

# Principal Small-MidCap Dividend Income Fund

Invest for tomorrow and today

2017  
First Quarter

**Ticker:**

Class A: PMDAX  
Class C: PMDDX  
Class I: PMDIX  
Class P: PMDPX

**Morningstar Rating**  
Class I Shares



Overall Morningstar Rating™ as of 03/31/2017 among 353 Small Value

Morningstar ratings may vary between share classes, are based on historical risk-adjusted total returns and are subject to change.

**Get opportunities for growth, income, and lower volatility with the Principal Small-MidCap Dividend Income Fund.**

Consider the Principal Small-MidCap Dividend Income Fund for:

**A powerful combination.**

Looking for the potential for growth, income, and lower volatility? A portfolio that includes small- and mid-sized companies could help you access:

- Dividend payouts for income — despite today’s low interest rates.
- Higher historical returns than non-dividend-paying companies<sup>1</sup>.
- Less volatility than non-dividend-paying companies<sup>1</sup>.

**Access to well-managed companies.**

Small- and mid-sized companies that pay dividends offer some interesting benefits. We look to invest in those that offer:

- Greater growth potential historically than large-cap companies.
- Added diversification, which helps to manage risk.
- “Best in class” organizations with well-disciplined management teams.

**A legacy of expertise.**

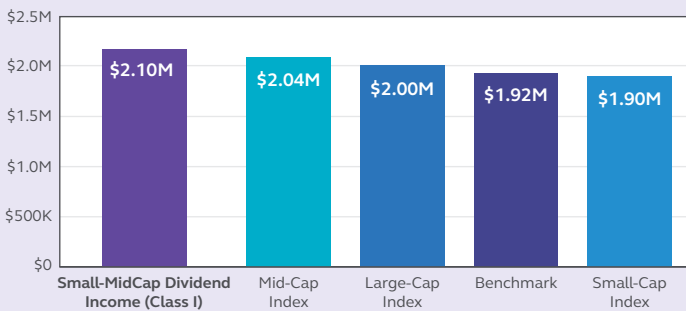
You can feel confident in Edge Asset Management. With more than 75 years of success trading value stocks, they bring:

- A deep history of equity income investing, managing one of the first 50 mutual funds, established in 1939.
- A disciplined process that identifies the most attractive small- and mid-cap dividend-paying investments.
- A focus on companies with the capacity (and commitment) to pay dividends that grow consistently over time.



**Growth of \$1 Million**

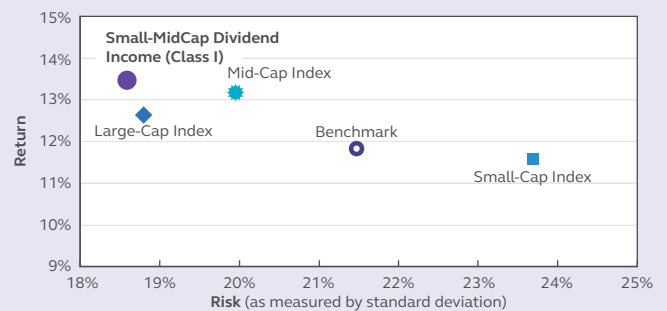
SMID has outperformed small-, mid-, and large-cap benchmarks.



Source: Morningstar 06/06/2011 – 03/31/2017. Large-Cap Index represented by the Russell 1000® Value Index, which measures the performance of the large-cap value segment of the U.S. equity universe; Benchmark represented by the Russell 2500® Value Index, which measures the performance of the small to mid-cap value segment of the U.S. equity universe; Small-Cap Index represented by the Russell 2000® Value Index, which measures the performance of small-cap value segment of the U.S. equity universe. Mid-Cap Index represented by the Russell Midcap Value Index, which measures the performance of the mid-cap value segment of the U.S. equity universe.

**Active Management Makes a Difference**

The Fund has had better returns with less volatility than passive indices.



Past performance does not guarantee future results. Asset allocation and diversification do not ensure a profit or protect against a loss. Investors cannot invest directly in an index. For illustrative purposes only. Does not reflect fees, taxes, or expenses. Small and mid-cap stocks may have additional risks, including greater price volatility.

<sup>1</sup>Ned Davis Research, 2015.

Dividends are not guaranteed. Dividend Paying vs. Non-Paying: A stock is classified as dividend-paying if it pays a cash dividend during the previous 12 months. The dividend figure used to categorize the stock is the company’s indicated annual dividend, which may be different from the actual dividends paid in a particular month. Dividend growers (Initiators) are stocks that raise their existing dividend or initiated a new dividend during the previous 12 months. Dividend cutters (Eliminators) are stocks that lowered their existing dividend or stopped paying regular dividends during the previous 12 months.

### Portfolio Strategy & Management

The Principal Small-MidCap Dividend Income Fund is sub-advised by Edge Asset Management. The Fund primarily seeks to provide a relatively high level of current income and long-term growth of income, and secondarily long-term growth of capital.

#### Dan Coleman

38 Years of Experience

#### David Simpson, CFA

31 Years of Experience

### Portfolio Composition

Top 10 Holdings <sup>2</sup> (as of 03/31/2017)	% of Net Assets	12-Month Dividend Change
1. Sinclair Broadcast Group Inc	2.66%	9.09%
2. Omega Healthcare Investors Inc	2.42%	29.57%
3. Medical Properties Trust Inc	2.37%	5.68%
4. Bank of the Ozarks Inc	2.32%	14.04%
5. New Flyer Industries Inc	2.28%	49.11%
6. Fidelity National Financial Inc	2.25%	12.20%
7. PacWest Bancorp	2.18%	0.00%
8. AmTrust Financial Services Inc	2.17%	14.78%
9. j2 Global Inc	2.06%	12.22%
10. Colony NorthStar Inc	2.03%	325%

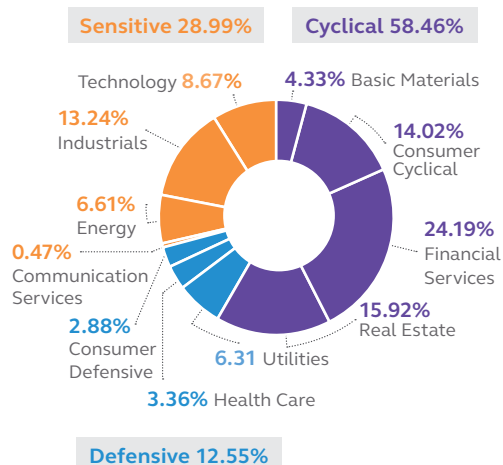
**Total** **22.74%**

May not reflect current holdings or allocations. All current and future holdings are subject to risk.

#### 3-Year Risk/Return Stats (as of 03/31/2017)

	Principal Small-MidCap Dividend Income A	Russell 2500® Value Index
Alpha	3.48%	—
Beta	0.89	1.00
Std Dev	12.10%	13.02%
R-Squared	91.38%	100.00%
Sharpe Ratio	0.87	0.61

### Stock Sector Breakdown<sup>2</sup> (as of 03/31/2017)



<sup>2</sup>May not reflect current allocations/holdings. Percentages may not add up to 100% due to rounding. Source: Morningstar

### Performance, Percentiles, & Ratings (as of 03/31/2017)

	Average Annual Total Returns						Yields <sup>3</sup>	
	Year-To-Date	1-Year	3-Year	5-Year	Since Inception 06/06/2011	Expense Ratio	30-Day SEC	12-Month Distribution
Class I <sup>3</sup>	3.44%	28.14%	10.87%	14.14%	13.58%	1.15%	2.46%	2.50%
Class A (Excluding Sales Charge) <sup>3</sup>	3.32%	27.74%	10.48%	13.70%	13.12%	1.50%	2.20%	2.25%
Class A (Including Sales Charge) <sup>3</sup>	1.50%	10.65%	7.78%	12.47%	9.49%	1.50%	2.08%	2.13%
Russell 2500® Value Index <sup>4,5</sup>	1.62%	23.13%	7.55%	12.92%	—	—	—	—
<b>Morningstar Rankings and Ratings</b>								
Percentile Ranking <sup>6</sup>	—	24	5	36	—	—	—	—
Category and Number of Funds in Category: Small Value	437	412	353	309	—	—	—	—
Class I Ratings <sup>7</sup>	—	—	★★★★★	★★★★★	Overall   ★★★★★	—	—	—
Class A Ratings <sup>7</sup>	—	—	★★★★★	★★★★★	Overall   ★★★★★	—	—	—
<b>Calendar Year Total Returns</b>								
	2012	2013	2014	2015	2016			
Class I	16.13%	30.08%	7.62%	-3.26%	30.05%			
Class A (Excluding Sales Charge)	15.54%	29.45%	7.21%	-3.60%	29.68%			

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 monthend performance, visit [principalfunds.com](http://principalfunds.com). A maximum sales charge of 5.5% may apply for Class A shares. Performance reflects this maximum sales charge when a sales charge is indicated.

<sup>3</sup>Performance assumes reinvestment of all dividends and capital gains. Only certain investors, such as retirement plan participants, can purchase class A shares without a sales charge; see the prospectus for details.

<sup>4</sup>Russell 2500® Value Index measures the performance of the small- to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500® Index companies with lower price-to-book ratios and lower forecasted growth values.

<sup>5</sup>Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

<sup>6</sup>Morningstar percentile rankings are based on total returns and do not reflect the inclusion of sales charges. If sales charges were reflected, rankings could be lower.

<sup>7</sup>The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36–59 months of total returns, 60% five-year rating/40% three-year rating for 60–119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar Ratings do not reflect the inclusion of sales charges. If sales charges were reflected, rankings could be lower. © 2017 Morningstar, Inc. All rights reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Fixed-income investments are

subject to interest rate risk; as interest rates rise their value will decline. Lower-rated securities are subject to additional credit and default risks. Class I and P shares are available only to eligible investors including, but not limited to, various institutional/platform, certain mutual fund wrap or asset allocation program investors.

<sup>8</sup>30-Day SEC yield represents net investment income earned by a fund over a 30-day period, stated as an annual percentage. 12-month yield is based on actual distributions paid over a trailing 12-month period, stated as an annual percentage. Class I and P shares are available only to eligible investors including, but not limited to, various institutional/platform, certain mutual fund wrap or asset allocation program investors.

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

**Alpha:** The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta:** An investment's sensitivity to market movements. **R-Squared:** Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation:** Measures how much an investment's returns are likely to fluctuate. **Sharpe Ratio:** Measures how an investment balances risks and rewards. The higher the Sharpe Ratio, the better the investment's historical risk-adjusted performance. Edge Asset Management is a specialized internal investment boutique of Principal Global Investors.

**Not authorized for distribution unless preceded or accompanied by a current prospectus, or a summary prospectus if available, that includes information about the Fund's objectives, risks, charges, and expenses. Please read it carefully before investing.**

Investing involves risk, including possible loss of principal.

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