

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

USMC | Second quarter 2019

Fund overview

A core strategic beta solution for investors seeking enhanced stability with exposure to the largest companies in the United States.

Trading information

Symbol USMC
CUSIP 74255Y870
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 50	Morningstar category Large Blend
Net/gross expense ratios¹ 0.12%/0.15%	Inception date October 11, 2017
Net assets \$1,618,941,055	Dividend schedule Quarterly

Benchmark

Nasdaq US Mega Cap Select Leaders Index

The Principal U.S. Mega-Cap Multi-Factor Index ETF seeks to track the Nasdaq US Mega Cap Select Leaders IndexSM, a Nasdaq-licensed index based on Principal's intellectual property. The index is a custom index based on a proprietary rules-based algorithm created by Principal in collaboration with Nasdaq. Stocks in the custom index are filtered from the Nasdaq U.S. 500 Large Cap Index and then weighted based on this proprietary algorithm.

Crafted to provide Mega-cap exposure with reduced volatility

- Mega-cap companies may exhibit safe-haven characteristics in periods of market stress, which could improve investment outcomes over time.
- U.S. Mega-Cap goes beyond traditional cap-weighted strategies, factoring a company's historical volatility into the index weighting methodology.
- 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 500 Large Cap Index.



2. Exclude

Companies in the lower 50th percentile by market value are removed.



3. Assess

The resulting top 50% is divided into two sub-categories: the top 10% by aggregate market cap, and the bottom 90%.



4. Allocate

The top 10% are weighted by market cap, while the bottom 90% are equally weighted.



5. Calibrate

A +/- 1% tilt is applied to the portfolio's holdings, based on each individual stock's volatility profile.²



6. Rebalance

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



Why consider allocating to a portfolio:

- A complement to traditional cap-weighted strategies.
- An entry point for investors who want equity exposure but are concerned about managing volatility.
- A lower cost alternative to active strategies which may underweight the largest U.S. companies.

¹ The investment adviser has contractually agreed to reduce total annual fund operating expenses for the Fund by waiving a portion of its management fee, or reimbursing the Fund, to the extent that total expenses exceed 0.12% (excluding interest expense, expenses related to fund investments, acquired fund fees and expenses, and other extraordinary expenses) expressed as a percent of average net assets on an annualized basis. It is expected that the expense limit will continue through the period ending October 31, 2019; however, Principal Exchange-Traded Funds and the investment adviser may mutually agree to terminate the expense limit prior to the end of the period.

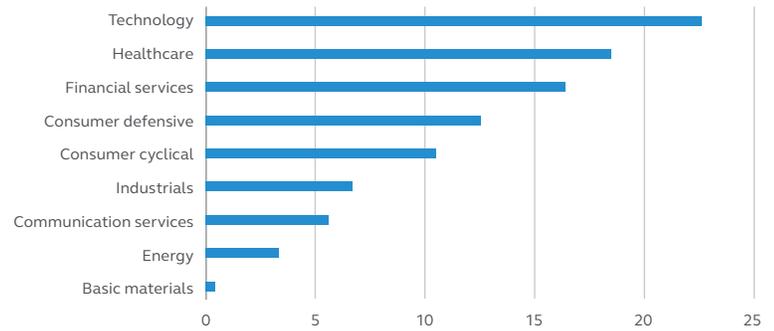
² A +/- 1% tilt is applied to the portfolio's holdings, based on each individual stock's volatility profile applies to the top 20% and bottom 20% of volatility.

Top 10 holdings

	% of net assets
Microsoft Corp.	3.95
The Walt Disney Co.	3.66
Apple Inc.	3.61
Walmart Inc.	3.29
Honeywell International Inc.	3.19
McDonald's Corp.	3.17
Pepsico Inc.	3.14
Oracle Corp.	3.08
Procter & Gamble Co.	3.08
Merck & Co.	2.94
Total % in top 10	33.12

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

USMC inception date October 11, 2017	Total returns (%)				Yields (%)		
	3-month	YTD	1-year	Since inception through quarter end	30-day SEC ³ (subsidized)	30-day SEC ³ (unsubsidized)	Distribution yield ⁴
Net asset value (NAV) return	3.84	16.36	14.32	11.05	2.07	2.05	2.23
Market price return	3.92	16.09	14.25	11.05	—	—	—
Nasdaq US Mega Cap Select Leaders Index	3.89	16.51	14.56	11.36	—	—	—
S&P 500 TR USD	4.30	18.54	10.42	10.72	—	—	—

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.

³ 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. Unsubsidized yield reflects what the SEC yield would be if the investment company were not waiving a portion of the Fund's expense ratio. Subsidized yield would reflect a Fund's yield incorporating all expense ratios waivers.

⁴ 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.

The Nasdaq US Select Index Family is comprised of United States (US) securities comprised from the NASDAQ US Benchmark Index and broken into three size categories by market capitalization headcount of large, mid, and small cap. Each category is based on float-adjusted, market capitalization rank with large ranking from 1 to 500, mid from 501 to 1,100, and small from 1,101 to 1,800. The Indices began on January 11, 2016 at a base value of 1,000.00.

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.

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