

Principal Global Diversified Income Fund

Designed to deliver a specific outcome: an innovative source of income

2018 first quarter

Ticker:
Class A: PGBAX
Class C: PGDCX
Class I: PGDIX

Combining yield-oriented investments to help manage risk and increase income.

The Principal Global Diversified Income Fund seeks to offer:

Various sources of income.

Global diversification among various non-traditional income sources can potentially provide you with portfolio advantages including:

- A stable stream of income, regardless of market environments.
- An optimal combination of fixed-income and equity strategies.
- Enhanced total return for your portfolio.

Optimal risk-adjusted yield.

If you are seeking enhanced yield with reduced risk, this strategy may offer the following benefits:

- A more predictable total return and yield outcome.
- A complement to traditional fixed-income holdings.

A multi-manager, multi-asset approach.

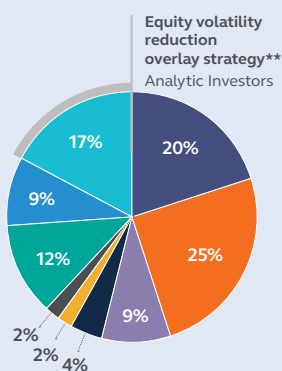
Combining asset allocation expertise and access to global investment management¹ by:

- Hiring specialist investment managers that tailor their investment approach to meet the Fund's yield objective.
- Offering flexibility and transparency through a fund of separate accounts.
- Providing dynamic asset allocation toward a targeted risk profile.



Blending multiple strategies in a singular fund

Portfolio allocations (as of 03/31/2018)



Global high yield 22%	Global credit 40%
U.S. high-yield bonds* Principal Global Fixed Income 4% DDJ Capital Management 12% Post Advisory Group 4%	Commercial mortgage-backed securities (CMBS) Principal Real Estate Investors 9%
Non-U.S. developed high yield Stone Harbor Investment Partners 2%	Emerging market debt Stone Harbor Investment Partners 14% Logan Circle Partners 11%
Global equities 38%	Opportunistic residential mortgage-backed securities (RMBS) Principal Global Fixed Income 2%
Global value equities Principal Global Equities 17%	Preferred and capital securities Spectrum Asset Management 4%
Global REITs Principal Real Estate Investors 9%	
Global infrastructure Reaves Asset Management 4% Colonial First State Asset Management 8%	

Investment managers



Reaves Asset Management



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

*As of March 31, 2018, bank loans represent 5.0% of the Fund and are managed through our high-yield investment managers.

** Analytic Investors, LLC is the investment manager to the equity volatility reduction overlay (EVRO) strategy. This strategy involves writing options that may represent up to 100% of the portfolio's allocation to its large cap global value equities sleeve. The investment manager may reduce or suspend the strategy at any time as market conditions warrant.

¹Investment managers were selected using a proprietary process, characterized by a comprehensive and continuous review of all investment managers.

Portfolio strategy & management

The Principal Global Diversified Income Fund is managed by Principal Portfolio Strategies. The Fund seeks consistent cash income through a diversified, yield-focused investment strategy.

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

Hypothetical annual withdrawal

See how a \$1 million investment in the Fund compares to the Bloomberg Barclays Global Credit Index with a 5% annual withdrawal taken out each December.

	Initial investment	Total withdrawal	Ending market value	Total added value	Average annual return	Cumulative return
Global Diversified Income Class I	\$1,000,000	\$727,407	\$1,635,109	\$1,362,516	11.96%	184.31%
Bloomberg Barclays Global Credit TR	\$1,000,000	\$539,163	\$1,090,350	\$629,513	6.64%	81.21%

Source: Morningstar. December 31, 2008 - March 31, 2018.

Total added value = Ending market value – (Initial investment – Total withdrawal). Cumulative return is the total money-weighted return of the investment over the entire time period of the illustration.

Past performance does not guarantee future results. The chart illustrates the performance of the Global Diversified Income Fund as compared to a typical bond portfolio as illustrated by an index (Bloomberg Barclays Global Credit Index⁴). The Fund invests in asset classes other than traditional corporate bonds; therefore, the risk profile of the Fund and the index shown will differ. Specifically, the risk of loss may be greater in the Fund as compared to a bond portfolio. See below for more information on specific risks of the Fund. Investors cannot invest directly in an index.

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

	Average annual total returns						Yields ⁷		
	Year-to-date	1-year	3-year	5-year	Since inception (12/15/2008)	Expense ratio ² (Gross/net)	30-Day SEC (Unsubsidized/subsidized)	12-Month distribution	
Class I ³	-0.82%	5.71%	4.81%	4.98%	10.97%	0.80%/0.75%	4.83%/4.87%	4.66%	
Class A (Excluding sales charge) ³	-0.90%	5.37%	4.49%	4.66%	10.66%	1.09%/1.05%	4.55%/4.55%	4.34%	
Class A (Including sales charge) ³	-4.59%	1.40%	3.17%	3.86%	10.21%	1.09%/1.05%	4.38%/4.38%	4.18%	
Global Diversified Income Blended Index ^{4,5}	-1.10%	7.60%	5.57%	5.07%	—	—	—	—	
Morningstar ratings									
Category and number of funds in category: Allocation—30% to 50% Equity	538	511	423	354	—	—	—	—	
Class I Ratings ⁶	—	—	★★★★	★★★	Overall ★★★	—	—	—	
Class A Ratings ^{3,6}	—	—	★★★★	★★★	Overall ★★★	—	—	—	
Calendar year total returns									
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Class I	39.95%	17.01%	3.08%	15.97%	6.14%	6.55%	-2.23%	9.62%	10.23%
Class A (Excluding sales charge)	39.72%	16.90%	2.70%	15.64%	5.79%	6.20%	-2.52%	9.30%	9.85%

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.

²Where gross and net expense ratios differ, the investment advisor has contractually agreed to limit the investment option's expenses. Differences also may be due to the investment advisor's decision to pay (through 02/28/2019) certain expenses that would normally be payable by the Fund. Returns displayed are based on net total investment expense.

³Performance 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.

⁴Global Diversified Income Blended Index is composed of 40% Bloomberg Barclays Global Credit Index (includes investment-grade, fixed-rate, taxable corporate and government-related bond markets, including foreign agencies, sovereigns, supranationals, and local authorities), 30% Bloomberg Barclays Global High Yield Index (measures the performance of the global high yield bond market), and 30% MSCI ACWI Value Index (a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world).

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

⁶The 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.

⁷30-Day SEC yield represents net investment income earned by a fund over a 30-day period, stated as an annual percentage. Unsubsidized yield reflects the SEC yield when some fund expenses are not waived. Subsidized yield reflects a fund's yield when all expense waivers are included. 12-month yield is based on actual distributions paid over a trailing 12-month period, stated as an annual percentage.

Asset allocation and diversification do not ensure a profit or protect against a loss. 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, as are mortgage-backed securities, which carry pre-payment risk and increased risk due to real estate exposure. International investing involves greater risks such as currency fluctuations, political/social instability, and differing accounting standards. These risks are magnified in emerging markets, which have increased liquidity risk. Equity investments involve greater risk, including higher volatility, than fixed-income investments.

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.

Principal Global Equities and Principal Global Fixed Income are specialized investment management groups within Principal Global Investors, a global investment management leader. 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.

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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NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE