

Manager profile

Principal Stable Value Fund Morley Stable Value Fund

Investment manager: Morley Capital Management

Morley CAPITAL MANAGEMENT

Morley Financial Services (Morley) was founded in 1982 and is focused almost exclusively on managing stable value assets for our institutional client base. Morley provides stable value investment services to corporate, government and Taft-Hartley pension plans through collective investment funds and separately managed portfolios, and offers advisory services to banks and other financial institutions. Morley Capital Management (MCM) and Principal Global Investors Trust Company (PGI Trust Co., formerly known as Union Bond and Trust Company) are wholly owned subsidiaries of Morley, which is an indirect, wholly owned subsidiary of Principal Financial Group, Inc. PGI Trust Co. serves as the trustee and MCM serves as the investment adviser to the Morley Stable Value Fund and Principal Stable Value Fund.

➤ Investment philosophy and process

Philosophy: The conservative investment philosophy at Morley is based on a consistent and disciplined approach to managing our clients' stable value portfolios. We believe the best way Morley can help investors achieve the investment goals of capital preservation and stable, competitive returns is through the consistent application of three key factors:

- A quantitative portfolio construction approach focusing on empirically supported risk/return expectations;
- A portfolio highly diversified by mandate, manager and wrap; and
- Combining in-house active management blended with sub-advisers exhibiting proven track records to offer complementary sources of excess returns to their benchmark.

Morley has a long track record of meeting our clients' objectives by adhering to this investment philosophy.

Process: MCM employs a team approach to the investment management process. All portfolio managers and analysts are engaged in the investment allocation and/or portfolio structure decisions for the firm's strategies.* **The team's stable value investment process includes:**

Historical Portfolio Optimization – Model Based

The Portfolio Construction team applies duration and market-to-book value constraints to our proprietary historical portfolio model to determine a base case portfolio allocation among cash, short and intermediate duration strategies that seek to optimize the portfolio crediting rate.

*The investment advisor's investment philosophy and strategy may not perform as intended and could result in a loss or gain.

Not FDIC insured | may lose value | no bank guarantee

Fund Design

The Portfolio Construction team evaluates risk/return characteristics and incorporates several variables into our proprietary forward-looking model, including our current macro-economic outlook, the fund's risk tolerances and the liquidity needs and liability profile of the fund. Scenario testing is done using the proprietary model to assist in refining the allocation of cash, short and intermediate duration strategies to optimize the crediting rate, or portfolio return, while mitigating defined risks.

The MCM Macro team is responsible for developing the economic outlook. The team is headed by William Finley, CIO. Also included are four Sector team leaders and a structured products trader/analyst. The team determines key drivers and risks for the economy and determines a twelve month forecast for growth and interest rates. A base case is developed along with two tail scenarios. The team also looks for longer term strategic trends that may develop. The forecast may have specific implications for the sector meetings which follow the Macro team meeting.

Mandate, Manager & Wrap Allocation

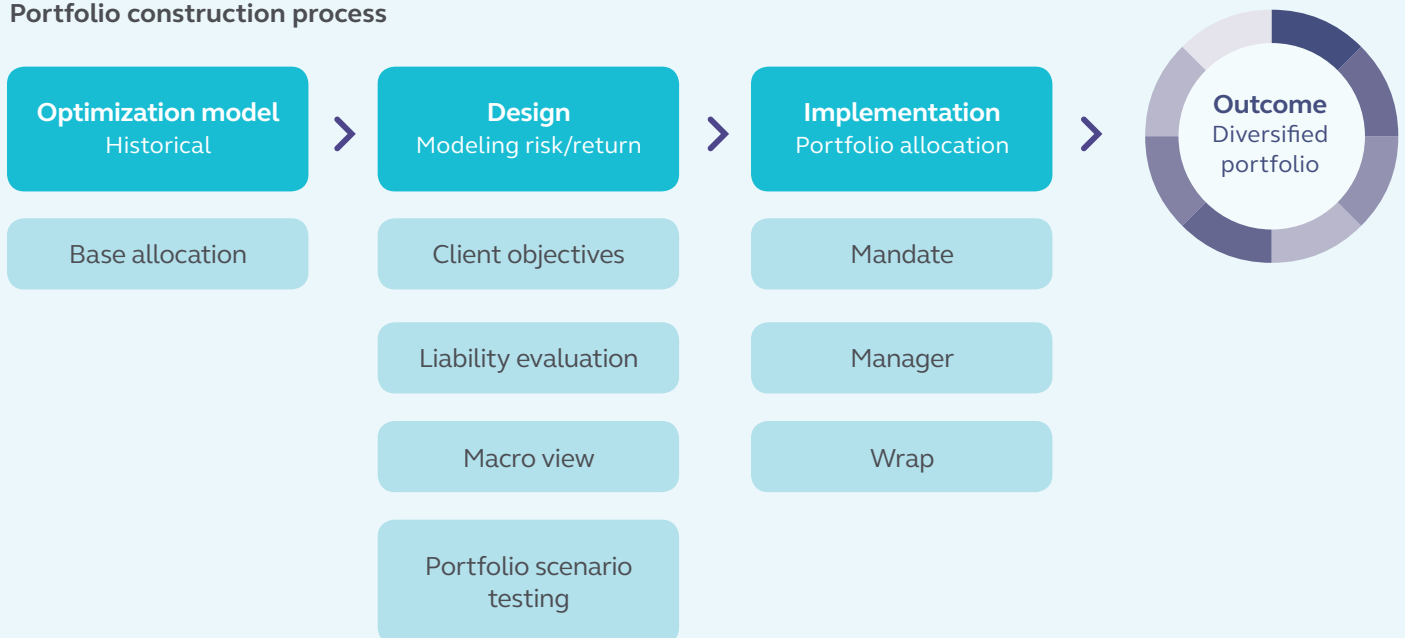
Once the tailored mandate allocations are determined, a blend of managers is selected creating a diversified portfolio providing complementary sources of alpha generation. The blend typically includes sub-advisers with proven track records along with in-house active management. Finally, wrap contracts are negotiated by our dedicated and experienced wrap team for appropriate terms and features.

Sector Teams – Sector & Security Allocation

Our Structure and Credit teams develop sector strategy for the assets allocated to MCM strategies. The sector teams are made up of portfolio managers and analysts, both committed to generating ideas, who build out their sector holdings based on credit analysis and relative value evaluation. The portfolio managers are responsible for implementing strategy and making certain that the strategies are appropriate for our individual clients. The Sector teams continually monitor credit and security exposures.

Figure 1:
Stable value philosophy and process

Portfolio construction process



..... Risk management is embedded throughout the process.>



Morley Capital Management
portfolio management team

William M. Finley, CFA,
Chief Investment Officer

MBA, Northwestern University; BS, University of Nebraska, with distinctions. Thirty-eight years of financial service experience, including thirty-one years in stable value. Bill is responsible for the development and execution of Morley's investment strategy and is also a member of the firm's Investment Committee. Previously, he was the Head of Stable Value and U.S. Money Market Funds at BNP Paribas. Prior to that, Bill was Chief Investment Officer of Fortis Investments Stable Value and Short Term Asset groups and Senior Portfolio Manager at Continental Illinois National Bank and Trust Company.

Perpetua M. Phillips,
Vice President
Senior Portfolio Manager

MBA (Finance), New York University; BA (Economics), Columbia University. Twenty-seven years of financial service experience, including seventeen years in stable value. Perpetua is the primary manager on various stable value portfolios and leads residential MBS portfolio management across fixed income portfolios, which includes setting MBS strategy, security analysis, surveillance and trading. She is a member of committees that are responsible for setting the firm's macro outlook and asset allocation as well as the Investment Committee. Previously, Perpetua was a portfolio manager of core fixed income portfolios for a New York asset management firm.

Mark R. Kummerer, CFA,
Vice President
Senior Portfolio Manager

MBA (Finance), University of Dayton; BA (Finance), Ohio University. Thirty-six years of financial service experience, including seventeen years in stable value. Mark is the lead manager on various stable value portfolios as well as a sector specialist responsible for the government sector and implementation of rates and curve strategies. He is a member of Morley's Investment Committee. Previously, Mark held the position of Managing Director of Fixed Income at National City Bank in Cleveland. He also previously held positions at First America and Bank One. Mark is the recipient of the Charter 10670 from the CFA Institute.

Shane Johnston,
Senior Portfolio Manager

MBA (Finance/Accounting), Northern Arizona University; BS (Economics), University of Oregon. Sixteen years of financial service experience, including fifteen in stable value. Shane is head of the Stable Value Construction Team that focuses on stable value strategy, portfolio design and management, and oversight of all wrap issuer and external manager relationships. He is a lead portfolio manager, head of the Risk Management Team responsible for risk oversight at the fixed income and stable value levels, and a member of the Investment Committee. Previously, Shane held an investor relations position at Portland General Electric.



Morley Capital Management
portfolio management team

Gene Lackershire,
Portfolio Manager

MBA (Finance), Drake University; BS (Business/Finance), Briar Cliff University. Twenty years of financial service experience, including ten years in stable value. Gene is a lead manager for stable value portfolios and a member of the Stable Value Construction Team. He also leads external manager oversight for the firm. Previously, Gene was at Portland General Electric where he held the position of Director of Investments.

Steven DeSouza,
Senior Assistant Portfolio Manager

BS (Finance), Portland State University. Six years of financial service experience, including three years in stable value. Steven is responsible for conducting research and valuation as well as assisting in the building and rebalancing of strategically developed optimized portfolios. He supports the firm's MBS Sector Team and assists the Investment Team with trading, portfolio reporting, performance and attribution monitoring, modeling and risk tracking. Previously, Steven was with Rubicon Global Group where he was a Financial Analyst and Operations Manager. Steven is a Level III Candidate in the CFA Program (June, 2016).

Peter Mahoney,
Assistant Portfolio Manager/Trader

BBA (International Business), University of Portland. Eight years of financial service experience, including five years in stable value. Peter is responsible for trading corporate credit across all sub-sectors and strategies as well as providing daily market insight and relevant trading strategy to the Credit and Investment Teams. He also provides support for the management and measurement of firm-wide best execution practices. Previously, he was at UBS Investment Bank where he held a wide range of responsibilities in operations analysis and fixed income trade support.

Jordan Reynolds,
Quantitative Analyst

BS (Mathematics and Physics), University of Oregon. Two years of financial service experience spent in the stable value industry. Jordan initially joined the firm through our internship program. He is a member of the Stable Value Construction Team and focuses on financial modeling, risk management and analysis, and financial reporting. He also supports the firm's external manager oversight. Jordan is a pre-associate of the Society of Actuaries and has passed all three levels of the CFA Program and may be awarded the charter upon completion of the required work experience.



Additional information

The Morley Stable Value Fund and Principal Stable Value Fund (the Funds), are collective investment trusts maintained by Principal Global Investors Trust Company, (the Trust Company). The Trust Company has retained Morley Capital Management (the Adviser), to serve as investment adviser with respect to the Funds, subject to the Trust Company's supervision and review. The Adviser is an indirect wholly owned subsidiary of Principal Financial Group® and is under common control with the Trust Company.

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

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

Direct investment in the Fund is limited to participating trusts (also known as investing plan/trust) that meet certain requirements described in the declaration of trust, that enter into a participation agreement with the Trust Company. The Fund cannot accept investment directly from individuals and is subject to restrictions regarding transfer and withdrawal of assets including potential deferral of withdrawal requests by up to 12 months, as defined in the applicable declaration of trust.

This material provides education regarding objective factors concerning investment options does not include, and may not be taken as including, any recommendation with respect to any investment or the management of any particular security.

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