City of Hallandale Beach

General Employee's Plan 4-45661

PQ 4743

WE UNDERSTAND WHAT YOU'RE WORKING FOR℠

Principal® Financial Group

Principal Financial Advisors, Inc.

Investment Advisory Report
City of Hallandale Beach General Employee's Plan

Contract No. 4-45661
October 01, 2006 - June 30, 2007

Contents

Page	
1	Principal Financial Advisors, Inc. Overview
2	Portfolio and Strategic Asset Allocation Review
8	International Holdings
11	Portfolio Performance Review
12	Investment Option Performance
Tab 1	Fact Sheets

Principal Financial Advisors, Inc. Overview

Making informed and effective asset allocation decisions may be one of the most important – and challenging – endeavors an employer undertakes for their retirement plan. This decision is key in determining whether the plan will meet its long-term investment goals and objectives. At the Principal Financial Group® (The Principal®), we understand the challenges and pressures employers face as a retirement plan sponsor, including the selection of optimal investment options.

For nearly 20 years, Principal Financial Advisors, Inc., a registered investment advisor, and a member company of the Principal Financial Group® has been providing asset allocation solutions for clients. Today, we manage over $5.0 billion in assets overall and have over 400 clients using our advisory services for retirement plans.

Our mission is to provide high quality investment advisory and consulting services to help clients meet their goals and objectives by offering premier investment managers and customized asset allocation solutions.

The investment advisory services of Principal Financial Advisors, Inc., are consistent with the following core beliefs:

1) Strategic asset allocation decisions are key determinants of investor success.
2) Liability analysis and plan sponsor attributes dictate asset allocation decisions for defined benefit plans.
3) Diversification by asset class, style, and manager is the primary tool for limiting investment risk.
4) Value is added through manager selection.

Principal Financial Advisors, Inc., provides:

1) Benefits of the Principal Due Diligence Program℠ provided by Principal Life Insurance Company.
2) Asset liability analysis for defined benefit plans and scenerios to help meet your plan's goals.
3) Assumption of fiduciary responsibility for asset allocation decisions.*
4) Experienced investment personnel.
5) Comprehensive reporting and top-tier client service.

Principal Financial Advisors, Inc., focuses on long-term asset allocation strategies with the goal of providing optimal return and risk scenarios to help meet your defined benefit plan's goals.

* The plan sponsor remains the named fiduciary of the plan, but Principal Financial Advisors, Inc., has been selected as the plan's investment advisor.

Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 10/01/2006 through 06/30/2007					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
	Large U.S. Equity				
	Large Value				
AllianceBernstein LP	Large-Cap Value Separate Account-Stnd [2, 21]	$1,471,238	5.55%	$1,571,101	5.34%
UBS Global Asset Mgmt (NY)	Large-Cap Value I Separate Account-Stnd [19]	$1,456,805	5.50%	$1,579,370	5.37%
	Large Blend				
Goldman Sachs Asset Mgt	Large-Cap Blend I Separate Account-Stnd [10]	$3,759,989	14.18%	$3,556,253	12.09%
	Large Growth				
Columbus Circle Investors	Large Company Growth Separate Account-Stnd [14]	$1,493,560	5.63%	$1,670,360	5.68%
T. Rowe Price Associates, Inc.	Large-Cap Growth I Separate Account-Stnd [2, 12]	$1,607,247	6.06%	$1,728,621	5.88%
	Small/Mid U.S. Equity				
	Small Value				
JP Morgan/Mellon Equity	Small-Cap Value I Separate Account-Stnd [1, 2, 20]	$528,809	1.99%	$532,331	1.81%
	Small Growth				
UBS/Emerald/Essex	Small-Cap Growth II Separate Account-Stnd [1, 2, 8]	$620,285	2.34%	$641,555	2.18%
	International Equity				
	Diversified Emerging Markets				
Principal Global Investors	International Emerging Markets Separate Account-Stnd [4]	$230,481	0.87%	$412,745	1.40%
	Foreign Large Blend				
Fidelity (Pyramis Global Adv)	International Separate Account-Stnd [4, 18, 19, 22]	$996,484	3.76%	$1,571,637	5.34%
	Foreign Large Growth				
Principal Global Investors	International Growth Separate Account-Stnd [2, 4]	$980,343	3.70%	$1,582,267	5.38%
	Real Estate				
	Owned Real Estate				
Principal Real Estate Inv	U.S. Property Separate Account-Stnd [6]	$1,334,178	5.03%	$1,706,902	5.80%
	Specialty-Real Estate				
Principal Real Estate Inv	Real Estate Securities Separate Account-Stnd [2, 9]	$486,718	1.84%	$347,691	1.18%
	Fixed Income				
	High Yield Bond				
Post Advisory Group	High Yield Separate Account-Stnd [5, 19]	$526,489	1.99%	$593,170	2.02%
	Intermediate-Term Bond				
Principal Global Investors	Bond and Mortgage Separate Account-Stnd Rate Lev	$9,949,375	37.53%	$9,585,764	32.59%
Spectrum	Preferred Securities Separate Account-Stnd [2]	$537,851	2.03%	$407,824	1.39%

Portfolio and Strategic Asset Allocation Review

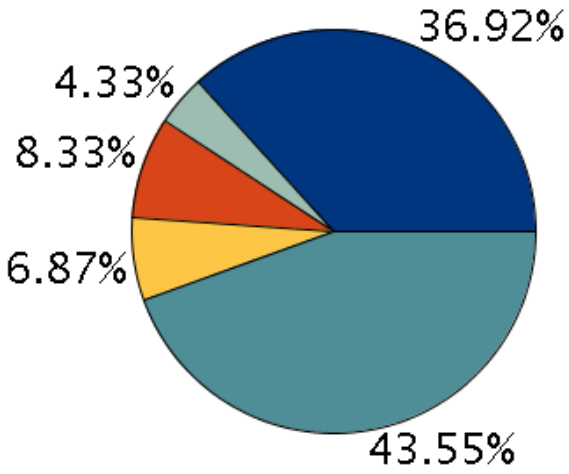
Investment Review - Allocation 10/01/2006 through 06/30/2007					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
	Inflation-Protected Bond				
Principal Global Investors	Inflation Protection Separate Account-Stnd [19]	$530,253	2.00%	$1,926,005	6.55%
TOTAL		$26,510,105	100%	$29,413,595	100%

Please see important disclosures at the end of this presentation.

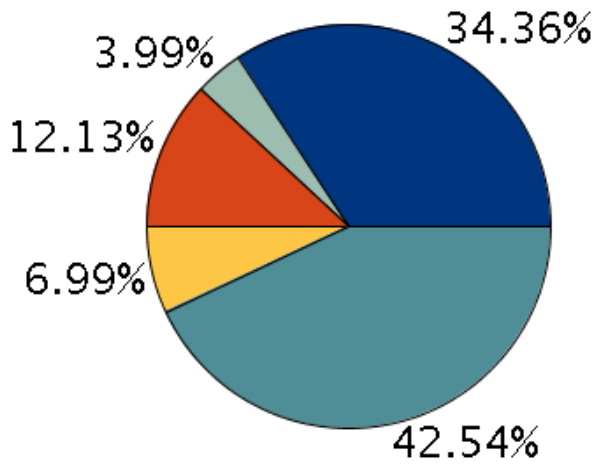
Portfolio and Strategic Asset Allocation Review

Asset Class Breakdown

Beginning % As Of 10/01/2006



Ending % As Of 06/30/2007



- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Fixed Income

Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation at the beginning and end of the report period.

Your plan's assets and liabilities are reviewed periodically during the year and we make changes to your target allocation as needed. We will continue to monitor your plan and adjust its allocation as necessary.

Target Allocation 10/01/2006 through 06/30/2007			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Large U.S. Equity	35.90%	33.40%
	Large Value		
AllianceBernstein LP	Large-Cap Value Separate Account-Stnd [2, 21]	5.30%	5.20%
UBS Global Asset Mgmt (NY)	Large-Cap Value I Separate Account-Stnd [19]	5.30%	5.20%
	Large Blend		
Goldman Sachs Asset Mgt	Large-Cap Blend I Separate Account-Stnd [10]	13.70%	11.90%
	Large Growth		
Columbus Circle Investors	Large Company Growth Separate Account-Stnd [14]	5.60%	5.40%
T. Rowe Price Associates, Inc.	Large-Cap Growth I Separate Account-Stnd [2, 12]	6.00%	5.70%
	Small/Mid U.S. Equity	4.40%	3.90%
	Small Value		
JP Morgan/Mellon Equity	Small-Cap Value I Separate Account-Stnd [1, 2, 20]	2.00%	1.80%
	Small Growth		
UBS/Emerald/Essex	Small-Cap Growth II Separate Account-Stnd [1, 2, 8]	2.40%	2.10%
	International Equity	8.00%	11.20%
	Diversified Emerging Markets		
Principal Global Investors	International Emerging Markets Separate Account-Stnd [4]	0.80%	1.20%
	Foreign Large Blend		
Fidelity (Pyramis Global Adv)	International Separate Account-Stnd [4, 18, 19, 22]	3.60%	5.00%
	Foreign Large Growth		
Principal Global Investors	International Growth Separate Account-Stnd [2, 4]	3.60%	5.00%
	Real Estate	6.70%	7.00%
	Owned Real Estate		
Principal Real Estate Inv	U.S. Property Separate Account-Stnd [6]	5.00%	5.50%
	Specialty-Real Estate		
Principal Real Estate Inv	Real Estate Securities Separate Account-Stnd [2, 9]	1.70%	1.50%

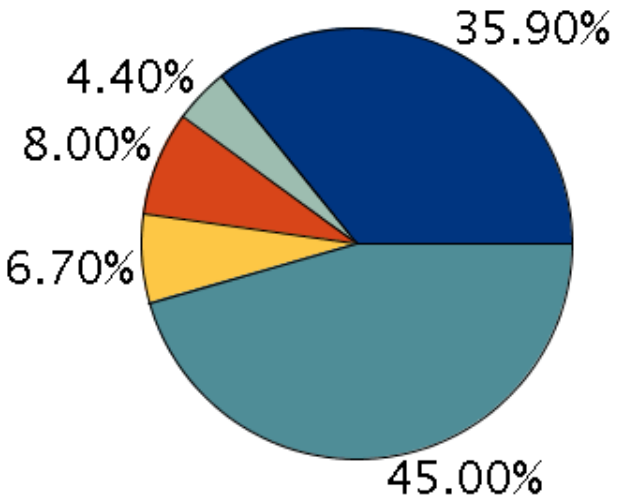
Portfolio and Strategic Asset Allocation Review

Target Allocation 10/01/2006 through 06/30/2007			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Fixed Income	45.00%	44.50%
	High Yield Bond		
Post Advisory Group	High Yield Separate Account-Stnd [5, 19]	2.00%	2.00%
	Intermediate-Term Bond		
Principal Global Investors	Bond and Mortgage Separate Account-Stnd Rate Lev	39.00%	34.50%
Spectrum	Preferred Securities Separate Account-Stnd [2]	2.00%	1.40%
	Inflation-Protected Bond		
Principal Global Investors	Inflation Protection Separate Account-Stnd [19]	2.00%	6.60%

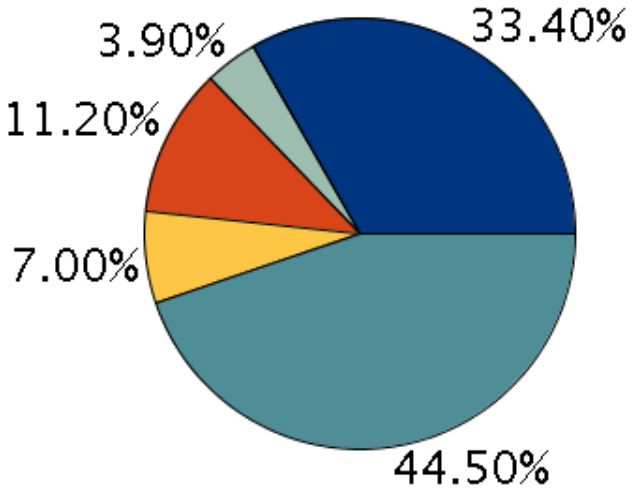
Portfolio and Strategic Asset Allocation Review

Please note that a slight variance between your plan's target allocation displayed in this report and its weightings is normal. This variance is due to changes in your account values caused by fluctuations in the market. We periodically initiate rebalancing transfers to bring the plan's assets back to its target allocation.

Beginning Target Allocation As Of October 01, 2006



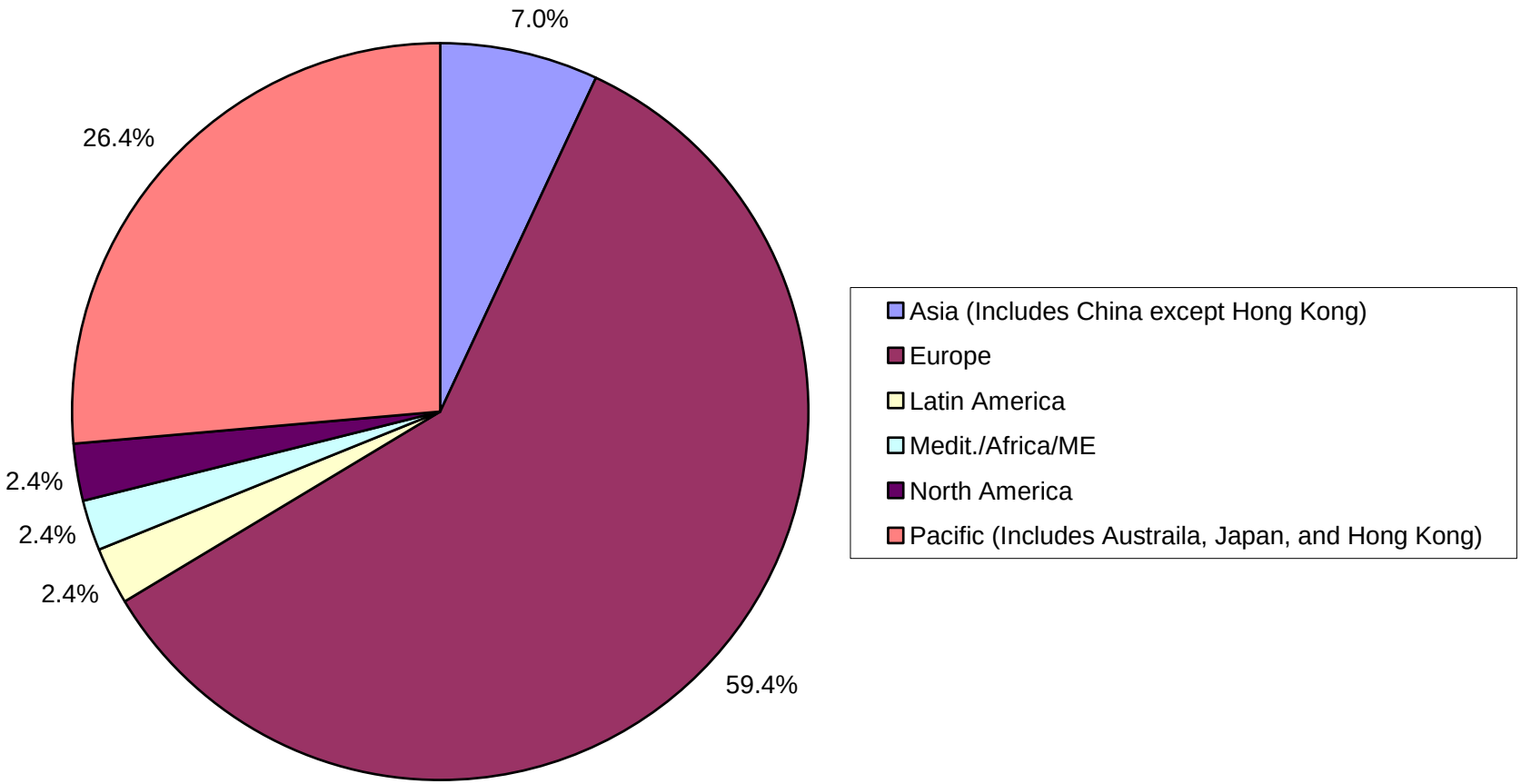
Ending Target Allocation As Of June 30, 2007



- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Fixed Income

International Holdings as of 06/30/2007 – General EE Plan

By Region



Portfolio and Strategic Asset Allocation Review

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Large U.S. Equity		
Large Value	**Large Blend**	**Large Growth**
Large-Cap Value Separate Account-Stnd [21] AllianceBernstein Investments Large-Cap Value I Separate Account-Stnd [19] UBS Global Asset Management	Large-Cap Blend I Separate Account-Stnd [10] Goldman Sachs Asset Management	Large Company Growth Separate Account-Stnd [14] Large-Cap Growth I Separate Account-Stnd [2, 12] T.Rowe Price INVEST WITH CONFIDENCE
Small/Mid U.S. Equity		
Mid Cap Value	**Mid Cap Blend**	**Mid Cap Growth**
Small Value	**Small Blend**	**Small Growth**
Small-Cap Value I Separate Account-Stnd [1, 2, 20] JPMorgan Asset Management Mellon Equity		Small-Cap Growth II Separate Account-Stnd [1, 2, 8] UBS Global Asset Management Emerald Advisers, Inc. Essex

Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
International Separate Account-Stnd [4, 18, 19, 22] Fidelity Investments International Emerging Markets Separate Account-Stnd [4] International Growth Separate Account-Stnd [2, 4] Principal Global Investors	Real Estate Securities Separate Account-Stnd [2, 9] U.S. Property Separate Account-Stnd [6] Principal Real Estate Investors	
Short-Term Fixed Income	**Fixed Income**	
Money Market Separate Account-Stnd [7] Principal Global Investors	General Investment Account [+] High Yield Separate Account-Stnd [5, 19] Post Advisory Group Bond and Mortgage Separate Account-Stnd Rate Lev Inflation Protection Separate Account-Stnd [19] Principal Global Investors Preferred Securities Separate Account-Stnd [2] SPECTRUM	

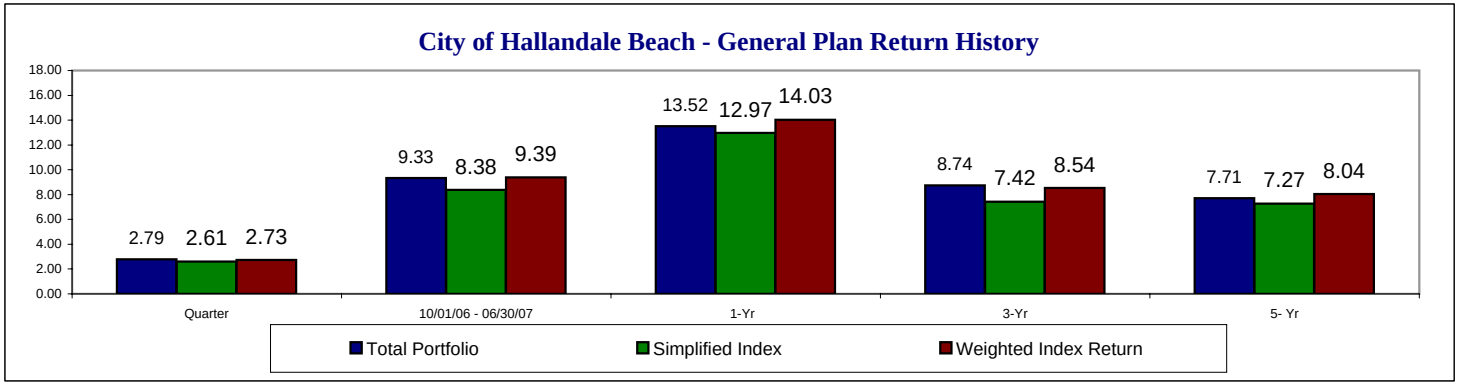
Please see important disclosures at the end of this presentation.

Portfolio Performance Review

Return Information as of 06/30/2007

Time and Dollar Weighted Returns (returns achieved by your plan)	Quarter	10/01/06 - 06/30/07	1-Yr	3-Yr	5- Yr
Total Portfolio	2.79	9.33	13.52	8.74	7.71
Simplified Index	2.61	8.38	12.97	7.42	7.27
Weighted Index Return	2.73	9.39	14.03	8.54	8.04
Difference - Simplified Index	0.18	0.95	0.55	1.32	0.44
Difference - Weighted Index	0.06	-0.06	-0.51	0.20	-0.33

Portfolio's Fixed Income Return	-0.80	2.19	6.09	4.04	4.47
Lehman Bros Aggregate Bond Index	-0.52	2.22	6.11	3.98	4.48
Portfolio's Domestic Equity Return	5.91	13.38	17.92	12.25	10.48
Russell 3000 Index	5.76	14.74	20.08	12.45	11.53
Portfolio's Foreign Equity Return	7.91	25.87	29.80	26.73	18.51
MSCI EAFE Index	6.40	22.21	27.00	22.25	17.74
Portfolio's Real Estate Return	0.63	9.08	13.70	17.64	13.10
Custom Real Estate Bechmark (75% NCREIF Open, 25% MSCI US REIT)	1.01	9.90	15.37	18.23	15.27



Investment Option Performance

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown.

The gross total investment expense figure does not reflect any waivers or caps on the mutual fund or underlying mutual fund in which a Separate Account invests. Returns displayed are always based on net total investment expense.

For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center[SM] at www.principal.com, contact your representative of the Principal Financial Group® (The Principal®), or call our Client Contact Center at 1-800-547-7754.

		Rates of Return through 06/30/2007							Percentile Rankings as of 06/30/2007					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception**	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Large U.S. Equity													
	Large Value													
AllianceBernstein LP	Large-Cap Value Separate Account-Stnd [2, 21]	5.64	21.95	13.92	11.99	-	9.27	12/29/2000	-	32	42	35	-	0.93
	Bernstein Diversified Value Composite §	-	-	-	-	*8.79*	-		-	-	-	-	*36*	
UBS Global Asset Mgmt (NY)	Large-Cap Value I Separate Account-Stnd [19]	6.68	20.81	14.65	-	-	15.11	06/01/2004	-	52	30	-	-	0.97
	UBS US Large Value Equity Composite §	-	-	-	*13.18*	-	-		-	-	-	*18*	-	
	Russell 1000 Value Index	6.23	21.87	15.93	13.31	9.87	-	-		-	-	-	-	-
	Morningstar Category Average - Large Value	7.31	20.98	13.65	11.61	8.15	Total Funds in Category		1424	1346	1099	830	392	
	Large Blend													
Goldman Sachs Asset Mgt	Large-Cap Blend I Separate Account-Stnd [10]	5.33	17.66	11.30	10.49	4.09	-	06/01/1995	-	77	54	39	94	0.76
	Goldman Sachs Enhanced Large Cap Composite §	-	-	-	*11.78*	*7.67*	-		-	-	-	*19*	*25*	
	Standard & Poor's 500 Index	6.96	20.59	11.68	10.71	7.13	-	-		-	-	-	-	-
	Morningstar Category Average - Large Blend	7.34	19.50	11.70	10.29	6.96	Total Funds in Category		2152	2035	1598	1237	527	
	Large Growth													
Columbus Circle Investors	Large Company Growth Separate Account-Stnd [14]	8.57	17.67	11.91	10.02	4.45	-	06/01/1995	-	42	19	30	66	0.71
	Columbus Circle Investors Large Capitalization Composite §	-	-	*12.56*	*10.24*	*8.59*	-		-	-	*15*	*27*	*10*	
T. Rowe Price Associates, Inc.	Large-Cap Growth I Separate Account-Stnd [2, 12]	7.52	18.02	9.25	7.83	-	0.37	12/29/2000	-	38	44	63	-	0.91
	TRP Institutional Large-Cap Growth Strategy Composite §	-	-	*9.62*	*11.78*	-	-		-	-	*40*	*15*	-	
	Russell 1000 Growth Index	8.13	19.04	8.70	9.28	4.39	-	-		-	-	-	-	-
	Morningstar Category Average - Large Growth	8.13	17.17	9.27	8.96	5.47	Total Funds in Category		1750	1687	1426	1151	471	

Investment Option Performance

		Rates of Return through 06/30/2007							Percentile Rankings as of 06/30/2007					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception**	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Small/Mid U.S. Equity													
	Small Value													
JP Morgan/Mellon Equity	Small-Cap Value I Separate Account-Stnd [1, 2, 20]	5.27	14.32	14.53	-	-	21.98	12/31/2002	-	72	38	-	-	1.18
	JP Morgan U.S. Structured Small Cap Value Equity Composite §	-	-	-	*16.20*	-	-		-	-	-	*19*	-	
	Mellon Equity Small Cap Value Equity Composite §	-	-	-	*15.56*	-	-		-	-	-	*24*	-	
	Russell 2000 Value Index	3.80	16.05	15.02	14.62	12.14	-	-		-	-	-	-	-
	Morningstar Category Average - Small Value	7.07	16.39	13.83	14.11	11.46	Total Funds in Category		430	393	305	239	76	
	Small Growth													
UBS/Emerald/Essex	Small-Cap Growth II Separate Account-Stnd [1, 2, 8]	10.68	13.49	12.69	13.29	-	3.40	12/29/2000	-	72	39	34	-	1.17
	UBS Global Asset Mgmt(NY)US SmCap Growth Comp §	-	-	-	-	*10.32*	-		-	-	-	-	*31*	
	Emerald Diversified Small Cap Growth Composite §	-	-	-	-	*8.14*	-		-	-	-	-	*55*	
	Russell 2000 Growth Index	9.33	16.83	11.76	13.08	5.28	-	-		-	-	-	-	-
	Morningstar Category Average - Small Growth	10.49	16.28	11.54	12.08	8.42	Total Funds in Category		834	791	645	533	231	
	International Equity													
	Diversified Emerging Markets													
Principal Global Investors	International Emerging Markets Separate Account-Stnd [4]	20.02	48.76	42.11	31.58	11.81	-	01/01/1995	-	23	11	17	22	1.51
	MSCI - Emerging Markets NDTR D Index	17.55	44.99	38.20	30.23	-	-	-		-	-	-	-	-
	Morningstar Category Average - Diversified Emerging Markets	17.73	45.91	36.94	28.82	9.84	Total Funds in Category		274	258	204	179	91	
	Foreign Large Blend													
Fidelity (Pyramis Global Adv)	International Separate Account-Stnd [4, 18, 19, 22]	11.39	28.20	22.24	17.30	-	8.04	07/01/1999	-	26	36	27	-	1.29
	Fidelity Select International Composite §	-	-	-	*18.11*	*9.12*	-		-	-	-	*16*	*15*	
	MSCI - EAFE Index NDTR D	10.74	27.00	22.24	17.73	7.66	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Blend	10.72	26.76	21.74	16.02	7.15	Total Funds in Category		759	707	547	446	208	
	Foreign Large Growth													
Principal Global Investors	International Growth Separate Account-Stnd [2, 4]	11.80	25.32	25.57	19.23	-	10.48	12/29/2000	-	59	6	7	-	1.18
	Citigroup BMI World ex-US Growth Index	11.77	25.66	22.82	18.30	7.73	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Growth	10.65	27.20	21.09	15.80	7.02	Total Funds in Category		232	222	183	155	60	

Investment Option Performance

		Rates of Return through 06/30/2007							Percentile Rankings as of 06/30/2007					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception**	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Real Estate													
	Owned Real Estate													
Principal Real Estate Inv	U.S. Property Separate Account-Stnd [6]	6.86	14.17	16.10	12.42	11.01	-	01/01/1982	-	-	-	-	-	1.15
	NCREIF Open End Benchmark	8.29	16.12	16.89	13.76	12.52	-	-		-	-	-	-	-
	Specialty-Real Estate													
Principal Real Estate Inv	Real Estate Securities Separate Account-Stnd [2, 9]	-9.39	6.85	21.79	-	-	23.84	12/31/2002	-	95	37	-	-	1.15
	Principal Capital - REI Real Estate Composite §	-	-	-	*20.55*	-	-		-	-	-	*18*	-	
	MSCI US REIT Index	-6.45	12.05	21.24	18.53	13.02	-	-		-	-	-	-	-
	Morningstar Category Average - Specialty-Real Estate	-4.54	13.15	20.59	18.83	13.24	Total Funds in Category		364	320	248	162	64	
	Short-Term Fixed Income													
	Money Market													
Principal Global Investors	Money Market Separate Account-Stnd [7]	2.41	4.87	3.42	2.39	3.57	-	12/10/1980	-	-	-	-	-	0.56
	Lehman Brothers Treasury Bellwethers 3 Month Index	2.56	5.24	3.78	2.76	3.83	-	-		-	-	-	-	-
	Fixed Income													
	High Yield Bond													
Post Advisory Group	High Yield Separate Account-Stnd [5, 19]	2.97	9.39	-	-	-	6.24	12/31/2004	-	77	-	-	-	0.83
	Post High Yield Traditional Composite §	-	-	*7.70*	*9.51*	*8.10*	-		-	-	*61*	*63*	*3*	
	Lehman Brothers U.S. Corporate High Yield Index	2.87	11.55	9.03	11.91	6.29	-	-		-	-	-	-	-
	Morningstar Category Average - High Yield Bond	2.96	10.57	8.15	10.49	4.96	Total Funds in Category		553	540	463	378	170	
	Intermediate-Term Bond													
Principal Global Investors	Bond and Mortgage Separate Account-Stnd Rate Lev	0.81	6.27	4.23	4.83	6.10	-	02/01/1983	-	21	20	23	10	0.55
Spectrum	Preferred Securities Separate Account-Stnd [2]	-0.35	7.42	4.82	5.26	-	5.21	05/31/2002	-	6	8	14	-	0.92
	Spectrum Preferred Securities Composite §	-	-	-	-	*7.52*	-		-	-	-	-	*1*	
	General Investment Account	-	-	-	-	-	-	06/15/1941	-	-	-	-	-	
	Lehman Brothers Aggregate Bd Index	0.98	6.12	3.98	4.48	6.02	-	-		-	-	-	-	-
	Merrill Lynch Hybrid Preferred Securites Index	0.10	8.79	5.54	5.59	6.38	-	-		-	-	-	-	-
	Morningstar Category Average - Intermediate-Term Bond	0.73	5.68	3.66	4.32	5.31	Total Funds in Category		1127	1088	965	796	404	

Investment Option Performance

		Rates of Return through 06/30/2007							Percentile Rankings as of 06/30/2007					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception**	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Inflation-Protected Bond													
Principal Global Investors	Inflation Protection Separate Account-Stnd [19]	1.12	3.25	-	-	-	1.47	12/31/2004	-	39	-	-	-	0.58
	Lehman Brothers US Treas TIPS Index	1.74	3.99	3.80	6.03	6.75	-	-		-	-	-	-	-
	Morningstar Category Average - Inflation-Protected Bond	1.23	3.15	3.00	5.18	6.05	Total Funds in Category		153	143	82	18	10	

This section of your report includes all investment options with plan assets as of the end of the reporting period.

Please see important disclosures at the end of this presentation.

Disclosures

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

Investment Advisory Services are provided by Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of the Principal Financial Group®.

+ This is not a foundation option. Guarantees are backed by all the assets in the Principal Life general account.

(C) 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers: (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

1. Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

2. This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

4. This investment option is subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

5. This investment option is subject to greater credit risk associated with high yield bonds.

6. This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Payment of principal and earnings may be delayed.

7. This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency.

8. Effective May 1, 2002, this portfolio was sub-advised solely by UBS Global Asset Management. Effective September 1, 2004, Emerald Advisers was added as an additional sub-advisor. Effective June 30, 2006, Essex was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

9. This investment option is subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.

10. Effective November 13, 2006, this portfolio is sub-advised by Goldman Sachs Asset Management. From November 18, 2002, to November 16, 2006, the portfolio was sub-advised by Goldman Sachs Asset Management and Wellington Management Company, LLP. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

12. Effective August 24, 2004, this portfolio is sub-advised by T. Rowe Price Associates, Inc. Prior to August 24, 2004, the portfolio was sub-advised by Morgan Stanley Investment Management Inc.

14. Effective January 5, 2005, this portfolio is sub-advised by Columbus Circle Investors. Prior to January 5, 2005, the portfolio was sub-advised by Principal Global Investors.

18. Effective May 1, 2004, the name of this Separate Account changed from the Fidelity Advisor Overseas (T) Separate Account to the Principal Partners International Separate Account. Effective May 1, 2004, the portfolio is sub-advised by Fidelity Management & Research. Prior to May 1, 2004, the Separate Account invested solely in the Fidelity Advisor Overseas (T) mutual fund.

19. This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

20. Effective August 8, 2005, Mellon Equity was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

21. Effective March 1, 2006, Bank of New York is listed as a sub-advisor for managing the cash portion of this investment option.

22. Effective March 31, 2007, references to Fidelity Management & Research as investment advisor will be replaced with Fidelity (Pyramis Global Adv). This is a name change only and does not affect the management, objective, or strategy of this of this investment option.

Benchmark Descriptions

Blended Real Estate Index is composed of 75% NCREIF Open End Index and 25% MSCI US REIT Index. The NCREIF Open-end Benchmark is the open-end fund component of the NCREIF Property Index that consists of U.S. commercial real estate properties that have been acquired, at least in part, on behalf of tax-exempt institutions and are held in a fiduciary environment. The universe of properties includes wholly owned and joint venture investments, operating properties only (no development projects) and investment grade (no-agricultural) income-producing properties in the Multi-family, Industrial, Office and Retail sectors. The MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

Citigroup BMI World ex-US Growth Index consists of 100% of each country's available capitalization that have a growth style within developed market countries. This excludes the United States capitalization.

Lehman Brothers Aggregate Bd Index represents securities that are U. S., domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Lehman Brothers Treasury Bellwethers 3 Month Index is composed of public obligations of the U. S. Treasury with a maturity of three months.

Lehman Brothers U.S. Corporate High Yield Index is an unmanaged index constructed to mirror the characteristics of the high yield bond market.

Lehman Brothers US Treas TIPS Index consists of Inflation-Protections securities issued by the U.S. Treasury.

MSCI - EAFE Index NDTR D is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.

MSCI - Emerging Markets NDTR D Index measures equity market performance in the global emerging markets. It consists of 26 emerging market countries in Europe, Latin America and the Pacific Basin.

MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

NCREIF Open End Benchmark is the open-end fund component of the NCREIF Property Index that consists of U.S. commercial real estate properties that have been acquired, at least in part, on behalf of tax-exempt institutions and are held in a fiduciary environment. The universe of properties includes wholly owned and joint venture investments, operating properties only (no development projects) and investment grade (no-agricultural) income-producing properties in the Multi-family, Industrial, Office and Retail sectors.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Simplified Index is composed of:
07/01/02 - 05/31/06 30% Russell 3000 Index and 70% Lehman Brothers Aggregate Bond Index.
06/01/06 - 06/30/07 50% Russell 3000 Index and 50% Lehman Brothers Aggregate Bond Index.

Weighted Index is composed of:
07/01/2002 - 05/31/2006 25.1% Russell 3000 Index, 4% MSCI EAFE Index, 4% NCREIF Open End Index, 0.9% MSCI US REIT Index, and 66% Lehman Brothers Aggregate Bond Index.
06/01/2006 - 02/28/2007 40.3% Russell 3000 Index, 8% MSCI EAFE Index, 5% NCREIF Open End Index, 1.7% MSCI US REIT Index, and 45% Lehman Brothers Aggregate Bond Index.
03/01/2007 - 06/30/2007 37.3% Russell 3000 Index, 11.2% MSCI EAFE Index, 5.5% NCREIF Open End Index, 1.5% MSCI US REIT Index, and 44.5% Lehman Brothers Aggregate Bond Index.

TAB 1

Large-Cap Value Separate Account-Stnd as of 06/30/2007

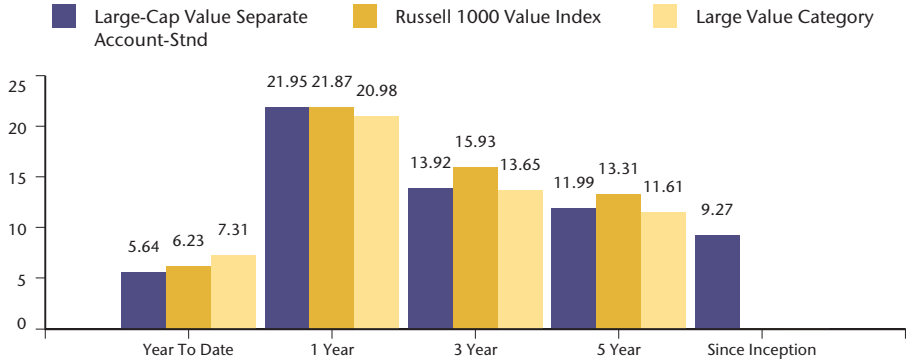
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in companies with large market capitalizations (with market capitalizations similar to companies in the Russell 1000 Value index (as of December 31, 2006, this range was between approximately $1.3 billion and $446.9 billion)) at the time of purchase. It may invest up to 25% of its assets in securities of foreign companies.

Portfolio managers

Marilyn G. Fedak, CFA. Since 12/06/2000. M.B.A., Harvard Business School
John D. Phillips Jr., CFA. Since 11/01/2002. M.B.A., Harvard U
John Mahedy, CFA. Since 03/01/2006. B.S., New York U
Chris Marx Since 03/01/2006. M.B.A., Stanford Graduate School of Business
Mark Gordon, CFA. Since 01/16/2007. , New York U

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.64	21.95	13.92	11.99	9.27
Russell 1000 Value Index %	6.23	21.87	15.93	13.31	-
Large Value Category %	7.31	20.98	13.65	11.61	-
Morningstar Percentile Rankings	-	32	42	35	-
# of funds in category	1424	1346	1099	830	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	21.72	5.18	13.18	27.48	-13.58
Russell 1000 Value Index %	22.25	7.05	16.49	30.03	-15.52
Large Value Category %	18.25	5.86	13.21	28.69	-17.97
Morningstar Percentile Rankings	10	54	49	52	20
# of Funds in Category	1288	1169	1046	915	769

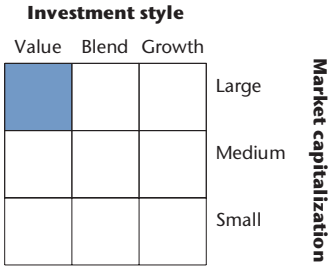
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-2.11	-1.15
Beta	1.03	1.00
R-Squared	97.74	98.34
Standard Deviation	7.41	11.93
Mean	13.92	11.99
Sharpe Ratio	1.28	0.78
Excess Return	-2.01	-1.32
Excess Risk	1.13	1.54
Information Ratio	-1.78	-0.86

Operations

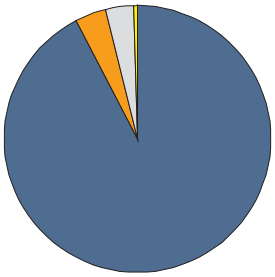
Total Investment Expense Net	0.93%
Total Investment Expense Gross	0.93%
Inception Date	12/29/2000
Total Net Assets (mil)	$2,856.88

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Large-Cap Value Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Stocks	92.36
Non-U.S. Stocks	3.78
Cash	3.33
Other	0.53

Top ten holdings	% of net assets
1. ExxonMobil Corporation	5.52
2. Citigroup, Inc.	4.09
3. Bank of America Corporation	3.28
4. Pfizer Inc.	3.13
5. General Electric Company	3.05
6. AT&T, Inc.	3.02
7. J.P. Morgan Chase & Co.	2.87
8. Chevron Corporation	2.77
9. American International Group	2.32
10. Verizon Communications	2.08
% of net assets in top ten holdings	32.13

Analysis	
# of Stock Hldgs	137
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$55,898.20
Turnover Ratio	21%
P/C Ratio	7.18
P/E Ratio	13.30
P/B Ratio	1.80

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**14.50**	**Service**	**45.85**	**Manufacturing**	**39.64**
Software	0.90	Healthcare	5.82	Consumer Goods	11.90
Hardware	2.76	Consumer Services	5.37	Industrial Materials	12.11
Media	3.59	Business Services	0.82	Energy	12.80
Telecom	7.25	Financial Services	33.84	Utilities	2.83

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Partners Large-Cap Value Sep Acct-Standard.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Effective March 1, 2006, Bank of New York is listed as a sub-advisor for managing the cash portion of this investment option.

Large Company Growth Separate Account-Stnd as of 06/30/2007

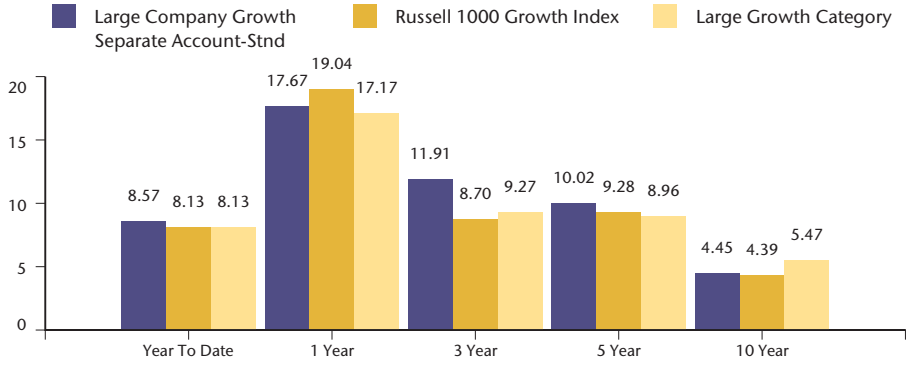
Investment Strategy

The investment option primarily invests in common stocks of large capitalization companies with strong earnings growth potential. It normally invests the majority of assets in companies with large market capitalizations at the time of purchase. Management places strong emphasis on companies it believes are guided by high quality management teams. It also attempts to identify those companies that are market leaders possessing the ability to control pricing and margins in their respective industries. It may invest up to 25% of assets in foreign securities.

Portfolio managers

Anthony Rizza, CFA. Since 01/01/2005. B.S., U of Connecticut

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	8.57	17.67	11.91	10.02	4.45
Russell 1000 Growth Index %	8.13	19.04	8.70	9.28	4.39
Large Growth Category %	8.13	17.17	9.27	8.96	5.47
Morningstar Percentile Rankings	-	42	19	30	66
# of funds in category	1750	1687	1426	1151	471

Annual Returns	2006	2005	2004	2003	2002
Total Return %	9.67	11.82	9.16	25.98	-28.87
Russell 1000 Growth Index %	9.07	5.26	6.30	29.75	-27.88
Large Growth Category %	7.26	7.00	8.36	29.33	-26.69
Morningstar Percentile Rankings	27	16	40	64	65
# of Funds in Category	1623	1483	1351	1239	1071

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 03/31/2007

Investment style

	Value	Blend	Growth	Market capitalization
Large			■	
Medium				
Small				

Risk and Return Statistics

as of 06/30/2007 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	3.11	1.25
Beta	0.97	0.91
R-Squared	84.65	88.23
Standard Deviation	9.41	11.37
Mean	11.90	10.01
Sharpe Ratio	0.83	0.65
Excess Return	3.20	0.73
Excess Risk	3.69	4.04
Information Ratio	0.87	0.18

Operations

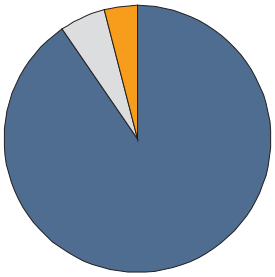
Total Investment Expense Net	0.71%
Total Investment Expense Gross	0.71%
Inception Date	06/01/1995
Total Net Assets (mil)	$1,208.64

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Large Company Growth Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Stocks	90.41
Cash	5.58
Non-U.S. Stocks	4.01

Top ten holdings	% of net assets
1. Google, Inc.	3.93
2. Gilead Sciences, Inc.	3.59
3. Apple, Inc.	3.58
4. Cisco Systems, Inc.	3.33
5. Coca-Cola Company	3.29
6. Morgan Stanley	3.06
7. Goldman Sachs Group, Inc.	2.97
8. Hewlett-Packard Company	2.96
9. Microsoft Corporation	2.91
10. CVS Caremark Corporation	2.87
% of net assets in top ten holdings	32.49

Analysis	
# of Stock Hldgs	52
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$34,653.83
Turnover Ratio	94%
P/C Ratio	10.25
P/E Ratio	19.35
P/B Ratio	3.03

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**22.41**	**Service**	**55.26**	**Manufacturing**	**22.32**
Software	4.57	Healthcare	20.56	Consumer Goods	12.70
Hardware	15.02	Consumer Services	14.74	Industrial Materials	5.95
Media	2.82	Business Services	11.45	Energy	3.67
Telecom	0.00	Financial Services	8.51	Utilities	0.00

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Large Company Growth Separate Account-Standard.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Effective January 5, 2005, this portfolio is sub-advised by Columbus Circle Investors. Prior to January 5, 2005, the portfolio was sub-advised by Principal Global Investors.

International Separate Account-Stnd as of 06/30/2007

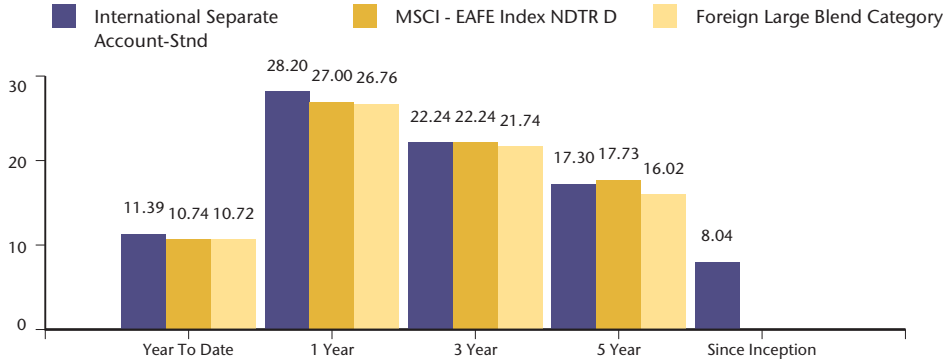
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests primarily in non-U.S. securities. It normally invests the assets primarily in common stocks. The sub-advisor normally diversifies the fund's investments across different countries and regions. In allocating the investments, the fund considers the size of the market in each country and region relative to the size of the international market as a whole.

Portfolio managers

Cesar Hernandez, CFA. Since 12/29/2003. M.B.A., Babson C

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	11.39	28.20	22.24	17.30	8.04
MSCI - EAFE Index NDTR D %	10.74	27.00	22.24	17.73	-
Foreign Large Blend Category %	10.72	26.76	21.74	16.02	-
Morningstar Percentile Rankings	-	26	36	27	-
# of funds in category	759	707	547	446	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	26.36	13.40	18.44	44.11	-20.25
MSCI - EAFE Index NDTR D %	26.34	13.54	20.25	38.59	-15.94
Foreign Large Blend Category %	24.70	14.90	17.33	33.74	-16.90
Morningstar Percentile Rankings	29	63	36	3	85
# of Funds in Category	643	573	527	476	426

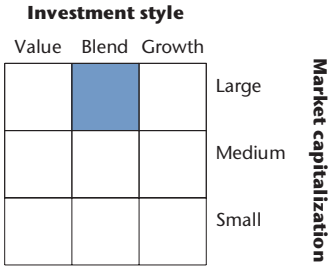
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to MSCI - EAFE Index NDTR D

	3Yr	5Yr
Alpha	-0.52	-1.26
Beta	1.03	1.07
R-Squared	97.56	94.91
Standard Deviation	9.78	14.23
Mean	22.24	17.29
Sharpe Ratio	1.72	1.00
Excess Return	0.00	-0.44
Excess Risk	1.56	3.34
Information Ratio	0.00	-0.13

Operations

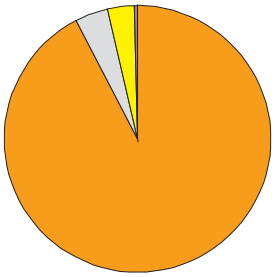
Total Investment Expense Net	1.25%
Total Investment Expense Gross	1.29%
Waiver Expiration Date	02/28/2008
Inception Date	07/01/1999
Total Net Assets (mil)	$1,675.02

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

International Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
Non-U.S. Stocks	92.34
Cash	4.05
Other	3.21
Preferred	0.41

Top ten holdings	% of net assets
1. BG Grp	1.65
2. Toyota Motor	1.53
3. Vodafone Grp	1.52
4. E.ON	1.51
5. Dj Euro Stoxx 50 (Fut)	1.49
6. Royal Bank Of Scotland Grp	1.44
7. Total SA	1.41
8. Nestle	1.29
9. Roche Holding	1.11
10. Credit Suisse Grp	1.03
% of net assets in top ten holdings	13.98

Analysis	
# of Stock Hldgs	244
# of Bond Hldgs	0
# of Other Hldgs	10
GeoAvgCap (mil)	$30,480.24
Turnover Ratio	66%
P/C Ratio	8.76
P/E Ratio	15.12
P/B Ratio	2.22

Top 5 Countries	% of net assets
United Kingdom	21.59
Japan	20.50
France	8.71
Germany	8.23
Switzerland	7.97

Regional exposure	% of net assets
Europe	68.34
Japan	22.20
Pacific Rim	9.13
Latin America	0.34

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Partners International Separate Account-Stnd.

MSCI - EAFE Index NDTR D is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This investment option is subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

Effective May 1, 2004, the name of this Separate Account changed from the Fidelity Advisor Overseas (T) Separate Account to the Principal Partners International Separate Account. Effective May 1, 2004, the portfolio is sub-advised by Fidelity Management & Research. Prior to May 1, 2004, the Separate Account invested solely in the Fidelity Advisor Overseas (T) mutual fund.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Effective March 31, 2007, references to Fidelity Management & Research as investment advisor will be replaced with Fidelity (Pyramis Global Adv). This is a name change only and does not affect the management, objective, or strategy of this of this investment option.

Large-Cap Blend I Separate Account-Stnd as of 06/30/2007

Investment Strategy

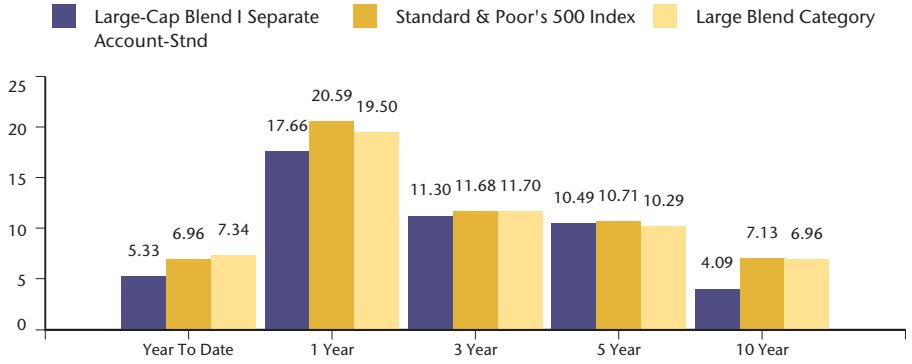
The investment seeks capital growth and invests primarily in common stocks of large capitalization companies. It normally invests the majority of assets in companies with market capitalizations similar to those of companies in the S&P 500 Index. Management focuses its stock selection on established companies that it believes have a sustainable competitive advantage. It may invest up to 25% of assets in foreign securities.

Portfolio managers

Melissa Brown, CFA. Since 11/30/2006. M.B.A., New York U

Robert C. Jones, CFA. Since 11/30/2006. B.A., Brown U

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	5.33	17.66	11.30	10.49	4.09
Standard & Poor's 500 Index %	6.96	20.59	11.68	10.71	7.13
Large Blend Category %	7.34	19.50	11.70	10.29	6.96
Morningstar Percentile Rankings	-	77	54	39	94
# of funds in category	2152	2035	1598	1237	527

Annual Returns	2006	2005	2004	2003	2002
Total Return %	14.60	6.51	12.12	28.46	-25.25
Standard & Poor's 500 Index %	15.79	4.91	10.88	28.68	-22.10
Large Blend Category %	14.26	6.14	10.53	27.95	-21.00
Morningstar Percentile Rankings	47	40	27	37	87
# of Funds in Category	1916	1685	1503	1327	1163

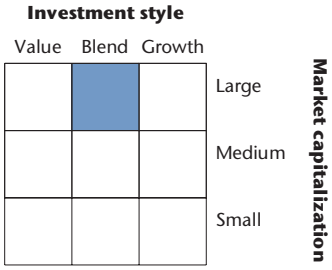
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-0.60	-0.10
Beta	1.04	0.99
R-Squared	96.68	98.30
Standard Deviation	7.79	11.54
Mean	11.29	10.49
Sharpe Ratio	0.92	0.68
Excess Return	-0.38	-0.22
Excess Risk	1.44	1.51
Information Ratio	-0.26	-0.14

Operations

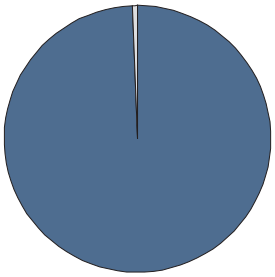
Total Investment Expense Net	0.76%
Total Investment Expense Gross	0.76%
Inception Date	06/01/1995
Total Net Assets (mil)	$2,654.62

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Large-Cap Blend I Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Stocks	99.38
Cash	0.62

Top ten holdings	% of net assets
1. ExxonMobil Corporation	4.16
2. Microsoft Corporation	2.54
3. Bank of America Corporation	2.23
4. Pfizer Inc.	2.20
5. J.P. Morgan Chase & Co.	2.12
6. General Electric Company	2.09
7. Cisco Systems, Inc.	2.00
8. Johnson & Johnson	1.73
9. Wells Fargo Company	1.70
10. AT&T, Inc.	1.67
% of net assets in top ten holdings	22.44

Analysis	
# of Stock Hldgs	201
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$45,394.84
Turnover Ratio	74%
P/C Ratio	8.21
P/E Ratio	15.00
P/B Ratio	2.17

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**24.75**	**Service**	**43.41**	**Manufacturing**	**31.83**
Software	5.55	Healthcare	12.55	Consumer Goods	7.61
Hardware	9.11	Consumer Services	6.67	Industrial Materials	10.78
Media	5.69	Business Services	2.21	Energy	10.50
Telecom	4.40	Financial Services	21.98	Utilities	2.94

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Partners Large-Cap Blend I Separate Acct-Stnd.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Effective November 13, 2006, this portfolio is sub-advised by Goldman Sachs Asset Management. From November 18, 2002, to November 16, 2006, the portfolio was sub-advised by Goldman Sachs Asset Management and Wellington Management Company, LLP. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

Small-Cap Value I Separate Account-Stnd as of 06/30/2007

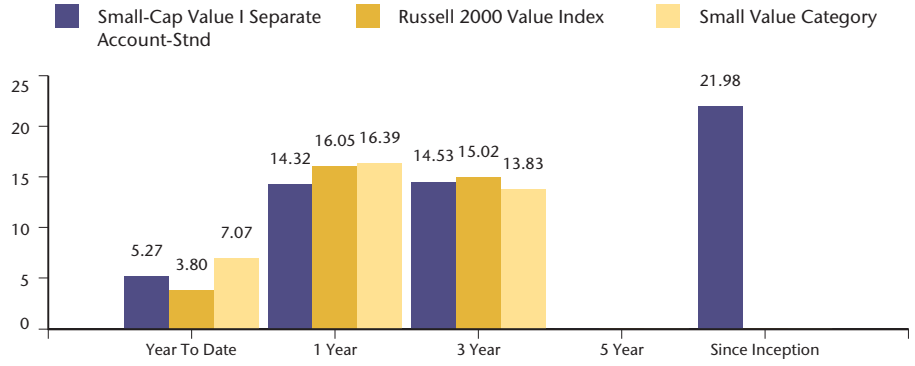
Investment Strategy

The investment seeks long-term capital appreciation. The fund normally invests at least 80% of assets in a diversified group of equity securities of U.S. companies with small market capitalizations (those with market capitalizations similar to companies in the Russell 2000 Value Index or $2 billion) at the time of purchase. It may also invest up to 25% of assets in foreign securities.

Portfolio managers

Christopher Blum, CFA. Since 12/30/2002. B.B.A., Bernard M. Baruch School for Business
Dennis Ruhl, CFA. Since 03/01/2005. Master, MIT
Peter D. Goslin, CFA. Since 03/01/2006. M.B.A., U of Notre Dame
Ronald P. Gala, CFA. Since 01/16/2007. M.B.A., U of Pittsburgh

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.27	14.32	14.53	-	21.98
Russell 2000 Value Index %	3.80	16.05	15.02	14.62	-
Small Value Category %	7.07	16.39	13.83	14.11	-
Morningstar Percentile Rankings	-	72	38	-	-
# of funds in category	430	393	305	239	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	18.19	6.32	23.03	50.29	-
Russell 2000 Value Index %	23.48	4.71	22.25	46.03	-11.43
Small Value Category %	16.30	6.12	20.61	41.96	-9.55
Morningstar Percentile Rankings	39	56	28	15	-
# of Funds in Category	365	326	290	254	213

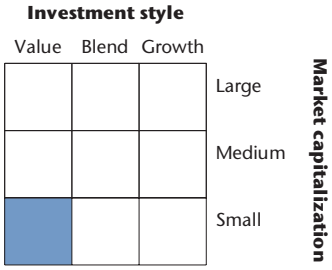
Morningstar percentile rankings are based on total returns.

Morningstar category

Small Value

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Russell 2000 Value Index

	3Yr	5Yr
Alpha	-0.29	-
Beta	0.99	-
R-Squared	98.04	-
Standard Deviation	11.94	-
Mean	14.52	-
Sharpe Ratio	0.87	-
Excess Return	-0.49	-
Excess Risk	1.68	-
Information Ratio	-0.29	-

Operations

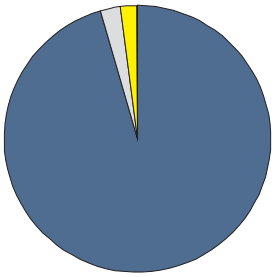
Total Investment Expense Net	1.16%
Total Investment Expense Gross	1.18%
Waiver Expiration Date	02/28/2008
Inception Date	12/31/2002
Total Net Assets (mil)	$530.13

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Small-Cap Value I Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Stocks	95.51
Cash	2.39
Other	1.98
Non-U.S. Stocks	0.12

Top ten holdings	% of net assets
1. Russell 2000 (Fut)	1.88
2. Felcor Lodging Trust, Inc.	1.03
3. Delphi Financial Group	0.79
4. Pennsylvania REIT	0.74
5. Westar Energy, Inc.	0.68
6. Zenith National Insurance	0.67
7. Enpro Industries, Inc.	0.66
8. Silgan Holdings, Inc.	0.65
9. Greif Corporation A	0.64
10. Tupperware Brands Corporation	0.63
% of net assets in top ten holdings	8.37

Analysis	
# of Stock Hldgs	668
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$1,136.67
Turnover Ratio	60%
P/C Ratio	5.69
P/E Ratio	15.20
P/B Ratio	1.72

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**14.43**	**Service**	**53.51**	**Manufacturing**	**32.07**
Software	3.66	Healthcare	5.60	Consumer Goods	7.53
Hardware	7.25	Consumer Services	7.67	Industrial Materials	15.43
Media	1.85	Business Services	9.14	Energy	3.27
Telecom	1.67	Financial Services	31.10	Utilities	5.84

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Partners Small-Cap Value I Sep Acct-Standard.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Effective August 8, 2005, Mellon Equity was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

High Yield Separate Account-Stnd as of 06/30/2007

Investment Strategy

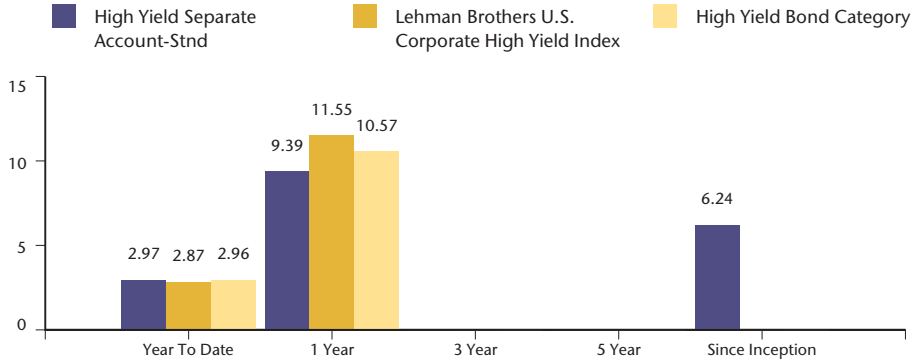
The investment seeks high current income. The fund invests at least 80% of its assets in high yield, below investment grade quality debt and other income-producing securities including, corporate bonds, convertible securities, preferred securities, asset-backed securities and securities of companies in bankruptcy proceedings or otherwise in the process of debt restructuring. It does not invest in securities rated below Caa3 (Moody's) or below CCC- (S&P) at the time of purchase.

Portfolio managers

Lawrence Post Since 12/29/2004. B.A., Lehigh U

Allan Schweitzer Since 12/29/2004. Master, U of Chicago

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	2.97	9.39	-	-	6.24
Lehman Brothers U.S. Corporate High Yield Index %	2.87	11.55	9.03	11.91	-
High Yield Bond Category %	2.96	10.57	8.15	10.49	-
Morningstar Percentile Rankings	-	77	-	-	-
# of funds in category	553	540	463	378	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	8.71	3.91	-	-	-
Lehman Brothers U.S. Corporate High Yield Index %	11.85	2.74	11.13	28.97	-1.41
High Yield Bond Category %	10.11	2.61	10.01	24.59	-1.27
Morningstar Percentile Rankings	81	15	-	-	-
# of Funds in Category	518	481	448	410	362

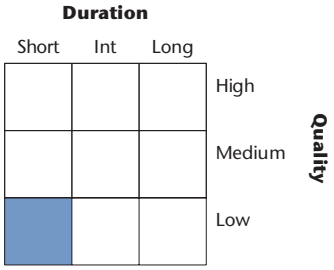
Morningstar percentile rankings are based on total returns.

Morningstar category

High Yield Bond

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Lehman Brothers U.S. Corporate High Yield Index

	3Yr	5Yr
Alpha	-	-
Beta	-	-
R-Squared	-	-
Standard Deviation	-	-
Mean	-	-
Sharpe Ratio	-	-
Excess Risk	-	-
Information Ratio	-	-

Operations

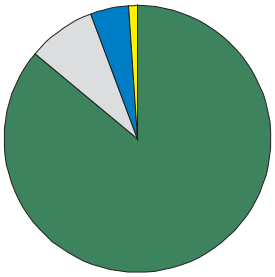
Total Investment Expense Net	0.81%
Total Investment Expense Gross	0.83%
Inception Date	12/31/2004
Total Net Assets (mil)	$112.29

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

High Yield Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Bonds	86.06
Cash	8.25
Non-U.S. Bonds	4.62
Other	1.08

Top ten holdings	% of net assets
1. Echostar Dbs 6.625%	1.59
2. Case New Holland 9.25%	1.54
3. Rural Cellular 8.25%	1.42
4. HCA	1.35
5. IDEARC	1.29
6. Amerigas Partners L P 7.25%	1.24
7. Levi Strauss 12.25%	1.22
8. Owens-Brockway Glass Container 8.75%	1.15
9. Universal City Dev Partners Lt 11.75%	1.15
10. Macdermid 9.125%	1.14
% of net assets in top ten holdings	13.09

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	174
# of Other Hldgs	5
Turnover Ratio	104%

Credit Analysis	% Bonds
AAA	0.00
AA	0.00
A	0.00
BBB	0.35
BB	28.77
B	62.65
Below B	8.23
Not Rated	0.00

Statistics	
Avg Eff Duration (Yrs)	3.14
Avg Eff Maturity (Yrs)	6.07
Avg Credit Quality	B
Avg Weighted Coupon	8.16
Avg Weighted Price	102.42

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal High Yield Separate Account-Stnd.

Lehman Brothers U.S. Corporate High Yield Index is an unmanaged index constructed to mirror the characteristics of the high yield bond market.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This investment option is subject to greater credit risk associated with high yield bonds.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Bond and Mortgage Separate Account-Stnd Rate Lev

as of 06/30/2007

Investment Strategy

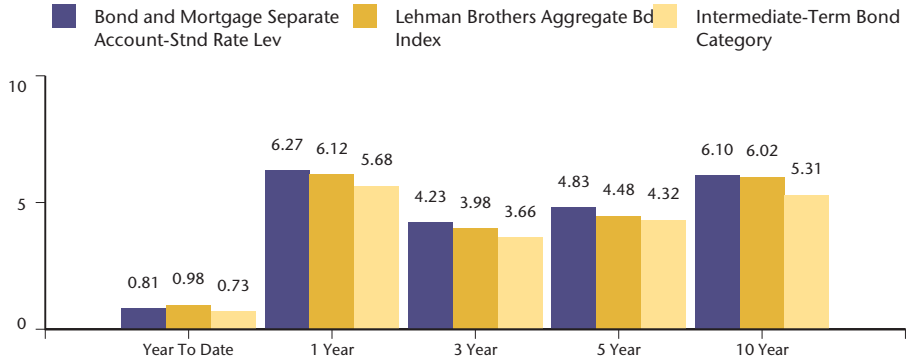
The investment option invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security selection. The Separate Account may enter into reverse repurchase agreements to attempt to enhance portfolio return and income.

Portfolio managers

William Armstrong, CFA. Since 01/01/1997. Bachelor, Kearney State C

Timothy Warrick, CFA. Since 06/01/2002. M.B.A., Drake U

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	0.81	6.27	4.23	4.83	6.10
Lehman Brothers Aggregate Bd Index %	0.98	6.12	3.98	4.48	6.02
Intermediate-Term Bond Category %	0.73	5.68	3.66	4.32	5.31
Morningstar Percentile Rankings	-	21	20	23	10
# of funds in category	1127	1088	965	796	404

Annual Returns	2006	2005	2004	2003	2002
Total Return %	4.73	2.64	4.98	5.04	9.73
Lehman Brothers Aggregate Bd Index %	4.33	2.43	4.34	4.10	10.25
Intermediate-Term Bond Category %	4.18	1.82	4.13	5.47	8.14
Morningstar Percentile Rankings	20	10	19	41	20
# of Funds in Category	1056	1001	931	846	749

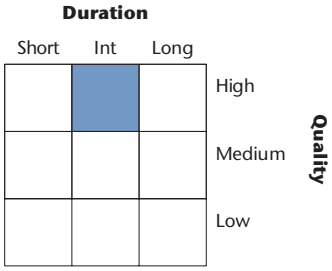
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Lehman Brothers Aggregate Bd Index

	3Yr	5Yr
Alpha	0.25	0.35
Beta	0.98	0.99
R-Squared	98.18	98.67
Standard Deviation	2.83	3.70
Mean	4.24	4.83
Sharpe Ratio	0.10	0.53
Excess Risk	0.40	0.44
Information Ratio	0.65	0.81

Operations

Total Investment Expense Net	0.55%
Total Investment Expense Gross	0.55%
Inception Date	02/01/1983
Total Net Assets (mil)	$6,522.57

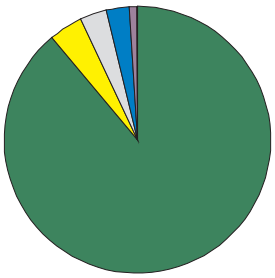
© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Bond and Mortgage Separate Account-Stnd Rate Lev

as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Bonds	88.88
Other	4.11
Cash	3.19
Non-U.S. Bonds	2.77
Preferred	0.92
Convertibles	0.11
Non-U.S. Stocks	0.02

Top ten holdings	% of net assets
1. FGLMC 5.5%	4.23
2. FNMA 5.5%	3.81
3. FGLMC 5%	2.31
4. FNMA 5%	1.78
5. FGLMC 6%	1.75
6. US Treasury Bond 6.25%	1.53
7. FNMA 6%	1.49
8. US Treasury Note 3.625%	1.40
9. FNMA 4.5%	1.39
10. US Treasury Note 4.25%	1.09
% of net assets in top ten holdings	20.78

Analysis	
# of Stock Hldgs	4
# of Bond Hldgs	1515
# of Other Hldgs	302
Turnover Ratio	27%

Credit Analysis	% Bonds
AAA	57.22
AA	6.43
A	10.33
BBB	15.37
BB	5.39
B	4.69
Below B	0.57
Not Rated	0.00

Statistics	
Avg Eff Duration (Yrs)	4.80
Avg Eff Maturity (Yrs)	8.00
Avg Credit Quality	AA
Avg Weighted Coupon	5.17
Avg Weighted Price	101.94

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Bond and Mortgage Separate Account-Stnd Rt Lev.

Lehman Brothers Aggregate Bd Index represents securities that are U. S., domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Inflation Protection Separate Account-Stnd as of 06/30/2007

Investment Strategy

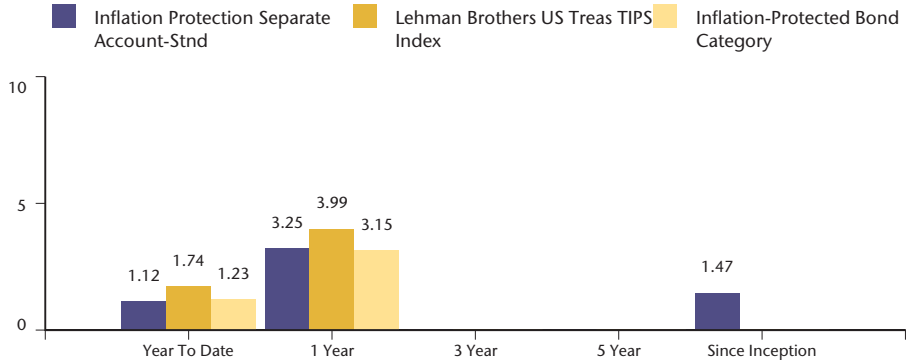
The investment seeks to provide current income and real total returns. The fund invests primarily in inflation protected debt securities issued by the U.S. Treasury and U.S. Government sponsored entities as well as corporations, floating rate notes, etc. It normally hedge at least 75% of exposure to foreign currency. The fund may invest up to 20% of assets in securities denominated in foreign currencies.

Portfolio managers

Martin J. Schafer Since 12/29/2004. Bachelor, U of Iowa

Gwen Swanger, CFA. Since 12/29/2004. Bachelor, Drake U

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	1.12	3.25	-	-	1.47
Lehman Brothers US Treas TIPS Index %	1.74	3.99	3.80	6.03	-
Inflation-Protected Bond Category %	1.23	3.15	3.00	5.18	-
Morningstar Percentile Rankings	-	39	-	-	-
# of funds in category	153	143	82	18	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	0.27	2.28	-	-	-
Lehman Brothers US Treas TIPS Index %	0.41	2.84	8.46	8.40	16.57
Inflation-Protected Bond Category %	0.09	2.09	7.53	7.29	15.19
Morningstar Percentile Rankings	28	38	-	-	-
# of Funds in Category	138	109	68	43	17

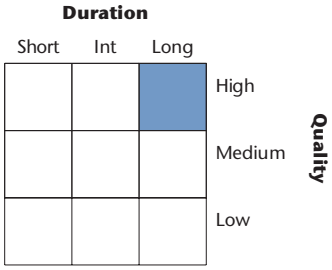
Morningstar percentile rankings are based on total returns.

Morningstar category

Inflation-Protected Bond

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Lehman Brothers US Treas TIPS Index

	3Yr	5Yr
Alpha	-	-
Beta	-	-
R-Squared	-	-
Standard Deviation	-	-
Mean	-	-
Sharpe Ratio	-	-
Excess Risk	-	-
Information Ratio	-	-

Operations

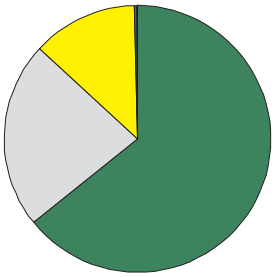
Total Investment Expense Net	0.56%
Total Investment Expense Gross	0.58%
Waiver Expiration Date	12/31/2007
Inception Date	12/31/2004
Total Net Assets (mil)	$417.66

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Inflation Protection Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Bonds	64.23
Cash	22.59
Other	12.73
Non-U.S. Bonds	0.31
Convertibles	0.13

Top ten holdings	% of net assets
1. Cash Offset For Short Swap Position	9.69
2. US Treasury Bond 2.375%	3.51
3. US Treasury Bond 3.625%	2.78
4. US Treasury Note 3%	2.66
5. US Treasury Note 3.5%	2.24
6. US Treasury Note	2.11
7. US TREASURY NOTE	2.00
8. US Treasury Note 1.875%	2.00
9. US Treasury Note 2%	1.98
10. US Treasury Note 1.625%	1.90
% of net assets in top ten holdings	30.87

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	244
# of Other Hldgs	64
Turnover Ratio	51%

Credit Analysis	% Bonds
AAA	73.94
AA	4.00
A	5.12
BBB	10.41
BB	3.48
B	3.05
Below B	0.00
Not Rated	0.00

Statistics	
Avg Eff Duration (Yrs)	6.56
Avg Eff Maturity (Yrs)	11.62
Avg Credit Quality	AA
Avg Weighted Coupon	3.52
Avg Weighted Price	106.18

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Inflation Protection Separate Account-Stnd.

Lehman Brothers US Treas TIPS Index consists of Inflation-Protections securities issued by the U.S. Treasury.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

International Emerging Markets Separate Account-Stnd

as of 06/30/2007

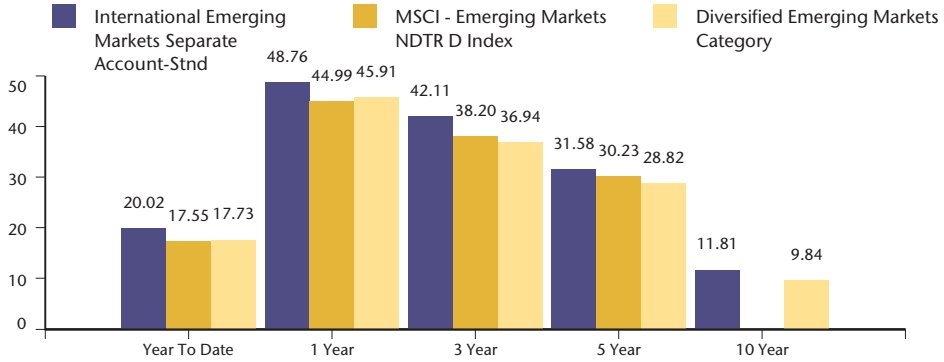
Investment Strategy

The investment option normally invests the majority of assets in equities of companies in emerging market countries. It invests in securities of companies with their principal place of business or principal office in emerging market countries; companies for which the principal securities trade in an emerging market; or companies, regardless of where their securities are traded, that derive 50% of their total revenue from either goods or services produced in emerging market countries. The fund may invest in securities of companies with small to medium market capitalizations.

Portfolio managers

Michael L. Reynal Since 02/01/2001. B.A., Middlebury C

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	20.02	48.76	42.11	31.58	11.81
MSCI - Emerging Markets NDTR D Index %	17.55	44.99	38.20	30.23	-
Diversified Emerging Markets Category %	17.73	45.91	36.94	28.82	9.84
Morningstar Percentile Rankings	-	23	11	17	22
# of funds in category	274	258	204	179	91

Annual Returns	2006	2005	2004	2003	2002
Total Return %	36.36	35.09	25.63	58.03	-7.18
MSCI - Emerging Markets NDTR D Index %	32.17	34.00	25.55	55.82	-6.17
Diversified Emerging Markets Category %	32.39	31.78	23.86	55.44	-5.77
Morningstar Percentile Rankings	18	30	35	28	61
# of Funds in Category	237	208	195	189	169

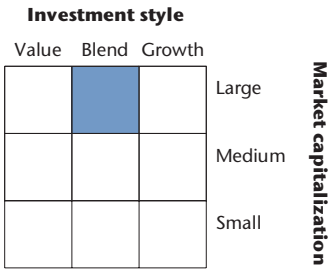
Morningstar percentile rankings are based on total returns.

Morningstar category

Diversified Emerging Markets

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to MSCI - Emerging Markets NDTR D Index

	3Yr	5Yr
Alpha	2.63	1.12
Beta	1.01	1.00
R-Squared	98.63	97.86
Standard Deviation	16.80	17.81
Mean	42.11	31.58
Sharpe Ratio	1.97	1.49
Excess Return	4.07	1.42
Excess Risk	1.98	2.60
Information Ratio	2.05	0.54

Operations

Total Investment Expense Net	1.51%
Total Investment Expense Gross	1.51%
Inception Date	01/01/1995
Total Net Assets (mil)	$944.99

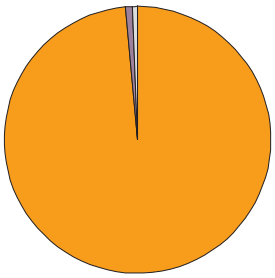
© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

International Emerging Markets Separate Account-Stnd

as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
Non-U.S. Stocks	98.52
Preferred	0.86
Cash	0.61

Top ten holdings	% of net assets
1. Gazprom OAO (ADR)	3.02
2. Samsung Electronics	2.60
3. Lukoil Company ADR	2.43
4. Petroleo Brasileiro S.A. (ADR)	2.27
5. Cia Vale Rio Doce	2.10
6. America Movil S.A. de C.V (ADR)	1.91
7. China Mobile	1.86
8. POSCO (ADR)	1.82
9. Sinopec	1.72
10. Savings Bank of the Russian Federation	1.45
% of net assets in top ten holdings	21.18

Analysis	
# of Stock Hldgs	164
# of Bond Hldgs	1
# of Other Hldgs	4
GeoAvgCap (mil)	$11,460.84
Turnover Ratio	133%
P/C Ratio	6.71
P/E Ratio	12.04
P/B Ratio	2.13

Top 5 Countries	% of net assets
South Korea	15.20
Taiwan	12.18
Brazil	10.91
Hong Kong	10.82
South Africa	10.28

Regional exposure	% of net assets
Pacific Rim	51.99
Other	23.08
Latin America	19.89
Europe	5.06

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal International Emerging Markets Sep Acct-Stnd.

MSCI - Emerging Markets NDTR D Index measures equity market performance in the global emerging markets. It consists of 26 emerging market countries in Europe, Latin America and the Pacific Basin.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This investment option is subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

International Growth Separate Account-Stnd as of 06/30/2007

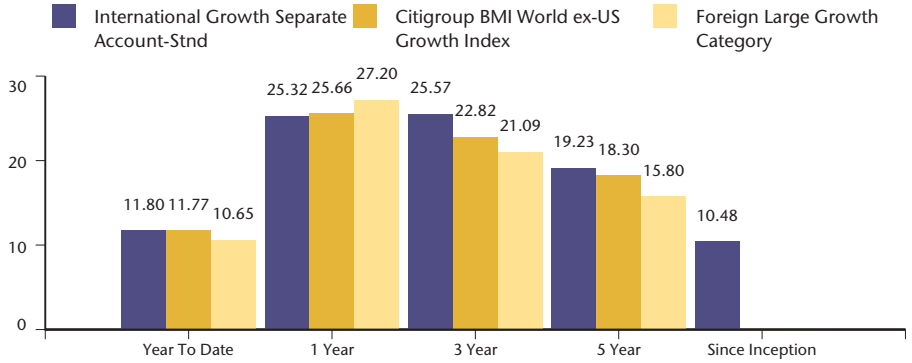
Investment Strategy

The investment seeks long-term growth of capital. The fund invests in common stocks and other securities of companies domiciled in any of the nations of the world. It purchases securities of: companies with their principal place of business or principal offices outside the U.S.; companies for which the principal securities trading market is outside the U.S.; or companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from either goods or services produced or sales made outside the U.S.

Portfolio managers

Steven Larson, CFA. Since 11/01/2002. M.B.A., U of Minnesota
John Pihlblad, CFA. Since 11/01/2002. B.A., C of Westminster

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	11.80	25.32	25.57	19.23	10.48
Citigroup BMI World ex-US Growth Index %	11.77	25.66	22.82	18.30	-
Foreign Large Growth Category %	10.65	27.20	21.09	15.80	-
Morningstar Percentile Rankings	-	59	6	7	-
# of funds in category	232	222	183	155	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	24.16	22.14	22.64	38.97	-16.18
Citigroup BMI World ex-US Growth Index %	23.69	17.18	19.34	38.42	-16.97
Foreign Large Growth Category %	24.23	14.98	16.74	35.07	-17.99
Morningstar Percentile Rankings	41	8	8	30	36
# of Funds in Category	217	191	178	166	147

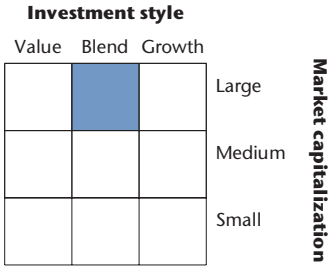
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Growth

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Citigroup BMI World ex-US Growth Index

	3Yr	5Yr
Alpha	2.23	1.13
Beta	1.03	1.00
R-Squared	96.41	96.39
Standard Deviation	10.34	13.14
Mean	25.57	19.24
Sharpe Ratio	1.89	1.20
Excess Return	3.35	1.28
Excess Risk	1.99	2.49
Information Ratio	1.68	0.51

Operations

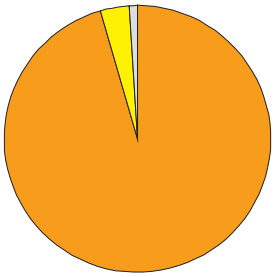
Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.18%
Waiver Expiration Date	02/28/2008
Inception Date	12/29/2000
Total Net Assets (mil)	$1,941.63

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

International Growth Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
Non-U.S. Stocks	95.48
Other	3.50
Cash	1.02

Top ten holdings	% of net assets
1. iShares MSCI EAFE Index	2.97
2. Novartis	1.53
3. Toyota Motor	1.49
4. GlaxoSmithKline	1.27
5. Roche Holding	1.24
6. Siemens AG	1.21
7. AstraZeneca	1.20
8. Total SA	1.14
9. Telefonica	1.13
10. Sumitomo Mitsui Financial Grp	1.02
% of net assets in top ten holdings	14.20

Analysis	
# of Stock Hldgs	188
# of Bond Hldgs	0
# of Other Hldgs	12
GeoAvgCap (mil)	$21,764.00
Turnover Ratio	134%
P/C Ratio	8.25
P/E Ratio	14.83
P/B Ratio	2.55

Top 5 Countries	% of net assets
Japan	19.03
United Kingdom	18.15
France	8.12
Germany	7.79
Switzerland	7.12

Regional exposure	% of net assets
Europe	64.57
Japan	19.93
Pacific Rim	12.55
Other	2.94

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal International Growth Sep Acct-Standard.

Citigroup BMI World ex-US Growth Index consists of 100% of each country's available capitalization that have a growth style within developed market countries. This excludes the United States capitalization.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

This investment option is subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

Money Market Separate Account-Stnd as of 06/30/2007

Investment Strategy

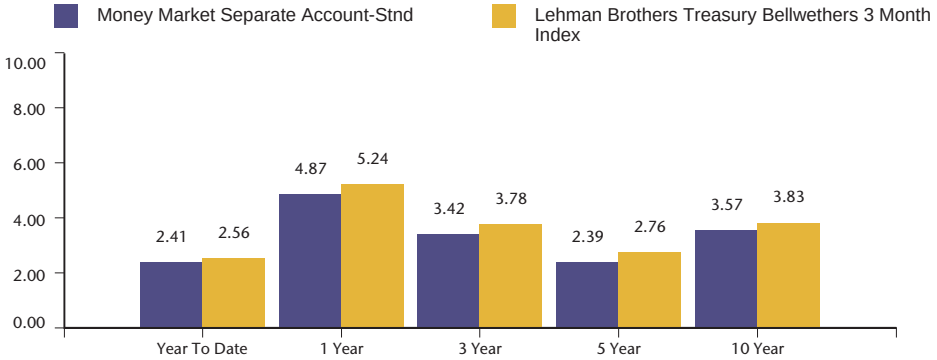
The investment seeks a high a level of current income consistent with preservation of principal and maintenance of liquidity. It invests in a portfolio of high quality, short-term money market instruments. The investments are U.S. dollar denominated securities which the sub-advisor believes present minimal credit risks. The sub-advisor maintains a dollar weighted average portfolio maturity of 90 days or less.

Portfolio managers

Alice B. Robertson Since 05/01/1999. Bachelor, Northwestern U

Tracy Reeg Since 08/31/2004. Bachelor, U of Northern Iowa

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	2.41	4.87	3.42	2.39	3.57
Lehman Brothers Treasury Bellwethers 3 Month Index %	2.56	5.24	3.78	2.76	3.83

Annual Returns	2006	2005	2004	2003	2002
Total Return %	4.55	2.72	0.87	0.76	1.45

MORNINGSTAR®

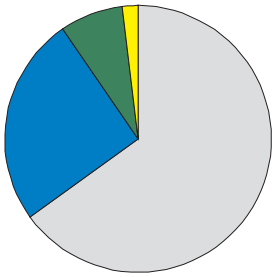
© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Operations

Total Investment Expense Net	0.56%
Total Investment Expense Gross	0.56%
Inception Date	12/10/1980
Total Net Assets (mil)	$3,888.27

Portfolio information

Composition as of 03/31/2007



% of Assets

Cash	64.99
Non-U.S. Bonds	25.46
U.S. Bonds	7.57
Other	1.98

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	46
# of Other Hldgs	43

Portfolio composition

Top ten holdings

	% of net assets
Stanfield Victoria Funding Llc	2.55
Cafco Llc	2.36
Prudential Plc	2.27
Goldman Sachs Group Inc	1.92
Deere Capital Corp.	1.76
Whistlejacket Capital Llc	1.29
Calyon Finl Products Guernse ([Wts/Rts])	1.28
Scaldis Capital Llc	1.27
Inter Amern Dev Bank Disc	1.25
HSBC Bank USA Cayman Branch FRN	1.20

% of net assets in top ten holdings 17.15%

Credit analysis

	% Bonds
A1+	74.00
A1	26.00
A2	0.00

Statistics

Avg Eff Maturity (Days)	117.04
7-Day Yield %	4.66

Money Market Separate Account-Stnd as of 06/30/2007

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense of the investment option. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal Investors Fund is distributed by and securities are offered through Princor Financial Services Corporation, 800-247-4123, member SIPC. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392.

The 7-Day Yield % more closely reflects the current earnings of this money market investment option than the total return displayed.

This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency.

Lehman Brothers Treasury Bellwethers 3 Month Index is composed of public obligations of the U. S. Treasury with a maturity of three months.

Real Estate Securities Separate Account-Stnd as of 06/30/2007

Investment Strategy

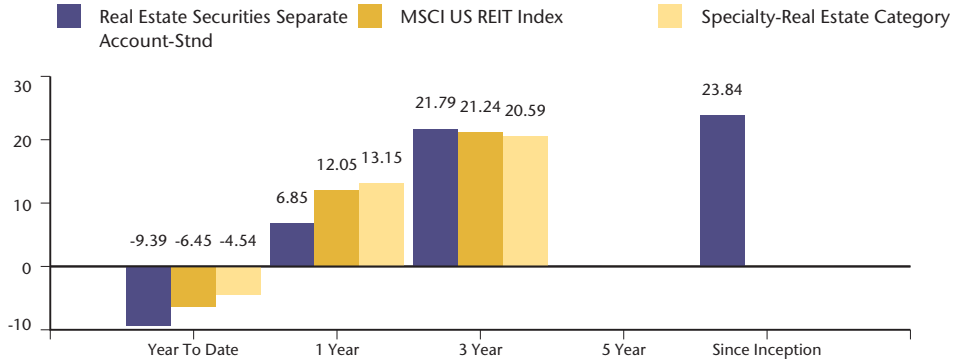
The investment seeks to generate a total return. The fund normally invests at least 80% of net assets in equity securities of companies principally engaged in the real estate industry. A real estate company has at least 50% of assets, income or profits derived from products or services related to the real estate industry. Real estate companies include real estate investment trusts and companies with substantial real estate holdings such as paper, lumber, hotel and entertainment companies.

Principal Real Estate Investors

Portfolio managers

Kelly D. Rush, CFA. Since 12/06/2000. Bachelor, U of Iowa

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-9.39	6.85	21.79	-	23.84
MSCI US REIT Index %	-6.45	12.05	21.24	18.53	-
Specialty-Real Estate Category %	-4.54	13.15	20.59	18.83	-
Morningstar Percentile Rankings	-	95	37	-	-
# of funds in category	364	320	248	162	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	36.03	15.28	33.69	37.83	-
MSCI US REIT Index %	35.92	12.13	31.49	36.74	3.64
Specialty-Real Estate Category %	33.98	11.67	32.21	37.14	4.53
Morningstar Percentile Rankings	31	18	38	34	-
# of Funds in Category	293	265	234	191	154

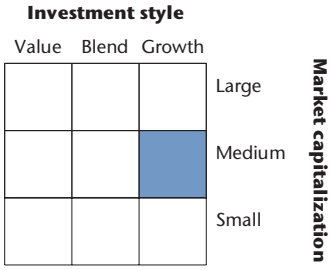
Morningstar percentile rankings are based on total returns.

Morningstar category

Specialty-Real Estate

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to MSCI US REIT Index

	3Yr	5Yr
Alpha	0.24	-
Beta	1.02	-
R-Squared	98.22	-
Standard Deviation	15.71	-
Mean	21.79	-
Sharpe Ratio	1.09	-
Excess Return	0.56	-
Excess Risk	2.12	-
Information Ratio	0.26	-

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	12/31/2002
Total Net Assets (mil)	$1,766.92

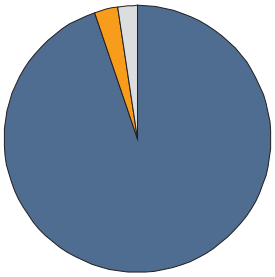
MORNINGSTAR®

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Real Estate Securities Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Stocks	94.79
Non-U.S. Stocks	2.82
Cash	2.39

Top ten holdings	% of net assets
1. Simon Property Group, Inc.	8.98
2. Boston Properties, Inc.	6.69
3. ProLogis Trust	6.55
4. Vornado Realty Trust	6.34
5. SL Green Realty Corporation	6.18
6. AvalonBay Communities, Inc.	5.64
7. Public Storage, Inc.	5.55
8. Kimco Realty Corporation	5.09
9. General Growth Properties, Inc.	3.86
10. Federal Realty Investment Trust	3.67
% of net assets in top ten holdings	58.55

Analysis	
# of Stock Hldgs	42
# of Bond Hldgs	0
# of Other Hldgs	2
GeoAvgCap (mil)	$9,077.77
Turnover Ratio	38%
P/C Ratio	17.67
P/E Ratio	20.61
P/B Ratio	2.97

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**0.00**	**Service**	**100.00**	**Manufacturing**	**0.00**
Software	0.00	Healthcare	0.00	Consumer Goods	0.00
Hardware	0.00	Consumer Services	2.14	Industrial Materials	0.00
Media	0.00	Business Services	0.00	Energy	0.00
Telecom	0.00	Financial Services	97.86	Utilities	0.00

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Real Estate Securities Sep Acct-Standard.

MSCI US REIT Index is a capitalization-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

This investment option is subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.

U.S. Property Separate Account-Stnd as of 06/30/2007

Investment Strategy

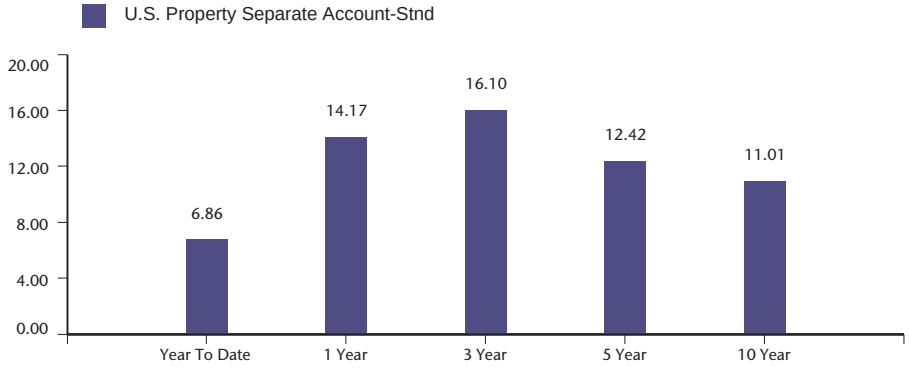
The investment invests the majority of assets on commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. The property holdings contain real estate from the multi-family, office, industrial, hotel and retail sectors.

Principal Real Estate Investors

Portfolio managers

John Berg Since 12/01/2003. MBA, University of Iowa

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	6.86	14.17	16.10	12.42	11.01

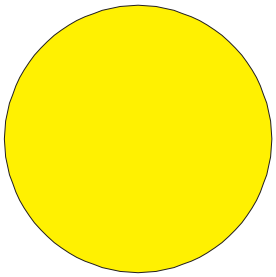
Annual Returns	2006	2005	2004	2003	2002
Total Return %	15.14	18.61	12.52	8.26	3.77

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	01/01/1982
Total Net Assets (mil)	$5,642.40

Portfolio information

Composition as of 03/31/2007



% of Assets

Other	100.00

Analysis

Total Number of Hldgs	147

Portfolio composition

Top ten holdings

	% of net assets
Office San Francisco, Ca 379	5.93
Office New York, Ny 284	4.11
Office Bellevue, Wa 258	3.14
Retail Burbank, Ca 275	2.89
Office New York, Ny 380	2.84
Apartment Mercer Island, Va 285	2.22
Office San Diego, Ca 222	2.17
Office Cambridge, Ma 243	2.04
Office San Diego, Ca 256	2.02
Apartment Tustin, Ca 308	1.96

% of net assets in top ten holdings 29.32%

Geographical diversity

	% of properties
West	45.96
South	19.80
East	17.61
Midwest	16.63

Property type

	% of account
Office	42.55
Apartments	25.21
Retail	17.28
Warehouse	13.70
Other	1.26

U.S. Property Separate Account-Stnd as of 06/30/2007

This retirement focused investment option was selected through the Principal Due Diligence Program℠, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense of the investment option. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal Investors Fund is distributed by and securities are offered through Princor Financial Services Corporation, 800-247-4123, member SIPC. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392.

Due to the unique composition of the portfolio, Morningstar does not track an index or peer group that provides an appropriate comparison for this Separate Account.

This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Payment of principal and earnings may be delayed.

Preferred Securities Separate Account-Stnd as of 06/30/2007

Investment Strategy

The investment seeks to provide current income. The investment option primarily invests in preferred securities of U.S. companies rated BBB or higher by Standard & Poor's Rating Service ("S&P") or Moody's Investor Service, Inc. ("Moody's") or, if unrated, of comparable quality in the opinion of the Sub-Advisor, Spectrum. It normally invests at least 80% of net assets (plus any borrowings for investment purposes) in preferred securities. The investment focuses primarily on the financial services, Real Estate Investment Trust and utility industries.

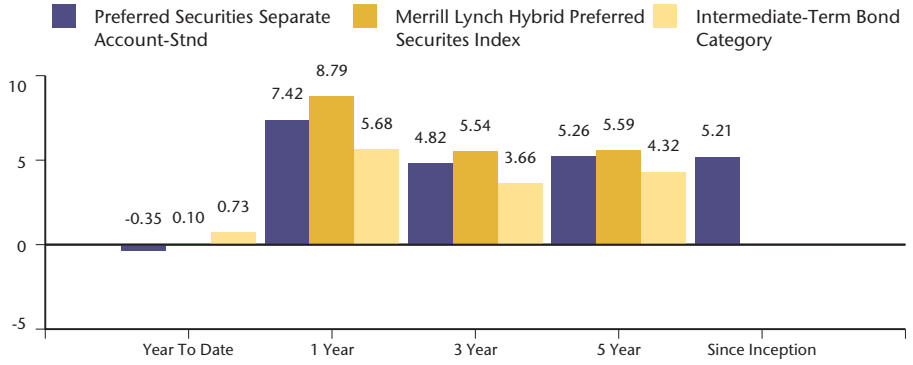
SPECTRUM

Portfolio managers

L. Phillip Jacoby IV Since 05/01/2002. B.S., Boston U

Bernard Sussman Since 05/01/2002. M.B.A., Cornell U

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-0.35	7.42	4.82	5.26	5.21
Merrill Lynch Hybrid Preferred Securites Index %	0.10	8.79	5.54	5.59	-
Intermediate-Term Bond Category %	0.73	5.68	3.66	4.32	-
Morningstar Percentile Rankings	-	6	8	14	-
# of funds in category	1127	1088	965	796	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	6.77	1.46	4.20	10.55	-
Merrill Lynch Hybrid Preferred Securites Index %	7.67	0.46	5.51	9.49	6.62
Intermediate-Term Bond Category %	4.18	1.82	4.13	5.47	8.14
Morningstar Percentile Rankings	4	68	45	8	-
# of Funds in Category	1056	1001	931	846	749

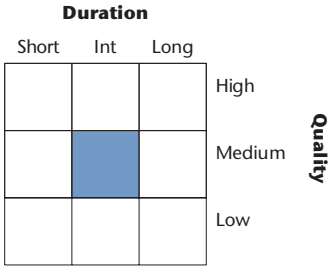
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Merrill Lynch Hybrid Preferred Securites Index

	3Yr	5Yr
Alpha	-0.36	-0.10
Beta	0.77	0.91
R-Squared	90.71	86.99
Standard Deviation	3.33	4.70
Mean	4.83	5.27
Sharpe Ratio	0.25	0.51
Excess Risk	1.43	1.77
Information Ratio	-0.51	-0.20

Operations

Total Investment Expense Net	0.91%
Total Investment Expense Gross	0.92%
Inception Date	05/31/2002
Total Net Assets (mil)	$676.12

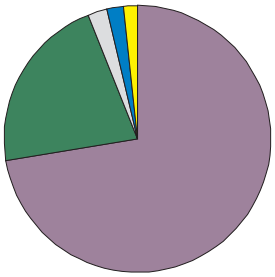
MORNINGSTAR®

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Preferred Securities Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
Preferred	72.38
U.S. Bonds	21.56
Cash	2.37
Non-U.S. Bonds	2.00
Other	1.64
U.S. Stocks	0.06

Top ten holdings	% of net assets
1. Barclays Bank Plc	1.86
2. PROTECTIVE LIFE	1.76
3. Abn Amro North Amer Hldg Pfd 144A FRN	1.73
4. WACHOVIA PFD FDG	1.72
5. Aegon N V Pfd	1.71
6. Washington Mut Pref Fdg I 144A 7.25%	1.64
7. Bbva International Preferred Sa Unipers	1.63
8. Alabama Pwr Pfd	1.60
9. COMCAST	1.34
10. Ace Pfd	1.31
% of net assets in top ten holdings	16.30

Analysis	
# of Stock Hldgs	1
# of Bond Hldgs	43
# of Other Hldgs	217
Turnover Ratio	22%

Credit Analysis	% Bonds
AAA	2.81
AA	11.33
A	40.71
BBB	43.01
BB	0.30
B	0.00
Below B	0.00
Not Rated	1.84

Statistics	
Avg Eff Duration (Yrs)	5.28
Avg Eff Maturity (Yrs)	61.00
Avg Credit Quality	A
Avg Weighted Coupon	7.10
Avg Weighted Price	135.46

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Preferred Securities Sep Acct-Standard.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Large-Cap Growth I Separate Account-Stnd as of 06/30/2007

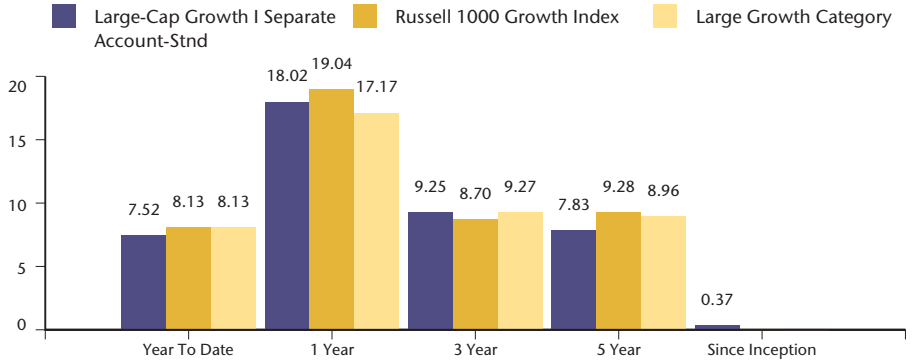
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in equity securities of companies with market capitalizations within the range of companies in the Russell 1000 Growth index (as of December 31, 2006, this range was between approximately $1.2 billion and $446.9 billion) at the time of purchase. It invests less than 25% of total assets in foreign companies. The fund may also purchase futures and options.

Portfolio managers

Robert W. Sharps, CFA. Since 08/19/2004. M.B.A., U of Pennsylvania

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	7.52	18.02	9.25	7.83	0.37
Russell 1000 Growth Index %	8.13	19.04	8.70	9.28	-
Large Growth Category %	8.13	17.17	9.27	8.96	-
Morningstar Percentile Rankings	-	38	44	63	-
# of funds in category	1750	1687	1426	1151	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	5.93	7.44	9.12	24.01	-27.76
Russell 1000 Growth Index %	9.07	5.26	6.30	29.75	-27.88
Large Growth Category %	7.26	7.00	8.36	29.33	-26.69
Morningstar Percentile Rankings	64	43	41	76	58
# of Funds in Category	1623	1483	1351	1239	1071

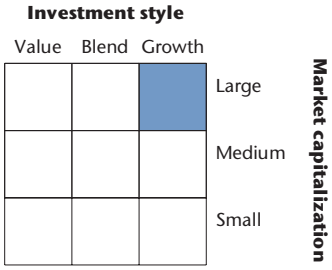
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	0.44	-1.35
Beta	1.04	1.01
R-Squared	84.91	92.34
Standard Deviation	10.02	12.37
Mean	9.26	7.83
Sharpe Ratio	0.55	0.45
Excess Return	0.56	-1.45
Excess Risk	3.89	3.42
Information Ratio	0.14	-0.42

Operations

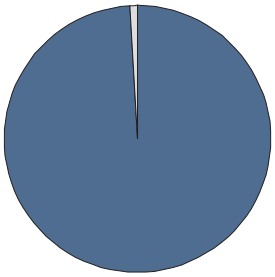
Total Investment Expense Net	0.90%
Total Investment Expense Gross	0.91%
Waiver Expiration Date	02/28/2008
Inception Date	12/29/2000
Total Net Assets (mil)	$1,631.33

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Large-Cap Growth I Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Stocks	99.04
Cash	0.96

Top ten holdings	% of net assets
1. General Electric Company	4.43
2. American Tower Corporation A	4.21
3. Microsoft Corporation	3.81
4. Google, Inc.	3.02
5. Gilead Sciences, Inc.	2.95
6. Juniper Networks, Inc.	2.93
7. State Street Corporation	2.69
8. Amazon.com, Inc.	2.20
9. Danaher Corporation	2.18
10. Kohl's Corporation	2.16
% of net assets in top ten holdings	30.58

Analysis	
# of Stock Hldgs	61
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$29,398.82
Turnover Ratio	59%
P/C Ratio	15.55
P/E Ratio	22.30
P/B Ratio	3.79

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**34.06**	**Service**	**54.34**	**Manufacturing**	**11.62**
Software	9.98	Healthcare	16.30	Consumer Goods	1.87
Hardware	17.54	Consumer Services	17.92	Industrial Materials	7.68
Media	2.28	Business Services	10.31	Energy	2.07
Telecom	4.26	Financial Services	9.81	Utilities	0.00

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Partners Large-Cap Growth I Sep Acct-Standard.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Effective August 24, 2004, this portfolio is sub-advised by T. Rowe Price Associates, Inc. Prior to August 24, 2004, the portfolio was sub-advised by Morgan Stanley Investment Management Inc.

Large-Cap Value I Separate Account-Stnd as of 06/30/2007

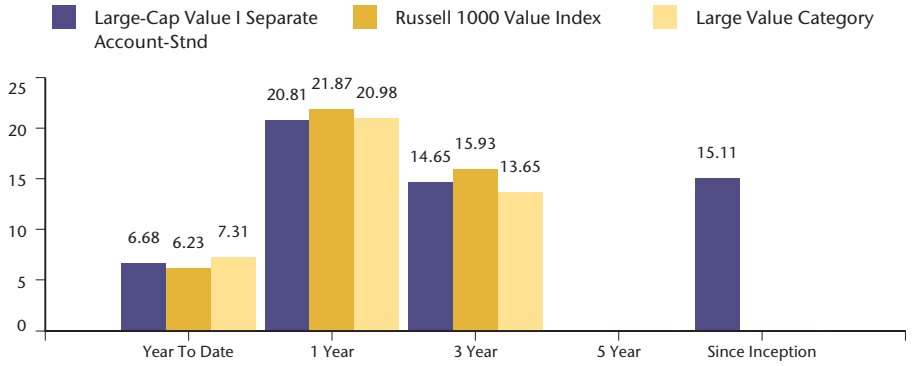
Investment Strategy

The investment seeks long-term capital growth. The fund invests primarily in common stocks and other equity securities of large-capitalization companies. It normally invests at least 80% of net assets in securities of companies with large market capitalizations (with market capitalizations similar to companies in the Russell 1000 Value index) at the time of purchase. The fund may invest up to 25% of assets in securities of foreign companies.

Portfolio managers

Thomas Cole, CFA. Since 06/01/2004. M.B.A., U of of Wisconsin
Thomas Digenan, CFA. Since 06/01/2004. M.S.T., DePaul U
Scott Hazen, CFA. Since 03/01/2006. M.B.A., U of Chicago
John C. Leonard, CFA. Since 01/16/2007. M.B.A., U of Chicago

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	6.68	20.81	14.65	-	15.11
Russell 1000 Value Index %	6.23	21.87	15.93	13.31	-
Large Value Category %	7.31	20.98	13.65	11.61	-
Morningstar Percentile Rankings	-	52	30	-	-
# of funds in category	1424	1346	1099	830	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	18.01	9.75	-	-	-
Russell 1000 Value Index %	22.25	7.05	16.49	30.03	-15.52
Large Value Category %	18.25	5.86	13.21	28.69	-17.97
Morningstar Percentile Rankings	54	14	-	-	-
# of Funds in Category	1288	1169	1046	915	769

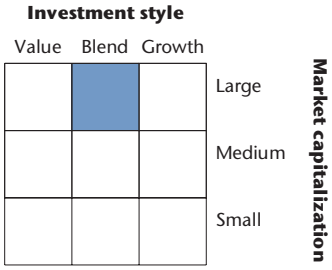
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	0.67	-
Beta	0.84	-
R-Squared	86.94	-
Standard Deviation	6.35	-
Mean	14.64	-
Sharpe Ratio	1.59	-
Excess Return	-1.29	-
Excess Risk	2.56	-
Information Ratio	-0.50	-

Operations

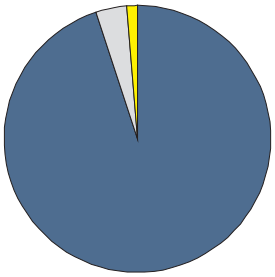
Total Investment Expense Net	0.96%
Total Investment Expense Gross	0.97%
Waiver Expiration Date	02/28/2008
Inception Date	06/01/2004
Total Net Assets (mil)	$956.74

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Large-Cap Value I Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Stocks	94.92
Cash	3.71
Other	1.37

Top ten holdings	% of net assets
1. Morgan Stanley	4.76
2. Citigroup, Inc.	4.73
3. Wells Fargo Company	4.31
4. J.P. Morgan Chase & Co.	3.91
5. ExxonMobil Corporation	3.53
6. Chevron Corporation	3.11
7. General Electric Company	2.77
8. Exelon Corporation	2.68
9. Johnson Controls, Inc.	2.52
10. AT&T, Inc.	2.47
% of net assets in top ten holdings	34.79

Analysis	
# of Stock Hldgs	58
# of Bond Hldgs	0
# of Other Hldgs	3
GeoAvgCap (mil)	$49,862.50
Turnover Ratio	41%
P/C Ratio	6.62
P/E Ratio	13.87
P/B Ratio	1.94

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**11.61**	**Service**	**51.54**	**Manufacturing**	**36.86**
Software	5.15	Healthcare	9.19	Consumer Goods	3.59
Hardware	0.09	Consumer Services	2.83	Industrial Materials	14.38
Media	1.30	Business Services	6.24	Energy	10.77
Telecom	5.07	Financial Services	33.28	Utilities	8.12

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Partners Large-Cap Value I Sep Acct-Standard.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Small-Cap Growth II Separate Account-Stnd as of 06/30/2007

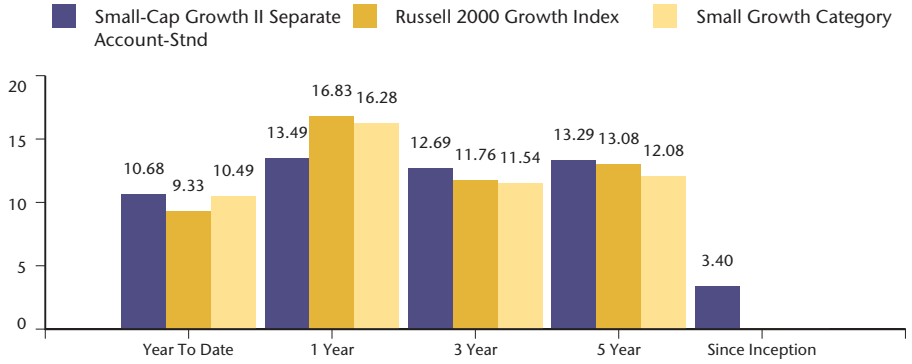
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in common stocks of companies with small market capitalizations (whose market capitalizations equal to or smaller than the greater of $2.5 billion or the highest market capitalization of the companies in the Russell 2000 Growth index (as of December 31, 2006, this range was between approximately $39 million and $3.1 billion)) at the time of purchase. It may invest up to 25% of assets in securities of foreign companies.

Portfolio managers

Kenneth G. Mertz II, CFA. Since 04/22/2002. B.A., Millersville U
Stacey Sears Since 12/22/2004. B.S., Millersville U
Joseph Garner Since 03/01/2006. B.A., Millersville U
Paul A. Graham, Jr, CFA. Since 03/01/2006. B.A., Dartmouth C
David Wabnik Since 03/01/2006. M.B.A., Columbia Business School

Long-term returns % as of 06/30/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service Center SM or The Principal Retirement Service Center® at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	10.68	13.49	12.69	13.29	3.40
Russell 2000 Growth Index %	9.33	16.83	11.76	13.08	-
Small Growth Category %	10.49	16.28	11.54	12.08	-
Morningstar Percentile Rankings	-	72	39	34	-
# of funds in category	834	791	645	533	-

Annual Returns	2006	2005	2004	2003	2002
Total Return %	8.79	6.88	11.00	45.09	-24.62
Russell 2000 Growth Index %	13.35	4.15	14.31	48.54	-30.26
Small Growth Category %	10.59	6.07	12.33	46.24	-28.03
Morningstar Percentile Rankings	62	43	58	45	34
# of Funds in Category	753	687	608	570	494

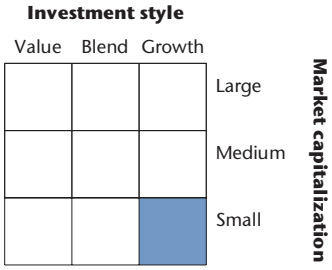
Morningstar percentile rankings are based on total returns.

Morningstar category

Small Growth

Morningstar Style Box™

As of 03/31/2007



Risk and Return Statistics

as of 06/30/2007 Relative to Russell 2000 Growth Index

	3Yr	5Yr
Alpha	1.83	1.97
Beta	0.85	0.79
R-Squared	95.96	91.63
Standard Deviation	13.21	14.86
Mean	12.68	13.29
Sharpe Ratio	0.68	0.73
Excess Return	0.92	0.21
Excess Risk	3.55	5.69
Information Ratio	0.26	0.04

Operations

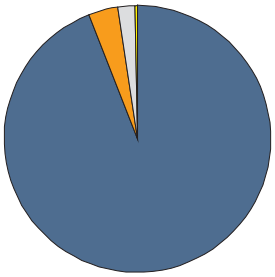
Total Investment Expense Net	1.16%
Total Investment Expense Gross	1.17%
Waiver Expiration Date	02/28/2008
Inception Date	12/29/2000
Total Net Assets (mil)	$690.21

© 2007 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Small-Cap Growth II Separate Account-Stnd as of 06/30/2007

Portfolio information

Composition as of 03/31/2007



% of Assets	
U.S. Stocks	94.01
Non-U.S. Stocks	3.63
Cash	2.01
Other	0.36

Top ten holdings	% of net assets
1. Psychiatric Solutions, Inc.	2.00
2. Pediatrix Medical Group, Inc.	1.44
3. BE Aerospace	1.19
4. Viasys Healthcare, Inc.	1.18
5. ESCO Technologies, Inc.	1.17
6. Phillips-Van Heusen Corporation	1.13
7. Orient-Express Hotels, Ltd. A	1.10
8. Tetra Technologies, Inc.	1.06
9. TeleTech Holdings, Inc.	1.05
10. LifeCell Corporation	0.99
% of net assets in top ten holdings	12.31

Analysis	
# of Stock Hldgs	287
# of Bond Hldgs	0
# of Other Hldgs	3
GeoAvgCap (mil)	$1,101.28
Turnover Ratio	81%
P/C Ratio	10.59
P/E Ratio	22.30
P/B Ratio	2.81

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**26.17**	**Service**	**50.36**	**Manufacturing**	**23.47**
Software	10.08	Healthcare	19.69	Consumer Goods	5.34
Hardware	14.62	Consumer Services	9.36	Industrial Materials	13.78
Media	0.60	Business Services	16.19	Energy	4.35
Telecom	0.87	Financial Services	5.12	Utilities	0.00

This retirement focused investment option was selected through the Principal Due Diligence Program[SM], our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Partners Small-Cap Growth II Sep Acct-Standard.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

This Separate Account invests solely in the Institutional class shares of the Principal Investors Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

Effective May 1, 2002, this portfolio was sub-advised solely by UBS Global Asset Management. Effective September 1, 2004, Emerald Advisers was added as an additional sub-advisor. Effective June 30, 2006, Essex was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.