PRINCIPAL U.S. MEGA-CAP ETF (USMC)

Are investors inadvertently underweighting America’s biggest companies?

Many active large-cap equity managers allocate to mid-cap stocks less covered by Wall Street. This often results in inadvertently underweighting America’s leading mega-cap companies, creating a gap in overall portfolios. Investors seeking defensive exposure to U.S. large-caps may want to consider creative mega-cap portfolio construction that is specifically designed to go beyond traditional market-cap weighting, offering the potential for better returns with less risk.

> Underweighting the “magnificent seven” mega-cap companies—Tesla, Apple, Amazon, Microsoft, NVIDIA, Google, and Meta—hurt many portfolios in recent years. These seven companies currently make up 30% of the S&P 500 Index.[1]

YOUR PORTFOLIO MAY BE UNDERWEIGHTING MEGA-CAPS[2]

Allocations: Average advisor portfolio vs. S&P 500

Market Cap	Average advisor (%)	S&P 500 (%)	Difference (%)
Mega	**35**	**47**	**-12**
Large	27	34	-7
Mid	29	18	+11
Small	7	1	+6
Mirco	2	0	+2

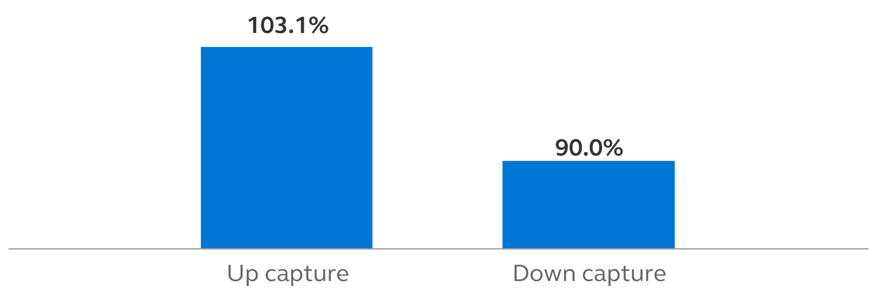
Source: Morningstar and Principal Global Investors. Based on 876 portfolio average reviews conducted by Principal’s Portfolio Consulting Team, January 1, 2023–January 31, 2025.

Mega-caps: A powerful driver of market returns

For three decades, mega-cap companies have delivered better returns with less risk. Mega-cap features that aren’t as common in smaller companies—durable balance sheets, ample liquidity, and strong, well-known brands—have proven powerful over time.

DOWNSIDE RISK MITIGATION AND UPSIDE PARTICIPATION

Annualized risk/reward of mega-caps versus S&P 500® Index 12/31/1989-12/31/2024



Source: FactSet. Mega cap stocks include the top 50% of the S&P 500 Index weighted by market cap, reset quarterly. Shown for illustration purposes only. Capture ratio: Shows the relationship of mega cap stocks performance to the performance of an index during a specific time frame, as a percentage of that index’s positive (upside capture) and negative (downside capture) performance.

[1] As of March 31, 2025. For a full list of Principal U.S. Mega-Cap ETF holdings, please visit PrincipalAM.com/us/fund/usmc

[2] Market cap breakdown is applicable for equity funds. It gives information about the market capitalization range of the shares the fund is investing in. In general large cap companies’ shares are considered to be less risky compared to medium and small cap companies. So this breakdown information is also a decisive factor while choosing a scheme. Market capitalization, applicable to equity and balanced strategies, classifies a stock as giant, large, mid, small, and micro based on its position in the cumulative capitalization of its style zone. Mega-cap stocks are those that together account for the top 40% of the capitalization of each style zone; large-cap stocks represent the next 30%; mid-cap stocks represent the next 20%; small-cap stocks represent the next 7%; and micro-cap stocks represent the remaining 3% balance. The market cap breakdown allows investors to see the whole range of companies held by the fund.

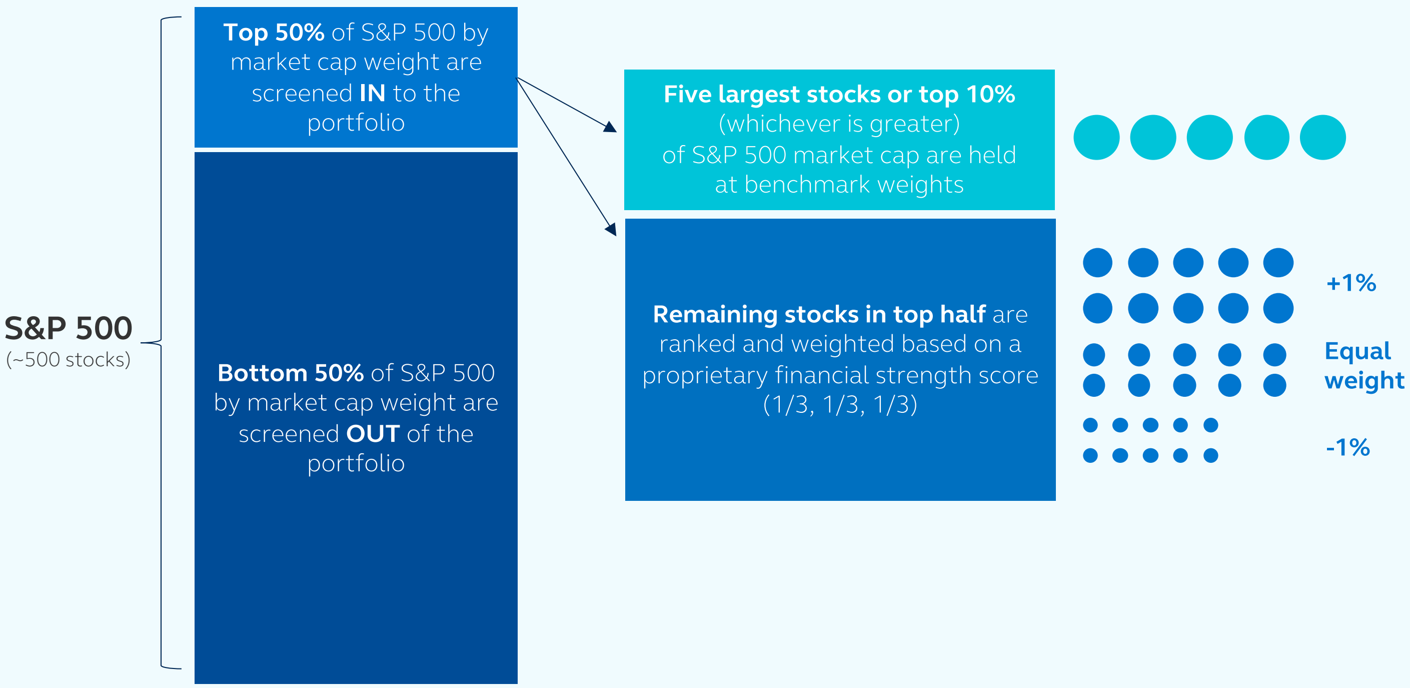
Principal U.S. Mega-Cap ETF (USMC)

Cost effective exposure to high-quality mega-cap companies

USMC is designed to provide lower volatility exposure to the largest U.S. companies. The strategy goes beyond traditional market-cap weighting, targeting companies with higher financial strength. USMC's consistent exposure to high-quality mega-caps and various sectors have helped deliver attractive risk-adjusted returns.[3]

[3] Past performance does not guarantee future results.

Active, rules-based process

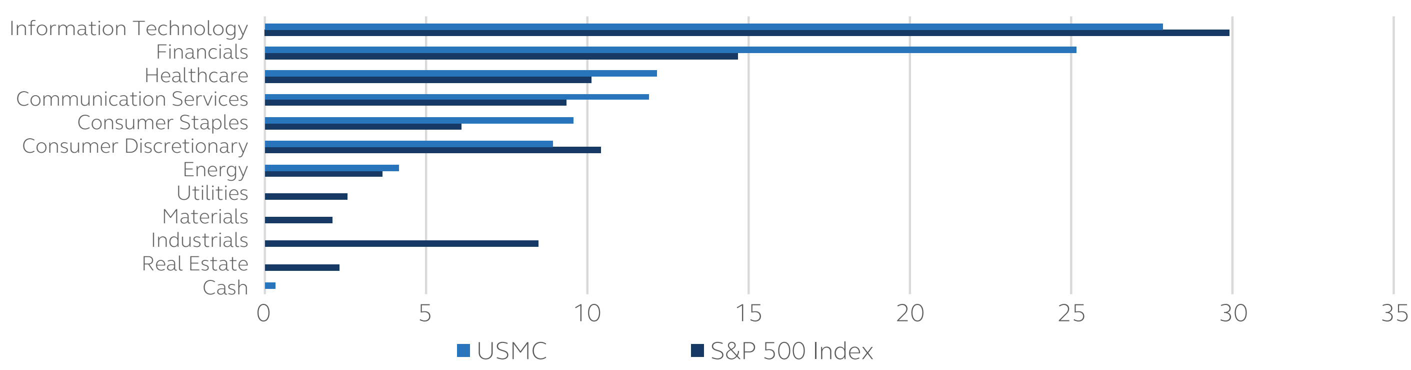


For illustrative purposes only. Portfolio rebalances at least once per year.

USMC isn't just a tech fund—while it has just over a 27% allocation to the technology sector, the strategy also provides exposures to various sectors.

NOT JUST A TECH FUND

Sector exposures (%): USMC vs. S&P 500 Index

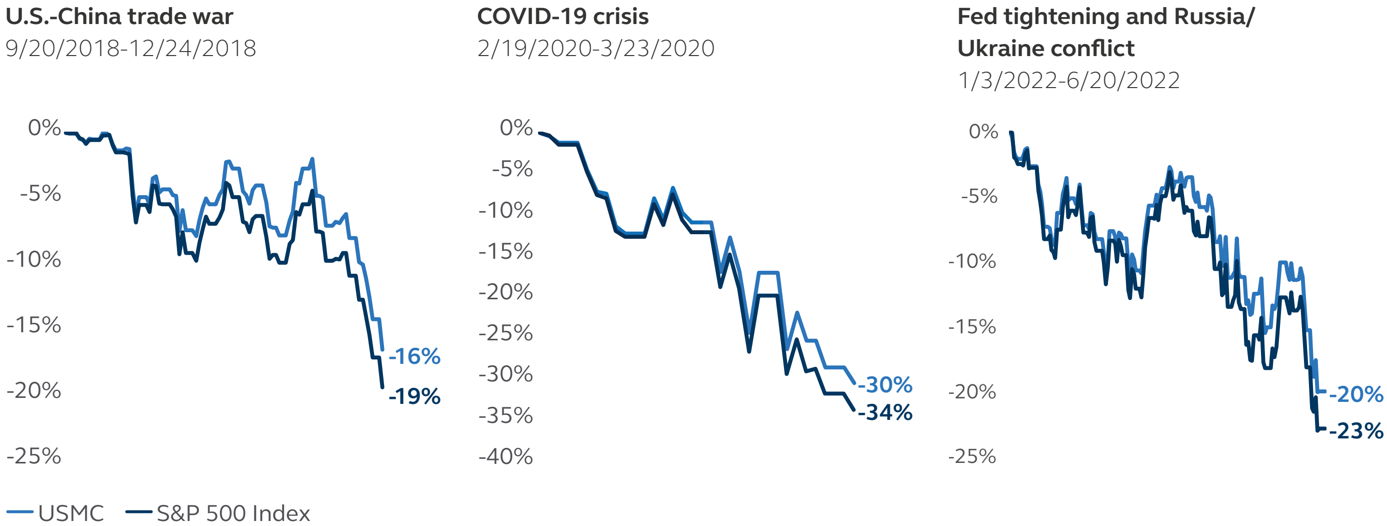


Source: FactSet. As of March 31, 2025.

Creative mega-cap portfolio construction has historically been advantageous for long-term investors seeking to lessen the impact of market downturns, ultimately providing stability and durability over market cycles.

BETTER RETURNS DURING MARKET DOWNTURNS

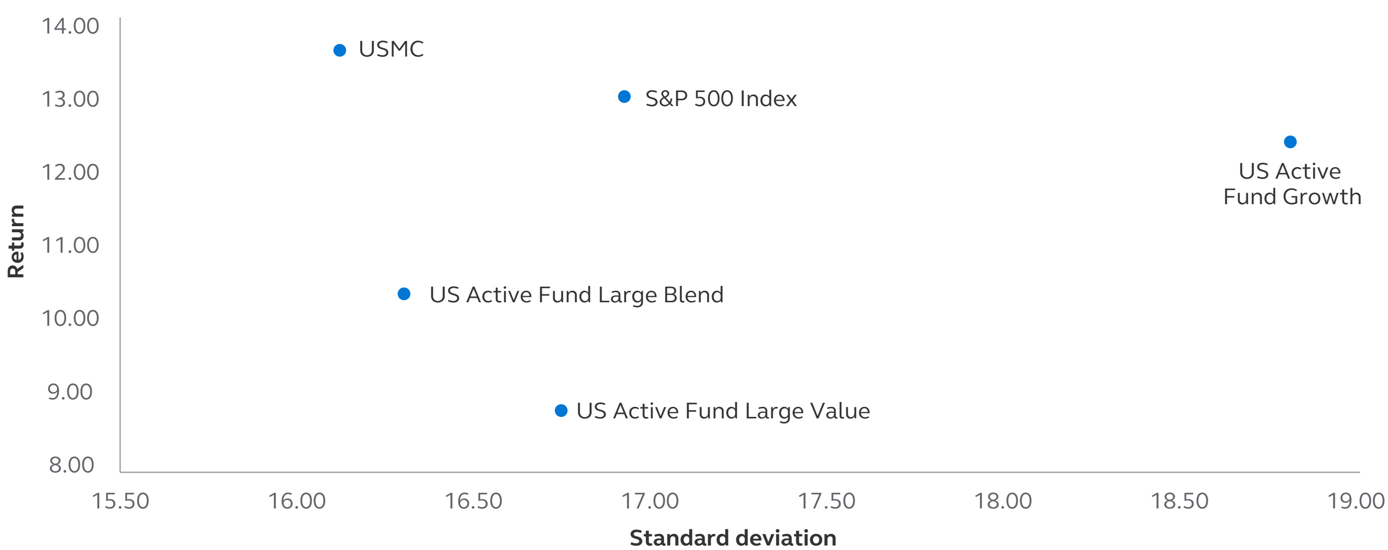
USMC vs. S&P 500 Index



Source: Morningstar. Data represents daily returns. Three largest market downturns since USMC inception. Past performance does not guarantee future results.

USMC's simple, straightforward approach to refining mega-cap exposure has historically delivered higher returns with less risk, providing better investment outcomes through multiple market cycles. USMC can complement your portfolio and may help large-cap performance with less risk.

USMC: COMPLEMENT LARGE CAP ALLOCATIONS



Data as of March 31, 2025. Source: Morningstar. USMC first full month of inception was 11/01/2017. Performance is annualized. US Active Fund Large Cap Categories are Morningstar category average subsets.

USMC defensive strength in a volatile era

By targeting financially sound, globally diversified market leaders, USMC aims to deliver a resilient core equity allocation capable of weathering macroeconomic disruptions and policy shifts.

Resilience to tariffs and trade disruptions

Many mega-cap firms maintain flexible and diversified supply chains, enabling them to adapt more swiftly to regulatory changes and tariffs. Their scale often permits cost absorption or pass-through to consumers, limiting margin erosion. Investors may soon realize that, in this environment, mega-cap stocks may be attractive for their defensive features versus their AI-related growth characteristics.

Conclusion

Amid heightened market volatility and evolving geopolitical risks, a strategic allocation to financially robust mega-cap U.S. equities offers investors a compelling blend of defense and growth. These companies—often the anchors of global commerce—possess the scale, resilience, and balance sheet strength to navigate uncertain terrain.

★★★★

Overall Morningstar Rating™ as of 03/31/2025 among 1,272 Large Blend funds.[4]

Performance as of March 31, 2025

	Total returns (%)							Yields (%)	
	3-month	1-year	3-year	5-year	Since inception (10/11/2017)	Expense ratio[5] (net/gross)	Expense limit expiration date	30-day SEC (Unsubsidized/subsidized)[6]	Distribution yield[7]
Net asset value (NAV) return	-4.79	12.06	11.69	18.86	13.51	0.12/0.15	10/31/2025	0.90/0.93	0.93
Market price return	-5.41	11.80	11.49	18.80	13.46	—	—	—	—
S&P 500® Index	-4.27	8.25	9.06	18.58	12.99	—	—	—	—
Morningstar rankings		**1-year**	**3-year**	**5-year**					
Morningstar percentile ranking	—	3	4	17					
# of investments in Morningstar category: Large Blend	—	1,373	1,272	1,169					

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 for current month-end performance.

As of March 31, 2025. Source: Principal Global Investors, Morningstar, State Street. Morningstar percentile rankings are based on total returns. 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. See important information at end of presentation.

Prior to June 10, 2022, the objective and strategy of 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.

USMC Morningstar ratings for other time periods: 3-year: 5 stars out of 1,272 funds, 5-year: 4 stars out of 1,169 funds.

[4] 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.

[5] 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.

[6] 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.

[7] As of April 1, 2025. 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.

Want to learn more? Contact your Principal representative or visit PrincipalAM.com.

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.

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.

Unlike passive ETFs, there are no indices that Principal U.S. Mega-Cap ETF (USMC) attempts to track or replicate. Thus, the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager.

S&P 500® Index includes 500 leading companies in industries of the US economy. It was first published in 1957. Information regarding the comparison to the S&P 500® Index is available upon request. S&P 500® is a trademark of S&P Global and is used under license. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

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

Morningstar percentile rankings are based on total returns. Funds shown may have recent negative performance. Please call 800-222-5852 for current performance information.

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