

Principal California Municipal Fund

Tax-exempt income from state and local municipal bonds

2017 First Quarter

Ticker:

Class A: SRCMX
Class C: SRCCX
Class I: PCMFX
Class P: PLBTX

Morningstar Rating

Class I Shares



Overall Morningstar Rating™ as of 03/31/2017 among 69 Muni California Intermediate Funds

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

Attractive income potential—especially for California residents.

The Principal California Municipal Fund offers:

An opportunity to preserve capital.

Investing in municipal bonds offers California residents the potential for:

- Attractive tax-equivalent yield in the current low interest rate environment.
- A monthly income stream from state and local municipal projects.
- Greater diversification than individual bond investing.

Federal and state tax-exempt¹ income.

If you anticipate being taxed at a higher rate, municipal bond investing seeks to offer:

- Interest exempt from CA state and local taxes for residents.
- Interest exempt from federal income tax.
- Reduced taxes based on investment income.

A quick-acting team with a research focus.

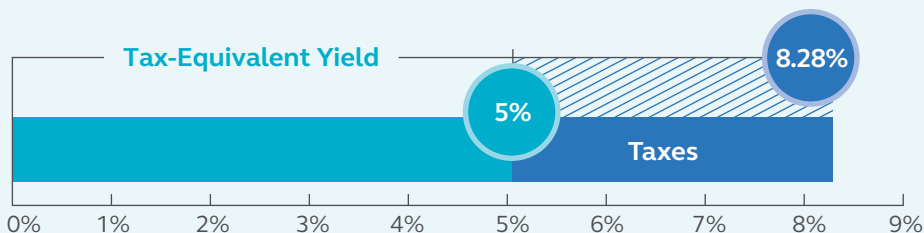
The portfolio management team delivers tax-exempt income via:

- 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.

Taxable vs. Tax-Exempt

Consider this taxable and tax-exempt scenario for an investor in a higher tax bracket.

In this example, a 5 percent municipal bond yield has a 8.28 percent tax-equivalent yield.



This example shows the tax-equivalent yield of a tax-exempt strategy in relation to a strategy taxable subject to federal taxes. The federal income tax rate used in this calculation was 39.6 percent.

It is assumed that the hypothetical municipal bond yield of 5 percent would not be subject to federal income tax. A taxable bond subject to federal income tax of 39.6 percent would require a yield of 8.28 percent to provide equivalent after tax income. State and local taxes are not factored into this example since municipal bond interest may be subject to state and local taxes for some investors. For illustrative purposes only. Does not reflect any product from Principal®. Tax benefits for out-of-state investors may differ.

| Find your Combined Federal and CA State Tax Rate ² | | | | | | | |
|---|--------|---------|-------------------|------------------------------|--------|---------|-------------------|
| If taxable income is between | State | Federal | Combined Tax Rate | If taxable income is between | State | Federal | Combined Tax Rate |
| \$52,612 and \$93,400 | 9.30% | 25.00% | 34.30% | \$322,499 and \$415,600 | 11.30% | 33.00% | 44.30% |
| \$93,400 and \$192,400 | 9.30% | 28.00% | 37.30% | \$415,600 and \$417,300 | 11.30% | 35.00% | 46.30% |
| \$192,400 and \$268,750 | 9.30% | 33.00% | 42.30% | \$417,300 and \$537,498 | 11.30% | 39.60% | 50.90% |
| \$268,750 and \$322,499 | 10.30% | 33.00% | 43.30% | \$537,498 or more | 12.30% | 39.60% | 51.90% |

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

¹For some investors, a 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.

²2016 California Tax Rate Schedule X — Single or married/RDP filing separately.

Portfolio Strategy & Management

The Principal California Municipal Fund is managed by a team with extensive municipal bond portfolio expertise.

The Fund seeks to provide a high level of income exempt from federal and California state personal income taxes consistent with prudent investment management and preservation of capital.

James Welch

29 Years of Experience

James Noble

25 Years of Experience

Portfolio Composition

Top Five Holdings³ (as of 02/28/2017)

| | % of Net Assets |
|--|-----------------|
| Alameda Corridor Trans Auth 5% | 2.47% |
| Golden St Tob Securitization C Tob 5.75% | 2.43% |
| California Pollutn Ctl Fing Au Ref Re 3% | 2.37% |
| Compton Calif Trans 2% | 2.27% |
| Compton Calif Pub Fin Auth 4.5% | 1.74% |

Total **11.28%**

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

Duration Breakdown³ (as of 03/31/2017)

| Years | % of Net Assets |
|---------------------|-----------------|
| 0 – 2 Years..... | 20.91% |
| 2 – 4 Years..... | 10.79% |
| 4 – 6 Years..... | 8.77% |
| 6 – 8 Years..... | 50.48% |
| 8 – 12 Years | 6.16% |
| 12 – 15 Years | 0.99% |
| 15+ Years | 1.90% |

Total **100%**

Duration (years)⁴: 5.54

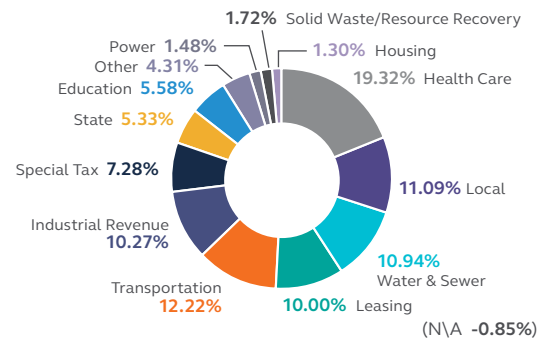
Average Weighted Maturity (years): 16.54

Income Subject to AMT: 9.40%

³May not reflect current holdings or allocations. Percentages may not add up to 100% due to rounding.

⁴Calculated according to the modified Duration to Worst formula.

Sector Allocations³ (as of 03/31/2017)



Quality Breakdown³ (as of 03/31/2017)

| | | |
|--------------|--------|---|
| AAA..... | 9.93% | 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. |
| AA..... | 43.02% | |
| A..... | 12.57% | |
| BBB..... | 16.49% | |
| BB..... | 5.18% | |
| B..... | 6.51% | |
| Below B..... | 0.00% | |
| NR..... | 6.30% | |

Performance, Percentiles, & Ratings (as of 03/31/2017)

| | Average Annual Total Returns | | | | | | Yields ¹² | | |
|--|------------------------------|--------|--------|--------|---------|------------------------------|--|------------------------------------|-----------------------|
| | Year-To-Date | 1-Year | 3-Year | 5-Year | 10-Year | Since Inception ⁵ | Expense Ratio ⁶ (Gross/Net) | 30-Day SEC Unsubsidized/Subsidized | 12-Month Distribution |
| Class I ⁷ | 1.84% | -0.26% | 4.70% | 4.54% | 3.66% | 5.25% | 1.21%/0.56% | 3.18%/3.26% | 3.15% |
| Class A (Excluding Sales Charge) ⁷ | 1.69% | -0.53% | 4.54% | 4.44% | 3.61% | 5.24% | 0.82%/0.82% | 3.07%/3.07% | 2.97% |
| Class A (Including Sales Charge) ⁷ | -2.13% | -4.30% | 3.22% | 3.65% | 3.22% | 5.09% | 0.82%/0.82% | 2.95%/2.95% | 2.86% |
| Bloomberg Barclays California Municipal Index ^{8,9} | 1.57% | -0.17% | 3.62% | 3.73% | 4.52% | — | — | — | — |
| Morningstar Rankings and Ratings | | | | | | | | | |
| Class I Percentile Rankings ¹⁰ | — | 13 | 2 | 1 | 45 | — | — | — | — |
| Class A Percentile Rankings ¹⁰ | — | 47 | 5 | 1 | 47 | — | — | — | — |
| Category and Number of Funds in Category: Muni California Intermediate | 80 | 73 | 69 | 65 | 52 | — | — | — | — |
| Class I Ratings ¹¹ | — | — | ★★★★★ | ★★★★★ | ★★★★ | Overall ★★★★★ | — | — | — |
| Class A Ratings ^{7,11} | — | — | ★★★★★ | ★★★★★ | ★★★★ | 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 3.75% may apply for Class A shares. Performance reflects this maximum sales charge when a sales charge is indicated.

⁵Class I shares were first sold on 02/27/2015. Returns for Class I shares prior to 02/27/2015, 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 07/25/1989.

⁶Where gross and net expense ratios differ, Principal Management Corporation has contractually agreed to limit investment option's expense. Expense limits apply through 06/30/2018. Returns displayed are based on net total investment expense.

⁷Performance 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.

⁸Barclays California Municipal Index tracks the California part of the Bloomberg Barclays Municipal Bond Index. The Bloomberg Barclays Municipal Bond Index represents the long-term, investment-grade tax-exempt bond market.

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

¹⁰Morningstar 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.

¹¹The Morningstar RatingTM 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.

¹²30-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.

Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline.

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.

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.

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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