Principal Financial Advisors, Inc.

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

Contract No. 4-45661
October 01, 2009 - December 31, 2009

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Principal Financial Advisors, Inc. Overview

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

For over 20 years, Principal Financial Advisors, Inc., a registered investment advisor, and a member company of the Principal Financial Group® has been providing asset allocation solutions for clients. Today, we manage over $5.9 billion in assets overall and have over 400 clients using our advisory services for retirement plans.

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

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

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

Principal Financial Advisors, Inc., provides:

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

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

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

Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 10/01/2009 through 12/31/2009					
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]	$1,159,735	4.54%	$1,248,127	4.68%
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 43, 47]	$2,164,501	8.48%	$2,318,916	8.69%
	Large Blend				
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	$1,424,311	5.58%	$1,552,742	5.82%
	Large Growth				
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	$1,669,876	6.54%	$1,818,244	6.81%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 43, 45]	$1,657,709	6.49%	$1,845,859	6.92%
	Small/Mid U.S. Equity				
	Mid Cap Value				
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 13, 26]	$388,645	1.52%	$424,711	1.59%
	Mid Cap Growth				
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 27, 43]	$388,944	1.52%	$425,507	1.59%
	Small Value				
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 37, 40, 43]	$385,177	1.51%	$410,828	1.54%
	Small Growth				
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 43, 44]	$387,452	1.52%	$419,571	1.57%
	International Equity				
	Diversified Emerging Markets				
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	$312,488	1.22%	$347,818	1.30%
	Foreign Large Value				
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [4, 15, 43]	$852,438	3.34%	$883,656	3.31%
	Foreign Large Blend				
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [4, 15, 19, 31, 43, 48]	$877,451	3.44%	$923,636	3.46%
	Foreign Large Growth				
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	$848,568	3.32%	$922,948	3.46%
	Real Estate				
	Owned Real Estate				
Principal Real Estate Inv	U.S. Property Separate Account-R6 [6]	$994,562	3.89%	$947,558	3.55%
	Real Estate				
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	$385,636	1.51%	$433,008	1.62%
	Fixed Income				
	High Yield Bond				
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 32]	$1,381,396	5.41%	$1,511,820	5.66%

Portfolio and Strategic Asset Allocation Review

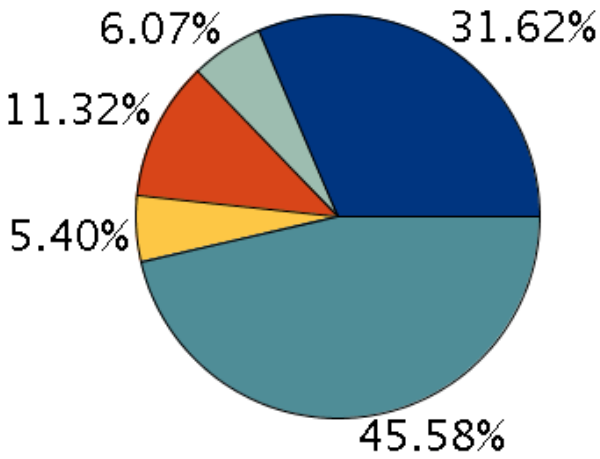
Investment Review - Allocation 10/01/2009 through 12/31/2009					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
	Intermediate-Term Bond				
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	$4,265,357	16.70%	$4,427,326	16.59%
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	$4,270,372	16.72%	$4,025,164	15.08%
	Inflation-Protected Bond				
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 18, 21, 34]	$1,722,934	6.75%	$1,803,968	6.76%
TOTAL		$25,537,552	100%	$26,691,407	100%

Please see important disclosures at the end of this presentation.

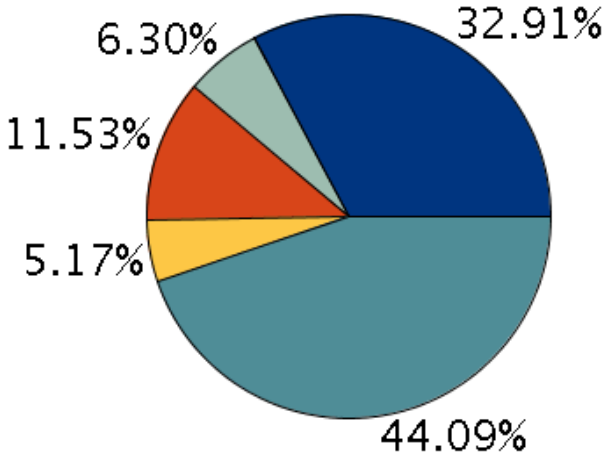
Portfolio and Strategic Asset Allocation Review

Asset Class Breakdown

Beginning % As Of 10/01/2009



Ending % As Of 12/31/2009



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

Holdings of International Separate Accounts by Region as of December 31, 2009

Asia	**6.387%**
China	1.778%
India	0.826%
Indonesia	0.331%
Malaysia	0.090%
Pakistan	-
Philippines	-
South Korea	1.939%
Taiwan	1.423%
Thailand	-

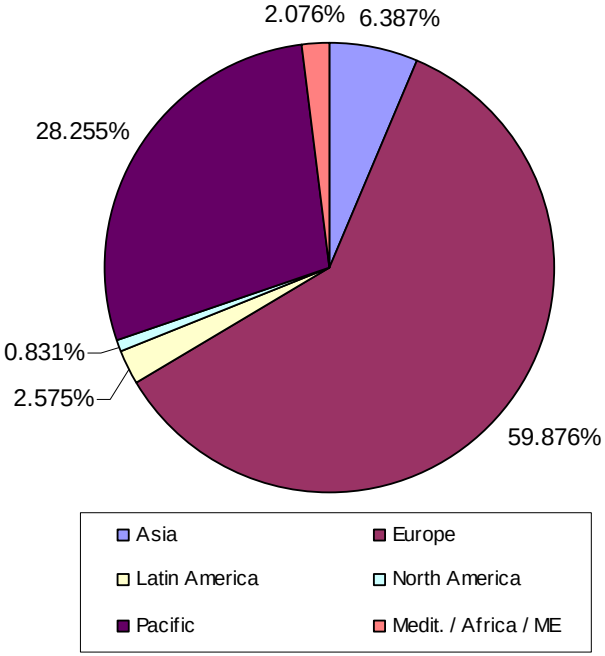
Europe	**59.876%**
Austria	0.110%
Belgium	1.028%
Denmark	1.005%
Finland	0.422%
France	8.492%
Germany	7.405%
Greece	0.583%
Ireland	0.133%
Italy	2.135%
Luxembourg	0.514%
Netherlands	4.060%
Norway	1.075%
Portugal	0.535%
Spain	3.686%
Sweden	1.589%
Switzerland	8.800%
United Kingdom	18.305%

Latin America	**2.575%**
Argentina	-
Bermuda	0.070%
Brazil	1.947%
British Virgin Islands	0.044%
Cayman Islands	0.010%
Chile	0.035%
Colombia	-
Mexico	0.469%
Peru	-

North America	**0.831%**
Canada	0.659%
United States	0.171%

Pacific	**28.255%**
Australia	5.778%
Hong Kong	2.819%
Japan	17.952%
New Zealand	0.026%
Singapore	1.680%

Medit. / Africa / ME	**2.076%**
Cyprus	0.005%
Czech Republic	-
Egypt	-
Hungary	0.082%
Iceland	-
Israel	0.238%
Morocco	-
Poland	0.235%
Russia	0.738%
Slovenia	-
South Africa	0.512%
Turkey	0.265%



Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation for new contributions at the beginning and 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 10/01/2009 through 12/31/2009			
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]	4.50%	4.50%
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 43, 47]	8.40%	8.40%
	Large Blend		
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	5.50%	5.50%
	Large Growth		
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	6.50%	6.50%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 43, 45]	6.40%	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]	1.50%	1.50%
	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]	3.30%	3.30%
	Foreign Large Blend		
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [4, 15, 19, 31, 43, 48]	3.40%	3.40%
	Foreign Large Growth		
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	3.30%	3.30%
	Real Estate	1.50%	1.50%
	Real Estate		
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	1.50%	1.50%

Portfolio and Strategic Asset Allocation Review

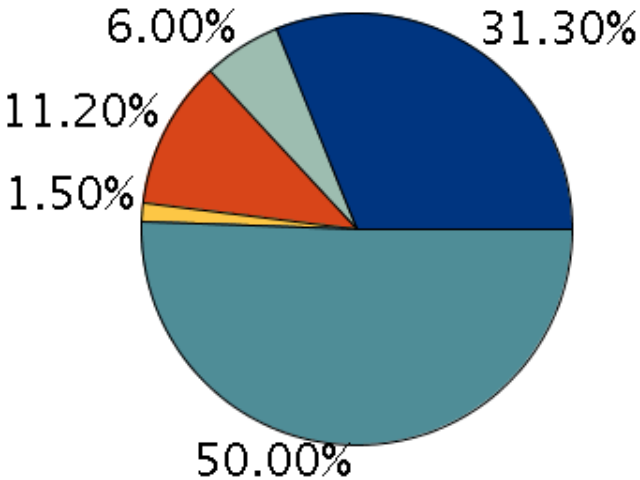
Target Allocation 10/01/2009 through 12/31/2009			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Fixed Income	50.00%	50.00%
	High Yield Bond		
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 32]	5.30%	5.30%
	Intermediate-Term Bond		
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	19.00%	19.00%
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	19.10%	19.10%
	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.

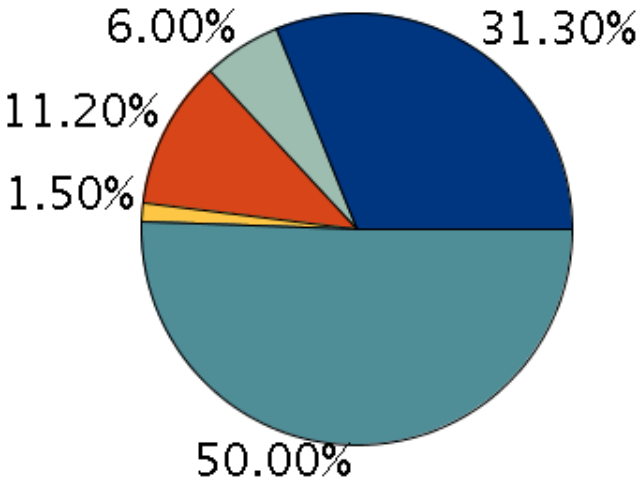
Portfolio and Strategic Asset Allocation Review

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

Beginning Target Allocation As Of October 01, 2009



Ending Target Allocation As Of December 31, 2009



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

Portfolio and Strategic Asset Allocation Review

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

Large U.S. Equity		
Large Value	**Large Blend**	**Large Growth**
LargeCap Value III Separate Account-R6 [3, 17, 22, 33, 43] AllianceBernstein, Westwood LargeCap Value I Separate Account-R6 [15, 43, 47] UBS Global Asset Management, TS&W Thompson, Siegel & Walmsley LLC	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24] ++	LargeCap Growth Separate Account-R6 [25] Columbus Circle Investors LargeCap Growth I Separate Account-R6 [3, 43, 45] T.RowePrice, Brown Advisory
Small/Mid U.S. Equity		
Mid Cap Value	**Mid Cap Blend**	**Mid Cap Growth**
MidCap Value III Separate Account-R6 [1, 13, 26] Principal Global Investors, Barrow, Hanley, Mewhinney & Strauss, Inc.		MidCap Growth III Separate Account-R6 [1, 12, 27, 43] Turner investment partners, Mellon Capital Management, Jacobs Levy Equity Management
Small Value	**Small Blend**	**Small Growth**
SmallCap Value II Separate Account-R6 [1, 15, 37, 40, 43] Dimensional, Vaughan Nelson Investment Management, LP, Los Angeles Capital Management		SmallCap Growth II Separate Account-R6 [1, 3, 43, 44] Emerald Advisers, Inc., Essex

Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
International Value I Separate Account-R6 [4, 15, 43] AXA Rosenberg An AXA Investment Managers Company Causeway Capital Management LLC International I Separate Account-R6 [4, 15, 19, 31, 43, 48] Fidelity Investments International Emerging Markets Separate Account-R6 [4] International Growth Separate Account-R6 [3, 4] Principal Global Investors℠	Real Estate Securities Separate Account-R6 [3, 8] U.S. Property Separate Account-R6 [6] Principal Real Estate Investors	
Short-Term Fixed Income	**Fixed Income**	
	Inflation Protection Separate Account-R6 [15, 18, 21, 34] BlackRock High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 32] J.P.Morgan Asset Management Neuberger Berman Core Plus Bond I Separate Account-R6 [15, 18, 21] PIMCO The Authority On Bonds™ Bond and Mortgage Separate Account-I2 [18, 21] Principal Global Investors℠	

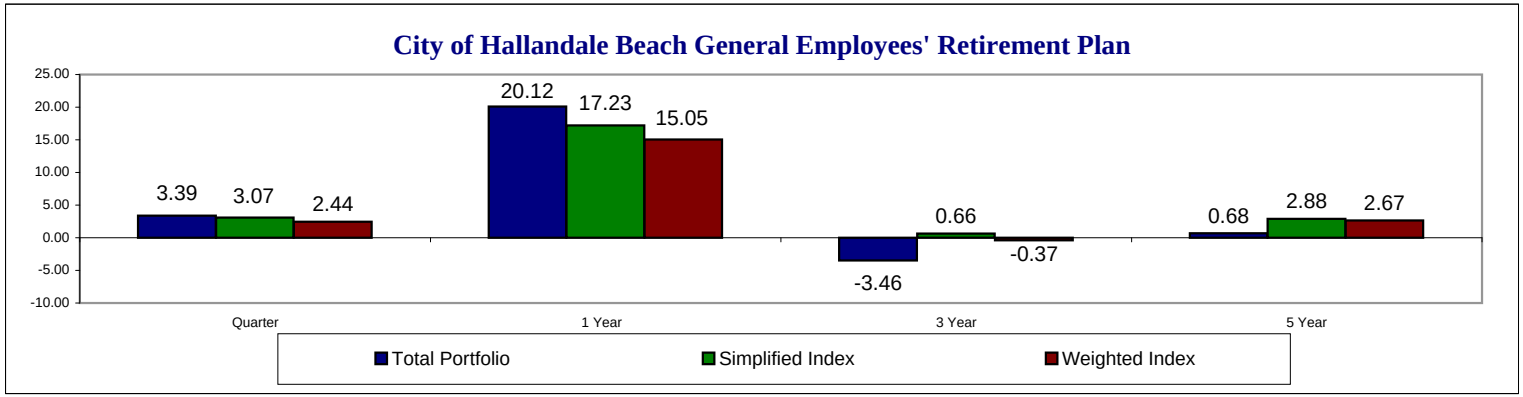
Please see important disclosures at the end of this presentation.

Portfolio Performance Review

Time & Dollar Weighted Rates of Return
December 31, 2009

Time and Dollar Weighted Returns (returns achieved by your plan)	Quarter	1 Year	3 Year	5 Year
Total Portfolio	3.39	20.12	-3.46	0.68
Simplified Index	3.07	17.23	0.66	2.88
Weighted Index	2.44	15.05	-0.37	2.67
Difference - Simplified Index	0.32	2.89	-4.12	-2.20
Difference - Weighted Index	0.95	5.07	-3.09	-1.99

Portfolio's Fixed Income Return	1.98	16.36	0.27	1.58
Barclays Capital Aggregate Bond Index	0.20	5.93	6.04	4.97
Portfolio's U.S. Equity Return	5.64	29.34	-6.12	-0.76
Russell 3000 Index	5.90	28.34	-5.43	0.77
Portfolio's International Equity Return	3.42	31.59	-4.32	1.93
MSCI - EAFE Index NDTR D	2.18	31.78	-6.04	3.54
Portfolio's Real Estate Return	-0.82	-18.38	-9.85	-0.34
Blended Real Estate Index (75% NFI-ODCE, 25% MSCI US REIT)	-1.03	-17.85	-10.11	0.51



We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your December 31, 2009 Contractholder Fund Statement.

Please see important disclosures at the end of this presentation.

Market & Performance Commentary

Principal Financial Advisors Fourth Quarter 2009 Market Overview and Commentary

Market Rally Continues

2009 ended on a strong note, with nearly all major asset classes posting positive calendar-year returns — a much better scenario than most investors likely thought possible at the beginning of the year. The markets were supported by assurances that the Federal Reserve remained committed to keeping the fed funds interest rate very low for "an extended period." Also, continued improvement in the credit markets benefited fixed income and equities markets alike, as broader availability of credit enabled firms to potentially improve their balance sheets through debt refinancing.

Economy Gradually Improves

Economic data released during the quarter, though mixed, indicated the U.S. economy generally was continuing to improve. Key reports included the following:

- The U.S. economy turned positive in the third quarter of 2009, growing at an annualized rate of 2.2% following four successive quarters of contraction (as measured by Real Gross Domestic Product, or Real GDP)[1]. (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.)

- Though home prices continued to decline on a year-over-year basis, the annual rate of decline showed improvement. However, month-over-month home prices stayed flat between September and October[2]. Also, while sales of existing homes rose 7.4% month-over-month in November[3], new-home sales fell by 11% during that same period.[4]

- The labor market improved considerably during the quarter. In November, 11,000 non-farm jobs were lost, as compared to an average of 135,000 jobs lost per month from August-October. Also, the unemployment rate edged down to 10.0% in November, from October's 10.2%.[5]

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[1] U.S. Bureau of Economic Analysis, U.S. Department of Commerce
[2] S&P/Case-Shiller Home Price Index
[3] National Association of Realtors
[4] U.S. Dept. of Housing and Urban Development
[5] U.S. Bureau of Labor Statistics

Market & Performance Commentary

Looking Forward, Optimism Despite Continued Challenges

We are optimistic the economic recovery will take hold, though we also acknowledge that critical headwinds remain. Residential and commercial real estate markets have stayed weak amid concerns about the negative impact of both a potential backlog of foreclosed properties and eventual expiration of government programs put in place to boost real estate activity. Also, while the rate of new job losses dropped dramatically in recent months, continued high unemployment remains a substantial drag on the economy. Additionally, it is uncertain how long the Fed will continue its accommodative interest rate policy and what might happen to the still-fragile economy when interest rates eventually are increased. With these serious challenges continuing to face the economy, we are uncertain as to the speed and breadth of economic recovery, which will unfold as 2010 progresses.

Information Technology Drives U.S. Equities

The overall U.S. equity market posted a return of 5.9%, with large-cap stocks outpacing small-caps. The information technology sector (representing 19% of the Russell 3000 Index), which returned 10.3%, contributed the most to U.S. equities performance. Financials, which had led all sectors the prior two quarters, lagged substantially in the fourth quarter, ending with a –2.1% return.[6] Growth beat value for the quarter, due to the emphasis within growth indexes on the strong-performing information technology sector and their lower exposure to the weak financial sector.[7]

Emerging Markets Climb Further

Emerging international markets continued to climb in the fourth quarter, returning 8.6% as some investors sought riskier assets with more potential for growth.[8] Developed international markets lagged behind, closing the quarter with a 2.2% return.[9]

REITs Deliver Strong Performance

Real estate investment trusts (REITs) surged to outperform both U.S. and international equities, delivering 9.1% for the quarter.[10] The “unfreezing” of the credit markets played a primary role in the strong performance, enabling REITs to take advantage of better capital markets to help improve their balance sheets and thus their prospects for weathering potential future corrections in commercial property values.

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[6] Broad U.S. market return and sector returns: Russell 3000 Index; Large-Cap vs. Small-Cap returns: Russell 1000 Index vs. Russell 2000 Index

[7] Russell 3000 Growth Index vs. Russell 3000 Value Index

[8] MSCI EM Index

[9] MSCI EAFE Index

[10] MSCI U.S. REIT Index

Market & Performance Commentary

In Fixed Income, High-Yield Bonds On Top Again

Similar to the prior quarter, investors in the broad fixed-income market continued to favor high-yield bonds, which beat duration-adjusted U.S. Treasuries by 6.9%.[11] Within the investment-grade bond market, returns were not as strong but still positive. Commercial mortgage-backed securities (CMBS) and investment-grade bonds led the way, beating duration-adjusted Treasuries by 3.7% and 3.1%, respectively.[12] Although fundamentals continued to weaken in CMBS as their delinquencies and defaults rose, the support supplied by government programs (combined with an attractive yield) helped to increase demand for these securities. In contrast, demand for investment-grade corporate bonds strengthened as investors seeking attractive yields turned to corporate debt as companies' balance sheets improved.

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[11] Barclays Capital U.S. Corporate High Yield Index

[12] Barclays Capital Aggregate Bond Index

Market & Performance Commentary

Index Performance

	As of December 31, 2009	
Index	Q4 2009 (%)	Last 12 months ending 12/31/2009 (%)
Russell 3000 (Broad Market)	5.90	28.34
S&P 500 (Quality Large Caps)	6.04	26.46
NASDAQ Composite	6.91	43.89
Russell Mid-Cap	5.92	40.48
Russell 2000 (Small Caps)	3.87	27.17
Russell 1000 Value	4.22	19.69
Russell 1000 Growth	7.94	37.21
MSCI EAFE (Core International)	2.18	31.78
MSCI Emerging Markets (Developing Economies)	8.55	78.51
MSCI US REIT	9.12	28.61
Barclays Capital Treasury Bellwethers 3 Month	0.04	0.23
Barclays Capital US Tips	1.76	11.41
Barclays Capital Long US Treasury Zeros	-5.75	-14.04
Barclays Capital Aggregate Bond	0.20	5.93
Barclays Capital High Yield	6.19	58.21

Fourth Quarter 2009 Performance Summary

The asset allocation strategies of Principal Financial Advisors, Inc. generated positive absolute returns and outpaced their respective custom benchmark indexes. Performance relative to the benchmark indexes was strongest in our fixed-income-focused strategies, reflecting the continued outperformance of non-Treasury fixed-income sectors. Our equities-focused strategies also maintained an advantage to their benchmark indexes, due to favorable results in our international equities segment.

Market & Performance Commentary

U.S. Equities Lag Slightly

The U.S. equities segment of our asset allocation strategies modestly lagged the broad U.S. equities market (as measured by the Russell 3000 Index), largely due to the allocation to large-cap value equities, which underperformed the Russell 3000 Index. The LargeCap Value I Separate Account, co-sub-advised by UBS and TS&W, detracted the most, due primarily to negative stock selection in the consumer discretionary sector. The LargeCap Value III Separate Account, co-sub-advised by AllianceBernstein and Westwood, beat its asset-specific index but underperformed the Russell 3000 Index. The SmallCap Value II Separate Account, co-sub-advised by Dimensional, Vaughan Nelson and LA Capital, hindered returns as well, due in part to weak security selection within financials. However, the LargeCap Growth I Separate Account, co-sub-advised by T. Rowe Price and Brown Advisory, added significantly to returns due to an overweight to, and beneficial security selection within, the top-performing information technology sector. An allocation to the LargeCap S&P 500 Index Separate Account, sub-advised by Principal Global Investors, added in the beginning of the quarter, further benefited performance.

International Equity Adds to Returns

The international equity segment outperformed the MSCI EAFE Index, led by the International Growth Separate Account, sub-advised by Principal Global Investors, which benefited from favorable stock selection in the financial, materials and industrial sectors. The International Emerging Markets Separate Account, sub-advised by Principal Global Investors, also contributed positively by outperforming the MSCI EAFE Index (despite lagging its asset-specific index).

Fixed-Income Segment Surges

For the third consecutive quarter the fixed-income segment of our asset allocation strategies posted strong results, easily outpacing the Barclays Capital Aggregate Bond Index. While all of the fixed-income Separate Accounts in our strategies added to results, the top performer was the Bond and Mortgage Separate Account, sub-advised by Principal Global Investors. Its focus on non-Treasury fixed-income sectors was rewarded, with overweights to sectors such as commercial mortgage-backed securities (CMBS) and investment-grade corporate bonds proving particularly favorable. Additionally, an out-of-index exposure to high-yield corporate bonds added value. The High Yield I Separate Account, co-sub-advised by Neuberger Berman and JP Morgan, also added significant value relative to the Barclays Capital Aggregate Bond Index, as the Separate Account outperformed both its asset-specific index and the broad fixed-income index.

Market & Performance Commentary

Mixed Results in Real Estate

The Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors, outperformed its asset-specific index due primarily to favorable security selection within strip malls and office properties. This Separate Account also significantly outpaced the Russell 3000 Index, adding value for the broad domestic equity allocation. In contrast, the U.S. Property Separate Account, sub-advised by Principal Real Estate Investors, posted a negative return and significantly lagged the Barclays Capital Aggregate Bond Index. While the pace of asset-value depreciation moderated considerably during the quarter, it remained the primary detractor for the U.S. Property Separate Account. Within this Separate Account's four primary property sectors, multi-family assets posted the largest decline in value, followed by the office and industrial sectors. Also, leverage continued to detract from the Separate Account's returns (though the spread between the interest rate on debt and negative property returns narrowed, resulting in a less negative impact from leverage than in the prior four quarters.)

Last 12 Months Ending December 31, 2009

The majority of the asset class allocations within our strategies outpaced their custom benchmark indexes for the year, led by strong results in the fixed-income-focused strategies, due in large part to healing that occurred in the credit markets and investors' improved appetite for risk. In particular, the investment strategy of underweighting Treasuries in favor of higher-yielding fixed-income sectors was strongly rewarded in this environment.

U.S. Equities Segment Adds Value

The U.S. equity portion of our asset allocation strategies finished slightly ahead of the Russell 3000 Index. The LargeCap Growth I Separate Account contributed substantially to positive results, outperforming both its growth index and the Russell 3000 Index. This Separate Account had been positioned for an economic recovery, which was rewarded once the rally in equities took hold in March 2009. A small allocation within our strategies to the MidCap Growth III Separate Account, co-sub-advised by Turner, Mellon and Jacobs Levy, also added to results, due in part to its higher beta profile than that of its index and strong security selection in consumer discretionary. These favorable contributions to our U.S. equities segment were moderated by the allocation to large-cap value equities, which underperformed the Russell 3000 Index as a whole, and to the LargeCap Blend I Separate Account, sub-advised by Goldman Sachs, which also lagged the Russell 3000 index.

International Equities Underperform

The International Emerging Markets Separate Account, which lagged the emerging markets index, surged ahead of the MSCI EAFE Index. However, the other Separate Accounts in the international component of our strategies lagged the MSCI EAFE Index. The International Growth Separate Account detracted the most. A majority of this Separate Account's underperformance during the year was due to stock selection in the consumer discretionary, consumer staples and energy sectors — more specifically, in the apparel accessories and luxury, and oil and gas industries. From a country perspective, stock selection was least effective in Japan, Switzerland and Australia, and an underweight to Canada was also a detractor.

Market & Performance Commentary

Fixed Income Surges

The non-Treasury segment of the fixed income market rebounded from extremely weak results in 2008 to post very strong returns in 2009. This chart depicts the magnitude of the change in performance for each of the primary non-Treasury asset classes in 2008 and 2009.

As the credit markets healed and non-Treasury fixed-income sectors improved tremendously, our fixed-income segment was positioned to outperform. The Bond and Mortgage Separate Account was a primary positive contributor due to its overweight to the top-performing fixed-income sector, CMBS, and an out-of-index exposure to high-yield bonds. The High Yield I Separate Account also added significant value, as the high-yield sector led all U.S. fixed income for the year.

Market & Performance Commentary

Negative Contribution from Real Estate Segment

Due to its defensive positioning (a focus on real estate investment trusts, or REITs, having low leverage and solid operating trends), the Real Estate Securities Separate Account lagged its asset-class-specific index and the Russell 3000 Index during the year as investors generally preferred higher-yielding REITs that had severely underperformed in 2008 and early 2009. The U.S. Property Separate Account materially lagged the broad fixed-income market due to asset value depreciation.

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 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
Dimensional, Vaughan Nelson Investment Management, LP, Los Angeles Capital Management	SmallCap Value II Separate Account[1]	**Placed on Watch List in March 2009** – This Separate Account received a quantitative grade of "Less Favorable" for three out of four consecutive quarters[2] 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.
Principal Global Investors℠	International Growth Separate Account	**Placed on Watch List in September 2009** – This Separate Account received a quantitative grade of "Less Favorable" for three out of four quarters[2] 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.
Emerald Advisers, Inc., Essex	SmallCap Growth II Separate Account	**Removed UBS as Sub-Advisor in July 2009** – In June 2009, Principal Life informed clients that UBS would be terminated as a sub-advisor on this investment option due to underperformance. As part of the new core-satellite structure, a substantial portion of the assets managed by UBS was absorbed by the core portfolio; remaining assets were allocated to Emerald and Essex.[3]

The due diligence team of Principal Life Insurance Company will continue to monitor performance of all Separate Accounts placed on the Watch List. [4]

Principal Financial Advisors, Inc. is a registered investment adviser and member company of the Principal Financial Group®, Des Moines, IA, 50392.

Insurance products, plan administrative services, and separate accounts which are available through a group annuity contract, are provided by Principal Life Insurance Company, a member of the Principal Financial Group® (The Principal®), Des Moines, IA 50392. Certain Separate Accounts may not be available in all states or U.S. Commonwealths.

[1] The SmallCap Value II Separate Account was added to portfolios of Principal Financial Advisors in September 2009.
[2] Based on the quantitative scoring criteria of the Principal Due Diligence Program℠
[3] In a core-satellite structure, a Separate Account is comprised of a "core" portfolio plus two or more sub-advised "satellite" portfolios. Comprised of an enhanced index, the core portfolio is actively managed within narrow risk constraints while each actively-managed satellite portfolio strives to deliver excess return relative to the benchmark. Principal Management Corporation has responsibility for portfolio management of all core portfolios.
[4] According to the guidelines of The Principal Due Diligence Program℠, Separate Accounts may be placed on the Watch List for a period not to exceed 12 months. Any resulting action from the Principal Due Diligence Program℠ process may affect the client portfolios designed by Principal Financial Advisors.

Investment Option Performance

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

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

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

		Rates of Return through 12/31/2009							Percentile Rankings as of 12/31/2009					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Large U.S. Equity													
	Large Value													
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 17, 22, 33, 43]	4.58	18.88	-12.28	-2.88	-	1.43	12/29/2000	-	74	94	92	-	0.94
	Russell 1000 Value Index	4.22	19.69	-8.96	-0.25	2.47	-	-		-	-	-	-	-
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 43, 47]	4.10	22.35	-9.37	-0.73	-	1.33	06/01/2004	-	54	81	67	-	0.96
	Russell 1000 Value Index	4.22	19.69	-8.96	-0.25	2.47	-	-		-	-	-	-	-
	Morningstar Category Average - Large Value	4.83	24.13	-7.32	0.02	2.54	Total Funds in Category		1315	1272	1104	912	459	-
	Large Blend													
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	5.98	26.09	-5.87	0.15	-1.28	7.84	01/01/1990	-	59	57	57	69	0.31
	Standard & Poor's 500 Index	6.04	26.46	-5.63	0.42	-0.95	-	-		-	-	-	-	-
	Morningstar Category Average - Large Blend	5.49	28.17	-5.53	0.46	0.01	Total Funds in Category		2118	2027	1757	1376	710	-
	Large Growth													
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	5.80	26.95	-3.72	1.83	-3.27	5.34	06/01/1995	-	82	61	34	64	0.71
	Russell 1000 Growth Index	7.94	37.21	-1.89	1.63	-3.99	-	-		-	-	-	-	-
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 43, 45]	8.28	51.92	-0.85	2.10	-	-0.82	12/29/2000	-	6	23	29	-	0.90
	Russell 1000 Growth Index	7.94	37.21	-1.89	1.63	-3.99	-	-		-	-	-	-	-
	Morningstar Category Average - Large Growth	6.68	35.68	-2.89	1.21	-2.11	Total Funds in Category		1883	1796	1548	1276	698	-
	Small/Mid U.S. Equity													
	Mid Cap Value													
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 13, 26]	6.25	30.11	-6.06	1.70	5.17	9.57	01/01/1991	-	68	59	45	85	0.81
	Russell Midcap Value Index	5.21	34.21	-6.62	1.98	7.58	-	-		-	-	-	-	-
	Morningstar Category Average - Mid Cap Value	5.21	35.41	-5.35	1.36	6.92	Total Funds in Category		440	416	356	250	84	-

Investment Option Performance

		Rates of Return through 12/31/2009							Percentile Rankings as of 12/31/2009					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Mid Cap Growth													
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 27, 43]	6.33	44.81	-2.51	1.90	-1.57	1.68	10/28/1999	-	31	45	52	68	1.17
	Russell Midcap Growth Index	6.69	46.29	-3.18	2.40	-0.52	-	-		-	-	-	-	-
	Morningstar Category Average - Mid Cap Growth	5.67	39.11	-3.09	1.76	0.34	Total Funds in Category		864	812	727	631	338	-
	Small Value													
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 37, 40, 43]	3.57	32.13	-8.95	-0.59	-	2.33	06/01/2004	-	36	71	63	-	1.25
	Russell 2000 Value Index	3.63	20.58	-8.22	-0.01	8.27	-	-		-	-	-	-	-
	Morningstar Category Average - Small Value	4.00	31.32	-6.13	0.67	8.63	Total Funds in Category		385	370	310	245	131	-
	Small Growth													
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 43, 44]	5.20	31.14	-7.20	-1.46	-	-1.19	12/29/2000	-	65	77	75	-	1.19
	Russell 2000 Growth Index	4.14	34.47	-4.00	0.87	-1.37	-	-		-	-	-	-	-
	Morningstar Category Average - Small Growth	4.79	35.46	-4.89	0.37	0.60	Total Funds in Category		808	778	669	563	317	-
	International Equity													
	Diversified Emerging Markets													
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	8.18	68.87	2.53	14.70	9.46	11.17	01/01/1995	-	64	47	21	38	1.51
	MSCI - Emerging Markets NDTR D Index	8.55	78.51	5.11	15.51	9.78	-	-		-	-	-	-	-
	Morningstar Category Average - Diversified Emerging Markets	7.59	73.81	2.21	13.24	9.02	Total Funds in Category		385	367	259	195	118	-
	Foreign Large Value													
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [4, 15, 43]	0.57	26.68	-	-	-	9.30	09/30/2008	-	67	-	-	-	1.37
	MSCI EAFE Value Index	0.28	34.23	-7.35	3.36	3.53	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Value	1.42	30.33	-6.62	2.91	3.18	Total Funds in Category		354	340	274	199	123	-
	Foreign Large Blend													
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [4, 15, 19, 31, 43, 48]	2.17	25.40	-7.05	2.84	0.16	2.82	07/01/1999	-	80	62	57	56	1.30
	MSCI - EAFE Index NDTR D	2.18	31.78	-6.04	3.54	1.17	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Blend	2.64	31.24	-6.15	3.58	0.62	Total Funds in Category		846	823	635	462	249	-

Investment Option Performance

		Rates of Return through 12/31/2009							Percentile Rankings as of 12/31/2009					
Investment Advisor	Investment Option	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Foreign Large Growth													
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	5.65	23.40	-9.78	2.17	-	2.56	12/29/2000	-	90	92	84	-	1.18
	MSCI World Ex US Growth Index	4.30	30.66	-4.14	4.24	-0.96	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Growth	4.48	38.02	-4.93	4.25	0.16	Total Funds in Category		285	266	206	149	80	-
	Real Estate													
	Owned Real Estate													
Principal Real Estate Inv	U.S. Property Separate Account-R6 [6]	-4.73	-31.59	-12.35	-1.66	3.33	5.33	01/01/1982	-	-	-	-	-	1.15
	NFI-ODCE Equal-Weight	-4.38	-31.30	-11.10	-0.80	3.60	-	-		-	-	-	-	-
	Real Estate													
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	9.20	27.56	-11.00	2.03	-	10.69	12/31/2002	-	66	13	8	-	1.15
	MSCI US REIT Index	9.12	28.61	-12.78	0.23	10.43	-	-		-	-	-	-	-
	Morningstar Category Average - Real Estate	8.76	31.26	-13.42	-0.81	9.76	Total Funds in Category		277	262	227	201	95	-
	Fixed Income													
	High Yield Bond													
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 32]	6.40	52.86	7.72	7.14	-	7.14	12/31/2004	-	24	1	3	-	0.82
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	6.18	58.76	6.37	6.49	6.87	-	-		-	-	-	-	-
	Morningstar Category Average - High Yield Bond	5.61	46.70	3.08	4.32	4.74	Total Funds in Category		573	543	475	411	258	-
	Intermediate-Term Bond													
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	0.39	6.76	-	-	-	10.30	09/30/2008	-	85	-	-	-	0.87
	Barclays Capital Aggregate Bond Index	0.20	5.93	6.04	4.97	6.33	-	-		-	-	-	-	-
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	2.24	21.81	3.22	3.40	5.71	8.40	02/01/1983	-	11	76	72	46	0.55
	Barclays Capital Aggregate Bond Index	0.20	5.93	6.04	4.97	6.33	-	-		-	-	-	-	-
	Morningstar Category Average - Intermediate-Term Bond	1.19	13.97	4.45	3.84	5.53	Total Funds in Category		1166	1123	978	866	496	-
	Inflation-Protected Bond													
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 18, 21, 34]	1.70	6.42	-2.64	-1.09	-	-1.09	12/31/2004	-	94	95	94	-	0.58
	Barclays Capital US Treas TIPS Index	1.76	11.41	6.69	4.63	7.70	-	-		-	-	-	-	-
	Morningstar Category Average - Inflation-Protected Bond	1.73	10.88	5.34	3.68	6.40	Total Funds in Category		164	158	142	99	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 Center[SM] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

		Calendar Year Performance										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Large U.S. Equity											
	Large Value											
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 17, 22, 33, 43]	18.88	-40.90	-3.91	21.72	5.18	13.18	27.48	-13.58	5.52	-	12/29/2000
	Russell 1000 Value Index	19.69	-36.85	-0.17	22.25	7.05	16.49	30.03	-15.52	-5.59	7.01	-
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 43, 47]	22.35	-39.34	0.31	18.01	9.75	-	-	-	-	-	06/01/2004
	Russell 1000 Value Index	19.69	-36.85	-0.17	22.25	7.05	16.49	30.03	-15.52	-5.59	7.01	-
	Morningstar Category Average - Large Value	24.13	-37.09	1.42	18.15	5.95	12.97	28.44	-18.69	-4.99	7.87	
	Total Funds in Category	1272	1433	1432	1371	1296	1220	1050	961	892	809	
	Large Blend											
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	26.09	-37.10	5.18	15.46	4.58	10.49	28.18	-22.38	-12.34	-9.47	01/01/1990
	Standard & Poor's 500 Index	26.46	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.10	-
	Morningstar Category Average - Large Blend	28.17	-37.79	6.16	14.17	5.88	10.02	27.05	-22.25	-13.50	-6.31	
	Total Funds in Category	2027	2086	2090	1980	1743	1611	1526	1468	1345	1089	
	Large Growth											
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	26.95	-42.84	23.02	9.67	11.82	9.16	25.98	-28.87	-25.55	-10.07	06/01/1995
	Russell 1000 Growth Index	37.21	-38.44	11.81	9.07	5.26	6.30	29.75	-27.88	-20.42	-22.42	-
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 43, 45]	51.92	-40.69	8.18	5.93	7.44	9.12	24.01	-27.76	-14.36	-	12/29/2000
	Russell 1000 Growth Index	37.21	-38.44	11.81	9.07	5.26	6.30	29.75	-27.88	-20.42	-22.42	-
	Morningstar Category Average - Large Growth	35.68	-40.67	13.35	7.05	6.71	7.81	28.66	-27.64	-22.30	-13.05	
	Total Funds in Category	1796	1809	1748	1642	1495	1400	1311	1234	1064	805	
	Small/Mid U.S. Equity											
	Mid Cap Value											
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1, 13, 26]	30.11	-35.92	-0.59	16.00	13.15	16.34	29.08	-7.99	3.63	6.29	01/01/1991
	Russell Midcap Value Index	34.21	-38.44	-1.42	20.22	12.65	23.71	38.07	-9.64	2.33	19.18	-
	Morningstar Category Average - Mid Cap Value	35.41	-36.77	0.83	15.87	8.82	17.85	33.85	-13.25	6.67	18.45	
	Total Funds in Category	416	442	405	375	310	320	331	311	261	233	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Mid Cap Growth											
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 27, 43]	44.81	-48.56	24.40	6.26	11.59	11.41	49.44	-32.65	-28.17	-3.54	10/28/1999
	Russell Midcap Growth Index	46.29	-44.32	11.43	10.66	12.10	15.48	42.71	-27.41	-20.15	-11.75	-
	Morningstar Category Average - Mid Cap Growth	39.11	-43.77	15.09	9.00	9.84	13.23	35.96	-27.24	-19.98	-4.78	
	Total Funds in Category	812	934	967	994	936	903	890	786	714	549	
	Small Value											
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 15, 37, 40, 43]	32.13	-37.14	-9.11	20.37	6.85	-	-	-	-	-	06/01/2004
	Russell 2000 Value Index	20.58	-28.92	-9.78	23.48	4.71	22.25	46.03	-11.43	14.02	22.83	-
	Morningstar Category Average - Small Value	31.32	-32.24	-6.08	16.27	6.40	21.14	42.38	-10.12	15.92	18.64	
	Total Funds in Category	370	438	438	389	348	307	303	273	261	241	
	Small Growth											
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 43, 44]	31.14	-42.31	5.64	8.79	6.88	11.00	45.09	-24.62	-20.42	-	12/29/2000
	Russell 2000 Growth Index	34.47	-38.54	7.05	13.35	4.15	14.31	48.54	-30.26	-9.23	-22.43	-
	Morningstar Category Average - Small Growth	35.46	-41.55	7.59	10.81	6.02	12.41	45.54	-27.88	-8.91	-3.85	
	Total Funds in Category	778	834	829	763	723	711	696	630	560	470	
	International Equity											
	Diversified Emerging Markets											
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	68.87	-54.93	41.60	36.36	35.09	25.63	58.03	-7.18	-4.68	-29.19	01/01/1995
	MSCI - Emerging Markets NDTR D Index	78.51	-53.33	39.39	32.17	34.00	25.55	55.82	-6.17	-2.62	-30.83	-
	Morningstar Category Average - Diversified Emerging Markets	73.81	-54.44	36.68	32.06	31.54	23.54	55.19	-6.05	-3.83	-30.33	
	Total Funds in Category	367	312	274	242	212	202	196	184	175	159	
	Foreign Large Value											
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [4, 15, 43]	26.68	-	-	-	-	-	-	-	-	-	09/30/2008
	MSCI EAFE Value Index	34.23	-44.09	5.96	30.38	13.80	24.33	45.30	-15.91	-18.52	-3.17	-
	Morningstar Category Average - Foreign Large Value	30.33	-42.41	9.01	25.98	13.19	21.99	39.07	-12.37	-15.98	-6.76	
	Total Funds in Category	340	307	280	215	181	169	156	154	130	117	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Foreign Large Blend											
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [4, 15, 19, 31, 43, 48]	25.40	-44.35	15.06	26.36	13.40	18.44	44.11	-20.25	-20.29	-18.60	07/01/1999
	MSCI - EAFE Index NDTR D	31.78	-43.38	11.17	26.34	13.54	20.25	38.59	-15.94	-21.44	-14.17	-
	Morningstar Category Average - Foreign Large Blend	31.24	-43.99	12.71	24.77	14.72	17.39	33.58	-16.69	-21.67	-16.34	
	Total Funds in Category	823	778	743	657	608	551	504	482	439	396	
	Foreign Large Growth											
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	23.40	-47.02	12.32	24.16	22.14	22.64	38.97	-16.18	-21.06	-	12/29/2000
	MSCI World Ex US Growth Index	30.66	-42.88	18.03	22.12	14.41	16.27	32.99	-15.72	-25.33	-24.20	-
	Morningstar Category Average - Foreign Large Growth	38.02	-46.56	16.26	23.95	15.23	16.23	33.83	-19.15	-24.05	-21.04	
	Total Funds in Category	266	251	220	243	213	221	226	214	191	161	
	Real Estate											
	Owned Real Estate											
Principal Real Estate Inv	U.S. Property Separate Account-R6 [6]	-31.59	-13.23	13.42	15.14	18.61	12.52	8.26	3.77	6.56	12.01	01/01/1982
	NFI-ODCE Equal-Weight	-31.30	-	-	-	-	-	-	-	-	-	-
	Real Estate											
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	27.56	-32.82	-17.73	36.03	15.28	33.69	37.83	-	-	-	12/31/2002
	MSCI US REIT Index	28.61	-37.97	-16.82	35.92	12.13	31.49	36.74	3.64	12.83	26.81	-
	Morningstar Category Average - Real Estate	31.26	-39.55	-14.66	33.58	11.51	32.02	36.80	4.54	10.00	27.02	
	Total Funds in Category	262	265	372	306	279	252	206	168	152	138	
	Fixed Income											
	High Yield Bond											
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 15, 18, 20, 21, 32]	52.86	-20.12	2.37	8.71	3.91	-	-	-	-	-	12/31/2004
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	58.76	-25.88	2.27	10.76	2.76	11.14	28.78	-0.24	5.46	-5.79	-
	Morningstar Category Average - High Yield Bond	46.70	-26.41	1.47	10.14	2.59	9.99	24.36	-1.52	2.39	-7.12	
	Total Funds in Category	543	559	542	549	518	493	455	425	414	365	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Intermediate-Term Bond											
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	6.76	-	-	-	-	-	-	-	-	-	09/30/2008
	Barclays Capital Aggregate Bond Index	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.25	8.44	11.63	-
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	21.81	-13.06	3.83	4.72	2.64	5.02	5.21	9.91	8.40	11.99	02/01/1983
	Barclays Capital Aggregate Bond Index	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.25	8.44	11.63	-
	Morningstar Category Average - Intermediate-Term Bond	13.97	-4.70	4.70	4.15	1.80	3.91	5.10	8.04	7.64	9.44	
	Total Funds in Category	1123	1135	1097	1092	1043	1035	952	784	706	614	
	Inflation-Protected Bond											
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 18, 21, 34]	6.42	-18.00	5.77	0.27	2.28	-	-	-	-	-	12/31/2004
	Barclays Capital US Treas TIPS Index	11.41	-2.35	11.64	0.41	2.84	8.46	8.40	16.57	7.90	13.18	-
	Morningstar Category Average - Inflation-Protected Bond	10.88	-4.08	9.86	0.09	2.09	7.48	7.15	14.81	7.27	12.36	
	Total Funds in Category	158	160	156	140	109	69	44	18	15	13	

Please see important disclosures at the end of this presentation.

Calendar Year Percentile Ranks

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

		Calendar Year Percentile Ranks										
Investment Advisor	**Investment Option**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**Inception Date**
	Large U.S. Equity											
	Large Value											
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 17, 22, 33, 43]	74	80	85	10	55	45	52	13	7	-	12/29/2000
UBS / TS&W	LargeCap Value I Separate Account-R6 [15, 43, 47]	54	70	61	53	16	-	-	-	-	-	06/01/2004
	Large Blend											
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 9, 24]	59	40	55	29	63	43	33	48	46	61	01/01/1990
	Large Growth											
Columbus Circle Investors	LargeCap Growth Separate Account-R6 [25]	82	71	9	25	14	36	59	59	68	36	06/01/1995
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 43, 45]	6	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]	68	41	65	46	9	55	70	18	60	84	01/01/1991
	Mid Cap Growth											
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 27, 43]	31	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]	36	81	71	15	50	-	-	-	-	-	06/01/2004
	Small Growth											
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 43, 44]	65	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]	64	55	20	17	29	34	27	60	62	38	01/01/1995
	Foreign Large Value											
AXA Rosenberg/Causeway	International Value I Separate Account-R6 [4, 15, 43]	67	-	-	-	-	-	-	-	-	-	09/30/2008
	Foreign Large Blend											
Fidelity (Pyramis Global Adv)	International I Separate Account-R6 [4, 15, 19, 31, 43, 48]	80	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]	90	50	80	39	8	8	24	24	27	-	12/29/2000

Calendar Year Percentile Ranks

		Calendar Year Percentile Ranks										
Investment Advisor	Investment Option	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	Inception Date
	Real Estate											
	Owned Real Estate											
Principal Real Estate Inv	U.S. Property Separate Account-R6 [6]	-	-	-	-	-	-	-	-	-	-	01/01/1982
	Real Estate											
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 8]	66	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]	24	14	34	81	15	-	-	-	-	-	12/31/2004
	Intermediate-Term Bond											
PIMCO	Core Plus Bond I Separate Account-R6 [15, 18, 21]	85	-	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors	Bond and Mortgage Separate Account-I2 [18, 21]	11	89	78	20	9	14	34	16	25	8	02/01/1983
	Inflation-Protected Bond											
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [15, 18, 21, 34]	94	93	90	27	37	-	-	-	-	-	12/31/2004

Please see important disclosures at the end of this presentation.

Disclosures

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

+ This is not a sub-advised investment option. Guarantees are backed by all the assets in the Principal Life general account.

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

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

This report includes investment options that contain information from a variety of sources. A primary source is Morningstar which provides holdings information, operations data, and rankings or statistics proprietary to Morningstar. Morningstar is generally the source of information on mutual funds unaffiliated with the Principal.

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

2. 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.

4. 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.

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

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

7. This investment option is not guaranteed by the Federal Deposit Insurance Corporation (FDIC), or any other government agency. Although this investment option seeks to preserve the value of an investment, it is possible to lose money by investing in this portfolio.

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

9. 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.

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 offerring the money market investment option within their plan can continue to have contributions directed to this investment option at this time. As of July 1, 2009 the money market investment option will be closed for any client that does not have retirement funds in the investment 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.

48. Effective January 11, 2010, Schroders 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% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The NFI-ODCE Equal-Weight is the NCREIF Fund Index- Open End Di versified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cashbalances and Lev erage. The return series is net of the average fee charged by accounts that make up the index. The MSCI US REIT Index is a capitalization-weightedbenchmark 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.

NFI-ODCE Equal-Weight is the NCREIF Fund Index - Open End Diversified Core Equity. It is a fund-level equal-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:
01/01/2005 - 05/31/2006 30% Russell 3000 Index and 70% Barclays Capital Aggregate Bond Index.
06/01/2006 - 12/31/2009 50% Russell 3000 Index and 50% Barclays Capital Aggregate Bond Index.

Weighted Index is composed of:
01/01/2005 - 05/31/2006 25.1% Russell 3000 Index, 4% MSCI EAFE Index, 4% NFI-ODCE Equal-Weight, 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% NFI-ODCE Equal-Weight, 1.7% MSCI US REIT Index, and 45% Barclays Capital Aggregate Bond Index.
03/01/2007 - 12/31/2009 37.3% Russell 3000 Index, 11.2% MSCI EAFE Index, 5.5% NFI-ODCE Equal-Weight, 1.5% MSCI US REIT Index, and 44.5% Barclays Capital Aggregate Bond Index.

LargeCap Value III Separate Account-R6 as of 12/31/2009

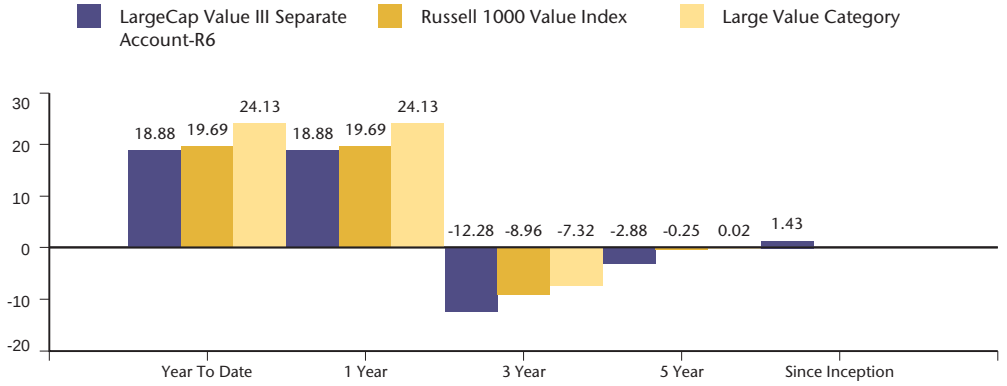
Investment Strategy

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 University
Susan M. Byrne Since 07/15/2008. , University of California, Berkeley
Mark R. Freeman, CFA. Since 07/15/2008. M.S., Louisiana State University
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology

Long-term returns % as of 12/31/2009



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 %	18.88	18.88	-12.28	-2.88	1.43
Russell 1000 Value Index %	19.69	19.69	-8.96	-0.25	-
Large Value Category %	24.13	24.13	-7.32	0.02	-
Morningstar Percentile Rankings	-	74	94	92	-
# of Funds in Category	1272	1272	1104	912	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	18.88	-40.90	-3.91	21.72	5.18
Russell 1000 Value Index %	19.69	-36.85	-0.17	22.25	7.05
Large Value Category %	24.13	-37.09	1.42	18.15	5.95
Morningstar Percentile Rankings	74	80	85	10	55
# of Funds in Category	1272	1433	1432	1371	1296

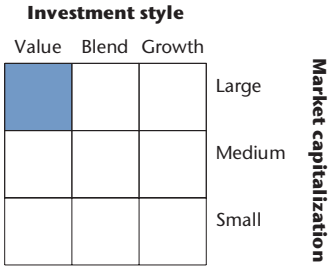
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 11/30/2009



Risk and Return Statistics

as of 12/31/2009 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-3.99	-2.71
Beta	0.98	0.99
R-Squared	98.97	98.82
Standard Deviation	20.98	17.12
Mean	-12.28	-2.88
Sharpe Ratio	-0.63	-0.26
Excess Return	-3.32	-2.62
Excess Risk	2.20	1.87
Information Ratio	-1.51	-1.40

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)	$1,995.56

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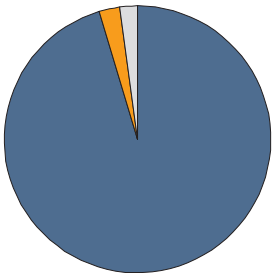
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value III Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	95.35
Non-U.S. Stocks	2.47
Cash	2.17

Top ten holdings	% of net assets
1. ExxonMobil Corporation	3.65
2. AT&T, Inc.	3.37
3. Pfizer Inc.	3.02
4. J.P. Morgan Chase & Co.	2.70
5. Chevron Corporation	2.70
6. General Electric Company	2.67
7. Wells Fargo Company	2.31
8. S&P FUTURE - DEC 09	2.07
9. ConocoPhillips	1.93
10. Merck & Co., Inc.	1.86
% of net assets in top ten holdings*	26.29

Analysis	
# of Stock Hldgs	517
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$37,676.48
Turnover Ratio	55%
P/C Ratio	4.47
P/E Ratio	14.66
P/B Ratio	1.62

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**20.52**	**Service**	**38.23**	**Manufacturing**	**41.25**
Software	2.28	Healthcare	9.01	Consumer Goods	7.08
Hardware	5.04	Consumer Services	6.40	Industrial Materials	13.22
Media	4.91	Business Services	2.52	Energy	16.92
Telecom	8.29	Financial Services	20.30	Utilities	4.03

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 and 5 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 12/31/2009

Investment Strategy

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

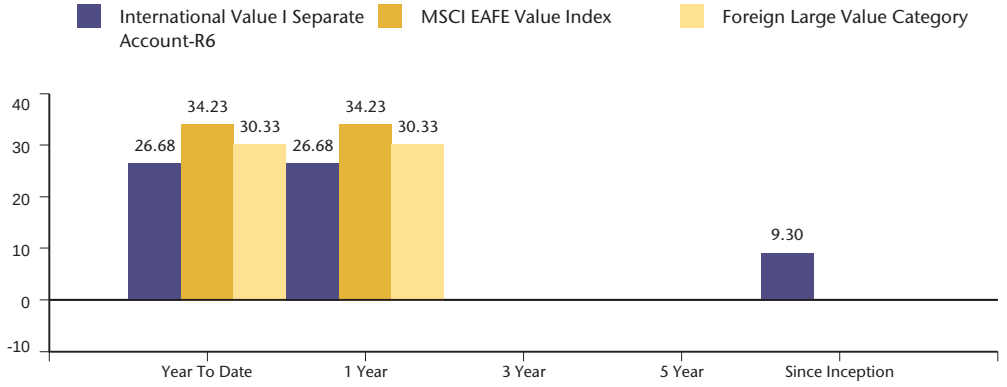
AXA Rosenberg
An AXA Investment Managers Company

Causeway Capital Management LLC

Portfolio managers

James Doyle Since 09/30/2008. M.B.A., University of Pennsylvania
Jonathan Eng Since 09/30/2008. M.B.A., University of California, Los Angeles
Harry Hartford Since 09/30/2008. M.S., Oklahoma State University
Sarah H. Ketterer Since 09/30/2008. M.B.A., Dartmouth College
William E. Ricks Since 09/30/2008. B.S., University of New Orleans

Long-term returns % as of 12/31/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	26.68	26.68	-	-	9.30
MSCI EAFE Value Index %	34.23	34.23	-7.35	3.36	-
Foreign Large Value Category %	30.33	30.33	-6.62	2.91	-
Morningstar Percentile Rankings	-	67	-	-	-
# of Funds in Category	340	340	274	199	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	26.68	-	-	-	-
MSCI EAFE Value Index %	34.23	-44.09	5.96	30.38	13.80
Foreign Large Value Category %	30.33	-42.41	9.01	25.98	13.19
Morningstar Percentile Rankings	67	-	-	-	-
# of Funds in Category	340	307	280	215	181

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Value

Morningstar Style Box™

As of 11/30/2009

Investment style

Market capitalization	Value	Blend	Growth
Large	■		
Medium			
Small			

Risk and Return Statistics

as of 12/31/2009 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)	$995.77

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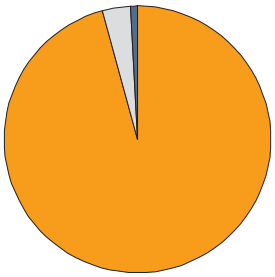
Risk and return statistical data is provided by Markov Processes International (MPI).

International Value I Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
Non-U.S. Stocks	95.73
Cash	3.40
U.S. Stocks	0.88

Top ten holdings	% of net assets
1. Siemens AG	2.92
2. HSBC Holdings PLC	2.66
3. Sanofi-Aventis	2.39
4. EMINI MSCI EAFE DEC09	2.11
5. Vodafone Group PLC	2.06
6. France Telecom SA	1.85
7. Technip	1.79
8. Akzo Nobel NV	1.76
9. E.ON Aktiengesellschaft	1.63
10. Fanuc Ltd.	1.63
% of net assets in top ten holdings*	20.79

Analysis	
# of Stock Hldgs	677
# of Bond Hldgs	0
# of Other Hldgs	8
GeoAvgCap (mil)	$27,018.94
Turnover Ratio	33%
P/C Ratio	3.37
P/E Ratio	13.65
P/B Ratio	1.21

Top 5 Countries	% of net assets
Japan	18.46
United Kingdom	18.36
France	14.95
Germany	10.81
Switzerland	6.67

Regional exposure	% of net assets
Europe	71.36
Japan	18.46
Pacific Rim	9.20
United States	0.93
Other	0.06
Latin America	0.01

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

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

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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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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.

Inflation Protection Separate Account-R6 as of 12/31/2009

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.

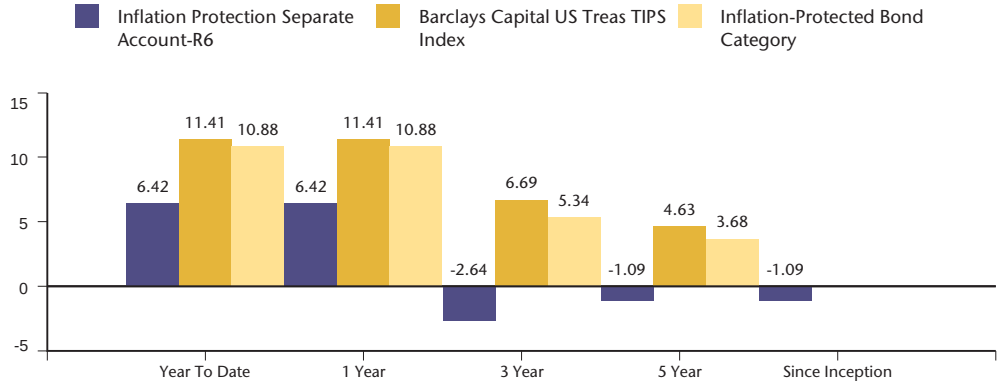
BLACKROCK

Portfolio managers

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

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

Long-term returns % as of 12/31/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	6.42	6.42	-2.64	-1.09	-1.09
Barclays Capital US Treas TIPS Index %	11.41	11.41	6.69	4.63	-
Inflation-Protected Bond Category %	10.88	10.88	5.34	3.68	-
Morningstar Percentile Rankings	-	94	95	94	-
# of Funds in Category	158	158	142	99	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	6.42	-18.00	5.77	0.27	2.28
Barclays Capital US Treas TIPS Index %	11.41	-2.35	11.64	0.41	2.84
Inflation-Protected Bond Category %	10.88	-4.08	9.86	0.09	2.09
Morningstar Percentile Rankings	94	93	90	27	37
# of Funds in Category	158	160	156	140	109

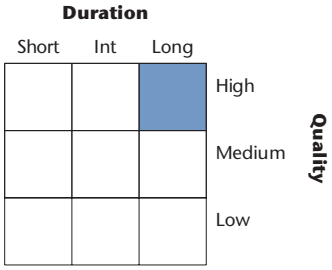
Morningstar percentile rankings are based on total returns.

Morningstar category

Inflation-Protected Bond

Morningstar Style Box™

As of 11/30/2009



Risk and Return Statistics

as of 12/31/2009 Relative to Barclays Capital US Treas TIPS Index

	3Yr	5Yr
Alpha	-9.27	-5.59
Beta	1.05	1.02
R-Squared	82.91	82.07
Standard Deviation	10.23	8.29
Mean	-2.64	-1.09
Sharpe Ratio	-0.44	-0.45
Excess Risk	4.25	3.50
Information Ratio	-2.20	-1.63

Operations

Total Investment Expense Net	0.58%
Total Investment Expense Gross	0.58%
Inception Date	12/31/2004
Total Net Assets (mil)	$452.83

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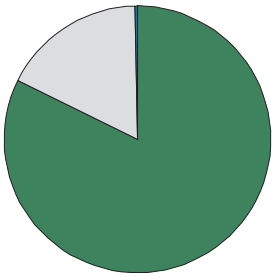
Risk and return statistical data is provided by Markov Processes International (MPI).

Inflation Protection Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Bonds	82.30
Cash	17.35
Non-U.S. Bonds	0.35

Top ten holdings	% of net assets
1. US Treasury Note 2%	10.91
2. US Treasury Note 2%	8.67
3. US Treasury Bond 1.75%	8.10
4. US Treasury Bond 2.5%	7.56
5. US Treasury Note 2.625%	5.08
6. US Treasury Bond 3.875%	4.16
7. US Treasury Note 1.625%	3.78
8. US Treasury Note 1.625%	3.72
9. US Treasury Note 2%	3.63
10. United States Treas Nts 1.375%	3.40
% of net assets in top ten holdings*	59.00

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	118
# of Other Hldgs	14
Turnover Ratio	32%

Credit Analysis As of 11/30/2009	% Bonds
AAA	93.37
AA	0.39
A	0.93
BBB	1.73
BB	0.51
B	0.75
Below B	1.90
Not Rated	0.42

Statistics	
Avg Eff Duration (Yrs)	6.94
Avg Eff Maturity (Yrs)	8.70
Avg Credit Quality	AAA
Avg Weighted Price	115.89

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

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

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

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

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

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

LargeCap Growth Separate Account-R6 as of 12/31/2009

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.

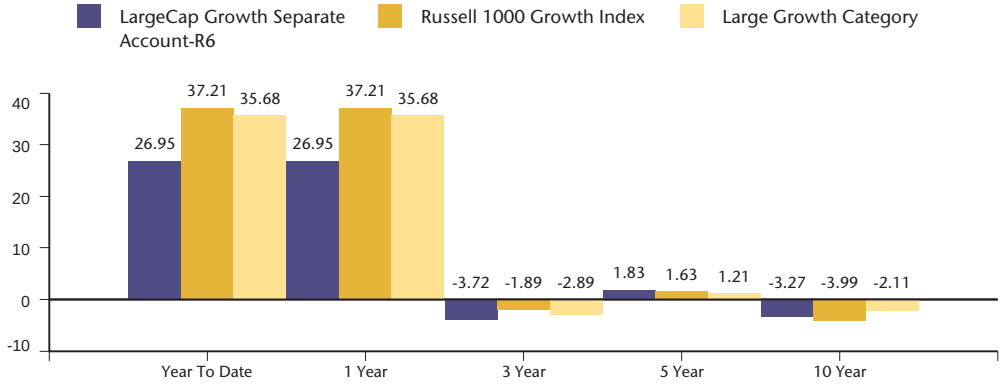
Columbus Circle Investors

Portfolio managers

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

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

Long-term returns % as of 12/31/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	26.95	26.95	-3.72	1.83	-3.27
Russell 1000 Growth Index %	37.21	37.21	-1.89	1.63	-3.99
Large Growth Category %	35.68	35.68	-2.89	1.21	-2.11
Morningstar Percentile Rankings	-	82	61	34	64
# of Funds in Category	1796	1796	1548	1276	698

Annual Returns	2009	2008	2007	2006	2005
Total Return %	26.95	-42.84	23.02	9.67	11.82
Russell 1000 Growth Index %	37.21	-38.44	11.81	9.07	5.26
Large Growth Category %	35.68	-40.67	13.35	7.05	6.71
Morningstar Percentile Rankings	82	71	9	25	14
# of Funds in Category	1796	1809	1748	1642	1495

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 11/30/2009

Investment style

	Value	Blend	Growth
Large			■
Medium			
Small			

Market capitalization

Risk and Return Statistics

as of 12/31/2009 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	-1.80	0.28
Beta	0.99	0.99
R-Squared	93.20	91.68
Standard Deviation	20.51	16.87
Mean	-3.71	1.82
Sharpe Ratio	-0.20	0.02
Excess Return	-1.83	0.19
Excess Risk	5.37	4.87
Information Ratio	-0.34	0.04

Operations

Total Investment Expense Net	0.71%
Total Investment Expense Gross	0.71%
Inception Date	06/01/1995
Total Net Assets (mil)	$1,251.22

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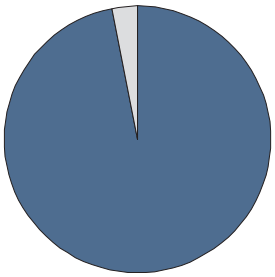
LargeCap Growth Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	96.88
Cash	3.12

Top ten holdings	% of net assets
1. Apple, Inc.	5.09
2. Google, Inc.	3.77
3. Amazon.com, Inc.	3.65
4. MasterCard Incorporated A	3.36
5. Visa, Inc.	3.26
6. Broadcom Corporation	3.01
7. J.P. Morgan Chase & Co.	2.95
8. Cisco Systems, Inc.	2.91
9. Intuitive Surgical, Inc.	2.53
10. Thermo Fisher Scientific, Inc.	2.49
% of net assets in top ten holdings*	33.02

Analysis	
# of Stock Hldgs	49
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$32,271.77
Turnover Ratio	88%
P/C Ratio	4.41
P/E Ratio	20.88
P/B Ratio	2.35

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**23.47**	**Service**	**56.83**	**Manufacturing**	**19.69**
Software	0.00	Healthcare	10.47	Consumer Goods	9.43
Hardware	19.58	Consumer Services	22.54	Industrial Materials	6.92
Media	0.00	Business Services	8.01	Energy	3.34
Telecom	3.89	Financial Services	15.81	Utilities	0.00

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Formerly known as Large Company Growth Separate Account.

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

SmallCap Value II Separate Account-R6 as of 12/31/2009

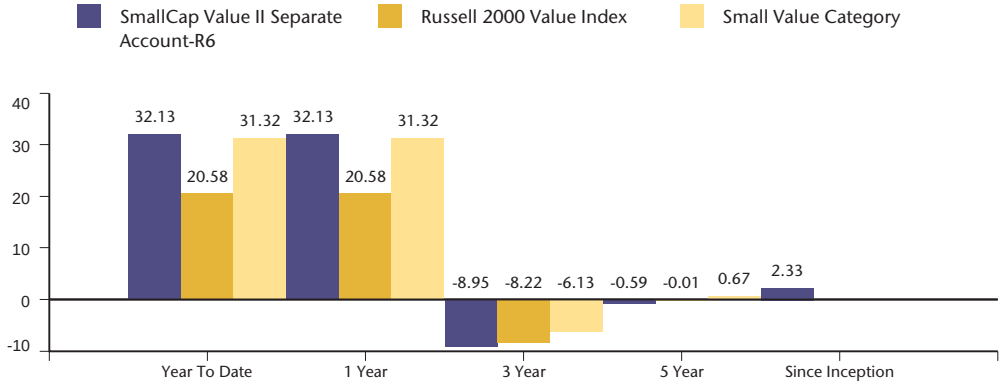
Investment Strategy

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, CPA, CFA. Since 10/03/2005. M.B.A., Harvard University
David R. Borger, CFA. Since 05/01/2009. M.A., University of Michigan
Christine M. Kugler Since 05/01/2009. B.A., University of California
Stuart K. Matsuda Since 05/01/2009. M.B.A., California State University Northridge
Thomas D. Stevens, CFA. Since 05/01/2009. M.B.A., University of Wisconsin

Long-term returns % as of 12/31/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	32.13	32.13	-8.95	-0.59	2.33
Russell 2000 Value Index %	20.58	20.58	-8.22	-0.01	-
Small Value Category %	31.32	31.32	-6.13	0.67	-
Morningstar Percentile Rankings	-	36	71	63	-
# of Funds in Category	370	370	310	245	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	32.13	-37.14	-9.11	20.37	6.85
Russell 2000 Value Index %	20.58	-28.92	-9.78	23.48	4.71
Small Value Category %	31.32	-32.24	-6.08	16.27	6.40
Morningstar Percentile Rankings	36	81	71	15	50
# of Funds in Category	370	438	438	389	348

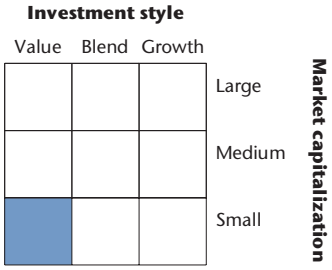
Morningstar percentile rankings are based on total returns.

Morningstar category

Small Value

Morningstar Style Box™

As of 11/30/2009



Risk and Return Statistics

as of 12/31/2009 Relative to Russell 2000 Value Index

	3Yr	5Yr
Alpha	-0.44	-0.38
Beta	1.02	1.03
R-Squared	97.92	97.44
Standard Deviation	26.80	22.54
Mean	-8.95	-0.59
Sharpe Ratio	-0.30	-0.04
Excess Return	-0.74	-0.59
Excess Risk	3.92	3.67
Information Ratio	-0.19	-0.16

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)	$378.23

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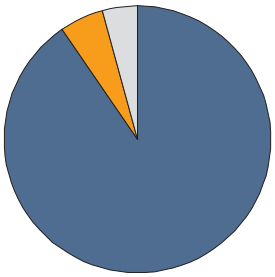
Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Value II Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	90.40
Non-U.S. Stocks	5.34
Cash	4.26

Top ten holdings	% of net assets
1. Russell 2000 Mini Dec09	4.25
2. Waste Connections, Inc.	0.89
3. Sybase Inc.	0.87
4. Prosperity Bancshares, Inc.	0.81
5. MFA Mortgage Investments, Inc.	0.77
6. Washington Federal Inc.	0.70
7. Hanover Insurance Group, Inc.	0.64
8. HCC Insurance Holdings Inc.	0.61
9. Lincoln Electric Holdings, Inc.	0.59
10. Patterson Companies, Inc.	0.58
% of net assets in top ten holdings*	10.71

Analysis	
# of Stock Hldgs	1699
# of Bond Hldgs	0
# of Other Hldgs	12
GeoAvgCap (mil)	$878.09
Turnover Ratio	62%
P/C Ratio	3.22
P/E Ratio	13.97
P/B Ratio	1.04

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**14.80**	**Service**	**50.90**	**Manufacturing**	**34.30**
Software	3.00	Healthcare	5.16	Consumer Goods	9.32
Hardware	7.45	Consumer Services	9.07	Industrial Materials	16.42
Media	2.01	Business Services	9.93	Energy	6.65
Telecom	2.34	Financial Services	26.74	Utilities	1.91

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 and 5 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 12/31/2009

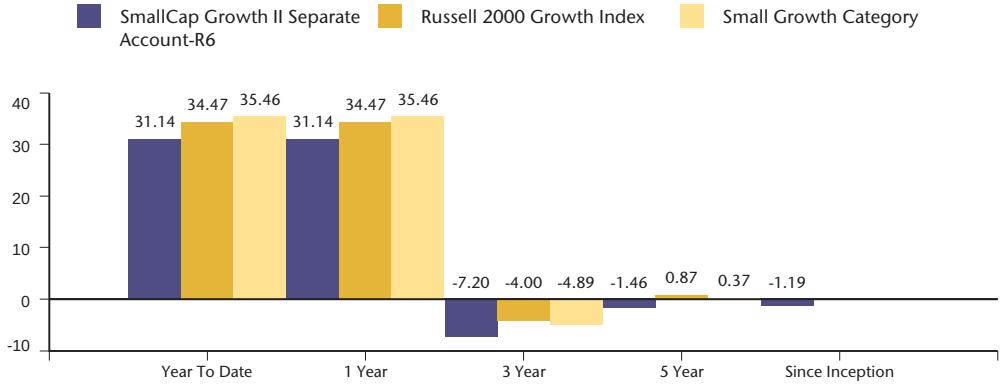
Investment Strategy

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 University
Stacey Sears Since 09/01/2004. M.B.A., Villanova University
Joseph W. Garner Since 03/01/2006. M.B.A., University of Pittsburgh
Nancy B. Prial, CFA. Since 06/30/2006. M.B.A., Harvard University
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology

Long-term returns % as of 12/31/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	31.14	31.14	-7.20	-1.46	-1.19
Russell 2000 Growth Index %	34.47	34.47	-4.00	0.87	-
Small Growth Category %	35.46	35.46	-4.89	0.37	-
Morningstar Percentile Rankings	-	65	77	75	-
# of Funds in Category	778	778	669	563	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	31.14	-42.31	5.64	8.79	6.88
Russell 2000 Growth Index %	34.47	-38.54	7.05	13.35	4.15
Small Growth Category %	35.46	-41.55	7.59	10.81	6.02
Morningstar Percentile Rankings	65	57	58	63	42
# of Funds in Category	778	834	829	763	723

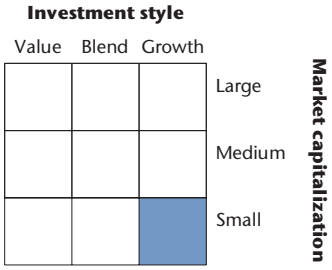
Morningstar percentile rankings are based on total returns.

Morningstar category

Small Growth

Morningstar Style Box™

As of 11/30/2009



Risk and Return Statistics

as of 12/31/2009 Relative to Russell 2000 Growth Index

	3Yr	5Yr
Alpha	-3.55	-2.45
Beta	0.97	0.95
R-Squared	97.69	97.51
Standard Deviation	24.68	21.01
Mean	-7.21	-1.46
Sharpe Ratio	-0.27	-0.10
Excess Return	-3.20	-2.33
Excess Risk	3.85	3.48
Information Ratio	-0.83	-0.67

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)	$371.91

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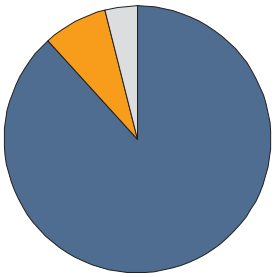
Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Growth II Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	88.28
Non-U.S. Stocks	7.74
Cash	3.97

Top ten holdings	% of net assets
1. Russell 2000 Mini Dec09	4.04
2. GSI Commerce, Inc.	1.64
3. Thoratec Laboratories Corporation	1.30
4. Chiquita Brands International	1.07
5. Bio-Reference Labs, Inc.	1.07
6. MicroStrategy, Inc.	1.03
7. Tupperware Brands Corporation	0.99
8. NutriSystem, Inc.	0.98
9. Catalyst Health Solutions, Inc.	0.97
10. Blackboard, Inc.	0.96
% of net assets in top ten holdings*	14.05

Analysis	
# of Stock Hldgs	1024
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$742.94
Turnover Ratio	78%
P/C Ratio	6.42
P/E Ratio	20.21
P/B Ratio	2.12

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**33.29**	**Service**	**44.67**	**Manufacturing**	**22.04**
Software	12.18	Healthcare	20.19	Consumer Goods	10.98
Hardware	13.41	Consumer Services	9.91	Industrial Materials	8.10
Media	0.81	Business Services	8.15	Energy	2.91
Telecom	6.89	Financial Services	6.42	Utilities	0.05

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

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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 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 12/31/2009

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.

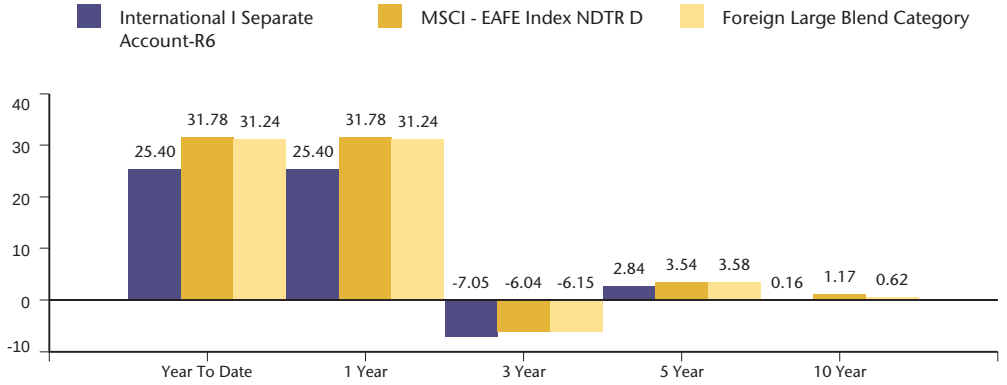
Fidelity Investments Schroders

Portfolio managers

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

Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology

Long-term returns % as of 12/31/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	25.40	25.40	-7.05	2.84	0.16
MSCI - EAFE Index NDTR D %	31.78	31.78	-6.04	3.54	1.17
Foreign Large Blend Category %	31.24	31.24	-6.15	3.58	0.62
Morningstar Percentile Rankings	-	80	62	57	56
# of Funds in Category	823	823	635	462	249

Annual Returns	2009	2008	2007	2006	2005
Total Return %	25.40	-44.35	15.06	26.36	13.40
MSCI - EAFE Index NDTR D %	31.78	-43.38	11.17	26.34	13.54
Foreign Large Blend Category %	31.24	-43.99	12.71	24.77	14.72
Morningstar Percentile Rankings	80	55	27	30	62
# of Funds in Category	823	778	743	657	608

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 11/30/2009

Investment style

	Value	Blend	Growth
Large		■	
Medium			
Small			

Market capitalization

Risk and Return Statistics

as of 12/31/2009 Relative to MSCI - EAFE Index NDTR D

	3Yr	5Yr
Alpha	-0.79	-0.58
Beta	1.02	1.02
R-Squared	97.94	97.92
Standard Deviation	24.59	20.29
Mean	-7.06	2.84
Sharpe Ratio	-0.27	0.10
Excess Return	-1.02	-0.70
Excess Risk	3.56	2.95
Information Ratio	-0.29	-0.24

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)	$1,582.07

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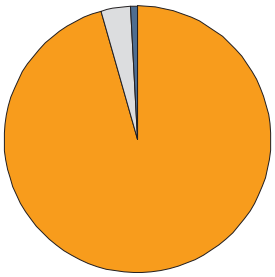
International I Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
Non-U.S. Stocks	95.56
Cash	3.54
U.S. Stocks	0.89
Other	0.02

Top ten holdings	% of net assets
1. HSBC Holdings PLC	2.26
2. EMINI MSCI EAFE DEC09	1.90
3. Nestle SA	1.76
4. Royal Dutch Shell PLC	1.56
5. Total SA	1.46
6. Telefonica, S.A.	1.38
7. Roche Holding AG	1.32
8. Toyota Motor Corporation	1.04
9. BG Group PLC	0.99
10. Banco Santander SA	0.99
% of net assets in top ten holdings*	14.66

Analysis	
# of Stock Hldgs	781
# of Bond Hldgs	0
# of Other Hldgs	8
GeoAvgCap (mil)	$26,682.38
Turnover Ratio	124%
P/C Ratio	3.31
P/E Ratio	15.27
P/B Ratio	1.22

Top 5 Countries	% of net assets
United Kingdom	22.09
Japan	20.20
France	9.33
Germany	8.94
Australia	8.27

Regional exposure	% of net assets
Europe	66.82
Japan	20.20
Pacific Rim	12.03
United States	0.94
Other	0.01

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

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

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 and 5 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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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.

Effective January 11, 2010, Schroders was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

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

High Yield I Separate Account-R6 as of 12/31/2009

Investment Strategy

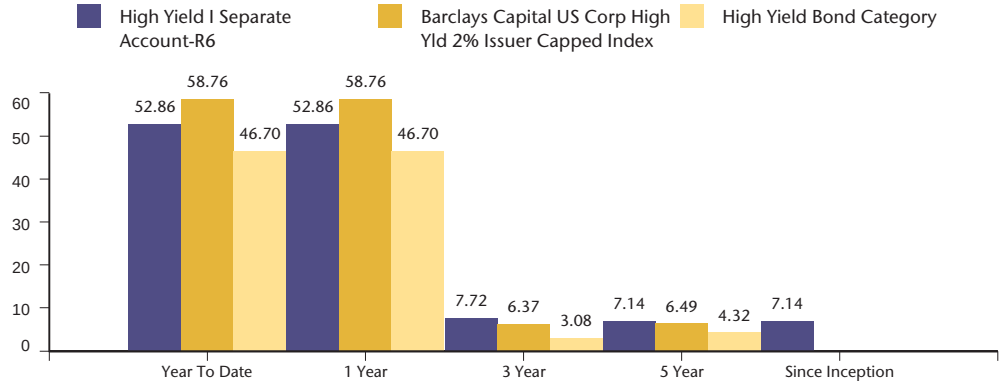
The investment seeks high current income. The fund invests at least 80% of its assets in high-yield, below investment-grade quality debt and other income-producing securities including, corporate bonds, convertible securities, preferred securities, asset-backed securities and securities of companies 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 University
James E. Gibson Since 07/19/2007. M.S., University of Windsor
William J. Morgan Since 07/19/2007. M.B.A., Xavier College
Thomas P. O'Reilly, CFA. Since 07/19/2007. M.B.A., Loyola University New Orleans
James Shanahan Since 07/19/2007. B.A., Xavier University

Long-term returns % as of 12/31/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	52.86	52.86	7.72	7.14	7.14
Barclays Capital US Corp High Yld 2% Issuer Capped Index %	58.76	58.76	6.37	6.49	-
High Yield Bond Category %	46.70	46.70	3.08	4.32	-
Morningstar Percentile Rankings	-	24	1	3	-
# of Funds in Category	543	543	475	411	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	52.86	-20.12	2.37	8.71	3.91
Barclays Capital US Corp High Yld 2% Issuer Capped Index %	58.76	-25.88	2.27	10.76	2.76
High Yield Bond Category %	46.70	-26.41	1.47	10.14	2.59
Morningstar Percentile Rankings	24	14	34	81	15
# of Funds in Category	543	559	542	549	518

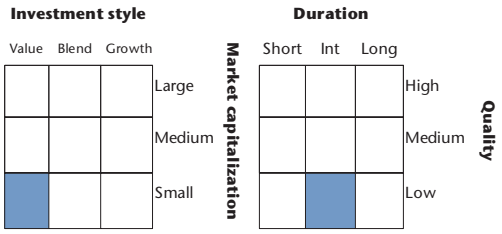
Morningstar percentile rankings are based on total returns.

Morningstar category

High Yield Bond

Morningstar Style Box™

As of 11/30/2009



Risk and Return Statistics

as of 12/31/2009 Relative to Barclays Capital US Corp High Yld 2% Issuer Capped Index

	3Yr	5Yr
Alpha	1.73	1.08
Beta	0.82	0.82
R-Squared	98.92	98.73
Standard Deviation	13.93	10.89
Mean	7.72	7.14
Sharpe Ratio	0.43	0.41
Excess Risk	3.36	2.71
Information Ratio	0.40	0.24

Operations

Total Investment Expense Net	0.82%
Total Investment Expense Gross	0.82%
Inception Date	12/31/2004
Total Net Assets (mil)	$985.08

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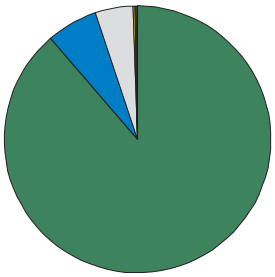
Risk and return statistical data is provided by Markov Processes International (MPI).

High Yield I Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Bonds	88.72
Non-U.S. Bonds	6.14
Cash	4.59
Other	0.23
U.S. Stocks	0.14
Preferred	0.12
Convertibles	0.05
Non-U.S. Stocks	0.01

Top ten holdings	% of net assets
1. Texas Competitive Electric Holdings Company, Term Loan T1	1.37
2. Sprint Cap 6.875%	1.20
3. Roseton Danskammer Pt 2001 7.67%	1.16
4. Gmac 144A 8%	1.04
5. Sabine Pass Lng L P 7.5%	1.04
6. Ford Motor Credit Co 8.7%	0.90
7. Ford Motor Co, Term Loan B	0.88
8. Clearwire Comm Llc 144a 144A 12%	0.88
9. Ual Inc, Term Loan B	0.76
10. Engy Future Hldgs 11.25%	0.74
% of net assets in top ten holdings*	9.97

Analysis	
# of Stock Hldgs	5
# of Bond Hldgs	611
# of Other Hldgs	22
GeoAvgCap (mil)	$1,411.67
Turnover Ratio	68%
P/C Ratio	2.14
P/E Ratio	11.76
P/B Ratio	1.16

Credit Analysis As of 11/30/2009	% Bonds
AAA	3.77
AA	0.00
A	0.14
BBB	0.73
BB	21.63
B	42.30
Below B	29.22
Not Rated	2.22

Statistics	
Avg Eff Duration (Yrs)	3.94
Avg Eff Maturity (Yrs)	6.65
Avg Credit Quality	B
Avg Weighted Price	93.86

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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 and 5 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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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 12/31/2009

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.

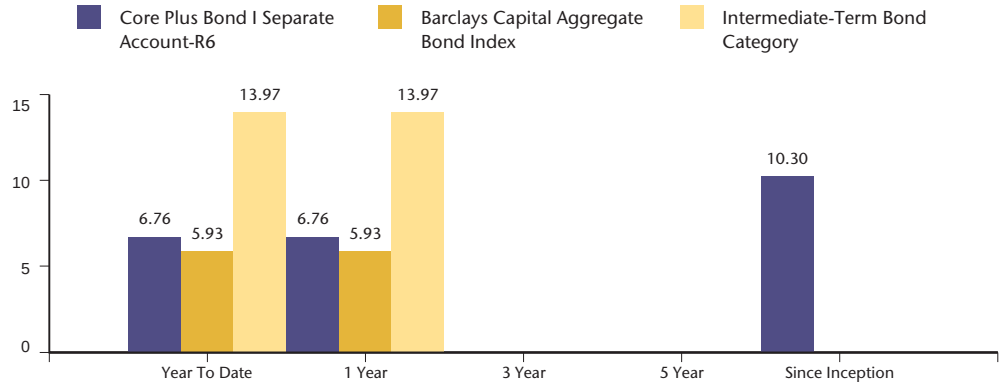
PIMCO

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 12/31/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	6.76	6.76	-	-	10.30
Barclays Capital Aggregate Bond Index %	5.93	5.93	6.04	4.97	-
Intermediate-Term Bond Category %	13.97	13.97	4.45	3.84	-
Morningstar Percentile Rankings	-	85	-	-	-
# of Funds in Category	1123	1123	978	866	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	6.76	-	-	-	-
Barclays Capital Aggregate Bond Index %	5.93	5.24	6.97	4.33	2.43
Intermediate-Term Bond Category %	13.97	-4.70	4.70	4.15	1.80
Morningstar Percentile Rankings	85	-	-	-	-
# of Funds in Category	1123	1135	1097	1092	1043

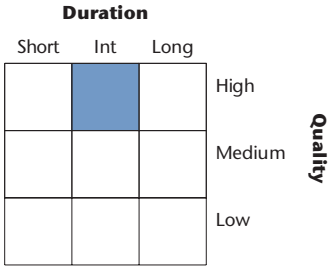
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™

As of 11/30/2009



Risk and Return Statistics

as of 12/31/2009 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)	$2,014.03

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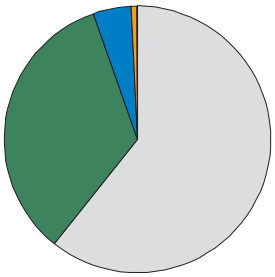
Core Plus Bond I Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
Cash	60.74
U.S. Bonds	33.82
Non-U.S. Bonds	4.62
Non-U.S. Stocks	0.67
Preferred	0.11
Other	0.03

Top ten holdings	% of net assets
1. United States Treas Nts 1%	21.28
2. 5.0% Irs Sell Swaption	4.98
3. US Treasury Bond 4.25%	3.24
4. 4.25% Irs Swaption	2.48
5. 4.25% Irs Swaption	2.45
6. 3.25% Irs Swaption	2.34
7. FNMA	2.32
8. FNMA 6%	2.25
9. 2.8% Irs Swaption	2.23
10. Genl Elec Cap Corp Fdic Tlgp 2%	1.88
% of net assets in top ten holdings*	45.45

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	453
# of Other Hldgs	35
Turnover Ratio	551%

Credit Analysis As of 11/30/2009	% Bonds
AAA	81.27
AA	2.21
A	9.37
BBB	3.84
BB	2.55
B	0.44
Below B	0.00
Not Rated	0.32

Statistics	
Avg Eff Duration (Yrs)	4.21
Avg Eff Maturity (Yrs)	6.20
Avg Credit Quality	AAA
Avg Weighted Price	103.53

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

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

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

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

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

Bond and Mortgage Separate Account-I2 as of 12/31/2009

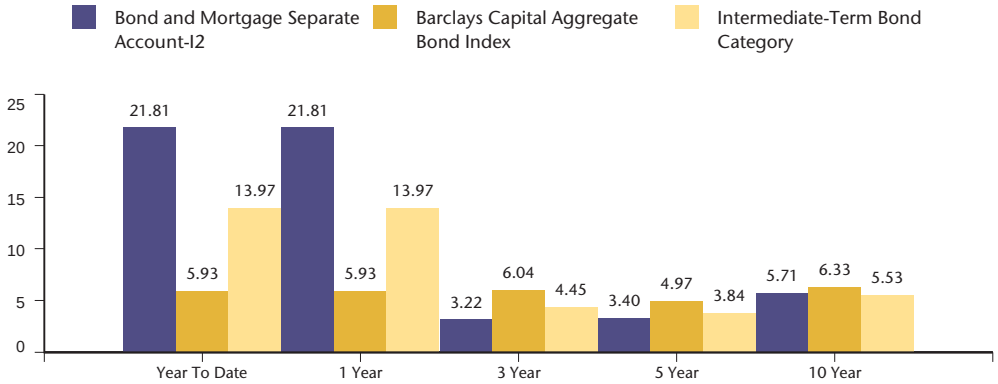
Investment Strategy

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. M.B.A., University of Iowa
Timothy R. Warrick, CFA. Since 06/01/2002. M.B.A., Drake University
L. Phillip Jacoby IV Since 11/07/2005. B.S., Boston University
Bernard M. Sussman Since 11/07/2005. M.B.A., Cornell University
Mark A. Lieb Since 07/01/2009. M.B.A., University of Hartford

Long-term returns % as of 12/31/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	21.81	21.81	3.22	3.40	5.71
Barclays Capital Aggregate Bond Index %	5.93	5.93	6.04	4.97	6.33
Intermediate-Term Bond Category %	13.97	13.97	4.45	3.84	5.53
Morningstar Percentile Rankings	-	11	76	72	46
# of Funds in Category	1123	1123	978	866	496

Annual Returns	2009	2008	2007	2006	2005
Total Return %	21.81	-13.06	3.83	4.72	2.64
Barclays Capital Aggregate Bond Index %	5.93	5.24	6.97	4.33	2.43
Intermediate-Term Bond Category %	13.97	-4.70	4.70	4.15	1.80
Morningstar Percentile Rankings	11	89	78	20	9
# of Funds in Category	1123	1135	1097	1092	1043

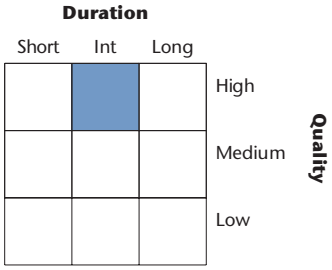
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™

As of 11/30/2009



Risk and Return Statistics

as of 12/31/2009 Relative to Barclays Capital Aggregate Bond Index

	3Yr	5Yr
Alpha	-2.70	-1.42
Beta	1.05	1.01
R-Squared	35.21	39.92
Standard Deviation	7.28	5.88
Mean	3.23	3.41
Sharpe Ratio	0.14	0.09
Excess Risk	5.98	4.63
Information Ratio	-0.47	-0.34

Operations

Total Investment Expense Net	0.55%
Total Investment Expense Gross	0.55%
Inception Date	02/01/1983
Total Net Assets (mil)	$4,226.46

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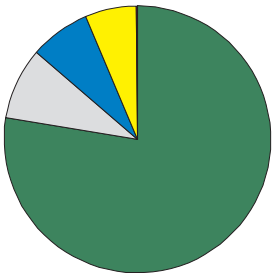
Bond and Mortgage Separate Account-I2 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Bonds	77.63
Cash	8.71
Non-U.S. Bonds	7.29
Other	6.17
Convertibles	0.16
Preferred	0.04

Top ten holdings	% of net assets
1. FHLMC	4.24
2. US Treasury Bond 6.25%	2.77
3. FNMA	2.74
4. FNMA	2.67
5. FHLMC	2.20
6. GNMA	1.80
7. Wells Fargo Co Mtn Be 3.75%	1.71
8. US Treasury Note 2%	1.61
9. BlackRock FFI Government	1.37
10. Morgan Stanley Re-Remic Tr 2009-Io	1.35
% of net assets in top ten holdings*	22.45

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	1081
# of Other Hldgs	151
Turnover Ratio	422%

Credit Analysis As of 11/30/2009	% Bonds
AAA	54.72
AA	7.08
A	10.65
BBB	16.71
BB	5.78
B	2.60
Below B	2.29
Not Rated	0.17

Statistics	
Avg Eff Duration (Yrs)	4.21
Avg Eff Maturity (Yrs)	6.73
Avg Credit Quality	AA
Avg Weighted Price	100.14

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International Emerging Markets Separate Account-R6

as of 12/31/2009

Investment Strategy

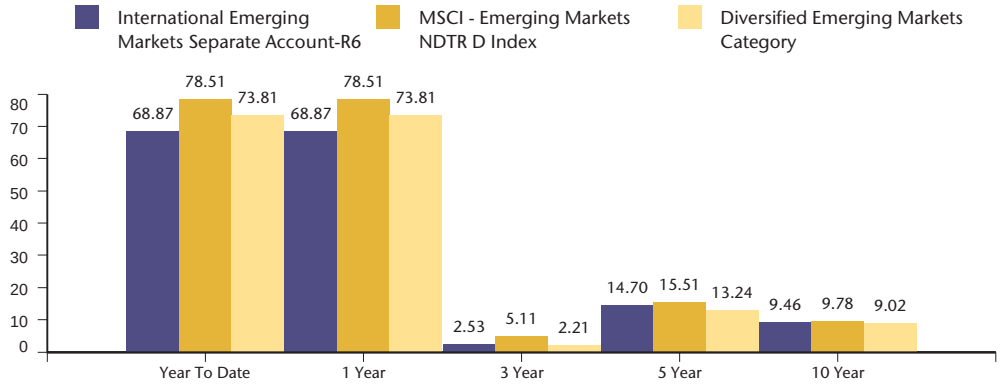
The investment option normally invests the majority of assets in equities of companies in emerging market countries. It invests in securities of companies with their principal place of business or principal office in emerging market countries; companies for which the principal securities trade in an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

Principal Global Investors

Portfolio managers

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

Long-term returns % as of 12/31/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	68.87	68.87	2.53	14.70	9.46
MSCI - Emerging Markets NDTR D Index %	78.51	78.51	5.11	15.51	9.78
Diversified Emerging Markets Category %	73.81	73.81	2.21	13.24	9.02
Morningstar Percentile Rankings	-	64	47	21	38
# of Funds in Category	367	367	259	195	118

Annual Returns	2009	2008	2007	2006	2005
Total Return %	68.87	-54.93	41.60	36.36	35.09
MSCI - Emerging Markets NDTR D Index %	78.51	-53.33	39.39	32.17	34.00
Diversified Emerging Markets Category %	73.81	-54.44	36.68	32.06	31.54
Morningstar Percentile Rankings	64	55	20	17	29
# of Funds in Category	367	312	274	242	212

Morningstar percentile rankings are based on total returns.

Morningstar category

Diversified Emerging Markets

Morningstar Style Box™

As of 11/30/2009

Investment style

	Value	Blend	Growth
Large		■	
Medium			
Small			

Market capitalization

Risk and Return Statistics

as of 12/31/2009 Relative to MSCI - Emerging Markets NDTR D Index

	3Yr	5Yr
Alpha	-2.42	-0.61
Beta	0.99	1.00
R-Squared	98.64	98.61
Standard Deviation	32.71	28.07
Mean	2.52	14.70
Sharpe Ratio	0.17	0.53
Excess Return	-2.58	-0.81
Excess Risk	3.84	3.31
Information Ratio	-0.67	-0.25

Operations

Total Investment Expense Net	1.51%
Total Investment Expense Gross	1.51%
Inception Date	01/01/1995
Total Net Assets (mil)	$1,111.72

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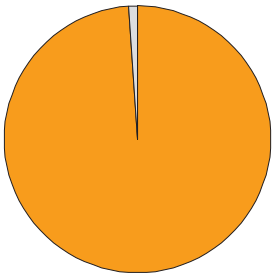
Risk and return statistical data is provided by Markov Processes International (MPI).

International Emerging Markets Separate Account-R6

as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
Non-U.S. Stocks	98.91
Cash	1.08
Preferred	0.01

Top ten holdings	% of net assets
1. Petroleo Brasileiro S.A. ADR	4.62
2. Samsung Electronics Co Ltd	3.06
3. Vale SA	2.99
4. Taiwan Semiconductor Manufacturing	2.00
5. America Movil S.A.B. de C.V. ADR L	2.00
6. Hon Hai Precision Ind. Co., Ltd.	1.86
7. China Construction Bank Corporation	1.68
8. Banco Bradesco Sa Brad	1.51
9. Posco ADR	1.51
10. Bank of China Ltd	1.49
% of net assets in top ten holdings*	22.71

Analysis	
# of Stock Hldgs	164
# of Bond Hldgs	0
# of Other Hldgs	2
GeoAvgCap (mil)	$17,666.41
Turnover Ratio	100%
P/C Ratio	3.51
P/E Ratio	14.15
P/B Ratio	1.50

Top 5 Countries	% of net assets
Brazil	17.78
China	17.75
South Korea	13.59
Taiwan	13.40
Russia	9.57

Regional exposure	% of net assets
Pacific Rim	56.37
Latin America	21.59
Other	20.06
Europe	1.98

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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 and 5 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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* Values may exceed 100% if both long and short positions are included in the portfolio.

International Growth Separate Account-R6 as of 12/31/2009

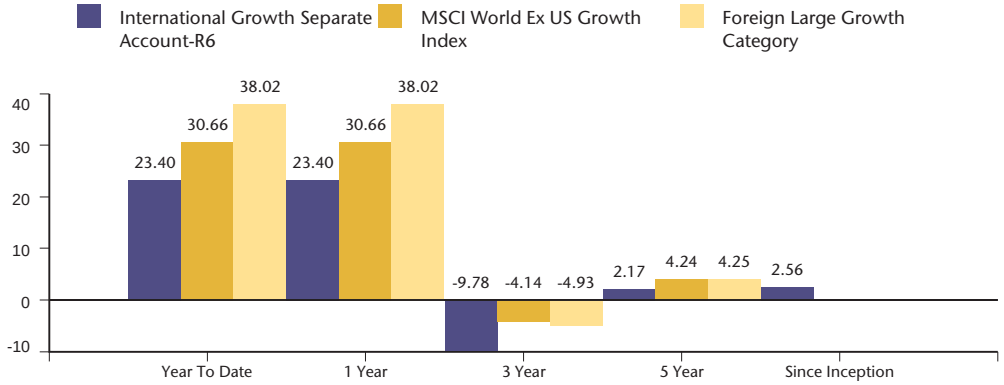
Investment Strategy

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., University of Minnesota
John Pihlblad, CFA. Since 03/01/2005. B.A., College of Westminster

Long-term returns % as of 12/31/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	23.40	23.40	-9.78	2.17	2.56
MSCI World Ex US Growth Index %	30.66	30.66	-4.14	4.24	-
Foreign Large Growth Category %	38.02	38.02	-4.93	4.25	-
Morningstar Percentile Rankings	-	90	92	84	-
# of Funds in Category	266	266	206	149	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	23.40	-47.02	12.32	24.16	22.14
MSCI World Ex US Growth Index %	30.66	-42.88	18.03	22.12	14.41
Foreign Large Growth Category %	38.02	-46.56	16.26	23.95	15.23
Morningstar Percentile Rankings	90	50	80	39	8
# of Funds in Category	266	251	220	243	213

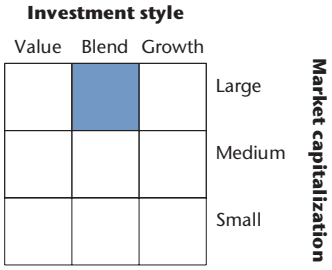
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Growth

Morningstar Style Box™

As of 11/30/2009



Risk and Return Statistics

as of 12/31/2009 Relative to MSCI World Ex US Growth Index

	3Yr	5Yr
Alpha	-5.57	-1.88
Beta	1.04	1.05
R-Squared	98.28	97.77
Standard Deviation	24.57	20.62
Mean	-9.78	2.18
Sharpe Ratio	-0.39	0.07
Excess Return	-5.63	-2.06
Excess Risk	3.35	3.25
Information Ratio	-1.68	-0.63

Operations

Total Investment Expense Net	1.18%
Total Investment Expense Gross	1.18%
Inception Date	12/29/2000
Total Net Assets (mil)	$1,304.14

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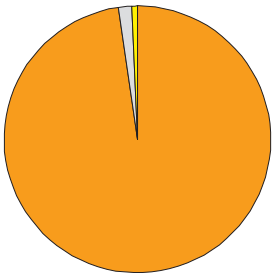
Risk and return statistical data is provided by Markov Processes International (MPI).

International Growth Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
Non-U.S. Stocks	97.64
Cash	1.62
Other	0.74

Top ten holdings	% of net assets
1. BHP Billiton Limited	2.97
2. Novartis AG	2.83
3. Telefonica, S.A.	2.68
4. Nestle SA	2.67
5. Roche Holding AG	2.35
6. GlaxoSmithKline PLC	2.20
7. Credit Suisse Grp	1.53
8. Rio Tinto PLC	1.51
9. BG Group PLC	1.44
10. British American Tobacco PLC	1.36
% of net assets in top ten holdings*	21.53

Analysis	
# of Stock Hldgs	178
# of Bond Hldgs	0
# of Other Hldgs	9
GeoAvgCap (mil)	$23,103.66
Turnover Ratio	125%
P/C Ratio	3.93
P/E Ratio	14.57
P/B Ratio	1.29

Top 5 Countries	% of net assets
United Kingdom	21.07
Japan	19.79
Switzerland	14.12
Canada	7.24
Australia	6.01

Regional exposure	% of net assets
Europe	60.54
Japan	19.79
Pacific Rim	12.45
Other	7.25

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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 and 5 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.

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* 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 12/31/2009

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., University of Iowa

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

Long-term returns % as of 12/31/2009

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 %	26.09	26.09	-5.87	0.15	-1.28
Standard & Poor's 500 Index %	26.46	26.46	-5.63	0.42	-0.95
Large Blend Category %	28.17	28.17	-5.53	0.46	0.01
Morningstar Percentile Rankings	-	59	57	57	69
# of Funds in Category	2027	2027	1757	1376	710

Annual Returns	2009	2008	2007	2006	2005
Total Return %	26.09	-37.10	5.18	15.46	4.58
Standard & Poor's 500 Index %	26.46	-37.00	5.49	15.79	4.91
Large Blend Category %	28.17	-37.79	6.16	14.17	5.88
Morningstar Percentile Rankings	59	40	55	29	63
# of Funds in Category	2027	2086	2090	1980	1743

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 11/30/2009

Investment style

	Value	Blend	Growth	Market capitalization
Large		■		
Medium				
Small				

Risk and Return Statistics

as of 12/31/2009 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-0.28	-0.28
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	19.86	16.00
Mean	-5.86	0.15
Sharpe Ratio	-0.32	-0.10
Excess Return	-0.24	-0.27
Excess Risk	0.07	0.06
Information Ratio	-3.33	-4.60

Operations

Total Investment Expense Net	0.31%
Total Investment Expense Gross	0.31%
Inception Date	01/01/1990
Total Net Assets (mil)	$5,250.20

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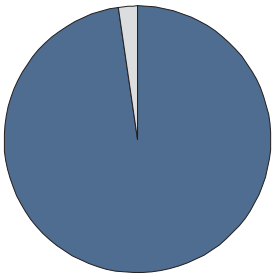
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap S&P 500 Index Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	97.66
Cash	2.34

Top ten holdings	% of net assets
1. ExxonMobil Corporation	3.65
2. Microsoft Corporation	2.31
3. Procter & Gamble Company	1.84
4. Apple, Inc.	1.81
5. Johnson & Johnson	1.75
6. General Electric Company	1.72
7. J.P. Morgan Chase & Co.	1.69
8. International Business Machines Corp	1.68
9. AT&T, Inc.	1.61
10. Chevron Corporation	1.58
% of net assets in top ten holdings*	19.65

Analysis	
# of Stock Hldgs	499
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$44,229.28
Turnover Ratio	4%
P/C Ratio	6.25
P/E Ratio	16.68
P/B Ratio	2.15

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**23.77**	**Service**	**38.53**	**Manufacturing**	**37.68**
Software	4.65	Healthcare	12.13	Consumer Goods	11.12
Hardware	10.97	Consumer Services	8.87	Industrial Materials	10.85
Media	2.46	Business Services	3.42	Energy	12.14
Telecom	5.69	Financial Services	14.11	Utilities	3.57

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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 and 5 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.

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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 12/31/2009

Investment Strategy

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

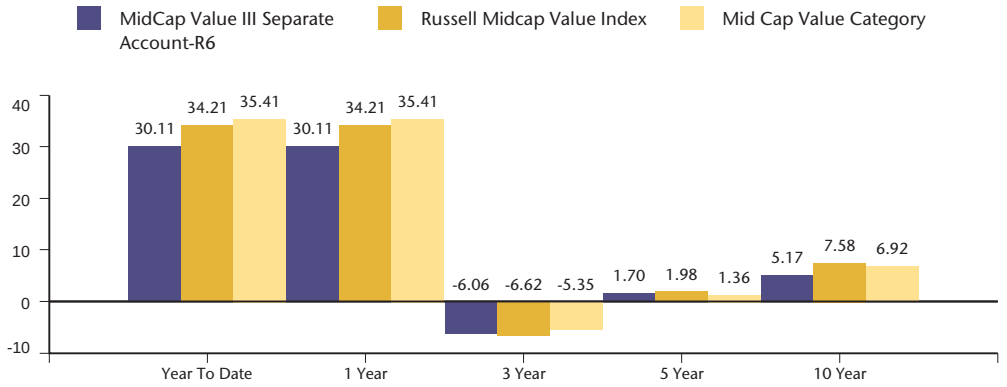
Principal Global Investors

BARROW, HANLEY, MEWHINNEY & STRAUSS, INC.

Portfolio managers

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

Long-term returns % as of 12/31/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	30.11	30.11	-6.06	1.70	5.17
Russell Midcap Value Index %	34.21	34.21	-6.62	1.98	7.58
Mid Cap Value Category %	35.41	35.41	-5.35	1.36	6.92
Morningstar Percentile Rankings	-	68	59	45	85
# of Funds in Category	416	416	356	250	84

Annual Returns	2009	2008	2007	2006	2005
Total Return %	30.11	-35.92	-0.59	16.00	13.15
Russell Midcap Value Index %	34.21	-38.44	-1.42	20.22	12.65
Mid Cap Value Category %	35.41	-36.77	0.83	15.87	8.82
Morningstar Percentile Rankings	68	41	65	46	9
# of Funds in Category	416	442	405	375	310

Morningstar percentile rankings are based on total returns.

Morningstar category

Mid Cap Value

Morningstar Style Box™

As of 11/30/2009

Investment style

	Value	Blend	Growth	Market capitalization
Large				
Medium	■			
Small				

Risk and Return Statistics

as of 12/31/2009 Relative to Russell Midcap Value Index

	3Yr	5Yr
Alpha	-1.18	-0.65
Beta	0.85	0.86
R-Squared	97.88	97.58
Standard Deviation	21.73	17.66
Mean	-6.06	1.71
Sharpe Ratio	-0.28	0.02
Excess Return	0.56	-0.27
Excess Risk	4.99	4.02
Information Ratio	0.11	-0.07

Operations

Total Investment Expense Net	0.81%
Total Investment Expense Gross	0.81%
Inception Date	01/01/1991
Total Net Assets (mil)	$555.23

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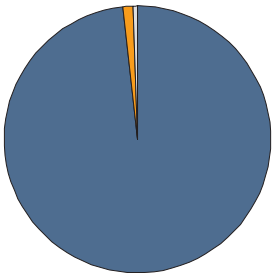
MidCap Value III Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	98.17
Non-U.S. Stocks	1.22
Cash	0.60

Top ten holdings	% of net assets
1. Computer Sciences Corporation	2.14
2. Annaly Capital Management, Inc.	2.08
3. Xcel Energy, Inc.	2.04
4. ITT Corporation	1.72
5. PNC Financial Services Group	1.69
6. Eaton Corporation	1.62
7. Fifth Third Bancorp	1.56
8. Spectra Energy Corporation	1.53
9. Capital One Financial Corporation	1.52
10. Ameriprise Financial, Inc.	1.47
% of net assets in top ten holdings*	17.37

Analysis	
# of Stock Hldgs	174
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$5,373.82
Turnover Ratio	90%
P/C Ratio	4.29
P/E Ratio	12.94
P/B Ratio	1.41

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**10.64**	**Service**	**46.58**	**Manufacturing**	**42.77**
Software	2.61	Healthcare	4.96	Consumer Goods	10.15
Hardware	4.23	Consumer Services	9.03	Industrial Materials	15.85
Media	2.19	Business Services	3.43	Energy	7.37
Telecom	1.61	Financial Services	29.16	Utilities	9.40

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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 and 5 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 12/31/2009

Investment Strategy

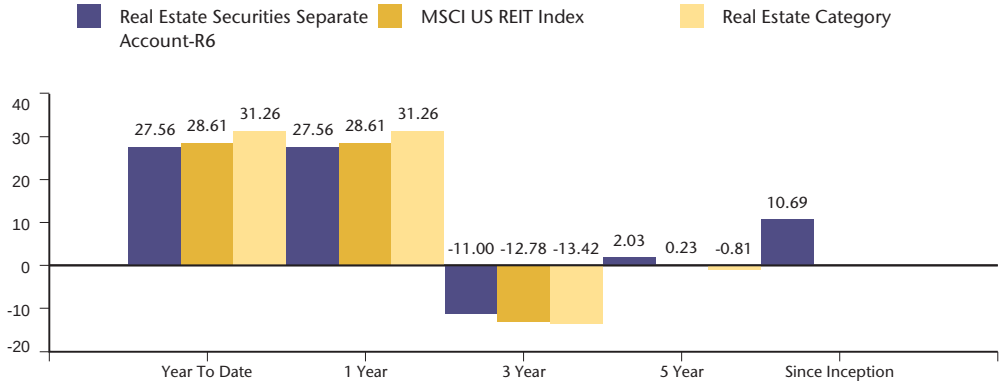
The investment seeks to generate a total return. The fund normally invests at least 80% of the net assets (plus any borrowings for investment purposes) in equity securities of companies principally engaged in the real estate industry, which include real estate investment trusts and companies with substantial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

Long-term returns % as of 12/31/2009



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 %	27.56	27.56	-11.00	2.03	10.69
MSCI US REIT Index %	28.61	28.61	-12.78	0.23	-
Real Estate Category %	31.26	31.26	-13.42	-0.81	-
Morningstar Percentile Rankings	-	66	13	8	-
# of Funds in Category	262	262	227	201	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	27.56	-32.82	-17.73	36.03	15.28
MSCI US REIT Index %	28.61	-37.97	-16.82	35.92	12.13
Real Estate Category %	31.26	-39.55	-14.66	33.58	11.51
Morningstar Percentile Rankings	66	5	71	30	16
# of Funds in Category	262	265	372	306	279

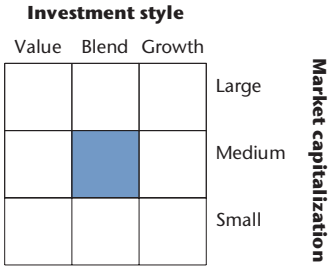
Morningstar percentile rankings are based on total returns.

Morningstar category

Real Estate

Morningstar Style Box™

As of 11/30/2009



Risk and Return Statistics

as of 12/31/2009 Relative to MSCI US REIT Index

	3Yr	5Yr
Alpha	-0.83	0.94
Beta	0.88	0.89
R-Squared	99.15	98.97
Standard Deviation	35.76	29.24
Mean	-10.99	2.03
Sharpe Ratio	-0.21	0.12
Excess Return	1.79	1.81
Excess Risk	5.93	4.69
Information Ratio	0.30	0.39

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	12/31/2002
Total Net Assets (mil)	$1,482.77

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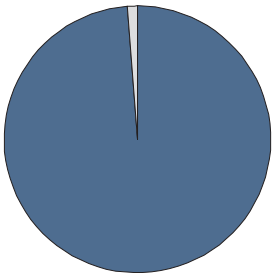
Risk and return statistical data is provided by Markov Processes International (MPI).

Real Estate Securities Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	98.76
Cash	1.24

Top ten holdings	% of net assets
1. Simon Property Group, Inc.	11.33
2. Public Storage	6.14
3. Boston Properties, Inc.	5.91
4. HCP, Inc.	5.51
5. Ventas, Inc.	4.40
6. Vornado Realty Trust	4.06
7. SL Green Realty Corporation	3.89
8. Equity Residential	3.22
9. Federal Realty Investment Trust	3.16
10. Health Care REIT, Inc.	2.85
% of net assets in top ten holdings*	50.48

Analysis	
# of Stock Hldgs	44
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$4,718.18
Turnover Ratio	47%
P/C Ratio	8.65
P/E Ratio	31.03
P/B Ratio	1.54

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**0.00**	**Service**	**100.00**	**Manufacturing**	**0.00**
Software	0.00	Healthcare	0.00	Consumer Goods	0.00
Hardware	0.00	Consumer Services	0.76	Industrial Materials	0.00
Media	0.00	Business Services	0.00	Energy	0.00
Telecom	0.00	Financial Services	99.24	Utilities	0.00

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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 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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

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

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

U.S. Property Separate Account-R6 as of 12/31/2009

Investment Strategy

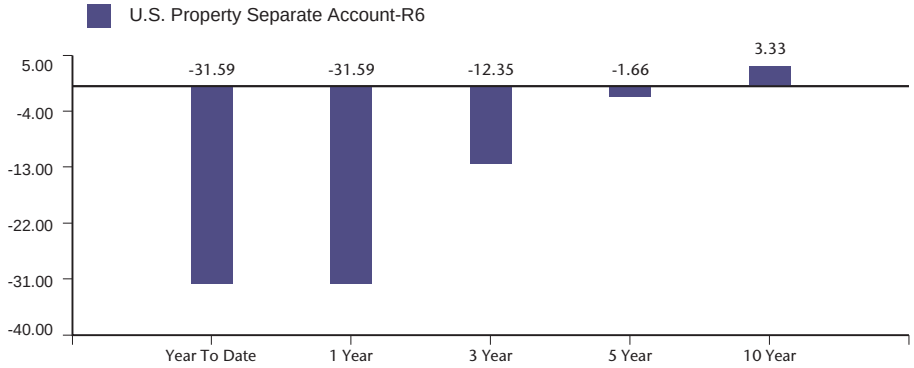
The investment invests the majority of assets on commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail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

Principal Real Estate Investors

Portfolio managers

John Berg Since 12/01/2003. M.B.A., University of Iowa

Long-term returns % as of 12/31/2009



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	-31.59	-31.59	-12.35	-1.66	3.33

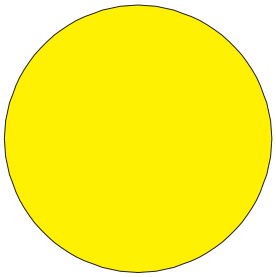
Annual Returns	2009	2008	2007	2006	2005
Total Return %	-31.59	-13.23	13.42	15.14	18.61

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	01/01/1982
Total Net Assets (mil)	$3,528.37

Portfolio information

Composition as of 11/30/2009



% of Assets

Other	100.00

Analysis

Total Number of Hldgs	133

Portfolio composition

Top ten holdings	% of net assets
Office San Francisco, CA	7.10
Office New York, NY	4.60
Office Seattle, WA	3.70
Retail Los Angeles, CA	3.10
Hotel San Antonio, TX	2.60
Multi-family/Retail Cambridge, MA	2.30
Office Phoenix, AZ	2.20
Multi-family Seattle, WA	2.10
Office Camdridge, MA	2.00
Office/Retail San Diego, CA	2.00

% of net assets in top ten holdings* 31.70%

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

Geographical diversity	% of properties
West	49.00
East	20.00
South	20.00
Midwest	11.00

Property type	% of account
Office	40.00
Retail	22.00
Apartments	19.00
Industrial Park	17.00
Other	2.00

U.S. Property Separate Account-R6 as of 12/31/2009

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

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

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

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

LargeCap Growth I Separate Account-R6 as of 12/31/2009

Investment Strategy

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

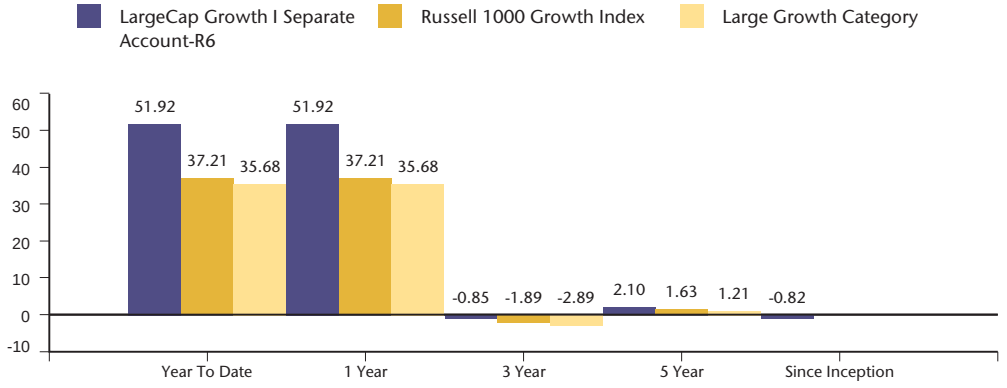
T.RowePrice INVEST WITH CONFIDENCE

BROWN ADVISORY

Portfolio managers

Robert W. Sharps, CPA, CFA. Since 08/19/2004. M.B.A., University of Pennsylvania
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology
Kenneth Stuzin, CFA. Since 07/14/2009. M.B.A., Columbia University

Long-term returns % as of 12/31/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	51.92	51.92	-0.85	2.10	-0.82
Russell 1000 Growth Index %	37.21	37.21	-1.89	1.63	-
Large Growth Category %	35.68	35.68	-2.89	1.21	-
Morningstar Percentile Rankings	-	6	23	29	-
# of Funds in Category	1796	1796	1548	1276	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	51.92	-40.69	8.18	5.93	7.44
Russell 1000 Growth Index %	37.21	-38.44	11.81	9.07	5.26
Large Growth Category %	35.68	-40.67	13.35	7.05	6.71
Morningstar Percentile Rankings	6	51	75	62	40
# of Funds in Category	1796	1809	1748	1642	1495

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 11/30/2009

Investment style

	Value	Blend	Growth
Large			■
Medium			
Small			

Market capitalization

Risk and Return Statistics

as of 12/31/2009 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	1.72	0.78
Beta	1.09	1.08
R-Squared	95.72	93.99
Standard Deviation	22.20	18.14
Mean	-0.84	2.11
Sharpe Ratio	-0.03	0.04
Excess Return	1.04	0.47
Excess Risk	4.95	4.66
Information Ratio	0.21	0.10

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)	$1,667.92

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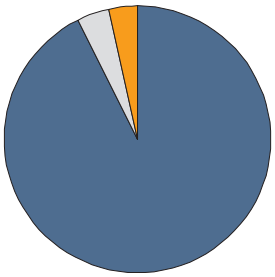
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Growth I Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	92.61
Cash	3.87
Non-U.S. Stocks	3.52

Top ten holdings	% of net assets
1. Apple, Inc.	4.20
2. Google, Inc.	3.89
3. S&P FUTURE - DEC 09	3.16
4. Qualcomm, Inc.	2.73
5. Accenture PLC	2.54
6. Danaher Corporation	2.44
7. Schlumberger, Ltd.	2.33
8. MasterCard Incorporated A	2.12
9. Microsoft Corporation	2.05
10. Allergan, Inc.	1.96
% of net assets in top ten holdings*	27.41

Analysis	
# of Stock Hldgs	462
# of Bond Hldgs	0
# of Other Hldgs	5
GeoAvgCap (mil)	$26,212.03
Turnover Ratio	65%
P/C Ratio	7.02
P/E Ratio	20.79
P/B Ratio	3.26

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**34.25**	**Service**	**41.99**	**Manufacturing**	**23.76**
Software	7.62	Healthcare	12.76	Consumer Goods	6.72
Hardware	19.49	Consumer Services	14.46	Industrial Materials	9.80
Media	0.68	Business Services	8.20	Energy	6.92
Telecom	6.46	Financial Services	6.57	Utilities	0.32

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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.

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

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

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

MidCap Growth III Separate Account-R6 as of 12/31/2009

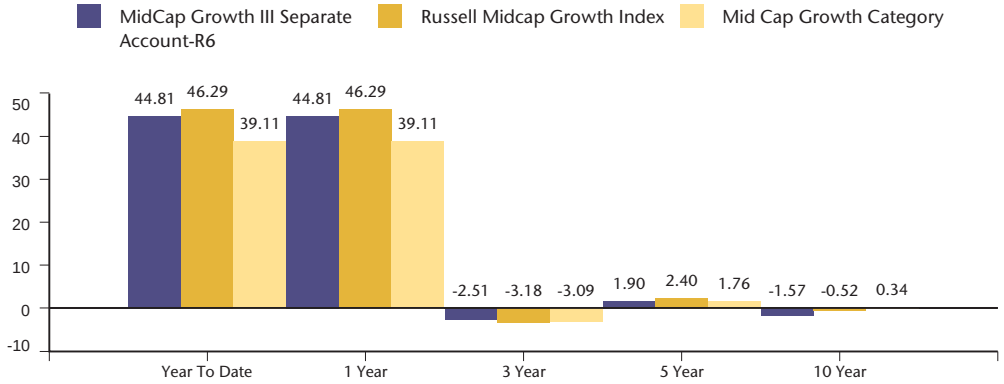
Investment Strategy

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. M.B.A., University of Pittsburgh
Bruce I. Jacobs Since 05/01/2009. Ph.D., University of Pennsylvania (Wharton)
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology
Ronald P. Gala, CFA. Since 06/24/2009. M.B.A., University of Pittsburgh

Long-term returns % as of 12/31/2009



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	44.81	44.81	-2.51	1.90	-1.57
Russell Midcap Growth Index %	46.29	46.29	-3.18	2.40	-0.52
Mid Cap Growth Category %	39.11	39.11	-3.09	1.76	0.34
Morningstar Percentile Rankings	-	31	45	52	68
# of Funds in Category	812	812	727	631	338

Annual Returns	2009	2008	2007	2006	2005
Total Return %	44.81	-48.56	24.40	6.26	11.59
Russell Midcap Growth Index %	46.29	-44.32	11.43	10.66	12.10
Mid Cap Growth Category %	39.11	-43.77	15.09	9.00	9.84
Morningstar Percentile Rankings	31	80	12	69	37
# of Funds in Category	812	934	967	994	936

Morningstar percentile rankings are based on total returns.

Morningstar category

Mid Cap Growth

Morningstar Style Box™

As of 11/30/2009

Investment style

	Value	Blend	Growth	Market capitalization
Large				
Medium			■	
Small				

Risk and Return Statistics

as of 12/31/2009 Relative to Russell Midcap Growth Index

	3Yr	5Yr
Alpha	0.97	-0.30
Beta	1.02	1.04
R-Squared	96.87	95.89
Standard Deviation	25.27	21.30
Mean	-2.50	1.91
Sharpe Ratio	-0.07	0.06
Excess Return	0.68	-0.49
Excess Risk	4.51	4.40
Information Ratio	0.15	-0.11

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)	$1,286.94

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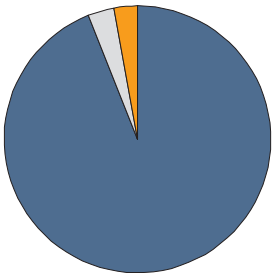
Risk and return statistical data is provided by Markov Processes International (MPI).

MidCap Growth III Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	93.96
Cash	3.17
Non-U.S. Stocks	2.87

Top ten holdings	% of net assets
1. S&P MID 400 EMINI DEC09	3.06
2. NetApp, Inc.	1.31
3. Avon Products	1.28
4. F5 Networks, Inc.	1.23
5. Priceline.com, Inc.	1.15
6. Coach, Inc.	1.08
7. T Rowe Price Group	1.06
8. Precision Castparts Corp.	1.01
9. Urban Outfitters Inc.	1.00
10. Salesforce.com, Inc.	0.94
% of net assets in top ten holdings*	13.11

Analysis	
# of Stock Hldgs	480
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$4,997.55
Turnover Ratio	167%
P/C Ratio	4.80
P/E Ratio	18.95
P/B Ratio	2.46

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**24.03**	**Service**	**45.08**	**Manufacturing**	**30.88**
Software	6.78	Healthcare	12.27	Consumer Goods	10.18
Hardware	14.20	Consumer Services	15.32	Industrial Materials	12.18
Media	1.43	Business Services	7.33	Energy	6.43
Telecom	1.62	Financial Services	10.16	Utilities	2.09

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

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

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 and 5 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

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

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

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

Formerly known as Mid-Cap Growth Separate Account.

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

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

LargeCap Value I Separate Account-R6 as of 12/31/2009

Investment Strategy

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

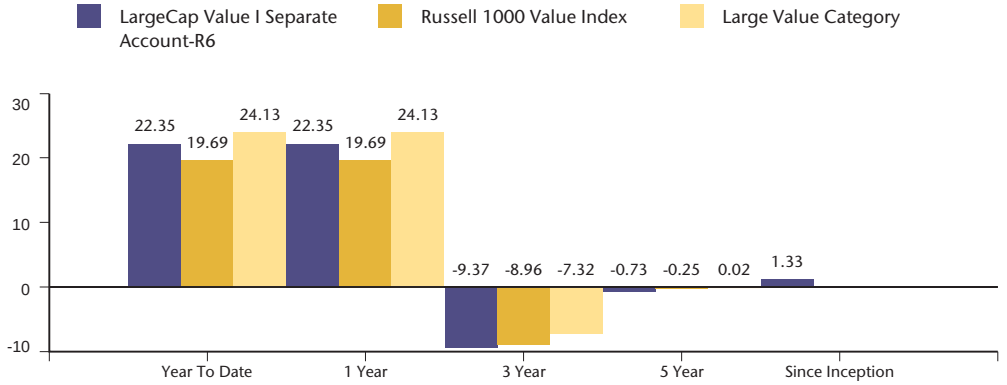
UBS Global Asset Management

TS&W Thompson, Siegel & Walmsley LLC

Portfolio managers

Thomas M. Cole, CFA. Since 06/01/2004. M.B.A., University of Wisconsin
Thomas Digenan, CPA, CFA. Since 06/01/2004. B.S., Marquette University
John C. Leonard, CFA. Since 06/01/2004. M.B.A., University of Chicago
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology
John (Jack) S. Pickler, CFA. Since 10/01/2009. M.B.A., Wake Forest University

Long-term returns % as of 12/31/2009



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 %	22.35	22.35	-9.37	-0.73	1.33
Russell 1000 Value Index %	19.69	19.69	-8.96	-0.25	-
Large Value Category %	24.13	24.13	-7.32	0.02	-
Morningstar Percentile Rankings	-	54	81	67	-
# of Funds in Category	1272	1272	1104	912	-

Annual Returns	2009	2008	2007	2006	2005
Total Return %	22.35	-39.34	0.31	18.01	9.75
Russell 1000 Value Index %	19.69	-36.85	-0.17	22.25	7.05
Large Value Category %	24.13	-37.09	1.42	18.15	5.95
Morningstar Percentile Rankings	54	70	61	53	16
# of Funds in Category	1272	1433	1432	1371	1296

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 11/30/2009

Investment style

	Value	Blend	Growth	
Large	■			
Medium				
Small				

Market capitalization

Risk and Return Statistics

as of 12/31/2009 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-0.06	-0.37
Beta	1.02	1.01
R-Squared	96.46	95.70
Standard Deviation	22.25	17.77
Mean	-9.37	-0.73
Sharpe Ratio	-0.43	-0.12
Excess Return	-0.41	-0.48
Excess Risk	4.22	3.68
Information Ratio	-0.10	-0.13

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)	$1,312.42

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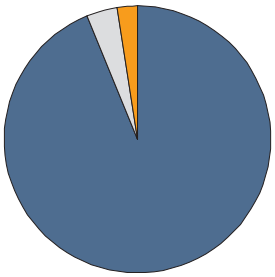
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value I Separate Account-R6 as of 12/31/2009

Portfolio information†

Composition as of 11/30/2009



% of Assets	
U.S. Stocks	93.77
Cash	3.76
Non-U.S. Stocks	2.47

Top ten holdings	% of net assets
1. ExxonMobil Corporation	4.28
2. Pfizer Inc.	3.72
3. J.P. Morgan Chase & Co.	3.72
4. Chevron Corporation	3.58
5. S&P FUTURE - DEC 09	3.33
6. General Electric Company	3.10
7. Wells Fargo Company	2.84
8. AT&T, Inc.	2.77
9. Bank of America Corporation	1.82
10. Morgan Stanley	1.72
% of net assets in top ten holdings*	30.87

Analysis	
# of Stock Hldgs	512
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$37,742.89
Turnover Ratio	52%
P/C Ratio	4.46
P/E Ratio	15.36
P/B Ratio	1.59

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Information	**14.22**	**Service**	**40.41**	**Manufacturing**	**45.35**
Software	0.84	Healthcare	9.57	Consumer Goods	7.25
Hardware	4.91	Consumer Services	5.25	Industrial Materials	12.96
Media	3.69	Business Services	3.78	Energy	19.79
Telecom	4.78	Financial Services	21.81	Utilities	5.35

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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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