



Principal SmallCap Fund

FIRST QUARTER
2017

A Key Component in a Diversified Portfolio

CLASS A: PLLAX
CLASS C: PSMCX
CLASS I: PSLIX
CLASS P: PSFPX

Small companies can provide diversification, performance potential, and much more.

THE PRINCIPAL SMALLCAP FUND*:

Small companies provide growth potential.

Historically, small-cap stocks have outperformed large caps over the long term.¹ Small companies offer unique potential because they are:

- Typically in the early stages of business, and presumed to have significant growth potential.
- Generally more nimble and able to adapt to change quickly. They may offer the opportunity to lead the way out of economic downturns.
- Often able to grow faster and be more aggressive than larger, more established businesses.

Blend funds may provide the best of both worlds.

A small-cap blend fund can provide the diversification investors need by blending both growth and value stocks into one fund.

- Growth stocks typically offer higher earnings expectations while value stocks offer intrinsic value and potentially dividends.
- Value and growth stocks often perform at different times, so investing in both can help through multiple market environments.
- Managers have the flexibility to select stocks by evaluation and opportunity, as they are not limited by style requirements.

An experienced team—a proven philosophy.

Our diverse investment team is deeply experienced in small-cap equities. Our philosophy:

- Is based on the belief that bottom-up stock selection is the key to identifying stocks with the potential to outperform.
- Uses a proprietary Global Research Platform that integrates quantitative fundamental research. This enables the team to actively monitor securities and collaborate across the globe in real time.
- Features disciplined portfolio construction supported by extensive analytical resources.

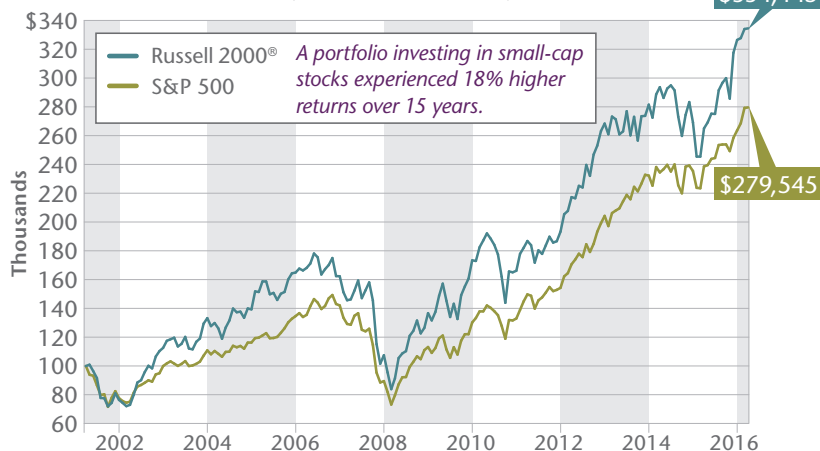
SMALL-CAP STOCKS HAVE PROVIDED ATTRACTIVE LONG-TERM RESULTS

Because the Principal SmallCap Fund combines both growth and value stocks, it has the ability to perform in a variety of market environments and may lead to enhanced returns.

Morningstar.

SMALL-CAP STOCKS OUTPERFORMED LARGE-CAP STOCKS

Growth of \$100,000 (03/31/02 – 03/31/17)



For illustrative purposes only. Does not represent any investment strategy.

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

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

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

¹Morningstar. 15-year returns ending 03/31/2017.

Russell 2000® is a small-cap stock market index. The S&P 500 is a market-capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

*Previously named the Principal SmallCap Blend Fund.

PORTFOLIO STRATEGY & MANAGEMENT

The investment seeks long-term growth of capital. It invests in equity securities with value and/or growth characteristics and constructs an investment portfolio that has a "blend" of equity securities with these characteristics. Investing in value equity securities is an investment strategy that emphasizes buying equity securities that appear to be undervalued.

- **Phil Nordhus, CFA**
27 Years of Experience
- **Brian Pattinson, CFA**
23 Years of Experience



PORTFOLIO COMPOSITION

TOP 5 HOLDINGS²

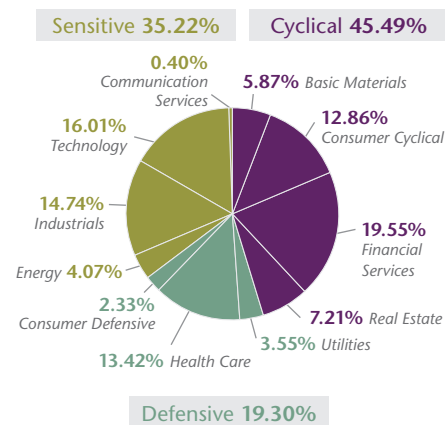
(as of 02/28/2017)

	% of Net Assets
1. Aspen Technology Inc	1.75%
2. Synnex Corp	1.58%
3. ICU Medical Inc	1.55%
4. PRA Health Sciences Inc	1.55%
5. Prestige Brands Holdings Inc	1.50%
Total	7.93%

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

SECTOR BREAKDOWN²

(as of 02/28/2017)



PERFORMANCE, PERCENTILES, & RATINGS (as of 03/31/2017)

	Average Annual Total Returns						
	Year-To-Date	1-Year	3-Year	5-Year	10-Year	Since Inception ³	Expense Ratio ⁴ (Gross/Net)
Class I ⁴	2.86%	23.97%	7.21%	13.84%	7.17%	9.01%	0.84%/0.82%
Class A (Excluding Sales Charge) ⁴	2.72%	23.48%	6.75%	13.31%	6.54%	8.34%	1.26%/1.26%
Class A (Including Sales Charge) ⁴	-2.91%	16.70%	4.75%	12.04%	5.94%	7.96%	1.26%/1.26%
Russell 2000 [®] Index ^{5,6}	2.47%	26.22%	7.22%	12.35%	7.12%	—	—
Morningstar Rankings and Ratings							
Class I Percentile Rankings ⁷	—	31	38	8	35	—	—
Class A Percentile Rankings ⁷	—	35	47	18	52	—	—
Category and Number of Funds in Category: Small Blend	811	757	625	537	377	—	—
Class I Ratings ⁸	—	—	★★★	★★★★	★★★	Overall I ★★★	—
Class A Ratings ^{4,8}	—	—	★★★	★★★★	★★★	Overall I ★★★	—

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.

³Class A shares were first sold on 06/28/2005, and Class I shares were first sold on 03/01/2001. Returns for these shares prior to those dates, including since inception performance, are based on performance of R3 shares adjusted to reflect the fees and expenses of these shares. R3 shares were first sold on 12/06/2000.

⁴Performance 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 02/28/2018. Returns displayed are based on net total investment expense.

⁵Russell 2000[®] Index consists of the smallest 2,000 companies in the Russell 3000[®] Index, representing approximately 10% of the Russell 3000[®] total market capitalization.

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

⁷Morningstar 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.

⁸The 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.

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.

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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