Principal Financial Advisors, Inc.

Investment Advisory Report
City of Hallandale Beach General Employees' Retirement Plan

Contract No. 4-45661
October 01, 2008 - June 30, 2009

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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 over 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 $5.9 billion in assets overall and have over 400 clients using our advisory services for retirement plans.

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

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

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

Principal Financial Advisors, Inc., provides:

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

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

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

Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 10/01/2008 through 06/30/2009					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
	Large U.S. Equity				
	Large Value				
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [2, 15, 20, 30, 40]	$1,034,966	4.01%	$918,681	4.12%
UBS Global Asset Mgmt (NY)	LargeCap Value I Separate Account-R6 [13, 40]	$2,091,123	8.10%	$1,729,363	7.76%
	Large Blend				
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 [8]	$2,064,343	7.99%	$1,721,410	7.73%
	Large Growth				
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [22]	$1,567,235	6.07%	$1,316,616	5.91%
T. Rowe Price Associates, Inc.	LargeCap Growth I Separate Account-R6 [2, 40, 42]	$1,536,618	5.95%	$1,319,148	5.92%
	Small/Mid U.S. Equity				
	Mid Cap Value				
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 11, 23]	$405,421	1.57%	$337,729	1.52%
	Mid Cap Growth				
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 10, 24, 40]	$368,984	1.43%	$336,129	1.51%
	Small Value				
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 [1, 2, 14, 40]	$445,708	1.73%	$337,885	1.52%
	Small Growth				
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 2, 40, 41]	$429,650	1.66%	$337,930	1.52%
	International Equity				
	Diversified Emerging Markets				
Principal Global Investors	International Emerging Markets Separate Account-R6 [3]	$247,206	0.96%	$269,083	1.21%
	Foreign Large Value				
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [3, 13, 40]	$0	0.00%	$739,412	3.32%
	Foreign Large Blend				
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [3, 13, 17, 28, 40]	$1,171,357	4.54%	$763,606	3.43%
	Foreign Large Growth				
Principal Global Investors	International Growth Separate Account-R6 [2, 3]	$1,118,236	4.33%	$738,875	3.32%
	Real Estate				
	Owned Real Estate				
Principal Real Estate Inv	U.S. Property Separate Account-R6 [5]	$1,556,705	6.03%	$1,089,539	4.89%
	Real Estate				
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [2, 7]	$475,956	1.84%	$344,073	1.54%
	Fixed Income				
	High Yield Bond				
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [4, 13, 16, 18, 19, 29]	$1,483,740	5.75%	$1,194,998	5.36%

Portfolio and Strategic Asset Allocation Review

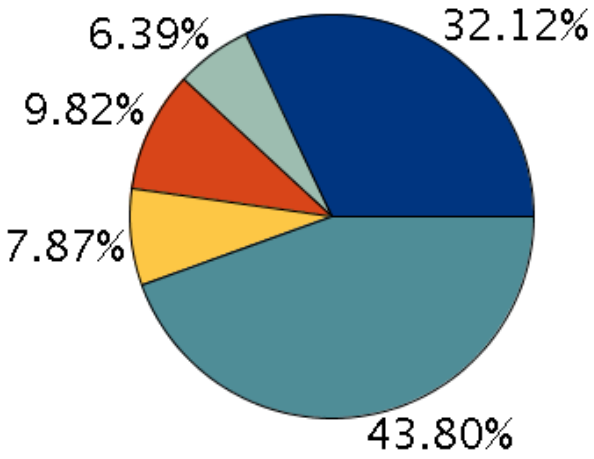
Investment Review - Allocation 10/01/2008 through 06/30/2009					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
	Intermediate-Term Bond				
PIMCO	Core Plus Bond I Separate Account-R6 [13, 16, 19]	$0	0.00%	$3,649,884	16.38%
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	$7,792,478	30.17%	$3,650,995	16.39%
Spectrum	Preferred Securities Separate Account-R6 [2, 16, 19]	$309,304	1.20%	$0	0.00%
	Inflation-Protected Bond				
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [13, 16, 19, 31]	$1,725,770	6.68%	$1,483,804	6.66%
TOTAL		$25,824,800	100%	$22,279,160	100%

Please see important disclosures at the end of this presentation.

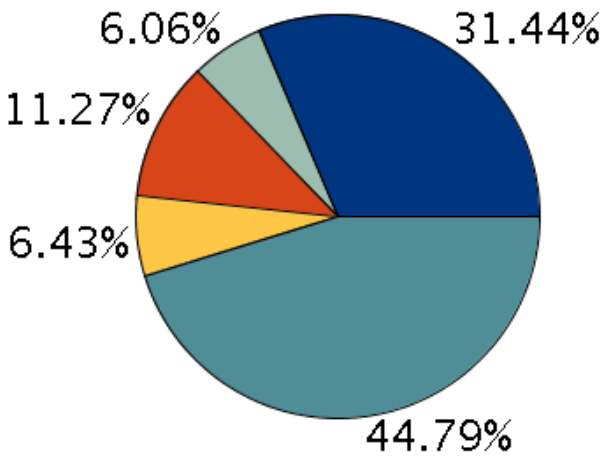
Portfolio and Strategic Asset Allocation Review

Asset Class Breakdown

Beginning % As Of 10/01/2008



Ending % As Of 06/30/2009



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

Holdings of International Separate Accounts by Region as of June 30, 2009

Asia	**6.956%**
China	2.330%
India	0.799%
Indonesia	0.343%
Malaysia	0.137%
Pakistan	-
Philippines	0.029%
South Korea	1.957%
Taiwan	1.254%
Thailand	0.107%

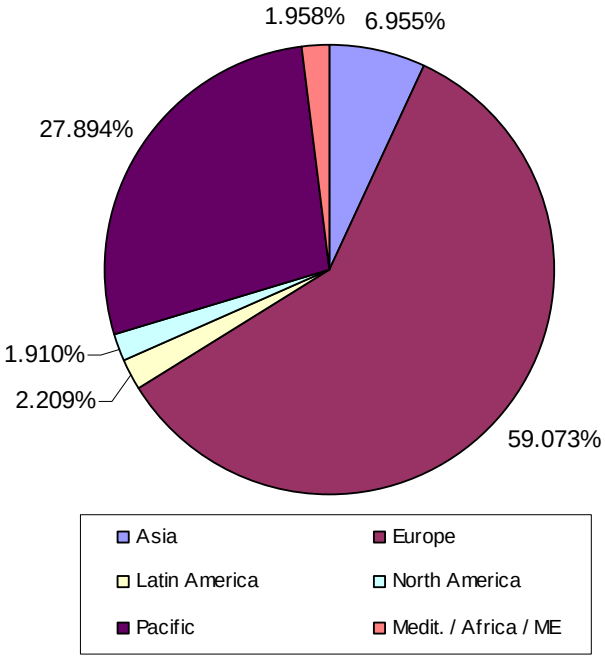
Europe	**59.073%**
Austria	0.033%
Belgium	0.943%
Denmark	0.891%
Finland	0.318%
France	9.754%
Germany	7.413%
Greece	0.648%
Ireland	0.372%
Italy	2.269%
Luxembourg	0.316%
Netherlands	3.719%
Norway	0.583%
Portugal	0.344%
Spain	3.827%
Sweden	1.556%
Switzerland	8.612%
United Kingdom	17.474%

Latin America	**2.209%**
Argentina	-
Brazil	1.666%
Chile	0.081%
Colombia	-
Mexico	0.407%
Peru	0.055%

North America	**1.910%**
Canada	1.573%
United States	0.338%

Pacific	**27.894%**
Australia	4.889%
Hong Kong	2.121%
Japan	19.118%
New Zealand	0.009%
Singapore	1.759%

Medit. / Africa / ME	**1.958%**
Cyprus	-
Czech Republic	0.084%
Egypt	-
Hungary	0.087%
Iceland	-
Israel	0.184%
Jordan	-
Morocco	-
Nigeria	-
Poland	0.131%
Qatar	-
Russia	0.646%
Slovenia	-
South Africa	0.615%
Turkey	0.211%



Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation at the beginning of the reporting period and the target allocation for new contributions at the end of the reporting 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 10/01/2008 through 06/30/2009			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Large U.S. Equity	31.30%	31.30%
	Large Value		
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [2, 15, 20, 30, 40]	4.10%	4.10%
UBS Global Asset Mgmt (NY)	LargeCap Value I Separate Account-R6 [13, 40]	7.70%	7.70%
	Large Blend		
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 [8]	7.70%	7.70%
	Large Growth		
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [22]	5.90%	5.90%
T. Rowe Price Associates, Inc.	LargeCap Growth I Separate Account-R6 [2, 40, 42]	5.90%	5.90%
	Small/Mid U.S. Equity	6.00%	6.00%
	Mid Cap Value		
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 11, 23]	1.50%	1.50%
	Mid Cap Growth		
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 10, 24, 40]	1.50%	1.50%
	Small Value		
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 [1, 2, 14, 40]	1.50%	1.50%
	Small Growth		
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 2, 40, 41]	1.50%	1.50%
	International Equity	11.20%	11.20%
	Diversified Emerging Markets		
Principal Global Investors	International Emerging Markets Separate Account-R6 [3]	1.20%	1.20%
	Foreign Large Value		
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [3, 13, 40]	0.00%	3.30%
	Foreign Large Blend		
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [3, 13, 17, 28, 40]	5.00%	3.40%
	Foreign Large Growth		
Principal Global Investors	International Growth Separate Account-R6 [2, 3]	5.00%	3.30%
	Real Estate	7.00%	1.50%
	Owned Real Estate		
Principal Real Estate Inv	U.S. Property Separate Account-R6 [5]	5.50%	0.00%

Portfolio and Strategic Asset Allocation Review

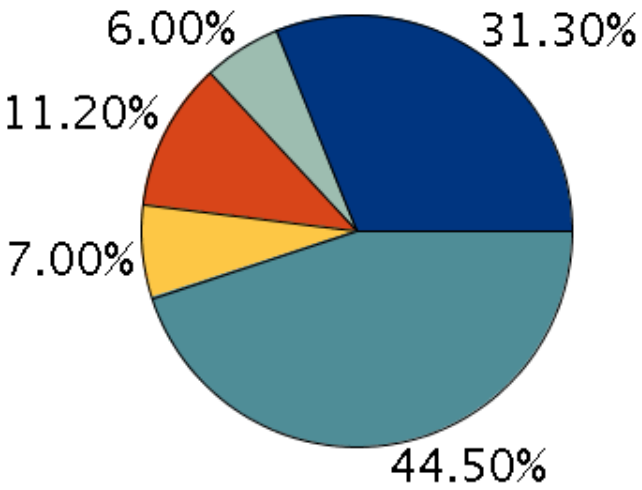
Target Allocation 10/01/2008 through 06/30/2009			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Real Estate		
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [2, 7]	1.50%	1.50%
	Fixed Income	44.50%	50.00%
	High Yield Bond		
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [4, 13, 16, 18, 19, 29]	5.30%	5.30%
	Intermediate-Term Bond		
PIMCO	Core Plus Bond I Separate Account-R6 [13, 16, 19]	0.00%	19.00%
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	31.20%	19.10%
Spectrum	Preferred Securities Separate Account-R6 [2, 16, 19]	1.40%	0.00%
	Inflation-Protected Bond		
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [13, 16, 19, 31]	6.60%	6.60%

Please see important disclosures at the end of this presentation.

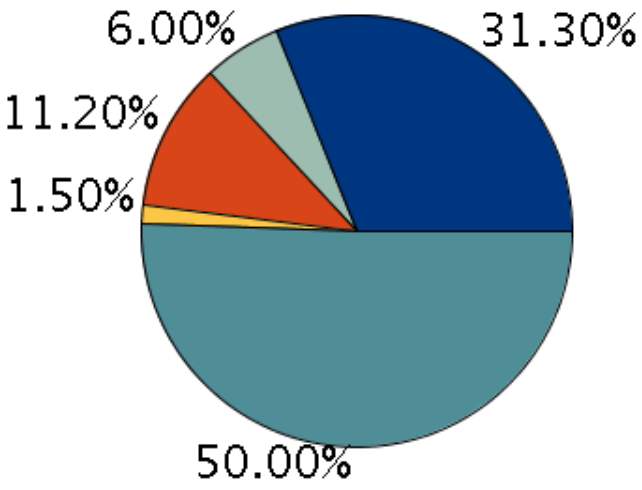
Portfolio and Strategic Asset Allocation Review

Please note that a slight variance between your plan's target allocation displayed in this report and its weightings is normal.

Beginning Target Allocation As Of October 01, 2008



Ending Target Allocation As Of June 30, 2009



- 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**
LargeCap Value III Separate Account-R6 [2, 15, 20, 30, 40] AllianceBernstein Westwood LargeCap Value I Separate Account-R6 [13, 40] UBS Global Asset Management	LargeCap Blend I Separate Account-R6 [8] Goldman Sachs Asset Management	LargeCap Growth Separate Account-R6 [22] Columbus Circle Investors LargeCap Growth I Separate Account-R6 [2, 40, 42] T.Rowe Price INVEST WITH CONFIDENCE
Small/Mid U.S. Equity		
Mid Cap Value	**Mid Cap Blend**	**Mid Cap Growth**
MidCap Value III Separate Account-R6 [1, 11, 23] Principal Global Investors Barrow, Hanley, Mewhinney & Strauss, Inc.		MidCap Growth III Separate Account-R6 [1, 10, 24, 40] Turner Investment Partners Mellon Capital Management Jacobs Levy Equity Management
Small Value	**Small Blend**	**Small Growth**
SmallCap Value I Separate Account-R6 [1, 2, 14, 40] J.P.Morgan Asset Management Mellon Capital Management		SmallCap Growth II Separate Account-R6 [1, 2, 40, 41] Emerald Advisers, Inc. Essex

Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
International Value I Separate Account-R6 [3, 13, 40] AXA Rosenberg An AXA Investment Managers Company Causeway Capital Management LLC International I Separate Account-R6 [3, 13, 17, 28, 40] Fidelity Investments International Emerging Markets Separate Account-R6 [3] International Growth Separate Account-R6 [2, 3] Principal Global Investors℠	Real Estate Securities Separate Account-R6 [2, 7] U.S. Property Separate Account-R6 [5] Principal Real Estate Investors	
Short-Term Fixed Income	**Fixed Income**	
	Inflation Protection Separate Account-R6 [13, 16, 19, 31] BlackRock High Yield I Separate Account-R6 [4, 13, 16, 18, 19, 29] J.P.Morgan Asset Management Neuberger Berman Core Plus Bond I Separate Account-R6 [13, 16, 19] PIMCO The Authority On Bonds™ Bond and Mortgage Separate Account-I2 [16, 19] Principal Global Investors℠	

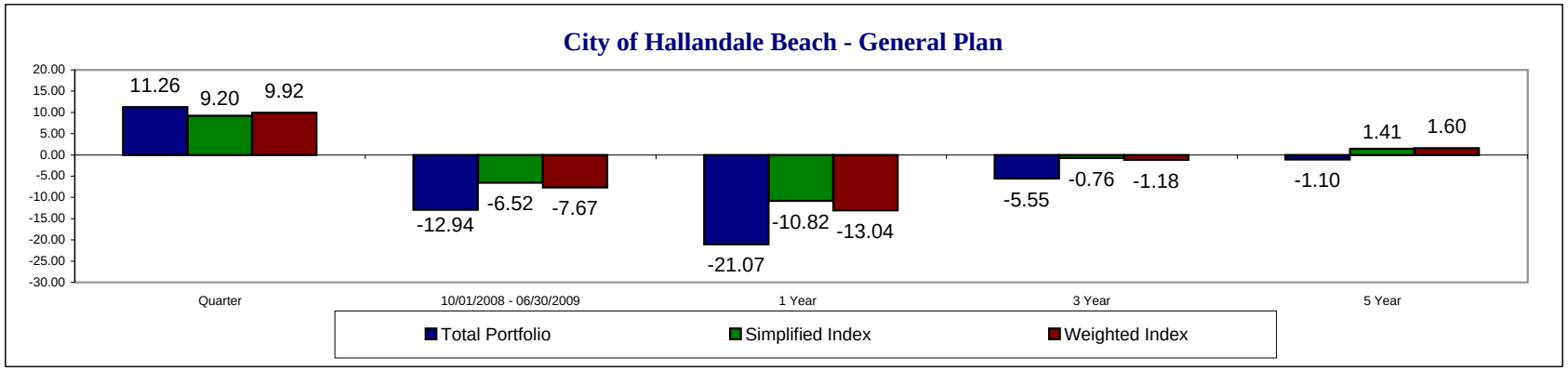
Please see important disclosures at the end of this presentation.

Portfolio Performance Review

Return Information as of 06/30/2009

Time and Dollar Weighted Returns (returns achieved by your plan)	Quarter	10/01/2008 - 06/30/2009	1 Year	3 Year	5 Year
Total Portfolio	11.26	-12.94	-21.07	-5.55	-1.10
Simplified Index	9.20	-6.52	-10.82	-0.76	1.41
Weighted Index	9.92	-7.67	-13.04	-1.18	1.60
Difference - Simplified Index	2.06	-6.42	-10.25	-4.79	-2.51
Difference - Weighted Index	1.34	-5.27	-8.03	-4.37	-2.70

Portfolio's Fixed Income Return	6.78	-3.38	-9.29	-0.73	1.18
Barclays Capital Aggregate Bond Index	1.78	6.57	6.05	6.43	5.02
Portfolio's U.S. Equity Return	16.16	-18.47	-26.86	-9.93	-5.04
Russell 3000 Index	16.82	-19.55	-26.56	-8.35	-1.83
Portfolio's International Equity Return	22.23	-13.23	-32.40	-8.76	-2.23
MSCI - EAFE Index NDTR D	25.43	-13.60	-31.35	-7.98	2.31
Portfolio's Real Estate Return	-3.71	-31.59	-32.22	-7.33	1.54
Blended Real Estate Index (75% NCREIF Open, 25% MSCI US REIT)	3.46	-26.18	-25.49	-4.16	4.75



We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your June 30, 2009 Contractholder Fund Statement.

Please see important disclosures at the end of this presentation.

Market & Performance Commentary

Principal Financial Advisors Second Quarter 2009 Market Overview and Commentary

Despite ongoing economic uncertainty, the second quarter opened with a continuation of the stock market rally that began in mid-March. A dramatic reduction in business investment and production, and the resulting swift decline in inventory levels, indicated that businesses might be able to weather an extended, slow recovery.

Emerging Markets Lead All Equities

Riskier asset classes surged in this environment. Emerging-market equities led all major market indexes, returning 34.7% for the quarter.[1] Several themes helped propel emerging markets, including excitement generated by increased infrastructure spending in China, rising commodity prices (which benefit many resource-rich emerging nations) and general sentiment that emerging economies will grow faster than developed nations over the next few years.

U.S. Equities Deliver Double-Digit Returns

U.S. equities paled in comparison to emerging markets, yet still generated a 15.9% return for the quarter.[2] In addition to favorable investor sentiment, part of the upward surge occurred due to "short-covering" as bearish equity investors[3] were forced to cover their short positions[4] in upward-trending stocks, fueling higher returns as a result.

From a sector perspective, financials surged, gaining 35.7%[5] as resolution on bank stress tests (conducted by the Federal Reserve), as well as banks' improved ability to raise additional capital, stoked investor confidence. Defensive sectors that had been in favor for much of 2008 — such as health care and consumer staples — lagged considerably, but still managed positive returns.

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[1] As measured by the MSCI Emerging Markets Index

[2] As measured by the S&P 500 Index

[3] "Bearish" equity investors believe stock prices are headed down rather than up.

[4] In a nutshell, "covering a short position" means the following: An investor who believes a stock is headed downward in price borrows the stock and sells it — "shorts" it — hoping to make money by buying it back at a lower price before it needs to be returned to the original lender. If the stock goes up in price instead of down, the investor is forced to buy at the higher price in order to return the stock to the original lender at a previously-agreed-upon point in time.

[5] Source: S&P 500 Index financials sector

Market & Performance Commentary

Small-Caps Soar for Quarter

In general, small- and mid-cap stocks outpaced large-caps. Small-cap stocks, which had suffered disproportionately over the past 18 months as liquidity evaporated in the credit crunch, were the major beneficiaries of improved investor optimism. In fact, within the Russell 2000 Index,[6] the lowest 10 percent of stocks as measured by price (i.e., those with a price of $1.49 or below as of June 30, 2009) performed the best — they generated an average 62% return, as compared to an average 7% return for the highest 10 percent of stocks as measured by price (i.e., $26.60 and above).[7] For large- and mid-cap stocks, growth generally performed in line with value, whereas small-cap growth had a distinct advantage over small-cap value stocks.

Commodities, REITs Rebound

Commodities rebounded in concert with the equity markets, stoked by additional concerns about inflation. Although oil remains well below the highs of more than $145 per barrel reached in July 2008 (for light, sweet crude), it did rise 40% during the quarter to nearly $70.[8] The Federal Reserve noted these conditions in the June release of the Federal Open Market Committee minutes. The Fed also noted that household spending had stabilized and business inventories had become better aligned with lower sales volume.

Real Estate Investment Trusts (REITs) posted tremendous returns in this environment, up 30% per the MSCI U.S. REIT Index. The sector benefited from increasing investor conviction that the liquidity crisis, which had plagued the sector, was nearing its end. This conviction was supported by an abundance of successful secondary equity offerings by REITs, which allowed the companies to improve their capital positions and pay down debt.

Appetite for Risk Eventually Slows

Toward quarter's end, the pace of the "risk rally" abated as investors acknowledged the many headwinds still facing the economy, including the threat of rising commodity prices and investors' expectations for weak business investment, as well as economists' forecast for continued high unemployment. Overall, data released during the quarter indicated that while some economic conditions were becoming less severe, others were still deteriorating — though at a more moderate pace than in the first quarter. The unemployment rate increased to 9.5% at the end of June, with average job losses for the quarter of 436,000/month, relative to 670,000 lost/month in the first quarter.[9] Meanwhile, housing prices continued to drop, though the pace of decline decreased.[10]

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[6] The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe.
[7] Source: Wilshire Atlas
[8] Source: NYMEX (New York Mercantile Exchange)
[9] Source: Bureau of Labor Statistics, U.S. Department of Labor
[10] Source: 20-city composite of the S&P/Case-Shiller Home Price Index

Market & Performance Commentary

High-Yield Bonds Lead All Credit Sectors

Credit markets experienced a dramatic improvement during the quarter. A number of factors aided the credit markets, including a strengthening of investors' appetite for risk, various federal programs aimed at generating liquidity, and credit issuers' ability to access the capital markets. In the broad fixed-income market, high-yield corporate bonds led returns, outpacing duration-adjusted U.S. Treasuries by 25% — the best quarterly return in the 26-year history of Barclays Capital US High Yield Index. Fundamentals in the high-yield market remain a concern, however, as emphasized by a default rate that reached a 7-year high of 10.2%.[11] Nevertheless, investors were encouraged by issuers' ability (in all but the lowest-rated segments of the market) to refinance debt, negotiate longer maturities on secured bank debt and transact favorable debt-for-equity exchanges with existing investors.

In the investment-grade bond market, commercial mortgage-backed securities (CMBS) led returns, outpacing duration-adjusted Treasuries by 14.5%.[12] The sector benefited from the successful results of the initial Term Asset-Backed Loan Facility (TALF) program financings, which included just asset-backed securities (ABS) deals in the second quarter but will eventually include certain CMBS assets. Renewed interest in restructured AAA-rated CMBS (which takes an existing AAA-rated CMBS security and breaks it up into additional bonds with different risk profiles) also boosted the sector.

In this environment, Treasuries suffered measurably. As their prices fell, their yields rose — for example, during the quarter 10-year Treasury yields climbed from 2.7% to 3.5%.[13] Dampened interest in Treasuries reflected a shift by investors to riskier asset classes as well as increased concerns about inflation.

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[11] Reported by Moody's as of 5/31/09

[12] As measured by Barclays Capital Aggregate Bond Index

[13] Source: Merrill Lynch & Co., Inc. group of companies, which are wholly-owned by Bank of America Corporation

Market & Performance Commentary

Performance versus Index

	As of June 30, 2009	
Index	Q2 2009 (%)	Last 12 months ending 6/30/2009 (%)
Russell 3000 Index (Broad Market)	16.82	-26.56
S&P 500 Index (Quality Large Caps)	15.93	-26.21
NASDAQ Composite	20.05	-19.97
Russell Mid-Cap	20.80	-30.36
Russell 2000 (Small Caps)	20.69	-25.01
Russell 1000 Value	16.70	-29.03
Russell 1000 Growth	16.32	-24.50
MSCI EAFE (Core International)	25.43	-31.35
MSCI Emerging Markets (Developing Economies)	34.73	-28.07
MSCI US REIT	30.18	-43.74
Barclays Capital Treasury Bellwethers 3 Month	0.06	1.04
Barclays Capital US Tips	0.66	-1.11
Barclays Capital Long US Treasury Zeros	-8.98	7.92
Barclays Capital Aggregate Bond	1.78	6.05
Barclays Capital High Yield	23.07	-2.40

Second Quarter 2009 Performance Summary

The portfolios of Principal Financial Advisors, Inc. generated positive absolute returns and posted mixed results relative to their indexes. In a reversal of recent trends, our fixed-income-focused portfolios easily outpaced their benchmark indexes during the quarter, reflecting the resurgence of non-U.S. Treasury fixed-income sectors. Our equity-focused portfolios lagged their benchmark indexes, due in part to disappointing results in the international equity segment.

Market & Performance Commentary

U.S. Equity Performance

The U.S. equity segment of our portfolios modestly lagged the broad Russell 3000 Index. The LargeCap Growth Separate Account, sub-advised by Columbus Circle Investors, was the most significant drag on results. The portfolio struggled due to its focus on positive earnings momentum and earnings surprise, which was not rewarded during the period as investors instead sought stocks that had been the weakest performers in the recent downturn (which often were stocks exhibiting negative earnings momentum and surprise). The LargeCap Blend I Separate Account, sub-advised by Goldman Sachs, also detracted. A focus on high momentum stocks (those exhibiting upward price or earnings trends) hurt results, as did overall security selection. On a positive note, the LargeCap Value I Separate Account, sub-advised by UBS, boosted results due to its underweight to stocks with high momentum characteristics and ability to pick winning stocks in the smallest market-cap range of the benchmark index (i.e., stocks with a market cap of less than $5 billion). Additionally, the LargeCap Growth I Separate Account, sub-advised by T. Rowe Price, added value. A bias toward the lowest momentum stocks in the index, an overweight to stocks in the smallest market-cap range of the benchmark index and an overweight to the strongest-performing industries (pharmaceuticals and software) contributed to the positive performance.

International Equity Struggles

The international equity segment underperformed the MSCI EAFE Index, due primarily to weak results in the International Growth Separate Account, sub-advised by Principal Global Investors. This Separate Account lagged its asset-specific index and the broad MSCI EAFE Index due to weakness in the European and Pacific regions, which offset gains in the Separate Account's North American segment.

Fixed-Income Segment Surges

The fixed-income segment of our portfolios posted a stellar quarterly return, easily outpacing the Barclays Capital Aggregate Bond Index. The Bond and Mortgage Separate Account, sub-advised by Principal Global Investors, led the segment as its focus on non-U.S. Treasury fixed-income sectors was finally rewarded. The Separate Account's overweights to top-performing sectors such as commercial mortgage-backed securities and investment-grade corporate bonds were favorable. Additionally, an out-of-index exposure to high-yield corporate bonds and modest allocation to preferred securities — sectors that posted strong equity-like returns — boosted results. An allocation to the High Yield I Separate Account, co-sub-advised by Neuberger Berman and JP Morgan, also added significant value relative to the Barclays Capital Aggregate Bond Index. Although conservative positioning within the Separate Account (namely, an underweight to CCC-rated credits, which rallied during the period) caused it to lag the broad high-yield index, it significantly outpaced the broad fixed-income market.

At the end of the first quarter we completed our repositioning within the fixed-income segment. We eliminated our dedicated exposure to the Preferred Securities Separate Account, sub-advised by Spectrum, and increased the weighting of the Core Plus Bond I Separate Account, sub-advised by PIMCO. We are now at our target weight of 50% Bond and Mortgage Separate Account and 50% Core Plus Bond I Separate Account[14] within the core portion of the fixed-income allocation.

[14] May not be available in all states or U.S. Commonwealths

Market & Performance Commentary

Real Estate Options Hinder Performance

The Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors, trailed its asset-specific index, as we would expect given its conservative focus on the least leveraged, most profitable REITs available. This positioning was not rewarded during the period as investors sought risky positions in stocks that had been pummeled in the downturn. This Separate Account did, however, outpace the Russell 3000 Index, adding value for the broad domestic equity allocation. In contrast, the U.S. Property Separate Account, sub-advised by Principal Real Estate Investors, posted a sharply negative return and significantly lagged the Barclays Capital Aggregate Bond Index. This Separate Account continued to experience write-downs on multiple portfolio assets, reflecting a re-pricing of risk by the market and higher required rates of return for private real estate. We are closely watching the performance of the U.S. Property Separate Account, which was placed on the Qualitative Watch List by Principal Life Insurance Company in October 2008 due to its implementation of withdrawal limitations.

Last 12 Months Ending June 30, 2009

Our portfolios lagged their custom benchmark indexes, with the fixed-income-focused portfolios generating the worst relative returns. While the second quarter provided a welcome respite from this trend, the 12-month period overall was volatile and difficult for non-Treasury fixed-income sectors. In this environment our strategy of underweighting Treasuries in favor of higher-yielding sectors was severely out of favor.

U.S. Equities Lag Benchmark

The U.S. equity portion of our portfolios trailed the Russell 3000 Index. The LargeCap Growth Separate Account detracted the most, due to weak security selection concentrated in the healthcare and information technology sectors. The LargeCap Value I Separate Account also hurt returns, primarily due to an underweight to the top-performing consumer staples sector. On a positive note, the LargeCap Growth I Separate Account outperformed both its growth index and the Russell 3000 Index. This Separate Account had been positioned for an economic recovery, which the market ultimately rewarded toward the end of the period.

International Equities Dampen Results

All of our international options lagged the MSCI EAFE Index. Once again, the International Growth Separate Account detracted the most. Poor stock selection hindered results — particularly in the industrials, materials and consumer discretionary sectors. Regionally, this Separate Account struggled in the Pacific. The International I Separate Account, sub-advised by Fidelity (Pyramis Global Adv), also experienced weak stock selection, mainly in industrials. The International Emerging Markets Separate Account, sub-advised by Principal Global Investors, suffered from weak stock selection and underperformance in the Mediterranean/Africa/Middle East region.

Market & Performance Commentary

Fixed Income Hampers Performance

The fixed-income segment suffered materially during the period. Beginning in mid-2007, Treasuries performed best within fixed income, so until recently, a strategy of underweighting Treasuries in favor of historically higher-yielding sectors was not rewarded. All of our fixed-income investment options lagged the Barclays Capital Aggregate Bond Index except for the Core Plus Bond I Separate Account, which outperformed the index since being added to our portfolios in late 2008. The Bond and Mortgage Separate Account detracted the most. Its overweight to some of the worst-performing fixed-income sectors, such as CMBS, and out-of-index exposures to high-yield bonds and preferred securities hampered results. The Inflation Protection Separate Account, sub-advised by BlackRock, also dampened performance, as its focus on non-Treasury inflation-protected securities (non-TIPS) was unrewarded.

Negative Absolute Returns in the Real Estate Segment

Due to favorable defensive positioning (a focus on REITs with low leverage and solid operating trends), the Real Estate Securities Separate Account outpaced its index. However, it significantly lagged the Russell 3000 Index, which dampened overall performance of our U.S. equity segment. Also, the U.S. Property Separate Account materially lagged the broad fixed-income market due to asset value depreciation. Both Separate Accounts generated negative absolute returns.

Our Goal: Strong Long-Term Performance

Principal Financial Advisors recognizes that investing for retirement requires a long-term perspective. We implement and maintain a core asset allocation strategy for each client based on a solid set of fundamental views that are designed to help maximize long-term returns while helping to control long-term risks. In this manner, we can help avoid overreacting to short-term market events — such as the current short-term market volatility — that many times have little if any impact on a portfolio when compared to the portfolio's overall long-term performance. Instead, we strive to deliver consistently strong investment results over the long term for our clients' benefit.

Due Diligence Update

Over the past year the following actions have impacted client portfolios designed by Principal Financial Advisors, Inc.

Investment Manager	Investment Option	Action Taken
Goldman Sachs Asset Management	LargeCap Blend I Separate Account	**Placed on Watch List in March 2008; Removed from Watch List in December 2008** – This Separate Account received a quantitative grade of "Less Favorable" for three out of four quarters. From November 30, 2002 to November 13, 2006, Wellington Management sub-advised 30% of the investment option and historically their portion was a key underperformance driver, leading to Wellington's removal in November 2006. Goldman had a disappointing 2007 which resulted in continued underperformance. Performance notably improved in 2008. The due diligence team of Principal Life Insurance Company (Principal Life) removed this investment option from the Watch List effective December 31, 2008.
BLACKROCK	Inflation Protection Separate Account	**Placed on Watch List in June 2008; Hired BlackRock and removed from Watch List in December 2008** – This Separate Account, sub-advised by Principal Global Investors, received a quantitative grade of "Less Favorable" for three out of four quarters and was placed on the Watch List in June 2008. Amidst a staggering credit crunch, the strategy of underweighting government securities in favor of what were believed to be higher-yielding asset classes proved detrimental to performance. Following an in-depth review the due diligence team of Principal Life found it prudent to replace the sub-advisor. BlackRock was selected as the new sub-advisor effective December 31, 2008, and this investment option was removed from the Watch List.
Principal Global Investors℠	Bond and Mortgage Separate Account	**Placed on Watch List in September 2008** – This Separate Account received a quantitative grade of "Less Favorable" for three out of four quarters. Amidst a staggering credit crunch, the strategy of underweighting government securities in favor of what were believed to be higher-yielding asset classes proved detrimental to performance.

Due Diligence Update

T.RowePrice INVEST WITH CONFIDENCE	LargeCap Growth I Separate Account	**Placed on Watch List in September 2008; Removed from Watch List in March 2009** – T.Rowe Price took over management duties for this investment option in late 2004. This Separate Account received a quantitative grade of "Less Favorable" for three out of four quarters and was placed on the Watch List in September 2008. Underperformance resulted from sector weightings relative to the index and negative stock selection. However, performance has since improved becoming consistent with expectations. Principal Life removed this investment option from the Watch List in March 2009. Note: Principal Life added Brown Advisory as co-sub-advisor in June 2009 as part of the new core-satellite structure.
Principal Real Estate Investors	U.S. Property Separate Account	**Placed on Watch List in September 2008** – This Separate Account, which invests primarily in owned real estate, experienced liquidity issues caused by a marked slowdown in commercial real estate sales. At the same time, cash flows out of the Separate Account have outpaced new contributions. This combination of factors prompted Principal Life to implement a withdrawal limitation for the first time in the 26-year history of the Separate Account. As a result, Principal Life believed placement on the Watch List for further monitoring was prudent.
EMERALD ADVISERS, INC. ESSEX	SmallCap Growth II Separate Account	**Removed UBS as Sub-Advisor in July 2009** – In June 2009, Principal Life informed clients that UBS would be terminated as a sub-advisor on this investment option due to underperformance. A substantial portion of the assets managed by UBS will be absorbed by the core portfolio; any remaining assets will be allocated to Emerald and Essex.

Investment Option Performance

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

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

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

		Rates of Return through 06/30/2009							Percentile Rankings as of 06/30/2009					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Large U.S. Equity													
	Large Value													
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [2, 15, 20, 30, 40]	15.79	-29.78	-13.68	-4.85	-	-0.74	12/29/2000	-	77	89	89	-	0.94
	Russell 1000 Value Index	16.70	-29.03	-11.11	-2.13	-0.15	-	-		-	-	-	-	-
UBS Global Asset Mgmt (NY)	LargeCap Value I Separate Account-R6 [13, 40]	19.19	-29.45	-11.40	-2.80	-	-2.31	06/01/2004	-	74	74	62	-	0.96
	Russell 1000 Value Index	16.70	-29.03	-11.11	-2.13	-0.15	-	-		-	-	-	-	-
	Morningstar Category Average - Large Value	16.69	-26.60	-9.92	-2.16	-0.02	Total Funds in Category		1419	1358	1154	951	452	-
	Large Blend													
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 [8]	14.69	-27.58	-10.10	-3.16	-4.40	3.38	06/01/1995	-	67	80	76	94	0.76
	Standard & Poor's 500 Index	15.93	-26.21	-8.22	-2.24	-2.22	-	-		-	-	-	-	-
	Morningstar Category Average - Large Blend	16.79	-26.41	-8.34	-2.06	-1.50	Total Funds in Category		2133	2047	1740	1363	683	-
	Large Growth													
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [22]	9.46	-33.65	-7.58	-1.23	-3.89	4.03	06/01/1995	-	89	61	36	72	0.71
	Russell 1000 Growth Index	16.32	-24.50	-5.45	-1.83	-4.18	-	-		-	-	-	-	-
T. Rowe Price Associates, Inc.	LargeCap Growth I Separate Account-R6 [2, 40, 42]	19.80	-20.93	-5.21	-1.21	-	-3.49	12/29/2000	-	13	26	36	-	0.90
	Russell 1000 Growth Index	16.32	-24.50	-5.45	-1.83	-4.18	-	-		-	-	-	-	-
	Morningstar Category Average - Large Growth	15.74	-27.13	-6.86	-1.81	-2.42	Total Funds in Category		1923	1839	1565	1294	663	-
	Small/Mid U.S. Equity													
	Mid Cap Value													
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 11, 23]	16.22	-27.63	-10.05	-0.82	1.42	8.44	01/01/1991	-	54	60	46	94	0.81
	Russell Midcap Value Index	20.94	-30.52	-11.07	-0.43	4.00	-	-		-	-	-	-	-
	Morningstar Category Average - Mid Cap Value	19.41	-26.25	-9.28	-1.04	4.37	Total Funds in Category		443	417	332	245	87	-

Investment Option Performance

		Rates of Return through 06/30/2009							Percentile Rankings as of 06/30/2009					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Mid Cap Growth													
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 10, 24, 40]	18.75	-35.90	-9.54	-1.53	-	-0.79	10/28/1999	-	71	67	59	-	1.17
	Russell Midcap Growth Index	20.67	-30.33	-7.93	-0.44	0.02	-	-		-	-	-	-	-
	Morningstar Category Average - Mid Cap Growth	17.50	-30.56	-8.12	-1.08	0.97	Total Funds in Category		919	888	794	658	331	-
	Small Value													
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 [1, 2, 14, 40]	16.56	-29.43	-14.55	-3.89	-	4.54	12/31/2002	-	89	82	80	-	1.22
	Russell 2000 Value Index	18.00	-25.24	-12.07	-2.27	5.00	-	-		-	-	-	-	-
	Morningstar Category Average - Small Value	22.68	-23.55	-10.51	-1.61	5.41	Total Funds in Category		417	391	318	242	117	-
	Small Growth													
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 2, 40, 41]	18.98	-30.86	-12.24	-3.14	-	-3.47	12/29/2000	-	73	82	62	-	1.19
	Russell 2000 Growth Index	23.38	-24.85	-7.83	-1.32	-0.89	-	-		-	-	-	-	-
	Morningstar Category Average - Small Growth	21.00	-26.87	-9.48	-2.27	1.43	Total Funds in Category		846	810	687	573	310	-
	International Equity													
	Diversified Emerging Markets													
Principal Global Investors	International Emerging Markets Separate Account-R6 [3]	29.24	-35.13	0.27	14.23	8.98	9.44	01/01/1995	-	71	59	24	39	1.51
	MSCI - Emerging Markets NDTR D Index	34.73	-28.07	2.95	14.71	8.70	-	-		-	-	-	-	-
	Morningstar Category Average - Diversified Emerging Markets	35.16	-31.52	0.53	12.56	8.54	Total Funds in Category		387	327	256	200	120	-
	Foreign Large Value													
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [3, 13, 40]	22.83	-	-	-	-	-8.61	09/30/2008	-	-	-	-	-	1.37
	AXA Rosenberg International Equity Composite §	-	*-40.39*	*-11.86*	*-0.02*	*0.81*	-		-	*95*	*89*	*87*	*83*	
	Causeway International Value Select Composite §	-	*-30.35*	*-7.82*	-	-	-		-	*51*	*49*	-	-	
	MSCI EAFE Value Index	29.75	-28.93	-8.64	2.35	2.75	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Value	24.68	-30.05	-8.06	1.97	2.95	Total Funds in Category		354	324	249	199	112	-
	Foreign Large Blend													
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [3, 13, 17, 28, 40]	22.55	-35.78	-8.52	1.75	1.04	1.04	07/01/1999	-	74	55	53	43	1.30
	MSCI - EAFE Index NDTR D	25.43	-31.35	-7.98	2.31	1.16	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Blend	23.96	-32.42	-8.24	2.09	1.11	Total Funds in Category		860	803	617	461	250	-

Investment Option Performance

		Rates of Return through 06/30/2009							Percentile Rankings as of 06/30/2009					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Foreign Large Growth													
Principal Global Investors	International Growth Separate Account-R6 [2, 3]	18.32	-42.28	-12.22	1.34	-	0.37	12/29/2000	-	90	91	69	-	1.18
	MSCI World Ex US Growth Index	21.84	-34.39	-6.79	2.85	-0.14	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Growth	24.84	-32.73	-7.02	2.25	1.08	Total Funds in Category		294	284	226	172	89	-
	Real Estate													
	Owned Real Estate													
Principal Real Estate Inv	U.S. Property Separate Account-R6 [5]	-10.44	-31.57	-6.13	2.54	5.23	5.97	01/01/1982	-	-	-	-	-	1.15
	NCREIF Open End Benchmark	-5.25	-21.91	-0.74	6.11	7.46	-	-		-	-	-	-	-
	Real Estate													
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [2, 7]	24.30	-38.76	-16.97	-0.65	-	5.34	12/31/2002	-	9	17	10	-	1.15
	MSCI US REIT Index	30.18	-43.74	-18.50	-2.95	5.30	-	-		-	-	-	-	-
	Morningstar Category Average - Real Estate	29.88	-43.13	-19.10	-3.70	4.89	Total Funds in Category		277	264	232	202	95	-
	Fixed Income													
	High Yield Bond													
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [4, 13, 16, 18, 19, 29]	18.98	1.93	3.26	-	-	3.57	12/31/2004	-	3	3	-	-	0.82
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	22.80	-1.91	2.34	4.36	4.84	-	-		-	-	-	-	-
	Morningstar Category Average - High Yield Bond	18.13	-7.76	-0.41	2.37	2.91	Total Funds in Category		563	551	478	404	252	-
	Intermediate-Term Bond													
PIMCO	Core Plus Bond I Separate Account-R6 [13, 16, 19]	2.83	-	-	-	-	8.30	09/30/2008	-	-	-	-	-	0.87
	PIMCO Core Plus Total Return Full Authority Composite §	*-*	*8.39*	*7.92*	*6.09*	*6.83*	*-*		*-*	*6*	*2*	*2*	*2*	
	Barclays Capital Aggregate Bond Index	1.78	6.05	6.43	5.01	5.98	-	-		-	-	-	-	-
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	9.34	-3.12	1.23	2.02	4.60	8.11	02/01/1983	-	83	82	79	63	0.55
	Barclays Capital Aggregate Bond Index	1.78	6.05	6.43	5.01	5.98	-	-		-	-	-	-	-
Spectrum	Preferred Securities Separate Account-R6 [2, 16, 19]	38.88	-5.76	-2.65	-0.22	-	1.51	05/31/2002	-	90	94	94	-	0.90
	Preferreds Blended Index	39.52	-20.10	-8.33	-3.46	-	-	-		-	-	-	-	-
	Morningstar Category Average - Intermediate-Term Bond	5.72	1.64	3.62	3.19	4.82	Total Funds in Category		1170	1128	983	860	476	-

Investment Option Performance

		Rates of Return through 06/30/2009							Percentile Rankings as of 06/30/2009					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Inflation-Protected Bond													
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [13, 16, 19, 31]	0.66	-16.45	-3.81	-	-	-2.46	12/31/2004	-	94	94	-	-	0.58
	Barclays Capital US Treas TIPS Index	0.66	-1.11	5.78	4.94	7.24	-	-		-	-	-	-	-
	Morningstar Category Average - Inflation-Protected Bond	1.19	-3.14	4.12	4.22	5.87	Total Funds in Category		163	161	137	77	13	-

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.

Calendar Year Performance Report

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

		Calendar Year Performance										
Investment Advisor	Investment Option	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	Inception Date
	Large U.S. Equity											
	Large Value											
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [2, 15, 20, 30, 40]	-40.90	-3.91	21.72	5.18	13.18	27.48	-13.58	5.52	-	-	12/29/2000
UBS Global Asset Mgmt (NY)	LargeCap Value I Separate Account-R6 [13, 40]	-39.34	0.31	18.01	9.75	-	-	-	-	-	-	06/01/2004
	Morningstar Category Average - Large Value	-37.09	1.42	18.15	5.95	12.97	28.44	-18.69	-4.99	7.87	6.72	
	Total Funds in Category	1433	1432	1371	1296	1220	1050	961	892	809	638	
	Large Blend											
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 [8]	-35.84	0.62	14.60	6.51	12.12	28.46	-25.25	-17.62	-12.19	9.58	06/01/1995
	Morningstar Category Average - Large Blend	-37.79	6.16	14.17	5.88	10.02	27.05	-22.25	-13.50	-6.31	20.16	
	Total Funds in Category	2086	2090	1980	1743	1611	1526	1468	1345	1089	989	
	Large Growth											
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [22]	-42.84	23.02	9.67	11.82	9.16	25.98	-28.87	-25.55	-10.07	26.66	06/01/1995
T. Rowe Price Associates, Inc.	LargeCap Growth I Separate Account-R6 [2, 40, 42]	-40.69	8.18	5.93	7.44	9.12	24.01	-27.76	-14.36	-	-	12/29/2000
	Morningstar Category Average - Large Growth	-40.67	13.35	7.05	6.71	7.81	28.66	-27.64	-22.30	-13.05	38.87	
	Total Funds in Category	1809	1748	1642	1495	1400	1311	1234	1064	805	633	
	Small/Mid U.S. Equity											
	Mid Cap Value											
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 11, 23]	-35.92	-0.59	16.00	13.15	16.34	29.08	-7.99	3.63	6.29	-7.34	01/01/1991
	Morningstar Category Average - Mid Cap Value	-36.77	0.83	15.87	8.82	17.85	33.85	-13.25	6.67	18.45	8.50	
	Total Funds in Category	442	405	375	310	320	331	311	261	233	223	
	Mid Cap Growth											
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 10, 24, 40]	-48.56	24.40	6.26	11.59	11.41	49.44	-32.65	-28.17	-3.54	-	10/28/1999
	Morningstar Category Average - Mid Cap Growth	-43.77	15.09	9.00	9.84	13.23	35.96	-27.24	-19.98	-4.78	60.49	
	Total Funds in Category	934	967	994	936	903	890	786	714	549	420	
	Small Value											
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 [1, 2, 14, 40]	-32.24	-9.49	18.19	6.32	23.03	50.29	-	-	-	-	12/31/2002
	Morningstar Category Average - Small Value	-32.24	-6.08	16.27	6.40	21.14	42.38	-10.12	15.92	18.64	6.78	
	Total Funds in Category	438	438	389	348	307	303	273	261	241	229	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	Inception Date
	Small Growth											
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 2, 40, 41]	-42.31	5.64	8.79	6.88	11.00	45.09	-24.62	-20.42	-	-	12/29/2000
	Morningstar Category Average - Small Growth	-41.55	7.59	10.81	6.02	12.41	45.54	-27.88	-8.91	-3.85	64.77	
	Total Funds in Category	834	829	763	723	711	696	630	560	470	365	
	International Equity											
	Diversified Emerging Markets											
Principal Global Investors	International Emerging Markets Separate Account-R6 [3]	-54.93	41.60	36.36	35.09	25.63	58.03	-7.18	-4.68	-29.19	62.51	01/01/1995
	Morningstar Category Average - Diversified Emerging Markets	-54.44	36.68	32.06	31.54	23.54	55.19	-6.05	-3.83	-30.33	70.56	
	Total Funds in Category	312	274	242	212	202	196	184	175	159	150	
	Foreign Large Value											
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [3, 13, 40]	-	-	-	-	-	-	-	-	-	-	09/30/2008
	Morningstar Category Average - Foreign Large Value	-42.41	9.01	25.98	13.19	21.99	39.07	-12.37	-15.98	-6.76	30.02	
	Total Funds in Category	307	280	215	181	169	156	154	130	117	102	
	Foreign Large Blend											
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [3, 13, 17, 28, 40]	-44.35	15.06	26.36	13.40	18.44	44.11	-20.25	-20.29	-18.60	41.90	07/01/1999
	Morningstar Category Average - Foreign Large Blend	-43.99	12.71	24.77	14.72	17.39	33.58	-16.69	-21.67	-16.34	40.28	
	Total Funds in Category	778	743	657	608	551	504	482	439	396	340	
	Foreign Large Growth											
Principal Global Investors	International Growth Separate Account-R6 [2, 3]	-47.02	12.32	24.16	22.14	22.64	38.97	-16.18	-21.06	-	-	12/29/2000
	Morningstar Category Average - Foreign Large Growth	-46.56	16.26	23.95	15.23	16.23	33.83	-19.15	-24.05	-21.04	49.56	
	Total Funds in Category	251	220	243	213	221	226	214	191	161	149	
	Real Estate											
	Owned Real Estate											
Principal Real Estate Inv	U.S. Property Separate Account-R6 [5]	-13.23	13.42	15.14	18.61	12.52	8.26	3.77	6.56	12.01	10.35	01/01/1982
	Morningstar Category Average - Owned Real Estate	9.95	26.92	-2.83	-	-	-	-	-	-	-	
	Total Funds in Category	-	-	-	-	-	-	-	-	-	-	
	Real Estate											
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [2, 7]	-32.82	-17.73	36.03	15.28	33.69	37.83	-	-	-	-	12/31/2002
	Morningstar Category Average - Real Estate	-39.55	-14.66	33.58	11.51	32.02	36.80	4.54	10.00	27.02	-2.76	
	Total Funds in Category	265	372	306	279	252	206	168	152	138	125	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	Inception Date
	Fixed Income											
	High Yield Bond											
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [4, 13, 16, 18, 19, 29]	-20.12	2.37	8.71	3.91	-	-	-	-	-	-	12/31/2004
	Morningstar Category Average - High Yield Bond	-26.41	1.47	10.14	2.59	9.99	24.36	-1.52	2.39	-7.12	5.05	
	Total Funds in Category	559	542	549	518	493	455	425	414	365	342	
	Intermediate-Term Bond											
PIMCO	Core Plus Bond I Separate Account-R6 [13, 16, 19]	-	-	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	-13.06	3.83	4.72	2.64	5.02	5.21	9.91	8.40	11.99	-0.41	02/01/1983
Spectrum	Preferred Securities Separate Account-R6 [2, 16, 19]	-22.42	-8.14	6.77	1.46	4.20	10.55	-	-	-	-	05/31/2002
	Morningstar Category Average - Intermediate-Term Bond	-4.70	4.70	4.15	1.80	3.91	5.10	8.04	7.64	9.44	-1.35	
	Total Funds in Category	1135	1097	1092	1043	1035	952	784	706	614	561	
	Inflation-Protected Bond											
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [13, 16, 19, 31]	-18.00	5.77	0.27	2.28	-	-	-	-	-	-	12/31/2004
	Morningstar Category Average - Inflation-Protected Bond	-4.08	9.86	0.09	2.09	7.48	7.15	14.81	7.27	12.36	1.80	
	Total Funds in Category	160	156	140	109	69	44	18	15	13	13	

Please see important disclosures at the end of this presentation.

Calendar Year Percentile Ranks

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

		Calendar Year Percentile Ranks										
Investment Advisor	Investment Option	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	Inception Date
	Large U.S. Equity											
	Large Value											
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [2, 15, 20, 30, 40]	80	85	10	55	45	52	13	7	-	-	12/29/2000
UBS Global Asset Mgmt (NY)	LargeCap Value I Separate Account-R6 [13, 40]	70	61	53	16	-	-	-	-	-	-	06/01/2004
	Large Blend											
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 [8]	26	90	46	38	21	28	82	82	84	87	06/01/1995
	Large Growth											
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [22]	71	9	25	14	36	59	59	68	36	68	06/01/1995
T. Rowe Price Associates, Inc.	LargeCap Growth I Separate Account-R6 [2, 40, 42]	51	75	63	40	37	75	51	19	-	-	12/29/2000
	Small/Mid U.S. Equity											
	Mid Cap Value											
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 11, 23]	41	65	46	9	55	70	18	60	84	96	01/01/1991
	Mid Cap Growth											
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 10, 24, 40]	81	12	69	37	65	5	78	74	44	-	10/28/1999
	Small Value											
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 [1, 2, 14, 40]	56	75	40	55	33	16	-	-	-	-	12/31/2002
	Small Growth											
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 2, 40, 41]	58	58	63	42	60	44	35	82	-	-	12/29/2000
	International Equity											
	Diversified Emerging Markets											
Principal Global Investors	International Emerging Markets Separate Account-R6 [3]	55	20	17	29	34	27	59	62	38	66	01/01/1995
	Foreign Large Value											
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [3, 13, 40]	-	-	-	-	-	-	-	-	-	-	09/30/2008
	Foreign Large Blend											
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [3, 13, 17, 28, 40]	55	27	30	62	37	3	86	39	68	-	07/01/1999
	Foreign Large Growth											
Principal Global Investors	International Growth Separate Account-R6 [2, 3]	50	80	39	8	8	24	24	27	-	-	12/29/2000
	Real Estate											
	Owned Real Estate											
Principal Real Estate Inv	U.S. Property Separate Account-R6 [5]	-	-	-	-	-	-	-	-	-	-	01/01/1982
	Real Estate											
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [2, 7]	5	70	30	16	36	32	-	-	-	-	12/31/2002

Calendar Year Percentile Ranks

		Calendar Year Percentile Ranks										
Investment Advisor	Investment Option	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	Inception Date
	Fixed Income											
	High Yield Bond											
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [4, 13, 16, 18, 19, 29]	14	34	81	15	-	-	-	-	-	-	12/31/2004
	Intermediate-Term Bond											
PIMCO	Core Plus Bond I Separate Account-R6 [13, 16, 19]	-	-	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	89	78	19	9	14	34	16	25	8	21	02/01/1983
Spectrum	Preferred Securities Separate Account-R6 [2, 16, 19]	97	99	4	67	84	35	-	-	-	-	05/31/2002
	Inflation-Protected Bond											
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [13, 16, 19, 31]	93	90	27	37	-	-	-	-	-	-	12/31/2004

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 investment options may not be available in all states or U.S. commonwealths.

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

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

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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 Funds. 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. Although this investment option seeks to preserve the value of an investment, it is possible to lose money by investing in this portfolio.

7. 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.

8. 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.

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

11. Effective July 12, 2005, Barrow Hanley was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

13. This Separate Account invests solely in the Institutional class shares of the Principal Funds. 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.

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

15. 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.

16. 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.

17. Effective March 31, 2007, references to Fidelity Management & Research as investment advisor were 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.

18. Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Neuberger Berman Fixed Income LLC (formerly named Lehman Brothers Asset Management). 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.

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

20. Formerly known as Large-Cap Value Separate Account.

22. Formerly known as Large Company Growth Separate Account.

23. Formerly known as Medium Company Value Separate Account.

24. Formerly known as Mid-Cap Growth Separate Account.

28. Formerly known as International Separate Account.

29. Formerly known as High Yield Separate Account.

30. Effective July 15, 2008, Westwood Management Corp. was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

31. Effective December 31, 2008, this portfolio is sub-advised by BlackRock Financial Management, Inc. Prior to December 31, 2008, the portfolio was sub-advised by Principal Global Investors.

33. Principal Life Insurance Company may voluntarily waive a certain portion of its fees collected from the Money Market Separate Account on a temporary basis. The Total Investment Expense - Net may be lower when fees are waived.

34. This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.

35. The Money Market investment option is closed to new sales and existing clients not currently offering the option within their retiretirement plans, effective April 1, 2009. Existing clients already offerring the money market investment option within their plan can continue to have contributions directed to this investment option at this time. As of July 1, 2009 the money market investment option will be closed for any client that does not have retirement funds in the investment option on that date.

37. Effective May 1, 2009, LA Capital was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

40. This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

41. Effective June 26, 2009, this portfolio is sub-advised by Emerald Advisors and Essex. Prior to June 26, 2009, the portfolio was sub-advised by UBS Global Asset Management, Emerald Advisors and Essex. 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.

42. Effective July 14, 2009, Brown Advisory was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

43. Effective July 14, 2009, Montag & Caldwell was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

Benchmark Descriptions

Barclays Capital Aggregate Bond 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.

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

Barclays Capital US Treas TIPS Index consists of inflation-protected securities issued by the U.S. Treasury.

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.

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 EAFE Value Index is a subset of the MSCI EAFE Index, which is an unmanaged index that measures the stock returns of companies in developed economies outside of North America. The MSCI EAFE Value Index consists of securities classified by MSCI as most representing the value style.

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.

Preferreds Blended Index is composed of 65% Merrill Lynch Fixed Rate Preferred Securities Index and 35% Barclays Capital U.S. Tier I Capital Securities Index.

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.

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

Russell Midcap Value Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap 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:
07/01/2004 - 05/31/2006 30% Russell 3000 Index and 70% Barclays Capital Aggregate Bond Index.
06/01/2006 - 06/30/2009 50% Russell 3000 Index and 50% Barclays Capital Aggregate Bond Index.

Weighted Index is composed of:
07/01/2004 - 05/31/2006 25.1% Russell 3000 Index, 4% MSCI EAFE Index, 4% NCREIF Open End Index, 0.9% MSCI US REIT Index, and 66% Barclays Capital Aggregate Bond Index.
06/01/2006 - 02/28/2007 40.3% Russell 3000 Index, 8% MSCI EAFE Index, 5% NCREIF Open End Index, 1.7% MSCI US REIT Index, and 45% Barclays Capital Aggregate Bond Index.
03/01/2007 - 06/30/2009 37.3% Russell 3000 Index, 11.2% MSCI EAFE Index, 5.5% NCREIF Open End Index, 1.5% MSCI US REIT Index, and 44.5% Barclays Capital Aggregate Bond Index.

LargeCap Value III Separate Account-R6 as of 06/30/2009

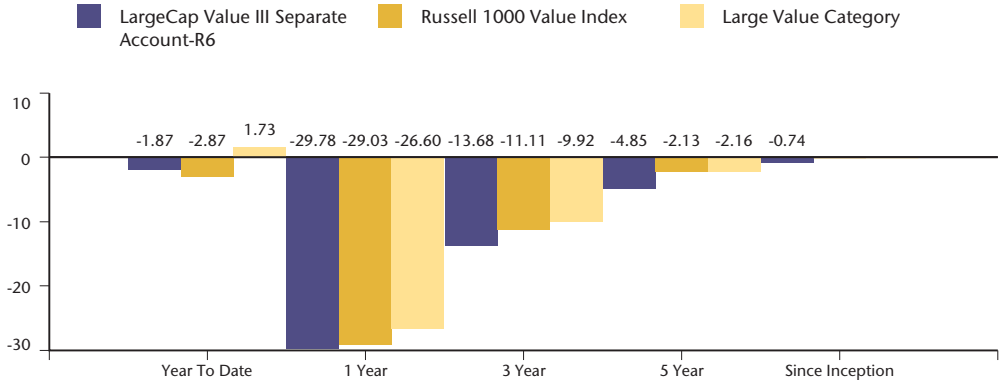
Investment Strategy

The investment seeks long-term growth of capital. The fund generally 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) at the time of purchase. The fund 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
Susan M. Byrne Since 07/15/2008. , U of CA, Berkeley
Mark R. Freeman, CFA. Since 07/15/2008. M.S., Louisiana State U
Mariateresa Monaco Since 06/02/2009. M.S., Northeastern U

Long-term returns % as of 06/30/2009



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 www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

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

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-1.87	-29.78	-13.68	-4.85	-0.74
Russell 1000 Value Index %	-2.87	-29.03	-11.11	-2.13	-
Large Value Category %	1.73	-26.60	-9.92	-2.16	-
Morningstar Percentile Rankings	-	77	89	89	-
# of Funds in Category	1411	1358	1154	951	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-40.90	-3.91	21.72	5.18	13.18
Russell 1000 Value Index %	-36.85	-0.17	22.25	7.05	16.49
Large Value Category %	-37.09	1.42	18.15	5.95	12.97
Morningstar Percentile Rankings	80	85	10	55	45
# of Funds in Category	1433	1432	1371	1296	1220

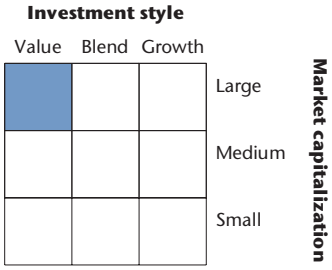
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-3.12	-2.87
Beta	0.99	0.99
R-Squared	98.79	98.77
Standard Deviation	20.15	16.55
Mean	-13.67	-4.85
Sharpe Ratio	-0.77	-0.40
Excess Return	-2.57	-2.72
Excess Risk	2.22	1.83
Information Ratio	-1.16	-1.49

Operations

Total Investment Expense Net	0.94%
Total Investment Expense Gross	0.94%
Inception Date	12/29/2000
Total Net Assets (mil)	$1,730.64

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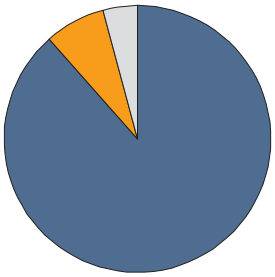
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value III Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	88.47
Non-U.S. Stocks	7.36
Cash	4.17

Top ten holdings	% of net assets
1. ExxonMobil Corporation	4.61
2. S & P 500 FUTURE JUN09	4.27
3. AT&T, Inc.	3.37
4. Chevron Corporation	3.32
5. J.P. Morgan Chase & Co.	2.70
6. Johnson & Johnson	2.50
7. ConocoPhillips	2.01
8. Verizon Communications Inc.	1.76
9. ACE, Ltd.	1.74
10. The Travelers Companies, Inc.	1.73
% of net assets in top ten holdings*	28.00

Analysis	
# of Stock Hldgs	130
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$39,269.23
Turnover Ratio	55%
P/C Ratio	4.60
P/E Ratio	12.97
P/B Ratio	1.55

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**19.82**	**Service**	**39.89**	**Manufacturing**	**40.29**
Software	2.37	Healthcare	12.32	Consumer Goods	11.34
Hardware	3.74	Consumer Services	6.91	Industrial Materials	6.25
Media	3.68	Business Services	2.32	Energy	17.96
Telecom	10.03	Financial Services	18.34	Utilities	4.74

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 investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal LargeCap Value III Separate Account-R6.

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.

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This Separate Account invests solely in the Institutional class shares of the Principal Funds. 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.

Formerly known as Large-Cap Value Separate Account.

Effective July 15, 2008, Westwood Management Corp. was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

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

International Value I Separate Account-R6 as of 06/30/2009

Investment Strategy

The investment seeks long-term growth of capital. The fund invests in the securities of foreign companies. Subadvisor Causeway may invest up to 30% of assets allocated to it in securities of companies located in any one country, except this limit is 35% in the U.K., and up to 10% in emerging markets. It also invests in forward foreign currency contracts or other derivatives for hedging and other purposes. AXA Rosenberg will typically invest assets allocated to it in approximately 21 different countries across three regions, and employs a bottom-up approach to investing. The fund may engage in active trading of its portfolio.

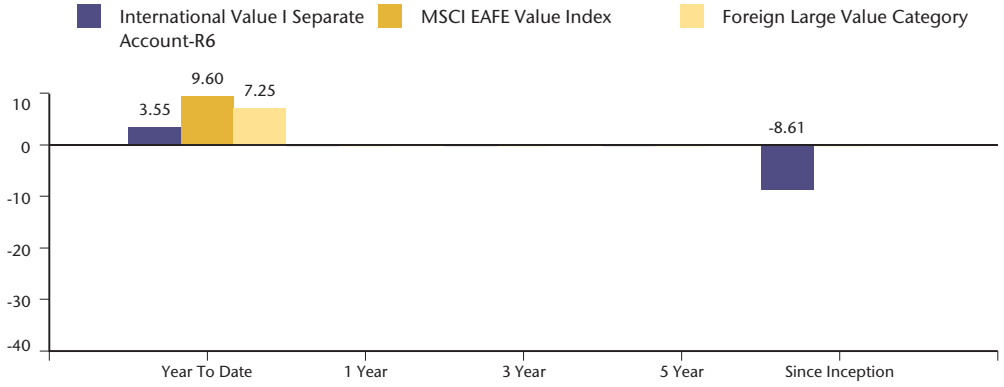
AXA Rosenberg — An AXA Investment Managers Company

Causeway Capital Management LLC

Portfolio managers

James Doyle Since 09/30/2008. M.B.A., Wharton S
Jonathan Eng Since 09/30/2008. M.B.A., UCLA
Harry Hartford Since 09/30/2008. M.S., Oklahoma State U
Sarah H. Ketterer Since 09/30/2008. M.B.A., Dartmouth C
Mariateresa Monaco Since 06/02/2009. M.S., Northeastern U

Long-term returns % as of 06/30/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	3.55	-	-	-	-8.61
MSCI EAFE Value Index %	9.60	-28.93	-8.64	2.35	-
Foreign Large Value Category %	7.25	-30.05	-8.06	1.97	-
Morningstar Percentile Rankings	-	-	-	-	-
# of Funds in Category	352	324	249	199	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-	-	-	-	-
MSCI EAFE Value Index %	-44.09	5.96	30.38	13.80	24.33
Foreign Large Value Category %	-42.41	9.01	25.98	13.19	21.99
Morningstar Percentile Rankings	-	-	-	-	-
# of Funds in Category	307	280	215	181	169

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Value

Morningstar Style Box™

As of 05/31/2009

Investment style

	Value	Blend	Growth
Large	■		
Medium			
Small			

Market capitalization

Risk and Return Statistics

as of 06/30/2009 Relative to MSCI EAFE Value Index

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

Operations

Total Investment Expense Net	1.29%
Total Investment Expense Gross	1.37%
Contractual Cap Expiration Date	02/28/2010
Waiver Expiration Date	02/28/2010
Inception Date	09/30/2008
Total Net Assets (mil)	$782.65

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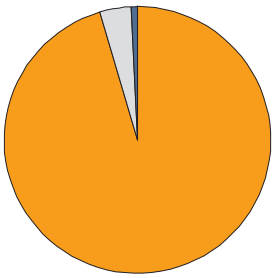
Risk and return statistical data is provided by Markov Processes International (MPI).

International Value I Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
Non-U.S. Stocks	95.44
Cash	3.79
U.S. Stocks	0.77

Top ten holdings	% of net assets
1. HSBC Holdings PLC	2.52
2. EMINI MSCI EAFE JUN09	2.43
3. France Telecom SA	2.42
4. Vodafone Group PLC	2.34
5. Technip	2.11
6. E.ON AG	2.08
7. Sanofi-Aventis	2.07
8. Siemens AG	1.79
9. Vinci	1.74
10. Akzo Nobel NV	1.59
% of net assets in top ten holdings*	21.08

Analysis	
# of Stock Hldgs	421
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$23,207.79
Turnover Ratio	33%
P/C Ratio	4.51
P/E Ratio	10.95
P/B Ratio	1.19

Top 5 Countries	% of net assets
Japan	18.95
United Kingdom	16.41
France	14.78
Switzerland	6.64
Netherlands	6.51

Regional exposure	% of net assets
Europe	69.14
Japan	18.95
Pacific Rim	8.24
Other	2.78
United States	0.82
Latin America	0.06

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The full name of this investment option is Principal International Value I Separate Account-R6.

MSCI EAFE Value Index is a subset of the MSCI EAFE Index, which is an unmanaged index that measures the stock returns of companies in developed economies outside of North America. The MSCI EAFE Value Index consists of securities classified by MSCI as most representing the value style.

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

Inflation Protection Separate Account-R6 as of 06/30/2009

Investment Strategy

The investment seeks to provide current income and real (after-inflation) total returns. The fund normally invests primarily in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities, and U.S. and non-U.S. corporations. It may invest up to 15% of assets in non-investment-grade bonds (high-yield or junk bonds) or securities of emerging-market issuers. The fund may also invest up to 25% of assets in non-dollar denominated securities of non-U.S. issuers, and may invest without limit in U.S. dollar denominated securities of non-U.S. issuers.

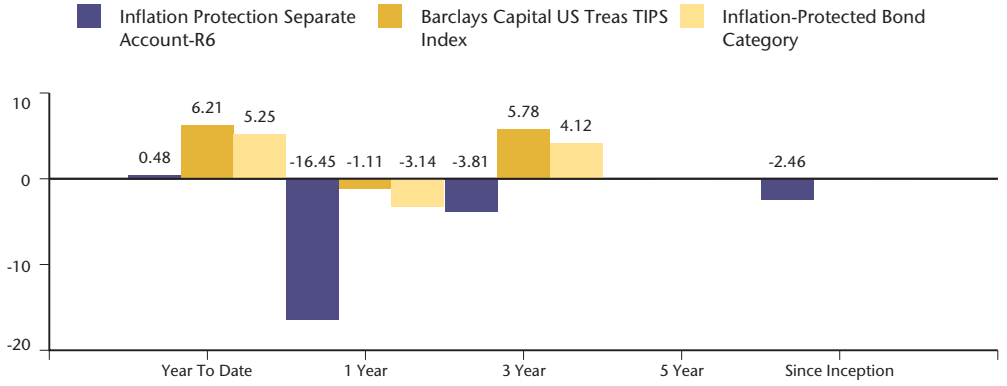
BLACKROCK

Portfolio managers

Stuart Spodek Since 12/31/2008. B.S., Princeton U

Brian Weinstein Since 12/31/2008. B.A., U of Pennsylvania

Long-term returns % as of 06/30/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	0.48	-16.45	-3.81	-	-2.46
Barclays Capital US Treas TIPS Index %	6.21	-1.11	5.78	4.94	-
Inflation-Protected Bond Category %	5.25	-3.14	4.12	4.22	-
Morningstar Percentile Rankings	-	94	94	-	-
# of Funds in Category	163	161	137	77	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-18.00	5.77	0.27	2.28	-
Barclays Capital US Treas TIPS Index %	-2.35	11.64	0.41	2.84	8.46
Inflation-Protected Bond Category %	-4.08	9.86	0.09	2.09	7.48
Morningstar Percentile Rankings	93	90	27	37	-
# of Funds in Category	160	156	140	109	69

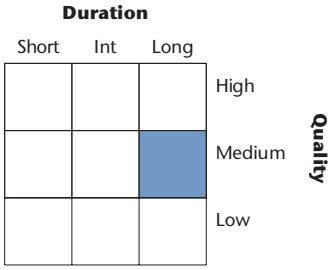
Morningstar percentile rankings are based on total returns.

Morningstar category

Inflation-Protected Bond

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to Barclays Capital US Treas TIPS Index

	3Yr	5Yr
Alpha	-9.50	-
Beta	1.04	-
R-Squared	82.99	-
Standard Deviation	10.12	-
Mean	-3.81	-
Sharpe Ratio	-0.63	-
Excess Risk	4.14	-
Information Ratio	-2.32	-

Operations

Total Investment Expense Net	0.58%
Total Investment Expense Gross	0.58%
Inception Date	12/31/2004
Total Net Assets (mil)	$395.66

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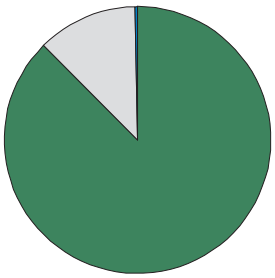
Risk and return statistical data is provided by Markov Processes International (MPI).

Inflation Protection Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Bonds	87.56
Cash	12.09
Non-U.S. Bonds	0.34

Top ten holdings	% of net assets
1. US Treasury Bond 1.75%	8.78
2. US Treasury Note 2%	8.25
3. US Treasury Bond 2.5%	7.28
4. US Treasury Note 2%	5.47
5. US Treasury Note	5.17
6. US Treasury Note 1.625%	4.72
7. US Treasury Note 0.625%	4.63
8. US Treasury Note 2%	4.38
9. US TREASURY NOTE	4.04
10. US Treasury Bond 2%	3.63
% of net assets in top ten holdings*	56.35

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	139
# of Other Hldgs	17
Turnover Ratio	32%

Credit Analysis As of 05/31/2009	% Bonds
AAA	49.31
AA	6.39
A	5.03
BBB	20.69
BB	3.14
B	6.80
Below B	6.85
Not Rated	1.80

Statistics	
Avg Eff Duration (Yrs)	7.62
Avg Eff Maturity (Yrs)	9.10
Avg Credit Quality	A
Avg Weighted Price	104.69

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The full name of this investment option is Principal Inflation Protection Separate Account-R6.

Barclays Capital US Treas TIPS Index consists of inflation-protected securities issued by the U.S. Treasury.

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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.

Effective December 31, 2008, this portfolio is sub-advised by BlackRock Financial Management, Inc. Prior to December 31, 2008, the portfolio was sub-advised by Principal Global Investors.

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

LargeCap Growth Separate Account-R6 as of 06/30/2009

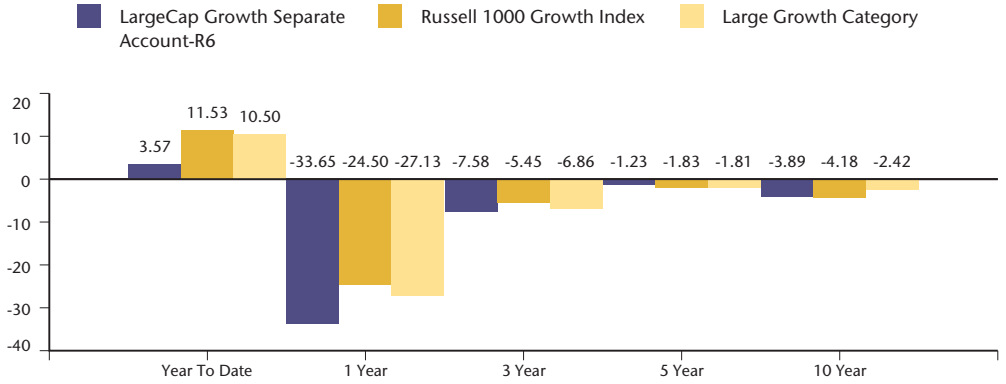
Investment Strategy

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
Thomas J. Bisighini, CFA. Since 03/01/2009. M.B.A., Fordham U

Long-term returns % as of 06/30/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	3.57	-33.65	-7.58	-1.23	-3.89
Russell 1000 Growth Index %	11.53	-24.50	-5.45	-1.83	-4.18
Large Growth Category %	10.50	-27.13	-6.86	-1.81	-2.42
Morningstar Percentile Rankings	-	89	61	36	72
# of Funds in Category	1908	1839	1565	1294	663

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-42.84	23.02	9.67	11.82	9.16
Russell 1000 Growth Index %	-38.44	11.81	9.07	5.26	6.30
Large Growth Category %	-40.67	13.35	7.05	6.71	7.81
Morningstar Percentile Rankings	71	9	25	14	36
# of Funds in Category	1809	1748	1642	1495	1400

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 05/31/2009

Investment style

	Value	Blend	Growth
Large			■
Medium			
Small			

Market capitalization

Risk and Return Statistics

as of 06/30/2009 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	-2.41	0.62
Beta	0.97	0.98
R-Squared	92.33	91.17
Standard Deviation	19.50	16.44
Mean	-7.58	-1.23
Sharpe Ratio	-0.46	-0.18
Excess Return	-2.13	0.59
Excess Risk	5.38	4.86
Information Ratio	-0.40	0.12

Operations

Total Investment Expense Net	0.71%
Total Investment Expense Gross	0.71%
Inception Date	06/01/1995
Total Net Assets (mil)	$1,091.70

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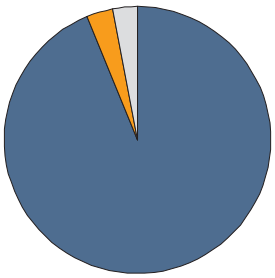
LargeCap Growth Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	93.81
Non-U.S. Stocks	3.13
Cash	3.06

Top ten holdings	% of net assets
1. J.P. Morgan Chase & Co.	4.94
2. Apple, Inc.	4.83
3. Qualcomm, Inc.	3.46
4. Visa, Inc.	3.17
5. Research in Motion, Ltd.	3.13
6. Google, Inc.	3.10
7. Cisco Systems, Inc.	2.87
8. Amazon.com, Inc.	2.65
9. Goldman Sachs Group, Inc.	2.57
10. Broadcom Corporation	2.56
% of net assets in top ten holdings*	33.28

Analysis	
# of Stock Hldgs	55
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$27,211.39
Turnover Ratio	88%
P/C Ratio	3.52
P/E Ratio	17.23
P/B Ratio	1.89

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**34.63**	**Service**	**50.93**	**Manufacturing**	**14.45**
Software	1.85	Healthcare	12.59	Consumer Goods	4.78
Hardware	19.93	Consumer Services	14.84	Industrial Materials	5.84
Media	0.00	Business Services	8.98	Energy	3.83
Telecom	12.85	Financial Services	14.52	Utilities	0.00

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Formerly known as Large Company Growth Separate Account.

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

SmallCap Growth II Separate Account-R6 as of 06/30/2009

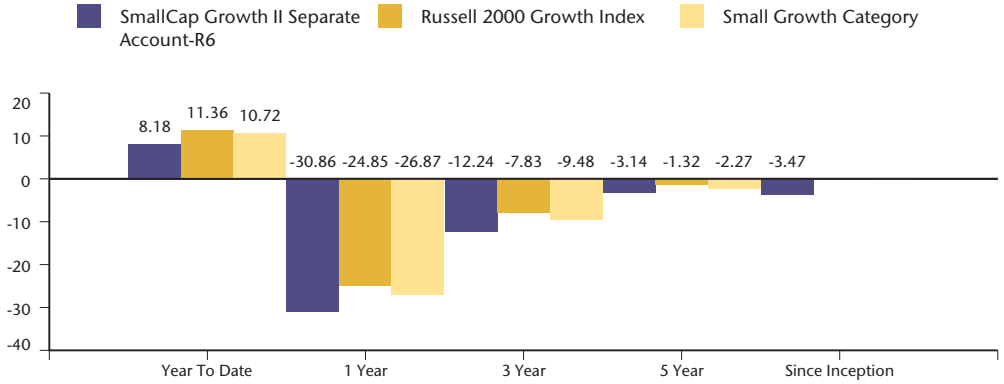
Investment Strategy

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.

Portfolio managers

Kenneth G. Mertz II, CFA. Since 09/01/2004. B.A., Millersville U
Stacey Sears Since 09/01/2004. M.B.A., Villanova U
Joseph W. Garner Since 03/01/2006. M.B.A., U of Pittsburgh
Nancy B. Prial, CFA. Since 06/30/2006. B.A., Bucknell U
Mariateresa Monaco Since 06/02/2009. M.S., Northeastern U

Long-term returns % as of 06/30/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	8.18	-30.86	-12.24	-3.14	-3.47
Russell 2000 Growth Index %	11.36	-24.85	-7.83	-1.32	-
Small Growth Category %	10.72	-26.87	-9.48	-2.27	-
Morningstar Percentile Rankings	-	73	82	62	-
# of Funds in Category	834	810	687	573	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-42.31	5.64	8.79	6.88	11.00
Russell 2000 Growth Index %	-38.54	7.05	13.35	4.15	14.31
Small Growth Category %	-41.55	7.59	10.81	6.02	12.41
Morningstar Percentile Rankings	58	58	63	42	60
# of Funds in Category	834	829	763	723	711

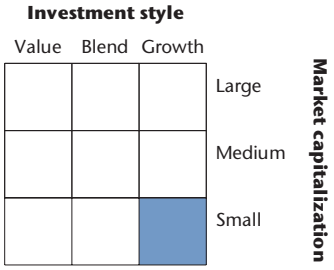
Morningstar percentile rankings are based on total returns.

Morningstar category

Small Growth

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to Russell 2000 Growth Index

	3Yr	5Yr
Alpha	-5.42	-2.22
Beta	0.95	0.93
R-Squared	97.34	96.79
Standard Deviation	23.19	20.47
Mean	-12.24	-3.15
Sharpe Ratio	-0.57	-0.20
Excess Return	-4.40	-1.82
Excess Risk	3.97	3.96
Information Ratio	-1.11	-0.46

Operations

Total Investment Expense Net	1.19%
Total Investment Expense Gross	1.19%
Inception Date	12/29/2000
Total Net Assets (mil)	$335.90

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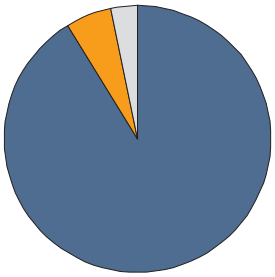
Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Growth II Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	91.21
Non-U.S. Stocks	5.50
Cash	3.29

Top ten holdings	% of net assets
1. Russell 2000 Mini (Fut)	3.65
2. Whiting Petroleum Corporation	1.72
3. Neutral Tandem, Inc.	1.65
4. Iconix Brand Group, Inc.	1.38
5. Chico's FAS, Inc.	1.23
6. Macrovision Solutions Corp	1.10
7. Rock-Tenn	1.08
8. Ultimate Software Group, Inc.	1.03
9. SBA Communications Corporation	1.02
10. AsiaInfo Holdings, Inc.	1.00
% of net assets in top ten holdings*	14.87

Analysis	
# of Stock Hldgs	267
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$1,034.77
Turnover Ratio	78%
P/C Ratio	5.26
P/E Ratio	17.57
P/B Ratio	1.88

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**35.72**	**Service**	**41.21**	**Manufacturing**	**23.07**
Software	11.89	Healthcare	15.95	Consumer Goods	7.90
Hardware	13.18	Consumer Services	10.94	Industrial Materials	8.40
Media	1.53	Business Services	9.83	Energy	6.34
Telecom	9.12	Financial Services	4.49	Utilities	0.43

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 investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal SmallCap Growth II Separate Account-R6.

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.

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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 Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

Effective June 26, 2009, this portfolio is sub-advised by Emerald Advisors and Essex. Prior to June 26, 2009, the portfolio was sub-advised by UBS Global Asset Management, Emerald Advisors and Essex. 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.

International I Separate Account-R6 as of 06/30/2009

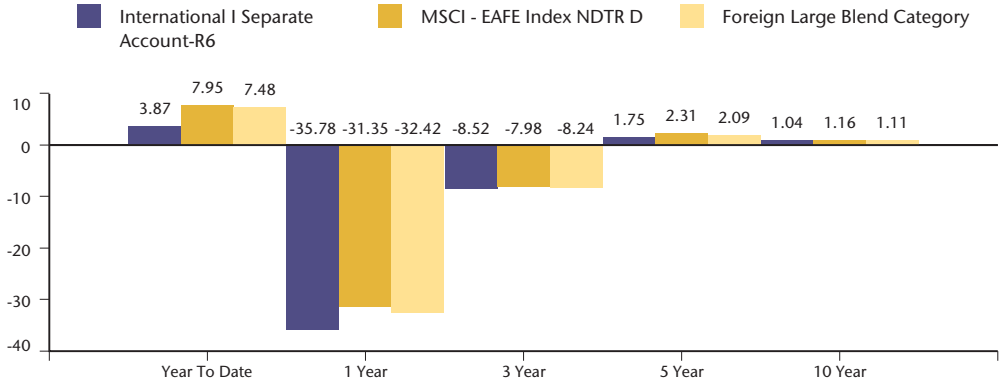
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests the fund's assets primarily in non-U.S. securities. Pyramis normally invests the fund's assets primarily in common stocks of companies with large market capitalizations (those with market capitalizations similar to companies in the MSCI - EAFE index NDTR D) at the time of purchase. It normally diversifies the investments across different countries and regions.

Portfolio managers

Cesar Hernandez, CFA. Since 12/29/2003. M.B.A., Babson College
Mariateresa Monaco Since 06/02/2009. M.S., Northeastern U

Long-term returns % as of 06/30/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	3.87	-35.78	-8.52	1.75	1.04
MSCI - EAFE Index NDTR D %	7.95	-31.35	-7.98	2.31	1.16
Foreign Large Blend Category %	7.48	-32.42	-8.24	2.09	1.11
Morningstar Percentile Rankings	-	74	55	53	43
# of Funds in Category	856	803	617	461	250

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-44.35	15.06	26.36	13.40	18.44
MSCI - EAFE Index NDTR D %	-43.38	11.17	26.34	13.54	20.25
Foreign Large Blend Category %	-43.99	12.71	24.77	14.72	17.39
Morningstar Percentile Rankings	55	27	30	62	37
# of Funds in Category	778	743	657	608	551

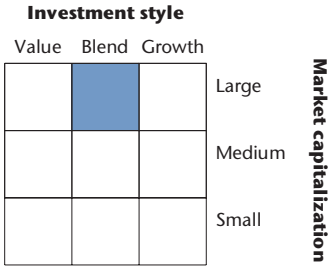
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to MSCI - EAFE Index NDTR D

	3Yr	5Yr
Alpha	-0.20	-0.43
Beta	1.02	1.02
R-Squared	98.12	98.15
Standard Deviation	23.96	20.09
Mean	-8.53	1.74
Sharpe Ratio	-0.37	0.04
Excess Return	-0.56	-0.57
Excess Risk	3.31	2.75
Information Ratio	-0.17	-0.21

Operations

Total Investment Expense Net	1.30%
Total Investment Expense Gross	1.30%
Inception Date	07/01/1999
Total Net Assets (mil)	$1,335.32

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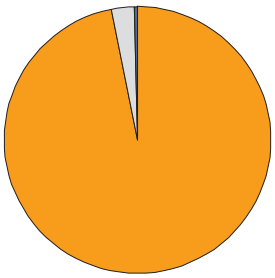
Risk and return statistical data is provided by Markov Processes International (MPI).

International I Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
Non-U.S. Stocks	96.83
Cash	2.78
U.S. Stocks	0.40

Top ten holdings	% of net assets
1. Royal Dutch Shell PLC	2.41
2. Nestle	2.04
3. HSBC Holdings PLC	2.00
4. Toyota Motor Corporation	1.53
5. BNP Paribas	1.52
6. Telefonica, S.A.	1.38
7. Roche Holding AG	1.34
8. BG Group PLC	1.34
9. E.ON AG	1.24
10. EMINI MSCI EAFE JUN09	1.23
% of net assets in top ten holdings*	16.01

Analysis	
# of Stock Hldgs	284
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$20,829.35
Turnover Ratio	124%
P/C Ratio	5.01
P/E Ratio	10.21
P/B Ratio	1.31

Top 5 Countries	% of net assets
Japan	23.20
United Kingdom	20.77
France	10.38
Germany	9.30
Australia	6.49

Regional exposure	% of net assets
Europe	65.49
Japan	23.20
Pacific Rim	10.72
United States	0.41
Latin America	0.16

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The full name of this investment option is Principal International I Separate Account-R6.

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.

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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.

This Separate Account invests solely in the Institutional class shares of the Principal Funds. 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 were 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.

Formerly known as International Separate Account.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

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

LargeCap Blend I Separate Account-R6 as of 06/30/2009

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.

Goldman Sachs Asset Management

Portfolio managers

Robert C. Jones, CFA. Since 12/16/2002. M.B.A., U of Michigan
Andrew Alford Since 02/29/2008. Ph.D., U of Chicago
Katinka Domotorffy, CFA. Since 03/31/2009. M.S., London School of Economics

Long-term returns % as of 06/30/2009

Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	0.77	-27.58	-10.10	-3.16	-4.40
Standard & Poor's 500 Index %	3.16	-26.21	-8.22	-2.24	-2.22
Large Blend Category %	4.92	-26.41	-8.34	-2.06	-1.50
Morningstar Percentile Rankings	-	67	80	76	94
# of Funds in Category	2110	2047	1740	1363	683

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-35.84	0.62	14.60	6.51	12.12
Standard & Poor's 500 Index %	-37.00	5.49	15.79	4.91	10.88
Large Blend Category %	-37.79	6.16	14.17	5.88	10.02
Morningstar Percentile Rankings	26	90	46	38	21
# of Funds in Category	2086	2090	1980	1743	1611

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 05/31/2009

Investment style

	Value	Blend	Growth
Large		■	
Medium			
Small			

Market capitalization

Risk and Return Statistics

as of 06/30/2009 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-2.31	-0.99
Beta	0.98	0.99
R-Squared	99.23	98.84
Standard Deviation	18.65	15.45
Mean	-10.10	-3.17
Sharpe Ratio	-0.64	-0.33
Excess Return	-1.88	-0.92
Excess Risk	1.67	1.66
Information Ratio	-1.13	-0.56

Operations

Total Investment Expense Net	0.76%
Total Investment Expense Gross	0.76%
Inception Date	06/01/1995
Total Net Assets (mil)	$1,165.82

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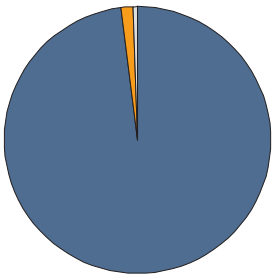
LargeCap Blend I Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	98.01
Non-U.S. Stocks	1.40
Cash	0.60

Top ten holdings	% of net assets
1. ExxonMobil Corporation	4.29
2. Microsoft Corporation	2.88
3. Johnson & Johnson	2.12
4. Wal-Mart Stores, Inc.	2.05
5. Chevron Corporation	1.78
6. Cisco Systems, Inc.	1.71
7. AT&T, Inc.	1.64
8. J.P. Morgan Chase & Co.	1.63
9. Procter & Gamble Company	1.61
10. Lorillard, Inc.	1.50
% of net assets in top ten holdings*	21.20

Analysis	
# of Stock Hldgs	296
# of Bond Hldgs	0
# of Other Hldgs	2
GeoAvgCap (mil)	$31,332.11
Turnover Ratio	93%
P/C Ratio	5.16
P/E Ratio	13.99
P/B Ratio	1.78

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**23.90**	**Service**	**39.31**	**Manufacturing**	**36.80**
Software	4.15	Healthcare	13.73	Consumer Goods	11.37
Hardware	10.32	Consumer Services	9.32	Industrial Materials	9.07
Media	3.12	Business Services	3.86	Energy	13.58
Telecom	6.31	Financial Services	12.40	Utilities	2.78

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The full name of this investment option is Principal LargeCap Blend I Separate Account-R6.

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.

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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.

SmallCap Value I Separate Account-R6 as of 06/30/2009

Investment Strategy

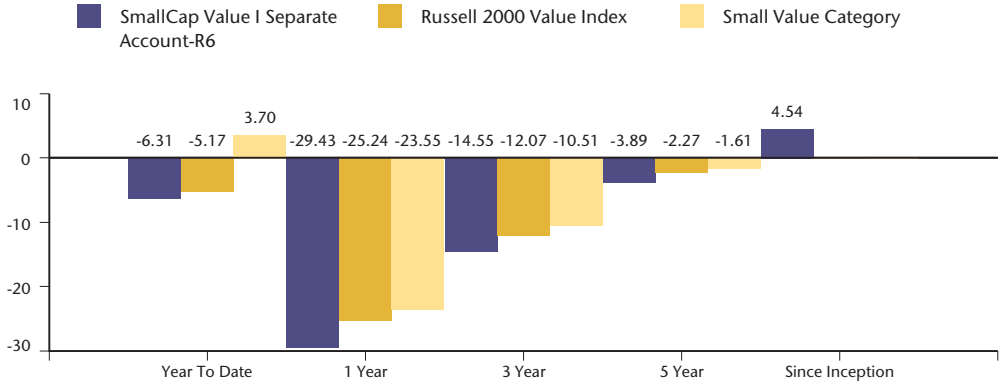
The investment seeks long-term growth of capital. The fund invests primarily in a diversified group of equity securities of U.S. companies with small market capitalizations (those with market capitalizations similar to companies in the Russell 2000 Value index) at the time of purchase. It normally invests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

J.P.Morgan Asset Management MELLON CAPITAL® MANAGEMENT

Portfolio managers

Christopher T. Blum, CFA. Since 12/30/2002. B.B.A., Bernard M. Baruch School for Business
Dennis S. Ruhl, CFA. Since 03/01/2005. M.S., MIT
Ronald P. Gala, CFA. Since 08/08/2005. M.B.A., U of Pittsburgh
Peter D. Goslin, CFA. Since 08/08/2005. M.B.A., U of Notre Dame
Mariateresa Monaco Since 06/02/2009. M.S., Northeastern U

Long-term returns % as of 06/30/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	-6.31	-29.43	-14.55	-3.89	4.54
Russell 2000 Value Index %	-5.17	-25.24	-12.07	-2.27	-
Small Value Category %	3.70	-23.55	-10.51	-1.61	-
Morningstar Percentile Rankings	-	89	82	80	-
# of Funds in Category	408	391	318	242	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-32.24	-9.49	18.19	6.32	23.03
Russell 2000 Value Index %	-28.92	-9.78	23.48	4.71	22.25
Small Value Category %	-32.24	-6.08	16.27	6.40	21.14
Morningstar Percentile Rankings	56	75	40	55	33
# of Funds in Category	438	438	389	348	307

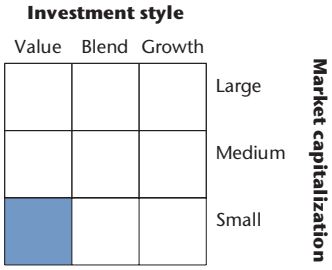
Morningstar percentile rankings are based on total returns.

Morningstar category

Small Value

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to Russell 2000 Value Index

	3Yr	5Yr
Alpha	-3.48	-1.86
Beta	0.96	0.97
R-Squared	99.08	99.03
Standard Deviation	23.41	20.33
Mean	-14.56	-3.90
Sharpe Ratio	-0.68	-0.24
Excess Return	-2.49	-1.62
Excess Risk	2.40	2.08
Information Ratio	-1.04	-0.78

Operations

Total Investment Expense Net	1.22%
Total Investment Expense Gross	1.22%
Inception Date	12/31/2002
Total Net Assets (mil)	$275.58

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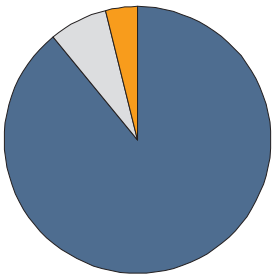
Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Value I Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	89.05
Cash	7.11
Non-U.S. Stocks	3.85

Top ten holdings	% of net assets
1. Russell 2000 Mini (Fut)	3.64
2. Portland General Electric Company	0.98
3. Rent-A-Center, Inc.	0.93
4. Senior Housing Prop Trust	0.86
5. 3Com Corporation	0.83
6. Applied Industrial Technologies, Inc.	0.83
7. New Jersey Resources Corporation	0.80
8. National Retail Properties, Inc.	0.76
9. Knight Capital Group, Inc.	0.75
10. Aspen Insurance Holdings, Ltd.	0.74
% of net assets in top ten holdings*	11.14

Analysis	
# of Stock Hldgs	592
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$720.54
Turnover Ratio	56%
P/C Ratio	3.60
P/E Ratio	8.04
P/B Ratio	1.05

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**14.00**	**Service**	**54.86**	**Manufacturing**	**31.12**
Software	3.12	Healthcare	4.29	Consumer Goods	10.08
Hardware	6.30	Consumer Services	8.95	Industrial Materials	11.89
Media	0.26	Business Services	8.55	Energy	2.43
Telecom	4.32	Financial Services	33.07	Utilities	6.72

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 investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal SmallCap Value I Separate Account-R6.

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.

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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 Funds. 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 Capital Management was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

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

High Yield I Separate Account-R6 as of 06/30/2009

Investment Strategy

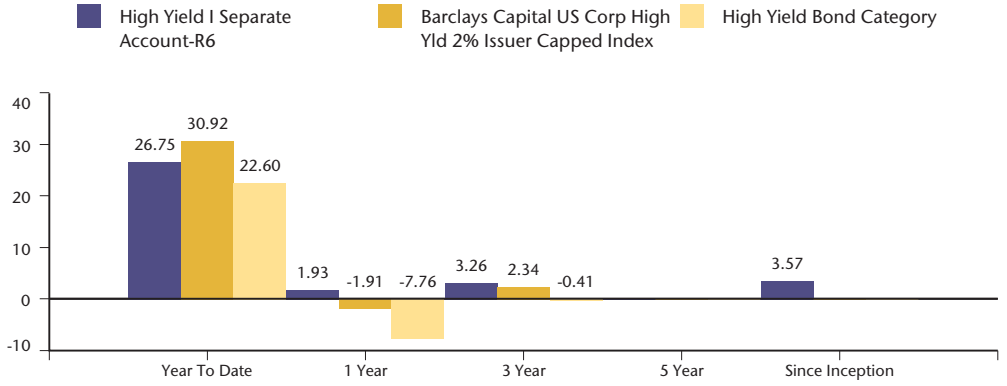
The investment seeks high current income. The fund invests at least 80% of its assets in high-yield, below investment-grade quality debt and other income-producing securities including, corporate bonds, convertible securities, preferred securities, asset-backed securities and securities of companies 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 primarily invests in securities rated Ba1 or lower by Moody's Investor Service, Inc. or BB+ or lower by Standard & Poor's Rating Service.

J.P.Morgan Asset Management | NEUBERGER BERMAN

Portfolio managers

Ann H. Benjamin Since 07/19/2007. M.B.A., Carnegie Mellon U
James E. Gibson Since 07/19/2007. B.S., U of Western Ontario, Canada
William J. Morgan Since 07/19/2007. M.B.A., Xavier C
Thomas P. O'Reilly, CFA. Since 07/19/2007. M.B.A., Loyola U
James Shanahan Since 07/19/2007. J.D., U of Cincinnati College of Law

Long-term returns % as of 06/30/2009



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 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 %	26.75	1.93	3.26	-	3.57
Barclays Capital US Corp High Yld 2% Issuer Capped Index %	30.92	-1.91	2.34	4.36	-
High Yield Bond Category %	22.60	-7.76	-0.41	2.37	-
Morningstar Percentile Rankings	-	3	3	-	-
# of Funds in Category	560	551	478	404	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-20.12	2.37	8.71	3.91	-
Barclays Capital US Corp High Yld 2% Issuer Capped Index %	-25.88	-	-	-	-
High Yield Bond Category %	-26.41	1.47	10.14	2.59	9.99
Morningstar Percentile Rankings	14	34	81	15	-
# of Funds in Category	559	542	549	518	493

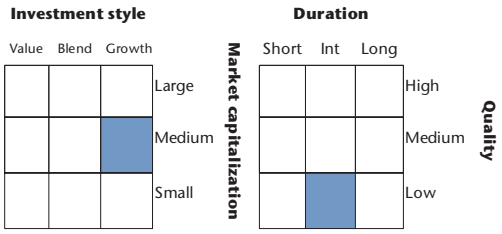
Morningstar percentile rankings are based on total returns.

Morningstar category

High Yield Bond

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to Barclays Capital US Corp High Yld 2% Issuer Capped Index

	3Yr	5Yr
Alpha	0.56	-
Beta	0.81	-
R-Squared	99.11	-
Standard Deviation	13.12	-
Mean	3.25	-
Sharpe Ratio	0.09	-
Excess Risk	3.38	-
Information Ratio	0.27	-

Operations

Total Investment Expense Net	0.82%
Total Investment Expense Gross	0.82%
Inception Date	12/31/2004
Total Net Assets (mil)	$847.17

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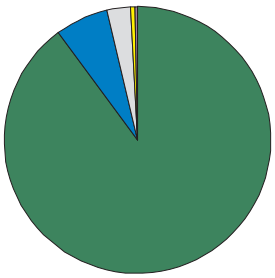
Risk and return statistical data is provided by Markov Processes International (MPI).

High Yield I Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Bonds	89.88
Non-U.S. Bonds	6.44
Cash	2.78
Other	0.53
Preferred	0.35
U.S. Stocks	0.03

Top ten holdings	% of net assets
1. Gmac 144A 6.875%	1.53
2. Roseton Danskammer Pt 2001 7.67%	1.31
3. SPRINT CAP	1.18
4. Ford Motor Credit 7.25%	1.00
5. Flextronics International Ltd, Term Loan B	0.97
6. Directv Hldgs 8.375%	0.88
7. Sprint Nextel 6%	0.84
8. TECK RESOURCES LTD	0.82
9. Engy Future Hldgs 11.25%	0.82
10. Cequel Communications Llc, Term Loan B	0.80
% of net assets in top ten holdings*	10.14

Analysis	
# of Stock Hldgs	1
# of Bond Hldgs	545
# of Other Hldgs	17
GeoAvgCap (mil)	$3,396.43
Turnover Ratio	68%
P/C Ratio	1.54
P/E Ratio	18.52
P/B Ratio	1.21

Credit Analysis As of 05/31/2009	% Bonds
AAA	3.29
AA	0.00
A	0.56
BBB	4.92
BB	29.56
B	34.22
Below B	25.82
Not Rated	1.63

Statistics	
Avg Eff Duration (Yrs)	3.95
Avg Eff Maturity (Yrs)	6.48
Avg Credit Quality	B
Avg Weighted Price	85.08

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The full name of this investment option is Principal High Yield I Separate Account-R6.

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High yield investment options are subject to greater credit risk associated with high yield bonds.

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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.

Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Neuberger Berman Fixed Income LLC (formerly named Lehman Brothers Asset Management). 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.

Formerly known as High Yield Separate Account.

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

Core Plus Bond I Separate Account-R6 as of 06/30/2009

Investment Strategy

The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund normally invests at least 80% of net assets in a diversified portfolio of fixed-income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. The average portfolio duration of the fund normally varies within two years (plus or minus) of the duration of the Lehman Brothers Aggregate Bond index. The fund may also invest up to 20% of total assets in high-yield securities rated Ba or lower by Moody's, or BB or lower by S&P.

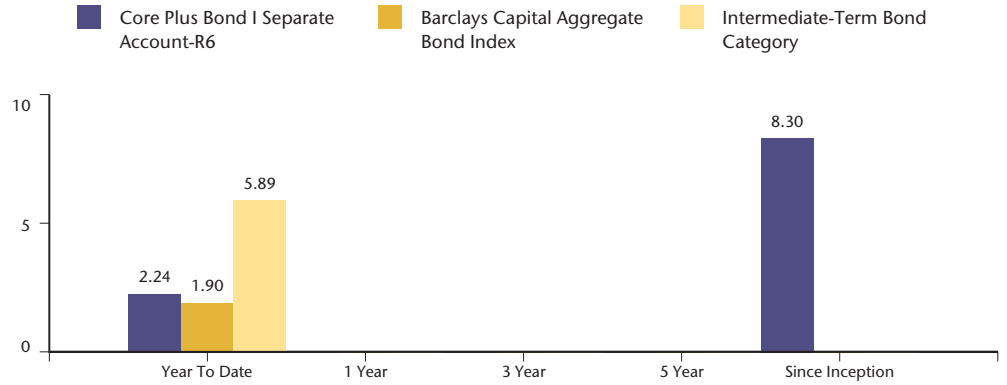
PIMCO

The Authority On Bonds™

Portfolio managers

William H. Gross, CFA. Since 09/30/2008. M.S., U of California-Los Angeles

Long-term returns % as of 06/30/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	2.24	-	-	-	8.30
Barclays Capital Aggregate Bond Index %	1.90	6.05	6.43	5.01	-
Intermediate-Term Bond Category %	5.89	1.64	3.62	3.19	-
Morningstar Percentile Rankings	-	-	-	-	-
# of Funds in Category	1163	1128	983	860	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-	-	-	-	-
Barclays Capital Aggregate Bond Index %	5.24	6.97	4.33	2.43	4.34
Intermediate-Term Bond Category %	-4.70	4.70	4.15	1.80	3.91
Morningstar Percentile Rankings	-	-	-	-	-
# of Funds in Category	1135	1097	1092	1043	1035

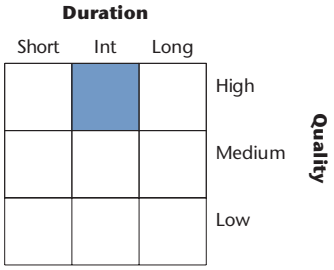
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to Barclays Capital Aggregate Bond Index

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

Operations

Total Investment Expense Net	0.81%
Total Investment Expense Gross	0.87%
Contractual Cap Expiration Date	02/28/2010
Waiver Expiration Date	02/28/2010
Inception Date	09/30/2008
Total Net Assets (mil)	$1,346.36

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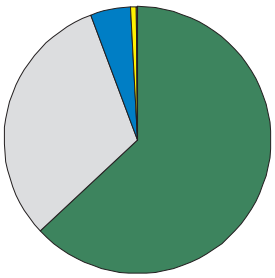
Core Plus Bond I Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Bonds	63.02
Cash	31.22
Non-U.S. Bonds	4.86
Other	0.70
Preferred	0.19

Top ten holdings	% of net assets
1. FNMA	8.56
2. FHLMC	7.56
3. FNMA 6%	6.83
4. FNMA 6%	4.70
5. Fannie Mae 5.5%	4.17
6. FNMA 1.375%	3.67
7. FNMA 6%	2.96
8. FHLMC FRN	2.88
9. FNMA 6%	2.09
10. Ing Bk Nv Neth St Cr Gtee Sc 144A 2.625%	1.98
% of net assets in top ten holdings*	45.41

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	629
# of Other Hldgs	52
Turnover Ratio	551%

Credit Analysis As of 05/31/2009	% Bonds
AAA	70.56
AA	5.22
A	14.08
BBB	5.06
BB	1.27
B	2.16
Below B	0.84
Not Rated	0.80

Statistics	
Avg Eff Duration (Yrs)	4.25
Avg Eff Maturity (Yrs)	5.81
Avg Credit Quality	AA
Avg Weighted Price	101.93

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The full name of this investment option is Principal Core Plus Bond I Separate Account-R6.

Barclays Capital Aggregate Bond 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.

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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.

Bond and Mortgage Separate Account-I2 as of 06/30/2009

Investment Strategy

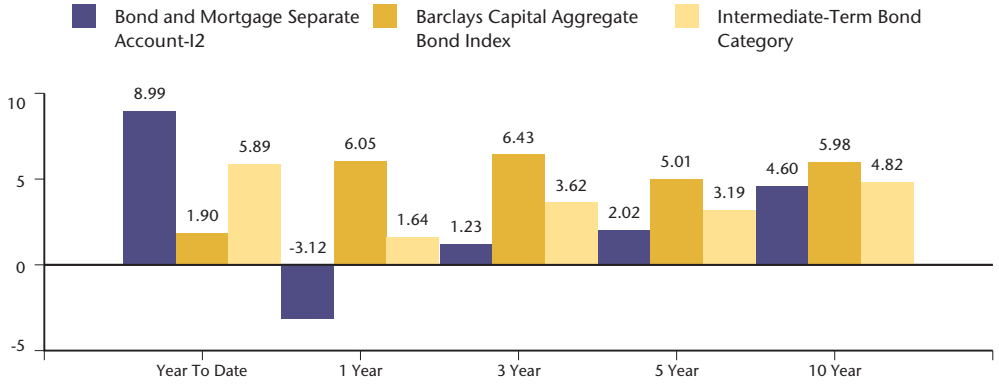
The investment option invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security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

Principal Global Investors

Portfolio managers

William C. Armstrong, CFA. Since 01/01/1997. Master, U of Iowa
Timothy R. Warrick, CFA. Since 06/01/2002. M.B.A., Drake U
L. Phillip Jacoby IV Since 11/07/2005. B.S., Boston U
Bernard M. Sussman Since 11/07/2005. M.B.A., Cornell U

Long-term returns % as of 06/30/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	8.99	-3.12	1.23	2.02	4.60
Barclays Capital Aggregate Bond Index %	1.90	6.05	6.43	5.01	5.98
Intermediate-Term Bond Category %	5.89	1.64	3.62	3.19	4.82
Morningstar Percentile Rankings	-	83	82	79	63
# of Funds in Category	1163	1128	983	860	476

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-13.06	3.83	4.72	2.64	5.02
Barclays Capital Aggregate Bond Index %	5.24	6.97	4.33	2.43	4.34
Intermediate-Term Bond Category %	-4.70	4.70	4.15	1.80	3.91
Morningstar Percentile Rankings	89	78	19	9	14
# of Funds in Category	1135	1097	1092	1043	1035

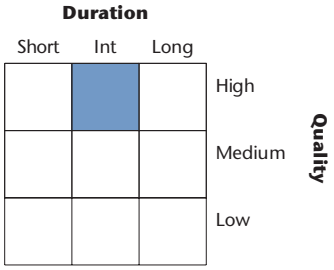
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to Barclays Capital Aggregate Bond Index

	3Yr	5Yr
Alpha	-4.66	-2.63
Beta	0.94	0.91
R-Squared	32.69	38.25
Standard Deviation	6.71	5.44
Mean	1.23	2.03
Sharpe Ratio	-0.22	-0.17
Excess Risk	5.47	4.28
Information Ratio	-0.95	-0.70

Operations

Total Investment Expense Net	0.55%
Total Investment Expense Gross	0.55%
Inception Date	02/01/1983
Total Net Assets (mil)	$4,003.56

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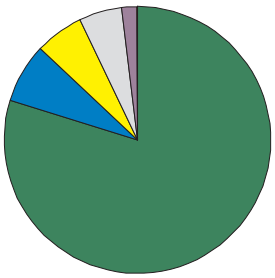
Risk and return statistical data is provided by Markov Processes International (MPI).

Bond and Mortgage Separate Account-I2 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Bonds	79.85
Non-U.S. Bonds	7.16
Other	5.85
Cash	5.17
Preferred	1.84
Non-U.S. Stocks	0.13

Top ten holdings	% of net assets
1. FHLMC	4.85
2. FNMA	4.61
3. FNMA	4.29
4. FNMA	3.69
5. US Treasury Bond 6.25%	2.87
6. FHLMC	2.05
7. GNMA	1.86
8. US Treasury Note 2%	1.63
9. FNMA	1.28
10. FNMA	1.27
% of net assets in top ten holdings*	28.40

Analysis	
# of Stock Hldgs	10
# of Bond Hldgs	1203
# of Other Hldgs	283
Turnover Ratio	422%

Credit Analysis As of 05/31/2009	% Bonds
AAA	61.31
AA	6.15
A	12.12
BBB	13.01
BB	5.52
B	1.29
Below B	0.39
Not Rated	0.21

Statistics	
Avg Eff Duration (Yrs)	4.59
Avg Eff Maturity (Yrs)	7.98
Avg Credit Quality	AA
Avg Weighted Price	93.59

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 investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal Bond and Mortgage Separate Account-I2.

Barclays Capital Aggregate Bond 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.

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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-R6

as of 06/30/2009

Investment Strategy

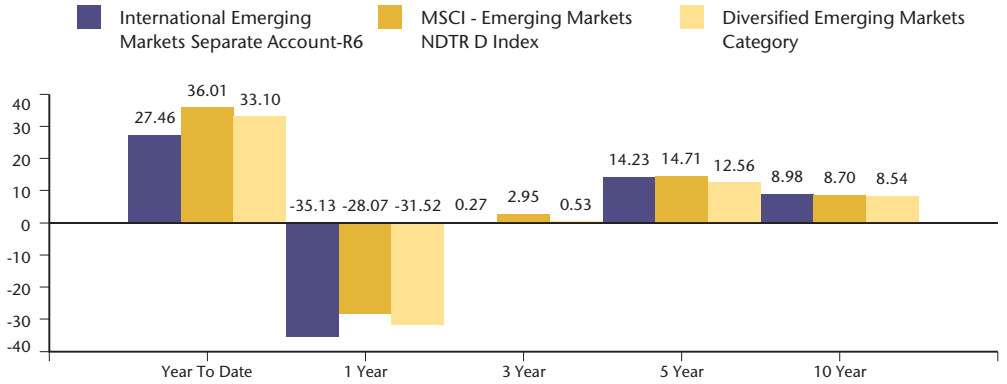
The investment option normally invests the majority of assets in equities of companies in emerging market countries. It invests in securities of companies with their principal place of business or principal office in emerging market countries; companies for which the principal securities trade in an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

Principal Global Investors

Portfolio managers

Michael L. Reynal Since 02/01/2001. M.B.A., Dartmouth C
Michael Ade, CFA. Since 05/30/2007. B.S., U of Wisconsin
Mihail Dobrinov, CFA. Since 05/30/2007. M.B.A., U of Iowa

Long-term returns % as of 06/30/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	27.46	-35.13	0.27	14.23	8.98
MSCI - Emerging Markets NDTR D Index %	36.01	-28.07	2.95	14.71	8.70
Diversified Emerging Markets Category %	33.10	-31.52	0.53	12.56	8.54
Morningstar Percentile Rankings	-	71	59	24	39
# of Funds in Category	382	327	256	200	120

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-54.93	41.60	36.36	35.09	25.63
MSCI - Emerging Markets NDTR D Index %	-53.33	39.39	32.17	34.00	25.55
Diversified Emerging Markets Category %	-54.44	36.68	32.06	31.54	23.54
Morningstar Percentile Rankings	55	20	17	29	34
# of Funds in Category	312	274	242	212	202

Morningstar percentile rankings are based on total returns.

Morningstar category

Diversified Emerging Markets

Morningstar Style Box™

As of 05/31/2009

Investment style

	Value	Blend	Growth	Market capitalization
Large		■		
Medium				
Small				

Risk and Return Statistics

as of 06/30/2009 Relative to MSCI - Emerging Markets NDTR D Index

	3Yr	5Yr
Alpha	-2.66	-0.30
Beta	0.98	0.99
R-Squared	98.99	98.85
Standard Deviation	31.68	27.70
Mean	0.27	14.23
Sharpe Ratio	0.08	0.52
Excess Return	-2.69	-0.48
Excess Risk	3.24	2.98
Information Ratio	-0.83	-0.16

Operations

Total Investment Expense Net	1.51%
Total Investment Expense Gross	1.51%
Inception Date	01/01/1995
Total Net Assets (mil)	$890.88

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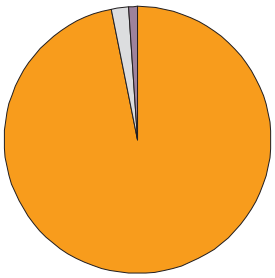
International Emerging Markets Separate Account-R6

as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
Non-U.S. Stocks	96.82
Cash	2.09
Preferred	1.09

Top ten holdings	% of net assets
1. Brazilian Petroleum Corporation ADR	4.80
2. Samsung Electronics	2.68
3. Vale	2.33
4. Taiwan Semiconductor Manufacturing	1.96
5. America Movil S.A.B. de C.V. ADR L	1.95
6. Bank of China Ltd	1.75
7. Industrial And Commercial Bank Of China Limited	1.74
8. China Mobile Ltd.	1.68
9. Gazprom OAO (EDR)	1.55
10. Lukoil Company ADR	1.47
% of net assets in top ten holdings*	21.92

Analysis	
# of Stock Hldgs	199
# of Bond Hldgs	0
# of Other Hldgs	4
GeoAvgCap (mil)	$14,759.86
Turnover Ratio	100%
P/C Ratio	4.73
P/E Ratio	12.14
P/B Ratio	1.38

Top 5 Countries	% of net assets
Brazil	15.51
South Korea	14.12
China	13.91
Russia	7.19
India	7.09

Regional exposure	% of net assets
Pacific Rim	56.82
Latin America	21.65
Other	18.44
Europe	3.10

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The full name of this investment option is Principal International Emerging Markets Separate Acct-R6.

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 Growth Separate Account-R6 as of 06/30/2009

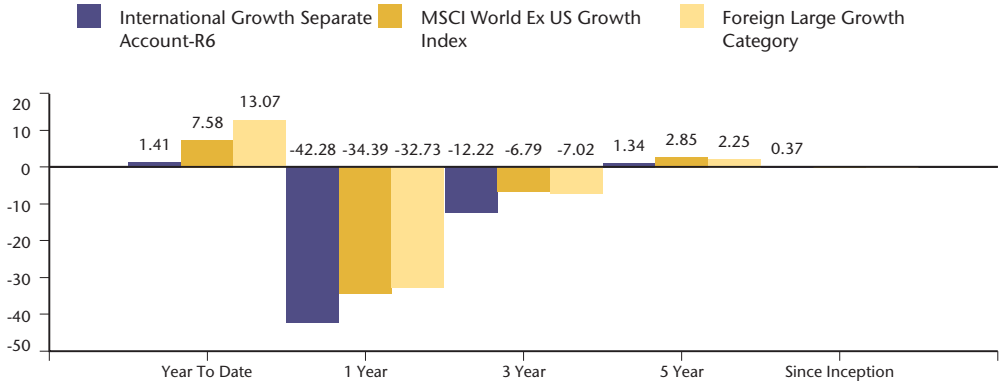
Investment Strategy

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 invests in securities listed on foreign or domestic securities exchanges, securities traded in foreign or domestic over-the-counter markets and depositary receipts.

Portfolio managers

Steve Larson, CFA. Since 03/01/2004. M.B.A., U of Minnesota
John Pihlblad, CFA. Since 03/01/2005. B.A., C of Westminster

Long-term returns % as of 06/30/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	1.41	-42.28	-12.22	1.34	0.37
MSCI World Ex US Growth Index %	7.58	-34.39	-6.79	2.85	-
Foreign Large Growth Category %	13.07	-32.73	-7.02	2.25	-
Morningstar Percentile Rankings	-	90	91	69	-
# of Funds in Category	294	284	226	172	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-47.02	12.32	24.16	22.14	22.64
MSCI World Ex US Growth Index %	-42.88	18.03	22.12	14.41	16.27
Foreign Large Growth Category %	-46.56	16.26	23.95	15.23	16.23
Morningstar Percentile Rankings	50	80	39	8	8
# of Funds in Category	251	220	243	213	221

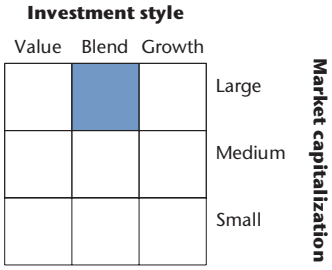
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Growth

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to MSCI World Ex US Growth Index

	3Yr	5Yr
Alpha	-5.39	-1.29
Beta	1.04	1.05
R-Squared	98.35	97.50
Standard Deviation	23.93	20.47
Mean	-12.22	1.34
Sharpe Ratio	-0.54	0.02
Excess Return	-5.43	-1.51
Excess Risk	3.17	3.34
Information Ratio	-1.71	-0.45

Operations

Total Investment Expense Net	1.18%
Total Investment Expense Gross	1.18%
Inception Date	12/29/2000
Total Net Assets (mil)	$1,145.03

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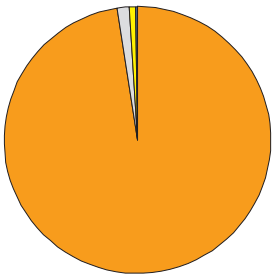
International Growth Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
Non-U.S. Stocks	97.51
Cash	1.44
Other	0.74
U.S. Stocks	0.30

Top ten holdings	% of net assets
1. Nestle	3.17
2. Novartis	2.35
3. BHP Billiton Limited	2.24
4. GlaxoSmithKline PLC	2.07
5. BP PLC	1.86
6. BG Group PLC	1.68
7. Roche Holding AG	1.67
8. British American Tobacco PLC	1.41
9. Standard Chartered PLC	1.35
10. Encana	1.31
% of net assets in top ten holdings*	19.11

Analysis	
# of Stock Hldgs	184
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$20,782.26
Turnover Ratio	125%
P/C Ratio	5.12
P/E Ratio	9.17
P/B Ratio	1.68

Top 5 Countries	% of net assets
United Kingdom	24.03
Japan	19.12
Canada	11.34
Switzerland	10.14
France	6.87

Regional exposure	% of net assets
Europe	59.48
Japan	19.12
Other	11.34
Pacific Rim	9.75
United States	0.31

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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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This Separate Account invests solely in the Institutional class shares of the Principal Funds. 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.

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MidCap Value III Separate Account-R6 as of 06/30/2009

Investment Strategy

The investment seeks long-term growth of capital and normally invests the majority of assets in companies with market capitalizations similar to those of companies in the Russell MidCap Value Index. Management selects investments primarily on the basis of fundamental security analysis, focusing on the company's financial stability, sales, earnings, dividend trends, return on equity and industry trends. It may invest up to 25% of assets in foreign securities.

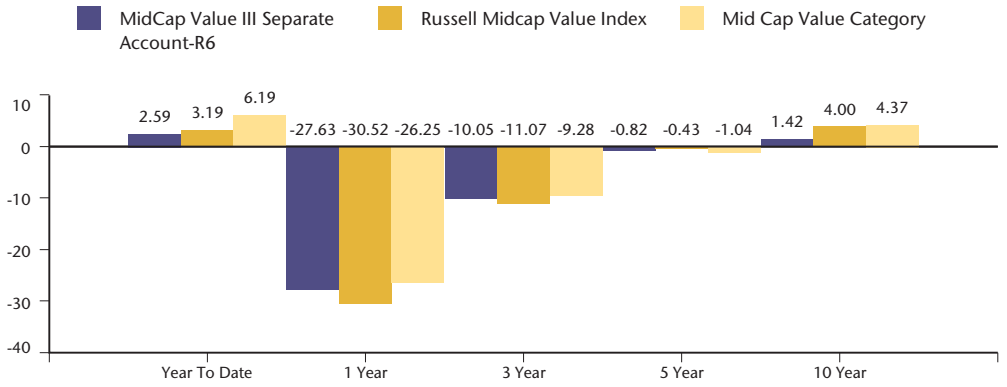
Principal Global Investors

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.

Portfolio managers

Jeffery A. Schwarte, CPA, CFA. Since 02/01/2005. B.A., Northern Iowa U
Mark Giambrone, CPA. Since 07/01/2005. M.B.A., U of Chicago
James P. Barrow Since 07/12/2005. B.S., U of South Carolina

Long-term returns % as of 06/30/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	2.59	-27.63	-10.05	-0.82	1.42
Russell Midcap Value Index %	3.19	-30.52	-11.07	-.43	4.00
Mid Cap Value Category %	6.19	-26.25	-9.28	-1.04	4.37
Morningstar Percentile Rankings	-	54	60	46	94
# of Funds in Category	432	417	332	245	87

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-35.92	-0.59	16.00	13.15	16.34
Russell Midcap Value Index %	-38.44	-1.42	20.22	12.65	23.71
Mid Cap Value Category %	-36.77	0.83	15.87	8.82	17.85
Morningstar Percentile Rankings	41	65	46	9	55
# of Funds in Category	442	405	375	310	320

Morningstar percentile rankings are based on total returns.

Morningstar category

Mid Cap Value

Morningstar Style Box™

As of 05/31/2009

Investment style

	Value	Blend	Growth	Market capitalization
Large				
Medium	■			
Small				

Risk and Return Statistics

as of 06/30/2009 Relative to Russell Midcap Value Index

	3Yr	5Yr
Alpha	-1.55	-1.11
Beta	0.84	0.85
R-Squared	98.12	97.51
Standard Deviation	20.22	16.97
Mean	-10.04	-0.81
Sharpe Ratio	-0.57	-0.14
Excess Return	1.02	-0.39
Excess Risk	4.68	3.89
Information Ratio	0.22	-0.10

Operations

Total Investment Expense Net	0.81%
Total Investment Expense Gross	0.81%
Inception Date	01/01/1991
Total Net Assets (mil)	$489.64

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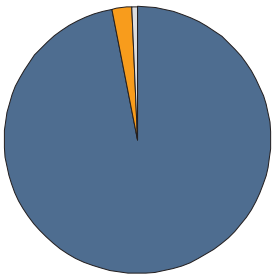
MidCap Value III Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	96.87
Non-U.S. Stocks	2.37
Cash	0.75
Other	0.01

Top ten holdings	% of net assets
1. Annaly Capital Management, Inc.	2.29
2. Computer Sciences Corporation	2.18
3. Omnicare, Inc.	2.05
4. Xcel Energy, Inc.	2.03
5. El Paso Corporation	1.99
6. International Game Tech.	1.96
7. Quest Diagnostics, Inc.	1.79
8. L-3 Communications Holdings, Inc.	1.69
9. Family Dollar Stores, Inc.	1.48
10. Stanley Works	1.48
% of net assets in top ten holdings*	18.96

Analysis	
# of Stock Hldgs	174
# of Bond Hldgs	0
# of Other Hldgs	2
GeoAvgCap (mil)	$4,639.17
Turnover Ratio	90%
P/C Ratio	4.09
P/E Ratio	11.32
P/B Ratio	1.22

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**12.95**	**Service**	**47.05**	**Manufacturing**	**40.03**
Software	3.42	Healthcare	5.00	Consumer Goods	12.73
Hardware	5.71	Consumer Services	12.66	Industrial Materials	10.13
Media	1.29	Business Services	2.99	Energy	6.26
Telecom	2.53	Financial Services	26.40	Utilities	10.91

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

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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.

Effective July 12, 2005, Barrow Hanley was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

Formerly known as Medium Company Value Separate Account.

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

Real Estate Securities Separate Account-R6 as of 06/30/2009

Investment Strategy

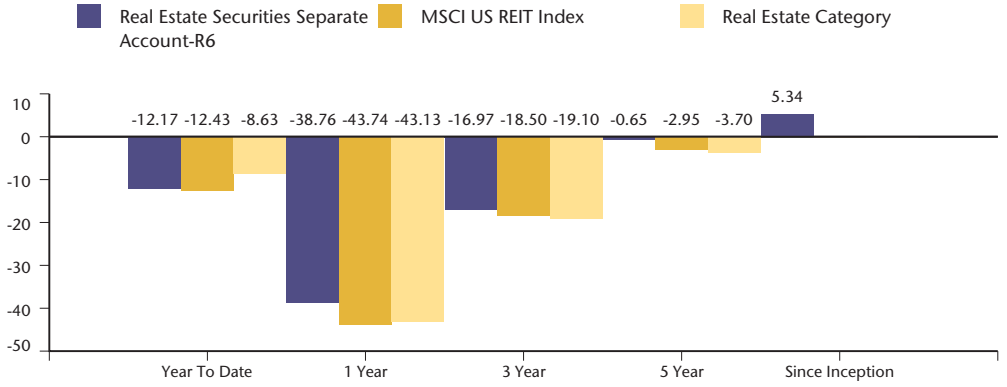
The investment seeks to generate a total return. The fund normally invests at least 80% of the net assets (plus any borrowings for investment purposes) in equity securities of companies principally engaged in the real estate industry, which include real estate investment trusts and companies with substantial real estate holdings such as paper, lumber, hotel and entertainment companies. It is nondiversified.

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 06/30/2009



Performance disclosure

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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 %	-12.17	-38.76	-16.97	-0.65	5.34
MSCI US REIT Index %	-12.43	-43.74	-18.50	-2.95	-
Real Estate Category %	-8.63	-43.13	-19.10	-3.70	-
Morningstar Percentile Rankings	-	9	17	10	-
# of Funds in Category	274	264	232	202	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-32.82	-17.73	36.03	15.28	33.69
MSCI US REIT Index %	-37.97	-16.82	35.92	12.13	31.49
Real Estate Category %	-39.55	-14.66	33.58	11.51	32.02
Morningstar Percentile Rankings	5	70	30	16	36
# of Funds in Category	265	372	306	279	252

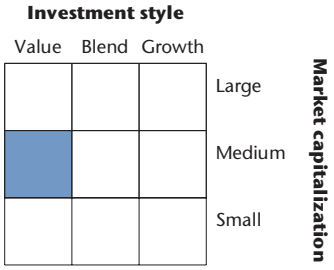
Morningstar percentile rankings are based on total returns.

Morningstar category

Real Estate

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to MSCI US REIT Index

	3Yr	5Yr
Alpha	-2.02	1.14
Beta	0.87	0.89
R-Squared	99.13	98.81
Standard Deviation	33.92	28.26
Mean	-16.97	-0.65
Sharpe Ratio	-0.46	0.01
Excess Return	1.54	2.31
Excess Risk	5.91	4.74
Information Ratio	0.26	0.49

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	12/31/2002
Total Net Assets (mil)	$1,110.63

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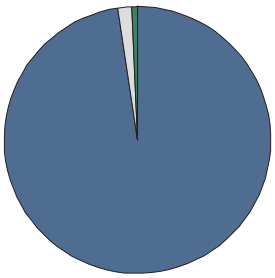
Risk and return statistical data is provided by Markov Processes International (MPI).

Real Estate Securities Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	97.62
Cash	1.69
U.S. Bonds	0.69

Top ten holdings	% of net assets
1. Simon Property Group, Inc.	11.38
2. Public Storage	7.53
3. Boston Properties, Inc.	4.80
4. HCP, Inc.	4.41
5. Host Hotels & Resorts, Inc.	4.23
6. Ventas, Inc.	4.14
7. Vornado Realty Trust	3.89
8. Kimco Realty Corporation	3.22
9. Federal Realty Investment Trust	2.97
10. Health Care REIT, Inc.	2.94
% of net assets in top ten holdings*	49.51

Analysis	
# of Stock Hldgs	48
# of Bond Hldgs	3
# of Other Hldgs	3
GeoAvgCap (mil)	$3,278.10
Turnover Ratio	47%
P/C Ratio	6.05
P/E Ratio	25.52
P/B Ratio	1.09

Stock Sector Breakdown

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

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 investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal Real Estate Securities Separate Account-R6.

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

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

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This Separate Account invests solely in the Institutional class shares of the Principal Funds. 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.

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-R6 as of 06/30/2009

Investment Strategy

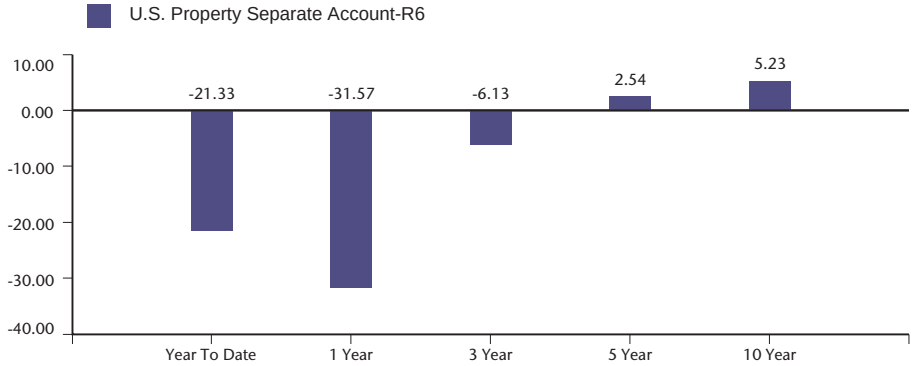
The investment invests the majority of assets on commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail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

Principal Real Estate Investors

Portfolio managers

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

Long-term returns % as of 06/30/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-21.33	-31.57	-6.13	2.54	5.23

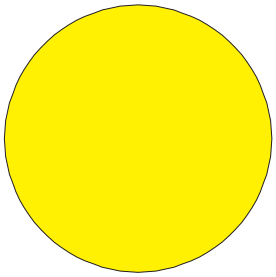
Annual Returns	2008	2007	2006	2005	2004
Total Return %	-13.23	13.42	15.14	18.61	12.52

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	01/01/1982
Total Net Assets (mil)	$4,163.78

Portfolio information

Composition as of 05/31/2009



% of Assets

Other	100.00

Analysis

Total Number of Hldgs	140

Portfolio composition

Top ten holdings	% of net assets
OFFICE SAN FRANCISCO, CA 379	6.27
OFFICE NEW YORK, NY 1241	4.11
OFFICE BELLEVUE, WA 255	3.33
RETAIL BURBANK, CA 275	2.81
OFFICE SCOTTSDALE, AZ 1232	2.48
APARTMENT CAMBRIDGE, MA 210	2.24
OFFICE NEW YORK, NY 380	2.23
APARTMENT MERCER ISLAND, VA 285	2.17
APARTMENT TUSTIN, CA 308	2.02
OFFICE CAMBRIDGE, MA 243	1.98

% of net assets in top ten holdings* 29.64%

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

Geographical diversity	% of properties
West	49.31
East	21.93
South	17.64
Midwest	11.12

Property type	% of account
Office	43.15
Apartments	21.85
Retail	19.64
Warehouse	14.15
Other	1.21

U.S. Property Separate Account-R6 as of 06/30/2009

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 Funds, Inc. is distributed by Principal Funds Distributor, Inc. Securities are offered through Princor Financial Services Corporation, 800-547-7754, member SIPC, and/or independent broker/dealers. Securities sold by a Princor® Registered Representative are offered through Princor. Principal Funds Distributor, Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths.

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.

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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.

LargeCap Growth I Separate Account-R6 as of 06/30/2009

Investment Strategy

The investment seeks to maximize long-term capital appreciation. The fund normally invests at least 80% of net assets (plus any borrowings for investment purposes) in equity securities of companies with market capitalizations within the range of companies in the Russell 1000 Growth index at the time of purchase. Its investments in foreign companies will be limited to 25% of total assets. The fund 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.

T.RowePrice INVEST WITH CONFIDENCE

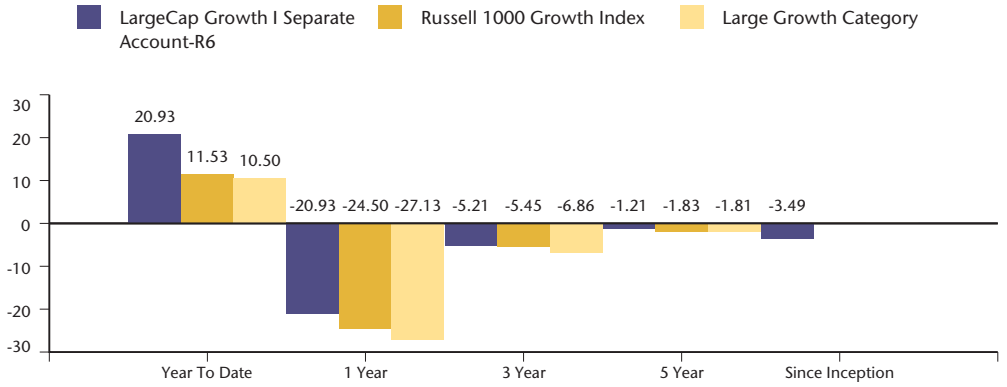
BROWN ADVISORY

Portfolio managers

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

Mariateresa Monaco Since 06/02/2009. M.S., Northeastern U

Long-term returns % as of 06/30/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	20.93	-20.93	-5.21	-1.21	-3.49
Russell 1000 Growth Index %	11.53	-24.50	-5.45	-1.83	-
Large Growth Category %	10.50	-27.13	-6.86	-1.81	-
Morningstar Percentile Rankings	-	13	26	36	-
# of Funds in Category	1908	1839	1565	1294	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-40.69	8.18	5.93	7.44	9.12
Russell 1000 Growth Index %	-38.44	11.81	9.07	5.26	6.30
Large Growth Category %	-40.67	13.35	7.05	6.71	7.81
Morningstar Percentile Rankings	51	75	63	40	37
# of Funds in Category	1809	1748	1642	1495	1400

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 05/31/2009

Investment style

Market capitalization	Value	Blend	Growth
Large			■
Medium			
Small			

Risk and Return Statistics

as of 06/30/2009 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	1.25	1.24
Beta	1.08	1.08
R-Squared	95.26	93.60
Standard Deviation	21.33	17.81
Mean	-5.21	-1.20
Sharpe Ratio	-0.28	-0.15
Excess Return	0.25	0.62
Excess Risk	4.91	4.68
Information Ratio	0.05	0.13

Operations

Total Investment Expense Net	0.90%
Total Investment Expense Gross	0.90%
Inception Date	12/29/2000
Total Net Assets (mil)	$1,424.30

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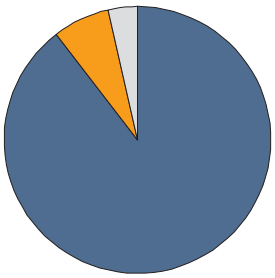
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Growth I Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	89.56
Non-U.S. Stocks	6.89
Cash	3.55

Top ten holdings	% of net assets
1. Apple, Inc.	4.58
2. Juniper Networks, Inc.	4.26
3. Amazon.com, Inc.	3.73
4. S & P 500 FUTURE JUN09	3.55
5. Qualcomm, Inc.	3.27
6. Danaher Corporation	3.24
7. Google, Inc.	3.17
8. American Tower Corporation A	2.98
9. Medco Health Solutions, Inc.	2.92
10. Gilead Sciences, Inc.	2.79
% of net assets in top ten holdings*	34.49

Analysis	
# of Stock Hldgs	64
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$26,402.08
Turnover Ratio	65%
P/C Ratio	3.27
P/E Ratio	19.17
P/B Ratio	2.40

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**37.63**	**Service**	**44.43**	**Manufacturing**	**17.95**
Software	2.63	Healthcare	9.84	Consumer Goods	1.25
Hardware	18.09	Consumer Services	19.10	Industrial Materials	7.88
Media	0.10	Business Services	5.39	Energy	7.43
Telecom	16.81	Financial Services	10.10	Utilities	1.39

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The full name of this investment option is Principal LargeCap Growth I Separate Account-R6.

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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This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

Effective July 14, 2009, Brown Advisory 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.

MidCap Growth III Separate Account-R6 as of 06/30/2009

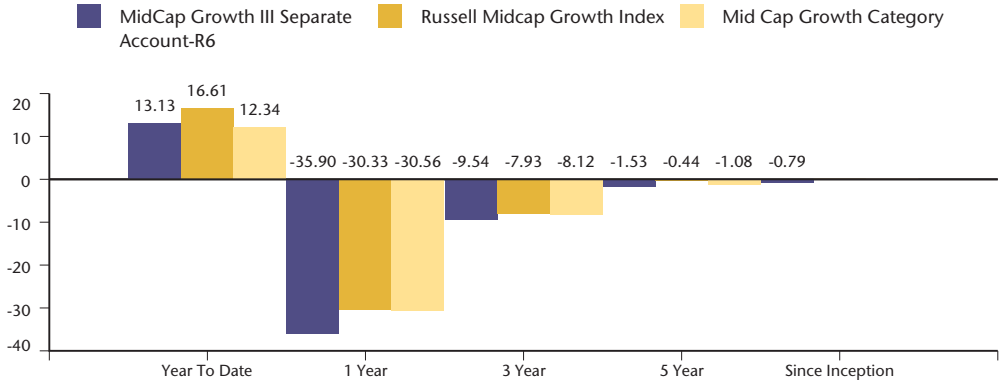
Investment Strategy

The investment seeks long-term growth of capital. The fund invests primarily in common stocks and other equity securities of U.S. companies with strong earnings growth potential. It normally invests at least 80% of assets in companies with market capitalizations similar to those of companies in the Russell Midcap Growth index. It may invest up to 25% of assets in foreign securities.

Portfolio managers

Christopher K. McHugh Since 12/06/2000. M.B.A., St. Joseph's U
Adam T. Logan, CFA. Since 11/21/2008. M.B.A., U of Pittsburgh
John R. O'Toole, CFA. Since 11/21/2008. M.B.A., U of Chicago
Bruce Jacobs Since 05/01/2009. Ph.D, U of PA's Wharton School
Mariateresa Monaco Since 06/02/2009. M.S., Northeastern U

Long-term returns % as of 06/30/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	13.13	-35.90	-9.54	-1.53	-0.79
Russell Midcap Growth Index %	16.61	-30.33	-7.93	-.44	-
Mid Cap Growth Category %	12.34	-30.56	-8.12	-1.08	-
Morningstar Percentile Rankings	-	71	67	59	-
# of Funds in Category	906	888	794	658	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-48.56	24.40	6.26	11.59	11.41
Russell Midcap Growth Index %	-44.32	11.43	10.66	12.10	15.48
Mid Cap Growth Category %	-43.77	15.09	9.00	9.84	13.23
Morningstar Percentile Rankings	81	12	69	37	65
# of Funds in Category	934	967	994	936	903

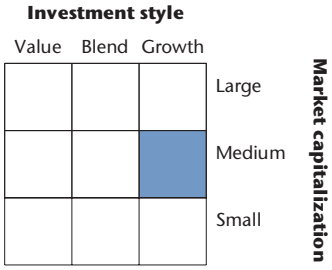
Morningstar percentile rankings are based on total returns.

Morningstar category

Mid Cap Growth

Morningstar Style Box™

As of 05/31/2009



Risk and Return Statistics

as of 06/30/2009 Relative to Russell Midcap Growth Index

	3Yr	5Yr
Alpha	-1.62	-0.78
Beta	1.00	1.04
R-Squared	96.26	95.51
Standard Deviation	23.91	21.13
Mean	-9.53	-1.52
Sharpe Ratio	-0.42	-0.11
Excess Return	-1.61	-1.08
Excess Risk	4.60	4.53
Information Ratio	-0.35	-0.24

Operations

Total Investment Expense Net	1.17%
Total Investment Expense Gross	1.17%
Inception Date	10/28/1999
Total Net Assets (mil)	$1,035.42

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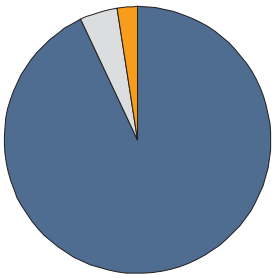
Risk and return statistical data is provided by Markov Processes International (MPI).

MidCap Growth III Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	92.99
Cash	4.52
Non-U.S. Stocks	2.49

Top ten holdings	% of net assets
1. S&P MID 400 EMINI JUN09	4.71
2. Yum Brands, Inc.	1.36
3. Broadcom Corporation	1.33
4. Kohl's Corporation	1.28
5. McAfee, Inc.	1.28
6. St. Jude Medical, Inc.	1.19
7. Express Scripts	1.15
8. Southwestern Energy Company	1.01
9. Guess Inc	0.97
10. F5 Networks, Inc.	0.93
% of net assets in top ten holdings*	15.21

Analysis	
# of Stock Hldgs	335
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$4,556.44
Turnover Ratio	167%
P/C Ratio	5.53
P/E Ratio	15.28
P/B Ratio	1.96

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**25.86**	**Service**	**41.40**	**Manufacturing**	**32.75**
Software	5.46	Healthcare	10.10	Consumer Goods	7.05
Hardware	14.04	Consumer Services	14.05	Industrial Materials	14.29
Media	1.29	Business Services	10.78	Energy	9.24
Telecom	5.07	Financial Services	6.47	Utilities	2.17

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The full name of this investment option is Principal MidCap Growth III Separate Account-R6.

Russell Midcap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell Midcap Index having 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.

† Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit www.principal.com.

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 Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holder investing in the Separate Account. For further information on the underlying mutual fund see the prospectus of the fund.

Formerly known as Mid-Cap Growth Separate Account.

This Separate Account invests solely in the Institutional class share of a mutual fund (Fund) from Principal Funds, Inc. The manager of the Fund, Principal Management Corporation, invests between 10% and 40% of the Fund's assets in common stocks in an attempt to match or exceed the performance of the Fund's benchmark index for performance.

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

LargeCap Value I Separate Account-R6 as of 06/30/2009

Investment Strategy

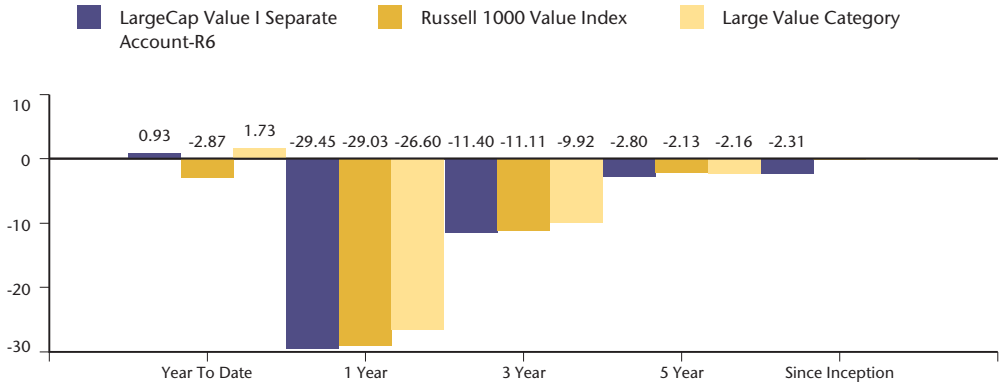
The investment seeks long-term growth of capital. The fund invests primarily in common stocks and other equity securities of large-capitalization companies. It normally invests at least 80% of net assets in securities of companies with large market capitalizations (those with market capitalizations similar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

UBS Global Asset Management

Portfolio managers

Thomas M. Cole, CFA. Since 06/01/2004. M.B.A., U of Wisconsin
Thomas J. Digenan, CPA, CFA. Since 06/01/2004. M.S., DePaul U
John C. Leonard, CFA. Since 06/01/2004. M.B.A., U of Chicago
Scott C. Hazen, CFA. Since 03/01/2006. M.B.A., U of Chicago
Mariateresa Monaco Since 06/02/2009. M.S., Northeastern U

Long-term returns % as of 06/30/2009



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 www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

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

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	0.93	-29.45	-11.40	-2.80	-2.31
Russell 1000 Value Index %	-2.87	-29.03	-11.11	-2.13	-
Large Value Category %	1.73	-26.60	-9.92	-2.16	-
Morningstar Percentile Rankings	-	74	74	62	-
# of Funds in Category	1411	1358	1154	951	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-39.34	0.31	18.01	9.75	-
Russell 1000 Value Index %	-36.85	-0.17	22.25	7.05	16.49
Large Value Category %	-37.09	1.42	18.15	5.95	12.97
Morningstar Percentile Rankings	70	61	53	16	-
# of Funds in Category	1433	1432	1371	1296	1220

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 05/31/2009

Investment style

	Value	Blend	Growth	
Large	■			
Medium				
Small				

Market capitalization

Risk and Return Statistics

as of 06/30/2009 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	0.29	-0.56
Beta	1.03	1.01
R-Squared	96.07	95.33
Standard Deviation	21.39	17.20
Mean	-11.41	-2.81
Sharpe Ratio	-0.60	-0.26
Excess Return	-0.30	-0.68
Excess Risk	4.27	3.70
Information Ratio	-0.07	-0.18

Operations

Total Investment Expense Net	0.96%
Total Investment Expense Gross	0.96%
Inception Date	06/01/2004
Total Net Assets (mil)	$1,105.07

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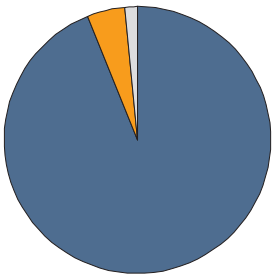
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value I Separate Account-R6 as of 06/30/2009

Portfolio information†

Composition as of 05/31/2009



% of Assets	
U.S. Stocks	93.85
Non-U.S. Stocks	4.57
Cash	1.58

Top ten holdings	% of net assets
1. General Electric Company	5.31
2. J.P. Morgan Chase & Co.	5.01
3. Pfizer Inc.	3.52
4. AT&T, Inc.	3.51
5. Chevron Corporation	3.11
6. Wells Fargo Company	3.10
7. Covidien	2.97
8. Marathon Oil Corporation	2.67
9. Comcast Corporation A	2.61
10. Morgan Stanley	2.50
% of net assets in top ten holdings*	34.32

Analysis	
# of Stock Hldgs	56
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$26,182.82
Turnover Ratio	52%
P/C Ratio	3.71
P/E Ratio	15.01
P/B Ratio	1.37

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**14.77**	**Service**	**38.05**	**Manufacturing**	**47.18**
Software	0.06	Healthcare	9.75	Consumer Goods	7.99
Hardware	4.29	Consumer Services	5.21	Industrial Materials	14.29
Media	5.52	Business Services	4.67	Energy	16.98
Telecom	4.90	Financial Services	18.42	Utilities	7.92

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