

Principal U.S. Small-Cap Multi-Factor Index ETF

PSC | Second quarter 2019

Fund overview

A core strategic beta solution for investors seeking low-cost exposure to small cap stocks without sacrificing benefits like quality control, risk screening and potential outperformance.

Trading information

Symbol CUSIP
PSC 74255Y607

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 454	Morningstar category Small Blend
Net/gross expense ratios 0.38%	Inception date September 21, 2016
Net assets \$355,198,745	Dividend schedule Quarterly

Benchmark

Nasdaq US Small Cap Select Leaders Index

The Principal U.S. Small-Cap Multi-Factor Index ETF seeks to track the Nasdaq US Small Cap Select Leaders IndexSM, a Nasdaq-licensed index based on Principal's intellectual property. The index is designed to provide exposure to companies within the index that exhibit high degrees of sustainable shareholder yield, pricing power, and strong momentum.

Investors cannot invest directly in an index.

Crafted to provide small cap exposure with reduced volatility

- These companies may offer broad diversification given their potential to tap into diverse geographies, industries, and innovation opportunities.
- Goes beyond traditional cap-weighted strategies, screening for quality, growth, value, and momentum factors, calibrating to reduce volatility and liquidity risks.
- Principal's decades of asset allocation expertise inform our purposeful index design and systematic implementation.

Index methodology

1. Define universe

Begin with the Nasdaq US Small Cap Index.



2. Exclude

Stocks in the bottom decile of liquidity (the least liquid stocks) are removed.



3. Assess

Utilize a multi-factor model to identify companies exhibiting characteristics consistent with quality growth, value, and momentum factors.



4. Rank

Multi-factor scores calculated for each company are used to identify the ~400 highest-ranked companies from the initial universe.



5. Calibrate

Portfolio holdings are fine-tuned to favor less volatile stocks and to remain sector-neutral.



6. Weight

Using a modified liquidity weighting approach, securities are capped at 0.70% of the index and favor more liquid stocks.



7. Rebalance

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



Why consider allocating to a portfolio:

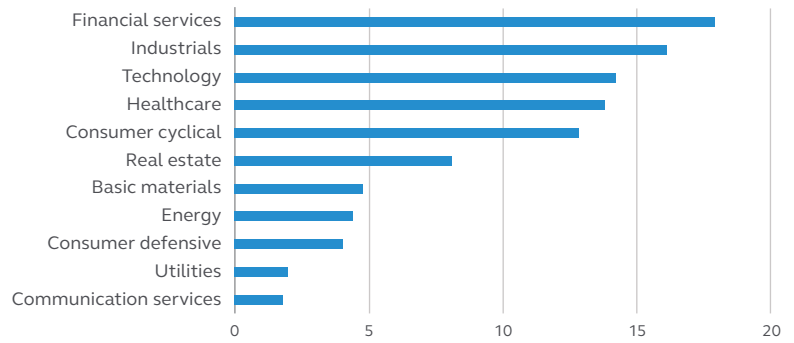
- Use as a complement to traditional cap-weighted strategies.
- An entry point for investors who want small-cap equity exposure but are concerned about managing volatility.
- A lower cost alternative to active strategies.

Top 10 holdings

	% of net assets
Legg Mason Inc.	0.98
Alteryx Inc.	0.92
Aerojet Rocketdyne Holdings	0.82
Federated Investors Inc.	0.79
Timken Co.	0.79
Premier Inc.	0.78
KBR Inc.	0.78
Cadence Bancorp	0.77
Granite Point Mortgage Trust	0.74
Northwestern Corp.	0.73
Total % in top 10	8.08

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

Sector allocations (%)



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

Performance history

PSC inception date September 21, 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	1.30	13.53	-4.84	9.74	1.51	1.51	0.96
Market price return	1.21	13.65	-4.84	9.74	—	—	—
Nasdaq US Small Cap Select Leaders Index	1.42	13.82	-4.47	10.23	—	—	—
Russell 2000® TR USD	2.10	16.98	-3.31	10.14	—	—	—

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 exchange traded 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.

Investor shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Ordinary brokerage commissions apply.

Small-cap stocks may have additional risks including greater price volatility. Equity investments involve greater risk, including heightened volatility, than fixed-income investments.

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