

Principal Diversified Real Asset Fund

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

2017
First Quarter

Ticker:

Class A: PRDAX
Class C: PRDCX
Class I: PDRDX
Class P: PRDPX

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.

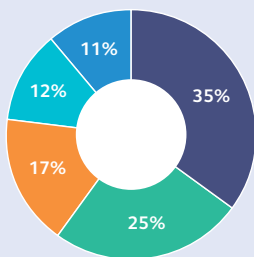
Combining asset allocation expertise and access to global investment management¹ by:

- 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 03/31/2017)



Real Return	35%
Currency	
Fischer Francis Trees & Watts.....	3%
Floating Rate Debt	
Symphony Asset Mgmt.....	20%
Treasury Inflation-Protected Securities (TIPS)	
BlackRock International Limited.....	12%
Infrastructure	25%
Global Infrastructure	
Macquarie Capital Investment Mgmt	9%
Brookfield Investment Mgmt.....	4%
Global Water*	
S&P Global Water Index.....	3%
Master Limited Partnerships (MLPs)	
Tortoise Capital Advisors.....	9%

Natural Resources	17%
Global Agriculture	
Pictet Asset Mgmt.....	5%
Global Metals & Mining*	
Euromoney Global Mining Index.....	5%
Global Timber	
Pictet Asset Mgmt.....	7%
Commodities	12%
Credit Suisse Asset Mgmt.....	12%
Global REITs	11%
Principal Real Estate Investors.....	11%

Investment Managers



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

*The transitional portfolio will remain in place until the manager search has been completed and an investment manager is ultimately hired to oversee the sleeve. Until an investment manager is named, the sleeve benchmark index will be listed.

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

24 Years of Experience

Jessica Bush, CFA

16 Years of Experience

Marc Dummer, CAIA

35 Years of Experience

Kelly Grossman, FSA

18 Years of Experience

Ben Rotenberg, CFA

24 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 03/31/2017)

	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	3.43%	8.86%	-1.77%	1.46%	3.82%	0.89%/0.89%
Class A (Excluding Sales Charge) ²	3.24%	8.41%	-2.16%	1.06%	3.40%	1.30%/1.27%
Class A (Including Sales Charge) ²	-0.62%	4.34%	-3.41%	0.29%	2.84%	1.30%/1.27%
Diversified Real Asset Strategic Index ^{3,4}	2.40%	8.81%	-0.55%	0.91%	—	—
Morningstar Ratings						
Category and Number of Funds in Category: Allocation—30% to 50% Equity	528	513	408	350	—	—
Class I Ratings ⁵	—	—	★	★	Overall ★	—
Class A Ratings ⁵	—	—	★	★	Overall ★	—
Calendar Year Total Returns						
	2011	2012	2013	2014	2015	2016
Class I	0.83%	7.65%	5.38%	2.52%	-12.40%	5.86%
Class A (Excluding Sales Charge)	0.41%	7.23%	4.96%	2.14%	-12.66%	5.40%

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 manager has contractually agreed to limit the investment option's expense. Expense limits apply through 12/30/2017. 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. © 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.

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 & 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.

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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