

Principal Blue Chip Fund

A long-term, bottom-up, fundamental approach

2017
Second Quarter

Invest for the long term in high-quality companies led by owner-operators.

The Principal Blue Chip Fund offers:

Ticker:

Class A: PBLAX
Class C: PBLCX
Class I: PBCKX

Morningstar Rating

Class I Shares



Overall Morningstar Rating™ as of 06/30/2017 among 1,277 Large Growth Funds

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

Conviction.

As a high-conviction active strategy that emphasizes owner-operators, the Fund:

- Is not another index fund in disguise. It has high active share relative to most peers, and more concentration in its top 10 holdings.
- Has wide latitude to depart from the benchmark sector weights, giving the portfolio flexibility to invest in the best ideas, wherever found.
- Invests in companies with passionate leaders that have aligned incentives, making it different than most large-cap peers.

A distinctive approach.

Aligned Investors believes in owning companies for full market cycles. Its process has four cornerstones:

- Competitive advantage: something special that distinguishes the company from upstarts and new entrants.
- Owner-operators: companies led by passionate owners, as well as firms that possess that culture. The Fund owns many founder-led companies.
- Valuation discipline: companies that trade at a discount to intrinsic value, building a margin of safety.
- Risk reduction: monitoring companies for changes or early warning signals.

Aligned commitment.

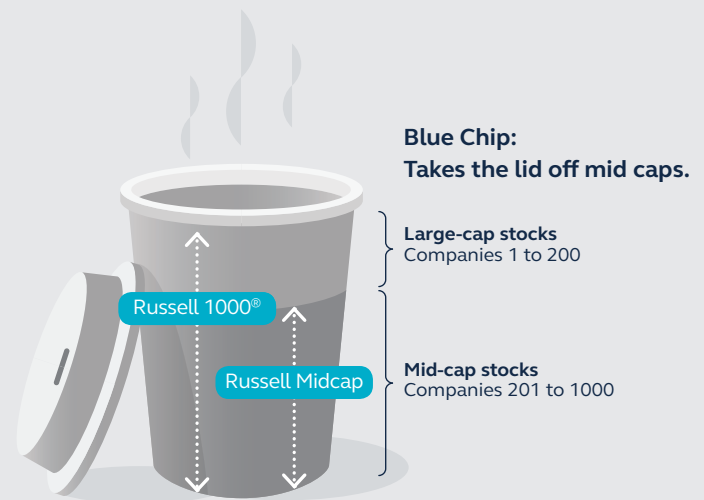
Named after their conviction in the power of aligned incentives, Aligned Investors, an investment boutique within Principal Global Investors:

- Has had stable leadership for over 15 years with CIO and Portfolio Manager, Bill Nolin. Co-Portfolio Manager Tom Rozycki joined Nolin in 2001.
- Is well-known for its tenure with the Principal MidCap Fund.
- Invests their own money in the strategy, due to their belief that an investment team should be aligned with its shareholders.



Leveraging Our Mid-Cap Expertise

Successfully managing the Principal MidCap Fund since 2000, Aligned Investors has had several companies “graduate” from the mid-cap universe over the years. We take the knowledge gained and apply it to the Principal Blue Chip Fund but expand the opportunity set to include large companies.



Past performance does not guarantee future results. Asset allocation and diversification do not ensure a profit or protect against a loss. Aligned Investors is a specialist equity investment group within Principal Global Investors.

The **Russell Midcap Index** is a market capitalization weighted index that represents the smallest 800 companies in the Russell 1000® Index (Companies 201-1000).

Small and mid-cap stocks may have additional risks including greater price volatility.

Portfolio Strategy & Management

Using a long-term, bottom-up, fundamental investment approach, Aligned Investors seeks to own high quality companies led by owner-operator management teams, with a constant focus on valuation discipline and risk reduction. The Fund invests in equity securities of companies with primarily large market capitalizations.

Bill Nolin, CFA

24 Years of Experience

Thomas Rozycki, CFA

17 Years of Experience

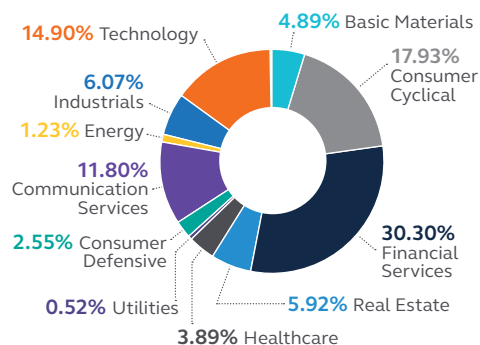
Portfolio Composition

Top Ten Holdings² (as of 05/31/2017)

	% of Net Assets
1. Amazon.com Inc	8.30%
2. Alphabet Inc C	7.94%
3. Berkshire Hathaway Inc B	6.37%
4. Brookfield Asset Management Inc Class A	4.83%
5. Mastercard Inc A	4.76%
6. American Tower Corp	4.74%
7. Visa Inc Class A	4.60%
8. TransDigm Group Inc	3.62%
9. Microsoft Corp	3.47%
10. Liberty Global PLC C	3.24%
Total % in Top Ten	51.87%

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

Sector Allocations² (as of 06/30/2017)



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

Portfolio Statistics (as of 06/30/2017)

	Principal Blue Chip I	Russell 1000 [®] Growth Index
Market Capitalization (Wtg Avg) – Mil	\$195,134	\$190,505
Active Share	80.11%	—
Number of Holdings	45	557
Operating Margin	25.01%	21.31%
5-year Sharpe Ratio	1.43	1.45
5-year Downside Capture	95.00%	100%
Turnover (last 12 months)	36.40%	—

Source: FactSet, Morningstar.

Performance, Percentiles, & Ratings (as of 06/30/2017)

	Average Annual Total Returns					Expense Ratio
	Year-To-Date	1-Year	3-Year	5-Year	Since Inception ⁴	
Class I ³	13.74%	21.43%	10.94%	14.92%	15.50%	0.69%
Class A (Excluding Sales Charge) ³	13.48%	20.72%	10.28%	14.22%	14.79%	1.28%
Class A (Including Sales Charge) ³	7.21%	14.10%	8.22%	12.94%	13.52%	1.28%
Russell 1000 [®] Growth Index ^{5,6}	13.99%	20.42%	11.11%	15.30%	—	—
Morningstar Rankings and Ratings						
Class I Percentile Rankings ⁷	—	32	18	31	—	—
Class A Percentile Rankings ⁷	—	40	28	47	—	—
Category and Number of Funds in Category: Large Growth	1,455	1,424	1,277	1,152	—	—
Class I Ratings ⁸	—	—	★★★★	★★★★	Overall ★★★★★	—
Class A Ratings ^{3,8}	—	—	★★★★	★★★	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.

³ Performance 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 adviser has contractually agreed to limit the investment option's expense. Expense limits apply through 06/30/2018. Returns displayed are based on net total investment expense.

⁴ Class A shares were first sold on 09/30/2013. Returns for Class A shares prior to 09/30/2013, including since inception performance, are based on performance of the Institutional Class shares adjusted to reflect the fees and expenses of Class A shares. Institutional Class shares were first sold 06/14/2012.

⁵ Russell 1000[®] Growth Index is a market-capitalization weighted index of those firms in the Russell 1000[®] with higher price-to-book ratios and higher forecasted growth values.

⁶ Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

⁷ 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.

⁸ 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.

Active Share: measures how much different portfolio weights in securities are from benchmark weights. The higher the active share, the more the portfolio differs from the benchmark.

Sharpe Ratio: Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance.

Downside Capture: measures the overall performance of the portfolio in down markets as compared to an index.

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.

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