

**Principal Funds, Inc. – LargeCap Blend Fund II**  
**Federal Income Tax Information**  
**May 26, 2015**

The following information is being provided to you, prompted by the acquisition of Principal Funds, Inc. – LargeCap Blend Fund II effective April 24, 2015. This information is given to meet certain requirements of the Internal Revenue Code and should not be used by shareholders for preparing their income tax returns. For tax return preparation purposes, please refer to the information supplied with the 1099-DIV form you will receive in 2016 from the Fund’s transfer agent. For tax or legal advice specific to your situation, contact your tax or legal advisor.

**Dividend Received Deduction.** For corporate shareholders, the percentage of ordinary income distributions (dividend income and short-term gains, if any) for the tax year which ended April 24, 2015 that qualifies for the dividend received deduction is 62.91%.

**Qualified Dividend Income.** Certain dividends paid by Principal Funds, Inc. – LargeCap Blend Fund II may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The percentage of ordinary income distributions for the tax year which ended April 24, 2015 is 66.47%.

**Long Term Capital Gain Dividends.** For federal income tax purposes, the Fund designates long term capital gain dividends for all share classes for the tax year which ended April 24, 2015 as follows:

Principal Funds, Inc. – LargeCap Blend Fund II

Per Share Long Term  
Capital Gain Distributions  
\$2.0579