

Principal Diversified Real Asset Fund

Designed to deliver a specific outcome: real assets for real diversification

2018 first quarter

Ticker:
Class A: PRDAX
Class C: PRDCX
Class I: PDRDX

Protecting purchasing power through varying market environments.

The Principal Diversified Real Asset Fund seeks to provide:

A diverse blend of real assets.

Allocating to a diversified real asset strategy may improve your returns through various market environments by:

- Aiming to protect purchasing power.
- Providing the opportunity for long-term diversification benefits.
- Enhancing the total return potential for a portfolio.

Enhanced return potential through economic cycles.

Real assets may provide the potential for growth whether the economy is booming or stagnant by:

- Balancing real return/real asset strategies to mitigate undesired risk.
- Focusing on the broad universe of real return/real asset classes that have exhibited low correlation to traditional asset classes.
- Using research and modeling techniques to target the most favorable blend of each asset class to seek optimal risk/return potential.

A multi-manager, multi-asset approach.

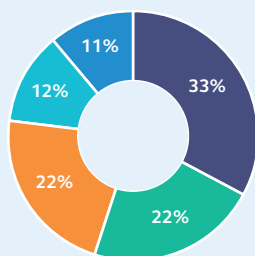
Combining asset allocation expertise and access to global investment management¹ by:

- Hiring specialist investment managers to target broad inflationary market concerns.
- 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 single fund

Portfolio allocations (as of 03/31/2018)



Real return 33%	Natural resources 22%
Currency	Global natural resources**
BNP Paribas Asset Mgmt* 3%	The Boston Company Asset Mgmt..... 6%
Floating rate debt	S&P Global Natural Resources Equal-Weighted..... 10%
Symphony Asset Mgmt 18%	Global timber
Treasury inflation-protected securities (TIPS)	Pictet Asset Mgmt..... 6%
BlackRock International Limited..... 12%	Commodities 12%
Infrastructure 22%	Credit Suisse Asset Mgmt 12%
Global infrastructure	Global REITs 11%
Macquarie Capital Investment Mgmt 8%	Principal Real Estate Investors 11%
Brookfield Investment Mgmt*** 4%	
Global water	
S&P Global Water Index..... 4%	
Master limited partnerships (MLPs)	
Tortoise Capital Advisors 6%	

Investment managers



May not reflect current allocations or investment managers. Percentages may not add up to 100% due to rounding.
*Effective June 1, 2017, Fischer Francis Trees & Watts, Inc. (FFTW), a sub-advisor for the currency sleeve, changed its name to BNP Paribas Asset Management, Inc.

**During the fourth quarter of 2017, we enhanced our global natural resources investment portfolio to include a blend of an actively-managed portion sub-advised by The Boston Company Asset Management, LLC and passively-managed portion managed by Principal Global Equities. We consolidated the global metals and mining and global agriculture investment portfolio to reduce overlap with the new global natural resources portfolio.

***During the second quarter of 2018, Brookfield Investment Management, Inc., was replaced by RARE Infrastructure (North America) Pty Limited as a global infrastructure subadvisor.

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

Portfolio strategy & management

The Principal Diversified Real Asset Fund is managed by Principal Portfolio Strategies. The Fund seeks a long-term total return in excess of inflation.

Jake Anonson, CFA
25 years of experience

Jessica Bush, CFA
17 years of experience

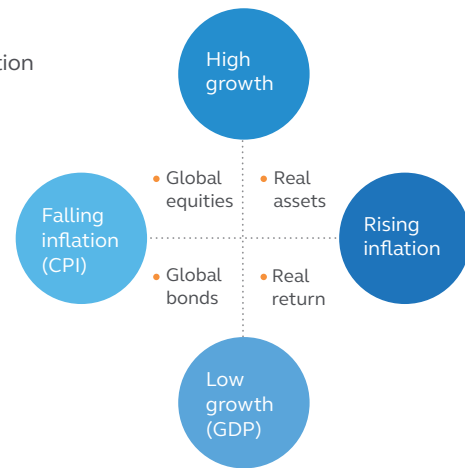
Marc Dummer, CAIA
36 years of experience

Kelly Grossman, FSA
19 years of experience

Ben Rotenberg, CFA
25 years of experience

The real asset universe

Real assets may help provide diversification benefits beyond a traditional stock and bond portfolio.



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

Average annual total returns							
	Year-to-date	1-year	3-year	5-year	Since inception (03/16/2010)	Expense ratio (gross/net)	
Class I ²	-1.37%	5.06%	0.36%	0.95%	3.97%	0.93%/0.86%	
Class A (excluding sales charge) ²	-1.46%	4.69%	-0.03%	0.55%	3.56%	1.54%/1.23%	
Class A (including sales charge) ²	-5.13%	0.81%	-1.30%	-0.22%	3.07%	1.54%/1.23%	
Diversified Real Asset Strategic Index ^{3,4}	-2.24%	5.37%	2.51%	0.95%	—	—	
Morningstar ratings							
Category and number of funds in category: U.S. Fund World Allocation	498	464	376	329	—	—	
Class I ratings ⁵	—	—	★	★	Overall ★	—	
Class A ratings ^{2, 5}	—	—	★	★	Overall ★	—	
Calendar year total returns							
	2011	2012	2013	2014	2015	2016	2017
Class I	0.83%	7.65%	5.38%	2.52%	-12.40%	5.86%	10.17%
Class A (excluding sales charge)	0.41%	7.23%	4.96%	2.14%	-12.66%	5.40%	9.69%

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.

²Performance represents results of Class A shares and 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 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 12/30/2018) certain expenses that would normally be payable by the Fund. Returns displayed are based on net total investment expense.

³Diversified Real Asset Strategic Index is composed of 35% Bloomberg Barclays U.S. Treasury TIPS Index (Includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value), 20% S&P Global Infrastructure Index (designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities), 20% S&P Global Natural Resources Index (includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across 3 primary commodity-related sectors: agribusiness, energy, and metals & mining), 15% Bloomberg Commodity Index (a broadly diversified commodity price index distributed by Bloomberg Indexes), and 10% FTSE EPRA/NAREIT Developed Market Index (designed to represent general trends in eligible real estate equities worldwide).

⁴Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

⁵The 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. 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.

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 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 advisor 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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