

THE CASE FOR DIVIDEND GROWERS

Risk-adjusted alpha and resilience across a range of market conditions

In this piece, we examine how active management is best suited to identify high-quality companies with a proven ability to grow dividends. We believe these companies can weather a range of market conditions and reward long-term investors with relatively less risk.

Potential benefits of investing in the Principal Equity Income Fund (PEIIX):

- ✓ Attractive risk-adjusted returns
- ✓ Downside risk mitigation, upside participation
- ✓ Consistent performance profile relative to the benchmark

Principal Equity Income Fund (PEIIX)

100%

of alpha driven by stock selection¹

22.0%

annual turnover²

13th

percentile information ratio since inception³

Driven by dividends and growth

GROWERS, NOT JUST PAYERS

Dividend growers and payers have historically had higher returns with less risk than non-dividend payers.⁴

POWERED BY GREAT COMPANIES

Quality-first mentality removes subpar operators, helping to avoid value traps.

SECTOR NEUTRAL TO HELP MITIGATE RISK

We are focused on selecting great companies, not timing sectors.

¹ As of March 31, 2022. Source: FactSet. Based on 5-year attribution.

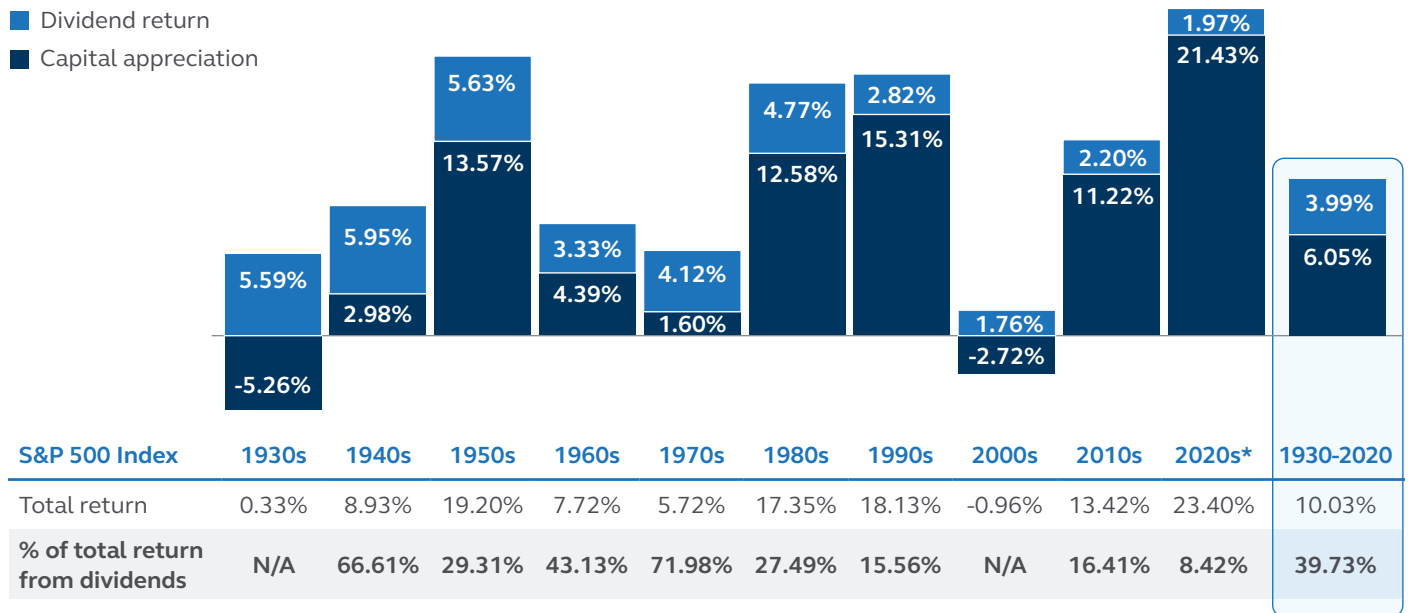
² As of March 31, 2022. Source: Principal Global Investors. Turnover is calculated semi-annually; reflects most recent available calculation.

³ As of March 31, 2022. Source: Morningstar. Ranking is out of 1,272 funds in the US Fund Large Value Morningstar category. Inception date 8/01/2000. Please see page 6 for more on information ratio.

⁴ Source: Ned Davis Research, Inc. (12/31/1986-3/31/2022). Dividends are not guaranteed.

Dividends are a key component of total return

Dividends have comprised nearly 40% of total returns in the last nine decades



*2020s: through December 31, 2021

As of December 31, 2021. Source: Ned Davis.

Total return represents the return including capital appreciation and reinvested dividends for the S&P 500 Index, annualized. Total return does not take sales charges into account. Capital appreciation return represents the rise in the price of the S&P 500 Index, annualized. Dividend return represents the dividend distribution of the S&P 500 Index, which includes the appreciation of dividends reinvested into the index, annualized. In periods where capital appreciation was negative, % of total returns from dividends was not calculated. Past performance is not a guarantee of future results. S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. An investment cannot be made directly in an index. **Dividends are not guaranteed.**

Dividend payers have had higher returns with less risk

Large-cap stocks ⁵	Returns ⁶	Standard deviation
Dividend-paying common stocks	14.60%	15.98%
All common stocks	13.93%	17.40%
Non-dividend paying common stocks	12.34%	24.13%

We have seen dividend-paying equities deliver higher returns with less risk than all common equities and significantly less risk than non-dividend paying stocks.

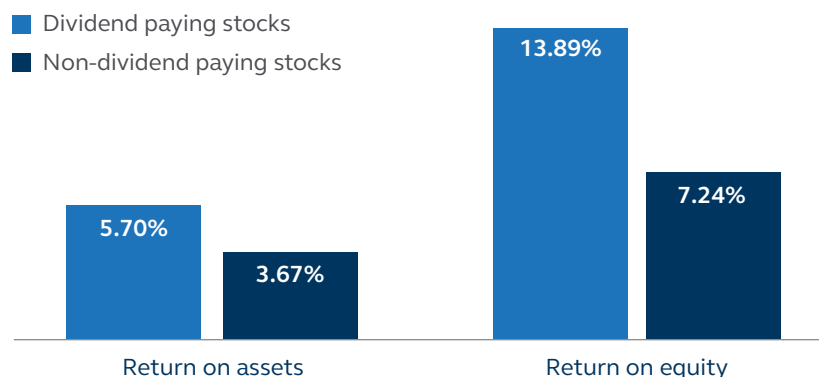
Time period: December 31, 1975 - December 31, 2021

Source: Empirical Research Partners

⁵ Largest 1,000 stocks by market cap, rebalanced annually.

⁶ Monthly returns compounded and annualized. Equally-weighted data. Past performance is not a guarantee of future results.

Dividend payers have had better profitability as measured by return on assets and return on equity



Time period: March 31, 1972 - December 31, 2021

Source: Ned Davis

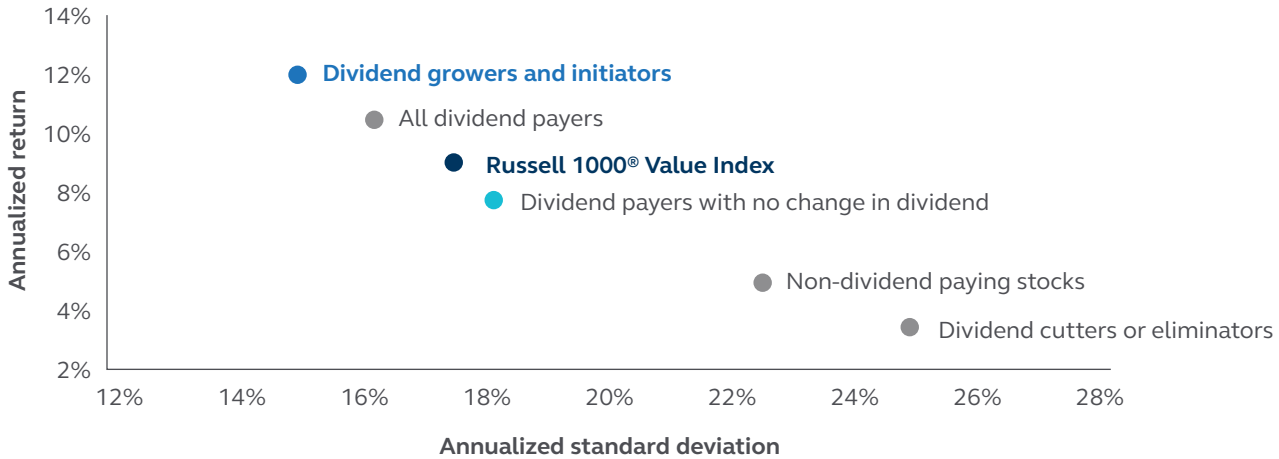
Return on assets and return on equity for S&P 500 dividend and non-dividend payers. Dividend payers defined as whether indicated annual dividend is greater than zero. Mean return on assets and return on equity are trailing 12 months and are based on quarterly cross sectional means and medians, respectively.

Dividend growth makes a difference

Dividend growers have had better returns with less risk

Companies that grow their dividends have exhibited better risk-adjusted returns than the entire universe of large-cap dividend-paying stocks. Dividend growers also fared materially better than companies that paid dividends but didn't grow them.

Large-cap stocks, January 1984 – December 2021



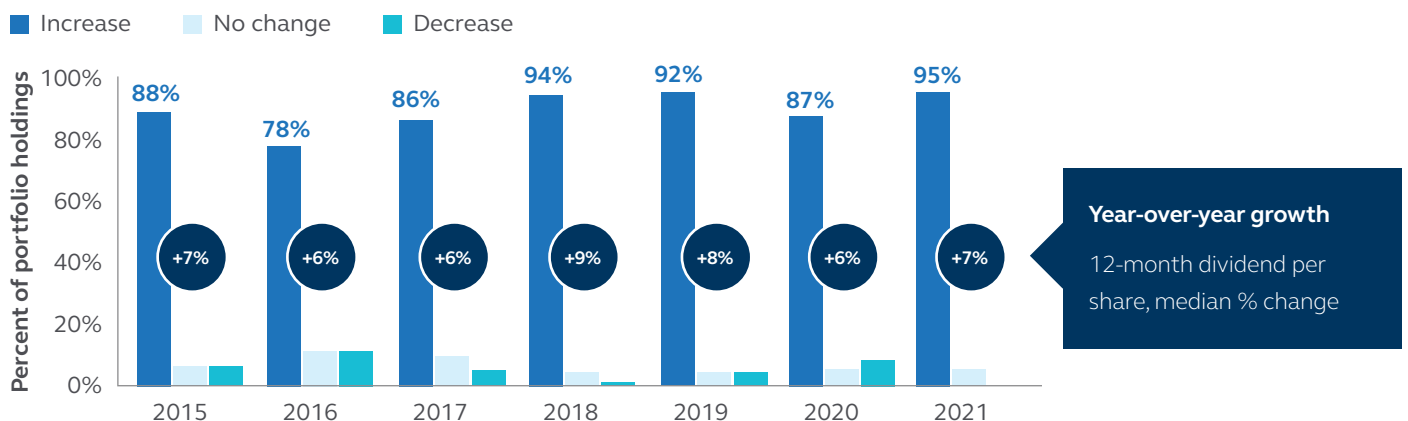
As of December 31, 2021.

Source: Ned Davis. Information provided is for the constituents of the Russell 1000® Value Index. Indexes are equal-weighted. Statistical information is provided for illustrational purposes & may not be replicated. Past Performance is not a guarantee of future results. Market index has been provided for comparison purposes. For additional information on the Russell 1000 Value Index, please refer to page 6. An investment cannot be made directly in an index.

Principal Equity Income Fund focuses on quality, dividend growers

We believe dividend growth and quality are important considerations for determining a stock's potential. In the somewhat crowded large-cap equity income space, strategies that focus on both—providing dividend yield and growth of dividends—have a valuable differentiator.

Principal Equity Income Fund (PEIIX) holdings dividend growth



As of December 31, 2021. Source: FactSet. **Dividends are not guaranteed. Past performance is not a guarantee of future results.**

Quality, dividend growth transcends market cycles

Better returns in market downturns

In the market dislocations outlined in the table, stock prices largely decoupled from company fundamentals. However, given the Fund's emphasis on quality, it experienced positive relative returns versus the benchmark, the Russell 1000® Value Index.

	Cumulative drawdown Russell 1000® Value Index	Excess return Principal Equity Income Fund (PEIIX) vs. Russell 1000® Value Index
Dot-com crash ⁷	-27.68%	+6.21%
Global Financial Crisis ⁸	-55.56%	+6.29%
COVID-19 Sell-Off ⁹	-26.73%	+1.36%

⁷ Time period: April 2002 – October 2003.

⁸ Time period: November 2007 – March 2012.

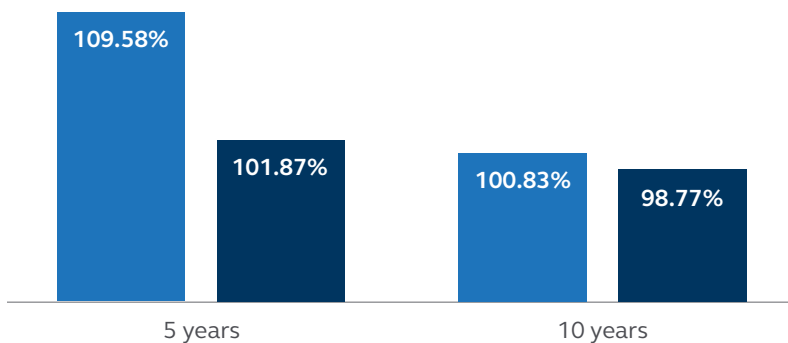
⁹ Time period: January 2020 – March 2020.

Source: Morningstar. Data shown is for the Principal Equity Income Fund Class I. For additional information on the Russell 1000 Value Index, please refer to page 6.

Downside risk mitigation and upside participation

Principal Equity Income Fund (PEIIX) vs. Russell 1000® Value Index

■ Upside market capture ■ Downside market capture



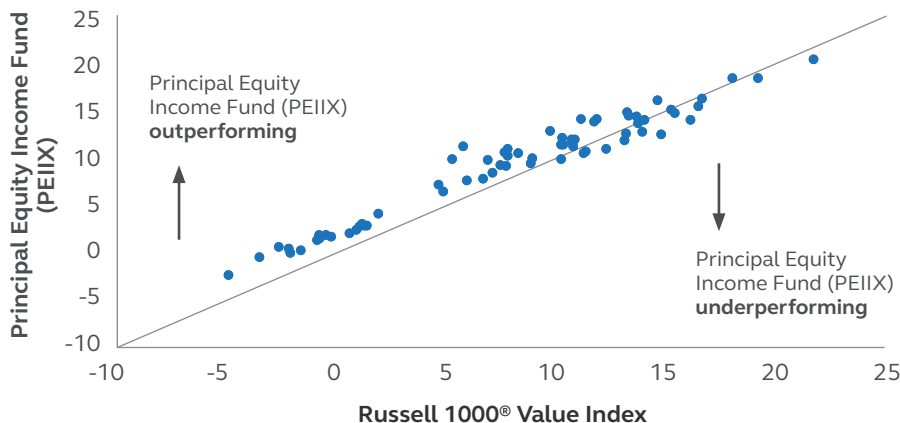
As of March 31, 2022.

Source: Morningstar. Data shown is for the Principal Equity Income Fund Class I (PEIIX). Capture ratios: Shows the relationship of the fund's performance to the performance of an index during a specific timeframe, as a percentage of that index's positive (upside capture) and negative (downside capture) performance. Represents quarterly returns for both fund and index returns. It is not possible to invest directly in an index.

Consistent relative performance profile

The Fund tends to outperform in moderate, flat, and down markets, and offers upside participation in more exuberant markets.

Rolling 5-year returns (%), plotted quarterly



The Principal Equity Income Fund (PEIIX) has only underperformed its benchmark in five-year periods when the Russell 1000® Value Index annualized return exceeded 10%.

Since inception: August 1, 2000 – March 31, 2022. Source: Morningstar

Data points represent quarterly rolling 5-year returns for the Principal Equity Income Fund Class I. The diagonal line represents zero excess returns (where the fund and index returns are equal). Data points above the line represent outperformance of the fund vs. the index. Data points below the line represent underperformance of the fund vs. the index. For additional information on the Russell 1000® Value Index, please refer to page 6.

Past performance is not a guarantee of future results.

Active management matters

Active management can make a difference when separating good companies from great ones. The team's fundamental analysis has been critical to picking companies with the ability to grow their dividends and profitability, while strengthening their competitive advantage over a longer-term horizon. Our approach can be difficult to replicate, as demonstrated by our competitive track record over time.



The Principal Equity Income Fund (PEIIX) has received a Silver analyst rating from Morningstar.¹⁰

Consistent Outperformance

The Principal Equity Income Fund (PEIIX) has outperformed the Russell 1000® Value Index over the last three, five, and ten-year periods.

Performance, rankings, & ratings (As of March 31, 2022)

	Average annual total returns (%)								Yields (%) ¹⁶
	3-month	1-year	3-year	5-year	10-year	Since inception (08/01/2000) ¹⁴	Expense ratio (net/gross) ¹⁵	Expense limit expiration date	30-Day SEC (Unsubsidized/subsidized)
Principal Equity Income Inst (PEIIX) ¹¹	-3.81	9.46	13.36	12.07	11.94	9.08	0.52/0.54	02/28/2023	1.57/1.59
Russell 1000® Value Index ^{12,13}	-0.74	11.67	13.02	10.29	11.70	—	—	—	—
Morningstar Category Average: Large Value	-0.19	12.90	13.55	10.82	11.24	—	—	—	—
Morningstar rankings and ratings									
Category and number of funds in category: Large Value	1,254	1,215	1,146	1,047	770	—	—	—	—
Class I percentile rankings ¹⁷	—	86	52	26	31	—	—	—	—
Class I ratings ¹⁸	—	—	★★★	★★★★	★★★★	Overall ★★★★★	—	—	—

Morningstar percentile rankings are based on total returns. Morningstar ratings are based on risk-adjusted returns.

Returns represent past performance and do not guarantee future results. Share price, principal value, and returns will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For the most recent month-end performance, visit www.principalfunds.com.



Find out how the **Principal Equity Income Fund** can help you achieve your growth and income goals. **Contact your Principal representative today.**

¹⁰ Rating as of April 14, 2021. Past performance does not guarantee future results. Third party ratings and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results.

¹¹ Performance assumes reinvestment of all dividends and capital gains.

¹² Russell 1000® Value Index is a market-capitalization weighted index of those firms in the Russell 1000® with lower price-to-book ratios and lower forecasted growth values.

¹³ Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

¹⁴ Class I shares were first sold 08/01/2000. Returns for Class I shares prior to 08/01/2000, are based on performance of A shares adjusted to reflect the fees and expense of these shares. A shares were first sold on 05/31/1939.

¹⁵ The net expense ratio reflects contractual expense limits, if any, which may lower net expenses and cause the gross and net expense ratios to differ. In such cases a date is listed through which expense limits are expected to apply; however, Principal Funds and the investment adviser may mutually agree to terminate the expense limits prior to the end of the period. Returns displayed are based on net total investment expense.

¹⁶ 30-Day SEC yield represents net investment income earned by a fund over a 30-day period, stated as an annual percentage. Unsubsidized yield reflects the SEC yield when some fund expenses are not waived. Subsidized yield reflects a fund's yield when all expense waivers are included.

Glossary of terms:

Alpha: Measures the difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta).

Beta: Measures an investment's sensitivity to market movements.

Information ratio: A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It is defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Standard deviation: Measures how much an investment's returns are likely to fluctuate.

Not authorized for distribution unless preceded or accompanied by a current prospectus, or a summary prospectus if available, that includes information about the fund's objectives, risks, charges, and expenses. Please read it carefully before investing.

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¹⁷Morningstar percentile rankings are based on total returns and do not reflect the inclusion of sales charges. If sales charges were reflected, rankings could be lower.

¹⁸The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Morningstar ratings do not reflect the inclusion of sales charges. If sales charges were reflected, ratings could be lower.

Class I shares are available only to eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs. See the prospectus for eligibility requirements.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after total investment expense of the investment option.

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and parent on the final Analyst Rating is further modified by a measure of the dispersion of historical alphas among relevant peers. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, the modification by alpha dispersion is not used.

The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. For active funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that an active fund will be able to deliver positive alpha net of fees relative to the standard benchmark index assigned to the Morningstar category. The level of the rating relates to the level of expected positive net alpha relative to Morningstar category peers for active funds. For passive funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will be able to deliver a higher alpha net of fees than the lesser of the relevant Morningstar category median or 0. The level of the rating relates to the level of expected net alpha relative to Morningstar category peers for passive funds. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's expectation that a fund will deliver a weighted pillar score above a predetermined threshold within its peer group. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <https://shareholders.morningstar.com/investor-relations/governance/Compliance--Disclosure/default.aspx>.

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Dividends are not guaranteed and dividend-issuing companies may choose not to pay a dividend, or the dividend may be less than what is anticipated.

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