

Principal®**Global
Investors**

RESEARCH • RESOURCES • RESULTS

Principal Global Investors Funds**Preferred Securities Fund**

November 30, 2011

Important Notes

- I. The Principal Preferred Securities Fund will invest primarily in a portfolio of U.S. dollar denominated preferred securities and debt securities.
- II. The Fund's investments will be offered on markets listed in Appendix A to the Prospectus, although it is anticipated that the majority will be issued by U.S. issuers. Compared with a well-diversified fund, its concentration risk is relatively high and hence it might be more volatile than a well-diversified fund.
- III. Investment involves risk. There is no assurance on investment returns and your investments may suffer significant loss.
- IV. The investment decision is yours but you should not invest in this Fund unless the intermediary who sells it to you has advised you that it is suitable for you and explained how it is consistent with your investment objectives.
- V. You should not invest solely in reliance on this marketing material alone. You should read the Prospectus and the relevant Supplement(s) before investing including the Special Investment Considerations and Risks section of the Prospectus.

Investment Objective

The Principal Global Investors Funds **Preferred Securities Fund** seeks to provide an income return consistent with capital preservation. The Fund seeks to achieve its overall objective by investing primarily in a portfolio of U.S. dollar-denominated preferred securities and debt securities. Value will be primarily added through security selection.

Why Invest in the Preferred Securities Fund?

The **Preferred Securities Fund** offers investors:

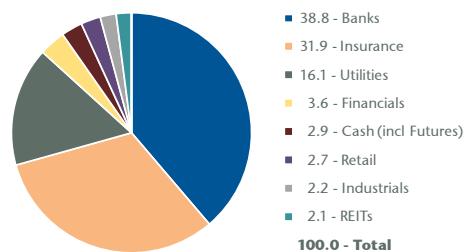
- Access to an investment with superior risk-adjusted returns.
- An investment with high current income potential.
- Diversification benefits due to a relatively low correlation to other asset classes.
- An investment that is managed by the largest specialist manager of preferred securities in the United States.

Credit Quality* (%)

AA or AAA	2.9
A	15.1
BBB	72.5
BB and Lower	9.5
Total	100.0

Geographical Allocation* (%)

United States	52.9
Europe	32.7
Other	8.3
Asia/Pacific	3.2
Cash	2.9
Total	100.0

Sector Allocation* (%)**Top 10 Holdings***

Security	Country	Sector	(%)
Nationwide Financial 6.75 5/	United States	Insurance-Life	3.0
CVS Caremark 6.302 6/12-37	United States	Retail	2.6
Integrus Energy Group 6.11 12/	United States	Utility	2.3
Trans-Canada Pipelines 6.35 5	Canada	Gas-Foreign	2.1
PartnerRe Ltd 1.8125 pre e	Bermuda	Reinsurance-Foreign	2.0
QBE Cap Funding II 7.25 6/17	Australia	Insurance-P&C-Foreign	1.8
Allstate Corp. 6.5 5/37-57-	United States	Insurance-Multi Line	1.8
ZFS Finance 6.5 5/17-37-67	United States	Insurance-Multi Line	1.6
Prudential PLC 7.75 % 12/16-49	Great Britain	Insurance-Life-Foreign	1.5
Merrill Lynch 1.6125 Ser K mer	United States	Banking	1.5
Total Top Ten			20.2
Total Number of Holdings in Fund			199

*In preparing the asset exposure of the Fund, we have taken into account both direct and indirect investments and the effects of futures and options contracts. Investors should be aware that the exposure of the Fund can change significantly on a daily basis. Investments do not always add up to 100% due to rounding.

QUICK FUND FACTS**Fund Rating**

Standard & Poor's Fund
Management Rating **AAv5**
Issued as at May 2009

Lead Investment Professionals

Mark Lieb, L. Phillip Jacoby IV

Launch Date

27 February 2005

Fund Structure

Irish Unit Trust
(UCITS Qualified)

Registration

Belgium, Finland, France,
Germany, Guernsey, Hong Kong,
Ireland, Italy, Jersey, Netherlands,
Spain, Sweden, Switzerland & UK

Base Currency

US\$

Fund Size

US\$444.1 million

Dealing Cutoff

10am Dublin
5pm Hong Kong

Pricing

Daily

Sub-investment Advisor

Spectrum Asset Management, Inc.

Investor Minimum

For minimum investment amounts,
please contact
Principal Global Investors

USD Class Fund Codes:

ISIN Code: IE00B067MS69
Valoren: 2079429
WKN: AOD8HO
Bloomberg Code: PRIIFSI ID
Lipper ID: 60015003

Income Distribution Policy

Distributed

Fee Structure (A Class)

Application fee/
Preliminary charge: max 5%
Management fee: 0.90% pa
Administration charge: 0.15% pa
Trustee fee:
Up to \$100 million: 0.02%
Above \$100 million: 0.01%

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Fund Management Commentary

Market Review

The Eurozone fatigue persisted in November. Greek Prime Minister, Papandreou called a surprise “confidence vote” to weigh the desire for European Union and International Monetary Fund funding. The European Central Bank cut rates by 25bps. In Italy, Silvio Berlusconi resigned amidst political and economic pressures. Fears of an eventual Italian debt default heightened and Italian sovereign debt yields zoomed to record highs of 7.25%. Hybrid bank paper in the Eurozone sold off to levels that erased October’s rally.

In summary, these stressful conditions caused the average hybrid preferred security to close down \$-3.36 at \$94.67 for a current yield of 7.58% by the end of November. The retail (\$25 par) hybrid market outperformed the institutional hybrid market (Tier1 capital securities), but only by not trading down as much. The institutional sector underperformed the retail sector because the foreign banking sector did poorly and is almost 4X over-weighted in the Tier1 index compared to the \$25par index.

Fund Review

The fund outperformed the blended benchmark for the month of November. The fund’s overweight in capital securities was a negative contributor as this sector performed worse than \$25 par preferreds. Issues in the Foreign Banking sector were among those hit the hardest, especially Deutsche Bank, Dresdner, Barclays, Societe Generale and LBG Capital. A few sectors managed to finish positive for the month in the face of the decline, notably Utility/Telecom/Cable and Re-Insurance, which were led by PartnerRe, Telephone & Data and DTE Energy.

Portfolio Outlook and Strategy

This month, the two biggest banks in France, BNP Paribas and Societe Generale both engaged the hybrid market with tactical tenders for a sleeve of their hybrid bonds. At first blush, the tenders seem underwhelming with consideration offered at only a 5% premium to pre-tender prices. In these two cases however, we view the French tenders as being rather skillful moves under pressing conditions; the over-riding theme here was to play defense against the “bear raiders”. Here’s why: 1) they install iron road blocks in the hybrid sleeves from being constantly sold, 2) they prove that French banks ostensibly care about the hybrid market health, 3) the moves foster time to submit a plan to the European Banking Authority by the end of January commensurate to the temporary capital objective of 9% by June 2012, and 4) they implicitly foretell that the banks can chin up to this 9% core tier-1 objective in the private markets through ordinary means.

Asset Management Capabilities

The Principal Global Investors Funds Preferred Securities Fund was launched in 2005. As such, there is no long-term historical performance data available for the Fund, but we have provided composite performance to the right. Please contact Principal Global Investors for more information regarding capabilities in managing Preferred Securities portfolios.

Disclosures

The information in this document contains general information only on investment matters and should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The information it contains does not take account of any investor’s investment objectives, particular needs or financial situation. Past performance is not a reliable indicator of future performance and should not be relied upon as a significant basis for an investment decision. You should consider whether an investment fits your investment objectives, particular needs and financial situation before making any investment decision. Subject to any contrary provisions of applicable law, no company in the Principal Financial Group nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way (including by reason of negligence) for errors or omissions in this document. All figures shown in this document are in U.S. dollars unless otherwise noted. This document is issued in: Hong Kong by Principal Global Investors (Asia) Limited, which is regulated by the Securities and Futures Commission. In connection with its management of client portfolios, Principal Global Investors (Europe) Limited may delegate management authority to affiliates that are not authorised and regulated by the Financial Services Authority. In any such case, the client may not benefit from all protections afforded by rules and regulations enacted under the Financial Services and Markets Act 2000.

Performance is calculated on a NAV-to-NAV basis, includes the reinvestment of all investment income, and does not take account of application fee or tax, but does include trustee and management fees. The performance information reflects the performance of the A Class income units. Investors should obtain their own independent tax advice.

¹Effective Duration is a measure of a fund’s price sensitivity to interest rate changes. Please note that the larger the number, the more price sensitive it is to interest rate changes. ²Current Yield is the annual interest earned on the underlying bonds divided by the market price of the underlying portfolio of bonds. The figure is not the dividend yield received by the investors and is subject to change depending on the underlying portfolio of bonds. ³Yield to Maturity is a concept used to determine the rate of return an investor will receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. Please note that this is not the return or dividend to be received by investors in the fund. ⁴Yield to Call is the yield on a callable bond assuming the bond will be redeemed by the issuer at the first call date. ⁵Blended Index: 65% Merrill Lynch Fixed Rate Preferred Securities Index / 35% Barclays Capital CapSec U.S. Dollar Tier 1 Index for periods prior to 03/31/2011, and performance of 50% Merrill Lynch Fixed Rate Preferred Securities Index / 50% Barclays Capital CapSec U.S. Dollar Tier 1 Index from 04/01/2011 forward. Outperforming the ML Pfd Stk FR/Barclays CapSec US T1 Custom Combined Index (Lehman Aggregate Index or Merrill Lynch Preferred Stock Index on or before 30 September 2008) is not specifically included in the objective of the Fund, and the figures shown in the table are provided as a comparison only. The methods of calculation of performance may not be identical. The source of performance is based on the current Advisor, Principal Global Investors, LLC. Past performance is not indicative of future performance. All figures are stated in USD unless otherwise noted. ⁶USD Inception date is 27 February 2005

This material has not been reviewed by the Securities and Futures Commission.

The information in this document has been derived from sources believed to be accurate as of November 2011.

SUMMARY CHARACTERISTICS

	PGIF	Index ⁵
Effective Duration ¹	5.8	6.2
Avg Credit Qlty	Baa1/BBB+	Baa1
Current Yield ²	7.7	7.6
Yield to Maturity ³	7.5	8.2
Yield to Call ⁴	7.0	7.9

FUND PERFORMANCE

Net Accumulative Performance (%)

	PGIF	Index ⁵
1 Month	-2.0	-2.9
Year To Date	-1.8	0.3
1 Year	-1.6	0.4
3 Years	66.8	60.2
5 Years	7.5	1.9
Since Inception ⁶	12.3	10.3

Net Annualised Performance (%)

	PGIF	Index ⁵
2 Years	7.0	9.5
3 Years	18.6	17.0
4 Years	3.8	2.2
5 Years	1.5	0.4

Net Calendar Year Performance (%)

	PGIF	Index ⁵
2010	13.3	14.9
2009	41.5	30.4
2008	-25.3	-25.9
2007	-8.6	-8.5
2006	4.6	7.0

Contact Us

For more information on the Fund, please contact:

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