

Principal Real Estate Income Fund
Form DEF 14A
February 22, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

PRINCIPAL REAL ESTATE INCOME FUND

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of Each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration No.:

(3) Filing Party:

(4) Date Filed:

PRINCIPAL REAL ESTATE INCOME FUND

(the “Fund”)

1290 Broadway, Suite 1100

Denver, Colorado 80203

(855) 838-9485

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 12, 2019 AT 9:00 A.M. MOUNTAIN TIME

To the Shareholders of the Fund:

Notice is hereby given that the Annual Meeting of Shareholders (the “Meeting”) of the Fund will be held at the offices of the Fund, 1290 Broadway, Suite 1100, Denver, Colorado 80203, on Friday, April 12, 2019, at 9:00 a.m. Mountain Time, for the following purposes:

1. To elect one (1) Trustee;
2. To consider and vote upon such other matters, including adjournments, as may properly come before the Meeting or any adjournments thereof.

These items are discussed in greater detail in the attached Proxy Statement.

Shareholders of record at the close of business on February 11, 2019 are entitled to a notice of and to vote at the Meeting and any adjournments thereof.

YOUR VOTE IS IMPORTANT REGARDLESS OF THE SIZE OF YOUR HOLDINGS IN THE FUND. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE ASK THAT YOU PLEASE EITHER VOTE VIA THE INTERNET, BY TELEPHONE OR COMPLETE AND SIGN THE ENCLOSED PROXY CARD AND

RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHICH NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES.

By Order of the Board of Trustees of:
Principal Real Estate Income Fund

Jeremy Held
President and Trustee

February 22, 2019

The Meeting is important. Kindly indicate your vote as to the items to be discussed at the meeting by following the instructions in the attached proxy card or the voting instruction form. You may still attend the Meeting, even if you vote your shares beforehand.

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PRINCIPAL REAL ESTATE INCOME FUND

(the “Fund”)

1290 Broadway, Suite 1100

Denver, Colorado 80203

(855) 838-9485

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Trustees of the Fund (the “Board of Trustees”) for use at the Annual Meeting of Shareholders of the Fund (the “Meeting”) to be held on Friday, April 12, 2019, at 9:00 a.m. Mountain Time, at the offices of the Fund, 1290 Broadway, Suite 1100, Denver, Colorado 80203, and at any adjournments thereof. Shareholders who plan to attend the Meeting and vote in person should call (855) 838-9485 or visit the Fund’s website, at www.principalcef.com, to obtain directions. This Proxy Statement was first mailed to shareholders on or about February 22, 2019.

Other Methods of Proxy Solicitation

In addition to the solicitation of proxies by mail, officers of the Fund and officers and regular employees of DST Systems, Inc. (“DST”), the Fund’s transfer agent, ALPS Fund Services, Inc. (“ALPS”), the Fund’s administrator, and affiliates of DST, ALPS or other representatives of the Fund may also solicit proxies by telephone, Internet, or in person. The expenses incurred in connection with preparing the Proxy Statement and its enclosures will be paid by the Fund. The Fund will also reimburse brokerage firms and others for their expenses in forwarding solicitation materials to the beneficial owners of the Fund’s Common Shares (as defined below). In addition, the Fund has engaged Broadridge Financial Services, Inc. (“Broadridge”) to assist in the proxy effort for the Fund. Under the terms of the engagement, Broadridge will be providing a web site for the dissemination of these proxy materials and tabulation services.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on FRIDAY, April 12, 2019, at 9:00 a.m. Mountain Time

THE FUND'S MOST RECENT ANNUAL REPORT, INCLUDING AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED OCTOBER 31, 2018, AND THE PROXY MATERIALS, ARE AVAILABLE UPON REQUEST, WITHOUT CHARGE, BY WRITING TO THE FUND AT 1290 BROADWAY, SUITE 1100, DENVER, COLORADO 80203, BY CALLING THE FUND AT (855) 838-9485, by THE INTERNET AT WWW.PRINCIPALCEF.COM, or by e-mailing the fund at materials@2voteproxy.com. Shareholders are encouraged to review these materials before voting. Requests for any copies of the proxy materials should be made by no later than March 22, 2019 to help ensure timely delivery.

If the enclosed proxy card is properly executed and returned in time to be voted at the Meeting, and if you give no instructions on the proxy card, then the Common Shares represented thereby will be voted "FOR" the proposals listed in the accompanying Notice of Annual Meeting of Shareholders and will be voted in the discretion of the proxy holders as to any other matters that may properly come before the Meeting. Any shareholder who has given a proxy has the right to revoke it at any time prior to its exercise either by attending the Meeting and voting his or her Common Shares in person or by submitting a letter of revocation or a later-dated proxy to the Fund at the above address prior to the date of the Meeting.

The holders of thirty-three and one third (33 1/3) percent of the outstanding Common Shares on the record date present in person or by proxy shall constitute a quorum at the Meeting for purposes of conducting business. If a quorum is not present at the Meeting, or if a quorum is present at the Meeting but sufficient votes to approve any of the proposed items are not received, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies. A shareholder vote may be taken on one or more of the proposals in this Proxy Statement prior to such adjournment if sufficient votes have been received for approval and it is otherwise appropriate. Any such adjournment for the Meeting will require the affirmative vote of a majority of those Common Shares present at the Meeting in person or by proxy. If a quorum is present, the persons named as proxies will vote those proxies that they are entitled to vote "FOR" any proposal in favor of such adjournment and will vote those proxies required to be voted "AGAINST" any proposal against such adjournment.

Eligibility to Vote

At the close of business on February 11, 2019 (the "Record Date"), only shareholders of record are entitled to receive notice of the Meeting and to vote those Common Shares for which they are the record owners, at either the Meeting or any adjournment or postponement thereof.

Shares Entitled to Vote

The Fund has one class of capital stock: common shares of beneficial interest, no par value per share (“Common Shares”). As of the Record Date the Fund had 6,899,800 Common Shares outstanding.

Number of Votes per Common Share

The holders of Common Shares are entitled to one vote for each full share and an appropriate fraction of a vote for each fractional share held.

PROPOSAL 1

ELECTION OF NOMINEE TO

THE FUND'S BOARD OF TRUSTEES

Nominee for the Fund's Board of Trustees

The Fund's Board of Trustees is divided into three classes, each class having a term of three years. Each year the term of office for one class will expire. Listed below is the nominee for the Fund, who has been nominated by the Board of Trustees for election to a three-year term to expire at the Fund's 2022 Annual Meeting of Shareholders or until his successor is duly elected and qualified.

Ernest J. Scalberg

Unless authority is withheld, it is the intention of the persons named in the proxy to vote the proxy "FOR" the election of the nominee named above. The nominee has indicated that he has consented to serve as a Trustee if elected at the Meeting. However, if the designated nominee declines or otherwise becomes unavailable for election, the proxy confers discretionary power on the persons named therein to vote in favor of a substitute nominee or nominees.

Information About Each Trustee's Professional Experience and Qualifications

Provided below is a brief summary of the specific experience, qualifications, attributes or skills for each Trustee that warranted their consideration as a Trustee candidate to the Board of Trustees, which is structured as an investment company under the Investment Company Act of 1940, as amended, ("1940 Act").

Rick A. Pederson – Mr. Pederson has served as a Trustee of the Fund since April 2013. He currently serves on the Fund's Qualified Legal Compliance Committee, Nominating and Corporate Governance Committee and on the Audit Committee. Mr. Pederson has been a long-time manager of private equity and real estate investment funds, and has served on the boards of several private companies and not-for-profit entities. He was selected to serve as a Trustee of the Fund based on his business and financial services experience.

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Jerry G. Rutledge – Mr. Rutledge has been a Trustee of the Fund since April 2013. He currently serves on the Fund’s Qualified Legal Compliance Committee, Nominating and Corporate Governance Committee and on the Audit Committee. Mr. Rutledge is the President and owner of Rutledge’s Inc., an upscale men’s clothing store, which he opened in 1967. Mr. Rutledge has over 50 years of business experience. He served on the University of Colorado Board of Regents from 1995 to 2007. Mr. Rutledge also served as a Director of the American National Bank until 2009. Mr. Rutledge is a graduate of the University of Colorado. He was selected to serve as a Trustee of the Fund based on his business experience.

Ernest J. Scalberg – Dr. Scalberg has served as a Trustee of the Fund since April 2013 and Chairman of the Fund since 2017. He also serves on the Fund’s Qualified Legal Compliance Committee, Nominating and Corporate Governance Committee and on the Audit Committee and has been designated by the Board of Trustees as an “audit committee financial expert,” as defined in SEC rules. Currently retired, Dr. Scalberg served most recently as a Research Professor and Director of the GLOBE Center at the Monterey Institute of International Studies until 2014. Previously, Dr. Scalberg was Associate Vice President for External Programs and Dean of the Fisher Graduate School of International Business at the Monterey Institute of International Studies from 2001 to 2009, and was the Dean of the Graduate School of Business Administration and Dean of Faculty of the Schools of Business at Fordham University from 1994 to 2001. In the 1980s, Dr. Scalberg established UCLA’s Executive MBA Program and a new style of MBA program for the fully employed professional. In 1990 he moved to Hong Kong, where for three years he worked to create a new school of business at the Hong Kong University of Science and Technology, in a partnership between UCLA and the Hong Kong government. Dr. Scalberg currently serves on the Board of Trustees, and on the Audit and Nominating Committees of The Select Sector SPDR Trust. Dr. Scalberg also has served on the boards of numerous non-profit organizations from 1974 to the present, and is the current Chairman of the Board of the Foundation of the International University in Geneva, Switzerland. He was selected to serve as a Trustee of the Fund based on his business and finance experience.

Jeremy Held – Mr. Held has been an Interested Trustee of the Fund since December 2017. Mr. Held joined ALPS in 1996 and currently serves as Senior Vice President, Director of Research of ALPS Advisors, Inc. (“ALPS Advisors”) and Senior Vice President of Red Rocks Capital, LLC. Mr. Held is a Chartered Financial Analyst and a Certified Financial Planner. Mr. Held graduated summa cum laude from the University of Colorado at Boulder with a degree in International Business. He was selected to serve as a Trustee of the Fund based on his business, financial services and investment management experience.

Also, additional information regarding each Trustee’s current age, principal occupations and other directorships, if any, that have been held by the Trustees is provided in the table below.

Additional Information About Each Trustee and the Fund’s Officers

The table below sets forth the names and age of the Trustees and principal officers of the Fund, the year each was first elected or appointed to office, their term of office, their principal business occupations during at least the last five years, the number of portfolios overseen by each Trustee or the Fund Complex, and their other directorships of public companies. Unless noted otherwise, the address for the Trustees and officers is 1290 Broadway, Suite 1100, Denver, Colorado 80203.

INDEPENDENT TRUSTEES

| Name and Year of Birth | Position(s) Held with Registrant | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years | Number of Funds in Fund Complex⁽¹⁾ Overseen by Trustee | Other Directorships⁽²⁾ Held by Trustee During Past 5 Years |
|-------------------------------|---|--|---|--|--|
| Rick A. Pederson (1952) | Trustee | Term expires in 2021. Has served since April 2013. | Partner, Bow River Capital Partners (private equity management), 2003 - present;; Board Member, Prosci Inc. (private business services) 2013-2016; Advisory Board Member, Citywide Banks (Colorado community bank) 2014-2017; Board Member, Strong-Bridge Consulting, 2015-present; Board Member, IRI/ODMS Holdings LLC, 2017 – | 21 | Segall Bryant & Hamill Trust (14 funds); ALPS ETF Trust (20 funds). |

| | | | | |
|------------------------------|----------------------|---|--|---|
| | | | present; Director, National Western Stock Show (not for profit) 2010 - present; Director, History Colorado (not for profit) 2015-present; Trustee, Boettcher Foundation, 2018. | |
| Jerry G. Rutledge (1944) | Trustee | Term expires in 2020. Has served since April 2013. | President and owner of Rutledge's Inc. (retail clothing business); Regent of the University of Colorado (1994 – 2007). Director, University of Colorado Hospital (2007 – 2017). | 13 |
| | | | | Clough Global Allocation Funds (1 fund); Clough Global Equity Fund (1 fund); Clough Global Opportunities Fund (1 fund); Financial Investors Trust (33 funds). |
| Ernest J. Scalberg (1945) | Chairman and Trustee | Term expires in 2019. Has served as Trustee since April 2013. Has served as Chairman since July 2017. | Formerly the Research Professor and Director of the GLOBE Center, Monterey Institute of International Studies (2009 – 2014); Associate Vice President for External Programs and Dean of Fisher Graduate School of International Business (2001 – 2009); Director, Advisor or Trustee to numerous non-profit organizations (1974 – present); and Chairman of the Board of the Foundation, International University in Geneva (IUG), Switzerland (2005 – present). | 1 |
| | | | | The Select Sector SPDR Trust (11 funds). |

INTERESTED TRUSTEE⁽³⁾ AND OFFICERS⁽⁴⁾

| Name and Year of Birth | Position(s) Held with Registrant | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years | Number of Funds in Fund Complex⁽¹⁾ Overseen by Trustee | Other Directorships⁽²⁾ Held by Trustee During Past 5 Years |
|-------------------------------|---|---|--|--|--|
| Jeremy Held (1974) | Trustee and President | Term expires in 2021. Has served since December 2017. | Mr. Held is Senior Vice President, Director of Research of AAI and Senior Vice President of Red Rocks Capital, LLC. Mr. Held joined ALPS in 1996, and because of his position with ALPS, he is deemed an affiliate of the Fund as defined under the 1940 Act. | 10 | ALPS Variable Investment Trust (9 funds) |
| Kathryn Burns (1976) | Treasurer | Has served since September 2018. | Ms. Burns serves as Vice President, Director of Fund Operations of AAI since 2018. From 2013 to 2018, she served as Vice President and Fund Controller at ALPS Fund Services. Prior to joining ALPS, she worked at Old Mutual Capital where she served as Vice President and Chief Compliance Officer (2010 – 2012) and Regulatory Reporting Manager and Assistant Treasurer to the Old Mutual Funds Trusts (2006 – 2012). She also served as a CPA for PricewaterhouseCoopers LLP. Ms. Burns is also Treasurer of ALPS ETF Trust, ALPS Variable Investment Trust, the Boulder Growth & Income Fund, Inc. and the RiverNorth Opportunities Fund Inc. | N/A | N/A |

| Name and Year of Birth | Position(s) Held with Registrant | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years | Number of Funds in Fund Complex⁽¹⁾ Overseen by Trustee | Other Directorships⁽²⁾ Held by Trustee During Past 5 Years |
|-------------------------------|---|--|---|--|--|
| Erin D. Nelson (1977) | Chief Compliance Officer | Has served as Chief Compliance Officer since June 2015; previously served as Secretary from March 2014 to June 2015. | Erin Nelson became Senior Vice President and Chief Compliance Officer of ALPS Advisors on July 1, 2015 and prior to that served as Vice President and Deputy Chief Compliance Officer of ALPS Advisors since January 1, 2015. Prior to January 1, 2015, Ms. Nelson was Vice President and Assistant General Counsel of ALPS Fund Services, Inc. Ms. Nelson joined ALPS Advisors' parent company, ALPS Holdings, Inc. in January 2003. Because of her position with ALPS Advisors, Ms. Nelson is deemed an affiliate of the Fund as defined under the 1940 Act. Ms. Nelson is also Chief Compliance Officer of ALPS ETF Trust, ALPS Variable Investment Trust, the Liberty All-Star Equity Fund, the Liberty All-Star Growth Fund, Inc., the RiverNorth Opportunities Fund, Inc. and Red Rocks Capital, LLC. | N/A | N/A |
| Andrea E. Kuchli (1985) | Secretary | Has served since August 2015. | Ms. Kuchli has been Vice President and Senior Counsel of ALPS Fund Services, Inc. and ALPS Advisors since February 2015. Prior to that Ms. Kuchli served as an Associate Attorney with Davis Graham & Stubbs LLP from April 2014 to February 2015, and as an Associate Attorney with Dechert LLP from September 2011 to April 2014. Because of her position with ALPS, Ms. Kuchli is deemed an affiliate of the Fund as defined under the 1940 Act. Ms. Kuchli is also Secretary of ALPS ETF Trust and ALPS Variable Investment Trust as well as Assistant Secretary of the James Advantage Funds. | N/A | N/A |

| | | | | | |
|----------------------------------|----------------------------|--|---|------------|------------|
| <p>Sharon R. Akselrod (1974)</p> | <p>Assistant Secretary</p> | <p>Has served since December 2017.</p> | <p>Ms. Akselrod joined ALPS in August 2014 and is currently Senior Investment Company Act Paralegal of ALPS Fund Services, Inc. Prior to joining ALPS, Ms. Akselrod served as Corporate Governance and Regulatory Associate for Nordstrom fsb (2013–2014) and Senior Legal Assistant – Legal Manager for AXA Equitable Life Insurance Company (2008– 2013). Because of her position with ALPS, Ms. Akselrod is deemed an affiliate of the Fund as defined under the 1940 Act. Ms. Akselrod is also Assistant Secretary of ALPS ETF Trust, Financial Investors Trust, ALPS Variable Investment Trust and Clough Funds Trust.</p> | <p>N/A</p> | <p>N/A</p> |
|----------------------------------|----------------------------|--|---|------------|------------|

(1) The term “Fund Complex” means two or more registered investment companies that:

- (a) hold themselves out to investors as related companies for purposes of investment and investor services; or
- (b) have a common investment adviser or that have an investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies.

(2) The numbers enclosed parenthetically represent the number of funds overseen in each directorship that the Trustee has held. Regarding ALPS ETF Trust and ALPS Variable Investment Trust, all funds are included in the total funds in the Fund Complex column. As to Financial Investors Trust, 12 funds are included in the total funds in the Fund Complex column.

(3) “Interested Trustees” refers to those Trustees who constitute “interested persons” of a Fund as defined in the 1940 Act.

(4) Officers are elected annually. Each officer will hold such office until a successor has been elected by the Board of Trustees.

Beneficial Ownership of Common Shares

Set forth in the table below is the dollar range of equity securities held in the Fund and on an aggregate basis for all funds overseen in a family of investment companies overseen by each Trustee.

| Name of Trustee/Nominee | Dollar Range of Equity Securities Held in the Fund | Aggregate Dollar Range of Equity Securities Held in All Funds in the Family of Investment Companies |
|-------------------------|--|---|
| Rick A. Pederson | None | None |
| Jerry G. Rutledge | None | None |
| Ernest J. Scalberg | \$50,001 - \$100,000 | \$50,001 - \$100,000 |
| Jeremy Held | \$10,001-\$50,000 | \$10,001-\$50,000 |

This information has been furnished by each Trustee and nominee for election as Trustee as of December 31, 2018.
 (1) “Beneficial Ownership” is determined in accordance with Section 16a-1(a)(2) under the Securities Exchange Act of 1934, as amended (the “1934 Act”).

(2) Ownership amount constitutes less than 1% of the total Common Shares outstanding.

Trustee Transactions with Fund Affiliates

As of December 31, 2018, none of the trustees who are not “interested persons” (as defined in the 1940 Act”) (each an “Independent Trustee” and collectively the “Independent Trustees”), nor members of their immediate families owned securities, beneficially or of record, in ALPS Advisors or Principal Real Estate Investors, LLC (the “Sub-Adviser”), or an affiliate or person directly or indirectly controlling, controlled by, or under common control with ALPS Advisors or Sub-Adviser. Furthermore, over the past five years, neither the Independent Trustees nor members of their immediate families have any direct or indirect interest, the value of which exceeds \$120,000, in ALPS Advisors or Sub-Adviser or any of their respective affiliates. In addition, for the fiscal year ended October 31, 2018, neither the Independent Trustees nor members of their immediate families have conducted any transactions (or series of transactions) or maintained any direct or indirect relationship in which the amount involved exceeds \$120,000 and to which ALPS Advisors or Sub-Adviser or any of their respective affiliates was a party.

Trustee Compensation

The following table sets forth certain information regarding the compensation of the Fund’s Trustees for the fiscal year ended October 31, 2018. Trustees and Officers of the Fund who are employed by ALPS or ALPS Advisors receive no compensation or expense reimbursement from the Fund or any other fund in the fund complex.

| Name of Trustee/Nominee | Total Compensation From the Fund* | Total Compensation From the Fund and Fund Complex Paid to Trustees** | Number of Funds in Trustee's Fund Complex |
|--------------------------------|--|---|--|
| Rick A. Pederson | \$27,000 | \$71,640 | 21 |
| Jerry G. Rutledge | \$30,000 | \$103,744 | 13 |
| Ernest J. Scalberg | \$37,000 | \$37,000 | 1 |
| Total | \$94,000 | \$212,384 | |

*Represents the total compensation paid to such persons by the Fund during the fiscal year ended October 31, 2018.

Represents the total compensation paid to such Trustee by the Trustee's Fund Complex during the fiscal year ended October 31, 2018. The Fund Complex for Mr. Rutledge consists of the Fund and 12 funds within the Financial Investors Trust. The Fund Complex for Mr. Pederson consists of the Fund and all funds within the ALPS ETF Trust. The Fund Complex for Dr. Scalberg consists of the Fund.

Prior to October 1, 2018, each Independent Trustee of the Fund received an annual retainer of \$18,000 and an additional \$3,000 for attending each meeting of the Board of Trustees. In addition to the Attendance Fee, the Chairman of the Board of Trustees was paid a meeting fee of \$1,000 for each meeting of the Board of Trustees and the Chairman of the Audit Committee of the Board of Trustees was paid a meeting attendance fee of \$1,000 for each meeting of the Audit Committee of the Board of Trustees. Effective October 1, 2018, each Independent Trustee of the Fund receives an annual retainer of \$21,000 and an additional \$4,000 for attending each meeting of the Board of Trustees. In addition to the Attendance Fee, the Chairman of the Board of Trustees is paid a meeting fee of \$1,125 for each meeting of the Board of Trustees and the Chairman of the Audit Committee of the Board of Trustees is paid a meeting attendance fee of \$1,125 for each meeting of the Audit Committee of the Board of Trustees. The Independent Trustees are also reimbursed for all reasonable out-of-pocket expenses relating to attendance at meetings of the Board of Trustees.

During the fiscal year ended October 31, 2018, the Board of Trustees met four times. Each Trustee then serving in such capacity attended at least 75% of the meetings of Trustees and of any Committee of which he is a member.

Leadership Structure of the Board of Trustees

The Board of Trustees, which has overall responsibility for the oversight of the Fund's investment programs and business affairs, believes that it has structured itself in a manner that allows it to effectively perform its oversight obligations. The Trustees also complete an annual self-assessment during which the Trustees review their overall

structure and consider where and how its structure remains appropriate in light of the Fund's current circumstances. The Board of Trustees has appointed Dr. Scalberg, an Independent Trustee, to serve in the role of Chairman of the Board of Trustees ("Chairman"). The Chairman's role is to preside at all meetings of the Board of Trustees and in between meetings of the Board of Trustees to generally act as the liaison between the Board of Trustees and the Fund's officers, attorneys and various other service providers, including but not limited to ALPS and other such third parties servicing the Fund.

The Fund has three standing committees, each of which enhances the leadership structure of the Board of Trustees: the Audit Committee; the Nominating and Corporate Governance Committee; and the Qualified Legal Compliance Committee. The Audit Committee, Nominating and Corporate Governance Committee, and the Qualified Legal Compliance Committee are each chaired by, and composed of, members who are Independent Trustees.

Oversight of Risk Management

The Fund is confronted with a multitude of risks, such as investment risk, counter party risk, valuation risk, political risk, risk of operational failures, business continuity risk, regulatory risk, legal risk and other risks not listed here. The Board of Trustees recognizes that not all risk that may affect the Fund can be known, eliminated or even mitigated. In addition, there are some risks that may not be cost effective or an efficient use of the Fund's limited resources to moderate. As a result of these realities, the Board of Trustees, through its oversight and leadership, has and will continue to deem it necessary for shareholders of the Fund to bear certain and undeniable risks, such as investment risk, in order for the Fund to operate in accordance with its prospectus, statement of additional information and other related documents.

However, as required under the 1940 Act, the Board of Trustees has adopted on the Fund's behalf a vigorous risk program that mandates the Fund's various service providers, including ALPS, to adopt a variety of processes, procedures and controls to identify various risks, mitigate the likelihood of such adverse events from occurring and/or attempt to limit the effects of such adverse events on the Fund. The Board of Trustees fulfills its leadership role by receiving a variety of quarterly written reports prepared by the Fund's Chief Compliance Officer ("CCO") that (1) evaluate the operation, policies and policies of the Fund's service providers, (2) make known any material changes to the policies and procedures adopted by the Fund or its service providers since the CCO's last report and (3) disclose any material compliance matters that occurred since the date of the last CCO report. In addition, the Independent Trustees meet quarterly in executive sessions without the presence of any Interested Trustees, ALPS, the Sub-Adviser or any of their affiliates. This configuration permits the Independent Trustees to effectively receive the information and have private discussions necessary to perform their risk oversight role, exercise independent judgment, and allocate areas of responsibility between the full Board of Trustees, its various committees and certain officers of the Fund. Furthermore, the Independent Trustees have engaged independent legal counsel and auditors to assist the Independent Trustees in performing their oversight responsibilities. As discussed above and in consideration of other factors not referenced herein, the Board of Trustees has determined its leadership role concerning risk management as one of oversight and not active management of the Fund's day-to-day risk management operations.

Audit Committee Report

The Audit Committee of the Board of Trustees ("Audit Committee") is comprised of Messrs. Pederson and Rutledge and Dr. Scalberg (Chairman and Financial Expert). The role of the Fund's Audit Committee is to assist the Board of Trustees in its oversight of (i) the quality and integrity of Fund's financial statements, reporting process and the independent registered public accounting firm (the "independent accountants") and reviews thereof, (ii) the Fund's accounting and financial reporting policies and practices, its internal controls and, as appropriate, the internal controls of certain service providers, (iii) the Fund's compliance with legal and regulatory requirements and (iv) the independent accountants' qualifications, independence and performance. The Audit Committee is also required to prepare an audit committee report pursuant to the rules of the SEC for inclusion in the Fund's annual proxy statement. The Audit Committee operates pursuant to the Audit Committee Charter (the "Audit Committee Charter") that was most recently reviewed and approved by the Audit Committee on June 11, 2018, at which time the Audit Committee determined it had no changes to recommend to the Board of Trustees. The Audit Committee Charter is available at the Fund's website, www.principalcef.com. As set forth in the Audit Committee Charter, management is responsible for maintaining appropriate systems for accounting and internal control, and the Fund's independent accountants are responsible for planning and carrying out proper audits and reviews. The independent accountants are ultimately accountable to the Board of Trustees and to the Audit Committee, as representatives of shareholders. The independent accountants for the Fund report directly to the Audit Committee.

In performing its oversight function, at a meeting held on December 12, 2018, the Audit Committee reviewed and discussed with management of the Fund and the independent accountant, Cohen Fund Audit Services, Ltd. ("Cohen"), the audited financial statements of the Fund as of and for the fiscal year ended October 31, 2018, and discussed the audit of such financial statements with the independent accountant.

In addition, the Audit Committee discussed with the independent accountant the accounting principles applied by the Fund and such other matters brought to the attention of the Audit Committee by the independent accountant required by Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (“PCAOB”). The Audit Committee also received from the independent accountant the written disclosures and letters required by PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*, and discussed the relationship between the independent accountant and the Fund and the impact that any such relationships might have on the objectivity and independence of the independent accountant.

As set forth above, and as more fully set forth in the Audit Committee Charter, the Audit Committee has significant duties and powers in its oversight role with respect to the Fund's financial reporting procedures, internal control systems and the independent audit process.

The members of the Audit Committee are not, and do not represent themselves to be, professionally engaged in the practice of auditing or accounting and are not employed by the Fund for accounting, financial management or internal control purposes. Moreover, the Audit Committee relies on and makes no independent verification of the facts presented to it or representations made by management or the independent verification of the facts presented to it or representation made by management or the Fund's independent accountant. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and/or financial reporting principles and policies, or internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not provide assurance that the audit of the Fund's financial statements has been carried out in accordance with generally accepted accounting standards or that the financial statements are presented in accordance with generally accepted accounting principles.

Based on its consideration of the audited financial statements and the discussions referred to above with management and the Fund's independent accountant, and subject to the limitations on the responsibilities and role of the Audit Committee set forth in the Audit Committee Charter and those discussed above, the Audit Committee recommended to the Board of Trustees that the Fund's audited financial statements be included in the Fund's Annual Report for the fiscal year ended October 31, 2018.

SUBMITTED BY THE AUDIT COMMITTEE OF THE FUND'S BOARD OF TRUSTEES

Rick A. Pederson
Jerry G. Rutledge
Ernest J. Scalberg

December 12, 2018

The Audit Committee met three times during the fiscal year ended October 31, 2018. The Audit Committee is composed of three Independent Trustees, namely Dr. Scalberg, and Messrs. Pederson and Rutledge. None of the members of the Audit Committee are "interested persons" of the Fund.

Based on the findings of the Audit Committee, the Audit Committee has determined that Dr. Scalberg is the Fund's "audit committee financial expert," as defined in the rules promulgated by the SEC, and as required by NYSE Listing Standards. Dr. Scalberg serves as the Chairman of the Audit Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of the Board of Trustees ("Nominating and Corporate Governance Committee") is comprised of Messrs. Pederson and Rutledge (Chairman) and Dr. Scalberg. The Nominating and Corporate Governance Committee operates pursuant to the Nominating and Corporate Governance Committee Charter. The Nominating and Corporate Governance Committee is responsible for identifying and recommending to the Board of Trustees individuals believed to be qualified to become Board of Trustees members in the event that a position is vacated or created. The Nominating and Corporate Governance Committee Charter is available at the Fund's website: www.principalcef.com. The Nominating and Corporate Governance Committee will consider Trustee candidates recommended by shareholders. In considering candidates submitted by shareholders, the Nominating and Corporate Governance Committee will take into consideration the needs of the Board of Trustees, the qualifications of the candidate and the interests of shareholders. The Nominating and Corporate Governance Committee has not adopted a formal diversity policy, but it may consider diversity of professional experience, education and skills when evaluating potential nominees for Board of Trustees membership. Shareholders wishing to recommend candidates to the Nominating and Corporate Governance Committee should submit such recommendations to the Secretary of the Fund, who will forward the recommendations to the committee for consideration. The submission must include: (i) a brief description of the business desired to be brought before the annual or special meeting and the reasons for conducting such business at the annual or special meeting, (ii) the name and address, as they appear on the Fund's books, of the shareholder proposing such business or nomination, (iii) a representation that the shareholder is a holder of record of stock of the Fund entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present such nomination; (iv) whether the shareholder plans to deliver or solicit proxies from other shareholders; (v) the class and number of shares of the Common Shares of the Fund, which are beneficially owned by the shareholder and the proposed nominee to the Board of Trustees, (vi) any material interest of the shareholder or nominee in such business; (vii) to the extent to which such shareholder (including such shareholder's principals) or the proposed nominee to the Board of Trustees has entered into any hedging transaction or other arrangement with the effect or intent of mitigating or otherwise managing profit, loss, or risk of changes in the value of the Common Shares or the daily quoted market price of the Fund held by such shareholder (including shareholder's principals) or the proposed nominee, including independently verifiable information in support of the foregoing; and (viii) such other information regarding such nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. Each eligible shareholder or shareholder group may submit no more than one independent trustee nominee each calendar year. The Nominating and Corporate Governance Committee has not determined any minimum qualifications necessary to serve as a Trustee of the Fund. The Nominating and Corporate Governance Committee met two times during the fiscal year ended October 31, 2018.

Qualified Legal Compliance Committee

The Qualified Legal Compliance Committee of the Board of Trustees (“QLCC”) is comprised of Messrs. Pederson (Chairman) and Rutledge and Dr. Scalberg. The QLCC operates pursuant to the Qualified Legal Compliance Committee Guidelines. Each member of the QLCC must be a member of the Fund’s Board of Trustees who is not employed, directly or indirectly, by the Fund and who is not an “interested person” of the Fund as defined in section 2(a)(19) of the 1940 Act. The QLCC shall consist, at a minimum, of at least three members, including at least one member of the Fund’s Audit Committee.

Among other responsibilities, the QLCC is responsible for (i) receiving reports of certain material breaches or violations of certain U.S. laws or regulations or fiduciary duties, (ii) reporting evidence of such breaches or violations to the Fund’s Principal Executive Officer (“PEO”), (iii) determining whether an investigation of such breaches or violations is required, (iv) if the QLCC determines an investigation is required, initiating such investigation, (v) at the conclusion of such investigation, recommending that the Fund implement an appropriate response to evidence of a breach or violation and (vi) informing the PEO and the Board of Trustees of the results of the investigation.

The QLCC shall meet as often as it deems necessary to perform its duties and responsibilities. The QLCC met one time during the fiscal year ended October 31, 2018.

Compensation Committee

The Fund does not have a compensation committee.

Other Board of Trustees Related Matters

The Fund does not require Trustees to attend the Annual Meeting of Shareholders. No Trustees attended the 2018 Annual Meeting of Shareholders.

Required Vote

The presence in person or by proxy of one-third of the Fund’s shares that are entitled to vote constitutes a quorum.

The affirmative vote of a plurality of votes cast for the nominee by the holders entitled to vote for the particular nominee is necessary for the election of the nominee.

THE BOARD OF TRUSTEES RECOMMENDS THAT SHAREHOLDERS OF THE FUND VOTE “FOR” THE TRUSTEE NOMINEE.

GENERAL INFORMATION

Independent Registered Public Accounting Firm

At the December meeting of the Board of Trustees, the Board of Trustees selected Cohen to serve as the Fund's independent registered public accounting firm for the Fund's fiscal year ending October 31, 2019. Cohen acted as the Fund's independent registered public accounting firm for the fiscal year ended October 31, 2018. The Fund knows of no direct financial or material indirect financial interest of Cohen in the Fund. A representative of Cohen will not be present at the Meeting, but will be available by telephone and will have an opportunity to make a statement if they desire to do so. A Cohen representative will also be available to respond to appropriate questions.

Principal Accounting Fees and Services

The table provided below sets forth the aggregate fees billed by Cohen for services rendered to the Fund, during the Fund's fiscal year ended October 31, 2018. The fees are for the following work:

- (1) **Audit Fees** for professional services provided by Cohen for the audit of the Fund's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements;
- (2) **Audit-Related Fees** for assurance and related services by Cohen that are reasonably related to the performance of the audit of the Fund's financial statements and are not reported under "Audit Fees;"
- (3) **Tax Fees** for professional services by Cohen for tax compliance, tax advice, and tax planning; and
- (4) **All Other Fees** for products and services provided by Cohen other than those services reported in above under "Audit Fees," "Audit-Related Fees," and "Tax Fees."

2018 **Pre-Approved by
Audit Committee**

| | | |
|---------------------------|----------|-----|
| Audit Fee | \$28,000 | Yes |
| Audit-Related Fees | \$0 | Yes |
| Tax Fees | \$3,000 | Yes |
| All Other Fees | \$0 | N/A |
| Non-Audit Fees | \$0 | N/A |

The Fund's Audit Committee Charter requires that the Audit Committee pre-approve or establish pre-approval policies and procedures concerning all audit and non-audit services to be provided by Cohen, the Fund's independent registered public accounting firm. Further, the Audit Committee Charter mandates that the Audit Committee pre-approve or establish pre-approval policies and procedures concerning all permitted non-audit services to be provided by Cohen to ALPS Advisors and to entities controlling, controlled by, or under common control with ALPS Advisors and that provide ongoing services to the Fund, if the services relate directly to the operations and financial reporting of the Fund. Except, however, *de minimis* non-audit services may, to the extent permitted by applicable law, be approved prior to completion of the audit. The Audit Committee has also established detailed pre-approval policies and procedures for pre-approval of such services in accordance with applicable laws. The Fund requires that the Audit Committee maintain these pre-approval policies and procedures to ensure that the provision of these services by Cohen does not impair its independence.

The following table shows the ownership as of December 31, 2018 of the Fund's Common Shares by each Trustee and the Fund's principal executive officer and principal financial officer (each an "Executive Officer" and together, the "Executive Officers"). Each Trustee and Executive Officer and all Trustees and Executive Officers as a group owned less than 1% of the Fund's outstanding shares as of December 31, 2018.

| Trustees & Executive Officer's Names | Total Shares Owned and Nature of Ownership |
|---|---|
| Rick A. Pederson | None |
| Jerry G. Rutledge | None |
| Ernest J. Scalberg | 2,734.035, Beneficial |
| Jeremy Held* | 2,000, Beneficial |
| Kathryn Burns** | None |
| All Trustees and Executive Officers as a Group | 4,734.035 |

*Jeremy Held is a Trustee and the Principal Executive Officer of the Fund.

**Kathryn Burns is the Principal Financial Officer of the Fund.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the 1934 Act and Section 30(h) of the 1940 Act, and the rules thereunder, require the Fund's officers and Trustees, ALPS Advisors' officers and directors, affiliated persons of ALPS Advisors', and persons who beneficially own more than 10% of a registered class of the Fund's Common Shares to file reports of ownership and changes in ownership with the SEC and the NYSE and to furnish the Fund with copies of all Section 16(a) forms they file. Based solely on a review of the reports filed, the Fund believes that during fiscal year end on October 31, 2018, all Section 16(a) filing requirements applicable to the Fund's officers, Trustees, ALPS Advisors' officers and directors, affiliated persons of ALPS Advisors' and persons who beneficially own more than 10% of the Fund's Common Shares were complied with, except for a Form 3 filing of Mr. Richard Noyes that has since been filed with the SEC.

Ownership of Shares

The following chart lists each Shareholder or group of Shareholders who beneficially (or of record) owned more than 5% of the shares for the Fund as of February 11, 2019.

Any person or entity that beneficially owns, directly or through one or more controlled companies, more than 25% of the voting securities of a company is presumed to "control" such company. Accordingly, to the extent that a person or entity is identified as the beneficial owner of more than 25% of the voting securities of the Fund, or is identified as the record owner of more than 25% of the Fund and has voting and/or investment powers, that person or entity may be presumed to control the Fund. A controlling Shareholder's vote could have a more significant effect on matters presented to Shareholders for approval than the vote of other Fund Shareholders.

| Shareholder Name and Address⁽¹⁾ | Number of Shares Owned | Percentage of Shares Owned |
|---|-------------------------------|-----------------------------------|
| First Trust Portfolios L.P. 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187 | 894,213 ⁽²⁾ | 12.96 ⁽²⁾ |
| First Trust Advisors L.P. 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187 | | |
| The Charger Corporation 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187 | | |

(1) The table above shows 5% or greater shareholders' ownership of Shares as the Record Date. The information contained in this table is based on Schedule 13G filings made on or before the Record Date.

(2) First Trust Portfolios L.P., First Trust Advisors L.P. and The Charger Corporation filed their Schedule 13G jointly and did not differentiate holdings as to each entity.

The Investment Adviser and Administrator

ALPS Advisors, Inc. is the investment adviser for the Fund, and its business address is 1290 Broadway, Suite 1100, Denver, Colorado 80203. The sub-adviser is Principal Real Estate Investors, LLC and its business address is 801 Grand Avenue, Des Moines, Iowa 50309.

ALPS is the administrator for the Fund, and its business address is 1290 Broadway, Suite 1100, Denver, Colorado 80203.

Other Information

Since the beginning of the Fund's most recently completed fiscal year, no Trustee has purchased or sold securities exceeding 1% of the outstanding securities of any class of DST or its subsidiaries, or the Sub-Adviser or its parent or subsidiaries.

As of December 31, 2018, no Independent Trustee or any of their immediate family members owned beneficially or of record any class of securities of ALPS Advisors, the Sub-Adviser or any person controlling, controlled by or under common control with any such entity.

The interested director and officers of the Fund are officers and employees of ALPS Advisors and/or its affiliates and may own interests in DST. Such director and officers will receive a portion of the merger consideration based on their respective share ownership in DST, which portion is, in the aggregate, expected to be less than 0.1% of the total consideration paid to all stockholders of DST.

Payment of Solicitation Expenses

ALPS Advisors and/or its affiliates will pay the expenses of the preparation, printing and mailing of this Proxy Statement and its enclosures and of all solicitations. The Fund has engaged Broadridge, a professional proxy solicitation firm, to assist in the solicitation of the proxy for the Fund, at an estimated cost of \$26,271 plus any out-of-pocket expenses. Such expenses will be paid by ALPS Advisors and/or its affiliates. Among other things, Broadridge will be: (i) required to maintain the confidentiality of all shareholder information; (ii) prohibited from selling or otherwise disclosing shareholder information to any third party; and (iii) required to comply with applicable telemarketing laws. ALPS Advisors and/or its affiliates will also reimburse brokerage firms and others for their

expenses in forwarding solicitation material to Shareholders.

Delivery of Proxy Statement

Only one copy of this Proxy Statement may be mailed to each household, even if more than one person in the household is a Fund Shareholder, unless the Fund has received contrary instructions from one or more of the household's Shareholders. If a Shareholder needs an additional copy of this Proxy Statement, would like to receive separate copies in the future, or would like to request delivery of a single copy to Shareholders sharing an address, please contact (855) 838-9485.

Other Business

The Trustees do not intend to bring any matters before the Meeting other than the Proposal described in this Proxy Statement, and the Trustees are not aware of any other matters to be brought before the Meeting by others. Because matters not known at the time of the solicitation may come before the Meeting, the proxy as solicited confers discretionary authority with respect to such matters as properly come before the Meeting, including any adjournment(s), postponement(s) or delays thereof, and it is the intention of the persons named as attorneys-in-fact in the proxy (or their substitutes) to vote the proxy in accordance with their judgment on such matters.

Shareholder Communications with Board of Trustees

Shareholders may mail written communications to the Fund's Board of Trustees, to committees of the Board of Trustees or to specified individual Trustees in care of the Secretary of the Fund, 1290 Broadway, Suite 1100, Denver, Colorado 80203. All shareholder communications received by the Secretary will be forwarded promptly to the Board of Trustees, the relevant Board of Trustees' committee or the specified individual Trustees, as applicable, except that the Secretary may, in good faith, determine that a shareholder communication should not be so forwarded if it does not reasonably relate to the Fund or its operations, management, activities, policies, service providers, Board of Trustees, officers, shareholders or other matters relating to an investment in the Fund or is purely ministerial in nature.

Submission of Certain Shareholder Proposals

Any shareholder proposal to be considered for inclusion in the Fund's proxy statement and form of proxy for the Meeting should have been received by the Secretary of the Fund no later than December 11, 2018. To submit a shareholder proposal for the Fund's 2020 annual meeting of shareholders, a shareholder is required to give to the Fund notice of, and specified information with respect to any proposals pursuant to Rule 14a-8 under the 1934 Act by October 25, 2019. In addition, pursuant to the Fund's By-Laws, a shareholder is required to give to the Fund notice of, and specified information with respect to, any proposals that such shareholder intends to present at the 2020 annual meeting no earlier than September 25, 2019, or approximately 150 days prior to the first anniversary of the date of the Fund's proxy statement and no later than October 25, 2019, or 120 days prior to the first anniversary of the date of the Fund's proxy statement. Under the circumstances described in, and upon compliance with, Rule 14a-4(c) under the 1934 Act, the Fund may solicit proxies in connection with the 2019 annual meeting which confer discretionary authority to vote on any shareholder proposals of which the Secretary of the Fund does not receive notice in accordance with the aforementioned date. Timely submission of a proposal does not guarantee that such proposal will be included.

IF VOTING BY PAPER PROXIES, IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING ARE THEREFORE URGED TO COMPLETE, SIGN, DATE, AND RETURN THE PROXY CARD AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

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