

City of Hallandale Beach
Professional/Management Retirement Plan 4-47771

PQ 4/7/13

WE UNDERSTAND WHAT YOU'RE WORKING FORSM



Principal Financial Advisors, Inc.



Investment Advisory Report
City of Hallandale Beach Professional/Management Plan



Contract No. 4-47771

October 01, 2007 - December 31, 2007

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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 ProgramSM provided by Principal Life Insurance Company.
- 2) Asset liability analysis for defined benefit plans and scenarios 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 10/01/2007 through 12/31/2007					
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, 19}	\$514,373	6.07%	\$486,624	5.71%
UBS Global Asset Mgmt (NY)	Large-Cap Value I Separate Account-Stnd ¹⁷	\$517,071	6.10%	\$504,908	5.93%
Large Blend					
Goldman Sachs Asset Mgt	Large-Cap Blend I Separate Account-Stnd ⁹	\$1,080,257	12.74%	\$1,055,890	12.40%
Large Growth					
Columbus Circle Investors	Large Company Growth Separate Account-Stnd ¹³	\$637,311	7.52%	\$677,240	7.95%
T. Rowe Price Associates, Inc.	Large-Cap Growth I Separate Account-Stnd ^{2, 11}	\$627,234	7.40%	\$618,581	7.26%
Small/Mid U.S. Equity					
Small Value					
JP Morgan/Mellon Equity	Small-Cap Value I Separate Account-Stnd ^{1, 2, 18}	\$169,358	2.00%	\$160,612	1.89%
Small Growth					
UBS/Emerald/Essex	Small-Cap Growth II Separate Account-Stnd ^{1, 2, 7}	\$213,955	2.52%	\$208,192	2.44%
International Equity					
Diversified Emerging Markets					
Principal Global Investors	International Emerging Markets Separate Account-Stnd ³	\$151,268	1.78%	\$159,808	1.88%
Foreign Large Blend					
Fidelity (Pyramis Global Adv)	International Separate Account-Stnd ^{3, 16, 17, 21}	\$567,840	6.70%	\$580,719	6.82%
Foreign Large Growth					
Principal Global Investors	International Growth Separate Account-Stnd ^{2, 3}	\$566,473	6.68%	\$559,216	6.57%
Real Estate					
Owned Real Estate					
Principal Real Estate Inv	U.S. Property Separate Account-Stnd ⁵	\$539,367	6.36%	\$559,820	6.57%
Specialty-Real Estate					
Principal Real Estate Inv	Real Estate Securities Separate Account-Stnd ^{2, 8}	\$142,056	1.68%	\$129,837	1.52%
Fixed Income					
High Yield Bond					
Post/JP Morgan/Lehman Brothers	High Yield Separate Account-Stnd ^{4, 17, 20, 22, 23}	\$165,235	1.95%	\$376,025	4.41%
Intermediate-Term Bond					
Principal Global Investors	Bond and Mortgage Separate Account-Stnd Rate Lev ^{20, 23}	\$2,027,560	23.92%	\$1,867,680	21.93%
Spectrum	Preferred Securities Separate Account-Stnd ^{2, 20, 23}	\$134,661	1.59%	\$130,243	1.53%

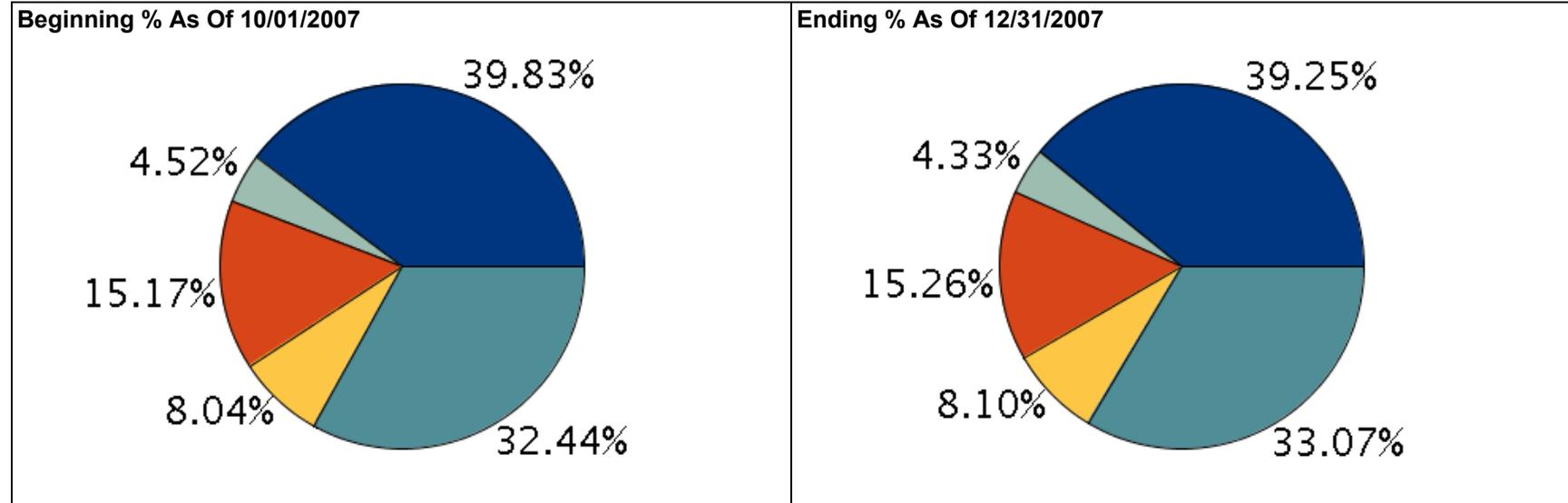
Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 10/01/2007 through 12/31/2007					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
Inflation-Protected Bond					
Principal Global Investors	Inflation Protection Separate Account-Stnd ^{17, 20, 23}	\$422,458	4.98%	\$442,550	5.20%
TOTAL		\$8,476,477	100%	\$8,517,944	100%

Please see important disclosures at the end of this presentation.

Portfolio and Strategic Asset Allocation Review

Asset Class Breakdown



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

Holdings of International Separate Accounts by Region as of December 31, 2007

Asia 6.558%

China	2.095%
India	1.012%
Indonesia	0.156%
Malaysia	0.200%
Pakistan	-
Philippines	-
South Korea	1.742%
Taiwan	1.175%
Thailand	0.178%

Europe 60.351%

Austria	0.556%
Belgium	0.782%
Denmark	1.036%
Finland	2.118%
France	6.395%
Germany	10.273%
Greece	1.344%
Ireland	0.060%
Italy	1.890%
Luxembourg	0.212%
Netherlands	1.949%
Norway	1.274%
Portugal	0.133%
Spain	4.444%
Sweden	2.048%
Switzerland	7.282%
United Kingdom	18.556%

Latin America 2.558%

Argentina	0.052%
Brazil	1.889%
Chile	0.031%
Colombia	0.050%
Mexico	0.508%
Peru	0.028%

North America 0.481%

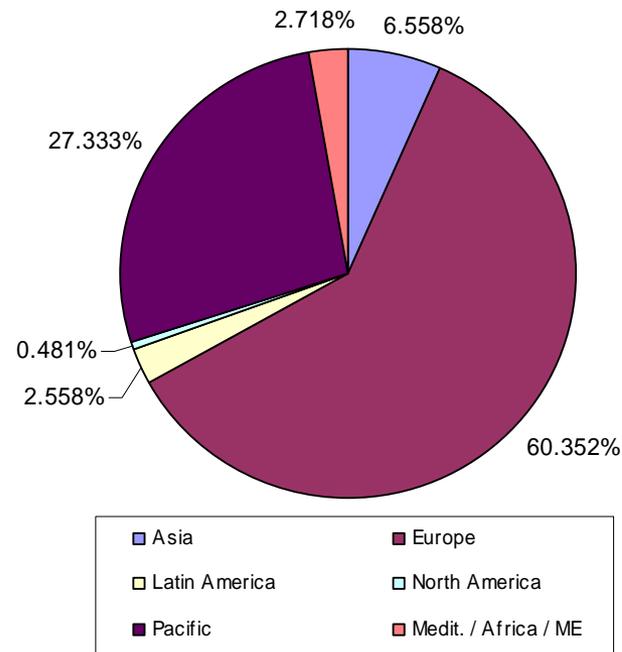
Canada	0.164%
United States	0.318%

Pacific 27.333%

Australia	6.324%
Hong Kong	2.296%
Japan	17.273%
New Zealand	-
Singapore	1.440%

Medit. / Africa / ME 2.718%

Cyprus	-
Czech Republic	0.127%
Egypt	0.037%
Hungary	-
Iceland	-
Israel	0.296%
Jordan	-
Morocco	-
Nigeria	-
Poland	0.138%
Russia	0.768%
Slovenia	-
South Africa	0.882%
Turkey	0.470%



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 as needed. We will continue to monitor your plan and adjust its allocation as necessary.

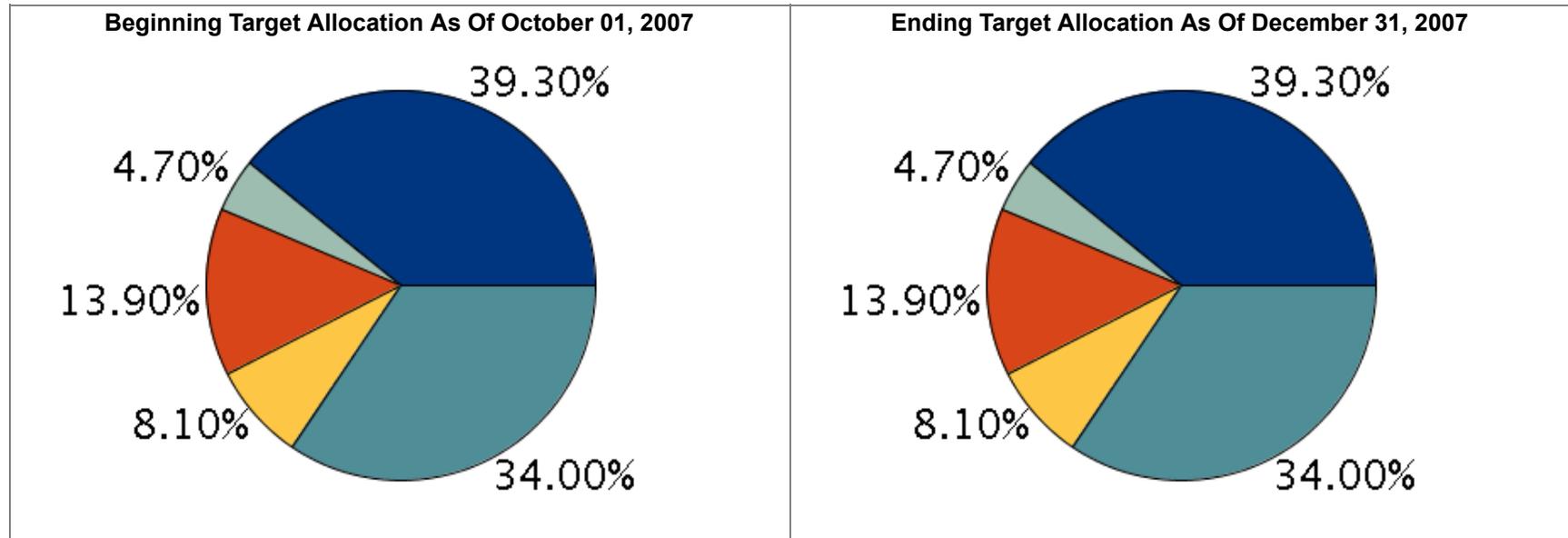
Target Allocation 10/01/2007 through 12/31/2007			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Large U.S. Equity	39.30%	39.30%
	Large Value		
AllianceBernstein LP	Large-Cap Value Separate Account-Stnd ^{2, 19}	6.20%	6.20%
UBS Global Asset Mgmt (NY)	Large-Cap Value I Separate Account-Stnd ¹⁷	6.20%	6.20%
	Large Blend		
Goldman Sachs Asset Mgt	Large-Cap Blend I Separate Account-Stnd ⁹	13.00%	13.00%
	Large Growth		
Columbus Circle Investors	Large Company Growth Separate Account-Stnd ¹³	6.80%	6.80%
T. Rowe Price Associates, Inc.	Large-Cap Growth I Separate Account-Stnd ^{2, 11}	7.10%	7.10%
	Small/Mid U.S. Equity	4.70%	4.70%
	Small Value		
JP Morgan/Mellon Equity	Small-Cap Value I Separate Account-Stnd ^{1, 2, 18}	2.20%	2.20%
	Small Growth		
UBS/Emerald/Essex	Small-Cap Growth II Separate Account-Stnd ^{1, 2, 7}	2.50%	2.50%
	International Equity	13.90%	13.90%
	Diversified Emerging Markets		
Principal Global Investors	International Emerging Markets Separate Account-Stnd ³	1.40%	1.40%
	Foreign Large Blend		
Fidelity (Pyramis Global Adv)	International Separate Account-Stnd ^{3, 16, 17, 21}	6.30%	6.30%
	Foreign Large Growth		
Principal Global Investors	International Growth Separate Account-Stnd ^{2, 3}	6.20%	6.20%
	Real Estate	8.10%	8.10%
	Owned Real Estate		
Principal Real Estate Inv	U.S. Property Separate Account-Stnd ⁵	6.00%	6.00%
	Specialty-Real Estate		
Principal Real Estate Inv	Real Estate Securities Separate Account-Stnd ^{2, 8}	2.10%	2.10%

Portfolio and Strategic Asset Allocation Review

Target Allocation 10/01/2007 through 12/31/2007			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Fixed Income	34.00%	34.00%
	High Yield Bond		
Post/JP Morgan/Lehman Brothers	High Yield Separate Account-Stnd ^{4, 17, 20, 22, 23}	2.00%	4.40%
	Intermediate-Term Bond		
Principal Global Investors	Bond and Mortgage Separate Account-Stnd Rate Lev ^{20, 23}	25.20%	22.80%
Spectrum	Preferred Securities Separate Account-Stnd ^{2, 20, 23}	1.70%	1.70%
	Inflation-Protected Bond		
Principal Global Investors	Inflation Protection Separate Account-Stnd ^{17, 20, 23}	5.10%	5.10%

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.



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

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 ¹⁹  Large-Cap Value I Separate Account-Stnd ¹⁷ 	Large-Cap Blend I Separate Account-Stnd ⁹ 	Large Company Growth Separate Account-Stnd ¹³  Large-Cap Growth I Separate Account-Stnd ^{2, 11} 
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, 18}  		Small-Cap Growth II Separate Account-Stnd ^{1, 2, 7}   

Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
<p>International Separate Account-Stnd ^{3, 16, 17, 21}</p>  <p>International Emerging Markets Separate Account-Stnd ³</p> <p>International Growth Separate Account-Stnd ^{2, 3}</p> 	<p>Real Estate Securities Separate Account-Stnd ^{2, 8}</p> <p>U.S. Property Separate Account-Stnd ⁵</p> <p>Principal Real Estate Investors</p>	
Short-Term Fixed Income	Fixed Income	
	<p>High Yield Separate Account-Stnd ^{4, 17, 20, 22, 23}</p>   <p>LEHMAN BROTHERS ASSET MANAGEMENT</p> <p>Bond and Mortgage Separate Account-Stnd Rate Lev ^{20, 23}</p> <p>Inflation Protection Separate Account-Stnd ^{17, 20, 23}</p>  <p>Preferred Securities Separate Account-Stnd ^{2, 20, 23}</p> 	

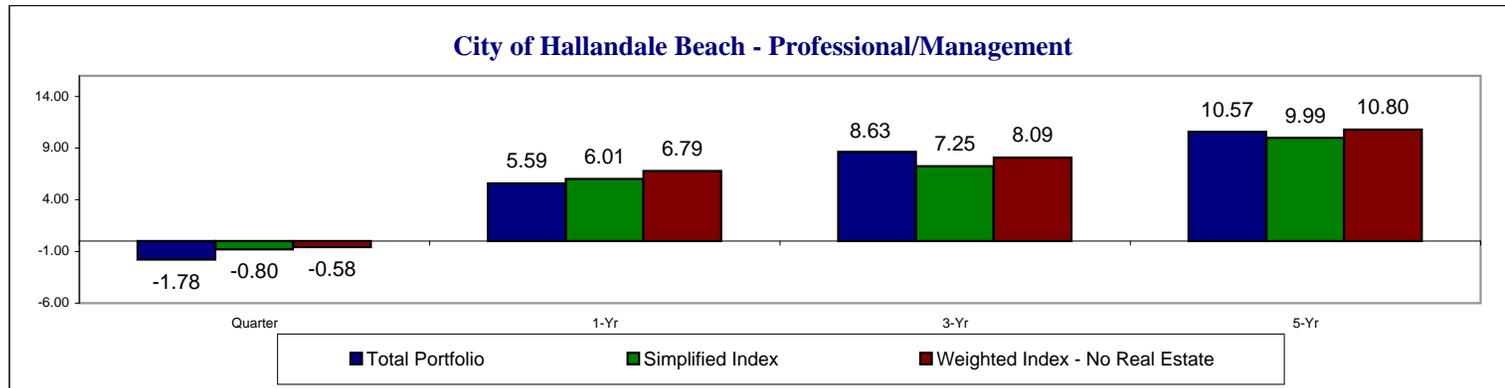
Please see important disclosures at the end of this presentation.

Portfolio Performance Review

Return Information as of 12/31/2007

Time and Dollar Weighted Returns				
(returns achieved by your plan)	Quarter	1-Yr	3-Yr	5-Yr
Total Portfolio	-1.78	5.59	8.63	10.57
Simplified Index	-0.80	6.01	7.25	9.99
Weighted Index - No Real Estate	-0.58	6.79	8.09	10.80
Difference - Simplified Index	-0.98	-0.42	1.38	0.58
Difference - Weighted Index - No Real Estate	-1.20	-1.20	0.54	-0.23

Portfolio's Fixed Income Return	0.67	3.10	3.51	3.84
Lehman Bros Aggregate Bond Index	3.00	6.96	4.56	4.42
Portfolio's Domestic Equity Return	-3.81	4.04	8.39	11.72
Russell 3000 Index	-3.35	5.13	8.90	13.63
Portfolio's Foreign Equity Return	-1.28	16.98	21.05	23.26
MSCI EAFE Index	-1.75	11.18	16.84	21.59
Portfolio's Real Estate Return	-1.41	5.90	14.26	14.00
Custom Real Estate Benchmark (75% NCREIF Open, 25% MSCI US REIT)	-	-	-	-



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 CenterSM 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.

Investment Advisor	Investment Option	Rates of Return through 12/31/2007							Percentile Rankings as of 12/31/2007					Total Inv. Expense Gross	
		YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception**	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.		
Large U.S. Equity															
Large Value															
AllianceBernstein LP	Large-Cap Value Separate Account-Stnd ^{2, 19}	-3.91	-3.91	7.15	12.16	-	7.11	12/29/2000	-	85	69	69	-	0.93	
UBS Global Asset Mgmt (NY)	Large-Cap Value I Separate Account-Stnd ¹⁷	0.31	0.31	9.12	-	-	10.93	06/01/2004	-	61	34	-	-	0.97	
	Russell 1000 Value Index	-0.17	-0.17	9.32	14.63	7.68	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Large Value	1.42	1.42	8.29	13.16	6.67	Total Funds in Category	1432	1432	1166	922	419			
Large Blend															
Goldman Sachs Asset Mgt	Large-Cap Blend I Separate Account-Stnd ⁹	0.62	0.62	7.09	12.08	2.72	-	06/01/1995	-	90	79	60	95	0.76	
	Standard & Poor's 500 Index	5.49	5.49	8.62	12.83	5.91	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Large Blend	6.16	6.16	8.71	12.63	5.92	Total Funds in Category	2090	2090	1623	1278	594			
Large Growth															
Columbus Circle Investors	Large Company Growth Separate Account-Stnd ¹³	23.02	23.02	14.69	15.72	4.55	-	06/01/1995	-	9	5	14	61	0.71	
T. Rowe Price Associates, Inc.	Large-Cap Growth I Separate Account-Stnd ^{2, 11}	8.18	8.18	7.18	10.75	-	0.43	12/29/2000	-	75	73	76	-	0.91	
	Russell 1000 Growth Index	11.81	11.81	8.68	12.11	3.83	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Large Growth	13.35	13.35	9.11	12.75	5.28	Total Funds in Category	1748	1748	1449	1215	554			
Small/Mid U.S. Equity															
Small Value															
JP Morgan/Mellon Equity	Small-Cap Value I Separate Account-Stnd ^{1, 2, 18}	-9.49	-9.49	4.38	16.03	-	16.01	12/31/2002	-	75	63	21	-	1.18	
	Russell 2000 Value Index	-9.78	-9.78	5.27	15.80	9.06	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Small Value	-6.08	-6.08	5.02	14.58	8.88	Total Funds in Category	438	438	329	258	92			
Small Growth															
UBS/Emerald/Essex	Small-Cap Growth II Separate Account-Stnd ^{1, 2, 7}	5.64	5.64	7.10	14.62	-	2.47	12/29/2000	-	58	58	63	-	1.17	
	Russell 2000 Growth Index	7.05	7.05	8.11	16.50	4.32	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Small Growth	7.59	7.59	7.94	15.63	7.21	Total Funds in Category	829	829	671	556	258			

Investment Option Performance

Investment Advisor	Investment Option	Rates of Return through 12/31/2007							Percentile Rankings as of 12/31/2007					Total Inv. Expense Gross	
		YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception**	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.		
	International Equity														
	Diversified Emerging Markets														
Principal Global Investors	International Emerging Markets Separate Account-Stnd ³	41.60	41.60	37.66	38.95	15.71	-	01/01/1995	-	20	19	12	23	1.51	
	MSCI - Emerging Markets NDTR D Index	39.39	39.39	35.15	37.00	-	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Diversified Emerging Markets	36.68	36.68	33.23	35.18	13.86	Total Funds in Category	274	274	206	187	103			
	Foreign Large Blend														
Fidelity (Pyramis Global Adv)	International Separate Account-Stnd ^{3, 16, 17, 21}	15.06	15.06	18.14	22.99	-	7.96	07/01/1999	-	27	30	12	-	1.29	
	MSCI - EAFE Index NDTR D	11.17	11.17	16.83	21.59	8.66	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Foreign Large Blend	12.71	12.71	17.22	20.31	7.94	Total Funds in Category	743	743	557	462	227			
	Foreign Large Growth														
Principal Global Investors	International Growth Separate Account-Stnd ^{2, 3}	12.32	12.32	19.43	23.76	-	9.77	12/29/2000	-	80	27	18	-	1.18	
	MSCI World Ex US Growth Index	18.03	18.03	18.14	20.59	6.87	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Foreign Large Growth	16.26	16.26	18.25	20.90	8.41	Total Funds in Category	220	220	173	155	67			
	Real Estate														
	Owned Real Estate														
Principal Real Estate Inv	U.S. Property Separate Account-Stnd ⁵	13.42	13.42	15.71	13.54	11.00	-	01/01/1982	-	-	-	-	-	1.15	
	NCREIF Open End Benchmark	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Specialty-Real Estate														
Principal Real Estate Inv	Real Estate Securities Separate Account-Stnd ^{2, 8}	-17.73	-17.73	8.86	18.91	-	18.89	12/31/2002	-	70	34	33	-	1.15	
	MSCI US REIT Index	-16.82	-16.82	8.23	17.91	10.37	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Specialty-Real Estate	-14.66	-14.66	7.50	17.70	10.46	Total Funds in Category	372	372	265	190	79			
	Short-Term Fixed Income														
	Money Market														
Principal Global Investors	Money Market Separate Account-Stnd ⁶	4.86	4.86	4.04	2.74	3.54	-	12/10/1980	-	-	-	-	-	0.56	
	Lehman Brothers Treasury Bellwethers 3 Month Index	5.11	5.11	4.35	3.08	3.80	-	-	-	-	-	-	-	-	

Investment Option Performance

Investment Advisor	Investment Option	Rates of Return through 12/31/2007							Percentile Rankings as of 12/31/2007					Total Inv. Expense Gross
		YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception**	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	
	Fixed Income													
	High Yield Bond													
Post/JP Morgan/Lehman Brothers	High Yield Separate Account-Stnd ^{4, 17, 20, 22, 23}	2.37	2.37	4.96	-	-	4.96	12/31/2004	-	34	40	-	-	0.83
	<i>Post High Yield Traditional Composite §</i>	-	-	-	8.66	7.44	-		-	-	-	70	2	
	<i>JP Morgan High Yield Broad Net Composite §</i>	-	-	-	11.21	-	-		-	-	-	15	-	
	<i>Lehman Brothers Full Market High Yield Composite §</i>	-	-	-	10.06	6.99	-		-	-	-	37	2	
	Lehman Brothers U.S. Corporate High Yield Index	1.87	1.87	5.39	10.90	5.51	-	-	-	-	-	-	-	-
	Morningstar Category Average - High Yield Bond	1.47	1.47	4.61	9.50	4.01	Total Funds in Category		542	542	466	398	192	
	Intermediate-Term Bond													
Principal Global Investors	Bond and Mortgage Separate Account-Stnd Rate Lev ^{20, 23}	3.83	3.83	3.73	4.24	5.78	-	02/01/1983	-	78	48	41	17	0.55
Spectrum	Preferred Securities Separate Account-Stnd ^{2, 20, 23}	-8.14	-8.14	-0.16	2.77	-	3.21	05/31/2002	-	99	98	92	-	0.92
	Lehman Brothers Aggregate Bd Index	6.97	6.97	4.56	4.42	5.97	-	-	-	-	-	-	-	-
	Merrill Lynch Hybrid Preferred Securites Index	-12.74	-12.74	-1.91	1.74	4.32	-	-	-	-	-	-	-	-
	Morningstar Category Average - Intermediate-Term Bond	4.70	4.70	3.53	4.07	5.16	Total Funds in Category		1097	1097	967	826	414	
	Inflation-Protected Bond													
Principal Global Investors	Inflation Protection Separate Account-Stnd ^{17, 20, 23}	5.77	5.77	2.75	-	-	2.75	12/31/2004	-	90	90	-	-	0.58
	Lehman Brothers US Treas TIPS Index	11.64	11.64	4.85	6.27	7.46	-	-	-	-	-	-	-	-
	Morningstar Category Average - Inflation-Protected Bond	9.86	9.86	3.98	5.16	6.42	Total Funds in Category		156	156	110	46	11	

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®.

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- 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.*
- 3. International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.*
- 4. High yield investment options are subject to greater credit risk associated with high yield bonds.*
- 5. 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.*
- 6. This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency.*
- 7. 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.*
- 8. Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.*
- 9. 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.*
- 11. 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.*

13. 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.
16. 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.
17. 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.
18. 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.
19. From March 1, 2006 to December 31, 2007, Bank of New York served as a sub-advisor for managing the cash portion of this investment option.
20. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.
21. 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 investment option.
22. Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Lehman Brothers. Prior to January 2, 2008 Post Advisory Group was a third sub-advisor for this portfolio. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.
23. Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

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.

Lehman Brothers Aggregate Bd Index represents securities that are 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-protected securities issued by the U.S. Treasury.

Merrill Lynch Hybrid Preferred Securities Index is an unmanaged index of investment grade, exchange-traded preferred stocks with outstanding market values of at least \$30 million and at least one year to maturity.

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.

The MSCI World Ex US Growth Index measures global developed market equity performance of growth securities outside of the United States. It is comprised of half the securities in the MSCI World Ex US Index, with half of the market capitalization of each country index in the Growth Index (the other half is in the Value Index).

Simplified Index is composed of 60% Russell 3000 Index and 40% Lehman Brothers Aggregate Bond Index.

Weighted Index - No Real Estate is composed of:

01/01/2003 - 02/28/2007 50% Russell 3000 Index, 10% MSCI EAFE Index, and 40% Lehman Brothers Aggregate Bond Index.

03/01/2007 - 12/31/2007 46.1% Russell 3000 Index, 13.9% MSCI EAFE Index, and 40% Lehman Brothers Aggregate Bond Index.

Large-Cap Value Separate Account-Stnd as of 12/31/2007

Investment Strategy

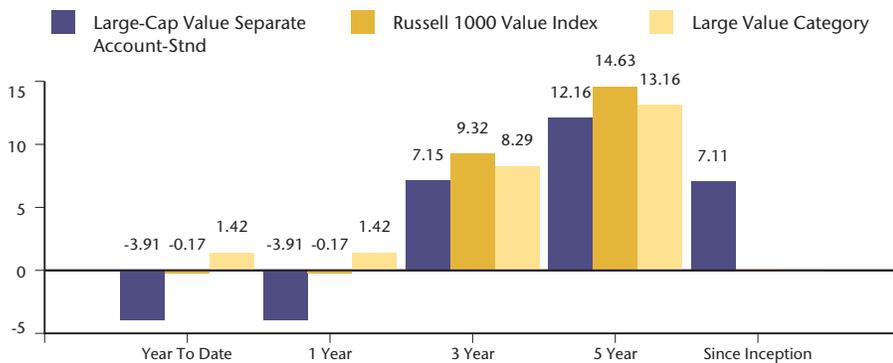
The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in companies with large market capitalizations (those with market capitalizations similar to companies in the Russell 1000 Value Index (as of December 31, 2006, this range was between approximately \$1.3 billion and \$446.9 billion)) at the time of purchase. It may invest up to 25% of 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, CPA, CFA. Since 03/01/2006. B.S., New York U
Chris Marx Since 03/01/2006. M.B.A., Stanford Graduate School of Business
Kurt Zyla Since 01/16/2007. B.S., New York U

Long-term returns % as of 12/31/2007



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 CenterSM 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 %	-3.91	-3.91	7.15	12.16	7.11
Russell 1000 Value Index %	-0.17	-0.17	9.32	14.63	-
Large Value Category %	1.42	1.42	8.29	13.16	-
Morningstar Percentile Rankings	-	85	69	69	-
# of funds in category	1432	1432	1166	922	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	-3.91	21.72	5.18	13.18	27.48
Russell 1000 Value Index %	-0.17	22.25	7.05	16.49	30.03
Large Value Category %	1.42	18.15	5.95	12.97	28.44
Morningstar Percentile Rankings	85	10	55	45	52
# of Funds in Category	1432	1371	1296	1220	1050

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 11/30/2007

Investment style			Market capitalization	
Value	Blend	Growth		
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2007 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-2.26	-2.22
Beta	1.06	1.00
R-Squared	98.26	97.81
Standard Deviation	8.72	9.34
Mean	7.15	12.16
Sharpe Ratio	0.35	0.95
Excess Return	-2.17	-2.47
Excess Risk	1.23	1.39
Information Ratio	-1.76	-1.78

Operations

Total Investment Expense Net	0.93%
Total Investment Expense Gross	0.93%
Inception Date	12/29/2000
Total Net Assets (mil)	\$2,515.73



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Large-Cap Value Separate Account-Stdnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	0.37	Healthcare	7.23	Consumer Goods	9.78
Hardware	2.45	Consumer Services	6.90	Industrial Materials	15.56
Media	2.67	Business Services	1.68	Energy	15.41
Telecom	7.74	Financial Services	28.17	Utilities	2.04



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, 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.

From March 1, 2006 to December 31, 2007, Bank of New York served as a sub-advisor for managing the cash portion of this investment option.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Large Company Growth Separate Account-Stnd as of 12/31/2007

Investment Strategy

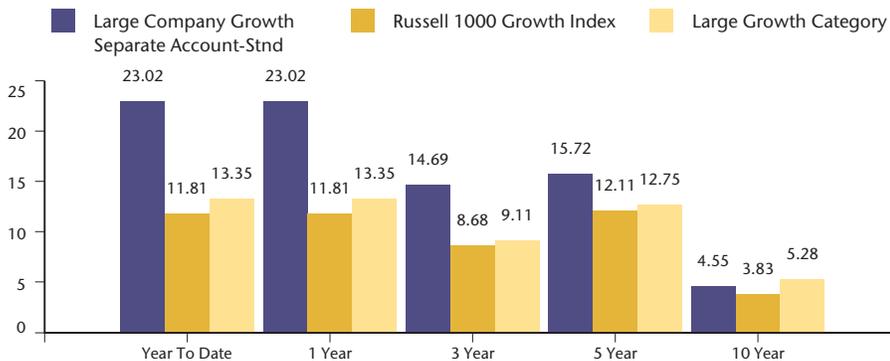
The investment option primarily invests in common stocks of large capitalization companies with strong earnings growth potential. It normally invests the majority of assets in companies with large market capitalizations at the time of purchase. Management places strong emphasis on companies it believes 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 12/31/2007



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 CenterSM 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.

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	23.02	23.02	14.69	15.72	4.55
Russell 1000 Growth Index %	11.81	11.81	8.68	12.11	3.83
Large Growth Category %	13.35	13.35	9.11	12.75	5.28
Morningstar Percentile Rankings	-	9	5	14	61
# of funds in category	1748	1748	1449	1215	554

Annual Returns	2007	2006	2005	2004	2003
Total Return %	23.02	9.67	11.82	9.16	25.98
Russell 1000 Growth Index %	11.81	9.07	5.26	6.30	29.75
Large Growth Category %	13.35	7.05	6.71	7.81	28.66
Morningstar Percentile Rankings	9	25	14	36	59
# of Funds in Category	1748	1642	1495	1400	1311

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 11/30/2007

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2007 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	5.38	3.62
Beta	1.03	0.96
R-Squared	81.07	82.40
Standard Deviation	9.91	9.60
Mean	14.68	15.71
Sharpe Ratio	1.01	1.25
Excess Return	6.00	3.60
Excess Risk	4.32	4.05
Information Ratio	1.39	0.89

Operations

Total Investment Expense Net	0.71%
Total Investment Expense Gross	0.71%
Inception Date	06/01/1995
Total Net Assets (mil)	\$1,594.30



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Large Company Growth Separate Account-Stdnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	4.77	Healthcare	20.12	Consumer Goods	10.65
Hardware	23.43	Consumer Services	8.69	Industrial Materials	11.32
Media	0.00	Business Services	9.93	Energy	8.02
Telecom	0.00	Financial Services	3.07	Utilities	0.00



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, 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.

* Values may exceed 100% if both long and short positions are included in the portfolio.

International Separate Account-Stnd as of 12/31/2007

Investment Strategy

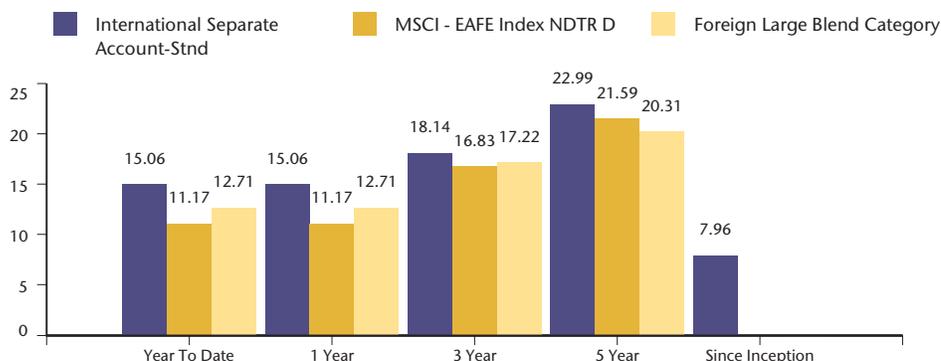
The investment seeks long-term growth of capital. The fund normally invests primarily in non-U.S. securities. It normally invests the assets primarily in common stocks. The management normally diversifies the investments across different countries and regions. In allocating the investments across countries and regions, the management 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 12/31/2007



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	15.06	15.06	18.14	22.99	7.96
MSCI - EAFE Index NDTR D %	11.17	11.17	16.83	21.59	-
Foreign Large Blend Category %	12.71	12.71	17.22	20.31	-
Morningstar Percentile Rankings	-	27	30	12	-
# of funds in category	743	743	557	462	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	15.06	26.36	13.40	18.44	44.11
MSCI - EAFE Index NDTR D %	11.17	26.34	13.54	20.25	38.59
Foreign Large Blend Category %	12.71	24.77	14.72	17.39	33.58
Morningstar Percentile Rankings	27	30	62	37	3
# of Funds in Category	743	657	608	551	504

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 11/30/2007

Investment style

	Value	Blend	Growth	
				Large
				Medium
				Small

Market capitalization

Risk and Return Statistics

as of 12/31/2007 Relative to MSCI - EAFE Index NDTR D

	3Yr	5Yr
Alpha	0.48	0.36
Beta	1.06	1.05
R-Squared	96.72	93.82
Standard Deviation	10.30	11.64
Mean	18.13	22.98
Sharpe Ratio	1.27	1.58
Excess Return	1.30	1.39
Excess Risk	1.95	2.96
Information Ratio	0.67	0.47

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)	\$1,930.38



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International Separate Account-Stnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Top 5 Countries

	% of net assets
United Kingdom	22.63
Japan	19.96
Germany	10.33
France	8.67
Switzerland	7.23

Regional exposure

	% of net assets
Europe	34.89
Japan	9.98
Pacific Rim	5.13



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International and global investment options are 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 investment option.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Large-Cap Blend I Separate Account-Stnd as of 12/31/2007

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.

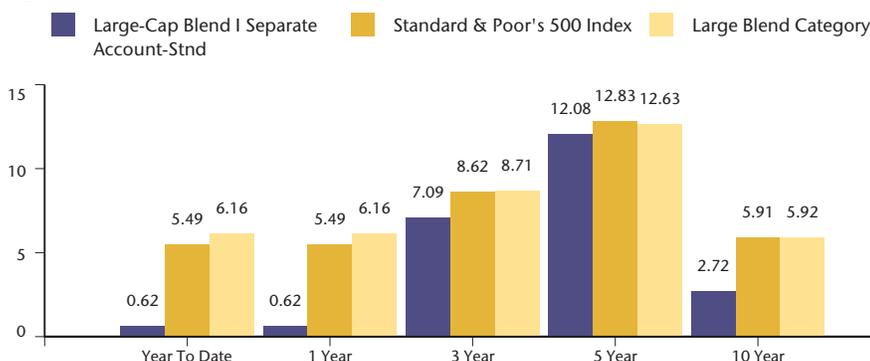


Portfolio managers

Melissa Brown, CFA. Since 12/16/2002. M.B.A., New York U

Robert C. Jones, CFA. Since 12/16/2002. B.A., Brown U

Long-term returns % as of 12/31/2007



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 CenterSM 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.

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	0.62	0.62	7.09	12.08	2.72
Standard & Poor's 500 Index %	5.49	5.49	8.62	12.83	5.91
Large Blend Category %	6.16	6.16	8.71	12.63	5.92
Morningstar Percentile Rankings	-	90	79	60	95
# of funds in category	2090	2090	1623	1278	594

Annual Returns	2007	2006	2005	2004	2003
Total Return %	0.62	14.60	6.51	12.12	28.46
Standard & Poor's 500 Index %	5.49	15.79	4.91	10.88	28.68
Large Blend Category %	6.16	14.17	5.88	10.02	27.05
Morningstar Percentile Rankings	90	46	38	21	28
# of Funds in Category	2090	1980	1743	1611	1526

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 11/30/2007

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2007 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-1.59	-0.66
Beta	1.04	1.00
R-Squared	96.92	96.95
Standard Deviation	8.25	8.72
Mean	7.08	12.08
Sharpe Ratio	0.35	1.00
Excess Return	-1.54	-0.75
Excess Risk	1.48	1.53
Information Ratio	-1.04	-0.49

Operations

Total Investment Expense Net	0.76%
Total Investment Expense Gross	0.76%
Inception Date	06/01/1995
Total Net Assets (mil)	\$2,480.29

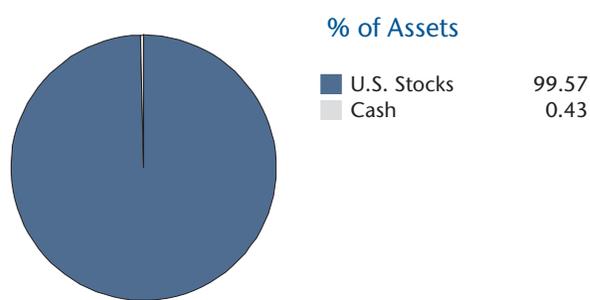


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Large-Cap Blend I Separate Account-Stnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Top ten holdings

Rank	Company	% of net assets
1.	ExxonMobil Corporation	4.82
2.	Microsoft Corporation	3.05
3.	Bank of America Corporation	2.44
4.	Pfizer Inc.	2.27
5.	J.P. Morgan Chase & Co.	2.18
6.	General Electric Company	2.03
7.	Coca-Cola Company	1.68
8.	Chevron Corporation	1.68
9.	Wells Fargo Company	1.64
10.	Procter & Gamble Company	1.58
% of net assets in top ten holdings*		23.37

Analysis

# of Stock Hldgs	204
# of Bond Hldgs	0
# of Other Hldgs	2
GeoAvgCap (mil)	\$49,087.59
Turnover Ratio	74%
P/C Ratio	8.74
P/E Ratio	15.73
P/B Ratio	2.27

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	5.45	Healthcare	13.18	Consumer Goods	8.69
Hardware	10.99	Consumer Services	6.55	Industrial Materials	11.94
Media	4.39	Business Services	2.48	Energy	11.89
Telecom	4.39	Financial Services	17.45	Utilities	2.59



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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.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Small-Cap Value I Separate Account-Stnd as of 12/31/2007

Investment Strategy

The investment seeks long-term growth of capital. 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) at the time of purchase. It may also invest up to 25% of assets in foreign securities. It uses quantitative and fundamental research, systematic stock valuation and a disciplined portfolio construction process. The fund may also purchase securities issued as part of, or a short period after, companies IPOs offerings.



Portfolio managers

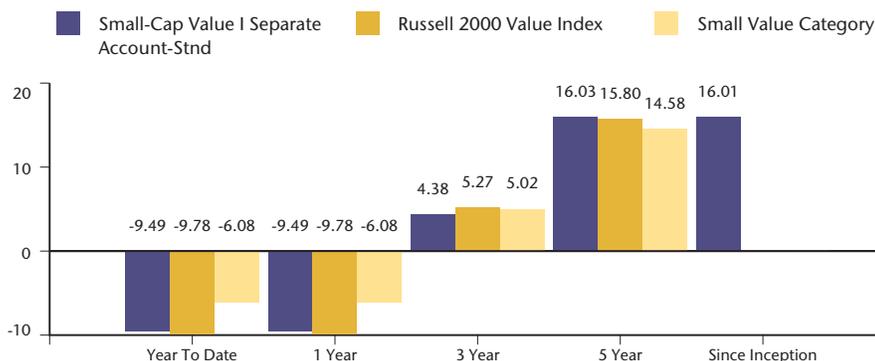
Christopher Blum, CFA. Since 12/30/2002. B.B.A., Bernard M. Baruch School for Business

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 12/31/2007



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 %	-9.49	-9.49	4.38	16.03	16.01
Russell 2000 Value Index %	-9.78	-9.78	5.27	15.80	-
Small Value Category %	-6.08	-6.08	5.02	14.58	-
Morningstar Percentile Rankings	-	75	63	21	-
# of funds in category	438	438	329	258	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	-9.49	18.19	6.32	23.03	50.29
Russell 2000 Value Index %	-9.78	23.48	4.71	22.25	46.03
Small Value Category %	-6.08	16.27	6.40	21.14	42.38
Morningstar Percentile Rankings	75	40	55	33	16
# of Funds in Category	438	389	348	307	303

Morningstar percentile rankings are based on total returns.

Morningstar category

Small Value

Morningstar Style Box™

As of 11/30/2007

Investment style			Market capitalization	
Value	Blend	Growth		
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2007 Relative to Russell 2000 Value Index

	3Yr	5Yr
Alpha	-0.84	0.23
Beta	1.00	1.00
R-Squared	98.43	98.64
Standard Deviation	12.87	13.80
Mean	4.37	16.02
Sharpe Ratio	0.06	0.92
Excess Return	-0.89	0.22
Excess Risk	1.61	1.62
Information Ratio	-0.55	0.13

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)	\$416.95

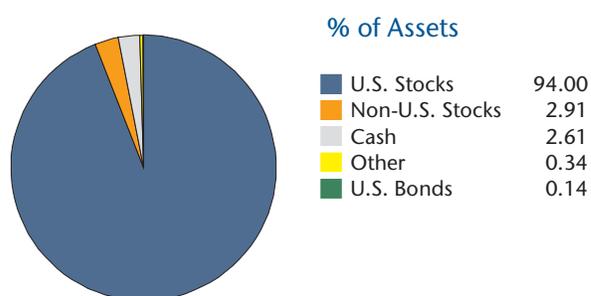


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Small-Cap Value I Separate Account-Stdnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Top ten holdings	% of net assets
1. Russell 2000 12/21/2007	2.66
2. Cash Offset For Long Futures	2.66
3. CF Industries Holdings, Inc.	1.00
4. Deluxe Corporation	0.94
5. Applied Industrial Technologies, Inc.	0.88
6. Delphi Financial Group	0.82
7. Tupperware Brands Corporation	0.82
8. Portland General Electric Company	0.78
9. Zenith National Insurance	0.75
10. Greif Corporation A	0.74
% of net assets in top ten holdings*	12.05

Analysis	
# of Stock Hldgs	588
# of Bond Hldgs	1
# of Other Hldgs	4
GeoAvgCap (mil)	\$1,052.27
Turnover Ratio	63%
P/C Ratio	5.61
P/E Ratio	12.67
P/B Ratio	1.36

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	13.95	Healthcare	50.41	Consumer Goods	35.63
Hardware	3.19	Consumer Services	5.72	Industrial Materials	6.05
Media	7.56	Business Services	5.83	Energy	19.46
Telecom	1.55	Financial Services	9.67	Utilities	4.09
	1.65		29.19		6.03



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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.

* Values may exceed 100% if both long and short positions are included in the portfolio.

High Yield Separate Account-Stnd as of 12/31/2007

Investment Strategy

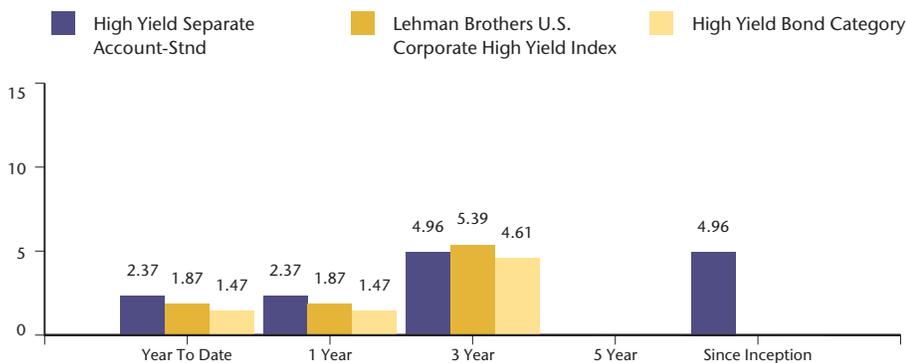
The investment seeks high current income. The fund invests at least 80% of its assets in high yield, below investment grade quality debt and other income-producing securities including, corporate bonds, convertible securities, preferred securities, asset-backed securities and securities of companies in bankruptcy proceedings or otherwise in the process of debt restructuring. Loans of portfolio securities may not exceed 33 1/3% of the value of total assets. 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
Ann H. Benjamin Since 07/19/2007. M.B.A., Carnegie Mellon U
William J. Morgan Since 07/19/2007. MBA, Xavier C
James Shanahan Since 07/19/2007. J.D., U of Cincinnati College of Law

Long-term returns % as of 12/31/2007



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	2.37	2.37	4.96	-	4.96
Lehman Brothers U.S. Corporate High Yield Index %	1.87	1.87	5.39	10.90	-
High Yield Bond Category %	1.47	1.47	4.61	9.50	-
Morningstar Percentile Rankings	-	34	40	-	-
# of funds in category	542	542	466	398	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	2.37	8.71	3.91	-	-
Lehman Brothers U.S. Corporate High Yield Index %	1.87	11.85	2.74	11.13	28.97
High Yield Bond Category %	1.47	10.14	2.59	9.99	24.36
Morningstar Percentile Rankings	34	81	15	-	-
# of Funds in Category	542	549	518	493	455

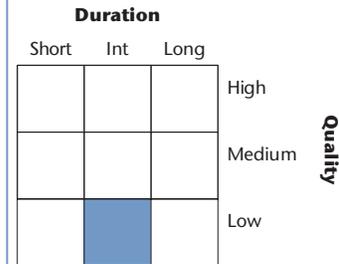
Morningstar percentile rankings are based on total returns.

Morningstar category

High Yield Bond

Morningstar Style Box™

As of 11/30/2007



Risk and Return Statistics

as of 12/31/2007 Relative to Lehman Brothers U.S. Corporate High Yield Index

	3Yr	5Yr
Alpha	-0.22	-
Beta	0.77	-
R-Squared	95.63	-
Standard Deviation	3.80	-
Mean	5.11	-
Sharpe Ratio	0.19	-
Excess Risk	1.38	-
Information Ratio	-0.35	-

Operations

Total Investment Expense Net	0.81%
Total Investment Expense Gross	0.83%
Inception Date	12/31/2004
Total Net Assets (mil)	\$597.84



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High Yield Separate Account-Stnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Credit Analysis

	% Bonds
AAA	0.00
AA	0.00
A	0.00
BBB	0.83
BB	31.48
B	53.47
Below B	14.22
Not Rated	0.00

Statistics

Avg Eff Duration (Yrs)	4.85
Avg Eff Maturity (Yrs)	5.81
Avg Credit Quality	B
Avg Weighted Coupon	8.30
Avg Weighted Price	96.46



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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.

High yield investment options are 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.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Lehman Brothers. Prior to January 2, 2008 Post Advisory Group was a third sub-advisor for this portfolio. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Bond and Mortgage Separate Account-Std Rate Lev

as of 12/31/2007

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

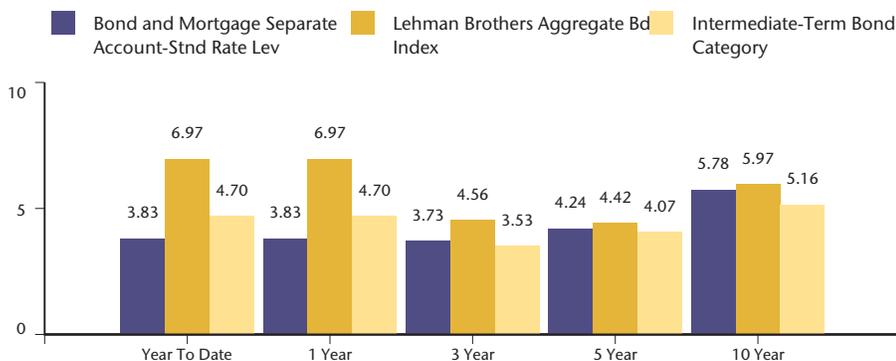
Timothy Warrick, CFA. Since 06/01/2002. M.B.A., Drake U

L. Phillip Jacoby IV Since 11/07/2005. B.S., Boston U

Lawrence Post Since 11/07/2005. B.A., Lehigh U

Bernard Sussman Since 11/07/2005. M.B.A., Cornell U

Long-term returns % as of 12/31/2007



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	3.83	3.83	3.73	4.24	5.78
Lehman Brothers Aggregate Bd Index %	6.97	6.97	4.56	4.42	5.97
Intermediate-Term Bond Category %	4.70	4.70	3.53	4.07	5.16
Morningstar Percentile Rankings	-	78	48	41	17
# of funds in category	1097	1097	967	826	414

Annual Returns	2007	2006	2005	2004	2003
Total Return %	3.83	4.73	2.64	4.98	5.04
Lehman Brothers Aggregate Bd Index %	6.97	4.33	2.43	4.34	4.10
Intermediate-Term Bond Category %	4.70	4.15	1.80	3.91	5.10
Morningstar Percentile Rankings	78	19	9	15	36
# of Funds in Category	1097	1092	1043	1035	952

Morningstar percentile rankings are based on total returns.

Morningstar category
Intermediate-Term Bond

Morningstar Style Box™
As of 11/30/2007

Duration			Quality	
Short	Int	Long		
				High
				Medium
			Low	

Risk and Return Statistics

as of 12/31/2007 Relative to
Lehman Brothers Aggregate Bd Index

	3Yr	5Yr
Alpha	-0.77	-0.11
Beta	0.88	0.95
R-Squared	88.17	94.88
Standard Deviation	2.64	3.49
Mean	3.74	4.25
Sharpe Ratio	-0.22	0.33
Excess Risk	0.96	0.82
Information Ratio	-0.86	-0.22

Operations

Total Investment Expense Net	0.55%
Total Investment Expense Gross	0.55%
Inception Date	02/01/1983
Total Net Assets (mil)	\$6,181.13



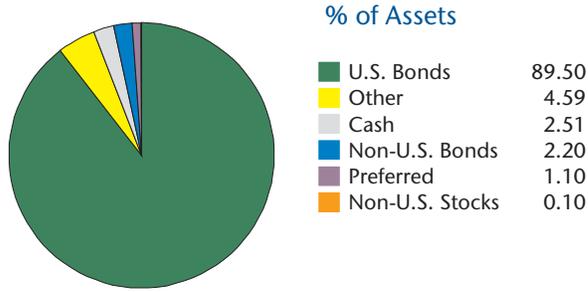
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Bond and Mortgage Separate Account-Stnd Rate Lev

as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Top ten holdings	% of net assets
1. FGLMC 5.5% 12/01/2037	4.83
2. FGLMC 6% 12/01/2037	4.26
3. FNMA 5.5% 12/01/2037	3.47
4. FGLMC 5% 12/01/2037	3.10
5. FNMA 6% 12/01/2037	2.96
6. FNMA 5% 12/01/2037	2.50
7. US Treasury Bond 6.25%	2.28
8. US Treasury Note 3.625%	2.02
9. FNMA 5% 12/01/2022	1.70
10. FNMA 4.5% 12/01/2022	1.70
% of net assets in top ten holdings*	28.82

Analysis	
# of Stock Hldgs	5
# of Bond Hldgs	1471
# of Other Hldgs	296
Turnover Ratio	27%

Credit Analysis

	% Bonds
AAA	57.93
AA	7.56
A	9.44
BBB	14.14
BB	5.92
B	4.40
Below B	0.61
Not Rated	0.00

Statistics

Avg Eff Duration (Yrs)	4.71
Avg Eff Maturity (Yrs)	8.21
Avg Credit Quality	AA
Avg Weighted Coupon	5.52
Avg Weighted Price	101.09



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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 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.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Inflation Protection Separate Account-Stnd as of 12/31/2007

Investment Strategy

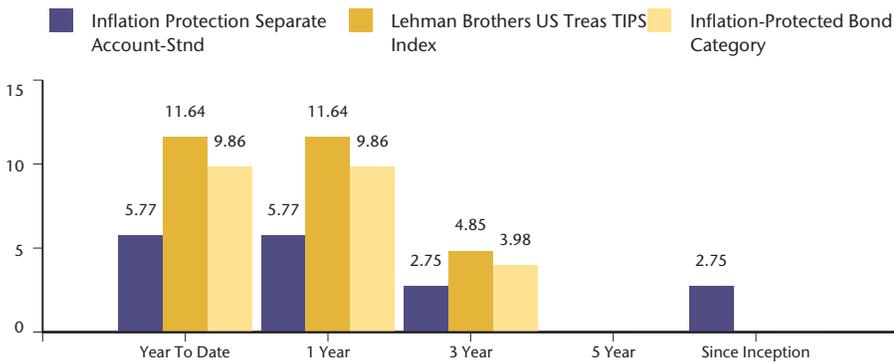
The investment seeks to provide current income and real (after-inflation) total returns. The fund invests primarily in inflation protected debt securities issued by the U.S. Treasury and U.S. government sponsored entities as well as corporations, floating rate notes, etc. It normally hedges at least 75% of exposure to foreign currency. The fund may invest up to 20% of assets in securities denominated in foreign currencies. It may invest up to 15% of assets in high yield securities but not in securities rated lower than CCC- or Caa3 by S&P or Moody's or, if unrated, determined by PGI to be of comparable quality.



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 12/31/2007



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 CenterSM 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 %	5.77	5.77	2.75	-	2.75
Lehman Brothers US Treas TIPS Index %	11.64	11.64	4.85	6.27	-
Inflation-Protected Bond Category %	9.86	9.86	3.98	5.16	-
Morningstar Percentile Rankings	-	90	90	-	-
# of funds in category	156	156	110	46	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	5.77	0.27	2.28	-	-
Lehman Brothers US Treas TIPS Index %	11.64	0.41	2.84	8.46	8.40
Inflation-Protected Bond Category %	9.86	0.09	2.09	7.48	7.15
Morningstar Percentile Rankings	90	27	37	-	-
# of Funds in Category	156	140	109	69	44

Morningstar percentile rankings are based on total returns.

Morningstar category
Inflation-Protected Bond

Morningstar Style BoxTM
As of 11/30/2007

Duration			Quality	
Short	Int	Long		
				High
				Medium
			Low	

Risk and Return Statistics

as of 12/31/2007 Relative to
Lehman Brothers US Treas TIPS Index

	3Yr	5Yr
Alpha	-2.06	-
Beta	0.87	-
R-Squared	92.94	-
Standard Deviation	4.16	-
Mean	2.87	-
Sharpe Ratio	-0.34	-
Excess Risk	1.27	-
Information Ratio	-1.75	-

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)	\$486.65



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Inflation Protection Separate Account-Stnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Credit Analysis

	% Bonds
AAA	72.81
AA	6.01
A	5.73
BBB	10.82
BB	3.68
B	0.95
Below B	0.00
Not Rated	0.00

Statistics

Avg Eff Duration (Yrs)	6.30
Avg Eff Maturity (Yrs)	11.70
Avg Credit Quality	AA
Avg Weighted Coupon	3.98
Avg Weighted Price	102.81



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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-protected 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.

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Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

* Values may exceed 100% if both long and short positions are included in the portfolio.

International Emerging Markets Separate Account-Stnd

as of 12/31/2007

Investment Strategy

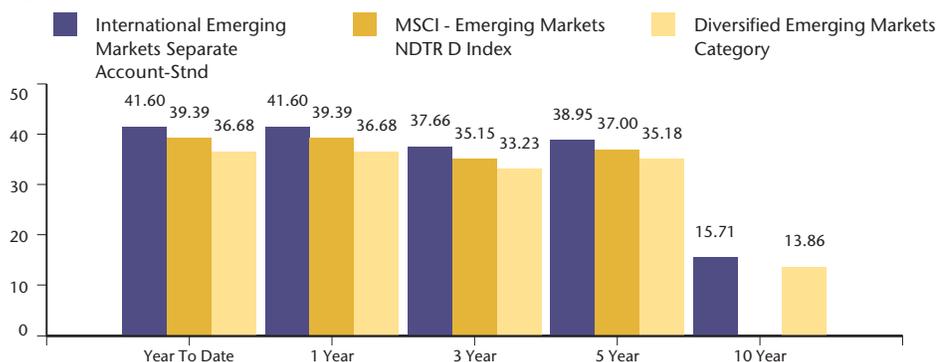
The investment option normally invests the majority of assets in equities of companies in emerging market countries. It invests in securities of companies with their principal place of business or principal office in emerging market countries; companies for which the principal securities trade in an 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 12/31/2007



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	41.60	41.60	37.66	38.95	15.71
MSCI - Emerging Markets NDTR D Index %	39.39	39.39	35.15	37.00	-
Diversified Emerging Markets Category %	36.68	36.68	33.23	35.18	13.86
Morningstar Percentile Rankings	-	20	19	12	23
# of funds in category	274	274	206	187	103

Annual Returns	2007	2006	2005	2004	2003
Total Return %	41.60	36.36	35.09	25.63	58.03
MSCI - Emerging Markets NDTR D Index %	39.39	32.17	34.00	25.55	55.82
Diversified Emerging Markets Category %	36.68	32.06	31.54	23.54	55.19
Morningstar Percentile Rankings	20	17	29	34	27
# of Funds in Category	274	242	212	202	196

Morningstar percentile rankings are based on total returns.

Morningstar category
Diversified Emerging Markets

Morningstar Style Box™
As of 11/30/2007

Investment style			Market capitalization	
Value	Blend	Growth		
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2007 Relative to
MSCI - Emerging Markets NDTR D Index

	3Yr	5Yr
Alpha	3.72	2.16
Beta	1.00	1.01
R-Squared	96.02	96.54
Standard Deviation	18.72	17.70
Mean	37.65	38.94
Sharpe Ratio	1.59	1.80
Excess Return	4.73	3.28
Excess Risk	3.73	3.30
Information Ratio	1.27	0.99

Operations

Total Investment Expense Net	1.51%
Total Investment Expense Gross	1.51%
Inception Date	01/01/1995
Total Net Assets (mil)	\$1,575.84



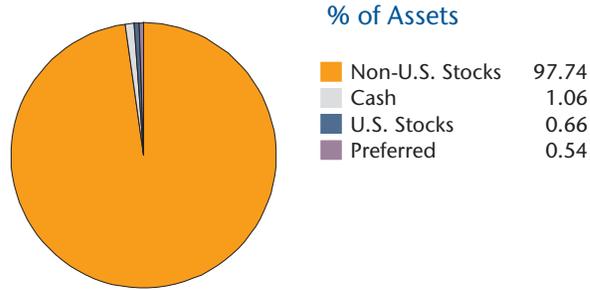
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International Emerging Markets Separate Account-Stnd

as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Top ten holdings	% of net assets
1. Brazilian Petroleum Corporation ADR	4.01
2. Companhia Vale do Rio Doce	2.94
3. China Mobile Ltd	2.87
4. Gazprom OAO (EDR)	2.85
5. Reliance Industries Ltd	1.85
6. CNOOC Ltd	1.73
7. Lukoil Company ADR	1.58
8. China Construction Bank	1.51
9. Samsung Electronics	1.41
10. Sasol Limited Grp	1.29
% of net assets in top ten holdings*	22.04

Analysis	
# of Stock Hldgs	174
# of Bond Hldgs	1
# of Other Hldgs	2
GeoAvgCap (mil)	\$17,375.53
Turnover Ratio	133%
P/C Ratio	8.71
P/E Ratio	13.76
P/B Ratio	2.62

Top 5 Countries	% of net assets
China	15.36
South Korea	14.32
Brazil	13.63
Taiwan	9.38
Russia	6.97

Regional exposure	% of net assets
Pacific Rim	26.84
Other	10.35
Latin America	10.07
Europe	2.39
United States	0.34



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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.

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International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

* Values may exceed 100% if both long and short positions are included in the portfolio.

International Growth Separate Account-Stnd as of 12/31/2007

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., shares of companies for which the principal securities trading market is outside the U.S., or shares of 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.

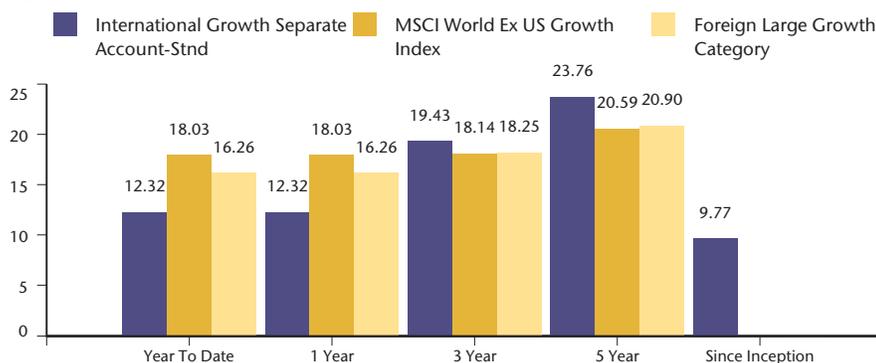


Portfolio managers

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 12/31/2007



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	12.32	12.32	19.43	23.76	9.77
MSCI World Ex US Growth Index %	18.03	18.03	18.14	20.59	-
Foreign Large Growth Category %	16.26	16.26	18.25	20.90	-
Morningstar Percentile Rankings	-	80	27	18	-
# of funds in category	220	220	173	155	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	12.32	24.16	22.14	22.64	38.97
MSCI World Ex US Growth Index %	18.03	22.12	14.41	16.27	32.99
Foreign Large Growth Category %	16.26	23.95	15.23	16.23	33.83
Morningstar Percentile Rankings	80	39	8	8	24
# of Funds in Category	220	243	213	221	226

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Growth

Morningstar Style Box™

As of 11/30/2007

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2007 Relative to MSCI World Ex US Growth Index

	3Yr	5Yr
Alpha	1.10	1.80
Beta	1.12	1.02
R-Squared	96.06	95.01
Standard Deviation	11.54	11.33
Mean	19.43	23.76
Sharpe Ratio	1.24	1.68
Excess Return	2.77	2.52
Excess Risk	2.59	2.55
Information Ratio	1.07	0.99

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)	\$2,339.48

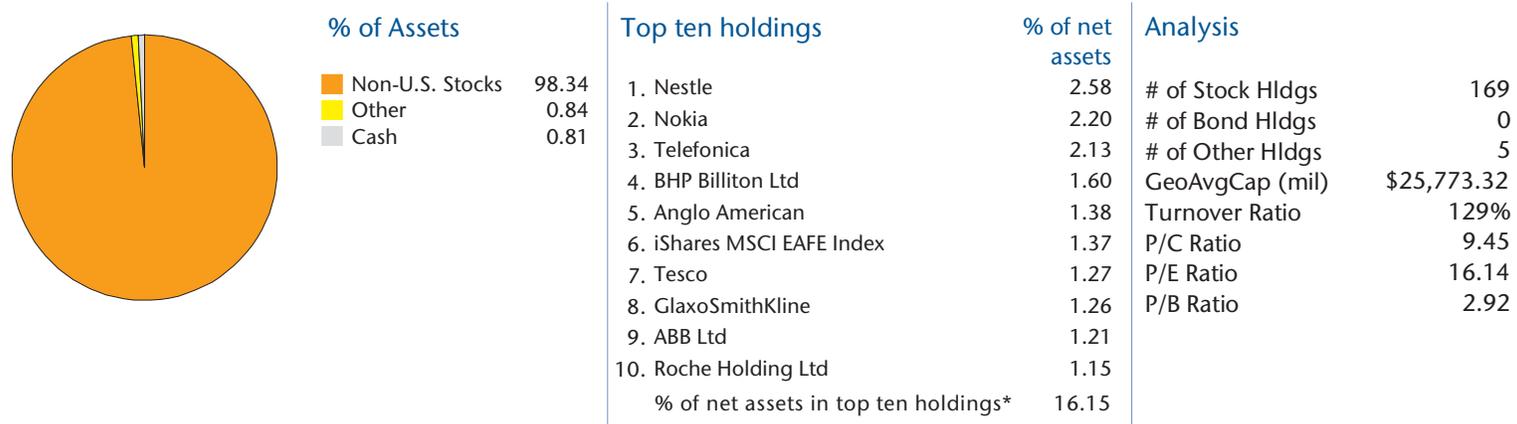


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International Growth Separate Account-Std as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Top 5 Countries

	% of net assets
United Kingdom	19.74
Japan	18.88
Germany	9.04
Switzerland	8.58
Canada	7.41

Regional exposure

	% of net assets
Europe	31.12
Japan	9.44
Pacific Rim	5.38
Other	4.07



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

The MSCI World Ex US Growth Index measures global developed market equity performance of growth securities outside of the United States. It is comprised of half the securities in the MSCI World Ex US Index, with half of the market capitalization of each country index in the Growth Index (the other half is in the Value Index).

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Real Estate Securities Separate Account-Stnd as of 12/31/2007

Investment Strategy

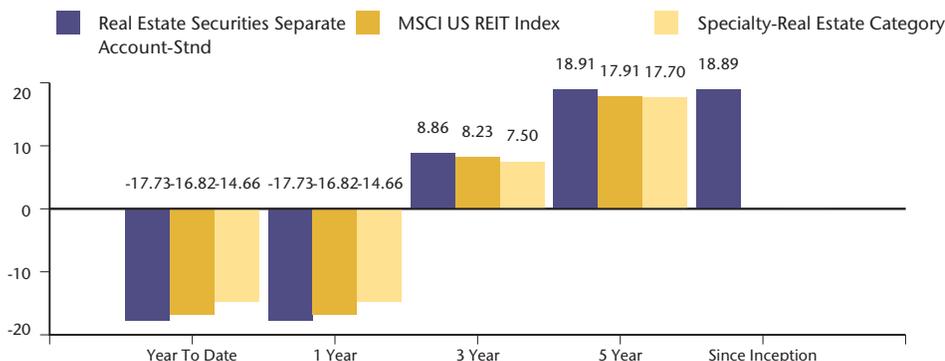
The investment seeks to generate a total return. The fund normally invests at least 80% of net assets in equity securities of companies principally engaged in the real estate industry. A real estate company has at least 50% of assets, income or profits derived from products or services related to the 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. It may invest up to 25% of assets in securities of foreign real estate companies. It is non-diversified.

Principal Real Estate Investors

Portfolio managers

Kelly D. Rush, CFA. Since 12/06/2000. M.B.A., U of Iowa

Long-term returns % as of 12/31/2007



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-17.73	-17.73	8.86	18.91	18.89
MSCI US REIT Index %	-16.82	-16.82	8.23	17.91	-
Specialty-Real Estate Category %	-14.66	-14.66	7.50	17.70	-
Morningstar Percentile Rankings	-	70	34	33	-
# of funds in category	372	372	265	190	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	-17.73	36.03	15.28	33.69	37.83
MSCI US REIT Index %	-16.82	35.92	12.13	31.49	36.74
Specialty-Real Estate Category %	-14.66	33.58	11.51	32.02	36.80
Morningstar Percentile Rankings	70	30	16	36	32
# of Funds in Category	372	306	279	252	206

Morningstar percentile rankings are based on total returns.

Morningstar category

Specialty-Real Estate

Morningstar Style BoxTM

As of 11/30/2007

Investment style

Value	Blend	Growth	
			Large
			Medium
			Small

Market capitalization

Risk and Return Statistics

as of 12/31/2007 Relative to MSCI US REIT Index

	3Yr	5Yr
Alpha	0.60	0.78
Beta	1.00	1.01
R-Squared	98.74	98.40
Standard Deviation	17.45	16.99
Mean	8.86	18.90
Sharpe Ratio	0.33	0.93
Excess Return	0.64	0.99
Excess Risk	1.96	2.16
Information Ratio	0.32	0.46

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	12/31/2002
Total Net Assets (mil)	\$1,408.24



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Real Estate Securities Separate Account-Stdnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	0.00	Healthcare	0.00	Consumer Goods	0.00
Hardware	0.00	Consumer Services	1.76	Industrial Materials	0.00
Media	0.00	Business Services	0.00	Energy	0.00
Telecom	0.00	Financial Services	98.24	Utilities	0.00



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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.

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

* Values may exceed 100% if both long and short positions are included in the portfolio.

U.S. Property Separate Account-Stnd as of 09/30/2007

Investment Strategy

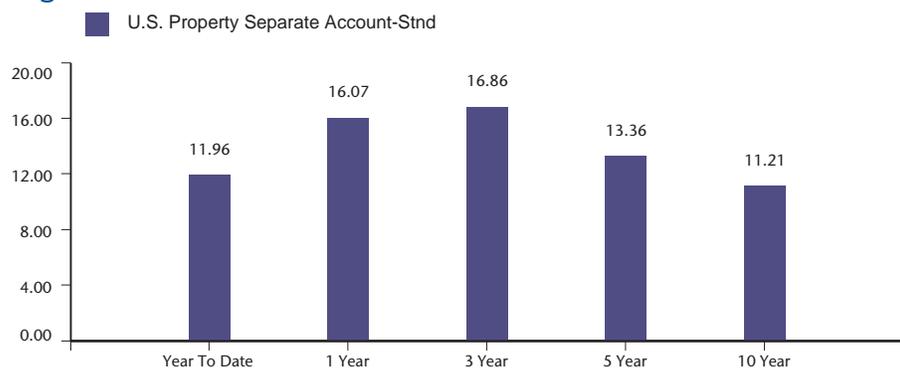
The investment invests the majority of assets on commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail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

Principal Real Estate Investors

Portfolio managers

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

Long-term returns % as of 09/30/2007



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	11.96	16.07	16.86	13.36	11.21

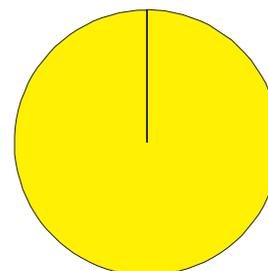
Annual Returns	2006	2005	2004	2003	2002
Total Return %	15.14	18.61	12.52	8.26	3.77

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	01/01/1982
Total Net Assets (mil)	\$5,801.23

Portfolio information

Composition as of 06/30/2007



% of Assets

Other	99.94
Cash	0.06

Analysis

Total Number of Hldgs	152
-----------------------	-----

Portfolio composition

Top ten holdings	% of net assets
Office San Francisco, Ca 379	6.61
Office New York, Ny 284	4.86
Office Bellevue, Wa 258	3.50
Office New York, Ny 380	3.30
Retail Burbank, Ca 275	3.22
Office Glendale, Ca 276	2.52
Apartment Mercer Island, Va 285	2.51
Office San Diego, Ca 222	2.49
Apartment Tustin, Ca 308	2.37
Office Cambridge, Ma 243	2.27

% of net assets in top ten holdings* 33.65%

*Values may exceed 100% if both long and short positions are included in the portfolio.

Geographical diversity

	% of properties
West	46.70
East	19.18
South	17.86
Midwest	16.26

Property type

	% of account
Office	43.12
Apartments	26.40
Retail	15.74
Warehouse	13.41
Other	1.33

U.S. Property Separate Account-Stnd as of 09/30/2007



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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 12/31/2007

Investment Strategy

The investment seeks to provide current income. The fund invests primarily 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 fund focuses primarily on the financial services, Real Estate Investment Trust and utility industries.

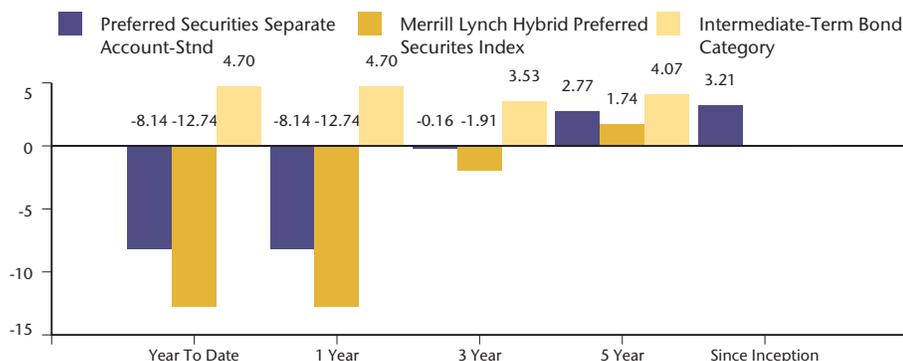
SPECTRUM

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 12/31/2007



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 CenterSM 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.

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-8.14	-8.14	-0.16	2.77	3.21
Merrill Lynch Hybrid Preferred Securities Index %	-12.74	-12.74	-1.91	1.74	-
Intermediate-Term Bond Category %	4.70	4.70	3.53	4.07	-
Morningstar Percentile Rankings	-	99	98	92	-
# of funds in category	1097	1097	967	826	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	-8.14	6.77	1.46	4.20	10.55
Merrill Lynch Hybrid Preferred Securities Index %	-12.74	7.67	0.46	5.51	9.49
Intermediate-Term Bond Category %	4.70	4.15	1.80	3.91	5.10
Morningstar Percentile Rankings	99	4	67	84	35
# of Funds in Category	1097	1092	1043	1035	952

Morningstar percentile rankings are based on total returns.

Morningstar category
Intermediate-Term Bond

Morningstar Style BoxTM

As of 11/30/2007

Duration			Quality	
Short	Int	Long		
				High
				Medium
			Low	

Risk and Return Statistics

as of 12/31/2007 Relative to Merrill Lynch Hybrid Preferred Securities Index

	3Yr	5Yr
Alpha	-0.08	0.77
Beta	0.71	0.83
R-Squared	88.15	86.67
Standard Deviation	4.49	5.30
Mean	-0.16	2.77
Sharpe Ratio	-0.98	-0.04
Excess Risk	2.30	2.20
Information Ratio	0.76	0.46

Operations

Total Investment Expense Net	0.91%
Total Investment Expense Gross	0.92%
Inception Date	05/31/2002
Total Net Assets (mil)	\$1,127.50



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Preferred Securities Separate Account-Stdnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Credit Analysis

	% Bonds
AAA	3.50
AA	13.63
A	41.86
BBB	39.27
BB	0.97
B	0.00
Below B	0.00
Not Rated	0.77

Statistics

Avg Eff Duration (Yrs)	7.64
Avg Eff Maturity (Yrs)	63.26
Avg Credit Quality	A
Avg Weighted Coupon	6.90
Avg Weighted Price	111.92



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

Merrill Lynch Hybrid Preferred Securites Index is an unmanaged index of investment grade, exchange-traded preferred stocks with outstanding market values of at least \$30 million and at least one year to maturity.

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.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

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Large-Cap Growth I Separate Account-Stnd as of 12/31/2007

Investment Strategy

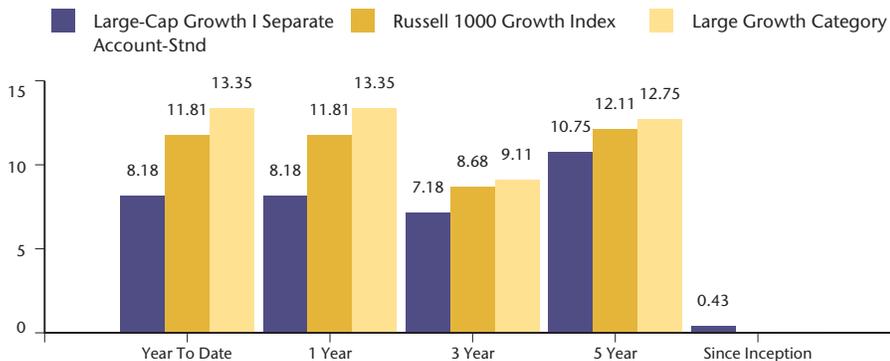
The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in equity securities of companies with market capitalizations within the range of companies in the Russell 1000 Growth Index at the time of purchase. It invests less than 25% of total assets in foreign companies. The fund may also purchase futures and options. It generally looks for companies with an above-average rate of earnings and cash flow growth and a lucrative niche in the economy that gives them the ability to sustain earnings momentum even during times of slow economic growth.



Portfolio managers

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

Long-term returns % as of 12/31/2007



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	8.18	8.18	7.18	10.75	0.43
Russell 1000 Growth Index %	11.81	11.81	8.68	12.11	-
Large Growth Category %	13.35	13.35	9.11	12.75	-
Morningstar Percentile Rankings	-	75	73	76	-
# of funds in category	1748	1748	1449	1215	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	8.18	5.93	7.44	9.12	24.01
Russell 1000 Growth Index %	11.81	9.07	5.26	6.30	29.75
Large Growth Category %	13.35	7.05	6.71	7.81	28.66
Morningstar Percentile Rankings	75	63	40	37	75
# of Funds in Category	1748	1642	1495	1400	1311

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 11/30/2007

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2007 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	-1.42	-1.35
Beta	1.03	1.02
R-Squared	84.62	88.99
Standard Deviation	9.66	9.85
Mean	7.19	10.75
Sharpe Ratio	0.32	0.78
Excess Return	-1.49	-1.35
Excess Risk	3.78	3.29
Information Ratio	-0.39	-0.41

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)	\$1,791.77



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Large-Cap Growth I Separate Account-Stdnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	10.10	Healthcare	13.59	Consumer Goods	1.47
Hardware	20.94	Consumer Services	16.23	Industrial Materials	9.16
Media	0.90	Business Services	11.01	Energy	3.26
Telecom	5.83	Financial Services	7.52	Utilities	0.00



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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.

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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.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Large-Cap Value I Separate Account-Stnd as of 12/31/2007

Investment Strategy

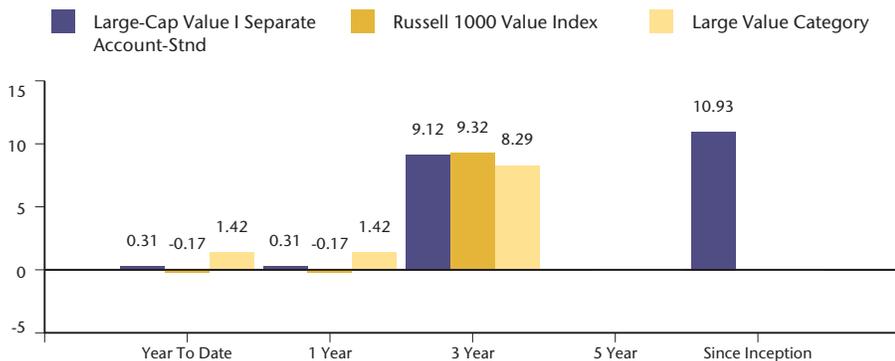
The investment seeks long-term capital growth. The fund invests primarily in common stocks and other equity securities of large-capitalization companies. It normally invests at least 80% of net assets in securities of companies with large market capitalizations with market capitalizations similar to 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 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 12/31/2007



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	0.31	0.31	9.12	-	10.93
Russell 1000 Value Index %	-0.17	-0.17	9.32	14.63	-
Large Value Category %	1.42	1.42	8.29	13.16	-
Morningstar Percentile Rankings	-	61	34	-	-
# of funds in category	1432	1432	1166	922	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	0.31	18.01	9.75	-	-
Russell 1000 Value Index %	-0.17	22.25	7.05	16.49	30.03
Large Value Category %	1.42	18.15	5.95	12.97	28.44
Morningstar Percentile Rankings	61	53	16	-	-
# of Funds in Category	1432	1371	1296	1220	1050

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 11/30/2007

Investment style

Value	Blend	Growth	Market capitalization	
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2007 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	0.49	-
Beta	0.85	-
R-Squared	86.47	-
Standard Deviation	7.49	-
Mean	9.11	-
Sharpe Ratio	0.64	-
Excess Return	-0.21	-
Excess Risk	2.99	-
Information Ratio	-0.07	-

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)	\$988.24



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Large-Cap Value I Separate Account-Stdnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	9.40	Healthcare	49.49	Consumer Goods	41.12
Hardware	2.79	Consumer Services	11.29	Industrial Materials	3.66
Media	0.21	Business Services	3.09	Energy	16.70
Telecom	2.19	Financial Services	6.20	Utilities	11.43
	4.21		28.91		9.33



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Small-Cap Growth II Separate Account-Stnd as of 12/31/2007

Investment Strategy

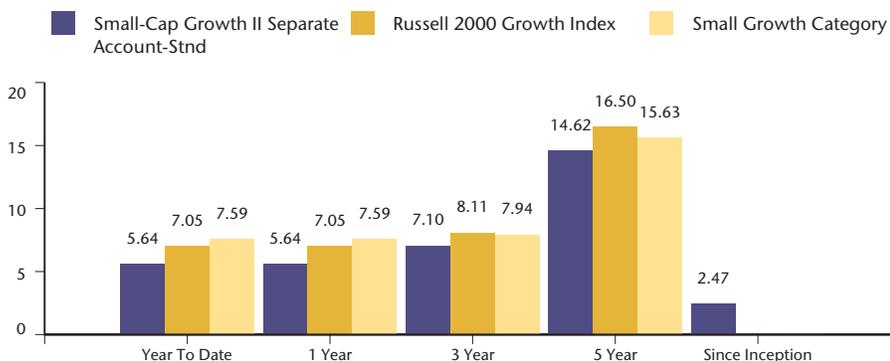
The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in common stocks of companies with small market capitalizations (those with market capitalizations equal to or smaller than the greater of \$2.5 billion or the highest market capitalization of the companies in the Russell 2000 Growth Index) at the time of purchase. It may invest up to 25% of assets in securities of foreign companies. It may, but is not required to, use derivative instruments for risk management purposes or as part of the fund's investment strategies.



Portfolio managers

Paul A. Graham, Jr., CFA. Since 04/22/2002. B.A., Dartmouth C
David Wabnik Since 04/22/2002. M.B.A., Columbia Business School
Kenneth G. Mertz II, CFA. Since 09/01/2004. B.A., Millersville U
Stacey Sears Since 09/01/2004. B.S., Millersville U
Joseph Garner Since 03/01/2006. B.A., Millersville U

Long-term returns % as of 12/31/2007



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.64	5.64	7.10	14.62	2.47
Russell 2000 Growth Index %	7.05	7.05	8.11	16.50	-
Small Growth Category %	7.59	7.59	7.94	15.63	-
Morningstar Percentile Rankings	-	58	58	63	-
# of funds in category	829	829	671	556	-

Annual Returns	2007	2006	2005	2004	2003
Total Return %	5.64	8.79	6.88	11.00	45.09
Russell 2000 Growth Index %	7.05	13.35	4.15	14.31	48.54
Small Growth Category %	7.59	10.81	6.02	12.41	45.54
Morningstar Percentile Rankings	58	63	42	60	44
# of Funds in Category	829	763	723	711	696

Morningstar percentile rankings are based on total returns.

Morningstar category

Small Growth

Morningstar Style Box™

As of 11/30/2007

Investment style			Market capitalization	
Value	Blend	Growth		
				Large
				Medium
			Small	

Risk and Return Statistics

as of 12/31/2007 Relative to Russell 2000 Growth Index

	3Yr	5Yr
Alpha	-0.65	-0.14
Beta	0.90	0.87
R-Squared	96.16	94.03
Standard Deviation	13.26	14.04
Mean	7.10	14.62
Sharpe Ratio	0.26	0.82
Excess Return	-1.02	-1.88
Excess Risk	2.96	4.00
Information Ratio	-0.34	-0.47

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)	\$650.76

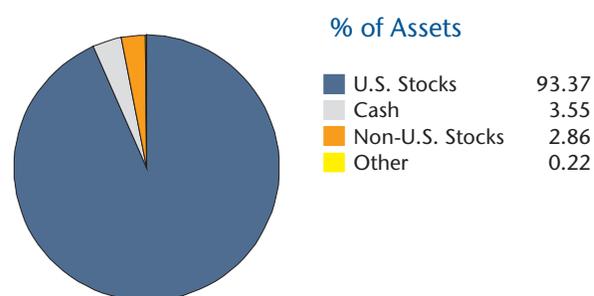


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Small-Cap Growth II Separate Account-Stdnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Top ten holdings

Rank	Company Name	% of net assets
1.	LifeCell Corporation	1.53
2.	Pediatrics Medical Group, Inc.	1.52
3.	Psychiatric Solutions, Inc.	1.50
4.	Microsemi Corporation	1.38
5.	Nuance Communications, Inc.	1.37
6.	Phase Forward, Inc.	1.27
7.	Ultimate Software Group, Inc.	1.21
8.	BE Aerospace	1.19
9.	Ansys, Inc.	1.16
10.	VCA Antech, Inc.	1.09
% of net assets in top ten holdings*		13.22

Analysis

# of Stock Hldgs	286
# of Bond Hldgs	0
# of Other Hldgs	3
GeoAvgCap (mil)	\$1,186.34
Turnover Ratio	63%
P/C Ratio	12.87
P/E Ratio	22.36
P/B Ratio	2.62

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	9.91	Healthcare	22.03	Consumer Goods	3.94
Hardware	16.88	Consumer Services	7.02	Industrial Materials	14.71
Media	0.80	Business Services	13.94	Energy	4.51
Telecom	2.86	Financial Services	3.41	Utilities	0.00



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, 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.

* Values may exceed 100% if both long and short positions are included in the portfolio.