

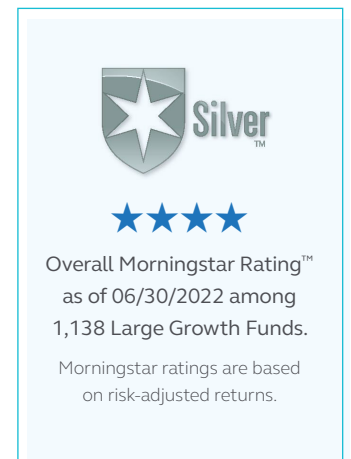
THE CASE FOR PRINCIPAL BLUE CHIP FUND

Investing in quality companies led by owner-operators

Over 20 years ago, Aligned Investors launched the successful MidCap strategy. Over time, we noticed a trend. Many of our best investments grew beyond our MidCap mandate. These were companies with long runways in front of them—businesses getting better as they got bigger, with strong management teams, and still attractively valued.

So, in 2012, we launched Blue Chip—a large cap portfolio of our best ideas. Same people, process, and emphasis on quality companies led by owner-operators, but an expanded opportunity set.

Principal Blue Chip Fund’s 10-year track record stands out in its own right. The same approach that has led to MidCap’s long-term success has delivered attractive returns for Blue Chip.

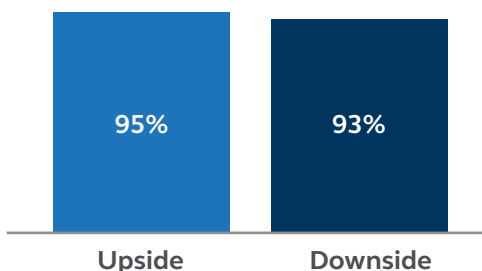


CONSISTENT OUTPERFORMANCE OVER MARKET CYCLES

Principal Blue Chip Fund (PBCKX) vs. Russell 1000® Growth Index

Capture ratios

The Fund has delivered excess returns with less risk since inception.



Rolling 12-month performance

Since inception, lower-returning environments have benefited the Fund’s relative results.

| Index performance | Number of periods | Outperforming periods | Batting average* | Average excess |
|-------------------|-------------------|-----------------------|------------------|----------------|
| >10% | 83 | 32 | 39% | -0.86% |
| <10% | 26 | 20 | 77% | 1.30% |

*Batting average is calculated by dividing the number of rolling 12-month periods in which the manager beat or matched an index by the total number of rolling 12-month periods in the total time frame of the analysis. For example, a manager who meets or outperforms the market every rolling 12-month period in the analysis time frame would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50.

Since inception as of June 30, 2022. Source: Morningstar. Fund performance reflects I-share performance, inception date June 2012. Returns over one year are annualized. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. Index performance reflects no deduction for fees or expenses. Individuals cannot invest directly in an index. Please see the prospectus for more complete information. Capture ratios show 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.

A simple concept with a powerful impact

We believe owner-operators—business leaders with significant personal ownership stakes in the companies they run—have many traits that benefit long-term shareholders.

Most owner-operators—especially founders—have a genuine love for the business. They are passionate about the mission, which leads to a long-term orientation that is often missing at public companies. They are willing to invest, even if it involves short-term sacrifice. They run companies that waste less money, are more efficient at operating, and less prone to making bad empire-building acquisitions.

Their leadership results in decisions, habits, practices—the stuff that defines culture—aligning with what’s best for long-term shareholder value.

One way to assess this alignment is by using something we call the “aligned ratio.” This measures the CEO’s ownership stake in the business relative to their annual pay. Most CEOs have single-digit aligned ratios. Owner-operators have ratios that are much larger.

We’re often asked if this style of investing actually matters to returns. Several studies back this up.



Journal of Finance

Found significant outperformance from high-ownership firms, delivering “abnormal” returns of >4% annualized.¹



The Founder’s Mentality

Credited founders’ front-line obsession and owner’s mindset for great outperformance (figure 1).²



The Outsiders

Profiled eight owner-operator CEOs with some of the best multi-decade track records in history (figure 2).³

Are there many owner-operators running large-cap companies?

There are more than you might think. Typically 10-15% of the Russell 1000 is founder-led. Another 10-15% has a non-founder but significant “high aligned ratio” owner-operator in charge. In short, we can still be selective when putting together a concentrated portfolio.

ALIGNED RATIO

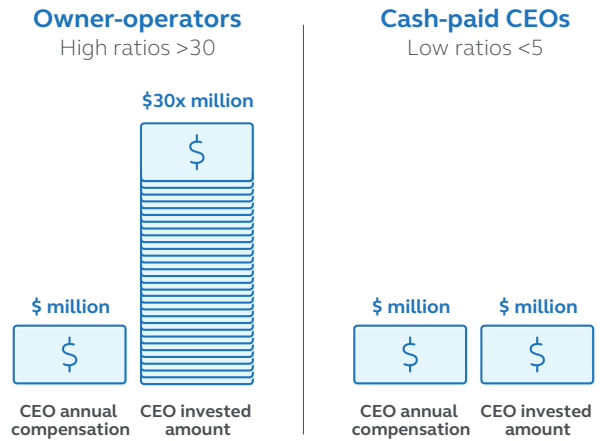


FIGURE 1: Indexed total shareholder return

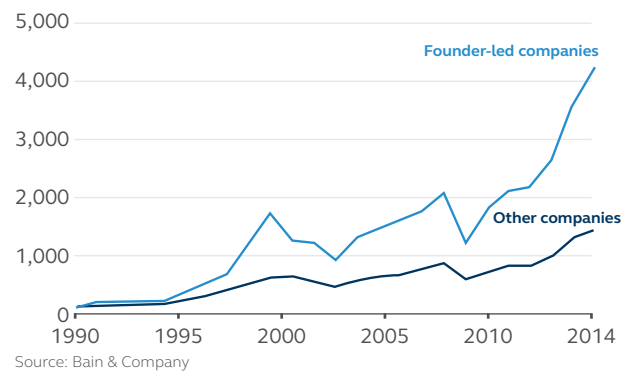
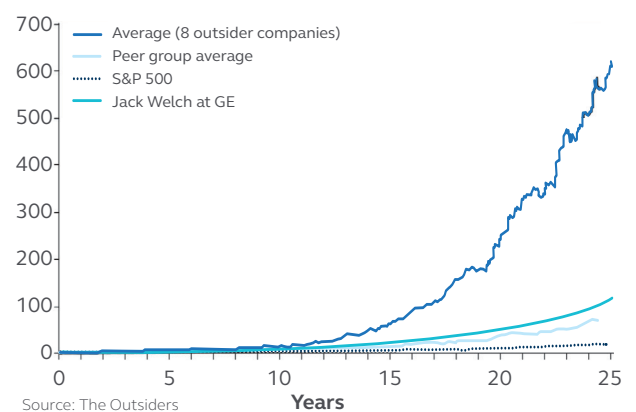


FIGURE 2: Value of \$1



Principal Blue Chip Fund: Better outcomes, when it counts

As we've shown, the Principal Blue Chip Fund offers what we believe is a rare combination: a strong and consistent track record, delivered by a process that has historically performed better over the long-term.

A HISTORY OF OUTPERFORMANCE

As of June 30, 2022

Principal Blue Chip Fund (PBCKX)

| | Average annual total returns (%) | | | | | | | Since inception (06/14/2012) | Expense ratio ⁸ (net/gross) | Expense limit expiration date |
|---|----------------------------------|--------|--------|--------|--------|---------|-------|------------------------------|--|-------------------------------|
| | 3-month | YTD | 1-year | 3-year | 5-year | 10-year | | | | |
| Class I ^{4,5} | -20.30 | -30.47 | -25.55 | 8.89 | 13.68 | 14.30 | 14.59 | 0.66/0.69 | 12/30/2022 | |
| Russell 1000 [®] Growth Index ^{6,7} | -20.92 | -28.07 | -18.77 | 12.58 | 14.29 | 14.80 | — | — | — | |
| Morningstar Category Average – Large Growth | -20.82 | -29.12 | -23.86 | 8.10 | 11.01 | 12.51 | — | — | — | |

Principal MidCap Fund (PCBIX)

| | Average annual total returns (%) | | | | | | | Since inception (03/01/2001) | Expense ratio ⁸ (net/gross) | Expense limit expiration date |
|--|----------------------------------|--------|--------|--------|--------|---------|-------|------------------------------|--|-------------------------------|
| | 3-month | YTD | 1-year | 3-year | 5-year | 10-year | | | | |
| Class I ^{4,5} | -16.92 | -26.57 | -18.63 | 6.06 | 10.01 | 12.92 | 10.41 | 0.67/0.67 | — | |
| Russell Midcap [®] Index ^{6,7} | -16.85 | -21.57 | -17.30 | 6.59 | 7.96 | 11.29 | — | — | — | |
| Morningstar Category Average – Mid Cap Growth | -20.56 | -30.28 | -28.58 | 5.04 | 8.69 | 10.82 | — | — | — | |

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 principalfunds.com.



Want to learn more about the owner-operator led companies of the Principal Blue Chip Fund? **Contact your Principal representative and visit principalfunds.com/bluechip.**

¹Von Liliensfeld-Toal, Ulf and Stefan Ruenzi. (2014). "CEO Ownership, Stock Market Performance, and Managerial Discretion." The Journal of Finance. Pages 1, 3, 34, 36. Print.

²Zook, Chris. (2016). "Founder-Led Companies Outperform the Rest — Here's Why." Harvard Business Review. Retrieved from: <https://hbr.org/2016/03/founder-led-companies-outperform-the-rest-heres-why>.

³Thorndike, William. (2012). The Outsiders – Eight Unconventional CEOs and Their Radically Rational Blueprint for Success. Boston: Harvard Business Review.

⁴Performance assumes reinvestment of all dividends and capital gains.

⁵These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. For time periods prior to inception date of the fund, predecessor performance is reflected. Please see the fund's prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

⁶Russell 1000[®] Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap[®] Index is a market capitalization weighted index that represents the smallest 800 companies in the Russell 1000[®] Index.

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

⁸The 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.

Carefully consider a fund's objectives, risks, charges, and expenses. Contact your financial professional or visit principalfunds.com for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.

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Investing involves risk, including possible loss of principal. Small and mid-cap stocks may have additional risks including greater price volatility.

Morningstar ratings for specific time periods as of 6/30/2022 are as follows: Principal Blue Chip Fund I-share: 3-year: 3 stars/1,138 funds, 5-year: 4 stars/1,052 funds, 10-year: 4 stars/787 funds.

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

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

Past performance does not guarantee future results.

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.

The Principal Blue Chip Fund received a Silver rating by Morningstar analysts. Rating for Principal Blue Chip Fund Institutional Class as of November 26, 2021.

The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries (“Manager Research Group”). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five-pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark over the long term on a risk adjusted basis. They consider quantitative and qualitative factors in their research. For actively managed strategies, people and process each receive a 45% weighting in their analysis, while parent receives a 10% weighting. For passive strategies, process receives an 80% weighting, while people and parent each receive a 10% weighting. For both active and passive strategies, performance has no explicit weight as it is incorporated into the analysis of people and process; price at the share-class level (where applicable) is directly subtracted from an expected gross alpha estimate derived from the analysis of the other pillars. The impact of the weighted pillar scores for people, process 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.

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