

Principal® Funds													
Name	Dividend Per Share	NAV	Subsidized 30 Day SEC Yield @NAV	Subsidized 30 Day SEC Yield @MOP	Unsubsidized 30 Day SEC Yield @NAV	Unsubsidized 30 Day Gross SEC Yield @MOP	12-Month Distribution Yield @NAV	Less than \$50,000	\$50,000 but less than \$100,000	\$100,000 but less than \$250,000	\$250,000 but less than \$500,000	\$500,000 but less than \$1,000,000	\$1,000,000 or more
<b>FIXED INCOME</b>													
Principal Preferred Securities Fund Class A	0.0545	9.42	6.42	6.18	6.42	6.18	6.17	5.94	5.94	6.00	6.07	6.17	6.17
Principal Preferred Securities Fund Class C	0.0497	9.42	5.64		5.64		5.42						
Principal Preferred Securities Fund Class J	0.0525	9.26	6.12		5.97		6.07						
Principal Preferred Securities Fund Class P	0.0556	9.37	6.59		6.59		6.55						
Principal Preferred Securities Fund Institutional	0.0564	9.38	6.73		6.73		6.57						
<b>SPECIALTY</b>													
Principal Global Diversified Income Fund Class A	0.0915	12.86	6.26	6.03	6.26	6.03	5.50	5.29	5.29	5.35	5.42	5.50	5.50
Principal Global Diversified Income Fund Class C	0.0857	12.81	5.55		5.55		4.82						
Principal Global Diversified Income Fund Class P	0.0945	12.81	6.63		6.63		5.87						
Principal Global Diversified Income Fund Institutional	0.0945	12.82	6.62		6.62		5.88						
<b>ASSET ALLOCATION - TARGET RISK</b>													
Principal SAM Flexible Income Portfolio Class A	0.0724	11.23	3.74	3.60	3.74	3.60	3.40	3.27	3.27	3.30	3.35	3.40	3.40
Principal SAM Flexible Income Portfolio Class B	0.0637	11.23	2.80		2.80		2.51						
Principal SAM Flexible Income Portfolio Class C	0.0655	11.14	2.98		2.98		2.66						
Principal SAM Flexible Income Portfolio Class J	0.0721	11.16	3.72		3.72		3.37						
Name	Dividend Per Share	NAV	Subsidized 30 Day SEC Yield @NAV	Subsidized 30 Day SEC Yield @MOP	Unsubsidized 30 Day SEC Yield @NAV	Unsubsidized 30 Day Gross SEC Yield @MOP	30-Day Distribution Yield @NAV	Less than \$50,000	\$50,000 but less than \$100,000	\$100,000 but less than \$250,000	\$250,000 but less than \$500,000	\$500,000 but less than \$1,000,000	\$1,000,000 or more
<b>SPECIALTY</b>													
Principal Global Diversified Income Fund Class A	0.0915	12.86	6.26	6.03	6.26	6.03	8.66	8.33	8.33	8.42	8.53	8.66	8.66
Principal Global Diversified Income Fund Class C	0.0857	12.81	5.55		5.55		8.14						
Principal Global Diversified Income Fund Class P	0.0945	12.81	6.63		6.63		8.98						
Principal Global Diversified Income Fund Institutional	0.0945	12.82	6.62		6.62		8.97						
<b>FIXED INCOME</b>													
Principal Bond & Mortgage Securities Fund Class A	0.031910108	10.66	2.97	2.85	2.88	2.77	3.31	3.19	3.19	3.22	3.26	3.31	3.31
Principal Bond & Mortgage Securities Fund Class B	0.025568930	10.69	2.32		1.55		2.64						
Principal Bond & Mortgage Securities Fund Class C	0.024173719	10.66	2.16		1.96		2.51						
Principal Bond & Mortgage Securities Fund Class J	0.031405229	10.72	2.92		2.73		3.24						
Principal California Municipal Fund Class A	0.039335138	9.90	4.34	4.18	4.34	4.18	4.40	4.23	4.23	4.27	4.33	4.40	4.40
Principal California Municipal Fund Class B	0.030070191	9.90	3.31		2.71		3.36						
Principal California Municipal Fund Class C	0.030665544	9.92	3.37		3.37		3.42						
Principal Government & High Quality Bond Fund Class A	0.038494432	11.29	3.15	3.07	3.05	2.98	3.77	3.69	3.69	3.70	3.72	3.77	3.77
Principal Government & High Quality Bond Fund Class B	0.030075779	11.28	2.32		1.88		2.95						
Principal Government & High Quality Bond Fund Class C	0.030225680	11.27	2.34		2.33		2.97						
Principal Government & High Quality Bond Fund Class J	0.038649971	11.30	2.96		2.77		3.59						
Principal Government & High Quality Bond Fund Class P	0.040189628	11.31	3.31		3.31		3.93						
Principal Government & High Quality Bond Fund Institutional	0.041654300	11.29	3.45		3.45		4.08						
Principal High Yield Fund Class A	0.059278667	7.39	7.16	6.89	7.16	6.89	9.01	8.67	8.67	8.76	8.87	9.01	9.01
Principal High Yield Fund Class B	0.053673764	7.42	6.28		6.28		8.14						
Principal High Yield Fund Class C	0.054510628	7.44	6.42		6.42		8.24						
Principal High Yield Fund Class P	0.061857054	7.39	7.54		7.54		9.40						
Principal High Yield Fund Institutional	0.061894140	7.35	7.61		7.59		9.45						
Principal Income Fund Class A	0.040886623	9.50	3.95	3.86	3.95	3.86	4.76	4.65	4.65	4.68	4.69	4.76	4.76
Principal Income Fund Class B	0.032424374	9.53	2.97		2.91		3.76						
Principal Income Fund Class C	0.034359395	9.54	3.19		3.19		3.98						
Principal Income Fund Class J	0.039266408	9.51	3.76		3.60		4.57						
Principal Income Fund Class P	0.042660731	9.51	4.15		4.15		4.96						
Principal Income Fund Institutional	0.044247308	9.52	4.33		4.33		5.14						
Principal Inflation Protection Fund Class A	0.000000022	8.73	-2.52	-2.43	-2.52	-2.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Principal Inflation Protection Fund Class C	0.000000022	8.63	-3.30		-3.47		0.00						
Principal Inflation Protection Fund Class J	0.000000022	8.59	-2.63		-2.78		0.00						
Principal Tax-Exempt Bond Fund Class A	0.028117096	7.22	3.67	3.53	3.67	3.53	4.31	4.15	4.15	4.19	4.24	4.31	4.31
Principal Tax-Exempt Bond Fund Class B	0.022813070	7.22	2.86		2.04		3.50						
Principal Tax-Exempt Bond Fund Class C	0.022782547	7.24	2.85		2.61		3.48						
<b>SHORT-TERM FIXED INCOME</b>													
Principal Short-Term Income Fund Class A	0.022297591	11.90	1.88	1.83	1.88	1.83	2.07	2.03	2.03	2.04	2.05	2.07	2.07
Principal Short-Term Income Fund Class C	0.013507649	11.91	1.07		1.07		1.26						
Principal Short-Term Income Fund Class J	0.019809358	11.90	1.65		1.49		1.84						
Principal Short-Term Income Fund Class P	0.024939660	11.90	2.14		2.14		2.32						
Principal Short-Term Income Fund Institutional	0.025565417	11.90	2.18		2.18		2.38						

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<b>ASSET ALLOCATION - TARGET RISK</b>													
Principal SAM Balanced Portfolio Class A	0.1232	12.54	2.38	2.25	2.38	2.25	3.90	3.68	3.71	3.75	3.78	3.82	3.90
Principal SAM Balanced Portfolio Class B	0.0958	12.53	1.50		1.50		3.03						
Principal SAM Balanced Portfolio Class C	0.1007	12.42	1.65		1.65		3.22						
Principal SAM Balanced Portfolio Class J	0.1233	12.23	2.36		2.22		4.00						
Principal SAM Conservative Balanced Portfolio Class A	0.1045	10.41	3.02	2.85	3.02	2.85	3.98	3.76	3.79	3.83	3.86	3.90	3.98
Principal SAM Conservative Balanced Portfolio Class B	0.0805	10.41	2.12		2.12		3.07						
Principal SAM Conservative Balanced Portfolio Class C	0.0850	10.33	2.26		2.26		3.26						
Principal SAM Conservative Balanced Portfolio Class J	0.1041	10.31	2.99		2.84		4.01						
Principal SAM Conservative Growth Portfolio Class A	0.1999	13.25	1.60	1.51	1.60	1.51	1.51	1.43	1.44	1.45	1.46	1.48	1.51
Principal SAM Conservative Growth Portfolio Class B	0.0558	12.84	0.73		0.73		0.43						
Principal SAM Conservative Growth Portfolio Class C	0.0988	12.63	0.84		0.84		0.78						
Principal SAM Conservative Growth Portfolio Class J	0.2060	12.92	1.59		1.44		1.59						
Principal SAM Strategic Growth Portfolio Class A	0.1181	14.41	1.00	0.94	1.00	0.94	0.82	0.77	0.78	0.79	0.79	0.80	0.82
Principal SAM Strategic Growth Portfolio Class B	-	13.57	0.16		0.16		0.00						
Principal SAM Strategic Growth Portfolio Class C	0.0107	13.57	0.27		0.27		0.08						
Principal SAM Strategic Growth Portfolio Class J	0.1256	14.07	1.00		0.85		0.89						
<b>LARGE U.S. EQUITY</b>													
Principal Equity Income Fund Class A	0.1320	17.82	2.76	2.61	2.76	2.61	2.94	2.78	2.80	2.83	2.85	2.88	2.94
Principal Equity Income Fund Class B	0.0964	17.67	1.80		1.80		2.16						
Principal Equity Income Fund Class C	0.1041	17.47	2.04		2.04		2.36						
Principal Equity Income Fund Class P	0.1399	17.82	3.14		3.14		3.11						
Principal Equity Income Fund Institutional	0.1490	17.83	3.22		3.22		3.32						
<b>SMALL/MID U.S. EQUITY</b>													
Principal Real Estate Securities Fund Class A	0.0200	17.45	1.00	0.95	1.00	0.95	0.45	0.43	0.43	0.44	0.44	0.45	0.45
Principal Real Estate Securities Fund Class B	-	17.27	0.17		-0.34		0.00						
Principal Real Estate Securities Fund Class C	-	17.29	0.21		0.21		0.00						
Principal Real Estate Securities Fund Class J	0.0212	17.09	0.94		0.80		0.49						
Principal Real Estate Securities Fund Class P	0.0345	17.44	1.39		1.39		0.78						
Principal Real Estate Securities Fund Institutional	0.0391	17.45	1.49		1.49		0.89						
Principal Small-MidCap Dividend Income Fund Class A	0.1070	9.66	3.94	3.72	3.70	3.49	4.39	4.15	4.19	4.23	4.26	4.31	4.39
Principal Small-MidCap Dividend Income Fund Class P	0.1137	9.76	3.95		2.95		4.62						
Principal Small-MidCap Dividend Income Fund Institutional	0.1157	9.67	4.08		4.08		4.75						
<b>INTERNATIONAL EQUITY</b>													
Principal Global Real Estate Securities Fund Class A	0.0931	6.40	1.86	1.76	1.64	1.55	5.77	5.45	5.50	5.55	5.60	5.66	5.77
Principal Global Real Estate Securities Fund Class C	0.0833	6.28	1.13		0.54		5.26						
Principal Global Real Estate Securities Fund Class P	0.0993	6.74	2.26		1.33		5.85						
Principal Global Real Estate Securities Fund Institutional	0.1007	6.74	2.40		2.37		5.93						
<p><i>This material is not authorized for distribution unless preceded or accompanied by a current prospectus that includes more information regarding the risk factors, expenses, policies, and objectives of the investment. Contact your financial professional or call 800-222-5852 to obtain another copy of the prospectus. Read the prospectus carefully before investing.</i></p> <p><i>A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost.</i></p> <p><b>Important Note: When evaluating a fund's performance, total return provides the most complete measure and should be considered in addition to a fund's yield computation. This page must be accompanied by standardized performance.</b></p> <p>MOP=Maximum Offering Price (With Sales Charge) NAV=Net Asset Value (No Sales Charge)</p> <p><sup>1</sup> The 30-Day SEC Yield represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. It is calculated based on the standardized formula set forth by the SEC. It is designed to standardize the yield calculation so that all mutual fund companies with the same or similar portfolios use a uniform method to obtain yield figures. Unsubsidized yield reflects what the SEC yield would be if the investment company were not waiving a portion of the Fund's expense ratio. Subsidized yield would reflect a Fund's yield incorporating all expense ratios waivers.</p> <p><sup>2</sup> The Distribution Yield is calculated based on the income generated by an investment in the fund over the dividend declaration period (monthly, quarterly, etc.) and is expressed as an annual percentage rate.</p> <p><sup>3</sup> Certain components of the fund's current yield is adjusted monthly based on changes in the rate of inflation. This can cause the yield to vary from one month to the next and may not be repeated.</p> <p>Global Diversified Income Fund, Preferred Securities Fund, and SAM Flexible Income Portfolio distribution yields are calculated based on the income generated over a trailing 12-month period.</p> <p>Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc., member of the Principal Financial Group®, Principal Funds Distributor, Principal Shareholder Services, Principal Management Corporation, and Principal Funds, Inc. are</p> <p>It is important to consider all components of performance when evaluating whether an investment is appropriate for an investor. This report includes non-standardized citations of yield and needs to be accompanied by a current copy of the prospectus - <a href="https://www.principalfunds.com/investor/forms/prospectuses.htm">https://www.principalfunds.com/investor/forms/prospectuses.htm</a>. Hard copies or additional copies of the prospectus can be obtained through a financial professional or by calling 800-222-5852.</p> <p><b>Not FDIC or NCUA/NCUSIF Insured - May Lose Value - No Bank Guarantee - Not a deposit - Not insured by any federal government agency</b></p> <p>Tracking Number: t11051604ji</p>													

## Principal Funds – Pricing & Performance –

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Investors should carefully consider a 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 [principalfunds.com](http://principalfunds.com), or calling 800-222-5852. Read the prospectus carefully before investing.

Investment results shown represent historical performance and do not guarantee future results. Your mutual fund's returns and principal values will fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance shown.

A Shares - Maximum up-front sales charges may apply. See the prospectus for details. Equity Funds, 5.5% (except LargeCap S&P 500 Index Fund, 1.5%); SAM Portfolios, 5.5% (except SAM Flexible Income Portfolio, 3.75%); Principal LifeTime Funds, 5.5% (except Principal LifeTime Strategic Income Fund, 3.75%); Specialty Funds, 3.75%; Fixed-Income Funds, 3.75% (except Income, Short-Term Income, and Government & High Quality Bond, 2.25%); Municipal Funds, 4.5%. Money Market does not have an up-front sales charge.

Principal Funds Class B shares closed to new investors and new assets effective March 1, 2010.

B Shares -- A contingent deferred sales charge of 5%, which declines over 5 years (5–5–4–3–2–0%), may apply. See the prospectus for details

C Shares -- A contingent deferred sales charge of 1% may apply to redemptions made during the first 12 months. See the prospectus for details.

Principal Funds, Inc. Class J-share returns including sales charges assume the reinvestment of all distributions and reflect applicable fees and expenses. Class J-shares are subject to a maximum contingent deferred sales charge of 1.00% for the first 18 months following purchase.

Principal Management Corporation is the Investment Advisor of all funds included in the Principal Funds, Inc. Principal Management Corporation has selected sub-advisors, whom they oversee, to manage day-to-day investment decisions/operations.

In situations where the net and gross fund expense figures are different, the investment manager has contractually agreed to limit the investment option's expense. Differences may also be shown due to the investment manager choosing to pay certain expenses that would normally be payable by the fund. The gross fund expense figure does not reflect any waivers or caps on the mutual fund. Performance shown reflects the application of net expenses of the fund.

For Principal Funds J shares the Distributor has voluntarily agreed to waive .15% which limits the investment option's 12b-1 fees to .30% (with the exception of Principal Funds Money Market J Fund). These limits apply now but may be terminated at any time.

Not FDIC Insured

May Lose Value - Not a Deposit - No Bank Guarantee

Not Insured by any Federal Government Agency

For more performance information, including most recent month-end performance, visit [www.principal.com](http://www.principal.com) and click on Rates and Values.

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## Class A Shares

### Asset Allocation - Target Risk

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)				Fund Expenses		Contractual Cap / Waiver Expiration Date	
		NAV as of 12/30/2011	NAV as of 12/31/2011	NAV as of 12/31/2011				MOP as of 12/31/2011				Net Exp.	Gross Exp.			
		Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">SAM Flexible Income Portfolio (A)</a> ( SAUPX) <sup>17, 23, 41, 47</sup>	07/25/1996 07/25/1996	\$11.23 N/A	2.91	2.91	11.05	4.41	4.99	6.10	-0.95	9.64	3.62	4.60	5.84	1.29	1.29	N/A N/A
<a href="#">SAM Conservative Balanced Portfolio (A)</a> ( SAIPX) <sup>17, 23, 41, 47</sup>	07/25/1996 07/25/1996	\$10.41 N/A	1.71	1.71	11.34	3.65	5.01	4.95	-3.93	9.27	2.49	4.42	4.57	1.32	1.32	N/A N/A
<a href="#">SAM Balanced Portfolio (A)</a> ( SABPX) <sup>17, 23, 41, 47</sup>	07/25/1996 07/25/1996	\$12.54 N/A	0.54	0.54	12.15	2.37	4.60	6.72	-4.97	10.04	1.22	4.01	6.33	1.37	1.37	N/A N/A
<a href="#">SAM Conservative Growth Portfolio (A)</a> ( SAGPX) <sup>17, 23, 41, 47</sup>	07/25/1996 07/25/1996	\$13.25 N/A	-0.89	-0.89	12.42	0.66	3.84	6.47	-6.34	10.32	-0.47	3.26	6.08	1.41	1.41	N/A N/A
<a href="#">SAM Strategic Growth Portfolio (A)</a> ( SACAX) <sup>17, 41, 47</sup>	07/25/1996 07/25/1996	\$14.41 N/A	-2.30	-2.30	12.62	-0.51	3.18	6.57	-7.70	10.53	-1.63	2.59	6.18	1.48	1.48	N/A N/A

### Asset Allocation - Target Date

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)				Fund Expenses		Contractual Cap / Waiver Expiration Date	
		NAV as of 12/30/2011	NAV as of 12/31/2011	NAV as of 12/31/2011				MOP as of 12/31/2011				Net Exp.	Gross Exp.			
		Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Principal LifeTime 2010 Fund (A)</a> ( PENAX) <sup>13, 17, 23, 41, 46</sup>	06/28/2005 03/01/2001	\$11.09 N/A	0.84	0.84	12.54	0.43	3.81	3.51	-4.68	10.42	-0.71	3.22	2.97	1.08	1.20	02/29/2012 02/29/2012

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	NAV as of 12/30/2011	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Principal LifeTime 2020 Fund (A) (PTBAX)</a> <sup>13, 17, 23, 41, 46</sup>	06/28/2005 03/01/2001	\$11.33 N/A	-1.48	-1.48	12.69	-0.20	3.88	3.54	-6.88	10.59	-1.32	3.29	3.00	1.12	1.21	02/29/2012 02/29/2012	
<a href="#">Principal LifeTime 2030 Fund (A) (PTCAX)</a> <sup>13, 17, 23, 41, 46</sup>	06/28/2005 03/01/2001	\$11.10 N/A	-2.59	-2.59	12.92	-0.68	3.62	3.21	-7.97	10.83	-1.81	3.04	2.68	1.14	1.28	02/29/2012 02/29/2012	
<a href="#">Principal LifeTime 2040 Fund (A) (PTDAX)</a> <sup>13, 17, 23, 41, 46</sup>	06/28/2005 03/01/2001	\$11.01 N/A	-3.69	-3.69	12.73	-1.23	3.24	3.04	-9.01	10.63	-2.34	2.66	2.50	1.15	1.41	02/29/2012 02/29/2012	
<a href="#">Principal LifeTime 2050 Fund (A) (PPEAX)</a> <sup>13, 17, 23, 41, 46</sup>	06/28/2005 03/01/2001	\$10.69 N/A	-4.36	-4.36	12.68	-1.51	2.95	2.49	-9.61	10.59	-2.62	2.36	1.96	1.17	1.47	02/29/2012 02/29/2012	
<a href="#">Principal LifeTime Strategic Income Fund (A) (PALTX)</a> <sup>13, 17, 23, 41, 46</sup>	06/28/2005 03/01/2001	\$10.73 N/A	3.25	3.25	10.55	1.17	3.71	3.49	-0.67	9.14	0.39	3.31	3.12	1.00	1.15	02/29/2012 02/29/2012	

Large U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	NAV as of 12/30/2011	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Capital Appreciation Fund (A) (CMNWX)</a> <sup>20</sup>	11/24/1986 11/24/1986	\$37.70 N/A	-0.11	-0.11	14.05	1.35	4.85	11.86	-5.60	11.92	0.21	4.26	11.60	1.04	1.04	N/A N/A	
<a href="#">Equity Income Fund (A) (PQIAX)</a>	05/31/1939 05/31/1939	\$17.82 N/A	5.07	5.07	13.42	0.09	5.64	8.55	-0.69	11.30	-1.04	5.05	8.46	1.00	1.00	N/A N/A	
<a href="#">LargeCap Growth Fund (A) (PRGWX)</a> <sup>13</sup>	06/28/2005 12/06/2000	\$7.63 N/A	-4.86	-4.86	12.14	-0.37	1.72	-1.62	-10.13	10.08	-1.49	1.15	-2.12	1.35	1.35	N/A N/A	

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">LargeCap S&amp;P 500 Index Fund (A)</a> ( PLSAX) <sup>2, 7, 13</sup>	06/28/2005 12/06/2000	\$8.81 N/A	1.49	1.49	13.38	-0.89	2.16	0.51	0.02	12.78	-1.19	2.01	0.37	0.70	0.71	02/29/2012 02/29/2012	
<a href="#">LargeCap Value Fund (A)</a> ( PCACX) <sup>13</sup>	06/28/2005 12/06/2000	\$9.35 N/A	0.81	0.81	9.63	-3.30	2.67	1.95	-4.69	7.56	-4.39	2.09	1.44	1.03	1.03	N/A N/A	

### Small/Mid U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">MidCap Blend Fund (A)</a> ( PEMGX) <sup>1, 13</sup>	06/28/2005 12/06/2000	\$13.40 N/A	7.63	7.63	20.64	4.76	8.13	7.35	1.72	18.38	3.58	7.52	6.81	1.15	1.15	02/29/2012 02/29/2012	
<a href="#">Real Estate Securities Fund (A)</a> ( PRRAX) <sup>5, 13</sup>	06/28/2005 12/06/2000	\$17.45 N/A	8.70	8.70	19.96	-0.99	11.32	11.24	2.71	17.71	-2.10	10.69	10.67	1.45	1.45	02/29/2012 02/29/2012	
<a href="#">Small-MidCap Dividend Income Fund (A)</a> ( PMDAX) <sup>1</sup>	06/06/2011 06/06/2011	\$9.66 N/A	N/A	N/A	N/A	N/A	N/A	-1.09	N/A	N/A	N/A	N/A	-6.51	1.40	1.71	02/28/2013 02/28/2013	
<a href="#">SmallCap Blend Fund (A)</a> ( PLLAX) <sup>1, 13</sup>	06/28/2005 12/06/2000	\$13.98 N/A	-2.17	-2.17	13.39	-1.47	4.50	5.23	-7.54	11.26	-2.58	3.91	4.70	1.56	1.56	02/29/2012 02/29/2012	
<a href="#">SmallCap Growth Fund (A)</a> ( PMAAX) <sup>1, 13, 55</sup>	01/16/2007 12/06/2000	\$7.57 N/A	-4.18	-4.18	14.75	-1.69	0.74	0.37	-9.45	12.62	-2.80	0.18	-0.14	1.58	1.72	02/29/2012 02/29/2012	
<a href="#">SmallCap Value Fund (A)</a> ( PSUAX) <sup>1, 13, 54</sup>	06/28/2005 12/06/2000	\$14.68 N/A	-3.85	-3.85	8.75	-3.20	5.86	6.73	-9.14	6.72	-4.29	5.27	6.18	1.45	1.74	02/29/2012 02/29/2012	

### International Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Diversified International Fund (A) (PRWLX)</a> <sup>3, 13</sup>	06/28/2005 12/06/2000	\$8.89 N/A	-11.64	-11.64	8.04	-4.94	4.89	2.09	-16.49	6.03	-6.01	4.30	1.57	1.53	1.53	N/A N/A	
<a href="#">Global Real Estate Securities Fund (A) (POSAX)</a> <sup>3, 5, 24</sup>	10/01/2007 10/01/2007	\$6.40 N/A	-5.93	-5.93	15.84	N/A	N/A	-6.58	-11.15	13.67	N/A	N/A	-7.81	1.45	2.28	02/29/2012 02/29/2012	
<a href="#">International Emerging Markets Fund (A) (PRIAX)</a> <sup>3, 13, 25</sup>	06/28/2005 12/06/2000	\$21.93 N/A	-18.04	-18.04	17.42	0.66	13.10	11.23	-22.55	15.22	-0.47	12.46	10.66	1.85	1.85	N/A N/A	

### Specialty

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Diversified Real Asset Fund (A) (PRDAX)</a> <sup>43</sup>	03/16/2010 03/16/2010	\$11.21 N/A	0.41	0.41	N/A	N/A	N/A	8.53	-3.38	N/A	N/A	N/A	6.24	1.25	1.32	12/31/2012 12/31/2012	
<a href="#">Global Diversified Income Fund (A) (PGBAX)</a> <sup>29, 39</sup>	12/15/2008 12/15/2008	\$12.86 N/A	2.70	2.70	18.82	N/A	N/A	19.07	-1.18	17.33	N/A	N/A	17.58	1.16	1.16	02/29/2012 02/29/2012	
<a href="#">Global Multi-Strategy Fund (A) (PMSAX)</a> <sup>53</sup>	10/24/2011 10/24/2011	\$9.95 N/A	N/A	N/A	N/A	N/A	N/A	-0.50	N/A	N/A	N/A	N/A	-4.23	2.00	3.64	12/31/2012 12/31/2012	

### Fixed Income

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Bond &amp; Mortgage Securities Fund (A) (PRBDX)</a> <sup>13, 21, 23</sup>	06/28/2005 12/06/2000	\$10.66 N/A	6.28	6.28	12.08	4.29	4.39	4.71	2.33	10.66	3.51	4.00	4.35	0.94	1.04	02/29/2012 02/29/2012	
<a href="#">California Municipal Fund (A) (SRCMX)</a> <sup>19, 52</sup>	07/25/1989 07/25/1989	\$9.90 N/A	11.37	11.37	11.39	2.30	3.79	5.34	7.23	9.99	1.51	3.40	5.16	0.88	0.88	N/A N/A	
<a href="#">Government &amp; High Quality Bond Fund (A) (CMPGX)</a> <sup>21, 23, 38, 48</sup>	05/04/1984 05/04/1984	\$11.29 N/A	5.81	5.81	6.46	5.78	4.87	7.13	3.47	5.66	5.30	4.64	6.95	0.88	0.94	02/29/2012 02/29/2012	
<a href="#">High Yield Fund (A) (CPHYX)</a> <sup>4, 21, 23</sup>	04/08/1998 04/08/1998	\$7.39 N/A	3.64	3.64	18.71	6.82	9.64	7.68	-0.24	17.24	6.01	9.22	7.38	0.94	0.94	N/A N/A	
<a href="#">Income Fund (A) (CMPIX)</a> <sup>21, 23</sup>	12/15/1975 12/15/1975	\$9.50 N/A	5.58	5.58	11.33	6.69	6.23	8.01	3.18	10.48	6.20	5.99	7.87	0.91	0.91	N/A N/A	
<a href="#">Inflation Protection Fund (A) (PITAX)</a> <sup>13, 21, 23, 28</sup>	06/28/2005 12/29/2004	\$8.73 N/A	11.79	11.79	8.23	1.79	N/A	1.77	7.62	6.86	1.02	N/A	1.22	0.90	1.00	02/29/2012 02/29/2012	
<a href="#">Preferred Securities Fund (A) (PPSAX)</a> <sup>13, 21, 23</sup>	06/28/2005 05/01/2002	\$9.42 N/A	1.17	1.17	19.71	4.07	N/A	4.78	-2.67	18.22	3.27	N/A	4.37	1.10	1.10	N/A N/A	
<a href="#">Tax-Exempt Bond Fund (A) (PTEAX)</a> <sup>19, 52</sup>	01/03/1977 01/03/1977	\$7.22 N/A	11.03	11.03	10.80	3.66	4.54	5.55	6.80	9.39	2.87	4.14	5.41	0.90	0.90	02/29/2012 02/29/2012	

Short Term Fixed Income

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Money Market Fund (A) (PCSXX)</a> <sup>13, 30</sup>	06/28/2005 12/06/2000	\$1.00 N/A	0.00	0.00	0.06	1.51	1.63	1.82	0.00	0.06	1.51	1.63	1.82	0.55	0.55	N/A N/A	

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	<u>Prices &amp; YTD Returns</u>		<u>Average Annual Total Returns (%) NAV as of 12/31/2011</u>					<u>Average Annual Total Returns (%) MOP as of 12/31/2011</u>					<u>Fund Expenses</u>			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
7-Day Simple Yield as of 12/31/2011 is 0.00%																	
<a href="#">Short-Term Income Fund (A) (SRHQX)</a> <sup>21, 23, 45</sup>	11/01/1993 11/01/1993	\$11.90 N/A	1.03	1.03	5.41	3.86	3.67	4.36	-1.26	4.62	3.42	3.45	4.23	0.76	0.76	02/29/2012 02/29/2012	

## Class B Shares

### Asset Allocation - Target Risk

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	<u>Prices &amp; YTD Returns</u>		<u>Average Annual Total Returns (%) NAV as of 12/31/2011</u>					<u>Average Annual Total Returns (%) MOP as of 12/31/2011</u>					<u>Fund Expenses</u>			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">SAM Flexible Income Portfolio (B) (SBUPX)</a> <sup>17, 23, 41, 42, 47</sup>	07/25/1996 07/25/1996	\$11.23 N/A	2.01	2.01	10.15	3.59	4.35	5.69	-2.96	9.04	3.24	4.35	5.69	2.10	2.10	02/29/2012 02/29/2012	
<a href="#">SAM Conservative Balanced Portfolio (B) (SBIPX)</a> <sup>17, 23, 41, 42, 47</sup>	07/25/1996 07/25/1996	\$10.41 N/A	0.89	0.89	10.43	2.84	4.36	4.54	-4.04	9.32	2.51	4.36	4.54	2.14	2.14	02/29/2012 02/29/2012	
<a href="#">SAM Balanced Portfolio (B) (SBBPX)</a> <sup>17, 23, 41, 42, 47</sup>	07/25/1996 07/25/1996	\$12.53 N/A	-0.26	-0.26	11.25	1.57	3.95	6.30	-5.18	10.16	1.25	3.95	6.30	2.16	2.16	02/29/2012 02/29/2012	
<a href="#">SAM Conservative Growth Portfolio (B) (SBGPX)</a> <sup>17, 18, 23, 41, 42, 47</sup>	07/25/1996 07/25/1996	\$12.84 N/A	-1.71	-1.71	11.55	-0.14	3.20	6.04	-6.60	10.47	-0.46	3.20	6.04	2.21	2.21	02/29/2012 02/29/2012	
<a href="#">SAM Strategic Growth Portfolio (B) (SBCAX)</a> <sup>17, 41, 42, 47</sup>	07/25/1996 07/25/1996	\$13.57 N/A	-3.07	-3.07	11.75	-1.27	2.54	6.16	-7.92	10.68	-1.60	2.54	6.16	2.27	2.27	02/29/2012 02/29/2012	

### Asset Allocation - Target Date

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<a href="#">Principal LifeTime 2020 Fund (B) ( PLIBX)</a> <sup>13, 17, 23, 41, 42, 46</sup>	06/28/2005 03/01/2001	\$11.41 N/A	-2.22	-2.22	11.86	-0.94	3.10	2.76	-7.05	10.79	-1.29	3.10	2.76	1.87	2.15	02/29/2012 02/29/2012	
<a href="#">Principal LifeTime 2030 Fund (B) ( PTCBX)</a> <sup>13, 17, 23, 41, 42, 46</sup>	06/28/2005 03/01/2001	\$11.21 N/A	-3.36	-3.36	12.05	-1.39	2.87	2.46	-8.14	10.98	-1.74	2.87	2.46	1.89	2.23	02/29/2012 02/29/2012	
<a href="#">Principal LifeTime 2040 Fund (B) ( PTDBX)</a> <sup>13, 17, 23, 41, 42, 46</sup>	06/28/2005 03/01/2001	\$11.01 N/A	-4.39	-4.39	11.91	-1.94	2.49	2.29	-9.13	10.84	-2.29	2.49	2.29	1.90	2.36	02/29/2012 02/29/2012	
<a href="#">Principal LifeTime 2050 Fund (B) ( PLTFX)</a> <sup>13, 17, 23, 41, 42, 46</sup>	03/15/2006 03/01/2001	\$10.67 N/A	-5.08	-5.08	11.83	-2.26	2.60	2.19	-9.80	10.75	-2.61	2.60	2.19	1.92	3.03	02/29/2012 02/29/2012	
<a href="#">Principal LifeTime Strategic Income Fund (B) ( PLTSX)</a> <sup>13, 17, 23, 41, 42, 46</sup>	03/15/2006 03/01/2001	\$10.69 N/A	2.35	2.35	9.66	0.39	3.26	3.08	-2.65	8.54	0.05	3.26	3.08	1.75	4.10	02/29/2012 02/29/2012	

### Large U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<a href="#">Capital Appreciation Fund (B) ( CMNBX)</a> <sup>13, 20, 42</sup>	03/30/1994 11/24/1986	\$31.96 N/A	-1.02	-1.02	12.92	0.37	4.04	11.26	-5.90	11.86	0.03	4.04	11.26	1.99	2.07	02/29/2012 02/29/2012	

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Equity Income Fund (B) ( PQUBX)</a> <sup>13, 42</sup>	03/30/1994 05/31/1939	\$17.67 N/A	4.13	4.13	12.37	-0.80	4.89	7.74	-0.87	11.30	-1.14	4.89	7.74	1.94	1.94	02/29/2012 02/29/2012	
<a href="#">LargeCap Growth Fund (B) ( PRGBX)</a> <sup>13, 42</sup>	06/28/2005 12/06/2000	\$7.18 N/A	-5.77	-5.77	11.00	-1.34	0.83	-2.48	-10.49	9.91	-1.73	0.83	-2.48	2.25	2.42	02/29/2012 02/29/2012	
<a href="#">LargeCap Value Fund (B) ( PCCBX)</a> <sup>13, 42</sup>	06/28/2005 12/06/2000	\$9.35 N/A	-0.11	-0.11	8.27	-4.41	1.78	1.11	-5.10	7.12	-4.76	1.78	1.11	2.00	2.38	02/29/2012 02/29/2012	

### Small/Mid U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">MidCap Blend Fund (B) ( PRMBX)</a> <sup>1, 13, 42</sup>	06/28/2005 12/06/2000	\$13.03 N/A	6.65	6.65	19.42	3.93	7.62	6.89	1.65	18.48	3.61	7.62	6.89	2.09	2.18	02/29/2012 02/29/2012	
<a href="#">Real Estate Securities Fund (B) ( PRLEX)</a> <sup>5, 13, 42</sup>	06/28/2005 12/06/2000	\$17.27 N/A	7.80	7.80	19.00	-1.78	10.50	10.43	2.80	18.05	-2.07	10.50	10.43	2.20	2.58	02/29/2012 02/29/2012	
<a href="#">SmallCap Blend Fund (B) ( PLLBX)</a> <sup>1, 13, 42</sup>	06/28/2005 12/06/2000	\$13.10 N/A	-3.18	-3.18	12.18	-2.45	3.60	4.33	-8.02	11.11	-2.81	3.60	4.33	2.43	2.81	02/29/2012 02/29/2012	
<a href="#">SmallCap Growth Fund (B) ( PSCBX)</a> <sup>1, 13, 42, 55</sup>	01/16/2007 12/06/2000	\$7.23 N/A	-4.99	-4.99	13.85	-2.59	-0.34	-0.73	-9.74	12.81	-2.96	-0.34	-0.73	2.33	3.61	02/29/2012 02/29/2012	
<a href="#">SmallCap Value Fund (B) ( PSVBX)</a> <sup>1, 13, 14, 42, 54</sup>	06/28/2005 12/06/2000	\$14.13 N/A	-4.78	-4.78	7.73	-4.12	5.04	5.90	-9.55	6.57	-4.48	5.04	5.90	2.39	3.35	02/29/2012 02/29/2012	

### International Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses		
		NAV as of 12/30/2011	NAV as of 12/30/2011	NAV as of 12/31/2011				MOP as of 12/31/2011				Net Exp.	Gross Exp.	Contractual Cap / Waiver Expiration Date		
		Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept			
<a href="#">Diversified International Fund (B)</a> ( PRBWX) <sup>3, 13, 42</sup>	06/28/2005 12/06/2000	\$8.93 N/A	-12.54	-12.54	6.87	-5.93	4.10	1.35	-16.91	5.69	-6.26	4.10	1.35	2.47	2.68	02/29/2012 02/29/2012
<a href="#">International Emerging Markets Fund (B)</a> ( PIEBX) <sup>3, 13, 25, 42</sup>	06/28/2005 12/06/2000	\$20.93 N/A	-18.88	-18.88	16.20	-0.36	12.11	10.28	-22.93	15.20	-0.70	12.11	10.28	2.78	2.90	02/29/2012 02/29/2012

**Fixed Income**

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses		
		NAV as of 12/30/2011	NAV as of 12/30/2011	NAV as of 12/31/2011				MOP as of 12/31/2011				Net Exp.	Gross Exp.	Contractual Cap / Waiver Expiration Date		
		Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept			
<a href="#">Bond &amp; Mortgage Securities Fund (B)</a> ( PROBX) <sup>13, 21, 23, 42</sup>	06/28/2005 12/06/2000	\$10.69 N/A	5.66	5.66	11.45	3.66	3.79	4.12	0.66	10.36	3.31	3.79	4.12	1.60	2.15	02/29/2012 02/29/2012
<a href="#">California Municipal Fund (B)</a> ( SQCMX) <sup>13, 19, 42, 52</sup>	07/01/1994 07/25/1989	\$9.90 N/A	10.36	10.36	10.39	1.43	3.16	N/A	5.36	9.28	1.10	3.16	N/A	1.74	1.74	02/29/2012 02/29/2012
<a href="#">Government &amp; High Quality Bond Fund (B)</a> ( CBUGX) <sup>13, 21, 23, 38, 42</sup>	03/30/1994 05/04/1984	\$11.28 N/A	4.95	4.95	5.61	4.96	4.27	6.60	-0.05	4.40	4.63	4.27	6.60	1.65	1.83	02/29/2012 02/29/2012
<a href="#">High Yield Fund (B)</a> ( CBHYX) <sup>4, 13, 21, 23, 42</sup>	05/05/1998 04/08/1998	\$7.42 N/A	2.69	2.69	17.70	5.89	8.94	7.23	-1.94	16.73	5.62	8.94	7.23	1.74	1.74	02/29/2012 02/29/2012
<a href="#">Income Fund (B)</a> ( CMIBX) <sup>13, 21, 23, 42</sup>	03/30/1994 12/15/1975	\$9.53 N/A	4.53	4.53	10.43	5.85	5.61	7.48	-0.47	9.32	5.53	5.61	7.48	1.75	1.75	02/29/2012 02/29/2012
<a href="#">Tax-Exempt Bond Fund (B)</a> ( PTBBX) <sup>13, 19, 42</sup>	03/30/1994 01/03/1977	\$7.22 N/A	10.33	10.33	9.95	3.02	3.99	4.88	5.33	8.84	2.68	3.99	4.88	1.67	2.02	02/29/2012 02/29/2012

### Short Term Fixed Income

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<u>Money Market Fund</u> <u>(B)</u> (PMBXX) <sup>13, 30, 42</sup> 7-Day Simple Yield as of 12/31/2011 is 0.00%	06/28/2005 12/06/2000	\$1.00 N/A	0.00	0.00	0.00	1.09	1.21	1.44	-5.00	-1.35	0.71	1.21	1.44	1.56	1.64	02/29/2012 02/29/2012	

### Class C Shares

#### Asset Allocation - Target Risk

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<u>SAM Flexible Income Portfolio (C)</u> (SCUPX) <sup>13, 17, 23, 41, 47</sup>	03/01/2002 07/25/1996	\$11.14 N/A	2.07	2.07	10.22	3.64	4.20	5.26	1.08	10.22	3.64	4.20	5.26	2.04	2.04	N/A N/A	
<u>SAM Conservative Balanced Portfolio (C)</u> (SCIPX) <sup>13, 17, 23, 41, 47</sup>	03/01/2002 07/25/1996	\$10.33 N/A	0.96	0.96	10.52	2.90	4.23	4.16	-0.02	10.52	2.90	4.23	4.16	2.07	2.07	N/A N/A	
<u>SAM Balanced Portfolio (C)</u> (SCBPX) <sup>13, 17, 23, 41, 47</sup>	03/01/2002 07/25/1996	\$12.42 N/A	-0.20	-0.20	11.34	1.62	3.82	5.90	-1.18	11.34	1.62	3.82	5.90	2.11	2.11	N/A N/A	
<u>SAM Conservative Growth Portfolio (C)</u> (SCGPX) <sup>13, 17, 23, 41, 47</sup>	03/01/2002 07/25/1996	\$12.63 N/A	-1.56	-1.56	11.61	-0.09	3.07	5.63	-2.53	11.61	-0.09	3.07	5.63	2.17	2.17	N/A N/A	

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">SAM Strategic Growth Portfolio (C)</a> ( SWHCX) <small>13, 17, 41, 47</small>	03/01/2002 07/25/1996	\$13.57 N/A	-2.99	-2.99	11.82	-1.24	2.43	5.71	-3.96	11.82	-1.24	2.43	5.71	2.23	2.23	N/A N/A	

### Large U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Capital Appreciation Fund (C)</a> ( CMNCX) <small>13, 20</small>	03/01/2002 11/24/1986	\$32.01 N/A	-0.99	-0.99	12.95	0.39	3.90	10.87	-1.97	12.95	0.39	3.90	10.87	1.96	1.96	N/A N/A	
<a href="#">Equity Income Fund (C)</a> ( PEUCX) <small>13</small>	03/01/2002 05/31/1939	\$17.47 N/A	4.25	4.25	12.58	-0.66	4.83	7.70	3.25	12.58	-0.66	4.83	7.70	1.73	1.73	N/A N/A	
<a href="#">LargeCap Growth Fund (C)</a> ( PLGCX) <small>13</small>	01/16/2007 12/06/2000	\$7.34 N/A	-5.78	-5.78	11.26	-1.17	0.86	-2.46	-6.72	11.26	-1.17	0.86	-2.46	2.08	2.08	N/A N/A	
<a href="#">LargeCap S&amp;P 500 Index Fund (C)</a> ( PLICX) <small>2, 7, 13</small>	01/16/2007 12/06/2000	\$8.75 N/A	0.95	0.95	12.63	-1.57	1.53	-0.10	-0.05	12.63	-1.57	1.53	-0.10	1.30	1.84	02/29/2012 02/29/2012	
<a href="#">LargeCap Value Fund (C)</a> ( PLUCX) <small>13</small>	01/16/2007 12/06/2000	\$9.28 N/A	0.11	0.11	8.89	-3.93	1.96	1.25	-0.89	8.89	-3.93	1.96	1.25	1.70	3.02	02/29/2012 02/29/2012	

### Small/Mid U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	<u>Prices &amp; YTD Returns</u>		<u>Average Annual Total Returns (%) NAV as of 12/31/2011</u>					<u>Average Annual Total Returns (%) MOP as of 12/31/2011</u>					<u>Fund Expenses</u>			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">MidCap Blend Fund (C) (PMBCX)</a> <sup>1, 13</sup>	01/16/2007 12/06/2000	\$12.89 N/A	6.80	6.80	19.68	3.90	7.26	6.50	5.80	19.68	3.90	7.26	6.50	1.95	2.01	02/29/2012 02/29/2012	
<a href="#">Real Estate Securities Fund (C) (PRCEX)</a> <sup>5, 13</sup>	01/16/2007 12/06/2000	\$17.29 N/A	7.86	7.86	19.07	-1.68	10.68	10.62	6.86	19.07	-1.68	10.68	10.62	2.20	2.32	02/29/2012 02/29/2012	
<a href="#">SmallCap Blend Fund (C) (PSMCX)</a> <sup>1, 13</sup>	01/16/2007 12/06/2000	\$13.51 N/A	-2.95	-2.95	12.65	-2.14	3.74	4.46	-3.92	12.65	-2.14	3.74	4.46	2.25	3.72	02/29/2012 02/29/2012	
<a href="#">SmallCap Growth Fund (C) (PSOWX)</a> <sup>1, 13, 55</sup>	01/16/2007 12/06/2000	\$7.34 N/A	-4.80	-4.80	14.11	-2.29	-0.01	-0.40	-5.75	14.11	-2.29	-0.01	-0.40	2.21	3.29	02/29/2012 02/29/2012	
<a href="#">SmallCap Value Fund (C) (PSUCX)</a> <sup>1, 13, 54</sup>	01/16/2007 12/06/2000	\$14.37 N/A	-4.58	-4.58	7.96	-3.91	5.26	6.13	-5.54	7.96	-3.91	5.26	6.13	2.18	2.96	02/29/2012 02/29/2012	

### International Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	<u>Prices &amp; YTD Returns</u>		<u>Average Annual Total Returns (%) NAV as of 12/31/2011</u>					<u>Average Annual Total Returns (%) MOP as of 12/31/2011</u>					<u>Fund Expenses</u>			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Diversified International Fund (C) (PDNCX)</a> <sup>3, 13</sup>	01/16/2007 12/06/2000	\$8.92 N/A	-12.26	-12.26	7.40	-5.54	4.23	1.45	-13.13	7.40	-5.54	4.23	1.45	2.08	2.43	02/29/2012 02/29/2012	
<a href="#">Global Real Estate Securities Fund (C) (POSCX)</a> <sup>3, 5</sup>	10/01/2007 10/01/2007	\$6.28 N/A	-6.62	-6.62	14.95	N/A	N/A	-7.45	-7.54	14.95	N/A	N/A	-7.45	2.20	3.77	02/29/2012 02/29/2012	
<a href="#">International Emerging Markets Fund (C) (PMKCX)</a> <sup>3, 13, 25</sup>	01/16/2007 12/06/2000	\$21.35 N/A	-18.79	-18.79	16.36	-0.22	12.21	10.36	-19.60	16.36	-0.22	12.21	10.36	2.79	2.79	02/29/2012 02/29/2012	

### Specialty

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	NAV as of 12/30/2011	NAV as of 12/31/2011				MOP as of 12/31/2011				Net Exp.	Gross Exp.				
		Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept				
<a href="#">Diversified Real Asset Fund (C)</a> ( PRDCX) <sup>43</sup>	03/16/2010 03/16/2010	\$11.12 N/A	-0.25	-0.25	N/A	N/A	N/A	7.82	-1.22	N/A	N/A	N/A	7.82	2.00	2.18		12/31/2012 12/31/2012
<a href="#">Global Diversified Income Fund (C)</a> ( PGDCX) <sup>29, 39</sup>	12/15/2008 12/15/2008	\$12.81 N/A	1.94	1.94	17.95	N/A	N/A	18.17	0.97	17.95	N/A	N/A	18.17	1.92	1.92		02/29/2012 02/29/2012

**Fixed Income**

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	NAV as of 12/30/2011	NAV as of 12/31/2011				MOP as of 12/31/2011				Net Exp.	Gross Exp.				
		Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept				
<a href="#">Bond &amp; Mortgage Securities Fund (C)</a> ( P BMCX) <sup>13, 21, 23</sup>	01/16/2007 12/06/2000	\$10.66 N/A	5.42	5.42	11.18	3.44	3.61	3.93	4.42	11.18	3.44	3.61	3.93	1.75	2.12		02/29/2012 02/29/2012
<a href="#">California Municipal Fund (C)</a> ( SRCCX) <sup>13, 19, 52</sup>	03/01/2002 07/25/1989	\$9.92 N/A	10.39	10.39	10.35	1.40	2.95	4.59	9.39	10.35	1.40	2.95	4.59	1.79	1.79		N/A N/A
<a href="#">Government &amp; High Quality Bond Fund (C)</a> ( CCUGX) <sup>13, 21, 23, 38</sup>	03/01/2002 05/04/1984	\$11.27 N/A	4.87	4.87	5.63	4.98	4.10	6.43	3.87	5.63	4.98	4.10	6.43	1.63	1.66		02/29/2012 02/29/2012
<a href="#">High Yield Fund (C)</a> ( CCHIX) <sup>4, 13, 21, 23</sup>	03/01/2002 04/08/1998	\$7.44 N/A	2.88	2.88	17.86	6.00	8.82	6.82	1.95	17.86	6.00	8.82	6.82	1.67	1.67		N/A N/A
<a href="#">Income Fund (C)</a> ( CNMCX) <sup>13, 21, 23</sup>	03/01/2002 12/15/1975	\$9.54 N/A	4.63	4.63	10.52	5.91	5.45	7.37	3.63	10.52	5.91	5.45	7.37	1.69	1.69		N/A N/A
<a href="#">Inflation Protection Fund (C)</a> ( PPOCX) <sup>13, 21, 23, 28</sup>	01/16/2007 12/29/2004	\$8.63 N/A	10.84	10.84	7.30	0.97	N/A	0.97	9.84	7.30	0.97	N/A	0.97	1.65	2.44		02/29/2012 02/29/2012
<a href="#">Preferred Securities Fund (C)</a> ( PRFCX) <sup>13, 21, 23</sup>	01/16/2007 05/01/2002	\$9.42 N/A	0.56	0.56	18.86	3.31	N/A	4.14	-0.39	18.86	3.31	N/A	4.14	1.85	1.85		N/A N/A

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Tax-Exempt Bond Fund</a> <a href="#">(C) (PTBCX)</a> <sup>13, 19</sup>	03/01/2002 01/03/1977	\$7.24 N/A	10.29	10.29	10.01	2.85	3.74	4.69	9.29	10.01	2.85	3.74	4.69	1.67	1.95	02/29/2012 02/29/2012	

### Short Term Fixed Income

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Money Market Fund</a> <a href="#">(C) (PPCXX)</a> <sup>13, 30</sup> 7-Day Simple Yield as of 12/31/2011 is 0.00%	01/16/2007 12/06/2000	\$1.00 N/A	0.00	0.00	0.02	1.06	0.92	1.10	-1.00	0.02	1.06	0.92	1.10	1.69	1.69	02/29/2012 02/29/2012	
<a href="#">Short-Term Income Fund</a> <a href="#">(C) (STCCX)</a> <sup>13, 21, 23, 45</sup>	03/01/2002 11/01/1993	\$11.91 N/A	0.21	0.21	4.52	3.06	2.88	3.52	-0.78	4.52	3.06	2.88	3.52	1.64	1.64	02/29/2012 02/29/2012	

### Class J Shares

#### Asset Allocation - Target Risk

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">SAM Flexible Income Portfolio (J) ( PFIJX)</a> <sup>13, 17, 23, 41, 47</sup>	01/16/2007 07/25/1996	\$11.16 N/A	2.88	2.88	10.90	4.19	4.88	6.02	1.89	10.90	4.19	4.88	6.02	1.42	1.57	N/A N/A	
<a href="#">SAM Conservative Balanced Portfolio (J) ( PCBJX)</a> <sup>13, 17, 23, 41, 47</sup>	01/16/2007 07/25/1996	\$10.31 N/A	1.71	1.71	11.24	3.46	4.91	4.88	0.73	11.24	3.46	4.91	4.88	1.38	1.53	N/A N/A	
<a href="#">SAM Balanced Portfolio (J) ( PSAJX)</a> <sup>13, 17, 23, 41, 47</sup>	01/16/2007 07/25/1996	\$12.23 N/A	0.47	0.47	11.99	2.00	4.40	6.59	-0.51	11.99	2.00	4.40	6.59	1.43	1.58	N/A N/A	
<a href="#">SAM Conservative Growth Portfolio (J) ( PCGJX)</a> <sup>13, 17, 23, 41, 47</sup>	01/16/2007 07/25/1996	\$12.92 N/A	-0.86	-0.86	12.31	0.48	3.75	6.40	-1.84	12.31	0.48	3.75	6.40	1.46	1.61	N/A N/A	
<a href="#">SAM Strategic Growth Portfolio (J) ( PSWJX)</a> <sup>13, 17, 41, 47</sup>	01/16/2007 07/25/1996	\$14.07 N/A	-2.30	-2.30	12.54	-0.65	3.11	6.52	-3.27	12.54	-0.65	3.11	6.52	1.51	1.66	N/A N/A	

Asset Allocation - Target Date

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Principal LifeTime 2010 Fund (J) ( PTAJX)</a> <sup>13, 17, 23, 41, 46</sup>	06/15/2001 03/01/2001	\$10.99 N/A	0.79	0.79	12.45	0.34	3.94	3.64	-0.19	12.45	0.34	3.94	3.64	1.07	1.22	N/A N/A	
<a href="#">Principal LifeTime 2020 Fund (J) ( PLFJX)</a> <sup>13, 17, 23, 41, 46</sup>	06/15/2001 03/01/2001	\$11.23 N/A	-1.47	-1.47	12.64	-0.26	4.05	3.72	-2.43	12.64	-0.26	4.05	3.72	1.11	1.26	N/A N/A	

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Principal LifeTime 2030 Fund (J) (PLTJX)</a> <sup>13, 17, 23, 41, 46</sup>	06/15/2001 03/01/2001	\$11.05 N/A	-2.51	-2.51	12.87	-0.75	3.76	3.37	-3.47	12.87	-0.75	3.76	3.37	1.16	1.31	N/A N/A	
<a href="#">Principal LifeTime 2040 Fund (J) (PTDJX)</a> <sup>13, 17, 23, 41, 46</sup>	06/15/2001 03/01/2001	\$11.09 N/A	-3.71	-3.71	12.60	-1.33	3.27	3.11	-4.65	12.60	-1.33	3.27	3.11	1.22	1.37	N/A N/A	
<a href="#">Principal LifeTime 2050 Fund (J) (PFLJX)</a> <sup>13, 17, 23, 41, 46</sup>	06/15/2001 03/01/2001	\$10.44 N/A	-4.49	-4.49	12.40	-1.77	2.87	2.47	-5.43	12.40	-1.77	2.87	2.47	1.35	1.50	N/A N/A	
<a href="#">Principal LifeTime Strategic Income Fund (J) (PLSJX)</a> <sup>13, 17, 23, 41, 46</sup>	06/15/2001 03/01/2001	\$10.61 N/A	3.17	3.17	10.41	1.05	3.76	3.56	2.17	10.41	1.05	3.76	3.56	1.02	1.17	N/A N/A	

Large U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">LargeCap Blend Fund II (J) (PLBJX)</a> <sup>13, 34, 40</sup>	03/01/2001 12/06/2000	\$9.16 N/A	-0.97	-0.97	12.93	-0.91	2.47	1.64	-1.95	12.93	-0.91	2.47	1.64	1.19	1.36	02/29/2012 02/29/2012	
<a href="#">LargeCap Growth Fund (J) (PGLJX)</a> <sup>13</sup>	03/01/2001 12/06/2000	\$7.30 N/A	-4.82	-4.82	12.19	-0.39	1.18	-2.12	-5.78	12.19	-0.39	1.18	-2.12	1.18	1.33	N/A N/A	
<a href="#">LargeCap Growth Fund I (J) (PLGJX)</a> <sup>13, 31, 34, 36</sup>	03/01/2001 12/06/2000	\$7.98 N/A	-0.86	-0.86	21.27	2.52	1.91	-0.32	-1.81	21.27	2.52	1.91	-0.32	1.24	1.41	02/29/2012 02/29/2012	
<a href="#">LargeCap Growth Fund II (J) (PPLJX)</a> <sup>13, 34, 37</sup>	03/01/2001 12/06/2000	\$6.86 N/A	0.47	0.47	14.72	1.82	1.92	-0.67	-0.44	14.72	1.82	1.92	-0.67	1.49	1.65	02/29/2012 02/29/2012	
<a href="#">LargeCap S&amp;P 500 Index Fund (J) (PSPJX)</a> <sup>2, 7, 13</sup>	03/01/2001 12/06/2000	\$8.73 N/A	1.58	1.58	13.38	-0.91	2.04	0.37	0.58	13.38	-0.91	2.04	0.37	0.61	0.76	N/A N/A	

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	NAV as of 12/30/2011	NAV as of 12/31/2011				MOP as of 12/31/2011				Net Exp.	Gross Exp.				
		Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<a href="#">LargeCap Value Fund (J) (PVLJX)</a> <sup>13</sup>	03/01/2001 12/06/2000	\$9.23 N/A	0.94	0.94	9.60	-3.36	2.41	1.69	-0.06	9.60	-3.36	2.41	1.69	1.00	1.15	N/A N/A	
<a href="#">LargeCap Value Fund III (J) (PLVJX)</a> <sup>13, 16, 26, 34</sup>	03/01/2001 12/06/2000	\$9.62 N/A	-3.47	-3.47	8.67	-6.30	1.04	1.78	-4.42	8.67	-6.30	1.04	1.78	1.29	1.45	02/29/2012 02/29/2012	

### Small/Mid U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	NAV as of 12/30/2011	NAV as of 12/31/2011				MOP as of 12/31/2011				Net Exp.	Gross Exp.				
		Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<a href="#">MidCap Blend Fund (J) (PMBJX)</a> <sup>1, 13</sup>	03/01/2001 12/06/2000	\$12.95 N/A	7.60	7.60	20.53	4.62	7.86	7.08	6.60	20.53	4.62	7.86	7.08	1.14	1.29	N/A N/A	
<a href="#">MidCap Growth Fund (J) (PMGJX)</a> <sup>1, 13</sup>	03/01/2001 12/06/2000	\$5.85 N/A	-7.09	-7.09	14.54	2.40	0.81	-2.23	-7.89	14.54	2.40	0.81	-2.23	1.27	1.42	N/A N/A	
<a href="#">MidCap Growth Fund III (J) (PPQJX)</a> <sup>1, 13, 32, 34</sup>	03/01/2001 12/06/2000	\$9.31 N/A	-4.81	-4.81	20.28	1.95	3.63	-0.17	-5.76	20.28	1.95	3.63	-0.17	1.57	1.74	02/29/2012 02/29/2012	
<a href="#">MidCap S&amp;P 400 Index Fund (J) (PMFJX)</a> <sup>1, 2, 9, 13</sup>	03/01/2001 12/06/2000	\$12.86 N/A	-2.38	-2.38	18.56	2.49	5.93	5.48	-3.31	18.56	2.49	5.93	5.48	0.76	0.91	N/A N/A	
<a href="#">MidCap Value Fund I (J) (PVEJX)</a> <sup>1, 13, 34</sup>	03/02/2009 12/29/2003	\$12.41 N/A	-4.41	-4.41	16.16	0.37	N/A	6.34	-5.37	16.16	0.37	N/A	6.34	1.56	1.73	02/29/2012 02/29/2012	
<a href="#">MidCap Value Fund III (J) (PMCJX)</a> <sup>1, 13</sup>	03/01/2001 12/06/2000	\$11.98 N/A	1.93	1.93	16.50	-0.11	5.56	5.77	0.93	16.50	-0.11	5.56	5.77	1.15	1.31	02/29/2012 02/29/2012	
<a href="#">Real Estate Securities Fund (J) (PREJX)</a> <sup>5, 13</sup>	03/01/2001 12/06/2000	\$17.09 N/A	8.74	8.74	19.87	-1.13	11.08	11.00	7.74	19.87	-1.13	11.08	11.00	1.36	1.51	N/A N/A	
<a href="#">SmallCap Blend Fund (J) (PSBJX)</a> <sup>1, 13</sup>	03/01/2001 12/06/2000	\$13.50 N/A	-2.03	-2.03	13.64	-1.22	4.56	5.26	-3.01	13.64	-1.22	4.56	5.26	1.42	1.57	N/A N/A	

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	NAV as of 12/30/2011	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<a href="#">SmallCap Growth Fund (J) (PSGJX)</a> <sup>1, 13, 55</sup>	03/01/2001 12/06/2000	\$7.17 N/A	-4.02	-4.02	15.04	-1.53	0.66	0.28	-4.98	15.04	-1.53	0.66	0.28	1.34	1.49	N/A N/A	
<a href="#">SmallCap Growth Fund I (J) (PSIJX)</a> <sup>1, 13, 34</sup>	03/01/2001 12/06/2000	\$8.92 N/A	-0.12	-0.12	23.98	3.23	2.72	1.36	-1.06	23.98	3.23	2.72	1.36	1.90	2.07	02/29/2012 02/29/2012	
<a href="#">SmallCap Growth Fund II (J) (PPMIX)</a> <sup>1, 13, 34, 35</sup>	03/01/2001 12/06/2000	\$7.25 N/A	-4.86	-4.86	16.54	-0.99	2.52	-1.05	-5.81	16.54	-0.99	2.52	-1.05	1.58	1.89	02/29/2012 02/29/2012	
<a href="#">SmallCap S&amp;P 600 Index Fund (J) (PSSJX)</a> <sup>1, 2, 8, 13</sup>	03/01/2001 12/06/2000	\$15.24 N/A	0.19	0.19	16.00	1.12	6.01	6.57	-0.80	16.00	1.12	6.01	6.57	0.73	0.88	N/A N/A	
<a href="#">SmallCap Value Fund (J) (PSVJX)</a> <sup>1, 13, 54</sup>	03/01/2001 12/06/2000	\$14.20 N/A	-3.79	-3.79	8.73	-3.24	5.87	6.74	-4.75	8.73	-3.24	5.87	6.74	1.42	1.57	N/A N/A	
<a href="#">SmallCap Value Fund II (J) (PSMJX)</a> <sup>1, 13, 33, 34</sup>	03/02/2009 06/01/2004	\$8.97 N/A	-6.37	-6.37	15.78	-2.66	N/A	3.55	-7.30	15.78	-2.66	N/A	3.55	2.11	2.23	02/29/2012 02/29/2012	

### International Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%)					Average Annual Total Returns (%)					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	NAV as of 12/30/2011	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<a href="#">Diversified International Fund (J) (PIIJX)</a> <sup>3, 13</sup>	03/01/2001 12/06/2000	\$8.79 N/A	-11.64	-11.64	8.07	-4.98	4.71	1.91	-12.51	8.07	-4.98	4.71	1.91	1.43	1.58	N/A N/A	
<a href="#">International Emerging Markets Fund (J) (PIEJX)</a> <sup>3, 13, 25</sup>	03/01/2001 12/06/2000	\$21.16 N/A	-18.02	-18.02	17.47	0.69	12.99	11.12	-18.83	17.47	0.69	12.99	11.12	1.75	1.90	N/A N/A	

### Fixed Income

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses		Contractual Cap / Waiver Expiration Date	
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.		Gross Exp.
<a href="#">Bond &amp; Mortgage Securities Fund (J) (PBMJX)</a> <sup>13, 21, 23</sup>	03/01/2001 12/06/2000	\$10.72 N/A		6.31	6.31	11.93	4.15	4.17	4.48	5.31	11.93	4.15	4.17	4.48	1.00	1.15	N/A N/A
<a href="#">Bond Market Index Fund (J) (PBIJX)</a> <sup>2, 13, 21, 23</sup>	03/16/2010 12/30/2009	\$10.82 N/A		6.77	6.77	N/A	N/A	N/A	5.72	5.77	N/A	N/A	N/A	5.72	0.81	1.01	12/31/2012 12/31/2012
<a href="#">Government &amp; High Quality Bond Fund (J) (PMRJX)</a> <sup>13, 21, 23, 38</sup>	12/15/2008 05/04/1984	N/A N/A		5.62	5.62	6.28	5.63	4.77	7.09	4.62	6.28	5.63	4.77	7.09	1.00	1.20	02/29/2012 02/29/2012
<a href="#">Income Fund (J) (PIOJX)</a> <sup>13, 21, 23</sup>	09/30/2009 12/15/1975	\$9.51 N/A		5.26	5.26	11.07	6.45	6.03	7.93	4.26	11.07	6.45	6.03	7.93	1.10	1.75	02/29/2012 02/29/2012
<a href="#">Inflation Protection Fund (J) (PIPJX)</a> <sup>21, 23, 28</sup>	12/29/2004 12/29/2004	\$8.59 N/A		11.55	11.55	7.88	1.49	N/A	1.53	10.55	7.88	1.49	N/A	1.53	1.15	1.33	02/29/2012 02/29/2012
<a href="#">Preferred Securities Fund (J) (PPSJX)</a> <sup>13, 21, 23</sup>	12/29/2003 05/01/2002	\$9.26 N/A		0.99	0.99	19.35	3.67	N/A	4.41	0.04	19.35	3.67	N/A	4.41	1.26	1.46	12/31/2012 12/31/2012

**Short Term Fixed Income**

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses		Contractual Cap / Waiver Expiration Date	
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.		Gross Exp.
<a href="#">Money Market Fund (J) (PMJXX)</a> <sup>13, 22, 30</sup> 7-Day Simple Yield as of 12/31/2011 is 0.00%	03/01/2001 12/06/2000	\$1.00 N/A		0.00	0.00	0.02	1.33	1.36	1.54	-1.00	0.02	1.33	1.36	1.54	0.66	0.66	N/A N/A
<a href="#">Short-Term Income Fund (J) (PSJIX)</a> <sup>13, 21, 23</sup>	07/12/2010 11/01/1993	N/A N/A		0.86	0.86	5.16	3.66	3.46	4.12	-0.13	5.16	3.66	3.46	4.12	1.07	1.25	02/29/2012 02/29/2012

## Class P Shares

### Large U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<a href="#">Capital Appreciation Fund (P)</a> ( PCFPX) <sup>13, 20, 44</sup>	09/27/2010 11/24/1986	\$38.06 N/A	0.09	0.09	14.15	1.41	4.87	11.87	N/A	N/A	N/A	N/A	N/A	0.76	1.06	02/29/2012 02/29/2012	
<a href="#">Equity Income Fund (P)</a> ( PEQPX) <sup>13, 44</sup>	09/27/2010 05/31/1939	\$17.82 N/A	5.34	5.34	13.55	0.16	5.68	8.55	N/A	N/A	N/A	N/A	N/A	0.72	0.72	02/29/2012 02/29/2012	
<a href="#">LargeCap Growth Fund (P)</a> ( PGLPX) <sup>13, 44</sup>	09/27/2010 12/06/2000	\$7.80 N/A	-4.51	-4.51	12.75	-0.04	1.90	-1.47	N/A	N/A	N/A	N/A	N/A	0.83	0.97	02/29/2012 02/29/2012	

### Small/Mid U.S. Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.		
<a href="#">MidCap Blend Fund (P)</a> ( PMCPX) <sup>1, 13, 44</sup>	09/27/2010 12/06/2000	\$13.51 N/A	7.96	7.96	20.73	4.76	8.10	7.33	N/A	N/A	N/A	N/A	N/A	0.84	1.04	02/29/2012 02/29/2012	
<a href="#">Real Estate Securities Fund (P)</a> ( PIRPX) <sup>5, 13, 44</sup>	09/27/2010 12/06/2000	\$17.44 N/A	9.10	9.10	20.12	-0.96	11.40	11.32	N/A	N/A	N/A	N/A	N/A	1.03	1.75	02/29/2012 02/29/2012	
<a href="#">Small-MidCap Dividend Income Fund (P)</a> ( PMDPX) <sup>1, 49</sup>	06/06/2011 06/06/2011	\$9.76 N/A	N/A	N/A	N/A	N/A	N/A	0.06	N/A	N/A	N/A	N/A	N/A	1.06	1.46	02/28/2013 02/28/2013	

### International Equity

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses		Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	
<a href="#">Diversified International Fund (P) (PDIPX)</a> <sup>3, 13, 44</sup>	09/27/2010 12/06/2000	\$8.83 N/A	-11.37	-11.37	8.21	-4.88	4.92	2.12	N/A	N/A	N/A	N/A	N/A	1.08	3.43	02/29/2012 02/29/2012
<a href="#">Global Real Estate Securities Fund (P) (POSPX)</a> <sup>3, 5, 13, 44</sup>	12/29/2010 10/01/2007	\$6.74 N/A	-5.58	-5.58	17.99	N/A	N/A	-5.46	N/A	N/A	N/A	N/A	N/A	1.10	3.51	02/29/2012 02/29/2012
<a href="#">International Emerging Markets Fund (P) (PIEPX)</a> <sup>3, 13, 44</sup>	09/27/2010 12/06/2000	\$21.72 N/A	-17.71	-17.71	17.71	0.81	13.28	11.40	N/A	N/A	N/A	N/A	N/A	1.38	2.23	02/29/2012 02/29/2012

### Specialty

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	Prices & YTD Returns		Average Annual Total Returns (%) NAV as of 12/31/2011					Average Annual Total Returns (%) MOP as of 12/31/2011					Fund Expenses		Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	
<a href="#">Diversified Real Asset Fund (P) (PRDPX)</a> <sup>13, 43, 44</sup>	09/27/2010 03/16/2010	\$11.24 N/A	0.58	0.58	N/A	N/A	N/A	8.81	N/A	N/A	N/A	N/A	N/A	1.05	1.89	12/31/2012 12/31/2012
<a href="#">Global Diversified Income Fund (P) (PGDPX)</a> <sup>13, 29, 39, 44</sup>	09/27/2010 12/15/2008	\$12.81 N/A	2.98	2.98	18.84	N/A	N/A	19.07	N/A	N/A	N/A	N/A	N/A	0.99	1.07	02/29/2012 02/29/2012
<a href="#">Global Multi-Strategy Fund (P) (PMSPX)</a> <sup>44, 53</sup>	10/24/2011 10/24/2011	\$9.95 N/A	N/A	N/A	N/A	N/A	N/A	-0.50	N/A	N/A	N/A	N/A	N/A	1.80	3.39	12/31/2012 12/31/2012

### Fixed Income

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	<u>Prices &amp; YTD Returns</u>		<u>Average Annual Total Returns (%) NAV as of 12/31/2011</u>					<u>Average Annual Total Returns (%) MOP as of 12/31/2011</u>					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Government &amp; High Quality Bond Fund (P) (PGSPX)</a> <sup>13, 21, 23, 44</sup>	09/27/2010 05/04/1984	\$11.31 N/A	6.10	6.10	6.57	5.84	4.90	7.14	N/A	N/A	N/A	N/A	N/A	0.70	0.87	02/29/2012 02/29/2012	
<a href="#">High Yield Fund (P) (PYHPX)</a> <sup>4, 13, 21, 23, 44</sup>	09/27/2010 04/08/1998	\$7.39 N/A	4.22	4.22	19.01	6.98	9.72	7.74	N/A	N/A	N/A	N/A	N/A	0.65	0.65	02/29/2012 02/29/2012	
<a href="#">Income Fund (P) (PIMPX)</a> <sup>13, 21, 23, 44</sup>	09/27/2010 12/15/1975	\$9.51 N/A	5.67	5.67	11.38	6.72	6.24	8.02	N/A	N/A	N/A	N/A	N/A	0.70	0.95	02/29/2012 02/29/2012	
<a href="#">Preferred Securities Fund (P) (PPSPX)</a> <sup>13, 21, 23, 44</sup>	09/27/2010 05/01/2002	\$9.37 N/A	1.51	1.51	19.92	4.20	N/A	5.02	N/A	N/A	N/A	N/A	N/A	0.76	0.76	02/28/2013 02/28/2013	

### Short Term Fixed Income

Fund Name / Symbol	Incept. Date / Ext. Perf. Incept. Date	<u>Prices &amp; YTD Returns</u>		<u>Average Annual Total Returns (%) NAV as of 12/31/2011</u>					<u>Average Annual Total Returns (%) MOP as of 12/31/2011</u>					Fund Expenses			Contractual Cap / Waiver Expiration Date
		NAV as of 12/30/2011	Price / One Day Change	YTD %	1yr	3yr	5yr	10yr	Since Incept	1yr	3yr	5yr	10yr	Since Incept	Net Exp.	Gross Exp.	
<a href="#">Short-Term Income Fund (P) (PSTPX)</a> <sup>13, 21, 23, 44</sup>	09/27/2010 11/01/1993	\$11.90 N/A	1.27	1.27	5.50	3.92	3.70	4.38	N/A	N/A	N/A	N/A	N/A	0.63	0.64	02/29/2012 02/29/2012	

These investment options are not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency. Although the investment options seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the investment options.

This information must be accompanied by performance results for 1, 5, and 10 year/since inception time periods as of the most recent calendar quarter end.

See the Principal Funds, Inc. prospectus for the full name of each Fund.

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

Money Market investment options are not guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although these Funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money.

Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc., member of the Principal Financial Group®. Principal Funds Distributor, Principal Shareholder Services, Principal Management Corporation and its affiliates, and Principal Funds, Inc. are collectively referred to as Principal Funds.

**Price** - The price, or net asset value is the value of mutual fund shares determined by deducting the fund's liabilities from the total assets of the portfolio and dividing this amount by the number of shares outstanding. This cannot be relied upon as today's offering price.

**YTD at NAV %** - Measured from January 1, 2012 to the most recent established NAV date. Returns include the reinvestment of dividends and capital gains distributions at NAV.

**Average Annual Total Return at Maximum Offering Price (MOP)** - The highest price that may be charged for purchases of fund shares, including the maximum contingent deferred sales charge or the maximum front end sales charge, whichever is applicable. Returns include the reinvestment of dividends and capital gains distributions at NAV as of December 31, 2011.

Since Inception return represents Average Annual Total Return at Maximum Offering Price (MOP) from Extended Performance Inception Date to December 31, 2011.

**Contingent Deferred Sales Charge (CDSC)** - A deferred sales charge, which is paid at the time of redemption and generally decreases with the amount of time that fund shares are held before sale, ultimately declining to 0%. It is referred to as a contingent sales charge because of such declining schedule. The CDSC is also commonly called a back-end load. Performance displayed reflects the application of these charges.

The 7-Day Simple Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.

#### Footnotes:

1. Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.
2. Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.
3. International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.
4. High yield investment options are subject to greater credit risk associated with high yield bonds.
5. Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.
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13. These 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.
14. On August 2, 2005, the SmallCap Value Fund Class B Fund had a one-time gain from an as of shareholder transaction that resulted in an \$0.11 gain to the Fund. This resulted in a positive impact on the Fund's performance. If the gain were excluded, the returns shown here would be lower.
16. From March 1, 2006, to December 31, 2007, Bank of New York served as a sub-advisor for managing the cash portion of this investment option.
17. Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.
18. Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.
19. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. 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.
20. Small-cap and mid-cap stocks may have additional risks, including greater price volatility.
21. 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.
22. On July 29, 2004 the directors of Principal Funds, Inc. Capital Preservation Fund, in anticipation of converting to a money market fund, declared an income dividend to shareholders of \$.04 per share resulting in a one-time positive impact on investment performance figures.
23. Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.
24. On January 2, 2008, the Principal Funds, Inc. Global Real Estate Securities Fund experienced a one-time gain of \$0.05/share from an as of shareholder transaction which resulted in a positive impact on its performance and if the gain had been excluded, the return would be lower.
25. Instances of high double-digit returns were achieved primarily during favorable market conditions and may not be sustainable over time.
26. Effective July 15, 2008, Westwood Management Corp. was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
28. Effective December 31, 2008, this portfolio is sub-advised by BlackRock Financial Management, Inc. Prior to December 31, 2008, the portfolio was sub-advised by Principal Global Investors.

29. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Lower-rated securities are subject to additional credit and default risks. Risks associated with preferred securities differ from risks inherent with other investments. In particular, in the event of bankruptcy, a company's preferred securities are senior to common stock but subordinated to all other types of corporate debt. International investing involves increased risks due to currency fluctuations, political or social instability, and differences in accounting standards, these risks are magnified in emerging markets. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration.
30. Principal Management Corporation may voluntarily limit a certain portion of the fund's expenses collected from the Money Market Fund on a temporary basis. The Net Expense Ratio may be lower when expenses are limited.
31. This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.
32. Effective May 1, 2009, Jacobs Levy was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
33. Effective May 1, 2009, LA Capital was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
34. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.
35. Effective June 26, 2009, this portfolio is sub-advised by Emerald Advisors and Essex. Prior to June 26, 2009, the portfolio was sub-advised by UBS Global Asset Management, Emerald Advisors and Essex. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
36. Effective July 14, 2009, Brown Advisory was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
37. Effective July 14, 2009, Montag & Caldwell was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
38. Formerly known as Mortgage Securities Fund.
39. Effective September 16, 2009, Guggenheim was added as an additional sub-advisor. Effective September 23, 2009, Tortoise Capital Advisors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
40. Effective October 1, 2009, ClearBridge Advisors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
41. Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.
42. Principal Funds, Inc Class B share mutual funds will be closed to new investors and new assets effective March 1, 2010.
43. 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. or any other government entity. Concentrating investments in natural resources industries can be affected significantly by events relating to those industries, such as variations in the commodities markets, weather, disease, embargoes, international, political and economic

developments, the success of exploration projects, tax and other government regulations and other factors. Investment in derivatives entails specific risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration. An MLP that invests in a particular industry (e.g., oil and gas) may be harmed by detrimental economic events within that industry. As partnerships, MLPs may be subject to less regulation (and less protection for investors) under state laws than corporations. In addition, MLPs may be subject to state taxation in certain jurisdictions, which may reduce the amount of income paid by an MLP to its investors.

44. Class P shares are available only to certain investors. See the prospectus for more information.
45. The Short-Term Bond Fund merged into the Short-Term Income Fund effective July 23, 2010.
46. This Principal LifeTime Fund indirectly bears its pro rata share of the management fees incurred by the underlying Principal Funds in which this fund invests. Based on the asset allocation of the Principal LifeTime Funds outlined in the prospectus dated March 1, 2011, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.59%; Principal LifeTime 2010, 0.67%; Principal LifeTime 2020, 0.71%; Principal LifeTime 2030, 0.73%; Principal LifeTime 2040, 0.74%; Principal LifeTime 2050, 0.76%. While the operating expenses of the underlying mutual funds are not part of the Principal LifeTime Fund's operating expenses they are included in the Total Investment Expense. Performance results shown for the Principal LifeTime Fund reflect the application of these expenses.
47. This Principal Strategic Asset Management Portfolio (SAM) indirectly bears its pro rata share of the management fees incurred by the underlying Principal Funds in which this portfolio invests. Based on the asset allocation of the SAM Portfolio outlined in the prospectus dated March 1, 2011, the weighted average operating expenses of the underlying funds are: Flexible Income, 0.59%; Conservative Balanced, 0.62%; Balanced, 0.66%; Conservative Growth, 0.69%; Strategic Growth, 0.71%. While the operating expenses of the underlying mutual funds are not part of the SAM Portfolio operating expenses they are included in the Total Investment Expense. Performance results shown for the SAM Portfolios reflect the application of these expenses.
48. For Government High Quality Bond Fund (A) the Distributor has voluntarily agreed to waive .10% which limits the investment option's 12b-1 fees to .15%. These limits apply now but may be terminated at any time.
49. During 2011, the Fund processed a significant (relative to the Class) "As Of" transaction that resulted in a gain to the remaining shareholders of the Class. In accordance with the Fund's shareholder processing policies, this benefit inures all shareholders of the Class. Had such a gain not been recognized, the total return amounts expressed herein would have been smaller.
52. Effective September 12, 2011, this portfolio is sub-advised by Principal Global Investors. Prior to September 12, 2011, the portfolio was sub-advised by Invesco.
53. This fund utilizes alternative investment strategies such as arbitrage, leverage, derivatives, and shorting securities in addition to traditional investments. Investment risk may be magnified with the use of these alternative strategies. In addition, securities such as bonds, equities, commodities, international and emerging market securities, and currencies are used to implement the investment strategy. These investments are subject to risks associated with market and interest rate movements. The fund is considered non-diversified which may make it more susceptible to price volatility if the fund does not meet its objective. Due to the nature of the investment process, investors should not expect significant outperformance during market rallies. Additional risks are included in the funds prospectus. It is possible to lose money when investing in the fund.
54. Effective February 17, 2012, the SmallCap Value investment option will merge into the SmallCap Blend investment option.

55. Effective February 17, 2012, the SmallCap Growth investment option will merge into the SmallCap Blend investment option.

## Principal Funds, Inc. Daily Net Asset Values Report - Institutional

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Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown.

In situations where the net and gross fund expense figures are different, the investment manager has contractually agreed to limit the investment option's expense. Differences may also be shown due to the investment manager choosing to pay certain expenses that would normally be payable by the fund. The gross fund expense figure does not reflect any waivers or caps on the mutual fund. Performance shown reflects the application of net expenses of the fund.

Money Market Funds are not guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although these Funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money.

Not FDIC Insured  
May Lose Value - Not a Deposit - No Bank Guarantee  
Not Insured by any Federal Government Agency

For more performance information, including most recent month-end performance, visit [www.principal.com](http://www.principal.com) and click on Rates and Values.

### Large U.S. Equity

Investment Manager or Sub- Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
Large Value														
Edge Asset Management, Inc.	<a href="#">Equity Income Inst Fund (PEIIX)</a> <sup>11</sup>	17.83	5.51	2.15	12.51	5.51	13.93	0.52	6.04	8.61	08/01/2000 05/31/1939	0.52	0.52	N/A N/A
Principal Global Investors	<a href="#">LargeCap Value Inst Fund (PVLIX)</a> <sup>11</sup>	9.31	1.39	1.83	13.44	1.39	10.24	-2.77	3.19	2.46	03/01/2001 12/06/2000	0.46	0.46	N/A N/A
TS&W / Herndon	<a href="#">LargeCap Value I Inst Fund (PVIPIX)</a> <sup>25, 43</sup>	10.25	-1.73	0.93	11.51	-1.73	10.31	-3.91	N/A	2.42	06/01/2004 06/01/2004	0.77	0.78	02/29/2012 02/29/2012

Investment Manager or Sub- Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
Westwood / Barrow Hanley	<a href="#">LargeCap Value III Inst Fund</a> (PLVIX) <sup>19, 25</sup>	9.72	-2.92	1.46	12.66	-2.92	9.32	-5.74	1.78	2.54	12/06/2000 12/06/2000	0.77	0.78	02/29/2012 02/29/2012
<b>Large Blend</b>														
Edge Asset Management, Inc.	<a href="#">Capital Appreciation Inst Fund</a> (PWCIX) <sup>11, 14</sup>	38.10	0.30	1.14	12.15	0.30	14.55	1.79	5.25	12.06	06/07/1999 11/24/1986	0.59	0.59	N/A N/A
Principal Global Investors	<a href="#">LargeCap S&amp;P 500 Index Inst Fund</a> (PLFIX) <sup>2, 7, 11, 23</sup>	8.79	2.00	1.08	11.79	2.00	13.96	-0.42	2.71	1.05	03/01/2001 12/06/2000	0.18	0.18	N/A N/A
T.Rowe / Clearbridge Advisors	<a href="#">LargeCap Blend II Inst Fund</a> (PLBIX) <sup>25, 31</sup>	9.40	-0.49	0.88	11.64	-0.49	13.49	-0.36	3.17	2.35	12/06/2000 12/06/2000	0.76	0.78	02/29/2012 02/29/2012
<b>Large Growth</b>														
Am Century/Montag & Caldwell	<a href="#">LargeCap Growth II Inst Fund</a> (PPIIX) <sup>12, 25, 28</sup>	7.60	1.00	-0.44	10.62	1.00	15.45	2.50	2.68	0.07	12/06/2000 12/06/2000	0.93	0.94	02/29/2012 02/29/2012
Columbus Circle Investors	<a href="#">LargeCap Growth Inst Fund</a> (PGLIX) <sup>11</sup>	7.81	-4.33	-2.43	8.52	-4.33	12.87	0.26	2.00	-1.35	03/01/2001 12/06/2000	0.65	0.65	N/A N/A
T. Rowe Price/Brown Advisory	<a href="#">LargeCap Growth I Inst Fund</a> (PLGIX) <sup>23, 25, 27</sup>	8.88	-0.31	-1.69	10.68	-0.31	22.07	3.21	2.72	0.49	12/06/2000 12/06/2000	0.61	0.63	02/29/2012 02/29/2012

**Small/Mid U.S. Equity**

Investment Manager or Sub- Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
<b>Mid Cap Value</b>														

Investment Manager or Sub-Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
Goldman Sachs/LA Capital Mgmt	<a href="#">MidCap Value I Inst Fund</a> (PVMIX) <sup>1, 25</sup>	12.45	-3.93	0.30	12.44	-3.93	16.92	1.02	N/A	7.02	12/29/2003 12/29/2003	0.98	1.00	02/29/2012 02/29/2012
Principal Global/Barrow Hanley	<a href="#">MidCap Value III Inst Fund</a> (PVUIX) <sup>1, 11, 25</sup>	12.56	2.47	0.93	14.45	2.47	17.23	0.51	6.59	6.77	03/01/2001 12/06/2000	0.70	10.72	02/29/2012 02/29/2012
<b>Mid Cap Blend</b>														
Principal Global Investors	<a href="#">MidCap Blend Inst Fund</a> (PCBIX) <sup>1, 11, 23</sup>	13.53	8.02	0.93	13.10	8.02	21.18	5.22	8.67	7.89	03/01/2001 12/06/2000	0.66	0.66	N/A N/A
Principal Global Investors	<a href="#">MidCap S&amp;P 400 Index Inst Fund</a> (MPSIX) <sup>1, 2, 9, 11, 23</sup>	13.07	-1.95	-0.46	12.84	-1.95	19.28	3.11	6.72	6.29	03/01/2001 12/06/2000	0.22	0.37	N/A N/A
<b>Mid Cap Growth</b>														
Columbus Circle Investors	<a href="#">MidCap Growth Inst Fund</a> (PGWIX) <sup>1, 11, 23</sup>	6.54	-6.59	-5.29	8.12	-6.59	15.31	3.12	1.67	-1.41	03/01/2001 12/06/2000	0.70	0.75	N/A N/A
Turner / Jacobs Levy	<a href="#">MidCap Growth III Inst Fund</a> (PPIMX) <sup>1, 11, 25</sup>	10.16	-4.42	-2.50	9.13	-4.42	20.90	2.55	4.40	0.57	03/01/2001 12/06/2000	0.96	0.98	02/29/2012 02/29/2012
<b>Small Value</b>														
DFA/Vaughan Nelson/LA Capital	<a href="#">SmallCap Value II Inst Fund</a> (PPVIX) <sup>1, 23, 24, 25</sup>	9.06	-5.77	0.80	15.51	-5.77	16.70	-1.85	N/A	4.43	06/01/2004 06/01/2004	1.18	1.20	02/29/2012 02/29/2012
Edge Asset Management, Inc.	<a href="#">Small-MidCap Dividend Income Inst Fund</a> (PMDIX) <sup>1</sup>	9.67	N/A	2.46	15.66	N/A	N/A	N/A	N/A	-0.81	06/06/2011 06/06/2011	0.91	0.91	N/A N/A
<b>Small Blend</b>														
Principal Global Investors	<a href="#">SmallCap Blend Inst Fund</a> (PSLIX) <sup>1, 11, 23</sup>	14.49	-1.56	1.40	18.19	-1.56	14.21	-0.76	5.24	5.96	03/01/2001 12/06/2000	0.85	0.88	N/A N/A
Principal Global Investors	<a href="#">SmallCap S&amp;P 600 Index Inst Fund</a> (PSSIX) <sup>1, 2, 8, 11, 23</sup>	15.79	0.72	1.24	17.02	0.72	16.71	1.77	6.85	7.41	03/01/2001 12/06/2000	0.20	0.30	N/A N/A
<b>Small Growth</b>														

Investment Manager or Sub-Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
AllianceBern / CCI / Brown	<a href="#">SmallCap Growth I Inst Fund</a> (PGRTX) <sup>1,</sup> <small>23, 25, 39</small>	10.25	0.54	-0.29	15.64	0.54	24.92	4.03	3.62	2.24	12/06/2000 12/06/2000	1.10	1.12	02/29/2012 02/29/2012
Emerald Advisers, Inc	<a href="#">SmallCap Growth II Inst Fund</a> (PSIIX) <sup>1,</sup> <small>25, 26</small>	8.36	-4.35	0.24	14.21	-4.35	17.15	-0.34	3.37	-0.24	12/06/2000 12/06/2000	1.01	1.03	02/29/2012 02/29/2012
<b>Real Estate</b>														
Principal Real Estate Inv	<a href="#">Real Estate Securities Inst Fund</a> (PIREX) <sup>5, 11</sup>	17.45	9.25	4.22	15.90	9.25	20.58	-0.51	11.90	11.85	03/01/2001 12/06/2000	0.85	0.85	N/A N/A

## International Equity

Investment Manager or Sub-Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
<b>Diversified Emerging Markets</b>														
Principal Global Investors	<a href="#">International Emerging Markets Inst Fund</a> (PIEIX) <sup>3,</sup> <small>11, 18, 23</small>	21.73	-17.65	-4.10	5.28	-17.65	18.11	1.25	13.84	11.95	03/01/2001 12/06/2000	1.28	1.28	N/A N/A
<b>Foreign Large Value</b>														
Causeway / Barrow Hanley	<a href="#">International Value I Inst Fund</a> (PINZX) <sup>3,</sup> <small>25, 36</small>	8.77	-11.45	-1.66	5.13	-11.45	6.63	N/A	N/A	2.11	09/30/2008 09/30/2008	1.09	1.12	02/29/2012 02/29/2012
<b>Foreign Large Blend</b>														
Fidelity / Schroders	<a href="#">International I Inst Fund</a> (PINIX) <sup>3, 23,</sup> <small>25, 33</small>	9.62	-15.15	-2.57	4.95	-15.15	5.41	-5.53	N/A	3.42	12/29/2003 12/29/2003	1.10	1.13	02/29/2012 02/29/2012

Investment Manager or Sub-Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense			Contractual Cap / Waiver Expiration Date
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net	Gross	
Principal Global Investors	<a href="#">Diversified International Inst Fund (PIIIX)</a> <sup>3, 11, 23</sup>	8.84	-11.18	-2.41	5.37	-11.18	8.67	-4.41	5.44	2.63	03/01/2001 12/06/2000	0.92	0.92	N/A N/A
Principal Global Investors	<a href="#">International Equity Index Inst Fund (PIDIX)</a> <sup>2, 3, 37, 38</sup>	8.90	-12.39	-2.17	4.18	-12.39	N/A	N/A	N/A	-3.52	12/30/2009 12/30/2009	0.39	0.39	12/31/2012 12/31/2012
<b>Global Real Estate</b>														
Principal Real Estate Inv	<a href="#">Global Real Estate Securities Inst Fund (POSIX)</a> <sup>3, 5, 10, 40</sup>	6.74	-5.44	-0.14	9.44	-5.44	18.17	N/A	N/A	-5.30	10/01/2007 10/01/2007	0.95	3.54	02/29/2012 02/29/2012

## Balanced/Asset Allocation

Investment Manager or Sub-Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense			Contractual Cap / Waiver Expiration Date
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net	Gross	
<b>Conservative Allocation</b>														
Multiple Sub-Advisors	<a href="#">SAM Flexible Income Inst Portfolio (PIFIX)</a> <sup>11, 13, 17, 23, 32, 35, 42</sup>	11.20	3.22	1.17	4.43	3.22	11.39	4.76	5.17	6.21	01/16/2007 07/25/1996	0.99	1.02	N/A N/A
Multiple Sub-Advisors	<a href="#">SAM Conservative Balanced Inst Portfolio (PCCIX)</a> <sup>11, 13, 17, 23, 32, 35, 42</sup>	10.33	2.06	0.92	5.59	2.06	11.71	4.00	5.19	5.06	01/16/2007 07/25/1996	1.01	1.01	N/A N/A
<b>Moderate Allocation</b>														
Multiple Sub-Advisors	<a href="#">Diversified Real Asset Inst Fund (PDRDX)</a> <sup>34</sup>	11.26	0.83	-0.12	7.18	0.83	N/A	N/A	N/A	9.00	03/16/2010 03/16/2010	0.87	0.87	12/31/2012 12/31/2012
Multiple Sub-Advisors	<a href="#">SAM Balanced Inst Portfolio (PSBIX)</a> <sup>11, 13, 17, 23, 32, 35, 42</sup>	12.39	0.91	0.68	7.50	0.91	12.56	2.71	4.77	6.83	01/16/2007 07/25/1996	1.04	1.04	N/A N/A

Investment Manager or Sub-Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
<b>Aggressive Allocation</b>														
Multiple Sub-Advisors	<a href="#">SAM Conservative Growth Inst Portfolio</a> (PCWIX) <sup>11, 13, 17, 23, 32, 35, 42</sup>	13.02	-0.51	0.54	9.59	-0.51	12.86	1.01	4.02	6.59	01/16/2007 07/25/1996	1.07	1.07	N/A N/A
<b>Retirement Income</b>														
Multiple Sub-Advisors	<a href="#">Principal LifeTime Strategic Income Inst Fund</a> (PLSIX) <sup>13, 17, 32, 35, 41</sup>	10.65	3.56	0.70	3.65	3.56	10.92	1.53	4.43	4.26	03/01/2001 03/01/2001	0.63	0.63	N/A N/A
<b>Target Date 2000-2010</b>														
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2010 Inst Fund</a> (PTTIX) <sup>13, 17, 32, 35, 41</sup>	11.01	1.16	0.26	5.30	1.16	12.91	0.78	4.55	4.28	03/01/2001 03/01/2001	0.71	0.71	N/A N/A
<b>Target Date 2011-2015</b>														
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2015 Inst Fund</a> (LTINX) <sup>13, 17, 32, 35, 41</sup>	9.26	0.01	0.22	6.55	0.01	12.63	N/A	N/A	1.22	02/29/2008 02/29/2008	0.74	0.74	02/29/2012 02/29/2012
<b>Target Date 2016-2020</b>														
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2020 Inst Fund</a> (PLWIX) <sup>13, 17, 32, 35, 41</sup>	11.26	-1.11	0.18	7.46	-1.11	13.12	0.20	4.66	4.36	03/01/2001 03/01/2001	0.75	0.75	N/A N/A
<b>Target Date 2021-2025</b>														
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2025 Inst Fund</a> (LTSTX) <sup>13, 17, 32, 35, 41</sup>	9.10	-1.76	0.03	7.87	-1.76	12.76	N/A	N/A	0.26	02/29/2008 02/29/2008	0.77	0.77	02/29/2012 02/29/2012
<b>Target Date 2026-2030</b>														
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2030 Inst Fund</a> (PMTIX) <sup>13, 17, 32, 35, 41</sup>	11.05	-2.23	0.02	8.15	-2.23	13.32	-0.29	4.42	4.05	03/01/2001 03/01/2001	0.77	0.77	N/A N/A
<b>Target Date 2031-2035</b>														

Investment Manager or Sub-Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2035 Inst Fund</a> (LTIUX) <sup>13, 17, 32, 35, 41</sup>	8.96	-2.87	-0.13	8.48	-2.87	12.90	N/A	N/A	-0.32	02/29/2008 02/29/2008	0.79	0.79	02/29/2012 02/29/2012
Target Date 2036-2040														
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2040 Inst Fund</a> (PTDIX) <sup>13, 17, 32, 35, 41</sup>	11.13	-3.38	-0.25	8.61	-3.38	13.16	-0.82	4.03	3.86	03/01/2001 03/01/2001	0.78	0.78	N/A N/A
Target Date 2041-2045														
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2045 Inst Fund</a> (LTRIX) <sup>13, 17, 32, 35, 41</sup>	8.87	-3.66	-0.38	8.67	-3.66	12.93	N/A	N/A	-0.70	02/29/2008 02/29/2008	0.83	0.83	02/29/2012 02/29/2012
Target Date 2050+														
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2050 Inst Fund</a> (PPLIX) <sup>13, 17, 32, 35, 41</sup>	10.62	-4.02	-0.49	9.02	-4.02	13.06	-1.15	3.76	3.35	03/01/2001 03/01/2001	0.80	0.80	N/A N/A
Multiple Sub-Advisors	<a href="#">Principal LifeTime 2055 Inst Fund</a> (LTFIX) <sup>13, 17, 32, 35, 41</sup>	8.82	-4.34	-0.55	8.93	-4.34	12.83	N/A	N/A	-1.01	02/29/2008 02/29/2008	0.83	1.02	02/29/2012 02/29/2012
World Allocation														
Multiple Sub-Advisors	<a href="#">Global Diversified Income Inst Fund</a> (PGDIX) <sup>21, 30</sup>	12.82	3.08	2.18	6.43	3.08	19.06	N/A	N/A	19.32	12/15/2008 12/15/2008	0.87	0.87	02/29/2012 02/29/2012
Large Blend														
Multiple Sub-Advisors	<a href="#">SAM Strategic Growth Inst Portfolio</a> (PSWIX) <sup>11, 13, 23, 32, 35, 42</sup>	14.15	-1.93	0.13	10.90	-1.93	13.09	-0.12	3.38	6.71	01/16/2007 07/25/1996	1.11	1.11	N/A N/A

## Short-Term Fixed Income

Investment Manager or Sub- Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
<b>Short Term Bond</b>														
Edge Asset Management, Inc.	<a href="#">Short-Term Income Inst Fund</a> (PSHIX) <sup>11, 15, 17</sup>	11.90	1.43	0.47	0.66	1.43	5.72	4.23	4.01	N/A	07/25/1996 11/01/1993	0.50	0.50	N/A N/A
<b>Money Market</b>														
Principal Global Investors 7-Day Simple Yield as of 12/31/2011 is 0.00%	<a href="#">Money Market Inst Fund</a> (PVMXX) <sup>11, 22</sup>	1.00	0.00	0.00	0.00	0.00	0.09	1.58	1.88	2.09	03/01/2001 12/06/2000	0.43	0.43	N/A N/A

## Fixed Income

Investment Manager or Sub- Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense		Contractual Cap / Waiver Expiration Date	
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net		Gross
<b>High Yield Bond</b>														
Edge Asset Management, Inc.	<a href="#">High Yield Inst Fund</a> (PHYTX) <sup>4, 11, 15, 17, 23</sup>	7.35	3.89	2.61	6.19	3.89	19.12	7.16	9.99	8.02	07/28/1998 04/08/1998	0.56	0.57	N/A N/A
JP Morgan / Neuberger Berman	<a href="#">High Yield I Inst Fund</a> (PYHIX) <sup>4, 10, 15, 16, 17</sup>	10.11	3.25	2.68	6.53	3.25	22.04	8.32	N/A	7.78	12/29/2004 12/29/2004	0.65	0.65	N/A N/A
<b>Intermediate-Term Bond</b>														
Edge Asset Management, Inc.	<a href="#">Income Inst Fund</a> (PIOIX) <sup>11, 15, 17</sup>	9.52	5.98	1.75	2.18	5.98	11.78	7.11	6.64	8.17	03/23/1998 12/15/1975	0.52	0.52	N/A N/A
Mellon Capital Mgmt	<a href="#">Bond Market Index Inst Fund</a> (PNIIX) <sup>2, 15, 17</sup>	10.87	7.45	1.11	1.02	7.45	N/A	N/A	N/A	6.61	12/30/2009 12/30/2009	0.27	0.27	12/31/2012 12/31/2012

Investment Manager or Sub-Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense			Contractual Cap / Waiver Expiration Date
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net	Gross	
PIMCO	<a href="#">Core Plus Bond I Inst Fund</a> (PCBZX) <sup>15, 17</sup>	10.87	3.69	1.41	1.87	3.69	5.86	N/A	N/A	7.29	09/30/2008 09/30/2008	0.58	0.58	N/A N/A
Principal Global Investors	<a href="#">Bond &amp; Mortgage Securities Inst Fund</a> (PMSIX) <sup>11, 15, 17</sup>	10.66	6.82	1.48	1.57	6.82	12.54	4.75	4.86	5.17	03/01/2001 12/06/2000	0.53	0.53	N/A 02/29/2012
Spectrum	<a href="#">Preferred Securities Inst Fund</a> (PPSIX) <sup>15, 17</sup>	9.38	1.53	1.40	2.13	1.53	20.13	4.38	N/A	5.21	05/01/2002 05/01/2002	0.76	0.76	N/A N/A
<b>Intermediate Government</b>														
Edge Asset Management, Inc.	<a href="#">Government &amp; High Quality Bond Inst Fund</a> (PMRIX) <sup>11, 15, 17, 29</sup>	11.29	6.14	0.73	0.79	6.14	6.81	6.16	5.26	7.32	03/23/1998 05/04/1984	0.51	0.51	N/A N/A
<b>Inflation-Protected Bond</b>														
BlackRock Financial Mgmt, Inc.	<a href="#">Inflation Protection Inst Fund</a> (PIPIX) <sup>15, 17, 20</sup>	8.69	12.36	0.12	2.50	12.36	8.68	2.23	N/A	2.04	12/29/2004 12/29/2004	0.41	0.41	N/A N/A

**Other**

Investment Manager or Sub-Advisor	Investment	12/30/2011 Values		Average Annual Total Returns as of 12/31/2011							Total Investment Expense			Contractual Cap / Waiver Expiration Date
		Share Price	YTD % *	1 Month	3 Months	1yr	3yr	5yr	10yr	Since Incept	Inception Date / Ext. Perf. Incept. Date	Net	Gross	
<b>Multialternative</b>														
Multiple Sub-Advisors	<a href="#">Global Multi-Strategy Inst Fund</a> (PSMIX) <sup>46</sup>	9.95	N/A	0.00	N/A	N/A	N/A	N/A	N/A	-0.50	10/24/2011 10/24/2011	1.65	3.21	12/31/2012 12/31/2012

\* Unannualized rate of return (change in value) since the start of the year.

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

Principal Funds, Inc. is distributed by and securities offered through Princor Financial Services Corporation (Princor), member SIPC, 800-222-5852. Princor is a member of Principal Financial Group, Des Moines, IA 50392. See the Principal Funds, Inc. prospectus for the full name of each Fund.

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**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](http://principal.com), or calling 1-800-547-7754. Read the prospectus carefully before investing.**

#### **Investment Types**

**Large U.S. Equity** - This asset class is generally comprised of investment options that invest in stocks, or shares of ownership in large, well-established, U.S. companies. These investment options typically carry more risk than fixed income investment options but have the potential for higher returns over longer time periods. They may be an appropriate choice for long-term investors who are seeking the potential for growth. All investment options in this category have the potential to lose value.

**Small/Mid US Equity** - This asset class is generally comprised of investment options that invest in stocks, or shares of ownership in small to medium-sized U.S. companies. These investment options typically carry more risk than larger U.S. equity investment options but have the potential for higher returns. They may be an appropriate choice for long-term investors who are seeking the potential for growth. All investment options in this category have the potential to lose value.

**International Equity** - This asset class is comprised of investment options that invest in stocks, or shares of ownership in companies with their principal place of business or office outside the United States. These investment options often carry more risk than U.S. equity investment options but may have the potential for higher returns. They may be an appropriate choice for long-term investors who are seeking the potential for growth. All investment options in this category have the potential to lose value.

**Balanced/Asset Allocation** - This asset class is generally comprised of a combination of fixed income and equity investment options. These investment options may include balanced, asset allocation, target-date, and target-risk investment options. Although typically lower risk than investment options that invest solely in equities, all investment options in this category have the potential to lose value.

**Short-Term Fixed Income** - This asset class is generally comprised of short-term, fixed-income investment options that are largely liquid and are designed to not lose much value. These investment options may include stable value, money market, short-term bond, and guaranteed interest accounts. They are considered to be among the least risky forms of investment options. However, they typically have a lower rate of return than equities or longer-term fixed income investment options over long periods of time. Depending on the objectives of the investment options, they may experience price fluctuations and may lose value.

**Fixed Income** - This asset class is generally comprised of investment options that invest in bonds, or debt of a company or government entity (including U.S. and Non- U.S.). It may also include real estate investment options that directly own property. These investment options typically carry more risk than short-term fixed income investment options (including, for real estate

investment options, liquidity risk), but less overall risk than equities. All investment options in this category have the potential to lose value.

The 7-Day Simple Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.

**Footnotes:**

1. Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.
2. Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.
3. International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.
4. High yield investment options are subject to greater credit risk associated with high yield bonds.
5. Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.
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10. Not all funds associated with the institutional class shares of the Principal Funds series are registered in every state. These funds will be appropriately registered for use upon selection for your retirement plan.
11. These 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.
12. From March 1, 2006, to December 31, 2007, Bank of New York served as a sub-advisor for managing the cash portion of this investment option.
13. Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.
14. Small-cap and mid-cap stocks may have additional risks, including greater price volatility.

15. 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.
16. Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Neuberger Berman Fixed Income LLC (formerly named Lehman Brothers Asset Management). Prior to January 2, 2008 Post Advisory Group was a third sub-advisor for this portfolio. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
17. Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.
18. Instances of high double-digit returns were achieved primarily during favorable market conditions and may not be sustainable over time.
19. Effective July 15, 2008, Westwood Management Corp. was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
20. Effective December 31, 2008, this portfolio is sub-advised by BlackRock Financial Management, Inc. Prior to December 31, 2008, the portfolio was sub-advised by Principal Global Investors.
21. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Lower-rated securities are subject to additional credit and default risks. Risks associated with preferred securities differ from risks inherent with other investments. In particular, in the event of bankruptcy, a company's preferred securities are senior to common stock but subordinated to all other types of corporate debt. International investing involves increased risks due to currency fluctuations, political or social instability, and differences in accounting standards, these risks are magnified in emerging markets. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration.
22. Principal Management Corporation may voluntarily limit a certain portion of the fund's expenses collected from the Money Market Fund on a temporary basis. The Total Investment Expense - Net may be lower when expenses are limit.
23. This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.
24. Effective May 1, 2009, LA Capital was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
25. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.
26. Effective June 26, 2009, this portfolio is sub-advised by Emerald Advisors and Essex. Prior to June 26, 2009, the portfolio was sub-advised by UBS Global Asset Management, Emerald Advisors and Essex. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
27. Effective July 14, 2009, Brown Advisory was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
28. Effective July 14, 2009, Montag & Caldwell was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
29. Formerly known as Mortgage Securities Fund.

30. Effective September 16, 2009, Guggenheim was added as an additional sub-advisor. Effective September 23, 2009, Tortoise Capital Advisors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
31. Effective October 1, 2009, ClearBridge Advisors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
32. Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.
33. Effective January 11, 2010, Schroders was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
34. 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. or any other government entity. Concentrating investments in natural resources industries can be affected significantly by events relating to those industries, such as variations in the commodities markets, weather, disease, embargoes, international, political and economic developments, the success of exploration projects, tax and other government regulations and other factors. Investment in derivatives entails specific risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration. An MLP that invests in a particular industry (e.g., oil and gas) may be harmed by detrimental economic events within that industry. As partnerships, MLPs may be subject to less regulation (and less protection for investors) under state laws than corporations. In addition, MLPs may be subject to state taxation in certain jurisdictions, which may reduce the amount of income paid by an MLP to its investors.
35. The Investment Advisor will display "Multiple Sub-Advisors" for certain target-date, target-risk and specialty investment options where the assets are directed by the Investment Manager to multiple underlying investment options. These underlying investment options may use multiple sub-advisors who are responsible for the day-to-day management responsibilities.
36. Effective August 10, 2010, this portfolio is sub-advised by Causeway and Barrow Hanley. Prior to August 10, 2010, the portfolio was sub-advised by AXA Rosenberg and Causeway. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
37. The International Equity Index investment option described herein is indexed to an MSCI index.
38. The funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities or any index on which such funds or securities are based. The Principal International Equity Index Fund's Statement of Additional Information contains a more detailed description of the limited relationship MSCI has with Principal and any related funds.
39. Effective September 20, 2010, Brown Advisory was added as an additional sub-advisor. Effective May 1, 2009, Columbus Circle Investors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
40. During 2010, the Class experienced a significant withdrawal of monies by an affiliate. As the remaining shareholders held relatively small positions, the total return amounts expressed herein are greater than those that would have been experienced without the withdrawal.

41. This Principal LifeTime Fund indirectly bears its pro rata share of the management fees incurred by the underlying Principal Funds in which this fund invests. Based on the asset allocation of the Principal LifeTime Funds outlined in the prospectus dated March 1, 2011, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.59%; Principal LifeTime 2010, 0.67%; Principal LifeTime 2015, 0.69%; Principal LifeTime 2020, 0.71%; Principal LifeTime 2025, 0.72%; Principal LifeTime 2030, 0.73%; Principal LifeTime 2035, 0.74%; Principal LifeTime 2040, 0.74%; Principal LifeTime 2045, 0.75%; Principal LifeTime 2050, 0.76%; Principal LifeTime 2055, 0.75%. While the operating expenses of the underlying mutual funds are not part of the Principal LifeTime Fund's operating expenses they are included in the Total Investment Expense. Performance results shown for the Principal LifeTime Fund reflect the application of these expenses.
42. This Principal Strategic Asset Management Portfolio (SAM) indirectly bears its pro rata share of the management fees incurred by the underlying Principal Funds in which this portfolio invests. Based on the asset allocation of the SAM Portfolio outlined in the prospectus dated March 1, 2011, the weighted average operating expenses of the underlying funds are: Flexible Income, 0.59%; Conservative Balanced, 0.62%; Balanced, 0.66%; Conservative Growth, 0.69%; Strategic Growth, 0.71%. While the operating expenses of the underlying mutual funds are not part of the SAM Portfolio operating expenses they are included in the Total Investment Expense. Performance results shown for the SAM Portfolios reflect the application of these expenses.
43. Effective June 27, 2011, this portfolio is sub-advised by TS&W and Herndon. Prior to June 27, 2011, the portfolio was sub-advised by UBS Global Asset Management and TS&W. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
46. This fund utilizes alternative investment strategies such as arbitrage, leverage, derivatives, and shorting securities in addition to traditional investments. Investment risk may be magnified with the use of these alternative strategies. In addition, securities such as bonds, equities, commodities, international and emerging market securities, and currencies are used to implement the investment strategy. These investments are subject to risks associated with market and interest rate movements. The fund is considered non-diversified which may make it more susceptible to price volatility if the fund does not meet its objective. Due to the nature of the investment process, investors should not expect significant outperformance during market rallies. Additional risks are included in the funds prospectus. It is possible to lose money when investing in the fund.