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Principal Financial Group, Inc. (PFG)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

fOperator: Good morning, and welcome to the Principal Financial Group Second Quarter 2025 Financial Results Conference Call. There will be a question-and-answer period after the speakers have completed their prepared remarks. [Operator Instructions] We would ask you that you be respectful of others and limit your questions to one and a follow-up, so we can get everyone in the queue.

I would now like to turn the conference call over to Humphrey Lee, Vice President and Investor Relations.

Humphrey Lee

Vice President-Investor Relations, Principal Financial Group, Inc.

Thank you, and good morning. Welcome to Principal Financial Group's second quarter 2025 earnings conference call. As always, materials related to today's call are available on our website at investors.principal.com. Following a reading of the Safe Harbor provision, CEO Deanna Strable and CFO, Joel Pitz will deliver prepared remarks. We will then open the call for questions. Members of senior management are also available for Q&A.

Some of the comments made during this conference call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. The company does not revise or update them to reflect new information, subsequent events, or changes in strategy. Risks and uncertainties that could cause actual results to differ materially from those expressed or implied are discussed in the company's most recent Annual Report on Form 10-K filed by the company with the US Securities and Exchange Commission.

Additionally, some of the comments made during this conference call may refer to non-GAAP financial measures. Reconciliations of the non-GAAP financial measures to the most directly comparable US GAAP financial measures may be found in our earnings release, financial supplement and slide presentation. Deanna?

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Thanks, Humphrey. Good morning to everyone on the call. This morning I will discuss key milestones and highlights from the second quarter as we continue executing our strategy with discipline and focus to deliver strong results for our customers and shareholders. Joel will follow with additional details on our results and our capital position. Starting with results for the second quarter, adjusted non-GAAP earnings excluding significant variances was \$469 million or \$2.07, an 18% increase in EPS over the second quarter of 2024. These results were supported by revenue growth, strong margin and expense discipline across the businesses while investing for growth, a lower effective tax rate and cumulative impacts from share repurchases.

We returned \$320 million of capital to shareholders in the second quarter, including \$150 million of share repurchases. We also raised our common stock dividend for the eighth consecutive quarter, aligning with our 40% payout ratio. Volatility continued to underpin markets in the second quarter. The market drop in April drove daily averages lower for the quarter, impacting our second quarter fee revenue. This is in contrast to the positive market performance which drove the end-to-end increase in our AUM. Notably, the strong rebound in May and June builds positive momentum heading into the second half of the year. The rally supported positive market

performance in the quarterly AUM roll forward bringing total company managed AUM to \$753 billion, a 5% increase over the sequential quarter and an 8% increase over the second quarter of 2024. The net cash flow was negative \$2.6 billion in the quarter, an improvement sequentially driven by positive net cash flow from global institutional clients across multiple products, as we talked about last quarter.

We continue to see demand for our investment capabilities. This included a significant high yield fixed income funding from an existing institutional client, continued flows into our mid cap and private real estate equity strategies and positive momentum in our ETF offerings. Overall, we remain confident in the second half of the year and we expect our full year enterprise results to be aligned with our 2025 outlook and enterprise financial targets.

Now turning to the businesses. In retirement, we delivered strong results in the second quarter. Overall, RIS sales of \$6 billion increased 7% year-over-year, driven by our workplace savings and retirement solutions, our WSRS and RILA. Looking ahead, we have a robust pipeline of opportunities that positions us well for continued growth. We see continued success in our small and mid-sized market with 27% year-over-year transferred deposit growth, generating positive account value net cash flow in the quarter.

Turning to pension risk transfer according to LIMRA's first quarter industry report Principal ranked number three in both sales and contract count, reinforcing our leadership position in the market. We continue to be disciplined on PRT opportunities, focusing on those that meet our targeted returns. In Principal Asset Management AUM of \$723 billion increased 5% sequentially on strong market performance and FX tailwinds. Principal Asset Management sales of \$33 billion increased 19% over the prior year quarter, driven by Investment Management sales, which increased 24% over the same period. This included \$10 billion sourced from our international clients. This quarter's results reflect continued progress on our strategy, the power of our global asset management business, and the benefits of a diversified client and channel base.

In Investment Management, total fee revenue increased 6% over the year ago quarter. Management fees grew 4% on higher average AUM, and we saw increased contributions from performance fees. We continue to expect full year performance fees to be in line with 2024. In our Specialty Benefits business we saw strong earnings growth of 10% as we remain focused on pricing discipline leading to strong underwriting performance and margin expansion of 100 basis points. This disciplined approach positions us well for continued strong earnings growth. In our Life Insurance business, we delivered strong sales results driven by record non-qualified sales. These products continue to resonate with business owners and key employees, reinforcing our strong distribution relationships.

Principal continues to be recognized externally for its leadership. We were named one of the 2025 Best Places to Work for Disability Inclusion after earning a top score of 100 on the 2025 Disability Equality Index. The Principal AI Generative Experience or PAIGE, was recognized as part of Newsweek's inaugural AI Impact Awards in the category of Best Outcomes Financial Services. Our AI efforts were recognized for outstanding achievements in applying AI to solve complex challenges, improve operations and deliver meaningful outcomes. This spotlights our commitment to driving smarter decision making, more personalized customer experience, and stronger risk management.

Additionally, we received the 2025 CSO Award for our Digital ID Verification initiative highlighting the innovation and security embedded across our customer experience.

Overall, the second quarter demonstrated the strength of our business and our ability to deliver results in dynamic markets. We're entering the second half of the year with momentum, confidence in our strategy and continued discipline across the organization.

Before I turn it over to Joel, I want to take a moment to congratulate him on officially being named our Chief Financial Officer in May. Joel stepped in as interim CFO during a period of transition and his deep institutional knowledge, steady leadership and clear command of our financials and businesses have been evident throughout. I'm looking forward to continuing to partner closely with him as we move the company forward and deliver strong results for our employees, customers and shareholders.

Joel?

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

Thanks, Deanna, for the kind words. I'm honored to officially step into the CFO role and appreciate the opportunity to continue working alongside our leadership team to create value for our various stakeholders.

This morning, I'll share key contributors to our financial performance for the quarter, as well as details of our capital position.

As shown on slide 3, reported non-GAAP operating earnings were \$489 million, up 27% year over year, and EPS was \$2.16, up 33%. This included a \$32 million after tax or \$0.14 per share benefit from a onetime expense accrual release. That was reflected as a significant variance. Excluding significant variances, second quarter non-GAAP operating earnings were \$469 million or \$2.07 per diluted share. This represents an 18% increase in EPS over the second quarter of 2024 and a 14% increase year to date.

Second quarter reported net income, excluding exited business, was \$432 million, with minimal credit losses of \$17 million. Non-GAAP operating ROE, excluding AAR, of 14.9%, improved 170 basis points compared to the year ago period, comfortably within our 14% to 16% targeted range. These strong results were impacted by market performance in the quarter. Specifically, daily equity market averages on our assets under management were down sequentially, but up 6% compared to second quarter of 2024.

The following commentary excludes significant variances which can be found on slide 12. Starting with our RIS, second quarter top line growth was 3%. This, coupled with expense discipline while investing in the business, resulted in a 40% margin and 80 basis point improvement over the second quarter of 2024 and near the high end of our targeted range.

Pre-tax operating earnings increased 5% from the prior year quarter, driven by growth in the business and margin expansion. Fundamentals across the business remain healthy. Transfer deposits were up 8% compared to the second quarter of 2024, including a 24% increase in fee-based transfer deposits. And a number of individuals deferring and receiving employer matches is up 3% compared to the year ago quarter.

Total WSRS recurring deposits grew 7% on a trailing 12-month basis, with our SMB segment continuing to outperform at 9% growth over the same period. Participant withdrawal rates remained stable and we're seeing continued strong contract retention. In Principal Asset Management, Investment Management revenue increased 6% compared to second quarter 2024 within our targeted range.

Higher management and performance fees contributed to a 250-basis-point improvement in Investment Management's quarterly operating margin. In International Pension, net revenue was impacted by foreign currency compared to the year ago quarter. On a constant currency basis, net revenue increased 2% and pre-tax operating earnings grew 7% year over year. Operating margin of 47% expanded 180 basis points from the prior year quarter and remains within our targeted range. In Specialty Benefits, pre-tax operating earnings increased 10% compared to the year ago quarter, driven largely by business growth and more favorable underwriting results.

Premium and fees grew 3% compared to the year ago quarter impacted by sales and slight moderation in wage and employment growth. Importantly, persistency remained strong and in line with the prior year and our expectations. We expect overall premium growth to trend up in the second half of the year.

The SBD loss ratio improved 130 basis points compared to the year ago quarter. It was at the low end of our targeted range. This improvement was driven by more favorable group disability and group life results. In addition, dental results improved relative to the year ago quarter and were positively impacted by our recent pricing actions. Operating margin of 15% expanded 100 basis points compared to the year ago quarter. It was in the top half of our targeted range.

In Life Insurance, premium and fees increased 5% compared to the second quarter of 2024, a strong business market growth of 17% more than offset the runoff of the legacy life insurance business. Pre-tax operating earnings of \$23 million were down year over year, driven by higher mortality from net claims severity, while frequency was better than expected. Our tax rate for the quarter was 18%, in line with our full year target range of 17% to 20%. We expect the rate to remain within this range for the second half of and full year 2025.

Turning to capital and liquidity. We ended the quarter in a strong position with \$1.4 billion of excess and available capital. This includes \$800 million at the holding company at our targeted level, \$250 million in our subsidiaries, and \$350 million in excess of our targeted 375% risk-based capital ratio, which is estimated at 400% at quarter end. As a reminder, we built up excess capital in the first quarter to prefund our \$400 million May maturity, which is paid off in the second quarter. Free capital flow in the quarter was slightly above our targeted range, and we expect to deliver on our targeted 75% to 85% free capital flow for the full year.

As shown on slide 3, we returned \$320 million to shareholders in the second quarter, including \$150 million of share repurchases and \$170 million of common stock dividends. As a reminder, capital deployments are seasonally higher in the second half of the year, and we expect the higher level of share repurchases in the latter half of the year.

With our strong capital position, we remain committed to delivering on our full year capital return target of \$1.4 billion to \$1.7 billion, including \$700 million to \$1 billion of share repurchases. Last night we announced a \$0.78 common stock dividend payable in the third quarter. This is a \$0.02 increase from the dividend paid in the second quarter and an 8% increase over both the year ago quarter and trailing 12-month period. This continues to align with our targeted 40% dividend payout ratio and demonstrates our confidence in continued growth.

As Deanna outlined, our second quarter results reflect the strength and benefit of our diversified business. We remain confident in our ability to deliver on our financial targets, committed to deploying excess capital and focus on creating long term value for shareholders, all while supporting our customers' evolving needs.

This concludes our prepared remarks. Operator, please open the call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question will come from line of Tom Gallagher from Evercore ISI. Your line is open.

Thomas Gallagher

Analyst, Evercore ISI

Q

Good morning. First question is just on the overall expense levels. Deanna, I believe the last quarter you mentioned that there was going to be a focus on it. Is there more to come on that in the second half of the year or do you feel pretty good about where you're at now?

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Yeah. Thanks, Tom, for the question. I'll ask Joel to give a little more color on that. I think if you looked at our experience over the last 10 to 15 years, we have a proven track record of aligning revenue and expenses. Obviously, the revenue and market outlook sitting here today is significantly different than it was when we were sitting here last quarter, but we did do some pull back on expenses and we continue to be very prudent about our expenses while continuing to make sure that we're balancing that with investments in the business. But, I'll let Joel give a little more color.

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

A

Yeah. Tom, thanks for the question. And as we've done historically, we'll continue to actively and responsibly align expense with revenue, as Deanna mentioned. And this quarter was no different. This is evidenced by our continued margin expansion. As we mentioned in our prepared remarks, margins have improved 140 basis points year over year at the enterprise level and 80 basis points on a trailing 12-month basis. And this is all a product of expenses growing at a slower rate than revenue.

During periods of market volatility like we experienced early in the first part of the second quarter, we will focus on what we can control. At that time, we leaned into expense management activities and won't allow macro headwinds to hit our bottom line dollar for dollar. That's been our practice in the past and that will certainly be our practice in the future. So, we'll continue to align expense with revenues while investing in the business and we feel really good about our expense structure going forward.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Tom, do you have a follow-up?

Thomas Gallagher

Analyst, Evercore ISI

Q

Okay, thanks. Yeah. And my follow-up is I noticed the RIS account values and the spread side went down somewhat this quarter. It looks like it's investment only. Any color on what you expect for the balance of the year on spread balances within RIS.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Yeah. Thanks, Tom. I'll have Chris address that question.

A

Christopher J. Littlefield

President-Retirement & Income Solutions, Principal Financial Group, Inc.

Yeah. Good morning, Tom. Thanks. Yeah, I think certainly IO issuances is a piece of the answer. We certainly – if we look year to date, we saw more maturities in 2025 and less issuances. As we look at that, business is opportunistic. So, we're constantly scanning the market to make sure that if there's an opportunity to get our targeted returns, we'll look at that and we're going to continue looking that through the balance of the year. So, I wouldn't read any softness there across the full year.

A

Second driver of the spread base flows is really related to PRT. PRT had a bit more moderate quarter this year at about \$445 million of PRT sales. That is really due to two things. One, the pipeline of opportunities has been a bit smaller than we expected in the second quarter. And secondly, we weren't able to get the targeted returns. And so, we were very disciplined and remain disciplined in making sure that we prioritize returns over volume. And if we can't put that capital to work, we look to deploy that to other better organic uses or to return it to shareholders.

So, when I think about PRT, generally, I think PRT – again, I think we're going to have a good year on PRT, but it's really going to be highly dependent on what that pipeline looks like in the second half of the year, as well as the market competitiveness and the returns that we're able to get.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Thanks, Tom, for your questions.

A

Thomas Gallagher

Analyst, Evercore ISI

Okay. Thanks.

Q

Operator: One moment for our next question. Our next question comes from line of John Barnidge from Piper Sandler. Your line is open.

John Barnidge

Analyst, Piper Sandler & Co.

Thank you for the opportunity. My first question, building on the comments on PRT. Talked about being focused on the returns and not the volume. Is it becoming a bit more of a competitive environment or are there fewer maybe pension partners coming to market given the market dislocation that occurred in April? Thank you.

Q

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Yeah. Thanks, John. As Chris just mentioned, the pipeline was a little bit less. But we continued to see a lot of success converting our DB clients into our PRT, and we'll continue to lean into that as well. But, I'll see if Chris has some additional color.

A

Christopher J. Littlefield

President-Retirement & Income Solutions, Principal Financial Group, Inc.

A

Yeah. I mean, I think it really remains to be seen what that pipeline is going to look like in the second half. I mean, I think we remain optimistic in where we think we are going to land in PRT. If you look historically, we've sort of been in that range of \$2.5 billion to \$3 billion over the last several years. And we expect to land in that range. And where we land in that range is going to be really dependent on pipeline as well as [ph] that market competitors (00:21:30).

There clearly are more competitors in the PRT, but again, where we compete, we actually are able to generate a fair amount of business from our own existing DB customer block and then we're really thoughtful about returns and making sure we get our target returns [ph] and produce (00:21:46) capital outside of those customers. So, I feel really good about it, but it really remains to be seen over the balance of year and what develops.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

John, do you have an additional question?

John Barnidge

Analyst, Piper Sandler & Co.

Q

Yes. Thank you very much. Maybe on variable investment income experience in the quarter, it's different between segments and then any visibility into the third on that. Thanks.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Yeah. John, I'll turn it over to Joel to address that question.

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

A

Yeah. John, thanks for the question. As it relates to the quarter, VII performance was improved from first quarter 2025 and you can see that through our significant variances, which we provided a lot of transparency in that regard.

I mean, as a reminder, just our portfolio is a little bit different than what you see elsewhere with 50% of our alts portfolio in real estate that results in a lower concentration in categories such as private equity and hedge funds.

On the real estate front, year to date and 2Q 2025 are below run rate due to leasing activity and low transaction activity which exactly what we expected coming in the year. And signs of recovery are evident as office leasing has picked up. Since the majority of our real estate assets are not marked to market each quarter, we're sitting in a portfolio of very highly appreciated assets, gains on which – they're not recognized until the time of sale.

So, we are expecting that transaction activity to pick up in the latter part of the year. We had no transaction activity in the real estate front in the second quarter. But as we've done historic, we'll continue to provide transparency into our alts returns relative to long term run rate expectation [indiscernible] (00:23:17) our significant variances.

As it relates our outlook, to your question, we do expect improved results in the final six months of 2025 relative to what you saw in the first half. And we do expect improvement year over year.

Having said that, we continue to expect returns [indiscernible] (00:23:33) to be lower than long term run rate assumptions, but again, improved in the latter half of the year. So, hope that helps. John, any other questions on that front?

John Barnidge

Analyst, Piper Sandler & Co.

No. Appreciate it. Thank you.

Q

Joel Pitz

Executive Vice President & Chief Financial Officer, Principal Financial Group, Inc.

You bet.

A

Operator: One moment for our next question. Our next question will come from line of Wes Carmichael from Autonomous Research. Your line is open.

Wes Carmichael

Analyst, Autonomous Research US LP

Hey, thank you. Good morning. First question on PGI. I think performance fees were around \$9 million or so there, a bit higher than I was expecting. So, just curious if there was more transactional activity in the quarter. And I think you previously talked about performance fees being relatively in line with 2024. So, I'm just wondering if that outlook still stand.

Q

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Yeah. I'll ask Kamal to address performance fee and our Investment Management segment.

A

Kamal Bhatia

President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.

Wes, good morning. Thanks for the question. So, I'll start. I think you had two parts, what drove our performance fees and how do we expect the rest of the year to play out? So, first, we were quite pleased with the nature of performance fee this quarter. This quarter, the performance fees were primarily generated from our alternative debt strategies, which is predominantly direct lending and real estate debt, which reflects both a strong execution and the capabilities we've built over the years. Historically, a lot of our performance fees were real estate equity driven. So, it's good that we are diversifying the base of our performance fee.

A

The other aspect to consider as you think about is given that it was generated from debt, sometimes the quantum can be smaller, but the aperture of opportunity is wider as we build these capabilities.

To your question on what does the rest of 2025 look like, I would say the fee levels would be similar to 2024. The transaction and borrower fees are probably expected to return to a more normal level as we complete this year. But those would be my perspective on your questions.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Wes, do have a follow-up question?

A

Wes Carmichael*Analyst, Autonomous Research US LP*

Q

Yeah, I do. And apologies for mischaracterizing Investment Management as PGI. But, switching to RIS. I think last year you'd launched a target date fund with an in-plan guaranteed, but there was some in-plan around a product number 2.0 that was kind of in the works. So, I'm just curious if there's any update there. I think the plan was for it to be on balance sheet, but – I don't know if Chris had any update there.

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

A

Hey, Chris?

Christopher J. Littlefield*President-Retirement & Income Solutions, Principal Financial Group, Inc.*

A

Yeah. Thanks, Wes. Yeah, we did launch a passive target date with some guaranteed in it in the first quarter of this year off platform and rolled that off on platform in the second quarter. So, we are beginning to see client take-up. But honestly, it's really early days on that and we think there's some good opportunities for us as plan sponsors get more accustomed to it and our advisors get more accustomed to it as well. So, I think there's a good – still remaining really good opportunity for us there, but I'd say we're still in the very early innings in that game.

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

A

Thanks, Wes, for your questions.

Wes Carmichael*Analyst, Autonomous Research US LP*

Q

Understood. Thank you.

Christopher J. Littlefield*President-Retirement & Income Solutions, Principal Financial Group, Inc.*

A

Pleasure.

Operator: Thank you. One moment for our next question. Our next question will come from line of Suneet Kamath from Jefferies. Your line is open.

Suneet Kamath*Analyst, Jefferies LLC*

Q

Great. Thank you. Good morning. Just wanted to start on RIS. Obviously, earnings and the margins were quite strong, but the flows continued to be negative. So, maybe just can you provide some color in terms of what's going on there and what is your sort of outlook for flows in the balance of the year? Thanks.

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

A

Yeah. Suneet, thanks for recognizing the strong results in that business. I'll ask Chris to give a little more color on our flow outlook. But as you know, there are some dynamics within that business that are pressuring flows but

continue to focus on those areas where we can drive growth. And I think those played out this quarter as well. But, I'll let Chris give some additional color.

Christopher J. Littlefield

President-Retirement & Income Solutions, Principal Financial Group, Inc.

A

Yeah. Thanks, Suneet. I mean, I think, as we've talked about for a few quarters now, elevated markets are not helpful to overall AV net cash flows. And so we'll continue to see that – that trend continue.

But if you look at the second quarter, the AV net cash flows significantly improved from the year ago quarter. And we saw improvement across all drivers, including transfer deposits, growth in recurring deposits and more stabilized participant withdrawal rates.

I think, Deanna hit and Joel has hit on some of the key positives as well, I mean, we saw really strong future fee-based transfer deposit growth versus year ago. And in the trailing 12 months we've continued to see strong asset retention and we continued to see real nice resiliency in SMB flows.

When it comes to participant withdrawals, we do see stabilization there. And while the dollar of withdrawals are up about 4% from a year ago, the overall average AV is up about 7%. So, you're seeing sort of a stabilization or improvement in withdrawal rate. And those withdrawals are largely elevated due to the strong market performance. So that continues to be a bit of the theme there, and the challenge there.

The only other thing I'd say with respect to fee-based flows, Suneet, is that as we pointed out last quarter, some of the fee-based AV is also being impacted from outflows from our traditional variable annuity block. And some of that is converting into spread based RILA product. And so that's another pressure that we're seeing in fee based. So, you might see fee-based traditional VA, but we're seeing very nice sales and increases of spread based RILA product.

Suneet Kamath

Analyst, Jefferies LLC

Q

Got it. And then just sort of related question, are you able to proactively reach out to plan participants as they get close to retirement and offer some of the rollover solutions that you provide? Is that something that you're able to do? And if it is, is that something that you actively do? Thanks.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Yeah.

Christopher J. Littlefield

President-Retirement & Income Solutions, Principal Financial Group, Inc.

A

Yeah.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Suneet, I think we laid out a lot of that strategy at our Investor Day last November, but I'll let Chris give some additional color there as well.

Christopher J. Littlefield*President-Retirement & Income Solutions, Principal Financial Group, Inc.*

A

Yeah. Thanks, Suneet. Yes, I think certainly we have put emphasis on being able to offer advice solutions to our participants that we serve. And we did roll that out in the third quarter of last year. And we're seeing very nice success on that.

I wouldn't say it's as much as our proactive as much as it's bringing participants along the journey. And if they have questions about what to do with their funds or what they might do with their retirement savings, we're able to provide that advice, where in the past we were in education-only mode about their alternatives. And so that is a bit of the shift, and we continue to see significant opportunities there.

And again, as we highlighted in the investor slides, we're really focused on participant growth and we're seeing overall participant growth. And then we're also not just seeing the total number of participants growing, but also the amount that they're saving, improving and growing. And so that funnel is growing for us as we think about how do we capture more opportunity to serve individuals both while they're in the plan or also when they're out of the plan.

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

A

Thanks, Suneet. The other thing I would just mention is, is when we are successful in that, sometimes the actual AUM shows up in other parts of the organization. And so ultimately that does drive results at the enterprise level, but from a geography perspective may shift at that point in time as well.

Suneet Kamath*Analyst, Jefferies LLC*

Q

Got it. Thank you.

Operator: Thank you. One moment for our next question. Our next question comes from line of Ryan Krueger from KBW. Your line is open.

Ryan Krueger*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Hey, thanks. Good morning. I have a question on Investment Management. It seems like you have momentum on gross sales, but you've also seen withdrawals be somewhat elevated, which has led to flows not improving anymore. Can you give a little bit more color on the withdrawal side of things? And do you have any insight going forward into what's – into – if you expect – I think – can you – or could we see some improvement there going forward?

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

A

Yeah. Ryan, I'll ask Kamal to give some color there. With the vast volatility in the market during second quarter, we did see some [ph] Impax (00:31:46) kind of flow through. But as you mentioned, we are seeing some strong momentum on the sales side. So, I will ask Kamal to give a little more color there.

Kamal Bhatia*President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.*

A

Good morning. So, I'll start with what you highlighted, which was – I think you've highlighted our strong momentum on gross sales, which is – [ph] which is very true (00:32:04). I think as Deanna highlighted, we actually saw positive NCF from our global institutions this quarter. And then we also had very, very strong 24% gross sales growth in Investment Management on a year-over-year basis which we are quite pleased with.

It sort of shows our focus on expanding the clients that we cover. Let me first handle what I see in terms of the growth flow momentum and give you some insights on what's driving it, and then I'll also give you some sense of what the nature of outflows towards this quarter.

So one segment I would highlight for you is, I'm quite pleased with the momentum we have in our Asia institutional business. To just give you an outline, that business is now almost \$50 billion in AUM for us, and that has only grown over time. More recently, we've accelerated the nature of mandates we are bringing in. Some very, very long term investors like sovereign wealth funds have been a big part of growing that segment for us.

In fact, if you just look at that segment, we've almost doubled that business, from last quarter last year to this quarter almost 100% growth, which gives me quite confidence that we are doing very well on the gross side of that institutional segment.

So the nature of outflows this quarter, I would say, were mostly focused in our US businesses, but it was due to increased hedging from a lot of these clients. It happened in two areas. One, there was active rebalancing away from areas that have done quite well. In particular, we have strength in REITs and small cap where they were rebalancing away. And then there was some reallocation by some of these investors into nontraditional assets. We obviously don't cover those asset classes.

But we are quite successfully diversifying our flows as well away from that. If I look at our international clients, I think Deanna highlighted it, we had almost \$10 billion of quarterly sales. If you look at that segment, that is almost 50% increase from last year's quarter. So, you'll see the momentum we have in our gross sales numbers.

The other segment I would highlight for you today is just – we've historically talked about our strength in real estate. When I look at our middle market direct lending business, our private infrastructure debt business and the private investment grade business that continues to expand its AUM base, that AUM base has gone up almost 25% year over year.

So, I would say our focus continues to be on growing our gross sales while we manage the outflows, and the results are showing this quarter. And I think that's helping us deliver excellent performance compared to other asset management peers.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Thanks, Ryan. Do you have a follow-up?

A

Ryan Krueger

Analyst, Keefe, Bruyette & Woods, Inc.

Great. Thank you. Yeah, I had one for Amy. Just can you talk a little bit more about what you're seeing in dental both from a top line standpoint as well as a loss ratio standpoint, and your thoughts on that business going forward?

Q

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Yeah. I'll have Amy take that one. But as mentioned, we are constantly balancing pricing discipline with our competitive position and are really managing that business for a long term earnings growth. But, I'll have Amy give you some color specific to dental.

Amy C. Friedrich

President-Benefits & Protection, Principal Financial Group, Inc.

A

Yeah. Ryan, so I think a lot of what I'm still seeing in dental is a continuation from some of the prior quarters. So, from a competitive environment, it's definitely a prominent product in those people who have that as part of their portfolio. Again, there's a subset of our competitors that have dental as a bigger part of their portfolio. And it's competitive out there. So, I would say we are definitely seeing new sale rates are competitive.

I am seeing probably a little bit of – I'm going to call it – market activity and easing begin to happen on the renewals. And so here's how I'd characterize that. Dental is a product that, again -if you didn't get the pricing quite right, hadn't built in trend or inflation at the levels that you needed to, you see that pop up in your results pretty quickly. It's a highly utilized product and so it shows up in your results in 12, 18 months later.

And so what I am seeing are some renewals and renewal rates for dental that are high with some of our competitors. That is probably over time through some of 2025, but probably more into 2026 beginning – probably beginning to show up as an opportunity for even healthier new sale rates.

And so, again, our perspective on dental has been that because our renewal and persistency strategy is so important, we want to deliver manageable, predictable renewals for that small to medium size customer base that has really sharp focus on cash flow. We want to make sure that we're pricing it right up front. And the best way to deliver that renewal rate at a rate that they can withstand is to price it right up front.

So, what I'm seeing is we're still not probably seeing quite what we need to see yet in pricing at right up front. So, we're not selling as much just bluntly of dental and some of the other products that might bundle with it, but what we are seeing is beginning to see some loosening up on the persistency side.

So, when I think of our own performance for dental loss ratios and I think this is a little bit inherent in your question, we definitely do still see a loss ratio pattern, though. That is first half, second half. So that first half is definitely where we see the experience come in. And we see a pattern where third and fourth quarter are markedly better.

So, I think last year's pattern of second, third and fourth quarter is a really nice pattern for us to think about through the rest of our year in terms of how the experience actually emerges for dental. So that's kind of how I'm thinking about the business. Hopefully that gives you some color.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Yeah, Ryan. Just a couple other comments. Very proud of one, seeing dental loss ratio improved 50 basis points in the quarter and our overall Specialty Benefits loss ratio being at the low end of our targeted range, despite the fact that the dental loss ratio is elevated in the second quarter. And so again, Amy and the team are managing that business very effectively for a long-term profitable growth. And I'm confident we will get through this in a very positive realm.

Ryan Krueger

Analyst, Keefe, Bruyette & Woods, Inc.



Thank you.

Operator: Thank you. One moment for our next question. Our next question will come from line of Joel Hurwitz from Dowling & Partners. Your line is open.

Joel Robert Hurwitz

Analyst, Dowling & Partners Securities LLC



Hey, good morning. One more on top line and Specialty Benefits. I think in the prepared remarks, Joel mentioned that growth is expected to pick up in the second half of this year. Just curious what you're seeing that gives you confidence in that?

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.



I'll turn that over to Amy to address.

Amy C. Friedrich

President-Benefits & Protection, Principal Financial Group, Inc.



Yeah. So I definitely see that the second half of the year has the potential to return something that's headed back into the range that we communicated. I do want to make clear, I don't think our full year results are going to sit back in that 6% to 9% range. I think we're going to fall short of that. What I am comfortable with though, is that the brokers who are starting to see – the intermediaries that we work with that are starting to see some of those higher renewals on dental coming from some of our competitors are really turning back to saying, you know what, it probably makes sense to keep the bundle or put the bundle back with Principal.

So I do see us returning to that growth mode again, probably not sitting within that 6% to 9% growth range, but improving. I also think that the piece that we got to think about for that second half of the year is that there's that natural first half, second half. And so when we think about utilization, when we think about overall loss ratio, our ability to keep pricing attractive for the entire bundle is more dependent upon our overall loss ratio than one single products loss ratio. So again, Deanna just mentioned this, but the overall loss ratio being at the very low end gives us the capability to make sure we're seeing that show up in the overall bundle pricing.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.



Thanks, Joel. Hope that helps. Do you have a follow up question?

Joel Robert Hurwitz

Analyst, Dowling & Partners Securities LLC



Yeah, it's helpful. Yeah, yeah. It looks like in Investment Management, you're selling another one of your boutiques with Post Advisory Group for sale. I think the AUM from that arm is much larger than past boutiques that you've divested. So I guess a couple of questions, just an update on the model, the multi management model and then any potential financial impacts I think post AUM is in the mid-teens billions if that goes away.

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

A

Yeah. I'll make a few comments and then I'll ask Kamal to add on. You have seen us to – continuing to evaluate our capabilities specifically in Investment Management and making sure that we're staying focused on client demand and making sure we're also unifying investment teams where it makes sense. You are correct that Post has an AUM that is larger than some of those past, but I would also say that the impact of that divestiture will be immaterial to earnings and ultimately we feel good about our ability to grow from here. But I'll ask Kamal to give some additional color there.

Kamal Bhatia*President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.*

A

Absolutely, Joel. I'll just add to Deanna's comments. So first, I think this is part of the natural evolution of our strategy, where we continue to think about what our clients need and demand and make sure we have a business that not only manage for scale, but for efficiency. So the two aspects [ph] there – there is (00:42:11) as you've heard me talk about the new capabilities we have added, but we also look at where we have overlap in our capabilities set. And with that perspective Post did overlap with a very, very strong high yield capability. We have inside PGFI today, which has excellent performance and excellent momentum.

So it was consistent with our view of creating value for our shareholders, where we look at these capabilities, review our teams and continue to find synergies as part of the transaction. As you highlighted, we have agreed to sell a majority ownership stake. To your question on impact, I do not see this transaction impacting our medium-term target for either asset management revenue growth or pre-tax operating margins. So the impact should be minimal. The only other comment I would add is – is I wish the team the very best. They have been a big part of Principal for many, many years. And I do believe the buyer for this capability is going to be an excellent buyer and we'll support the team moving forward.

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

A

Yeah, Joel, one more comment on that. We'll continue to disclose additional detail as they emerge and we do expect that to close by the end of 2025. So hopefully that helps.

Joel Robert Hurwitz*Analyst, Dowling & Partners Securities LLC*

Q

Great. Thank you.

Operator: Thank you. One moment for our next question. Our next question will come from line of Jimmy Bhullar from JPMorgan. Your line is open.

Jimmy S. Bhullar*Analyst, JPMorgan Securities LLC*

Q

Hi. Just first had a question on your outlook for asset management flows. You've had success in growing your business in some verticals, but overall flows obviously have been negative for, I think, eight, nine last quarters in a row. Is it reasonable to assume flows turning positive in the next few quarters or is it sort of hard to say given market volatility or other factors?

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

Yeah, Jimmy, I'll have Kamal address that. I think if you look at our net cash flow performance relative to our peers, they still fare very well. But it has been a difficult positive flow environment for asset management in general. But I'll ask Kamal to give a little more flavor on that.

A

Kamal Bhatia*President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.*

Sure. Good morning, Jimmy. Thanks for your question. So I think let me start with what I see moving forward and how that plays out in your next cash flow question. So I think as I've [ph] mentioned in (00:44:43) prior quarters, our focus is on ensuring we have a strong pipeline of client opportunities. And I mentioned the gross sale numbers earlier. And I do see the pipeline of opportunities developing at a sustained place. I think the challenge more recently has been we are in a new cycle that's changing very constantly and it's changing on a global basis, and that does cause some clients to defer their decision. So it does impact the flow [ph] pattern flatten (00:45:14) in our businesses. I would highlight that our international clients and our international divisions are the ones that are doing very, very well. Over time, as I hope our US businesses contribute, you would see the net cash flow picture substantially improve. So that would be one component of it.

A

The other piece I would highlight beyond just net cash flow is we obviously measure ourselves on earnings growth, revenue growth and operating margin, which are quite strong. And as Deanna highlighted, much stronger than some of our peers. One area I would highlight for you is – is historically you've seen our net cash flow driven heavily by our private market real estate division. Most recently, our specialty global fixed income revenue has been scaling up quite – quite well. In fact, when I compared our gross revenue for that division, it's almost up 40%. This for the first half of 2025 compared to the first half of 2024.

More importantly, a good measure to look at is mandates that we have won that haven't funded. That is up almost 120% year-over-year. So obviously, clients decide when they invest in these mandates, they look at market conditions to make that decision. So the pipeline is quite strong. We are expanding our client set, yes, there is market volatility that affects outflows. So we have to live with it and our goal remains to do manage through it and continue to balance our business both in terms of the product set and the client base we have.

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

Hopefully that helps, Jimmy. Do you have a follow up?

A

Jimmy S. Bhullar*Analyst, JPMorgan Securities LLC*

Yes. And just – yeah relatedly, just on your comment on performance fees in Investment Management being flat with last year, you're almost at the level you had in all of last year through the first half of the year. So I'm not sure if your guidance is overly conservative or – because it's implying minimal additional performance fees in the second half, especially given that the market will come back and I'm assuming that should help.

Q

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

Yeah, recognize that most of our performance fees do come from our private capabilities. We are seeing that expand. But ultimately, I think the outlook for the rest of the year is more modest than what we have seen in the first half of the year. But we'll see how that plays out. But I'll see if Kamal has some additional color.

A

Kamal Bhatia

President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.

A

Yeah, Jimmy, I would say I think as you highlighted, we did bring forward some performance fees from 3Q into 2Q. So that kind of give you the impression we are there at the half year mark. As Deanna highlighted and I highlighted earlier, the real estate equity engine hasn't fully kicked in. It's highly dependent not just on the rate environment, but the market cycle has to evolve a little bit too. So partly our guidance for the rest of the year is around that dimension. We do think 2026 will improve, but at this stage until the real estate equity market, particularly the core market kicks in and transaction volumes pick up, it'll be difficult to see a stronger performance fee trajectory at this stage.

Jimmy S. Bhullar

Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

The other thing I think that Kamal mentioned earlier is that our transaction and borrower fees that have been very modest due to the real estate environment, we expect that to pick up as well. So obviously some different aspects that drive overall Investment Management revenue. I feel good about that management fee growth, which is again less volatile than the other components and more of an indication of long-term growth.

Jimmy S. Bhullar

Analyst, JPMorgan Securities LLC

Q

Thanks.

Operator: Thank you. One moment for our next question. Our next question will come from the line of Jack Matten from BMO. Your line is open.

Jack Matten

Analyst, BMO Capital Markets Corp.

Q

Thanks. Good morning. Just on the Specialty Benefits and group life and disability where you're seeing very healthy loss ratios, [ph] I'm just wondering if there's (00:49:12) anything notable some benefiting your margins in those lines? And then are you seeing pricing competition for your non-dental lines of business getting more intense recently?

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Yeah, I'll have Amy address that.

Amy C. Friedrich

President-Benefits & Protection, Principal Financial Group, Inc.

A

Yeah. So first question related to the group disability and group life, I mean I think – for a little bit of background there, when we write with business in these segments, keep in mind that we're almost completely in the small- to mid-sized marketplace. And so this is a marketplace that doesn't typically feature I'm going to call them three, four, five extended year rate guarantees. It's not necessarily a marketplace that asks for and demand that you

have to have high maximums. It doesn't come with always a lot of retiree content, so the plan designs and the content that you bring in with an SMB strategy does tend to be fundamentally different. So when you look at larger jumbo case of players and those that are smaller market players, you tend to – for both life and disability, just build a slightly different block of business.

That said, I do think even looking at like LTD, what's driving some of that that's an incidence based driver for us that's driving the really good performance that we're seeing there. I still think some of the things that came with the discussions that we've had in the past about hybrid work, about our ability to find ways not only to return people to work and to have recoveries, but the incidents themselves, when people do have to move away from their traditional working arrangement, they can often not even have an incident for long-term disability because they have resolved that during the short-term disability period and they're providing work back to their employer through a hybrid working relationship or a fully remote relationship. So I do think incident is also benefiting from some of the things we have talked to historically about that are relative to types of working and different modes of working. I think when moving on kind of that, remind me your second question was more about...

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Competition in life and disability.

A

Amy C. Friedrich

President-Benefits & Protection, Principal Financial Group, Inc.

Yeah, yeah. So life and disability competition is – I would call it relatively stable. Again there is – we are at a point where we tend to both sell and renew in that bundle business. So if we have probably the highest premium product in that bundle, it's going to tend to be dental which means that some of the disability in life pieces are important in that bundle but not necessarily the most prominent piece of that. That does mean that that bundle is how we win business, it's how we retain business. And it means that we move that together in terms of the total experience. So I'm not seeing things in life and disability that indicate a lot of displacement going on, I am continuing to see the new case pricing on dental being the standout.

A

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Thanks, Jack. Do you have a follow up question?

A

Jack Matten

Analyst, BMO Capital Markets Corp.

Yes, thank you. And just a follow up on expenses. If I look at RIS you are already kind of running at the high end of your margin target. I'd imagine like there's probably a tailwind given where markets are entering the third quarter. So I guess should we be thinking about like a corresponding kind of step up in expenses that keeps you within the – that margin range? Or could we see potential upside if market performance remains strong?

Q

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

I'll have Chris talk about that. Obviously, how macro plays out and how that plays into revenue will have some impact. We came into the year saying we would have some margin improvement from 2024, which would put us toward the top end of that margin range. And ultimately, we're balancing, aligning revenue with expense and ultimately still investing in that business to continue to drive long-term market growth. So with that, I'll turn it over to Chris to see if he has any additional color.

A

Christopher J. Littlefield*President-Retirement & Income Solutions, Principal Financial Group, Inc.*

A

Yeah. Thanks, Jack. I mean I think, as we've said, we're very confident in our ability to deliver this year our net revenue toward the midpoint of our range and margin towards the upper end of the range. And I don't see anything changing that. We continue to have expense growth lower than revenue growth and we'll continue to maintain that discipline. And we're also taking the opportunity to invest for future capabilities. So I wouldn't look to see us get outside the range, above the range, but we will be comfortably at the upper end of the range for the foreseeable future.

Jack Matten*Analyst, BMO Capital Markets Corp.*

Q

Thank you.

Operator: Thank you. One moment for our next question. Our next question will come from the line of Alex Scott from Barclays. Your line is open.

Alex Scott*Analyst, Barclays Capital, Inc.*

Q

Hey, good morning. First question is a follow-up on Suneet's on just the strategy to capture some of that 401(k) outflow into other areas of your business. Can you just provide a little more detail on that, particularly IRAs and some of the advising you're doing, I'd just be interested in what the success and track record since you guys kind of brought that up at the Investor Day, what that looks like and how we can track it and sort of see that in your financials over time.

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

A

Yeah, a couple of comments there. Obviously, that is an important strategic driver for those. How that emerges will take some time as we continue to lean into establishing relationships with those participants and ultimately leaning into that advice component as well. And so, we'll pull out some significant KPIs relative to that. But, it will take some time to emerge in a more positive way. But I'll ask Chris to maybe give a little color on that.

Christopher J. Littlefield*President-Retirement & Income Solutions, Principal Financial Group, Inc.*

A

Yeah. No, I think Alex, I think Deanna has captured it right. It is a long-term build. It's focused on capabilities. And it's not just focused on the advice that we're providing, but it's also focused on how do we ensure that we're getting more participants deferring, how do we increase their overall contribution deferrals? And then when they need help and they come to us, how do we partner with advisors to make sure that we're both giving them the advice that they need to make good decisions about what to do with their retirement savings, whether that's to keep it in plan, which will be harder to see, or whether it's used in some sort of IRA rollover. So we are very focused on building our capabilities in that space and making sure that we have the sort of solutions and the advice capabilities and partnering with our advisors and our partner firms to make sure that Americans get to the advice that they need. So it's a long-term build. We think there's tremendous opportunity for us to help Americans save for retirement, and we're very focused on building those capabilities over the next several years.

Deanna D. Strable-Soethout*President, Chief Executive Officer & Director, Principal Financial Group, Inc.*

A

Thanks, Alex. Do you have a follow up?

Alex Scott

Analyst, Barclays Capital, Inc.

Q

Yeah. For a follow up, I wanted to ask you about, some of these partnerships that we've seen your peers make on private investments being offered and defined contribution accounts. Just want to get your take on that and that's an opportunity for PFG, whether for Principal Asset Management or potentially partnering?

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Yeah, I'll make a few comments and then ask Chris to add as well. I think ultimately we think this is an opportunity and ultimately applaud the industry's efforts in doing that. I do suspect it will take some time to play out. Ultimately, there are some fiduciary responsibilities that people need to get comfortable with and probably more importantly, you need advisor plan sponsor and participant interest to build over time. And ultimately, we've played in that space in the past and we'll continue to lean in as we – since the customer demand. But I'll have Chris add a flavor and then I'll see if Kamal has anything to add as well.

Christopher J. Littlefield

President-Retirement & Income Solutions, Principal Financial Group, Inc.

A

Yeah. Thanks, Alex. Yeah, we welcome the conversation about how to offer more private asset classes to retirement plans. Obviously you've got about \$12 trillion in sort of DB plans and another \$12 trillion, [ph] well, it's tongue twister (00:57:50), \$12 trillion in DC plans and the [ph] DB (00:57:54) plans historically have had nice allocations to privates and they've performed well over time. So it's – it is this sort of how do we get that in and how do we do it in a way that addresses the fiduciary duty concerns around performance, risk adjusted performance, fees and all that? So I think there is a tremendous opportunity.

Obviously, Kamal can talk about the private credit capabilities that we've built. We think that there's an opportunity for our own asset management opportunities to build within retirement solutions, as well as partnering with others as well. And we're active in those conversations going forward, so lots of conversation. But to Deanna's point, it's going to be a little while, I would analogize it a little bit to the take up in retirement income. There are significant fiduciary duty concerns that have to overcome, and it's going to take some time for people to get comfortable with the risks. How do we deal with liquidity? How do we educate participants in a way that that we're introducing this new diverse asset class into DC plans in a responsible way? So that's what I'd say about a big opportunity, but I think it's going to be a bit of a build and I'll turn it over to Kamal and see what his view is.

Kamal Bhatia

President & Chief Executive Officer-Principal Asset Management, Principal Financial Group, Inc.

A

Sure. So I'll just quickly add to what Deanna and Chris said, I think as he said partnerships are an important topic these days. One comment I'll add is, is we probably have more experience in that space than most people. When you look at our partnerships and the joint ventures in Brazil and China, I think we understand how these are created and have stood the test of time. So I do think we have an ability to understand and execute on it. Second, I would say, we've had real estate exposure to our 401(k) clients for a long time, almost 20 years. So we understand how to manage through markets, but we also understand what you need to look at and not look at. I mentioned a couple of quarters ago and Deanna mentioned we brought in a leader who now sits at the intersection of our RIS and an asset management brand and this is something brand continues to think about because our perspective on this is whatever we do, it has to create investment value for our participants and plan

sponsors. So that's our focus area. And then I think it's also important to understand where we are strong and what partners would complement our capabilities on. So it is an active topic that we continue to think about.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

A

Thanks, Alex, for the question.

Operator: Thank you. We have reached the end of our Q&A. Ms. Strable, your closing comments, please.

Deanna D. Strable-Soethout

President, Chief Executive Officer & Director, Principal Financial Group, Inc.

Thank you. As we close out today's call, I want to thank all of you for your time, your questions and your engagement. Our second quarter and year-to-date results reflect the strength of our diversified business model and our continued disciplined execution. We're well-positioned and remain confident in delivering on our 2025 financial targets, including EPS growth, ROE in our targeted range and strong industry leading free cash flow. We look forward to connecting with many of you in the months ahead. Have a great day.

Operator: Thank you. This concludes today's conference call. You may disconnect your lines at this time. And we thank you for your participation.

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