

# Quarterly Performance Review

2017 First Quarter

**Institutional and R Shares**

# Institutional Class Shares

## Balanced/Asset Allocation (As of 03/31/2017)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Principal LifeTime 2010 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTTIX	3.21%	7.35%	5.58%	3.67%	5.05%	3/1/01	0.67%	0.67%	—
<b>Principal LifeTime 2015 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTINX	3.84%	8.48%	6.16%	—	4.80%	2/29/08	0.68%	0.68%	—
<b>Principal LifeTime 2020 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLWIX	4.20%	9.43%	6.89%	4.25%	5.68%	3/1/01	0.71%	0.71%	—
<b>Principal LifeTime 2025 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTSTX	4.76%	10.29%	7.33%	—	5.23%	2/29/08	0.73%	0.73%	—
<b>Principal LifeTime 2030 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PMTIX	5.08%	10.93%	7.75%	4.53%	5.80%	3/1/01	0.73%	0.73%	—
<b>Principal LifeTime 2035 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTIUX	5.36%	11.19%	8.09%	—	5.49%	2/29/08	0.69%	0.69%	—
<b>Principal LifeTime 2040 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTDIX	5.58%	11.74%	8.37%	4.65%	5.92%	3/1/01	0.71%	0.71%	—
<b>Principal LifeTime 2045 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTRIX	5.78%	12.20%	8.61%	—	5.68%	2/29/08	0.73%	0.73%	—
<b>Principal LifeTime 2050 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PPLIX	6.00%	12.59%	8.80%	4.75%	5.74%	3/1/01	0.74%	0.74%	—
<b>Principal LifeTime 2055 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTFIX	6.09%	12.86%	8.80%	—	5.69%	2/29/08	0.75%	0.75%	—
<b>Principal LifeTime 2060 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLTZX	6.14%	12.85%	—	—	8.81%	3/1/13	0.77%	0.77%	2/28/18
<b>Principal LifeTime Hybrid 2015 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PHTMX	3.41%	8.08%	—	—	4.58%	9/30/14	0.81%	0.46%	2/28/18
<b>Principal LifeTime Hybrid 2020 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PHTTX	3.77%	9.12%	—	—	5.24%	9/30/14	0.56%	0.46%	2/28/18
<b>Principal LifeTime Hybrid 2025 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PHTQX	4.14%	10.13%	—	—	5.74%	9/30/14	0.96%	0.47%	2/28/18
<b>Principal LifeTime Hybrid 2030 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PHTNX	4.61%	11.14%	—	—	6.20%	9/30/14	0.57%	0.47%	2/28/18
<b>Principal LifeTime Hybrid 2035 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PHTJX	4.96%	12.06%	—	—	6.57%	9/30/14	1.05%	0.47%	2/28/18

Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit [principalfunds.com](http://principalfunds.com).

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense net of the investment option.

NOTE: Please see page 22 for important footnotes referenced above.

# Institutional Class Shares (continued)

## Balanced/Asset Allocation (As of 03/31/2017) (continued)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Principal LifeTime Hybrid 2040 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PLTQX	5.24%	12.85%	—	—	6.90%	9/30/14	0.67%	0.48%	2/28/18
<b>Principal LifeTime Hybrid 2045 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PHTYX	5.31%	13.34%	—	—	6.99%	9/30/14	1.51%	0.49%	2/28/18
<b>Principal LifeTime Hybrid 2050 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PHTUX	5.50%	13.78%	—	—	7.28%	9/30/14	0.86%	0.49%	2/28/18
<b>Principal LifeTime Hybrid 2055 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PLTNX	5.76%	14.33%	—	—	7.43%	9/30/14	4.51%	0.49%	2/28/18
<b>Principal LifeTime Hybrid 2060 Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PLTHX	5.76%	14.45%	—	—	7.53%	9/30/14	11.95%	0.49%	2/28/18
<b>Principal LifeTime Hybrid Income Fund</b> <sup>10, 11, 13, 21, 38, 39</sup>	Principal Portfolio Strategies	PHTFX	2.23%	4.73%	—	—	3.31%	9/30/14	1.21%	0.44%	2/28/18
<b>Principal LifeTime Strategic Income Fund</b> <sup>10, 11, 13, 21, 39</sup>	Principal Portfolio Strategies	PLSIX	2.52%	5.53%	4.27%	3.17%	4.46%	3/1/01	0.64%	0.64%	—
<b>SAM Flexible Income Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 23, 39</sup>	Edge Asset Management, Inc	PIFIX	2.45%	7.21%	5.23%	5.36%	6.15%	7/25/96	0.86%	0.86%	—
<b>SAM Conservative Balanced Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 23, 39</sup>	Edge Asset Management, Inc	PCCIX	3.29%	8.25%	6.07%	5.50%	5.55%	7/25/96	0.97%	0.97%	—
<b>SAM Balanced Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 23, 39</sup>	Edge Asset Management, Inc	PSBIX	4.33%	10.23%	7.59%	5.78%	7.33%	7/25/96	1.02%	1.02%	—
<b>SAM Conservative Growth Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 23, 39</sup>	Edge Asset Management, Inc	PCWIX	5.49%	12.35%	8.85%	5.66%	7.53%	7/25/96	1.08%	1.08%	—
<b>SAM Strategic Growth Portfolio</b> <sup>8, 10, 11, 19, 21, 23, 39</sup>	Edge Asset Management, Inc	PSWIX	6.23%	12.72%	9.62%	5.61%	7.89%	7/25/96	1.07%	1.07%	—

## Large U.S. Equity (As of 03/31/2017)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Blue Chip Fund</b>	Aligned Investors	PBCKX	8.06%	17.34%	—	—	15.13%	6/14/12	0.69%	0.69%	—
<b>Capital Appreciation Fund</b> <sup>*8</sup>	Edge Asset Management, Inc	PWCIX	6.02%	14.97%	12.72%	8.14%	12.46%	11/24/86	0.47%	0.47%	—
<b>Equity Income Fund</b> <sup>8</sup>	Edge Asset Management, Inc	PEIIX	5.06%	18.25%	11.80%	6.69%	8.89%	5/31/39	0.52%	0.52%	—

NOTE: Please see page 22 for important footnotes referenced above.

# Institutional Class Shares (continued)

## Large U.S. Equity (As of 03/31/2017) (continued)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>LargeCap Growth Fund<sup>8</sup></b>	Columbus Circle Investors	PGLIX	10.91%	8.88%	10.32%	6.75%	3.11%	12/6/00	0.65%	0.65%	—
<b>LargeCap Growth Fund I<sup>23,34</sup></b>	Principal Portfolio Strategies	PLGIX	9.87%	14.79%	11.94%	9.27%	4.93%	12/6/00	0.64%	0.62%	2/28/18
<b>LargeCap Growth Fund II<sup>9,34</sup></b>	Principal Portfolio Strategies	PPIIX	8.28%	13.32%	11.34%	8.20%	4.26%	12/6/00	0.90%	0.86%	2/28/18
<b>LargeCap S&amp;P 500 Index Fund<sup>2,5,8,17,23</sup></b>	Principal Global Investors	PLFIX	6.04%	16.95%	13.11%	7.32%	5.34%	12/6/00	0.16%	0.16%	—
<b>LargeCap Value Fund<sup>8</sup></b>	Principal Global Investors	PVLIX	2.70%	12.31%	11.10%	5.11%	5.78%	12/6/00	0.43%	0.43%	—
<b>LargeCap Value Fund III<sup>34</sup></b>	Principal Portfolio Strategies	PLVIX	3.75%	17.00%	12.11%	3.88%	6.05%	12/6/00	0.79%	0.78%	2/28/18

## Small/Mid U.S. Equity (As of 03/31/2017)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>EDGE MidCap Fund<sup>1</sup></b>	Edge Asset Management, Inc	PEDGX	3.89%	17.99%	—	—	19.92%	9/28/15	0.80%	0.80%	12/30/17
<b>MidCap Fund<sup>1,8,23</sup></b>	Aligned Investors	PCBIX	7.51%	17.47%	14.14%	10.42%	10.37%	12/6/00	0.68%	0.68%	—
<b>MidCap Growth Fund<sup>1,8,23</sup></b>	Columbus Circle Investors	PGWIX	9.35%	17.37%	11.69%	8.42%	3.30%	12/6/00	0.81%	0.75%	2/28/18
<b>MidCap Growth Fund III<sup>1,8,33,34</sup></b>	Principal Portfolio Strategies	PPIMX	6.92%	11.85%	8.86%	6.72%	3.89%	12/6/00	0.99%	0.96%	2/28/18
<b>MidCap S&amp;P 400 Index Fund<sup>1,2,7,8,17,23</sup></b>	Principal Global Equities	MPSIX	3.84%	20.56%	13.04%	8.72%	9.06%	12/6/00	0.20%	0.20%	—
<b>MidCap Value Fund I<sup>1,34,41</sup></b>	Principal Portfolio Strategies	PVMIX	4.41%	18.71%	12.24%	7.17%	9.76%	12/29/03	1.03%	0.91%	2/28/18
<b>MidCap Value Fund III<sup>1,8,34</sup></b>	Principal Portfolio Strategies	PVUIX	4.39%	16.41%	12.45%	6.99%	9.09%	12/6/00	0.67%	0.66%	2/28/18
<b>Real Estate Securities Fund<sup>4,8</sup></b>	Principal Real Estate Investors	PIREX	1.56%	2.18%	10.37%	5.61%	11.89%	12/6/00	0.88%	0.88%	—
<b>Small-MidCap Dividend Income Fund<sup>1**</sup></b>	Edge Asset Management, Inc	PMDIX	3.44%	28.14%	14.14%	—	13.58%	6/6/11	1.15%	1.15%	12/30/17

\*\* Effective December 1, 2016, the Principal Small-MidCap Dividend Income Fund closed to certain new investors. Please see the prospectus for more complete information.

NOTE: Please see page 22 for important footnotes referenced above.

# Institutional Class Shares (continued)

## Small/Mid U.S. Equity (As of 03/31/2017) (continued)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>SmallCap Fund</b> <sup>1,8,23</sup>	Principal Global Equities	PSLIX	2.86%	23.97%	13.84%	7.17%	9.01%	12/6/00	0.84%	0.82%	2/28/18
<b>SmallCap Growth Fund I</b> <sup>1,23,30,34,42</sup>	Principal Portfolio Strategies	PGRTX	6.51%	23.90%	11.28%	8.65%	5.79%	12/6/00	1.11%	1.03%	2/28/18
<b>SmallCap S&amp;P 600 Index Fund</b> <sup>1,2,6,8,23</sup>	Principal Global Equities	PSSIX	1.06%	24.40%	13.96%	8.57%	10.02%	12/6/00	0.21%	0.21%	—
<b>SmallCap Value Fund II</b> <sup>1,23,34</sup>	Principal Portfolio Strategies	PPVIX	-0.46%	23.38%	13.20%	6.33%	8.62%	6/1/04	1.07%	1.05%	2/28/18

## International Equity (As of 03/31/2017)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Diversified International Fund</b> <sup>3,8,23</sup>	Principal Global Equities	PIIIX	8.36%	10.22%	5.87%	1.30%	4.22%	12/6/00	0.85%	0.85%	—
<b>Global Opportunities Fund</b> <sup>3</sup>	Principal Global Equities	PGOIX	5.54%	8.54%	—	—	8.26%	12/28/12	0.85%	0.85%	—
<b>Global Opportunities Equity Hedged Fund</b> <sup>3,43</sup>	Principal Global Equities	PGHIX	0.44%	-4.75%	—	—	-5.69%	9/22/15	2.93%	1.27%	12/30/17
<b>Global Real Estate Securities Fund</b> <sup>3,4,17,26,29</sup>	Principal Real Estate Investors	POSEX	2.86%	0.10%	8.46%	—	3.08%	10/1/07	0.90%	0.90%	—
<b>International Emerging Markets Fund</b> <sup>3,8,14,23</sup>	Principal Global Equities	PIEIX	12.57%	18.42%	0.54%	1.83%	9.02%	12/6/00	1.27%	1.27%	—
<b>International Equity Index Fund</b> <sup>2,3,17,22,24</sup>	Principal Global Equities	PIDIX	7.70%	11.76%	5.50%	—	4.20%	12/30/09	0.35%	0.35%	12/30/17
<b>International Fund I</b> <sup>3,23,35</sup>	Origin Asset Management	PINIX	10.59%	10.35%	6.53%	1.09%	5.46%	12/29/03	1.02%	1.01%	2/28/18
<b>International Small Company Fund</b> <sup>1,3,8</sup>	Principal Global Equities	PISMIX	8.38%	11.31%	—	—	2.79%	6/11/14	1.23%	1.20%	12/30/17
<b>Origin Emerging Markets Fund</b> <sup>3</sup>	Origin Asset Management	POEIX	15.09%	16.81%	—	—	-1.71%	1/23/15	1.25%	1.25%	12/30/17
<b>Overseas Fund</b> <sup>3,34</sup>	Principal Portfolio Strategies	PINZX	8.20%	13.43%	5.13%	—	5.28%	9/30/08	1.11%	1.07%	2/28/18
<b>SystematEX International Fund</b> <sup>3</sup>	Principal Global Equities	PSOMX	7.32%	11.74%	—	—	8.34%	9/22/15	1.61%	0.75%	12/30/17

NOTE: Please see page 22 for important footnotes referenced above.

# Institutional Class Shares (continued)

## Specialty (As of 03/31/2017)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Diversified Real Asset Fund</b> <sup>17,40</sup>	Principal Portfolio Strategies	PDRDX	3.43%	8.86%	1.46%	—	3.82%	3/16/10	0.89%	0.89%	12/30/17
<b>Global Diversified Income Fund</b> <sup>17,28</sup>	Principal Portfolio Strategies	PGDIX	3.42%	10.81%	6.47%	—	11.62%	12/15/08	0.87%	0.77%	—
<b>Global Multi-Strategy Fund</b> <sup>16,17</sup>	Principal Portfolio Strategies	PSMIX	2.29%	5.84%	3.37%	—	3.57%	10/24/11	2.12%	1.61%	12/30/17
<b>Multi-Manager Equity Long/Short Fund</b>	Principal Portfolio Strategies	PGPIX	2.48%	4.16%	—	—	4.16%	12/31/14	2.72%	1.70%	12/30/17
<b>Real Estate Allocation Fund</b> <sup>4</sup>	Principal Real Estate Investors	PADDX	1.94%	1.51%	—	—	1.77%	12/31/14	23.75%	0.92%	12/30/17

## Fixed Income (As of 03/31/2017)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Bond Market Index Fund</b> <sup>2,12,13,37</sup>	Mellon Capital Management	PNIIX	0.74%	-0.04%	2.17%	—	3.32%	12/30/09	0.28%	0.25%	12/30/17
<b>California Municipal Fund</b> <sup>8,31</sup>	Principal Global Fixed Income	PCMX	1.84%	-0.26%	4.54%	3.66%	5.25%	7/25/89	1.21%	0.65%	2/28/18
<b>Core Plus Bond Fund</b> <sup>8,12,13,17</sup>	Principal Global Fixed Income	PMSIX	1.21%	2.56%	2.85%	3.82%	4.49%	12/6/00	0.51%	0.50%	—
<b>Dynamic High Yield Explorer Fund</b> <sup>12,15,25</sup>	Principal Global Fixed Income	PDYIX	0.94%	12.59%	—	—	2.39%	9/10/14	1.28%	0.76%	12/30/17
<b>Finisterre Unconstrained Emerging Markets Bond Fund</b>	Finisterre Capital	PFUMX	4.90%	—	—	—	6.53%	7/11/16	1.45%	1.12%	2/28/18
<b>Government &amp; High Quality Bond Fund</b> <sup>8,12,13,17,36</sup>	Edge Asset Management, Inc	PMRIX	0.35%	-0.11%	2.00%	3.98%	6.46%	5/4/84	0.53%	0.53%	—
<b>High Yield Fund</b> <sup>8,12,13,23,25</sup>	Principal Global Fixed Income	PHYTX	2.93%	15.80%	6.85%	7.24%	7.89%	4/8/98	0.65%	0.62%	2/28/18
<b>High Yield Fund I</b> <sup>12,13,25,26</sup>	JP Morgan/Neuberger Berman	PYHIX	2.35%	13.49%	5.87%	7.36%	7.28%	12/29/04	0.66%	0.66%	—

NOTE: Please see page 22 for important footnotes referenced above.

## Institutional Class Shares (continued)

### Fixed Income (As of 03/31/2017) (continued)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Income Fund</b> <sup>8, 12, 13</sup>	Edge Asset Management, Inc	PIOIX	1.36%	4.07%	3.64%	5.42%	7.62%	12/15/75	0.50%	0.50%	—
<b>Inflation Protection Fund</b> <sup>12, 13, 17</sup>	BlackRock Financial Management	PIPIX	1.30%	1.48%	0.65%	1.30%	1.51%	12/29/04	0.38%	0.38%	—
<b>Opportunistic Municipal Fund</b> <sup>8, 17, 31</sup>	Principal Global Fixed Income	POMFX	2.62%	0.58%	—	—	4.70%	6/14/12	2.42%	0.70%	12/30/17
<b>Preferred Securities Fund</b> <sup>12, 13</sup>	Spectrum Asset Management	PPSIX	4.08%	7.98%	7.29%	6.54%	6.36%	5/1/02	0.77%	0.77%	—
<b>Real Estate Debt Income Fund</b> <sup>4, 12, 13</sup>	Principal Real Estate Investors	PRDIX	1.22%	3.06%	—	—	1.17%	12/31/14	0.64%	0.64%	12/30/17
<b>Tax-Exempt Bond Fund</b> <sup>8, 31</sup>	Principal Global Fixed Income	PITEX	1.71%	-0.62%	3.62%	3.83%	5.34%	1/3/77	1.33%	0.63%	2/28/18

### Short-Term Fixed Income (As of 03/31/2017)

Principal Fund (Institutional Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Money Market Fund</b> <sup>8, 20</sup>	Principal Global Investors	PVMXX	0.00%	0.05%	0.01%	0.67%	1.42%	12/6/00	0.43%	0.43%	—
<b>Short-Term Income Fund</b> <sup>8, 12, 13</sup>	Edge Asset Management, Inc	PSHIX	0.73%	2.06%	1.96%	3.14%	—	11/1/93	0.43%	0.43%	—

Money Market: SEC 7-day yield as of March 31, 2017, was 0.00%. The SEC 7-day yield more closely reflects the current earnings of this money market investment option than the total return displayed. See [principalfunds.com](http://principalfunds.com) for current money market yields.

**You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.**

NOTE: Please see page 22 for important footnotes referenced above.

# R3 Shares

## Balanced/Asset Allocation (As of 03/31/2017)

Principal Fund (R3 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Principal LifeTime 2010 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTAMX	3.07%	6.73%	4.99%	3.09%	4.46%	3/1/01	1.24%	1.24%	—
<b>Principal LifeTime 2015 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTAPX	3.60%	7.91%	5.55%	—	4.15%	2/29/08	1.25%	1.25%	—
<b>Principal LifeTime 2020 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTBMX	4.08%	8.78%	6.28%	3.66%	5.08%	3/1/01	1.28%	1.28%	—
<b>Principal LifeTime 2025 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTVPX	4.54%	9.56%	6.71%	—	4.60%	2/29/08	1.29%	1.29%	—
<b>Principal LifeTime 2030 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTCMX	4.95%	10.26%	7.12%	3.94%	5.20%	3/1/01	1.30%	1.30%	—
<b>Principal LifeTime 2035 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTAOX	5.24%	10.64%	7.49%	—	4.91%	2/29/08	1.25%	1.25%	—
<b>Principal LifeTime 2040 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTDMX	5.49%	11.10%	7.77%	4.06%	5.33%	3/1/01	1.28%	1.28%	—
<b>Principal LifeTime 2045 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTRVX	5.62%	11.60%	8.00%	—	5.05%	2/29/08	1.29%	1.29%	—
<b>Principal LifeTime 2050 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTERX	5.83%	11.98%	8.19%	4.16%	5.15%	3/1/01	1.30%	1.30%	—
<b>Principal LifeTime 2055 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTFDX	5.96%	12.26%	8.21%	—	5.10%	2/29/08	1.30%	1.30%	2/28/18
<b>Principal LifeTime 2060 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLTCX	6.10%	12.29%	—	—	8.29%	3/1/13	1.32%	1.32%	2/28/18
<b>Principal LifeTime Strategic Income Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLSMX	2.37%	4.88%	3.68%	2.58%	3.87%	3/1/01	1.20%	1.20%	—
<b>SAM Flexible Income Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PFIPX	2.23%	6.54%	4.64%	4.77%	5.86%	7/25/96	1.42%	1.42%	—
<b>SAM Conservative Balanced Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PCBPX	3.16%	7.56%	5.49%	4.91%	5.27%	7/25/96	1.53%	1.53%	—
<b>SAM Balanced Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PBAPX	4.19%	9.55%	6.99%	5.18%	7.03%	7/25/96	1.59%	1.59%	—
<b>SAM Conservative Growth Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PCGPX	5.43%	11.76%	8.25%	5.08%	7.24%	7/25/96	1.64%	1.64%	—
<b>SAM Strategic Growth Portfolio</b> <sup>8, 10, 11, 19, 21, 39</sup>	Edge Asset Management, Inc	PSGPX	6.06%	12.01%	8.99%	5.01%	7.59%	7/25/96	1.63%	1.63%	—

Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit [principalfunds.com](http://principalfunds.com).

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense net of the investment option.

NOTE: Please see page 22 for important footnotes referenced above.



## R3 Shares (continued)

Large U.S. Equity (As of 03/31/2017)											
Principal Fund (R3 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/Contractual Cap Date
			Year-to-Date	1 Year	5 Years	10 Years	Since Inception				
Blue Chip Fund <sup>8</sup>	Aligned Investors	PGBEX	7.89%	16.69%	—	—	14.48%	6/14/12	1.25%	1.25%	—
Capital Appreciation Fund <sup>8</sup>	Edge Asset Management, Inc	PCAOX	5.87%	14.34%	12.08%	7.51%	12.08%	11/24/86	1.02%	1.02%	—
Equity Income Fund <sup>8</sup>	Edge Asset Management, Inc	PEIOX	4.91%	17.60%	11.17%	6.08%	8.71%	5/31/39	1.08%	1.08%	—
LargeCap Growth Fund <sup>27</sup>	Columbus Circle Investors	PLGPX	10.85%	8.33%	9.73%	6.24%	2.81%	12/6/00	1.21%	1.21%	—
LargeCap Growth Fund I <sup>23,34</sup>	Principal Portfolio Strategies	PPUMX	9.74%	14.20%	11.33%	8.65%	4.44%	12/6/00	1.18%	1.16%	2/28/18
LargeCap Growth Fund II <sup>9,34</sup>	Principal Portfolio Strategies	PPTMX	8.16%	12.66%	10.72%	7.57%	3.66%	12/6/00	1.47%	1.43%	2/28/18
LargeCap S&P 500 Index Fund <sup>2,5,17</sup>	Principal Global Equities	PLFMX	5.89%	16.27%	12.46%	6.72%	4.76%	12/6/00	0.73%	0.73%	—
LargeCap Value Fund	Principal Global Equities	PLVMX	2.55%	11.66%	10.46%	4.52%	5.21%	12/6/00	0.99%	0.99%	—
LargeCap Value Fund III <sup>34</sup>	Principal Portfolio Strategies	PPSFX	3.60%	16.35%	11.48%	3.29%	5.61%	12/6/00	1.36%	1.35%	2/28/18

Small/Mid U.S. Equity (As of 03/31/2017)											
Principal Fund (R3 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/Contractual Cap Date
			Year-to-Date	1 Year	5 Years	10 Years	Since Inception				
MidCap Fund <sup>1</sup>	Aligned Investors	PMBMX	7.37%	16.85%	13.57%	9.83%	9.76%	12/6/00	1.16%	1.16%	—
MidCap Growth Fund <sup>1</sup>	Columbus Circle Investors	PFPX	9.25%	16.93%	11.14%	7.86%	2.74%	12/6/00	1.24%	1.24%	—
MidCap Growth Fund III <sup>1,33,34</sup>	Principal Portfolio Strategies	PPQMX	6.76%	11.24%	8.24%	6.12%	3.39%	12/6/00	1.55%	1.52%	2/28/18
MidCap S&P 400 Index Fund <sup>1,2,7,17</sup>	Principal Global Equities	PMFMX	3.67%	19.88%	12.43%	8.13%	8.47%	12/6/00	0.73%	0.73%	—
MidCap Value Fund I <sup>1,8,34,41</sup>	Principal Portfolio Strategies	PMPRX	4.25%	18.12%	11.62%	6.58%	9.15%	12/29/03	1.57%	1.45%	2/28/18
MidCap Value Fund III <sup>1,34</sup>	Principal Portfolio Strategies	PJPPX	4.26%	15.76%	11.83%	6.35%	8.32%	12/6/00	1.22%	1.21%	2/28/18

NOTE: Please see page 22 for important footnotes referenced above.

## R3 Shares (continued)

### Small/Mid U.S. Equity (As of 03/31/2017) (continued)

Principal Fund (R3 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Real Estate Securities Fund<sup>4</sup></b>	Principal Real Estate Investors	PRERX	1.47%	1.66%	9.82%	5.05%	11.31%	12/6/00	1.39%	1.39%	—
<b>SmallCap Fund<sup>1</sup></b>	Principal Global Equities	PSBMX	2.72%	23.34%	13.25%	6.60%	8.41%	12/6/00	1.35%	1.35%	—
<b>SmallCap Growth Fund I<sup>1, 30, 34, 42</sup></b>	Principal Portfolio Strategies	PPNMX	6.36%	23.12%	10.65%	8.07%	5.22%	12/6/00	1.67%	1.58%	2/28/18
<b>SmallCap S&amp;P 600 Index Fund<sup>1, 2, 6</sup></b>	Principal Global Equities	PSSMX	0.92%	23.73%	13.37%	8.00%	9.43%	12/6/00	0.73%	0.73%	—
<b>SmallCap Value Fund II<sup>1, 34</sup></b>	Principal Portfolio Strategies	PJARX	-0.63%	22.70%	12.58%	5.72%	8.01%	6/1/04	1.62%	1.60%	2/28/18

### International Equity (As of 03/31/2017)

Principal Fund (R3 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Diversified International Fund<sup>3</sup></b>	Principal Global Equities	PINRX	8.25%	9.58%	5.27%	0.73%	3.65%	12/6/00	1.41%	1.41%	—
<b>Global Real Estate Securities Fund<sup>3, 4, 17</sup></b>	Principal Real Estate Investors	PGRKX	2.66%	-0.42%	7.89%	—	2.55%	10/1/07	1.44%	1.44%	—
<b>International Emerging Markets Fund<sup>3, 14</sup></b>	Principal Global Equities	PEAPX	12.44%	17.78%	-0.02%	1.27%	8.42%	12/6/00	1.82%	1.82%	—
<b>International Equity Index Fund<sup>2, 3, 17, 22, 24</sup></b>	Principal Global Equities	PIIOX	7.60%	11.11%	4.92%	—	3.62%	12/30/09	0.91%	0.91%	—
<b>International Fund I<sup>3, 8, 35</sup></b>	Origin Asset Management	PRPPX	10.43%	9.75%	5.94%	0.54%	4.87%	12/29/03	1.55%	1.55%	—
<b>Overseas Fund<sup>3, 8, 34</sup></b>	Principal Portfolio Strategies	PINTX	8.03%	12.75%	4.52%	—	4.68%	9/30/08	1.67%	1.63%	2/28/18

NOTE: Please see page 22 for important footnotes referenced above.

## R3 Shares (continued)

### Specialty (As of 03/31/2017)

Principal Fund (R3 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Diversified Real Asset Fund</b> <sup>8, 17, 40</sup>	Principal Portfolio Strategies	PGDRX	3.33%	8.37%	0.95%	—	3.30%	3/16/10	1.41%	1.41%	—

### Fixed Income (As of 03/31/2017)

Principal Fund (R3 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Bond Market Index Fund</b> <sup>2, 12, 13</sup>	Mellon Capital Management	PBOIX	0.56%	-0.64%	1.36%	—	2.58%	12/30/09	0.85%	0.82%	12/30/17
<b>Core Plus Bond Fund</b> <sup>12, 13, 17</sup>	Principal Global Fixed Income	PBMMX	0.98%	1.90%	2.25%	3.23%	3.91%	12/6/00	1.08%	1.07%	—
<b>Government &amp; High Quality Bond Fund</b> <sup>8, 12, 13, 36</sup>	Edge Asset Management, Inc	PRCMX	0.24%	-0.56%	1.55%	3.50%	6.20%	5/4/84	1.07%	0.98%	2/28/18
<b>Income Fund</b> <sup>8, 12, 13</sup>	Edge Asset Management, Inc	PIOOX	1.22%	3.48%	3.08%	4.86%	7.37%	12/15/75	1.06%	1.06%	—
<b>Inflation Protection Fund</b> <sup>12, 13, 17</sup>	BlackRock Financial Management	PIFPX	1.22%	1.01%	0.08%	0.74%	0.94%	12/29/04	0.95%	0.95%	—
<b>Preferred Securities Fund</b> <sup>8, 12, 13</sup>	Spectrum Asset Management	PNARX	3.87%	7.38%	6.74%	5.97%	5.78%	5/1/02	1.28%	1.28%	—

### Short-Term Fixed Income (As of 03/31/2017)

Principal Fund (R3 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Short-Term Income Fund</b> <sup>8, 12, 13, 17</sup>	Edge Asset Management, Inc	PSIOX	0.60%	1.49%	1.40%	2.62%	3.64%	11/1/93	0.99%	0.99%	2/28/18

NOTE: Please see page 22 for important footnotes referenced above.

# R4 Shares

## Balanced/Asset Allocation (As of 03/31/2017)

Principal Fund (R4 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Principal LifeTime 2010 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTASX	3.14%	6.95%	5.20%	3.29%	4.65%	3/1/01	1.05%	1.05%	—
<b>Principal LifeTime 2015 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTS LX	3.68%	8.07%	5.76%	—	4.36%	2/29/08	1.06%	1.06%	—
<b>Principal LifeTime 2020 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTBSX	4.08%	9.02%	6.48%	3.86%	5.27%	3/1/01	1.09%	1.09%	—
<b>Principal LifeTime 2025 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTEEX	4.60%	9.81%	6.92%	—	4.82%	2/29/08	1.10%	1.10%	—
<b>Principal LifeTime 2030 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTCSX	4.94%	10.46%	7.33%	4.13%	5.50%	3/1/01	1.11%	1.11%	—
<b>Principal LifeTime 2035 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTSEX	5.21%	10.69%	7.68%	—	5.11%	2/29/08	1.06%	1.06%	—
<b>Principal LifeTime 2040 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTDSX	5.49%	11.31%	7.97%	4.25%	5.52%	3/1/01	1.09%	1.09%	—
<b>Principal LifeTime 2045 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTRLX	5.68%	11.80%	8.21%	—	5.25%	2/29/08	1.10%	1.10%	—
<b>Principal LifeTime 2050 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTESX	5.88%	12.19%	8.40%	4.36%	5.35%	3/1/01	1.11%	1.11%	—
<b>Principal LifeTime 2055 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTLFX	6.00%	12.50%	8.41%	—	5.30%	2/29/08	1.11%	1.11%	2/28/18
<b>Principal LifeTime 2060 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLTMX	6.10%	12.46%	—	—	8.43%	3/1/13	1.13%	1.13%	2/28/18
<b>Principal LifeTime Strategic Income Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLSSX	2.36%	5.09%	3.89%	2.78%	4.07%	3/1/01	1.01%	1.01%	—
<b>SAM Flexible Income Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PFILX	2.28%	6.74%	4.83%	4.97%	5.96%	7/25/96	1.23%	1.23%	—
<b>SAM Conservative Balanced Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PCBLX	3.29%	7.86%	5.70%	5.12%	5.37%	7/25/96	1.34%	1.34%	—
<b>SAM Balanced Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PSBLX	4.23%	9.75%	7.18%	5.38%	7.13%	7/25/96	1.40%	1.40%	—
<b>SAM Conservative Growth Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PCWSX	5.44%	11.95%	8.45%	5.28%	7.34%	7/25/96	1.45%	1.45%	—
<b>SAM Strategic Growth Portfolio</b> <sup>8, 10, 11, 19, 21, 39</sup>	Edge Asset Management, Inc	PSGLX	6.08%	12.24%	9.19%	5.21%	7.69%	7/25/96	1.44%	1.44%	—

Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit [principalfunds.com](http://principalfunds.com).

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense net of the investment option.

NOTE: Please see page 22 for important footnotes referenced above.

## R4 Shares (continued)

Large U.S. Equity (As of 03/31/2017)											
Principal Fund (R4 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/Contractual Cap Date
			Year-to-Date	1 Year	5 Years	10 Years	Since Inception				
Blue Chip Fund <sup>8</sup>	Aligned Investors	PGBFX	8.00%	16.97%	—	—	14.70%	6/14/12	1.06%	1.06%	—
Capital Appreciation Fund <sup>8</sup>	Edge Asset Management, Inc	PCAPX	5.92%	14.54%	12.30%	7.70%	12.21%	11/24/86	0.83%	0.83%	—
Equity Income Fund <sup>8</sup>	Edge Asset Management, Inc	PEIPX	4.93%	17.81%	11.37%	6.27%	8.81%	5/31/39	0.89%	0.89%	—
LargeCap Growth Fund	Columbus Circle Investors	PEPPX	10.90%	8.49%	9.93%	6.36%	2.84%	12/6/00	1.02%	1.02%	—
LargeCap Growth Fund I <sup>23,34</sup>	Principal Portfolio Strategies	PPUSX	9.79%	14.40%	11.55%	8.86%	4.53%	12/6/00	0.99%	0.97%	2/28/18
LargeCap Growth Fund II <sup>9,34</sup>	Principal Portfolio Strategies	PPTSX	8.21%	12.81%	10.92%	7.79%	3.87%	12/6/00	1.28%	1.24%	2/28/18
LargeCap S&P 500 Index Fund <sup>2,5,17</sup>	Principal Global Equities	PLFSX	5.94%	16.52%	12.68%	6.93%	4.96%	12/6/00	0.54%	0.54%	—
LargeCap Value Fund	Principal Global Equities	PLVSX	2.64%	11.85%	10.67%	4.71%	5.40%	12/6/00	0.80%	0.80%	—
LargeCap Value Fund III <sup>34</sup>	Principal Portfolio Strategies	PPSSX	3.61%	16.55%	11.71%	3.50%	5.66%	12/6/00	1.17%	1.16%	12/6/00

Small/Mid U.S. Equity (As of 03/31/2017)											
Principal Fund (R4 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/Contractual Cap Date
			Year-to-Date	1 Year	5 Years	10 Years	Since Inception				
MidCap Fund <sup>1</sup>	Aligned Investors	PMBSX	7.39%	17.06%	13.79%	10.05%	10.02%	12/6/00	0.97%	0.97%	—
MidCap Growth Fund <sup>1</sup>	Columbus Circle Investors	PIPPX	9.22%	17.09%	11.36%	8.06%	2.92%	12/6/00	1.05%	1.05%	—
MidCap Growth Fund III <sup>1,33,34</sup>	Principal Portfolio Strategies	PPQSX	6.91%	11.51%	8.45%	6.32%	3.50%	12/6/00	1.36%	1.33%	2/28/18
MidCap S&P 400 Index Fund <sup>1,2,7,17</sup>	Principal Global Equities	PMFSX	3.76%	20.10%	12.65%	8.34%	8.66%	12/6/00	0.54%	0.54%	—
MidCap Value Fund I <sup>1,8,34,41</sup>	Principal Portfolio Strategies	PABWX	4.31%	18.35%	11.83%	6.78%	9.35%	12/29/03	1.38%	1.26%	2/28/18
MidCap Value Fund III <sup>1,34</sup>	Principal Portfolio Strategies	PMPX	4.31%	16.00%	12.04%	6.56%	8.46%	12/6/00	1.03%	1.02%	2/28/18

NOTE: Please see page 22 for important footnotes referenced above.

## R4 Shares (continued)

### Small/Mid U.S. Equity (As of 03/31/2017) (continued)

Principal Fund (R4 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Real Estate Securities Fund</b> <sup>4</sup>	Principal Real Estate Investors	PRETX	1.49%	1.84%	10.02%	5.25%	11.47%	12/6/00	1.20%	1.20%	—
<b>SmallCap Fund</b> <sup>1</sup>	Principal Global Equities	PSBSX	2.76%	23.59%	13.46%	6.79%	8.63%	12/6/00	1.16%	1.16%	—
<b>SmallCap Growth Fund</b> <sup>1, 30, 34, 42</sup>	Principal Portfolio Strategies	PPNSX	6.40%	23.37%	10.87%	8.27%	5.42%	12/6/00	1.48%	1.39%	2/28/18
<b>SmallCap S&amp;P 600 Index Fund</b> <sup>1, 2, 6</sup>	Principal Global Equities	PSSSX	0.95%	23.95%	13.58%	8.20%	9.63%	12/6/00	0.54%	0.54%	—
<b>SmallCap Value Fund II</b> <sup>1, 34</sup>	Principal Portfolio Strategies	PSTWX	-0.55%	22.95%	12.81%	5.94%	8.22%	6/1/04	1.43%	1.41%	2/28/18

### International Equity (As of 03/31/2017)

Principal Fund (R4 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Diversified International Fund</b> <sup>3</sup>	Principal Global Equities	PINLX	8.24%	9.74%	5.46%	0.92%	3.91%	12/6/00	1.22%	1.22%	—
<b>Global Real Estate Securities Fund</b> <sup>3, 4, 17</sup>	Principal Real Estate Investors	PGRVX	2.79%	-0.19%	8.11%	—	2.75%	10/1/07	1.25%	1.25%	—
<b>International Emerging Markets Fund</b> <sup>3, 14</sup>	Principal Global Equities	PESSX	12.49%	18.02%	0.18%	1.46%	8.64%	12/6/00	1.63%	1.63%	—
<b>International Equity Index Fund</b> <sup>2, 3, 17, 22, 24</sup>	Principal Global Equities	PIIPX	7.63%	11.33%	5.12%	—	3.83%	12/30/09	0.72%	0.72%	—
<b>International Fund I</b> <sup>3, 8, 35</sup>	Origin Asset Management	PUPPX	10.51%	9.95%	6.15%	0.73%	5.08%	12/29/03	1.36%	1.36%	—
<b>Overseas Fund</b> <sup>3, 8, 34</sup>	Principal Portfolio Strategies	PINUX	8.00%	12.96%	4.73%	—	4.88%	9/30/08	1.48%	1.44%	2/28/18

NOTE: Please see page 22 for important footnotes referenced above.

## R4 Shares (continued)

### Specialty (As of 03/31/2017)

Principal Fund (R4 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Diversified Real Asset Fund</b> <sup>8, 17, 40</sup>	Principal Portfolio Strategies	PGDSX	3.33%	8.51%	1.13%	—	3.48%	3/16/10	1.22%	1.22%	—

### Fixed Income (As of 03/31/2017)

Principal Fund (R4 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Bond Market Index Fund</b> <sup>2, 12, 13</sup>	Mellon Capital Management	PBIPX	0.56%	-0.41%	1.56%	—	2.78%	12/30/09	0.66%	0.63%	12/30/17
<b>Core Plus Bond Fund</b> <sup>12, 13, 17</sup>	Principal Global Fixed Income	PBMSX	1.01%	2.14%	2.45%	3.42%	4.18%	12/6/00	0.89%	0.88%	—
<b>Government &amp; High Quality Bond Fund</b> <sup>8, 12, 13, 36</sup>	Edge Asset Management, Inc	PMRDX	0.28%	-0.37%	1.72%	3.67%	6.26%	5/4/84	0.88%	0.79%	2/28/18
<b>Income Fund</b> <sup>8, 12, 13</sup>	Edge Asset Management, Inc	PIOPX	1.16%	3.57%	3.27%	5.04%	7.44%	12/15/75	0.87%	0.87%	—
<b>Inflation Protection Fund</b> <sup>12, 13, 17</sup>	BlackRock Financial Management	PIFSX	1.09%	1.05%	0.25%	0.92%	1.12%	12/29/04	0.76%	0.76%	—
<b>Preferred Securities Fund</b> <sup>8, 12, 13</sup>	Spectrum Asset Management	PQARX	3.93%	7.60%	6.91%	6.16%	5.96%	5/1/02	1.09%	1.09%	—

### Short-Term Fixed Income (As of 03/31/2017)

Principal Fund (R4 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Short-Term Income Fund</b> <sup>8, 12, 13, 17</sup>	Edge Asset Management, Inc	PSIPX	0.64%	1.69%	1.60%	2.79%	3.80%	11/1/93	0.80%	0.79%	2/28/18

NOTE: Please see page 22 for important footnotes referenced above.

# R5 Shares

## Balanced/Asset Allocation (As of 03/31/2017)

Principal Fund (R5 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Principal LifeTime 2010 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTAPX	3.22%	7.14%	5.33%	3.41%	4.78%	3/1/01	0.93%	0.93%	—
<b>Principal LifeTime 2015 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTPFX	3.68%	8.20%	5.87%	—	4.47%	2/29/08	0.94%	0.94%	—
<b>Principal LifeTime 2020 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTBPX	4.14%	9.16%	6.61%	3.99%	5.40%	3/1/01	0.97%	0.97%	—
<b>Principal LifeTime 2025 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTPDX	4.59%	10.00%	7.06%	—	4.95%	2/29/08	0.98%	0.98%	—
<b>Principal LifeTime 2030 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTCPX	5.09%	10.63%	7.47%	4.26%	5.52%	3/1/01	0.99%	0.99%	—
<b>Principal LifeTime 2035 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTPEX	5.29%	10.86%	7.81%	—	5.24%	2/29/08	0.94%	0.94%	—
<b>Principal LifeTime 2040 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTDPX	5.53%	11.40%	8.10%	4.38%	5.66%	3/1/01	0.97%	0.97%	—
<b>Principal LifeTime 2045 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTRDX	5.76%	11.92%	8.33%	—	5.38%	2/29/08	0.98%	0.98%	—
<b>Principal LifeTime 2050 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PTEFX	5.94%	12.35%	8.52%	4.48%	5.48%	3/1/01	0.99%	0.99%	—
<b>Principal LifeTime 2055 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	LTFPX	6.07%	12.59%	8.56%	—	5.43%	2/29/08	0.99%	0.99%	2/28/18
<b>Principal LifeTime 2060 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLTOX	6.17%	12.68%	—	—	8.57%	3/1/13	1.01%	1.01%	2/28/18
<b>Principal LifeTime Strategic Income Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLSPX	2.44%	5.24%	4.01%	2.91%	4.21%	3/1/01	0.89%	0.89%	—
<b>SAM Flexible Income Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PFIFX	2.31%	6.87%	4.95%	5.09%	6.02%	7/25/96	1.11%	1.11%	—
<b>SAM Conservative Balanced Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PCBFX	3.23%	7.90%	5.81%	5.24%	5.42%	7/25/96	1.22%	1.22%	—
<b>SAM Balanced Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PSBFX	4.27%	9.90%	7.32%	5.50%	7.20%	7/25/96	1.28%	1.28%	—
<b>SAM Conservative Growth Portfolio</b> <sup>8, 10, 11, 13, 19, 21, 39</sup>	Edge Asset Management, Inc	PCWPX	5.46%	12.03%	8.58%	5.41%	7.41%	7/25/96	1.33%	1.33%	—
<b>SAM Strategic Growth Portfolio</b> <sup>8, 10, 11, 19, 21, 39</sup>	Edge Asset Management, Inc	PSGFX	6.16%	12.45%	9.33%	5.35%	7.75%	7/25/96	1.32%	1.32%	—

Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit [principalfunds.com](http://principalfunds.com).

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense net of the investment option.

NOTE: Please see page 22 for important footnotes referenced above.



## R5 Shares (continued)

### Large U.S. Equity (As of 03/31/2017)

Principal Fund (R5 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Blue Chip Fund<sup>8</sup></b>	Aligned Investors	PGBGX	8.00%	17.08%	—	—	14.83%	6/14/12	0.94%	0.94%	—
<b>Capital Appreciation Fund<sup>8</sup></b>	Edge Asset Management, Inc	PCAQX	5.96%	14.69%	12.43%	7.81%	12.26%	11/24/86	0.71%	0.71%	—
<b>Equity Income Fund<sup>8</sup></b>	Edge Asset Management, Inc	PEIQX	4.97%	17.94%	11.51%	6.37%	8.82%	5/31/39	0.77%	0.77%	—
<b>LargeCap Growth Fund</b>	Columbus Circle Investors	PDPPX	10.93%	8.65%	10.05%	6.49%	2.83%	12/6/00	0.90%	0.90%	—
<b>LargeCap Growth Fund I<sup>23,34</sup></b>	Principal Portfolio Strategies	PPUPX	9.84%	14.52%	11.67%	8.99%	4.67%	12/6/00	0.87%	0.85%	2/28/18
<b>LargeCap Growth Fund II<sup>9,34</sup></b>	Principal Portfolio Strategies	PPTPX	8.37%	13.06%	11.08%	7.92%	3.99%	12/6/00	1.16%	1.12%	2/28/18
<b>LargeCap S&amp;P 500 Index Fund<sup>2,5,17</sup></b>	Principal Global Equities	PLFPX	5.89%	16.60%	12.81%	7.06%	5.10%	12/6/00	0.42%	0.42%	—
<b>LargeCap Value Fund</b>	Principal Global Equities	PLVPX	2.69%	12.02%	10.80%	4.84%	5.55%	12/6/00	0.68%	0.68%	—
<b>LargeCap Value Fund III<sup>34</sup></b>	Principal Portfolio Strategies	PPSRX	3.65%	16.68%	11.83%	3.61%	5.79%	12/6/00	1.05%	1.04%	2/28/18

### Small/Mid U.S. Equity (As of 03/31/2017)

Principal Fund (R5 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>MidCap Fund<sup>1</sup></b>	Aligned Investors	PMBPX	7.50%	17.25%	13.93%	10.18%	10.09%	12/6/00	0.85%	0.85%	—
<b>MidCap Growth Fund<sup>1</sup></b>	Columbus Circle Investors	PHPPX	9.33%	17.20%	11.48%	8.18%	3.05%	12/6/00	0.93%	0.93%	—
<b>MidCap Growth Fund III<sup>1,33,34</sup></b>	Principal Portfolio Strategies	PPQPX	6.95%	11.61%	8.58%	6.46%	3.65%	12/6/00	1.24%	1.21%	2/28/18
<b>MidCap S&amp;P 400 Index Fund<sup>1,2,7,17</sup></b>	Principal Global Equities	PMFPX	3.78%	20.31%	12.79%	8.47%	8.80%	12/6/00	0.42%	0.42%	—
<b>MidCap Value Fund I<sup>1,8,34,41</sup></b>	Principal Portfolio Strategies	PABVX	4.37%	18.39%	11.96%	6.91%	9.49%	12/29/03	1.26%	1.14%	2/28/18
<b>MidCap Value Fund III<sup>1,34</sup></b>	Principal Portfolio Strategies	PLPPX	4.32%	16.12%	12.19%	6.68%	8.62%	12/6/00	0.91%	0.90%	2/28/18

NOTE: Please see page 22 for important footnotes referenced above.

## R5 Shares (continued)

### Small/Mid U.S. Equity (As of 03/31/2017) (continued)

Principal Fund (R5 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Real Estate Securities Fund<sup>4</sup></b>	Principal Real Estate Investors	PREPX	1.52%	1.95%	10.15%	5.37%	11.60%	12/6/00	1.08%	1.08%	—
<b>SmallCap Fund<sup>1</sup></b>	Principal Global Equities	PSBPX	2.80%	23.76%	13.59%	6.92%	8.75%	12/6/00	1.04%	1.04%	—
<b>SmallCap Growth Fund I<sup>1,30,34,42</sup></b>	Principal Portfolio Strategies	PPNPX	6.43%	23.54%	11.00%	8.39%	5.57%	12/6/00	1.36%	1.27%	2/28/18
<b>SmallCap S&amp;P 600 Index Fund<sup>1,2,6</sup></b>	Principal Global Equities	PSSPX	0.98%	24.12%	13.72%	8.33%	9.76%	12/6/00	0.42%	0.42%	—
<b>SmallCap Value Fund II<sup>1,34</sup></b>	Principal Portfolio Strategies	PLARX	-0.54%	23.11%	12.94%	6.06%	8.34%	6/1/04	1.31%	1.29%	2/28/18

### International Equity (As of 03/31/2017)

Principal Fund (R5 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Diversified International Fund<sup>3,32</sup></b>	Principal Global Equities	PINPX	8.26%	9.91%	5.59%	1.13%	4.04%	12/6/00	1.10%	1.10%	—
<b>Global Real Estate Securities Fund<sup>3,4,17</sup></b>	Principal Real Estate Investors	PGRUX	2.82%	-0.10%	8.23%	—	2.87%	10/1/07	1.13%	1.13%	—
<b>International Emerging Markets Fund<sup>3,14</sup></b>	Principal Global Equities	PEPSX	12.48%	18.09%	0.30%	1.58%	8.75%	12/6/00	1.51%	1.51%	—
<b>International Equity Index Fund<sup>2,3,17,22,24</sup></b>	Principal Global Equities	PIIQX	7.62%	11.41%	5.23%	—	3.94%	12/30/09	0.60%	0.60%	—
<b>International Fund I<sup>3,8,35</sup></b>	Origin Asset Management	PTPPX	10.53%	10.04%	6.28%	0.85%	5.20%	12/29/03	1.24%	1.24%	—
<b>Overseas Fund<sup>3,8,34</sup></b>	Principal Portfolio Strategies	PINGX	8.11%	13.20%	4.87%	—	5.01%	9/30/08	1.36%	1.32%	2/28/18

NOTE: Please see page 22 for important footnotes referenced above.

## R5 Shares (continued)

### Specialty (As of 03/31/2017)

Principal Fund (R5 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Diversified Real Asset Fund</b> <sup>8, 17, 40</sup>	Principal Portfolio Strategies	PGDTX	3.43%	8.72%	1.26%	—	3.62%	3/16/10	1.10%	1.10%	—

### Fixed Income (As of 03/31/2017)

Principal Fund (R5 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Bond Market Index Fund</b> <sup>2, 12, 13</sup>	Mellon Capital Management	PBIQX	0.65%	-0.28%	1.66%	—	2.90%	12/30/09	0.54%	0.51%	12/30/17
<b>Core Plus Bond Fund</b> <sup>12, 13, 17</sup>	Principal Global Fixed Income	PBMPX	1.15%	2.31%	2.59%	3.56%	4.23%	12/6/00	0.77%	0.76%	—
<b>Government &amp; High Quality Bond Fund</b> <sup>8, 12, 13, 36</sup>	Edge Asset Management, Inc	PMREX	0.41%	-0.25%	1.86%	3.78%	6.30%	5/4/84	0.76%	0.67%	2/28/18
<b>Income Fund</b> <sup>8, 12, 13</sup>	Edge Asset Management, Inc	PIOQX	1.19%	3.70%	3.36%	5.11%	7.45%	12/15/75	0.75%	0.75%	—
<b>Inflation Protection Fund</b> <sup>12, 13, 17</sup>	BlackRock Financial Management	PBPPX	1.20%	1.30%	0.38%	1.05%	1.25%	12/29/04	0.64%	0.64%	—
<b>Preferred Securities Fund</b> <sup>8, 12, 13</sup>	Spectrum Asset Management	PPARX	4.05%	7.80%	7.07%	6.31%	6.10%	5/1/02	0.97%	0.97%	—

### Short-Term Fixed Income (As of 03/31/2017)

Principal Fund (R5 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Short-Term Income Fund</b> <sup>8, 12, 13, 17</sup>	Edge Asset Management, Inc	PSIQX	0.67%	1.80%	1.71%	2.86%	3.84%	11/1/93	0.68%	0.68%	2/28/18

NOTE: Please see page 22 for important footnotes referenced above.

# R6 Shares

## Balanced/Asset Allocation (As of 03/31/2017)

Principal Fund (R6 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Principal LifeTime Hybrid 2015 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLRRX	3.41%	8.07%	—	—	4.62%	9/30/14	171.41%	0.43%	2/28/18
<b>Principal LifeTime Hybrid 2020 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLTTX	3.77%	9.13%	—	—	5.24%	9/30/14	171.71%	0.43%	2/28/18
<b>Principal LifeTime Hybrid 2025 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLFTX	4.23%	10.22%	—	—	5.82%	9/30/14	169.44%	0.44%	2/28/18
<b>Principal LifeTime Hybrid 2030 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLZTX	4.61%	11.24%	—	—	6.24%	9/30/14	170.13%	0.44%	2/28/18
<b>Principal LifeTime Hybrid 2035 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLRTX	4.86%	12.06%	—	—	6.57%	9/30/14	168.16%	0.44%	2/28/18
<b>Principal LifeTime Hybrid 2040 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLMTX	5.24%	12.84%	—	—	6.94%	9/30/14	167.35%	0.45%	2/28/18
<b>Principal LifeTime Hybrid 2045 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLNTX	5.41%	13.44%	—	—	7.03%	9/30/14	167.43%	0.46%	2/28/18
<b>Principal LifeTime Hybrid 2050 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLJTX	5.60%	13.90%	—	—	7.28%	9/30/14	166.63%	0.46%	2/28/18
<b>Principal LifeTime Hybrid 2055 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLHTX	5.66%	14.21%	—	—	7.43%	9/30/14	168.78%	0.46%	2/28/18
<b>Principal LifeTime Hybrid 2060 Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLKTX	5.75%	14.55%	—	—	7.56%	9/30/14	172.81%	0.46%	2/28/18
<b>Principal LifeTime Hybrid Income Fund</b> <sup>10, 11, 13, 18, 21, 39</sup>	Principal Portfolio Strategies	PLTYX	2.13%	4.62%	—	—	3.31%	9/30/14	174.09%	0.41%	2/28/18

## Large U.S. Equity (As of 03/31/2017)

Principal Fund (R6 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Blue Chip Fund</b> <sup>8</sup>	Aligned Investors	PGBHX	8.12%	17.35%	—	—	15.08%	6/14/12	176.93%	0.75%	—
<b>LargeCap Growth Fund I</b> <sup>23, 34</sup>	Principal Portfolio Strategies	PLCGX	9.88%	14.80%	11.91%	9.24%	4.92%	12/6/00	1.32%	0.65%	2/28/18

Returns represent past performance and do not guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit [principalfunds.com](http://principalfunds.com).

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense net of the investment option.

NOTE: Please see page 22 for important footnotes referenced above.

## R6 Shares (continued)

### Small/Mid U.S. Equity (As of 03/31/2017)

Principal Fund (R6 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
EDGE MidCap Fund <sup>1</sup>	Edge Asset Management, Inc	PEDMX	3.89%	17.94%	—	—	19.89%	9/28/15	177.03%	0.86%	—
MidCap Fund <sup>1</sup>	Aligned Investors	PMAQX	7.52%	17.10%	13.61%	9.86%	9.77%	12/6/00	176.84%	0.74%	2/28/18
MidCap S&P 400 Index Fund <sup>1,2,7,17</sup>	Principal Global Equities	PMAPX	3.79%	20.08%	12.47%	8.15%	8.48%	12/6/00	176.41%	0.25%	2/28/18
MidCap Value Fund III <sup>1,34</sup>	Principal Portfolio Strategies	PCMIX	4.85%	16.86%	12.20%	6.53%	8.43%	12/6/00	1.20%	0.70%	2/28/18
Real Estate Securities Fund <sup>4</sup>	Principal Real Estate Investors	PFRSX	1.58%	1.83%	9.85%	5.07%	11.32%	12/6/00	177.06%	0.97%	2/28/18
Small-MidCap Dividend Income Fund <sup>1**</sup>	Edge Asset Management, Inc	PMDHX	3.44%	28.09%	14.08%	—	13.49%	6/6/11	177.36%	1.21%	2/28/18
SmallCap Fund <sup>1</sup>	Principal Global Equities	PSMLX	2.86%	23.55%	13.29%	6.62%	8.43%	12/6/00	177.03%	0.92%	2/28/18
SmallCap Growth Fund I <sup>1,30,34,42</sup>	Principal Portfolio Strategies	PCSMX	6.52%	23.83%	11.25%	8.63%	5.78%	12/6/00	10.60%	1.07%	2/28/18
SmallCap S&P 600 Index Fund <sup>1,2,6</sup>	Principal Global Equities	PSPIX	1.06%	23.94%	13.41%	8.02%	9.44%	12/6/00	176.41%	0.25%	—
SmallCap Value Fund II <sup>1,34</sup>	Principal Portfolio Strategies	PSMVX	-0.46%	23.39%	13.10%	6.22%	8.50%	6/1/04	3.11%	1.07%	2/28/18

### International Equity (As of 03/31/2017)

Principal Fund (R6 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
Global Real Estate Securities Fund <sup>3,4,17,26,29</sup>	Principal Real Estate Investors	PGRSX	2.87%	0.07%	8.43%	—	3.05%	10/1/07	3.52%	0.94%	2/28/18
International Emerging Markets Fund <sup>3,14</sup>	Principal Global Equities	PIIMX	12.57%	18.02%	0.02%	1.29%	8.44%	12/6/00	177.50%	1.33%	2/28/18
International Equity Index Fund <sup>2,3,17,22,24</sup>	Principal Global Equities	PFIEX	7.70%	11.71%	5.44%	—	4.14%	12/30/09	176.59%	0.41%	—
International Fund I <sup>3,8,35</sup>	Origin Asset Management	PIIDX	10.52%	10.17%	6.44%	1.04%	5.43%	12/29/03	177.23%	1.06%	—

\*\* Effective December 1, 2016, the Principal Small-MidCap Dividend Income Fund closed to certain new investors. Please see the prospectus for more complete information.

NOTE: Please see page 22 for important footnotes referenced above.

## R6 Shares (continued)

### International Equity (As of 03/31/2017)

Principal Fund (R6 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>International Small Company Fund</b> <sup>1,3,8</sup>	Principal Global Equities	PFISX	8.38%	10.75%	—	—	2.46%	6/11/14	177.48%	1.20%	—
<b>Origin Emerging Markets Fund</b> <sup>3</sup>	Origin Asset Management	POEFX	15.09%	16.78%	—	—	-1.72%	1/23/15	25.48%	1.27%	—
<b>SystematEX International Fund</b> <sup>3</sup>	Principal Global Equities	PSTMX	7.80%	12.45%	—	—	8.78%	9/22/15	1.11%	0.62%	—
<b>SystematEX Large Value Fund</b>	Principal Global Equities	PSLVX	2.81%	16.20%	—	—	15.33%	9/22/15	1.17%	0.43%	—

### Specialty (As of 03/31/2017)

Principal Fund (R5 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>Diversified Real Asset Fund</b> <sup>8,17,40</sup>	Principal Portfolio Strategies	PDARX	3.43%	8.87%	1.46%	—	3.82%	3/16/10	1.00%	0.90%	—
<b>Multi-Manager Equity Long/Short Fund</b>	Principal Portfolio Strategies	PGPMX	2.58%	4.26%	—	—	4.26%	3/31/16	2.68%	1.63%	—

### Fixed Income (As of 03/31/2017)

Principal Fund (R6 Class)	Investment Manager(s)	Ticker	Average Annual Total Returns					Inception Date	Total Investment Expense Gross	Total Investment Expense Net	Waiver Expiration/ Contractual Cap Date
			Year-to- Date	1 Year	5 Years	10 Years	Since Inception				
<b>High Yield Fund</b> <sup>8,12,13,23,25</sup>	Principal Global Fixed Income	PHYFX	2.91%	15.68%	6.56%	6.90%	7.55%	4/8/98	176.77%	0.67%	2/28/18
<b>Income Fund</b> <sup>8,12,13</sup>	Edge Asset Management, Inc	PICNX	1.26%	3.96%	3.40%	5.11%	7.45%	12/15/75	0.81%	0.56%	2/28/18
<b>Preferred Securities Fund</b> <sup>8,12,13</sup>	Spectrum Asset Management	PPREX	3.96%	7.78%	7.17%	6.42%	6.24%	5/1/02	176.96%	0.86%	—
<b>Real Estate Debt Income Fund</b> <sup>4,12,13</sup>	Principal Real Estate Investors	PRDHX	1.30%	3.12%	—	—	1.14%	12/31/14	176.86%	0.71%	—

NOTE: Please see page 22 for important footnotes referenced above.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense net of the investment option.

\* The full name of this fund is the Principal Capital Appreciation Fund.

- 1 Small-cap and mid-cap stocks may have additional risks, including greater price volatility.
- 2 Each index-based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index-based investment option will match the performance of the index tracked.
- 3 International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.
- 4 Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.
- 5 S&P 500 is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by Principal Global Investors (PGI). The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.
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- 8 These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the fund's prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.
- 9 Effective December 30, 2014, this portfolio is subadvised by American Century and Sawgrass Asset Management. Prior to December 30, 2014, the portfolio was subadvised by American Century and Montag & Caldwell. The portfolio has had various subadvisors since its inception. Performance results displayed reflect all subadvisors managing this portfolio during the time periods displayed.
- 10 Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.
- 11 Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

- 12 Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.
- 13 Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.
- 14 Instances of high double-digit returns were achieved primarily during favorable market conditions and may not be sustainable over time.
- 15 Bank loans may be subject to settlement risk. If in default, there is no assurance that secured collateral could be liquidated to satisfy the borrower's obligation.
- 16 This Fund uses alternative strategies such as arbitrage, leverage, derivatives and shorting securities. Long/short investing does not guarantee lower risk associated with equity markets, capitalization, sector swings or other factors and may have higher turnover with additional tax consequences. Short selling risks include investment loss and added costs to cover short positions. International investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. Use of alternative strategies may magnify risk. Securities such as bonds, equities, international and emerging market securities, and currencies are subject to risks associated with market and interest rate movements. The Fund is non-diversified and may be more susceptible to price volatility if the Fund does not meet its objective. Investors should not expect significant outperformance during market rallies. Additional risks are included in the Fund's prospectus.
- 17 Derivatives may increase volatility, cause the liquidation of portfolios' positions when not advantageous to do so, and produce disproportionate losses.
- 18 This Principal LifeTime Fund indirectly bears its pro rata share of the management fees incurred by the underlying Principal Funds in which this fund invests. Based on the asset allocation of the Principal LifeTime Funds outlined in the prospectus dated March 1, 2017, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.61%; Principal LifeTime 2010, 0.65%; Principal LifeTime 2015, 0.67%; Principal LifeTime 2020, 0.70%; Principal LifeTime 2025, 0.72%; Principal LifeTime 2030, 0.72%; Principal LifeTime 2035, 0.68%; Principal LifeTime 2040, 0.70%; Principal LifeTime 2045, 0.71%; Principal LifeTime 2050, 0.72%; Principal LifeTime 2055, 0.72%; Principal LifeTime 2060, 0.73%. While the operating expenses of the underlying mutual funds are not part of the Principal LifeTime Fund's operating expenses they are included in the Total Investment Expense. Performance results shown for the Principal LifeTime Fund reflect the application of these expenses.
- 19 This Principal Strategic Asset Management Portfolio (SAM) indirectly bears its pro rata share of the management fees incurred by the underlying Principal Funds in which this portfolio invests. Based on the asset allocation of the SAM Portfolio outlined in the prospectus dated March 1, 2017, the weighted average operating expenses of the underlying funds are: Flexible Income, 0.57%; Conservative Balanced, 0.68%; Balanced, 0.74%; Conservative Growth, 0.79%; Strategic Growth, 0.78%. While the operating expenses of the underlying mutual funds are not part of the SAM Portfolio operating expenses they are included in the Total Investment Expense. Performance results shown for the SAM Portfolios reflect the application of these expenses.
- 20 Principal Global Investors (PGI) may voluntarily limit a certain portion of the fund's expenses collected from the Money Market Fund on a temporary basis.



- 21 The Investment Advisor will display “Multiple Subadvisors” for certain target-date or target-risk investment options where as the sets are directed by the Investment Manager to multiple underlying investment options. These underlying investment options may use multiple subadvisors who are responsible for the day-to-day management responsibilities.
- 22 The International Equity Index investment option described herein is indexed to an MSCI index.
- 23 This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.
- 24 The funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities or any index on which such funds or securities are based. The Principal International Equity Index Fund’s Statement of Additional Information contains a more detailed description of the limited relationship MSCI has with Principal and any related funds.
- 25 High yield investment options are subject to greater credit risk associated with high yield bonds.
- 26 Not all funds associated with the institutional class shares of the Principal Funds series are registered in every state. These funds will be appropriately registered for use upon selection for your retirement plan.
- 27 In March 2010, the Class experienced a significant one-time gain of approximately \$0.06/share as the result of a settlement in an SEC administrative proceeding. If such gain had not been recognized, the total return amounts expressed herein would have been lower.
- 28 Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Lower-rated securities are subject to additional credit and default risks. Risks associated with preferred securities differ from risks inherent with other investments. In particular, in the event of bankruptcy, a company’s preferred securities are senior to common stock but subordinated to all other types of corporate debt. International investing involves increased risks due to currency fluctuations, political or social instability, and differences in accounting standards. These risks are magnified in emerging markets. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration.
- 29 During 2010, the Class experienced a significant withdrawal of monies by an affiliate. As the remaining shareholders held relatively small positions, the total return amounts expressed herein are greater than those that would have been experienced without the withdrawal.
- 30 Effective April 25, 2014, Emerald was added as an additional subadvisor. Performance results displayed reflect all subadvisors managing this portfolio during the time periods displayed.
- 31 Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. A portion of the Fund’s income may be subject to state and/or local taxes, and it may be subject to federal alternative minimum tax (AMT) for certain investors.
- 32 In March 2010, the Class experienced a significant one time gain of approximately \$0.08/share as the result of a settlement in an SEC administrative proceeding. If such gain had not been recognized, the total return amounts expressed herein would have been lower.
- 33 Effective January 13, 2014, this portfolio is subadvised by Robert Baird and William Blair. Prior to January 13, 2014, this portfolio was subadvised by Turner and Jacobs Levy. The portfolio has had various subadvisors since its inception. Performance results displayed reflect all subadvisors managing this portfolio during the time periods displayed.
- 34 The manager of the Fund, Principal Global Investors (PGI), invests between 10% and 40% of the Fund’s assets in common stocks in an attempt to match or exceed the performance of the Fund’s benchmark index for performance.
- 35 Effective June 3, 2014, this portfolio is subadvised by Origin Asset Management. Prior to June 3, 2014, this portfolio was subadvised by Fidelity and Schroders. The portfolio has had various subadvisors since its inception. Performance results displayed reflect all subadvisors managing this portfolio during the time periods displayed.
- 36 Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.
- 37 During 2014, the Class experienced a significant withdrawal of monies by an affiliate. As the remaining shareholders held relatively small positions, the total return amounts expressed herein are greater than those that would have been experienced without the withdrawal.
- 38 This Principal LifeTime Hybrid Fund indirectly bears its pro rata share of the management fees incurred by the underlying Principal Funds in which this fund invests. Based on the asset allocation of the Principal LifeTime Hybrid Funds outlined in the prospectus dated March 1, 2017, the weighted average operating expenses of the underlying funds are: Principal LifeTime Hybrid Income, 0.39%; Principal LifeTime Hybrid 2015, 0.41%; Principal LifeTime Hybrid 2020, 0.41%; Principal LifeTime Hybrid 2025, 0.42%; Principal LifeTime Hybrid 2030, 0.42%; Principal LifeTime Hybrid 2035, 0.42%; Principal LifeTime Hybrid 2040, 0.43%; Principal LifeTime Hybrid 2045, 0.44%; Principal LifeTime Hybrid 2050, 0.44%; Principal LifeTime Hybrid 2055, 0.44%; Principal LifeTime Hybrid 2060, 0.44%. While the operating expenses of the underlying mutual funds are not part of the Principal LifeTime Hybrid Fund’s operating expenses they are included in the Total Investment Expense. Performance results shown for the Principal LifeTime Hybrid Fund reflect the application of these expenses.
- 39 International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards.
- 40 Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline. The U.S. government does not guarantee the principal or coupon payments of non-U.S. Treasury bonds. Investments in natural resource industries can be affected by disease, embargoes, international/political/economic developments, variations in the commodities markets/weather and other factors. Investing in derivatives entails specific risks regarding liquidity, leverage and credit that may reduce returns and/or increase volatility.
- 41 Effective June 30, 2016, this portfolio is subadvised by LA Capital and Victory Capital. Prior to June 30, 2016, the portfolio was subadvised by Goldman Sachs and LA Capital. The portfolio has had various subadvisors since its inception. Performance results displayed reflect all subadvisors managing this portfolio during the time periods displayed.
- 42 Effective September 30, 2016, this portfolio is subadvised by AB LP, Brown Advisory, and Emerald Advisors, Inc. Prior to September 30, 2016, the portfolio was subadvised by AB LP, Brown Advisory, Emerald Advisors, Inc., and Columbus Circle Investors. The portfolio has had various subadvisors since its inception. Performance results displayed reflect all subadvisors managing this portfolio during the time periods displayed.
- 43 Effective March 1, 2017, the Principal Small-MidCap Dividend Income Fund closed to certain new investors. Please see the prospectus for more complete information.



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