

# Fixed income perspectives

## Identifying opportunities amid policy-driven volatility

### Introduction

Entering the second half of the year, interest rates will likely see a more bullish trend driven by slower economic growth and accelerated expectations for a resumption of Fed rate cuts. Over time, this should lead to returns consistent with the long-term averages of the asset class. As most of the return from fixed income is duration-dependent, investors should look to parts of the fixed income market, such as investment grade and securitized credit, that are higher quality but still more sensitive to interest rate risk.

#### **Policy volatility: an anticipated one-time inflation shock**

Markets continue to grapple with the competing forces of inflation resilience and slowing U.S. growth as the Federal Reserve holds policy steady in pursuit of its dual mandate. Tariff actions will likely trigger bouts of volatility as investors await the transition from trade frameworks to actual trade agreements. As inflation runs above target, investors await a one-off price shock tied to tariffs. In turn, as the U.S. economy likely slows, the stagflationary tilt to the outlook remains, and the U.S. yield curve continues to steepen in response.

#### **Credit fundamentals: resilient as spread narrows into mid-year**

Going forward, investor focus should shift to economy and the opportunistic credit fundamentals within the fixed income market. Slow growth should not be confused with recession, and headline risk and trade sensitivity will likely create wider dispersion among sectors. In this environment, active issuer selection and credit discipline are increasingly important.

#### **Valuation resets create opportunity**

Although spreads moved wider immediately after Liberation Day and then narrowed back through the final weeks of the quarter, further tightening is unlikely at this point. Nevertheless, emerging markets, securitized assets, and private credit present attractive risk-adjusted opportunities for long-term investors. Active management remains critical for navigating volatility and uncovering value.

### What's inside

<b>Perspectives from the CIO</b>	<b>2</b>
<b>Macro outlook</b>	<b>4</b>
<b>Investment grade credit</b>	<b>5</b>
<b>High yield credit</b>	<b>6</b>
<b>Structured credit</b>	<b>6</b>
<b>Municipals</b>	<b>7</b>
<b>Emerging market debt</b>	<b>8</b>
<b>Private credit</b>	<b>9</b>
<b>Forward-looking sector views</b>	<b>10</b>

# Perspectives from the CIO



**MICHAEL GOOSAY**  
Chief Investment Officer,  
Fixed Income

As we progress through mid-2025, fixed income markets are navigating a transformative phase marked by pronounced and abrupt shifts in the macroeconomic environment. The Trump Administration's erratic tariff strategy—characterized by temporary suspensions, ambiguous trade frameworks devoid of formal treaties, and frequent rhetorical outbursts—continues to pose significant challenges to global coordination and domestic demand.

While inflation remains stable, projections indicate a potential acceleration in the latter half of the year, driven by tariff-induced price pressures. The central bank appears willing to accept some degree of price increases, provided they do not spiral out of control, thereby allowing it to balance its dual mandate of fostering growth and maintaining labor market stability. Consequently, expectations for a return to the Federal Reserve's easing trajectory have been postponed to late Q3 or possibly Q4.

This intricate macroeconomic landscape complicates yield forecasts for fixed income investors, necessitating a recalibration of both risk and opportunity. U.S. Treasuries benefit from an anticipated deceleration in economic growth, coupled with hopes for a future easing cycle by the Fed. However, the specter of a one-time or, worse, a sustained rise in inflation due to tariffs could limit any potential bond rally in the second half of the year.

In parallel, global counterparts such as German Bunds have shown superior performance, indicating that investors are diversifying their safe-haven assets beyond U.S. securities—a trend likely to persist. Nevertheless, caution is warranted regarding downside risks, particularly if additional European nations follow Germany in relaxing fiscal constraints.

Recent weeks have seen credit market spreads narrow, reflecting robust fundamentals: healthy corporate and household balance sheets are providing a buffer against slowing economic growth. High cash reserves as a percentage of liabilities—particularly when viewed historically—signal stability in the face of potential revenue or cash flow challenges. Furthermore, profit margins remain substantial, and overall leverage is manageable. Demand for private credit remains strong, supported by robust structural protections and tightening spreads as Q2 comes to a close. Municipal bonds also present an attractive value proposition, with competitive tax-adjusted yields relative to those of corporates and Treasuries.

Periods of heightened volatility underscore the diversification advantages of fixed income within a balanced portfolio. Given that uncertainty is likely to persist throughout the latter half of 2025, fixed income is well-positioned to deliver favorable outcomes across various asset classes. Investors should prioritize quality, exercise selectivity, and maintain the agility to adapt as policy developments unfold.

# Summary of investment implications

## **INVESTMENT GRADE CREDIT**

Investment grade (IG) credit is set for a positive outlook in the latter half of 2025, supported by solid corporate balance sheets and strong fundamentals. Despite narrowed bond spreads, opportunities for credit pickers persist. Historically, IG credit thrives in moderate growth environments, which is expected to continue. With net supply lower than last year and yields around 5%, active management is crucial to identify valuable credits. Overall, IG credit is well-positioned amid a backdrop of steady economic growth.

## **HIGH YIELD CREDIT**

The outlook for high yield bonds remains dynamic amid mixed macroeconomic conditions and ongoing risks like tariffs. After a significant rebound in Q2, spreads have tightened below pre-"Liberation Day" levels, with strong fund inflows and increased issuance from quality issuers. Yields above 7% present compelling value, despite slight fundamental erosion among cyclical issuers. While default rates stay low, improvements are limited, so investors should focus on balance sheet quality and free cash flow, while maintaining vigilance in credit selection for navigating this evolving landscape.

## **STRUCTURED CREDIT**

Structured credit fundamentals are stable but show signs of softening in 2025. While consumer balance sheets are healthy, delinquencies in auto, consumer, and student loan securitizations are rising due to high interest rates. Commercial valuations have stabilized, but refinancing challenges persist, leading to increased delinquencies in commercial mortgage-backed securities. Technical factors are balanced, with new issuance attracting investor demand. Focusing on higher-quality assets, like AAA-rated CMBS and investment-grade ABS, is prudent, as economic moderation is expected in the latter half of the year.

## **MUNICIPALS**

As the second half of the year begins, municipal bonds (Munis) are benefiting from high yields due to elevated Treasury rates and increased supply. New issuances are primarily longer dated, creating a steeper yield curve than taxable bonds. This summer, approximately \$5 billion in new issuance is expected, a notable improvement from last year's negative \$7 billion. However, anticipated liquidity challenges in the fall may weaken the market. Despite this, the ample supply offers unique opportunities, particularly in longer-term investments, enhancing their relative value and attractiveness.

## **EMERGING MARKET DEBT**

Rapid tariff fluctuations have fostered cautious optimism for Emerging Markets (EM) in the latter half of 2025. As global trade dynamics evolve, EM offers diversification and competitive yields, with growth projected to outpace Developed Markets (DM) by 1.5%. EM central banks can respond flexibly to disinflation from lower energy and food prices, aided by redirected Chinese exports. Corporate credit metrics remain stronger than in DM despite fiscal risks in regions like Latin America. EM is expected to gain traction, especially as a weaker dollar and slowing growth encourage investment, making it well-positioned for opportunities ahead of anticipated U.S. rate cuts.

## **PRIVATE CREDIT**

Private credit entered 2025 with optimism due to improving macroeconomic clarity and expectations for favorable regulatory and tax policies. However, the early April announcement of tariffs temporarily paused leveraged buyout (LBO) and merger & acquisition (M&A) activities. Recently, ongoing negotiations around tariffs and regulatory progress have shown signs of recovery in these areas. A strong transaction pace is expected throughout summer and autumn, supported by elevated dry powder in private equity and favorable credit conditions. Despite challenges, middle market direct lending offers attractive opportunities, with private credit poised to deliver robust yields and portfolio diversification as public markets tighten.

# Macro

## U.S. outlook

Year-to-date market metrics mask the significant volatility in fixed income along the way. Treasury rates are slightly lower at the front end and marginally higher at the long end, while implied volatility in interest rates remains stable. Credit spreads have either stayed flat or widened slightly.

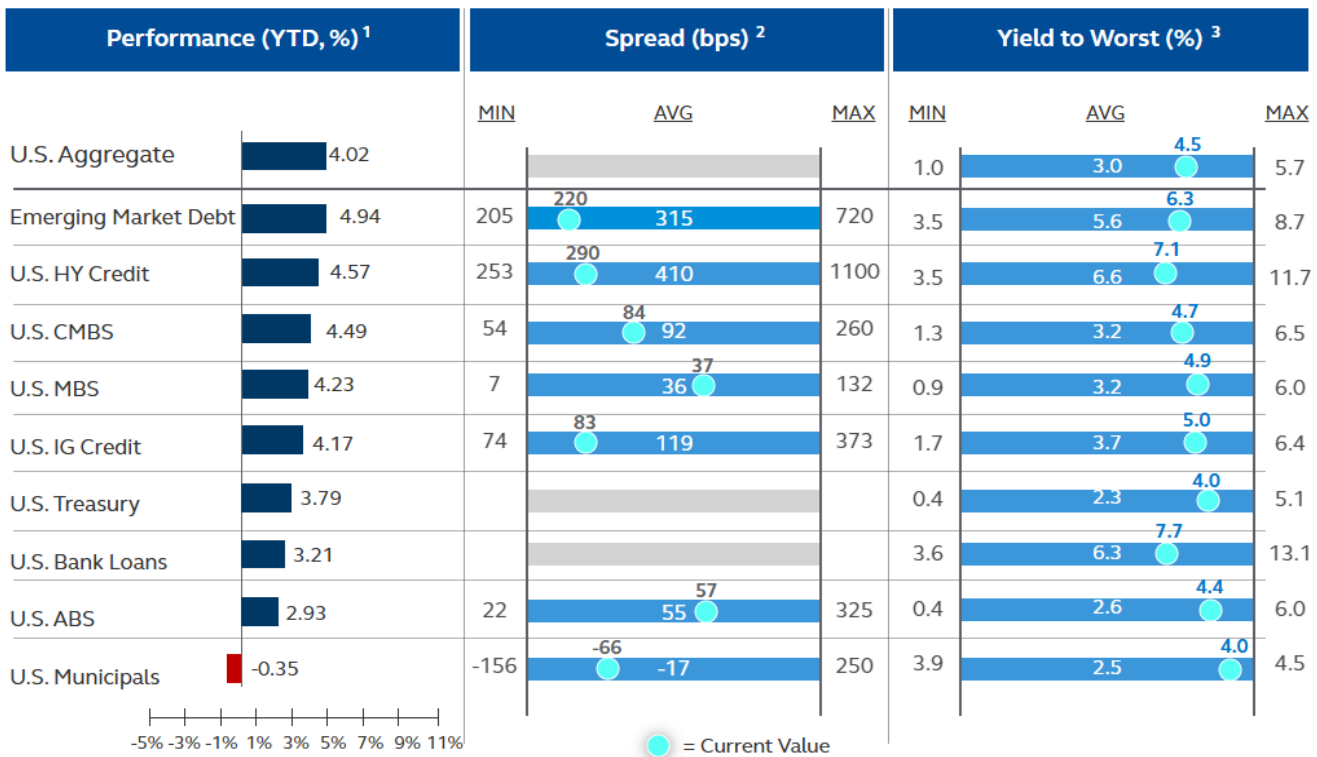
The importance of focusing on economic fundamentals— inflation, the labor market, and consumer and business spending—rather than getting distracted by daily headlines, cannot be overstated. It would have been tempting to capitulate and reduce risk as spreads widened post-Liberation Day, but this would have been a poor investment decision, as spreads have since retraced much of their widening. Ignoring headlines to concentrate on fundamentals has never been more crucial.

The U.S. economy has shown remarkable resilience amid uncertainty in 2025. While “soft data” has deteriorated, hard data on labor and consumer spending remains robust, though a softening in consumer demand and the labor market over the summer should be anticipated. As markets navigate the headwinds of tariffs and uncertainty, a shift to tailwinds, including trade agreements, a tax and spending bill signed into law, deregulation, and perhaps some Fed cuts to boot in the autumn.

Optimism surrounds the longer-term outlook for the U.S. economy and fixed income market. The transition from peak uncertainty could unlock pent-up business investment, supported by healthy consumer balance sheets. As long as fundamentals remain intact, near-term volatility should be considered a buying opportunity.

## Market environment

Year-to-date performance, spread, and yield for various fixed income indices



1 Total returns for representative indices. 2 Spread to Treasury. Min, max, and average based on last 10 years. 3 Index yield to worst. Min, max, and average based on last 10 years. Weighted average yield-to-maturity reflected for U.S. Bank Loans. Indices are unmanaged and do not take into account fees, expenses, and transaction costs, and it is not possible to invest in an index.

Source: Bloomberg, Principal Asset Management. Data are as of June 30, 2025.

## Global outlook

The EU's proactive policies have raised the prospect of boosting European growth beyond consensus expectations. The results may be quarters or years away, but it has helped anchor sentiment and supported EU financial markets to outperform throughout Q2. The relative confidence in Europe lifted the euro another 6% against the dollar, even as the European Central Bank (ECB) cut its policy rate by another 50bps and the Bank of England another 25bps, while the Federal Reserve held rates unchanged. This persisted despite "deal or no deal" headlines and on-and-off U.S. tariffs.

In the second half of the year, relative outperformance for European fixed income markets seems likely to continue. Forward-looking indicators in the U.S. suggest weaker growth, even as a recession will most likely be avoided. Increasing signs of labor market weakness and benign inflation will likely allow the Fed to resume rate cuts. Compare this to Europe, where the ECB is approaching the final stages of its policy easing cycle, after adjusting policy to where it is comfortable. The relative proactiveness of monetary policies aside, fiscal policy is expected to work its way through the economy to offset temporary dips from any effects of tariffs throughout the remainder of the year. This also contrasts with the U.S., which already enjoyed its fiscal dividend over the past two years. President Trump's budget, which is still being debated in Congress but appears likely to pass, primarily extends tax cuts to prevent a fiscal cliff growth shock. However, investors should not discount President Trump's tendency to surprise the market and remain vigilant for ongoing risk events for the remainder of the year, even as the broad trend remains intact.

## Investment grade credit

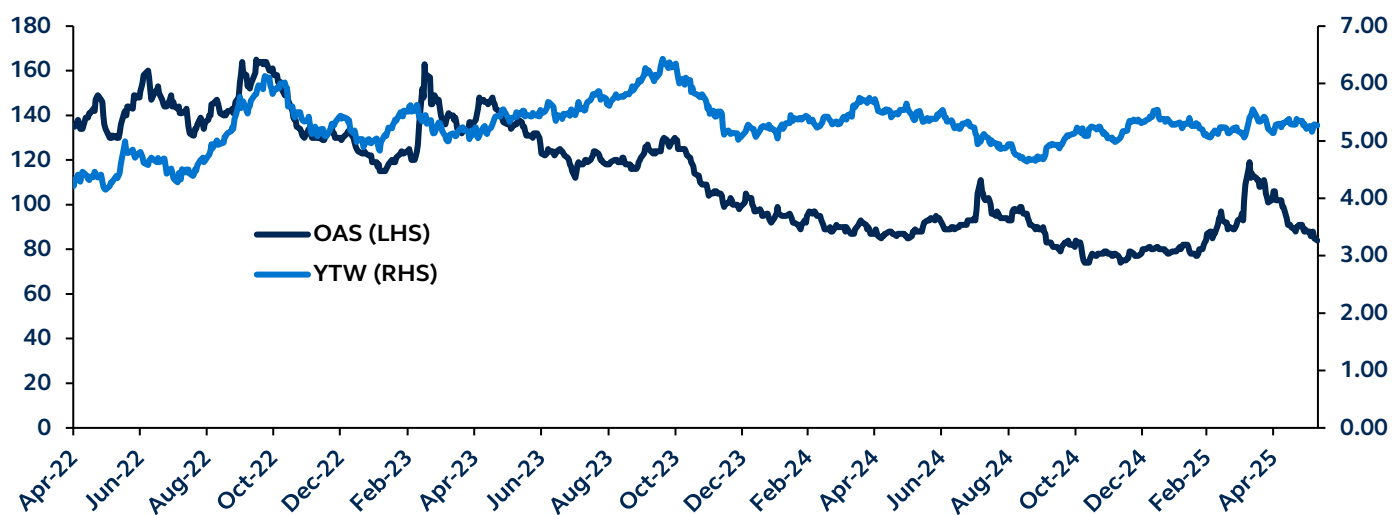
Solid high-grade corporate balance sheets, strong fundamentals, and attractive technical factors create a favorable outlook for investment grade (IG) credit heading into the second half of 2025. While corporate bond spreads have narrowed, opportunities for outperformance remain for credit pickers. Moreover, IG credit has historically performed well in a "not too hot, not too cold" growth environment, which should continue. Potential fiscal policy changes, such as deregulation or tax cuts, could provide additional support, particularly as the Fed's approach to monetary policy remains steady.

Although gross supply has increased this year, net supply lags significantly behind last year's levels. It is expected to track about 20% lower than gross due to maturing 5-year notes issued in spring 2020. Coupled with yields around 5%, technical factors should bolster IG credit.

The recent tightening of spreads indicates growing market confidence in the economic backdrop, acknowledging that slower yet positive growth can benefit IG credit. And yet, pockets of opportunity remain, and active management remains key to identifying strong fundamental credits at attractive relative value. Overall, against a backdrop of potentially slowing but positive economic growth, IG credit is poised to perform well in the latter half of the year.

### U.S. Corporate Investment-grade Index

Option adjusted spread (bps) & yield to worst (%), January 1, 2022–present



Source: Bloomberg, Principal Asset Management. Data are as of June 9, 2025.

## High yield

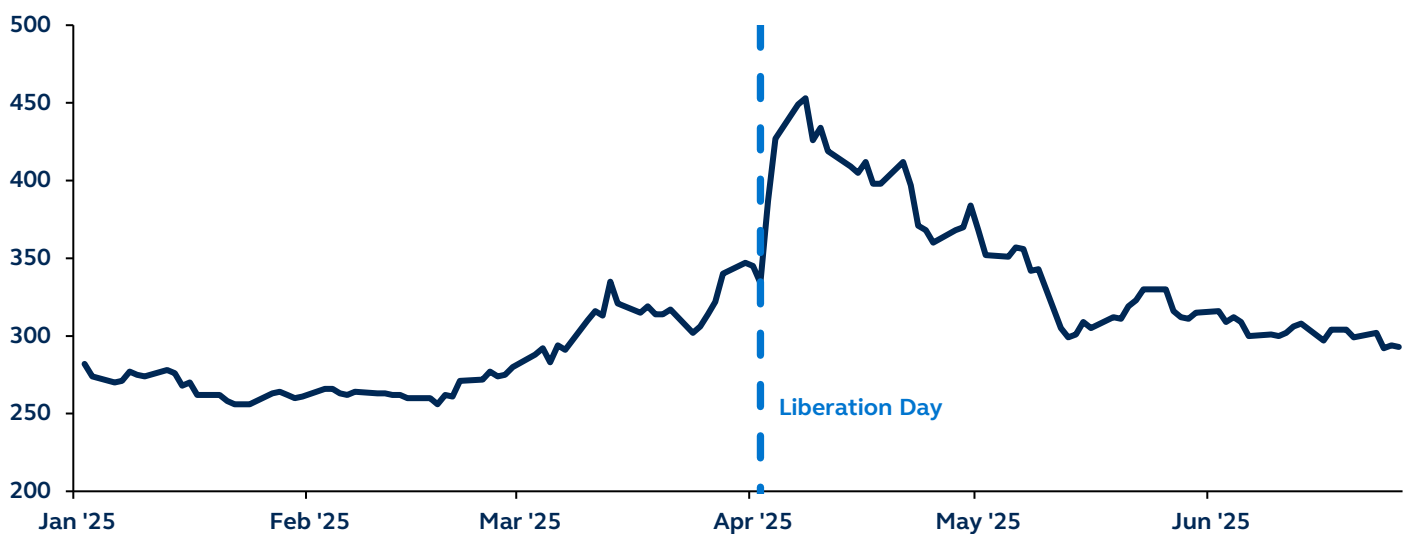
The outlook for high yield bonds continues to evolve amid a mixed macroeconomic environment and lingering risks, particularly those concerning tariffs and geopolitical factors. However, the sector rebounded significantly in Q2 and remains an attractive investment within fixed income, with credit selection becoming critical.

After a strong rally from the early April selloff, spreads have tightened back below pre-"Liberation Day" levels. Technical conditions have improved, marked by impressive fund inflows and increased issuance from high-quality issuers. With yields above 7%, high yield bonds offer compelling value compared to historical averages and other fixed income sectors. Nevertheless, fundamentals show slight erosion, especially among cyclical and tariff-exposed issuers. Also, while default rates remain below historical averages, anticipated improvements are limited. Still, high yield maintains a favorable carry profile in a moderating inflation environment where rate cuts appear more likely.

While the market has completely recovered since April's dislocation, attractive opportunities persist, particularly within defensive sectors. Emphasizing balance sheet quality, free cash flow generation, and business model durability is essential as the economic outlook softens. Investors should remain vigilant in credit selection to navigate the evolving landscape effectively.

### U.S. High Yield Index

Option adjusted spread (bps), January 1, 2025–present



Source: Bloomberg, Principal Asset Management. Data are as of June 26, 2025.

## Structured credit

Structured credit fundamentals remain stable but show signs of softening compared to earlier in 2025. While consumer balance sheets are healthy, as evidenced by declining debt-to-income levels, serious delinquencies in auto, consumer, and student loan securitizations are rising due to elevated interest rates impacting both the consumer and commercial sectors. Commercial valuations appear to have stabilized, but maturing loans face refinancing challenges, with current financing costs approximately 200 basis points above existing mortgage rates, resulting in increased delinquencies and modifications in commercial mortgage-backed securities.

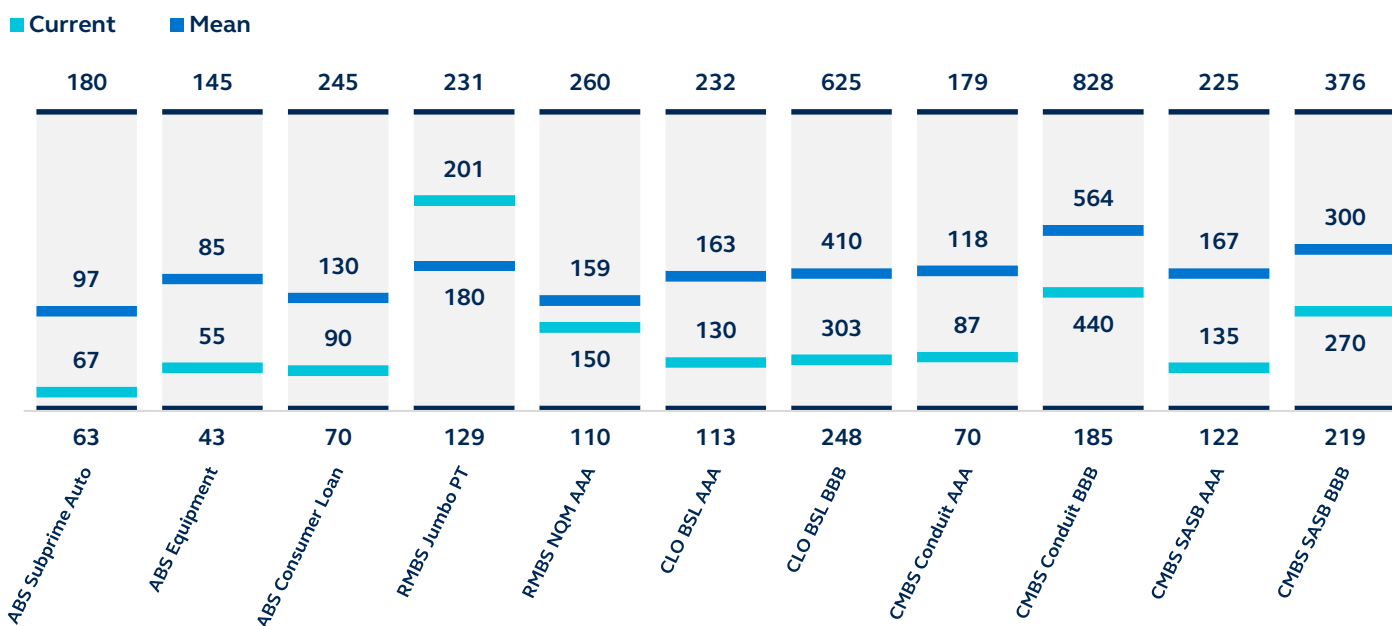
Technical factors in securitization are balanced. Following a pause in April, new issuance has resumed, attracting pent-up investor demand for spread and yield. Structured spreads have tightened back through pre-Liberation Day levels, yet further compression may be challenging amid ongoing policy and macroeconomic uncertainty. Clarity on trade and

budget policies and renewed deregulation efforts could significantly benefit the economy and structured credit performance.

In this context, a strategy focused on higher-quality assets appears prudent, particularly as economic data is expected to moderate in the latter half of the year. AAA-rated Single Asset/Single Borrower CMBS and investment-grade ABS with strong structural features present attractive opportunities. A measured increase in risk later this year, anticipating a reduction in market uncertainty and supported fundamentals, seems to be a favorable approach.

### Securitized credit new issue spreads

Three-year range as of June 30, 2025 (bps)



Source: Bank of America Securities, Wells Fargo Securities, Bloomberg, JP Morgan, Principal Asset Management. Data as of June 30, 2025.

## Municipal bonds

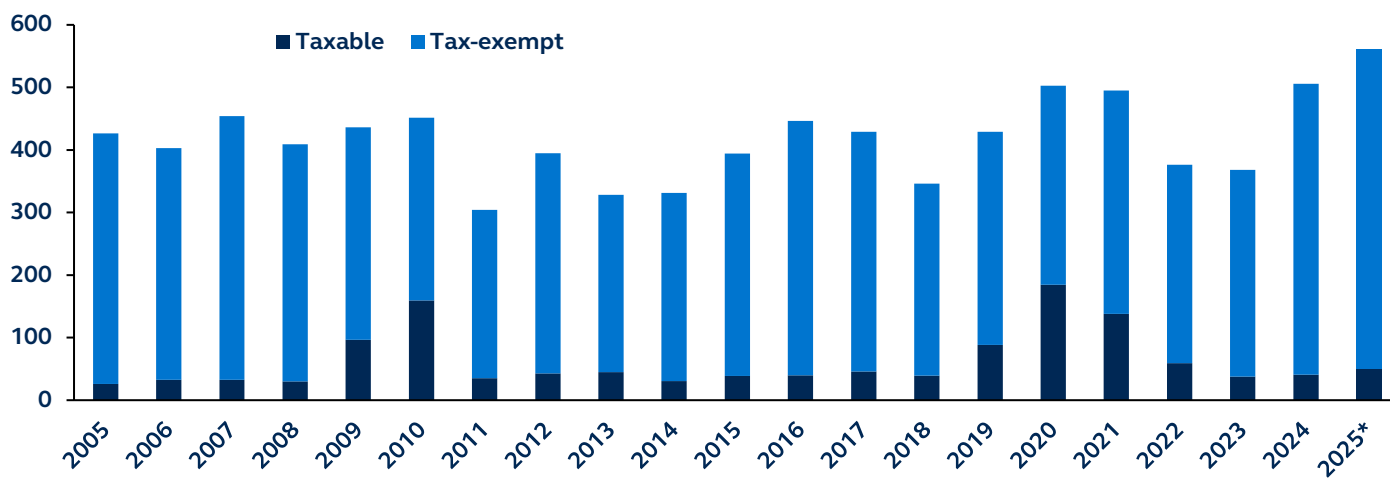
Entering the second half of the year, municipal bonds (Munis) benefit from high yields due to elevated Treasury rates and significant supply. Most new issuances are longer-dated, creating a steeper yield curve than taxable fixed income, resulting in a normal term structure with a positive slope.

Approximately \$5 billion of new issuance is expected to enter the market this summer, representing a notable increase from the negative -\$7 billion recorded last year. Relative performance will heavily depend on fund flows, particularly from exchange-traded funds. Key factors influencing the Muni market include valuations and the advancement of the budget reconciliation bill. However, a challenging liquidity environment is anticipated in the fall, which may lead to market weakness. Net new supply is expected to show little support until the holidays, with November and December projected at -\$1 billion, significantly less favorable than 2024 and the Muni market's five-year average.

Despite these challenges, the ample supply of bonds presents a unique opportunity across various sectors and risk appetites. The steep yield curve enhances the attractiveness of longer-term investments, offering compelling valuations relative to taxable peers. Current absolute yields in municipals offer substantial relative value from a historical perspective, particularly when considering the asset's tax-exempt benefit. Consequently, municipal investors today embrace larger supply and appear more comfortable with additional risk.

## Municipal bond issuance

\$ billions, 2005–2025



Source: J.P. Morgan, Bloomberg, Principal Asset Management. Corporate CUSIP included. \*2025 is an estimate. Data as of June 30, 2025.

## Emerging market debt

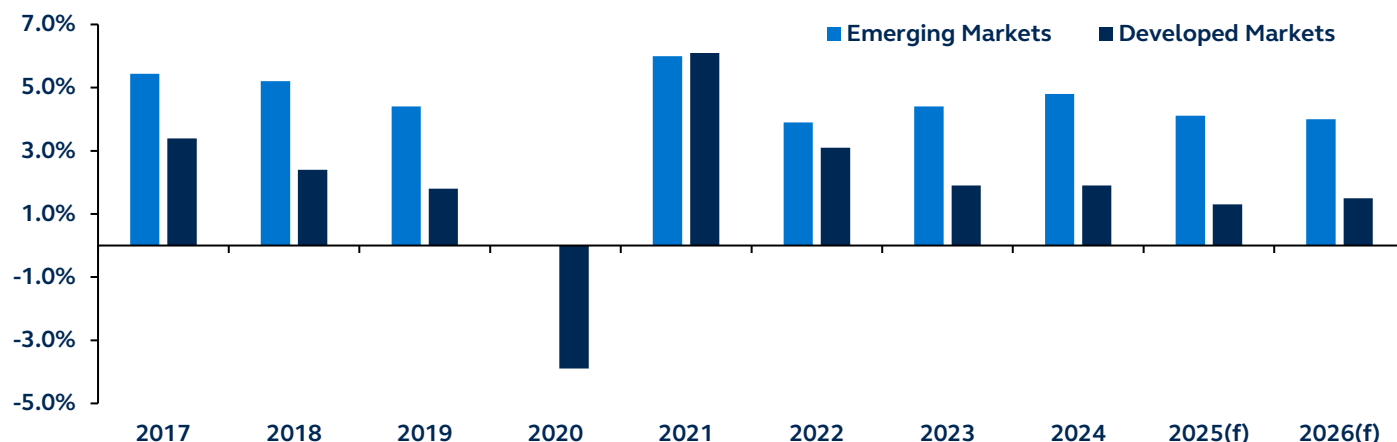
The rapid tariff fluctuations have led to cautious optimism for Emerging Markets (EM) in the latter half of 2025. As global trade dynamics shift, EM offers diversification benefits and competitive yields compared to Developed Markets (DM). The IMF and World Bank predict that EM growth will surpass DM by 1.5% this year. EM central banks can also respond to disinflation driven by lower energy and food prices, bolstered by redirecting Chinese exports.

Despite rising fiscal risks in regions like Latin America, corporate credit metrics in EM remain stronger than those in DM across investment-grade and high-yield sectors. While geopolitical risks warrant caution, particularly in the Middle East, EM spreads are resilient, maintaining an attractive premium over DM credits despite recent U.S. policy volatility.

Historically under-allocated, EM is poised to gain traction as factors such as a weaker dollar and slowing growth encourage investment. The shift from USD-denominated to local currency debt enhances flexibility, creating a favorable outlook for EM. Lower global energy and food prices will further support these economies, allowing for interest rate cuts. EM corporates with strong fundamentals and low correlation to DM should outperform as opportunities arise at the shorter end of the yield curve, particularly ahead of anticipated U.S. rate cuts later this fall.

## Real GDP growth rates

Annual growth rates, 2017–2026



Source: Bloomberg, Principal Asset Management. Growth rates for 2025 and 2026 are forecasts. EM GDP growth rate in 2020 was 0. Data as of July 1, 2025.

## Private credit

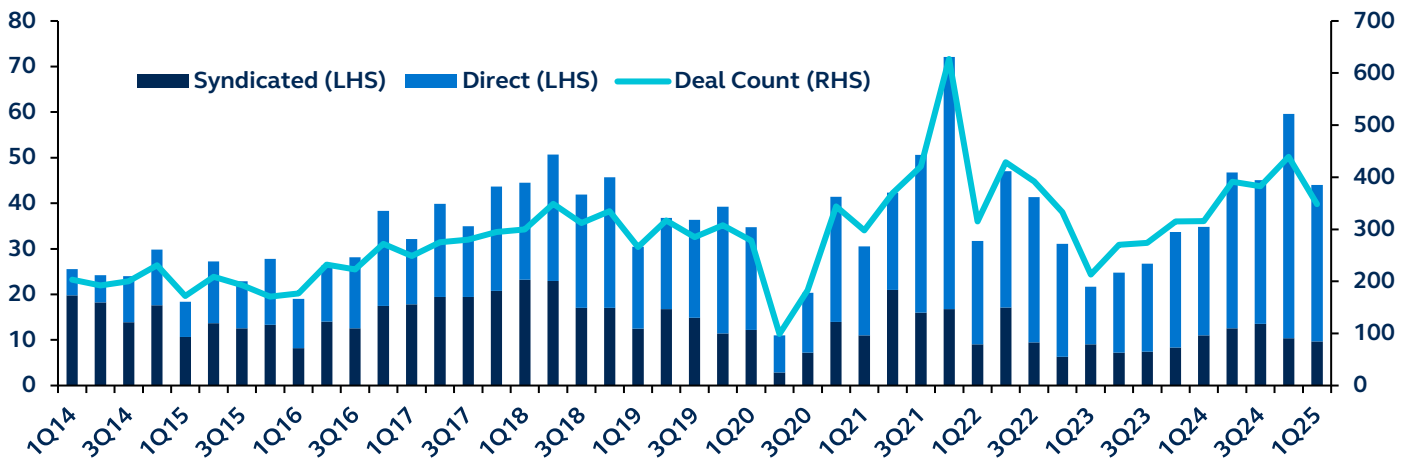
Private credit entered 2025 with optimism, buoyed by improving macroeconomic clarity and expectations for business-friendly regulatory and tax policies. However, the announcement of tariffs in early April shifted the landscape, temporarily pausing leveraged buyout (LBO) and merger & acquisition (M&A) activities. Recently, however, with negotiations ongoing around tariffs and progress in regulatory policies, LBO and M&A activity are showing signs of improvement.

In this environment, a strong pace of transactions is likely throughout the summer and into autumn. Elevated levels of dry powder in private equity and private credit, along with favorable credit conditions, foster a supportive environment for M&A and LBO activities. Overall, middle-market direct lending offers attractive opportunities for borrowers and investors.

Heading into the second half of the year, private credit stands at the nexus of growing demand from PE sponsors and borrowers, expanding investor interest, and favorable market conditions. However, challenges remain, including risks associated with policy implementation and potential economic disruptions. As rates moderate and global markets adjust, middle market direct lending is positioned to potentially outperform, delivering robust yields and stable fundamentals. With public markets back to trading at historically tight risk premiums, private credit represents a compelling opportunity for investors seeking incremental yield and portfolio diversification.

### Sponsored middle market loan volume and deal count

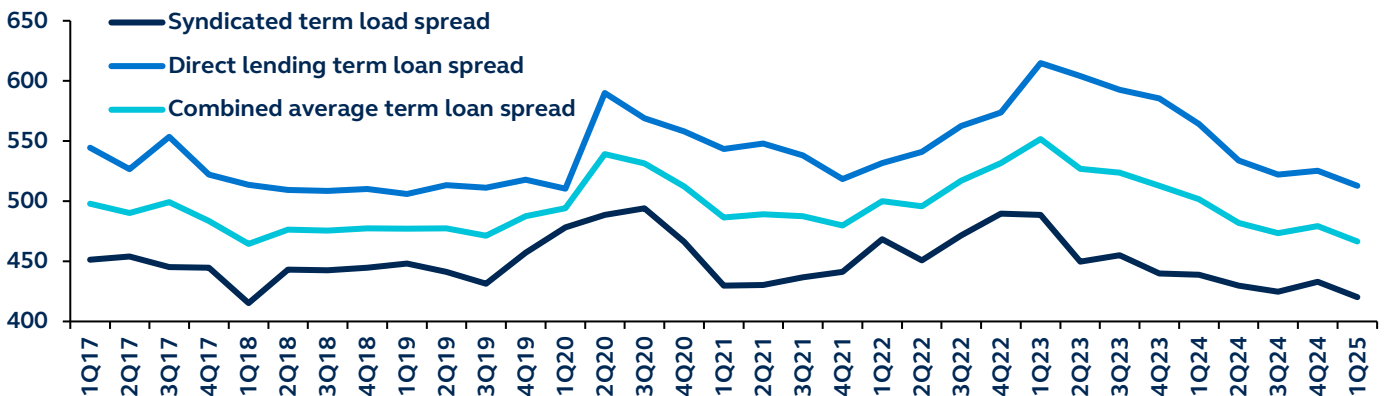
\$ billions, 1Q14-present



Source: LSEG, Principal Asset Management. Data as of March 31, 2025.

### Average first-lien sponsored middle market term loan spread

Basis points, 2017-present



Source: LSEG, Principal Asset Management. Data as of March 31, 2025.

## Forward-looking sector views

	Underweight		Neutral	Overweight	
	--	-	=	+	++
<b>Investment grade</b>					
U.S. agency MBS	○	○	○	●	○
CMBS	○	○	○	●	○
ABS	○	○	●	○	○
Mortgage credit	○	○	●	○	○
U.S. credit	○	○	○	●	○
European credit	○	○	○	→ ●	○
Asia credit	○	○	●	○	○
Municipals	○	○	●	○	○
<b>High yield</b>					
U.S. credit	○	○	● ←	○	○
U.S. bank loans	○	○	●	○	○
European credit	○	○	●	○	○
Asia credit	○	○	●	○	○
<b>Emerging market debt</b>					
Hard currency	○	○	●	○	○
Local currency	○	○	●	○	○
Corporates	○	○ →	●	○	○
<b>Alternatives</b>					
Direct lending	○	○	○	●	○
Investment grade private credit	○	○	○	●	○

As of June 30, 2025. The above views reflect the relative value of the sectors shown based on forward-looking return expectations over the next 12 months. Arrows represent the quarter-over-quarter change in forward-looking views.

## Conclusion

As the second half of the year begins, fixed income continues to present compelling opportunities amid a steadily complex policy backdrop. Although the stop-and-go tariff environment has added macroeconomic uncertainty, affecting inflation expectations and growth trajectories, this environment has also broadened the opportunity set for discerning fixed income investors. Elevated yields and sound credit fundamentals continue to support a constructive outlook across many market segments. We believe active management and sector selectivity will be essential to capturing value and navigating volatility as global markets adjust to a new policy landscape.

# Principal Fixed Income: A leading global fixed income platform

Principal Fixed Income is the fixed income investment management platform of Principal Asset Management and manages U.S. \$148.4 billion in assets under management as of March 31, 2025. Principal Fixed Income has capabilities that span all major fixed income sectors. Our globally integrated platform with investment centers worldwide and over 80 investment professionals, helps to directly access global fixed income markets and deliver a diversity of investment perspectives. Our structure and proprietary investment tools foster collaboration across sector-specialty teams, whether the sector is explicitly integrated into a portfolio or not. In our view, this diversity of insight helps each sector-specialty team formulate richer investment theses and make better-informed investment decisions on behalf of our clients.

## Investment Strategy Group

The creation of the fixed income outlook is a collaborative effort led by the Principal Fixed Income Investment Strategy Group. The Investment Strategy Group is comprised of the senior-most investment professionals from across the platform and is responsible for identifying key macroeconomic factors that are most likely to drive investment performance across global fixed income markets. Output from the Investment Strategy Group is formalized through Principal's proprietary Macro Risk Outlook framework and informs investment processes across the platform, acting as a top-down complement to the platform's bottom-up fundamental research capability.

### Investment Strategy Group members

**MICHAEL GOOSAY**

Chief Investment Officer & Global Head of Fixed Income

**JEFF CALLAHAN, CFA**

Multi-Sector Portfolio Manager

**JON CURRAN, CFA**

Investment Grade Credit Portfolio Manager

**BRYAN DAVIS, CFA**

Multi-Sector & Securitized  
Portfolio Manager

**MARK DENKINGER, CFA**

High Yield Portfolio Manager

**JOHN FRIEDL, CFA**

Multi-Sector Portfolio Manager

**PRAKASH GOPALAKRISHNAN**

Emerging Market Debt Portfolio Manager

**JASON HAIGH**

Securitized Debt Portfolio Manager

**CHEE SIN KOH**

Global/Macro Portfolio Manager

**JIM NOBLE, CFA**

Municipal Portfolio Manager

**TINA PARIS, CFA**

Multi-Sector  
Portfolio Manager

**MARC PETERSON, CFA**

Securitized Debt Portfolio Manager

**SCOTT PETERSON, CFA**

Multi-Sector Portfolio Manager

**JOSHUA RANK, CFA**

High Yield Portfolio Manager

**LAURA RANK, CFA**

Securitized Debt Portfolio Manager

**DARRIN SMITH, CFA**

High Yield Portfolio Manager

**DARRYL TRUNNEL, CFA**

Investment Grade Credit Portfolio Manager

**HOWE CHUNG WAN**

Head of Asian Fixed Income

**TIM WARRICK, CFA**

Head of Principal Alternative Credit

**JAMES WELCH**

Municipal Portfolio Manager

**MICHAEL ZORICH**

Head of Investment Grade Private Credit



Contact your Principal representative and visit [PrincipalAM.com](https://www.principalam.com).

## Risk considerations

Investing involves risk, including possible loss of principal. Past Performance does not guarantee future return. All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Potential investors should be aware that Investment grade corporate bonds carry credit risks, default risk, liquidity risks, currency risks, operational risks, legal risks, counterparty risk and valuation risks. Lower-rated securities are subject to additional credit and default risks. Asset backed securities are affected by the quality of the credit extended in the underlying loans. As a result, their quality is dependent upon the selection of the commercial mortgage portfolio and the cash flow generated by the commercial real estate assets. Commercial Mortgage-Backed Securities carry greater risk compared to other securities in times of market stress. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for other bonds. Emerging market debt may be subject to heightened default and liquidity risk. Private credit involves an investment in non-publicly traded securities which are subject to illiquidity risk. Portfolios that invest in private credit may be leveraged and may engage in speculative investment practices that increase the risk of investment loss. Asset allocation and diversification do not ensure a profit or protect against a loss. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards.

## Important information

This material covers general information only and does not take account of any investor's investment objectives or financial situation and should not be construed as specific investment advice, a recommendation, or be relied on in any way as a guarantee, promise, forecast or prediction of future events regarding an investment or the markets in general. Information presented has been derived from sources believed to be accurate; however, we do not independently verify or guarantee its accuracy or validity. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security, nor an indication that the investment manager or its affiliates has recommended a specific security for any client account. Subject to any contrary provisions of applicable law, the investment manager and its affiliates, and their officers, directors, employees, agents, disclaim any express or implied warranty of reliability or accuracy and any responsibility arising in any way (including by reason of negligence) for errors or omissions in the information or data provided.

This material may contain 'forward-looking' information that is not purely historical in nature and may include, among other things, projections, and forecasts. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

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

Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

## This document is intent for use in:

- The United States by Principal Global Investors, LLC, which is regulated by the U.S. Securities and Exchange Commission.
- Europe by Principal Global Investors (Ireland) Limited, 70 Sir John Rogerson's Quay, Dublin 2, D02 R296, Ireland. Principal Global Investors (Ireland) Limited is regulated by the Central Bank of Ireland. Clients that do not directly contract with Principal Global Investors (Europe) Limited ("PGIE") or Principal Global Investors (Ireland) Limited ("PGII") will not benefit from the protections offered by the rules and regulations of the Financial Conduct Authority or the Central Bank of Ireland, including those enacted under MiFID II. Further, where clients do contract with PGIE or PGII, PGIE or PGII may delegate management authority to affiliates that are not authorized and regulated within Europe and in any such case, the client may not benefit from all protections offered by the rules and regulations of the Financial Conduct Authority, or the Central Bank of Ireland. In Europe, this document is directed exclusively at Professional Clients and Eligible Counterparties and should not be relied upon by Retail Clients (all as defined by the MiFID).
- United Kingdom by Principal Global Investors (Europe) Limited, Level 1, 1 Wood Street, London, EC2V 7 JB, registered in England, No. 03819986, which is authorized and regulated by the Financial Conduct Authority ("FCA").
- This document is marketing material and is issued in Switzerland by Principal Global Investors (Switzerland) GmbH.
- United Arab Emirates by Principal Investor Management (DIFC) Limited, an entity registered in the Dubai International Financial Centre and authorized by the Dubai Financial Services Authority as an Authorised Firm, in its capacity as distributor / promoter of the products and services of Principal Asset Management. This document is delivered on an individual basis to the recipient and should not be passed on or otherwise distributed by the recipient to any other person or organisation.
- Singapore by Principal Global Investors (Singapore) Limited (ACRA Reg. No.199603735H), which is regulated by the Monetary Authority of Singapore and is directed exclusively at institutional investors as defined by the Securities and Futures Act 2001. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.
- Australia by Principal Global Investors (Australia) Limited (ABN 45 102 488 068, AFS Licence No. 225385), which is regulated by the Australian Securities and Investments Commission and is only directed at wholesale clients as defined under Corporations Act 2001.
- Hong Kong SAR by Principal Asset Management Company (Asia) Limited, which is regulated by the Securities and Futures Commission. This document has not been reviewed by the Securities and Futures Commission. This document may only be distributed, circulated or issued to persons who are Professional Investors under the Securities and Futures Ordinance and any rules made under that Ordinance or as otherwise permitted by that Ordinance.
- Other APAC Countries/Jurisdictions. This material is issued for Institutional Investors only (or professional/sophisticated/qualified investors, as such term may apply in local jurisdictions) and is delivered on an individual basis to the recipient and should not be passed on, used by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

Principal Global Investors, LLC (PGI) is registered with the U.S. Commodity Futures Trading Commission (CFTC) as a commodity trading advisor (CTA), a commodity pool operator (CPO) and is a member of the National Futures Association (NFA). PGI advises qualified eligible persons (QEPs) under CFTC Regulation 4.7.

Principal Asset Management<sup>SM</sup> is a trade name of Principal Global Investors, LLC.

Insurance products and plan administrative services provided through Principal Life Insurance Co. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. Securities are offered through Principal Securities, Inc., 800-547-7754, Member SIPC and/or independent broker/dealers. Principal Life, Principal Funds Distributor, Inc., and Principal Securities are members of the Principal Financial Group®, Des Moines, IA 50392.

Principal Fixed Income is an investment team within Principal Global Investors.

© 2025 Principal Financial Services, Inc. Principal®, Principal Financial Group®, Principal Asset Management, and Principal and the logomark design are registered trademarks and service marks of Principal Financial Services, Inc., a Principal Financial Group company, in various countries around the world and may be used only with the permission of Principal Financial Services, Inc.