

Principal Exchange-Traded Funds 2016 Tax Filing Information

This information is provided to assist shareholders in preparing their 2016 tax returns. The information contained herein should not be deemed to be tax advice. Due to many differences in state and local regulations, shareholders should consult their tax advisors regarding this information. If you have questions concerning the information we have furnished, contact your financial professional or call 1-800-787-1621.

Government Obligations Percentage

A portion of the dividends paid by the following funds during 2016 was derived from investments in obligations of the U.S. government or its agencies. Some of these dividends may be exempt from state and local taxes depending on the tax laws of your individual state or local taxing authority. Some states treat income from federal agency obligations differently than income from direct federal obligations. Please consult your tax advisor to determine which, if any, of the obligations listed below may be exempt from your state income tax.

<u>Ticker</u>	<u>Fund</u>	<u>Direct Federal Obligations</u>	<u>Indirect Federal Obligations</u>	<u>Repurchase Agreements</u>
YLD	PETF Principal EDGE Active Income ETF	0.00%	5.75%	0.00%

PETF = Principal Exchange-Traded Funds

Qualified Dividends & Dividends Received Deduction

Qualified dividends received and distributed by a fund are eligible to be taxed at lower rates. Qualified dividends are generally distributions from domestic corporations and certain qualified foreign corporations that meet certain holding requirements. The ordinary dividends that may qualify for the lower tax rates are shown in Box 1b of Form 1099-DIV. Shareholders must meet the holding period requirement to qualify for the lower ordinary dividend tax rates. To be eligible to treat all or a portion of the fund's dividend as qualified, a shareholder must have held the fund's shares for at least 61 days during the 121-day period surrounding the ex-dividend date. For additional information, see IRS Publication 550 at www.irs.gov.

Dividends Received Deduction. For corporate shareholders, the percentage of ordinary income distributions (dividend income and short-term gains, if any) for 2016, that qualifies for the Dividends Received Deduction are as follows:

<u>Ticker</u>	<u>Fund</u>	<u>QDI</u>	<u>DRD</u>
YLD	PETF Principal EDGE Active Income ETF	13.63%	12.30%
GENY	PETF Principal Millennials Index ETF	100.00%	63.58%
PSET	PETF Principal Price Setters Index ETF	100.00%	100.00%
PY	PETF Principal Shareholder Yield Index ETF	100.00%	88.39%
PSC	PETF Principal U.S. Small Cap Index ETF	92.21%	89.00%

Long-Term Capital Gain Distributions

Certain funds distributed long-term capital gain dividends during the calendar year ended December 31, 2016. Unless otherwise designated, long-term capital gain dividends are subject to a maximum tax rate of 20-percent, 15-percent, or 0-percent, depending on the shareholder's taxable income. To the extent necessary to distribute such capital gains, certain funds may also utilize, and hereby designate, earnings and profits distributed to shareholders on redemptions of shares as part of the dividends paid deduction. Please consult your tax advisor if you have any questions.