

Dahab Associates, Inc.
Request for Proposal – 2016

Small Cap Core

Franklin Regional Retirement System

Company Name	Principal Global Equities
Investment Style	Core
Product Name	U.S. Small Cap Select Equity
Principal Address	801 Grande Avenue, Des Moines, Iowa 50392
Telephone Number	(312) 541-4072
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Individual Completing this RFP	Kellie Gries
Position	RFP Writer
Mailing Address (if different from above)	
Telephone Number (if different from above)	
Fax Number	(866) 850-4023
Date Completed	November 3, 2016

Firm Name	Principal Global Equities
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Summary

General Information:

Firm Name	Principal Global Equities
Product Name	U.S. Small Cap Select Equity
City, State of firm's headquarters	Des Moines, Iowa
Name of Parent Company, or "Independent"	Principal Global Equities is a specialized investment management group within Principal Global Investors, LLC. Principal Global Investors is a member of the Principal Financial Group, Inc.
Tax-Exempt Assets Under Management	\$58.6 B
Total Assets Under Management	\$73.9 B
Year Founded	Principal Global Investors, LLC became a registered investment advisor with the SEC on October 26, 1998.
Year Registered	1998
Contact Name	Stacy Letz
Contact Number	(312) 541-4072
Contact Email	Letz.Stacy@principal.com

Which of the following types of products are available for this search? You may offer multiple product types if you choose. Indicate with an "X." There will be room to elaborate on the product offerings elsewhere in this document.

This selection should indicate that any minimum account sizes for the product are either met or waived for this search.

Separate Account	X \$25 million minimum waived
Commingled Funds	
Mutual Fund	

Equity Product Information:

Please provide the following figures for a representative account, with the data as of **the end of 3rd Quarter 2016** only.

Do not submit the following data for any other quarter, even if footnoted as such.

It is acceptable to submit preliminary data, if necessary.

Only provide statistics for indicated time-periods.

Do not put “since inception” statistics in lieu of the requested time-period.

If statistics for a given time period are not available, leave the response area blank.

All statistics must be **based on quarterly** numbers, never monthly, even when the question isn’t explicit in that regard.

All statistics should be made with regard to the following benchmark:

Russell 2000

Do not submit statistical data compared to any other benchmark, even if your product is traditionally benchmarked against a different index, **even** if you choose to indicate it as such.

Product Name	U.S. Small Cap Select Equity
Style (Core, Growth, Value) Please answer as to your firm’s specific classification of this product.	Core
Typical Number of Securities Held	50-100
Portfolio Turnover, 12-month rolling (%)	61.31%
P/E of typical portfolio- Estimate	17.76
P/E of typical portfolio- Trailing	18.11
5-year information ratio	1.00
5-Year Tracking Error	3.93
5-year Upside Capture Ratio	108.01%
5-year Downside Capture Ratio	88.57%
5-year R-squared statistic	0.93
Strategy Inception	January 1, 2010
Benchmark Used for Above and below statistics (Must be the required benchmark as indicated)	Russell 2000
Benchmark for product	Russell 2000
Total Assets In This Strategy	\$268 mm
Soft/Hard Close Amount for the Strategy	Approximately \$2 billion in remaining capacity

The information shown above is from the representative portfolio of our U.S. Small Cap Select Equity strategy and is shown as supplemental information to the annual disclosure presentation which can be found in the notes to performance section

	3-Year	5-Year
Alpha	3.09	3.94
Batting Average (% of quarters beating benchmark)	67%	65%
Standard Deviation	13.69	14.69
Beta	0.92	0.95

Firm Affiliation

- | | | |
|----|---|-----|
| 1. | Is the firm independent? | No |
| 2. | Is the firm registered under the Investment Advisors Act of 1940? | Yes |
| 3. | Is the firm minority owned? If so, what percent? | No |
| 4. | Is the firm women owned? If so, what percent? | No |
| 5. | Is the firm a subsidiary of, or related in any way to: | |

A brokerage firm	
Insurance company	X
A bank	
Other	

6. What is the name of the parent company? | Principal Financial Group, Inc.
7. Please provide details of the ownership structure of the firm.

Principal Global Equities is a specialized investment management group within Principal Global Investors, a global investment management leader and wholly-owned subsidiary of the Principal Financial Group® (The Principal®), a public company listed on the New York Stock Exchange under ticker symbol PFG.

8. If the firm is related in any fashion (financially or otherwise) to any other entity, explain.

The multi-boutique strategy of Principal Global Investors enables us to provide comprehensive investment solutions for our clients and encompasses a growing network of specialized investment boutiques and teams with focused expertise in equities, fixed income, real estate, and asset allocation, as well as currency management, stable value management, and other structured investment strategies.

Please note that none of these affiliated entities named are directly involved in the provision of equities management and/or research on behalf of clients of Principal Global Equities.

The firm has acquired various affiliate companies that offer specialist capabilities including: Columbus Circle Investors, Edge Asset Management, Morley Financial Services, Post Advisory Group, Spectrum Asset Management, Origin Asset Management, and Finisterre Capital.

The Principal also includes several other asset management, pension, and mutual fund affiliates and joint ventures in ten overseas markets including Brazil, Chile, China, Hong Kong, India, Indonesia, Malaysia, Mexico, Singapore and Thailand.

Additionally, as a member of the Principal Financial Group® (“The Principal®”), Principal Global Investors is an affiliate of Principal Life Insurance Company (primary businesses are retirement and investment services, guaranteed products), as well as Principal Management Company and Principal Funds Distributors, Inc. (mutual fund services and distribution).

Please note that none of these affiliated entities named are directly involved in the provision of international equities management and/or research on behalf of clients of Principal Global Equities

General Background Information

1. Please indicate the types of accounts that your firm currently manages:

Domestic Equity	X	Socially Conscious	X
Fixed Income		Hedge Fund of any type	
Balanced		Institutional Mutual Funds	X
International	X	Retail Mutual Funds	X
Global	X		

2. Please provide the location and function of each of the firm's offices.

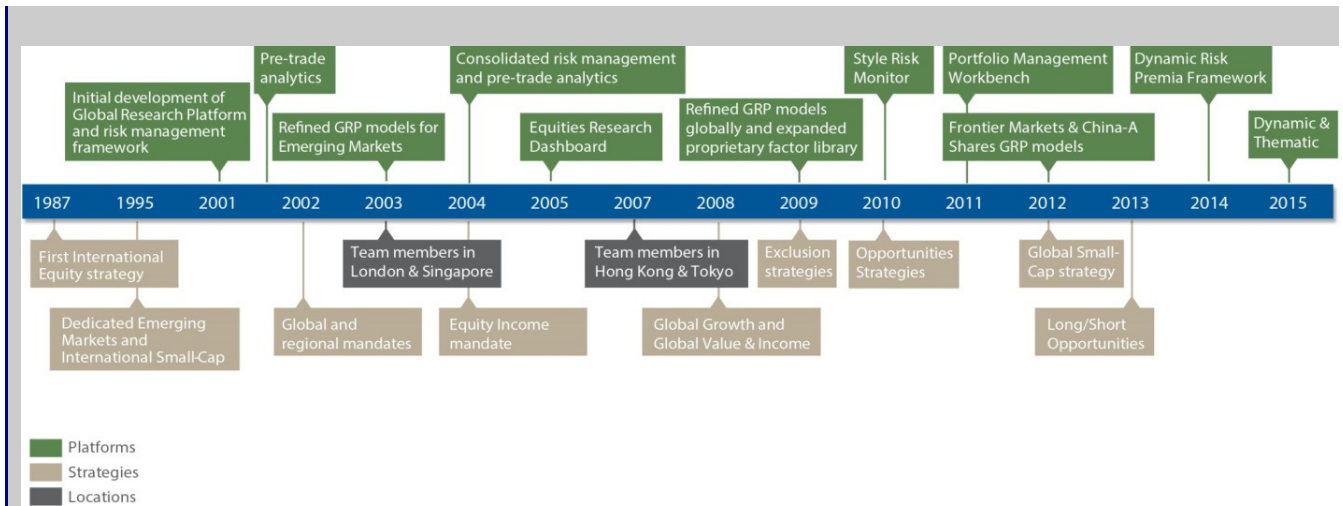
Below are the primary office locations for Principal Global Equities' personnel and the equity related function of each office. Note: the table does not include all office locations of Principal Global Investors.

Regional Locations	Function
United States	
Des Moines, Iowa	Portfolio Management, Research, Trading, Compliance, Institutional Marketing and Client Service, Information Technology, Operations
Chicago, Illinois	Research, Institutional Marketing and Client Service
New York, New York	Research, Compliance, Institutional Marketing and Client Service
Europe	
London, England	Portfolio Management, Research, Trading, Compliance, Institutional Marketing and Client Service
Asia/Pacific	
Tokyo, Japan	Portfolio Management, Research, Trading, Compliance, Institutional Marketing and Client Service
Hong Kong	Portfolio Management, Research, Institutional Marketing and Client Service
Singapore	Portfolio Management, Research, Trading, Compliance, Institutional Marketing and Client Service

3. Please give a brief history of the firm.

Principal Global Equities is a specialized investment management group within Principal Global Investors, a global investment management leader. We are fundamental investors, focused on bottom-up stock selection, providing client-focused investment solutions spanning equity markets worldwide. We conduct original fundamental research and analysis, embrace the principles of behavioral finance, and leverage powerful analytical platforms to make well-informed stock selection and portfolio construction decisions that result in compelling portfolios with excess return potential for our clients.

At Principal Global Equities, we have been investing in global equity markets since 1987, when The Principal® launched its first international equity option for retirement plans. The timeline below highlights a few historic milestones for our firm, illustrating our ongoing commitment to innovation across the powerful analytical platforms we utilize, the strategies we manage, and the growth of our team.



4. When was the firm founded?

Principal Global Investors, LLC, was formed as a Delaware Limited Liability Company in 1998 and is a registered investment advisor under the Investment Advisors Act of 1940. Principal Global Investors is a wholly-owned subsidiary of the Principal Financial Group® (“The Principal®”). The Principal is a public company listed on the New York Stock Exchange under ticker symbol PFG and is a member of the Fortune 500. With a corporate history dating back to 1879, The Principal has evolved into a leading global financial and asset management institution.

5. When was it registered as an investment advisor?

October 26, 1998

6. When did the firm begin to manage tax exempt accounts?

1941

7. Describe the level of error and omission insurance coverage the firm carries.

Principal Global Investors carries \$50 million in errors and omissions coverage.

8. Are you now the subject of a SEC or other regulatory body sanction? If so, explain.

No.

9. Has the firm ever been subject to a SEC or other regulatory body sanction? If so, explain.

No. Principal Global Investors, LLC has not been sanctioned by the SEC or any other regulatory body.

10. Discuss, in detail, any litigation brought against the firm in the last five years.

Given the size and scope of our operations, it is not uncommon for Principal Global Investors, LLC to be involved in litigation, both as a defendant and as a plaintiff. However, management does not believe that any pending litigation will have a material adverse effect on our business, financial position or net income. Please see our public filings for additional information.

11. Please provide details on the financial condition of the firm.

Principal Global Investors maintains a strong financial position and the underlying business trends for our asset management units remain very strong. We are adequately capitalized for the risks in our business and earn appropriate profit on that capital. We take a prudent approach to managing the costs within our business, anticipating the impact of market fluctuations on our revenue.

12. Provide a breakdown of assets by type of Investment Strategy. (for example, Mid Cap Growth, Core Fixed Income, Emerging Markets, etc.) You may add additional rows to this table as needed.

Investment Strategy	# of Accounts	\$ Value
U.S. Small Cap Select Equity	5	268 mm
Global/International/Regional Small Cap and SMID Equity	6	2.2 B
U.S. Equity	30	8.8 B
International Equity	44	13.3 B
Global Equity	24	4.3 B
Emerging Markets/Asian Equity	15	6.5 B
Systematic Equity	12	38.2 B
Total	136	73.9 B

13. Please provide a breakdown of the *FIRM'S* accounts & assets in the following table:

	# of Accounts	\$ Value
Tax Exempt Assets:		
ERISA	11	1.2 B
Public	10	2.2 B
Taft-Hartley	4	847 mm
Endowment	3	21 mm
Foundation	0	0
Religious Order	0	0
Other	37	54.3 B
Total Tax-Exempt	65	58.6 B
Taxable Assets:		
Personal Trusts	0	0
Commingled	2	710 mm
Other	27	3.3 B
Total Taxable	29	4.1 B
Mutual Funds:		
Equity	42	11.1 B
Fixed Income	0	0
Money Market	0	0
Total Mutual Funds	42	11.1 B
Overall Total	136	73.9 B

14. Provide a breakdown of the PRODUCT'S accounts & assets in the following table:

	# of Accounts	\$ Value
Tax Exempt Assets:		
ERISA	1	65 mm
Public	0	0
Taft-Hartley	0	0
Endowment	0	0
Foundation	0	0
Religious Order	0	0
Other	1	112 mm
Total Tax-Exempt	2	178 mm
Taxable Assets:		
Personal Trusts	0	0
Commingled	0	0
Total Taxable	0	0
Mutual Funds:		
Equity	3	89 mm
Fixed Income	0	0
Money Market	0	0
Total Mutual Funds	3	89 mm
Overall Total	5	268 mm

15. What are your firm's plans for growth of these assets?

We have a disciplined strategy for managing growth recognizing that our first priority is investment performance and supporting current clients. Principal Global Investors' growth strategy focuses exclusively on institutional clients and sophisticated financial intermediaries rather than direct marketing to retail investors.

We are continuously focused on developing strong, trusted advisor relationships and understanding our clients' needs in order to propose and implement client-focused solutions. We are dedicated to the ongoing enhancement of existing product offerings and the development of complementary capabilities in accordance with changes and shifts in client demand. Our scalable operational environment and our team-based global investment approach allow us to grow without compromising our quality and client service standards. For example, we have consistently reinvested to expand our institutional client service resources as well as our range of available investment vehicles across strategies. We expect our focused efforts will lead to greater awareness of our strongest capabilities and available investment vehicles; thereby, allowing us to work with clients of various sizes and customized guidelines.

16. Are there plans for limiting growth in any of the above areas?

We continually assess capacity constraints of our strategies and will implement “soft close” status to the strategy as warranted to preserve capacity to meet ongoing funding needs of existing clients. Once we reach capacity, we will implement a ‘soft close’, meaning closed to new clients and sometimes implementing limits to existing clients as well. We would closely review market liquidity conditions at that time to determine when to implement a “hard close” to all existing clients.

17. How does your firm plan to staff the growth of the firm described above?

We are fortunate to have the resources, capacity, and capital to maintain a firm commitment and focus on our growth objectives and are vigilant in using these resources wisely. We maximize collaboration and synergies across all locations globally, while maintaining the local perspective and client focus necessary to succeed in our markets.

We are confident that we are appropriately staffed on our investment teams for substantial growth, but will continue to add specialists within our sales, marketing, and client service groups as we continue to grow to ensure client and consultant communication remains top tier.

18. Give five (5) references for your services.

Client Name	Product	Contact Name and Address
Wells Fargo & Company	U.S. Small Cap Equity	Andrew P. Folsom, CFA Investment Analyst – Global Manager Research One North Jefferson Avenue St. Louis, MO 63103
Ameriprise Financial	U.S. Small Cap Equity	Ben Becker Wealth Management Solutions, Analyst – Manager Research 422 Ameriprise Financial Center, Routing H27/422 Minneapolis, MN 55474
State Board of Administration of Florida	International Small Cap Equity	Alison Romano Senior Investment Officer 1801 Hermitage Blvd. Suite 100 Tallahassee, FL 32308
State of New Mexico PERA	International Small Cap Equity	Leanne Larrananga-Ruffy Portfolio Manager 33 Plaza La Prensa PO Box 2123 Santa Fe, NM 87507
City of Memphis Retirement System	International Growth Equity	Sam Johnson Investment Manager 125 N Main Street, Room 368 Memphis, TN 38103-2017

19. State the average size of the firm’s 5 largest tax-exempt funds.

Our largest overall client relationship is as sub-advisor to

the Principal Funds, Inc. family of mutual funds. The average size of the 5 largest tax-exempt, affiliated funds we sub-advise is \$7.7 B. Among institutional clients, our five largest non-affiliated, tax-exempt funds average \$439 mm as of September 30, 2016.

20. Indicate the number & assets of tax-exempt accounts the FIRM gained & lost in each category:

Gained	2011		2012		2013		2014		2015	
	#	\$	#	\$	#	\$	#	\$	#	\$
Public					4	76 mm	2	427 mm	3	847 mm
ERISA							1	15 mm		
Taft-Hartley									3	75 mm
Endowment										
Foundation										
Religious Order										
Other	3	272 mm	4	132 mm	1	134 mm			6	732 mm
Total	3	272 mm	4	132 mm	5	211 mm	3	442 mm	12	1.6 B

Lost	2011		2012		2013		2014		2015	
	#	\$	#	\$	#	\$	#	\$	#	\$
Public	2	38 mm			2	1.8 B	3	835 mm		
ERISA	2	327 mm	2	204 mm	1	90 mm				
Taft-Hartley							1	6 mm		
Endowment										
Foundation										
Religious Order					3	116 mm				
Other	3	425 mm	4	632 mm	3	441 mm	5	439 mm	5	229 mm
Total	7	790 mm	6	837 mm	9	2.4 B	9	1.2 B	5	229 mm

of Accounts is # of Mandates

21. Please discuss any unusually large number of accounts or assets lost.

We experienced team departures from emerging markets in November 2012. As a result, several losses in Q4 2012 and 2013 are related to this departure. Please note the figures above do not include inflows/outflows from existing client relationships or flows into our mutual / commingled fund vehicles.

22. Indicate the number & assets of tax-exempt accounts the PRODUCT gained & lost:

Gained	2011		2012		2013		2014		2015	
	#	\$	#	\$	#	\$	#	\$	#	\$
Public										
ERISA										
Taft-Hartley										
Endowment										
Foundation										
Religious Order										
Other										
Total	0	0	0	0	0	0	0	0	0	0

Lost	2011		2012		2013		2014		2015	
	#	\$	#	\$	#	\$	#	\$	#	\$
Public										
ERISA										
Taft-Hartley										
Endowment										
Foundation										
Religious Order										
Other										
Total	0	0	0	0	0	0	0	0	0	0

of Accounts is # of Mandates

23. For the PRODUCT, please discuss any unusually large # of accounts or assets lost.

While there has been no account turnover for the product, please note the figures above do not include inflows/outflows from existing client relationships or flows into our mutual / commingled fund vehicles.

In the following table, list the 5 clients (or all clients, if fewer than 5 in the strategy) with the most invested in the product (including clients that aren't included in the composite), and the requested details.

If the client is public (or you may disclose its name) please do. Otherwise state the type of client (e.g. Taft-Hartley, Foundation, Sub-Advisory, Mutual Fund, etc.).

For Vehicle, potential choices would include (but aren't limited to) Separate Account, Commingled Fund, CIT, Mutual Fund, etc.

	Client Name or Type	\$ Invested	State (or Nation)	Investment Year	Vehicle	Included In Composite?
1	Fund Sponsor/Multi Manager	112 mm	Iowa	1983	Commingled	Yes
2	Corporate	65 mm	New York	2011	Separate Account	Yes
3	Fund Sponsor/Multi Manager	65 mm	Iowa	2000	Mutual Fund	Yes
4	Fund Sponsor/Multi Manager	23 mm	Iowa	2000	Mutual Fund	Yes
5	Fund Sponsor/Multi Manager	2 mm	Iowa	2000	Mutual Fund	Yes

Reflects mandates invested in our U.S. Small Cap Select Equity strategy. Does not reflect underlying clients in commingled vehicles / mutual funds.

Investment Philosophy Implementation








1. Describe the structure of the product's investment team, including how many members the team has and the responsibilities of each member. Include an organizational chart which details the flow of information used in the decision making process.

Our U.S. Small Cap Select Equity strategy is managed by Phil Nordhus, CFA and Brian Pattinson, CFA. They have ultimate discretion for implementing all security selection and portfolio construction decisions. Phil serves as lead portfolio manager and has been managing the strategy since inception. Brian leads our global small-cap team and serves as lead portfolio manager for our international small-cap portfolios while providing oversight to the U.S. small-cap team. Combined, they average more than 24 years industry experience.

Specific company recommendations, considerations, and essential insights into industry trends are primarily provided by our five-member U.S. small-cap analyst team. Organized primarily by economic sector and industry specialization, analysts provide the depth of research coverage that drives our stock selection discipline.

An organizational chart of our U.S. small cap team is below:

U.S. Small-Cap Team

 <p>Phil Nordhus, CFA 26 Years Industry Exp. 26 Years @ Firm</p>	 <p>Brian Pattinson, CFA 22 Years Industry Exp. 22 Years @ Firm</p>	
 <p>Frank Cioffi, CFA 20 Years Industry Exp. 16 Years @ Firm</p>	 <p>Brad Coltman, CFA 25 Years Industry Exp. 11 Years @ Firm</p>	 <p>David Han, CFA 15 Years Industry Exp. 12 Years @ Firm</p>
 <p>Jonathan Mathews, CFA 16 Years Industry Exp. 13 Years @ Firm</p>	 <p>Mark McGrew, CFA 30 Years Industry Exp. 20 Years @ Firm</p>	

Collaboration across entire global equity team
Global R&D ♦ Global Large-Cap ♦ Global Emerging ♦ Global Trading

Sector coverage for the proposed U.S. Small Cap Select Equity strategy is highlighted in the chart below:

		13 Global Large-Cap		11 Global Small-Cap		10 Global Emerging Markets	
		World ex-U.S.	United States	World ex-US	United States	Asia	LatAm & EEMEA
Consumer	Discretionary	Gretchen Muller	Doug Herold	Jason Boeding Jun Kim	Jonathan Mathews	Jeff Kilkenny Iris Xiao	Jeff Kilkenny
	Staples	Gretchen Muller	Gregg Griesemer	Jason Boeding Yiwei Jiang	Jonathan Mathews	Jeff Kilkenny Iris Xiao	Jeff Kilkenny
	Health Care	Judi Vogel	Judi Vogel	Brett VanRoekel Yiwei Jiang	Phil Nordhus	Iris Xiao	Mihail Dobrinov
Production	Industrials	Stuart Mathys	Arindam Mandal	Brett VanRoekel Jun Kim	Brad Coltman	Ramnath Iyer Stephen Yang	Mihail Dobrinov
	Technology	Ryan Jordan	Ryan Jordan	Jason Boeding Jun Kim	Frank Cioffi	Rijo Oommen	Rijo Oommen
	Telecom	Juliet Cohn	Ryan Jordan	Jason Boeding Jun Kim	Frank Cioffi	Ramnath Iyer	Rijo Oommen
Resources	Energy	Eric Swanson	Eric Swanson	Tiffany Lavastida	Brad Coltman	Maria Tinedo Stephen Yang	Maria Tinedo
	Materials	Eric Lewis	Eric Lewis	David Han	David Han	Mohammed Zaidi	Mohammed Zaidi
	Utilities	Juliet Cohn	Gregg Griesemer	Brett VanRoekel	Frank Cioffi	Stephen Yang	Mihail Dobrinov
Financials	Financials	Ryan Judas Paul Blankenhagen	Joel Fortney Doug Herold	Tiffany Lavastida Yiwei Jiang	Mark McGrew	Alan Wang Ramnath Iyer Roger Yu	Maria Tinedo

As of 30 September 2016

2. How long have the key members of the team worked with this product? Have there been additions or departures in the last 3 years for the team managing the proposed product? Please explain.

Phil Nordhus, CFA has been named the lead portfolio manager for our U.S. Small Cap Select Equity strategy since inception. Phil joined our firm in 1990 and has been associated with our small cap strategies since 2000. Brian Pattinson, CFA was named lead portfolio manager for our International Small Cap equity strategy in 2001 and has been co-managing the proposed U.S. Small Cap Select Equity strategy since 2011.

Our team has enjoyed relative stability over the past three years as there have been no firm additions or departures of team members.

3. What is the # of accounts and account volume (in \$) that is handled by this team?

Phil Nordhus, CFA and Brian Pattinson, CFA co-manage 14 mandates totaling more than \$1.9B in assets across our U.S. and global small cap strategies. Brian co-manages an additional \$2.3B in regional and international small cap strategies.

4. Do the same groups manage equity, fixed income, & balanced portfolios at the firm?

No. Principal Global Equities is solely focused on equity investment management and is responsible for the proposed U.S. Small Cap Select Equity strategy. The multi-boutique strategy of Principal Global Investors is designed to enable us to provide comprehensive investment solutions for our clients; however, different teams of investment professionals manage each asset class.

5. Does the firm employ a central trading desk?

Yes. Trading for our U.S. Small Cap Select Equity strategy is primarily conducted by a four-member U.S. trading team. However, we have a nine-member global trading team strategically located in offices in the U.S., London, Tokyo, and Singapore. By having trading desks in these locations we are able to trade during the full market day in all markets. This allows us to maintain control over orders and not rely solely on a broker. Each of our traders has a wide range of experience in financial markets at an institutional level from a broad variety of fund managers and investment banks.

6. If yes, describe the trading operation & the traders' qualifications.

Trading Overview

Principal Global Equities strives to execute securities transactions for clients in such a manner that the client's total costs or proceeds in each transaction are the most favorable under the circumstances. We seek to ensure best execution through our broker selection process and real time monitoring of price movements via Bloomberg.

We maintain a broad division of responsibility between the initiation of orders for accounts managed by the firm and the execution of those orders. Only portfolio managers have the authority to initiate orders to buy or sell approved securities and only traders have the authority to execute trades.

Once a trader receives an order, they generally have full discretion absent any specific guidelines from the portfolio manager. Although our traders have full discretion on how and where to work an order, they do their best to follow the portfolio managers' direction in terms of how quickly to trade into or out of a position. We believe superior stock selection is a competitive advantage and as such, we work to implement buy and sell decisions as quickly and prudently as possible with minimal transaction costs at impact.

Name	Title/Location	Years of Industry Experience	Years At Firm
Joe Gudorf	Sr. Trader – Des Moines	26	16
Stacy McDermott	Sr. Trader – Des Moines	28	18
Rhonda Vander Beek	Sr. Trader – Des Moines	33	33
Gayle Wageman	Sr. Trader – Des Moines	21	19

Trade Management System

The Charles River Investment Management System (CRIMS) is used to manage and control the trading function. CRIMS provides order management capabilities for portfolio managers, traders, compliance, and operations personnel. The system also incorporates an automatic account allocator and rebalancer, trade blotters, pre- and end of day compliance monitoring, "what if" analysis, and multi-currency cash forecasting, as well as many other features.

Charles River interfaces with our PORTIA accounting system to monitor trades and portfolios to ensure that client specific portfolio guidelines, regulatory requirements and risk exposure limits are properly adhered to. The system reduces the burden on compliance, portfolio management, trading, and operations personnel by eliminating the need to manually verify portfolio holdings and trades.

Charles River offers a very robust FIX capability. We route over 99% of our orders globally via our current FIX network providers, Autex Tradeweb, NYFIX, Sungard or Tradeware. We also have access to over 20 algorithmic trading providers either via Charles River or through execution management systems such as

ITG's Triton, Instinet's Newport or Bloomberg's EMSX. We have the ability to trade directly from our blotter with multiple Alternative Trading Systems (ATS), such as Liquidnet, POSIT, Aqua and BIDS.

Allocations are handled either by Oasys or Central Trade Manager. We also use SWIFT to communicate trade details with our custodians. Because of the integration of all of these systems, our back office operates on an exception only basis.

Best Execution

Principal Global Equities strives to execute securities transactions for clients in such a manner that the client's total costs or proceeds in each transaction are the most favorable under the circumstances. We seek to ensure best execution through our broker selection process and real time monitoring of price movements via Bloomberg. We evaluate brokers' trade executions on the basis of: (1) their ability to trade orders within the current price range and position difficult blocks, (2) the use and availability of capital, (3) commission rates, (4) the discreet handling of orders, (5) the promptness and accuracy of their settlement process and (6) their ability to generate ideas and add value. We use the firms that rate the highest on these criteria.

Trading Costs

We utilize Investment Technology Group's (ITG) ACE trade cost analysis to monitor costs internally. This estimates how much each trade should cost based upon actual trading costs measured across their broad universe of trades from domestic and international clients. These estimates are statistically determined from characteristics of the order such as prior liquidity and share size of the order. Our actual costs are compared to these estimates and the differences are reviewed by company management. All trade decisions are made with full consideration of transaction costs relative to expected alpha. We strive to obtain the best balance between adhering to our investment philosophy/process, i.e. trading to maintain our ranking discipline, and avoiding unnecessary trading.

We work to minimize trading costs by utilizing a wide variety of brokers that allow us to trade where there is natural liquidity in a stock. We also utilize a variety of trading algorithms and alternative trading systems (i.e. Liquidnet, POSIT, BIDS) to seek natural liquidity and limit market impact. Our traders also have access to different execution management systems (Newport, Triton, Bloomberg EMSX) that allow them to manage their orders and measure trading costs in real time. Our traders also have access to various pre-trade analysis tools.

7. Does the firm have an investment committee?

Our firm maintains several management and oversight committees with responsibility for general risk management, compliance and operations; however, there is no investment committee to pre-approve individual transactions or for day-to-day management activities.

8. If yes, describe how it operates & the background/experience of the members.

Not applicable.

9. If applicable, how often does the investment committee meet?

Not applicable.

Equity Investment Philosophy

1. Please indicate which categories most correctly identify the equity investment style of the product:

Large Cap		Core	X
Mid Cap		Bottom-Up	
Small Cap	X	Top-Down	
Micro Cap		Momentum	
All Cap		Sector Rotator	
Value		Market Neutral	
Relative Value		Low P/E	
Deep Value		Quantitative	
Growth		Fundamental	X
GARP		Index Funds	

2. In one or two brief sentences, please state the product's investment philosophy.

We believe that markets are not perfectly efficient and that investors are inherently change and risk averse. Through focused stock selection centered on the early identification of fundamental change and strategic portfolio construction that embraces rewarded risks and minimizing unnecessary systematic biases, we seek to consistently capitalize on persistent biases, anomalies, and inefficiencies.

3. Describe the equity investment philosophy including how buy and sell decisions are made.

Our initial universe is intentionally broader than any one index and contains more than 2,200 U.S. small cap companies. Our objective is to capture the greatest selection of investment opportunities. We invest in companies outside of the benchmark to increase the investment opportunities as this gives us the ability to add more alpha through selecting stocks from a larger universe. After filtering on liquidity and quality, our filtered initial universe is approximately 1,750 companies.

Our focus universe is centered on the companies ranking in the upper 20% (top quintile) among their sector peers as determined by our GRP comparative framework. We place particular emphasis on examining the companies ranking at the top of the list first because our experience and our back- testing confirm that is where the greatest differentiation among opportunities resides.

The GRP provides us with a distinct information management advantage that results in a consistent and repeatable stock selection framework, but is only the first stage of our integrated research process as no investment decision is made without human judgment and discussion. Our research analysts provide the depth of research coverage that drives our stock selection discipline over time. Their forward-looking professional judgment, an essential element in the early identification of fundamental change, and insights are crucial to the evaluation of sustainable competitive advantages at a company-specific and industry level.

We continually evaluate every aspect of our process – idea generation, company rankings, fundamental analysis, portfolio construction, risk management, trading -- seeking improvements wherever they can be achieved while remaining focused on identifying fundamental change and the key characteristics we seek. Some of these enhancements include: the review of new factors, and development of proprietary factors, for inclusion in GRP models; enhancing the sector groupings that underlie the GRP ranking framework to facilitate improved comparisons for our analysis; improved differentiation of fundamental change and valuation characteristics among the most highly ranked stocks; refinement and expansion of our portfolio

monitoring tools; and development of factor visibility tools for analysts to quickly evaluate rank changes.

Buy & Sell Discipline

We will buy and hold investments as long as they demonstrate the key fundamental characteristics we seek. Our collaborative, interactive team environment allows us to continually assess risk in current portfolio holdings, while generating new buy ideas based on portfolio needs or changes that occur in the marketplace, or within individual companies. The portfolio managers, analysts, and other team members continuously monitor the portfolio and our Global Research Platform ranks are refreshed weekly, providing an objective means of monitoring current holdings. We will sell a security for any one of the following reasons:

- *Deteriorating business fundamentals* – for example, negative sales or earnings growth, margin contraction, loss of market share
- *Diminished expectations gap* – for example, overly optimistic consensus cash flow projections relative to our view of the fundamental trend
- *Relative valuation* – for example, a stock becomes significantly overvalued relative to its peers
- *Portfolio construction/ risk control guidelines* – for example, a stock’s rising price causes it to become too large in the portfolio
- *Better investment opportunities* – for example, we may find what we believe to be a superior alternative to the stock currently owned

Importantly, there is no automatic buy or sell trigger based on our quantitative ranking process. Our analysts are responsible for advising on the reasons for any large, or unexpected, changes in rank. In general, a lower ranking will require greater justification by our analysts for ongoing investment, relative to competing alternatives; however, we recognize that rankings may rise or fall for reasons which are not sustainable or reflective of a company’s fundamentals.

4. When was the investment philosophy established?

We implemented our globally integrated philosophy and process in 2002.

5. Has this philosophy been implemented for the last five years? If not, are the creators of the previous philosophy still with the firm?

Yes. As mentioned above, our investment philosophy and process were implemented in 2002.

6. What is considered to be the competitive advantage of the philosophy?

Our Core Beliefs

- We believe bottom-up stock selection, based on fundamental and earnings-based characteristics, is the most reliable and repeatable source of long-term, consistent performance.
- We believe fundamental research is most effective when it is focused on exploiting anomalies and inefficiencies and that the integration of traditional and quantitative fundamental research is superior to either in isolation.
- We believe three key characteristics consistently distinguish superior stocks:
 - Positive and Sustainable Fundamental Change
 - Investor Expectation Gaps
 - Attractive Relative Valuation

The Power of Fundamental Change: Distinguishing fundamental change from good fundamentals

We seek companies with improving and sustainable business fundamentals, placing particular emphasis on accelerating earnings and cash flow trends. This can be found, for example, in the form of rising top-line growth stemming from product innovation, pricing power, or market share gains; favorable margin-expansion trends resulting from operational efficiency gains and effective capital deployment; or recovery

from a prior industry or company-specific set-back. This requires a disciplined focus on the identification of sustainable change in earnings trends and earnings surprise potential, distinct from transitory factors that create unsustainable or insignificant earnings benefits. We evaluate the underlying business drivers of positive fundamental change to assess its sustainability and potential vulnerabilities. Our research analysts' fundamental expertise and the fundamentally-driven quantitative tools we utilize provide us a competitive advantage in identifying change in business conditions.

Exploiting the Expectations Gap: Rising Investor Expectations

Investors often underestimate the implications of a company experiencing positive and sustainable fundamental change. We refer to the difference between what we believe the earnings potential of a company to be and what the prevailing consensus expectations are as its expectations gap. Such gaps most commonly reflect human tendencies, whether it be the inability to deal with change, or the slow acceptance of change. Our research indicates that the closing of this expectations gap occurs slowly, and that this anomaly has been persistent over time. We have found that, at times of change, representativeness biases and the extrapolation of more recent data results in either overpaying for growth (while underestimating value of change), and engaging in herding behavior for comfort. Accordingly, careful analysis of consensus expectations, disparate views, estimate revision trends, and rating changes feature prominently in our analysis, allowing us to identify investment opportunities offering the greatest potential for positive earnings surprise. We strive to be early, but not alone, in our identification of positive fundamental change.

Attractive Relative Valuations: Re-Rating Potential

Our research indicates that the performance potential of positive fundamental change is greatest when accompanied by discounted valuations and is greatly diminished amid valuation premiums. We seek compelling investment candidates offering opportunities for valuation and earnings multiples expansion, as well as high cash flow return on investment relative to peers, relative to history, and relative to intrinsic risk premiums. Our primary focus is identifying what is changing relative to the expectations driving company valuations in order to exploit the behavioral biases that investors create by underestimating the power of fundamental change.

7. What changes have been made to the investment process in the past 5 years?

While there have been no material changes to our investment philosophy and process since 2002, we embrace a firm-wide culture of continual improvement and innovation. As such, a dedicated R&D team is in an integral part of Principal Global Equities, focused on various initiatives including conducting and implementing global equity quantitative research and model development for the GRP stock selection models, portfolio construction, risk management, and transaction cost analysis. Additional R&D team research initiatives include on-going monitoring of model and factor performance, workflow design, tool development, and trading integration.

Key tools that have been developed through our R&D effort include:

- *Global Research Platform* – our central stock comparison and ranking framework, encompassing more than 50 distinct multifactor screening models, tailored to specific regions and sectors.
- *Equities Research Dashboard* – our fully mobile research sharing and communications system, maximizing analyst productivity and the timeliness of communications on actionable stock recommendations and insights.
- *Portfolio Management Workbench* – our primary repository for risk management and portfolio construction, comprising an array of analytical systems, portfolio rebalancing tools, order management and monitoring.
- *Style Risk Monitor* – developed to help identify challenging market conditions specific to our investment style based on valuation dispersion analysis and decomposition of market risk factors premiums.

Ongoing Commitment

We continually evaluate every aspect of our process – idea generation, company rankings, fundamental analysis, portfolio construction, risk management, trading -- seeking improvements wherever they can be achieved while remaining focused on identifying fundamental change and the key characteristics we seek. Some of these enhancements include: the review of new factors, and development of proprietary factors, for inclusion in GRP models; enhancing the regional and sector groupings that underlie the GRP ranking framework to facilitate improved comparisons for our analysis; improved differentiation of fundamental change and valuation characteristics among the most highly ranked stocks; refinement and expansion of our portfolio monitoring tools; and development of factor visibility tools for analysts to quickly evaluate rank changes.

8. In what market environments is the strategy expected to outperform/underperform?

Our investment process is most effective when the market is focused on and rewards companies experiencing positive fundamental change. Every aspect of our stock selection discipline is focused on differentiating companies on the basis of fundamental characteristics. More specifically, our process is designed to identify those companies with superior sustainable earnings trends (fundamental change) at attractive prices relative to peers within sectors and regions.

Conversely, our investment process is most susceptible to underperformance at times when investors shift their focus away from stocks with positive fundamentals and reasonable valuations. Specifically, our process tends to be challenged when market prices decouple significantly from underlying earnings trends. This is typically seen amid turbulent and uncertain macro conditions, or conversely in periods of excessive optimism favoring low quality leadership (sometimes called “junk rallies”). In such periods, which are typically points of inflection in general investor sentiment or liquidity conditions, our strategy can underperform, but we expect the impact to be minimized by our portfolio construction methodology and risk controls.

We believe our process will consistently lead to outperformance over a full market cycle. Even during challenging market conditions, we remain firmly committed to our philosophy and process.

9. Please explain any significant quarterly underperformance over the past five years.

Not applicable.

10. Indicate the % of equity market capitalization as of the most recent quarter-end, as well as a range over the last three years.

	<u>Current</u>	<u>3 year range</u>
Micro Cap (<\$100mm)	0.33%	0.00-2.07%
Small Cap (\$100mm - \$2b)	56.30%	38.08-63.46%
Mid Cap (\$2b - \$15b)	43.37%	35.07-60.24%
Large Cap (>\$15b)	0.00%	0.00%

11. Indicate the median and average market capitalizations for the most recent quarter-end.

	<u>(Product)</u>	<u>(Benchmark)</u>
Median Market Cap	1,684.4	720.5
Average Market Cap	2,253.1	1,827.9

12. Please share some of the risk constraints that are used by the firm (e.g., maximum sector weightings, maximum % for an individual holding, tracking error, etc.)

Active portfolio positions are managed as shown in the table below. These constraints provide an important mechanism to support our objective of minimizing unintended risks and protect the value added by stock selection.

Diversification Profile*	
Sector / Industry	+/- 5%
Individual Security Positions	+ 5% (typically +3%)

*vs. index

We review various sources of risks in the portfolios on an ongoing basis utilizing multiple systems to manage and monitor risk and guidelines (in terms of sector, industry, market capitalization distribution, style factor distribution, beta sensitivity and individual position weights) in each portfolio.

13. Are your managers given an approved stock list?

No.

14. If so, how many securities are typically on that list?

Not applicable.

15. Are there provisions so that securities that are not on the approved list may be purchased?

Not applicable.

16. Does the product invest in ADRs? If so, what are the current and maximum exposures?

No.

17. Does the product invest in foreign ordinary shares?

No.

18. Describe, in detail, the use of cash in the equity process.

Cash is not utilized opportunistically. Portfolios are generally fully invested, holding less than five percent cash on a consistent basis. Upon a large client requested cash inflow or outflow, cash may be higher. ETFs and index futures may be used to equitize cash, but we do not use derivatives for any other purpose in managing the strategy.

19. What range of cash is typical?

Portfolios are generally fully invested with less than five percent cash.

20. | For the most recent period available please indicate the Product's top ten holdings:

	<u>Name</u>	<u>Industry</u>	<u>%</u>
(1)	IBERIABANK Corporation	Financials	2.67
(2)	Vail Resorts, Inc.	Consumer Discretionary	2.65
(3)	First Industrial Realty Trust, Inc.	Real Estate	2.57
(4)	SYNNEX Corporation	Information Technology	2.54
(5)	Mack-Cali Realty Corporation	Real Estate	2.49
(6)	Prestige Brands Holdings, Inc.	Health Care	2.37
(7)	Trinseo SA	Materials	2.35
(8)	Vishay Intertechnology, Inc.	Information Technology	2.32
(9)	Cynosure Inc.	Health Care	2.12
(10)	Cooper Tire & Rubber Company	Consumer Discretionary	2.09

% Total	24.2
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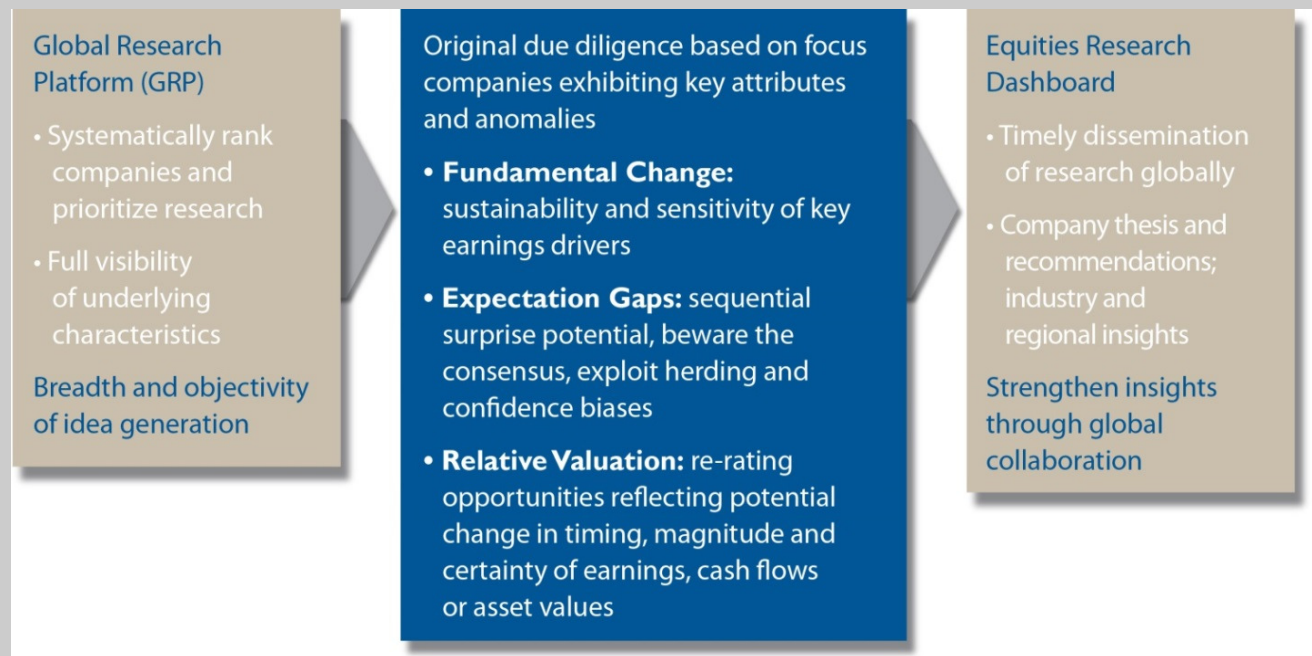
Research

1. What percentage of research is generated internally? >90%
2. What percentage of research is obtained from outside sources? <10%
3. Please describe how the research operation within your firm works.

Our research process seamlessly integrates original fundamental research with complementary and fundamentally-driven quantitative insights to exploit market anomalies and inefficiencies, providing us a competitive advantage in identifying change in business conditions at the company level. Our analysts focus their original research work on identifying high-potential investment candidates experiencing positive fundamental change and our portfolio managers are focused on high-conviction stock selection and portfolio construction decisions.

Focused Fundamental Research & Stock Selection

Our research analysts provide the depth of research coverage that drives our stock selection discipline over time. Organized primarily by economic sector and industry specialization, our analysts are focused on stock selection within their respective areas of market coverage. They play a vital role in differentiating among a focused universe of companies, identifying and recommending the subset that best reflects the key attributes we seek, and de-selecting those that lack sustainable alpha potential. Analysts are also responsible for conducting fundamental analysis within their industries of specialty and for contributing to the team's overall market intelligence by relating key trends and influences relevant to the industries they cover. These insights are crucial to the evaluation of sustainable competitive advantages at a company-specific and industry level.



Global Research Platform (GRP)

We use a proprietary stock ranking comparative framework called the Global Research Platform (GRP) to help us identify and prioritize the most promising subset of investment candidates within a defined investable universe that demonstrate high alpha potential and exhibit the key characteristics we seek.

The GRP provides our analysts with rankings (1-100) of each company's fundamental characteristics relative

to regional sector peers, with the top 20% best ranked stocks considered our initial focus universe. Ranks are refreshed weekly to provide an objective means of monitoring current holdings, as well as for generating potential investment ideas.

Proprietary factor visibility reports help us filter out those companies that may rank well due to a single outlier characteristic, one-time event, accounting restatements, or statistical irregularities. We also review and filter the universe on liquidity, information quality, and data integrity standards. This analysis provides a summation on which characteristics are most prevalent and aids our analysts in organizing and prioritizing further due diligence.

Our portfolio managers' insights and the sector expertise of our analysts have played a vital role in the development, testing, and ongoing maintenance of the GRP. As a result, the factors and characteristics that underlie the GRP models and framework are proxies for our investment philosophy and intentionally reflect the key attributes sought by our research analysts. This alignment of sophisticated quantitative analysis with the practical guidance and judgment of our analysts is an important distinction of our globally integrated approach.

Ultimately, the GRP provides us with a distinct information management advantage that results in a consistent and repeatable stock selection framework, but is only the first stage of our integrated research process as no investment decision is made without human judgment and discussion.

Company Due Diligence

Our focus universe is centered on the companies ranking in the upper 20% (top quintile) among their regional sector peers as determined by our GRP comparative framework. We place particular emphasis on examining the companies ranking at the top of the list first because our experience and our back-testing confirm that is where the greatest differentiation among opportunities resides. Our analysts further review the details of specific characteristics that underlie the GRP ranking for each company to determine the most promising subset that warrants further scrutiny and analysis.

For the remaining focus companies, we review financial statements, regulatory filings, news flow, independent research sources, and select sell-side research. We scrutinize corporate operating performance, competitive position, and capital deployment and we engage company management to develop a complete assessment of key business drivers, corporate operating performance, and competitive position.

Having honed our attention to companies that we believe have promising business and profit drivers, our analysts turn to the assessment of investor expectations. Our research indicates that the performance potential of positive fundamental change is greatest when accompanied by discounted valuations, and diminished amid valuation premiums. In this part of our analysis, our objective is to stress-test assumption underlying consensus expectations across the most pertinent valuation metrics to identify companies offering a valuation discount in relation to earnings trends, cash flow trends, net assets, and enterprise value.

Careful analysis of sell side estimate revisions and rating changes also features prominently in this part of our analysis. Importantly, we do not rely on the broker community for idea generation or any particular stock ratings and recommendations of an investment bank. We do, however, find great value in the analysis of trends in company specific revisions and aggregate sentiment indicators as it reflects the persistent anomaly of the sell side community being slow to recognize change, both positive and negative. Our objective is to identify companies offering a valuation discount in relation to earnings trends, cash flow trends, net assets, and enterprise value.

Equities Research Dashboard

Ultimately, our analysts identify and recommend a subset of well-ranked companies that warrant the highest degree of consideration by our portfolio managers. This subset is distinguished by an “outperform” recommendation status. On average, fewer than one in three well-ranked stocks earn the “outperform” recommendation of our analysts with an even more select subset earning a “best ideas” designation.

We utilize a proprietary, internet-based tool called the Equities Research Dashboard as our platform for research sharing and communication. All recommendations are documented in Dashboard, thereby enabling any of our portfolio managers and analysts to gain immediate access to published company research at any time, from anywhere in the world. The Dashboard is also utilized to aggregate and house topical non-company-specific notes such as general sector themes, sociopolitical developments, and macro insights and serves as an efficient, automated means of monitoring and screening company GRP ranks, and other key characteristics, on a real time basis. The Dashboard greatly enhances our productivity by bringing key information sources to the fingertips of our analysts and portfolio managers.

Our investment decisions are guided entirely by internal proprietary analysis. We utilize powerful analytical platforms to assimilate timely fundamental characteristics for all companies in our investible universe. Over 90% of the sophisticated factors we screen on are proprietary and customized to our philosophy to proxy companies exhibiting the key characteristics we seek.

4. Please describe how your firm obtains and pays for outside research reports.

While we engage competitors, suppliers, and industry experts to develop a complete assessment of key business drivers, corporate operating performance, and competitive position, our approach does not rely on sell-side broker research for idea generation, company specific buy/sell recommendations, or portfolio strategy.

We pay for research through a combination of cash and soft dollars, strictly adhering to the safe harbor for use of soft dollars in Section 28(e) of the Securities Exchange Act. Principal Global Investors has a fiduciary duty to act in the best interests of our clients in executing trades on our clients’ behalf as an investment adviser. Section 28(e) of the Exchange Act provides a "safe harbor" that allows advisers to use client funds to purchase “brokerage and research services” for their advised accounts without breaching their fiduciary duty to clients provided all of the conditions of Section 28(e) are met.

5. Please name the three primary sources of data and/or analyses upon which your firm relies.

Focused Fundamental Research

Our research analysts provide the depth of research coverage that drives our stock selection discipline over time. Organized primarily by economic sector and industry specialization, our analysts are focused on stock selection within their respective areas of market coverage. They play a vital role in differentiating among a focused universe of companies, identifying and recommending the subset that best reflects the key attributes we seek, and de-selecting those that lack sustainable alpha potential. Analysts are also responsible for conducting fundamental analysis within their industries of specialty and for contributing to the team’s overall market intelligence by relating key trends and influences relevant to the industries they cover. These insights are crucial to the evaluation of sustainable competitive advantages at a company-specific and industry level.

(1)

Global Research Platform (GRP)

(2)

We use a proprietary stock ranking comparative framework called the Global Research Platform

(GRP) to help us identify and prioritize the most promising subset of investment candidates within a defined investable universe that demonstrate high alpha potential and exhibit the key characteristics we seek.

The GRP provides our analysts with rankings (1-100) of each company's fundamental characteristics relative to regional sector peers, with the top 20% best ranked stocks considered our initial focus universe. Ranks are refreshed weekly to provide an objective means of monitoring current holdings, as well as for generating potential investment ideas.

Equities Research Dashboard

We utilize a proprietary, internet-based tool called the Equities Research Dashboard as our platform for research sharing and communication. All recommendations are documented in Dashboard, thereby enabling any of our portfolio managers and analysts to gain immediate access to published company research at any time, from anywhere in the world. The Dashboard is also utilized to aggregate and house topical non-company-specific notes such as general sector themes, sociopolitical developments, and macro insights and serves as an efficient, automated means of monitoring and screening company GRP ranks, and other key characteristics, on a real time basis. The Dashboard greatly enhances our productivity by bringing key information sources to the fingertips of our analysts and portfolio managers.

(3)

6. Who coordinates the firm's research effort & what are their qualifications for that position.

Mustafa Sagun, CFA, Ph.D. serves as Chief Investment Officer and oversees all portfolio management and research functions for Principal Global Equities. We pride ourselves on being a research driven firm in which everyone is a participant in our ongoing efforts and improvement. As such, Mustafa receives strong support by several portfolio managers and research leaders to oversee fundamental research and R&D.

Mustafa Sagun, Ph.D., CFA - Chief Investment Officer

Mustafa is chief investment officer for Principal Global Equities. He is responsible for overseeing portfolio management and research for all international, domestic, and global equities strategies. Mustafa has managed global equity portfolios since 2002. He also served previously as a member of the firm's asset allocation strategy team. Mustafa joined the firm in 2000. Previously, he was a vice president and analyst for PNC Financial Services Group and an equity derivatives specialist for Salomon Brothers. Mustafa received a Ph.D. in finance and a MA in international economics from the University of South Florida. He received a bachelor's degree in electronics and engineering from Bogazici University of Turkey. Mustafa has earned the right to use the Chartered Financial Analyst designation. He is a member of the CFA Institute and the CFA Society of Iowa.

Personnel

1. In the table below, indicate the appropriate number of employees employed in each category.

	2012	2013	2014	2015
Equity portfolio managers	20	21	21	19
Bond portfolio managers				
Balanced fund managers				
Equity research analysts	29	32	34	34
Bond research analysts				
Economists				
Management and Administrative (Compliance, Operations)	2	2	2	2
Computer professionals				
Clerical				
Other (Marketing, Client Service, Trading)	16	16	19	24
Total	67	71	76	79

2. Please provide biographical information on all key members of the proposed product's asset mgmt team, including years of experience with this asset class & years with the firm.

Portfolio Managers

Phil Nordhus, CFA - Portfolio Manager

Phil is a portfolio manager for Principal Global Equities. He serves as lead portfolio manager for the firm's U.S. small-cap equity portfolios. In addition, his responsibilities include leadership of the small-cap analyst team. Phil joined the firm in 1990 and was previously in corporate acquisitions and divestitures before moving to the equity group in 2000. He received an MBA from Drake University and a bachelor's degree in economics from Kansas State University. Phil has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute.

Brian W. Pattinson, CFA - Portfolio Manager

Brian is a portfolio manager at Principal Global Equities. Brian leads the global small-cap team which encompasses international small-cap and U.S. small-cap strategies. He serves as the lead portfolio manager for the firm's international portfolios while providing oversight to the U.S. small-cap team. Brian also leads the global small-cap team's research and development efforts. He joined the firm in 1994 and became a portfolio manager in 2001. Brian received an MBA and a bachelor's degree in finance from the University of Iowa. Brian has earned the right to use the Chartered Financial Analyst designation. He is a member of the CFA Society of Iowa and the CFA Institute.

Research Analysts

Donghui (David) Han, CFA - Portfolio Manager

David is a portfolio manager with Principal Global Equities. He manages the Asia Pacific ex-Japan Dividend Opportunities portfolio and is co-portfolio manager for global small cap all country portfolios. He is also active in company research focusing on the global materials sector. David joined the firm in 2004. Previously, he was a financial analyst at Hebei Financial Administration Commission/Office in China. He also previously worked as an analyst at China Great Wall Securities in China. David received an MBA in finance from the University of Iowa, a master of economics from Nankai University and a bachelor's degree in industrial

engineering and management from Hebei Institute of Technology in China. He has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute.

Frank Cioffi, CFA - Research Analyst

Frank is a research analyst for Principal Global Equities, covering information technology, telecommunications services and utilities stocks on the U.S. small-cap equities portfolios. He joined the firm in 2000 after spending two years as an equity analyst with Skandia Asset Management and two years as an analyst with Value Line. Frank received a bachelor's degree in banking and finance from Hofstra University and has earned the right to use the Chartered Financial Analyst designation. Frank is a member of the New York Society of Security Analysts and the CFA Institute.

Brad Coltman, CFA - Research Analyst

Brad is a research analyst for Principal Global Equities, on the global small-cap equity team. He researches U.S. based companies in the energy and industrials sectors. Brad joined the firm in 2005. Previously, Brad was a senior equity analyst at Longbow Research and Deutsche Bank Securities. He received an MBA in finance from the University of Chicago and a bachelor's degree in economics from the University of Illinois. Brad has earned the right to use the Chartered Financial Analyst designation.

Jonathan D. Mathews, CFA - Research Analyst

Jon is a research analyst for Principal Global Equities. He covers the consumer discretionary and consumer staples sectors for the U.S. small-cap equities portfolios. Jon joined the firm in 2003. Previously, he was with RBC Dain Rauscher as an accounting specialist. He received a bachelor's degree in finance from the University of Minnesota. Jon has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute.

Mark McGrew, CFA - Research Analyst

Mark is a research analyst for Principal Global Equities, on the global small-cap equity team. He is responsible for researching U.S. based companies in the financial sector. Mark has been in this role since 2006. Mark originally joined the equities group in 1995. His background includes a position as senior investment officer at Norwest Investment Management. Mark received an MBA in business and finance from Drake University and a bachelor's degree in business from Central College. He has earned the right to use the Chartered Financial Analyst designation and served as the president of the CFA Society of Iowa. Mark is a member of the CFA Institute.

3. In the last 3 years, how many professional employees have left the firm for any reason?

In the past three years, 12 investment professionals have left Principal Global Equities.

4. What qualifications are typical of the PMs, include yrs w/ firm, \$ under mgmt & # of accounts.

We believe in hiring and retaining portfolio managers that demonstrate competency in investment analytics and display a demeanor that fits within the team-oriented investment process of the firm. The typical portfolio manager with the firm will have at least a Bachelors and/or Graduate Degree in Business or Finance and at least 8-10 years of investment experience. Attaining the CFA designation is highly encouraged and is a preferred qualification in new hires. A number of our team members have earned the right to use the CFA designation and are members of the CFA Institute. We believe obtaining the CFA designation encourages a high standard of ethics and sound professional standards of investment management and research, as well as enhances professional knowledge and skills. In addition, we also encourage higher education such as an MBA if not already obtained by our employees.

Our work environment is engineered so that portfolio managers can focus most of their efforts on the process of managing money. We do not set an explicit maximum on the number of accounts or AUM each portfolio manager serves. We are very mindful of the risks of overloading portfolio managers with too many

accounts or burdening them with unrelated and distracting duties. We continuously evaluate the relationship between the number, size and complexity of each account to ensure that no one manager or team is inappropriately utilized.

We support and leverage their capacity by employing state-of-the-art systems and technologies. Specialization by client/product type further contributes to increased efficiency, focus and consistent application of the investment process.

5. Please describe the method of compensation employed for portfolio managers.

Principal Global Investors offers investment professionals a competitive compensation structure that is evaluated annually relative to other global asset management firms to ensure its continued competitiveness and alignment with industry best practices. The objective of the structure is to align individual and team contributions with client performance objectives in a manner that is consistent with industry standards and business results.

Compensation for equity investment professionals at all levels is comprised of base salary and variable incentive components. As team members advance in their careers, the variable component increases in its proportion commensurate with responsibility levels. Variable compensation takes the form of a profit share plan with funding based on pre-tax, pre-bonus operating earnings of Principal Global Equities. The plan is designed to provide line-of-sight to investment professionals, enabling them to share in current and future business growth while reinforcing delivery of investment performance, collaboration, regulatory compliance, client retention and client satisfaction. The variable component is well aligned with client goals and objectives, with the largest determinant being investment performance relative to appropriate client benchmarks and peer groups. Relative performance metrics are measured over rolling one-year, three-year and five-year periods, calculated quarterly, reinforcing a longer term orientation. In addition to investment performance, other discretionary factors such as team and individual results also contribute to the quantum of incentive compensation. Discretionary compensation metrics are specifically aligned with the results of the Equities group. The structure is uniformly applied among all investment professionals, including portfolio managers, research analysts, traders and team leaders.

Payments under the variable incentive plan may be in the form of cash or a combination of cash and deferred compensation. The amount of variable compensation delivered in the form of deferred compensation depends on the size of an individual's incentive award as it relates to a tiered deferral scale. Half of the deferred compensation is awarded in Principal Financial Group ("PFG") restricted stock units and the other half is required to be invested into equity funds managed by the team, via a co-investment program. Both payment vehicles are subject to a three year vesting schedule.

The benefits of this incentive structure are threefold. First, the emphasis on investment performance as the largest driver of variable compensation allocation provides strong alignment of interests with client objectives. Second, the discretionary element is intended to balance the allocation of the funded profit pool and rewards individual and team contributions that deliver on longer term business strategies including asset retention and growth, firm wide collaboration and team development. Third, the overall measurement framework and the deferred component are well aligned with our desired focus on clients' objectives (e.g. co-investment), alignment with PFG stakeholders and talent retention.

6. Please describe the method of compensation employed for research analysts.

Analysts are compensated based on portfolio performance as described in the previous response. We feel this helps the portfolio managers and analysts to work together and stay focused on the portfolio needs and the overall results for our clients. Analysts are evaluated by the portfolio managers on their specific recommendations, their company knowledge, industry knowledge, communication style to the portfolio managers and other analysts and overall teamwork.

Client Service

1. Who would be the individual providing service for this client? Please provide a brief bio and description of responsibilities for this individual.

The relationship manager is the central point of contact for the client. The focus of the relationship manager is to the quality of service, overall structure, objectives as well as the specifics of each mandate. The relationship manager is the client's advocate within Principal Global Equities representing their point of view and working to ensure the client's needs are met. In addition, each mandate is assigned a client service advisor to provide support with reporting, invoicing, operations and other day-to-day activities.

Susan Fitzgerald, CFA - Senior Relationship Manager

Susan is a senior relationship manager for Principal Global Investors. She specializes in building and leveraging relationships with institutional clients and serves as a liaison between the clients and portfolio managers. Susan joined the firm in 2003. Previously, she was a director and relationship manager for institutional clients at UBS Global Asset Management. She received a MBA in accounting from DePaul University and a bachelor's degree in finance from Western Michigan University. Susan has earned the right to use the Chartered Financial Analyst designation. She is a Registered Representative of Principal Securities, Inc. Susan is a member of the CFA Society of Iowa and the CFA Institute. She also holds the Iowa Insurance License and has passed the FINRA Series 3, 6, 7 and 63 examinations.

2. What information about investments made in the submitted product is available to institutional clients in this strategy? How regular/up-to-date is this information, and how detailed?

We serve clients with varying needs around the globe. Thus, we are accustomed to meeting custom client needs. Typically, we provide monthly and quarterly reports. Standard reports are available within five to seven business days after month or quarter end, the frequency and context of reporting can be tailored to the need of the client. Service requirements are established at the outset of the client relationship when we develop the client service profile. The profile addresses all client expectations and steps necessary to fulfill those expectations. The profile is modified as client needs evolve.

Client reports can be accessed either through e-mail or the internet, depending on client preference. We will also establish a proprietary customized client page on our website that enables access to specific reports as well as links to newsletters and research information.

3. Does your firm offer an online portal for accessing information about this product?

Yes; we establish a proprietary customized client page on our website that enables access to specific reports as well as links to newsletters and research information. As this online portal evolves we will continue to make enhancements to meet client needs. Thus far our clients have not expressed interest in receiving direct access to their portfolio information. Their primary source of information on all of their managers is consolidated by their custodian. We welcome ad-hoc inquires or custom reporting requests as well.

4. How often does your firm create attribution reports for the portfolio (either on a perfunctory basis, or as solicited by clients).

Attribution reports are generated on monthly frequency for internal review and reporting. Performance attribution summary data is a component of our standard client reporting package (typically showing attribution by sector and by region). We are happy to work with clients on providing more information on performance attribution as desired.

5. Would your firm have a representative accept invitations to present to the board on a regular basis (roughly once per year, though possibly more or less often?) Would your firm be willing to have a portfolio manager present to the board as part of those presentations?

Yes, we are capable and willing to have a representative from our firm present to the board as requested. We believe that accessibility to our portfolio managers and other key personnel is an important aspect of any strong client relationship. Our portfolio managers are available through a combination of in- person meetings, conference calls or other means most convenient. More specifically, portfolio managers would be available to meet with the board on (at least) an annual basis.

The relationship management teams act as a primary point of contact for clients and are available to address any ad-hoc portfolio or market related question at any time. Additionally, we employ strategy specialists to further assist with requests. However, we welcome requests for portfolio manager participation in monthly meetings or on an adhoc basis as frequently as desired via teleconference or videoconference.

Performance

1. Is your firm in compliance with GIPS?

Yes. Principal Global Equities claims compliance with the Global Investment Performance Standards (GIPS®) on a firm wide basis.

Principal Global Equities claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Principal Global Equities has been independently verified for the periods of April 1, 2000, through December 31, 2015. A copy of the verification report(s) is/are available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

2. If yes to the above, has your GIPS compliance been audited?

3. If yes to the above, who performed the audit?

Ashland Partners and Company , LLP

Performance – as of 3Q16

Investment Style	Core
Product Name Used For Performance	U.S. Small Cap Select Equity
Inception Date	January 1, 2010
Account Type	Composite
Benchmark Used	Russell 2000
Portfolio Manager/Team Leader	Phil Nordhus, CFA and Brian Pattinson, CFA
Years Managing this Product	Phil Nordhus, CFA, has been managing the strategy since inception and Brian Pattinson, CFA, since 2011.

Only include **RETURNS FOR COMPLETE YEARS'** performance in the table below.

Do NOT place returns for partial years in the table below, even if noted as incomplete.

Partial years and their performance may **only** go in the indicated box above.

Only complete years may be included in the returns below. List incomplete years, if any, this product has had in the box to the right.	
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Commingled Funds and Separate Accounts **must** provide Gross of Fees Returns
Mutual Funds **should** submit Gross of Fees numbers if you have access to those numbers,
and must provide Net of Fees numbers at a minimum.

Never delete any of the below columns for any reason, even if you are leaving it blank.
These returns are **in addition** to the requirement to submit a complete quarterly returns since inception document, as described in the instructions section at the beginning of this RFP.

Are you providing Net of Fees instead of Gross of Fees returns below? Indicate with an "X" to the right only if yes. Otherwise, leave blank. (Only Mutual Fund submissions may do this)	
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Period	Return Gross of Fees	Return Net of Fees	Preferred Benchmark Return	# of Accounts for Product	Assets (\$) in Composite
2006					
2007					
2008					
2009					
2010	27.04	26.09	26.86	1	3 mm
2011	4.07	3.29	-4.18	2	8 mm
2012	18.17	17.30	16.35	4	156 mm
2013	48.26	47.24	38.82	4	231 mm
2014	6.07	5.33	4.89	5	226 mm
2015	0.92	0.19	-4.41	5	188 mm
1 st Quarter 2016	-1.43	-1.61	-1.52	5	185 mm
2 nd Quarter 2016	4.50	4.31	3.79	4	187 mm
3 rd Quarter 2016	8.03	7.84	9.05	5	268 mm
Annualized 3-year	9.80	9.02	6.70	n/a	n/a
Annualized 5-year	19.74	18.89	15.80	n/a	n/a

Periods over one year are annualized. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Please refer to the notes to performance for additional disclosures and important information.

