

# Principal Healthcare Innovators Index ETF

Third quarter 2021

## Fund overview

A thematic, strategic beta solution that seeks exposure to leading U.S. healthcare companies. The Principal Healthcare Innovators Index ETF seeks long-term growth potential by investing in innovative health care companies.

## Trading information

**Symbol** CUSIP  
BTEC 74255Y409

**Exchange**  
Nasdaq

## Portfolio management

**Jeffrey A. Schwarte, CFA**

28 years of experience

**Aaron Siebel, CFA**

16 years of experience

## Fund information

	Fund	S&P 1500 Health Care
Net assets	\$136.7M	—
Number of holdings	301	179
Dividend frequency	Quarterly	—
Active share	98.2%	—
Market cap <sup>1</sup>	\$7.7B	\$159.5B
Beta (3-year)	1.3	—
Standard deviation (3-year)	30.0	16.0
Sharpe ratio (3-year)	0.4	0.7

Source: FactSet, Principal Global Investors, and State Street

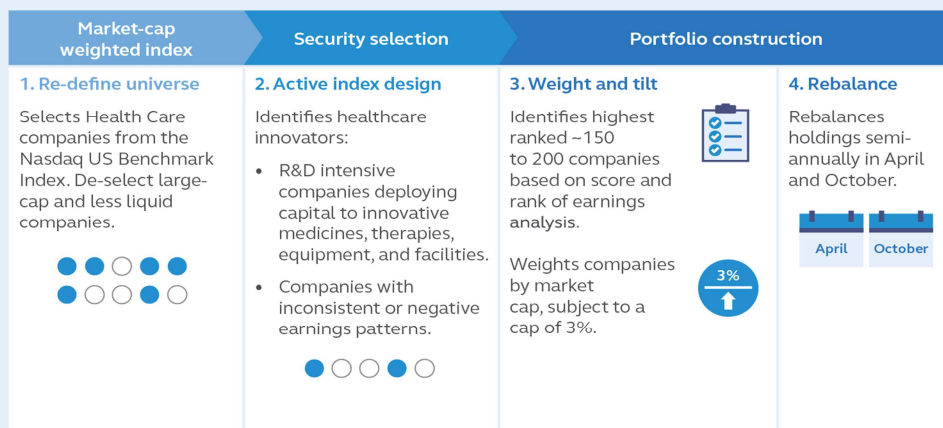
<sup>1</sup> Weighted average

Reported FactSet data is subject to revision over time, which may result in slight differences among data points reported during the same period.

## Long-term growth potential from early-stage healthcare innovation

- Seeks to tap into the increasing demand for healthcare solutions as demographic trends have driven healthcare spending to more than double in the last 20 years.<sup>2</sup>
- Analyzes earnings patterns of healthcare companies to hone in those actively investing in early-stage research and development.
- Focuses on smaller, innovative companies that many other investment strategies overlook.

## Index methodology



The Principal Healthcare Innovators Index ETF seeks to track the Nasdaq US Health Care Innovators Index<sup>SM</sup>, a Nasdaq-licensed index based on intellectual property of Principal. The index is designed to provide exposure to US companies that are early stage healthcare companies. Investors cannot invest directly in an index. During extraordinary market conditions, the index provider may delay the scheduled rebalancing of the index until a future date when conditions have changed.

## Why allocate to a portfolio:

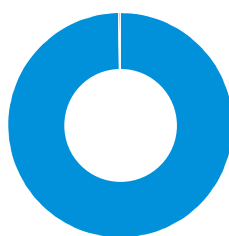
- Active index design may make BTEC an attractive replacement to the high costs spent on managing active portfolios of early-stage healthcare companies.
- Diversifies the return profile of more traditional healthcare holdings to potentially benefit from high-growth opportunities.
- Incorporates a demographic theme that seeks to capitalize on anticipated changes in our world.

<sup>2</sup> Kamal, Rabah, and Cynthia Cox. "How Has U.S. Spending on Healthcare Changed over Time?" Peterson-Kaiser Health System Tracker, 10 December 2018.

Top 10 holdings<sup>3</sup>

	% of net assets
SEAGEN INC	3.9
ALNYLAM PHARMACEUTICALS INC	3.1
INSULET CORP	2.8
EXACT SCIENCES CORP	2.3
TELADOC HEALTH INC	2.3
ELANCO ANIMAL HEALTH INC	2.3
BIOMARIN PHARMACEUTICAL INC	2.1
NOVAVAX INC	1.9
10X GENOMICS INC CLASS A	1.9
GUARDANT HEALTH INC	1.8
<b>Total</b>	<b>24.4</b>

<sup>3</sup> Source: State Street. The holdings listed do not constitute a recommendation to purchase or sell a particular security. Cash and/or derivative positions that are not part of the core investment strategy will not be reflected in the top holdings list.

Sector allocation (%)<sup>4</sup>

99.8 Health Care

0.2 Cash

<sup>4</sup> Source: FactSet. Fund holdings and allocations shown are unaudited and may not be representative of current or future investments. Percentages may not add up to 100% due to rounding and/or inclusion or exclusion of cash.

Healthcare sector breakdown (%)<sup>4</sup>

BIOTECHNOLOGY	62.3
HEALTH CARE EQUIPMENT	10.7
PHARMACEUTICALS	7.7
HEALTH CARE TECHNOLOGY	5.2
HEALTH CARE SERVICES	4.6
LIFE SCIENCES TOOLS & SERVICES	4.5
HEALTH CARE SUPPLIES	2.3
HEALTH CARE DISTRIBUTORS	0.8
MANAGED HEALTH CARE	0.8
HEALTH CARE FACILITIES	0.8

## Performance

	Total returns (%)									Yields (%)	
	3-month	Year-to-date	1-year	3-year	5-year	10-year	Since inception (08/19/2016)	Expense ratio <sup>8</sup> (net/gross)	Expense limit expiration date	30-Day SEC (Unsubsidized/subsidized) <sup>9</sup>	Distribution yield <sup>10</sup>
Net asset value (NAV) return	-10.00	-6.72	16.03	14.06	15.97	—	16.65	0.42/0.42	—	-0.38/-0.38	0.00
Market price return	-10.36	-6.90	14.99	14.01	15.90	—	16.62	—	—	—	—
Nasdaq US Health Care Innovators Index <sup>5,7</sup>	-9.93	-6.47	16.46	14.45	16.42	—	17.14	—	—	—	—
S&P 1500 Health Care Index <sup>6,7</sup>	1.16	13.10	23.18	12.27	14.50	—	13.61	—	—	—	—
<b>Calendar year returns (%)</b>			<b>2017</b>			<b>2018</b>			<b>2019</b>		
Net asset value (NAV) return				36.31			-11.20			38.92	
Market price return				36.53			-11.47			39.08	
Nasdaq US Health Care Innovators Index <sup>5,7</sup>				36.99			-10.82			39.58	
S&P 1500 Health Care Index <sup>6,7</sup>				22.47			6.71			20.87	
										14.55	

Source: State Street and Principal Global Investors

**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](https://PrincipalETFs.com) for current month-end performance.**

<sup>5</sup> The Nasdaq US Health Care Innovators Index is designed to provide exposure to non-Mega Cap US Health Care companies within the Nasdaq US Benchmark Index that are non-earners. The Index began on May 23, 2016 at a base value of 1000. Investors cannot invest directly in an index.

<sup>6</sup> S&P 1500 Health Care Index comprises those companies included in the S&P Composite 1500 that are classified as members of the GICS health care sector.

<sup>7</sup> Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

<sup>8</sup> The net expense ratio reflects contractual expense limits, if any, which may lower net expenses and cause the gross and net expense ratios to differ. In such cases a date is listed through which expense limits are expected to apply; however, Principal Exchange-Traded Funds and the investment adviser may mutually agree to terminate the expense limits prior to the end of the period. Returns displayed are based on net total investment expense.

<sup>9</sup> 30-Day SEC yield represents net investment income earned by a fund over a 30-day period, stated as an annual percentage. Unsubsidized yield reflects the SEC yield when some fund expenses are not waived. Subsidized yield reflects a fund's yield when all expense waivers are included.

<sup>10</sup> As of July 1, 2021. 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.

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar ratings do not reflect the inclusion of sales charges. If sales charges were reflected, ratings could be lower.

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**Active share:** Measures how different portfolio weights in securities are from benchmark weights. The higher the active share, the more the portfolio differs from the benchmark.

**Beta:** Measures a portfolio's sensitivity to market movements. **Standard deviation:** Measures how widely portfolio returns have varied. **Sharpe ratio:** Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance.

Returns shown for periods of less than one year are not annualized.

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

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

## 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.

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.

**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.**

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MM8595-30 | 10/2021 | 1841685-022022 | PRI000959-072023

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