

# Principal Healthcare Innovators ETF

Fourth quarter 2022

## Fund overview

The Fund seeks long-term growth of capital by providing exposure to innovative U.S. healthcare companies.

## Trading information

**Symbol** BTEC **CUSIP** 74255Y409

## Exchange

Nasdaq

## Portfolio management

**Jeffrey Schwarte, CFA**

30 years of experience

**Aaron Siebel, CFA**

18 years of experience

## Fund information

	Fund	Index
Net assets	\$55.6M	—
Number of holdings	249	381
Dividend frequency	Quarterly	—
Active share	40.6%	—
Market cap <sup>1</sup>	\$4.9B	\$2.7B
Beta (3-year)	1.0	—
Standard deviation (3-year)	27.9	26.7
Sharpe ratio (3-year)	-0.2	-0.2

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.
- Active, rules-based framework helps ensure a consistent approach is implemented through different market cycles.

## Active, rules-based framework

Market-cap weighted index	Security selection	Portfolio construction
<p>Selects U.S. health care companies from the small- and mid-cap universe, de-selecting less liquid companies.</p>	<p>Identifies healthcare innovators:</p> <ul style="list-style-type: none"> <li>• R&amp;D intensive companies deploying capital to innovative medicines, therapies, equipment, and facilities.</li> </ul>	<p>Identifies highest ranked companies based on score and rank of earnings analysis.</p> <p>Weights companies by market cap, subject to a cap of 3%.</p>
<p>Russell 2000® Healthcare Index comprises companies included in the Russell 2000® Index that are classified as members of the GICS Health Care sector. Investors cannot invest directly in an index.</p>		

## Why allocate to a portfolio:

- Complementary to more traditional large-cap health care holdings and funds to potentially benefit from high-growth opportunities.
- Intentionally diversified, active, rules-based framework designed to mitigate single stock volatility.
- Lower cost relative to traditional active strategies.

<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
ALNYLAM PHARMACEUTICALS INC	3.6
BIO RAD LABORATORIES A	3.3
SEAGEN INC	3.0
SAREPTA THERAPEUTICS INC	2.9
EXACT SCIENCES CORP	2.3
NOVOCURE LTD	2.0
INSPIRE MEDICAL SYSTEMS INC	1.9
KARUNA THERAPEUTICS INC	1.7
ELANCO ANIMAL HEALTH INC	1.5
APELLIS PHARMACEUTICALS INC	1.5
<b>Total</b>	<b>23.7</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.

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

	Fund
BIOTECHNOLOGY	65.7
HEALTH CARE EQUIPMENT	13.7
PHARMACEUTICALS	11.7
LIFE SCIENCES TOOLS & SERVICES	7.4
HEALTH CARE SUPPLIES	1.2
HEALTH CARE FACILITIES	--
HEALTH CARE SERVICES	--
HEALTH CARE DISTRIBUTORS	--
HEALTH CARE TECHNOLOGY	--
MANAGED HEALTH CARE	--

<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.

## Performance

	Total returns (%)							Yields (%)		
	3-month	1-year	3-year	5-year	10-year	Since inception (08/19/2016)	Expense ratio <sup>7</sup> (net/gross)	Expense limit expiration date	30-Day SEC (Unsubsidized/subsidized) <sup>8</sup>	Distribution yield <sup>9</sup>
Net asset value (NAV) return	-1.88	-28.84	-3.99	1.77	—	5.04	0.42/0.42	—	-0.27/-0.27	0.00
Market price return	-2.15	-28.89	-4.06	1.69	—	5.01	—	—	—	—
Russell 2000 Healthcare Index <sup>5,6</sup>	-3.69	-29.05	-5.31	0.60	—	5.22	—	—	—	—
<b>Calendar year returns (%)</b>			<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>		
Net asset value (NAV) return			36.31	-11.20	38.92	52.52	-18.44	-28.84		
Market price return			36.53	-11.47	39.08	52.53	-18.58	-28.89		
Russell 2000 Healthcare Index <sup>5,6</sup>			35.90	-6.55	29.92	45.21	-17.61	-29.05		

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 [www.PrincipalAM.com/ETF](http://www.PrincipalAM.com/ETF) for current month-end performance.**

<sup>5</sup> Russell 2000<sup>®</sup> Healthcare Index comprises companies included in the Russell 2000<sup>®</sup> Index that are classified as members of the GICS Health Care sector.

<sup>6</sup> Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

<sup>7</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>8</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>9</sup> As of December 28, 2022. 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.

Prior to July 15, 2022, the objective and strategy of the Fund differed from its current objective and strategy. Accordingly, performance of the Fund for periods prior to that date may not be representative of the performance the Fund would have achieved had the Fund been following its current objective and strategy.

**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 annually and may not reflect current allocations.

**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.

Unlike typical ETFs, there are no indices that the Principal Healthcare Innovators ETF attempts to track or replicate. Thus, the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager.

**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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