

Principal Funds, Inc. – Global Opportunities Equity Hedged Fund
Federal Income Tax Information
April 28, 2017

The following information is being provided to you, prompted by the liquidation of Principal Funds, Inc. – Global Opportunities Equity Hedged Fund effective April 28, 2017.

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 April 28, 2017 that qualifies for the dividend received deduction is 88.16%.

Qualified Dividend Income. Certain dividends paid by Principal Funds, Inc. – Global Opportunities Equity Hedged Fund 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 April 28, 2017 is 100%.

Reallocation of Distributions: Return of Capital. A portion of the ordinary income and/or long-term capital gains dividends paid by Principal Funds, Inc. – Global Opportunities Equity Hedged Fund has been redesignated as non-taxable return of capital. A return of capital affects your cost basis of shares owned during the period of January 1, 2017 through April 28, 2017.

Please refer to your 2017 Form 1099-DIV and the Annual Tax Information provided on <https://www.principalfunds.com/individual-investor/customer-support/tax-center> for your income tax purposes. Please consult your tax advisor for further information.