Principal Fixed Income

Principal Asset Management℠

THE CASE FOR PRINCIPAL ACTIVE HIGH YIELD ETF (YLD)

Strategic exposure through affordable active management in an inefficient asset class

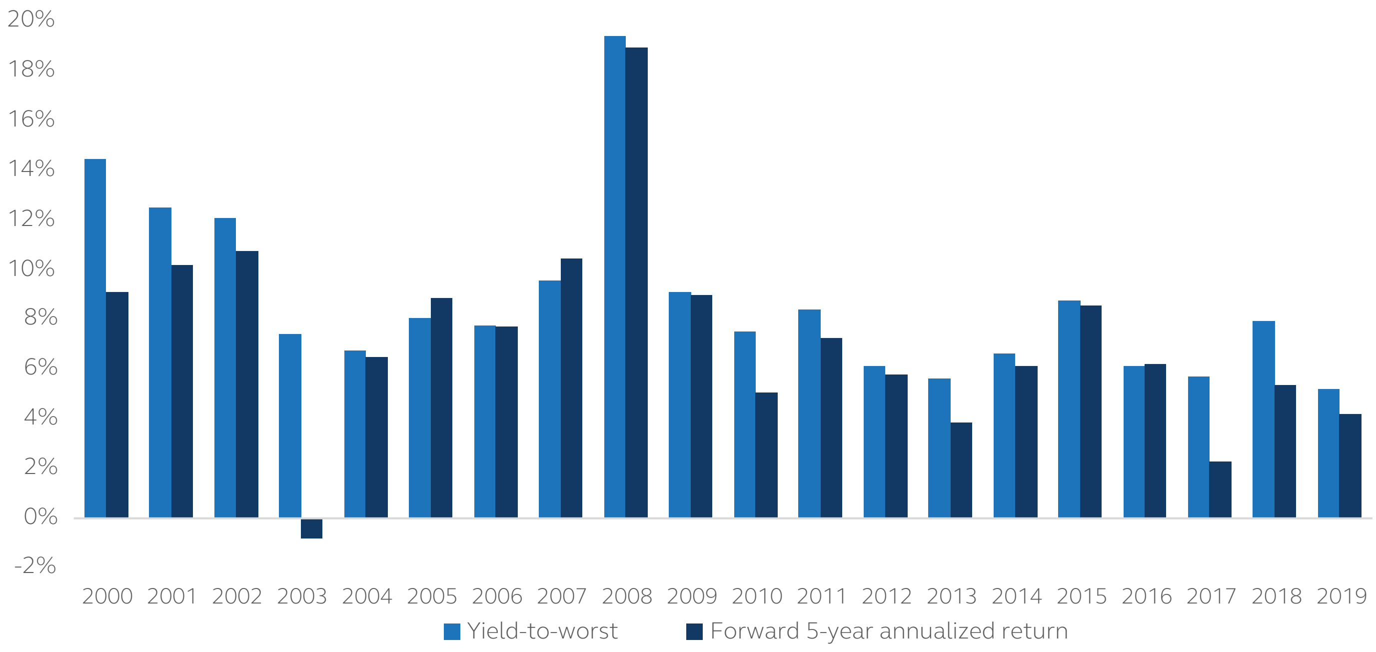
Historically, attractive yields coupled with moderate growth have created an appealing entry point for a strategic allocation to high yield bonds.

For high yield bonds, starting yield is a helpful indicator of future returns for the asset class

Some investors tend to focus on spreads as a guide for when to enter and exit the high yield asset class. While this approach is akin to market timing, we believe the bigger risk for investors is missing out on the income that high yield can provide over the long term.

Yield-to-worst and forward 5-year annualized return

Average yield-to-worst: 8.75% **Average forward 5-year annualized return:** 7.26% **Correlation:** 0.84



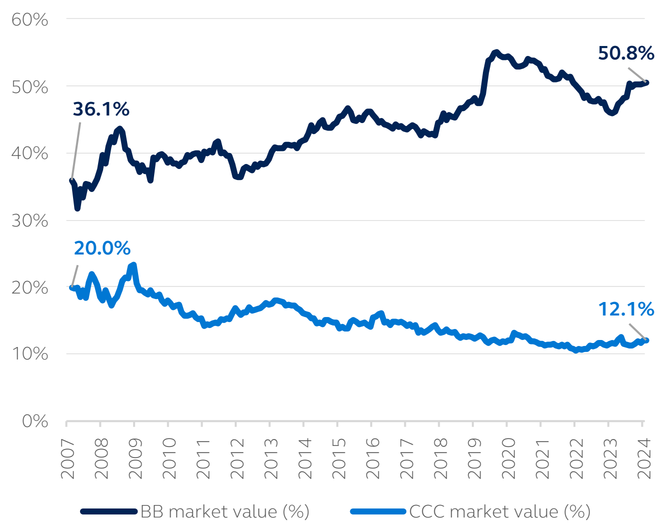
Source: Bloomberg. As of December 31, 2024. Data is representative of the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index. Past index performance is not a reliable indicator of future performance.

Long-term investors benefit from the increased credit quality and risk-adjusted returns of the high yield asset class

The credit profile of the high yield asset class has been consistently improving, as CCCs now account for about half as much of the asset class as they did 15 years ago.

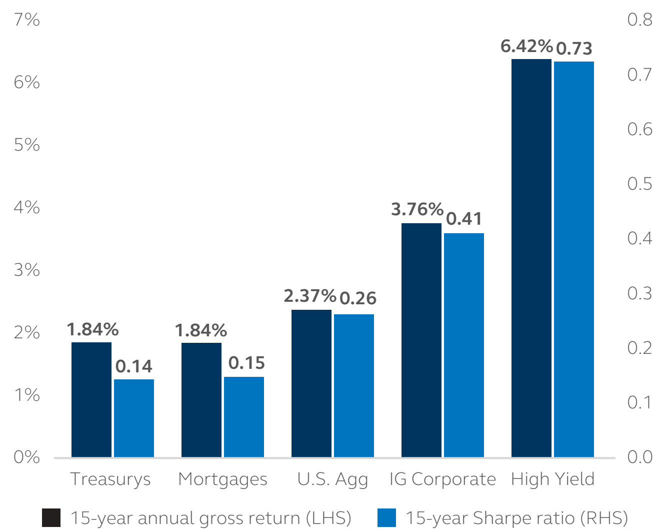
Additionally, high yield bonds have the highest Sharpe ratio among traditional fixed income asset class.

High yield market BB & CCC composition



Source: Bloomberg. As of December 31, 2024. Data is representative of the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index.

15-year annual return and Sharpe ratio

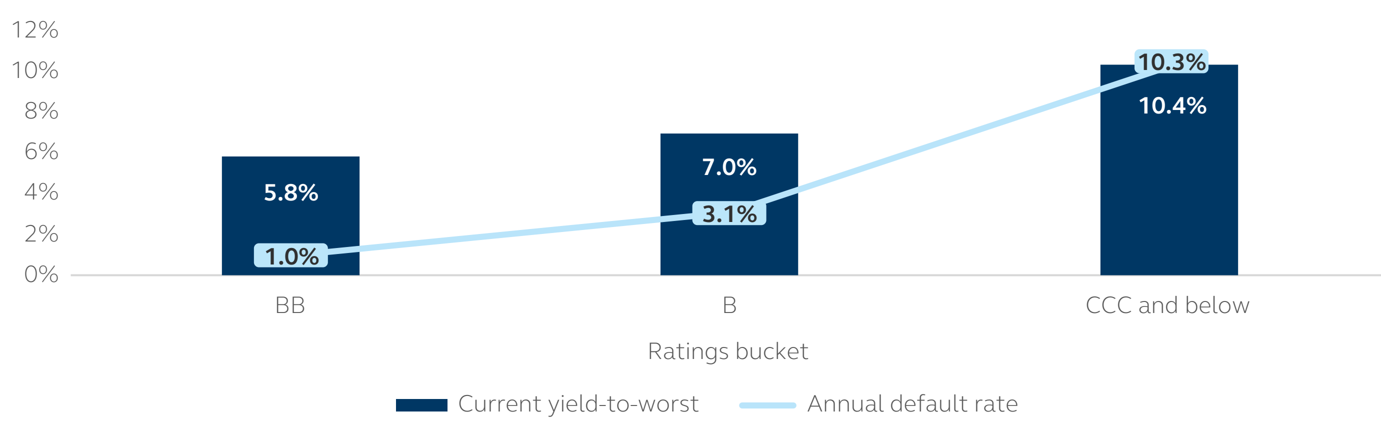


Source: Bloomberg. As of December 31, 2024. Past index performance is not a reliable indicator of future performance. See last page for index descriptions.

The correlation of high yield credit quality and high default rates can pose a problem for passive investors

To fully participate in the asset class's yield and return potential, investors need exposure to the lower-rated credit bucket—that's where a large portion of yield resides. Lower credit ratings have higher default risk, which can potentially be mitigated through active management focused on protecting the downside. CCCs have about 450 basis points of yield pickup over BBs but also historically have 10 times the default risk. Our high-conviction approach provides focused exposure to the highest yielding portion of the asset class while also mitigating risk through strict adherence to predetermined exit strategies.

Yield, credit quality, and default risk



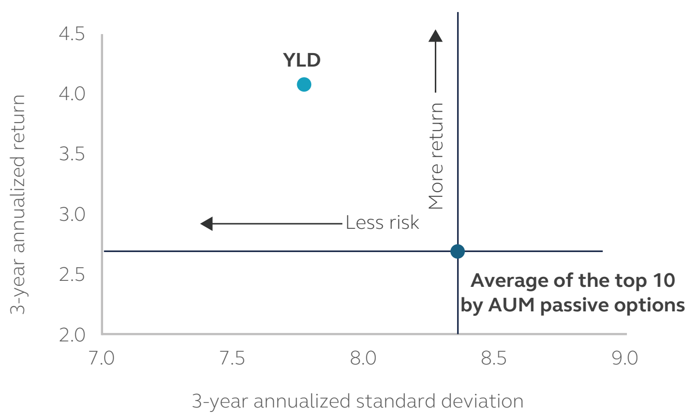
Source: Aladdin, Moody's. Annual issuer-weighted corporate default rates by letter rating, 1920-2023 for the Bloomberg U.S. High Yield 2% Issuer Capped Index.

Why Principal Active High Yield ETF (YLD)?

Affordable active management can shine in inefficient asset classes like high yield bonds

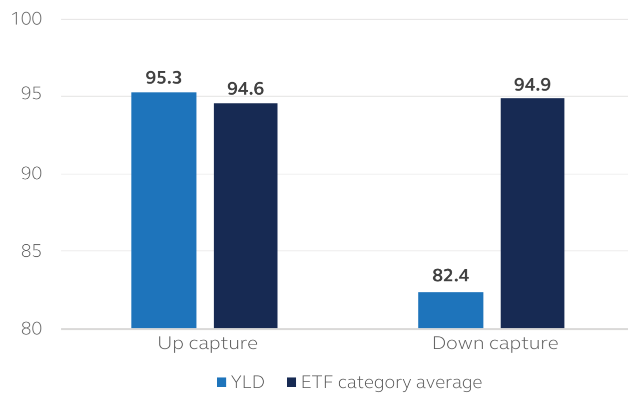
Active management that focuses on exhaustive fundamental credit analysis has the potential to capture yields from lower-rated credits, while avoiding those with higher default risk. Our actively managed ETF, Principal Active High Yield ETF (YLD), employs this approach, offering better risk-adjusted returns than the largest passive ETFs in the category. Additionally, YLD's pricing at 0.39% aligns with some of the largest passive high yield bond ETFs in the marketplace.(1)

YLD versus passive management



Source: Morningstar. As of December 31, 2024.

3-year upside/downside capture

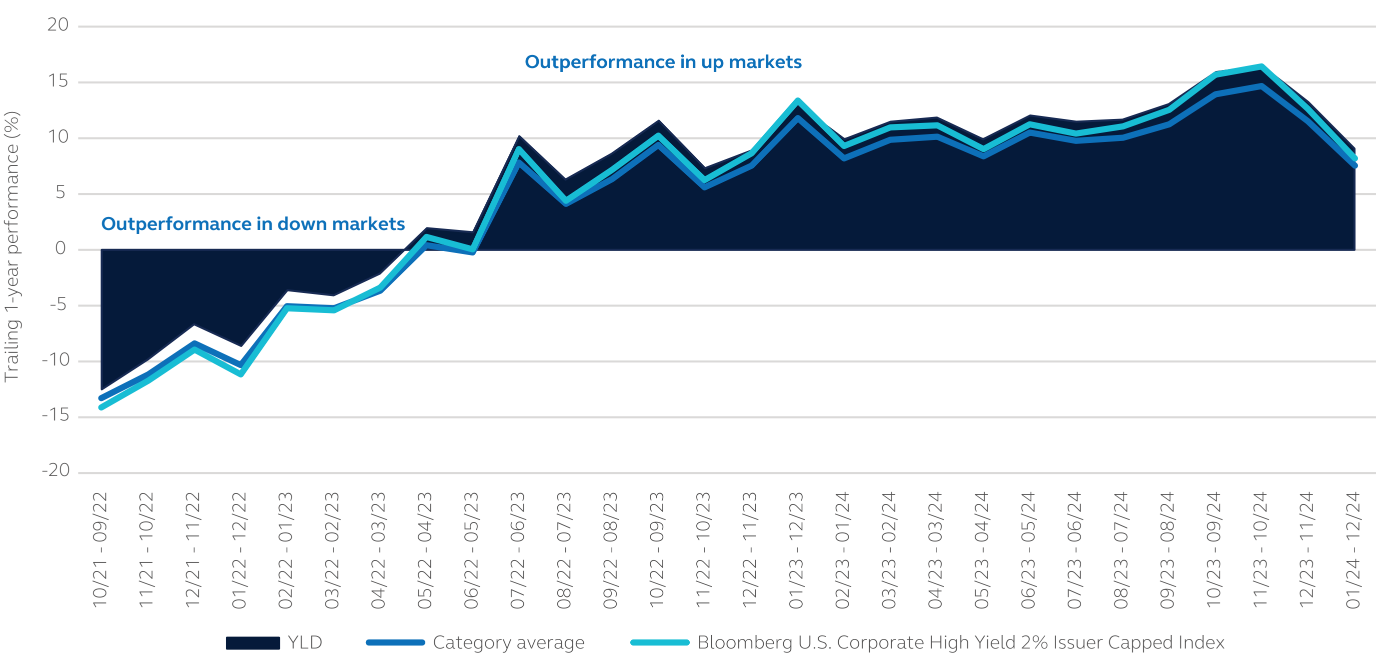


Source: Morningstar. As of December 31, 2024. Data represents the ETF portion of the Morningstar High Yield Bond category.

Consistency and a lack of style bias matter

Quite often, high yield bond strategies employ a style bias (e.g., excluding CCC-rated credits, focusing on short duration only, etc.). While these strategies may perform well in the short run, they rarely outperform the broader market over longer periods of time. YLD utilizes the full opportunity set of the asset class, providing the potential to outperform across all stages of the market cycle as it has done historically.

Monthly outperformance versus the index and the Morningstar category average



Source: Morningstar, Bloomberg. As of December 31, 2024. The Morningstar category is High Yield Bond.

(1) Source: Morningstar. As of December 31, 2024.

How YLD fits into a portfolio

It's hard to find yield without taking risk. Our active, high-conviction, total return approach delivers a solution tailored to provide investors attractive yield with competitive pricing while mitigating risk. Investors looking to add to or reshape their credit allocation to meet client's income needs should consider YLD because it checks the three big boxes: performance, risk, and price.

YLD can be a replacement for passive ETFs, active funds, and even riskier loans and private credit, which have experienced a decrease in credit quality whereas high yield credit quality has been steadily increasing. YLD can also be used as a replacement fund for tax-loss harvesting as many high yield funds still have negative price returns.

Performance

	Total returns (%)							Yields (%)	
	3-month	1-year	3-year	5-year	Since inception (07/08/2015)	Expense ratio[2] (net/gross)	Expense limit expiration date	30-Day SEC (Unsubsidized/ subsidized)[3]	Distribution yield[4]
Net asset value (NAV) return	0.52	9.06	4.08	4.62	5.20	0.39/0.39	–	7.08/7.08	7.89
Market price return	0.67	9.19	3.99	4.57	5.21	–	–	–	–
Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index	0.17	8.19	2.92	4.19	5.21	–	–	–	–

Calendar year returns (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net asset value (NAV) return	16.19	8.33	-4.47	15.18	2.23	8.72	-8.57	13.08	9.06
Market price return	15.11	8.36	-3.43	14.14	1.57	9.48	-8.79	12.91	9.19
Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index	17.13	7.50	-2.08	14.32	7.05	5.26	-11.18	13.44	8.19

Source: State Street and Principal Global Investors . As of December 31, 2024.

[2] 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.

[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.

[4] As of December 27, 2024. 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.

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 thier original cost. Current performance may be higher or lower than the performance quoted. Visit www.PrincipalAM.com/ETF for current month-end performance.

Principal Fixed Income

Principal Fixed Income is the fixed income investment management platform of Principal Asset Management and manages U.S. $147.7 billion in assets under management as of December 31, 2024. Principal Fixed Income has capabilities that span all major fixed income sectors. Our globally integrated platform with investment centers worldwide and over 80 investment professionals, helps to directly access global fixed income markets and deliver a diversity of investment perspectives.
Our structure and proprietary investment tools foster collaboration across sector-specialty teams, whether the sector is explicitly integrated into a portfolio or not. In our view, this diversity of insight helps each sector-specialty team formulate richer investment theses and make better informed investment decisions on behalf of our clients.

Index descriptions

Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index is an unmanaged index comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

Bloomberg U.S. Corporate High Yield Bond Index (High Yield) measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

Bloomberg U.S. Treasury Index (Treasurys) measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting.

Bloomberg U.S. Mortgage Backed Securities (MBS) Index (Mortgages) tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

Bloomberg U.S. Aggregate Index (U.S. Agg) is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg U.S. Corporate Investment Grade Index (IG Corporate) measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers.

Risks

Carefully consider a fund's objectives, risks, charges, and expenses. Contact your financial professional or visit www.PrincipalAM.com for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.

All figures shown in this document are in U.S. dollars unless otherwise noted. All assets under management figures shown in this document are gross figures and may include leverage, unless otherwise noted. Assets under management may include model-only assets managed by the firm, where the firm has no control as to whether investment recommendations are accepted, or the firm does not have trading authority over the assets.

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.

Fixed income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government. Lower-rated securities are subject to additional credit and default risks. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. Investing in derivatives entails specific risks relating to liquidity, leverage, and credit, which may reduce returns and/or increase volatility.

Unlike typical ETFs, there are no indices that the Principal Active High Yield 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.

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.

Tax-loss harvesting involves certain risks, including, among others, the risk that the new investment could perform worse than the original investment, and that transaction costs could offset the tax benefit. There may also be unintended tax implications.

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MM14238-02 | 02/2025 | 4262695-052025 | PRI001649 - 052025