred to third party, not a proxy voting client, other dispositions, etc.) in a suitable place.
- The Proxy Voting Team furnishes the information requested to the Client within a reasonable time period (generally within 10 business days). The Advisers maintain a copy of the written record provided in response to Client's written (including e-mail) or oral request. A copy of the written response should be attached and maintained with the Client's written request, if applicable and maintained in the permanent file.
- Clients are permitted to request the proxy voting record for the 5 year period prior to their request.

Proxy statements received regarding client securities:

- Upon inadvertent receipt of a proxy, the Advisers forward the proxy to ISS for voting, unless the client has instructed otherwise.

Note: The Advisers are permitted to rely on proxy statements filed on the SEC's EDGAR system instead of keeping their own copies.

Proxy voting records:

- The Advisers' proxy voting record is maintained by ISS. The Proxy Voting Team, with the assistance of the Investment Accounting and SMA Operations Departments, periodically ensures that ISS has complete, accurate, and current records of Clients who have instructed the Advisers to vote proxies on their behalf.
- The Advisers maintain documentation to support the decision to vote against the ISS recommendation.
- The Advisers maintain documentation or any communications received from third parties, other industry analysts, third party service providers, company's management discussions, etc. that were material in the basis for any voting decision.

Procedures for Class Actions

In general, it is the Advisers' policy not to file class action claims on behalf of Clients. The Advisers specifically do not act on behalf of former Clients who may have owned the affected security but subsequently terminated their relationship with the Advisers. The Advisers only file class actions on behalf of Clients if that responsibility is specifically stated in the advisory contract, as it is the Advisers' general policy not to act as lead plaintiff in class actions.

The process of filing class action claims is carried out by the Investment Accounting Department. In the event the Advisers opt out of a class action settlement, the Advisers will maintain documentation of any cost/benefit analysis to support that decision.

The Advisers are mindful that they have a duty to avoid and detect conflicts of interest that may arise in the class action claim process. Where actual, potential or apparent conflicts are identified regarding any material matter, the Advisers manage the conflict by seeking instruction from the Law Department and/or outside counsel.

Disclosure

The Advisers ensure that Part 2A of Form ADV is updated as necessary to reflect: (i) all material changes to this policy; and (ii) regulatory requirements.

Responsibility

Various individuals and departments are responsible for carrying out the Advisers' proxy voting and class action practices, as mentioned throughout these policies and procedures. The Investment Accounting Department has assigned a Proxy Voting Team to manage the proxy voting process. The Investment Accounting Department has delegated the handling of class action activities to a Senior Investment Accounting Leader.

In general, the Advisers' CCO (or designee) oversees the decisions related to proxy voting, class actions, conflicts of interest, and applicable record keeping and disclosures. In addition, the Compliance Department periodically reviews the voting of proxies to ensure that all such votes – particularly those diverging from the judgment of ISS – were voted in a manner consistent with the Advisers' fiduciary duties.

Revised 9/2013 ♦ Supersedes 12/2012



RE: 408(b)(2) Fee Disclosure Notice

Dear Client

The Department of Labor released final disclosure regulations under section 408(b)(2) of the Employee Retirement Income Security Act (ERISA) that requires service providers to deliver certain fee and service information to plan sponsors to assist them in fulfilling their fiduciary obligations. As a service provider for your plan, Principal Global Investors, LLC (PGI)/Spectrum Asset Management, Inc. (Spectrum) is providing you with information through this communication to help you evaluate your plan fees, services and investment expenses. Most of this information has already been provided to you in other formats, we've simply consolidated the information to make it easier for you to review and evaluate. It's also important to note that the fees are not changing as a result of the regulation.

What You Need To Do

As a plan sponsor/plan fiduciary for a retirement plan(s) subject to ERISA, you are responsible for ensuring that the costs of operating the plan are appropriate and reasonable, compared to the value delivered and the needs of the plan. To assist you in your evaluation, we are providing you with necessary information to help you review your services, investments and plan fees.

Service Provider Status

Please refer to the client agreement you entered into with the plan sponsor for the details on the status of PGI/Spectrum as a fiduciary to your plan. PGI/Spectrum is an investment adviser registered under the Investment Adviser Act of 1940. In certain cases, we may act both as a fiduciary and as a registered investment adviser to your plan.

Your Services

Services provided to you by PGI/Spectrum through the program are explained in the agreement. Please refer to this document for further information on the services provided to you by PGI/Spectrum. Additional information is provided in our ADV Part 2A regarding the services and styles offered to you. Relevant items include, but are not limited to Item 4 – *Advisory Business*, Item – *5 Fees and Compensation*, and Item 8 – *Methods of Analysis, Investment Strategies*, and *Risk of Loss*. The ADV is located on <http://www.adviserinfo.sec.gov>.

Fee Information

Direct Compensation-

Fees are an important, as well as necessary, aspect of running a successful retirement plan.

Direct fees are not received from your plan for the services we provide to you. Please refer to this section for information regarding your fees. The fees are also provided in the agreement.

Indirect Compensation-

PGI/Spectrum receives a fee paid by the sponsor in connection with the services we provide to you through the program. Please refer to the section on fees in the agreement provided to you that discusses fees. No fees are paid to our affiliates or subcontractors on a transactional basis.

Termination Fee-

Termination fees do not apply to your account.

Please direct questions to: Your account manager.

Sincerely,

[Principal Global Investors, LLC](#)

[Spectrum Asset Management, Inc.](#)