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Principal Real Estate Income Fund
Form N-CSRS
July 02, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

811-22742
(Investment Company Act File Number)

Principal Real Estate Income Fund
(Exact Name of Registrant as Specified in Charter)

1290 Broadway, Suite 1100
Denver, CO 80203
(Address of Principal Executive Offices)

David T. Buhler
Principal Real Estate Income Fund
1290 Broadway, Suite 1100
Denver, CO 80203
(Name and Address of Agent for Service)

(303) 623-2577
(Registrant's Telephone Number)

Date of Fiscal Year End: October 31

Date of Reporting Period: April 30, 2015

Item 1. Reports to Stockholders.

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Principal Real Estate Income Fund Performance Overview

April 30, 2015 (Unaudited)

INVESTMENT OBJECTIVE

The Principal Real Estate Income Fund's ("PGZ" or the "Fund") investment objective is to seek to provide high current income, with capital appreciation as a secondary objective, by investing in commercial real estate related securities. There can be no assurance that the Fund will achieve its investment objective.

PERFORMANCE OVERVIEW

As of April 30, 2015 the Fund was 64.2% allocated to commercial mortgage backed securities ("CMBS") and 34.0% allocated to global real estate securities, primarily real estate investment trusts ("REITs"). For the 6-month period ended April 30, 2015, the Fund had a net return of 4.35%, assuming dividends are reinvested back into the Fund, based on the closing share price of \$19.32 on April 30, 2015. This compares to the return of the S&P 500® Index, over the same time period, of 4.39% assuming dividends are reinvested into the index. This also compares to the return of the Barclays U.S. Aggregate Bond Index of 2.06% and the MSCI World Index of 5.09%.

The April 30, 2015 closing price of \$19.32 represented an 8.8% discount to the Fund's net asset value per share ("NAV"). This compares to an average 10.62% discount for U.S. Equity Real Estate closed-end funds and an 8.48% discount for Mortgage-Backed Securities closed-end funds, according to CEFConnect. These discounts to NAV reflect the volatility that has occurred in the closed-end fund market since June 2013, as expectations for higher interest rates have negatively impacted the attractiveness of the market.

Based on NAV, the Fund has returned 4.95%, including dividends, for the 6-month period ended April 30, 2015. Fund investments benefited from continued strong investor demand for CMBS and global real estate securities, even as broader market volatility picked up in December 2014 and then again in January 2015, as continued low interest rates left investors looking for yield alternatives in public commercial real estate. CMBS and global real estate securities especially benefited from ongoing improvement in real estate fundamentals during the period. In the U.S., demand for space is outpacing supply in most markets which is helping to stabilize or increase rents and lower vacancies across major property types in major markets across the country, resulting in higher net operating income at the property level. Globally, real estate markets are exhibiting a generally solid investment landscape with pockets of both strength and weakness.

CMBS

CMBS is realizing the benefit of improving real estate fundamentals in the form of lower delinquencies and a higher-than-expected percentage of maturing loans being able to refinance. As of April 30, 2015, delinquencies on CMBS loans have improved to a post-financial crisis percentage not seen since early 2010 at 5.5%, according to Barclays Research. Additionally, the monthly pace of new 30-day delinquencies has been averaging 1.0-1.5% over the past 6 months, compared to 5-6% at the peak in 2009-2010, 3-4% in 2012 and 1.5-2.0% in 2013 according to Wells Fargo. Improving fundamentals and availability of capital have also increased the percentage of maturing loans (10 year loans originated in 2005 and 7 year loans originated in 2008) that have been able to refinance during 2015. The maturing loan refinance rate increased from 30-40% in the second half of 2012 to 75-80% during 2013, 2014 and year-to-date 2015. If loans that paid off up to three months after their maturity date are included in these figures, the refinance rate has increased to over 90%, according to Morningstar Credit Ratings, LLC. The continued growth of the new issue CMBS market is helping to provide the capital needed to refinance these loans. New issue CMBS supply was \$85 billion in 2014 compared to roughly \$1 billion in 2009, \$10 billion in

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2010, \$28 billion in 2011, \$43 billion in 2012 and \$85 billion in 2013. Projections for 2015 are that new issuance could top \$120 billion. The improvement in commercial real estate fundamentals and availability of capital are two key variables, with the third being interest rates, that will have a direct impact on the performance of CMBS through 2017. The peak years of issuance pre-financial crisis were 2005-2007. Issuance during those years included \$147 billion in 2005, \$172 billion in 2006 and \$202 billion in 2007, with the majority of loans originated in those years being ten year loans. This means the maturity cycle in 2015-2017 and corresponding percentage of loans that can be refinanced will have a direct impact on recoveries for bonds issued during those pre-crisis years. To-date, refinance activity through defeasance, yield maintenance or paying off at par has been strong for legacy loans on properties that have recovered from the crisis. As of April 30, 2015, 517 loans totaling \$7.6 billion have defeased compared to \$4.3 billion of defeasance for the same time period in 2014. Another 118 loans totaling \$1.16 billion have prepaid with yield maintenance in 2015 compared to \$0.72 billion for the same time period in 2014. The impact of this strong refinance activity has been to bring the total balance that remains to be refinanced from the 2005-2007 vintage to \$50 billion in 2015, \$114 billion in 2016, and \$111 billion in 2017.

With respect to interest rates, the CMBS bonds held in the portfolio have benefited from being shorter duration securities which has made the portfolio less exposed to interest rate volatility. These bonds continue to attract investors searching for short duration, high yield options. The duration of the CMBS portfolio in the Fund was 2.35 years as of April 30, 2015.

We believe the outlook for CMBS remains positive looking forward to 2015 barring an unforeseen macro-economic shock that impacts market volatility, interest rates and economic growth. Demand for short duration, high yield is expected to persist in 2015 and, assuming the continuation of slow economic growth, real estate fundamentals are expected to continue to improve as well. Longer-term, the continued growth of CMBS issuance will be important for the market as the height of the maturity cycle approaches in 2015-2017.

GLOBAL REAL ESTATE SECURITIES

Global real estate securities, as measured by the FTSE EPRA NAREIT Developed NTR Index (+3.56%), underperformed global equities, as measured by the MSCI World Index (+6.56%), and outperformed global bonds, as measured by the J.P. Morgan Global Government Bond Index (+3.39%) over the 6-months ended April 30, 2015.

Global real estate securities are benefiting from improving real estate fundamentals with continued improvements in portfolio occupancies and rental rates amidst limited supply of newly developed properties. Capital flows into the real estate asset class as well as low sovereign yields are continuing to put downward pressure on real estate capitalization rates ("cap rates") and driving real estate asset values higher. Despite a recent uptick, as of April 30, 2015, the yield of the U.S. 10 year treasury stood at 2.03%, having fallen 0.28% over the preceding 6 months amidst global deflationary pressures in the energy and commodities markets and continued monetary easing policies of the European Central Bank and the Bank of Japan. As we have highlighted previously, this environment of low sovereign yields and tepid GDP growth is favorable for listed property stocks.

The global real estate securities holdings within the portfolio returned 3.56% as measured in USD for the 6-months ended April 30, 2015. Returns were especially strong, up approximately 8.5% when measured in local currencies, yet as approximately half of the global real estate securities

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holdings are is invested outside of the U.S., the depreciation of most currencies relative to the USD constrained the level of return when measured in USD. The holdings' local currency returns have been strongest in Europe, Middle East and Africa (EMEA), with local currency returns for the portfolio's holdings up nearly 20% and led by holdings in Sweden, South Africa, France, and the UK up 38%, 30%, 28%, and 18.3%, respectively as many stocks rallied amidst European Central Bank Quantitative Easing and increasing signs of recovery across Europe. Holdings within Asia Pacific also performed strongly, up approximately 10.3% in local currency terms with returns in Japan the strongest up nearly 19.5% as the portfolio benefited from participating in an attractively priced IPO of a Japanese REIT ("JREIT"), which has subsequently traded to valuations in-line with peer JREITs. Meanwhile, the Americas region lagged with returns in local currency, up approximately 2.8%.

Our proprietary financial model utilized to measure global real estate securities valuation levels indicates securities trade at attractive levels at the end of April 2015. This measure examines the spread between the stocks' forward looking implied unlevered internal rates of returns ("IRRs") to global treasury yields. That spread, or 'risk premium', of 5.2% as of the end of April is comfortably in excess of the trailing 10 year average of 4.5%.

Barring any external shocks, the economy in the developed world is gradually strengthening, although we should expect to continue to receive mixed data on a month-to-month basis. Thus, while we have seen a pick-up in inflationary trends in the U.S., uncertainty elsewhere still points to interest rates remaining on hold in the U.S. until late in the year, with the UK to follow soon after. Meanwhile, fundamentals for global real estate, in terms of supply and demand, continue to improve, with listed real estate stocks reporting generally robust operational results. When interest rates start to rise, market turbulence should be expected. However, whether rates are rising because of strengthening economic growth or otherwise is an important distinction. Improvement in the economy is likely to continue to underpin drivers in real estate valuation. Thus, if rate rises are gradual, the listed real estate sector may continue to perform well. If on the other hand, rate rises are steep, real estate valuations are likely to be negatively impacted.

OUTLOOK

The outlook for interest rates will continue to be a significant factor influencing the near-term performance of CMBS and global real estate securities. We believe both sectors are poised to deliver attractive returns in a relatively stable rate environment in the near term. Longer-term, if rates break out of the current range in response to an improving global economy, this would likely result in increased earnings growth for commercial real estate properties: a positive for both the CMBS and global real estate securities markets. In the meantime, periods of near-term volatility may present opportunities for positive long-term performance.

References:

The Premium/Discount is the amount (stated in dollars or percent) by which the selling or purchase price of a fund is greater than (premium) or less than (discount) its face amount/value or net asset value (NAV).

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. The duration number is a calculation involving present value, yield, coupon, final maturity and call features. The bigger the duration number, the greater the interest-rate risk or reward for bond prices. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

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CEFCConnect provides unbiased, straightforward, and comprehensive closed-end fund data and the latest CEF research and industry news.

S&P 500[®] Index – A large cap U.S. equities index that includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

FTSE EPRA/NAREIT Developed NTR Index – A modified market capitalization weighted index, based on free float market capitalization designed to measure the stock performance of companies engaged in specific real estate activities of the North American, European and Asian real estate markets.

Barclay's 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.

The J.P. Morgan Global Government Bond Index is a widely used benchmark for measuring performance and quantifying risk across international fixed income bond markets. The index measures the total, principal, and interest returns in each market and can be reported in 19 different currencies. By including only traded issues available to international investors, the index provides a realistic measure of market performance.

The internal rate of return on an investment is defined as the discount rate at which the present value of all future cash flows is equal to the initial investment or, in other words, the rate at which an investment breaks even.

Issuance information – JPMorgan

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PERFORMANCE as of April 30, 2015

TOTAL RETURNS ⁽¹⁾ Fund	CUMULATIVE ANNUALIZED		
	6 Month	1 Year	Since Inception ⁽²⁾
Net Asset Value (NAV) ⁽³⁾	5.30%	12.77%	15.10%
Market Price ⁽⁴⁾	4.35%	11.23%	6.79%
Barclays U.S. Aggregate Bond Index	2.06%	4.46%	4.55%
MSCI World Index	5.09%	7.41%	15.42%

(1) Total returns assume reinvestment of all distributions.

(2) The Fund commenced operations on 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 higher or lower than its NAV.

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, 2014, 2.59%.

Total Annual Expense Ratio as a Percentage of Net Assets Attributable to Common Shares excluding interest expense, as of October 31, 2014, 2.04%.

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

Barclay's 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.

Indices are unmanaged; their returns do not reflect any fees, expenses, or sales charges. An investor cannot invest directly in an index.

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

Distributor – ALPS Portfolio Solutions Distributor, Inc.

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.

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GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT

The graph below illustrates the growth of a hypothetical \$10,000 investment assuming the purchase of common shares of beneficial interest at the closing market price (NYSE: PGZ) of \$20.00 on June 25, 2013, and tracking its progress through April 30, 2015.

Past performance does not guarantee future results. Performance will fluctuate with changes in market conditions. Current performance may be lower or higher than the performance data shown. Performance information does not reflect the deduction of taxes that shareholders would pay on Fund distributions or the sale of Fund shares. An investment in the Fund involves risk, including loss of principal.

SECTOR ALLOCATION[^]

[^]Holdings are subject to change.

Percentages are based on total investments.

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Geographic Breakdown as of April 30, 2015

	% of Total Investments
United States	80.68%
Australia	3.51%
Singapore	3.03%
Netherlands	2.15%
Great Britain	2.01%
Japan	1.69%
Hong Kong	1.44%
Guernsey	1.42%
France	1.05%
Canada	0.91%
Finland	0.73%
South Africa	0.45%
Sweden	0.38%
Jersey	0.23%
Cayman Islands	0.16%
Germany	0.16%
	100.00%

Holdings are subject to change.

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Principal Real Estate Income Fund Statement of Investments
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Description	Shares	Value (Note 2)
COMMON STOCKS (46.91%)		
Leisure & Recreation/Games (0.12%)		
Ardent Leisure Group	110,581	\$ 173,704
Real Estate Management/Services (2.52%)		
Atrium European Real Estate, Ltd.	96,100	472,628
Citycon OYJ	229,885	747,017
Fabege AB	50,700	774,492
Hyprop Investments, Ltd., REIT	89,000	916,465
Sponda OYJ	175,000	765,559
		3,676,161
Real Estate Operating/Development (2.28%)		
Agile Property Holdings, Ltd.	398,194	333,946
Croesus Retail Trust	2,089,940	1,484,691
New World Development Co., Ltd.	640,000	850,520
TLG Immobilien AG ^(a)	20,000	335,732
Urban & Civic PLC	83,089	331,609
		3,336,498
REITS-Apartments (0.70%)		
Advance Residence Investment Corp.	269	634,876
Camden Property Trust	5,200	390,416
		1,025,292
REITS-Diversified (19.28%)		
Altarea SCA	11,000	2,151,605
Digital Realty Trust, Inc.	36,400	2,308,124
Dream Office Real Estate Investment Trust	52,000	1,193,005
EPR Properties	26,700	1,539,789
Frasers Commercial Trust	1,415,000	1,614,760
The Geo Group, Inc.	55,000	2,145,000
Kenedix Office Investment Corp.	175	949,749
Land Securities Group PLC	26,100	500,394
Liberty Property Trust	52,200	1,818,648
Londonmetric Property PLC	450,000	1,139,739
Mirvac Group	1,448,000	2,303,209
NewRiver Retail, Ltd. ^(b)	176,316	841,707
Pure Industrial Real Estate Trust	160,000	673,684
Sekisui House REIT, Inc.	267	317,314
Spring Real Estate Investment Trust	4,514,000	2,108,325
STAG Industrial, Inc.	37,037	804,814
Stockland	800,100	2,811,227
STORE Capital Corp.	28,381	596,001
Wereldhave N.V.	36,988	2,376,459
		28,193,553

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Description	Shares	Value (Note 2)
REITS-Health Care (3.78%)		
Assura PLC	1,040,140	\$938,012
Medical Properties Trust, Inc.	135,500	1,894,290
Primary Health Properties PLC	202,200	1,201,937
Sabra Health Care REIT, Inc.	50,000	1,494,000
		5,528,239
REITS-Hotels (2.91%)		
Hospitality Properties Trust	85,600	2,574,848
Summit Hotel Properties, Inc.	127,500	1,679,175
		4,254,023
REITS-Manufactured Homes (1.51%)		
Sun Communities, Inc.	35,500	2,203,130
REITS-Mortgage (0.39%)		
CYS Investments, Inc.	63,100	562,852
REITS-Office Property (2.63%)		
Brandywine Realty Trust	71,100	1,036,638
Daiwa Office Investment Corp.	14	73,987
Highwoods Properties, Inc.	41,500	1,786,160
Keppel REIT	258,000	239,828
Workspace Group PLC	55,100	713,843
		3,850,456
REITS-Shopping Centers (8.68%)		
CapitaMall Trust	300,000	496,524
CBL & Associates Properties, Inc.	110,000	1,981,100
Charter Hall Retail REIT	564,500	1,925,351
Fortune Real Estate Investment Trust	1,217,000	1,242,037
Hammerson PLC	68,500	703,438
Kenedix Retail REIT Corp. ^(a)	606	1,519,060
Kite Realty Group Trust	22,325	584,915
Ramco-Gershenson Properties Trust	73,400	1,283,032
Starhill Global REIT	1,389,000	918,512
Vastned Retail N.V.	41,600	2,034,011
		12,687,980
REITS-Single Tenant (1.48%)		
Agree Realty Corp.	70,500	2,169,990
REITS-Storage/Warehousing (0.47%)		
Safestore Holdings PLC	161,000	688,890

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Description	Shares	Value (Note 2)		
REITS-Warehouse/Industrials (0.16%)				
AIMS AMP Capital Industrial REIT	200,000	\$231,257		
TOTAL COMMON STOCKS				
(Cost \$62,349,641)		68,582,025		
PREFERRED STOCKS (1.12%)				
REITS-Apartments (0.06%)				
Apartment Investment & Management Co., Series Z, 7.000%	3,012	78,462		
REITS-Hotels (0.48%)				
Hersha Hospitality Trust, Series B, 8.000%	27,400	706,098		
REITS-Office Property (0.29%)				
SL Green Realty Corp., Series I, 6.500%	16,300	426,408		
REITS-Regional Malls (0.29%)				
Pennsylvania Real Estate Investment Trust, Series B, 7.375%	16,200	424,521		
TOTAL PREFERRED STOCKS				
(Cost \$1,574,944)		1,635,489		
			Rate	Maturity
			Date	Principal
				Amount
				Value
				(Note 2)
COMMERCIAL MORTGAGE BACKED SECURITIES (90.29%)				
Commercial Mortgage Backed Securities-Other (57.31%)				
Bank of America Commercial Mortgage Trust, Series 2008-1 ^(c)	6.256%	01/10/18	\$2,500,000	\$2,643,114
CD Commercial Mortgage Trust, Series 2007-CD4 ^(c)	5.398%	12/11/49	12,500,000	10,589,050
Credit Suisse Commercial Mortgage Trust, Series 2006-C4 ^(c)	5.538%	09/15/16	10,000,000	10,021,640
Credit Suisse Commercial Mortgage Trust, Series 2007-C1	5.416%	02/15/40	10,000,000	10,337,525
FHLMC Multifamily Structured Pass Through Certificates, Series 2011-KAIV ^{(c)(d)}	3.615%	06/25/41	9,000,000	1,724,170
FHLMC Multifamily Structured Pass Through Certificates, Series 2012-K706 ^{(c)(d)}	1.903%	12/25/18	28,580,000	1,747,810

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	Rate	Maturity Date	Principal Amount	Value (Note 2)
Commercial Mortgage Backed Securities-Other (continued)				
FHLMC Multifamily Structured Pass Through Certificates, Series 2012-K707 ^{(c)(d)}	1.806%	01/25/19	\$27,555,000	\$1,669,185
FHLMC Multifamily Structured Pass Through Certificates, Series 2012-K709 ^{(c)(d)}	1.701%	04/25/40	30,601,130	1,845,432
FHLMC Multifamily Structured Pass Through Certificates, Series 2012-K710 ^{(c)(d)}	1.661%	06/25/42	27,830,000	1,705,882
Greenwich Capital Commercial Funding Corp. Commercial Mortgage Trust, Series 2007-GG9 ^(c)	5.505%	02/10/17	7,500,000	7,154,737
JPMorgan Chase Commercial Mortgage Securities Trust, Series 2006-CIBC16	5.623%	05/12/45	2,500,000	2,548,891
JPMorgan Chase Commercial Mortgage Securities Trust, Series 2006-CIBC17 ^(c)	5.489%	12/12/43	3,899,000	2,701,964
JPMorgan Chase Commercial Mortgage Securities Trust, Series 2007-CIBC19 ^(c)	5.694%	05/12/17	3,500,000	3,276,695
LB-UBS Commercial Mortgage Trust, Series 2006-C7	5.407%	11/15/16	5,000,000	4,806,430
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2015-C20 ^{(c)(d)(e)}	1.612%	02/15/25	23,967,000	2,633,314
Wachovia Bank Commercial Mortgage Trust, Series 2006-C29 ^(c)	5.368%	11/15/48	13,000,000	13,249,470
Wachovia Bank Commercial Mortgage Trust, Series 2007-C30 ^(c)	5.413%	12/15/43	5,000,000	5,127,323
				83,782,632
Commercial Mortgage Backed Securities-Subordinated (32.98%)				
Bank of America Commercial Mortgage Trust, Series 2006-6	5.480%	10/10/45	3,000,000	3,039,048
Commercial Mortgage Trust, Series 2013-CR11 ^{(c)(e)}	4.371%	10/10/23	5,108,000	4,498,797
Commercial Mortgage Trust, Series 2014-CR14 ^{(c)(e)}	3.496%	01/10/24	2,000,000	1,596,989
Commercial Mortgage Trust, Series 2014-CCRE17 ^{(c)(e)}	4.300%	05/10/24	6,000,000	4,958,835

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	Rate	Maturity Date	Principal Amount	Value (Note 2)
Commercial Mortgage Backed Securities-Subordinated (continued)				
Goldman Sachs Mortgage Securities Trust, Series 2013-GC13 ^{(c)(e)}	4.071%	07/10/23	\$3,000,000	\$2,863,601
Goldman Sachs Mortgage Securities Trust, Series 2013-GC16 ^{(c)(e)}	5.316%	11/10/46	2,342,405	2,420,166
JPMorgan Chase Commercial Mortgage Securities Trust, Series 2006-CIBC14 ^(c)	5.478%	12/12/44	7,560,000	7,517,433
JPMorgan Chase Commercial Mortgage Securities Trust, Series 2013-C16 ^{(c)(e)}	5.009%	11/15/23	2,117,483	2,139,479
Merrill Lynch Mortgage Trust, Series 2005-CIP1 ^(c)	5.240%	08/12/15	5,000,000	5,050,260
Merrill Lynch Mortgage Trust, Series 2006-C1 ^(c)	5.659%	05/12/39	9,000,000	7,271,190
Merrill Lynch-CFC Commercial Mortgage Trust, Series 2006-2 ^{(c)(e)}	5.875%	06/12/46	2,000,000	1,987,640
Merrill Lynch-CFC Commercial Mortgage Trust, Series 2006-3 ^(c)	5.554%	09/12/16	2,500,000	1,927,221
Morgan Stanley Bank of America Merrill Lynch Trust, Series 2013-C8 ^{(c)(e)}	4.171%	02/15/23	3,000,000	2,953,586
				48,224,245
TOTAL COMMERCIAL MORTGAGE BACKED SECURITIES (Cost \$123,773,703)				132,006,877
	7-Day Yield	Shares	Value (Note 2)	
SHORT TERM INVESTMENTS (2.42%)				
State Street Institutional Liquid Reserves Fund, Institutional Class	0.097%	3,543,449	3,543,449	
TOTAL SHORT TERM INVESTMENTS (Cost \$3,543,449)				3,543,449
TOTAL INVESTMENTS (140.74%) (Cost \$191,241,737)				\$205,767,840
Liabilities in Excess of Other Assets (-40.74%)				(59,561,315)
NET ASSETS (100.00%)				\$ 146,206,525

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(a) Non-income producing security.

Securities were purchased pursuant to Regulation S under the Securities Act of 1933, which exempts securities offered and sold outside of the United States from registration. Such securities cannot be sold in the United States

(b) without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. As of April 30, 2015, the aggregate market value of those securities was \$841,707, representing 0.58% of net assets.

(c) Interest rate will change at a future date. Interest rate shown reflects the rate in effect at April 30, 2015.

(d) Interest only security.

Security exempt from registration under rule 144A of the Securities Act of 1933. Such securities may normally be

(e) sold to qualified institutional buyers in transactions exempt from registration. The total value of Rule 144A securities amounts \$26,052,407, which represents approximately 17.82% of net assets as of April 30, 2015.

Common Abbreviations:

AB - Aktiebolag is the Swedish equivalent of the term corporation.

AG - Aktiengesellschaft is a German term that refers to a corporation that is limited by shares, i.e., owned by shareholders.

FHLMC - Federal Home Loan Mortgage Corporation.

Ltd. - Limited.

N.V. - Naamloze vennootschap is the Dutch term for a public limited liability corporation.

OYJ - Osakeyhtio is the Finnish equivalent of a public stock company.

PLC - Public Limited Company.

REIT - Real Estate Investment Trust.

SCA - Societe en Commandite par Actions is a term for limited liability partnership

See Notes to Financial Statements.

Edgar Filing: Principal Real Estate Income Fund - Form N-CSRS

Principal Real Estate Income Fund

Statement of Assets and Liabilities April 30, 2015 (Unaudited)

ASSETS:

Investments, at value	\$205,767,840
Foreign currency, at value (Cost \$10,996)	11,036
Receivable for investments sold	32,402
Interest receivable	791,541
Dividends receivable	320,959
Prepaid and other assets	110,329
Total Assets	207,034,107

LIABILITIES:

Loan payable	60,000,000
Interest due on loan payable	67,666
Payable for investments purchased	499,486
Payable to adviser	179,316
Payable to administrator	28,243
Payable to transfer agent	3,857
Payable for trustee fees	18,480
Other payables	30,534
Total Liabilities	60,827,582
Net Assets	\$ 146,206,525

NET ASSETS CONSIST OF:

Paid-in capital	\$ 131,467,405
Distributions in excess of net investment income	(1,038,507)
Accumulated net realized gain on investments and foreign currency transactions	1,250,673
Net unrealized appreciation on investments and translation of assets and liabilities denominated in foreign currencies	14,526,954
Net Assets	\$ 146,206,525

PRICING OF SHARES:

Net Assets	\$ 146,206,525
Shares of beneficial interest outstanding (unlimited number of shares authorized, no par value per share)	6,899,800
Net asset value per share	\$21.19
Cost of Investments	\$ 191,241,737

See Notes to Financial Statements.

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Principal Real Estate Income Fund Statement of Operations

For the Six Months Ended April 30, 2015 (Unaudited)

INVESTMENT INCOME:

Interest	\$5,220,800
Dividends (net of foreign withholding tax of \$110,037)	1,829,341
Total Investment Income	7,050,141

EXPENSES:

Investment advisory fees	1,075,918
Interest on loan	353,848
Administration fees	162,178
Transfer agent fees	12,542
Audit fees	15,372
Legal fees	77,992
Custodian fees	14,965
Trustee fees	39,638
Printing fees	10,217
Insurance fees	25,946
Excise tax	12,653
Other	13,459
Total Expenses	