Principal Financial Advisors, Inc.

Investment Advisory Report
City of Hallandale Beach General Employees Retirement Plan

Contract No. 4-45661
October 01, 2010 - March 31, 2011

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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. As of December 31, 2010, we manage nearly $6.0 billion in assets and have nearly 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 scenarios to help meet your plan's goals.
3) Assumption of fiduciary responsibility for asset allocation decisions.*
4) Experienced investment personnel.
5) Comprehensive reporting and top-tier client service.

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

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

Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 10/01/2010 through 03/31/2011					
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, 15, 20, 29]	$1,346,676	4.66%	$1,481,693	4.62%
UBS / TS&W	LargeCap Value I Separate Account-R6 [14, 29, 33]	$2,480,527	8.59%	$2,773,079	8.65%
	Large Blend				
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	$1,700,117	5.89%	$1,814,230	5.66%
	Large Growth				
Columbus Circle Investors	LargeCap Growth Separate Account-R6	$2,031,664	7.03%	$2,172,634	6.78%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 24, 29, 31]	$2,080,977	7.21%	$2,120,661	6.62%
	Small/Mid U.S. Equity				
	Mid Cap Value				
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1]	$489,830	1.70%	$499,824	1.56%
	Mid Cap Growth				
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 29]	$490,138	1.70%	$503,063	1.57%
	Small Value				
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 14, 24, 27, 29]	$473,490	1.64%	$501,697	1.57%
	Small Growth				
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 29, 30]	$479,007	1.66%	$508,999	1.59%
	International Equity				
	Diversified Emerging Markets				
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	$402,075	1.39%	$403,428	1.26%
	Foreign Large Value				
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 14, 29, 35]	$958,061	3.32%	$1,959,171	6.11%
	Foreign Large Blend				
Fidelity / Schroders	International I Separate Account-R6 [4, 14, 17, 29, 34]	$1,007,539	3.49%	$1,309,784	4.09%
	Foreign Large Growth				
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	$1,004,007	3.48%	$0	0.00%
	Real Estate				
	Owned Real Estate				
Principal Real Estate Inv	U.S. Property Separate Account-R6 [37]	$1,049,420	3.63%	$1,130,860	3.53%
	Real Estate				
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 11]	$536,877	1.86%	$503,330	1.57%
	Fixed Income				
	High Yield Bond				
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 14, 16, 18, 19]	$1,765,966	6.11%	$1,715,524	5.35%

Portfolio and Strategic Asset Allocation Review

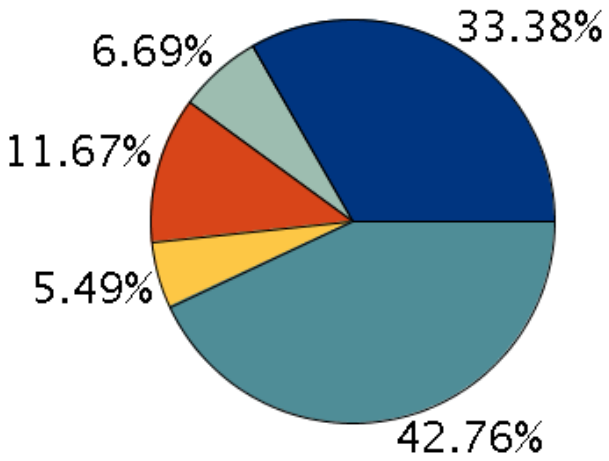
Investment Review - Allocation 10/01/2010 through 03/31/2011					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
	Intermediate-Term Bond				
PIMCO	Core Plus Bond I Separate Account-R6 [14, 16, 19]	$5,124,379	17.74%	$5,258,863	16.41%
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	$3,401,733	11.78%	$5,260,164	16.41%
	Inflation-Protected Bond				
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [14, 16, 19, 21]	$2,057,361	7.12%	$2,128,486	6.64%
TOTAL		$28,879,844	100%	$32,045,490	100%

Please see important disclosures at the end of this presentation.

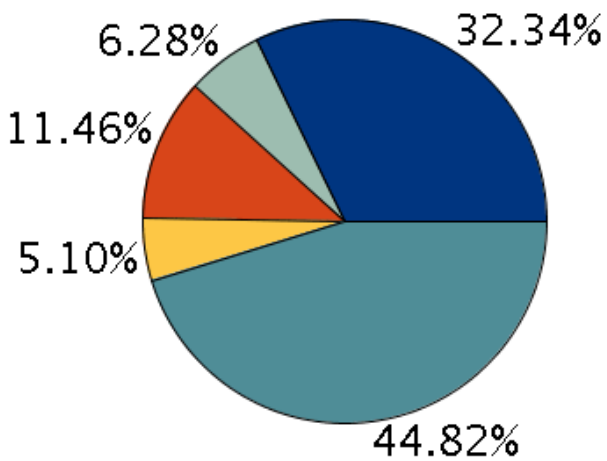
Portfolio and Strategic Asset Allocation Review

Asset Class Breakdown

Beginning % As Of 10/01/2010



Ending % As Of 03/31/2011

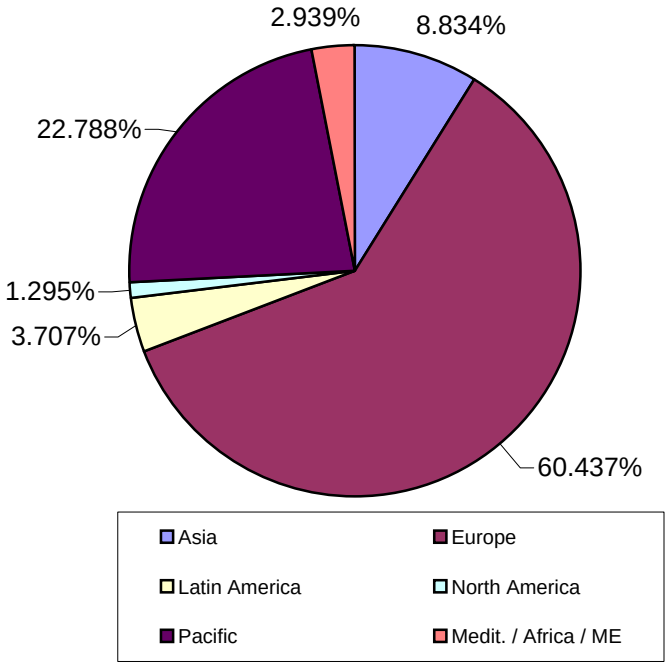


- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Fixed Income

Holdings of International Separate Accounts by Region as of March 31, 2011

Asia	**8.834%**
China	2.116%
India	0.681%
Indonesia	0.236%
Malaysia	0.185%
South Korea	3.859%
Taiwan	1.758%
Europe	**60.437%**
Austria	0.082%
Belgium	0.635%
Denmark	0.607%
Finland	0.956%
France	9.597%
Germany	7.240%
Greece	0.507%
Ireland	0.027%
Italy	3.567%
Luxembourg	0.368%
Netherlands	5.346%
Norway	2.183%
Portugal	0.023%
Spain	2.646%
Sweden	1.311%
Switzerland	6.538%
United Kingdom	18.803%

Latin America	**3.707%**
Argentina	0.030%
Brazil	2.862%
British Virgin Islands	0.018%
Chile	0.134%
Mexico	0.561%
Peru	0.103%
North America	**1.295%**
Canada	0.578%
United States	0.717%
Pacific	**22.788%**
Australia	2.995%
Hong Kong	2.211%
Japan	15.239%
New Zealand	0.378%
Singapore	1.964%
Medit. / Africa / ME	**2.939%**
Cyprus	0.009%
Israel	0.528%
Poland	0.230%
Russia	1.038%
South Africa	0.687%
Turkey	0.448%



Asia	8.834%
Europe	60.437%
Latin America	3.707%
North America	1.295%
Pacific	22.788%
Medit. / Africa / ME	2.939%
	100.000%

Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation for future 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 10/01/2010 through 03/31/2011			
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, 15, 20, 29]	4.50%	4.50%
UBS / TS&W	LargeCap Value I Separate Account-R6 [14, 29, 33]	8.40%	8.40%
	Large Blend		
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	5.50%	5.50%
	Large Growth		
Columbus Circle Investors	LargeCap Growth Separate Account-R6	6.50%	6.50%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 24, 29, 31]	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]	1.50%	1.50%
	Mid Cap Growth		
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 29]	1.50%	1.50%
	Small Value		
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 14, 24, 27, 29]	1.50%	1.50%
	Small Growth		
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 29, 30]	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		
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 14, 29, 35]	3.30%	6.00%
	Foreign Large Blend		
Fidelity / Schroders	International I Separate Account-R6 [4, 14, 17, 29, 34]	3.40%	4.00%
	Foreign Large Growth		
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	3.30%	0.00%
	Real Estate	1.50%	1.50%
	Real Estate		
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 11]	1.50%	1.50%

Portfolio and Strategic Asset Allocation Review

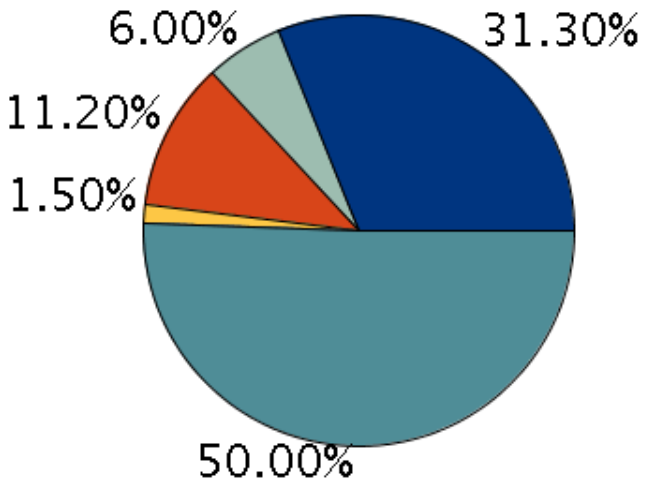
Target Allocation 10/01/2010 through 03/31/2011			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	Fixed Income	50.00%	50.00%
	High Yield Bond		
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 14, 16, 18, 19]	5.30%	5.30%
	Intermediate-Term Bond		
PIMCO	Core Plus Bond I Separate Account-R6 [14, 16, 19]	19.00%	19.00%
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	19.10%	19.10%
	Inflation-Protected Bond		
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [14, 16, 19, 21]	6.60%	6.60%

Please see important disclosures at the end of this presentation.

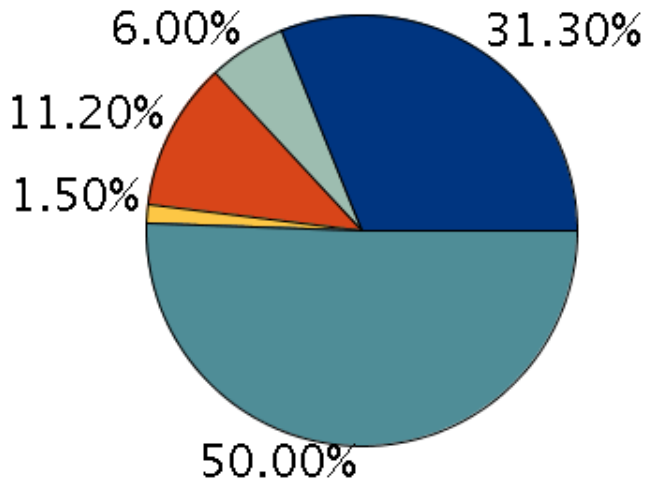
Portfolio and Strategic Asset Allocation Review

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

Beginning Target Allocation As Of October 01, 2010



Ending Target Allocation As Of March 31, 2011



- 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, 15, 20, 29] AllianceBernstein Investments Westwood Management LargeCap Value I Separate Account-R6 [14, 29, 33] UBS Global Asset Management TS&W Thompson, Siegel & Walmsley LLC Investment Management	LargeCap S&P 500 Index Separate Account-R6 [2, 8 ++]	LargeCap Growth Separate Account-R6 Columbus Circle Investors LargeCap Growth I Separate Account-R6 [3, 24, 29, 31] T.RowePrice Invest with Confidence Brown Advisory
Small/Mid U.S. Equity		
Mid Cap Value	**Mid Cap Blend**	**Mid Cap Growth**
MidCap Value III Separate Account-R6 [1] Principal Global Investors Barrow, Hanley, Mewhinney & Strauss, LLC		MidCap Growth III Separate Account-R6 [1, 12, 29] Turner investment partners Mellon Capital Management Jacobs Levy Equity Management
Small Value	**Small Blend**	**Small Growth**
SmallCap Value II Separate Account-R6 [1, 14, 24, 27, 29] Dimensional Vaughan Nelson Investment Management, LP Los Angeles Capital Management		SmallCap Growth II Separate Account-R6 [1, 3, 29, 30] Emerald Advisers, Inc. Essex

Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
International Value I Separate Account-R6 [4, 14, 29, 35] Causeway Capital Management LLC Barrow, Hanley, Mewhinney & Strauss, LLC International I Separate Account-R6 [4, 14, 17, 29, 34] Fidelity Investments Schroders International Emerging Markets Separate Account-R6 [3, 4] Principal Global Investors℠	Real Estate Securities Separate Account-R6 [3, 7, 11] U.S. Property Separate Account-R6 [37] Principal® Real Estate Investors	
Short-Term Fixed Income	**Fixed Income**	
	Inflation Protection Separate Account-R6 [14, 16, 19, 21] BlackRock High Yield I Separate Account-R6 [5, 14, 16, 18, 19] J.P.Morgan Asset Management Neuberger Berman Core Plus Bond I Separate Account-R6 [14, 16, 19] PIMCO The Authority On Bonds™ Bond and Mortgage Separate Account-I2 [16, 19] Principal Global Investors℠	

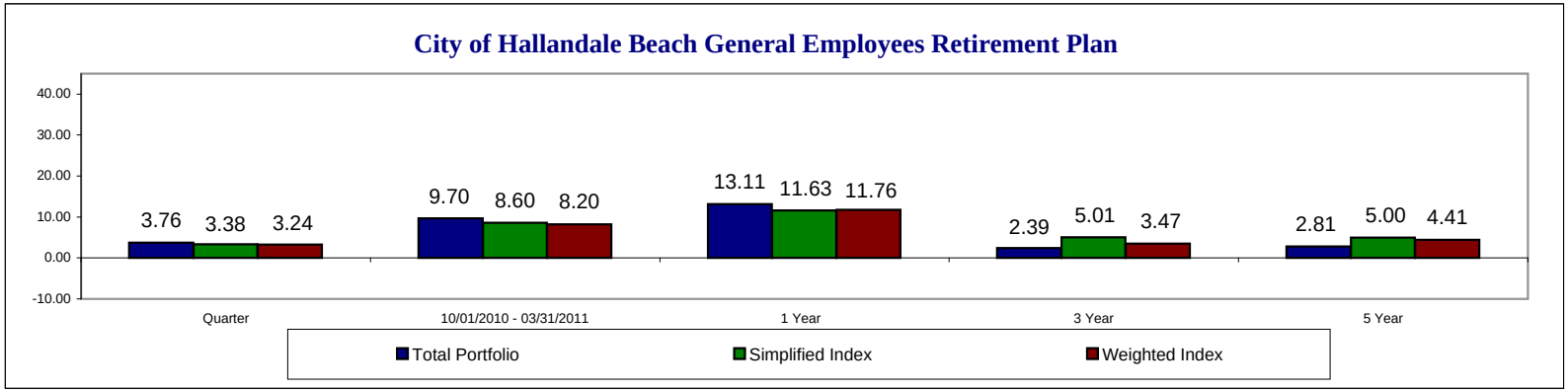
Please see important disclosures at the end of this presentation.

Portfolio Performance Review

Return Information as of 03/31/2011

Time and Dollar Weighted Returns (returns achieved by your plan)	Quarter	10/01/2010 - 03/31/2011	1 Year	3 Year	5 Year
Total Portfolio	3.76	9.70	13.11	2.39	2.81
Simplified Index	3.38	8.60	11.63	5.01	5.00
Weighted Index	3.24	8.20	11.76	3.47	4.41
Difference - Simplified Index	0.38	1.10	1.48	-2.62	-2.19
Difference - Weighted Index	0.52	1.50	1.35	-1.08	-1.60

Portfolio's Fixed Income Return	1.74	1.58	8.30	3.31	3.28
Barclays Capital Aggregate Bond Index	0.43	-0.86	5.14	5.31	6.03
Portfolio's U.S. Equity Return	5.95	18.80	17.06	3.76	2.71
Russell 3000 Index	6.38	18.71	17.41	3.41	2.94
Portfolio's International Equity Return	4.16	11.61	14.09	-0.47	2.69
MSCI - EAFE Index NDTR D	3.37	10.21	10.43	-3.02	1.30
Portfolio's Real Estate Return	4.00	9.23	19.78	-6.34	0.40
Blended Real Estate Index (75% NFI-ODCE, 25% MSCI US REIT)	4.49	10.05	20.49	-5.89	0.32



Market & Performance Commentary

Principal Financial Advisors First Quarter 2011 Market Overview and Commentary

1Q story: International events

International events dominated news on nearly all fronts during the first quarter of 2011. From Japan to the Middle East, North Africa and the eurozone, the gravity of these events had the potential to rock both international and domestic markets. Yet stock markets proved resilient, ending the quarter with solid gains.

In the quarter's perhaps biggest event, Japan was struck by a massive 8.9 earthquake on March 11, causing a devastating tsunami and ongoing nuclear crisis in that country. Japan's stock market plummeted following the disasters as investors gauged the impact on Japan's infrastructure and economy. Japan's stock market ended the quarter down 4.8%, weighing on the MSCI EAFE Index.[1]

Meanwhile, geopolitical turmoil raged in the Middle East and North Africa as citizens in multiple countries rebelled against long-standing leaders and demanded regime changes. Rebels in Egypt and Tunisia succeeded in ousting their presidents; attempts to do the same in Libya and Yemen had not succeeded as of quarter-end. In Libya, NATO forces declared a no-fly zone and initiated attacks in late March. The region's instability drove up oil prices, which closed above $106/barrel on March 31 (a year-to-date increase of nearly 17%).[2]

In the eurozone, economic concerns continued unabated during the quarter. Following a failed vote to implement budget cuts and austerity measures, Portugal's prime minister resigned, which pushed the struggling country closer to a bailout (following in the footsteps of Ireland and Greece, which sought aid last year). In Ireland, banks moved toward nationalization after the government uncovered a 24 billion euro shortfall during a new round of bank stress tests.

In the U.S., recovery continues

Although overshadowed by events elsewhere in the world, data released during the first quarter showed a slowly recovering U.S. economy:

- GDP grew at an annual rate of 3.1% in the fourth quarter of 2010 (up from a 2.6% rate the prior quarter)[3] as consumer spending reached its highest point since the fourth quarter of 2006, and corporate profits rose to $38.2 billion from $26.0 billion the prior quarter.[4]
- The Conference Board Leading Economic Index increased by 0.8% in February, pointing to an economic expansion expected to gain momentum in the near-term.[5]
- The labor market showed modest improvement. Nonfarm payrolls increased by 192,000 in February, and the unemployment rate was 8.9%.[6] Also, the four-week moving average of seasonally adjusted initial unemployment claims declined through most of the quarter.[7]

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[1] MSCI family of indexes
[2] FactSet WTI Crude Oil
[3] U.S. Bureau of Economic Analysis, March 25, 2011 news release; www.bea.gov
[4] *On the Other Hand: Economic Insights*, March 21-25, 2011 edition, by Randy Mundt and the Principal Global Investors Economic Committee
[5] March 17, 2011 press release; www.conference-board.org
[6] March 4, 2011 press release; www.bls.gov
[7] seasonally adjusted initial unemployment claims, US Dept of Labor; www.dol.gov

Market & Performance Commentary

Housing, however, continued to drag on the economy. Although affordability remained high due to still-low interest rates, the residential housing market remained in decline. New-home sales dropped nearly 17% month-over-month in February, to an annualized pace of 250,000 units (an all-time low), and were down 28% year-over-year.[8] Home prices also were down. Year-over-year prices fell 3.1% in January, the fifth consecutive month of declines.[9]

U.S. stocks beat international for quarter

The broad U.S. stock market outperformed both developed and emerging international stocks for the quarter, returning 6.4%. Large-cap value stocks had a slight advantage over large-cap growth, and small-caps led large-caps. The energy sector was a tremendous standout, generating a quarterly 16.9% return as commodity prices soared.[10] Meanwhile, real estate investment trusts posted solid returns, outperforming the Russell 3000 Index.[11]

Despite the quarter's events and uncertainty, developed international markets gained 3.4% for the period. The energy sector led returns, driven by rising oil prices. Value stocks outgained growth, and large-caps outperformed small-caps. Emerging markets, however, had a tougher time during the quarter, ultimately registering a gain of 2.1%. Emerging-market energy companies contributed the most, helped greatly by rising oil prices.[2]

High-yield bonds lead fixed income

Interest rates moved higher through February, then receded as investors sought potential safety due to escalating unrest in the Middle East and catastrophes in Japan. In this environment, high-yield bonds (up 3.87% versus duration-adjusted U.S. Treasuries) led fixed income returns for the quarter; strong investor demand for yield and continued fundamental improvement for many issuers helped drive returns.[12] Investment-grade fixed income was led by commercial mortgage-backed securities (CMBS), which outpaced duration-adjusted Treasuries by 2.03%. Although CMBS sold off somewhat mid-quarter due to risk aversion, the sector managed to maintain steady gains and regain its footing by quarter-end. A new CMBS deal (priced when risk aversion was elevated during the quarter) was well received, a positive sign for a sector that had seen virtually no new issuance since the credit crisis. Investment-grade corporate bonds also enjoyed strong results, returning 1.02% relative to duration-adjusted Treasuries.[13]

The yield curve flattened modestly during the quarter as the 10-year Treasury increased from 3.37% to 3.47% while the 2-year Treasury increased from 0.64% to 0.83%. [14]

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[8] U.S. Census Bureau
[9] 20-city composite of the S&P/Case-Shiller Home Price Indices through January 2011; www.standardandpoors.com
[10] Russell family of indexes
[11] MSCI US REIT Index
[12] Barclays Capital US Corporate High Yield Index
[13] components of Barclays Capital Aggregate Bond Index
[14] FactSet US Benchmark Bond

Market & Performance Commentary

Index Performance

	As of March 31, 2011	
Index	Q1 2011 (%)	Last 12 months ending 03/31/2011 (%)
Russell 3000 (Broad Market)	6.38	17.41
Russell 1000	6.24	16.69
NASDAQ Composite	4.83	15.98
Russell Mid-Cap	7.63	24.27
Russell 2000 (Small Caps)	7.94	25.79
Russell 1000 Value	6.46	15.15
Russell 1000 Growth	6.03	18.26
MSCI EAFE (Core International)	3.36	10.42
MSCI Emerging Markets (Developing Economies)	2.05	18.46
MSCI US REIT	6.49	24.28
Barclays Capital Treasury Bellwethers 3 Month	0.05	0.19
Barclays Capital US TIPS	2.08	7.91
Barclays Capital Long US Treasury Zeros	-0.30	10.65
Barclays Capital Aggregate Bond	0.42	5.12
Barclays Capital High Yield	3.88	14.31

First Quarter 2011 Performance Summary

The asset allocation strategies of Principal Financial Advisors, Inc. delivered positive absolute returns and outpaced their respective custom benchmark indexes. Our fixed income-focused strategies led the way, posting strong gains relative to their respective asset class benchmarks.

Market & Performance Commentary

U.S. equities segment modestly hinders results

The U.S. equities segment of our strategies lagged the broad U.S. equities market[15], driven in part by our allocation to the LargeCap Growth Separate Account, sub-advised by Columbus Circle Investors. LargeCap Growth significantly underperformed its asset class index and the Russell 3000 Index, due in part to its underweight to energy; Principal Life Insurance Company placed this investment option on the Quantitative Watch List effective March 31, 2011. The underperformance was moderated by our small-cap growth and mid-cap growth investment options, which significantly outpaced both the Russell 3000 Index and their asset-specific indexes.

International equities add to returns

The international equities segment of our strategies outperformed the MSCI EAFE Index, driven by the International Value I Separate Account, co-sub-advised by Causeway and Barrow Hanley. This investment option benefited from an underweight to utilities, as well as stock selection within the sector. An overweight to industrial stocks also was rewarded.

Fixed income segment outperforms

All of the fixed income investment options within our strategies outperformed the Barclays Capital Aggregate Bond Index. The Bond and Mortgage Separate Account, sub-advised by Principal Global Investors, added the most value due to its overweight to commercial mortgage-backed securities (the top-performing investment-grade fixed income sector) and out-of-index exposure to high-yield bonds. Additionally, our dedicated allocation to high yield benefited our strategies because the high-yield sector led all U.S. fixed income for the period.

Favorable results in real estate

The Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors, boosted performance by outpacing the Russell 3000 Index. The U.S. Property Separate Account, also sub-advised by Principal Real Estate Investors, generated a solid positive return as asset values appreciated, outperforming the broad fixed income market.[16]

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[15] as measured by the Russell 3000 Index

[16] as measured by Barclays Capital Aggregate Bond Index

Market & Performance Commentary

Last 12 Months Ending March 31, 2011

All of our asset allocation strategies outpaced their custom benchmark indexes, led by strong results in the fixed income-focused strategies — due in large part to many investors' improved appetite for risk and search for yield in an environment of extremely low interest rates. The investment strategy of underweighting U.S. Treasuries in favor of higher-yielding fixed-income sectors was strongly rewarded in this environment.

U.S. equities segment lags Russell 3000 Index

The U.S. equities segment of our strategies lagged the broad U.S. equities market for the 12-month period. Performance was hindered by our large-cap value investment options (the LargeCap Value III Separate Account, co-sub-advised by AllianceBernstein and Westwood, and LargeCap Value I Separate Account, co-sub-advised by UBS and TS&W), which lagged the Russell 1000 Value Index and the Russell 3000 Index. (Note: During the third quarter of 2010, LargeCap Value I was replaced within our strategies by the Equity Income Separate Account, sub-advised by Edge Asset Management.) The LargeCap Growth Separate Account, which significantly lagged the Russell 1000 Growth Index and the Russell 3000 Index due to a material underweight to the strong-performing energy sector, also hampered returns. Offsetting these negative contributions were our small- and mid-cap growth investment options, which easily outpaced the broad Russell 3000 Index. The LargeCap Growth I Separate Account, co-sub-advised by T. Rowe Price and Brown Advisory, was an additional contributor.

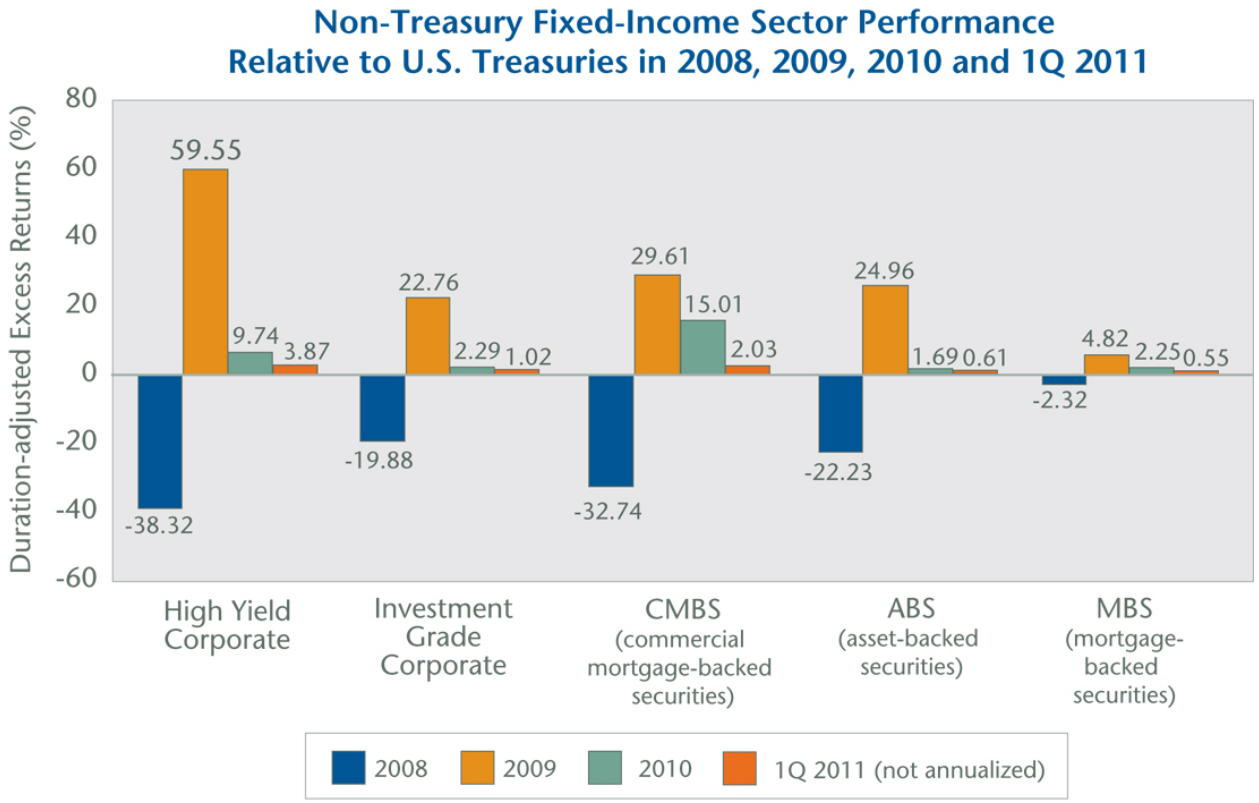
International equities segment adds to returns

Similar to the quarter, the international equity segment outperformed the MSCI EAFE Index. International I, co-sub-advised by Fidelity and Schroders, contributed the most to results due in part to its emphasis on emerging markets, which outperformed.

Market & Performance Commentary

Fixed income segment aids absolute and relative returns

The fixed income segment of our strategies continued to perform well, maintaining an advantage over the Barclays Capital Aggregate Bond Index. Individually, each fixed income Separate Account added to the outperformance.



Souce: Barclays Capital US Aggregate Bond Index
Past performance is no guarantee of future results.

As non-Treasury fixed income sectors remained in favor throughout the period, our fixed income segment was positioned to outperform. The Bond and Mortgage Separate Account added significant value due to its overweight to commercial mortgage-backed securities (the top-performing investment-grade fixed income sector) and out-of-index exposure to high-yield bonds. Additionally, our dedicated allocation to high yield benefited our strategies because the high-yield sector led all U.S. fixed income for the year.

Market & Performance Commentary

Positive absolute returns in real estate

The Real Estate Securities Separate Account benefited our broad U.S. equities allocation by significantly outpacing the Russell 3000 Index. The U.S. Property Separate Account also helped performance, as asset values generally appreciated and income generated from the portfolio improved over the year.

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

During the first quarter of 2011, the following actions have impacted asset allocation strategies designed by Principal Financial Advisors, Inc.

Investment Manager	Investment Option	Action Taken
Columbus Circle Investors	LargeCap Growth Separate Account	**Placed on Watch List in March 2011** – This Separate Account received a quantitative grade of "Less Favorable" for two of three quarters[1] and was placed on the Watch List effective March 31, 2011. CCI became the sub-advisor for LargeCap Growth in December 2004, and from that point forward until 2009, LargeCap Growth delivered competitive performance. However, in 2009 CCI's discipline of positive momentum and positive surprise fell deeply out of favor, and performance suffered. Due to the poor showing in 2009 – and the fact that strong historical performance recently rolled off LargeCap Growth's three- and five-year performance returns – LargeCap Growth's quantitative grade declined, triggering the portfolio's addition to the Watch List by the due diligence team of Principal Life Insurance Company.

The due diligence team of Principal Life Insurance Company will continue to monitor performance of all Separate Accounts placed on the Watch List. [2]

[1] Based on the quantitative scoring criteria of the due diligence process of Principal Life Insurance Company.
[2] According to the guidelines of the due diligence process, Separate Accounts may be placed on the Watch List for a period not to exceed 12 months. Any resulting action from the due diligence process may affect the client portfolios designed by Principal Financial Advisors. Please note that Principal Life Insurance Company changed its trigger for placement of a Separate Account on the quantitative Watch List from three of four quarters of scoring "Less Favorable" to two of three quarters effective March 31, 2011.

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 www.principal.com, contact your representative of the Principal Financial Group® (The Principal®), or call our Client Contact Center at 1-800-547-7754.

		Average Annual Total Returns through 03/31/2011							Percentile Rankings as of 03/31/2011					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Large U.S. Equity													
	Large Value													
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 15, 20, 29]	6.33	12.52	-2.13	-1.30	3.30	3.07	12/29/2000	-	71	91	92	69	0.94
UBS / TS&W	LargeCap Value I Separate Account-R6 [14, 29, 33]	5.52	10.82	-1.15	-0.29	-	3.49	06/01/2004	-	87	85	84	-	0.94
	Russell 1000 Value Index	6.46	15.15	0.60	1.38	4.53	-	-		-	-	-	-	-
	Morningstar Category Average - Large Value	6.04	14.16	1.29	1.65	4.13	Total Funds in Category		1312	1239	1120	945	522	-
	Large Blend													
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	5.85	15.29	2.08	2.34	2.96	8.35	01/01/1990	-	39	48	45	55	0.31
	Standard & Poor's 500 Index	5.92	15.65	2.35	2.62	3.29	-	-		-	-	-	-	-
	Morningstar Category Average - Large Blend	5.61	14.52	1.98	2.13	3.28	Total Funds in Category		2095	1983	1757	1471	816	-
	Large Growth													
Columbus Circle Investors	LargeCap Growth Separate Account-R6	3.31	14.74	0.52	2.75	2.46	6.27	06/01/1995	-	65	83	56	58	0.71
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 24, 29, 31]	6.11	20.98	8.84	5.25	3.70	1.62	12/29/2000	-	16	7	16	32	0.79
	Russell 1000 Growth Index	6.03	18.26	5.19	4.34	2.99	-	-		-	-	-	-	-
	Morningstar Category Average - Large Growth	5.55	16.77	3.57	3.08	2.91	Total Funds in Category		1772	1701	1505	1312	818	-
	Small/Mid U.S. Equity													
	Mid Cap Value													
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1]	8.70	20.17	6.56	3.77	7.88	10.41	01/01/1991	-	60	44	52	57	0.81
	Russell Midcap Value Index	7.42	22.26	6.61	4.04	9.24	-	-		-	-	-	-	-
	Morningstar Category Average - Mid Cap Value	7.05	20.45	6.39	3.87	8.28	Total Funds in Category		454	419	361	288	113	-
	Mid Cap Growth													
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 29]	9.46	28.86	6.06	4.15	5.80	4.49	10/28/1999	-	30	61	58	51	1.14
	Russell Midcap Growth Index	7.85	26.60	7.63	4.93	6.94	-	-		-	-	-	-	-
	Morningstar Category Average - Mid Cap Growth	7.80	25.86	6.68	4.31	5.90	Total Funds in Category		799	766	682	603	401	-

Investment Option Performance

		Average Annual Total Returns through 03/31/2011							Percentile Rankings as of 03/31/2011					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Small Value													
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 14, 24, 27, 29]	8.03	24.15	7.37	1.86	-	6.76	06/01/2004	-	32	63	67	-	1.36
	Russell 2000 Value Index	6.60	20.63	6.76	2.23	9.01	-	-		-	-	-	-	-
	Morningstar Category Average - Small Value	6.90	22.59	8.70	3.32	9.92	Total Funds in Category		372	349	309	254	139	-
	Small Growth													
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 29, 30]	11.17	35.16	7.49	1.73	5.40	2.40	12/29/2000	-	18	62	76	75	1.19
	Russell 2000 Growth Index	9.24	31.04	10.16	4.34	6.44	-	-		-	-	-	-	-
	Morningstar Category Average - Small Growth	9.22	29.11	8.77	3.56	6.68	Total Funds in Category		804	768	687	566	349	-
	International Equity													
	Diversified Emerging Markets													
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	1.92	19.27	1.63	8.98	16.49	11.56	01/01/1995	-	26	58	42	38	1.51
	MSCI - Emerging Markets NDTR D Index	2.05	18.46	4.32	10.70	16.79	-	-		-	-	-	-	-
	Morningstar Category Average - Diversified Emerging Markets	0.44	16.57	2.16	8.61	15.76	Total Funds in Category		459	388	283	211	137	-
	Foreign Large Value													
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 14, 29, 35]	5.31	11.93	-	-	-	10.09	09/30/2008	-	35	-	-	-	1.28
	MSCI EAFE Value Index	4.55	8.21	-3.57	0.39	5.88	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Value	3.84	10.60	-3.25	0.90	5.99	Total Funds in Category		391	365	290	221	136	-
	Foreign Large Blend													
Fidelity / Schroders	International I Separate Account-R6 [4, 14, 17, 29, 34]	3.08	13.37	-4.31	1.06	4.78	3.66	07/01/1999	-	33	71	54	51	1.29
	MSCI - EAFE Index NDTR D	3.36	10.42	-3.01	1.30	5.39	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Blend	2.99	12.12	-2.74	1.32	5.01	Total Funds in Category		886	846	728	538	306	-
	Foreign Large Growth													
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	2.19	11.91	-6.18	-1.05	5.39	3.61	12/29/2000	-	77	91	93	58	1.18
	MSCI World Ex US Growth Index	2.59	13.81	-2.07	2.73	5.35	-	-		-	-	-	-	-
	Morningstar Category Average - Foreign Large Growth	2.50	14.74	-1.27	2.68	5.97	Total Funds in Category		257	248	207	164	91	-
	Real Estate													
	Owned Real Estate													
Principal Real Estate Inv	U.S. Property Separate Account-R6 [37]	2.94	19.25	-11.09	-2.14	3.72	5.74	01/01/1982	-	-	-	-	-	1.15
	NFI-ODCE Equal-Weight	-	-	-	-	-	-	-		-	-	-	-	-

Investment Option Performance

		Average Annual Total Returns through 03/31/2011							Percentile Rankings as of 03/31/2011					
Investment Advisor	Investment Option	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Total Inv. Expense Gross
	Real Estate													
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 11]	6.50	21.48	3.95	1.91	12.58	12.07	12/31/2002	-	71	14	26	8	1.15
	MSCI US REIT Index	6.49	24.28	2.24	1.39	11.33	-	-		-	-	-	-	-
	Morningstar Category Average - Real Estate	6.07	23.22	1.49	0.49	10.42	Total Funds in Category		290	268	244	211	114	-
	Short-Term Fixed Income													
	Money Market													
Principal Global Investors	Money Market Separate Account-R6 [6, 23, 25]	0.00	0.03	0.57	2.19	2.04	5.52	12/10/1980	-	-	-	-	-	0.56
	Barclays Capital Treasury Bellwethers 3 Month Index	0.05	0.19	0.56	2.30	2.27	-	-		-	-	-	-	-
	Morningstar Category Average - Money Market	0.01	0.04	0.49	2.06	1.89	Total Funds in Category		1008	981	908	824	610	-
	Fixed Income													
	High Yield Bond													
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 14, 16, 18, 19]	3.97	14.47	14.19	9.64	-	8.71	12/31/2004	-	28	3	3	-	0.81
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	3.89	14.25	13.14	9.18	8.75	-	-		-	-	-	-	-
	Morningstar Category Average - High Yield Bond	3.66	13.58	9.69	6.86	6.85	Total Funds in Category		605	564	506	430	288	-
	Intermediate-Term Bond													
PIMCO	Core Plus Bond I Separate Account-R6 [14, 16, 19]	0.82	5.34	-	-	-	8.20	09/30/2008	-	65	-	-	-	0.74
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	1.77	9.48	7.04	5.65	5.53	8.51	02/01/1983	-	5	24	53	33	0.55
	Barclays Capital Aggregate Bond Index	0.42	5.12	5.30	6.03	5.56	-	-		-	-	-	-	-
	Morningstar Category Average - Intermediate-Term Bond	0.98	6.16	5.63	5.50	5.15	Total Funds in Category		1244	1155	1021	873	563	-
	Inflation-Protected Bond													
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [14, 16, 19, 21]	2.09	8.22	-1.37	0.65	-	0.53	12/31/2004	-	11	94	94	-	0.57
	Barclays Capital US Treas TIPS Index	2.08	7.91	3.93	6.25	6.74	-	-		-	-	-	-	-
	Morningstar Category Average - Inflation-Protected Bond	1.98	7.26	3.04	5.22	5.83	Total Funds in Category		193	185	152	127	19	-

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

Please see important disclosures at the end of this presentation.

Calendar Year Performance Report

For performance information, including most recent month-end performance, visit 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	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Inception Date
	Large U.S. Equity											
	Large Value											
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 15, 20, 29]	12.83	18.88	-40.90	-3.91	21.72	5.18	13.18	27.48	-13.58	5.52	12/29/2000
UBS / TS&W	LargeCap Value I Separate Account-R6 [14, 29, 33]	11.29	22.35	-39.34	0.31	18.01	9.75	-	-	-	-	06/01/2004
	Russell 1000 Value Index	15.51	19.69	-36.85	-0.17	22.25	7.05	16.49	30.03	-15.52	-5.59	-
	Morningstar Category Average - Large Value	13.66	24.13	-37.09	1.42	18.15	5.95	12.97	28.44	-18.69	-4.99	
	Total Funds in Category	1240	1272	1433	1432	1371	1296	1220	1050	961	892	
	Large Blend											
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	14.68	26.09	-37.10	5.18	15.46	4.58	10.49	28.18	-22.38	-12.34	01/01/1990
	Standard & Poor's 500 Index	15.06	26.46	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-
	Morningstar Category Average - Large Blend	14.01	28.17	-37.79	6.16	14.17	5.88	10.02	27.05	-22.25	-13.50	
	Total Funds in Category	2010	2027	2086	2090	1980	1743	1611	1526	1468	1345	
	Large Growth											
Columbus Circle Investors	LargeCap Growth Separate Account-R6	18.59	26.95	-42.84	23.02	9.67	11.82	9.16	25.98	-28.87	-25.55	06/01/1995
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 24, 29, 31]	19.72	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	16.71	37.21	-38.44	11.81	9.07	5.26	6.30	29.75	-27.88	-20.42	-
	Morningstar Category Average - Large Growth	15.53	35.68	-40.67	13.35	7.05	6.71	7.81	28.66	-27.64	-22.30	
	Total Funds in Category	1718	1796	1809	1748	1642	1495	1400	1311	1234	1064	
	Small/Mid U.S. Equity											
	Mid Cap Value											
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1]	20.46	30.11	-35.92	-0.59	16.00	13.15	16.34	29.08	-7.99	3.63	01/01/1991
	Russell Midcap Value Index	24.75	34.21	-38.44	-1.42	20.22	12.65	23.71	38.07	-9.64	2.33	-
	Morningstar Category Average - Mid Cap Value	21.92	35.41	-36.77	0.83	15.87	8.82	17.85	33.85	-13.25	6.67	
	Total Funds in Category	420	416	442	405	375	310	320	331	311	261	
	Mid Cap Growth											
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 29]	27.27	44.81	-48.56	24.40	6.26	11.59	11.41	49.44	-32.65	-28.17	10/28/1999
	Russell Midcap Growth Index	26.38	46.29	-44.32	11.43	10.66	12.10	15.48	42.71	-27.41	-20.15	-
	Morningstar Category Average - Mid Cap Growth	24.61	39.11	-43.77	15.09	9.00	9.84	13.23	35.96	-27.24	-19.98	
	Total Funds in Category	759	812	934	967	994	936	903	890	786	714	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Inception Date
	Small Value											
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 14, 24, 27, 29]	27.26	32.13	-37.14	-9.11	20.37	6.85	-	-	-	-	06/01/2004
	Russell 2000 Value Index	24.50	20.58	-28.92	-9.78	23.48	4.71	22.25	46.03	-11.43	14.02	-
	Morningstar Category Average - Small Value	26.17	31.32	-32.24	-6.08	16.27	6.40	21.14	42.38	-10.12	15.92	
	Total Funds in Category	342	370	438	438	389	348	307	303	273	261	
	Small Growth											
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 29, 30]	27.76	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	29.09	34.47	-38.54	7.05	13.35	4.15	14.31	48.54	-30.26	-9.23	-
	Morningstar Category Average - Small Growth	26.98	35.46	-41.55	7.59	10.81	6.02	12.41	45.54	-27.88	-8.91	
	Total Funds in Category	758	778	834	829	763	723	711	696	630	560	
	International Equity											
	Diversified Emerging Markets											
Principal Global Investors	International Emerging Markets Separate Account-R6 [4]	18.61	68.87	-54.93	41.60	36.36	35.09	25.63	58.03	-7.18	-4.68	01/01/1995
	MSCI - Emerging Markets NDTR D Index	18.88	78.51	-53.33	39.39	32.17	34.00	25.55	55.82	-6.17	-2.62	-
	Morningstar Category Average - Diversified Emerging Markets	19.26	73.81	-54.44	36.68	32.06	31.54	23.54	55.19	-6.05	-3.83	
	Total Funds in Category	386	367	312	274	242	212	202	196	184	175	
	Foreign Large Value											
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 14, 29, 35]	8.02	26.68	-	-	-	-	-	-	-	-	09/30/2008
	MSCI EAFE Value Index	3.25	34.23	-44.09	5.96	30.38	13.80	24.33	45.30	-15.91	-18.52	-
	Morningstar Category Average - Foreign Large Value	7.48	30.33	-42.41	9.01	25.98	13.19	21.99	39.07	-12.37	-15.98	
	Total Funds in Category	364	340	307	280	215	181	169	156	154	130	
	Foreign Large Blend											
Fidelity / Schroders	International I Separate Account-R6 [4, 14, 17, 29, 34]	10.53	25.40	-44.35	15.06	26.36	13.40	18.44	44.11	-20.25	-20.29	07/01/1999
	MSCI - EAFE Index NDTR D	7.75	31.78	-43.38	11.17	26.34	13.54	20.25	38.59	-15.94	-21.44	-
	Morningstar Category Average - Foreign Large Blend	10.24	31.24	-43.99	12.71	24.77	14.72	17.39	33.58	-16.69	-21.67	
	Total Funds in Category	829	823	778	743	657	608	551	504	482	439	
	Foreign Large Growth											
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	12.07	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	13.06	30.66	-42.88	18.03	22.12	14.41	16.27	32.99	-15.72	-25.33	-
	Morningstar Category Average - Foreign Large Growth	14.78	38.02	-46.56	16.26	23.95	15.23	16.23	33.83	-19.15	-24.05	
	Total Funds in Category	261	266	251	220	243	213	221	226	214	191	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Inception Date
	Real Estate											
	Owned Real Estate											
Principal Real Estate Inv	U.S. Property Separate Account-R6 [37]	15.93	-31.59	-13.23	13.42	15.14	18.61	12.52	8.26	3.77	6.56	01/01/1982
	NFI-ODCE Equal-Weight	15.10	-31.30	-	-	-	-	-	-	-	-	-
	Real Estate											
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 11]	25.06	27.56	-32.82	-17.73	36.03	15.28	33.69	37.83	7.64	7.37	12/31/2002
	MSCI US REIT Index	28.48	28.61	-37.97	-16.82	35.92	12.13	31.49	36.74	3.64	12.83	-
	Morningstar Category Average - Real Estate	27.08	31.26	-39.55	-14.66	33.58	11.51	32.02	36.80	4.54	10.00	
	Total Funds in Category	267	262	265	372	306	279	252	206	168	152	
	Short-Term Fixed Income											
	Money Market											
Principal Global Investors	Money Market Separate Account-R6 [6, 23, 25]	0.03	0.19	2.42	4.86	4.55	2.72	0.87	0.76	1.45	4.06	12/10/1980
	Barclays Capital Treasury Bellwethers 3 Month Index	0.15	0.23	2.24	5.11	4.87	3.07	1.30	1.14	1.78	4.46	-
	Morningstar Category Average - Money Market	0.04	0.17	2.00	4.63	4.42	2.59	0.78	0.60	1.22	3.60	
	Total Funds in Category	986	1005	1054	1015	1001	960	965	932	868	823	
	Fixed Income											
	High Yield Bond											
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 14, 16, 18, 19]	14.81	52.86	-20.12	2.37	8.71	3.91	-	-	-	-	12/31/2004
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	14.94	58.76	-25.88	2.27	10.76	2.76	11.14	28.78	-0.24	5.46	-
	Morningstar Category Average - High Yield Bond	14.24	46.70	-26.41	1.47	10.14	2.59	9.99	24.36	-1.52	2.39	
	Total Funds in Category	574	543	559	542	549	518	493	455	425	414	
	Intermediate-Term Bond											
PIMCO	Core Plus Bond I Separate Account-R6 [14, 16, 19]	6.82	6.76	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	11.77	21.81	-13.06	3.83	4.72	2.64	5.02	5.21	9.91	8.40	02/01/1983
	General Investment Account	11.25	18.04	-7.06	4.74	3.42	2.30	6.82	7.51	11.64	8.87	06/15/1941
	Barclays Capital Aggregate Bond Index	6.54	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	8.44	-
	Morningstar Category Average - Intermediate-Term Bond	7.72	13.97	-4.70	4.70	4.15	1.80	3.91	5.10	8.04	7.64	
	Total Funds in Category	1164	1123	1135	1097	1092	1043	1035	952	784	706	

Calendar Year Performance Report

		Calendar Year Performance										
Investment Advisor	Investment Option	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Inception Date
	Inflation-Protected Bond											
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [14, 16, 19, 21]	6.99	6.42	-18.00	5.77	0.27	2.28	-	-	-	-	12/31/2004
	Barclays Capital US Treas TIPS Index	6.31	11.41	-2.35	11.64	0.41	2.84	8.46	8.40	16.57	7.90	-
	Morningstar Category Average - Inflation-Protected Bond	5.94	10.88	-4.08	9.86	0.09	2.09	7.48	7.15	14.81	7.27	
	Total Funds in Category	162	158	160	156	140	109	69	44	18	15	

Please see important disclosures at the end of this presentation.

Calendar Year Percentile Ranks

For performance information, including 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.

		Calendar Year Percentile Ranks										
Investment Advisor	Investment Option	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Inception Date
	Large U.S. Equity											
	Large Value											
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 [3, 15, 20, 29]	58	74	80	85	10	55	45	52	13	7	12/29/2000
UBS / TS&W	LargeCap Value I Separate Account-R6 [14, 29, 33]	81	55	70	61	53	16	-	-	-	-	06/01/2004
	Large Blend											
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 [2, 8]	36	59	40	55	29	64	43	33	48	46	01/01/1990
	Large Growth											
Columbus Circle Investors	LargeCap Growth Separate Account-R6	23	83	71	9	25	14	36	59	59	68	06/01/1995
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 [3, 24, 29, 31]	16	6	51	75	63	40	37	75	51	19	12/29/2000
	Small/Mid U.S. Equity											
	Mid Cap Value											
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 [1]	67	68	41	65	46	9	55	70	18	60	01/01/1991
	Mid Cap Growth											
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 [1, 12, 29]	34	31	80	12	69	37	65	5	78	74	10/28/1999
	Small Value											
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 [1, 14, 24, 27, 29]	34	36	81	71	15	50	-	-	-	-	06/01/2004
	Small Growth											
Emerald / Essex	SmallCap Growth II Separate Account-R6 [1, 3, 29, 30]	43	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]	45	64	55	20	17	29	34	27	59	62	01/01/1995
	Foreign Large Value											
Causeway / Barrow Hanley	International Value I Separate Account-R6 [4, 14, 29, 35]	43	67	-	-	-	-	-	-	-	-	09/30/2008
	Foreign Large Blend											
Fidelity / Schroders	International I Separate Account-R6 [4, 14, 17, 29, 34]	46	80	55	27	30	62	37	3	86	39	07/01/1999
	Foreign Large Growth											
Principal Global Investors	International Growth Separate Account-R6 [3, 4]	77	90	50	80	39	8	8	24	24	27	12/29/2000
	Real Estate											
	Owned Real Estate											
Principal Real Estate Inv	U.S. Property Separate Account-R6 [37]	-	-	-	-	-	-	-	-	-	-	01/01/1982
	Real Estate											
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 [3, 7, 11]	77	66	5	70	30	16	36	32	-	-	12/31/2002

Calendar Year Percentile Ranks

		Calendar Year Percentile Ranks										
Investment Advisor	Investment Option	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Inception Date
	Short-Term Fixed Income											
	Money Market											
Principal Global Investors	Money Market Separate Account-R6 [6, 23, 25]	-	-	-	-	-	-	-	-	-	-	12/10/1980
	Fixed Income											
	High Yield Bond											
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 [5, 14, 16, 18, 19]	32	24	14	34	81	15	-	-	-	-	12/31/2004
	Intermediate-Term Bond											
PIMCO	Core Plus Bond I Separate Account-R6 [14, 16, 19]	65	85	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors	Bond and Mortgage Separate Account-I2 [16, 19]	3	11	89	78	19	9	14	34	16	25	02/01/1983
	General Investment Account	-	-	-	-	-	-	-	-	-	-	06/15/1941
	Inflation-Protected Bond											
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 [14, 16, 19, 21]	15	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®.

No investment strategy, such as diversification or asset allocation, can guarantee a profit or protect against loss in periods of declining value.

Asset allocation strategies are developed using Separate Accounts available through a group annuity contract of Principal Life Insurance Company.

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

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

8. 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.

11. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the fund's prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

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.

14. 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.

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

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

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

18. Effective January 2, 2008, this portfolio is co-sub-advised by JP Morgan and Neuberger Berman Fixed Income LLC (formerly named Lehman Brothers Asset Management). Prior to January 2, 2008 Post Advisory Group was a third sub-advisor for this portfolio. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

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

20. 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.

21. 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.

23. 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.

24. 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.

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

27. 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.

29. 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.

30. 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.

31. 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.

33. 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.

34. 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.

35. Effective August 10, 2010, this portfolio is sub-advised by Causeway and Barrow Hanley. Prior to August 10, 2010, the portfolio was sub-advised by AXA Rosenberg and Causeway. 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.

37. 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. If you elect to contribute funds into the U.S. Property Separate Account, you may not be able to immediately withdraw them.

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 Corp High Yld 2% Issuer Capped Index is an unmanaged in ex comprised of fixed rate, non-investment grade debt securities that are dollar denominated. The index limits the maximum exposure to any one issuer to 2%.

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, cash balances and Leverage. 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-weighted benchmark index of most actively traded Real Estate Investment Trusts (REITs), designed to measure real estate performance.

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

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

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

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

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.

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:
04/01/2006 - 05/31/2006 30% Russell 3000 Index and 70% Barclays Capital Aggregate Bond Index.
06/01/2006 - 03/31/2011 50% Russell 3000 Index and 50% Barclays Capital Aggregate Bond Index.

Weighted Index is composed of:
04/01/2006 - 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 - 03/31/2011 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 03/31/2011

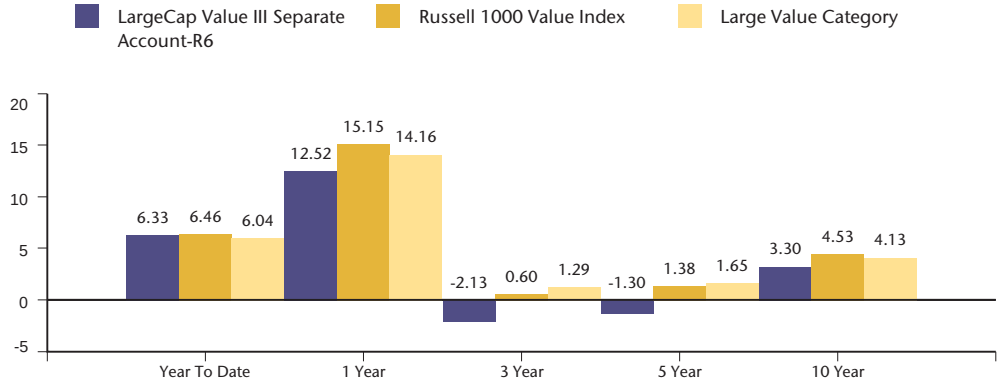
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of net assets in common stocks of companies with large market capitalizations (those with market capitalizations similar to companies in the Russell 1000(R) Value Index) at the time of purchase. It invests in value equity securities; the value orientation selection emphasizes buying equity securities that appear to be undervalued.

Portfolio managers

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
Scott D. Lawson, CFA. Since 07/15/2008. M.B.A., St. Louis University
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology

Long-term returns % as of 03/31/2011



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

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

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	6.33	12.52	-2.13	-1.30	3.30
Russell 1000 Value Index %	6.46	15.15	0.60	1.38	4.53
Large Value Category %	6.04	14.16	1.29	1.65	4.13
Morningstar Percentile Rankings	-	71	91	92	69
# of Funds in Category	1312	1239	1120	945	522
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	12.83	18.88	-40.90	-3.91	21.72
Russell 1000 Value Index %	15.51	19.69	-36.85	-0.17	22.25
Large Value Category %	13.66	24.13	-37.09	1.42	18.15
Morningstar Percentile Rankings	58	74	80	85	10
# of Funds in Category	1240	1272	1433	1432	1371

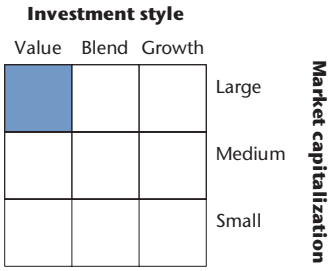
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-2.75	-2.67
Beta	0.99	0.99
R-Squared	99.08	98.91
Standard Deviation	23.18	18.99
Mean	-2.12	-1.30
Sharpe Ratio	0.00	-0.09
Excess Return	-2.72	-2.68
Excess Risk	2.25	1.99
Information Ratio	-1.21	-1.35

Operations

Total Investment Expense Net	0.93%
Total Investment Expense Gross	0.94%
Contractual Cap Expiration Date	02/29/2012
Waiver Expiration Date	02/29/2012
Inception Date	12/29/2000
Total Net Assets (mil)	$1,610.60

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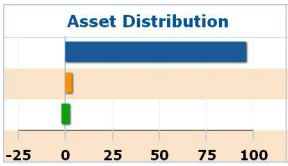
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value III Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
U.S. Stocks	96.22	0.00	96.22
Non-U.S. Stocks	3.50	0.00	3.50
Cash	0.28	2.02	2.30

Top ten holdings	% of net assets
1. JP Morgan Chase & Co	3.34
2. Johnson & Johnson	3.17
3. Pfizer Inc.	3.15
4. Wells Fargo Company	2.93
5. Comcast Corporation A	2.04
6. S&P 500 EMINI FUT MARCH 2011	1.94
7. Chevron Corporation	1.78
8. Dell, Inc.	1.74
9. Devon Energy Corporation	1.73
10. AT&T, Inc.	1.58
% of net assets in top ten holdings*	23.40

Analysis

# of Stock Hldgs	507
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$38,516.99
Turnover Ratio	81%
P/C Ratio	6.45
P/E Ratio	12.33
P/B Ratio	1.69

Stock Sector Breakdown

Cyclical	% of net assets	Defensive	% of net assets	Sensitive	% of net assets
	33.34		25.71		40.94
Consumer Cyclical	9.71	Healthcare	12.70	Technology	7.20
Basic Materials	3.40	Consumer Defensive	8.50	Industrials	12.60
Financial Svcs	19.04	Utilities	4.51	Energy	13.89
Real Estate	1.19			Comm Svcs	7.25

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

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754.

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.

† The Portfolio Composition depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. 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 principal.com.

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

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.

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 03/31/2011

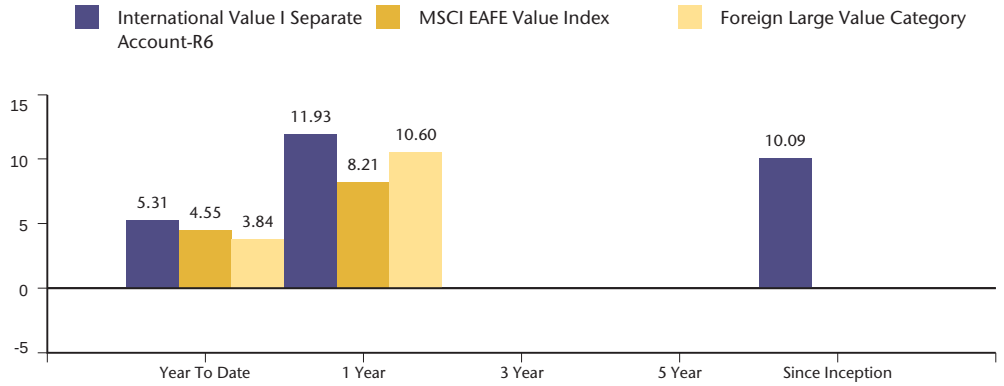
Investment Strategy

The investment seeks long-term growth of capital. The fund invests primarily in equity securities of foreign companies, including those in countries with emerging markets. Foreign companies are companies with their principal place of business or principal office outside the U.S. or companies for which the principal securities trading market is outside the U.S. The fund invests in value equity securities; the value orientation selection emphasizes buying equity securities that appear to be undervalued.

Portfolio managers

James Doyle Since 09/30/2008. M.B.A., University of Pennsylvania (Wharton)
Harry Hartford Since 09/30/2008. M.S., Oklahoma State University
Sarah H. Ketterer Since 09/30/2008. M.B.A., Dartmouth College
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology
David A. Hodges, Jr., CFA. Since 08/10/2010. J.D., University of Arkansas

Long-term returns % as of 03/31/2011



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.31	11.93	-	-	10.09
MSCI EAFE Value Index %	4.55	8.21	-3.57	0.39	-
Foreign Large Value Category %	3.84	10.60	-3.25	0.90	-
Morningstar Percentile Rankings	-	35	-	-	-
# of Funds in Category	391	365	290	221	-
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	8.02	26.68	-	-	-
MSCI EAFE Value Index %	3.25	34.23	-44.09	5.96	30.38
Foreign Large Value Category %	7.48	30.33	-42.41	9.01	25.98
Morningstar Percentile Rankings	43	67	-	-	-
# of Funds in Category	364	340	307	280	215

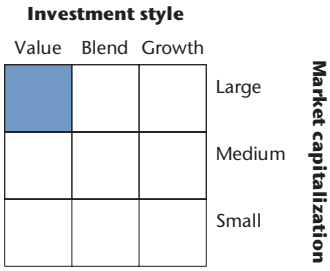
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Value

Morningstar Style Box™

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 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	1.25%
Total Investment Expense Gross	1.28%
Contractual Cap Expiration Date	02/29/2012
Waiver Expiration Date	02/29/2012
Inception Date	09/30/2008
Total Net Assets (mil)	$1,346.18

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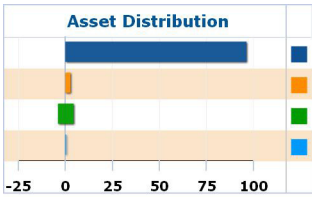
Risk and return statistical data is provided by Markov Processes International (MPI).

International Value I Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
Non-U.S. Stocks	96.39	0.00	96.39
U.S. Stocks	2.70	0.00	2.70
Cash	0.48	3.93	4.41
Other	0.42	0.00	0.42

Top ten holdings	% of net assets
1. E-MINI MSCI EAFE INDEX MAR2011	2.75
2. Vodafone Group PLC	2.50
3. HSBC Holdings PLC	2.20
4. Novartis AG	2.20
5. Sanofi-Aventis	2.18
6. Banco Santander SA	1.84
7. Toyota Motor Corporation	1.63
8. Unicredit SpA	1.60
9. Akzo Nobel NV	1.56
10. Reed Elsevier NV	1.51
% of net assets in top ten holdings*	19.98

Analysis	
# of Stock Hldgs	464
# of Bond Hldgs	0
# of Other Hldgs	11
GeoAvgCap (mil)	$25,086.89
Turnover Ratio	87%
P/C Ratio	3.81
P/E Ratio	11.47
P/B Ratio	1.23

Top 5 Countries	% of net assets
United Kingdom	20.62
Japan	17.40
France	10.59
Switzerland	8.59
Germany	8.26

Regional exposure	% of net assets
Europe	70.26
Japan	17.40
Pacific Rim	8.70
United States	2.73
Latin America	0.75
Other	0.16

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

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 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.

† The Portfolio Composition depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. 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 principal.com.

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

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

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 August 10, 2010, this portfolio is sub-advised by Causeway and Barrow Hanley. Prior to August 10, 2010, the portfolio was sub-advised by AXA Rosenberg and Causeway. 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.

Inflation Protection Separate Account-R6 as of 03/31/2011

Investment Strategy

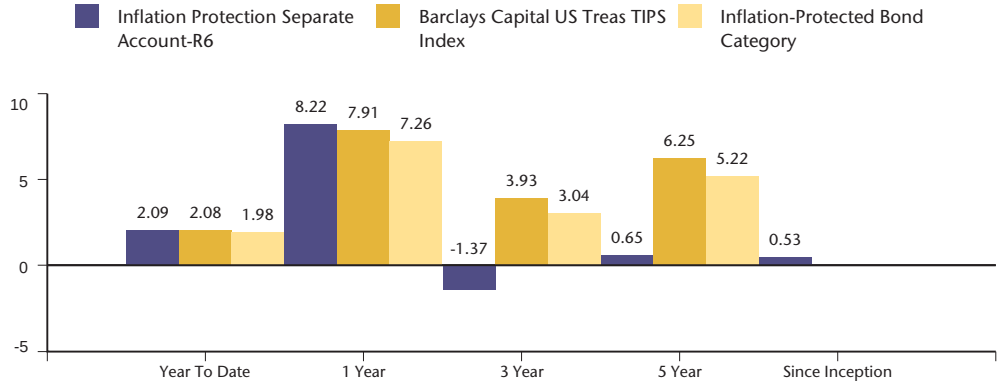
The investment seeks to provide current income and real (after-inflation) total returns. The fund normally invests primarily in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities, and U.S. and non-U.S. corporations. It maintains an average portfolio duration that is within 20% of the duration of the Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index.

BLACKROCK

Portfolio managers

Stuart Spodek Since 12/31/2008. B.S., Princeton University
Brian Weinstein Since 12/31/2008. B.A., University of Pennsylvania
Martin Hegarty Since 03/01/2011.

Long-term returns % as of 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	2.09	8.22	-1.37	0.65	0.53
Barclays Capital US Treas TIPS Index %	2.08	7.91	3.93	6.25	-
Inflation-Protected Bond Category %	1.98	7.26	3.04	5.22	-
Morningstar Percentile Rankings	-	11	94	94	-
# of Funds in Category	193	185	152	127	-
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	6.99	6.42	-18.00	5.77	0.27
Barclays Capital US Treas TIPS Index %	6.31	11.41	-2.35	11.64	0.41
Inflation-Protected Bond Category %	5.94	10.88	-4.08	9.86	0.09
Morningstar Percentile Rankings	15	94	93	90	27
# of Funds in Category	162	158	160	156	140

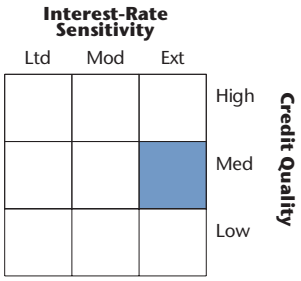
Morningstar percentile rankings are based on total returns.

Morningstar category

Inflation-Protected Bond

Morningstar Style Box™ **

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to Barclays Capital US Treas TIPS Index

	3Yr	5Yr
Alpha	-5.38	-5.50
Beta	1.07	1.04
R-Squared	84.88	82.49
Standard Deviation	10.03	8.41
Mean	-1.38	0.65
Sharpe Ratio	-0.14	-0.14
Excess Risk	4.00	3.54
Information Ratio	-1.33	-1.58

Operations

Total Investment Expense Net	0.57%
Total Investment Expense Gross	0.57%
Inception Date	12/31/2004
Total Net Assets (mil)	$640.12

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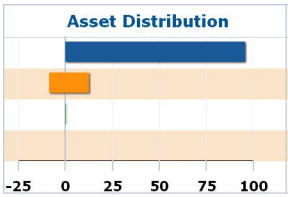
Inflation Protection Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
U.S. Bonds	95.73	0.00	95.73
Cash	3.96	8.62	12.59
Non-U.S. Bonds	0.29	0.00	0.29
Preferred	0.02	0.00	0.02

Top ten holdings	% of net assets
1. US Treasury Bond 2.125%	9.21
2. US Treasury Note 0.5%	8.23
3. US Treasury Note 2%	6.60
4. US Treasury Bond 2.5%	6.04
5. US Treasury Note 1.25%	5.51
6. US Treasury Note 1.375%	4.63
7. US Treasury Note 2%	4.50
8. US Treasury Note 1.875%	3.96
9. US Treasury Note 3%	3.61
10. US Treasury Bond 3.875%	3.51
% of net assets in top ten holdings*	55.81

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	110
# of Other Hldgs	8
Turnover Ratio	85%

Credit Analysis

As of 02/28/2011

	% Bonds
AAA	97.33
AA	0.20
A	0.38
BBB	0.00
BB	0.16
B	0.26
Below B	1.37
Not Rated	0.31

Statistics

Avg Eff Duration (Yrs)	7.80
Avg Eff Maturity (Yrs)	10.20
Avg Weighted Price	116.54

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**The Morningstar Style Box™ reveals an investment option's investment strategy.

For equity investment options the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend, or growth).

For fixed-income investment options, the vertical axis shows the credit quality of the bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration.

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by a Nationally Recognized Statistical Rating Organization (NRSRO). If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the investment option. An NRSRO rating on a fixed-income security can change from time-to-time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond investment options are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Investment options with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond investment option. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income investment option's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those investment options whose average effective duration is between 25% to 75% of MCBI's average effective duration; investment options whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

LargeCap Growth Separate Account-R6 as of 03/31/2011

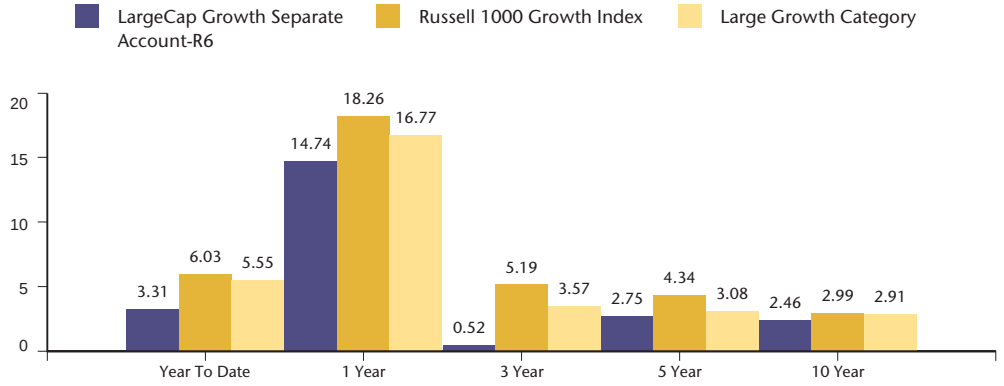
Investment Strategy

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

Portfolio managers

Anthony Rizza, CFA. Since 01/01/2005. B.S., University of Connecticut
Thomas J. Bisighini, CFA. Since 03/01/2009. M.B.A., Fordham University

Long-term returns % as of 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	3.31	14.74	0.52	2.75	2.46
Russell 1000 Growth Index %	6.03	18.26	5.19	4.34	2.99
Large Growth Category %	5.55	16.77	3.57	3.08	2.91
Morningstar Percentile Rankings	-	65	83	56	58
# of Funds in Category	1772	1701	1505	1312	818
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	18.59	26.95	-42.84	23.02	9.67
Russell 1000 Growth Index %	16.71	37.21	-38.44	11.81	9.07
Large Growth Category %	15.53	35.68	-40.67	13.35	7.05
Morningstar Percentile Rankings	23	83	71	9	25
# of Funds in Category	1718	1796	1809	1748	1642

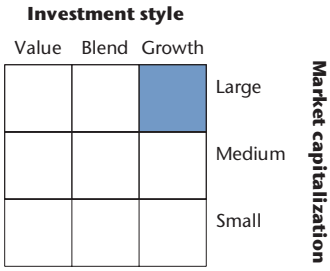
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	-4.45	-1.43
Beta	1.00	1.01
R-Squared	95.98	93.91
Standard Deviation	22.31	19.01
Mean	0.51	2.75
Sharpe Ratio	0.11	0.12
Excess Return	-4.67	-1.59
Excess Risk	4.49	4.72
Information Ratio	-1.04	-0.34

Operations

Total Investment Expense Net	0.71%
Total Investment Expense Gross	0.71%
Inception Date	06/01/1995
Total Net Assets (mil)	$1,396.36

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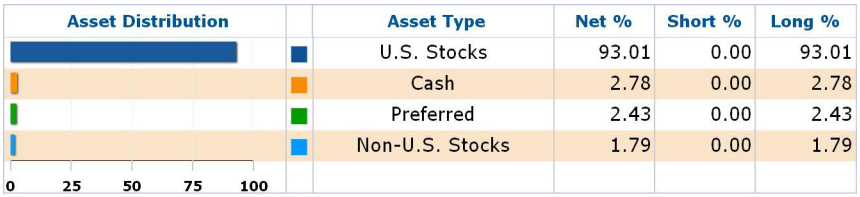
LargeCap Growth Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	93.01	0.00	93.01
	Cash	2.78	0.00	2.78
	Preferred	2.43	0.00	2.43
	Non-U.S. Stocks	1.79	0.00	1.79

Top ten holdings	% of net assets
1. Apple, Inc.	5.08
2. Qualcomm, Inc.	3.25
3. Caterpillar Inc.	3.25
4. Priceline.com, Inc.	3.10
5. Ford Motor Co	3.00
6. Oracle Corporation	2.72
7. Deere & Company	2.69
8. Amazon.com, Inc.	2.69
9. Whole Foods Market, Inc.	2.66
10. Google, Inc.	2.64
% of net assets in top ten holdings*	31.09

Analysis

# of Stock Hldgs	47
# of Bond Hldgs	0
# of Other Hldgs	2
GeoAvgCap (mil)	$39,579.09
Turnover Ratio	62%
P/C Ratio	10.15
P/E Ratio	18.44
P/B Ratio	3.29

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	**34.94**	**Defensive**	**20.48**	**Sensitive**	**44.58**
Consumer Cyclical	21.13	Healthcare	10.23	Technology	32.00
Basic Materials	3.34	Consumer Defensive	10.25	Industrials	8.99
Financial Svcs	10.47	Utilities	0.00	Energy	3.59
Real Estate	0.00			Comm Svcs	0.00

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

SmallCap Value II Separate Account-R6 as of 03/31/2011

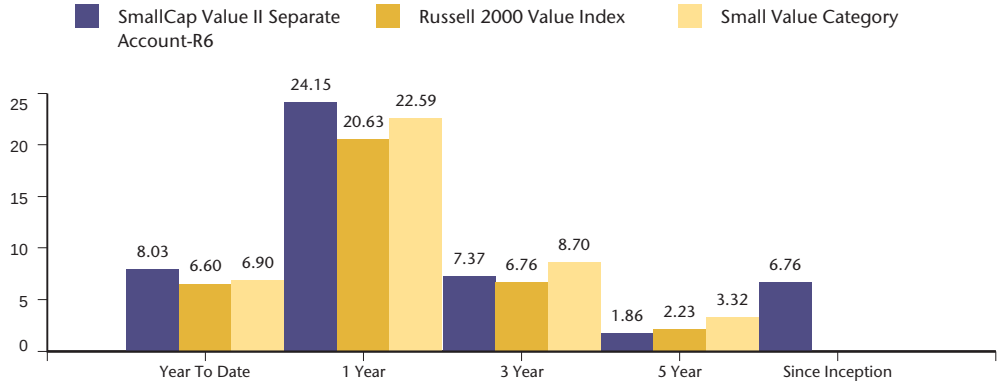
Investment Strategy

The investment seeks long-term growth of capital. The fund invests at least 80% of net assets in equity securities of companies with small market capitalizations (those with market capitalizations similar to companies in the Russell 2000 Value Index) or in securities with market capitalizations of $3.5 billion or less at the time of purchase. It invests in value equity securities; the value orientation selection emphasizes buying equity securities that appear to be undervalued. The fund also invests in real estate investment trusts.

Portfolio managers

David R. Borger, CFA. Since 05/01/2009. M.B.A., University of Michigan
Christine M. Kugler Since 05/01/2009. B.A., University of California, Santa Barbara
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
Hal W. Reynolds, CFA. Since 03/01/2010. M.B.A., University of Pittsburgh

Long-term returns % as of 03/31/2011



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 %	8.03	24.15	7.37	1.86	6.76
Russell 2000 Value Index %	6.60	20.63	6.76	2.23	-
Small Value Category %	6.90	22.59	8.70	3.32	-
Morningstar Percentile Rankings	-	32	63	67	-
# of Funds in Category	372	349	309	254	-
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	27.26	32.13	-37.14	-9.11	20.37
Russell 2000 Value Index %	24.50	20.58	-28.92	-9.78	23.48
Small Value Category %	26.17	31.32	-32.24	-6.08	16.27
Morningstar Percentile Rankings	34	36	81	71	15
# of Funds in Category	342	370	438	438	389

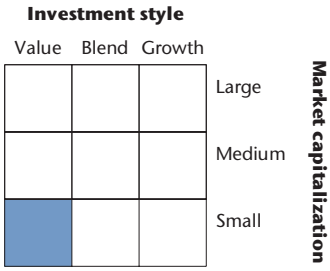
Morningstar percentile rankings are based on total returns.

Morningstar category

Small Value

Morningstar Style Box™

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to Russell 2000 Value Index

	3Yr	5Yr
Alpha	0.54	-0.25
Beta	1.04	1.03
R-Squared	98.66	98.16
Standard Deviation	29.85	24.11
Mean	7.36	1.86
Sharpe Ratio	0.37	0.11
Excess Return	0.60	-0.37
Excess Risk	3.62	3.34
Information Ratio	0.17	-0.11

Operations

Total Investment Expense Net	1.34%
Total Investment Expense Gross	1.36%
Contractual Cap Expiration Date	02/29/2012
Waiver Expiration Date	02/29/2012
Inception Date	06/01/2004
Total Net Assets (mil)	$1,021.00

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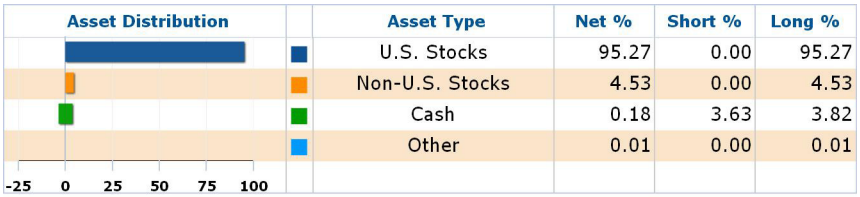
Risk and return statistical data is provided by Markov Processes International (MPI).

SmallCap Value II Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
U.S. Stocks	95.27	0.00	95.27
Non-U.S. Stocks	4.53	0.00	4.53
Cash	0.18	3.63	3.82
Other	0.01	0.00	0.01

Top ten holdings	% of net assets
1. Russell Index (Fut)	3.63
2. CNO Financial Group, Inc.	0.87
3. CACI International, Inc. A	0.80
4. Wesco International, Inc.	0.65
5. Unit Corporation	0.64
6. Actuant Corporation A	0.61
7. The Scotts Miracle Gro Co	0.59
8. Oil States International, Inc.	0.59
9. Brigham Exploration Company	0.59
10. MF Global Holdings Ltd.	0.55
% of net assets in top ten holdings*	9.53

Analysis

# of Stock Hldgs	1665
# of Bond Hldgs	0
# of Other Hldgs	13
GeoAvgCap (mil)	$1,188.53
Turnover Ratio	55%
P/C Ratio	6.54
P/E Ratio	15.53
P/B Ratio	1.31

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	**50.54**	**Defensive**	**10.04**	**Sensitive**	**39.42**
Consumer Cyclical	13.23	Healthcare	4.71	Technology	10.19
Basic Materials	8.20	Consumer Defensive	2.43	Industrials	18.73
Financial Svcs	23.12	Utilities	2.90	Energy	9.54
Real Estate	5.99			Comm Svcs	0.96

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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.

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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.

SmallCap Growth II Separate Account-R6 as of 03/31/2011

Investment Strategy

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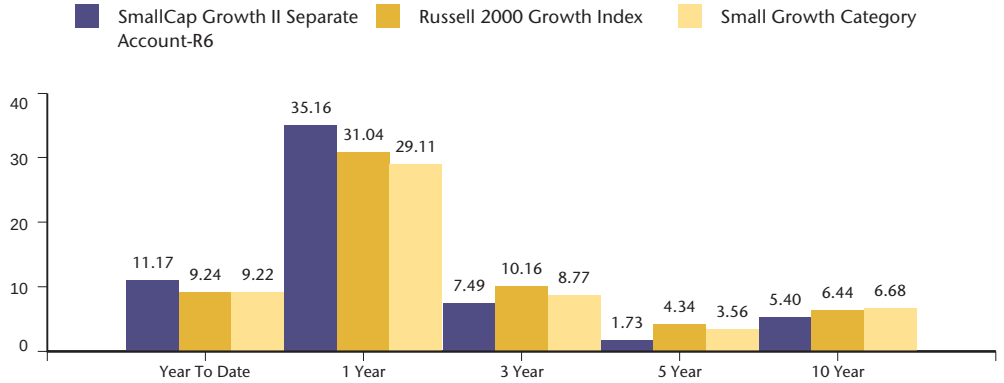
Portfolio managers

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 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	11.17	35.16	7.49	1.73	5.40
Russell 2000 Growth Index %	9.24	31.04	10.16	4.34	6.44
Small Growth Category %	9.22	29.11	8.77	3.56	6.68
Morningstar Percentile Rankings	-	18	62	76	75
# of Funds in Category	804	768	687	566	349
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	27.76	31.14	-42.31	5.64	8.79
Russell 2000 Growth Index %	29.09	34.47	-38.54	7.05	13.35
Small Growth Category %	26.98	35.46	-41.55	7.59	10.81
Morningstar Percentile Rankings	43	65	57	58	63
# of Funds in Category	758	778	834	829	763

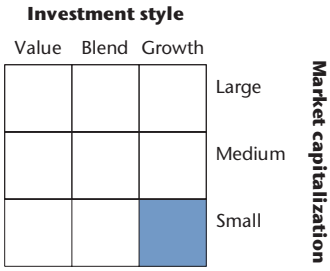
Morningstar percentile rankings are based on total returns.

Morningstar category

Small Growth

Morningstar Style Box™

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to Russell 2000 Growth Index

	3Yr	5Yr
Alpha	-2.24	-2.46
Beta	0.98	0.97
R-Squared	98.09	97.67
Standard Deviation	27.23	22.71
Mean	7.48	1.73
Sharpe Ratio	0.38	0.09
Excess Return	-2.68	-2.61
Excess Risk	3.82	3.54
Information Ratio	-0.70	-0.74

Operations

Total Investment Expense Net	1.17%
Total Investment Expense Gross	1.19%
Contractual Cap Expiration Date	02/29/2012
Waiver Expiration Date	02/29/2012
Inception Date	12/29/2000
Total Net Assets (mil)	$233.24

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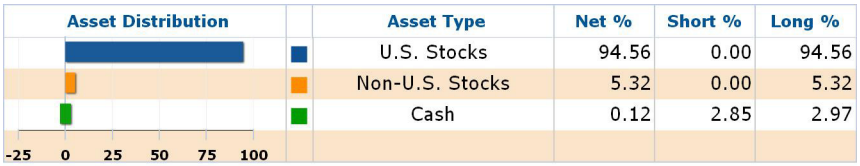
SmallCap Growth II Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
U.S. Stocks	94.56	0.00	94.56
Non-U.S. Stocks	5.32	0.00	5.32
Cash	0.12	2.85	2.97

Top ten holdings	% of net assets
1. Russell Index (Fut)	2.85
2. IPG Photonics Corporation	1.63
3. Acme Packet, Inc.	1.41
4. MWI Veterinary Supply, Inc.	1.32
5. Aruba Networks, Inc.	1.30
6. Ulta Salon Cosmetics & Fragrances, Inc.	1.16
7. Wesco International, Inc.	1.06
8. II-VI, Inc.	0.99
9. Kforce, Inc.	0.99
10. Faro Technologies, Inc.	0.95
% of net assets in top ten holdings*	13.66

Analysis

# of Stock Hldgs	987
# of Bond Hldgs	0
# of Other Hldgs	7
GeoAvgCap (mil)	$1,006.30
Turnover Ratio	81%
P/C Ratio	10.49
P/E Ratio	21.99
P/B Ratio	2.73

Stock Sector Breakdown

Cyclical	% of net assets	Defensive	% of net assets	Sensitive	% of net assets
	24.17		15.65		60.19
Consumer Cyclical	13.77	Healthcare	12.77	Technology	35.44
Basic Materials	5.11	Consumer Defensive	2.87	Industrials	16.92
Financial Svcs	3.68	Utilities	0.01	Energy	5.72
Real Estate	1.61			Comm Svcs	2.11

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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.

International I Separate Account-R6 as of 03/31/2011

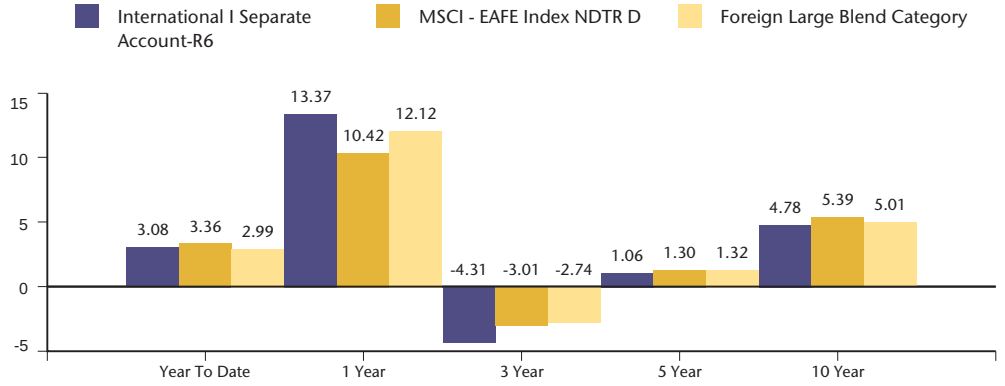
Investment Strategy

The investment seeks long-term growth of capital. The fund invests primarily in equity securities of foreign companies. The fund's investments will normally be diversified across many different countries and regions, including countries with emerging markets. The fund invests in equity securities of small, medium, and large capitalization companies. It invests in value equity securities; the value orientation selection emphasizes buying equity securities that appear to be undervalued.

Portfolio managers

Cesar Hernandez, CFA. Since 12/29/2003. M.B.A., Babson College
Mariateresa Monaco Since 06/02/2009. M.B.A., Massachusetts Institute of Technology
Virginie Maisonneuve, CFA. Since 01/11/2010. M.B.A., ESLSCA
Simon Webber, CFA. Since 01/11/2010. B.S., University of Manchester

Long-term returns % as of 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	3.08	13.37	-4.31	1.06	4.78
MSCI - EAFE Index NDTR D %	3.36	10.42	-3.01	1.30	5.39
Foreign Large Blend Category %	2.99	12.12	-2.74	1.32	5.01
Morningstar Percentile Rankings	-	33	71	54	51
# of Funds in Category	886	846	728	538	306

Annual Returns	2010	2009	2008	2007	2006
Total Return %	10.53	25.40	-44.35	15.06	26.36
MSCI - EAFE Index NDTR D %	7.75	31.78	-43.38	11.17	26.34
Foreign Large Blend Category %	10.24	31.24	-43.99	12.71	24.77
Morningstar Percentile Rankings	46	80	55	27	30
# of Funds in Category	829	823	778	743	657

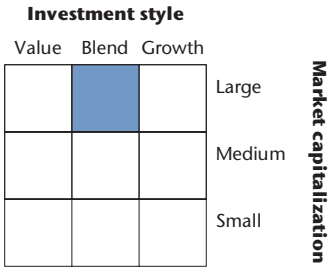
Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to MSCI - EAFE Index NDTR D

	3Yr	5Yr
Alpha	-1.12	-0.12
Beta	1.02	1.02
R-Squared	98.44	98.17
Standard Deviation	26.87	22.03
Mean	-4.30	1.06
Sharpe Ratio	-0.05	0.06
Excess Return	-1.29	-0.25
Excess Risk	3.40	3.01
Information Ratio	-0.38	-0.08

Operations

Total Investment Expense Net	1.26%
Total Investment Expense Gross	1.29%
Contractual Cap Expiration Date	02/29/2012
Waiver Expiration Date	02/29/2012
Inception Date	07/01/1999
Total Net Assets (mil)	$1,520.56

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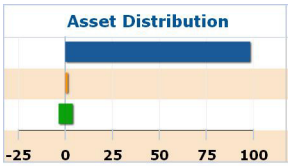
International I Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
Non-U.S. Stocks	98.33	0.00	98.33
U.S. Stocks	1.32	0.00	1.32
Cash	0.35	3.58	3.93

Top ten holdings	% of net assets
1. E-MINI MSCI EAFE INDEX MAR2011	2.50
2. Vodafone Group PLC	1.89
3. BG Group PLC	1.65
4. Novartis AG	1.64
5. Sumitomo Mitsui Financial Group, Inc.	1.61
6. ING Groep N.V.	1.61
7. Xstrata PLC	1.51
8. Honda Motor Company	1.43
9. Mitsubishi	1.42
10. Sap AG	1.42
% of net assets in top ten holdings*	16.68

Analysis	
# of Stock Hldgs	800
# of Bond Hldgs	0
# of Other Hldgs	10
GeoAvgCap (mil)	$30,890.19
Turnover Ratio	103%
P/C Ratio	5.25
P/E Ratio	12.22
P/B Ratio	1.63

Top 5 Countries	% of net assets
United Kingdom	21.25
Japan	18.78
France	10.10
Germany	8.11
Switzerland	5.71

Regional exposure	% of net assets
Europe	60.06
Japan	18.78
Pacific Rim	12.97
Other	4.57
Latin America	2.31
United States	1.32

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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.

† The Portfolio Composition depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. 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 principal.com.

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

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

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

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.

High Yield I Separate Account-R6 as of 03/31/2011

Investment Strategy

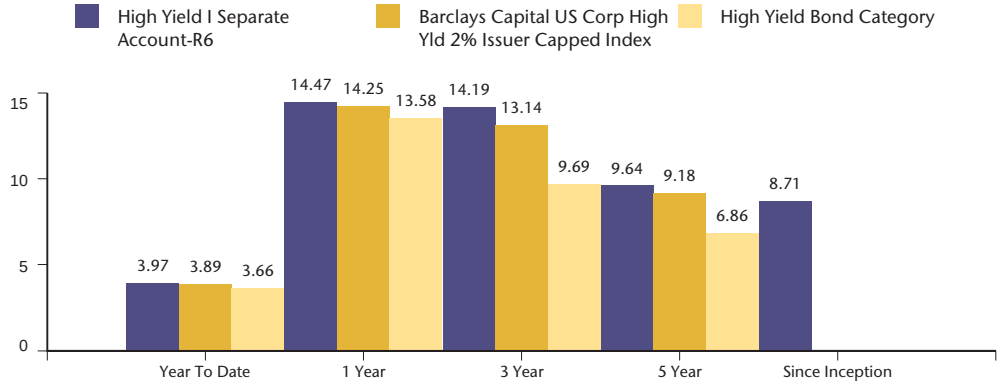
The investment seeks high current income. The fund invests at least 80% of net assets in high-yield, below investment-grade quality debt. It may also invest in corporate loan participations and assignments. The fund may actively trade portfolio securities in an attempt to achieve its investment objective.

J.P.Morgan Asset Management | NEUBERGER BERMAN

Portfolio managers

Ann H. Benjamin Since 07/19/2007. Master, Carnegie Mellon University
James E. Gibson Since 07/19/2007. B.S., University of Cincinnati
William J. Morgan Since 07/19/2007. M.B.A., Xavier University
Thomas P. O'Reilly, CFA. Since 07/19/2007. M.B.A., Loyola University
James Shanahan Since 07/19/2007. J.D., University of Cincinnati

Long-term returns % as of 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	3.97	14.47	14.19	9.64	8.71
Barclays Capital US Corp High Yld 2% Issuer Capped Index %	3.89	14.25	13.14	9.18	-
High Yield Bond Category %	3.66	13.58	9.69	6.86	-
Morningstar Percentile Rankings	-	28	3	3	-
# of Funds in Category	605	564	506	430	-
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	14.81	52.86	-20.12	2.37	8.71
Barclays Capital US Corp High Yld 2% Issuer Capped Index %	14.94	58.76	-25.88	2.27	10.76
High Yield Bond Category %	14.24	46.70	-26.41	1.47	10.14
Morningstar Percentile Rankings	32	24	14	34	81
# of Funds in Category	574	543	559	542	549

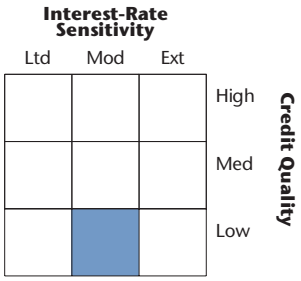
Morningstar percentile rankings are based on total returns.

Morningstar category

High Yield Bond

Morningstar Style Box™ **

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to Barclays Capital US Corp High Yld 2% Issuer Capped Index

	3Yr	5Yr
Alpha	2.73	1.37
Beta	0.83	0.84
R-Squared	98.49	98.35
Standard Deviation	14.16	11.31
Mean	14.20	9.64
Sharpe Ratio	0.97	0.67
Excess Risk	3.33	2.65
Information Ratio	0.32	0.18

Operations

Total Investment Expense Net	0.81%
Total Investment Expense Gross	0.81%
Inception Date	12/31/2004
Total Net Assets (mil)	$1,310.54

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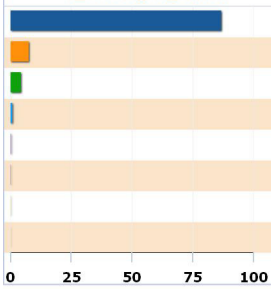
Risk and return statistical data is provided by Markov Processes International (MPI).

High Yield I Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Bonds	86.75	0.00	86.75
	Non-U.S. Bonds	7.52	0.00	7.52
	Cash	4.29	0.00	4.29
	Preferred	0.82	0.00	0.82
	Non-U.S. Stocks	0.27	0.00	0.27
	U.S. Stocks	0.14	0.00	0.14
	Other	0.14	0.00	0.14
	Convertibles	0.08	0.00	0.08

Top ten holdings	% of net assets
1. Intelsat Bermuda 11.5%	1.33
2. Clearwire Comm Llc 144a 144A 12%	1.18
3. Atp Oil & Gas 11.875%	1.14
4. Sprint Nextel 6%	0.85
5. Nrg Engy 144A 7.625%	0.82
6. Ford Motor Credit Co 8.125%	0.71
7. Cequel Comms Hldgs 144A 8.625%	0.65
8. Icahn Enterprises Lp/Corp 7.75%	0.65
9. Liberty Mut Grp 144A FRN	0.65
10. Citizens Comms 9%	0.65
% of net assets in top ten holdings*	8.62

Analysis

# of Stock Hldgs	5
# of Bond Hldgs	712
# of Other Hldgs	38
GeoAvgCap (mil)	$7,758.36
Turnover Ratio	100%

Credit Analysis

As of 02/28/2011	% Bonds
AAA	4.00
AA	0.00
A	0.08
BBB	1.34
BB	24.40
B	42.13
Below B	26.39
Not Rated	1.65

Statistics

Avg Eff Duration (Yrs)	3.99
Avg Eff Maturity (Yrs)	6.91
Avg Weighted Price	104.76

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

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

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**The Morningstar Style Box™ reveals an investment option's investment strategy.

For equity investment options the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend, or growth).

For fixed-income investment options, the vertical axis shows the credit quality of the bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration.

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by a Nationally Recognized Statistical Rating Organization (NRSRO). If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the investment option. An NRSRO rating on a fixed-income security can change from time-to-time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond investment options are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Investment options with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond investment option. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income investment option's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those investment options whose average effective duration is between 25% to 75% of MCBI's average effective duration; investment options whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

Core Plus Bond I Separate Account-R6 as of 03/31/2011

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 Barclays Capital Aggregate Bond Index. The fund may also invest up to 20% of total assets in high-yield securities.

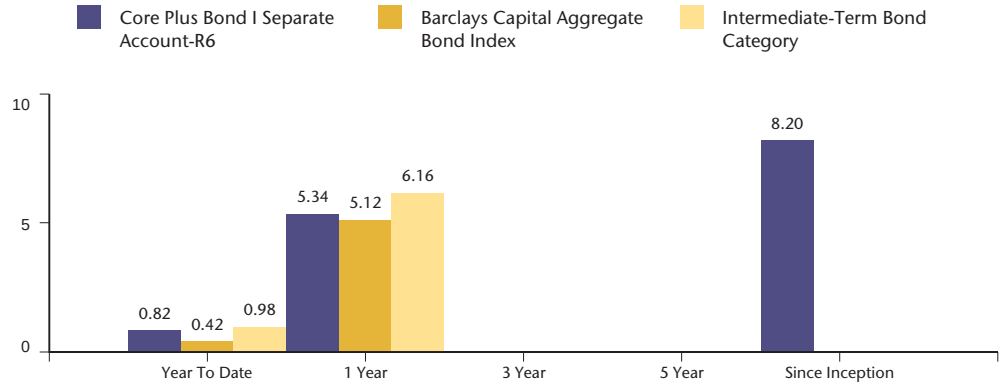
PIMCO

The Authority On Bonds™

Portfolio managers

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

Long-term returns % as of 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	0.82	5.34	-	-	8.20
Barclays Capital Aggregate Bond Index %	0.42	5.12	5.30	6.03	-
Intermediate-Term Bond Category %	0.98	6.16	5.63	5.50	-
Morningstar Percentile Rankings	-	65	-	-	-
# of Funds in Category	1244	1155	1021	873	-
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	6.82	6.76	-	-	-
Barclays Capital Aggregate Bond Index %	6.54	5.93	5.24	6.97	4.33
Intermediate-Term Bond Category %	7.72	13.97	-4.70	4.70	4.15
Morningstar Percentile Rankings	65	85	-	-	-
# of Funds in Category	1164	1123	1135	1097	1092

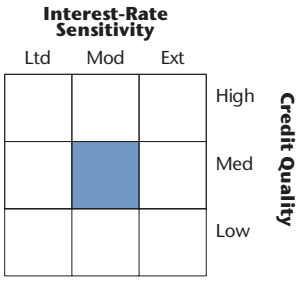
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™ **

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 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	0.74%
Total Investment Expense Gross	0.74%
Inception Date	09/30/2008
Total Net Assets (mil)	$2,884.89

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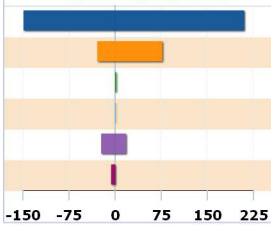
Core Plus Bond I Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Distribution	Asset Type	Net %	Short %	Long %
	Cash	60.97	149.34	210.32
	U.S. Bonds	47.90	28.99	76.90
	Preferred	1.83	0.00	1.83
	Convertibles	0.52	0.00	0.52
	Non-U.S. Bonds	-5.00	22.59	17.59
	Other	-6.22	6.43	0.21

Top ten holdings	% of net assets
1. Interest Rate Swap Receive Fixed	25.45
2. 3.00% Interest Rate Swaption	7.79
3. FNMA	6.75
4. 0.8% Credit Default Swaption	5.91
5. 1.20% Credit Default Swaption	5.90
6. Sell Protection For 1.00% Credit Default Swap	5.86
7. Interest Rate Swaption	5.70
8. Interest Rate Swap Receive Floating	3.44
9. 2.75% Interest Rate Swaption	1.78
10. Sell Protection For 5.00% Credit Default Swap	1.75
% of net assets in top ten holdings*	70.31

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	670
# of Other Hldgs	77
Turnover Ratio	187%

Credit Analysis As of 02/28/2011	% Bonds
AAA	61.98
AA	6.37
A	11.87
BBB	9.78
BB	3.79
B	4.25
Below B	0.90
Not Rated	1.05

Statistics	
Avg Eff Duration (Yrs)	3.76
Avg Eff Maturity (Yrs)	5.01
Avg Weighted Price	106.29

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Bond and Mortgage Separate Account-I2 as of 03/31/2011

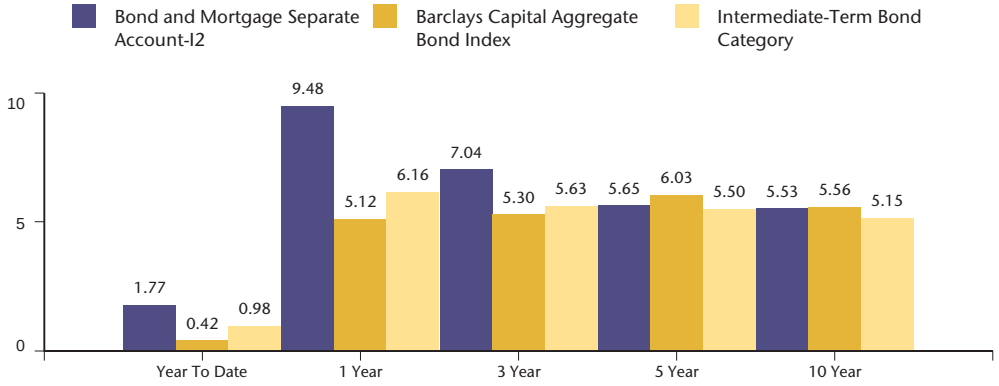
Investment Strategy

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

Portfolio managers

William C. Armstrong, CFA. Since 01/01/1997. Master, University of Iowa
Timothy R. Warrick, CFA. Since 06/01/2002. M.B.A., Drake University

Long-term returns % as of 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	1.77	9.48	7.04	5.65	5.53
Barclays Capital Aggregate Bond Index %	0.42	5.12	5.30	6.03	5.56
Intermediate-Term Bond Category %	0.98	6.16	5.63	5.50	5.15
Morningstar Percentile Rankings	-	5	24	53	33
# of Funds in Category	1244	1155	1021	873	563
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	11.77	21.81	-13.06	3.83	4.72
Barclays Capital Aggregate Bond Index %	6.54	5.93	5.24	6.97	4.33
Intermediate-Term Bond Category %	7.72	13.97	-4.70	4.70	4.15
Morningstar Percentile Rankings	3	11	89	78	19
# of Funds in Category	1164	1123	1135	1097	1092

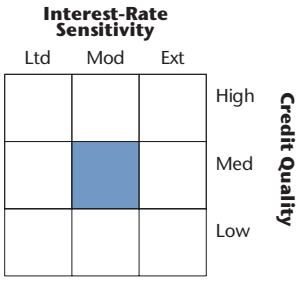
Morningstar percentile rankings are based on total returns.

Morningstar category

Intermediate-Term Bond

Morningstar Style Box™ **

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to Barclays Capital Aggregate Bond Index

	3Yr	5Yr
Alpha	1.54	-0.43
Beta	1.06	1.05
R-Squared	36.47	38.84
Standard Deviation	7.31	5.96
Mean	7.04	5.65
Sharpe Ratio	0.88	0.57
Excess Risk	5.93	4.78
Information Ratio	0.29	-0.08

Operations

Total Investment Expense Net	0.55%
Total Investment Expense Gross	0.55%
Inception Date	02/01/1983
Total Net Assets (mil)	$4,447.53

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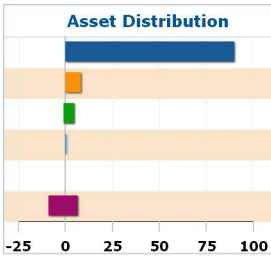
Bond and Mortgage Separate Account-I2 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
U.S. Bonds	89.82	0.00	89.82
Non-U.S. Bonds	8.25	0.00	8.25
Cash	3.78	0.94	4.72
Preferred	0.47	0.00	0.47
Convertibles	0.04	0.00	0.04
Other	-2.36	8.92	6.57

Top ten holdings	% of net assets
1. FNMA	5.18
2. FNMA	3.08
3. US Treasury Bond 6.25%	1.51
4. GNMA 4.5%	1.12
5. FHLMC 4.5%	1.09
6. Morgan Stanley Re-Remic Tr 2009-Io	1.05
7. US Treasury Note 2.75%	1.05
8. US Treasury Note 1.875%	1.02
9. US Treasury Note 4%	1.01
10. Ms Re-Remic Tr 2010-C30 CMO 3.25%	0.89
% of net assets in top ten holdings*	17.00

Analysis

# of Stock Hldgs	0
# of Bond Hldgs	1353
# of Other Hldgs	141
Turnover Ratio	350%

Credit Analysis

As of 02/28/2011

	% Bonds
AAA	49.31
AA	6.56
A	11.92
BBB	15.84
BB	7.53
B	6.67
Below B	2.17
Not Rated	0.00

Statistics

Avg Eff Duration (Yrs)	5.16
Avg Eff Maturity (Yrs)	7.43
Avg Weighted Price	101.93

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

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

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754.

**The Morningstar Style Box™ reveals an investment option's investment strategy.

For equity investment options the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend, or growth).

For fixed-income investment options, the vertical axis shows the credit quality of the bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration.

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by a Nationally Recognized Statistical Rating Organization (NRSRO). If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the investment option. An NRSRO rating on a fixed-income security can change from time-to-time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond investment options are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Investment options with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond investment option. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income investment option's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those investment options whose average effective duration is between 25% to 75% of MCBI's average effective duration; investment options whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

International Emerging Markets Separate Account-R6

as of 03/31/2011

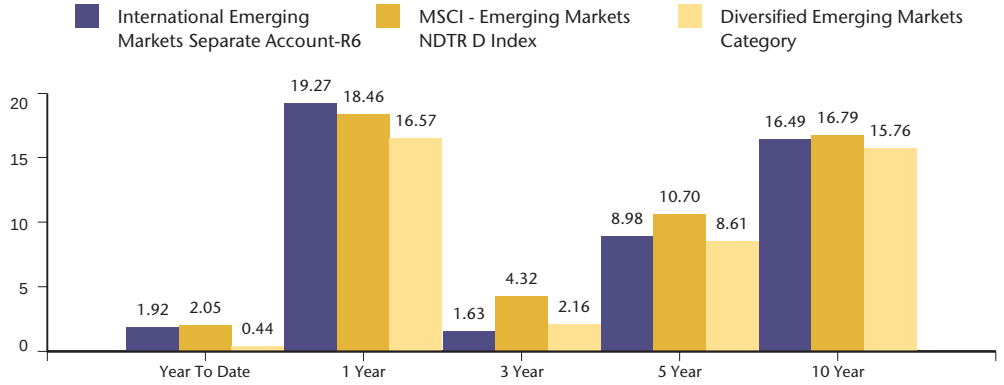
Investment Strategy

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

Portfolio managers

Michael L. Reynal Since 02/01/2001. M.B.A., Dartmouth 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 03/31/2011



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	1.92	19.27	1.63	8.98	16.49
MSCI - Emerging Markets NDTR D Index %	2.05	18.46	4.32	10.70	16.79
Diversified Emerging Markets Category %	0.44	16.57	2.16	8.61	15.76
Morningstar Percentile Rankings	-	26	58	42	38
# of Funds in Category	459	388	283	211	137

Annual Returns	2010	2009	2008	2007	2006
Total Return %	18.61	68.87	-54.93	41.60	36.36
MSCI - Emerging Markets NDTR D Index %	18.88	78.51	-53.33	39.39	32.17
Diversified Emerging Markets Category %	19.26	73.81	-54.44	36.68	32.06
Morningstar Percentile Rankings	45	64	55	20	17
# of Funds in Category	386	367	312	274	242

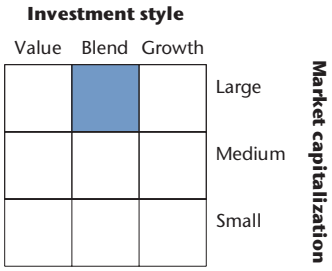
Morningstar percentile rankings are based on total returns.

Morningstar category

Diversified Emerging Markets

Morningstar Style Box™

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to MSCI - Emerging Markets NDTR D Index

	3Yr	5Yr
Alpha	-2.54	-1.52
Beta	1.00	1.00
R-Squared	98.75	98.64
Standard Deviation	32.28	28.19
Mean	1.62	8.97
Sharpe Ratio	0.20	0.37
Excess Return	-2.71	-1.72
Excess Risk	3.63	3.29
Information Ratio	-0.75	-0.52

Operations

Total Investment Expense Net	1.51%
Total Investment Expense Gross	1.51%
Inception Date	01/01/1995
Total Net Assets (mil)	$1,228.32

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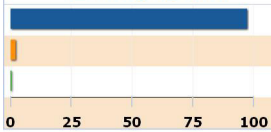
Risk and return statistical data is provided by Markov Processes International (MPI).

International Emerging Markets Separate Account-R6

as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Distribution	Asset Type	Net %	Short %	Long %
	Non-U.S. Stocks	97.41	0.00	97.41
	Cash	2.14	0.00	2.14
	U.S. Stocks	0.44	0.00	0.44

Top ten holdings	% of net assets
1. Samsung Electronics Co., Ltd.	3.50
2. Cia Vale Do Rio Doce	3.25
3. Petroleo Brasileiro SA Petrobras ADR	3.07
4. Taiwan Semiconductor Manufacturing	1.73
5. China Mobile Ltd.	1.57
6. China Construction Bank Corp	1.55
7. Lukoil Company ADR	1.54
8. America Movil S.A.B. de C.V. ADR L	1.51
9. OAO Gazprom ADR	1.44
10. AmBev ADR	1.36
% of net assets in top ten holdings*	20.53

Analysis	
# of Stock Hldgs	183
# of Bond Hldgs	0
# of Other Hldgs	1
GeoAvgCap (mil)	$19,602.23
Turnover Ratio	90%
P/C Ratio	3.95
P/E Ratio	10.59
P/B Ratio	1.81

Top 5 Countries	% of net assets
China	16.41
South Korea	15.71
Taiwan	14.23
Brazil	12.25
Russia	8.58

Regional exposure	% of net assets
Pacific Rim	58.90
Latin America	20.24
Other	19.42
Europe	0.97
United States	0.47

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

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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.

† The Portfolio Composition depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. 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 principal.com.

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

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

LargeCap S&P 500 Index Separate Account-R6 as of 03/31/2011

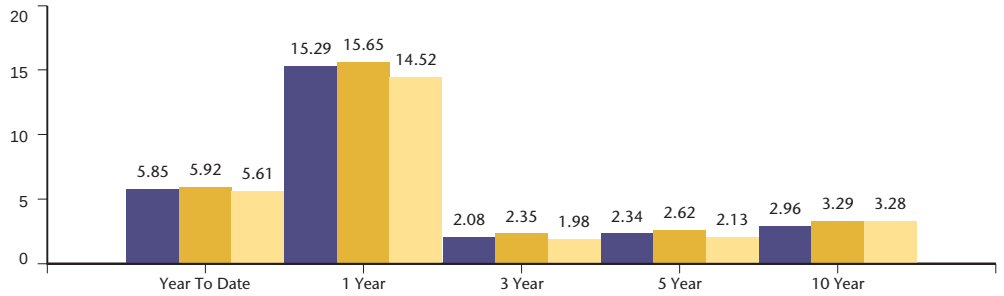
Investment Strategy

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

Thomas L. Kruchten, CFA. Since 03/01/2011. B.A., University of Northern Iowa

Long-term returns % as of 03/31/2011



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	5.85	15.29	2.08	2.34	2.96
Standard & Poor's 500 Index %	5.92	15.65	2.35	2.62	3.29
Large Blend Category %	5.61	14.52	1.98	2.13	3.28
Morningstar Percentile Rankings	-	39	48	45	55
# of Funds in Category	2095	1983	1757	1471	816
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	14.68	26.09	-37.10	5.18	15.46
Standard & Poor's 500 Index %	15.06	26.46	-37.00	5.49	15.79
Large Blend Category %	14.01	28.17	-37.79	6.16	14.17
Morningstar Percentile Rankings	36	59	40	55	29
# of Funds in Category	2010	2027	2086	2090	1980

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 02/28/2011

Investment style

	Value	Blend	Growth
Large		■	
Medium			
Small			

Market capitalization

Risk and Return Statistics

as of 03/31/2011 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-0.27	-0.28
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	21.83	17.82
Mean	2.08	2.34
Sharpe Ratio	0.18	0.10
Excess Return	-0.27	-0.28
Excess Risk	0.07	0.06
Information Ratio	-3.72	-4.52

Operations

Total Investment Expense Net	0.31%
Total Investment Expense Gross	0.31%
Inception Date	01/01/1990
Total Net Assets (mil)	$5,942.15

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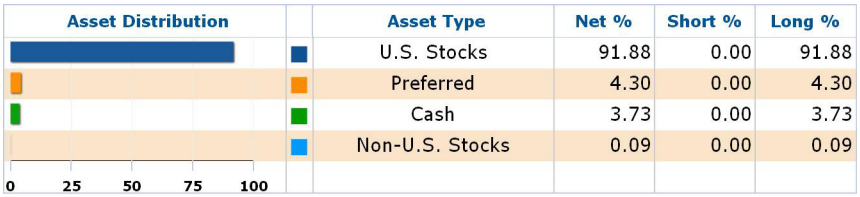
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap S&P 500 Index Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	91.88	0.00	91.88
	Preferred	4.30	0.00	4.30
	Cash	3.73	0.00	3.73
	Non-U.S. Stocks	0.09	0.00	0.09

Top ten holdings	% of net assets
1. ExxonMobil Corporation	3.44
2. Apple, Inc.	2.58
3. General Electric Company	1.78
4. Chevron Corporation	1.67
5. International Business Machines Corp	1.60
6. Microsoft Corporation	1.60
7. JP Morgan Chase & Co	1.46
8. Procter & Gamble Company	1.41
9. Wells Fargo Company	1.35
10. Johnson & Johnson	1.35
% of net assets in top ten holdings*	18.23

Analysis

# of Stock Hldgs	494
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$48,383.65
Turnover Ratio	2%
P/C Ratio	7.97
P/E Ratio	14.30
P/B Ratio	2.24

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	**25.33**	**Defensive**	**25.41**	**Sensitive**	**49.26**
Consumer Cyclical	9.54	Healthcare	10.98	Technology	18.03
Basic Materials	3.00	Consumer Defensive	11.16	Industrials	13.36
Financial Svcs	11.12	Utilities	3.27	Energy	13.51
Real Estate	1.67			Comm Svcs	4.36

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The full name of this investment option is Principal LargeCap S&P 500 Index Separate Account-R6.

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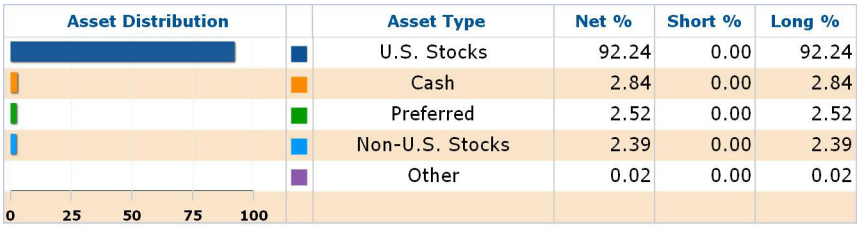
* Values may exceed 100% if both long and short positions are included in the portfolio.

MidCap Value III Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
U.S. Stocks	92.24	0.00	92.24
Cash	2.84	0.00	2.84
Preferred	2.52	0.00	2.52
Non-U.S. Stocks	2.39	0.00	2.39
Other	0.02	0.00	0.02

Top ten holdings	% of net assets
1. Ameriprise Financial, Inc.	2.52
2. Coventry Health Care, Inc.	2.00
3. Eaton Corporation	1.88
4. Pinnacle West Capital	1.64
5. Stanley Black & Decker, Inc.	1.56
6. Lorillard, Inc.	1.46
7. Cigna Corporation	1.43
8. Capital One Financial Corporation	1.41
9. Fifth Third Bancorp	1.40
10. Molex, Inc.	1.34
% of net assets in top ten holdings*	16.63

Analysis

# of Stock Hldgs	457
# of Bond Hldgs	0
# of Other Hldgs	4
GeoAvgCap (mil)	$7,223.77
Turnover Ratio	102%
P/C Ratio	5.96
P/E Ratio	13.56
P/B Ratio	1.61

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	**41.91**	**Defensive**	**22.46**	**Sensitive**	**35.63**
Consumer Cyclical	12.21	Healthcare	8.06	Technology	7.48
Basic Materials	4.43	Consumer Defensive	6.48	Industrials	16.17
Financial Svcs	19.06	Utilities	7.92	Energy	10.66
Real Estate	6.21			Comm Svcs	1.32

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

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

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

Real Estate Securities Separate Account-R6 as of 03/31/2011

Investment Strategy

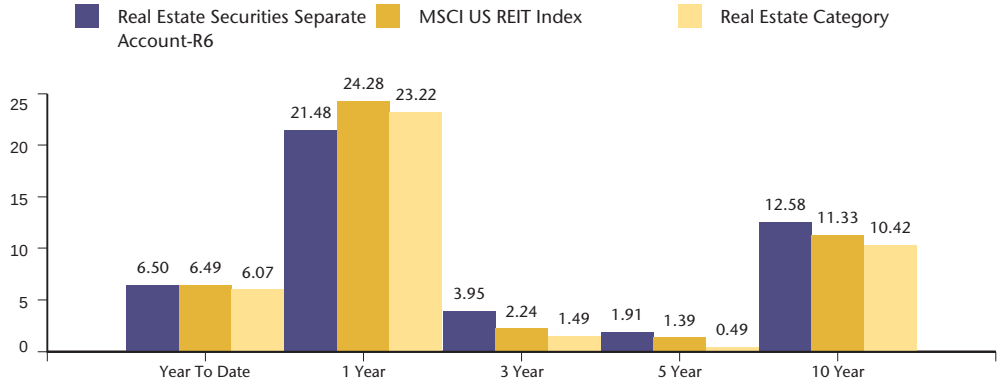
The investment seeks to generate a total return. The fund normally invests at least 80% of net assets in equity securities of companies principally engaged in the real estate industry, which include real estate investment trusts and companies with substantial real estate holdings such as paper, lumber,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

Principal Real Estate Investors

Portfolio managers

Kelly D. Rush, CFA. Since 12/31/2002. M.B.A., University of Iowa
Matt Richmond Since 09/16/2010. M.B.A., University of Iowa

Long-term returns % as of 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	6.50	21.48	3.95	1.91	12.58
MSCI US REIT Index %	6.49	24.28	2.24	1.39	11.33
Real Estate Category %	6.07	23.22	1.49	0.49	10.42
Morningstar Percentile Rankings	-	71	14	26	8
# of Funds in Category	290	268	244	211	114

Annual Returns	2010	2009	2008	2007	2006
Total Return %	25.06	27.56	-32.82	-17.73	36.03
MSCI US REIT Index %	28.48	28.61	-37.97	-16.82	35.92
Real Estate Category %	27.08	31.26	-39.55	-14.66	33.58
Morningstar Percentile Rankings	77	66	5	70	30
# of Funds in Category	267	262	265	372	306

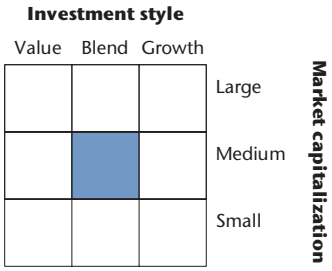
Morningstar percentile rankings are based on total returns.

Morningstar category

Real Estate

Morningstar Style Box™

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to MSCI US REIT Index

	3Yr	5Yr
Alpha	0.95	-0.15
Beta	0.87	0.89
R-Squared	99.35	99.06
Standard Deviation	35.40	29.55
Mean	3.97	1.91
Sharpe Ratio	0.28	0.14
Excess Return	1.73	0.52
Excess Risk	5.86	4.69
Information Ratio	0.30	0.11

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	12/31/2002
Extended Performance Inception Date#	12/06/2000
Total Net Assets (mil)	$1,620.39

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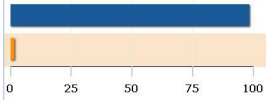
Risk and return statistical data is provided by Markov Processes International (MPI).

Real Estate Securities Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	98.34	0.00	98.34
	Cash	1.66	0.00	1.66

Top ten holdings	% of net assets
1. Simon Property Group, Inc.	12.76
2. Boston Properties, Inc.	6.14
3. Equity Residential	5.81
4. Public Storage	5.64
5. Vornado Realty Trust Shs of Benef Int	5.53
6. ProLogis Trust	5.38
7. Host Hotels & Resorts, Inc.	4.42
8. Digital Realty Trust, Inc.	3.83
9. SL Green Realty Corporation	3.54
10. AvalonBay Communities, Inc.	3.40
% of net assets in top ten holdings*	56.44

Analysis

# of Stock Hldgs	44
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	$8,323.76
Turnover Ratio	52%
P/C Ratio	18.65
P/E Ratio	47.97
P/B Ratio	2.71

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	**100.00**	**Defensive**	**0.00**	**Sensitive**	**0.00**
Consumer Cyclical	2.50	Healthcare	0.00	Technology	0.00
Basic Materials	0.00	Consumer Defensive	0.00	Industrials	0.00
Financial Svcs	0.00	Utilities	0.00	Energy	0.00
Real Estate	97.50			Comm Svcs	0.00

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

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

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.

† The Portfolio Composition depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. 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 principal.com.

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

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

#These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. Please see the fund's prospectus for more information on specific expenses, and the fund's most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

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

U.S. Property Separate Account-R6 as of 12/31/2010

Investment Strategy

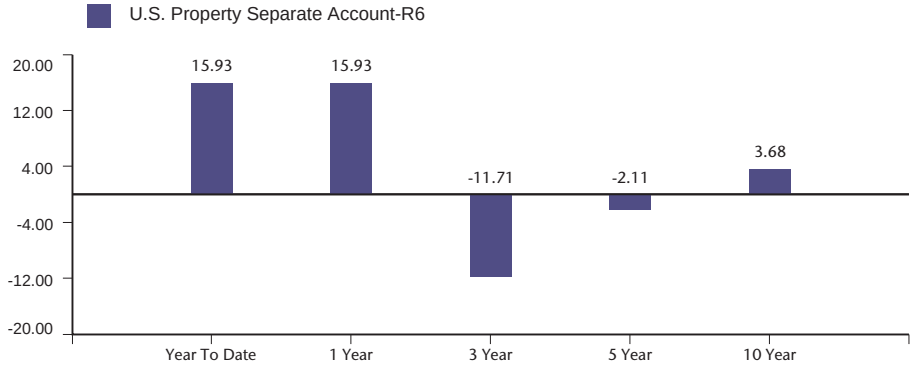
The investment invests the majority of assets on commercial real estate holdings. It focuses on properties that return both lease income and appreciation of the buildings' marketable value. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail sectors. 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. If you elect to contribute funds into the U.S. Property Separate Account, you may not be able to immediately withdraw them.

Principal Real Estate Investors

Portfolio managers

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

Long-term returns % as of 12/31/2010



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	15.93	15.93	-11.71	-2.11	3.68

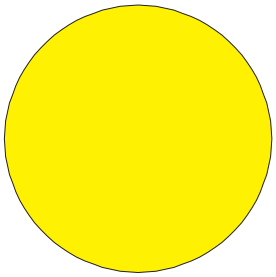
Annual Returns	2010	2009	2008	2007	2006
Total Return %	15.93	-31.59	-13.23	13.42	15.14

Operations

Total Investment Expense Net	1.15%
Total Investment Expense Gross	1.15%
Inception Date	01/01/1982
Total Net Assets (mil)	$2,921.70

Portfolio information

Composition as of 11/30/2010



% of Assets

Other	100.00

Analysis

Total Number of Hldgs	118

Portfolio composition

Top ten holdings	% of net assets
Office New York, NY	5.69
Office Seattle, WA	4.54
Retail Los Angeles, CA	3.94
Multi-family/Retail Cambridge, MA	2.99
Hotel San Antonio, TX	2.90
Office Phoenix, AZ	2.67
Office/Retail San Diego, CA	2.43
Office Cambridge, MA	2.31
Office Phoenix, AZ	2.14
Multi-family New York, NY	2.10

% 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	42.57
South	22.98
East	21.56
Midwest	12.89

Property type	% of account
Office	35.66
Retail	23.31
Industrial Park	19.54
Apartments	17.23
Other	4.26

LargeCap Growth I Separate Account-R6 as of 03/31/2011

Investment Strategy

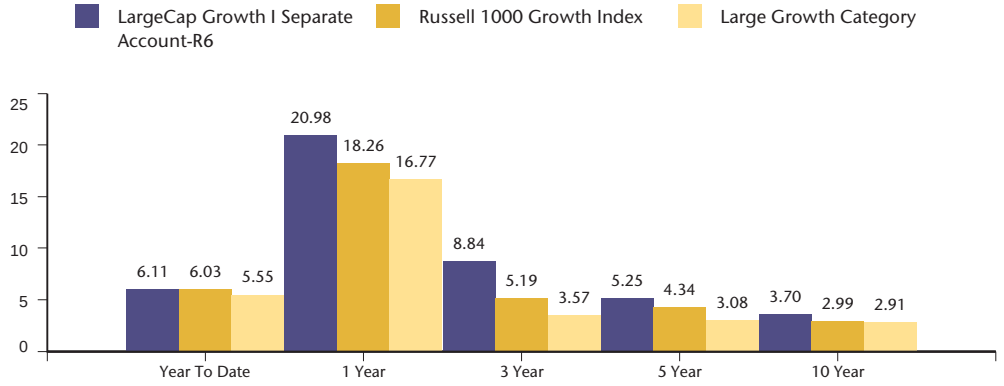
The investment seeks long-term growth of capital. The fund invests at least 80% of net assets in equity securities of companies with large market capitalizations (those with market capitalization ranges similar to the companies in the Russell 1000(R) Growth Index) at the time of purchase. It invests in growth equity securities; growth orientation emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average.

BROWN ADVISORY

Portfolio managers

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

Long-term returns % as of 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	6.11	20.98	8.84	5.25	3.70
Russell 1000 Growth Index %	6.03	18.26	5.19	4.34	2.99
Large Growth Category %	5.55	16.77	3.57	3.08	2.91
Morningstar Percentile Rankings	-	16	7	16	32
# of Funds in Category	1772	1701	1505	1312	818
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	19.72	51.92	-40.69	8.18	5.93
Russell 1000 Growth Index %	16.71	37.21	-38.44	11.81	9.07
Large Growth Category %	15.53	35.68	-40.67	13.35	7.05
Morningstar Percentile Rankings	16	6	51	75	63
# of Funds in Category	1718	1796	1809	1748	1642

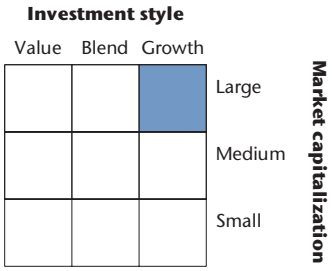
Morningstar percentile rankings are based on total returns.

Morningstar category

Large Growth

Morningstar Style Box™

As of 02/28/2011



Risk and Return Statistics

as of 03/31/2011 Relative to Russell 1000 Growth Index

	3Yr	5Yr
Alpha	3.39	0.93
Beta	1.08	1.08
R-Squared	96.65	96.11
Standard Deviation	24.04	19.91
Mean	8.85	5.26
Sharpe Ratio	0.45	0.25
Excess Return	3.67	0.92
Excess Risk	4.73	4.20
Information Ratio	0.77	0.22

Operations

Total Investment Expense Net	0.77%
Total Investment Expense Gross	0.79%
Contractual Cap Expiration Date	02/29/2012
Waiver Expiration Date	02/29/2012
Inception Date	12/29/2000
Total Net Assets (mil)	$3,086.18

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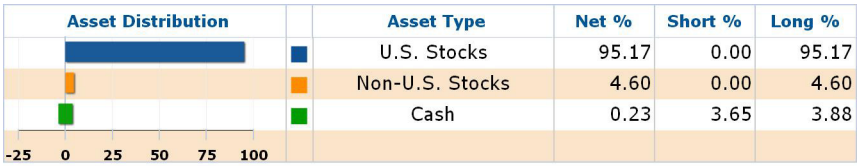
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Growth I Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
U.S. Stocks	95.17	0.00	95.17
Non-U.S. Stocks	4.60	0.00	4.60
Cash	0.23	3.65	3.88

Top ten holdings	% of net assets
1. Apple, Inc.	5.17
2. Google, Inc.	4.13
3. S&P 500 EMINI FUT MARCH 2011	3.65
4. Qualcomm, Inc.	3.44
5. Schlumberger, Ltd.	2.96
6. Danaher Corporation	2.41
7. Accenture PLC	2.08
8. MasterCard Incorporated A	1.90
9. FMC Technologies, Inc.	1.62
10. Covance, Inc.	1.50
% of net assets in top ten holdings*	28.84

Analysis

# of Stock Hldgs	461
# of Bond Hldgs	0
# of Other Hldgs	7
GeoAvgCap (mil)	$33,363.95
Turnover Ratio	50%
P/C Ratio	12.56
P/E Ratio	18.78
P/B Ratio	3.19

Stock Sector Breakdown

Cyclical	% of net assets	Defensive	% of net assets	Sensitive	% of net assets
	22.84		17.24		59.92
Consumer Cyclical	12.00	Healthcare	11.78	Technology	29.32
Basic Materials	1.80	Consumer Defensive	5.33	Industrials	18.92
Financial Svcs	8.57	Utilities	0.13	Energy	10.42
Real Estate	0.47			Comm Svcs	1.26

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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.

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 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.

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.

MidCap Growth III Separate Account-R6 as of 03/31/2011

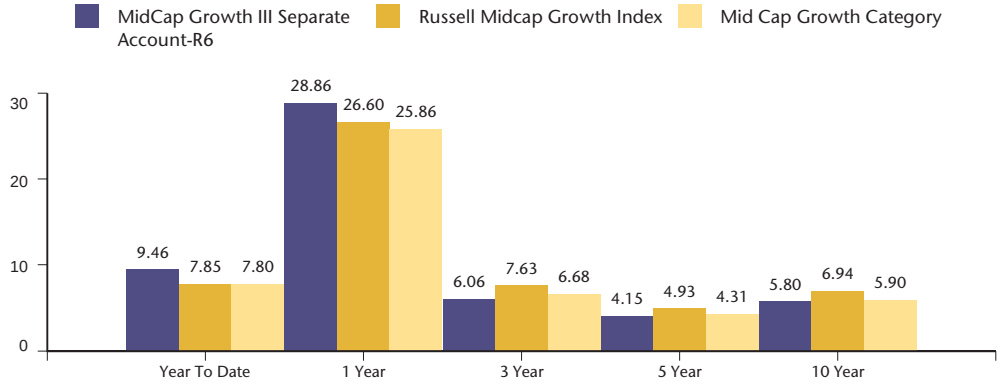
Investment Strategy

The investment seeks long-term growth of capital. The fund invests at least 80% of net assets in equity securities of companies with medium market capitalizations (those with market capitalizations similar to companies in the Russell Midcap Growth Index) at the time of purchase. It invests in growth equity securities; growth orientation emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average.

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 03/31/2011



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	9.46	28.86	6.06	4.15	5.80
Russell Midcap Growth Index %	7.85	26.60	7.63	4.93	6.94
Mid Cap Growth Category %	7.80	25.86	6.68	4.31	5.90
Morningstar Percentile Rankings	-	30	61	58	51
# of Funds in Category	799	766	682	603	401

Annual Returns	2010	2009	2008	2007	2006
Total Return %	27.27	44.81	-48.56	24.40	6.26
Russell Midcap Growth Index %	26.38	46.29	-44.32	11.43	10.66
Mid Cap Growth Category %	24.61	39.11	-43.77	15.09	9.00
Morningstar Percentile Rankings	34	31	80	12	69
# of Funds in Category	759	812	934	967	994

Morningstar percentile rankings are based on total returns.

Morningstar category

Mid Cap Growth

Morningstar Style Box™

As of 02/28/2011

Investment style

	Value	Blend	Growth	Market capitalization
Large				
Medium			■	
Small				

Risk and Return Statistics

as of 03/31/2011 Relative to Russell Midcap Growth Index

	3Yr	5Yr
Alpha	-1.49	-0.69
Beta	1.02	1.03
R-Squared	98.62	97.01
Standard Deviation	26.88	22.52
Mean	6.07	4.15
Sharpe Ratio	0.34	0.20
Excess Return	-1.56	-0.78
Excess Risk	3.20	3.97
Information Ratio	-0.49	-0.20

Operations

Total Investment Expense Net	1.12%
Total Investment Expense Gross	1.14%
Contractual Cap Expiration Date	02/29/2012
Waiver Expiration Date	02/29/2012
Inception Date	10/28/1999
Total Net Assets (mil)	$1,809.99

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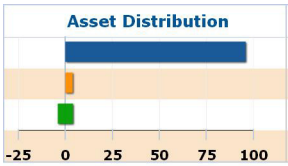
MidCap Growth III Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Type	Net %	Short %	Long %
U.S. Stocks	95.99	0.00	95.99
Non-U.S. Stocks	3.92	0.00	3.92
Cash	0.09	4.01	4.10

Top ten holdings	% of net assets
1. S&P MID 400 EMINI MAR11	4.01
2. Joy Global, Inc.	1.28
3. Cummins, Inc.	1.24
4. Varian Semiconductor Equipment Associates, Inc.	1.22
5. Salesforce.com, Inc.	1.17
6. Coach, Inc.	1.16
7. Cimarex Energy Company	1.15
8. NetApp, Inc.	1.10
9. SanDisk Corporation	1.08
10. Concho Resources, Inc.	1.05
% of net assets in top ten holdings*	14.47

Analysis

# of Stock Hldgs	493
# of Bond Hldgs	0
# of Other Hldgs	7
GeoAvgCap (mil)	$7,192.84
Turnover Ratio	98%
P/C Ratio	9.77
P/E Ratio	17.82
P/B Ratio	2.99

Stock Sector Breakdown

	% of net assets		% of net assets		% of net assets
Cyclical	**32.56**	**Defensive**	**17.74**	**Sensitive**	**49.71**
Consumer Cyclical	17.79	Healthcare	11.18	Technology	25.66
Basic Materials	6.52	Consumer Defensive	6.06	Industrials	16.43
Financial Svcs	6.50	Utilities	0.50	Energy	6.32
Real Estate	1.75			Comm Svcs	1.30

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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.

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† The Portfolio Composition depicts a breakdown of the investment option's portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. 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 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.

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 03/31/2011

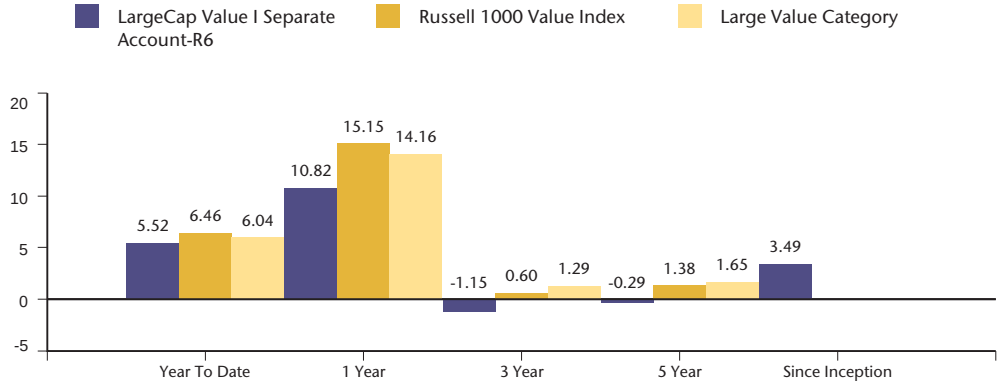
Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of net assets in common stocks of companies with large market capitalizations (those with market capitalizations similar to companies in the Russell 1000(R) Value Index) at the time of purchase. It invests in value equity securities; the value orientation selection emphasizes buying equity securities that appear to be undervalued.

Portfolio managers

Thomas M. Cole, CFA. Since 06/01/2004. M.B.A., University of Wisconsin
Thomas Digenan, CPA, CFA. Since 06/01/2004. M.S., DePaul 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
Elizabeth Cabell Jennings, CFA. Since 03/01/2010. B.A., College of William and Mary

Long-term returns % as of 03/31/2011



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

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

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	5.52	10.82	-1.15	-0.29	3.49
Russell 1000 Value Index %	6.46	15.15	0.60	1.38	-
Large Value Category %	6.04	14.16	1.29	1.65	-
Morningstar Percentile Rankings	-	87	85	84	-
# of Funds in Category	1312	1239	1120	945	-
Annual Returns	**2010**	**2009**	**2008**	**2007**	**2006**
Total Return %	11.29	22.35	-39.34	0.31	18.01
Russell 1000 Value Index %	15.51	19.69	-36.85	-0.17	22.25
Large Value Category %	13.66	24.13	-37.09	1.42	18.15
Morningstar Percentile Rankings	81	55	70	61	53
# of Funds in Category	1240	1272	1433	1432	1371

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Value

Morningstar Style Box™

As of 02/28/2011

Investment style

	Value	Blend	Growth	Market capitalization
Large	■			
Medium				
Small				

Risk and Return Statistics

as of 03/31/2011 Relative to Russell 1000 Value Index

	3Yr	5Yr
Alpha	-1.62	-1.54
Beta	1.02	1.02
R-Squared	97.80	96.84
Standard Deviation	24.14	19.62
Mean	-1.14	-0.29
Sharpe Ratio	0.05	-0.03
Excess Return	-1.74	-1.66
Excess Risk	3.62	3.51
Information Ratio	-0.48	-0.47

Operations

Total Investment Expense Net	0.93%
Total Investment Expense Gross	0.94%
Contractual Cap Expiration Date	02/29/2012
Waiver Expiration Date	02/29/2012
Inception Date	06/01/2004
Total Net Assets (mil)	$2,150.99

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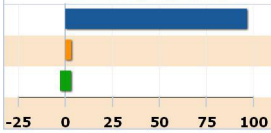
Risk and return statistical data is provided by Markov Processes International (MPI).

LargeCap Value I Separate Account-R6 as of 03/31/2011

Portfolio information†

Composition as of 02/28/2011



Asset Distribution	Asset Type	Net %	Short %	Long %
	U.S. Stocks	96.65	0.00	96.65
	Non-U.S. Stocks	3.11	0.00	3.11
	Cash	0.24	2.80	3.04

Top ten holdings	% of net assets
1. AT&T, Inc.	2.89
2. S&P 500 EMINI FUT MARCH 2011	2.80
3. Chevron Corporation	2.78
4. JP Morgan Chase & Co	2.61
5. Wells Fargo Company	2.56
6. General Electric Company	2.40
7. Pfizer Inc.	2.17
8. Citigroup, Inc.	2.07
9. ExxonMobil Corporation	2.07
10. Johnson & Johnson	1.94
% of net assets in top ten holdings*	24.28

Analysis

# of Stock Hldgs	510
# of Bond Hldgs	0
# of Other Hldgs	7
GeoAvgCap (mil)	$41,785.55
Turnover Ratio	74%
P/C Ratio	6.35
P/E Ratio	12.71
P/B Ratio	1.69

Stock Sector Breakdown

Cyclical	% of net assets	Defensive	% of net assets	Sensitive	% of net assets
Cyclical	**33.33**	**Defensive**	**24.72**	**Sensitive**	**41.95**
Consumer Cyclical	7.93	Healthcare	12.32	Technology	9.07
Basic Materials	2.51	Consumer Defensive	7.94	Industrials	12.64
Financial Svcs	20.42	Utilities	4.46	Energy	13.01
Real Estate	2.47			Comm Svcs	7.23

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 I Separate Account-R6.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 1-800-547-7754.

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

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

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