Principal® Real Estate Investors

February 2017

Principal Real Estate Income Fund

PGZ

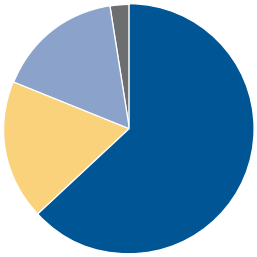
All data as of 2/28/2017

FUND UPDATE

The Principal Real Estate Income Fund seeks to benefit from the recovery in commercial real estate markets by investing in higher-yielding debt and equity commercial real estate-related investments.

- Seeks to provide high current income as the primary objective with capital appreciation as a secondary objective
- Potential for attractive current income provided by allocation to debt securities while equity allocation offers income with potential capital appreciation
- Dynamic investment strategy provides flexibility to position the Fund for success based on the market outlook of the Fund's investment sub-adviser

Sector Allocations *(% of Total Portfolio)*



Monthly Performance

TOTAL RETURNS[1]	CUMULATIVE				ANNUALIZED		
Fund	1 mo.	3 mo.	6 mo.	YTD	1 yr.	3 yr.	Since Inception[2]
Net Asset Value (NAV)[3]	2.28%	6.54%	2.69%	4.73%	16.16%	8.25%	9.82%
Market Price[4]	3.81%	7.48%	1.18%	9.31%	21.48%	7.73%	5.20%
Bloomberg Barclays U.S. Aggregate Bond Index	0.67%	1.01%	-2.19%	0.87%	1.42%	2.64%	3.04%
MSCI World Index	2.77%	7.77%	7.78%	5.25%	21.26%	5.20%	9.49%

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance data may be higher or lower than actual data quoted. For the most current month-end performance data please call 855.838.9485.

Total annual expense ratio as a percentage of net assets attributable to common shares including interest expense, as of October 31, 2016, 2.82%.

Total annual expense ratio as a percentage of net assets attributable to common shares excluding interest expense, as of October 31, 2016, 2.07%.

[1] *Total returns assume reinvestment of all distributions.*
[2] *Fund inception date of June 25, 2013.*
[3] *Performance returns are net of management fees and other Fund expenses.*
[4] *Market price is the value at which the Fund trades on an exchange. This market price can be more or less than its NAV.*

Manager Commentary

In the U.S., volatility remained subdued during the month and equities posted strong returns as market participants priced in prospects for expansionary fiscal policy and regulatory relief associated with the Trump administration's agenda. Risk assets globally benefitted from improving economic data as deflation fears gave way to growth potential and interest rates were held in check. Against this backdrop, the portfolio's holdings of Commercial Mortgage-Backed Securities (CMBS) posted a 0.7% return and the global real estate securities portion of the portfolio produced 3.6% (return figures reported on a gross, unlevered basis).

As the fund's strategy focuses on investment in debt and equity commercial real estate securities, property fundamentals should be a focal point. In the U.S., ongoing job growth, slow economic growth and functioning capital markets are supportive. Globally, low rates, accommodative monetary policy, and a mild global cyclical economic upturn are likewise supportive. U.S. retailers have been in focus as department stores close unprofitable locations. This marks a broader theme in the U.S. commercial real estate markets as traditional retail formats and logistics space evolve to embrace e-commerce and omni-channel formats.

Elevated frequency of periods of macro volatility, a re-emergence of growth concerns, rising rates (especially in longer maturities), and/or weak market technicals could negatively impact the portfolio. Additionally, a shift in investor preference for growth rather than yield could result in reduced demand for higher yielding investments. Conversely, a restrained longer-term interest rate outlook, generally modest levels of new construction, and property-level income growth may benefit longer-term performance.

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All data as of 2/28/2017

FUND UPDATE

Top 10 Holdings *(% of Total Portfolio)*

JPMBB Commercial Mortgage Securities Trust, Series 2014-C21	4.40%
CD Commercial Mortgage Trust, Series 2007-CD4	4.15%
Credit Suisse Commercial Mortgage Trust, Series 2007-C1	3.85%
Greenwich Capital Commercial Funding Corp. Commercial Mortgage Trust, Series 2007-GG9	3.80%
Merrill Lynch Mortgage Trust, Series 2006-C1	3.71%
Wachovia Bank Commercial Mortgage Trust, Series 2007-C30	2.63%
Wachovia Bank Commercial Mortgage Trust, Series 2006-C29	2.49%
CFCRE Commercial Mortgage Trust 2016-C3	2.04%
Goldman Sachs Mortgage Securities Trust, Series 2014-GC22	1.99%
Simon Property Group, Inc.	1.99%

Holdings are subject to change.

Share Information

Symbol NYSE	PGZ
Inception Date	6/25/13
Shares Outstanding	6,899,800
Inception Share Price	$20.00
Market Price	$17.15
Inception NAV	$19.10
NAV	$19.18
Fund Premium/(Discount)	-10.58%

Distribution Details

Current Distribution (monthly)	$0.145
Annualized Distribution Rate	10.15%

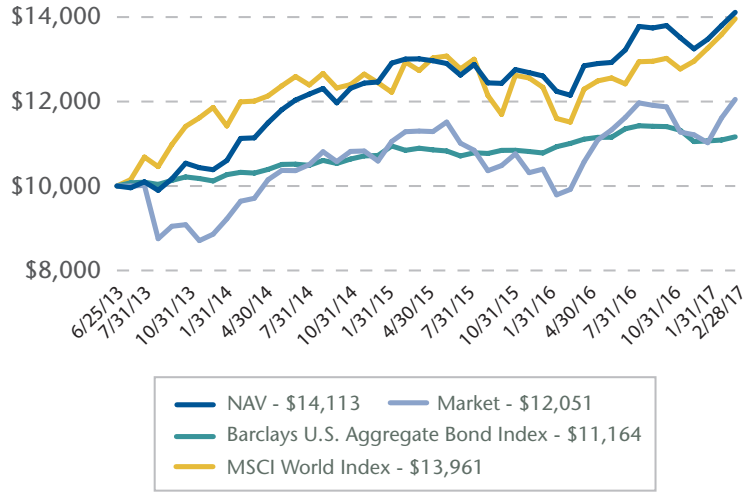
Distributions may be paid from sources of income other than ordinary income, such as net realized short-term capital gains, net realized long-term capital gains and return of capital. Based on current estimates, we anticipate the current distribution has been paid from ordinary income. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. If a distribution includes anything other than net investment income, the Fund provides a Section 19(a) notice of the best estimate of its distribution sources at that time. These estimates may not match the final tax characterization (for the full year's distributions) contained in shareholders' 1099-DIV forms after the end of the year. The annualized distribution rate is the monthly per share distribution times 12, divided by the end-of-month market price.

Portfolio Details

Net Assets	$132.32 million
Number of Holdings	137
Non-Domestic Holdings (%)	16.35%
Wtd. Avg. Debt Security Coupon[1]	4.70
Wtd. Avg. Debt Security Market Price[2]	83.11
Wtd. Avg. Equity Security Dividend Yield[3]	4.57%
Leverage Ratio**	31.22%
Annualized Cost of Leverage	1.38%
Wtd. Avg. Debt Security Average Life[4]	3.93
Wtd. Avg. Debt Security Duration[5]	2.94

[1] Represents the weighted average annualized coupon of the portion of the portfolio invested in debt securities, excluding interest-only securities. [2] Represents the weighted average market price of the portion of the portfolio invested in debt securities, excluding interest-only securities. [3] Represents the weighted average annualized dividend yield of the portion of the portfolio invested in equity securities. [4] Represents the weighted average average life of the portion of the portfolio invested in debt securities. [5] Represents the weighted average modified duration of the portion of the portfolio invested in debt securities.

Growth of $10k



Past performance does not guarantee future results.

IMPORTANT RISKS

An investment in the Fund is not appropriate for all investors and is not intended to be a complete investment program. The Fund is designed as a long-term investment and not as a trading vehicle.

Investing in the Fund involves risks, including the risk that you may receive little or no return on your investment or that you may lose part or even all of your investment. Therefore, before investing you should carefully consider the risks that you assume when you invest in the Fund's common shares. Securities backed by commercial real estate assets are subject to securities market risks similar to those of direct ownership of commercial real estate loans including, but not limited to, declines in the value of real estate, declines in rental or occupancy rates and risks related to general and local economic conditions.

The Fund's investment objectives and policies are not designed to seek to return the initial investment to investors that purchase shares.

Investing in the Fund involves risks, including exposure to below-investment grade investments (i.e., "junk bonds"). The Fund's net asset value will vary and its distribution rate may vary and both may be affected by numerous factors, including changes in the market spread over a specified benchmark, market interest rates and performance of the broader equity markets. Fluctuations in net asset value may be magnified as a result of the Fund's use of leverage. Shares of closed-end investment companies frequently trade at a discount from their net asset value and initial offering prices. The risks associated with this characteristic of closed-end investment companies may be greater for investors expecting to sell their shares in a relatively short period after completion of the initial public offering. For further discussion of these and additional risks associated with an investment in the Fund see the Prospectus.

The Fund is a closed-end fund and does not continuously issue shares for sale as open-end mutual funds do. The Fund trades in the secondary market. Investors wishing to buy or sell shares need to place orders through an intermediary or broker. The share price of a closed-end fund is based on the market's value.

Bloomberg Barclays U.S. Aggregate Bond Index - A broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass throughs), ABS, and CMBS.

MSCI World Index - MSCI's market capitalization weighted index is composed of companies representative of the market structure of 23 developed market countries in North America, Europe, and the Asia/Pacific Region. An investor cannot invest directly in an index.

Basis Point - One hundredth of a percentage point (0.01%).

ALPS Advisors, Inc. is the investment adviser to the Fund.

Principal Real Estate Investors LLC is the investment sub-adviser to the Fund. Principal Real Estate Investors LLC is not affiliated with ALPS Advisors, Inc. or any of its affiliates.

Secondary market support provided to the Fund by ALPS Fund Services, Inc.'s affiliate ALPS Portfolio Solutions Distributor, Inc.

ALPS Portfolio Solutions Distributor, Inc. is a FINRA member.

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