

## Principal Spectrum Preferred Securities Active ETF

PREF | Second quarter 2019

**Fund overview**

The Principal Spectrum Preferred Securities Active ETF seeks to provide current income through active security selection, exclusively in the \$1,000 par institutional preferred securities sector.

**Trading information**

**Symbol** CUSIP  
PREF 74255Y888

**Exchange**  
Cboe BZX Exchange, Inc

**Portfolio management**

**L. Phillip Jacoby**  
37 years of experience

**Mark A. Lieb**  
42 years of experience

**Manu Krishnan**  
15 years of experience

**Roberto Giangregorio**  
16 years of experience

**Paul Kim, CFA**  
20 years of experience

**Daniela Spassova, CFA**  
20 years of experience

**Key attributes**

**Net/gross expense ratios** 0.55%  
**Inception date** July 10, 2017

**Net assets** \$67,749,565  
**Dividend schedule** Monthly

**Benchmark**  
ICE BofAML US Investment Grade Institutional Capital Securities Index

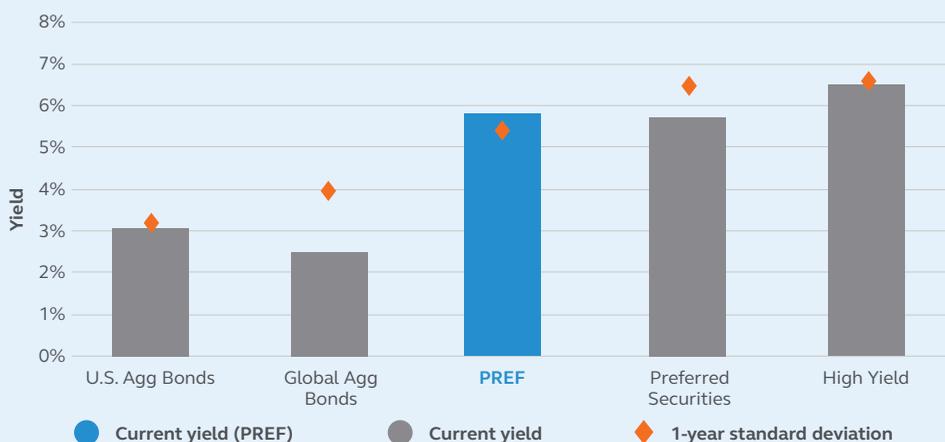
**Fund information**

	Fund	Index
Average effective duration	5.07	4.86
Number of holdings	35	113
Qualified dividend income (QDI)*	36.99%	33.50%
Average yield-to-maturity	5.85%	5.25%

\* For more detailed tax information, consult your tax attorney or accountant for advice.

**Crafted to provide dedicated exposure to \$1,000 par preferred securities**

- Designed to offer attractive yields, diversification benefits<sup>1</sup>, and reduced call risk<sup>2</sup> compared to \$25 par preferred securities.
- An active portfolio approach which utilizes a robust credit research process and has the potential for downside risk management.
- Spectrum Asset Management has specialized expertise in preferred securities, having an average of 28 years of experience.<sup>3</sup>

**Strong yield relative to volatility of returns**

The chart shows the current yield of different fixed income segments, relative to the standard deviation (volatility) of returns.

Standard Deviation 06/30/2018 - 06/30/2019; Current yield as of 06/30/2019

Source: Morningstar, Spectrum Asset Management

The Bloomberg Barclays Capital U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and USD-denominated.

The Bloomberg Barclays Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets.

The ICE BofAML US All Capital Securities Index (IOCS) tracks the performance of fixed rate, US dollar denominated hybrid corporate and preferred securities publicly issued in the US domestic market.

ICE BofAML US High Yield Index (HOAO) tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market.

Past performance does not guarantee future results. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

The chart shows the current yield of different fixed income segments, relative to the standard deviation (volatility) of returns. Current yield is the annual income of the security, divided by the current price of the security.

**Why consider allocating to a portfolio:**

- Preferred securities could increase fixed-income yield.
- As a replacement for passive strategies that can't actively manage for call risk.
- For potential reduced sensitivity to rising rates with allocations to fixed-to-float and fixed-to-variable securities.

**Average effective duration:** A time measure of a bond portfolio's interest-rate sensitivity, based on the weighted average of the time periods over which the cash flows of all of the portfolio's bond holdings accrue to the portfolio. Time periods are weighted by multiplying by the present value of each bond's cash flow divided by that bond's price. A bond's cash flows consist of coupon payments and repayment of capital.

**Weighted average maturity:** The average time remaining until the bonds in the strategy mature.

**Qualified dividend income (QDI):** Qualified dividends are subject to capital gains tax rates that are lower than ordinary dividends.

**Average yield-to-maturity:** The average potential yield if held to the maturity dates of the bonds in the strategy.

**Top 10 issuers**

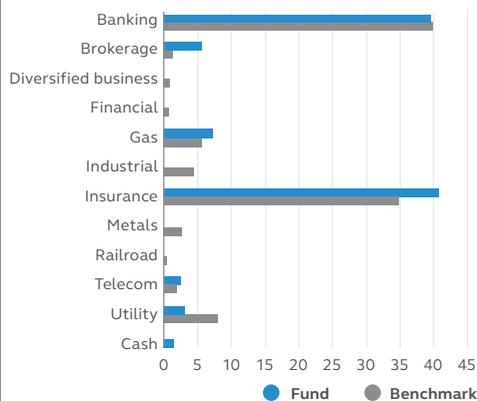
	% of net assets
HSBC	4.70
Sumitomo Life Insurance	4.67
Standard Chartered	4.63
Demeter Swiss Re	4.62
Zurich Insurance	4.60
Bank of America	4.53
Dai-ichi Life	4.48
BNP Paribas	4.47
MetLife	4.40
Lloyds	3.78
<b>Total:</b>	<b>44.89</b>

**Credit quality breakdown**

S&P	PREF (%)	Moody	PREF (%)	Fitch	PREF (%)
A	4.60	A2	4.60	—	—
A-	12.18	A3	12.32	A-	15.84
BBB+	11.07	Baa1	8.67	BBB+	5.77
BBB	10.83	Baa2	19.60	BBB	30.56
BBB-	41.72	Baa3	10.37	BBB-	22.41
BB+	10.20	Ba1	25.18	BB+	18.65
BB	7.82	Ba2	5.54	BB-	2.16
NR	0.00	NR	12.14	NR	3.04

Source: Spectrum Asset Management, Bloomberg, Moody's, S&P, Fitch. As of June 30, 2019. The above chart shows credit ratings for the underlying securities of the Fund as provided by Standard and Poor's (S&P), Fitch, and Moody. Where ratings differ, percentages reflect the average of the three rating agencies. Ratings typically range from AAA/Aaa (highest) to C/D (lowest). The credit ratings reflect the rating agency's opinion of the holdings financial condition and histories. Ratings do not apply to the Fund itself or to Fund shares. Ratings are subject to change.

**Sector allocations\***



\*May not reflect current allocations or sub-advisors. Percentages may not add up to 100% due to rounding.

**Performance history**

PREF inception date July 10, 2017	Total returns (%)				Yields (%)	
	3-month	Year-to-date	1-year	Since inception through quarter end	30-day SEC yield <sup>4</sup>	Distribution yield <sup>5</sup>
Net Asset Value (NAV) return	3.41	10.71	7.99	3.30	4.41	5.21
Market price return	3.56	10.51	7.95	3.62	—	—
ICE BofAML US Investment Grade Institutional Capital Securities Index	4.07	11.88	9.35	4.61	—	—

Source: State Street

<sup>1</sup> Source: Bloomberg, Spectrum Asset Management. As of June 30, 2019. Based on comparing correlations among \$25 par (The ICE BofAML Core Plus Fixed Rate Preferred Securities Index), \$1,000 par (The ICE BofAML US Investment Grade Institutional Capital Securities Index), Corporate Bonds (The ICE BofAML US Corporate Index), 10-Year Treasury (The ICE BofAML Current 10-Year US Treasury Index), 3-Month Treasury (The ICE BofAML US 3-Month Treasury Bill Index).

<sup>2</sup> Source: Bloomberg, Spectrum Asset Management. As of June 30, 2019. 33% of the \$25 par market has the potential to be called versus only 19% of the \$1,000 par market.

<sup>3</sup> As of June 30, 2019.

<sup>4</sup> 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.

<sup>5</sup> As of July 01, 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.

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.

The ICE BofA Merrill Lynch U.S. Investment Grade Institutional Capital Securities Index tracks the performance of U.S. dollar denominated investment grade hybrid capital corporate and preferred securities publicly issued in the U.S. domestic market.

Spectrum Asset Management, Inc. is the investment manager of the fund and is an affiliate of Principal Global Investors, the investment adviser for Principal ETFs.

*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.*

**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.**

**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 may apply.

Risks of preferred securities differ from risks inherent in other investments. In particular, in a bankruptcy preferred securities are senior to common stock but subordinate to other corporate debt.

Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline.

Unlike typical ETFs, there are no indices that the Principal Spectrum Preferred Securities Active ETF attempts to track or replicate. Thus, the ability of the Fund to achieve its objectives will depend on a variety of factors, including the effectiveness of the portfolio manager. ETFs can be tax efficient in that they are exchange-traded and redeem creation units from authorized participants by using redemptions in kind, which are not taxable transactions for the Fund. However, capital gains are still possible in an ETF, and if you reinvest the earnings of the ETF, you may owe taxes on your funds even if you didn't sell any shares, potentially eating into your returns.

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