Principal Asset Management®

PRINCIPAL FOCUSED BLUE CHIP ETF

Quarterly commentary

TICKER: BCHP

SECOND QUARTER 2026

The Principal Focused Blue Chip ETF underperformed the Russell 1000® Growth Index on a gross basis in the second quarter. Low quality leadership in the market was a headwind to performance. Breadth of participation improved early in the quarter, but the artificial intelligence infrastructure trade continued to dominate Index returns.

What helped

Cadence, a design automation software business, launched two new AI super agents to accelerate the semiconductor design process. Amphenol reported record sales and earnings results. They expanded their range of high-technology interconnect products through both innovation and strategic acquisitions to evolve with the revolutionary growth in electronics. GE Aerospace outlined momentum across its commercial and defense businesses, highlighting its growing backlog. Lack of exposure to consumer staples, energy and utilities contributed to performance relative to the Index.

What hurt

Netflix sold off after the company announced that founder Reed Hastings was stepping down from the Board. Although Netflix reported strong quarterly results, including higher-than-planned subscription revenue, the lack of a guidance raise, combined with Hastings' departure, weighed on investor sentiment. Microsoft's returns trailed the Index as capital expenditures continued to rise. Our research indicates Microsoft is monetizing investments in its cloud business and application layer, but the return is likely to come over time rather than provide the immediate boost some in this catalyst-driven market may expect. Relative to the Index, lower exposure to tech hardware and semiconductor equipment also detracted from performance.

Top 10 holdings

	% of net assets
Amazon.com Inc.	12.3
NVIDIA Corp	9.4
Alphabet Inc.	8.9
Microsoft Corp.	8.8
Brookfield Corp	8.6
Mastercard Inc.	5.0
Visa Inc.	4.9
TransDigm Group Inc.	4.8
Cadence Design Systems Inc.	4.7
Broadcom Inc.	4.6
Total	**72.1**

As of June 30, 2026. Source: Principal Global Investors and State Street.

May not reflect current holdings or allocations. 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. Due to rounding, the sum may not equal the total shown. Holdings with multiple share classes may be combined.

What we did

We bought Amphenol, GE Aerospace, and Uber during the quarter. Amphenol provides cables, connectors, and antennas for electronics, and is seeing a surge in demand for data center supplies. GE Aerospace has transformed into a lean efficient operator since CEO Larry Culp took the helm. The company is innovating as technology shifts while generating strong returns. Uber has scale and density benefits, with significant opportunities to cross sell mobility and delivery. We also bought DoorDash and Veeva and sold CoStar, O'Reilly, and Airbnb.

Top 5 Contributors

Cadence is a leader in electronic design automation software for the semiconductor industry. The company provides essential software for an essential industry, but is a small part of the overall cost. Breadth of products and industry partnerships are difficult to replicate. With high barriers to entry and competitive advantages, Cadence has very high customer retention. The company has a long runway for growth ahead due to major digital trends including AI and machine learning, hyperscalers, IoT, 5G, and autonomous driving. Shares contributed to performance during the quarter.

Amphenol is enabling the electronics revolution. It is a critical supplier to the electronics ecosystem, providing cables, sensors, and antennas used in applications from mobile devices to AI data centers. Originally founded in 1932, its decentralized structure and entrepreneurial culture have helped the company adapt quickly to changing technologies, while more than 50 acquisitions over the past decade have expanded its market reach. AI-related demand is driving rapid growth in its IT data communications segment. Shares contributed to performance.

HEICO Corp. is a leading manufacturer of FAA-approved replacement parts for jet engines and aircraft components. Its specialized design and manufacturing processes allow the company to offer high-quality alternatives at lower costs than many OEMs, while intellectual property developed through reverse engineering and acquisitions creates meaningful barriers to competition. Led by the Mendelson family, HEICO's strong ownership culture includes broad employee stock incentives that reinforce an owner-operator mindset. Shares contributed during the quarter.

GE Aerospace is a global leader in mission-critical commercial and military aircraft engines, components, and integrated systems. Building on more than a century of aviation expertise, the company continues to advance aircraft performance, efficiency, and reliability across commercial, military, and general aviation markets. Under CEO Larry Culp, GE Aerospace has undergone a meaningful operational transformation focused on safety, quality, delivery, and cost, strengthening execution and customer service. Shares contributed to performance during the quarter.

Veeva helps pharmaceutical and other life sciences companies bring new medicines and treatments to patients faster. Veeva's mission-critical software tools enable customers to sell their therapies effectively and navigate clinical, safety, and regulatory requirements. With a customer-centric culture, Veeva has adapted to shifts in the industry with the ability to make products that solve customer problems. Founder and CEO Peter Gassner established four core values that guide the company: do the right thing, customer success, employee success, and speed. Veeva has broad employee equity ownership to encourage long-term thinking. Veeva is a critical part of the drug development and selling processes yet a small portion of the overall cost. Shares contributed to performance.

Top 5 Detractors

Netflix is a leading streaming entertainment service, reaching over half a billion people in more than 190 countries and 50 languages. The company's scale is a competitive advantage. Netflix can outspend rivals on content and still earn better returns on the expenditure, creating a flywheel effect. The company continues to evolve its strategy, offering live-event programming and expanded foreign language content. Last year, Netflix launched its ad tech platform in the U.S. which brings better measurement, ad targeting, innovating formats, and expanded programmatic capabilities. Netflix has a unique culture and focuses on long-term outcomes. Shares detracted from performance.

Brookfield Corporation is a global investor and asset manager, focused on real estate, infrastructure, renewable power and energy transition, private equity, and venture capital. The company's terrific management team, led by CEO Bruce Flatt, owns more than 20% of the company. They are long-term investors that seek opportunities to deploy capital counter-cyclically. Brookfield has a competitive advantage with its global footprint and deep capital base. Growth is coming from private credit, AI infrastructure and energy transition. Shares detracted from performance.

Microsoft's primary goal is to empower every person and every organization to achieve more. Their two largest businesses, Office, and cloud platform Azure, continue to gain share as they make businesses more efficient. Microsoft helps its customers do more with less thanks to productivity gains and consolidation of spend. Satya Nadella and Amy Hood (CEO and CFO respectively) ensure Microsoft is focused on large and growing opportunities. Microsoft has numerous opportunities ahead, from Teams and Azure to advertising and gaming, incorporating its AI Copilot across its platform. Shares detracted from relative performance during the quarter.

Danaher is a portfolio of businesses in biotechnology, life sciences and diagnostics. They benefit from leading competitive positions, long-term growth trends, and revenue that tends to be recurring in nature. Founded by Mitch and Steve Rales, Danaher has achieved tremendous success over decades by buying good businesses and continuously improving them with its kaizen-style Danaher Business System. The founders remain highly engaged and are focused on making strategic decisions to compound the business long term. Shares detracted from performance.

Mastercard operates a global payments network that processes card transactions and provides related services. Its scale, global acceptance, and network effects create high barriers to entry. As consumer and business payments continue shifting from cash and checks to cards and digital payments, Mastercard is positioned to grow transaction volume and revenue. The company also benefits from faster growth in international markets and expanding value-added services. Shares detracted from performance.

PRINCIPAL FOCUSED BLUE CHIP ETF as of June 30, 2026

Performance

	Average annual total returns (%)					
	3-month	Year-to-date	1-year	Since inception (07/12/2023)	Expense ratio (net/gross)	Expense limit expiration date
Net asset value (NAV) return	10.38	-3.63	-1.28	13.66	0.58/0.58	–
Market price return	10.28	-3.63	-1.26	13.67	–	–
Russell 1000® Growth Index	16.74	5.33	17.71	22.64	–	–

Calendar year returns (%)	2024	2025
Net asset value (NAV) return	20.64	10.23
Market price return	20.70	10.16
Russell 1000® Growth Index	33.36	18.56

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 PrincipalAM.com/ETF for current month-end performance.

Source: Principal Global Investors and State Street.
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.

Contributors/detractors were determined based on relative impact, rather than absolute contribution.

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.

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

This commentary may exclude minimal security positions that the investment adviser deems of insignificant or no material impact to the portfolio.

This material contains general information only and does not take account of any investor's investment objectives or financial situation and should not be construed as specific investment advice, recommendation or be relied on in any way as a guarantee, promise, forecast or prediction of future events regarding an investment or the markets in general. The opinions and predictions expressed are subject to change without prior notice.

The company names listed are for illustrative purposes only and do not constitute a recommendation to buy, hold, or sell any security product. Principal Aligned is an investment team within Principal Global Investors.

Equity investments involve greater risk, including higher volatility, than fixed-income investments.

Companies may at any time choose not to pay a dividend, or dividends paid may be less than anticipated.

The commentary represents the opinions of the investment manager and may not come to pass.

Principal
Asset Management®

PrincipalAM.com

Not authorized for distribution unless preceded or accompanied by a current prospectus, or a summary prospectus if available, that includes information about the fund's objectives, risks, charges, and expenses. Please read it carefully before investing.

Investing involves risk, including possible loss of principal.

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

MM14837-03 | 07/2026 | 5739170-112026 | PRI002219-072028