

**Principal Funds, Inc. – Dynamic Floating Rate High Income Fund
Federal Income Tax Information
December 20, 2018**

The following information is being provided to you, prompted by the liquidation of Principal Funds, Inc. – Dynamic Floating Rate High Income Fund (“Fund”) effective December 20, 2018.

Dividends Received Deduction (“DRD”). For corporate shareholders, the percentage of ordinary income distributions (dividend income and short-term gains, if any) for the tax year ended December 20, 2018 that qualifies for the DRD is 12.58%.

Qualified Dividend Income (“QDI”). Certain dividends paid by the Fund may be subject to a maximum tax rate of 20%. The QDI percentage of ordinary income distributions for the tax year ended December 20, 2018 is 12.57%.

This information is given to meet certain requirements of the Internal Revenue Code and should not be used by shareholders for preparing their income tax returns. For tax return preparation purposes, please refer to the information supplied with the 1099-DIV form you will receive from the fund’s transfer agent. Please consult your tax advisor if you have any questions.

The latest tax reporting supplement is available on Principal's Tax Center website.

Website: <https://www.principalfunds.com/individual-investor/customer-support/tax-center>

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