

# City of Hallandale Beach DB Plan Update

October 14, 2013



# Today's Meeting

- Economy and Market Update
- 8/31/2013 DB Plan Update
  - General Employee Plan
  - Management Plan
- 6/30/2013 DB Plan Update
  - General Employee Plan
  - Management Plan

# Economy and Market Review

## Recap 2<sup>nd</sup> Quarter 2013

- The generally bullish tone of global markets faltered during the second quarter of 2013, while the sentiment toward emerging markets turned downright bearish.
- In the U.S., the S&P 500 Index, despite a more than 5% drop from mid-May to mid-June, gained 2.9% for the quarter and is up 13.9% year-to-date.
- International markets (as measured by the MSCI All Country World (ex-U.S.) Index) lost 3.1% for the quarter and are basically unchanged for the year, down .04%.
  - International developed markets (as measured by the MSCI EAFE Index) lost 1.0% for the quarter and are up 4.1% for the year
  - International emerging markets (as measured by the MSCI Emerging Markets Index) lost 8.1% for the quarter and are down 9.6% for the year
- May 22 marked what the markets perceived as a monetary policy turning point as the Fed began discussing the concept of tapering of the quantitative easing program. Ten-year treasury rates climbed and the yield curve steepened.
  - The 10-year Treasury yield finished at 2.48%, up 63 basis points for the quarter
  - The 2-year Treasury yield finished at 0.36%, up 12 basis points for the quarter

Indexes are not available for direct investment.

# Economy and Market Review

## Recap 2<sup>nd</sup> Quarter 2013

- Recent data shows the U.S. economy may be gradually returning to health
- European data has improved
- “Abenomics” (the name given the new beginning in Japanese policy) seems to be having a positive economic impact
- The emerging market boom – boosted by strong demand and surging commodity prices from China’s industrialization – appears to have run its course and the aftereffects of that long expansion are becoming headwinds

# Economy and Market Review

## Outlook for the Future

- The U.S economy may be a bigger driver of global growth than it has been the past several years
- The stage appears to be set for the U.S. economy to mildly accelerate to the 2.5%-to-3.0% range in the second half of 2013 and 3.0%-to-4.0% in early 2014
- Views about inflation vary widely, but currently there is enough capacity in the United States and across the world that inflation likely isn't a near-term concern
- Recent improvements in budget deficits from better-than-expected tax revenue have reduced the near-term deficit outlook
- The cheap capital phase of the recovery seems to be coming to an end and the next stage of the expansion is being prepared
- In China, growth likely will not match the frenetic pace of the last two decades but should still thrive...just at a slower pace of growth

# Economy and Market Review

## Outlook for the Future

Even though a number of factors make it hard to envision U.S Treasury yields spiking higher, if the U.S. economy is at least mildly accelerating, the Eurozone recession fades and a bit of growth returns, and the interest rate concern in China doesn't derail the economy, then the trend in yields could be higher. As a result, based on this analysis we have raised our estimate for year-end rates:

- A Federal Funds Rate target of 0% to 0.25%
- A 10-year Treasury Rate of 2.75%
- A 2-year Treasury Rate of 0.50%

# Economy and Market Review

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Past performance is not a reliable indicator of future performance and should not be relied upon as a significant basis for an investment decision. You should consider whether an investment fits your investment objectives, particular needs and financial situation before making any investment decision.

# Economy and Market Review

## Important Information

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 ACWI (All Country World (ex.U.S.) Index) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

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 22 individual country indexes.

MSCI - Emerging Markets NDTR D Index measures equity market performance in the global emerging markets. It consists of 21 emerging market countries in Europe, Latin America and the Pacific Basin.

Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment.

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# Portfolio and Strategic Asset Allocation Review

| Investment Review - Allocation 10/01/2012 through 08/31/2013   |                   |             |                |             |
|--|-------------------|-------------|----------------|-------------|
| Inv Manager or Sub-Advisor   | Beginning Balance | Breakdown % | Ending Balance | Breakdown % |
| <b>Investment Option</b>   |                   |             |                |             |
| <b>Large U.S. Equity</b>   |                   |             |                |             |
| <b>Large Value</b>   |                   |             |                |             |
| <i>Edge Asset Management, Inc.</i><br>Equity Income Separate Account-R6 <sup>3, 11</sup>               | \$1,862,189       | 5.04%       | \$2,096,527    | 5.12%       |
| <i>Principal Global Investors</i><br>LargeCap Value Separate Account-R6                                | \$1,898,264       | 5.14%       | \$2,101,597    | 5.14%       |
| <b>Large Blend</b>   |                   |             |                |             |
| <i>Principal Global Investors</i><br>LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37</sup>    | \$1,683,913       | 4.56%       | \$1,919,838    | 4.69%       |
| <b>Large Growth</b>  |                   |             |                |             |
| <i>T. Rowe Price/Brown Advisory</i><br>LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup>      | \$3,731,378       | 10.10%      | \$4,409,579    | 10.78%      |
| <b>Small/Mid U.S. Equity</b>   |                   |             |                |             |
| <b>Mid Cap Value</b>   |                   |             |                |             |
| <i>Principal Global/Barrow Hanley</i><br>MidCap Value III Separate Account-R6 <sup>1</sup>             | \$584,179         | 1.58%       | \$675,026      | 1.65%       |
| <b>Mid Cap Growth</b>  |                   |             |                |             |
| <i>Turner / Jacobs Levy</i><br>MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup>              | \$554,463         | 1.50%       | \$679,225      | 1.66%       |
| <b>Small Value</b>   |                   |             |                |             |
| <i>DFA/Vaughan Nelson/LA Capital</i><br>SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup> | \$579,953         | 1.57%       | \$682,319      | 1.67%       |
| <b>Small Growth</b>  |                   |             |                |             |
| <i>AllianceBern / CCI / Brown</i><br>SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup>     | \$570,078         | 1.54%       | \$713,562      | 1.74%       |
| <b>International Equity</b>  |                   |             |                |             |
| <b>Diversified Emerging Markets</b>  |                   |             |                |             |
| <i>Principal Global Investors</i><br>International Emerging Markets Separate Account-R6 <sup>4</sup>   | \$753,696         | 2.04%       | \$740,793      | 1.81%       |
| <b>Foreign Large Value</b>   |                   |             |                |             |
| <i>Causeway / Barrow Hanley</i><br>Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup>           | \$1,942,218       | 5.26%       | \$2,172,866    | 5.31%       |

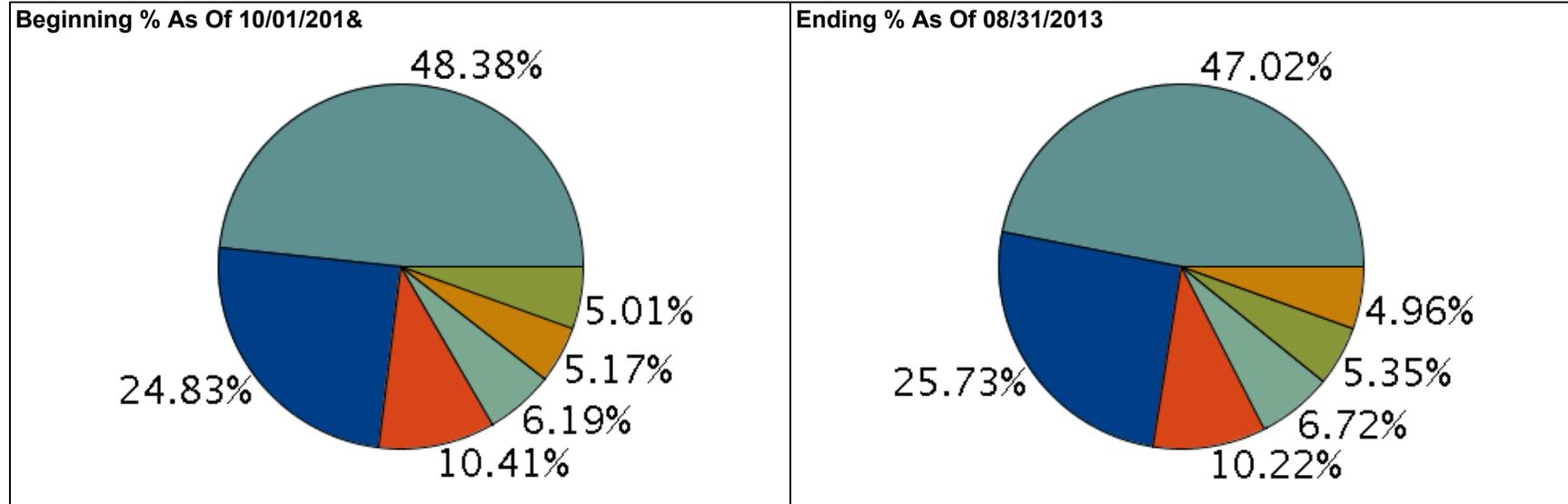
# Portfolio and Strategic Asset Allocation Review

| Investment Review - Allocation 10/01/2012 through 08/31/2013   |                     |             |                     |             |
|--|---------------------|-------------|---------------------|-------------|
| <i>Inv Manager or Sub-Advisor</i>  | Beginning Balance   | Breakdown % | Ending Balance      | Breakdown % |
| <b>Foreign Large Blend</b>   |                     |             |                     |             |
| <i>Fidelity / Schroders</i><br>International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup>      | \$1,151,916         | 3.12%       | \$1,267,105         | 3.10%       |
| <b>Real Estate</b>   |                     |             |                     |             |
| <b>Owned Real Estate</b>   |                     |             |                     |             |
| <i>Principal Real Estate Inv</i><br>U.S. Property Separate Account-R6 <sup>33</sup>                  | \$1,851,783         | 5.01%       | \$2,186,892         | 5.35%       |
| <b>Balanced/Asset Allocation</b>   |                     |             |                     |             |
| <b>Conservative Allocation</b>   |                     |             |                     |             |
| <i>Multiple Sub-Advisors</i><br>Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup>  | \$1,911,361         | 5.17%       | \$2,029,150         | 4.96%       |
| <b>Fixed Income</b>  |                     |             |                     |             |
| <b>High Yield Bond</b>   |                     |             |                     |             |
| <i>JP Morgan / Neuberger Berman</i><br>High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup> | \$1,878,834         | 5.08%       | \$2,050,149         | 5.01%       |
| <b>Intermediate-Term Bond</b>  |                     |             |                     |             |
| <i>PIMCO</i><br>Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup>                       | \$8,279,989         | 22.40%      | \$8,910,026         | 21.78%      |
| <i>Principal Global Investors</i><br>Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup>     | \$7,722,349         | 20.90%      | \$8,278,072         | 20.23%      |
| <b>TOTAL</b>   | <b>\$36,956,563</b> | <b>100%</b> | <b>\$40,912,726</b> | <b>100%</b> |

Please see important disclosures at the end of this presentation.

# Portfolio and Strategic Asset Allocation Review

## Asset Class Breakdown



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

# Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation 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 10/01/2012 through 08/31/2013 |  |                      |                   |
|---|--|----------------------|-------------------|
| Investment Advisor                              | Investment Option  | Beginning Allocation | Ending Allocation |
|   | <b>Large U.S. Equity</b>   | <b>24.00%</b>        | <b>24.00%</b>     |
|   | <b>Large Value</b>   |                      |                   |
| Edge Asset Management, Inc.                     | Equity Income Separate Account-R6 <sup>3, 11</sup>               | 4.90%                | 4.90%             |
| Principal Global Investors                      | LargeCap Value Separate Account-R6                               | 4.90%                | 4.90%             |
|   | <b>Large Blend</b>   |                      |                   |
| Principal Global Investors                      | LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37</sup>   | 4.40%                | 4.40%             |
|   | <b>Large Growth</b>  |                      |                   |
| T. Rowe Price/Brown Advisory                    | LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup>       | 9.80%                | 9.80%             |
|   | <b>Small/Mid U.S. Equity</b>                                     | <b>6.00%</b>         | <b>6.00%</b>      |
|   | <b>Mid Cap Value</b>   |                      |                   |
| Principal Global/Barrow Hanley                  | MidCap Value III Separate Account-R6 <sup>1</sup>                | 1.50%                | 1.50%             |
|   | <b>Mid Cap Growth</b>  |                      |                   |
| Turner / Jacobs Levy                            | MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup>       | 1.50%                | 1.50%             |
|   | <b>Small Value</b>   |                      |                   |
| DFA/Vaughan Nelson/LA Capital                   | SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup>   | 1.50%                | 1.50%             |
|   | <b>Small Growth</b>  |                      |                   |
| AllianceBern / CCI / Brown                      | SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup>    | 1.50%                | 1.50%             |
|   | <b>International Equity</b>                                      | <b>10.00%</b>        | <b>10.00%</b>     |
|   | <b>Diversified Emerging Markets</b>                              |                      |                   |
| Principal Global Investors                      | International Emerging Markets Separate Account-R6 <sup>4</sup>  | 2.00%                | 2.00%             |
|   | <b>Foreign Large Value</b>                                       |                      |                   |
| Causeway / Barrow Hanley                        | Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup>        | 5.00%                | 5.00%             |
|   | <b>Foreign Large Blend</b>                                       |                      |                   |
| Fidelity / Schroders                            | International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup> | 3.00%                | 3.00%             |
|   | <b>Real Estate</b>   | <b>5.00%</b>         | <b>5.00%</b>      |
|   | <b>Owned Real Estate</b>   |                      |                   |
| Principal Real Estate Inv                       | U.S. Property Separate Account-R6 <sup>33</sup>                  | 5.00%                | 5.00%             |

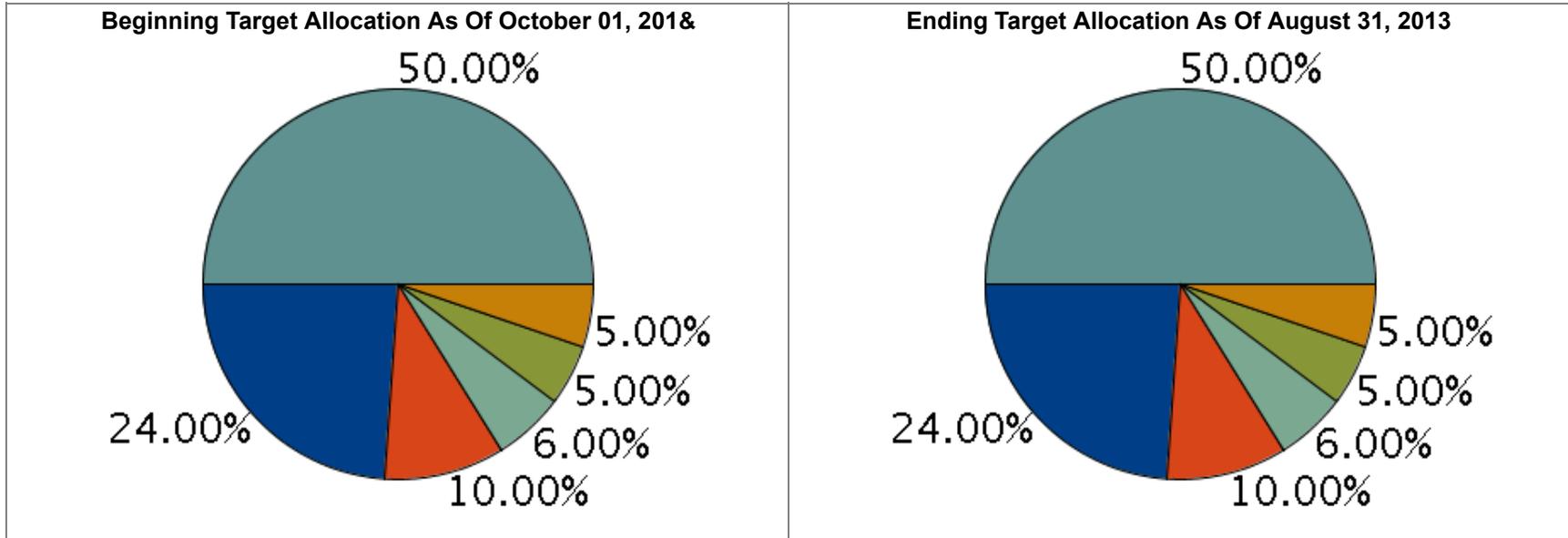
# Portfolio and Strategic Asset Allocation Review

| Target Allocation 10/01/2012 through 08/31/2013 |   |                      |                   |
|---|---|----------------------|-------------------|
| Investment Advisor                              | Investment Option   | Beginning Allocation | Ending Allocation |
|   | <b>Balanced/Asset Allocation</b>                                    | 5.00%                | 5.00%             |
|   | <b>Conservative Allocation</b>                                      |                      |                   |
| Multiple Sub-Advisors                           | Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup> | 5.00%                | 5.00%             |
|   | <b>Fixed Income</b>   | 50.00%               | 50.00%            |
|   | <b>High Yield Bond</b>  |                      |                   |
| JP Morgan / Neuberger Berman                    | High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup>       | 5.00%                | 5.00%             |
|   | <b>Intermediate-Term Bond</b>                                       |                      |                   |
| PIMCO   | Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup>      | 22.50%               | 22.50%            |
| Principal Global Investors                      | Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup>         | 22.50%               | 22.50%            |

*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.



- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Balanced/Asset Allocation
- 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   |
| Equity Income Separate Account-R6 <sup>3, 11</sup><br><br>LargeCap Value Separate Account-R6<br>  | LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37 ++</sup> | LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup><br>   |
| Small/Mid U.S. Equity   |   |  |
| Mid Cap Value   | Mid Cap Blend   | Mid Cap Growth   |
| MidCap Value III Separate Account-R6 <sup>1</sup><br>   |   | MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup><br>   |
| Small Value   | Small Blend   | Small Growth   |
| SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup><br>   |   | SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup><br>   |

# Portfolio and Strategic Asset Allocation Review

| International Equity  | Real Estate  | Balanced/Asset Allocation  |
|---|--|--|
| <p>Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup></p>  <p>BARROW, HANLEY,<br/>MEWHINNEY &amp; STRAUSS, LLC</p> <p>International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup></p>   <p>International Emerging Markets Separate Account-R6 <sup>4</sup></p>  | <p>U.S. Property Separate Account-R6 <sup>33</sup></p>   | <p>Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup></p>        |
| Short-Term Fixed Income   | Fixed Income   |  |
|   | <p>High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup></p>   <p>Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup></p>  <p>Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup></p>  |  |

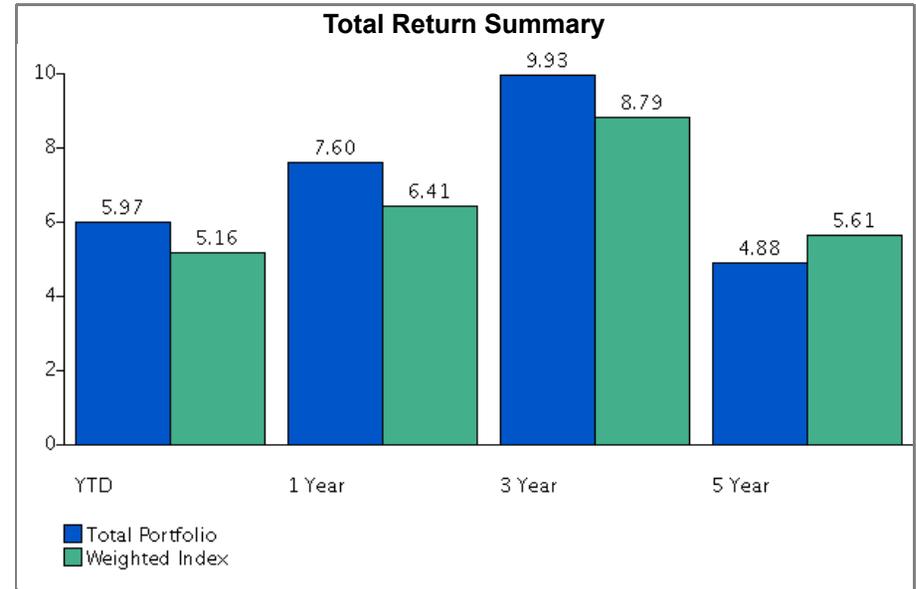
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# Portfolio Performance Review

## Time & Dollar Weighted Rates of Return August 31, 2013

| Time & Dollar Weighted Returns | YTD* | 1 Year | 3 Year | 5 Year |
|--------------------------------|------|--------|--------|--------|
| Total Portfolio Return         | 5.97 | 7.60   | 9.93   | 4.88   |
| Weighted Index                 | 5.16 | 6.41   | 8.79   | 5.61   |
| Excess Return                  | 0.81 | 1.19   | 1.14   | -0.73  |

| Asset Class Return Information                  | YTD*  | 1 Year | 3 Year | 5 Year |
|---|-------|--------|--------|--------|
| Your Plan's U.S. Equity Return                  | 16.94 | 19.76  | 18.78  | 6.79   |
| Standard & Poor's 1500 Total Market Stock Index | 16.44 | 19.38  | 18.66  | 7.57   |
| Your Plan's International Equity Return         | 9.03  | 13.12  | 8.32   | 2.19   |
| MSCI - EAFE Index NDTR D                        | 15.25 | 18.66  | 9.28   | 1.62   |
| Your Plan's Real Asset Return <sup>1</sup>      | 5.87  | 7.00   | 10.99  | 2.61   |
| Blended Real Asset Index                        | 2.27  | 2.98   | 7.07   | -1.91  |
| Your Plan's Fixed Income Return                 | -1.45 | -0.83  | 4.20   | 4.33   |
| Barclays Aggregate Bond Index                   | -2.60 | -2.47  | 2.58   | 4.93   |



\*YTD is the plan year to date, from 10/01/2012 to 08/31/2013.

We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your August 31, 2013 Contractholder Fund Statement.

<sup>1</sup> As of September 30, 2011, the Real Estate asset class was changed to the Real Asset asset class. Your Plan's Real Asset Return includes the weighted investment performance from the following Separate Accounts for any reporting periods during which they were applicable to your plans allocation: US Property Separate Account, sub-advised by Principal Real Estate Investors; Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors and Diversified Real Asset Separate Account, sub-advised by multiple sub-advisors.

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# Portfolio and Strategic Asset Allocation Review

| Investment Review - Allocation 10/01/2012 through 08/31/2013   |                   |             |                |             |
|--|-------------------|-------------|----------------|-------------|
| Inv Manager or Sub-Advisor   | Beginning Balance | Breakdown % | Ending Balance | Breakdown % |
| <b>Investment Option</b>   |                   |             |                |             |
| <b>Large U.S. Equity</b>   |                   |             |                |             |
| <b>Large Value</b>   |                   |             |                |             |
| <i>Edge Asset Management, Inc.</i><br>Equity Income Separate Account-R6 <sup>3, 11</sup>               | \$779,854         | 6.20%       | \$852,813      | 6.10%       |
| <i>Principal Global Investors</i><br>LargeCap Value Separate Account-R6                                | \$794,961         | 6.32%       | \$859,664      | 6.15%       |
| <b>Large Blend</b>   |                   |             |                |             |
| <i>Principal Global Investors</i><br>LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37</sup>    | \$708,085         | 5.63%       | \$773,474      | 5.53%       |
| <b>Large Growth</b>  |                   |             |                |             |
| <i>T. Rowe Price/Brown Advisory</i><br>LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup>      | \$1,562,650       | 12.43%      | \$1,759,070    | 12.58%      |
| <b>Small/Mid U.S. Equity</b>   |                   |             |                |             |
| <b>Mid Cap Value</b>   |                   |             |                |             |
| <i>Principal Global/Barrow Hanley</i><br>MidCap Value III Separate Account-R6 <sup>1</sup>             | \$248,920         | 1.98%       | \$273,878      | 1.96%       |
| <b>Mid Cap Growth</b>  |                   |             |                |             |
| <i>Turner / Jacobs Levy</i><br>MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup>              | \$236,264         | 1.88%       | \$276,155      | 1.98%       |
| <b>Small Value</b>   |                   |             |                |             |
| <i>DFA/Vaughan Nelson/LA Capital</i><br>SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup> | \$247,121         | 1.97%       | \$273,531      | 1.96%       |
| <b>Small Growth</b>  |                   |             |                |             |
| <i>AllianceBern / CCI / Brown</i><br>SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup>     | \$242,914         | 1.93%       | \$282,042      | 2.02%       |
| <b>International Equity</b>  |                   |             |                |             |
| <b>Diversified Emerging Markets</b>  |                   |             |                |             |
| <i>Principal Global Investors</i><br>International Emerging Markets Separate Account-R6 <sup>4</sup>   | \$316,934         | 2.52%       | \$353,147      | 2.53%       |
| <b>Foreign Large Value</b>   |                   |             |                |             |
| <i>Causeway / Barrow Hanley</i><br>Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup>           | \$810,167         | 6.44%       | \$893,992      | 6.39%       |

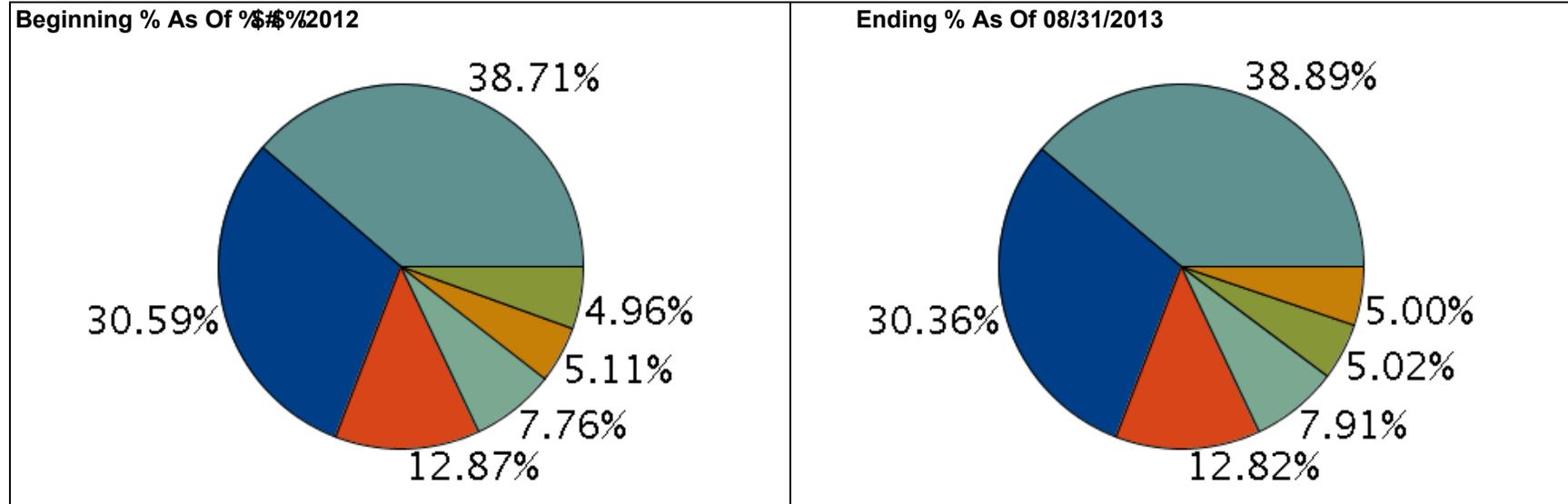
# Portfolio and Strategic Asset Allocation Review

| Investment Review - Allocation 10/01/2012 through 08/31/2013   |                     |             |                     |             |
|--|---------------------|-------------|---------------------|-------------|
| <i>Inv Manager or Sub-Advisor</i>  | Beginning Balance   | Breakdown % | Ending Balance      | Breakdown % |
| <b>Foreign Large Blend</b>   |                     |             |                     |             |
| <i>Fidelity / Schroders</i><br>International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup>      | \$490,839           | 3.90%       | \$544,799           | 3.90%       |
| <b>Real Estate</b>   |                     |             |                     |             |
| <b>Owned Real Estate</b>   |                     |             |                     |             |
| <i>Principal Real Estate Inv</i><br>U.S. Property Separate Account-R6 <sup>33</sup>                  | \$622,943           | 4.96%       | \$701,582           | 5.02%       |
| <b>Balanced/Asset Allocation</b>   |                     |             |                     |             |
| <b>Conservative Allocation</b>   |                     |             |                     |             |
| <i>Multiple Sub-Advisors</i><br>Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup>  | \$642,978           | 5.11%       | \$699,786           | 5.00%       |
| <b>Fixed Income</b>  |                     |             |                     |             |
| <b>High Yield Bond</b>   |                     |             |                     |             |
| <i>JP Morgan / Neuberger Berman</i><br>High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup> | \$505,631           | 4.02%       | \$561,170           | 4.01%       |
| <b>Intermediate-Term Bond</b>  |                     |             |                     |             |
| <i>PIMCO</i><br>Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup>                       | \$2,235,242         | 17.78%      | \$2,486,322         | 17.78%      |
| <i>Principal Global Investors</i><br>Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup>     | \$2,126,294         | 16.91%      | \$2,390,881         | 17.10%      |
| <b>TOTAL</b>   | <b>\$12,571,797</b> | <b>100%</b> | <b>\$13,982,306</b> | <b>100%</b> |

Please see important disclosures at the end of this presentation.

# Portfolio and Strategic Asset Allocation Review

## Asset Class Breakdown



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

# Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation 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 10/01/2012 through 08/31/2013 |  |                      |                   |
|---|--|----------------------|-------------------|
| Investment Advisor                              | Investment Option  | Beginning Allocation | Ending Allocation |
|   | <b>Large U.S. Equity</b>   | <b>29.90%</b>        | <b>29.90%</b>     |
|   | <b>Large Value</b>   |                      |                   |
| Edge Asset Management, Inc.                     | Equity Income Separate Account-R6 <sup>3, 11</sup>               | 6.10%                | 6.10%             |
| Principal Global Investors                      | LargeCap Value Separate Account-R6                               | 6.10%                | 6.10%             |
|   | <b>Large Blend</b>   |                      |                   |
| Principal Global Investors                      | LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37</sup>   | 5.50%                | 5.50%             |
|   | <b>Large Growth</b>  |                      |                   |
| T. Rowe Price/Brown Advisory                    | LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup>       | 12.20%               | 12.20%            |
|   | <b>Small/Mid U.S. Equity</b>                                     | <b>7.60%</b>         | <b>7.60%</b>      |
|   | <b>Mid Cap Value</b>   |                      |                   |
| Principal Global/Barrow Hanley                  | MidCap Value III Separate Account-R6 <sup>1</sup>                | 1.90%                | 1.90%             |
|   | <b>Mid Cap Growth</b>  |                      |                   |
| Turner / Jacobs Levy                            | MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup>       | 1.90%                | 1.90%             |
|   | <b>Small Value</b>   |                      |                   |
| DFA/Vaughan Nelson/LA Capital                   | SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup>   | 1.90%                | 1.90%             |
|   | <b>Small Growth</b>  |                      |                   |
| AllianceBern / CCI / Brown                      | SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup>    | 1.90%                | 1.90%             |
|   | <b>International Equity</b>                                      | <b>12.50%</b>        | <b>12.50%</b>     |
|   | <b>Diversified Emerging Markets</b>                              |                      |                   |
| Principal Global Investors                      | International Emerging Markets Separate Account-R6 <sup>4</sup>  | 2.50%                | 2.50%             |
|   | <b>Foreign Large Value</b>                                       |                      |                   |
| Causeway / Barrow Hanley                        | Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup>        | 6.20%                | 6.20%             |
|   | <b>Foreign Large Blend</b>                                       |                      |                   |
| Fidelity / Schroders                            | International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup> | 3.80%                | 3.80%             |
|   | <b>Real Estate</b>   | <b>5.00%</b>         | <b>5.00%</b>      |
|   | <b>Owned Real Estate</b>   |                      |                   |
| Principal Real Estate Inv                       | U.S. Property Separate Account-R6 <sup>33</sup>                  | 5.00%                | 5.00%             |

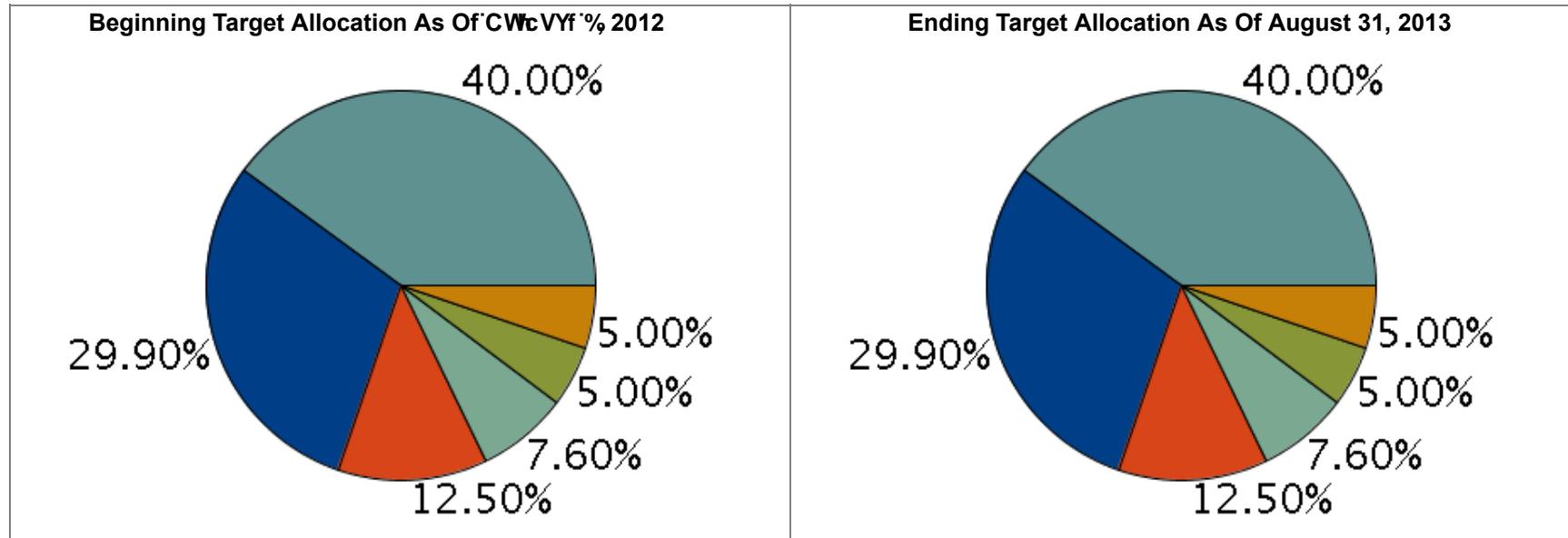
# Portfolio and Strategic Asset Allocation Review

| Target Allocation 10/01/2012 through 08/31/2013 |   |                      |                   |
|---|---|----------------------|-------------------|
| Investment Advisor                              | Investment Option   | Beginning Allocation | Ending Allocation |
|   | <b>Balanced/Asset Allocation</b>                                    | 5.00%                | 5.00%             |
|   | <b>Conservative Allocation</b>                                      |                      |                   |
| Multiple Sub-Advisors                           | Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup> | 5.00%                | 5.00%             |
|   | <b>Fixed Income</b>   | 40.00%               | 40.00%            |
|   | <b>High Yield Bond</b>  |                      |                   |
| JP Morgan / Neuberger Berman                    | High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup>       | 4.00%                | 4.00%             |
|   | <b>Intermediate-Term Bond</b>                                       |                      |                   |
| PIMCO   | Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup>      | 18.00%               | 18.00%            |
| Principal Global Investors                      | Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup>         | 18.00%               | 18.00%            |

*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.



- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Balanced/Asset Allocation
- 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   |
| Equity Income Separate Account-R6 <sup>3, 11</sup><br><br>LargeCap Value Separate Account-R6<br>  | LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37 ++</sup> | LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup><br>   |
| Small/Mid U.S. Equity   |   |  |
| Mid Cap Value   | Mid Cap Blend   | Mid Cap Growth   |
| MidCap Value III Separate Account-R6 <sup>1</sup><br>   |   | MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup><br>   |
| Small Value   | Small Blend   | Small Growth   |
| SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup><br>   |   | SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup><br>   |

# Portfolio and Strategic Asset Allocation Review

| International Equity  | Real Estate  | Balanced/Asset Allocation  |
|---|--|--|
| <p>Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup></p>  <p>BARROW, HANLEY,<br/>MEWHINNEY &amp; STRAUSS, LLC</p> <p>International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup></p>   <p>International Emerging Markets Separate Account-R6 <sup>4</sup></p>  | <p>U.S. Property Separate Account-R6 <sup>33</sup></p>   | <p>Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup></p>        |
| Short-Term Fixed Income   | Fixed Income   |  |
|   | <p>High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup></p>   <p>Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup></p>  <p>Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup></p>  |  |

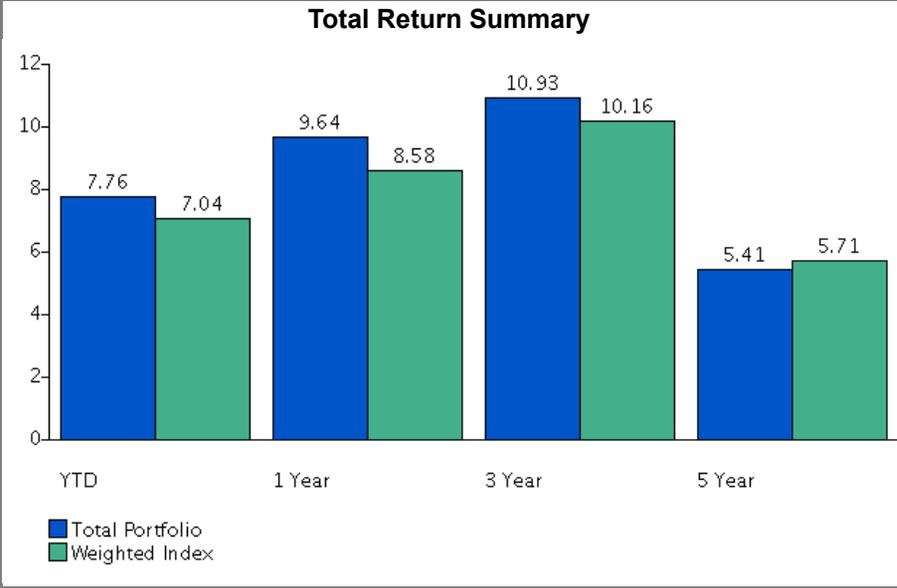
Please see important disclosures at the end of this presentation.

# Portfolio Performance Review

## Time & Dollar Weighted Rates of Return August 31, 2013

| Time & Dollar Weighted Returns | YTDE | 1 Year | 3 Year | 5 Year |
|--------------------------------|------|--------|--------|--------|
| Total Portfolio Return         | 7.76 | 9.64   | 10.93  | 5.41   |
| Weighted Index                 | 7.04 | 8.58   | 10.16  | 5.71   |
| Excess Return                  | 0.72 | 1.06   | 0.77   | -0.30  |

| Asset Class Return Information                  | YTDE  | 1 Year | 3 Year | 5 Year |
|---|-------|--------|--------|--------|
| Your Plan's U.S. Equity Return                  | 16.93 | 19.74  | 18.21  | 7.46   |
| Standard & Poor's 1500 Total Market Stock Index | 16.41 | 19.38  | 18.66  | 7.57   |
| Your Plan's International Equity Return         | 8.86  | 12.88  | 7.97   | 2.48   |
| MSCI - EAFE Index NDTR D                        | 7.63  | 18.66  | 9.28   | 1.62   |
| Your Plan's Real Asset Return <sup>1</sup>      | 5.81  | 6.94   | 11.11  | 3.10   |
| Blended Real Asset Index                        | 2.63  | 2.98   | 7.07   | -1.91  |
| Your Plan's Fixed Income Return                 | -1.13 | -0.50  | 4.37   | 4.48   |
| Barclays Aggregate Bond Index                   | -2.16 | -2.47  | 2.58   | 4.93   |



As of September 30, 2011, the Real Estate asset class was changed to the Real Asset asset class. Your Plan's Real Asset Return includes the weighted investment performance from the following Separate Accounts for any reporting periods during which they were applicable to your plans allocation: US Property Separate Account, sub-advised by Principal Real Estate Investors; Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors and Diversified Real Asset Separate Account, sub-advised by multiple sub-advisors.

We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your August 31, 2013 Contractholder Fund Statement.

<sup>1</sup> As of September 30, 2011, the Real Estate asset class was changed to the Real Asset asset class. Your Plan's Real Asset Return includes the weighted investment performance from the following Separate Accounts for any reporting periods during which they were applicable to your plans allocation: US Property Separate Account, sub-advised by Principal Real Estate Investors; Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors and Diversified Real Asset Separate Account, sub-advised by multiple sub-advisors.

Please see important disclosures at the end of this presentation.

# Disclosures

*Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. Insurance products and plan administrative, if applicable, services are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.*

*++ 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<sup>®</sup>.*

*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.*

***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 or by visiting [principal.com](http://principal.com).***

*Investment options are subject to investment risk. Shares or unit values will fluctuate and investments, when redeemed, may be worth more or less than their original cost. This does not apply, however, to the guaranteed portions of group annuity contracts issued by Principal Life that constitute guaranteed benefit policies as defined in ERISA §401(b)(2)(B).*

*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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*Compliance number: t13072602s6*

*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 and volatility that is 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.*
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. For time periods prior to inception date of the fund, predecessor performance is reflected. 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.*
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.*
24. *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.*

25. *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.*
27. *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.*
29. *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.*
30. *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. or any other government entity. Concentrating investments in natural resources industries can be affected significantly by events relating to those industries, such as variations in the commodities markets, weather, disease, embargoes, international, political and economic developments, the success of exploration projects, tax and other government regulations and other factors. Investment in derivatives entails specific risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration. An MLP that invests in a particular industry (e.g., oil and gas) may be harmed by detrimental economic events within that industry. As partnerships, MLPs may be subject to less regulation (and less protection for investors) under state laws than corporations. In addition, MLPs may be subject to state taxation in certain jurisdictions, which may reduce the amount of income paid by an MLP to its investors.*
31. *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.*
32. *Effective September 20, 2010, Brown Advisory was added as an additional sub-advisor. Effective May 1, 2009, Columbus Circle Investors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.*
33. *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, withdrawals may be delayed for up to 3 years.*
35. *Formerly known as International Value I Separate Account.*
36. *The net return experienced may be negative if the costs to maintain and operate the Money Market Separate Account exceed returns. Participants may also see negative returns if plan expenses, if applicable, are netted or deducted from their accounts.*
37. *The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.*

## **Benchmark Descriptions**

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

*Barclays US Corp High Yld 2% Issuer Capped Index is an unmanaged index 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%.*

*Blended Real Asset Index through September 30, 2011, is as follows: 75% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The 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. 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. Effective October 1, 2011, the Blended Real Asset Index is comprised of 100% Consumer Price Index (CPI) plus 1.5%. Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.*

*Diversified Real Asset Custom Index is composed of 17% Barclays U.S. Treasury TIPS Index, 18% Dow Jones UBS Commodity Index, 8% S&P N.A. Natural Resources Index, 12% Tortoise MLP Index, 20% Dow Jones Brookfield Global Infrastructure Index, 20% Credit Suisse Leveraged Loan Index, and 5% FTSE EPRA/NAREIT Developed Index. The blended index historic returns reflect the allocation as of the time of production. Previous allocation changes are not restated.*

*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.*

*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.*

# Portfolio and Strategic Asset Allocation Review

| Investment Review - Allocation 10/01/2012 through 06/30/2013   |                   |             |                |             |
|--|-------------------|-------------|----------------|-------------|
| Inv Manager or Sub-Advisor   | Beginning Balance | Breakdown % | Ending Balance | Breakdown % |
| <b>Investment Option</b>   |                   |             |                |             |
| <b>Large U.S. Equity</b>   |                   |             |                |             |
| <b>Large Value</b>   |                   |             |                |             |
| <i>Edge Asset Management, Inc.</i><br>Equity Income Separate Account-R6 <sup>3, 11</sup>               | \$1,862,189       | 5.04%       | \$2,071,938    | 5.09%       |
| <i>Principal Global Investors</i><br>LargeCap Value Separate Account-R6                                | \$1,898,264       | 5.14%       | \$2,058,080    | 5.06%       |
| <b>Large Blend</b>   |                   |             |                |             |
| <i>Principal Global Investors</i><br>LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37</sup>    | \$1,683,913       | 4.56%       | \$1,880,524    | 4.62%       |
| <b>Large Growth</b>  |                   |             |                |             |
| <i>T. Rowe Price/Brown Advisory</i><br>LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup>      | \$3,731,378       | 10.10%      | \$4,212,049    | 10.35%      |
| <b>Small/Mid U.S. Equity</b>   |                   |             |                |             |
| <b>Mid Cap Value</b>   |                   |             |                |             |
| <i>Principal Global/Barrow Hanley</i><br>MidCap Value III Separate Account-R6 <sup>1</sup>             | \$584,179         | 1.58%       | \$650,110      | 1.60%       |
| <b>Mid Cap Growth</b>  |                   |             |                |             |
| <i>Turner / Jacobs Levy</i><br>MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup>              | \$554,463         | 1.50%       | \$647,729      | 1.59%       |
| <b>Small Value</b>   |                   |             |                |             |
| <i>DFA/Vaughan Nelson/LA Capital</i><br>SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup> | \$579,953         | 1.57%       | \$661,839      | 1.63%       |
| <b>Small Growth</b>  |                   |             |                |             |
| <i>AllianceBern / CCI / Brown</i><br>SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup>     | \$570,078         | 1.54%       | \$668,694      | 1.64%       |
| <b>International Equity</b>  |                   |             |                |             |
| <b>Diversified Emerging Markets</b>  |                   |             |                |             |
| <i>Principal Global Investors</i><br>International Emerging Markets Separate Account-R6 <sup>4</sup>   | \$753,696         | 2.04%       | \$744,119      | 1.83%       |
| <b>Foreign Large Value</b>   |                   |             |                |             |
| <i>Causeway / Barrow Hanley</i><br>Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup>           | \$1,942,218       | 5.26%       | \$2,089,484    | 5.13%       |

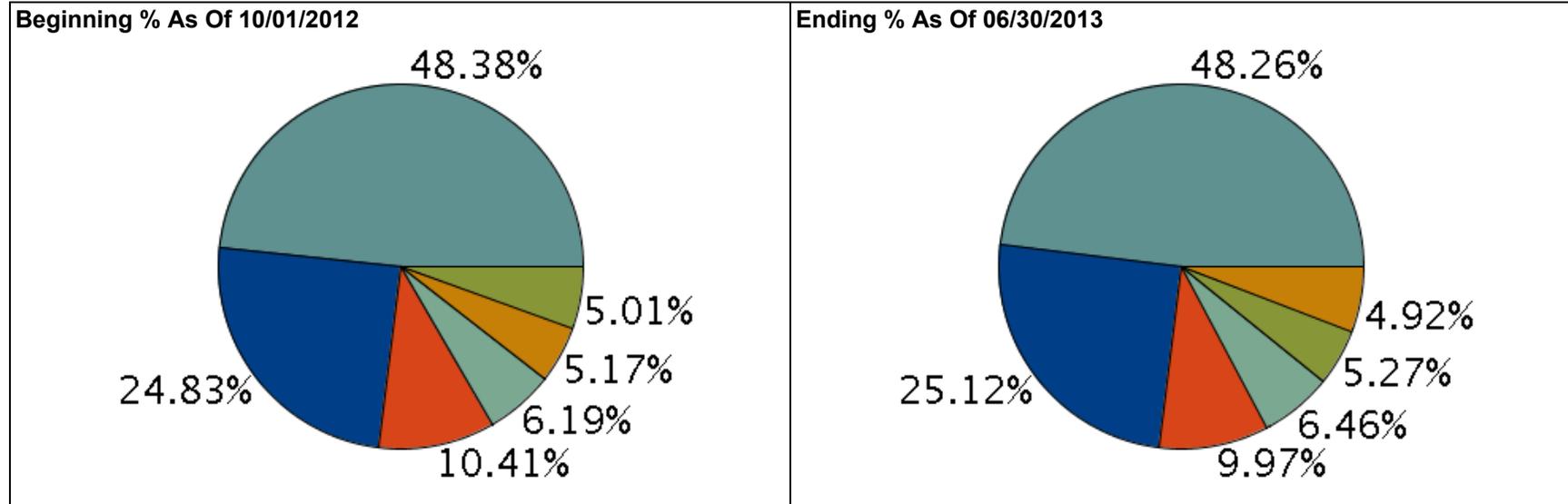
# Portfolio and Strategic Asset Allocation Review

| Investment Review - Allocation 10/01/2012 through 06/30/2013   |                     |             |                     |             |
|--|---------------------|-------------|---------------------|-------------|
| <i>Inv Manager or Sub-Advisor</i>  | Beginning Balance   | Breakdown % | Ending Balance      | Breakdown % |
| <b>Foreign Large Blend</b>   |                     |             |                     |             |
| <i>Fidelity / Schroders</i><br>International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup>      | \$1,151,916         | 3.12%       | \$1,225,691         | 3.01%       |
| <b>Real Estate</b>   |                     |             |                     |             |
| <b>Owned Real Estate</b>   |                     |             |                     |             |
| <i>Principal Real Estate Inv</i><br>U.S. Property Separate Account-R6 <sup>33</sup>                  | \$1,851,783         | 5.01%       | \$2,143,778         | 5.27%       |
| <b>Balanced/Asset Allocation</b>   |                     |             |                     |             |
| <b>Conservative Allocation</b>   |                     |             |                     |             |
| <i>Multiple Sub-Advisors</i><br>Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup>  | \$1,911,361         | 5.17%       | \$2,003,359         | 4.92%       |
| <b>Fixed Income</b>  |                     |             |                     |             |
| <b>High Yield Bond</b>   |                     |             |                     |             |
| <i>JP Morgan / Neuberger Berman</i><br>High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup> | \$1,878,834         | 5.08%       | \$2,025,097         | 4.98%       |
| <b>Intermediate-Term Bond</b>  |                     |             |                     |             |
| <i>PIMCO</i><br>Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup>                       | \$8,279,989         | 22.40%      | \$8,938,116         | 21.96%      |
| <i>Principal Global Investors</i><br>Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup>     | \$7,722,349         | 20.90%      | \$8,680,185         | 21.33%      |
| <b>TOTAL</b>   | <b>\$36,956,563</b> | <b>100%</b> | <b>\$40,700,792</b> | <b>100%</b> |

Please see important disclosures at the end of this presentation.

# Portfolio and Strategic Asset Allocation Review

## Asset Class Breakdown



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

# Holdings of International Separate Accounts by Region as of June 30, 2013

|                    |                |
|--------------------|----------------|
| <b><u>Asia</u></b> | <b>12.276%</b> |
| China              | 2.421%         |
| India              | 1.340%         |
| Indonesia          | 0.576%         |
| Malaysia           | 0.683%         |
| Taiwan             | 3.129%         |
| Thailand           | 0.082%         |
| South Korea        | 4.045%         |

|                             |               |
|-----------------------------|---------------|
| <b><u>Latin America</u></b> | <b>3.769%</b> |
| Bermuda                     | 0.010%        |
| Brazil                      | 2.530%        |
| Chile                       | 0.038%        |
| Mexico                      | 1.046%        |
| Peru                        | 0.146%        |

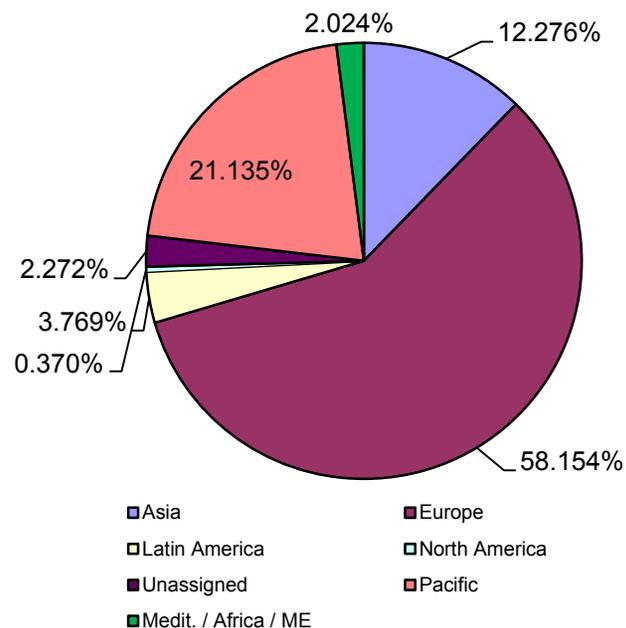
|                      |                |
|----------------------|----------------|
| <b><u>Europe</u></b> | <b>58.154%</b> |
| Austria              | 0.444%         |
| Belgium              | 0.200%         |
| Denmark              | 0.941%         |
| Finland              | 0.122%         |
| France               | 9.114%         |
| Germany              | 7.809%         |
| Greece               | 0.009%         |
| Ireland              | 0.811%         |
| Italy                | 1.350%         |
| Luxembourg           | 0.126%         |
| Netherlands          | 4.039%         |
| Norway               | 2.578%         |
| Poland               | 0.274%         |
| Portugal             | 0.086%         |
| Russia               | 1.607%         |
| Spain                | 1.223%         |
| Sweden               | 0.939%         |
| Switzerland          | 7.950%         |
| United Kingdom       | 18.531%        |

|                             |               |
|-----------------------------|---------------|
| <b><u>North America</u></b> | <b>0.370%</b> |
| United States               | 0.370%        |

|                       |                |
|-----------------------|----------------|
| <b><u>Pacific</u></b> | <b>21.135%</b> |
| Australia             | 1.768%         |
| Hong Kong             | 3.681%         |
| Japan                 | 13.592%        |
| New Zealand           | 0.018%         |
| Singapore             | 2.076%         |

|                                    |               |
|------------------------------------|---------------|
| <b><u>Medit. / Africa / ME</u></b> | <b>2.024%</b> |
| Israel                             | 0.632%        |
| South Africa                       | 1.097%        |
| Turkey                             | 0.295%        |

|            |          |
|------------|----------|
| Unassigned | 2.272%   |
|            | 100.000% |



|                             |               |
|-----------------------------|---------------|
| Asia                        | 12.276%       |
| Europe                      | 58.154%       |
| Latin America               | 3.769%        |
| North America               | 0.370%        |
| Unassigned                  | 2.272%        |
| Pacific                     | 21.135%       |
| <u>Medit. / Africa / ME</u> | <u>2.024%</u> |
|                             | 100.000%      |

# Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation 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 10/01/2012 through 06/30/2013 |  |                      |                   |
|---|--|----------------------|-------------------|
| Investment Advisor                              | Investment Option  | Beginning Allocation | Ending Allocation |
|   | <b>Large U.S. Equity</b>   | <b>24.00%</b>        | <b>24.00%</b>     |
|   | <b>Large Value</b>   |                      |                   |
| Edge Asset Management, Inc.                     | Equity Income Separate Account-R6 <sup>3, 11</sup>               | 4.90%                | 4.90%             |
| Principal Global Investors                      | LargeCap Value Separate Account-R6                               | 4.90%                | 4.90%             |
|   | <b>Large Blend</b>   |                      |                   |
| Principal Global Investors                      | LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37</sup>   | 4.40%                | 4.40%             |
|   | <b>Large Growth</b>  |                      |                   |
| T. Rowe Price/Brown Advisory                    | LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup>       | 9.80%                | 9.80%             |
|   | <b>Small/Mid U.S. Equity</b>                                     | <b>6.00%</b>         | <b>6.00%</b>      |
|   | <b>Mid Cap Value</b>   |                      |                   |
| Principal Global/Barrow Hanley                  | MidCap Value III Separate Account-R6 <sup>1</sup>                | 1.50%                | 1.50%             |
|   | <b>Mid Cap Growth</b>  |                      |                   |
| Turner / Jacobs Levy                            | MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup>       | 1.50%                | 1.50%             |
|   | <b>Small Value</b>   |                      |                   |
| DFA/Vaughan Nelson/LA Capital                   | SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup>   | 1.50%                | 1.50%             |
|   | <b>Small Growth</b>  |                      |                   |
| AllianceBern / CCI / Brown                      | SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup>    | 1.50%                | 1.50%             |
|   | <b>International Equity</b>                                      | <b>10.00%</b>        | <b>10.00%</b>     |
|   | <b>Diversified Emerging Markets</b>                              |                      |                   |
| Principal Global Investors                      | International Emerging Markets Separate Account-R6 <sup>4</sup>  | 2.00%                | 2.00%             |
|   | <b>Foreign Large Value</b>                                       |                      |                   |
| Causeway / Barrow Hanley                        | Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup>        | 5.00%                | 5.00%             |
|   | <b>Foreign Large Blend</b>                                       |                      |                   |
| Fidelity / Schroders                            | International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup> | 3.00%                | 3.00%             |
|   | <b>Real Estate</b>   | <b>5.00%</b>         | <b>5.00%</b>      |
|   | <b>Owned Real Estate</b>   |                      |                   |
| Principal Real Estate Inv                       | U.S. Property Separate Account-R6 <sup>33</sup>                  | 5.00%                | 5.00%             |

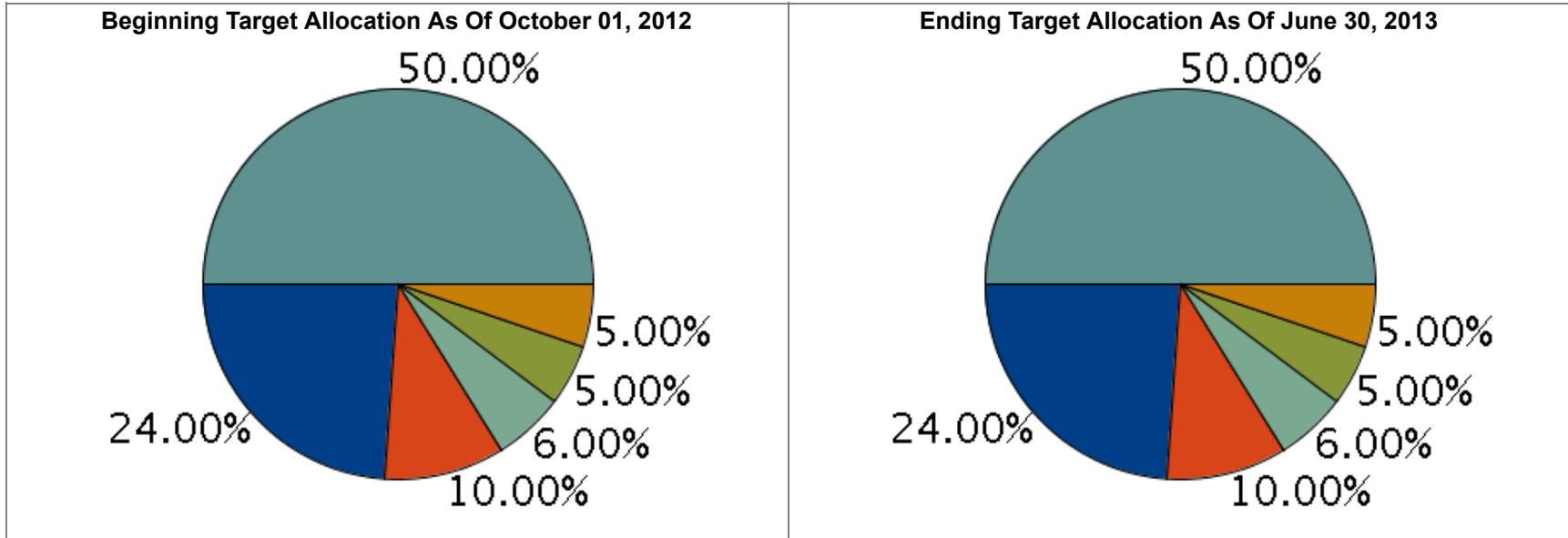
# Portfolio and Strategic Asset Allocation Review

| Target Allocation 10/01/2012 through 06/30/2013 |   |                      |                   |
|---|---|----------------------|-------------------|
| Investment Advisor                              | Investment Option   | Beginning Allocation | Ending Allocation |
|   | <b>Balanced/Asset Allocation</b>                                    | 5.00%                | 5.00%             |
|   | <b>Conservative Allocation</b>                                      |                      |                   |
| Multiple Sub-Advisors                           | Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup> | 5.00%                | 5.00%             |
|   | <b>Fixed Income</b>   | 50.00%               | 50.00%            |
|   | <b>High Yield Bond</b>  |                      |                   |
| JP Morgan / Neuberger Berman                    | High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup>       | 5.00%                | 5.00%             |
|   | <b>Intermediate-Term Bond</b>                                       |                      |                   |
| PIMCO   | Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup>      | 22.50%               | 22.50%            |
| Principal Global Investors                      | Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup>         | 22.50%               | 22.50%            |

*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.



- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Balanced/Asset Allocation
- 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   |
| Equity Income Separate Account-R6 <sup>3, 11</sup><br><br>LargeCap Value Separate Account-R6<br>  | LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37 ++</sup> | LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup><br>   |
| Small/Mid U.S. Equity   |   |  |
| Mid Cap Value   | Mid Cap Blend   | Mid Cap Growth   |
| MidCap Value III Separate Account-R6 <sup>1</sup><br>   |   | MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup><br>   |
| Small Value   | Small Blend   | Small Growth   |
| SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup><br>   |   | SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup><br>   |

# Portfolio and Strategic Asset Allocation Review

| International Equity  | Real Estate  | Balanced/Asset Allocation  |
|---|--|--|
| <p>Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup></p>  <p>BARROW, HANLEY,<br/>MEWHINNEY &amp; STRAUSS, LLC</p> <p>International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup></p>   <p>International Emerging Markets Separate Account-R6 <sup>4</sup></p>  | <p>U.S. Property Separate Account-R6 <sup>33</sup></p>   | <p>Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup></p>        |
| Short-Term Fixed Income   | Fixed Income   |  |
|   | <p>High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup></p>   <p>Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup></p>  <p>Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup></p>  |  |

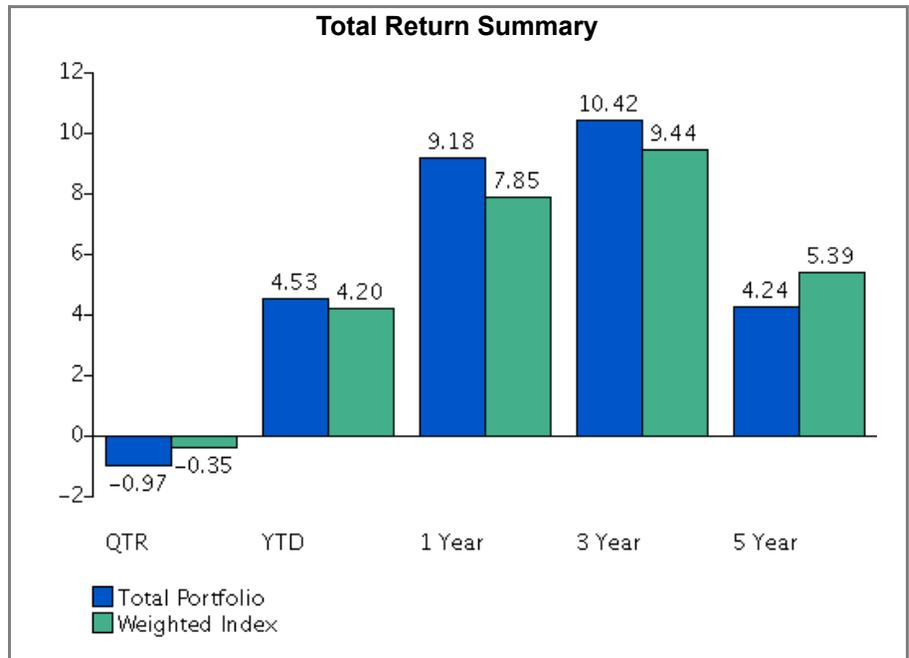
Please see important disclosures at the end of this presentation.

# Portfolio Performance Review

## Time & Dollar Weighted Rates of Return June 30, 2013

| Time & Dollar Weighted Returns | QTR   | YTD* | 1 Year | 3 Year | 5 Year |
|--------------------------------|-------|------|--------|--------|--------|
| Total Portfolio Return         | -0.97 | 4.53 | 9.18   | 10.42  | 4.24   |
| Weighted Index                 | -0.35 | 4.20 | 7.85   | 9.44   | 5.39   |
| Excess Return                  | -0.62 | 0.33 | 1.33   | 0.98   | -1.15  |

| Asset Class Return Information                  | QTR   | YTD*  | 1 Year | 3 Year | 5 Year |
|---|-------|-------|--------|--------|--------|
| Your Plan's U.S. Equity Return                  | 2.04  | 13.31 | 20.61  | 18.01  | 6.11   |
| Standard & Poor's 1500 Total Market Stock Index | 2.79  | 14.01 | 21.13  | 18.60  | 7.27   |
| Your Plan's International Equity Return         | -2.32 | 6.02  | 13.08  | 9.45   | -0.28  |
| MSCI - EAFE Index NDTR D                        | -0.98 | 10.94 | 18.62  | 10.04  | -0.63  |
| Your Plan's Real Asset Return <sup>1</sup>      | 0.18  | 4.24  | 8.74   | 11.62  | 2.35   |
| Blended Real Asset Index                        | 0.63  | 1.75  | 3.39   | 8.57   | -1.82  |
| Your Plan's Fixed Income Return                 | -2.81 | -1.26 | 1.50   | 5.20   | 4.19   |
| Barclays Aggregate Bond Index                   | -2.32 | -2.24 | -0.69  | 3.51   | 5.19   |



\*YTD is the plan year to date from 10/01/2012 to 06/30/2013.

We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your June 30, 2013 Contractholder Fund Statement.

<sup>1</sup> As of September 30, 2011, the Real Estate asset class was changed to the Real Asset asset class. Your Plan's Real Asset Return includes the weighted investment performance from the following Separate Accounts for any reporting periods during which they were applicable to your plans allocation: US Property Separate Account, sub-advised by Principal Real Estate Investors; Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors and Diversified Real Asset Separate Account, sub-advised by multiple sub-advisors.

*Please see important disclosures at the end of this presentation.*

# Portfolio and Strategic Asset Allocation Review

| Investment Review - Allocation 10/01/2012 through 06/30/2013   |                   |             |                |             |
|--|-------------------|-------------|----------------|-------------|
| Inv Manager or Sub-Advisor   | Beginning Balance | Breakdown % | Ending Balance | Breakdown % |
| <b>Investment Option</b>   |                   |             |                |             |
| <b>Large U.S. Equity</b>   |                   |             |                |             |
| <b>Large Value</b>   |                   |             |                |             |
| <i>Edge Asset Management, Inc.</i><br>Equity Income Separate Account-R6 <sup>3, 11</sup>               | \$779,854         | 6.20%       | \$842,751      | 6.09%       |
| <i>Principal Global Investors</i><br>LargeCap Value Separate Account-R6                                | \$794,961         | 6.32%       | \$841,810      | 6.08%       |
| <b>Large Blend</b>   |                   |             |                |             |
| <i>Principal Global Investors</i><br>LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37</sup>    | \$708,085         | 5.63%       | \$757,571      | 5.48%       |
| <b>Large Growth</b>  |                   |             |                |             |
| <i>T. Rowe Price/Brown Advisory</i><br>LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup>      | \$1,562,650       | 12.43%      | \$1,680,122    | 12.14%      |
| <b>Small/Mid U.S. Equity</b>   |                   |             |                |             |
| <b>Mid Cap Value</b>   |                   |             |                |             |
| <i>Principal Global/Barrow Hanley</i><br>MidCap Value III Separate Account-R6 <sup>1</sup>             | \$248,920         | 1.98%       | \$263,746      | 1.91%       |
| <b>Mid Cap Growth</b>  |                   |             |                |             |
| <i>Turner / Jacobs Levy</i><br>MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup>              | \$236,264         | 1.88%       | \$263,326      | 1.90%       |
| <b>Small Value</b>   |                   |             |                |             |
| <i>DFA/Vaughan Nelson/LA Capital</i><br>SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup> | \$247,121         | 1.97%       | \$265,295      | 1.92%       |
| <b>Small Growth</b>  |                   |             |                |             |
| <i>AllianceBern / CCI / Brown</i><br>SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup>     | \$242,914         | 1.93%       | \$264,278      | 1.91%       |
| <b>International Equity</b>  |                   |             |                |             |
| <b>Diversified Emerging Markets</b>  |                   |             |                |             |
| <i>Principal Global Investors</i><br>International Emerging Markets Separate Account-R6 <sup>4</sup>   | \$316,934         | 2.52%       | \$354,770      | 2.56%       |
| <b>Foreign Large Value</b>   |                   |             |                |             |
| <i>Causeway / Barrow Hanley</i><br>Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup>           | \$810,167         | 6.44%       | \$859,643      | 6.21%       |
| <b>Foreign Large Blend</b>   |                   |             |                |             |
| <i>Fidelity / Schroders</i><br>International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup>        | \$490,839         | 3.90%       | \$526,980      | 3.81%       |

# Portfolio and Strategic Asset Allocation Review

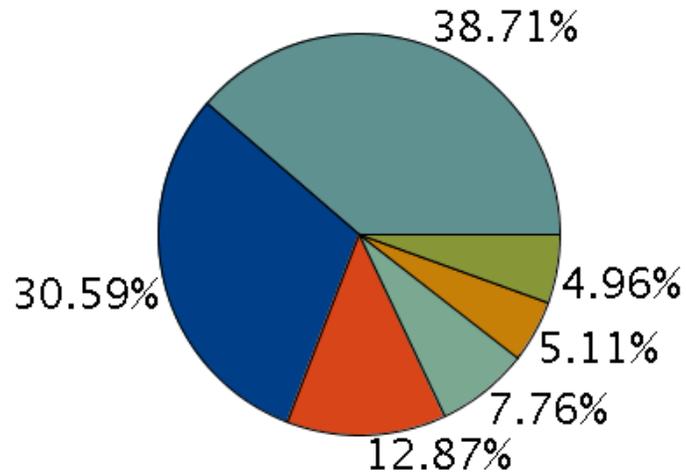
| Investment Review - Allocation 10/01/2012 through 06/30/2013   |                     |             |                     |             |
|--|---------------------|-------------|---------------------|-------------|
| <i>Inv Manager or Sub-Advisor</i>  | Beginning Balance   | Breakdown % | Ending Balance      | Breakdown % |
| <b>Real Estate</b>   |                     |             |                     |             |
| <b>Owned Real Estate</b>   |                     |             |                     |             |
| <i>Principal Real Estate Inv</i><br>U.S. Property Separate Account-R6 <sup>33</sup>                  | \$622,943           | 4.96%       | \$687,686           | 4.97%       |
| <b>Balanced/Asset Allocation</b>   |                     |             |                     |             |
| <b>Conservative Allocation</b>   |                     |             |                     |             |
| <i>Multiple Sub-Advisors</i><br>Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup>  | \$642,978           | 5.11%       | \$690,883           | 4.99%       |
| <b>Fixed Income</b>  |                     |             |                     |             |
| <b>High Yield Bond</b>   |                     |             |                     |             |
| <i>JP Morgan / Neuberger Berman</i><br>High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup> | \$505,631           | 4.02%       | \$554,301           | 4.01%       |
| <b>Intermediate-Term Bond</b>  |                     |             |                     |             |
| <i>PIMCO</i><br>Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup>                       | \$2,235,242         | 17.78%      | \$2,493,163         | 18.02%      |
| <i>Principal Global Investors</i><br>Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup>     | \$2,126,294         | 16.91%      | \$2,489,433         | 17.99%      |
| <b>TOTAL</b>   | <b>\$12,571,797</b> | <b>100%</b> | <b>\$13,835,758</b> | <b>100%</b> |

Please see important disclosures at the end of this presentation.

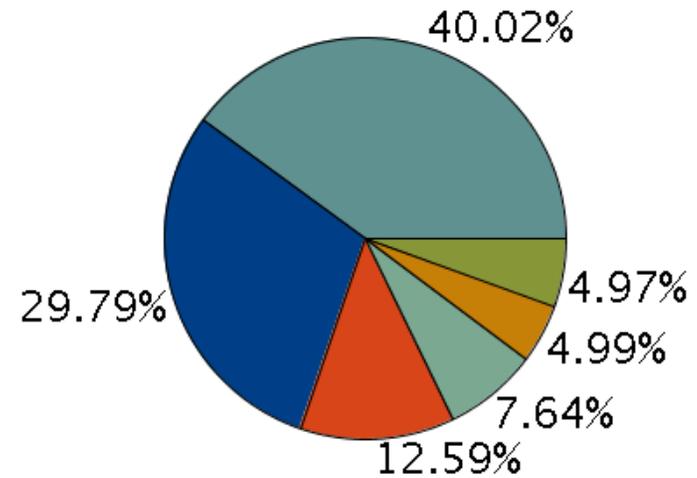
# Portfolio and Strategic Asset Allocation Review

## Asset Class Breakdown

Beginning % As Of 10/01/2012



Ending % As Of 06/30/2013



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

# Holdings of International Separate Accounts by Region as of June 30, 2013

|                    |                |
|--------------------|----------------|
| <b><u>Asia</u></b> | <b>13.395%</b> |
| China              | 2.670%         |
| India              | 1.489%         |
| Indonesia          | 0.626%         |
| Malaysia           | 0.759%         |
| Taiwan             | 3.432%         |
| Thailand           | 0.091%         |
| South Korea        | 4.327%         |

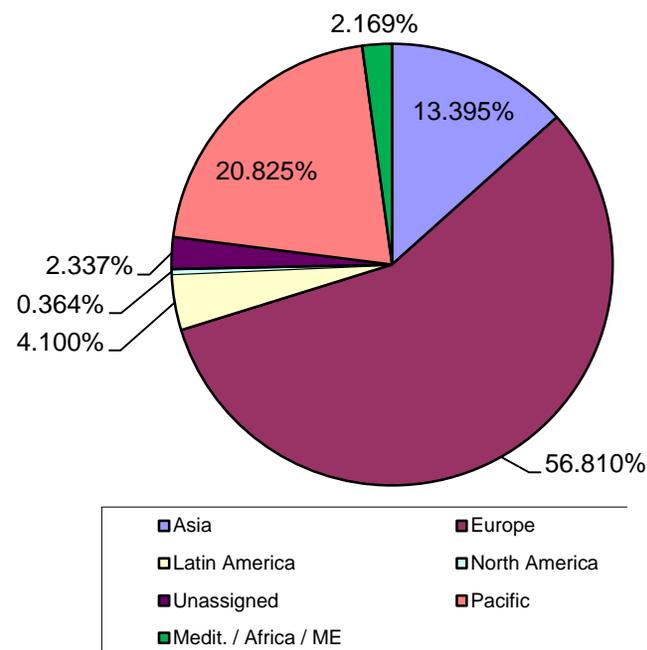
|                             |               |
|-----------------------------|---------------|
| <b><u>Latin America</u></b> | <b>4.100%</b> |
| Bermuda                     | 0.010%        |
| Brazil                      | 2.725%        |
| Chile                       | 0.042%        |
| Mexico                      | 1.161%        |
| Peru                        | 0.162%        |

|                      |                |
|----------------------|----------------|
| <b><u>Europe</u></b> | <b>56.810%</b> |
| Austria              | 0.426%         |
| Belgium              | 0.200%         |
| Denmark              | 0.909%         |
| Finland              | 0.120%         |
| France               | 8.921%         |
| Germany              | 7.623%         |
| Greece               | 0.008%         |
| Ireland              | 0.778%         |
| Italy                | 1.299%         |
| Luxembourg           | 0.122%         |
| Netherlands          | 3.903%         |
| Norway               | 2.504%         |
| Poland               | 0.304%         |
| Portugal             | 0.082%         |
| Russia               | 1.708%         |
| Spain                | 1.183%         |
| Sweden               | 0.921%         |
| Switzerland          | 7.742%         |
| United Kingdom       | 18.058%        |

|                             |               |
|-----------------------------|---------------|
| <b><u>North America</u></b> | <b>0.364%</b> |
| United States               | 0.364%        |

|                       |                |
|-----------------------|----------------|
| <b><u>Pacific</u></b> | <b>20.825%</b> |
| Australia             | 1.749%         |
| Hong Kong             | 3.759%         |
| Japan                 | 13.301%        |
| New Zealand           | 0.017%         |
| Singapore             | 1.999%         |

|                                    |               |
|------------------------------------|---------------|
| <b><u>Medit. / Africa / ME</u></b> | <b>2.169%</b> |
| Israel                             | 0.622%        |
| South Africa                       | 1.219%        |
| Turkey                             | 0.328%        |
| Unassigned                         | 2.337%        |



|                             |               |
|-----------------------------|---------------|
| Asia                        | 13.395%       |
| Europe                      | 56.810%       |
| Latin America               | 4.100%        |
| North America               | 0.364%        |
| Unassigned                  | 2.337%        |
| Pacific                     | 20.825%       |
| <u>Medit. / Africa / ME</u> | <u>2.169%</u> |
|                             | 100.000%      |

# Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation 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 10/01/2012 through 06/30/2013 |  |                      |                   |
|---|--|----------------------|-------------------|
| Investment Advisor                              | Investment Option  | Beginning Allocation | Ending Allocation |
|   | <b>Large U.S. Equity</b>   | <b>29.90%</b>        | <b>29.90%</b>     |
|   | <b>Large Value</b>   |                      |                   |
| Edge Asset Management, Inc.                     | Equity Income Separate Account-R6 <sup>3, 11</sup>               | 6.10%                | 6.10%             |
| Principal Global Investors                      | LargeCap Value Separate Account-R6                               | 6.10%                | 6.10%             |
|   | <b>Large Blend</b>   |                      |                   |
| Principal Global Investors                      | LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37</sup>   | 5.50%                | 5.50%             |
|   | <b>Large Growth</b>  |                      |                   |
| T. Rowe Price/Brown Advisory                    | LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup>       | 12.20%               | 12.20%            |
|   | <b>Small/Mid U.S. Equity</b>                                     | <b>7.60%</b>         | <b>7.60%</b>      |
|   | <b>Mid Cap Value</b>   |                      |                   |
| Principal Global/Barrow Hanley                  | MidCap Value III Separate Account-R6 <sup>1</sup>                | 1.90%                | 1.90%             |
|   | <b>Mid Cap Growth</b>  |                      |                   |
| Turner / Jacobs Levy                            | MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup>       | 1.90%                | 1.90%             |
|   | <b>Small Value</b>   |                      |                   |
| DFA/Vaughan Nelson/LA Capital                   | SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup>   | 1.90%                | 1.90%             |
|   | <b>Small Growth</b>  |                      |                   |
| AllianceBern / CCI / Brown                      | SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup>    | 1.90%                | 1.90%             |
|   | <b>International Equity</b>                                      | <b>12.50%</b>        | <b>12.50%</b>     |
|   | <b>Diversified Emerging Markets</b>                              |                      |                   |
| Principal Global Investors                      | International Emerging Markets Separate Account-R6 <sup>4</sup>  | 2.50%                | 2.50%             |
|   | <b>Foreign Large Value</b>                                       |                      |                   |
| Causeway / Barrow Hanley                        | Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup>        | 6.20%                | 6.20%             |
|   | <b>Foreign Large Blend</b>                                       |                      |                   |
| Fidelity / Schroders                            | International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup> | 3.80%                | 3.80%             |
|   | <b>Real Estate</b>   | <b>5.00%</b>         | <b>5.00%</b>      |
|   | <b>Owned Real Estate</b>   |                      |                   |
| Principal Real Estate Inv                       | U.S. Property Separate Account-R6 <sup>33</sup>                  | 5.00%                | 5.00%             |

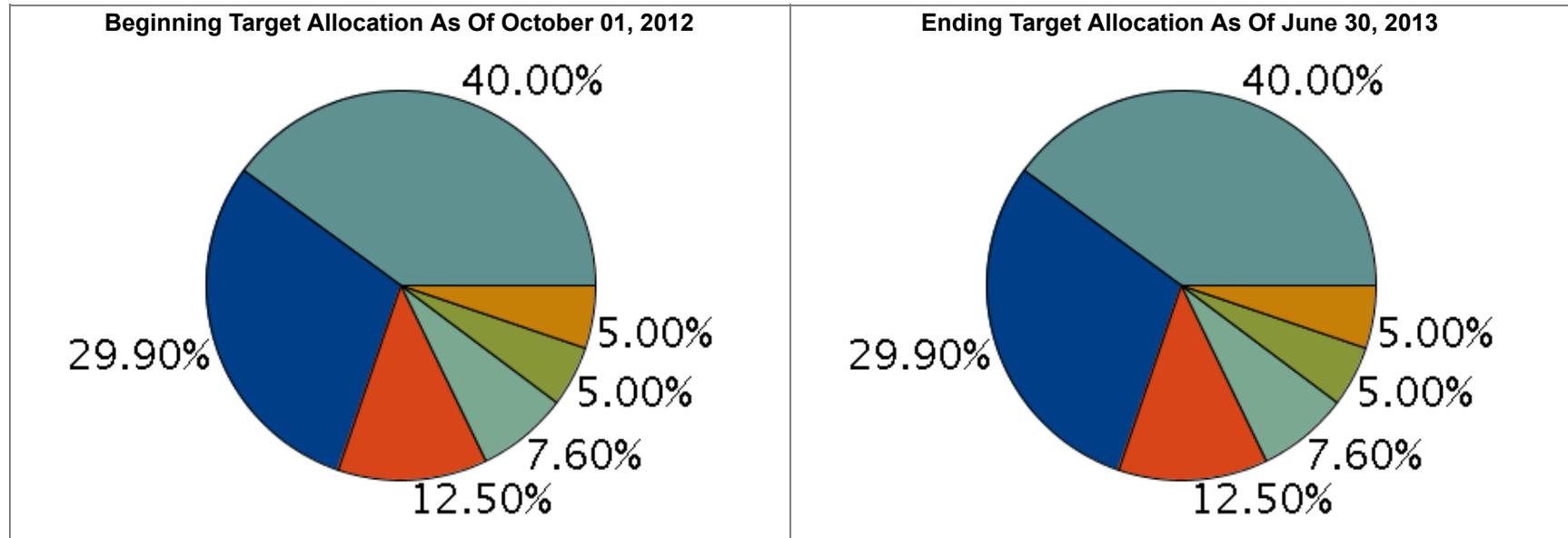
# Portfolio and Strategic Asset Allocation Review

| Target Allocation 10/01/2012 through 06/30/2013 |   |                      |                   |
|---|---|----------------------|-------------------|
| Investment Advisor                              | Investment Option   | Beginning Allocation | Ending Allocation |
|   | <b>Balanced/Asset Allocation</b>                                    | 5.00%                | 5.00%             |
|   | <b>Conservative Allocation</b>                                      |                      |                   |
| Multiple Sub-Advisors                           | Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup> | 5.00%                | 5.00%             |
|   | <b>Fixed Income</b>   | 40.00%               | 40.00%            |
|   | <b>High Yield Bond</b>  |                      |                   |
| JP Morgan / Neuberger Berman                    | High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup>       | 4.00%                | 4.00%             |
|   | <b>Intermediate-Term Bond</b>                                       |                      |                   |
| PIMCO   | Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup>      | 18.00%               | 18.00%            |
| Principal Global Investors                      | Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup>         | 18.00%               | 18.00%            |

*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.



- Large U.S. Equity
- Small/Mid U.S. Equity
- International Equity
- Real Estate
- Balanced/Asset Allocation
- 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   |
| Equity Income Separate Account-R6 <sup>3, 11</sup><br><br>LargeCap Value Separate Account-R6<br>  | LargeCap S&P 500 Index Separate Account-R6 <sup>2, 8, 37 ++</sup> | LargeCap Growth I Separate Account-R6 <sup>3, 25, 27</sup><br>   |
| Small/Mid U.S. Equity   |   |  |
| Mid Cap Value   | Mid Cap Blend   | Mid Cap Growth   |
| MidCap Value III Separate Account-R6 <sup>1</sup><br>   |   | MidCap Growth III Separate Account-R6 <sup>1, 12, 25</sup><br>   |
| Small Value   | Small Blend   | Small Growth   |
| SmallCap Value II Separate Account-R6 <sup>1, 14, 24, 25</sup><br>   |   | SmallCap Growth I Separate Account-R6 <sup>1, 3, 25, 32</sup><br>   |

# Portfolio and Strategic Asset Allocation Review

| International Equity  | Real Estate  | Balanced/Asset Allocation  |
|---|--|--|
| <p>Overseas Separate Account-R6 <sup>4, 14, 25, 31, 35</sup></p>  <p>BARROW, HANLEY,<br/>MEWHINNEY &amp; STRAUSS, LLC</p> <p>International I Separate Account-R6 <sup>4, 14, 17, 25, 29</sup></p>   <p>International Emerging Markets Separate Account-R6 <sup>4</sup></p>  | <p>U.S. Property Separate Account-R6 <sup>33</sup></p>   | <p>Diversified Real Asset Separate Account-R6 <sup>3, 11, 30, 37</sup></p>        |
| Short-Term Fixed Income   | Fixed Income   |  |
|   | <p>High Yield I Separate Account-R6 <sup>5, 14, 16, 18, 19</sup></p>   <p>Core Plus Bond I Separate Account-R6 <sup>14, 16, 19, 37</sup></p>  <p>Bond and Mortgage Separate Account-I2 <sup>16, 19, 37</sup></p>  |  |

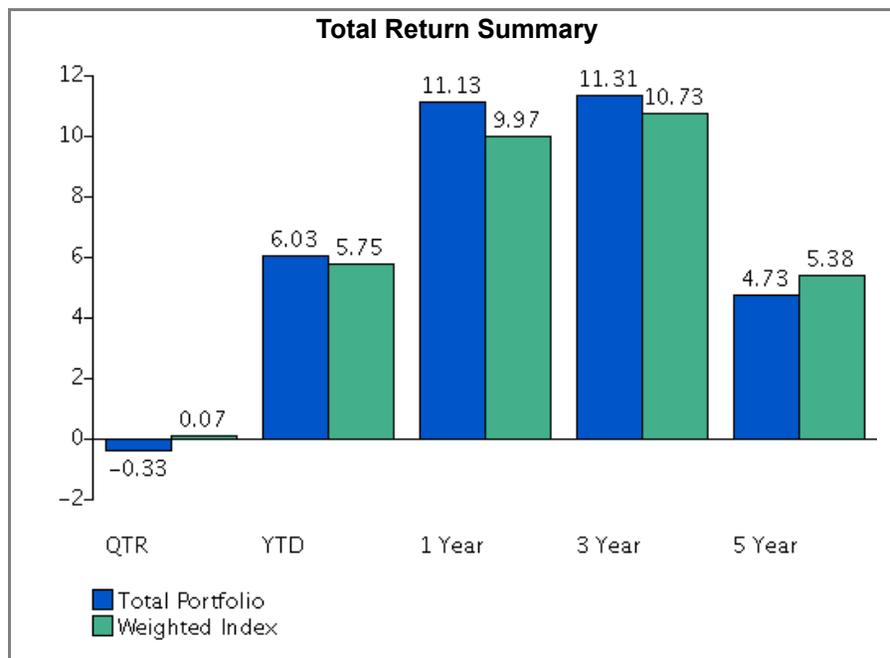
Please see important disclosures at the end of this presentation.

# Portfolio Performance Review

## Time & Dollar Weighted Rates of Return June 30, 2013

| Time & Dollar Weighted Returns | QTR   | YTD* | 1 Year | 3 Year | 5 Year |
|--------------------------------|-------|------|--------|--------|--------|
| Total Portfolio Return         | -0.33 | 6.03 | 11.13  | 11.31  | 4.73   |
| Weighted Index                 | 0.07  | 5.75 | 9.97   | 10.73  | 5.38   |
| Excess Return                  | -0.40 | 0.28 | 1.16   | 0.58   | -0.65  |

| Asset Class Return Information                  | QTR   | YTD*  | 1 Year | 3 Year | 5 Year |
|---|-------|-------|--------|--------|--------|
| Your Plan's U.S. Equity Return                  | 2.24  | 13.33 | 20.60  | 17.47  | 6.79   |
| Standard & Poor's 1500 Total Market Stock Index | 2.79  | 14.01 | 21.13  | 18.60  | 7.27   |
| Your Plan's International Equity Return         | -2.13 | 5.93  | 12.92  | 8.95   | 0.15   |
| MSCI - EAFE Index NDTR D                        | -0.98 | 10.94 | 18.62  | 10.04  | -0.63  |
| Your Plan's Real Asset Return <sup>1</sup>      | 0.19  | 4.21  | 8.70   | 11.87  | 2.90   |
| Blended Real Asset Index                        | 0.63  | 1.75  | 3.39   | 8.57   | -1.82  |
| Your Plan's Fixed Income Return                 | -2.72 | -0.93 | 1.90   | 5.39   | 4.41   |
| Barclays Aggregate Bond Index                   | -2.32 | -2.24 | -0.69  | 3.51   | 5.19   |



\*YTD is the plan year to date from 10/01/2012 to 06/30/2013.

We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your June 30, 2013 Contractholder Fund Statement.

<sup>1</sup> As of September 30, 2011, the Real Estate asset class was changed to the Real Asset asset class. Your Plan's Real Asset Return includes the weighted investment performance from the following Separate Accounts for any reporting periods during which they were applicable to your plans allocation: US Property Separate Account, sub-advised by Principal Real Estate Investors; Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors and Diversified Real Asset Separate Account, sub-advised by multiple sub-advisors.

Please see important disclosures at the end of this presentation.

# Disclosures

*Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. Insurance products and plan administrative, if applicable, services are provided by Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, IA 50392. See the fact sheet for the full name of the Separate Account. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contracts providing access to the Separate Accounts or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a Separate Account, you may not be able to immediately withdraw them.*

*++ 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.*

***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 or by visiting principal.com.***

*Investment options are subject to investment risk. Shares or unit values will fluctuate and investments, when redeemed, may be worth more or less than their original cost. This does not apply, however, to the guaranteed portions of group annuity contracts issued by Principal Life that constitute guaranteed benefit policies as defined in ERISA §401(b)(2)(B).*

*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.*

*(C) 2013 Morningstar, Inc. All Rights Reserved. Part of the mutual fund data contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.*

*Compliance number: t13072602s6*

*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 and volatility that is 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.*
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. For time periods prior to inception date of the fund, predecessor performance is reflected. 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.*
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.*
24. *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.*
25. *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.*

27. 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.

29. 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.

30. 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. or any other government entity. Concentrating investments in natural resources industries can be affected significantly by events relating to those industries, such as variations in the commodities markets, weather, disease, embargoes, international, political and economic developments, the success of exploration projects, tax and other government regulations and other factors. Investment in derivatives entails specific risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility. REIT securities are subject to risk factors associated with the real estate industry and tax factors of REIT registration. An MLP that invests in a particular industry (e.g., oil and gas) may be harmed by detrimental economic events within that industry. As partnerships, MLPs may be subject to less regulation (and less protection for investors) under state laws than corporations. In addition, MLPs may be subject to state taxation in certain jurisdictions, which may reduce the amount of income paid by an MLP to its investors.

31. 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.

32. Effective September 20, 2010, Brown Advisory was added as an additional sub-advisor. Effective May 1, 2009, Columbus Circle Investors was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

33. 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, withdrawals may be delayed for up to 3 years.

35. Formerly known as International Value I Separate Account.

36. The net return experienced may be negative if the costs to maintain and operate the Money Market Separate Account exceed returns. Participants may also see negative returns if plan expenses, if applicable, are netted or deducted from their accounts.

37. The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

## **Benchmark Descriptions**

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

*Barclays US Corp High Yld 2% Issuer Capped Index is an unmanaged index 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%.*

*Blended Real Asset Index through September 30, 2011, is as follows: 75% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The 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. 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. Effective October 1, 2011, the Blended Real Asset Index is comprised of 100% Consumer Price Index (CPI) plus 1.5%. Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.*

*Diversified Real Asset Custom Index is composed of 17% Barclays U.S. Treasury TIPS Index, 18% Dow Jones UBS Commodity Index, 8% S&P N.A. Natural Resources Index, 12% Tortoise MLP Index, 20% Dow Jones Brookfield Global Infrastructure Index, 20% Credit Suisse Leveraged Loan Index, and 5% FTSE EPRA/NAREIT Developed Index. The blended index historic returns reflect the allocation as of the time of production. Previous allocation changes are not restated.*

*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.*

*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 1500 Total Market Stock Index is an index of small, medium and large stocks. It is comprised of stocks from the Standard & Poor's 500, 400 and 600 stock indices.*