



**PRINCIPAL ADVISED SERVICES, LLC**

**FORM ADV PART 2A APPENDIX 1: WRAP FEE PROGRAM BROCHURE**

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This wrap fee program brochure (the "Brochure") provides information about the qualifications and business practices of Principal Advised Services, LLC ("Principal Advised Services," "us" or "we") in connection with the Principal® SimpleInvest Program. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about Principal Advised Services is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). If there are questions about the contents of this Brochure, please contact us at 866-412-0770 or [AdvisedServices@principal.com](mailto:AdvisedServices@principal.com). Any reference to Principal Advised Services as a "registered investment adviser" or as being "registered" does not imply a certain level of skill or training.

## **Item 2: Material Changes**

This Item will summarize any material changes made to this Brochure as part of an annual or interim update.

Principal Advised Services offers one-on-one investment advice by providing a recommendation to the Customer as to the appropriateness of investing in the Program. The IAR will base these recommendations on an analysis of a Customer's current financial situation, investment goals, risk tolerance and/or investing preferences and the capabilities and expenses associated with the Program. The Customer then decides whether to accept the recommendation.

Principal Advised Services' Board of Directors has established a committee, called the Investment Advice Committee, to provide governance of the one-time investment recommendations made by IARs. The Investment Advice Committee's responsibilities are primarily to provide governance over advisory activities outside the discretionary investment management services, which are separately governed by the Investment Committee.

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#### Item 4: Service, Fees and Compensation

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Principal Advised Services is a member company of Principal Financial Group®--a diverse family of financial services companies offering businesses, individuals and institutional customers a wide range of financial products and services, including retirement, insurance, and asset management.

Principal Advised Services was formed in 2017. Its principal place of business is in Des Moines, Iowa. Principal Advised Services is a subsidiary of Principal Bank; Principal Advised Services and Principal Bank are wholly owned subsidiaries of Principal Financial Group, Inc. (NASDAQ: PFG).

##### *Description of Services Offered*

Principal Advised Services offers advisory services through the Principal® SimpleInvest Program ("Program"). This Brochure is meant to help understand the Program and customers ("Customer," "you," or "your") should review it carefully. The primary focus of the Program is to provide Customers with discretionary investment advisory services and asset allocation advice implemented with the assistance of proprietary algorithms. **Principal Advised Services uses the services of its affiliates in several capacities in offering the Program. The trading engine used in the Program and all the model portfolios available through the Program are provided by affiliates of Principal Advised Services. In addition, all the underlying investment products offered through the Program, except for an FDIC-insured deposit bank account, are proprietary investment products managed by affiliates of Principal Advised Services.** As a discretionary adviser, Principal Advised Services has the authority to modify, in its sole discretion and without prior notice to Customers, the selection of investment products that comprise each of the portfolios and the relative weighting of investment options and allocation to cash within the model portfolios.

A Customer may independently determine whether the Program is appropriate for their use, or our investment adviser representatives ("IARs") may assist Customers by conducting interviews to determine their financial needs and objectives. If an interview occurs, Principal Advised Services offers one-on-one investment advice by providing a recommendation to the Customer as to the appropriateness of investing in the Program. The IAR will base these recommendations on an analysis of a Customer's current financial situation, investment goals, risk tolerance and/or investing preferences and the capabilities and expenses associated with the Program. The Customer then decides whether to accept the recommendation.

To begin receiving services through the Program, a Customer must complete the digital account opening process, enter into an investment advisory agreement with Principal Advised Services ("Advisory Agreement") and other related agreements governing the Customer's account in the Program ("Customer Account"), invest a minimum of \$5,000 total in one or more Customer Accounts, and maintain a balance of at least \$1,000 in each Customer Account. Initial and subsequent deposits will generally not be invested for up to five business days to allow for settlement of funds. Participation in the Program also requires Customers to consent to electronic delivery of communications. You may inquire about the services offered through the Program and obtain information about the management of your Customer Account at any time by contacting Principal Advised Services through one of its representatives over the phone, email or online chat.

The discretionary investment management services offered through the Program are driven first by the Customer's identified investment goals, which a Customer chooses when accessing the service. The investment goals that Principal Advised Services currently provides are "save for retirement" and "use my retirement savings," with plans to add additional goal options in the future. The Program allocates your investments based upon your target retirement year, financial goals and the risk preference you select. If you choose the "save for retirement" goal, you will have access to investment portfolios focused on accumulation of assets. If you choose the "use my retirement savings" goal, you will have access to investment portfolios focused on investment of assets during your retirement. After the retirement age set by the Customer in the "save for retirement" goal is met, we automatically transition the Customer Account to a more conservative asset allocation through the "use my retirement savings" goal.

Upon enrollment in the Program, your account will be invested in portfolios developed by Principal Global Investors, LLC ("Principal Global Investors"), a registered investment adviser and affiliate of Principal Advised Services. The specific portfolio that Principal Advised Services recommends to a Customer is based on information that the Customer provides through the Program website

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("Customer Inputs"), including, but not limited to: the Customer's current age, proposed retirement age ("goal age"), and risk score, which is determined by the Customer's answers to risk tolerance questions (the "RTQ"). The recommended portfolio represents a mixture of asset classes designed to help the Customer achieve their savings goals.

Each model portfolio offered through the Program follows a "glide path" that will cause a Customer's investment allocation gradually to become more conservative as a Customer with a "save for retirement" goal gets closer to their goal age, or as a Customer with a "use my retirement savings" goal gets further into retirement. The Customer's risk score will adjust the risk level of their model portfolio up or down (more or less risky) relative to the "glide path" associated with their selected portfolio. After the model portfolio has glided for a pre-determined number of years relative to a Customer's goal date, the investment allocation will reach its most conservative allocation and remain static. Each Customer Account will be reviewed on an ongoing basis with the assistance of proprietary algorithms during days in which the underlying investments trade and rebalanced as needed to maintain the glide path for the portfolio and to minimize portfolio drift. Portfolio drift refers to circumstances where the allocation of the portfolio moves out of the target range due to various factors, including the Customer aging and glide path progression, market volatility, account contributions and withdrawals.

As part of the Program, Principal Advised Services will make general financial material, including budgeting, planning, general savings tips, and similar educational materials available to Customers. In addition, Customers have access to an optional financial wellness tool ("My Hub"), allowing them to view account information for accounts held both at Principal and with third parties. This enables the Customer to see an overall, aggregated view of their financial situation. Principal Advised Services offers My Hub through an arrangement with an unaffiliated service provider. To utilize My Hub, Customers must first agree to the My Hub Terms and Conditions of Use. There is no additional fee for My Hub.

Customers must log into My Hub periodically to keep the aggregated account information current. Periodically an IAR may contact you, or a Customer can request a financial review with an IAR at any time. The IAR will utilize the Customer's account information from My Hub to provide guidance and in some instances a recommendation on topics such as retirement planning, budgeting, savings, and other financial topics applicable to the Customer. While Customers may receive guidance on a broad range of subjects, IARs do not monitor accounts in My Hub with an aggregated view or provide guidance related to those accounts held outside of Principal. Only Customer Accounts held with the Principal Advised Services SimpleInvest Program will receive ongoing discretionary portfolio management from Principal Advised Services. Any analysis, review, guidance, or recommendations offered by Principal Advised Services creates no duty or other responsibility to advise Customers to take any action or inaction regarding their positions, individual investments, investment strategies or asset allocations at other financial institutions. Principal Advised Services does not manage or provide investment advice on the management of accounts other than Customer Accounts. Additionally, Principal Advised Services does not take account information in My Hub into consideration in managing Customer Accounts.

Principal Advised Services does not verify the valuations, accuracy, or completeness of information for accounts held with third parties in the aggregated view. Only as it relates to My Hub, by electing to use this tool and as further explained in the My Hub Terms and Conditions of Use, you agree that Principal Advised Services and our service provider can also use, sell, license, reproduce, distribute and disclose aggregated information that is derived through your use of My Hub. Any aggregated information that is used will not include personally identifiable information. Principal Advised Services does not at this point in time offer comprehensive financial planning services.

### ***Portfolio Construction***

A critical part of the Program's portfolio construction methodology is the range of differences between Customers' ages and their selected goal ages. Because the investment goals available in the Program are tied to retirement savings, the model portfolios available in the Program are designed to help Customers address a number of risks associated with saving for retirement, including shortfall, longevity, capital and inflation risks. Shortfall risk is the risk of an individual not having enough savings to last throughout retirement. Longevity risk is the risk of an individual outliving their savings, either because they live longer than planned or have a savings shortfall. Capital risk is the risk that an individual will abandon their investment choice because of a negative investment experience. Inflation risk is the risk that an individual will not have sufficient savings in retirement to purchase as much in the future because of the increase in cost of goods and services over time. Customers should understand that because these risks are taken into

account during portfolio construction, there often will be a variance between the risk level of a Customer's portfolio and their risk score. Specifically, model portfolios available in the Program will be weighted—in some cases significantly—to comparatively riskier investments (e.g., equity funds over fixed income funds), despite a Customer's conservative risk score to account for these risks and the operation of the glide path. This is particularly the case when there is a larger difference between a Customer's current age and their goal age.

In reviewing assets for portfolio construction, Principal Advised Services evaluates historical returns across a variety of asset classes and uses the expected volatility of returns on these asset classes to anchor the risk of a portfolio. Principal Advised Services analyzes the historical performance and risk attributes of a strategy to both understand the consistency of the strategy as well as evaluate the return profile and expected volatility (risk) of future returns. Principal Advised Services then translates the asset classes and target exposures for the asset classes through a selection of mutual funds and exchange-traded funds ("ETFs") to build a portfolio. While Principal Advised Services attempts to maintain broad based diversification based on its assessment of historical returns and correlation, past performance does not guarantee of future results. Additionally, in periods of significant market volatility diversification may not help reduce exposure to market loss.

Principal Advised Services reviews the performance and risk profile of the underlying investments on an ongoing basis and uses its discretion to add or modify investments within the portfolio as appropriate.

Principal Advised Services also intends for the portfolios to include a minimal allocation to cash to facilitate payment of the account management fee. The cash currently is held by the Program Custodian, Apex Clearing Corporation ("Apex") in an FDIC-insured deposit bank account selected by Apex. Principal Advised Services has the authority to remove or change the use of the Apex bank deposit account at any time. The cash in the Apex bank deposit account may earn you interest. Customers should review the Apex FDIC-Insured Sweep Program Disclosure Document for important terms and conditions of the Apex bank deposit account, available on the Apex website or upon request from us.

### ***Customer Information***

The Program uses an algorithm that recommends a portfolio to you and provides ongoing investment advice from Customer Inputs. The Customer Inputs include answers to questions designed to assess the Customer's desire to take risk, which is determined by an algorithm that analyzes answers to the RTQ and calculates a risk score. This risk score is combined with the Customer's investment time horizon and used by us as the basis for an investment portfolio recommendation. The recommended portfolio is based primarily on age, then on savings goals and lastly, RTQ responses. Each portfolio is designed with an approach that focuses on an appropriate asset allocation to help a Customer meet their retirement goals. This approach, especially for longer-term savings needs, means that the portfolios may be significantly weighted to riskier investments (such as equity funds over fixed income funds) despite a Customer's conservative risk score, depending on the difference between the Customer's goal age and current age. Customers are not bound by the recommended model portfolio and can select an alternative portfolio by adjusting their goal age or by overriding their calculated risk score. Customers should understand that their selection of a portfolio other than the portfolio that Principal Advised Services recommends may not be suitable based on their risk score or investment time horizon. Such selected portfolios may perform worse over any time period than the portfolio recommended by Principal Advised Services based on the information initially provided by the Customer.

Principal Advised Services' recommendations and the investment advice offered through the Program is limited based on the information Customers provide through the website or that the customer modifies with the assistance of our IARs. Customers should take into account the limited nature of the Program in evaluating the investment advice and recommendations provided through the Program. Principal Advised Services does not verify the completeness or accuracy of information provided by Customers. Inaccurate or incomplete information provided by Customers will affect the investment recommendations and advice provided through the Program. While Principal Advised Services may collect additional information about your financial background or outside assets, Principal Advised Services will only provide asset allocation and investment advice on assets held within the Program. Principal Advised Services' recommendations and investment advice does not consider any outside assets, concentrated positions, debt or other accounts that a Customer may have with Principal Advised Services' affiliates or with any third party.

***Customer Restrictions***

You may request reasonable restrictions on the management of your Customer Account by designating specific ETFs or mutual funds that should not be purchased for your Customer Account. Requested restrictions are subject to the review and approval of Principal Advised Services. Principal Advised Services may reject a requested investment restriction if it deems the request unreasonable, including because the request is clearly inconsistent with the Program's investment strategy or philosophy or the Customer's stated investment objective, or is fundamentally inconsistent with the nature or operation of the Program. Customers may not impose restrictions on the underlying investments of any mutual fund or ETF available through the Program.

Principal Advised Services will continue to manage accounts that are subject to reasonable restrictions in accordance with the terms of the Program, but Customer Accounts with restrictions will produce different performance results as compared to a Customer Account without restrictions using the same underlying investment portfolio, and ultimately, Customer Accounts with restrictions may have a lower return. Depending on the nature of the reasonable restriction, it is possible that Customer Accounts with restrictions will trade after and will as a result receive better or worse pricing than unrestricted Customer Accounts invested in accordance with the same portfolio. Customers should discuss the impact of reasonable restrictions on the management of their Account with an IAR of Principal Advised Services prior to imposing reasonable restrictions.

***Updates to Customer Information***

It is the Customer's responsibility to promptly update their Customer Account online or by contacting Principal Advised Services if there is a change to their financial situation or investment objectives that could affect the advisory services Principal Advised Services provides under the Program, or if a Customer would like to impose or modify a reasonable restriction.

Principal Advised Services will periodically, generally quarterly, prompt its Customers through electronic statements to notify us if there have been any changes in their financial situation or investment objectives or if the Customer wishes to impose or modify reasonable investment restrictions on their Customer Account. Additionally, Principal Advised Services will contact Customers on at least an annual basis via automated message, email, or phone to request that Customers review, update or confirm that their responses to the RTQ and account information is still accurate.

***Investment Services***

Principal Advised Services has engaged Principal Global Investors to develop model investment portfolios for the Program that are designed to allocate assets among mutual funds and ETFs representing different asset classes, with a minimal allocation to cash. Principal Global Investors has developed the model portfolios to pursue specific investment objectives, time horizons, savings goals and risk tolerances associated with different possible Customer profiles. These investment models are comprised exclusively of mutual funds and ETFs managed by affiliates of Principal Advised Services, with a minimal allocation to cash held in a nonaffiliated bank deposit account. Principal Global Investors provides ongoing services to us by assisting in the review of the models, asset class weightings, portfolios' glide paths and investment options underlying the portfolios. Principal Global Investors is not responsible for implementing the models for any Customer Account or rendering any investment advice to Customers. Principal Advised Services' Investment Committee considers the recommendations made by Principal Global Investors and is responsible for reviewing, approving, adjusting as desired, and implementing any recommendations of Principal Global Investors related to the composition of the model investment portfolios offered through the Program and the specific mutual funds and ETFs used in the models.

***Mutual Funds and Exchange-Traded Funds***

Principal Advised Services determines the universe of mutual funds and ETFs that are made available to Customers through the Program. The Program offers portfolios comprised of mutual funds and ETFs only of affiliates of Principal Advised Services. We intentionally have a minimal allocation to cash, held in an unaffiliated FDIC-insured bank deposit account for Customers of the Program. Although mutual fund companies typically offer multiple share classes of each mutual fund with varying levels of fees and expenses, we generally choose a single share class of each mutual fund available through the Program. These are generally Institutional share classes ("I-shares"), which typically have a lower expense ratio in comparison to retail share classes.

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An expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for fund expenses, including management fees, administrative fees, operating costs, and all other fees and expenses incurred by the fund. This expense ratio is prorated and deducted from the investments in your accounts on an ongoing basis. You will bear a proportionate share of each fund's expenses, including investment management fees, distribution, administration, transfer agency, shareholder services and other fees paid to our affiliates. The compensation received by our affiliates as fund expenses varies among funds and share classes utilized within the Program.

Please refer to the "Material Relationships with Related Persons and Potential Conflicts of Interest" section of this Brochure for more information about the conflicts of interest associated with the selection of particular funds and share classes. We seek to address these conflicts of interest through a combination of disclosing them to you, our policies and procedures and related controls designed to review whether the fees we charge are fair and reasonable, and our program fee approach, as explained below. If Principal Advised Services' affiliates did not receive compensation from the underlying funds in the Program, Principal Advised Services might charge higher fees or other amounts to you for the services we provide. Despite this conflict, however, Principal Advised Services' selection of funds and share classes does not affect the overall program fee (described below) that you pay for the Program.

Principal Advised Services has the ability to use and offer mutual funds with multiple share classes, including but not limited to shares designated as I-shares and comparable share classes. Generally, I-shares and comparable shares are for institutional and other investors and therefore are not always available for a retail advisory account. For certain mutual funds and ETFs, I-shares or comparable shares may not be available for investment for certain Program accounts because (i) I-shares and/or comparable shares are not available for a specific mutual fund family, or (ii) certain mutual funds restrict access to I-shares and comparable shares. In addition, there may be other limitations on the use of I-shares or other share classes with lower expense ratios. Those share classes may have specific eligibility requirements described in the mutual fund's or ETF's prospectus or the statement of additional information. Such eligibility requirements could include, but may not be limited to, investments meeting certain minimum dollar amounts and accounts that the fund considers qualified fee-based programs. Other funds and share classes have different fees and expenses that are lower than the fees and expenses of the funds and share classes we make available through the Program. Customers should not assume that they are invested in the lowest available share class. An investor who holds a less-expensive share class of a fund will pay lower fees over time – and earn higher investment returns – than an investor who holds a more expensive share class of the same fund.

It is the policy of Principal Advised Services to assess the fees and expenses Customers will incur in connection with the formulation of Principal Advised Services' recommendations and the management of Customer Accounts on an ongoing basis. This includes an assessment of the available share classes. Over time, certain funds may offer share classes with lower fees. In these instances, we will determine, from time to time in our discretion, whether and in what manner to offer these share classes to our Customers. This may result in shares you own being bought and sold or converted to a share class with lower fees or such lower fee share classes being available only for new purchases. Additionally, there will be a period of time when a new share class becomes available that the Customer will remain in the more expensive share class until we have had a chance to take the administrative and operational steps necessary to make the new share class available through the Program and adequately test them in accordance with the algorithm and implementation process.

### ***Fractional Share Trading***

Principal Advised Services may elect to trade fractional shares of ETFs within your account. The ETF shares purchased or sold on behalf of Customers may be either whole shares or fractional shares, depending upon the asset allocation selected for that Customer Account. Principal Advised Services invests Customer Accounts in dollar-based quantities, whereby transactions are based on a fixed dollar amount rather than whole shares. Customers who hold fractional shares in their Customer Account will receive proxy materials showing the number of fractional votes that they are eligible to vote. Principal Advised Services and Apex each reserve the right, at any time and each in its sole discretion, without prior notice to Customers, to limit or stop trading fractional shares. Fractional shares are typically unrecognized and illiquid outside of a Customer Account. Therefore, Customers cannot transfer fractional shares when closing their Customer Account. Fractional shares will be converted to cash upon account closing.



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### **Trading Services**

Principal Advised Services has retained Principal Global Investors, a registered investment adviser and an affiliate of Principal Advised Services, to act as a sub-adviser for the Program and provide trading, rebalancing, and associated services. Principal Global Investors has limited discretionary authority over trading, which includes intelligent rebalancing and target asset allocation services for Customer Accounts. These services, some of which are provided using algorithms managed by Principal Global Investors, are further described below. Principal Advised Services' Investment Committee oversees the services it receives from Principal Global Investors, including approving the parameters that trigger rebalancing and trading.

1. **Trading:** Principal Global Investors places orders for buying, selling, exchanging, holding, and/or converting the mutual funds and ETFs in Customer Accounts based on instructions provided by Principal Advised Services.
2. **Target Asset Allocation:** Principal Global Investors' algorithm uses the Customer Inputs to determine the target portfolio on any given date, including fractional shares when appropriate.
3. **Intelligent Rebalancing:** Principal Global Investors' algorithm considers trading costs and rebalancing costs when rebalancing a portfolio. Rebalancing seeks to keep a Customer's assets invested consistently in line with the Customer's target asset allocation, so rebalancing will occur if the allocation among mutual funds, ETFs, and cash deviates by more than a specified threshold from the target asset allocation. Rebalancing transactions can occur frequently and potentially daily under a variety of market conditions. This means that rebalancing could occur in both significantly declining and appreciating market conditions, when securities prices may be significantly lower or higher, respectively. Principal Global Investors has implemented rules to limit rebalancing activity during periods of high trading costs, which can occur during periods of market wide or specific security volatility, including events such as market circuit-breaker points being applied by the exchange. Circuit breakers are thresholds wherein trading is halted market-wide for any single-day dramatic drops in an underlying index.

Principal Global Investors implements the target asset allocation and directs trading through an algorithm to align the Customer Account with the target asset allocation, subject to Principal Advised Services' direction. Although not required, Principal Advised Services generally aggregates multiple Customer orders in the same securities to obtain the most favorable price and/or lower execution costs at the time trading occurs. When an order requires more than one execution, participating accounts will receive the average price for transaction in their particular block order.

Principal Global Investors' trading process is designed to give fair and equitable treatment to Principal Advised Services relative to its other similarly situated customers, its own accounts, and the accounts of affiliates or any of their directors, officers, agents or employees. Depending on the circumstances, Principal Global Investors may recommend changes or execute transactions for its other customer accounts before directing trading for Customers of Principal Advised Services.

Principal Global Investors, in its sole discretion, may not be able to direct trades or otherwise take certain actions for Customers due to (i) regulatory requirements; (ii) Principal Global Investors' internal policies and procedures; (iii) actual or potential conflicts of interest or the appearance of such conflicts; or (iv) any other reason in Principal Global Investors' sole discretion.

### **Trade Errors**

Trade errors and other operational mistakes occasionally occur in connection with the management of Customer Accounts. Errors can result from a variety of situations, including portfolio management (e.g., inadvertent violation of investment restrictions), trading, processing, or other functions (e.g., miscommunication of information, such as: incorrect number of shares, wrong price, wrong account, calling the transaction a buy rather than a sell and vice versa, etc.). All such errors affecting a Customer Account will be resolved promptly and fairly upon discovery. Under certain circumstances, Principal Advised Services and Principal Global Investors may consider whether it is possible to adequately address an error through cancellation, correction, reallocation of losses and gains or other means. The intent is to restore a Customer Account to the appropriate financial position considering all relevant circumstances surrounding the error, generally by correcting any erroneous allocation to the Customer Account or reimbursing the

Customer Account for any investment losses and costs resulting from the error. Principal Advised Services and Principal Global Investors make their determinations on a case-by-case basis, in their discretion, based on factors they consider reasonable.

The policies and procedures governing the Program generally do not require perfect implementation of investment management decisions, trading, processing or other functions performed by Principal Advised Services or Principal Global Investors. Therefore, not all mistakes will be considered compensable to the Customer. Imperfections in the implementation of investment decisions, trade execution, cash movements, portfolio rebalancing, processing instructions or facilitation of securities settlement, issues relating to corporate actions for securities held in a Customer Account, or imperfection in the generation of cash or holdings reports resulting in trade decisions may not constitute compensable errors, depending on the facts and circumstances. For example, imperfections in the implementation of investment strategies, including quantitative strategies (e.g., coding errors), that do not result in material departures from the intent of Principal Advised Services will generally not be considered compensable errors. In addition, in offering the Program and managing Customer Accounts, Principal Advised Services may establish non-public, formal or informal internal targets, or other parameters that may be used to manage risk, manage affiliated service providers or otherwise guide decision-making, and a failure to adhere to such internal parameters will not be considered an error.

### ***Algorithm Management***

One of the primary benefits of a digital investment adviser is the programmatic rules governing trading and other aspects of the advisory services. Therefore, Principal Advised Services does not plan to override the algorithms used in the Program as a routine business practice. However, Principal Advised Services or Principal Global Investors may override an algorithm in the event of instances where the algorithm is not performing as expected or an error is discovered in a file used by the algorithm. In addition, in volatile or stressed market conditions or market halts, in response to certain types of operational or technological errors, and under other circumstances that Principal Advised Services or Principal Global Investors determines may negatively affect Customer Accounts, Principal Advised Services or Principal Global Investors may override the algorithms, including electing to not trade during periods of market volatility. The Principal Advised Services Investment Committee oversees these procedures and may also choose to override an algorithm, including electing to not trade during periods of market volatility, until the circumstances that triggered the decision to override the algorithm are resolved.

Customers may continue to request withdrawals from their Customer Accounts during times when Principal Advised Services or Principal Global Investors overrides an algorithm, and Principal Advised Services will seek to continue to process requests based on underlying market conditions, including declining markets. Customers should note, liquidating assets during a period of significant market volatility may be difficult and redeeming assets during a period of market volatility could result in significant losses within the account. Principal Advised Services will execute distribution requests and will seek to obtain the most favorable execution possible during these limited periods.

### ***Clearing and Custodial Services***

Clearing and custody services are provided by Apex, an unaffiliated broker-dealer offering clearing, custody, trade execution and related services. Customers must enter into a service agreement with Apex to participate in the Program. Under the terms of the Program and its related agreements, the Customer authorizes and directs Principal Advised Services to execute orders for all Customer portfolio transactions through Apex. Customers will bear the risk of such transactions. Customers should understand that Principal Advised Services will trade through Apex even if the use of a different broker-dealer may result in lower prices or more favorable execution.

### ***Online Nature of the Program***

To receive investment advisory services through the Program, prospective Customers will be required to complete an online account application and enter into the Advisory Agreement and other account agreements electronically through the Program website. These agreements along with other disclosures and notices will be delivered to Customers primarily in electronic format by posting the information on the Program website where Customers can access their Customer Accounts and through email or other electronic means. Principal Advised Services will not send paper versions of documents to Customers as part of the Program unless required by

applicable law or in Principal Advised Services' sole discretion. Customers must be willing to accept the terms of a global electronic consent, which will require that the Customer agrees to electronic delivery of all current and future Program documents and communications, to enroll in the Program.

Customers must provide Principal Advised Services with a valid email address to enroll in the Program. Customers are required to notify Principal Advised Services immediately in the event their email address changes, or becomes inaccessible, by visiting the Program website or by contacting Principal Advised Services at 866-412-0770. Customers will be alerted by email when a new or amended agreement or document is available; therefore, it is important that Customers always maintain an accurate email address. If a Customer fails to provide or maintain accurate contact information through the Program website, including an email address, or otherwise revokes consent to electronic delivery, Principal Advised Services reserves the right to terminate that Customer's participation in the Program. Please refer to the Customer Disclosure and Consent Regarding Conducting Business Electronically document, which is provided at account opening and accessible online thereafter, for additional terms and conditions regarding electronic delivery of Program communications.

### ***Fees and Compensation***

A Customer pays a level annualized fee equal to 0.85 percent of the Customer Account balance (the "program fee"), which represents the sum of two fees: (1) an investment advisory fee for Principal Advised Services' advice and management of Customer Accounts (the "account management fee"), and (2) the underlying mutual fund and ETF management fees paid to our affiliates (the "investment expenses"). Investment expenses are inclusive of the investment management, distribution, administration, transfer agency, shareholder services and other fees charged by the affiliated mutual funds and ETFs held in the Customer Account. The program fee is not negotiable. However, any portion of the account management fee may be waived or discounted at the sole discretion of Principal Advised Services.

Although the annualized program fee is always 0.85 percent, the investment expenses differ for each Customer Account based upon the particular fees and expenses associated with the affiliated mutual funds and ETFs held in the Customer Account, and the account management fee for each Customer Account varies because it is based on the difference between the overall program fee and the Customer's investment expenses. Customers should understand that the account management fee varies among Customers in the Program depending upon the specific investment portfolio that they have selected. **However, the total amount of compensation that Principal Advised Services and its affiliates receives from any Customer in connection with the Program is always 0.85 percent, or the program fee.**

The account management fee we debit from a Customer Account may vary from month to month as a result of changes to the investment composition and associated investment expenses of the Customer Account. We calculate the investment expenses by weighting the market value held in each mutual fund or ETF in a Customer Account by the total expense ratio published in the most recent prospectus for each mutual fund and ETF. Investment expenses are subject to change by the fund managers. Further information about investment expenses can be found in the prospectus provided for each mutual fund and ETF.

The account management fee is less than the program fee. We calculate the account management fee daily as a prorated amount of a Customer Account's daily closing balance. Monthly, Principal Advised Services will determine the total amount of investment expenses paid by each respective Customer Account, and an account management fee that reflects the difference between the monthly investment expenses and the program fee will be automatically debited. The account management fee is assessed monthly in arrears. We do not charge the account management fee in a month where the Customer Account is closed, and assets are distributed before that month's end. Principal Advised Services retains the right to liquidate assets in a Customer Account if there are insufficient funds to pay the account management fee or other account maintenance fees.

We receive more in fees when you invest more assets in your advisory account. That means we have an incentive to encourage you to increase the amount of assets in your account. Fees and costs will also reduce any amount of money you make from your investments over time. Please make sure you understand what fees and costs you are paying.

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Principal Advised Services compensates Principal Global Investors and Apex for its services to the account. Customers may incur additional fees from Apex as described below. Additionally, Principal Global Investors receives compensation from Customers for its investment management services to the affiliated mutual funds and ETFs within the portfolios through the investment expenses.

### ***Miscellaneous Fees***

The program fee does not account for miscellaneous fees charged by Apex. Please refer to the Apex Clearing Corporation Schedule of Miscellaneous Account Fees for Principal® SimpleInvest, which is provided at account opening and accessible online thereafter, for a complete list of these miscellaneous fees, including annual service fees, maintenance fees (e.g. a transfer, rollover, or termination fee) and other fees required by law. Apex automatically deducts these miscellaneous fees from your Customer Account. In certain circumstances disclosed in the Advisory Agreement, Principal Advised Services may charge Customers for special requests or other irregular services. Certain termination or transfer fees may be waived in a variety of circumstances, at PAS's sole discretion. This may include termination and transfer fees if moving from the Program to an investment with an affiliate of Principal Advised Services.

### ***Relative Cost of the Program***

The program fee charged for the Program may cost the Customer more or less relative to similar services purchased separately or from other advisory firms. Customers should consider that, depending on the amount of activity in the Customer Account and the value of custodial, trade execution, advisory, and other services that are provided under the arrangement, the program fee may or may not exceed the aggregate cost of such services if they were to be provided separately. To compare the costs of the Program to purchasing the services separately or from other firms, a Customer should consider the trading activity within their Customer Account, the investment strategy, the relative cost of the strategy, the program fee and other additional fees applicable to Customer Accounts and weigh this against the brokerage commissions and/or advisory fees that would be charged by other investment advisers or by broker-dealers.

### ***Compensation for Persons Recommending the Program***

Principal Advised Services' IARs are available by phone, email, or chat to answer questions about the Program, the investment strategies, mutual funds, and ETFs available through the Program, and Customer Account performance.

IARs that make a recommendation or assist you in enrolling in the Program or regarding your Customer Account do not receive any portion of the program fee as compensation nor are they compensated based on the model portfolio selected. However, the compensation payable to Principal Advised Services in connection with your participation in the Program may be more than what PAS would receive if you participated in programs or services available through other affiliates, or if you paid separately for investment advice, brokerage and other services. Therefore, Principal Advised Services may have an incentive to recommend the Program over other programs or services available from our affiliates. Currently the only advisory program available under Principal Advised Services is the Program described in Item 4. IARs are eligible for a bonus based on a number of criteria, including the growth and retention of assets within the Program, customer service, and call quality.

## **Item 5: Account Requirements and Types of Customers**

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A Customer must initially invest a minimum of \$5,000 total in one or more Customer Accounts and maintain a balance of at least \$1,000 in each Customer Account. Principal Advised Services may, in its sole discretion, waive or change this minimum investment amount at any time. After a Customer Account is established, we reserve the right to suspend trading, discontinue management and/or close your Customer Account if you fail to fund with the minimum or your balance falls below the specified minimum and you do not deposit additional money into your Customer Account. Accounts below \$1,000 may cause deviation from the target asset allocation outside of the established portfolio drift parameters.

Not all Customers or prospects will be appropriate for the Program. The Program is designed to provide investment advisory services to individual investors who reside in the U.S., who have regular internet access, and who are comfortable investing in mutual funds and ETFs through a digital investment experience. Participation in the Program requires that the Customer completes an account

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application and is approved for an account with Apex and with Principal Advised Services. The account application can be accessed online through the account portal. As discussed in Item 4 above, Customers are required to enroll in electronic delivery in order to participate in this Program.

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**Item 6: Portfolio Manager Selection and Evaluation**

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***Principal Global Investors***

As described above, Principal Advised Services has hired its affiliate, Principal Global Investors, which acts as an investment model provider for the Program and provides trading services to us ("affiliated service provider"). As the model provider, Principal Global Investors develops the investment models available in the Program, recommends the mutual funds and ETFs that comprise the models, and assists Principal Advised Services in the ongoing monitoring of the performance of the models and their underlying mutual funds and ETFs. All mutual funds and ETFs available in the Program are managed by Principal Global Investors. Where a mutual fund or ETF available in the Program has a third-party sub-adviser unaffiliated with Principal Global Investors, Principal Global Investors conducts the initial due diligence and ongoing monitoring of the sub-adviser. Principal Global Investors also assists Principal Advised Services by providing trading, intelligent rebalancing and reallocation services for Customer Accounts.

***Principal Advised Services Investment Committee***

The Principal Advised Services Investment Committee is appointed by the Principal Advised Services Board of Directors to direct our investment activities. The Investment Committee is comprised of investment and risk professionals working for various business units of member companies of Principal Financial Group®, including individuals from Principal Global Investors.

The Investment Committee's responsibilities include appointing, reviewing, and overseeing the performance of affiliated service providers, reviewing the performance, fees and expenses of the mutual funds and ETFs included in the models, and reviewing the testing and oversight of any algorithms involved in the formulation of investment advice.

The Investment Committee reviews certain aspects of the Program on a quarterly and annual schedule as part of its oversight program. The oversight program is meant to evaluate the necessity of any changes to the Program, including with respect to the affiliated service providers or the processes implemented by such affiliated service providers.

The Investment Committee is responsible for reviewing Principal Global Investors' recommended investment models and approving the models or working with Principal Global Investors to make modifications. The Investment Committee also monitors the performance of the investment models, at least annually, to ensure the expected returns and risk are appropriate for the targeted time-horizon and risk tolerance.

The Investment Committee performs oversight of the Principal Global Investors' algorithms used to set risk scores, determine target portfolios for Customers, and trigger trading activities. This oversight includes review of periodic testing of the algorithm outputs to confirm they are consistent with expectations.

The Investment Committee oversees Apex's provision of clearing, custody, trade execution, and related services to Customers and will periodically evaluate Apex's execution quality as part of its ongoing oversight.

The Investment Committee reviews the performance of Customer Accounts using information provided by Apex and Principal Global Investors. The Investment Committee reviews the account performance to ensure that the risk profiles are aligned appropriately for the models. As the investment model provider, Principal Global Investors has the obligation to review the underlying mutual funds and ETFs and to recommend any changes and to provide information regarding these underlying funds to the Investment Committee for its review. Principal Advised Services does not verify, or rely on a third-party to verify, the accuracy of the performance information provided by Apex and Principal Global Investors relating to the Customer Accounts or that provided by Principal Global Investors relating to the underlying mutual funds and ETFs available through the Program. Performance information may not be calculated on a uniform and consistent basis.

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Please see Item 4 above for a discussion of the types of advisory services and strategies that Principal Advised Services offers in the Program and how these services are tailored to the individual needs of Customers. Principal Advised Services receives a portion of the program fee for the portfolio management services it provides in the Program. Principal Advised Services currently does not intend to manage any accounts that are not program fee accounts.

### ***Material Risks***

In general, all Customer Accounts are subject to risks, including the risks discussed below. This Brochure does not include every potential risk associated with the Program or all of the risks applicable to a particular Customer Account. Rather, it is a general description of certain risks inherent in the Program. Customers should refer to their Advisory Agreement and the underlying prospectuses for the mutual funds and ETFs offered through the Program for additional information.

### ***Investment Risks***

Investing in securities like mutual funds and ETFs, whether through the Program or otherwise, involves risk of loss that Customers should be prepared to bear. Principal Advised Services does not guarantee the results of any advice or recommendation. In addition, Principal Advised Services does not guarantee that the objectives of the Customer will be met. The advice provided to the Customer only pertains to the Customer Account managed by Principal Advised Services. You should be aware that you may lose money by investing in mutual funds and ETFs through the Program.

The past performance of Principal Advised Services or Principal Global Investors is no guarantee of future results. Market, interest rate, investment and other related risks may adversely affect the performance of securities held in Customer Accounts and cause losses in a Customer Account. The following is a list of some of the principal risks of investing in mutual funds and ETFs and of investing through a digital investment platform. The following list of risks is not intended to be a comprehensive list of risks.

**Investing in mutual funds and ETFs.** A Customer Account bears all the risks of the investment strategies employed by the mutual funds and ETFs held in the Customer Account, including the risk that a mutual fund or ETF will not meet its investment objectives. The mutual funds and ETFs held in Customer Accounts may invest in equities, fixed income, derivatives, and other asset classes; the risks associated with such investments are described below. For the specific risks associated with any particular mutual fund or ETF, please refer to its prospectus.

**ETFs.** An ETF is subject to the risks of the underlying securities that it holds, as well as the risk that it may fail to closely track the index it follows (tracking error). ETFs are subject to fees and expenses (like management fees and operating expenses) that do not apply to an index, and a Customer Account will indirectly bear its proportionate share of the fees and expenses of the ETFs in which it invests. Moreover, ETF shares may trade at a premium or discount to their net asset value ("NAV"). Therefore, due to variations in the NAV of the ETF under certain circumstances the ETF could trade for more or less than the value of the underlying investments if bought separately. Although ETFs are required to calculate their NAV on a daily basis, at times the market price of an ETF's shares may be more than the NAV (trading at a premium) or less than the NAV (trading at a discount). Given the differing nature of the relevant secondary markets for ETFs, certain ETFs may trade at a larger premium or discount to NAV than shares of other ETFs depending on the markets where such ETFs are traded. The risk of deviation from NAV for ETFs generally is heightened in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying ETFs may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of such ETFs, and the liquidity of such ETFs may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares in ETFs. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of ETFs. As a result, under these circumstances, the market value of shares of an ETF may vary substantially from the NAV per share of such ETF, and the Customer may incur significant losses from the sale of ETF shares.

As an ETF trades on an exchange, it is subject to the risks of any exchange-traded instrument, including: (i) an active trading market for its shares may not develop or be maintained, (ii) market makers or authorized participants may decide to reduce their role or step

away from these activities in times of market stress, (iii) the exchange may halt trading of its shares, and (iv) its shares may be delisted from the exchange. This means there may be times when ETFs are not as liquid as other investments.

In addition, ETF managers that offer passive investment strategies generally do not seek to outperform their benchmark. As a result, ETF managers may hold securities that are components of their underlying index, regardless of the current or projected performance of the specific security or market sector. Passive managers do not attempt to take defensive positions based upon market conditions, including declining markets. This approach could cause a passive vehicle's performance to be lower than if it employed an active strategy.

**Market Risk.** The price of any security or the value of an entire asset class can decline for many reasons, including but not limited to interest rates, regulatory changes, unpredictable market sentiment changes, and political, economic and social conditions.

**Equity Investments.** Price changes may occur in the market, or in a country, industry, or sector of the market. In addition, different types of stocks tend to shift in and out of favor depending on market and economic conditions, and the types of stocks in which a fund invests may underperform the market. For example, growth stocks can be more volatile than other types of stocks, and the market can undervalue value stocks for long periods of time. Dividends on common stocks are not fixed but are declared at the discretion of an issuer's board of directors. There is no guarantee that a company will pay dividends, or that if paid they will remain at current levels or increase over time.

**Fixed Income Investments.** In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) The ability of an issuer of a bond to repay principal prior to a security's maturity can cause greater price volatility if interest rates change, and, if a bond is prepaid, a bond fund may have to invest the proceeds in securities with lower yields. Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. In addition, investments in certain bond structures may be less liquid than other investments, and therefore may be more difficult to trade effectively.

**Foreign Investments.** Foreign securities are subject to interest rate, currency exchange rate, economic, regulatory, and political risks, all of which may be greater in emerging markets. These risks are particularly significant for funds that focus on a single country, region, or emerging markets. Foreign markets may be more volatile than U.S. markets and can perform differently from the U.S. market. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties and can be extremely volatile. Foreign exchange rates can also be extremely volatile.

**Derivatives.** Certain mutual funds and ETFs may invest in derivatives. A derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, bond, or currency); a physical asset (such as gold, oil, or wheat); or a market index (such as the S&P 500® Index). Investments in derivatives may subject these funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Some forms of derivatives, such as exchange-traded futures and options on securities, commodities, or indexes, have been trading on regulated exchanges for decades. These types of derivatives are standardized contracts that can easily be bought and/or sold, the market values of which are determined and published daily. Non-standardized derivatives (such as swap agreements), on the other hand, tend to be more specialized or complex, and may be more difficult to value. Derivatives may involve leverage because they can provide investment exposure in an amount exceeding the initial investment. As a result, the use of derivatives may cause funds to be more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of a fund's portfolio securities.

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***Legislative and Regulatory Risk***

Customer Accounts may be adversely affected by new (or revised) laws or regulations. Changes to laws or regulations can impact the securities markets, specific industries, individual issuers of securities, and Principal Advised Services' determinations with respect to the expected rate of return, value, or creditworthiness of a security.

***Algorithm Risk***

There are inherent limitations to using algorithms to recommend a model and manage a Customer Account. For instance, the algorithms used in the Program are designed to manage a Customer Account according to the asset allocation selected for that Customer Account and are not designed to actively manage asset allocations based on short-term market fluctuations.

The algorithms are also not designed to consider certain factors, including individual tax circumstances such as capital gains taxes; rather, their functions consist of proposing a portfolio based on the Customer Inputs, identifying opportunities for rebalancing, and generating initial buy/sell orders accordingly.

There is also a risk that the algorithms and related software used for strategy selection, intelligent rebalancing, and related functions may not perform within intended parameters, which may result in a recommendation of a portfolio that may be more aggressive or more conservative than necessary, or incorrectly trigger or fail to initiate rebalancing. In addition, changes to an algorithm's code, although subject to controls and testing, may not have the desired effect with respect to Customer Accounts. While this risk increases if changes to an algorithm are insufficiently tested prior to implementation, even extensively tested changes may not produce the desired effect over time.

***Asset Allocation Risk***

Asset allocation decisions can result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform expectations. The more aggressive the investment strategy used for a Customer Account, the more likely the Customer Account will contain larger weights in riskier asset classes, such as equities. Asset classes can perform differently from each other at any given time (as well as over the long term), so the investment strategy will be affected by its allocation among the asset classes. Depending on market conditions, there may be times when diversified portfolios perform worse than less diversified portfolios. Diversification does not eliminate investment risk.

***Cybersecurity, Technology, and Operational Risk***

Principal Advised Services depends upon digital and network technology to conduct its day-to-day business operations and fulfill ongoing obligations to Customers. As such, Customers' information is susceptible to operational, information security, and related risks. In general, cyber incidents can result from deliberate internal or external attacks or unintentional events and are not limited to gaining unauthorized access to digital systems and misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including denial-of-service attacks on websites. Cybersecurity failures or breaches either internally at Principal Advised Services or externally by a third-party service provider or at or against issuers of securities in which the portfolio invests have the ability to cause disruptions and impact business operations. Such events could potentially result in financial losses, the inability to transact business, violations of applicable privacy laws including disclosure of Customers' personally identifiable information, regulatory fines, violation of other laws, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

Principal Advised Services has developed a Business Continuity Program and an Enterprise Information Security Program that are designed to minimize the disruption of normal business operations in the event of an adverse incident impacting Principal Advised Services or its affiliates. While Principal Advised Services believes that the Business Continuity Program and Enterprise Information Security Program are comprehensive and should enable it to reestablish normal business operations in a timely manner in the event of an adverse incident, there are inherent limitations in such programs (including the possibility that contingencies have not been anticipated and procedures do not work as intended) and under some circumstances, Principal Advised Services and its affiliates, any



vendors used by Principal Advised Services or its affiliates or any service providers to the portfolios Principal Advised Services manages could be prevented or hindered from providing services to the portfolio for extended periods of time. These circumstances may include, without limitation, acts of God, acts of governments, any act of declared or undeclared war or of a public enemy (including acts of terrorism), power shortages or failures, utility or communication failure or delays, labor disputes, strikes, epidemics, shortages, supply shortages, and system failures or malfunctions. These circumstances, including systems failures and malfunctions, could cause disruptions and negatively impact a portfolio's service providers and a portfolio's operations, potentially including impediments to trading portfolio securities. A portfolio's ability to recover any losses or expenses it incurs as a result of a disruption of business operations may be limited by the liability, standard of care and related provisions in its contractual arrangements with service providers.

### ***Limited Nature of Program***

The digital platform offered by Principal Advised Services is not intended as a complete investment program for every Customer. Although the IAR may consider material factors such as outside assets in the recommendation of the Program, the advice is provided exclusively on assets in the Program and does not consider other investments the customer may have. The RTQ may ask fewer questions and elicit less information than Customers might be asked through a traditional advisory program. As a result, the use of the Customer Inputs to create a recommended portfolio for a Customer may result in a different recommendation than if the Customer completed a longer questionnaire and/or had an in-person interview with an adviser. Principal Advised Services representatives are available to help Customers navigate the online RTQ and/or to answer questions about the Program if they chose to enroll on their own. IARs are also available to conduct an interview and make a recommendation to the client about whether to invest in the Program. Another material limitation of the Program is the fact that the only investment products available within the Program are currently mutual funds and ETFs managed by affiliates of Principal Advised Services, except for the cash position. Other products managed by affiliates of Principal Advised Services or by unaffiliated third parties may be an appropriate investment for a particular Customer or may have higher returns than a product available in the Program, but these other products are not available through the Program.

### ***Performance Based Fees and Side by Side Management***

Principal Advised Services does not charge performance-based fees (fees calculated based on a percentage gain in the underlying account).

### ***Voting of Customer Securities***

Principal Advised Services does not acquire or exercise proxy voting authority for Customers in the Program. You will be sent any proxy materials directly from Apex in its role as custodian. Any proxy voting must be directly exercised by each Customer. Principal Advised Services will not advise Customers on the voting of proxies, nor will it advise or act for any Customer in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held in a Customer Account. In the event Principal Advised Services receives any proxies, it will promptly forward these to Apex.

## **Item 7: Customer Information Provided to Portfolio Managers**

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Each Customer is asked to answer a series of online multiple-choice questions in the RTQ. These questions are used to assess the Customer's ability and desire to take risk. We use an algorithm to analyze the Customer's responses to the RTQ and provide a risk score. This risk score is combined with other Customer Inputs, including the Customer's age, to form the basis for our investment recommendation. Principal Advised Services shares the information provided by the Customer with its affiliated service providers to the extent necessary to facilitate their provision of services, including facilitating the algorithm with respect to the relevant Customer Account.

## **Item 8: Customer Contact with Portfolio Managers**

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All Customer contacts and communications regarding participation in the Program will occur through Principal Advised Services via email, its interactive website, or telephone. Contact Principal Advised Services' IARs if you have specific questions about the way your Customer Account is managed.

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**Item 9: Additional Information**

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***Disciplinary Information***

Neither Principal Advised Services nor any of its officers, directors, employees or other management persons has been involved in any legal or disciplinary events that would require disclosure in response to this Item.

***Other Financial Industry Activities and Affiliations***

As a wholly owned subsidiary in the family of entities of Principal Financial Group®, Principal Advised Services is part of a diversified, global financial services organization with many types of affiliated financial services providers, including but not limited to broker-dealers, insurance companies and other investment advisers.

Certain of Principal Advised Services' management persons, including its members of the management team, Investment Committee members, and other control persons, also hold positions with one or more affiliated entities. These management persons may have significant other duties for our affiliates and may allocate a substantial portion of their time to the management of other affiliated entities of Principal Advised Services. Management persons performing work for Principal Advised Services in addition to work performed for other affiliates are not required to devote all their working time to Principal Advised Services. Conflicts of interest from time to time may arise in allocating management time, services, or functions among Principal Advised Services and other affiliates. Principal Advised Services attempts to mitigate such conflicts through its internal controls and by disclosure to you.

***Material Relationships with Related Persons and Potential Conflicts of Interest***

Principal Advised Services has certain relationships or arrangements with related persons that are material to its investment advisory business. Below is a description of these relationships and some of the conflicts that arise from them. Principal Advised Services mitigates the conflicts of interest discussed below through disclosure in this Brochure and through the implementation, monitoring and review of the policies and procedures that comprise its compliance program. Please see "Conflicts of Interest" below for further discussion of the conflicts of interest that arise from using affiliated service providers and offering affiliated mutual funds and ETFs in the Program.

Principal Life Insurance Company is licensed as an insurance company in all 50 states and the District of Columbia. Principal Advised Services has entered into a Subsidiary Expense Reimbursement Agreement pursuant to which Principal Life Insurance Company and its global affiliates will furnish certain personnel, services and facilities to Principal Advised Services, and Principal Advised Services will reimburse its affiliates for the costs associated with these services. Principal Life Insurance Company is also a record keeper for retirement plans. The Program will also be offered to retirement plan participants who wish to withdraw their assets from plans that use Principal Life Insurance Company as a record keeper.

Furthermore, Principal Advised Services may direct Customers to Principal Bank, an affiliate, for the purchase of banking products. As Principal Advised Services is a subsidiary of Principal Bank, IARs may be incentivized to refer Customers as a control relationship exists between Principal Bank and Principal Advised Services.

Principal Advised Services is an affiliate of Principal Securities, Inc. ("PSI"), a retail investment adviser and a broker-dealer registered with the SEC and a FINRA member firm. Principal Advised Services does not conduct any brokerage business with PSI. However, certain supervised persons or associated persons of Principal Advised Services are registered representatives of PSI as a result of other duties they perform outside of the Program. Customer facing phone staff are not registered representatives of PSI or any other broker-dealer.

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While not compensated for such activities, Principal Advised Services IARs may direct Customers to a life insurance agent of Principal Life Insurance Company to purchase life or disability insurance products. Additionally, Principal Advised Services' IARs may introduce Customers to staff of Principal Bank who are also Registered Representatives of Principal Securities for the sale of securities products, or to other Principal Securities Registered Representatives and IARs.

Principal Funds Distributor, Inc., is the principal underwriter for an investment company (Principal Funds, Inc.). Many of the investments available through the Program are mutual funds of Principal Funds, Inc. The use of the affiliated mutual funds poses a conflict of interest as an affiliate receives compensation for the sale of the fund shares. The ETFs available through the Program are offered by an affiliate, Principal Exchange Traded Funds; an unaffiliated entity distributes these ETFs. To the extent that Principal Advised Services selects lower cost funds or share classes, an affiliate of Principal Advised Services may receive less compensation. In this case, Principal Advised Services has a conflict of interest and financial incentive to recommend portfolios that have lower cost funds or share classes since the amount of its account management fee will be comparatively greater (as a portion of the overall program fee) than had it recommended higher-fee share classes; an increase in the amount of investment expenses lowers the amount of the program fee that Principal Advised Services receives in the form of the account management fee. However, the overall compensation earned by Principal Advised Services and its affiliates, collectively, does not change based on the investments in the Customer Account, whether from affiliated funds or otherwise. Thus, Principal Advised Services' selection of funds and share classes does not change the program fee you pay for the Program.

The trading services for the Program are provided with the assistance of Principal Global Investors, which is an affiliate of Principal Advised Services. Principal Global Investors is registered as an investment adviser with the SEC. This relationship poses a conflict in that Principal Advised Services has an incentive to select Principal Global Investors as the provider of these services for the Program over comparable unaffiliated third-party providers, because by selecting an affiliate, Principal Advised Services ensures that an affiliate receives compensation for these services.

Principal Global Investors also serves as the model provider for the Program and acts as the investment manager for all of the affiliated mutual funds and ETFs that are available through the Program. This relationship poses a potential conflict in that Principal Advised Services has an incentive to select Principal Global Investors as the model provider and to offer investments managed by Principal Global Investors through the Program, because these choices generate compensation for a Principal Advised Services affiliate. To the extent that Principal Advised Services selects lower cost funds or share classes, Principal Global Investors will receive less compensation in the form of investment expenses from the affiliated mutual funds and ETFs included in Customer Accounts. As a result, Principal Advised Services has a conflict of interest and financial incentive to recommend portfolios that have lower cost funds or share classes since the amount of its account management fee will be comparatively greater (as a portion of the overall program fee) than had it recommended higher-fee share classes; an increase in the amount of investment expenses lowers the amount of the program fee that Principal Advised Services receives in the form of the account management fee. However, the compensation earned by Principal Advised Services and its affiliates, collectively, does not change based on the investments in the Customer Account, whether from affiliated funds or otherwise. Thus, Principal Advised Services' selection of funds and share classes does not change the program fee you pay for the Program.

Apex Clearing Corporation, an unaffiliated broker-dealer, provides clearing, custody, trade execution and related services to the Program.

### ***Code of Ethics and Personal Trading***

Principal Advised Services has adopted a Code of Ethics (the "Code"). The principal purpose of the Code is to provide policies and procedures consistent with applicable laws and regulations, including Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act"), to prevent or mitigate conflicts of interests or the appearance of such conflicts when Principal Advised Services officers, directors, employees and certain non-employees of Principal Advised Services with access to Customer and trading information of Principal Advised Services ("Access Persons") own or engage in their own personal transactions involving securities.

The Code requires all Access Persons to adhere to high standards of honest and ethical conduct and the interests of our advisory Customers to be placed first always. All Access Persons are required to certify upon association/employment and annually thereafter

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that they have read, understood and complied with the Code. This includes certifying that they have complied with the requirements to disclose covered accounts, reportable securities and pre-cleared transactions as required by the Code, when applicable. Access Persons are permitted to personally buy and sell securities of issuers that Principal Advised Services also trades for its Customers, so long as those buy and sell transactions are conducted in accordance with the Code.

As such, there are procedures in place to prevent instances where potential conflicts of interest arise between the personal securities transactions of the Access Persons and the securities transactions that Principal Advised Services does for Customer Accounts. The compliance area of Principal Advised Services monitors personal trading.

All Access Persons are required to obtain pre-clearance approval to buy and sell any offerings that are exempt from registration under the Securities Act of 1933 pursuant to Regulation D (“private placements”) and are required to report their securities transactions on an ongoing basis through an online monitoring system. There is also a quarterly review of reportable transactions, as well as annual certification of accounts and holdings by Access Persons. Please refer to our Code for a detailed overview of provisions.

Customers and prospective Customers of Principal Advised Services may obtain a full copy of the Code by contacting an IAR or the Compliance Department by request at 866-412-0770.

#### ***Participation or Interest in Customer Transactions and Other Conflicts of Interest***

Conflicts of interest or potential conflicts of interest commonly refer to activities or relationships in which the interests of Principal Advised Services and its affiliates compete with the interests of Customers.

Members of the Principal Advised Services management team and Investment Committee will meet on an as needed basis to identify and discuss any actual or potential conflicts of interest. Additionally, such members will review risk controls, policies, and procedures to identify any necessary controls to mitigate or eliminate any actual or potential conflicts of interest.

#### ***Recommendations or Investments in Securities that Principal Advised Services or its Related Persons may also Purchase and Sell***

As a wholly owned subsidiary of Principal Financial Group®, Principal Advised Services is part of a diverse family of financial services companies that offers Customers a wide range of financial products and services. Principal Advised Services’ affiliates at times may give investment advice and/or act in the performance of their duties in a manner that differs from or is inconsistent with the advice given for Customer Accounts. In addition, Principal Advised Services’ recommendations through the Program at times will differ from its affiliates’ recommendations or guidance.

#### ***Affiliated Mutual Funds and ETFs***

Principal Advised Services has a conflict of interest in offering only affiliated mutual funds and ETFs through the Program because the compensation received by Principal Global Investors and its affiliates increases when the assets invested in the affiliated mutual funds and ETFs increase. Principal Global Investors and its affiliates will, in the aggregate, receive more compensation when Customer assets are invested in affiliated funds than they would receive if the Customer instead invested in unaffiliated funds. This creates a financial incentive for Principal Advised Services to choose affiliated funds for the Program over non-affiliated funds. We mitigate this conflict of interest by disclosing it to you and making clear that, except for the cash portion of the portfolio, the Program is limited to proprietary funds.

#### ***Retention of Affiliated and Unaffiliated Service Providers***

Principal Advised Services has a financial incentive to select Principal Global Investors as both the model provider and as the provider of trading services for the Program over comparable providers that are not affiliated with Principal Advised Services because Principal Advised Services’ affiliates will, in the aggregate, receive more total revenue when Customer assets are invested in investment products managed or serviced by affiliated service providers. Principal Advised Services’ Investment Committee members oversee the services provided by Principal Global Investors.

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In addition to retaining its affiliates to provide certain services, Principal Advised Services also retains unaffiliated service providers to provide various other services. A service provider may provide services to Principal Advised Services while also providing services to affiliates of Principal Advised Services and may negotiate rates in the context of the overall relationship. Alternatively, Principal Advised Services may be unable to obtain the same fee rates from a given service provider that its affiliates negotiated and Principal Advised Services may not know about these lower negotiated rates.

### ***Conflicts of Interest Created by Trading Model Portfolios***

Principal Global Investors may provide model portfolios to affiliated and unaffiliated investment advisers who use model portfolios to assist in developing their own investment recommendations and managing their own accounts. In addition, Principal Global Investors may trade in the same or similar securities for its other customers. Principal Global Investors may (but need not) delay communicating information regarding model portfolios or any updates thereto until after its other customers have commenced trading. In such circumstances, Principal Advised Services will not have had the chance to evaluate or act upon the model portfolio recommendations prior to the time at which other advisory accounts received such recommendations and had the opportunity to act upon them. It is also possible that Principal Global Investors may have already started trading the same or similar securities for its other customers before Principal Advised Services has directed Principal Global Investors to trade on behalf of Customers. Such differences in the timing of trades can affect the pricing of the relevant securities and can result in Customer Accounts receiving less favorable pricing. Transactions for which orders have been placed may be subject to price movements, particularly with large orders relative to the given security's trading volume, which may result in Customers receiving prices that are less favorable than the prices Principal Global Investors' other Customers receive.

### ***Review of Accounts***

Principal Advised Services generally provides all Customers with continuous access to its website. Through the website, Customers can access information about their account status, portfolio allocations, securities, and balances.

Proprietary as well as commercially available software is used to review the Customer Accounts quarterly to ensure that they are in line with investment objectives. Additional reviews may be triggered by material changes in variables such as a Customer's individual circumstances, or the market, political or economic environment. As mentioned above, you have access to account information through the website. Apex in its capacity as the custodian prepares account statements showing transactions and account balances during the prior quarter. All information relating to Customers and Customer Accounts is provided on the website and/or sent via email or paper as required.

Generally, on a quarterly basis, Principal Advised Services will remind Customers to review and update the profile information previously provided. Principal Advised Services requests that Customers reconfirm their current profile information as needed and on an annual basis.

Additionally, Principal Advised Services' Investment Committee, in conjunction with the compliance team, will prepare and review exception reports on an ongoing basis to ensure that Customer Accounts are in line with the asset allocation and risk parameters identified for Customers based on their RTQ scores. The Investment Committee will also review relevant material changes to the algorithm prior to implementation.

### ***Trusted Contacts***

Customers can choose to add Trusted Contact(s) to their Customer Account at the time the account is established or anytime thereafter. Principal Advised Services is authorized to contact a Trusted Contact and disclose information about the Customer Account to address possible financial exploitation, to confirm the specifics of the Customer's current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or as otherwise permitted by law. The Trusted Contact(s) are not permitted to make changes to the Customer Account or affect any transactions within the Customer Account. A Customer may change or remove a Trusted Contact with written notice at any time.

***Customer Referrals and Other Compensation***

Principal Advised Services does not currently use any paid referral services, so this item is currently not applicable to Principal Advised Services.

***Custody***

Principal Advised Services does not act as a custodian for Customer assets and does not have physical custody of Customer funds or securities at any time. Apex serves as the qualified custodian for all Customer Accounts. Apex will provide regular ongoing statements to you showing your securities positions and account activity. You should promptly and carefully review the statements provided by Apex and compare them against the Account information available online through the Program and notify us promptly in writing via email or physical mail of any errors or discrepancies.

Principal Advised Services is deemed to have custody of Customer funds as defined in Rule 206(4)-2 of the Advisers Act ("Custody Rule") as a result of Customers authorizing Principal Advised Services to withdraw advisory fees from Customer Accounts, and when Customers initiate third-party transfers out of their Customer Accounts. Principal Advised Services will comply with all applicable Custody Rule requirements.

From time to time, Principal Advised Services may inadvertently receive Customer assets from third parties. Principal Advised Services has appropriate policies and procedures which provide for returning such assets to the sender, as permitted by the Custody Rule and guidance thereunder.

***Financial Information***

Principal Advised Services does not require or solicit the prepayment of any fees and does not have any adverse financial condition that is reasonably likely to impair Principal Advised Services' ability to continuously meet its contractual commitments to you. Principal Advised Services has not been the subject of a bankruptcy proceeding.

***Supervision of one-time investment recommendations***

Principal Advised Services' Board of Directors has established a committee, called the Investment Advice Committee, to provide governance of the one-time investment recommendations made by IARs. The Investment Advice Committee's responsibilities are primarily to provide governance over advisory activities outside the discretionary investment management services, which are separately governed by the Investment Committee discussed above.