

Principal Opportunistic Municipal Fund

Balancing risk and reward: potential opportunities in tax-exempt investing

2018
First quarter

Ticker:

Class A: PMOAX
Class C: PMODX
Class I: POMFX

Innovative approach seeks higher yields for investors with the right appetite.

The Principal Opportunistic Municipal Fund offers:

A nimble approach to finding tax-exempt income.

Investing in the Fund offers you the potential for:

- Attractive tax-equivalent yield in the current low interest rate environment.
- A monthly tax-exempt¹ income stream with a focus on principal preservation.
- Portfolio diversity with income from a variety of municipal sectors.

More risk, more potential reward.

Opportunistic municipal bond investing seeks to offer:

- Above-average interest income.
- Depending on your location, interest exempt from state and local taxes for residents.
- Opportunities for greater diversification not achievable through individual bond issues.

A quick-acting team with a research focus.

The portfolio management team delivers tax-exempt income via:

- Highly individualized, independent credit analysis seeking the right municipal bonds.
- Dedicated credit analysts with cross-sector expertise.
- A small group of professionals with over 20 years of experience.

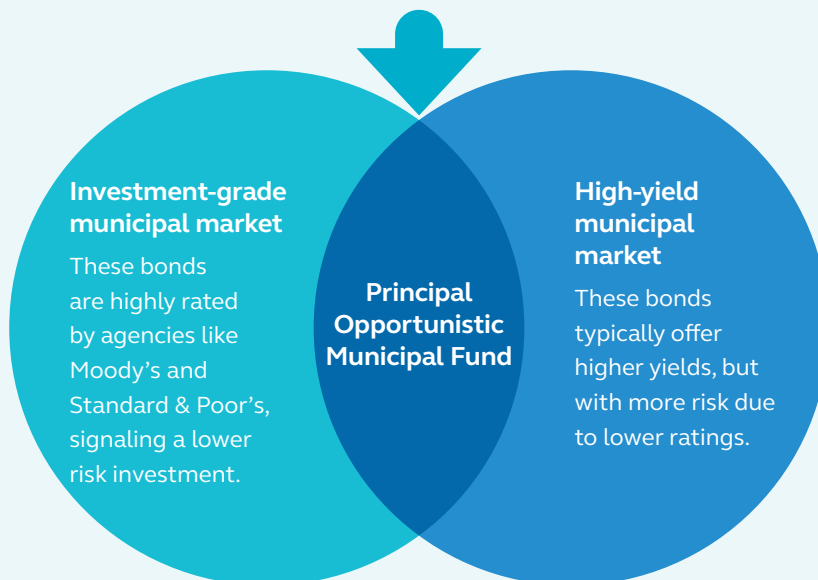


Seeking opportunities in the municipal market

The Fund can navigate the entire tax-exempt market to find opportunities.

The portfolio management team has:

- The ability to invest across a wide range of credit qualities, durations, and geographic locations.
- Maneuverability to exploit fluctuations in credit and interest rate environments.



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

¹A portion of the Fund's income may be subject to state and/or local taxes, and it may be subject to federal alternative minimum tax (AMT) for certain investors.

Portfolio strategy & management

The Principal Opportunistic Municipal Fund is managed by a team with extensive municipal bond portfolio expertise. The Fund seeks to provide a high level of tax-exempt income by reacting to and taking advantage of different credit qualities, durations, and locations across the municipal bond market.

James Welch

30 Years of Experience

James Noble

26 Years of Experience

Portfolio composition

Geographic breakdown²

(as of 03/31/2018)

IL... 14.38%	AL... 2.48%		
CA... 6.91%	GA... 2.20%		
NJ... 8.72%	CT... 2.15%		
TX... 7.06%	OK... 3.04%		
NY... 8.47%	NV... 1.79%		
OH... 5.82%	LA... 1.68%		
CO... 3.65%	NC... 0.91%		
AZ... 4.35%	WA... 1.47%		VA... 0.93%
WI... 3.06%	MO... 1.38%		MD... 0.90%
TN... 3.35%	MT... 1.26%		ME... 0.91%
PA... 5.24%	MN... 1.00%		UT... 0.86%
FL... 2.87%	MI... 0.93%		IN... 1.15%
			SD... 0.43%

Duration breakdown²

(as of 03/31/2018)

Years	% of Net Assets
Years 0 - 2	6.28%
Years 2 - 4	6.29%
Years 4 - 6	21.28%
Years 6 - 8	46.04%
Years 8 - 12	17.02%
Years 12 - 15	0.41%
Years 15+	2.68%
N/A	0.00%

Total	100%
Duration (years) ³	6.76
Average Weighted Maturity (years)	19.48
Income Subject to AMT	21.70%

Top five holdings²

(as of 03/31/2018)

	% of Net Assets
Tender Option Bond Trust Receipts/Certificates	2.65%
Lower Alabama Gas District	2.48%
Navajo Nation	2.36%
Mohegan Tribal Finance Authority	2.15%
Buckeye Tobacco Settlement Financing Authority	2.11%

Total **11.75%**

The holdings listed do not constitute a recommendation to purchase or sell a particular security. Calculations exclude cash and derivatives, where applicable.

Quality breakdown²

(as of 03/31/2018)

AAA	2.18%
AA	10.09%
A	16.98%
BBB	28.77%
BB	10.69%
B	7.90%
Below B	1.88%
NR	21.51%

Morningstar. Represents the lower of S&P and Moody's ratings. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). The NR category consists of rateable securities that have not been rated by a Nationally Recognized Statistical Rating Organization. AAA-rated holdings include cash and cash equivalents.

²May not reflect current holdings or allocations. Percentages may not add up to 100% due to rounding.

³Calculated according to the modified Duration to Worst formula.

Sector allocations²

(as of 03/31/2018)

Industrial revenue	33.49%
Health care	17.31%
Transportation	11.83%
Local	7.52%
Special tax	9.95%
Education	5.29%
Power	0.45%
Leasing	3.89%
Water & sewer	3.16%
Housing	3.07%
State	1.03%
Solid waste/Resource recovery	2.01%
Other	0.95%

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

	Average annual total returns					Yields ¹¹		
	Year-to-date	1-year	3-year	5-year	Since inception ⁴	Expense ratio ⁵ (gross/net)	30-day SEC unsubsidized/subsidized	12-month distribution
Class I ⁶	-0.50%	7.15%	4.64%	4.20%	5.12%	0.79%/0.68%	3.91%/3.91%	3.94%
Class A (excluding sales charge) ⁶	-0.67%	6.78%	4.34%	4.02%	4.99%	0.95%/0.95%	3.64%/3.64%	3.68%
Class A (including sales charge) ⁶	-4.40%	2.77%	3.03%	3.23%	4.30%	0.95%/0.95%	3.50%/3.50%	3.54%
Bloomberg Barclays Municipal Bond Index ^{7,8}	-1.11%	2.66%	2.25%	2.73%	—	—	—	—
Morningstar rankings and ratings								
Class I percentile rankings ⁹	—	4	16	31	—	—	—	—
Class A percentile rankings ⁹	—	8	26	40	—	—	—	—
Category and number of funds in category: High Yield Muni	191	174	146	122	—	—	—	—
Class I ratings ¹⁰	—	—	★★★★	★★★	Overall ★★★★★	—	—	—
Class A ratings ^{6,10}	—	—	★★★	★★★	Overall ★★★	—	—	—

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.

⁴Class I shares were first sold on 03/10/2015. Returns for Class I shares prior to 03/10/2015, including since inception performance, are based on performance of the Class A shares adjusted to reflect the fees and expenses of Class I shares. Class A shares were first sold 06/14/2012.

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

⁶Performance 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.

⁷Bloomberg Barclays Municipal Bond Index represents the long-term, investment-grade tax-exempt bond market.

⁸Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

⁹Morningstar 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.

¹⁰The 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

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¹¹30-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. 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.

High yield fixed-income securities (junk bonds) are speculative, and subject to greater credit quality risk and price volatility than higher rated fixed-income securities and are subject to the dependability of the issuer's credit and risk the possibility of nonpayment of principal and interest. Payments may not be guaranteed by the issuing body and may be payable only from a particular source. As a result of the developing municipal market and its opportunities, these investments can experience greater volatility and less liquidity, as well as changing valuation and credit spreads. Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline. Investing in derivatives entails specific risks relating to liquidity, leverage, and credit, which 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.

Duration: The sensitivity of the value of principal of a fixed-income investment to interest rate changes. **Duration to Worst:** The duration of a bond computed using the bond's nearest call date or maturity, whichever comes first. **Average Weighted Maturity:** The length of time until the average security in a fund will mature or be redeemed by its issuer.

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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