Form **8937**(December 2017) Department of the Treasury Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

OMB No. 1545-0123

Pa	art I Repo	orting I	ssuer						
1	Issuer's name						2 Issuer's employer identification number (EIN)		
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Principal Funds, Inc. – MidCap Value Fund III Name of contact for additional information 1 Telephone No. of contact							XX-XXX9824 5 Email address of contact		
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Prir	ncipal Funds				investorcontact@principal.com				
Principal Funds 1-800-222-5852 6 Number and street (or P.O. box if mail is not delivered to street address) of contact							7 City, town, or post office, state, and ZIP code of contact		
P. C	D. Box 219971						Kansas City, MO 64121-9971		
8	Date of action			9 Class	sification and description	า			
	Attachment	1		See Atta					
10	CUSIP number		11 Serial number	(S)	12 Ticker symbol		13 Account number(s)		
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Dء	See Attachm art II Orga		nal Action Atta	ch additiona	See Attachment	d See had	l ck of form for additional questions.		
14							inst which shareholders' ownership is measured for		
	the action ▶			applicable, tric	date of the detion of the	ic date agai	inst which shareholders ownership is measured for		
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15			ive eπect of the organic \triangleright S			security in t	he hands of a U.S. taxpayer as an adjustment per		
	Share of as a	percenta	ge of old basis F S	ee Attacnmei	nt				
16				pasis and the	data that supports the ca	alculation,	such as the market values of securities and the		
	valuation date	es ► <u>See</u>	Attachment						
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Here Signature ► Signed copy maintained in taxpayer's records Date ► May 24, 2019 Print your name ► Sara Reece Title ► Vice President & Controller Preparer's signature Date PTIN Print/Type preparer's name Check ____ if **Paid** self-employed **Preparer** Firm's name Firm's EIN ▶ **Use Only** Firm's address ▶ Phone no. Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054



Principal Funds, Inc. – MidCap Value Fund III (EIN: XX-XXX9824) Attachment to Form 8937, Report of Organizational Action Affecting Cost Basis May 24, 2019

This notice is provided to inform shareholders of Principal Funds, Inc. – MidCap Value Fund III of an action that affects your cost basis (per share) of shares owned on April 12, 2019.

Effective April 12, 2019, Principal Funds, Inc. – MidCap Value Fund I acquired all of the assets and assumed all of the liabilities of Principal Funds, Inc. – MidCap Value Fund III. Each shareholder of Principal Funds, Inc. – MidCap Value Fund III will, as a result of the acquisition, own shares of Principal Funds, Inc. – MidCap Value Fund I 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. – MidCap Value Fund III Acquisition Tax-Free Exchange Rate

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Class of		Ticker						
Common		Symbol	MidCap Value	MidCap				
Shares	CUSIP	(Form	Fund III	Value Fund I				
(Form 8937,	(Form 8937,	8937, Box	04/12/19 NAV	04/12/19 NAV	Tax-Free Exchange			
Box 9)	Box 10)	12)	Per Share	Per Share	Rate			
Class A	742537301	PVCAX	17.6139	13.8629	1.2706			
Class J	74253Q689	PMCJX	16.5184	13.6974	1.2060			
Institutional	74253Q671	PVUIX	17.7692	13.8404	1.2839			
R-1	74254R322	PMSVX	16.7934	13.2476	1.2677			
R-2	74253J305	PKPPX	16.8787	13.3961	1.2600			
R-3	74253J404	PJPPX	16.6719	13.6633	1.2202			
R-4	74253J107	PMPPX	16.4939	13.6919	1.2046			
R-5	74253J206	PLPPX	16.6596	13.7611	1.2106			
R-6	742537582	PCMIX	17.8585	13.8634	1.2882			

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. – MidCap Value Fund I after the acquisition, multiply shares owned of Principal Funds, Inc. – MidCap Value Fund III on April 12, 2019 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

•			MidCap		
MidCap Value	Shareholder		Value Fund I		
Fund III –	XYZ's Cost		– Class A	Shareholder	
Class A Shares	Basis Per	Shareholder	Shares Owned	XYZ's Cost	Shareholder
Owned by	Share of	XYZ's Total	by	Basis Per	XYZ's Total
Shareholder	MidCap	Cost Basis of	Shareholder	Share of	Cost Basis of
XYZ	Value Fund	MidCap	XYZ	MidCap	MidCap
Immediately	III – Class A	Value Fund	Immediately	Value Fund I	Value Fund I
Prior to	Shares	III – Class A	After the	– Class A	– Class A
Acquisition	Owned	Shares Owned	Acquisition	Shares Owned	Shares Owned
			12.706 shares	\$6.2962	\$80 (12.706 *
10 shares	\$8	\$80 (10* \$8)	(10*1.2706)	(\$8/1.2706)	\$6.2962)

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 219971

Kansas City, MO 64121-9971 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.