Principal Asset Management®

A primer on exchange traded funds (ETFs)

The adoption of exchange-traded funds (ETFs) continues to rise – and for good reason. ETFs can be a cost-effective way to diversify investment portfolios across a variety of asset classes. Discover what makes ETFs attractive and why they may be right for you.

What is an ETF?

Think of an ETF as the basket that holds a group of stocks, bonds, real estate assets, or other investments.

ETFs diversify like mutual funds. Gain exposure to many different securities in a single, convenient package.

ETFs trade like stocks. Shares are bought and sold throughout the trading day on major exchanges like the Nasdaq and New York Stock Exchange.

Key benefits of ETFs

Tax efficiency

ETFs are structured to help minimize taxable distributions, enabling investors to keep more earnings.

Low cost

ETFs generally incur lower operating costs and seek to pass on the savings to investors. No minimum investment makes it easy to get started.

Trading flexibility

Buy and sell on exchanges for intraday liquidity, eliminating traditional barriers to buying and selling.

Transparency

Most ETFs publish holdings daily, and share prices update in real time throughout the day – so you always know what you own and what it's worth.

Know your options: Passive and active ETFs

	Passive ETFs (index-driven)	Active ETFs (manager-driven)
Performance goal	Match returns of an index, like the S&P 500	Earn higher returns than an index
Portfolio holdings	Include most or all investments in a specified benchmark index, in the same proportions	ETF portfolio managers select and monitor the holdings, creating a more concentrated portfolio that can align with specific investment objectives
Manager involvement	Managers change investments when their index does	A team of professionals actively research, select, and adjust holdings on a regular basis
Costs	Very low due to minimal management fees for products that track an index	Typically lower than actively managed mutual fund products with similar objectives
Reasons to consider	• Lower costs • More predictable performance vs. index • Easy to compare with similar passive ETFs	• Potential to outperform markets • More flexibility to pursue returns and manage risks as conditions change • Access to experts to watch over your money

Ready to learn more?

Principal ETFs aim to provide seamless access to our existing innovative strategies. Investors can have confidence in our established investment processes across key asset classes – now available in cost-effective ETF wrappers.

Talk to your financial professional about adding ETFs to your portfolio, or explore actively managed Principal ETF strategies at **www.principalam.com/etf.**

Carefully consider a fund's objectives, risks, charges, and expenses. For a prospectus, or summary prospectus if available, containing this and other information, visit www.PrincipalAM.com or call Sales Support at 800-787-1621. Please read it carefully before investing.

Asset allocation and diversification do not ensure a profit or protect against a loss.

Investing in ETFs involves risk, including possible loss of principal.

Investors cannot invest directly in an index.

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.

ALPS Distributors, Inc. is the distributor of the Principal ETFs. ALPS Distributors, Inc. and the Principal Funds are not affiliated.

MM14809 | 01/2026 | 5065302-012027 | PRI001972