

Principal Healthcare Innovators Index ETF

BTEC | Second quarter 2019

Fund overview

A thematic strategic beta solution for clients seeking exposure to companies developing innovative medicines, therapies, equipment, and facilities which may provide a different return profile than traditional healthcare investment options.

Trading information

Symbol BTEC
CUSIP 74255Y409
Exchange Nasdaq

Portfolio management

Jeff Schwarte, CFA

26 years of experience

Mark R. Nebelung, CFA

26 years of experience

Paul Kim, CFA

20 years of experience

Key attributes (as of 06/30/2019)

Number of holdings 192	Morningstar category Health
Net/gross expense ratios 0.42%	Inception date August 19, 2016
Net assets \$56,713,285	Dividend schedule Quarterly

Benchmark

Nasdaq US Health Care Innovators Index

The Principal Healthcare Innovators Index ETF seeks to track the Nasdaq US Health Care Innovators IndexSM, a Nasdaq-licensed index based on Principal's intellectual property. The index is designed to provide exposure to U.S. companies that are early stage healthcare companies. Investors cannot invest directly in an index

A thematic approach to harnessing the potential of early-stage innovation

- Healthcare innovators offers early-phase access to companies developing treatments for conditions like migraines, Crohn's disease, Multiple Sclerosis, diabetes, and other illnesses.
- Utilizes sophisticated rules-based selection criteria — bringing efficiency to what can be a challenging, costly sector to actively manage.
- Principal's decades of asset allocation expertise inform our purposeful index design and systematic implementation.

Index methodology

1. Define universe

Begin with health care companies within the Nasdaq US Benchmark Index.



2. Exclude

Companies with large market capitalizations or insufficient liquidity are removed.



3. Assess

Analyze earnings patterns to identify companies that are heavily deploying capital to develop innovative medicines, therapies, equipment, and facilities.



4. Weight

Companies are weighted by market capitalization, subject to a cap of 3%.



5. Rebalance

Holdings are rebalanced semi-annually, in April and October.



Why consider allocating to a portfolio:

- Incorporate client ideals into their investments.
- Tap into a growing sector that is meeting the needs of an aging baby boomer population.
- Diversify return profile of more traditional healthcare holdings.

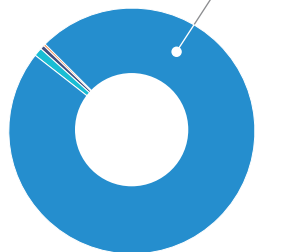
Top 10 holdings

	% of net assets
Dexcom Inc.	3.67
Exact Sciences Corp.	3.15
Biomarin Pharmaceutical Inc.	2.95
Alexion Pharmaceuticals Inc.	2.91
Seattle Genetics Inc.	2.86
Array Biopharma Inc.	2.83
Sarepta Therapeutics Inc.	2.59
Davita Inc.	2.58
Sage Therapeutics Inc.	2.57
Ionis Pharmaceuticals Inc.	2.48
Total % in top 10	28.58

May not reflect current holdings, which are subject to change. Due to rounding, the sum may not equal the total shown.

Sector allocations (%)

98.58	Healthcare
1.20	Technology
0.14	Financial services
0.07	Basic materials



May not reflect current allocations. Percentages may not add up to 100% due to rounding.

Healthcare sector breakdown (%)

Biotechnology	65.24
Medical instruments and supplies	3.21
Diagnostics and research	12.95
Drug manufacturers - specialty and generic	6.06
Medical devices	6.16
Healthcare plans	0.48
Drug manufacturers - major	0.76
Medical care	3.30
Long-term care facilities	0.36
Medical distribution	0.05

Performance history

BTEC inception date August 19, 2016	Total returns (%)				Yields (%)		
	3-month	Year-to-date	1-year	Since inception through quarter end	30-day SEC ¹ (subsidized)	30-day SEC ¹ (unsubsidized)	Distribution yield ²
Net asset value (NAV) return	-1.09	23.79	-1.05	11.83	-0.38	-0.38	N/A
Market price return	-1.06	23.90	-1.06	11.83	—	—	—
Nasdaq US Health Care Innovators Index	-0.97	24.11	-0.61	12.35	—	—	—
S&P 1500 Health Care TR	1.42	8.40	12.00	10.45	—	—	—

Source: Morningstar, State Street

Performance data quoted represents past performance. Past performance is no guarantee of future results and investment returns, and principal value of the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance quoted. Visit PrincipalETFs.com for current month-end performance.

¹ The 30-Day SEC Yield represents net investment income earned by a fund over a 30 day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. It is calculated based on the standardized formula set forth by the SEC. It is designed to standardize the yield calculation so that all mutual fund companies with the same or similar portfolios use a uniform method to obtain yield figures. Subsidized yield reflects a fund's yield when all expense waivers are included. Unsubsidized yield reflects the SEC yield when some fund expenses are not waived.

² As of July 1, 2019. The distribution yield is calculated by annualizing actual dividends distributed for the dividend period (monthly, quarterly, etc.) ending on the most recent dividend distribution date and dividing by the net asset value for the same date. The yield does not include long- or short-term capital gains distributions.

Carefully consider a fund's objectives, risks, charges, and expenses. This material must be preceded or accompanied by a prospectus. Please read it carefully before investing.

The portfolio re-balances semi-annually and may not reflect current allocations.

Total returns for periods longer than one year are average annual total returns. Total returns shown for periods of less than one year are not annualized.

Strategic beta refers to indices that aim to enhance returns or minimize risk relative to a traditional market-capitalization weighted benchmark.

Principal Global Equities is a specialized internal investment boutique of Principal Global Investors, the investment adviser to Principal ETFs.

Risks

Asset allocation and diversification do not ensure a profit or protect against a loss. Investing in ETFs involves risk, including possible loss of principal. ETFs are subject to risk similar to those of stocks, including those regarding short-selling and margin account maintenance. Equity investments involve greater risk, including heightened volatility, than fixed-income investments.

Small and mid-cap stocks may have additional risks including greater price volatility. Investments concentrated in the healthcare industry may be adversely impacted by sector specific market shocks, unforeseen rate controls or regulations, higher than expected costs, or inability to bring new products to market.

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