

**Principal Funds, Inc. – Core Plus Bond Fund I**  
**Federal Income Tax Information**  
**March 18, 2015**

The following information is being provided to you, prompted by the acquisition of Principal Funds, Inc. – Core Plus Bond Fund I effective February 22, 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 received in 2015 from the Fund's transfer agent.

**Dividend Received Deduction:** For corporate shareholders, the percentage of ordinary income distributions (dividend income and short-term gains, if any) for the tax year ended February 22, 2015 that qualifies for the dividend received deduction is .55%.

**Qualified Dividend Income:** Certain dividends paid by Principal Funds, Inc. – Core Plus Bond Fund I 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 ended February 22, 2015 is .55%.

**Long Term Capital Gain Dividends:** For federal income tax purposes, the Fund designates \$58,294,324 of long term capital gain dividends for the tax year ended February 22, 2015.