

Principal Funds, Inc.
Disciplined LargeCap Blend Fund & International Growth Fund
Federal Income Tax Information
November 10, 2011

The following information is being provided to you, prompted by the acquisitions of Principal Funds, Inc. – Disciplined LargeCap Blend Fund and International Growth Fund effective October 14, 2011.

<u>Acquired Fund</u>	<u>Acquiring Fund</u>
Disciplined LargeCap Blend Fund	Principal Capital Appreciation Fund
International Growth Fund	Diversified International Fund

This information is given to meet certain requirements of the Internal Revenue Code and should not be used by shareholders for preparing their income tax returns. For tax return preparation purposes, please refer to the information supplied with the 1099-DIV form you will receive in 2012 from the Fund’s transfer agent.

Dividend Received Deduction. For corporate shareholders, the percentage of ordinary income distributions (dividend income and short-term gains, if any) for the tax year ended October 14, 2011 that qualifies for the dividend received deduction is as follows:

	<u>Deductible Percentage</u>
Disciplined LargeCap Blend Fund	100%

Qualified Dividend Income. Certain dividends paid by the Funds may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The percentage of ordinary income distributions for the tax year ended October 14, 2011, taxed at the maximum rate of 15% is as follows:

	<u>Percentage</u>
Disciplined LargeCap Blend Fund	100%
International Growth Fund	100%

Foreign Taxes Paid. Principal Funds, Inc. – International Growth Fund elects under the Internal Revenue Code Section 853 to pass through foreign taxes paid to its shareholders. The total amount of foreign taxes passed through to shareholders on a per share basis for the year ended October 14, 2011 is \$.0022