

**Principal Funds, Inc. – LargeCap Growth Fund II**  
**Federal Income Tax Information**  
**September 29, 2017**

The following information is being provided to you, prompted by the acquisition of Principal Funds, Inc. – LargeCap Growth Fund II (“Fund”) effective September 29, 2017.

**Dividends Received Deduction.** For corporate shareholders, the percentage of ordinary income distributions (dividend income and short-term gains, if any) for the tax year ended September 29, 2017, that qualifies for the Dividends Received Deduction is 31.17%.

**Qualified Dividend Income.** Certain dividends paid by the 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 September 29, 2017, taxed at a maximum rate of 15% is 31.77%.

**Long-Term Capital Gain Distributions.** The Fund distributed long-term capital gain dividends during the tax year ended September 29, 2017. Unless otherwise designated, long-term capital gain dividends are subject to a maximum tax rate of 20-percent, 15-percent, or 0-percent, depending on the shareholder's taxable income. To the extent necessary to distribute such capital gains, the Fund may also utilize, and hereby designate, earnings and profits distributed to shareholders on redemptions of shares as part of the dividends paid deduction.

Principal Funds, Inc. – LargeCap Growth Fund II

Per Share Long-Term  
Capital Gain Distributions  
\$1.4586

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 from the fund's transfer agent. Please consult your tax advisor if you have any questions.

The latest tax reporting supplement is available on Principal's Tax Center website.  
Website: <https://www.principalfunds.com/individual-investor/customer-support/tax-center>