



Notification of Source of Distributions

Pursuant to Rule 19a-1 of the Investment Company Act of 1940

As noted in the table provided below, certain of the Principal Funds made distributions for the month of December for which a portion is estimated to be in excess of the fund's current and accumulated net income. As of December 31, 2009, the estimated sources of these distributions were as follows:

Fund	Net Income	Realized Gain	Capital Sources
Core Plus Bond Fund I	94.17%	0.00%	5.83%
Disciplined LargeCap Blend Fund	99.46	0.00	0.54
Diversified International Fund	84.23	0.00	15.77
Global Diversified Income Fund	47.35	52.65	0.00
Global Real Estate Securities Fund	0.00	0.00	100.00
Government & High Quality Bond Fund	49.68	0.00	50.32
High Quality Intermediate-Term Bond Fund	95.29	0.00	4.71
High Yield Fund	48.49	0.00	51.51
High Yield Fund I	87.07	0.00	12.93
Income Fund	0.00	0.00	100.00
International Emerging Markets Fund	82.69	0.00	17.31
International Fund I	83.12	0.00	16.88
International Growth Fund	90.26	0.00	9.74
International Value Fund	90.45	9.55	0.00
LargeCap Blend Fund I	99.56	0.00	0.44
LargeCap Blend Fund II	98.07	0.00	1.93
LargeCap Growth Fund	0.00	0.00	100.00
LargeCap Growth Fund II	99.13	0.00	0.87
LargeCap S&P 500 Index Fund	98.89	0.00	1.11
LargeCap Value Fund	98.23	0.00	1.77
LargeCap Value Fund I	98.32	0.00	1.68
LargeCap Value Fund III	98.06	0.00	1.94
MidCap Blend Fund	44.93	0.00	55.07
MidCap Growth Fund	0.00	0.00	100.00
Principal LifeTime 2010 Fund	97.37	0.00	2.63
Principal LifeTime 2015 Fund	97.50	0.00	2.50
Principal LifeTime 2020 Fund	97.19	0.00	2.81
Principal LifeTime 2025 Fund	97.30	0.00	2.70
Principal LifeTime 2030 Fund	97.06	0.00	2.94
Principal LifeTime 2035 Fund	97.14	0.00	2.86
Principal LifeTime 2040 Fund	96.90	0.00	3.10
Principal LifeTime 2045 Fund	97.03	0.00	2.97
Principal LifeTime 2050 Fund	96.87	0.00	3.13
Principal LifeTime 2055 Fund	97.11	0.00	2.89
Principal LifeTime Strategic Income Fund	97.86	0.00	2.14

SAM Balanced Portfolio	98.68	0.00	1.32
SAM Conservative Balanced Portfolio	99.37	0.00	0.63
SAM Flexible Income Portfolio	87.73	0.00	12.27
Short-Term Bond Fund	0.00	0.00	100.00
SmallCap Growth Fund I	0.00	0.00	100.00

The ultimate composition of these distributions may vary from the estimates provided above due to a variety of factors including future income and expenses, and realized gains and losses from the purchase and sale of securities.

Please note that this information is being provided to satisfy certain notice requirements under the Investment Company Act of 1940. Tax reporting information for shareholders of the funds will not be available until the end of the funds' fiscal year.

As a result, shareholders should not use the information provided in this notice for tax reporting purposes.

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.

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.

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.