

**Report of Organizational Actions
Affecting Basis of Securities**

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Principal Funds, Inc. – LargeCap Value Fund		2 Issuer's employer identification number (EIN) XX-XXX9820	
3 Name of contact for additional information Principal Funds	4 Telephone No. of contact 1-800-222-5852	5 Email address of contact investorcontact@principal.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact P. O. Box 8024		7 City, town, or post office, state, and ZIP code of contact Boston, MA 02266-8024	
8 Date of action See Attachment		9 Classification and description See Attachment	
10 CUSIP number See Attachment	11 Serial number(s) See Attachment	12 Ticker symbol See Attachment	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **See Attachment**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **See Attachment**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **See Attachment**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ The non-taxable acquisition was determined in accordance with Sections 354, 357, 358, 361, 362, 368, 381, 851-855, 1032 and 1223 of the Internal Revenue Code.

Horizontal lines for providing details for question 17.

18 Can any resulting loss be recognized? ▶ See Attachment

Horizontal lines for providing details for question 18.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Attachment

Horizontal lines for providing details for question 19.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here Signature ▶ Signed copy maintained in taxpayer's records. Date ▶ November 26, 2018

Print your name ▶ Sara Reece Title ▶ Vice President & Controller

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.



Principal Funds, Inc. – LargeCap Value Fund (EIN: XX-XXX9820)
Attachment to Form 8937, Report of Organizational Action Affecting Cost Basis
November 26, 2018

This notice is provided to inform shareholders of Principal Funds, Inc. – LargeCap Value Fund of an action that affects your cost basis (per share) of shares owned on October 12, 2018.

Effective October 12, 2018, Principal Funds, Inc. – Equity Income Fund acquired all of the assets and assumed all of the liabilities of Principal Funds, Inc. – LargeCap Value Fund. Each shareholder of Principal Funds, Inc. – LargeCap Value Fund will, as a result of the acquisition, own shares of Principal Funds, Inc. – Equity Income Fund of equal value and will recognize no gain or loss from the exchange of shares. The acquisition was accomplished by a tax-free exchange of each respective class of shares at an exchange rate shown in the table below.

Principal Funds, Inc. – LargeCap Value Fund Acquisition Tax-Free Exchange Rate

Class of Common Shares (Form 8937, Box 9)	CUSIP (Form 8937, Box 10)	Ticker Symbol (Form 8937, Box 12)	LargeCap Value Fund 10/12/18 NAV Per Share	Equity Income Fund 10/12/18 NAV Per Share	Tax-Free Exchange Rate
Class A	74254T625	PCACX	6.8554	31.3399	0.2187
Class C	74254U739	PLUCX	6.5246	30.5335	0.2137
Class J	74253Q770	PVLJX	6.5821	31.3795	0.2098
Institutional	74253Q762	PVLIX	6.8077	31.3818	0.2169
R-1	74254R439	PLSVX	6.7472	31.2133	0.2162
R-2	74251T271	PLVNX	6.7906	31.3406	0.2167
R-3	74251T263	PLVMX	6.7431	31.2409	0.2158
R-4	74251T297	PLVSX	6.7220	31.3015	0.2148
R-5	74251T289	PLVPX	6.8562	31.3452	0.2187

NAV = net asset value

The acquisition did not impact your overall cost basis but does change your cost basis per share. To compute your shares owned of Principal Funds, Inc. – Equity Income Fund after the acquisition, multiply shares owned of Principal Funds, Inc. – LargeCap Value Fund on October 12, 2018 times the tax-free exchange rate. To compute your new cost basis per share, divide your cost basis by the tax-free exchange rate.

Example for Shareholder XYZ

LargeCap Value Fund – Class A Shares Owned by Shareholder XYZ Immediately Prior to Acquisition	Shareholder XYZ’s Cost Basis Per Share of LargeCap Value Fund – Class A Shares Owned	Shareholder XYZ’s Total Cost Basis of LargeCap Value Fund – Class A Shares Owned	Equity Income Fund – Class A Shares Owned by Shareholder XYZ Immediately After the Acquisition	Shareholder XYZ’s Cost Basis Per Share of Equity Income Fund – Class A Shares Owned	Shareholder XYZ’s Total Cost Basis of Equity Income Fund – Class A Shares Owned
10 shares	\$8	\$80 (10* \$8)	2.187 shares (10*0.2187)	\$36.5798 (\$8/0.2187)	\$80 (2.187 * \$36.5798)

This information is being provided pursuant to Internal Revenue Code Section 6045B(e), as amended. The information in this notice is also reported to the IRS.

Direct questions regarding this notice to:

Principal Funds

P.O. Box 8024

Boston, MA 02266-8024

Phone: 1.800.222.5852

Email: investorcontact@principalfunds.com

Website: <https://www.principalfunds.com/customer-support/contact-us>

The tax information contained herein is provided for informational purposes only and should not be construed as legal or tax advice.