

**Principal Funds, Inc. – MidCap Value Fund III**  
**Federal Income Tax Information**  
**Short Tax Year Ended April 12, 2019**

The following information is being provided to you, prompted by the acquisition of Principal Funds, Inc. – MidCap Value Fund III (“Fund”) effective April 12, 2019.

**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 that qualifies for DRD is 94.75%.

**Qualified Dividend Income (“QDI”).** Certain dividends paid by the Fund may be subject to a maximum tax rate of 20%. The percentage of ordinary income distributions (dividend income and short-term gains, if any) for the tax year that qualifies for QDI is 100.00%.

**Long-Term Capital Gain Dividends.** The Fund distributed long-term capital gain dividends during the tax year ended April 12, 2019. Unless otherwise designated, long-term capital gain dividends are subject to a maximum tax rate of 20-percent, 15-percent, or 0-percent, depending on the shareholder's taxable income. To the extent necessary to distribute such capital gains, the Fund may also utilize, and hereby designate, earnings and profits distributed to shareholders on redemptions of shares as part of the Dividends Paid Deduction.

<u>Distribution Ex-Date</u>	<u>Per Share Long-Term Capital Gain Distributions</u>
December 19, 2018	\$1.0352
April 11, 2019	\$0.1840

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.

The latest Federal Income Tax Information is available on Principal's Tax Center website.  
Website: <https://www.principalfunds.com/individual-investor/customer-support/tax-center>

Please consult your tax advisor if you have any questions.