

Diversify with Alternatives to Help Fight Volatility

This table demonstrates how various alternative strategies have performed on an annual basis from 2004 through 2016. As you can see, the best-performing strategies change dramatically from year to year. Since no one can predict the future, a diversified approach using alternative strategies is critically important to help you reach your investment goals.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Annualized Return (2004–2016)
Best ↑	18.89% Distressed- Restructuring	14.40% Systematic Diversified	16.84% Systematic Diversified	12.35% Quantitative Directional	28.41% Short Bias	60.17% Fixed Income Convertible Arbitrage	13.35% Fixed Income Convertible Arbitrage	1.50% Merger Arbitrage	10.99% Fixed Income Corporate	14.44% Equity Hedge	11.14% Systematic Diversified	4.27% Equity Market Neutral	13.42% Distressed- Restructuring	10.36% Equity Hedge
	15.01% Event-Driven	10.60% Equity Hedge	15.95% Quantitative Directional	11.11% Macro	18.06% Systematic Diversified	30.71% Fixed Income Corporate	12.12% Distressed- Restructuring	0.82% Fixed Income Corporate	10.59% Relative Value	14.04% Distressed- Restructuring	6.38% Macro	3.32% Merger Arbitrage	11.69% Fixed Income Corporate	10.34% Quantitative Directional
	13.32% Quantitative Directional	9.92% Quantitative Directional	15.94% Distressed- Restructuring	10.48% Equity Hedge	4.83% Macro	28.14% Distressed- Restructuring	11.86% Event-Driven	0.35% Short Bias	10.12% Distressed- Restructuring	12.48% Event-Driven	5.51% Quantitative Directional	1.92% Fixed Income Convertible Arbitrage	10.22% Event-Driven	10.00% Event-Driven
	10.49% Fixed Income Corporate	9.30% Fund Weighted Composite	15.33% Event-Driven	10.34% Systematic Diversified	-5.37% Merger Arbitrage	25.81% Relative Value	11.80% Fixed Income Corporate	0.15% Relative Value	8.89% Event-Driven	10.72% Quantitative Directional	4.48% Relative Value	1.36% Quantitative Directional	7.82% Relative Value	9.27% Distressed- Restructuring
	9.03% Fund Weighted Composite	8.27% Distressed- Restructuring	14.24% Merger Arbitrage	10.25% Fund of Funds Composite	-5.92% Equity Market Neutral	25.04% Event-Driven	11.43% Relative Value	-1.79% Distressed- Restructuring	8.58% Fixed Income Convertible Arbitrage	9.24% Fund Weighted Composite	3.87% Equity Market Neutral	-0.27% Fund of Funds Composite	7.47% Fixed Income Convertible Arbitrage	9.11% Systematic Diversified
	7.68% Equity Hedge	7.49% Fund of Funds Composite	12.89% Fund Weighted Composite	9.96% Fund Weighted Composite	-18.04% Relative Value	24.57% Equity Hedge	10.45% Equity Hedge	-2.13% Equity Market Neutral	7.41% Equity Hedge	8.79% Fund of Funds Composite	3.57% Fund Weighted Composite	-0.29% Relative Value	5.57% Fund Weighted Composite	8.86% Fund Weighted Composite
	6.86% Fund of Funds Composite	7.29% Event-Driven	12.37% Relative Value	8.94% Relative Value	-19.03% Fund Weighted Composite	19.98% Fund Weighted Composite	10.25% Fund Weighted Composite	-3.30% Event-Driven	7.15% Quantitative Directional	7.79% Fixed Income Convertible Arbitrage	3.19% Fund of Funds Composite	-0.97% Equity Hedge	5.54% Equity Hedge	8.31% Relative Value
	6.42% Systematic Diversified	7.28% Short Bias	12.17% Fixed Income Convertible Arbitrage	7.05% Merger Arbitrage	-21.37% Fund of Funds Composite	14.32% Quantitative Directional	9.76% Systematic Diversified	-3.54% Systematic Diversified	6.36% Fund Weighted Composite	6.98% Relative Value	2.44% Fixed Income Convertible Arbitrage	-1.12% Fund Weighted Composite	5.33% Quantitative Directional	8.06% Macro
	5.58% Relative Value	6.79% Macro	11.71% Equity Hedge	6.61% Event-Driven	-21.82% Event-Driven	11.65% Merger Arbitrage	8.77% Quantitative Directional	-4.16% Macro	4.79% Fund of Funds Composite	6.65% Equity Market Neutral	2.26% Equity Hedge	-1.26% Macro	3.76% Merger Arbitrage	7.94% Fixed Income Convertible Arbitrage
	4.63% Macro	6.25% Merger Arbitrage	10.78% Fixed Income Corporate	5.33% Fixed Income Convertible Arbitrage	-22.94% Quantitative Directional	11.47% Fund of Funds Composite	8.06% Macro	-5.16% Fixed Income Convertible Arbitrage	2.98% Equity Market Neutral	5.67% Fixed Income Corporate	1.70% Fixed Income Corporate	-1.58% Short Bias	1.59% Equity Market Neutral	7.63% Merger Arbitrage
	4.15% Equity Market Neutral	6.22% Equity Market Neutral	10.39% Fund of Funds Composite	5.29% Equity Market Neutral	-24.18% Fixed Income Corporate	4.34% Macro	5.70% Fund of Funds Composite	-5.25% Fund Weighted Composite	2.76% Merger Arbitrage	4.82% Merger Arbitrage	1.65% Merger Arbitrage	-1.78% Fixed Income Corporate	1.49% Macro	6.43% Fixed Income Corporate
	4.08% Merger Arbitrage	6.02% Relative Value	8.15% Macro	5.08% Distressed- Restructuring	-25.20% Distressed- Restructuring	1.43% Equity Market Neutral	4.60% Merger Arbitrage	-5.72% Fund of Funds Composite	-0.06% Macro	-0.22% Macro	1.09% Event-Driven	-2.41% Systematic Diversified	0.48% Fund of Funds Composite	5.65% Fund of Funds Composite
	1.18% Fixed Income Convertible Arbitrage	5.27% Fixed Income Corporate	7.32% Equity Market Neutral	4.72% Short Bias	-26.65% Equity Hedge	-1.68% Systematic Diversified	2.85% Equity Market Neutral	-7.17% Quantitative Directional	-2.51% Systematic Diversified	-0.74% Systematic Diversified	-1.10% Distressed- Restructuring	-3.55% Event-Driven	0.39% Short Bias	5.51% Equity Market Neutral
Worst ↓	-3.83% Short Bias	-1.86% Fixed Income Convertible Arbitrage	-2.65% Short Bias	-0.74% Fixed Income Corporate	-33.73% Fixed Income Convertible Arbitrage	-24.03% Short Bias	-18.01% Short Bias	-8.38% Equity Hedge	-17.24% Short Bias	-16.01% Short Bias	-3.44% Short Bias	-8.06% Distressed- Restructuring	-1.06% Systematic Diversified	-0.75% Short Bias

All of the strategies listed above are HFRI Hedge Fund Indices — equally weighted performance indices which reflect the annual performance of the index shown in each box. Past performance does not guarantee future results. Performance shown does not reflect any product from Principal®. Investors cannot invest directly in an index. Asset allocation and diversification do not ensure a profit or protect against a loss.

See back for index definitions.

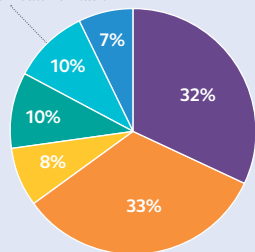
Principal Global Multi-Strategy Fund

Class A: PMSAX | Class C: PMSCX | Class P: PMSPX | Class I: PSMIX

The Principal Global Multi-Strategy Fund takes a multi-manager, multi-asset approach to alternative strategies in order to deliver the potential for performance and downside protection across market cycles. Making these strategies available within a mutual fund brings the benefits of alternatives to all investors. The Fund is made up of multiple alternative investment strategies, using different investment managers with distinct underlying functions. The Principal Global Multi-Strategy Fund is designed to provide volatility dampening alongside more risky long-only holdings with the goal of providing the insurance that investors are looking for to insulate their portfolio in case of market shocks, while still allowing them to take advantage of the embedded directionality (0.2–0.3 equity beta) of the equity market.

Multi-Strategy

Event-Driven, Convertible Arbitrage, Dedicated Short Bias, Equity Market Neutral, Long/Short Equity, Emerging Markets, Managed Futures, Global Macro, Fixed Income Relative Value



Equity Long/Short

Wellington Management*12%
LA Capital Management14%
Ascend Capital.....6%

Credit Long/Short

Finisterre Capital.....12%
Loomis Sayles & Company.....10%
Sound Point Capital Management...11%

Global Macro and Managed Futures

Graham Capital Management.....8%

Market Neutral Fixed Income

KLS Diversified Asset Management10%

Multi-Strategy

AQR*10%

Event-Driven

York Capital Management†.....7%

Investment Managers



GRAHAM CAPITAL MANAGEMENT
GLOBAL ALTERNATIVE INVESTMENT STRATEGIES



KLS

DIVERSIFIED ASSET MANAGEMENT LP



LOOMIS SAYLES



FINISTERRE CAPITAL LLP



ASCEND CAPITAL, LLC



LOS ANGELES CAPITAL



WELLINGTON MANAGEMENT®



Portfolio Allocations as of 03/31/2017. Percentages may not add up to 100% due to rounding.

May not reflect current allocations or investment managers.

*CNH Partners, LLC, is a merger arbitrage, convertible arbitrage, and diversified arbitrage research affiliate of AQR.

+ Wellington Management Company LLP is an SEC-registered investment advisor and an independent and unaffiliated investment manager to Principal Funds.

†York Registered Holdings, L.P., manager of the event-driven strategy, is an affiliate of York Capital Management.

This Fund uses alternative strategies such as arbitrage, leverage, derivatives, and shorting securities. Long/short investing does not guarantee lower risk associated with equity markets, capitalization, sector swings, or other factors and may have higher turnover with additional tax consequences. Short selling risks include investment loss and added costs to cover short positions. International and global investing involves greater risks such as currency fluctuations, political/social instability, and differing accounting standards. Use of alternative strategies may magnify risk. Securities such as bonds, equities, international and emerging market securities, and currencies are subject to risks associated with market and interest rate movements. The Fund is non-diversified and may be more susceptible to price volatility if the Fund does not meet its objective. Investors should not expect significant outperformance during market rallies. Additional risks are included in the Fund's prospectus.

Short Bias — Follows managers who employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics of the underlying companies with the goal of identifying overvalued companies. **Merger Arbitrage** — This index tracks strategies which employ an investment process primarily focused on opportunities in equity and equity-related instruments of companies which are currently engaged in a corporate transaction. **Equity Market Neutral** — Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, and select securities for purchase and sale. **Fixed Income Convertible Arbitrage** — Includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a convertible fixed income instrument. **Relative Value** — An index of investment managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. **Systematic Diversified** — Have investment processes typically as function of mathematical, algorithmic, and technical models, with little or no influence of individuals over the portfolio positioning. **Equity Hedge** — This index tracks investment managers who maintain positions both long and short in primarily equity and equity-derivative securities. **Event-Driven** — Investment managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance, or other capital structure adjustments. **Fund-Weighted Composite** — This is a global, equal-weighted index of more than 2,000 single-manager funds. Constituent funds report monthly net of all fees performance in US dollars and have a minimum of \$50 million under management or a 12-month track record of active performance. This index does not include funds of hedge funds. **Fund of Funds Composite** — This index tracks investment managers who trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets. **Distressed-Restructuring** — Strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. **Macro** — Tracks investment managers who trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets. **Fixed Income Corporate** — Includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a corporate fixed income instrument. **Quantitative Directional** — Strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, and select securities for purchase and sale. Typically maintain varying levels of net long or short equity market exposure over various market cycles.



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