

Principal Opportunistic Muni Fund

Sub-advised by Principal Global Investors



Principal Global Investors' fixed income capabilities emphasize a broad array of traditional and opportunistic credit strategies. Reflecting its credit management expertise, the firm also offers extensive capabilities in tax-advantaged municipal fixed income strategies. The municipal bond team's independent and fundamental research efforts span state and local government debt markets nationwide. These efforts are grounded by the experience the team members have gained by managing municipal portfolios through multiple market cycles and across the muni maturity range.

Principal Global Investors is a member of the Principal Financial Group®.

Investment Philosophy and Process

Philosophy

The Opportunistic Muni Fund invests in municipal fixed income securities across the quality and duration spectrum, with the goal of outperforming traditional municipal bond portfolios. Principal Global Investors aims to achieve this objective by investing in municipal fixed income securities unconstrained by structure, geography, credit quality or duration.

The municipal team believes all of the major decisions necessary to successfully capitalize on municipal market investment opportunities are driven by the ability and willingness of the bond issuer to meet its obligations, the type of revenues pledged to debt service, the shape of the yield curve and market sentiment. These decisions are predicated on financial and economic growth relative to the historical trend. Deviations from this trend, or long-term potential growth, create imbalances that result in opportunities and risks in municipal bond markets.

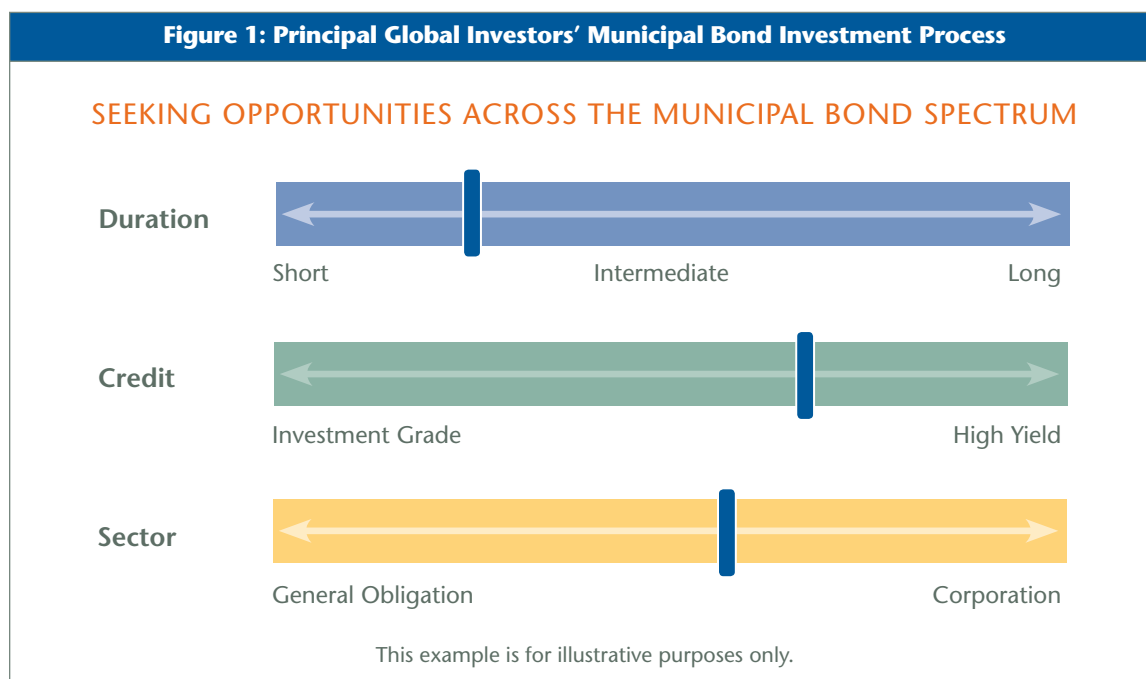
The investment advisor's investment philosophy and strategy may not perform as intended and could result in a loss or gain.

Not FDIC or NCUA insured

May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Process

The breadth of the municipal bond team's expertise is evident in the Opportunistic Muni Fund as for this investment option, the team may invest anywhere in the muni spectrum in terms of maturity, credit quality and geographic issuance. The hybrid and flexible investment process (Figure 1) combines top-down duration and sector allocation with bottom-up security selection among high-yield or investment-grade issuers and is designed to provide more opportunities to outperform traditional municipal bond strategies.



Principal Global Investors' municipal bond investment process is forward-looking and repeatable, incorporating disciplined risk management with regular and transparent team communications. Value is added through multiple sources, with primary emphasis on sector and subsector diversification as well as individual issuer selection, credit quality and yield-curve positioning. The team's understanding of the causes and the dynamics of municipal market imbalances creates exploitable opportunities. The team:

- Seeks to identify market or behavioral anomalies using its knowledge of the main drivers of financial performance and economic growth in each municipal sector
- Positions the portfolio to take advantage of these investment opportunities while focusing on controlling risk
- Establishes fundamental, technical and valuation views of the individual security
- Relies on issuer contacts, third-party fixed income research and publicly available financial information to complement internal resources
- Maintains a long-standing relationship with outside municipal analysts with whom they can discuss issuer and sector-credit specifics

Rare among municipal bond teams—and critical to the Opportunistic Muni Fund’s unconstrained investment strategy—the team includes a dedicated high yield analyst. Collectively, the four-member municipal bond team has substantial depth of research expertise and a strong focus on bottom-up analysis. The combination of all of these attributes, paired with the ability to balance fundamental relative value analysis within a disciplined risk management framework, sets this municipal team apart from the competition.

Portfolio manager

James Noble has been with Principal Global Investors since 2010. Previously, he worked for Dreyfus Tax Exempt/Taxable, with responsibility for portfolio management and analysis. James earned a bachelor’s degree and an MBA in Finance from Hofstra University.

Additional Information

Investors should carefully consider a mutual fund’s investment objectives, risks, charges, and expenses prior to investing. A prospectus, or summary prospectus if available, containing this and other information can be obtained by contacting a financial professional, visiting principal.com, or calling 1-800-547-7754. Read the prospectus carefully before investing.

Investment options are subject to investment risk. Shares or unit values will fluctuate and investments, when redeemed, may be worth more or less than their original cost.

Fixed income investment options are subject to interest rate risk, and their value will decline as interest rates rise.
Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.



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