

Principal Financial Advisors, Inc.



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



Contract No. 4-45661

October 01, 2008 - September 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 ProgramSM provided by Principal Life Insurance Company.
- 2) Asset liability analysis for defined benefit plans and scenarios to help meet your plan's goals.
- 3) Assumption of fiduciary responsibility for asset allocation decisions.*
- 4) Experienced investment personnel.
- 5) Comprehensive reporting and top-tier client service.

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

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

Portfolio and Strategic Asset Allocation Review

| Investment Review - Allocation 10/01/2008 through 09/30/2009 | | | | | |
|--|---|-------------------|-------------|----------------|-------------|
| Investment Advisor | Investment Option | Beginning Balance | Breakdown % | Ending Balance | Breakdown % |
| Large U.S. Equity | | | | | |
| Large Value | | | | | |
| AllianceBernstein / Westwood | LargeCap Value III Separate Account-R6 ^{3, 17, 22, 33, 43} | \$1,034,966 | 4.01% | \$1,159,735 | 4.54% |
| UBS Global Asset Mgmt (NY) | LargeCap Value I Separate Account-R6 ^{15, 43, 47} | \$2,091,123 | 8.10% | \$2,164,501 | 8.48% |
| Large Blend | | | | | |
| Goldman Sachs Asset Mgt | LargeCap Blend I Separate Account-R6 ¹⁰ | \$2,064,343 | 7.99% | \$0 | 0.00% |
| Principal Global Investors | LargeCap S&P 500 Index Separate Account-R6 ^{2, 9, 24} | \$0 | 0.00% | \$1,424,311 | 5.58% |
| Large Growth | | | | | |
| Columbus Circle Investors | LargeCap Growth Separate Account-R6 ²⁵ | \$1,567,235 | 6.07% | \$1,669,876 | 6.54% |
| T. Rowe Price/Brown Advisory | LargeCap Growth I Separate Account-R6 ^{3, 43, 45} | \$1,536,618 | 5.95% | \$1,657,709 | 6.49% |
| Small/Mid U.S. Equity | | | | | |
| Mid Cap Value | | | | | |
| Principal Global/Barrow Hanley | MidCap Value III Separate Account-R6 ^{1, 13, 26} | \$405,421 | 1.57% | \$388,645 | 1.52% |
| Mid Cap Growth | | | | | |
| Turner/Mellon/Jacobs Levy | MidCap Growth III Separate Account-R6 ^{1, 12, 27, 43} | \$368,984 | 1.43% | \$388,944 | 1.52% |
| Small Value | | | | | |
| DFA/Vaughan Nelson/LA Capital | SmallCap Value II Separate Account-R6 ^{1, 15, 37, 40, 43} | \$0 | 0.00% | \$385,177 | 1.51% |
| JP Morgan/Mellon Capital Mgmt | SmallCap Value I Separate Account-R6 ^{1, 3, 16, 43} | \$445,708 | 1.73% | \$0 | 0.00% |
| Small Growth | | | | | |
| Emerald / Essex | SmallCap Growth II Separate Account-R6 ^{1, 3, 43, 44} | \$429,650 | 1.66% | \$387,452 | 1.52% |
| International Equity | | | | | |
| Diversified Emerging Markets | | | | | |
| Principal Global Investors | International Emerging Markets Separate Account-R6 ⁴ | \$247,206 | 0.96% | \$312,488 | 1.22% |
| Foreign Large Value | | | | | |
| AXA Rosenberg/Causeway | International Value I Separate Account-R6 ^{4, 15, 43} | \$0 | 0.00% | \$852,438 | 3.34% |
| Foreign Large Blend | | | | | |
| Fidelity (Pyramis Global Adv) | International I Separate Account-R6 ^{4, 15, 19, 31, 43} | \$1,171,357 | 4.54% | \$877,451 | 3.44% |
| Foreign Large Growth | | | | | |
| Principal Global Investors | International Growth Separate Account-R6 ^{3, 4} | \$1,118,236 | 4.33% | \$848,568 | 3.32% |
| Real Estate | | | | | |
| Owned Real Estate | | | | | |
| Principal Real Estate Inv | U.S. Property Separate Account-R6 ⁶ | \$1,556,705 | 6.03% | \$994,562 | 3.89% |
| Real Estate | | | | | |
| Principal Real Estate Inv | Real Estate Securities Separate Account-R6 ^{3, 8} | \$475,956 | 1.84% | \$385,636 | 1.51% |

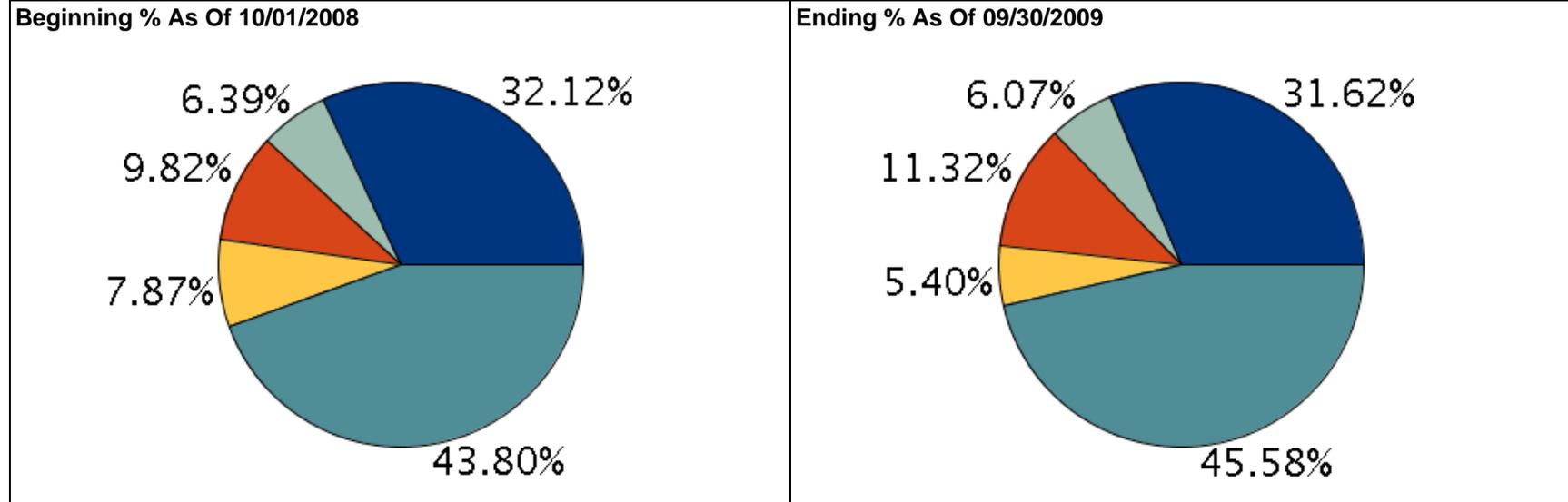
Portfolio and Strategic Asset Allocation Review

| Investment Review - Allocation 10/01/2008 through 09/30/2009 | | | | | |
|--|--|---------------------|-------------|---------------------|-------------|
| Investment Advisor | Investment Option | Beginning Balance | Breakdown % | Ending Balance | Breakdown % |
| | Fixed Income | | | | |
| | High Yield Bond | | | | |
| JP Morgan/Neuberger Berman | High Yield I Separate Account-R6 ^{5, 15, 18, 20, 21, 32} | \$1,483,740 | 5.75% | \$1,381,396 | 5.41% |
| | Intermediate-Term Bond | | | | |
| PIMCO | Core Plus Bond I Separate Account-R6 ^{15, 18, 21} | \$0 | 0.00% | \$4,265,357 | 16.70% |
| Principal Global Investors | Bond and Mortgage Separate Account-I2 ^{18, 21} | \$7,792,478 | 30.17% | \$4,270,372 | 16.72% |
| Spectrum | Preferred Securities Separate Account-R6 ^{3, 18, 21} | \$309,304 | 1.20% | \$0 | 0.00% |
| | Inflation-Protected Bond | | | | |
| BlackRock Financial Mgmt, Inc. | Inflation Protection Separate Account-R6 ^{15, 18, 21, 34} | \$1,725,770 | 6.68% | \$1,722,934 | 6.75% |
| TOTAL | | \$25,824,800 | 100% | \$25,537,552 | 100% |

Please see important disclosures at the end of this presentation.

Portfolio and Strategic Asset Allocation Review

Asset Class Breakdown



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

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

Asia 6.093%

| | |
|-------------|--------|
| China | 1.492% |
| India | 0.776% |
| Indonesia | 0.327% |
| Malaysia | 0.042% |
| Pakistan | - |
| Philippines | - |
| South Korea | 1.995% |
| Taiwan | 1.462% |
| Thailand | - |

Europe 59.848%

| | |
|----------------|---------|
| Austria | 0.061% |
| Belgium | 1.058% |
| Denmark | 1.080% |
| Finland | 0.734% |
| France | 9.152% |
| Germany | 7.250% |
| Greece | 0.637% |
| Ireland | 0.211% |
| Italy | 2.329% |
| Luxembourg | 0.541% |
| Netherlands | 3.666% |
| Norway | 0.947% |
| Portugal | 0.402% |
| Spain | 3.762% |
| Sweden | 1.471% |
| Switzerland | 8.372% |
| United Kingdom | 18.174% |

Latin America 2.560%

| | |
|------------------------|--------|
| Argentina | - |
| Bermuda | 0.058% |
| Brazil | 1.995% |
| British Virgin Islands | 0.041% |
| Cayman Islands | 0.051% |
| Chile | 0.029% |
| Colombia | - |
| Mexico | 0.385% |
| Peru | - |

North America 0.861%

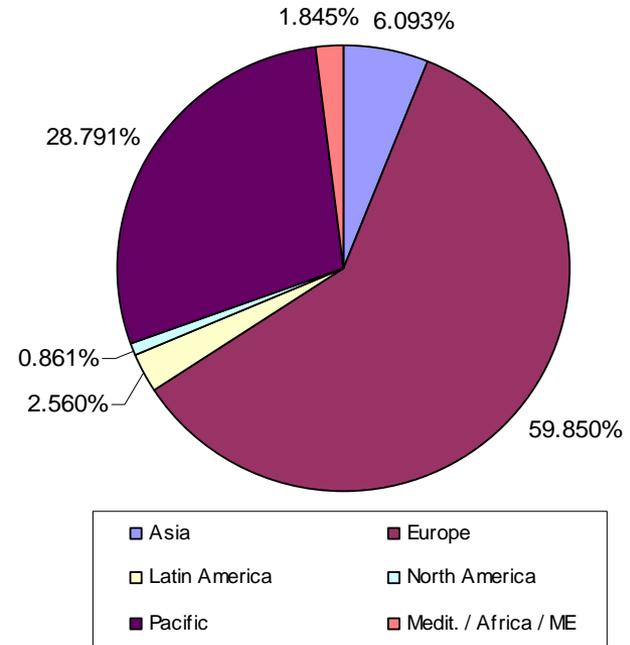
| | |
|---------------|--------|
| Canada | 0.621% |
| United States | 0.240% |

Pacific 28.790%

| | |
|-------------|---------|
| Australia | 5.965% |
| Hong Kong | 2.972% |
| Japan | 18.282% |
| New Zealand | 0.031% |
| Singapore | 1.540% |

Medit. / Africa / ME 1.845%

| | |
|----------------|--------|
| Cyprus | - |
| Czech Republic | - |
| Egypt | - |
| Hungary | 0.116% |
| Iceland | - |
| Israel | 0.192% |
| Morocco | - |
| Poland | 0.124% |
| Russia | 0.702% |
| Slovenia | - |
| South Africa | 0.499% |
| Turkey | 0.212% |



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 09/30/2009 | | | |
|---|---|----------------------|-------------------|
| 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 ^{3, 17, 22, 33, 43} | 4.10% | 4.50% |
| UBS Global Asset Mgmt (NY) | LargeCap Value I Separate Account-R6 ^{15, 43, 47} | 7.70% | 8.40% |
| | Large Blend | | |
| Goldman Sachs Asset Mgt | LargeCap Blend I Separate Account-R6 ¹⁰ | 7.70% | 0.00% |
| Principal Global Investors | LargeCap S&P 500 Index Separate Account-R6 ^{2, 9, 24} | 0.00% | 5.50% |
| | Large Growth | | |
| Columbus Circle Investors | LargeCap Growth Separate Account-R6 ²⁵ | 5.90% | 6.50% |
| T. Rowe Price/Brown Advisory | LargeCap Growth I Separate Account-R6 ^{3, 43, 45} | 5.90% | 6.40% |
| | Small/Mid U.S. Equity | 6.00% | 6.00% |
| | Mid Cap Value | | |
| Principal Global/Barrow Hanley | MidCap Value III Separate Account-R6 ^{1, 13, 26} | 1.50% | 1.50% |
| | Mid Cap Growth | | |
| Turner/Mellon/Jacobs Levy | MidCap Growth III Separate Account-R6 ^{1, 12, 27, 43} | 1.50% | 1.50% |
| | Small Value | | |
| DFA/Vaughan Nelson/LA Capital | SmallCap Value II Separate Account-R6 ^{1, 15, 37, 40, 43} | 0.00% | 1.50% |
| JP Morgan/Mellon Capital Mgmt | SmallCap Value I Separate Account-R6 ^{1, 3, 16, 43} | 1.50% | 0.00% |
| | Small Growth | | |
| Emerald / Essex | SmallCap Growth II Separate Account-R6 ^{1, 3, 43, 44} | 1.50% | 1.50% |
| | International Equity | 11.20% | 11.20% |
| | Diversified Emerging Markets | | |
| Principal Global Investors | International Emerging Markets Separate Account-R6 ⁴ | 1.20% | 1.20% |
| | Foreign Large Value | | |
| AXA Rosenberg/Causeway | International Value I Separate Account-R6 ^{4, 15, 43} | 0.00% | 3.30% |
| | Foreign Large Blend | | |
| Fidelity (Pyramis Global Adv) | International I Separate Account-R6 ^{4, 15, 19, 31, 43} | 5.00% | 3.40% |
| | Foreign Large Growth | | |
| Principal Global Investors | International Growth Separate Account-R6 ^{3, 4} | 5.00% | 3.30% |

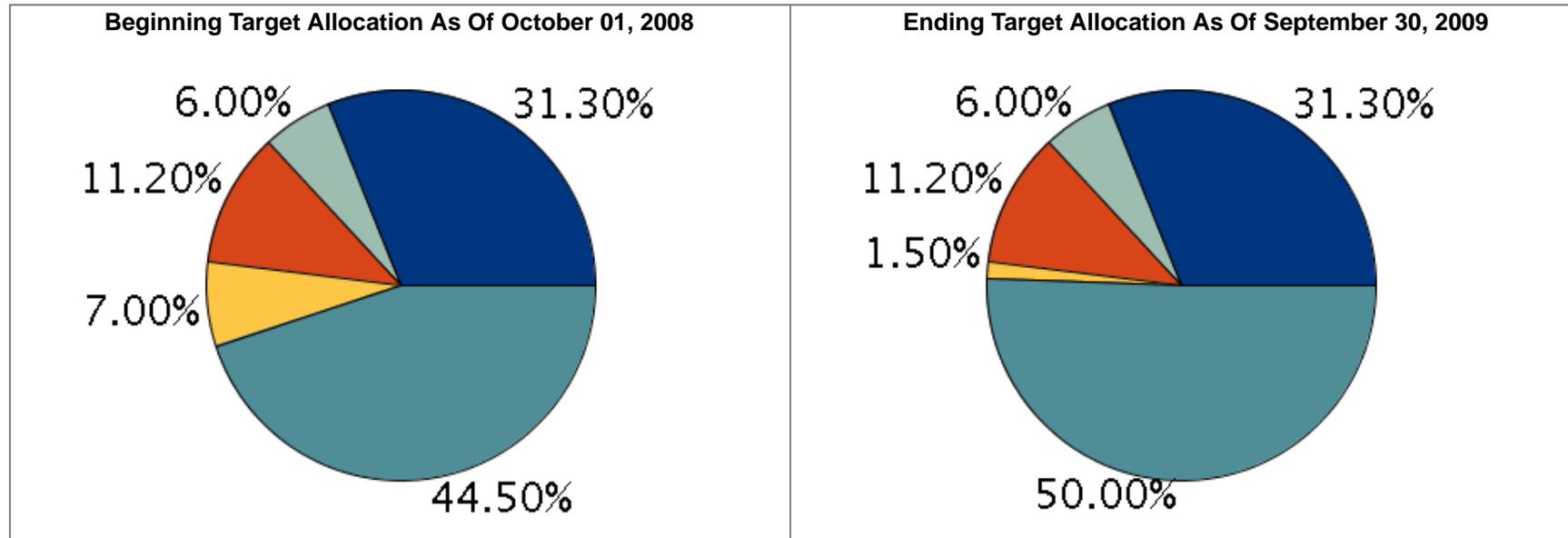
Portfolio and Strategic Asset Allocation Review

| Target Allocation 10/01/2008 through 09/30/2009 | | | |
|---|--|----------------------|-------------------|
| Investment Advisor | Investment Option | Beginning Allocation | Ending Allocation |
| | Real Estate | 7.00% | 1.50% |
| | Owned Real Estate | | |
| Principal Real Estate Inv | U.S. Property Separate Account-R6 ⁶ | 5.50% | 0.00% |
| | Real Estate | | |
| Principal Real Estate Inv | Real Estate Securities Separate Account-R6 ^{3, 8} | 1.50% | 1.50% |
| | Fixed Income | 44.50% | 50.00% |
| | High Yield Bond | | |
| JP Morgan/Neuberger Berman | High Yield I Separate Account-R6 ^{5, 15, 18, 20, 21, 32} | 5.30% | 5.30% |
| | Intermediate-Term Bond | | |
| PIMCO | Core Plus Bond I Separate Account-R6 ^{15, 18, 21} | 0.00% | 19.00% |
| Principal Global Investors | Bond and Mortgage Separate Account-I2 ^{18, 21} | 31.20% | 19.10% |
| Spectrum | Preferred Securities Separate Account-R6 ^{3, 18, 21} | 1.40% | 0.00% |
| | Inflation-Protected Bond | | |
| BlackRock Financial Mgmt, Inc. | Inflation Protection Separate Account-R6 ^{15, 18, 21, 34} | 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.



- 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 |
| <p>LargeCap Value III Separate Account-R6 ^{3, 17, 22, 33, 43}</p>  <p>LargeCap Value I Separate Account-R6 ^{15, 43, 47}</p>  | <p>LargeCap S&P 500 Index Separate Account-R6 ^{2, 9, 24 ++}</p> | <p>LargeCap Growth Separate Account-R6 ²⁵</p>  <p>LargeCap Growth I Separate Account-R6 ^{3, 43, 45}</p>  |
| Small/Mid U.S. Equity | | |
| Mid Cap Value | Mid Cap Blend | Mid Cap Growth |
| <p>MidCap Value III Separate Account-R6 ^{1, 13, 26}</p>  | | <p>MidCap Growth III Separate Account-R6 ^{1, 12, 27, 43}</p>  |
| Small Value | Small Blend | Small Growth |
| <p>SmallCap Value II Separate Account-R6 ^{1, 15, 37, 40, 43}</p>  | | <p>SmallCap Growth II Separate Account-R6 ^{1, 3, 43, 44}</p>  |

Portfolio and Strategic Asset Allocation Review

| International Equity | Real Estate | Balanced/Asset Allocation |
|--|---|---------------------------|
| <p>International Value I Separate Account-R6 ^{4, 15, 43}</p>   <p>International I Separate Account-R6 ^{4, 15, 19, 31, 43}</p>  <p>International Emerging Markets Separate Account-R6 ⁴</p> <p>International Growth Separate Account-R6 ^{3, 4}</p>  | <p>Real Estate Securities Separate Account-R6 ^{3, 8}</p> <p>U.S. Property Separate Account-R6 ⁶</p> <p>Principal Real Estate Investors</p> | |
| Short-Term Fixed Income | Fixed Income | |
| | <p>Inflation Protection Separate Account-R6 ^{15, 18, 21, 34}</p>  <p>High Yield I Separate Account-R6 ^{5, 15, 18, 20, 21, 32}</p>   <p>Core Plus Bond I Separate Account-R6 ^{15, 18, 21}</p>  <p>Bond and Mortgage Separate Account-I2 ^{18, 21}</p>  | |

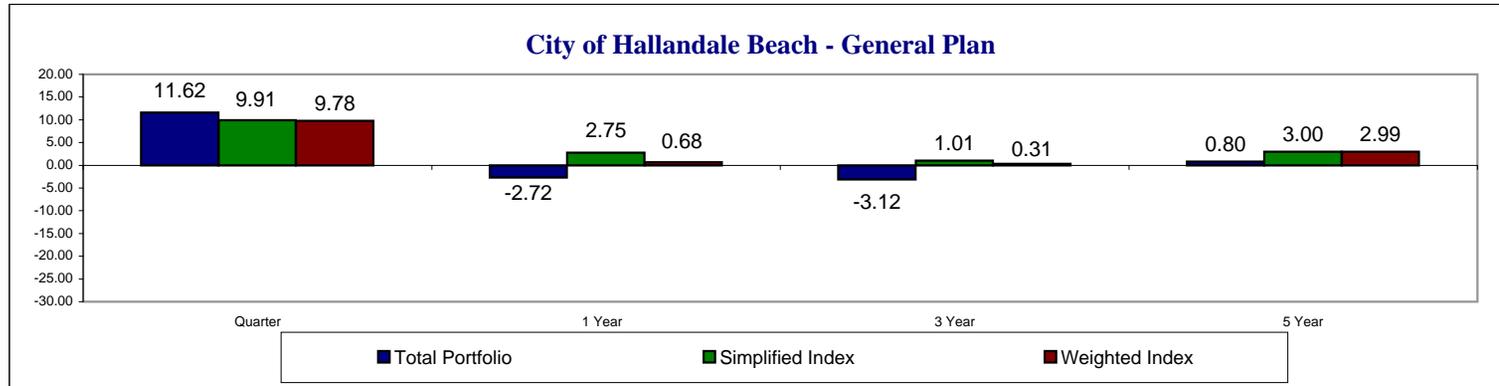
Please see important disclosures at the end of this presentation.

Portfolio Performance Review

Return Information as of 09/30/2009

| Time and Dollar Weighted Returns | | | | |
|--------------------------------------|---------|--------|--------|--------|
| (returns achieved by your plan) | Quarter | 1 Year | 3 Year | 5 Year |
| Total Portfolio | 11.62 | -2.72 | -3.12 | 0.80 |
| Simplified Index | 9.91 | 2.75 | 1.01 | 3.00 |
| Weighted Index | 9.78 | 0.68 | 0.31 | 2.99 |
| Difference - Simplified Index | 1.71 | -5.47 | -4.13 | -2.20 |
| Difference - Weighted Index | 1.84 | -3.40 | -3.43 | -2.19 |

| | | | | |
|--|-------|--------|-------|-------|
| Portfolio's Fixed Income Return | 7.06 | 3.54 | 0.11 | 1.48 |
| Barclays Capital Aggregate Bond Index | 3.74 | 10.56 | 6.41 | 5.13 |
| Portfolio's U.S. Equity Return | 16.47 | -5.03 | -5.93 | -0.80 |
| Russell 3000 Index | 16.31 | -6.42 | -5.06 | 1.56 |
| Portfolio's International Equity Return | 19.01 | 3.35 | -2.87 | 2.85 |
| MSCI - EAFE Index NDTR D | 19.47 | 3.23 | -3.60 | 6.08 |
| Portfolio's Real Estate Return | 1.56 | -30.49 | -8.07 | 1.13 |
| Blended Real Estate Index (75% NCREIF ODCE, 25% MSCI US REIT) | 1.33 | -31.96 | -8.32 | 1.98 |



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

Please see important disclosures at the end of this presentation.

Market & Performance Commentary

Principal Financial Advisors Third Quarter 2009 Market Overview and Commentary

Markets Move Higher

A tenacious market rally — which began in mid-March and extended through the second quarter — plowed ahead in the third quarter as well. Many investors responded positively to the Federal Reserve's commitment to keep the Fed Funds target interest rate very low (0.0% – 0.25%) for “an extended period,” and a stream of more-positive-than-negative economic reports raised hopes that the U.S. had exited its worst recession in more than 50 years¹ — or was on the verge of doing so.

As a result, all major asset classes posted positive third-quarter returns. Real Estate performed extremely well, returning 34.6% (MSCI US REIT Index) — a dramatic change from its heavy losses in 2007–2008. Developed and emerging international stocks returned 19.5% (MSCI EAFE Index) and 20.9% (MSCI Emerging Markets Index), beating the broad U.S. stock market, which rose 16.3% (Russell 3000 Index). Fixed-income sectors also delivered positive, though milder, returns.

Economic Data Show Some Improvement

Data released during the quarter revealed a slowly improving U.S. economy. Some key reports:

- The economy (as measured by real Gross Domestic Product, or GDP) contracted at a much slower pace in the second quarter (-0.7% annualized rate) than it did in the first quarter (-6.4% annualized rate).² (Real GDP is the economy's total output of all goods and services, adjusted for price changes that may have occurred between the time periods being compared.)
- Home prices in the top 20 metro areas rose 1.6% from June to July (S&P Case-Schiller Residential Real Estate Index). This was the third consecutive monthly price increase. Though prices declined on an annual basis, the rate of decline showed improvement.
- 263,000 non-farm jobs were lost in September — a huge number, but down from recent months. On average, 307,000 jobs were lost each month from May–September 2009, as compared to 645,000 per month from November 2008–April 2009.³

¹ On the Other Hand — Economic Insights: Third Quarter 2009, By Bob Baur and the Principal Global Investors Economic Committee

² Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce

³ Source: U.S. Bureau of Labor Statistics

Market & Performance Commentary

But Serious Challenges Remain

The jobs situation is seen by many economists as a critical headwind to economic recovery. A sobering 7.2 million jobs were lost from December 2007–September 2009, and the unemployment rate has continued to climb, reaching 9.8% in September (source: U.S. Bureau of Labor Statistics). Economists warned that the unemployment rate could continue to worsen for a time, and that both consumer spending and consumer confidence could weaken further as a result. Meanwhile, concerns that real estate issues may flare up again presents another possible roadblock to recovery. Worries over potentially unrealized commercial real estate losses, as well as the possibility home prices may decline again should foreclosed properties glut the market, threatened to complicate the recovery process.

Financials Drive U.S. Equities

The financial sector led the way for the second quarter in a row, returning 24.2% (financial sector return within Russell 3000 Index). In fact, all sectors within the Russell 3000 Index delivered positive returns, with even the weakest sector — telecommunication services — posting an impressive 6.6% return. As most financial stocks reside in value rather than growth indexes, the strong returns within financials led to value beating growth across all market capitalizations. Meanwhile, though small-caps outperformed large-cap stocks, mid-caps posted the strongest returns, delivering 23.6% for the quarter (Russell Midcap Value Index).

Non-U.S. Stocks Surge

A falling U.S. dollar gave a big boost to non-U.S. stocks during the quarter, adding nearly 5% to their returns in U.S. dollars as compared to their returns in local (foreign) currency (MSCI EAFE Index U.S. dollar return 19.5%; MSCI EAFE Index local currency return 14.8%). Year-to-date, emerging markets in particular have soared, delivering a stunning 64.5% through the third quarter (MSCI Emerging Markets Index) as many investors sought riskier assets with more potential for growth.

Real Estate Continues to Climb

For the second consecutive quarter, Real Estate delivered a return of more than 30% (MSCI US REIT Index). While this asset class posted some of the worst returns during the lengthy market crisis, it appears that the markets no longer fear widespread bankruptcies and investor interest in real estate has been rejuvenated.

Non-Treasury Sectors Lead Fixed-Income Returns

Credit markets — which experienced dramatic improvement during the second quarter — continued that trend in the third quarter as well. Many investors showed their appetite for risk as high-yield bonds beat duration-adjusted U.S. Treasuries by 12.3% (Barclays Capital US High Yield Index). In fact, high-yield bonds' absolute return of 14.4% represented the sector's third-best quarter ever (its best-ever quarterly return occurred in the second quarter of this year). Meanwhile, commercial mortgage-backed securities led investment-grade bonds for the second quarter in a row, outperforming duration-adjusted Treasuries by 10.9%. Overall, the broad U.S. fixed-income market delivered 3.7% during the quarter (Barclays Capital Aggregate Bond Index).

Market & Performance Commentary

Performance versus Index

| Index | As of September 30, 2009 | |
|---|--------------------------|---|
| | Q3 2009 (%) | Last 12 months ending 9/30/2009 (%) |
| Russell 3000 Index (Broad Market) | 16.31 | -6.42 |
| S&P 500 Index (Quality Large Caps) | 15.61 | -6.91 |
| NASDAQ Composite | 15.66 | 1.46 |
| Russell Mid-Cap | 20.62 | -3.55 |
| Russell 2000 (Small Caps) | 19.28 | -9.55 |
| Russell 1000 Value | 18.24 | -10.62 |
| Russell 1000 Growth | 13.97 | -1.85 |
| MSCI EAFE (Core International) | 19.47 | 3.23 |
| MSCI Emerging Markets (Developing Economies) | 20.91 | 19.07 |
| MSCI US REIT | 34.59 | -28.16 |
| Barclays Capital Treasury Bellwethers 3 Month | 0.08 | 0.46 |
| Barclays Capital US Tips | 3.08 | 5.67 |
| Barclays Capital Long US Treasury Zeros | 5.63 | 11.02 |
| Barclays Capital Aggregate Bond | 3.74 | 10.56 |
| Barclays Capital High Yield | 14.22 | 22.34 |

Third Quarter 2009 Performance Summary

The portfolios of Principal Financial Advisors, Inc. generated strongly positive absolute returns and strong relative results as all portfolios outperformed their target indexes. For the second quarter in a row, our fixed-income-focused portfolios led the way relative to their target indexes, reflecting the continued comeback of non-U.S. Treasury fixed-income sectors.

Market & Performance Commentary

U.S. Equity Performance

Our U.S. equity segment was flat relative to the Russell 3000 Index during the period. Our large-cap growth investment options contributed the most to relative performance as both handily beat the Russell 1000 Growth Index. The LargeCap Growth Separate Account, sub-advised by Columbus Circle Investors — which previously had struggled in an environment that did not favor the Separate Account's focus on positive earnings momentum and earnings surprise, bounced back nicely, led by strong stock selection in the consumer staples sector. The LargeCap Growth I Separate Account, co-sub-advised by T. Rowe Price and Brown Advisory, continued to post strong returns, adding to performance. This investment option has had a run of strong performance as T. Rowe Price nicely navigated the extreme volatility over the past year. Also contributing to returns were holdings in the MidCap Value III Separate Account, co-sub-advised by Principal Global Investors and Barrow Hanley, and the MidCap Growth III Separate Account, co-sub-advised by Turner, Jacobs Levy and LA Capital. During the period, mid-cap stocks outperformed both large- and small-cap stocks, so having dedicated exposure to this style aided returns. Detracting from performance was the LargeCap Blend I Separate Account, sub-advised by Goldman Sachs. This investment option, which accounted for a relatively large portion of the U.S. Equity asset class in our portfolios, suffered primarily due to poor stock selection in the financial sector. Note: This investment option was removed from most client portfolios in late September.

International Equity Struggles

Our international equity segment, which lagged the MSCI EAFE Index, was the worst-performing asset class within our portfolios. The International Growth Separate Account, sub-advised by Principal Global Investors, led the underperformance. Growth underperformed value during the period, which hurt its performance relative to the broad market; however, this investment option lagged its specific index due to weak stock selection in the energy sector. On a positive note, exposure to the International Emerging Markets Separate Account, sub-advised by Principal Global Investors, added to returns, as emerging markets outpaced developed markets.

Fixed-Income Segment Surges Again

For the second quarter in a row, our fixed-income segment posted returns far exceeding the return of the Barclays Capital Aggregate Bond Index. There were two primary drivers of strong returns within this asset class. First, the Bond and Mortgage Separate Account, sub-advised by Principal Global Investors, significantly outperformed the Barclays Capital Aggregate Bond Index. The strong performance was due to its focus on the non-U.S. Treasury sectors of the fixed-income market. As credit markets continued to heal during the period, non-Treasury sectors led the way, resulting in strong performance for this investment option. Second, an allocation to the High Yield I Separate Account, co-sub-advised by Neuberger Berman and JP Morgan, strongly contributed to positive returns. Although this investment option lagged the broad high-yield index due to its conservative positioning, it significantly outpaced the broad-fixed income market as high-yield bonds continued their rally.

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 real estate investment trusts (REITs) in the real estate universe. This positioning was not rewarded for the second quarter in a row. However, the portfolio easily outpaced the Russell 3000 Index, adding to performance for the broad domestic equity allocation. On the other hand, the US Property Separate Account, sub-advised by Principal Real Estate Investors, posted a negative return and significantly lagged the Barclays Capital Aggregate Bond Index. This investment option continued to be negatively impacted by the struggling commercial real estate market. Commercial real estate was hindered by weakened demand, resulting in downward pressure on rents and a transaction market that continued to be quite low.

Last 12 Months Ending September 30, 2009

All of our portfolios lagged their custom benchmarks over the past 12 months. Although the past two quarters have been strong relative to our portfolios' custom benchmarks, the 12-month returns still include the fourth quarter of 2008, when our portfolios experienced significant underperformance. This underperformance was driven by the fixed-income asset class, particularly the Bond and Mortgage Separate Account; its strategy of underweighting Treasuries in favor of non-Treasury sectors was unrewarded during the flight to quality in 2008.

U.S. Equities Lag Benchmark

The U.S. equity portion of our portfolios trailed the Russell 3000 Index. The LargeCap Growth Separate Account was the most material detractor, as sub-advisor Columbus Circle Investors' focus on positive earnings momentum and earnings surprise struggled amid the extreme market volatility seen over the past year. Also detracting from performance was the LargeCap Value I Separate Account, co-sub-advised by UBS and Thompson, Siegel & Walmsley, Inc. This investment option struggled over the past year, especially in the financial sector, where both negative stock selection and a slight underweight over the past several months relative to the index detracted from performance. On a positive note, the LargeCap Growth I Separate Account, significantly outperformed both its growth index and the Russell 3000 Index, which greatly benefited returns within this asset class.

International Equities Dampen Results

Similar to the quarter, the international equity asset class underperformed the MSCI EAFE Index — and once again, the underperformance was driven by the International Growth Separate Account, where stock selection was poor in the energy, industrial and consumer discretionary sectors. From a country perspective, this investment option especially struggled in selecting stocks in Japan. On the other hand, exposure to both the International Emerging Markets Separate Account and the International Value I Separate Account, co-sub-advised by AXA Rosenberg and Causeway Capital, contributed positively to returns, as emerging markets and international value styles significantly beat the overall developed overseas markets benchmark index for the period.

Market & Performance Commentary

Fixed Income Hampers Performance

The fixed-income segment suffered materially during the period, with most of the underperformance stemming from the fourth quarter of 2008. Detracting the most from performance was the Inflation Protection Separate Account, sub-advised by BlackRock since late December 2008. The previous sub-advisor for this investment option, Principal Global Investors, focused on non-Treasury Inflation Protected Securities, a strategy that was not rewarded during the flight to quality in 2008. As the fourth quarter of 2008 rolls off the one-year performance return, we expect to potentially see relative performance improve considerably. Contributing to positive returns was exposure to the High Yield I Separate Account. Not only did this investment option beat its specific index, but it also outperformed the broad fixed-income market (as measured by the Barclays Capital Aggregate Bond Index); despite trailing the broad fixed-income market in the fourth quarter of 2008, high-yield bonds in general significantly outperformed the broad fixed income market over the 12-month period.

Negative Absolute Returns in the Real Estate Segment

Exposure to the Real Estate Securities Separate Account detracted from returns relative to the U.S. Equity segment as a whole, as REITs significantly lagged the Russell 3000 Index. However, the investment option strongly outperformed its specific index as defensive positioning proved favorable over the past year. Meanwhile, the US Property Separate Account materially lagged the broad fixed-income market due to property depreciation, which detracted from the portfolio's overall 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 |
|---|---------------------------------------|---|
|  | Bond and Mortgage Separate Account | <p>Removed from Watch List in September 2009 – 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. 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. However, market conditions and performance improved in 2009 becoming consistent with expectations. Therefore, the due diligence team of Principal Life Insurance Company (Principal Life) removed this investment option from the Watch List in September 2009.</p> |
| Principal Real Estate Investors | U.S. Property Separate Account | <p>Removed from Watch List in September 2009 – This Separate Account, which invests primarily in owned real estate, experienced liquidity issues caused by a marked slowdown in commercial real estate sales. As a result, this investment option was placed on the Watch List in September 2008 following the implementation of withdrawal limitations by Principal Life. This Separate Account has been monitored for the past year, and the due diligence team of Principal Life believes that Principal Real Estate Investors has made prudent decisions in managing this portfolio. Therefore, Principal Life removed this investment option from the Watch List in September 2009.</p> |
|  | International Growth Separate Account | <p>Placed on Watch List in September 2009 – 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 2009. The investment process of Principal Global Investors tends to struggle during periods of extreme market volatility and inflection points which characterize the markets over the past several quarters.</p> |
|  | SmallCap Growth II Separate Account | <p>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. As part of the new core-satellite structure, 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.</p> |

Due Diligence Update

| | | |
|---|---|---|
|  | <p>LargeCap Growth I Separate Account</p> | <p>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.</p> |
|  | <p>SmallCap Value II Separate Account</p> | <p>Placed on Watch List in March 2009 – This Separate Account received a quantitative grade of "Less Favorable" for three out of four consecutive quarters and was placed on the Watch List in March 2009. The underperformance was driven by Dimensional Fund Advisors (DFA) as their investment process leads them to companies with low valuations and small market-capitalization. These attributes have been out of favor recently, leading to the underperformance.</p> |

Investment Option Performance

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

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

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

| Investment Advisor | Investment Option | Rates of Return through 09/30/2009 | | | | | | | Percentile Rankings as of 09/30/2009 | | | | | Total Inv. Expense Gross | |
|--------------------------------|---|------------------------------------|--------------|--------------|-------------|--------------|--------------------------------|----------------|--------------------------------------|-------------|-------------|------------|----------|--------------------------|--|
| | | 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. | | |
| Large U.S. Equity | | | | | | | | | | | | | | | |
| Large Value | | | | | | | | | | | | | | | |
| AllianceBernstein / Westwood | LargeCap Value III Separate Account-R6 ^{3, 17, 22, 33, 43} | 15.84 | -10.85 | -11.33 | -2.07 | - | 0.96 | 12/29/2000 | - | 78 | 93 | 94 | - | 0.94 | |
| | Russell 1000 Value Index | 18.24 | -10.62 | -7.87 | 0.90 | 2.59 | - | - | - | - | - | - | - | - | |
| UBS Global Asset Mgmt (NY) | LargeCap Value I Separate Account-R6 ^{15, 43, 47} | 16.45 | -11.86 | -8.37 | 0.13 | - | 0.63 | 06/01/2004 | - | 84 | 76 | 66 | - | 0.96 | |
| | Russell 1000 Value Index | 18.24 | -10.62 | -7.87 | 0.90 | 2.59 | - | - | - | - | - | - | - | - | |
| | Morningstar Category Average - Large Value | 16.48 | -7.18 | -6.72 | 0.85 | 2.51 | Total Funds in Category | 1377 | 1327 | 1133 | 933 | 453 | - | | |
| Large Blend | | | | | | | | | | | | | | | |
| Goldman Sachs Asset Mgt | LargeCap Blend I Separate Account-R6 ¹⁰ | 14.55 | -8.72 | -7.55 | -0.17 | -2.63 | 4.31 | 06/01/1995 | - | 81 | 88 | 82 | 95 | 0.76 | |
| | Standard & Poor's 500 Index | 15.61 | -6.91 | -5.43 | 1.02 | -0.15 | - | - | - | - | - | - | - | - | |
| Principal Global Investors | LargeCap S&P 500 Index Separate Account-R6 ^{2, 9, 24} | 15.46 | -7.17 | -5.68 | 0.73 | -0.49 | 7.63 | 01/01/1990 | - | 66 | 60 | 60 | 67 | 0.31 | |
| | Standard & Poor's 500 Index | 15.61 | -6.91 | -5.43 | 1.02 | -0.15 | - | - | - | - | - | - | - | - | |
| | Morningstar Category Average - Large Blend | 15.59 | -5.46 | -5.13 | 1.22 | 0.69 | Total Funds in Category | 2089 | 2005 | 1704 | 1352 | 678 | - | | |
| Large Growth | | | | | | | | | | | | | | | |
| Columbus Circle Investors | LargeCap Growth Separate Account-R6 ²⁵ | 15.85 | -11.16 | -3.59 | 2.76 | -1.90 | 5.03 | 06/01/1995 | - | 94 | 55 | 29 | 67 | 0.71 | |
| | Russell 1000 Growth Index | 13.97 | -1.85 | -2.50 | 1.86 | -2.56 | - | - | - | - | - | - | - | - | |
| T. Rowe Price/Brown Advisory | LargeCap Growth I Separate Account-R6 ^{3, 43, 45} | 16.02 | 8.34 | -1.41 | 2.71 | - | -1.74 | 12/29/2000 | - | 4 | 22 | 30 | - | 0.90 | |
| | Russell 1000 Growth Index | 13.97 | -1.85 | -2.50 | 1.86 | -2.56 | - | - | - | - | - | - | - | - | |
| | Morningstar Category Average - Large Growth | 14.76 | -2.69 | -3.25 | 1.77 | -0.64 | Total Funds in Category | 1855 | 1788 | 1515 | 1255 | 653 | - | | |
| Small/Mid U.S. Equity | | | | | | | | | | | | | | | |
| Mid Cap Value | | | | | | | | | | | | | | | |
| Principal Global/Barrow Hanley | MidCap Value III Separate Account-R6 ^{1, 13, 26} | 19.36 | -4.93 | -5.70 | 2.72 | 4.46 | 9.35 | 01/01/1991 | - | 58 | 67 | 49 | 93 | 0.81 | |
| | Russell Midcap Value Index | 23.62 | -7.12 | -5.65 | 3.53 | 7.43 | - | - | - | - | - | - | - | - | |
| | Morningstar Category Average - Mid Cap Value | 20.43 | -2.80 | -4.34 | 2.83 | 7.34 | Total Funds in Category | 435 | 417 | 338 | 248 | 87 | - | | |

Investment Option Performance

| Investment Advisor | Investment Option | Rates of Return through 09/30/2009 | | | | | | | Percentile Rankings as of 09/30/2009 | | | | | Total Inv. Expense Gross |
|-------------------------------------|--|------------------------------------|--------|-------|-------|--------|-------------------------|----------------|--------------------------------------|-------|-------|-------|--------|--------------------------|
| | | 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. | |
| Mid Cap Growth | | | | | | | | | | | | | | |
| Turner/Mellon/Jacobs Levy | MidCap Growth III Separate Account-R6 ^{1, 12, 27, 43} | 20.38 | -2.88 | -2.80 | 3.71 | - | 1.10 | 10/28/1999 | - | 49 | 52 | 44 | - | 1.17 |
| | Russell Midcap Growth Index | 17.58 | -0.40 | -3.10 | 3.75 | 2.18 | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - Mid Cap Growth | 17.13 | -3.10 | -2.83 | 3.14 | 2.88 | Total Funds in Category | 888 | 849 | 750 | 638 | 324 | - | |
| Small Value | | | | | | | | | | | | | | |
| DFA/Vaughan Nelson/LA Capital | SmallCap Value II Separate Account-R6 ^{1, 15, 37, 40, 43} | 23.82 | -6.99 | -7.24 | 1.49 | - | 1.77 | 06/01/2004 | - | 42 | 70 | 63 | - | 1.25 |
| | Russell 2000 Value Index | 22.70 | -12.61 | -6.65 | 1.78 | 8.05 | - | - | - | - | - | - | - | - |
| JP Morgan/Mellon Capital Mgmt | SmallCap Value I Separate Account-R6 ^{1, 3, 16, 43} | 20.74 | -15.61 | -8.98 | -0.22 | - | 7.32 | 12/31/2002 | - | 91 | 84 | 85 | - | 1.22 |
| | Russell 2000 Value Index | 22.70 | -12.61 | -6.65 | 1.78 | 8.05 | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - Small Value | 21.32 | -6.39 | -4.72 | 2.30 | 8.34 | Total Funds in Category | 399 | 382 | 318 | 242 | 124 | - | |
| Small Growth | | | | | | | | | | | | | | |
| Emerald / Essex | SmallCap Growth II Separate Account-R6 ^{1, 3, 43, 44} | 15.23 | -12.56 | -7.08 | 0.28 | - | -1.80 | 12/29/2000 | - | 83 | 82 | 74 | - | 1.19 |
| | Russell 2000 Growth Index | 15.95 | -6.32 | -2.60 | 2.91 | 1.10 | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - Small Growth | 16.50 | -5.25 | -4.00 | 1.94 | 2.97 | Total Funds in Category | 818 | 782 | 670 | 555 | 308 | - | |
| International Equity | | | | | | | | | | | | | | |
| Diversified Emerging Markets | | | | | | | | | | | | | | |
| Principal Global Investors | International Emerging Markets Separate Account-R6 ⁴ | 22.47 | 12.37 | 5.48 | 17.01 | 12.10 | 10.78 | 01/01/1995 | - | 55 | 49 | 20 | 33 | 1.51 |
| | MSCI - Emerging Markets NDTR D Index | 20.91 | 19.07 | 7.95 | 17.31 | 11.38 | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - Diversified Emerging Markets | 21.08 | 13.76 | 5.27 | 15.13 | 11.45 | Total Funds in Category | 376 | 331 | 255 | 193 | 118 | - | |
| Foreign Large Value | | | | | | | | | | | | | | |
| AXA Rosenberg/Causeway | International Value I Separate Account-R6 ^{4, 15, 43} | 21.64 | 11.16 | - | - | - | 11.13 | 09/30/2008 | - | 6 | - | - | - | 1.37 |
| | AXA Rosenberg International Equity Composite § | - | - | -7.44 | 3.72 | 2.21 | - | - | - | - | 89 | 85 | 88 | - |
| | Causeway International Value Select Composite § | - | - | -2.68 | - | - | - | - | - | - | 34 | - | - | - |
| | MSCI EAFE Value Index | 22.13 | 7.35 | -4.08 | 6.32 | 4.36 | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - Foreign Large Value | 19.46 | 2.19 | -3.76 | 5.48 | 4.67 | Total Funds in Category | 356 | 319 | 267 | 196 | 113 | - | |
| Foreign Large Blend | | | | | | | | | | | | | | |
| Fidelity (Pyramis Global Adv) | International I Separate Account-R6 ^{4, 15, 19, 31, 43} | 18.16 | -4.10 | -4.33 | 5.23 | 2.20 | 2.67 | 07/01/1999 | - | 78 | 56 | 56 | 48 | 1.30 |
| | MSCI - EAFE Index NDTR D | 19.47 | 3.23 | -3.60 | 6.07 | 2.54 | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - Foreign Large Blend | 18.75 | 1.06 | -3.95 | 5.78 | 2.52 | Total Funds in Category | 850 | 807 | 600 | 462 | 246 | - | |

Investment Option Performance

| Investment Advisor | Investment Option | Rates of Return through 09/30/2009 | | | | | | | Percentile Rankings as of 09/30/2009 | | | | | Total Inv. Expense Gross |
|-------------------------------|---|------------------------------------|--------|--------|-------|--------|-------------------------|----------------|--------------------------------------|-------|-------|-------|--------|--------------------------|
| | | 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. | |
| Foreign Large Growth | | | | | | | | | | | | | | |
| Principal Global Investors | International Growth Separate Account-R6 ^{3, 4} | 15.18 | -10.38 | -8.40 | 3.65 | - | 1.99 | 12/29/2000 | - | 92 | 93 | 83 | - | 1.18 |
| | MSCI World Ex US Growth Index | 16.45 | -0.99 | -2.61 | 6.26 | 0.99 | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - Foreign Large Growth | 17.76 | 2.07 | -2.92 | 6.13 | 2.81 | Total Funds in Category | 270 | 262 | 202 | 153 | 81 | - | |
| Real Estate | | | | | | | | | | | | | | |
| Owned Real Estate | | | | | | | | | | | | | | |
| Principal Real Estate Inv | U.S. Property Separate Account-R6 ⁶ | -8.72 | -36.11 | -9.85 | 0.15 | 4.10 | 5.57 | 01/01/1982 | - | - | - | - | - | 1.15 |
| | NCREIF ODCE Index | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real Estate | | | | | | | | | | | | | | |
| Principal Real Estate Inv | Real Estate Securities Separate Account-R6 ^{3, 8} | 33.00 | -22.78 | -10.92 | 3.52 | - | 9.67 | 12/31/2002 | - | 13 | 12 | 7 | - | 1.15 |
| | MSCI US REIT Index | 34.59 | -28.16 | -12.74 | 1.34 | 9.39 | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - Real Estate | 32.45 | -25.86 | -13.42 | 0.36 | 8.85 | Total Funds in Category | 279 | 267 | 233 | 205 | 99 | - | |
| Fixed Income | | | | | | | | | | | | | | |
| High Yield Bond | | | | | | | | | | | | | | |
| JP Morgan/Neuberger Berman | High Yield I Separate Account-R6 ^{5, 15, 18, 20, 21, 32} | 13.35 | 22.92 | 6.71 | - | - | 6.13 | 12/31/2004 | - | 6 | 2 | - | - | 0.82 |
| | Barclays Capital US Corp High Yld 2% Issuer Capped Index | 14.20 | 22.51 | 5.67 | 6.16 | 6.40 | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - High Yield Bond | 13.11 | 13.16 | 2.57 | 4.11 | 4.47 | Total Funds in Category | 565 | 545 | 466 | 400 | 257 | - | |
| Intermediate-Term Bond | | | | | | | | | | | | | | |
| PIMCO | Core Plus Bond I Separate Account-R6 ^{15, 18, 21} | 4.02 | 12.65 | - | - | - | 12.62 | 09/30/2008 | - | 41 | - | - | - | 0.87 |
| | PIMCO Core Plus Total Return Full Authority Composite § | - | - | 8.69 | 6.68 | 7.38 | - | - | - | - | 2 | 2 | 3 | - |
| | Barclays Capital Aggregate Bond Index | 3.74 | 10.56 | 6.41 | 5.13 | 6.30 | - | - | - | - | - | - | - | - |
| Principal Global Investors | Bond and Mortgage Separate Account-I2 ^{18, 21} | 9.32 | 11.09 | 2.96 | 3.19 | 5.45 | 8.40 | 02/01/1983 | - | 58 | 79 | 74 | 52 | 0.55 |
| | Barclays Capital Aggregate Bond Index | 3.74 | 10.56 | 6.41 | 5.13 | 6.30 | - | - | - | - | - | - | - | - |
| Spectrum | Preferred Securities Separate Account-R6 ^{3, 18, 21} | 16.16 | 38.45 | 0.60 | 1.99 | - | 3.55 | 05/31/2002 | - | 1 | 90 | 88 | - | 0.90 |
| | Preferreds Blended Index | 14.89 | 25.12 | -5.68 | -1.85 | - | - | - | - | - | - | - | - | - |
| | Morningstar Category Average - Intermediate-Term Bond | 6.13 | 11.81 | 4.47 | 3.82 | 5.38 | Total Funds in Category | 1148 | 1111 | 954 | 836 | 480 | - | |

Investment Option Performance

| Investment Advisor | Investment Option | Rates of Return through 09/30/2009 | | | | | | | Percentile Rankings as of 09/30/2009 | | | | | Total Inv. Expense Gross |
|--------------------------------|--|------------------------------------|-------|-------|-------|--------|-------------------------|----------------|--------------------------------------|-------|-------|-------|--------|--------------------------|
| | | 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. | |
| | Inflation-Protected Bond | | | | | | | | | | | | | |
| BlackRock Financial Mgmt, Inc. | Inflation Protection Separate Account-R6 ^{15, 18, 21, 34} | 4.14 | -6.16 | -3.57 | - | - | -1.50 | 12/31/2004 | - | 99 | 95 | - | - | 0.58 |
| | Barclays Capital US Treas TIPS Index | 3.08 | 5.67 | 5.61 | 4.79 | 7.51 | - | - | - | - | - | - | - | |
| | Morningstar Category Average - Inflation-Protected Bond | 3.60 | 4.79 | 4.25 | 4.16 | 6.28 | Total Funds in Category | 158 | 156 | 134 | 76 | 13 | - | |

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

| Investment Advisor | Investment Option | Calendar Year Performance | | | | | | | | | | Inception Date |
|--------------------------------|---|---------------------------|--------------|--------------|-------------|--------------|--------------|---------------|---------------|---------------|--------------|----------------|
| | | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | |
| Large U.S. Equity | | | | | | | | | | | | |
| Large Value | | | | | | | | | | | | |
| AllianceBernstein / Westwood | LargeCap Value III Separate Account-R6 ^{3, 17, 22, 33, 43} | -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 ^{15, 43, 47} | -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 ¹⁰ | -35.84 | 0.62 | 14.60 | 6.51 | 12.12 | 28.46 | -25.25 | -17.62 | -12.19 | 9.58 | 06/01/1995 |
| Principal Global Investors | LargeCap S&P 500 Index Separate Account-R6 ^{2, 9, 24} | -37.10 | 5.18 | 15.46 | 4.58 | 10.49 | 28.18 | -22.38 | -12.34 | -9.47 | 20.61 | 01/01/1990 |
| | 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 ²⁵ | -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/Brown Advisory | LargeCap Growth I Separate Account-R6 ^{3, 43, 45} | -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, 13, 26} | -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, 12, 27, 43} | -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 | | | | | | | | | | | | |
| DFA/Vaughan Nelson/LA Capital | SmallCap Value II Separate Account-R6 ^{1, 15, 37, 40, 43} | -37.14 | -9.11 | 20.37 | 6.85 | - | - | - | - | - | - | 06/01/2004 |
| JP Morgan/Mellon Capital Mgmt | SmallCap Value I Separate Account-R6 ^{1, 3, 16, 43} | -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

| Investment Advisor | Investment Option | Calendar Year Performance | | | | | | | | | | Inception Date |
|-------------------------------------|--|---------------------------|--------|-------|-------|-------|-------|--------|--------|--------|-------|----------------|
| | | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | |
| Small Growth | | | | | | | | | | | | |
| Emerald / Essex | SmallCap Growth II Separate Account-R6 ^{1, 3, 43, 44} | -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 ⁴ | -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 ^{4, 15, 43} | - | - | - | - | - | - | - | - | - | - | 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 ^{4, 15, 19, 31, 43} | -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 ^{3, 4} | -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 ⁶ | -13.23 | 13.42 | 15.14 | 18.61 | 12.52 | 8.26 | 3.77 | 6.56 | 12.01 | 10.35 | 01/01/1982 |
| Real Estate | | | | | | | | | | | | |
| Principal Real Estate Inv | Real Estate Securities Separate Account-R6 ^{3, 8} | -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

| Investment Advisor | Investment Option | Calendar Year Performance | | | | | | | | | | Inception Date |
|---------------------------------|--|---------------------------|-------|-------|------|------|-------|-------|------|-------|-------|----------------|
| | | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | |
| Fixed Income | | | | | | | | | | | | |
| High Yield Bond | | | | | | | | | | | | |
| JP Morgan/Neuberger Berman | High Yield I Separate Account-R6 ^{5, 15, 18, 20, 21, 32} | -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 ^{15, 18, 21} | - | - | - | - | - | - | - | - | - | - | 09/30/2008 |
| Principal Global Investors | Bond and Mortgage Separate Account-I2 ^{18, 21} | -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 ^{3, 18, 21} | -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 ^{15, 18, 21, 34} | -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 CenterSM at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

| Investment Advisor | Investment Option | Calendar Year Percentile Ranks | | | | | | | | | | Inception Date |
|-------------------------------------|---|--------------------------------|------|------|------|------|------|------|------|------|------|----------------|
| | | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | |
| Large U.S. Equity | | | | | | | | | | | | |
| Large Value | | | | | | | | | | | | |
| AllianceBernstein / Westwood | LargeCap Value III Separate Account-R6 ^{3, 17, 22, 33, 43} | 80 | 85 | 10 | 55 | 45 | 52 | 13 | 7 | - | - | 12/29/2000 |
| UBS Global Asset Mgmt (NY) | LargeCap Value I Separate Account-R6 ^{15, 43, 47} | 70 | 61 | 53 | 16 | - | - | - | - | - | - | 06/01/2004 |
| Large Blend | | | | | | | | | | | | |
| Goldman Sachs Asset Mgt | LargeCap Blend I Separate Account-R6 ¹⁰ | 26 | 90 | 46 | 38 | 21 | 28 | 82 | 82 | 84 | 87 | 06/01/1995 |
| Principal Global Investors | LargeCap S&P 500 Index Separate Account-R6 ^{2, 9, 24} | 40 | 55 | 29 | 63 | 43 | 33 | 48 | 46 | 61 | 42 | 01/01/1990 |
| Large Growth | | | | | | | | | | | | |
| Columbus Circle Investors | LargeCap Growth Separate Account-R6 ²⁵ | 71 | 9 | 25 | 14 | 36 | 59 | 59 | 68 | 36 | 68 | 06/01/1995 |
| T. Rowe Price/Brown Advisory | LargeCap Growth I Separate Account-R6 ^{3, 43, 45} | 51 | 75 | 62 | 40 | 37 | 75 | 51 | 20 | - | - | 12/29/2000 |
| Small/Mid U.S. Equity | | | | | | | | | | | | |
| Mid Cap Value | | | | | | | | | | | | |
| Principal Global/Barrow Hanley | MidCap Value III Separate Account-R6 ^{1, 13, 26} | 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, 12, 27, 43} | 80 | 12 | 69 | 37 | 65 | 5 | 78 | 74 | 44 | - | 10/28/1999 |
| Small Value | | | | | | | | | | | | |
| DFA/Vaughan Nelson/LA Capital | SmallCap Value II Separate Account-R6 ^{1, 15, 37, 40, 43} | 81 | 71 | 15 | 50 | - | - | - | - | - | - | 06/01/2004 |
| JP Morgan/Mellon Capital Mgmt | SmallCap Value I Separate Account-R6 ^{1, 3, 16, 43} | 56 | 75 | 40 | 55 | 33 | 16 | - | - | - | - | 12/31/2002 |
| Small Growth | | | | | | | | | | | | |
| Emerald / Essex | SmallCap Growth II Separate Account-R6 ^{1, 3, 43, 44} | 57 | 58 | 63 | 42 | 60 | 44 | 35 | 82 | - | - | 12/29/2000 |
| International Equity | | | | | | | | | | | | |
| Diversified Emerging Markets | | | | | | | | | | | | |
| Principal Global Investors | International Emerging Markets Separate Account-R6 ⁴ | 55 | 20 | 17 | 29 | 34 | 27 | 60 | 62 | 38 | 66 | 01/01/1995 |
| Foreign Large Value | | | | | | | | | | | | |
| AXA Rosenberg/Causeway | International Value I Separate Account-R6 ^{4, 15, 43} | - | - | - | - | - | - | - | - | - | - | 09/30/2008 |
| Foreign Large Blend | | | | | | | | | | | | |
| Fidelity (Pyramis Global Adv) | International I Separate Account-R6 ^{4, 15, 19, 31, 43} | 55 | 27 | 30 | 62 | 37 | 3 | 86 | 39 | 68 | - | 07/01/1999 |
| Foreign Large Growth | | | | | | | | | | | | |
| Principal Global Investors | International Growth Separate Account-R6 ^{3, 4} | 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 ⁶ | - | - | - | - | - | - | - | - | - | - | 01/01/1982 |

Calendar Year Percentile Ranks

| Investment Advisor | Investment Option | Calendar Year Percentile Ranks | | | | | | | | | | Inception Date | |
|--------------------------------|--|--------------------------------|------|------|------|------|------|------|------|------|------|----------------|------------|
| | | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | | |
| | Real Estate | | | | | | | | | | | | |
| Principal Real Estate Inv | Real Estate Securities Separate Account-R6 ^{3, 8} | 5 | 71 | 30 | 16 | 36 | 32 | - | - | - | - | | 12/31/2002 |
| | Fixed Income | | | | | | | | | | | | |
| | High Yield Bond | | | | | | | | | | | | |
| JP Morgan/Neuberger Berman | High Yield I Separate Account-R6 ^{5, 15, 18, 20, 21, 32} | 14 | 34 | 81 | 15 | - | - | - | - | - | - | | 12/31/2004 |
| | Intermediate-Term Bond | | | | | | | | | | | | |
| PIMCO | Core Plus Bond I Separate Account-R6 ^{15, 18, 21} | - | - | - | - | - | - | - | - | - | - | | 09/30/2008 |
| Principal Global Investors | Bond and Mortgage Separate Account-I2 ^{18, 21} | 89 | 78 | 20 | 9 | 14 | 34 | 16 | 25 | 8 | 21 | | 02/01/1983 |
| Spectrum | Preferred Securities Separate Account-R6 ^{3, 18, 21} | 97 | 99 | 4 | 67 | 39 | 6 | - | - | - | - | | 05/31/2002 |
| | Inflation-Protected Bond | | | | | | | | | | | | |
| BlackRock Financial Mgmt, Inc. | Inflation Protection Separate Account-R6 ^{15, 18, 21, 34} | 93 | 90 | 27 | 37 | - | - | - | - | - | - | | 12/31/2004 |

Please see important disclosures at the end of this presentation.

Disclosures

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

++ Investment options sub-advised by Principal Global Investors.

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- 2. Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.*
- 3. 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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- 6. This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Payment of principal and earnings may be delayed.*
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- 8. Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.*
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10. *Effective November 13, 2006, this portfolio is sub-advised by Goldman Sachs Asset Management. From November 18, 2002, to November 16, 2006, the portfolio was sub-advised by Goldman Sachs Asset Management and Wellington Management Company, LLP. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.*
12. *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.*
13. *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.*
15. *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.*
16. *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.*
17. *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.*
18. *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.*
19. *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.*
20. *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.*
21. *Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.*
22. *Formerly known as Large-Cap Value Separate Account.*
24. *Formerly known as Large-Cap Stock Index Separate Account.*
25. *Formerly known as Large Company Growth Separate Account.*
26. *Formerly known as Medium Company Value Separate Account.*
27. *Formerly known as Mid-Cap Growth Separate Account.*
31. *Formerly known as International Separate Account.*
32. *Formerly known as High Yield Separate Account.*
33. *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.*

34. 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.

36. 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.

37. 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.

38. The Money Market investment option is closed to new sales and existing clients not currently offering the option within their retirement plans, effective April 1, 2009. Existing clients already offering 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 on that date.

40. 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.

43. 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.

44. 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.

45. 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.

46. 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.

47. Effective October 1, 2009, TS&W 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 ODCE Index and 25% MSCI US REIT Index. The NCREIF ODCE Benchmark (Open End Diversified Core Equity) is a fund-level capitalization weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage. The return series is net of the average fee charged by accounts that make up the index. The MSCI USREIT 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 ODCE Index (Open End Diversified Core Equity) is a fund-level capitalization weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage. The return series is net of the average fee charged by accounts that make up the index

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:

10/01/2004 - 05/31/2006 30% Russell 3000 Index and 70% Barclays Capital Aggregate Bond Index.

06/01/2006 - 09/30/2009 50% Russell 3000 Index and 50% Barclays Capital Aggregate Bond Index.

Weighted Index is composed of:

10/01/2004 - 05/31/2006 25.1% Russell 3000 Index, 4% MSCI EAFE Index, 4% NCREIF ODCE 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 ODCE Index, 1.7% MSCI US REIT Index, and 45% Barclays Capital Aggregate Bond Index.

03/01/2007 - 09/30/2009 37.3% Russell 3000 Index, 11.2% MSCI EAFE Index, 5.5% NCREIF ODCE Index, 1.5% MSCI US REIT Index, and 44.5% Barclays Capital Aggregate Bond Index.

LargeCap Value III Separate Account-R6 as of 09/30/2009

Investment Strategy

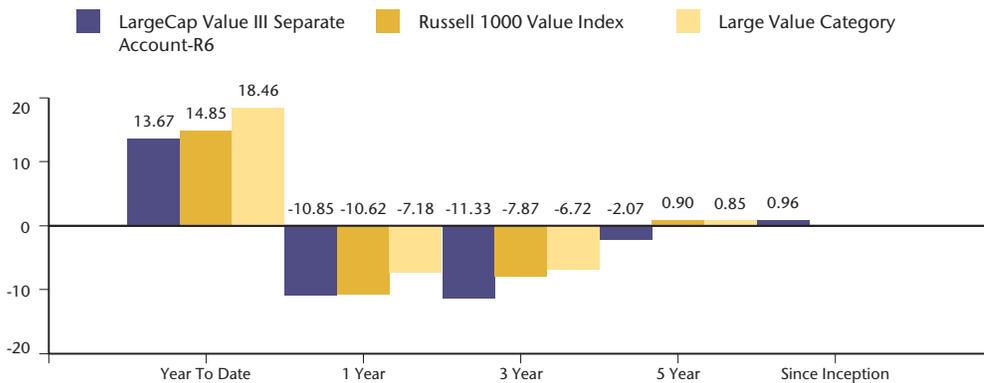
The investment seeks long-term growth of capital. The fund generally invests at least 80% of assets in companies with large market capitalizations (those with market capitalizations similar to companies in the Russell 1000 Value index) at the time of purchase. The fund may invest up to 25% of assets in securities of foreign companies.



Portfolio managers

Marilyn G. Fedak, CFA. Since 12/29/2000. 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., Politecnico di Torino

Long-term returns % as of 09/30/2009



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 % | 13.67 | -10.85 | -11.33 | -2.07 | 0.96 |
| Russell 1000 Value Index % | 14.85 | -10.62 | -7.87 | 0.90 | - |
| Large Value Category % | 18.46 | -7.18 | -6.72 | 0.85 | - |
| Morningstar Percentile Rankings | - | 78 | 93 | 94 | - |
| # of Funds in Category | 1348 | 1327 | 1133 | 933 | - |

| 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 08/31/2009

| Investment style | | | Market capitalization | |
|------------------|-------|--------|-----------------------|--------|
| Value | Blend | Growth | | |
| ■ | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to Russell 1000 Value Index

| | 3Yr | 5Yr |
|--------------------|--------|-------|
| Alpha | -4.07 | -3.02 |
| Beta | 0.98 | 0.99 |
| R-Squared | 98.94 | 98.85 |
| Standard Deviation | 20.88 | 17.08 |
| Mean | -11.33 | -2.06 |
| Sharpe Ratio | -0.60 | -0.21 |
| Excess Return | -3.46 | -2.96 |
| Excess Risk | 2.20 | 1.85 |
| Information Ratio | -1.57 | -1.61 |

Operations

| | |
|---------------------------------|------------|
| Total Investment Expense Net | 0.93% |
| Total Investment Expense Gross | 0.94% |
| Contractual Cap Expiration Date | 02/28/2011 |
| Inception Date | 12/29/2000 |
| Total Net Assets (mil) | \$1,730.64 |



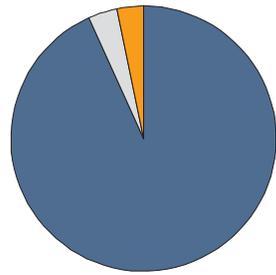
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Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value III Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of 08/31/2009



| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 93.17 |
| Cash | 3.53 |
| Non-U.S. Stocks | 3.29 |

Top ten holdings

| Rank | Company | % of net assets |
|--------------------------------------|----------------------------------|-----------------|
| 1. | ExxonMobil Corporation | 3.72 |
| 2. | S&P FUTURE - SEPT 99 | 3.38 |
| 3. | AT&T, Inc. | 3.35 |
| 4. | J.P. Morgan Chase & Co. | 3.26 |
| 5. | Chevron Corporation | 2.50 |
| 6. | Pfizer Inc. | 2.50 |
| 7. | Wells Fargo Company | 2.28 |
| 8. | ConocoPhillips | 1.98 |
| 9. | General Electric Company | 1.75 |
| 10. | Occidental Petroleum Corporation | 1.71 |
| % of net assets in top ten holdings* | | 26.42 |

Analysis

| | |
|------------------|-------------|
| # of Stock Hldgs | 532 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 6 |
| GeoAvgCap (mil) | \$35,436.11 |
| Turnover Ratio | 55% |
| P/C Ratio | 4.54 |
| P/E Ratio | 14.55 |
| P/B Ratio | 1.64 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 1.79 | Healthcare | 9.51 | Consumer Goods | 7.61 |
| Hardware | 5.65 | Consumer Services | 6.41 | Industrial Materials | 11.50 |
| Media | 3.94 | Business Services | 2.67 | Energy | 17.01 |
| Telecom | 8.28 | Financial Services | 20.50 | Utilities | 5.15 |

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 09/30/2009

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.



Portfolio managers

James Doyle Since 09/30/2008. M.B.A., University of Pennsylvania

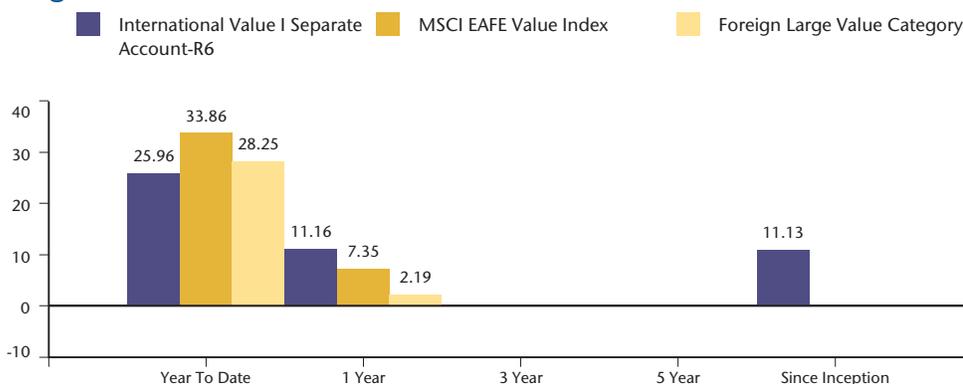
Kevin Durkin Since 09/30/2008. M.B.A., U of Chicago

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

Long-term returns % as of 09/30/2009



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 % | 25.96 | 11.16 | - | - | 11.13 |
| MSCI EAFE Value Index % | 33.86 | 7.35 | -4.08 | 6.32 | - |
| Foreign Large Value Category % | 28.25 | 2.19 | -3.76 | 5.48 | - |
| Morningstar Percentile Rankings | - | 6 | - | - | - |
| # of Funds in Category | 344 | 319 | 267 | 196 | - |

| 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 08/31/2009

| Investment style | | | Market capitalization | |
|------------------|-------|--------|-----------------------|--------|
| Value | Blend | Growth | | |
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 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 | 1.26% |
| Total Investment Expense Gross | 1.37% |
| Contractual Cap Expiration Date | 02/28/2011 |
| Waiver Expiration Date | 02/28/2010 |
| Inception Date | 09/30/2008 |
| Total Net Assets (mil) | \$782.65 |



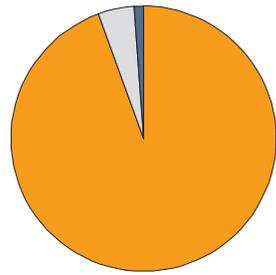
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Risk and return statistical data is provided by Markov Processes International (MPI).

International Value I Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of
08/31/2009



% of Assets

| | |
|-----------------|-------|
| Non-U.S. Stocks | 94.45 |
| Cash | 4.38 |
| U.S. Stocks | 1.14 |
| Other | 0.03 |

Top ten holdings

| |
|--------------------------|
| 1. Siemens AG |
| 2. EMINI MSCI EAFE SEP09 |
| 3. Vodafone Group PLC |
| 4. HSBC Holdings PLC |
| 5. Sanofi-Aventis |
| 6. France Telecom SA |
| 7. E.ON AG |
| 8. Technip |
| 9. Vinci |
| 10. Telefonica, S.A. |

% of net assets

| |
|------|
| 2.83 |
| 2.80 |
| 2.73 |
| 2.52 |
| 2.25 |
| 1.93 |
| 1.83 |
| 1.77 |
| 1.69 |
| 1.45 |

Analysis

| | |
|------------------|-------------|
| # of Stock Hldgs | 657 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 8 |
| GeoAvgCap (mil) | \$29,076.24 |
| Turnover Ratio | 33% |
| P/C Ratio | 5.63 |
| P/E Ratio | 5.16 |
| P/B Ratio | 1.35 |

% of net assets in top ten holdings* 21.81

Top 5 Countries

| Country | % of net assets |
|----------------|-----------------|
| Japan | 19.65 |
| United Kingdom | 16.86 |
| France | 14.70 |
| Germany | 11.48 |
| Switzerland | 6.57 |

Regional exposure

| Region | % of net assets |
|---------------|-----------------|
| Europe | 68.79 |
| Japan | 19.65 |
| Pacific Rim | 8.91 |
| Other | 1.38 |
| United States | 1.23 |
| Latin America | 0.03 |

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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.

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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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.

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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 09/30/2009

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.

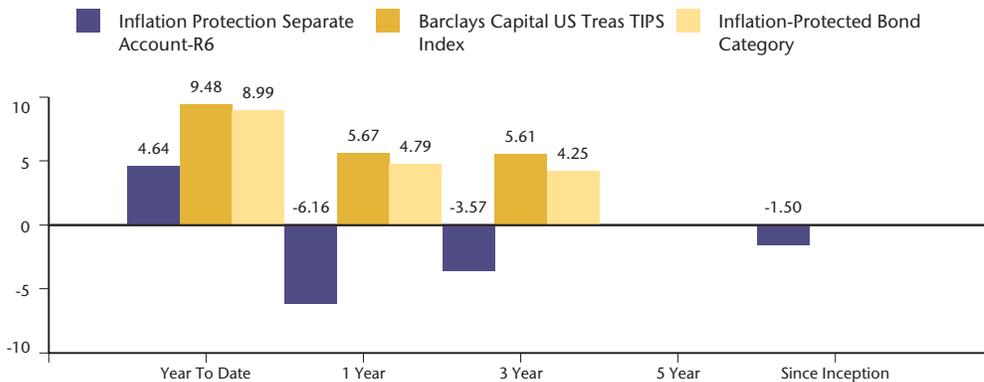
BLACKROCK

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 09/30/2009



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.

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | Since Inception |
|--|--------------|--------|--------|--------|-----------------|
| Total Return % | 4.64 | -6.16 | -3.57 | - | -1.50 |
| Barclays Capital US Treas TIPS Index % | 9.48 | 5.67 | 5.61 | 4.79 | - |
| Inflation-Protected Bond Category % | 8.99 | 4.79 | 4.25 | 4.16 | - |
| Morningstar Percentile Rankings | - | 99 | 95 | - | - |
| # of Funds in Category | 158 | 156 | 134 | 76 | - |

| 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 08/31/2009

| Duration | | | Quality | |
|----------|-----|------|---------|--------|
| Short | Int | Long | | |
| | | | | High |
| | | | | Medium |
| | | | Low | |

Risk and Return Statistics

as of 09/30/2009 Relative to
Barclays Capital US Treas TIPS Index

| | 3Yr | 5Yr |
|--------------------|-------|-----|
| Alpha | -9.12 | - |
| Beta | 1.05 | - |
| R-Squared | 82.65 | - |
| Standard Deviation | 10.15 | - |
| Mean | -3.58 | - |
| Sharpe Ratio | -0.58 | - |
| Excess Risk | 4.24 | - |
| Information Ratio | -2.17 | - |

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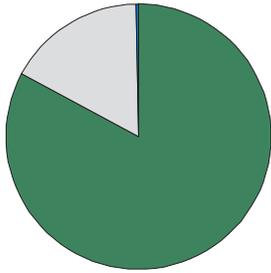
Risk and return statistical data is provided by Markov Processes International (MPI).

Inflation Protection Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of 08/31/2009

| % of Assets | |
|----------------|-------|
| U.S. Bonds | 82.86 |
| Cash | 16.76 |
| Non-U.S. Bonds | 0.38 |



Top ten holdings

| | % of net assets |
|--------------------------------------|-----------------|
| 1. US Treasury Note 2% | 11.96 |
| 2. US Treasury Note 2% | 9.60 |
| 3. US Treasury Bond 1.75% | 8.57 |
| 4. US Treasury Bond 2.5% | 6.65 |
| 5. US Treasury Note 2.625% | 4.73 |
| 6. US Treasury Note 1.625% | 4.14 |
| 7. US Treasury Note 2% | 4.10 |
| 8. US Treasury Note 1.625% | 4.08 |
| 9. United States Treas Nts | 3.73 |
| 10. US Treasury Bond 2% | 3.48 |
| % of net assets in top ten holdings* | 61.04 |

Analysis

| | |
|------------------|-----|
| # of Stock Hldgs | 0 |
| # of Bond Hldgs | 124 |
| # of Other Hldgs | 15 |
| Turnover Ratio | 32% |

Credit Analysis

As of 08/31/2009

| | % Bonds |
|-----------|---------|
| AAA | 92.12 |
| AA | 0.50 |
| A | 1.03 |
| BBB | 2.93 |
| BB | 0.40 |
| B | 0.70 |
| Below B | 1.90 |
| Not Rated | 0.43 |

Statistics

| | |
|------------------------|--------|
| Avg Eff Duration (Yrs) | 7.43 |
| Avg Eff Maturity (Yrs) | 8.70 |
| Avg Credit Quality | AAA |
| Avg Weighted Price | 107.93 |

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 Inflation Protection Separate Account-R6.

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

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

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

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

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 09/30/2009

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.



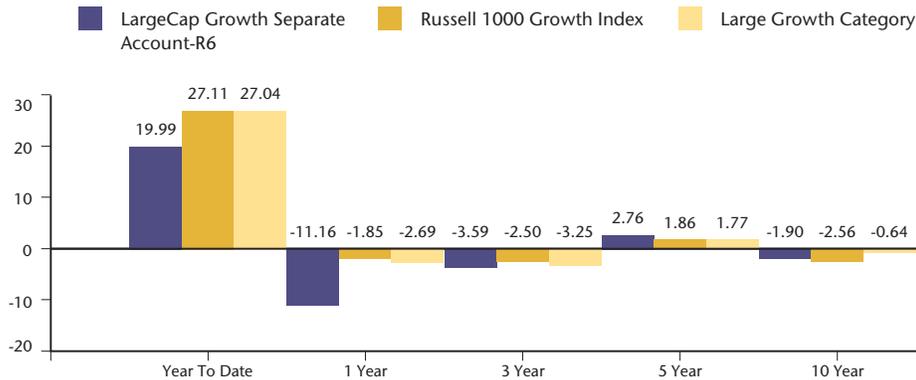
Columbus Circle
Investors

Portfolio managers

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

Thomas J. Bisighini, CFA. Since 03/02/2009. M.B.A., Fordham U

Long-term returns % as of 09/30/2009



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 | 10 Year |
|---------------------------------|--------------|--------|--------|--------|---------|
| Total Return % | 19.99 | -11.16 | -3.59 | 2.76 | -1.90 |
| Russell 1000 Growth Index % | 27.11 | -1.85 | -2.50 | 1.86 | -2.56 |
| Large Growth Category % | 27.04 | -2.69 | -3.25 | 1.77 | -0.64 |
| Morningstar Percentile Rankings | - | 94 | 55 | 29 | 67 |
| # of Funds in Category | 1804 | 1788 | 1515 | 1255 | 653 |

| 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 08/31/2009

Investment style

| Value | Blend | Growth | Market capitalization | |
|-------|-------|--------|-----------------------|--------|
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to
Russell 1000 Growth Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -1.09 | 0.98 |
| Beta | 0.98 | 0.99 |
| R-Squared | 93.09 | 91.59 |
| Standard Deviation | 20.17 | 16.77 |
| Mean | -3.59 | 2.76 |
| Sharpe Ratio | -0.22 | 0.06 |
| Excess Return | -1.09 | 0.89 |
| Excess Risk | 5.31 | 4.87 |
| Information Ratio | -0.21 | 0.18 |

Operations

| | |
|--------------------------------|------------|
| Total Investment Expense Net | 0.71% |
| Total Investment Expense Gross | 0.71% |
| Inception Date | 06/01/1995 |
| Total Net Assets (mil) | \$1,074.64 |



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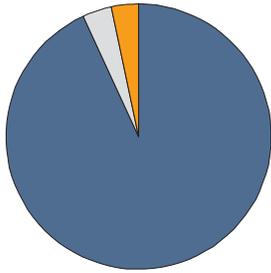
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Growth Separate Account-R6 as of 09/30/2009

Portfolio information[†]

Composition as of
08/31/2009

| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 93.11 |
| Cash | 3.54 |
| Non-U.S. Stocks | 3.35 |



Top ten holdings

| | % of net assets |
|--------------------------------------|-----------------|
| 1. Apple, Inc. | 4.95 |
| 2. J.P. Morgan Chase & Co. | 4.41 |
| 3. Qualcomm, Inc. | 3.40 |
| 4. Google, Inc. | 3.20 |
| 5. Visa, Inc. | 3.08 |
| 6. Broadcom Corporation | 3.04 |
| 7. Goldman Sachs Group, Inc. | 2.94 |
| 8. Cisco Systems, Inc. | 2.89 |
| 9. MasterCard Incorporated A | 2.88 |
| 10. Kohl's Corporation | 2.57 |
| % of net assets in top ten holdings* | 33.36 |

Analysis

| | |
|------------------|-------------|
| # of Stock Hldgs | 50 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 1 |
| GeoAvgCap (mil) | \$29,497.75 |
| Turnover Ratio | 88% |
| P/C Ratio | 4.16 |
| P/E Ratio | 18.56 |
| P/B Ratio | 2.29 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 0.00 | Healthcare | 12.06 | Consumer Goods | 5.43 |
| Hardware | 20.11 | Consumer Services | 20.14 | Industrial Materials | 4.18 |
| Media | 0.00 | Business Services | 8.94 | Energy | 3.22 |
| Telecom | 11.28 | Financial Services | 14.65 | 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 LargeCap Growth 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.

[†] 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.

Formerly known as Large Company Growth Separate Account.

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

SmallCap Value II Separate Account-R6 as of 09/30/2009

Investment Strategy

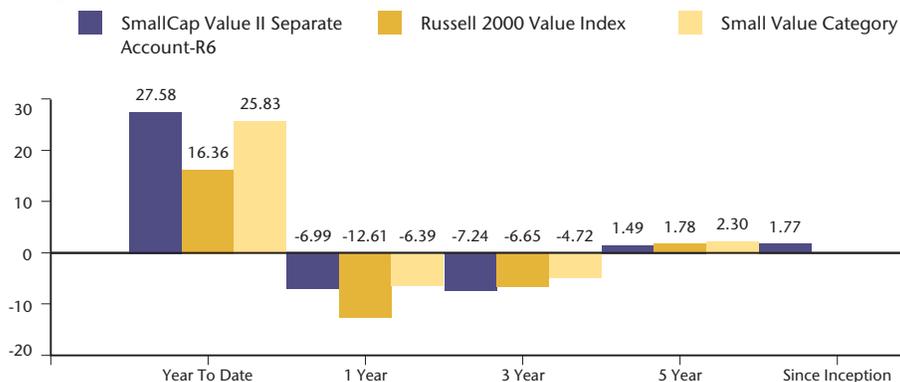
The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets in equity securities of small market capitalization companies. It may invests up to 25% of assets in foreign securities.



Portfolio managers

Chris D. Wallis, CFA. Since 10/03/2005. B.B.A., U of Baylor
David R. Berger, CFA. Since 05/01/2009. M.A., U of Michigan
Christine M. Kugler Since 05/01/2009. B.A., U of California
Stuart K. Matsuda Since 05/01/2009. M.B.A., California State U Northridge
Thomas D. Stevens, CFA. Since 05/01/2009. M.B.A., U of Wisconsin

Long-term returns % as of 09/30/2009



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 % | 27.58 | -6.99 | -7.24 | 1.49 | 1.77 |
| Russell 2000 Value Index % | 16.36 | -12.61 | -6.65 | 1.78 | - |
| Small Value Category % | 25.83 | -6.39 | -4.72 | 2.30 | - |
| Morningstar Percentile Rankings | - | 42 | 70 | 63 | - |
| # of Funds in Category | 391 | 382 | 318 | 242 | - |

| Annual Returns | 2008 | 2007 | 2006 | 2005 | 2004 |
|---------------------------------|--------|-------|-------|------|-------|
| Total Return % | -37.14 | -9.11 | 20.37 | 6.85 | - |
| 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 | 81 | 71 | 15 | 50 | - |
| # 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 08/31/2009

Investment style

| Value | Blend | Growth | Market capitalization | |
|-------|-------|--------|-----------------------|--------|
| | | | | Large |
| | | | | Medium |
| | | | | Small |
| | | | | |
| | | | | |

Risk and Return Statistics

as of 09/30/2009 Relative to Russell 2000 Value Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -0.29 | -0.11 |
| Beta | 1.02 | 1.03 |
| R-Squared | 97.80 | 97.35 |
| Standard Deviation | 26.34 | 22.47 |
| Mean | -7.24 | 1.49 |
| Sharpe Ratio | -0.26 | 0.04 |
| Excess Return | -0.59 | -0.29 |
| Excess Risk | 3.96 | 3.74 |
| Information Ratio | -0.15 | -0.08 |

Operations

| | |
|---------------------------------|------------|
| Total Investment Expense Net | 1.23% |
| Total Investment Expense Gross | 1.25% |
| Contractual Cap Expiration Date | 02/28/2011 |
| Inception Date | 06/01/2004 |
| Total Net Assets (mil) | \$245.82 |



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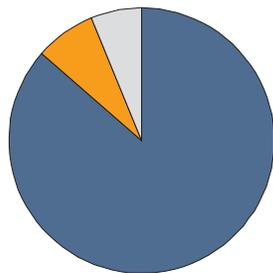
Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Value II Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of 08/31/2009

| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 86.45 |
| Non-U.S. Stocks | 7.36 |
| Cash | 6.20 |



Top ten holdings

| | |
|--------------------------------------|-------|
| 1. Russell 2000 Mini Sep09 | 6.42 |
| 2. Prosperity Bancshares, Inc. | 0.73 |
| 3. MFA Mortgage Investments, Inc. | 0.65 |
| 4. HCC Insurance Holdings Inc. | 0.62 |
| 5. Sybase Inc. | 0.62 |
| 6. Waste Connections, Inc. | 0.61 |
| 7. Syniverse Holdings, Inc. | 0.51 |
| 8. Watson Wyatt Worldwide, Inc. | 0.51 |
| 9. Patterson Companies, Inc. | 0.50 |
| 10. Hanover Insurance Group, Inc. | 0.50 |
| % of net assets in top ten holdings* | 11.66 |

% of net assets

Analysis

| | |
|------------------|----------|
| # of Stock Hldgs | 1681 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 12 |
| GeoAvgCap (mil) | \$753.49 |
| Turnover Ratio | 62% |
| P/C Ratio | 2.97 |
| P/E Ratio | 14.58 |
| P/B Ratio | 1.04 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 3.60 | Healthcare | 4.93 | Consumer Goods | 8.66 |
| Hardware | 8.62 | Consumer Services | 9.61 | Industrial Materials | 15.29 |
| Media | 1.76 | Business Services | 9.55 | Energy | 5.32 |
| Telecom | 2.77 | Financial Services | 27.37 | Utilities | 2.51 |

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 II 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.

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.

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.

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.

SmallCap Growth II Separate Account-R6 as of 09/30/2009

Investment Strategy

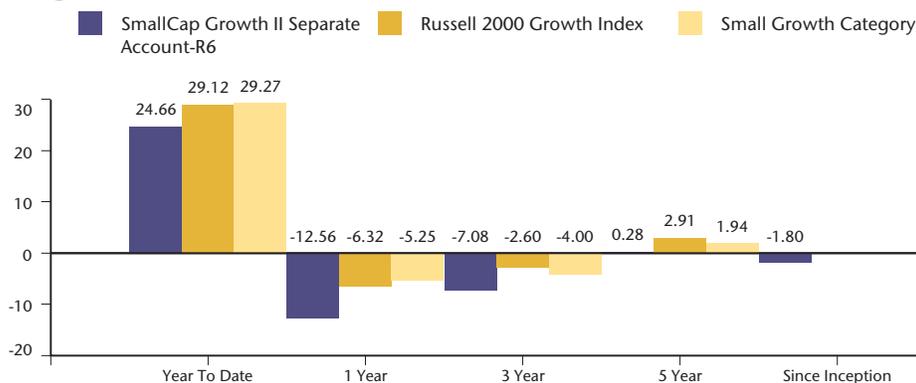
The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in common stocks of companies with small market capitalizations (those with market capitalizations equal to or smaller than the greater of \$2.5 billion or the highest market capitalization of the companies 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. M.B.A., Harvard Business School
Mariateresa Monaco Since 06/02/2009. M.S., Politecnico di Torino

Long-term returns % as of 09/30/2009



Performance disclosure

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | Since Inception |
|---------------------------------|--------------|--------|--------|--------|-----------------|
| Total Return % | 24.66 | -12.56 | -7.08 | 0.28 | -1.80 |
| Russell 2000 Growth Index % | 29.12 | -6.32 | -2.60 | 2.91 | - |
| Small Growth Category % | 29.27 | -5.25 | -4.00 | 1.94 | - |
| Morningstar Percentile Rankings | - | 83 | 82 | 74 | - |
| # of Funds in Category | 796 | 782 | 670 | 555 | - |

| 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 | 57 | 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 08/31/2009

Investment style

| Value | Blend | Growth | Market capitalization | |
|-------|-------|--------|-----------------------|--------|
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to Russell 2000 Growth Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -4.95 | -2.63 |
| Beta | 0.95 | 0.94 |
| R-Squared | 97.44 | 97.21 |
| Standard Deviation | 23.77 | 20.61 |
| Mean | -7.08 | 0.27 |
| Sharpe Ratio | -0.30 | -0.03 |
| Excess Return | -4.48 | -2.63 |
| Excess Risk | 3.99 | 3.67 |
| Information Ratio | -1.12 | -0.72 |

Operations

| | |
|---------------------------------|------------|
| Total Investment Expense Net | 1.17% |
| Total Investment Expense Gross | 1.19% |
| Contractual Cap Expiration Date | 02/28/2011 |
| Inception Date | 12/29/2000 |
| Total Net Assets (mil) | \$335.90 |



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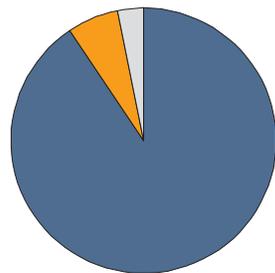
Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Growth II Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of 08/31/2009

| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 90.62 |
| Non-U.S. Stocks | 6.19 |
| Cash | 3.19 |



Top ten holdings

| Rank | Company | % of net assets |
|--------------------------------------|-----------------------------------|-----------------|
| 1. | Russell 2000 Mini Sep09 | 3.22 |
| 2. | Thoratec Laboratories Corporation | 1.30 |
| 3. | GSI Commerce, Inc. | 1.28 |
| 4. | Marvel Enterprises, Inc. | 1.10 |
| 5. | Bio-Reference Labs, Inc. | 1.10 |
| 6. | Blackboard, Inc. | 1.01 |
| 7. | Chiquita Brands International | 0.99 |
| 8. | Ebix, Inc. | 0.98 |
| 9. | 99 Cents Only Stores | 0.96 |
| 10. | Neutral Tandem, Inc. | 0.94 |
| % of net assets in top ten holdings* | | 12.89 |

Analysis

| | |
|------------------|----------|
| # of Stock Hldgs | 1034 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 6 |
| GeoAvgCap (mil) | \$803.72 |
| Turnover Ratio | 78% |
| P/C Ratio | 7.49 |
| P/E Ratio | 19.43 |
| P/B Ratio | 2.20 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 13.77 | Healthcare | 20.32 | Consumer Goods | 9.91 |
| Hardware | 12.73 | Consumer Services | 8.21 | Industrial Materials | 7.32 |
| Media | 2.05 | Business Services | 8.31 | Energy | 2.47 |
| Telecom | 7.72 | Financial Services | 6.87 | Utilities | 0.34 |

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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 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 09/30/2009

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.

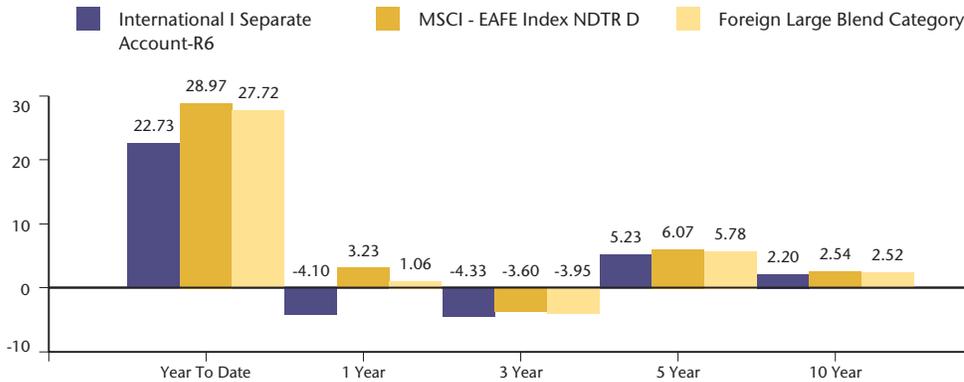


Portfolio managers

Cesar Hernandez, CFA. Since 12/29/2003. B.S., Universidad Simon Bolivar

Mariateresa Monaco Since 06/02/2009. M.S., Politecnico di Torino

Long-term returns % as of 09/30/2009



Performance disclosure

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | 10 Year |
|---------------------------------|--------------|--------|--------|--------|---------|
| Total Return % | 22.73 | -4.10 | -4.33 | 5.23 | 2.20 |
| MSCI - EAFE Index NDTR D % | 28.97 | 3.23 | -3.60 | 6.07 | 2.54 |
| Foreign Large Blend Category % | 27.72 | 1.06 | -3.95 | 5.78 | 2.52 |
| Morningstar Percentile Rankings | - | 78 | 56 | 56 | 48 |
| # of Funds in Category | 834 | 807 | 600 | 462 | 246 |

| 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 08/31/2009

Investment style

| Value | Blend | Growth | Market capitalization | |
|-------|-------|--------|-----------------------|--------|
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to MSCI - EAFE Index NDTR D

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -0.52 | -0.76 |
| Beta | 1.02 | 1.02 |
| R-Squared | 98.21 | 98.18 |
| Standard Deviation | 24.75 | 20.48 |
| Mean | -4.34 | 5.22 |
| Sharpe Ratio | -0.16 | 0.20 |
| Excess Return | -0.74 | -0.85 |
| Excess Risk | 3.33 | 2.79 |
| Information Ratio | -0.22 | -0.31 |

Operations

| | |
|---------------------------------|------------|
| Total Investment Expense Net | 1.27% |
| Total Investment Expense Gross | 1.30% |
| Contractual Cap Expiration Date | 02/28/2011 |
| Inception Date | 07/01/1999 |
| Total Net Assets (mil) | \$1,572.13 |



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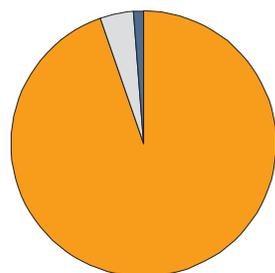
International I Separate Account-R6 as of 09/30/2009

Portfolio information[†]

Composition as of
08/31/2009

% of Assets

| | |
|-----------------|-------|
| Non-U.S. Stocks | 94.68 |
| Cash | 4.05 |
| U.S. Stocks | 1.26 |
| Other | 0.01 |



Top ten holdings

| | |
|--------------------------------------|-------|
| 1. HSBC Holdings PLC | 2.28 |
| 2. EMINI MSCI EAFE SEP09 | 2.12 |
| 3. Nestle | 1.74 |
| 4. Royal Dutch Shell PLC | 1.58 |
| 5. Total SA | 1.41 |
| 6. Telefonica, S.A. | 1.33 |
| 7. Roche Holding AG | 1.30 |
| 8. S&P FUTURE - SEPT 99 | 1.30 |
| 9. Toyota Motor Corporation | 1.24 |
| 10. BNP Paribas | 1.12 |
| % of net assets in top ten holdings* | 15.43 |

% of net assets

Analysis

| | |
|------------------|-------------|
| # of Stock Hldgs | 802 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 8 |
| GeoAvgCap (mil) | \$26,860.12 |
| Turnover Ratio | 124% |
| P/C Ratio | 5.82 |
| P/E Ratio | 14.41 |
| P/B Ratio | 1.43 |

Top 5 Countries

% of net assets

| | |
|----------------|-------|
| Japan | 22.81 |
| United Kingdom | 20.34 |
| France | 10.58 |
| Australia | 7.51 |
| Germany | 7.37 |

Regional exposure

% of net assets

| | |
|---------------|-------|
| Europe | 64.35 |
| Japan | 22.81 |
| Pacific Rim | 11.20 |
| United States | 1.34 |
| Latin America | 0.29 |
| Other | 0.01 |

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 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.

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.

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 09/30/2009

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.



Asset Management

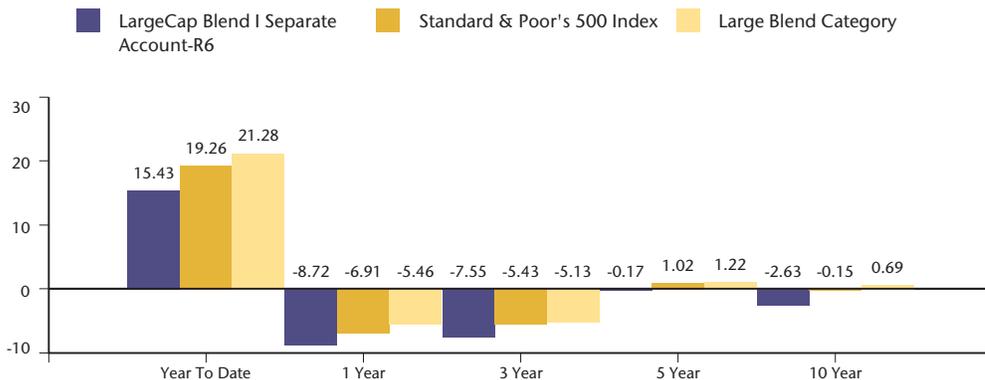
Portfolio managers

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 09/30/2009



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 | 10 Year |
|---------------------------------|--------------|--------|--------|--------|---------|
| Total Return % | 15.43 | -8.72 | -7.55 | -0.17 | -2.63 |
| Standard & Poor's 500 Index % | 19.26 | -6.91 | -5.43 | 1.02 | -0.15 |
| Large Blend Category % | 21.28 | -5.46 | -5.13 | 1.22 | 0.69 |
| Morningstar Percentile Rankings | - | 81 | 88 | 82 | 95 |
| # of Funds in Category | 2028 | 2005 | 1704 | 1352 | 678 |

| 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 08/31/2009

Investment style

| Value | Blend | Growth | Market capitalization | |
|-------|-------|--------|-----------------------|--------|
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to Standard & Poor's 500 Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -2.46 | -1.21 |
| Beta | 0.98 | 0.99 |
| R-Squared | 99.31 | 98.93 |
| Standard Deviation | 19.33 | 15.84 |
| Mean | -7.55 | -0.17 |
| Sharpe Ratio | -0.45 | -0.12 |
| Excess Return | -2.12 | -1.19 |
| Excess Risk | 1.66 | 1.65 |
| Information Ratio | -1.28 | -0.72 |

Operations

| | |
|--------------------------------|------------|
| Total Investment Expense Net | 0.76% |
| Total Investment Expense Gross | 0.76% |
| Inception Date | 06/01/1995 |
| Total Net Assets (mil) | \$1,154.62 |



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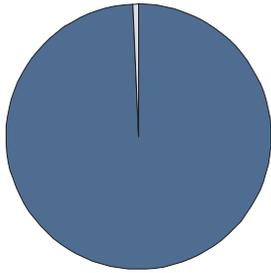
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Blend I Separate Account-R6 as of 09/30/2009

Portfolio information[†]

Composition as of
08/31/2009

| % of Assets | |
|---------------|-------|
| ■ U.S. Stocks | 99.25 |
| ■ Cash | 0.74 |



Top ten holdings

| | % of net assets |
|--------------------------------------|-----------------|
| 1. ExxonMobil Corporation | 3.66 |
| 2. Microsoft Corporation | 2.95 |
| 3. AT&T, Inc. | 1.98 |
| 4. United Parcel Service, Inc. | 1.88 |
| 5. Johnson & Johnson | 1.87 |
| 6. Bank of America Corporation | 1.78 |
| 7. Chevron Corporation | 1.77 |
| 8. J.P. Morgan Chase & Co. | 1.71 |
| 9. Pfizer Inc. | 1.69 |
| 10. Procter & Gamble Company | 1.66 |
| % of net assets in top ten holdings* | 20.93 |

Analysis

| | |
|------------------|-------------|
| # of Stock Hldgs | 234 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 2 |
| GeoAvgCap (mil) | \$35,536.37 |
| Turnover Ratio | 93% |
| P/C Ratio | 5.04 |
| P/E Ratio | 15.60 |
| P/B Ratio | 2.08 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 4.77 | Healthcare | 13.36 | Consumer Goods | 11.26 |
| Hardware | 10.21 | Consumer Services | 9.36 | Industrial Materials | 8.54 |
| Media | 3.10 | Business Services | 4.34 | Energy | 12.02 |
| Telecom | 5.19 | Financial Services | 15.41 | Utilities | 2.43 |

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 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.

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

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Effective 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 09/30/2009

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.



Portfolio managers

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

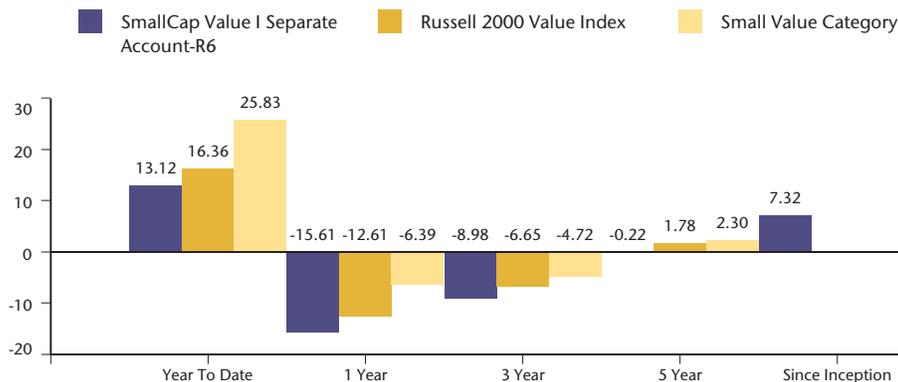
Dennis S. Ruhl, CFA. Since 03/01/2005. M.S., MIT

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., Politecnico di Torino

Long-term returns % as of 09/30/2009



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.

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | Since Inception |
|---------------------------------|--------------|--------|--------|--------|-----------------|
| Total Return % | 13.12 | -15.61 | -8.98 | -0.22 | 7.32 |
| Russell 2000 Value Index % | 16.36 | -12.61 | -6.65 | 1.78 | - |
| Small Value Category % | 25.83 | -6.39 | -4.72 | 2.30 | - |
| Morningstar Percentile Rankings | - | 91 | 84 | 85 | - |
| # of Funds in Category | 391 | 382 | 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 08/31/2009

Investment style

| | Value | Blend | Growth | |
|--|-------|-------|--------|--------|
| | | | | Large |
| | | | | Medium |
| | | | | Small |

Market capitalization

Risk and Return Statistics

as of 09/30/2009 Relative to Russell 2000 Value Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -2.95 | -2.06 |
| Beta | 0.96 | 0.97 |
| R-Squared | 99.34 | 99.12 |
| Standard Deviation | 24.64 | 20.95 |
| Mean | -8.98 | -0.22 |
| Sharpe Ratio | -0.37 | -0.05 |
| Excess Return | -2.34 | -2.00 |
| Excess Risk | 2.21 | 2.06 |
| Information Ratio | -1.05 | -0.97 |

Operations

| | |
|---------------------------------|------------|
| Total Investment Expense Net | 1.20% |
| Total Investment Expense Gross | 1.22% |
| Contractual Cap Expiration Date | 02/28/2011 |
| Inception Date | 12/31/2002 |
| Total Net Assets (mil) | \$275.58 |



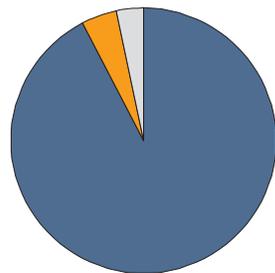
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Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Value I Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of 08/31/2009



| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 92.39 |
| Non-U.S. Stocks | 4.25 |
| Cash | 3.36 |

Top ten holdings

| Rank | Company | % of net assets |
|--------------------------------------|--------------------------------------|-----------------|
| 1. | Russell 2000 Mini Sep09 | 3.32 |
| 2. | EMCOR Group, Inc. | 0.85 |
| 3. | Assured Guaranty, Ltd. | 0.81 |
| 4. | Rent-A-Center, Inc. | 0.80 |
| 5. | National Retail Properties, Inc. | 0.68 |
| 6. | Senior Housing Prop Trust | 0.68 |
| 7. | New Jersey Resources Corporation | 0.66 |
| 8. | Delphi Financial Group | 0.62 |
| 9. | Platinum Underwriters Holdings, Ltd. | 0.62 |
| 10. | Knight Capital Group, Inc. | 0.62 |
| % of net assets in top ten holdings* | | 9.65 |

Analysis

| | |
|------------------|----------|
| # of Stock Hldgs | 1251 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 6 |
| GeoAvgCap (mil) | \$726.22 |
| Turnover Ratio | 56% |
| P/C Ratio | 2.91 |
| P/E Ratio | 12.86 |
| P/B Ratio | 1.11 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 2.95 | Healthcare | 4.60 | Consumer Goods | 9.26 |
| Hardware | 4.73 | Consumer Services | 7.87 | Industrial Materials | 12.95 |
| Media | 0.84 | Business Services | 9.34 | Energy | 4.41 |
| Telecom | 3.33 | Financial Services | 34.02 | Utilities | 5.71 |

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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 09/30/2009

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

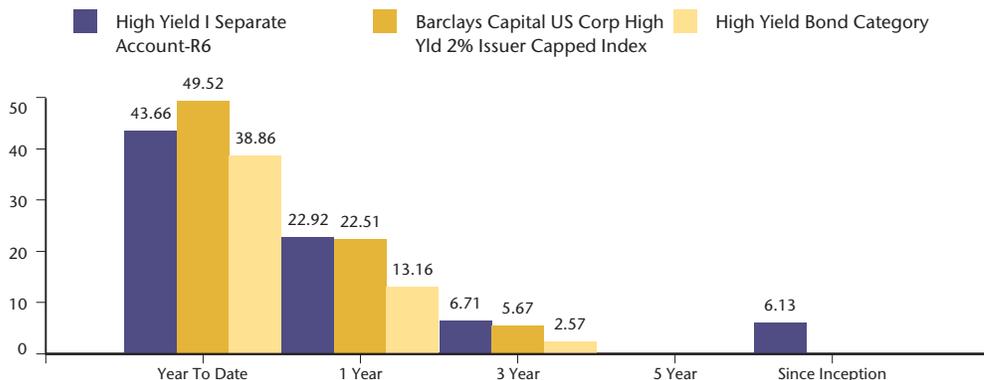
James E. Gibson Since 07/19/2007. M.S., U of Windsor, Canada

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. B.A., Xavier U

Long-term returns % as of 09/30/2009



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.

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | Since Inception |
|--|--------------|--------|--------|--------|-----------------|
| Total Return % | 43.66 | 22.92 | 6.71 | - | 6.13 |
| Barclays Capital US Corp High Yld 2% Issuer Capped Index % | 49.52 | 22.51 | 5.67 | 6.16 | - |
| High Yield Bond Category % | 38.86 | 13.16 | 2.57 | 4.11 | - |
| Morningstar Percentile Rankings | - | 6 | 2 | - | - |
| # of Funds in Category | 547 | 545 | 466 | 400 | - |

| 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 | 2.27 | 10.76 | 2.76 | 11.14 |
| 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 08/31/2009

Investment style

| Value | Blend | Growth |
|-------|-------|--------|
| | | |
| | | |
| | | |

Duration

| Short | Int | Long |
|-------|-----|------|
| | | |
| | | |
| | | |

| Market capitalization | Quality | | |
|-----------------------|---------|--------|-----|
| | High | Medium | Low |
| Large | | | |
| Medium | | | |
| Small | | | |

Risk and Return Statistics

as of 09/30/2009 Relative to Barclays Capital US Corp High Yld 2% Issuer Capped Index

| | 3Yr | 5Yr |
|--------------------|-------|-----|
| Alpha | 1.26 | - |
| Beta | 0.82 | - |
| R-Squared | 99.00 | - |
| Standard Deviation | 13.81 | - |
| Mean | 6.71 | - |
| Sharpe Ratio | 0.33 | - |
| Excess Risk | 3.37 | - |
| Information Ratio | 0.31 | - |

Operations

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



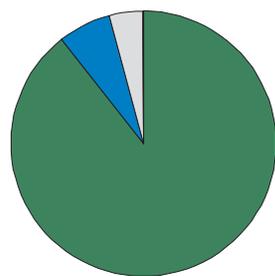
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Risk and return statistical data is provided by Markov Processes International (MPI).

High Yield I Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of
08/31/2009



| % of Assets | |
|----------------|-------|
| U.S. Bonds | 89.37 |
| Non-U.S. Bonds | 6.44 |
| Cash | 4.04 |
| U.S. Stocks | 0.07 |
| Other | 0.04 |
| Preferred | 0.02 |
| Convertibles | 0.02 |

Top ten holdings

| | |
|--|--------|
| 1. Roseton Danskammer Pt 2001 | 7.67% |
| 2. Sprint Cap | 6.88% |
| 3. Ford Motor Co, Term Loan B | |
| 4. Texas Competitive Electric Holdings Company, Term Loan T1 | |
| 5. Sabine Pass Lng L P | 7.5% |
| 6. Gmac 144A | 6.875% |
| 7. Gmac 144A | 8% |
| 8. Amer Gen Fin Medtm Srmt Be | 6.9% |
| 9. Nrg Engy | 7.375% |
| 10. Engy Future Hldgs | 11.25% |
| % of net assets in top ten holdings* | |

% of net
assets

Analysis

| | |
|------------------|------------|
| # of Stock Hldgs | 3 |
| # of Bond Hldgs | 584 |
| # of Other Hldgs | 14 |
| GeoAvgCap (mil) | \$1,615.17 |
| Turnover Ratio | 68% |
| P/C Ratio | 1.51 |
| P/E Ratio | 17.72 |
| P/B Ratio | 1.12 |

Credit Analysis

As of 08/31/2009

| | % Bonds |
|-----------|---------|
| AAA | 5.11 |
| AA | 0.00 |
| A | 0.34 |
| BBB | 3.14 |
| BB | 23.73 |
| B | 36.78 |
| Below B | 29.30 |
| Not Rated | 1.60 |

Statistics

| | |
|------------------------|-------|
| Avg Eff Duration (Yrs) | 3.82 |
| Avg Eff Maturity (Yrs) | 6.44 |
| Avg Credit Quality | B |
| Avg Weighted Price | 89.98 |

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 High Yield I Separate Account-R6.

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.

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

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

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 09/30/2009

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 Barclay Capital 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.

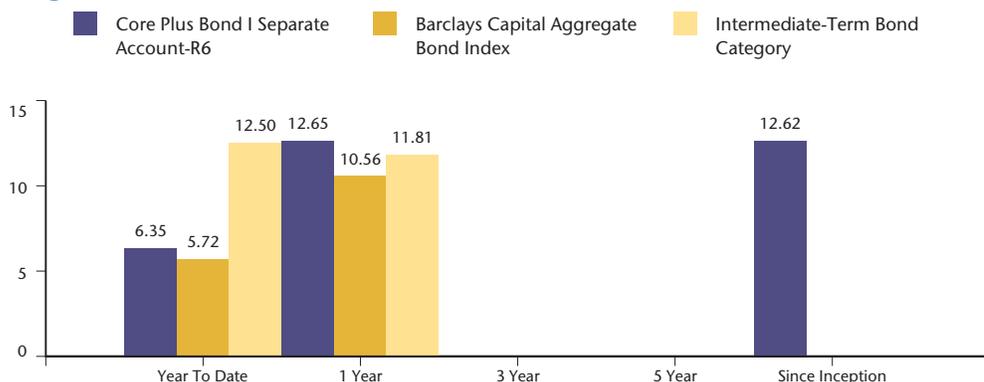
P I M C O

The Authority On Bonds™

Portfolio managers

William H. Gross, CFA. Since 09/30/2008. M.B.A., University of California-Los Angeles (Anderson)

Long-term returns % as of 09/30/2009



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 % | 6.35 | 12.65 | - | - | 12.62 |
| Barclays Capital Aggregate Bond Index % | 5.72 | 10.56 | 6.41 | 5.13 | - |
| Intermediate-Term Bond Category % | 12.50 | 11.81 | 4.47 | 3.82 | - |
| Morningstar Percentile Rankings | - | 41 | - | - | - |
| # of Funds in Category | 1125 | 1111 | 954 | 836 | - |

| 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 08/31/2009

| Duration | | | Quality | |
|----------|-----|------|---------|--------|
| Short | Int | Long | | |
| | | | | High |
| | | | | Medium |
| | | | Low | |

Risk and Return Statistics

as of 09/30/2009 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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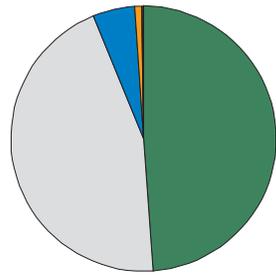
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Risk and return statistical data is provided by Markov Processes International (MPI).

Core Plus Bond I Separate Account-R6 as of 09/30/2009

Portfolio information[†]

Composition as of 08/31/2009



| Category | % of Assets |
|-----------------|-------------|
| U.S. Bonds | 48.81 |
| Cash | 45.03 |
| Non-U.S. Bonds | 5.09 |
| Non-U.S. Stocks | 0.82 |
| Preferred | 0.14 |
| Other | 0.12 |

Top ten holdings

| | |
|--------------------------------------|-------|
| 1. FNMA | 23.30 |
| 2. United States Treas Nts 1% | 20.42 |
| 3. FNMA | 16.66 |
| 4. 5.0% Irs Sell Swaption | 7.56 |
| 5. 4.00% Irs Swaption | 5.26 |
| 6. 3.75% Irs Sell Swaption | 5.03 |
| 7. US Treasury Bond 4.25% | 4.80 |
| 8. FNMA | 4.49 |
| 9. FNMA 6% | 3.63 |
| 10. FHLMC 1.625% | 3.46 |
| % of net assets in top ten holdings* | 94.62 |

% of net assets

Analysis

| | |
|------------------|------|
| # of Stock Hldgs | 0 |
| # of Bond Hldgs | 514 |
| # of Other Hldgs | 37 |
| Turnover Ratio | 551% |

Credit Analysis

As of 07/31/2009

| Rating | % Bonds |
|-----------|---------|
| AAA | 78.32 |
| AA | 2.16 |
| A | 8.17 |
| BBB | 3.04 |
| BB | 1.37 |
| B | 1.50 |
| Below B | 0.09 |
| Not Rated | 5.35 |

Statistics

| | |
|------------------------|--------|
| Avg Eff Duration (Yrs) | 4.62 |
| Avg Eff Maturity (Yrs) | 6.48 |
| Avg Credit Quality | AA |
| Avg Weighted Price | 102.58 |

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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.

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.

Bond and Mortgage Separate Account-I2 as of 09/30/2009

Investment Strategy

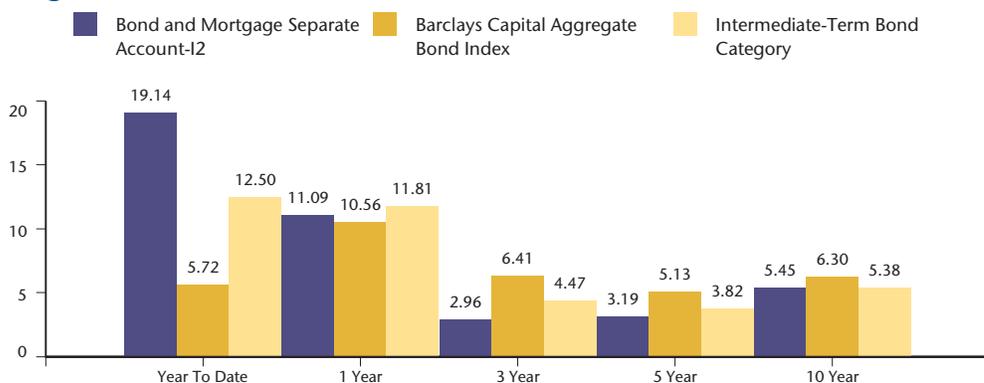
The investment option invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security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



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
Mark A. Lieb Since 07/01/2009. M.B.A., U of Hartford

Long-term returns % as of 09/30/2009



Performance disclosure

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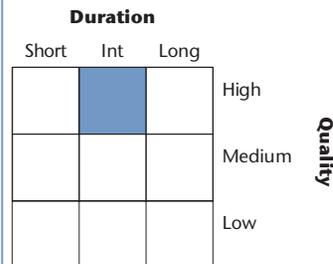
| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | 10 Year |
|---|--------------|--------|--------|--------|---------|
| Total Return % | 19.14 | 11.09 | 2.96 | 3.19 | 5.45 |
| Barclays Capital Aggregate Bond Index % | 5.72 | 10.56 | 6.41 | 5.13 | 6.30 |
| Intermediate-Term Bond Category % | 12.50 | 11.81 | 4.47 | 3.82 | 5.38 |
| Morningstar Percentile Rankings | - | 58 | 79 | 74 | 52 |
| # of Funds in Category | 1125 | 1111 | 954 | 836 | 480 |

| 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 | 20 | 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 08/31/2009



Risk and Return Statistics

as of 09/30/2009 Relative to
Barclays Capital Aggregate Bond Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -3.42 | -1.81 |
| Beta | 1.09 | 1.03 |
| R-Squared | 36.51 | 40.56 |
| Standard Deviation | 7.26 | 5.84 |
| Mean | 2.97 | 3.20 |
| Sharpe Ratio | 0.06 | 0.04 |
| Excess Risk | 5.90 | 4.57 |
| Information Ratio | -0.58 | -0.42 |

Operations

| | |
|--------------------------------|------------|
| Total Investment Expense Net | 0.55% |
| Total Investment Expense Gross | 0.55% |
| Inception Date | 02/01/1983 |
| Total Net Assets (mil) | \$4,067.02 |



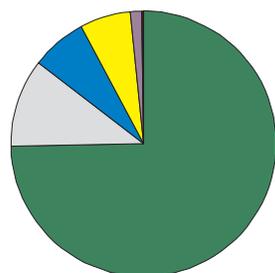
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Risk and return statistical data is provided by Markov Processes International (MPI).

Bond and Mortgage Separate Account-I2 as of 09/30/2009

Portfolio information†

Composition as of 08/31/2009



% of Assets

| | |
|-----------------|-------|
| U.S. Bonds | 74.68 |
| Cash | 10.73 |
| Non-U.S. Bonds | 6.79 |
| Other | 6.15 |
| Preferred | 1.40 |
| Convertibles | 0.15 |
| Non-U.S. Stocks | 0.10 |
| U.S. Stocks | 0.01 |

Top ten holdings

| | |
|---------------------------|------|
| 1. FHLMC | 4.74 |
| 2. FNMA | 4.12 |
| 3. US Treasury Bond 6.25% | 2.84 |
| 4. FNMA | 2.66 |
| 5. FNMA | 2.56 |
| 6. FHLMC | 1.99 |
| 7. GNMA | 1.79 |
| 8. US Treasury Note 2% | 1.58 |
| 9. FNMA | 1.26 |
| 10. FNMA | 1.25 |

% of net assets

| |
|-------|
| 4.74 |
| 4.12 |
| 2.84 |
| 2.66 |
| 2.56 |
| 1.99 |
| 1.79 |
| 1.58 |
| 1.26 |
| 1.25 |
| 24.79 |

Analysis

| | |
|------------------|------|
| # of Stock Hldgs | 5 |
| # of Bond Hldgs | 1089 |
| # of Other Hldgs | 232 |
| Turnover Ratio | 422% |

Credit Analysis

As of 08/31/2009

| | % Bonds |
|-----------|---------|
| AAA | 55.97 |
| AA | 7.79 |
| A | 11.70 |
| BBB | 14.57 |
| BB | 6.23 |
| B | 1.99 |
| Below B | 1.75 |
| Not Rated | 0.00 |

Statistics

| | |
|------------------------|-------|
| Avg Eff Duration (Yrs) | 4.41 |
| Avg Eff Maturity (Yrs) | 7.81 |
| Avg Credit Quality | AA |
| Avg Weighted Price | 97.26 |

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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.

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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 09/30/2009

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.



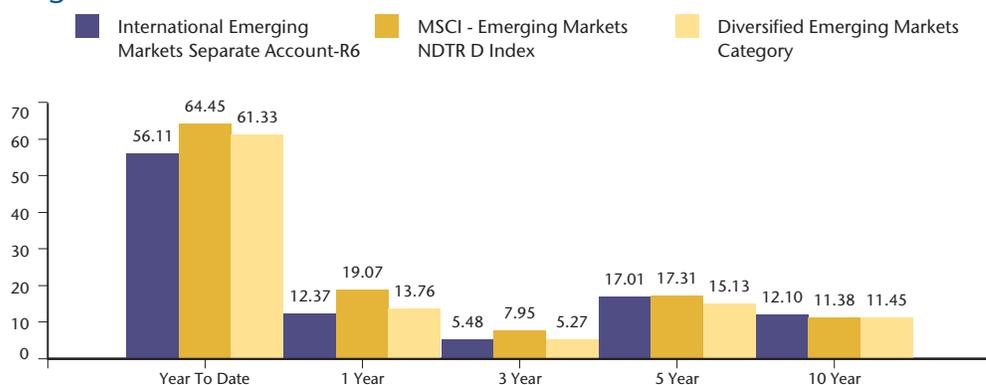
Portfolio managers

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 09/30/2009



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.

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | 10 Year |
|---|--------------|--------|--------|--------|---------|
| Total Return % | 56.11 | 12.37 | 5.48 | 17.01 | 12.10 |
| MSCI - Emerging Markets NDTR D Index % | 64.45 | 19.07 | 7.95 | 17.31 | 11.38 |
| Diversified Emerging Markets Category % | 61.33 | 13.76 | 5.27 | 15.13 | 11.45 |
| Morningstar Percentile Rankings | - | 55 | 49 | 20 | 33 |
| # of Funds in Category | 367 | 331 | 255 | 193 | 118 |

| 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 08/31/2009

| Investment style | | | Market capitalization | |
|------------------|-------|--------|-----------------------|--------|
| Value | Blend | Growth | | |
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to
MSCI - Emerging Markets NDTR D Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -2.25 | -0.16 |
| Beta | 0.99 | 1.00 |
| R-Squared | 98.98 | 98.86 |
| Standard Deviation | 32.82 | 28.23 |
| Mean | 5.47 | 17.00 |
| Sharpe Ratio | 0.25 | 0.60 |
| Excess Return | -2.48 | -0.30 |
| Excess Risk | 3.35 | 3.02 |
| Information Ratio | -0.74 | -0.10 |

Operations

| | |
|--------------------------------|------------|
| Total Investment Expense Net | 1.51% |
| Total Investment Expense Gross | 1.51% |
| Inception Date | 01/01/1995 |
| Total Net Assets (mil) | \$885.53 |



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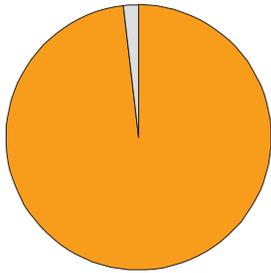
International Emerging Markets Separate Account-R6

as of 09/30/2009

Portfolio information†

Composition as of
08/31/2009

| % of Assets | |
|-----------------|-------|
| Non-U.S. Stocks | 98.14 |
| Cash | 1.85 |
| Preferred | 0.01 |



Top ten holdings

| | % of net assets |
|--|-----------------|
| 1. Petroleo Brasileiro S.A. ADR | 3.90 |
| 2. Samsung Electronics | 3.54 |
| 3. Vale | 2.21 |
| 4. America Movil S.A.B. de C.V. ADR L | 2.16 |
| 5. China Mobile Ltd. | 2.02 |
| 6. Taiwan Semiconductor Manufacturing | 1.78 |
| 7. China Construction Bank Corporation | 1.66 |
| 8. Itau Unibanco Banco Multiplo | 1.50 |
| 9. Bank of China Ltd | 1.49 |
| 10. Hon Hai Precision Ind. Co., Ltd. | 1.43 |
| % of net assets in top ten holdings* | 21.70 |

Analysis

| | |
|------------------|-------------|
| # of Stock Hldgs | 180 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 2 |
| GeoAvgCap (mil) | \$15,177.43 |
| Turnover Ratio | 100% |
| P/C Ratio | 4.93 |
| P/E Ratio | 13.19 |
| P/B Ratio | 1.61 |

Top 5 Countries

| | % of net assets |
|-------------|-----------------|
| Brazil | 16.72 |
| South Korea | 15.32 |
| China | 12.98 |
| Taiwan | 12.96 |
| Russia | 8.21 |

Regional exposure

| | % of net assets |
|---------------|-----------------|
| Pacific Rim | 56.65 |
| Latin America | 22.26 |
| Other | 19.58 |
| Europe | 1.50 |

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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.

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.

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

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

International Growth Separate Account-R6 as of 09/30/2009

Investment Strategy

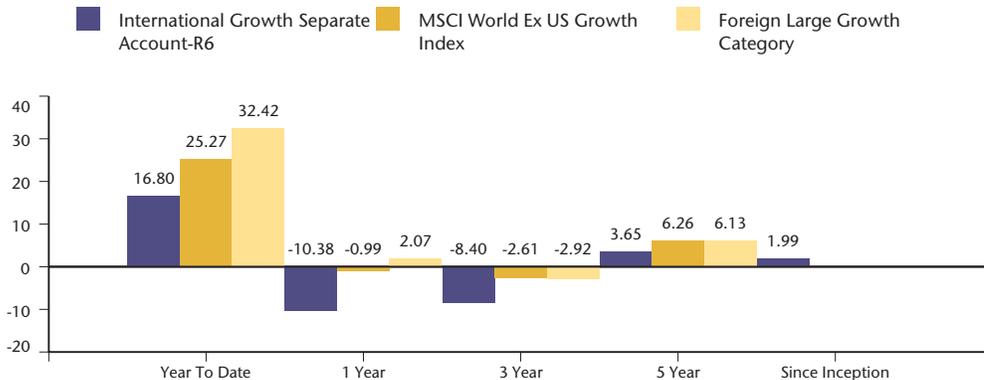
The investment seeks long-term growth of capital. The fund invests in common stocks and other securities of companies domiciled in any of the nations of the world. It invests in securities listed on foreign or domestic securities exchanges, securities traded in foreign or domestic over-the-counter markets 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 09/30/2009



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 % | 16.80 | -10.38 | -8.40 | 3.65 | 1.99 |
| MSCI World Ex US Growth Index % | 25.27 | -0.99 | -2.61 | 6.26 | - |
| Foreign Large Growth Category % | 32.42 | 2.07 | -2.92 | 6.13 | - |
| Morningstar Percentile Rankings | - | 92 | 93 | 83 | - |
| # of Funds in Category | 268 | 262 | 202 | 153 | - |

| 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 08/31/2009

| Investment style | | | Market capitalization | |
|------------------|-------|--------|-----------------------|--------|
| Value | Blend | Growth | | |
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to MSCI World Ex US Growth Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -5.71 | -2.46 |
| Beta | 1.04 | 1.05 |
| R-Squared | 98.48 | 97.90 |
| Standard Deviation | 24.66 | 20.77 |
| Mean | -8.40 | 3.65 |
| Sharpe Ratio | -0.34 | 0.13 |
| Excess Return | -5.79 | -2.61 |
| Excess Risk | 3.16 | 3.15 |
| Information Ratio | -1.83 | -0.83 |

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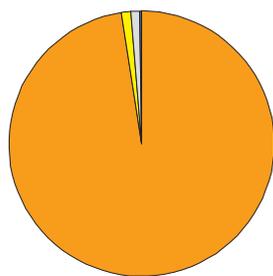
Risk and return statistical data is provided by Markov Processes International (MPI).

International Growth Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of
08/31/2009

| % of Assets | |
|-----------------|-------|
| Non-U.S. Stocks | 97.51 |
| Other | 1.19 |
| Cash | 1.04 |
| U.S. Stocks | 0.26 |



| Top ten holdings | % of net assets |
|--------------------------------------|-----------------|
| 1. Nestle | 3.37 |
| 2. Novartis | 2.53 |
| 3. Roche Holding AG | 2.44 |
| 4. GlaxoSmithKline PLC | 2.22 |
| 5. BHP Billiton Limited | 1.93 |
| 6. Telefonica, S.A. | 1.62 |
| 7. British American Tobacco PLC | 1.45 |
| 8. BG Group PLC | 1.39 |
| 9. Credit Suisse Grp | 1.39 |
| 10. Total SA | 1.35 |
| % of net assets in top ten holdings* | 19.68 |

| Analysis | |
|------------------|-------------|
| # of Stock Hldgs | 190 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 9 |
| GeoAvgCap (mil) | \$22,594.14 |
| Turnover Ratio | 125% |
| P/C Ratio | 5.80 |
| P/E Ratio | 14.65 |
| P/B Ratio | 1.73 |

Top 5 Countries

| | % of net assets |
|----------------|-----------------|
| United Kingdom | 20.96 |
| Japan | 19.92 |
| Switzerland | 13.55 |
| Canada | 8.37 |
| France | 6.22 |

Regional exposure

| | % of net assets |
|---------------|-----------------|
| Europe | 61.51 |
| Japan | 19.92 |
| Pacific Rim | 9.93 |
| Other | 8.38 |
| United States | 0.26 |

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 International Growth Separate Account-R6.

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).

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.

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

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

LargeCap S&P 500 Index Separate Account-R6 as of 09/30/2009

Investment Strategy

The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

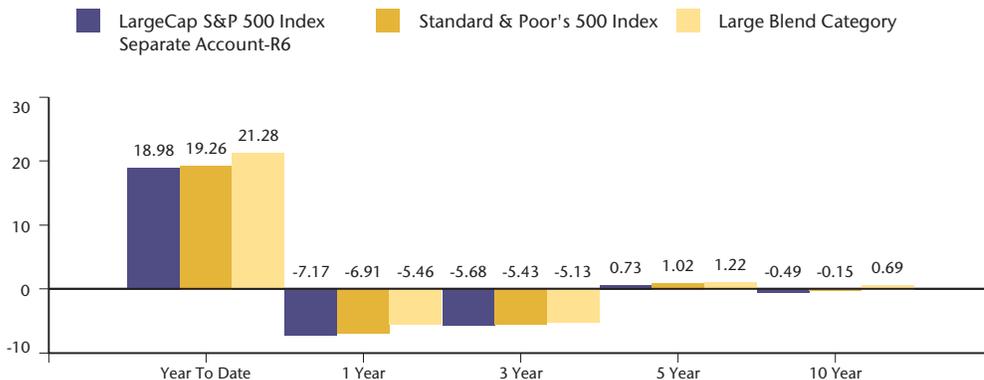


Portfolio managers

Dirk Laschanzky, CFA. Since 10/01/2003. M.B.A., U of Iowa

Scott Smith Since 12/31/2007. B.S., Iowa State University

Long-term returns % as of 09/30/2009



Performance disclosure

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | 10 Year |
|---------------------------------|--------------|--------|--------|--------|---------|
| Total Return % | 18.98 | -7.17 | -5.68 | 0.73 | -0.49 |
| Standard & Poor's 500 Index % | 19.26 | -6.91 | -5.43 | 1.02 | -0.15 |
| Large Blend Category % | 21.28 | -5.46 | -5.13 | 1.22 | 0.69 |
| Morningstar Percentile Rankings | - | 66 | 60 | 60 | 67 |
| # of Funds in Category | 2028 | 2005 | 1704 | 1352 | 678 |

| Annual Returns | 2008 | 2007 | 2006 | 2005 | 2004 |
|---------------------------------|--------|------|-------|------|-------|
| Total Return % | -37.10 | 5.18 | 15.46 | 4.58 | 10.49 |
| 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 | 40 | 55 | 29 | 63 | 43 |
| # 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 08/31/2009

| Investment style | | | Market capitalization | |
|------------------|-------|--------|-----------------------|--------|
| Value | Blend | Growth | | |
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to Standard & Poor's 500 Index

| | 3Yr | 5Yr |
|--------------------|--------|--------|
| Alpha | -0.29 | -0.28 |
| Beta | 1.00 | 1.00 |
| R-Squared | 100.00 | 100.00 |
| Standard Deviation | 19.62 | 15.92 |
| Mean | -5.68 | 0.74 |
| Sharpe Ratio | -0.34 | -0.07 |
| Excess Return | -0.25 | -0.28 |
| Excess Risk | 0.07 | 0.06 |
| Information Ratio | -3.46 | -4.71 |

Operations

| | |
|--------------------------------|------------|
| Total Investment Expense Net | 0.31% |
| Total Investment Expense Gross | 0.31% |
| Inception Date | 01/01/1990 |
| Total Net Assets (mil) | \$4,274.46 |



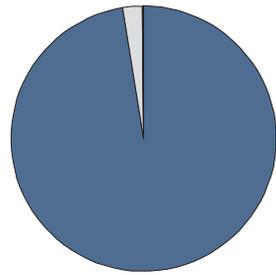
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Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap S&P 500 Index Separate Account-R6 as of 09/30/2009

Portfolio information[†]

Composition as of 08/31/2009



| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 97.45 |
| Cash | 2.35 |
| Other | 0.11 |
| Non-U.S. Stocks | 0.09 |

| Top ten holdings | % of net assets |
|---|-----------------|
| 1. ExxonMobil Corporation | 3.67 |
| 2. Microsoft Corporation | 2.05 |
| 3. J.P. Morgan Chase & Co. | 1.84 |
| 4. Johnson & Johnson | 1.81 |
| 5. Procter & Gamble Company | 1.71 |
| 6. International Business Machines Corp | 1.70 |
| 7. AT&T, Inc. | 1.67 |
| 8. Bank of America Corporation | 1.65 |
| 9. Apple, Inc. | 1.63 |
| 10. General Electric Company | 1.60 |
| % of net assets in top ten holdings* | 19.34 |

| Analysis | |
|------------------|-------------|
| # of Stock Hldgs | 499 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 2 |
| GeoAvgCap (mil) | \$40,233.16 |
| Turnover Ratio | 4% |
| P/C Ratio | 5.62 |
| P/E Ratio | 15.45 |
| P/B Ratio | 2.01 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 4.41 | Healthcare | 12.83 | Consumer Goods | 10.58 |
| Hardware | 10.07 | Consumer Services | 8.75 | Industrial Materials | 10.52 |
| Media | 2.45 | Business Services | 3.31 | Energy | 11.73 |
| Telecom | 6.32 | Financial Services | 15.28 | Utilities | 3.75 |

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 S&P 500 Index 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.

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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Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

S&P 500 is a trademark of The McGraw-Hill Companies, Inc., and has been licensed for use by Principal Life Insurance Company and Principal Management Corporation. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the product.

Formerly known as Large-Cap Stock Index Separate Account.

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

MidCap Value III Separate Account-R6 as of 09/30/2009

Investment Strategy

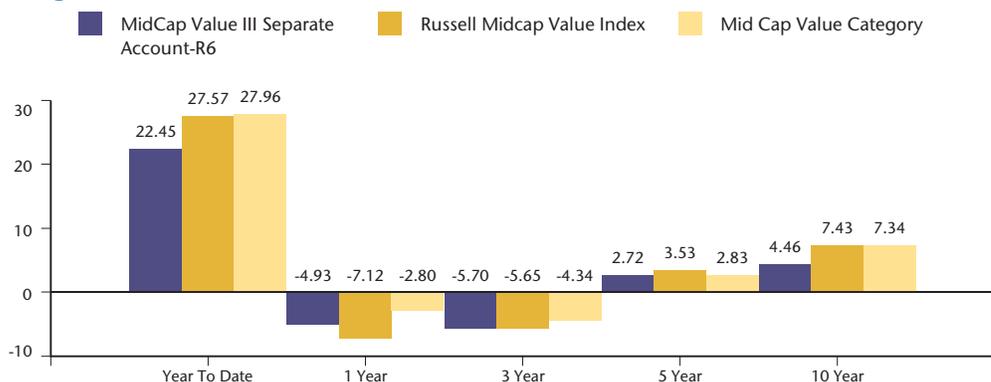
The investment seeks long-term growth of capital and normally invests the majority of assets in companies with market capitalizations similar to those of companies in the Russell MidCap Value Index. Management selects investments primarily on the basis of fundamental security analysis, focusing on the 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.



Portfolio managers

Jeffery A. Schwart, CPA, CFA. Since 02/01/2005. B.A., Northern Iowa U
Mark Giambro, 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 09/30/2009



Performance disclosure

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | 10 Year |
|---------------------------------|--------------|--------|--------|--------|---------|
| Total Return % | 22.45 | -4.93 | -5.70 | 2.72 | 4.46 |
| Russell Midcap Value Index % | 27.57 | -7.12 | -5.65 | 3.53 | 7.43 |
| Mid Cap Value Category % | 27.96 | -2.80 | -4.34 | 2.83 | 7.34 |
| Morningstar Percentile Rankings | - | 58 | 67 | 49 | 93 |
| # of Funds in Category | 426 | 417 | 338 | 248 | 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 08/31/2009

Investment style

| | Value | Blend | Growth | |
|--|-------|-------|--------|--------|
| | | | | Large |
| | | | | Medium |
| | | | | Small |

Market capitalization

Risk and Return Statistics

as of 09/30/2009 Relative to Russell Midcap Value Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -1.75 | -0.96 |
| Beta | 0.85 | 0.86 |
| R-Squared | 98.08 | 97.68 |
| Standard Deviation | 21.37 | 17.57 |
| Mean | -5.69 | 2.73 |
| Sharpe Ratio | -0.29 | 0.07 |
| Excess Return | -0.04 | -0.80 |
| Excess Risk | 4.89 | 3.98 |
| Information Ratio | -0.01 | -0.20 |

Operations

| | |
|--------------------------------|------------|
| Total Investment Expense Net | 0.81 % |
| Total Investment Expense Gross | 0.81 % |
| Inception Date | 01/01/1991 |
| Total Net Assets (mil) | \$482.50 |



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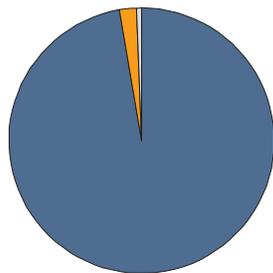
Risk and return statistical data is provided by Markov Processes International (MPI).

MidCap Value III Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of 08/31/2009

| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 97.32 |
| Non-U.S. Stocks | 2.07 |
| Cash | 0.61 |



Top ten holdings

| | % of net assets |
|--------------------------------------|-----------------|
| 1. Annaly Capital Management, Inc. | 2.16 |
| 2. Xcel Energy, Inc. | 2.10 |
| 3. Computer Sciences Corporation | 2.08 |
| 4. Murphy Oil Corporation | 2.06 |
| 5. Capital One Financial Corporation | 1.86 |
| 6. International Game Tech. | 1.85 |
| 7. ITT Corporation | 1.76 |
| 8. L-3 Communications Holdings, Inc. | 1.69 |
| 9. Omnicare, Inc. | 1.56 |
| 10. Eaton Corporation | 1.45 |
| % of net assets in top ten holdings* | 18.56 |

Analysis

| | |
|------------------|------------|
| # of Stock Hldgs | 172 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 2 |
| GeoAvgCap (mil) | \$5,115.53 |
| Turnover Ratio | 90% |
| P/C Ratio | 3.99 |
| P/E Ratio | 12.34 |
| P/B Ratio | 1.33 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 2.99 | Healthcare | 4.10 | Consumer Goods | 9.21 |
| Hardware | 2.90 | Consumer Services | 12.89 | Industrial Materials | 15.17 |
| Media | 1.63 | Business Services | 3.00 | Energy | 6.87 |
| Telecom | 2.27 | Financial Services | 28.77 | Utilities | 10.21 |

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 MidCap Value III Separate Account-R6.

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.

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.

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 09/30/2009

Investment Strategy

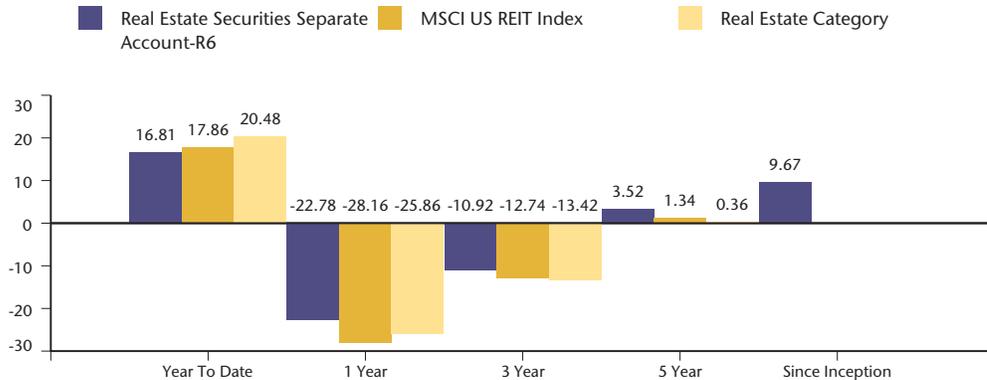
The investment seeks to generate a total return. The fund normally invests at least 80% of the net assets (plus any borrowings for investment purposes) in equity securities of companies principally engaged in the real estate industry, which include real estate investment trusts and companies with substantial 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 09/30/2009



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 % | 16.81 | -22.78 | -10.92 | 3.52 | 9.67 |
| MSCI US REIT Index % | 17.86 | -28.16 | -12.74 | 1.34 | - |
| Real Estate Category % | 20.48 | -25.86 | -13.42 | 0.36 | - |
| Morningstar Percentile Rankings | - | 13 | 12 | 7 | - |
| # of Funds in Category | 273 | 267 | 233 | 205 | - |

| 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 | 71 | 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 08/31/2009

| Investment style | | | Market capitalization | |
|------------------|-------|--------|-----------------------|--------|
| Value | Blend | Growth | | |
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to MSCI US REIT Index

| | 3Yr | 5Yr |
|--------------------|--------|-------|
| Alpha | -0.83 | 1.42 |
| Beta | 0.88 | 0.89 |
| R-Squared | 99.15 | 98.90 |
| Standard Deviation | 35.55 | 29.16 |
| Mean | -10.92 | 3.53 |
| Sharpe Ratio | -0.22 | 0.16 |
| Excess Return | 1.83 | 2.19 |
| Excess Risk | 5.91 | 4.69 |
| Information Ratio | 0.31 | 0.47 |

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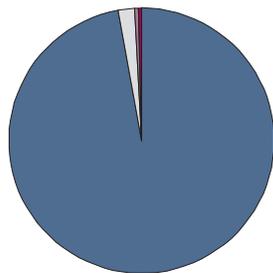
Risk and return statistical data is provided by Markov Processes International (MPI).

Real Estate Securities Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of
08/31/2009

| % of Assets | |
|--------------|-------|
| U.S. Stocks | 97.12 |
| Cash | 1.97 |
| Preferred | 0.51 |
| Convertibles | 0.40 |



| Top ten holdings | % of net assets |
|---------------------------------------|-----------------|
| 1. Simon Property Group, Inc. | 11.46 |
| 2. HCP, Inc. | 5.48 |
| 3. Public Storage | 5.48 |
| 4. Boston Properties, Inc. | 5.37 |
| 5. Ventas, Inc. | 4.22 |
| 6. Vornado Realty Trust | 3.60 |
| 7. SL Green Realty Corporation | 3.37 |
| 8. Health Care REIT, Inc. | 2.98 |
| 9. Federal Realty Investment Trust | 2.91 |
| 10. Apartment Investment & Management | 2.71 |
| % of net assets in top ten holdings* | 47.57 |

| Analysis | |
|------------------|------------|
| # of Stock Hldgs | 48 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 9 |
| GeoAvgCap (mil) | \$4,095.40 |
| Turnover Ratio | 47% |
| P/C Ratio | 7.52 |
| P/E Ratio | 29.34 |
| P/B Ratio | 1.37 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 0.00 | Healthcare | 0.00 | Consumer Goods | 0.00 |
| Hardware | 0.00 | Consumer Services | 0.79 | Industrial Materials | 0.00 |
| Media | 0.00 | Business Services | 0.00 | Energy | 0.00 |
| Telecom | 0.00 | Financial Services | 99.21 | 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.

† 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.

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 09/30/2009

Investment Strategy

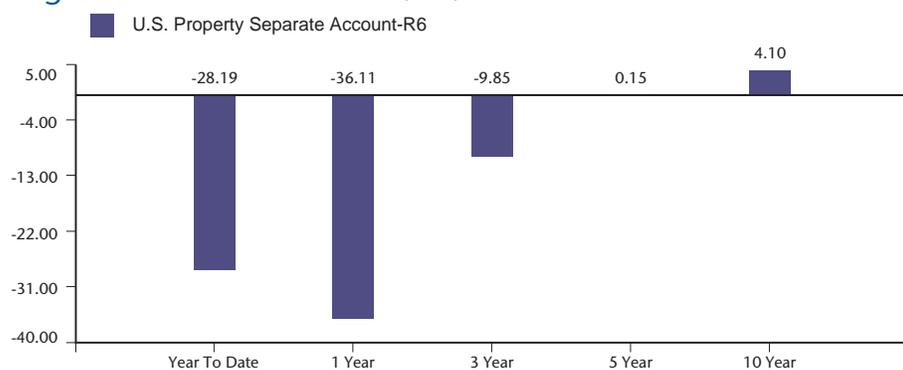
The investment invests the majority of assets on commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail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

Principal Real Estate Investors

Portfolio managers

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

Long-term returns % as of 09/30/2009



Performance disclosure

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | 10 Year |
|-------------------|--------------|--------|--------|--------|---------|
| Total Return % | -28.19 | -36.11 | -9.85 | 0.15 | 4.10 |

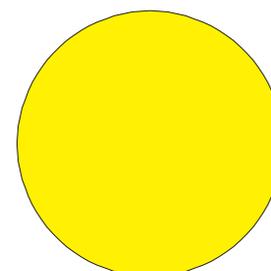
| Annual Returns | 2008 | 2007 | 2006 | 2005 | 2004 |
|----------------|--------|-------|-------|-------|-------|
| Total Return % | -13.23 | 13.42 | 15.14 | 18.61 | 12.52 |

Operations

| | |
|--------------------------------|------------|
| Total Investment Expense Net | 1.15% |
| Total Investment Expense Gross | 1.15% |
| Inception Date | 01/01/1982 |
| Total Net Assets (mil) | \$3,717.35 |

Portfolio information

Composition as of 08/31/2009



% of Assets

| | |
|-------|--------|
| Other | 100.00 |
|-------|--------|

Analysis

| | |
|-----------------------|-----|
| Total Number of Hldgs | 134 |
|-----------------------|-----|

Portfolio composition

| Top ten holdings | % of net assets |
|-----------------------------|-----------------|
| Office San Francisco, CA | 6.29 |
| Office New York, NY | 4.06 |
| Office Bellevue, WA | 3.43 |
| Retail Burbank, CA | 2.72 |
| Office New York, NY | 2.38 |
| Office Scottsdale, AZ | 2.36 |
| Apartment Mercer Island, WA | 2.19 |
| Retail Cambridge, MA | 2.16 |
| Apartment Tustin, CA | 1.99 |
| Retail San Diego, CA | 1.83 |

% of net assets in top ten holdings* 29.41%

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

Geographical diversity

| | % of properties |
|---------|-----------------|
| West | 49.00 |
| East | 22.00 |
| South | 18.00 |
| Midwest | 11.00 |

Property type

| | % of account |
|------------|--------------|
| Office | 40.00 |
| Retail | 20.00 |
| Apartments | 19.00 |
| Warehouse | 16.00 |
| Other | 5.00 |

U.S. Property Separate Account-R6 as of 09/30/2009

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.

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.

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 09/30/2009

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.



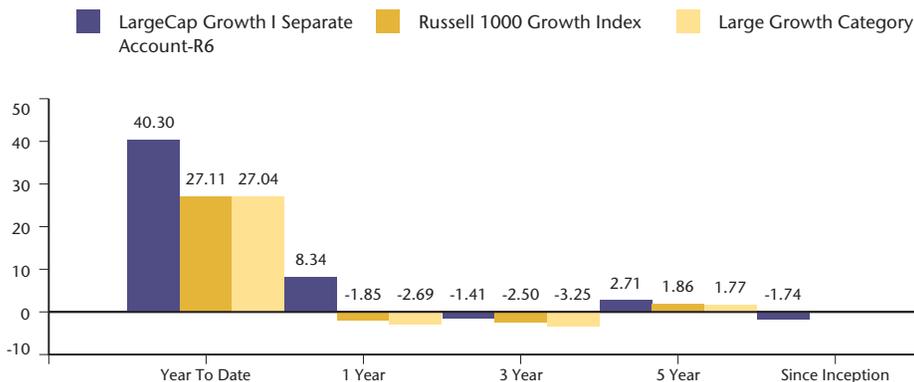
Portfolio managers

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

Mariateresa Monaco Since 06/02/2009. M.S., Politecnico di Torino

Kenneth Stuzin, CFA. Since 07/14/2009. M.B.A., Columbia U

Long-term returns % as of 09/30/2009



Performance disclosure

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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | Since Inception |
|---------------------------------|--------------|--------|--------|--------|-----------------|
| Total Return % | 40.30 | 8.34 | -1.41 | 2.71 | -1.74 |
| Russell 1000 Growth Index % | 27.11 | -1.85 | -2.50 | 1.86 | - |
| Large Growth Category % | 27.04 | -2.69 | -3.25 | 1.77 | - |
| Morningstar Percentile Rankings | - | 4 | 22 | 30 | - |
| # of Funds in Category | 1804 | 1788 | 1515 | 1255 | - |

| 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 | 62 | 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 08/31/2009

| Investment style | | | Market capitalization | |
|------------------|-------|--------|-----------------------|--------|
| Value | Blend | Growth | | |
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to Russell 1000 Growth Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | 1.85 | 1.15 |
| Beta | 1.09 | 1.08 |
| R-Squared | 95.47 | 93.91 |
| Standard Deviation | 21.89 | 18.06 |
| Mean | -1.41 | 2.72 |
| Sharpe Ratio | -0.08 | 0.07 |
| Excess Return | 1.09 | 0.85 |
| Excess Risk | 4.99 | 4.68 |
| Information Ratio | 0.22 | 0.18 |

Operations

| | |
|---------------------------------|------------|
| Total Investment Expense Net | 0.88% |
| Total Investment Expense Gross | 0.90% |
| Contractual Cap Expiration Date | 02/28/2011 |
| Inception Date | 12/29/2000 |
| Total Net Assets (mil) | \$1,424.30 |



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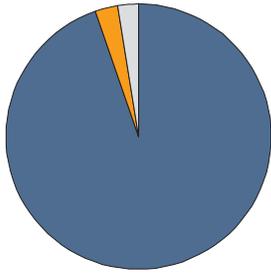
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Growth I Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of
08/31/2009

| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 94.69 |
| Non-U.S. Stocks | 2.79 |
| Cash | 2.53 |



Top ten holdings

| | % of net assets |
|--------------------------------------|-----------------|
| 1. Apple, Inc. | 4.16 |
| 2. Google, Inc. | 3.11 |
| 3. Microsoft Corporation | 2.58 |
| 4. S&P FUTURE - SEPT 99 | 2.48 |
| 5. Danaher Corporation | 2.44 |
| 6. Schlumberger, Ltd. | 2.39 |
| 7. Accenture Ltd Berm | 2.29 |
| 8. MasterCard Incorporated A | 2.15 |
| 9. Allergan, Inc. | 2.03 |
| 10. Cisco Systems, Inc. | 1.95 |
| % of net assets in top ten holdings* | 25.60 |

Analysis

| | |
|------------------|-------------|
| # of Stock Hldgs | 472 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 6 |
| GeoAvgCap (mil) | \$22,711.40 |
| Turnover Ratio | 65% |
| P/C Ratio | 6.25 |
| P/E Ratio | 18.45 |
| P/B Ratio | 2.95 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 8.97 | Healthcare | 14.82 | Consumer Goods | 6.18 |
| Hardware | 15.65 | Consumer Services | 13.92 | Industrial Materials | 8.64 |
| Media | 1.45 | Business Services | 7.81 | Energy | 7.02 |
| Telecom | 7.74 | Financial Services | 7.05 | Utilities | 0.76 |

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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 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 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 09/30/2009

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 University

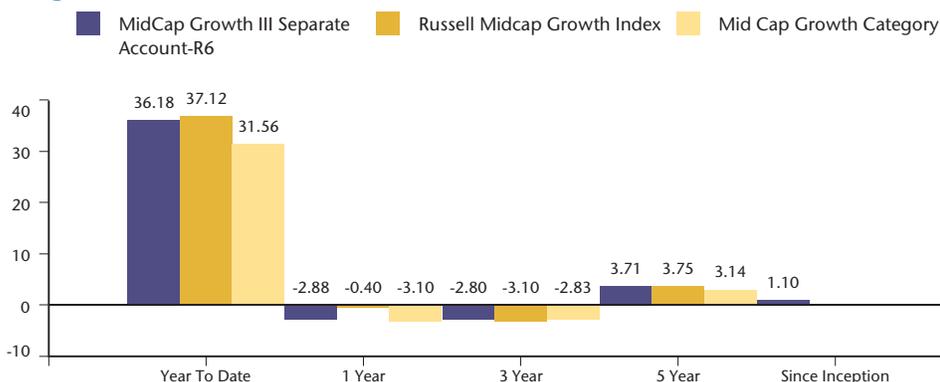
Adam T. Logan, CFA. Since 11/21/2008. B.A., Westminster C

Bruce I. Jacobs Since 05/01/2009. Ph.D., U of PA's Wharton School

Mariateresa Monaco Since 06/02/2009. M.S., Politecnico di Torino

Ronald P. Gala, CFA. Since 06/24/2009. M.B.A., U of Pittsburgh

Long-term returns % as of 09/30/2009



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| Long Term Returns | Year To Date | 1 Year | 3 Year | 5 Year | Since Inception |
|---------------------------------|--------------|--------|--------|--------|-----------------|
| Total Return % | 36.18 | -2.88 | -2.80 | 3.71 | 1.10 |
| Russell Midcap Growth Index % | 37.12 | -0.40 | -3.10 | 3.75 | - |
| Mid Cap Growth Category % | 31.56 | -3.10 | -2.83 | 3.14 | - |
| Morningstar Percentile Rankings | - | 49 | 52 | 44 | - |
| # of Funds in Category | 852 | 849 | 750 | 638 | - |

| 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 | 80 | 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 08/31/2009

| Investment style | | | Market capitalization | |
|------------------|-------|--------|-----------------------|--------|
| Value | Blend | Growth | | |
| | | | | Large |
| | | | | Medium |
| | | | Small | |

Risk and Return Statistics

as of 09/30/2009 Relative to Russell Midcap Growth Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | 0.51 | 0.10 |
| Beta | 1.01 | 1.04 |
| R-Squared | 96.69 | 95.85 |
| Standard Deviation | 24.74 | 21.18 |
| Mean | -2.80 | 3.72 |
| Sharpe Ratio | -0.10 | 0.14 |
| Excess Return | 0.31 | -0.03 |
| Excess Risk | 4.52 | 4.39 |
| Information Ratio | 0.07 | -0.01 |

Operations

| | |
|---------------------------------|------------|
| Total Investment Expense Net | 1.15% |
| Total Investment Expense Gross | 1.17% |
| Contractual Cap Expiration Date | 02/28/2011 |
| Inception Date | 10/28/1999 |
| Total Net Assets (mil) | \$1,216.38 |



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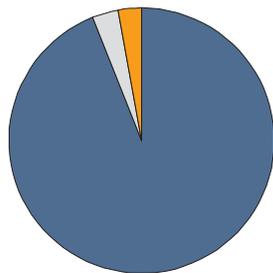
Risk and return statistical data is provided by Markov Processes International (MPI).

MidCap Growth III Separate Account-R6 as of 09/30/2009

Portfolio information†

Composition as of
08/31/2009

| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 93.94 |
| Cash | 3.17 |
| Non-U.S. Stocks | 2.88 |



| Top ten holdings | % of net assets |
|--------------------------------------|-----------------|
| 1. S&P MID 400 EMINI SEP09 | 3.21 |
| 2. Guess Inc | 1.17 |
| 3. Avon Products | 1.04 |
| 4. McAfee, Inc. | 1.03 |
| 5. T Rowe Price Group | 1.02 |
| 6. NetApp, Inc. | 1.01 |
| 7. Alexion Pharmaceuticals, Inc. | 1.00 |
| 8. Precision Castparts Corp. | 0.98 |
| 9. TD Ameritrade Holding Corporation | 0.95 |
| 10. Micron Technology, Inc. | 0.94 |
| % of net assets in top ten holdings* | 12.36 |

| Analysis | |
|------------------|------------|
| # of Stock Hldgs | 492 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 6 |
| GeoAvgCap (mil) | \$4,573.10 |
| Turnover Ratio | 167% |
| P/C Ratio | 4.57 |
| P/E Ratio | 17.08 |
| P/B Ratio | 2.28 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 5.82 | Healthcare | 12.15 | Consumer Goods | 10.63 |
| Hardware | 13.60 | Consumer Services | 15.73 | Industrial Materials | 12.47 |
| Media | 1.27 | Business Services | 8.00 | Energy | 5.95 |
| Telecom | 2.26 | Financial Services | 10.11 | Utilities | 2.02 |

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 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.

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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 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 09/30/2009

Investment Strategy

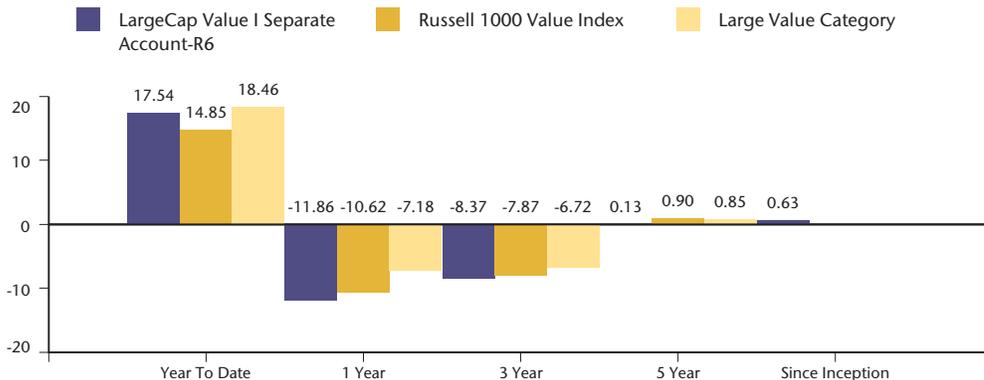
The investment seeks long-term growth of capital. The fund invests primarily in common stocks and other equity securities of large-capitalization companies. It normally invests at least 80% of net assets in securities of companies with large market capitalizations (those with market capitalizations similar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



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. B.S., Marquette U
John C. Leonard, CFA. Since 06/01/2004. M.B.A., U of Chicago
Scott C. Hazen, CFA. Since 03/01/2006. B.B.A., U of Notre Dame
Mariateresa Monaco Since 06/02/2009. M.S., Politecnico di Torino

Long-term returns % as of 09/30/2009



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 % | 17.54 | -11.86 | -8.37 | 0.13 | 0.63 |
| Russell 1000 Value Index % | 14.85 | -10.62 | -7.87 | 0.90 | - |
| Large Value Category % | 18.46 | -7.18 | -6.72 | 0.85 | - |
| Morningstar Percentile Rankings | - | 84 | 76 | 66 | - |
| # of Funds in Category | 1348 | 1327 | 1133 | 933 | - |

| 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 08/31/2009

Investment style

| | Value | Blend | Growth | |
|--|-------|-------|--------|--------|
| | | | | Large |
| | | | | Medium |
| | | | | Small |

Market capitalization

Risk and Return Statistics

as of 09/30/2009 Relative to Russell 1000 Value Index

| | 3Yr | 5Yr |
|--------------------|-------|-------|
| Alpha | -0.17 | -0.69 |
| Beta | 1.02 | 1.00 |
| R-Squared | 96.32 | 95.56 |
| Standard Deviation | 22.10 | 17.66 |
| Mean | -8.37 | 0.13 |
| Sharpe Ratio | -0.41 | -0.08 |
| Excess Return | -0.50 | -0.77 |
| Excess Risk | 4.26 | 3.72 |
| Information Ratio | -0.12 | -0.21 |

Operations

| | |
|---------------------------------|------------|
| Total Investment Expense Net | 0.95% |
| Total Investment Expense Gross | 0.96% |
| Contractual Cap Expiration Date | 02/28/2011 |
| Inception Date | 06/01/2004 |
| Total Net Assets (mil) | \$1,105.07 |



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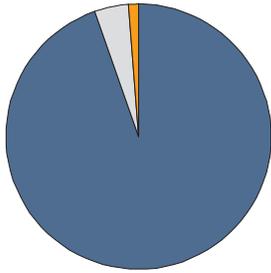
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value I Separate Account-R6 as of 09/30/2009

Portfolio information[†]

Composition as of
08/31/2009

| % of Assets | |
|-----------------|-------|
| U.S. Stocks | 94.64 |
| Cash | 4.13 |
| Non-U.S. Stocks | 1.24 |



Top ten holdings

| | % of net assets |
|--------------------------------------|-----------------|
| 1. J.P. Morgan Chase & Co. | 4.76 |
| 2. S&P FUTURE - SEPT 99 | 4.04 |
| 3. Pfizer Inc. | 3.44 |
| 4. Chevron Corporation | 3.20 |
| 5. AT&T, Inc. | 3.16 |
| 6. ExxonMobil Corporation | 3.00 |
| 7. Bank of America Corporation | 2.96 |
| 8. General Electric Company | 2.91 |
| 9. Wells Fargo Company | 2.70 |
| 10. Covidien, Ltd. | 2.04 |
| % of net assets in top ten holdings* | 32.21 |

Analysis

| | |
|------------------|-------------|
| # of Stock Hldgs | 502 |
| # of Bond Hldgs | 0 |
| # of Other Hldgs | 6 |
| GeoAvgCap (mil) | \$32,403.69 |
| Turnover Ratio | 52% |
| P/C Ratio | 4.27 |
| P/E Ratio | 14.97 |
| P/B Ratio | 1.53 |

Stock Sector Breakdown

| Information | % of net assets | Service | % of net assets | Manufacturing | % of net assets |
|-------------|-----------------|--------------------|-----------------|----------------------|-----------------|
| Software | 0.37 | Healthcare | 9.71 | Consumer Goods | 6.90 |
| Hardware | 4.58 | Consumer Services | 3.72 | Industrial Materials | 10.89 |
| Media | 5.24 | Business Services | 4.39 | Energy | 19.01 |
| Telecom | 4.94 | Financial Services | 23.08 | Utilities | 7.17 |

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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.

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Effective October 1, 2009, TS&W was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

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