Principal Diversified Real Asset Fund (I)

The Fund seeks a long-term total return in excess of inflation. The Fund invests primarily in investments related to real assets and real asset companies. The Fund allocates its assets among general investment categories related to real assets and real asset companies (which include tangible assets and investments that are expected to perform well in periods of high inflation).

Characteristics

Asset Class	BLENDED
Category	Allocation--30% to 50% Equity
Ticker	PDRDX
Fund Inception	03/16/2010
Manager	Kelly Grossman
Manager Tenure (yrs.)	6.55
Turnover (%)	66.40%
Total Net Assets ($mil.)	$3,897.36
Avg. Market Cap ($mil.)	$10,190.73
No. of Securities	633

Largest Holdings (as of 09/30/2016)

Dra Cayman Corporation	10.24%
Us 2yr Note (Cbt) Dec16	2.49%
90day Euro$ Futr Sep18	2.09%
Interest Rate Swap Receive Fixed	1.74%
Us 5yr Note (Cbt) Dec16	1.64%
US Treasury Note	1.49%
US Treasury Note	1.17%
US Treasury Note	1.04%
US Treasury Note	1.04%
Enterprise Products Partners LP	1.00%

Fund investments change daily and may differ.

Asset Allocation

Domestic Stock	28.43%
Foreign Stock	19.07%
Domestic Bond	26.58%
Foreign Bond	3.26%
Convertibles	10.24%
Cash	7.86%
Other	4.56%

Fee Summary

Total Annual Operating Expenses (12/31/2015)	0.88%
Total Annual Operating Expenses (per $1,000)	$8.80
Net Expense Ratio	0.88%

Shareholder-type Fees

Redemption Fee	N/A
Purchase Fee	N/A
Maximum Sales Charge	N/A
Maximum Deferred Sales Charge	N/A

The Fee Summary shows fee and expense information for the fund. Total Annual Operating Expenses ("gross expense ratio") are expenses that reduce the rate of return for the fund. Total Annual Operating Expenses do not reflect any fee waivers or reimbursements that may be in effect at the time the expenses are calculated. The net expense ratio reflects the expenses being charged by the fund at the time the expenses are calculated after taking into account any applicable waivers or reimbursements, without which performance would have been less. The Fee Summary also shows Shareholder-type Fees. These fees are in addition to Total Annual Operating Expenses.

The cumulative effect of fees and expenses can substantially reduce the growth of your retirement savings. Visit the Department of Labor's web site for an example showing the long-term effect of fees and expenses at http://www.dol.gov/ebsa/publications/401k_employee.html Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

Performance at NAV (as of 09/30/2016)

	Total Return		*Annualized Total Return*		
	3-Month	**1-Year**	**3-Year**	**5-Year**	**Since Fund Inception**
Fund	1.73%	5.72%	-0.63%	3.14%	3.73%
Benchmark*	2.57%	8.77%	4.78%	6.74%	5.76%

Calendar Yr. Returns	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Fund	N/A	N/A	N/A	N/A	N/A	0.83%	7.65%	5.38%	2.52%	-12.40%
Benchmark*	10.06%	7.15%	-17.58%	13.81%	8.22%	2.26%	8.59%	10.47%	4.49%	-1.06%

* The S&P Target Risk Moderate Index is a multi-asset class index that provides significant exposure to fixed income securities while also providing increased opportunity for capital growth through equities. You cannot invest in an index.

Investors may obtain performance current to the most recent month end at www.principalfunds.com.

Performance quoted represents past performance and cannot guarantee future results. Current performance may be lower or higher than the performance shown. Investment return and principal value will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original purchase price. Performance includes the reinvestment of dividends and capital gains. Investments in money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a money market fund. The 7-day yield more closely reflects the Fund's current earning than the quotation of total return.

These allocation portfolios typically invest 30% to 50% of assets in equities and the remainder in fixed income securities and cash. Underlying securities are subject to the same risks as other, similar stocks and bonds.

This material must be preceded or accompanied by a current prospectus for the fund which contains information about the fund's investment objectives, risks, fees, and expenses. Investors should consider this information carefully before investing. A prospectus may be obtained at www.principalfunds.com.

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