

Principal California Municipal Fund

Second quarter 2023

Fund overview

The Fund seeks to provide a high level of income that is exempt from federal income tax and California state personal income taxes.

Morningstar overall rating:

★★★★

Overall Morningstar Rating™ as of 06/30/2023 among 61 Muni California Intermediate Funds

Morningstar ratings may vary between share classes, are based on historical risk-adjusted total returns and are subject to change.

Ticker

Class I: PCMFX Class C: SRCCX
Class A: SRCMX

Portfolio management

James Welch

35 years of experience

James Noble, CFA

31 years of experience

Fund information

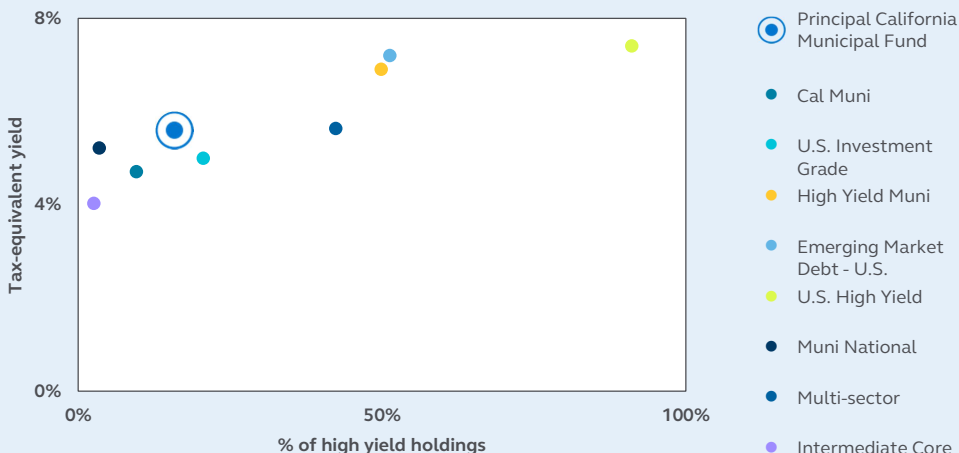
| | Fund | Index |
|--------------------------------|----------|-------|
| Fund AUM | \$591.5M | — |
| Number of holdings | 225 | 8,015 |
| Modified duration to worst | 4.8 | 5.4 |
| Weighted average life to worst | 5.9 | 6.9 |
| Beta (3-year) | 1.0 | — |
| Standard deviation (3-year) | 6.2 | 6.2 |
| Sharpe ratio (3-year) | -0.3 | -0.3 |

Source: Aladdin® by BlackRock® and Morningstar
Duration: The sensitivity of a fixed-income investment's principal value to interest rate changes. **Weighted average life:** The average number of years for which each dollar of unpaid principal on a fixed-income security remains outstanding. **Beta:** Measures a portfolio's sensitivity to market movements. **Standard deviation:** Measures how widely portfolio returns have varied. **Sharpe ratio:** Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Alpha:** The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta).

Attractive tax-free income, singularly focused on mid-quality California municipal credit

- Active management seeks the optimal spot on the yield curve and higher exposure to bonds rated A and BBB, in an effort to maximize yield.
- Preference for revenue bonds that provide attractive relative yield and less sensitivity to business cycles.
- Ability to participate in all California issues, exploiting market and sector dislocations, through credit research.

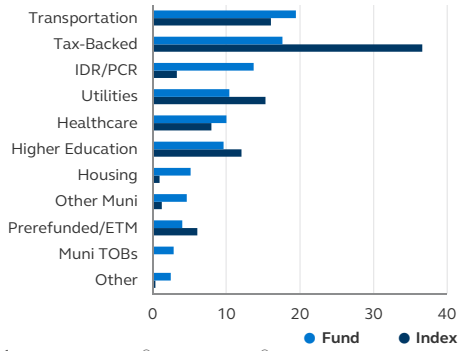
Competitive tax-equivalent yield among Morningstar peer groups



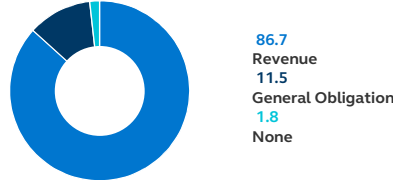
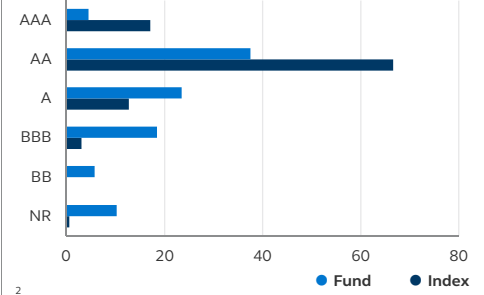
Source: Morningstar, Aladdin. Percentage of high yield holdings is as of the previous quarter-end, which is the most recent data available. Yields shown are as of the current quarter-end and are non-adjusted SEC yields, except in the case of Principal California Municipal Fund and High Yield Municipal and Municipal National peer groups, which are tax-equivalent. Tax-equivalent yield (TEY) is calculated as 30-day SEC yield (subsidized)/(1-marginal tax rate), with an assumed marginal tax rate of 40.80%. (TEY for taxable yield is the same as its yield.) The 30-day SEC yield is based on the 30-day period ending on the last day of the previous month. A portion of the Fund's income may be subject to state and/or local taxes, and it may be subject to federal alternative minimum tax (AMT) for certain investors. The tax equivalent yield for Principal California Municipal Fund (I) is 5.59%. As of 06/30/2023.

Why allocate to a portfolio:

- Municipal bonds have provided attractive tax-equivalent yields and lower default rates than traditional investment-grade bonds.
- Municipal bonds can help lower overall portfolio volatility through historically lower correlations to other asset classes.
- Principal Fixed Income's actively managed approach to municipal investing taps multiple sources of alpha, resulting in what we believe is a unique set of portfolio characteristics within the peer group.

Sector allocation (%)¹

¹ Source: Aladdin® by BlackRock®, Fund holdings and allocations shown are unaudited and may not be representative of current or future investments. Percentages may not add up to 100% due to rounding and/or inclusion or exclusion of cash.

Bond allocation (%)^{1,2}Credit quality allocation (%)^{1,2}

² Represents the higher of Fitch, Moody's and S&P ratings. The ratings are an indication of an issuer's credit worthiness and typically range from AAA or Aaa (highest) to D (lowest). The NR category consists of rateable securities that have not been rated by a Nationally Recognized Statistical Rating Organization.

Performance, rankings, & ratings

| | Average annual total returns (%) | | | | | | | Yields (%) ¹⁰ | | | |
|--|----------------------------------|--------------|--------|-------------|-------------|-------------|--|---|----------------------------------|---|--------------------------|
| | 3-month | Year-to-date | 1-year | 3-year | 5-year | 10-year | Since inception ⁸ (02/27/2015) | Expense ratio ⁹ (net/gross) | Expense limit expiration date | 30-Day SEC (Unsubsidized/ subsidized) | 12-month distribution |
| Class I ³ | 0.35 | 2.66 | 3.37 | -0.62 | 1.52 | 3.16 | 4.64 | 0.52/0.54 | 02/29/2024 | 3.25/3.31 | 2.99 |
| Bloomberg California Municipal Index ^{4,5} | -0.11 | 2.44 | 3.49 | -0.73 | 1.76 | 2.84 | — | — | — | — | — |
| Morningstar Category Average | -0.29 | 1.70 | 2.43 | -0.55 | 1.21 | 2.00 | — | — | — | — | — |
| Morningstar rankings and ratings | | | | | | | | | | | |
| Category and number of funds in category: Muni California Intermediate | 63 | 63 | 62 | 61 | 58 | 48 | — | — | — | — | — |
| Class I percentile rankings ⁶ | — | — | 11 | 38 | 23 | 2 | — | — | — | — | — |
| Class I ratings ⁷ | — | — | — | ★★★★ | ★★★★ | ★★★★ | Overall ★★★★ | — | — | — | — |
| Calendar year returns (%) | | | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Class I ³ | | | | -0.02 | 7.14 | 0.16 | 8.61 | 5.00 | 2.24 | -10.39 | |
| Bloomberg California Municipal Index ^{4,5} | | | | -0.14 | 5.63 | 1.11 | 7.67 | 5.15 | 1.22 | -8.17 | |
| Morningstar Category Average | | | | -0.57 | 4.62 | 0.84 | 6.10 | 3.67 | 1.16 | -6.80 | |

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 return 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.PrincipalAM.com/mutual.

³ Performance assumes reinvestment of all dividends and capital gains.

⁴ Bloomberg California Municipal Index tracks the California part of the Bloomberg Municipal Bond Index. The Bloomberg Municipal Bond Index represents the long-term, investment-grade tax-exempt bond market.

⁵ Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

⁶ Morningstar 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.

⁷ The 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.

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⁸ Class I shares were first sold 02/27/2015. Returns for Class I shares prior to 02/27/2015, including since inception performance, are based on performance of A shares adjusted to reflect the fees and expense of the Class I shares. Class A shares were first sold on 07/25/1989.

⁹ 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.

¹⁰ 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. 12-month yield is based on actual distributions paid over a trailing 12-month period, stated as an annual percentage.

Returns shown for periods of less than one year are not annualized.

Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline.

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.

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.

Investing involves risk, including possible loss of principal.

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