

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Principal Funds, Inc. - Global Opportunities Equity Hedged Fund			2 Issuer's employer identification number (EIN) XX-XXX3346
3 Name of contact for additional information Principal Funds		4 Telephone No. of contact 1-800-222-5852	5 Email address of contact investorcontact@principalfunds.com
6 Number and street (or P.O. box if mail is not delivered to street address) of contact P.O. Box 8024			7 City, town, or post office, state, and Zip code of contact Boston, MA 02266-8024
8 Date of action See Attachment		9 Classification and description See Attachment	
10 CUSIP number See Attachment	11 Serial number(s) See Attachment	12 Ticker symbol See Attachment	13 Account number(s)

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 ▶ January 17, 2018

Paid Preparer Use Only	Print your name ▶ <u>Sara Reece</u>	Preparer's signature	Title ▶ <u>Vice President & Controller</u>	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	



Principal Funds, Inc. – Global Opportunities Equity Hedged Fund (EIN:XX-XXX3346)

Attachment to Form 8937, Report of Organizational Action Affecting Cost Basis
June 12, 2017 (subsequently amended July 21, 2017¹ and January 17, 2018²)

This notice is provided to inform shareholders of Principal Funds, Inc. – Global Opportunities Equity Hedged Fund of an action that affects your cost basis of shares owned during the period of January 1, 2017¹ through April 28, 2017. A portion of the dividends paid by Principal Funds, Inc. – Global Opportunities Equity Hedged Fund for its taxable year ended April 28, 2017 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 2017 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 your shares of Principal Funds, Inc. – Global Opportunities Equity Hedged Fund are sold or liquidated. For further information, please see Publication 550, Investment Income and Expenses and/or consult your tax advisor.

Principal Funds, Inc. – Global Opportunities Equity Hedged Fund

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 A	742537392	PGOHX	\$0.003359295 ²
Class P	742537384	PGHRX	\$0.004423072 ²
Institutional	742537376	PGHIX	\$0.004605034 ²

*13.9971%² of dividends paid during the period 01/01/2017¹ – 04/28/2017.

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: <https://www.principalfunds.com/customer-support/contact-us>

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

¹ Amended and reposted on July 21, 2017. Original posting from June 12, 2017 incorrectly identified the start date as September 1, 2016.

² Amended and reposted on January 17, 2018. Per share return of capital basis adjustment amounts and percentage of dividends paid during the period 01/01/2017 – 04/28/2017 updated for final tax calculations.