

Principal Short-Term Income Fund

First quarter 2023

Fund overview

The Fund seeks to provide a high level of income in addition to stable principal.

Morningstar overall rating:

★★★★

Overall Morningstar Rating™ as of 03/31/2023 among 535 Short-Term Bond Funds

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

Ticker

Class I: PSHIX Class C: STCCX
Class A: SRHQX

Portfolio management

Scott J. Peterson, CFA

34 years of experience

John R. Friedl, CFA

25 years of experience

Fund information

	Fund	Index
Fund AUM	\$3.1B	—
Number of holdings	312	1,564
Dividend frequency	Monthly	—
Average effective duration	1.9	1.9
Weighted average life to worst	2.8	2.1
% Floating-rate	37.5	13.5
% Fixed-rate	60.3	86.5

Source: Aladdin® by BlackRock®

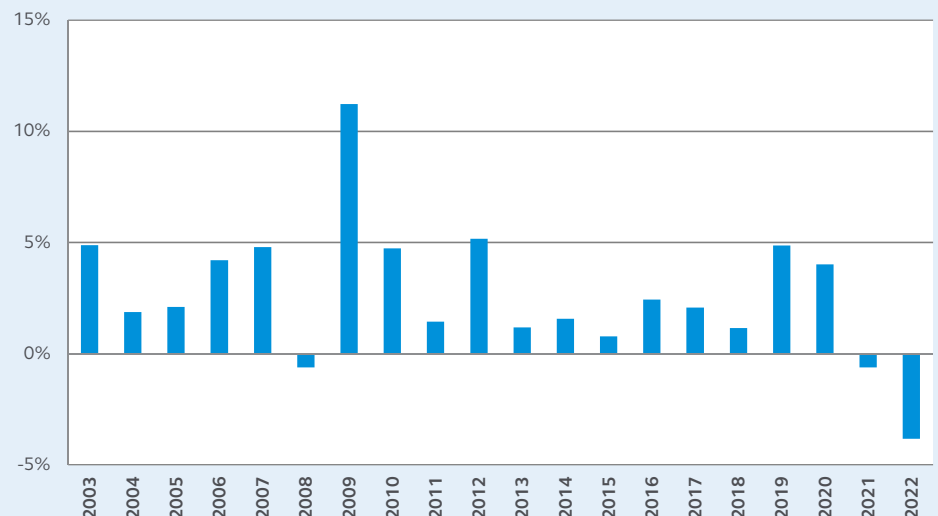
Duration: The sensitivity of a fixed-income investment's principal value to interest rate changes. **Weighted average life:** The average number of years for which each dollar of unpaid principal on a fixed-income security remains outstanding.

A true, high-quality, short-term bond fund that aims to provide a high level of income and stable principal

- 18- to 24-month investment horizon to capitalize on value opportunities and minimize trading costs.
- Independent credit research with a bias towards issuers with a margin of safety¹.
- A bond ladder consisting of corporate credit, ABS and agencies.

The Fund has had positive returns in 17 of the past 20 years

Calendar-year-returns Principal Short-Term Income Fund Class I



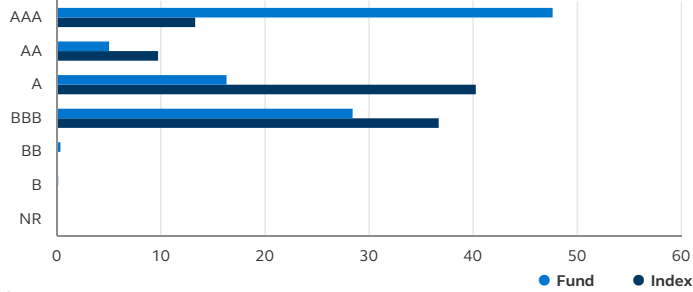
If sales charges were reflected, performance would be lower. Past performance does not guarantee future results.

Why allocate to a portfolio:

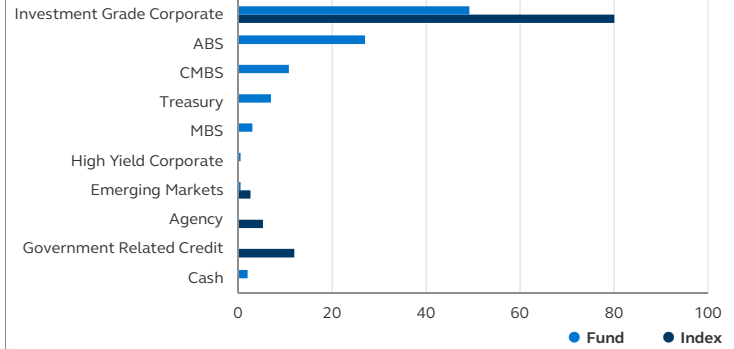
- Help manage credit and interest-rate risk
- Has offered a stable source of income with minimal volatility
- Seeks to provide diversification, capital preservation, and stable net asset value, relative to other short duration funds²

¹ Biased towards issuers with stable cash flows, hard assets, limited ongoing capital needs, and that benefit from demographic trends

² Morningstar, PSHIX 1-, 3-, and 5-year standard deviation as of 12/31/2022.

Credit quality allocation (%)^{3,4}

³ Represents the middle rating of Moody's, S&P, and Fitch. When only two agencies rate a bond, the lower is used. When only one agency rates a bond, that rating is used. The ratings are an indication of an issuer's creditworthiness 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.

Investment blend (%)⁴

⁴ 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.

Performance, rankings, & ratings

	Average annual total returns (%)						Yields (%) ¹²				
	3-month	1-year	3-year	5-year	10-year	Since inception ¹⁰ (07/25/1996)	Expense ratio ¹¹ (net/gross)	Expense limit expiration date	30-Day SEC (Unsubsidized/ subsidized)	12-month distribution	
Class I ⁵	1.68	0.30	0.53	1.45	1.44	—	0.41/0.41	—	4.16/4.16	2.25	
Bloomberg Credit 1-3 Years Index ^{6,7}	1.33	0.35	0.67	1.64	1.46	—	—	—	—	—	
Morningstar Category Average	1.73	-0.67	0.91	1.32	1.18	—	—	—	—	—	
Morningstar rankings and ratings											
Category and number of funds in category: Short-Term Bond	596	582	535	477	355	—	—	—	—	—	
Class I percentile rankings ⁸	—	19	61	37	27	—	—	—	—	—	
Class I ratings ⁹	—	—	***	***	****	Overall ****	—	—	—	—	
Calendar year returns (%)											
Class I ⁵		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Class I ⁵		1.17	1.56	0.77	2.43	2.06	1.14	4.86	4.01	-0.63	-3.83
Bloomberg Credit 1-3 Years Index ^{6,7}		1.45	1.12	0.85	2.11	1.66	1.64	5.01	3.69	-0.17	-3.40
Morningstar Category Average		0.45	1.07	0.19	2.08	1.73	0.92	4.72	3.81	0.05	-5.22

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.

⁵ Performance assumes reinvestment of all dividends and capital gains.

⁶ Bloomberg Credit 1-3 Years Index is composed of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

⁷ Index performance information reflects no deduction for fees, expenses, or taxes. Indices are unmanaged and individuals cannot invest directly in an index.

⁸ 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.

⁹ 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.

© 2023 Morningstar, Inc. All rights reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

¹⁰ Class I shares were first sold on 07/25/1996. Returns for Class I shares prior to 07/25/1996, including since-inception performance (if shown), are based on performance of the Class A shares adjusted to reflect the fees and expenses of Class I shares. Class A shares were first sold 11/01/1993.

¹¹ 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.

¹² 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. Lower-rated securities are subject to additional credit and default risks.

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.

Principal Funds are distributed by Principal Funds Distributor, Inc.

© 2023 Principal Financial Services, Inc. Principal[®], Principal Financial Group[®], Principal Asset Management, and Principal and the logomark design are registered trademarks and service marks of Principal Financial Services, Inc., a Principal Financial Group company, in various countries around the world and may be used only with the permission of Principal Financial Services, Inc.

Principal Asset Management is a trade name of Principal Global Investors, LLC.

MM7848-32 | 04/2023 | 2832116-082023

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Certain analytics powered by Aladdin[®] by BlackRock[®]. BlackRock[®] and Aladdin[®] are trademarks and service marks of BlackRock, Inc. and its affiliates (collectively, "BlackRock"). BlackRock owns all proprietary rights in the marks and in the Aladdin[®] by BlackRock[®] services. BlackRock neither approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom.