

Principal Global Multi-Strategy Fund

Designed to deliver a specific outcome: lower portfolio volatility with alternative strategies

2018 first quarter

Ticker:

Class A: PMSAX
Class C: PMSCX
Class I: PSMIX

Morningstar rating

Class I shares



Overall Morningstar Rating™ as of 03/31/2018 among 278 Multialternative Funds.

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

Multiple alternative strategies managed by institutional-quality managers within a single fund.

The Principal Global Multi-Strategy Fund offers:

An innovative solution for addressing market swings.

Market volatility can have a negative impact on your portfolio—potentially destroying years of wealth accumulation. Through its investment strategy, the Fund seeks to:

- Reduce exposure to market volatility.
- Smooth out portfolio returns.
- Provide performance potential in many market types.

Improved diversification and risk management.

In times of severe market swings, traditional investments (like stocks and bonds) tend to move up or down together. Alternative investment strategies may offer you the following benefits:

- Enhanced diversification beyond stocks and bonds.
- Low, long-term correlation with major market indices¹.
- Diversified sources of manager alpha.

A multi-manager, multi-asset approach.

Combining asset allocation expertise and access to global investment management² by:

- Hiring specialist sub-advisors in alternative and hedged strategies.
- Offering flexibility and transparency through a fund of separate accounts.
- Providing dynamic asset allocation toward a targeted risk-return profile.

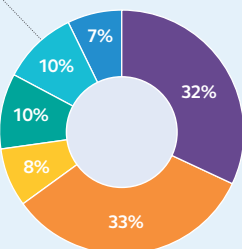


Blending multiple strategies in a singular fund

Portfolio allocations (as of 03/31/2018)

Multi-strategy

Event driven, Convertible arbitrage, Dedicated short bias, Equity market neutral, Long/short equity, Emerging markets, Managed futures, Global macro, Fixed income relative value



Equity long/short	32%	Market neutral fixed income	10%
Ascend Capital	8%	KLS Diversified Asset Management	10%
LA Capital Management	14%	Multi-strategy	10%
Wellington Management*	10%	AQR*	10%
Credit long/short	33%	Event driven	7%
Finisterre Capital.....	12%	York Capital Management ¹	7%
Loomis Sayles & Company.....	10%		
Sound Point Capital Management ¹	11%		
Global macro and managed futures	8%		
Graham Capital Management.....	8%		

Investment managers



¹May not reflect current allocations or investment managers. Percentages may not add up to 100% due to rounding.

²CNH Partners, LLC, is a merger arbitrage, convertible arbitrage, and diversified arbitrage research affiliate of AQR.

¹York Registered Holdings, L.P., manager of the event driven strategy, is an affiliate of York Capital Management.

²Wellington Management Company LLP is a SEC-registered investment advisor and an independent and unaffiliated investment manager to Principal Funds.

¹Zephyr StyleADVISOR. 20-year correlation (January 1997 to December 2017).

²Investment managers were selected using a proprietary process, characterized by a comprehensive and continuous review of all investment managers.

Portfolio strategy & management

The Principal Global Multi-Strategy Fund is managed by Principal Portfolio Strategies. The Fund seeks to achieve a long-term capital appreciation with an emphasis on positive total returns and relatively low volatility.

Jake Anonson, CFA

25 years of experience

Jessica Bush, CFA

17 years of experience

Marc Dummer, CAIA

36 years of experience

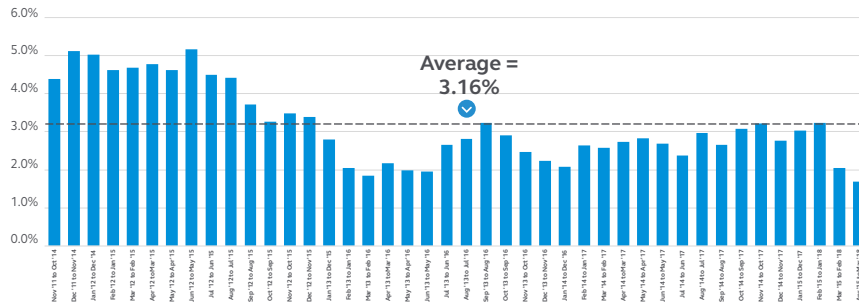
Kelly Grossman, FSA

19 years of experience

Ben Rotenberg, CFA

25 years of experience

Rolling 36-month return, stepped up monthly



Rolling 36-month returns (Global Multi-Strategy Fund - class I)

Source: Morningstar. November 1, 2011 to March 31, 2018. Past performance does not guarantee future results.

Characteristics

Portfolio assets (\$billion) ³	\$2.6	Global equity beta	0.2 - 0.3
Gross exposure (long + short) ³	213%	Credit spread beta	0.0 - 0.1
Net exposure (long - short) ³	50%	Interest rate beta	0.00
Annualized alpha (relative to the MSCI ACWI Index) ⁴	0.97	Standard deviation (volatility) ⁴	2.76%

Source: Morningstar. Beta shown is targeted beta of the Fund. ³As of March 31, 2018. ⁴November 1, 2011 to March 31, 2018.

Performance & ratings (as of 03/31/2018)

	Average annual total returns					
	Year-to-date	1-year	3-year	5-year	Since inception (10/24/2011)	Expense ratio (gross/net)
Class I ⁵	-1.68%	2.45%	1.68%	2.96%	3.39%	2.25%/1.63%
Class A (excluding sales charge) ⁵	-1.70%	2.07%	1.35%	2.60%	3.04%	2.56%/1.94%
Class A (including sales charge) ⁵	-5.41%	-1.75%	0.08%	1.81%	2.43%	2.56%/1.94%
Hedge Fund Research, Inc. Fund of Funds Composite Index ^{6,7}	0.91%	6.21%	2.08%	3.51%	—	—
Morningstar ratings						
Category and number of funds in category: Multialternative	421	372	278	150	—	—
Class I ratings ⁸	—	—	★★★★	★★★★	Overall ★★★★★	—
Class A ratings ^{5,8}	—	—	★★★	★★★★	Overall ★★★★★	—
Calendar year total returns						
	2012	2013	2014	2015	2016	2017
Class I	5.96%	5.46%	3.67%	-0.64%	3.27%	6.59%
Class A (excluding sales charge)	5.56%	4.96%	3.36%	-0.94%	2.85%	6.23%

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. A maximum sales charge of 3.75% may apply for Class A shares. Performance reflects this maximum sales charge when a sales charge is indicated.

⁵Performance 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. Where gross and net expense ratios differ, the investment adviser has contractually agreed to limit the investment option's expense. Expense limits apply through 12/30/2018. Returns displayed are based on net total investment expense.

⁶The Hedge Fund Research, Inc. Fund of Funds Composite Index is an equal-weighted index composed of over 650 constituent fund of funds, including both domestic and offshore funds.

⁷Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

⁸The 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, ratings could be lower. © 2018 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.

Asset allocation and diversification do not ensure a profit or protect against a loss.

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.

Class I shares are available only to eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs. See the prospectus for eligibility requirements.

Principal Funds Class P shares automatically converted to Institutional Class shares effective close of business June 23, 2017.

Alpha: The difference between and investment's actual returns and its expected performance, given its level of risk (as measured by beta). Beta: Represents the systematic risk of a portfolio and measures its sensitivity to a benchmark.

Principal Portfolio Strategies is involved in the creation of asset allocation solutions and is responsible for the initial selection and ongoing monitoring of affiliated and unaffiliated investment managers. Principal Portfolio Strategies is a specialized investment management group within Principal Global Investors, the investment adviser to Principal Funds.

Carefully consider a fund's objectives, risks, charges, and expenses. Contact your financial professional or visit principalfunds.com for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.

Investing involves risk, including possible loss of principal.

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