

Principal Real Estate Securities Fund

A key component in a diversified portfolio

2017
third quarter

Ticker:

Class A: PRRAX
Class C: PRCEX
Class I: PIREX

Morningstar rating

Class I shares



Overall Morningstar Rating™ as of 09/30/2017 among 230 Real Estate Funds

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

Real estate may offer capital appreciation over its original value, income through interest or dividends, and a means of offsetting inflation.

The Principal Real Estate Securities Fund offers:

Opportunity for attractive returns.

Real estate investment trusts (REITs) offer the opportunity to invest in publicly traded U.S. real estate companies that can raise money for expansion easier than private companies, and:

- Have historically low correlation to other assets classes for increased portfolio diversification.¹
- Historically perform well for years after the economy emerges from recession.²
- Offer a potential inflation hedge due to increasing rents and real estate values, and because dividends historically increase faster than the inflation rate.³

An immense range of real estate properties.

Gain access to real estate properties, their related operations, and REITs that provide:

- Access to high quality companies purchased at attractive prices.
- A broadly diversified real estate portfolio including apartments, hotels, malls, office buildings, hospitals, and more.
- Added diversification through numerous locations and varied sizes of companies.

A stable, experienced investment manager.

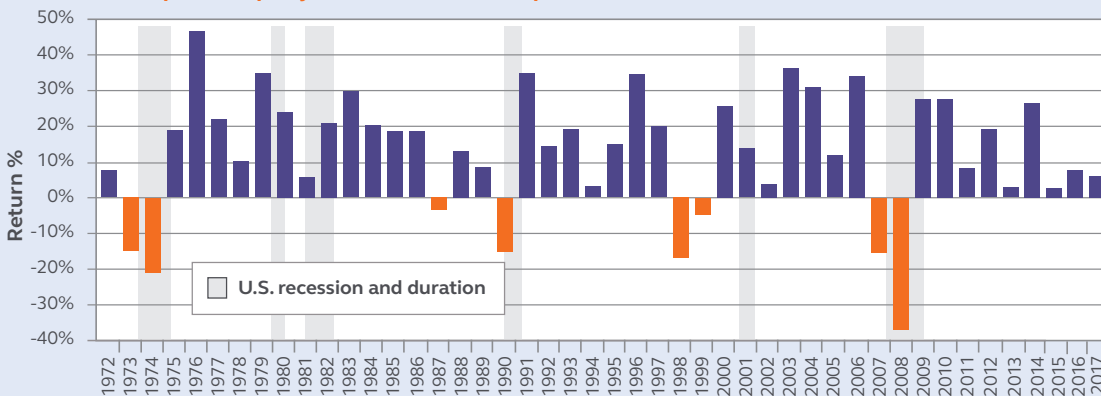
With six decades of experience, Principal Real Estate Investors believe in long-term, risk-managed portfolio construction.⁴ We:

- Offer a stable and proven leadership team that has historically generated outperformance across market cycles.
- Incorporate valuable insights from Principal Global Investors—coupled with our proprietary model—providing a meaningful advantage in stock selection.
- Construct highly active portfolios which are differentiated from the index, helping to achieve excess return consistency.

The real estate market's strong historical returns

Consistent total returns

Total returns for REITs have been positive in 38 of the 46 years and have averaged 13.31 percent per year since index inception.



Results are based upon average annual returns of the FTSE NAREIT All Equity REIT TR Index between 01/01/1972 and 09/30/2017. The benchmark for the Fund is the MSCI US REIT Index; the FTSE Index was used for historical and illustrative purposes. Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

Past performance does not guarantee future results. Asset allocation and diversification do not guarantee a profit or protect against a loss.

¹ Zephyr StyleADVISOR. For 5 years ending December 31, 2016.

² Historical data from FTSE NAREIT ALL REITs TR Index and Bureau of Labor Statistics.

³ Factset. REIT dividend yields are measured by the FTSE NAREIT Developed Index, which consists of companies that own and operate income-producing real estate that have 75% or more of their invested assets in the equity or mortgage debt of commercial properties.

⁴ Principal Real Estate Investors is the dedicated real estate group of Principal Global Investors. Experience includes investment activities originally in the real estate investment area of Principal Life Insurance Company and continuing through the firm to present.

Portfolio strategy & management

The Principal Real Estate Securities Fund is sub-advised by Principal Real Estate Investors. The Fund seeks to generate a total return and normally invests at least 80 percent of its net assets in equity securities of companies principally engaged in the real estate industry. For this fund's investment policies, a real estate company has at least 50 percent of its assets, income, or profits derived from products or services related to the real estate industry.

Kelly Rush, CFA

33 years of experience

Anthony Kenkel, CFA, FRM

20 years of experience

Keith Bokota, CFA

12 years of experience

Portfolio composition

Top 5 holdings⁵ (as of 08/31/2017)

	% of Net assets
1. Simon Property Group, Inc.	7.50%
2. Equinix, Inc.	7.32%
3. Essex Property Trust, Inc.	5.56%
4. AvalonBay Communities, Inc.	4.98%
5. Prologis, Inc.	4.64%

The holdings listed do not constitute a recommendation to purchase or sell a particular security.

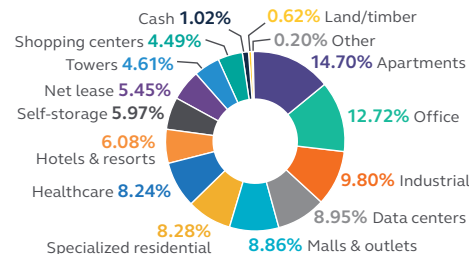
5-yr risk and return statistics (as of 09/30/2017)

	Principal Real Estate Securities A	MSCI US REIT Index
Alpha	0.54%	—
Beta	0.98	1.00
Std Dev	13.53%	13.74%

Source: Morningstar

⁵ May not reflect current allocations/holdings. Percentages may not add up to 100% due to rounding.

Property allocations⁵ (as of 09/30/2017)



Performance, percentiles, and ratings (as of 09/30/2017)

	Average annual total returns						
	Year-To-Date	1-Year	3-Year	5-Year	10-Year	Since Inception ⁷	Expense Ratio
Class I ⁶	5.28%	1.59%	10.36%	10.41%	6.95%	11.75%	0.88%
Class A (Excluding Sales Charge) ⁶	4.97%	1.14%	9.93%	9.95%	6.47%	11.19%	1.25%
Class A (Including Sales Charge) ⁶	-0.78%	-4.41%	7.87%	8.71%	5.87%	10.81%	1.25%
MSCI US REIT Index ^{9,9}	3.61%	0.54%	9.67%	9.58%	5.79%	—	—
Morningstar rankings and ratings							
Class I Percentile Rankings ¹⁰	—	30	10	5	8	—	—
Class A Percentile Rankings ¹⁰	—	35	19	10	17	—	—
Category and Number of Funds in Category: Real Estate	258	255	230	203	141	—	—
Class I Ratings ⁶	—	—	★★★★	★★★★★	★★★★★	Overall ★★★★★	—
Class A Ratings ^{6,11}	—	—	★★★★	★★★★★	★★★★★	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 5.5% may apply for Class A shares. Performance reflects this maximum sales charge when a sales charge is indicated.

⁶ Performance 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.

⁷ Class A shares were first sold on 6/28/2005. Returns for Class A shares prior to 6/28/2005, including since inception performance, are based on performance of R-3 shares adjusted to reflect the fees and expenses of Class A shares. R-3 shares were first sold 12/06/2000.

⁸ MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

⁹ Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

¹⁰ Morningstar 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.

¹¹ The 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.

Results were achieved during highly favorable market conditions and may not be sustainable. REITs are subject to a real estate industry sensitive to interest rates, general and local economic conditions, property tax rates, and other factors.

Alpha: The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). Beta: An investment's sensitivity to market movements. Standard Deviation: Measures how much an investment's returns are likely to fluctuate.

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.

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.

Principal Funds are distributed by Principal Funds Distributor, Inc.

© 2017 Principal Financial Services, Inc. | MM5847-23 | 10/2017 | t16092003zs

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE