

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
Principal Funds, Inc. - Capital Securities Fund		XX-XXX0217	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
Principal Funds	1-800-222-5852	investorcontact@principalfunds.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and Zip code of contact	
P.O. Box 8024		Boston, MA 02266-8024	
8 Date of action		9 Classification and description	
See Attachment		See Attachment	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
See Attachment		See Attachment	

Part II Organizational Action

Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ [See Attachment](#)

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ [See Attachment](#)

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ [See Attachment](#)

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ _____
The non-taxable return of capital was determined in accordance with Sections 301, 312, 316 and 851-855 of the Internal Revenue Code.

18 Can any resulting loss be recognized? ▶ See Attachment

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Attachment

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ Signed copy maintained in taxpayer's records. Date ▶ October 14, 2015

Print your name ▶ Layne Rasmussen Title ▶ Vice President & Controller

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	



Principal Funds, Inc. – Capital Securities Fund (EIN: XX-XXX0217)
Attachment to Form 8937, Report of Organizational Action Affecting Cost Basis
October 14, 2015

This notice is provided to inform shareholders of Principal Funds, Inc. – Capital Securities Fund of an action that affects your cost basis of shares owned during the period of January 1, 2015 through August 31, 2015. A portion of the ordinary income dividends paid by Principal Funds, Inc. – Capital Securities Fund for its taxable year ended August 31, 2015 is in excess of its earnings and profits and is designated as a non-taxable return of capital.

The non-taxable return of capital reduces your cost basis (see details for each class of shares in the table below). If you receive a 2015 Form 1099-DIV, the non-taxable return of capital amount will be shown in Box 3, Non-dividend distributions. The adjustment to your cost basis will impact your gain or loss calculation when you sell your shares of Principal Funds, Inc. – Capital Securities Fund. For further information, please see Publication 550, Investment Income and Expenses and/or consult your tax advisor.

Principal Funds, Inc. – Capital Securities Fund Return of Capital

Class of Common Shares (Form 8937, Box 9)	CUSIP (Form 8937, Box 10)	Ticker Symbol (Form 8937, Box 12)	Per Share Return of Capital Basis Adjustment *
Class S	742537202	PCSF	\$0.02464168

* 6.8260% of ordinary income dividends paid during the period 1/1/2015 – 8/31/2015.

This information is being provided pursuant to Internal Revenue Code Section 6045B(e), as amended. The information in this notice is also reported to the IRS.

Direct questions regarding this notice to: Principal Funds
P.O. Box 8024
Boston, MA 02266-8024
Phone: 1.800.222.5852
Email: investorcontact@principalfunds.com
Website: www.principalfunds.com/investor/contactus.htm

The tax information contained herein is provided for informational purposes only and should not be construed as legal or tax advice.