

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.

Blank lines for providing details for question 17.

18 Can any resulting loss be recognized? ▶ See Attachment

Blank lines for providing details for question 18.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Attachment

Blank lines for providing details for question 19.

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 ▶ June 01, 2018

Print your name ▶ Sara Reece Title ▶ Vice President & Controller

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	



Principal Funds, Inc. – Real Estate Allocation Fund (EIN:XX-XXX9589)

Attachment to Form 8937, Report of Organizational Action Affecting Cost Basis
June 01, 2018

This notice is provided to inform shareholders of Principal Funds, Inc. – Real Estate Allocation Fund of an action that affects your cost basis of shares owned during the period of January 1, 2018 through April 27, 2018. A portion of the dividends paid by Principal Funds, Inc. – Real Estate Allocation Fund for its taxable year ended April 27, 2018 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 2018 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. – Real Estate Allocation 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. – Real Estate Allocation 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	742537533	PAEDX	\$0.001900000
Institutional	742537525	PADDX	\$0.002000000

*3.8425% of dividends paid during the period 01/01/2018 – 04/27/2018.

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
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Email: investorcontact@principalfunds.com
Website: <https://www.principalfunds.com/customer-support/contact-us>

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