

# Principal LifeTime Strategic Income Sep Acct-Pro as of 09/30/2009

## Investment Strategy

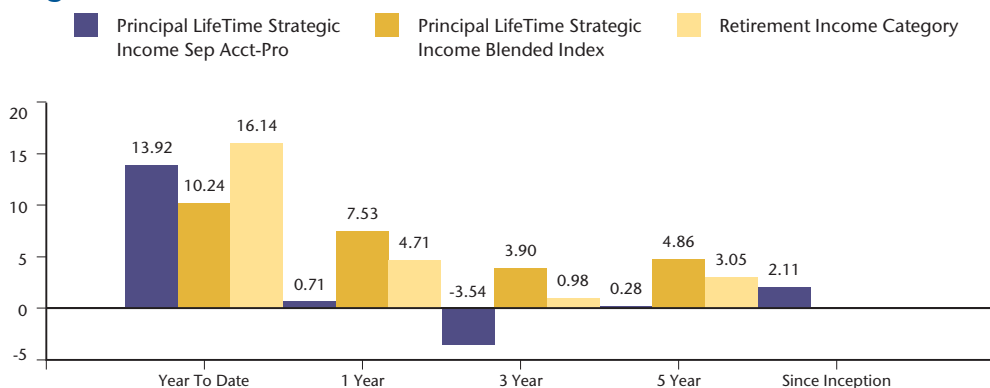
The investment seeks current income and, as a secondary objective, capital appreciation. The fund invests in underlying fixed-income funds, but also invests in underlying equity and hybrid funds according to an asset allocation strategy designed for investors seeking current income from their investment. It invests most of the assets in underlying funds which are intended primarily to give the fund broad exposure to income-producing securities through their investments in fixed-income securities, "hybrid" securities and dividend generating domestic and foreign stocks.



## Portfolio managers

**Dirk Laschanzky**, CFA. Since 03/01/2001. M.B.A., U of Iowa  
**James Fennessey**, CFA. Since 05/29/2007. B.S., Truman State U  
**Michael P. Finnegan**, CFA. Since 05/29/2007. M.A., U of Iowa  
**Randy L. Welch** Since 05/29/2007. M.B.A., Drake U  
**David Blake**, CFA. Since 03/31/2008. M.B.A., Saint Louis U

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



## Performance disclosure

*Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit [www.principal.com](http://www.principal.com), contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.*

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

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	13.92	0.71	-3.54	0.28	2.11
Principal LifeTime Strategic Income Blended Index %	10.24	7.53	3.90	4.86	-
Retirement Income Category %	16.14	4.71	0.98	3.05	-
Morningstar Percentile Rankings	-	89	100	100	-
# of Funds in Category	145	138	85	47	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-23.46	0.20	7.49	2.57	9.42
Principal LifeTime Strategic Income Blended Index %	-6.49	7.10	6.90	3.48	6.15
Retirement Income Category %	-18.06	4.46	7.34	3.30	6.46
Morningstar Percentile Rankings	78	100	48	82	18
# of Funds in Category	122	107	84	57	40

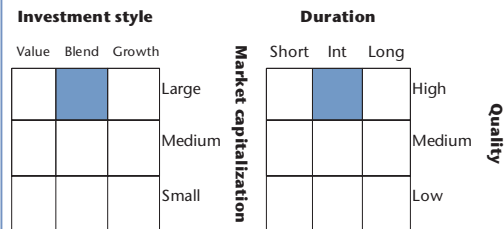
*Morningstar percentile rankings are based on total returns.*

## Morningstar category

Retirement Income

## Morningstar Style Box™

As of 08/31/2009



## Risk and Return Statistics

as of 09/30/2009 Relative to Principal LifeTime Strategic Income Blended Index

	3Yr	5Yr
Alpha	-7.62	-4.91
Beta	1.37	1.34
R-Squared	85.45	83.50
Standard Deviation	10.32	8.32
Mean	-3.54	0.28
Sharpe Ratio	-0.56	-0.29
Excess Return	-7.44	-4.58
Excess Risk	4.74	3.90
Information Ratio	-1.57	-1.17

## Operations

Total Investment Expense Net	2.11%
Total Investment Expense Gross	2.11%
Inception Date	03/30/2001
Total Net Assets (mil)	\$491.69



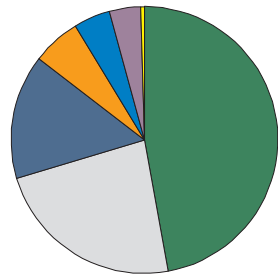
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Risk and return statistical data is provided by Markov Processes International (MPI).

# Principal LifeTime Strategic Income Sep Acct-Pro as of 09/30/2009

## Portfolio information<sup>†</sup>

Composition as of  
08/31/2009



Asset Class	% of Assets
U.S. Bonds	47.16
Cash	23.19
U.S. Stocks	15.07
Non-U.S. Stocks	5.88
Non-U.S. Bonds	4.42
Preferred	3.77
Other	0.45
Convertibles	0.06

Top ten holdings	% of net assets
1. Principal Bond & Mtg Securities Inst	24.80
2. Principal Core Plus Bond I Institutional	15.56
3. Principal Inflation Protection Inst	12.29
4. Principal Ultra Short Bond Inst	11.02
5. Principal Global Div Inc Instl	5.79
6. Principal Preferred Securities Inst	5.30
7. Principal Real Estate Securities Inst	4.96
8. Principal Discp Large Cap Blend Inst	3.26
9. Principal Large Cap Blend I Inst	1.82
10. Principal International Value I Instl	1.66
% of net assets in top ten holdings*	86.46

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	24
GeoAvgCap (mil)	\$13,104.78
Turnover Ratio	31%
P/C Ratio	5.20
P/E Ratio	10.46
P/B Ratio	1.50

## Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	1.87	Healthcare	7.89	Consumer Goods	8.20
Hardware	6.34	Consumer Services	6.85	Industrial Materials	8.83
Media	1.29	Business Services	3.91	Energy	7.50
Telecom	5.37	Financial Services	38.97	Utilities	2.97

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

The full name of this investment option is Principal LifeTime Strategic Income Sep Acct-Pro.

Principal LifeTime Strategic Income Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime Strategic Income portfolio. The weightings as of March 31, 2009 are 19.0% Russell 3000 Index, 6.0% MSCI EAFE Index, and 75.0% Barclays Capital Aggregate Index.

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

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

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

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

Effective July 1, 2009, the management fee component of the gross and net Total Investment Expense of Principal LifeTime Funds will be reduced to 0.03% annually, from 0.1225%. Since the Principal LifeTime Separate Accounts invest wholly in the Institutional Shares of the Principal LifeTime mutual funds, this reduction will flow through to the Principal LifeTime Separate Accounts.

This Separate Account invests directly in the Institutional class shares of a Principal LifeTime Fund. The mutual fund operating expenses for each Principal LifeTime Fund are reflected in the Total Investment Expense of the Separate Account as well as the operating expenses of the underlying funds in which the Principal LifeTime Fund invests. Based on the asset allocation of the Principal LifeTime Funds as in the prospectus dated March 1, 2009, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.55%; Principal LifeTime 2010, 0.66%; Principal LifeTime 2015, 0.67%; Principal LifeTime 2020, 0.72%; Principal LifeTime 2025, 0.71%; Principal LifeTime 2030, 0.75%; Principal LifeTime 2035, 0.75%; Principal LifeTime 2040, 0.77%; Principal LifeTime 2045, 0.82%; Principal LifeTime 2050, 0.79%; Principal LifeTime 2055, 0.79%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal LifeTime Fund. 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.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.

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# Principal LifeTime 2010 Sep Acct-Pro as of 09/30/2009

## Investment Strategy

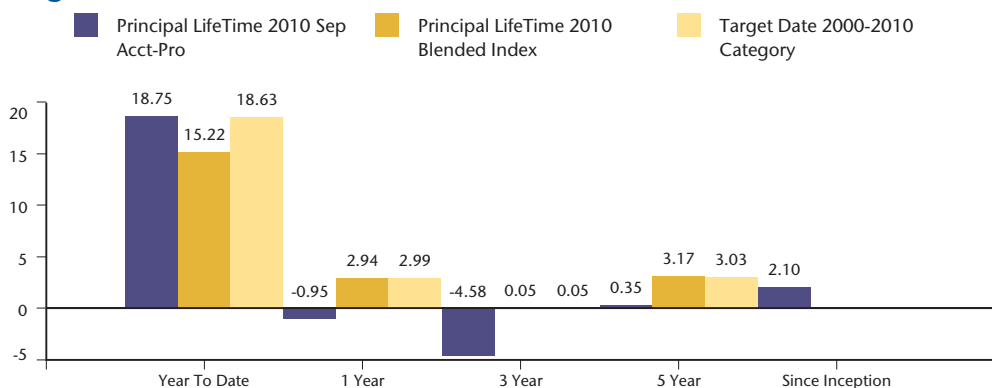
The investment seeks a total return consisting of long-term growth of capital and current income. The fund invests in underlying Principal domestic and foreign equity, hybrid, and fixed-income funds according to an asset allocation strategy designed for investors having an investment time horizon comparable to that of the fund. It allocates the assets more conservatively over time. The fund may invest in any of the Institutional class shares of the equity funds or fixed-income funds of Principal Funds, at the sub-advisors discretion.



## Portfolio managers

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



## Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	18.75	-0.95	-4.58	0.35	2.10
Principal LifeTime 2010 Blended Index %	15.22	2.94	0.05	3.17	-
Target Date 2000-2010 Category %	18.63	2.99	0.05	3.03	-
Morningstar Percentile Rankings	-	94	100	100	-
# of Funds in Category	214	199	127	51	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-31.32	2.04	10.35	3.99	10.11
Principal LifeTime 2010 Blended Index %	-20.76	7.02	8.73	4.11	7.92
Target Date 2000-2010 Category %	-22.46	5.22	8.58	3.68	6.82
Morningstar Percentile Rankings	95	93	23	45	20
# of Funds in Category	304	266	188	126	88

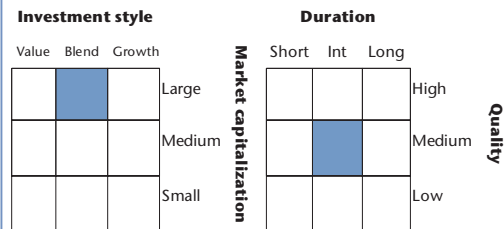
*Morningstar percentile rankings are based on total returns.*

## Morningstar category

Target Date 2000-2010

## Morningstar Style Box™

As of 08/31/2009



## Risk and Return Statistics

as of 09/30/2009 Relative to Principal LifeTime 2010 Blended Index

	3Yr	5Yr
Alpha	-3.91	-2.63
Beta	1.21	1.21
R-Squared	96.96	96.60
Standard Deviation	15.27	12.21
Mean	-4.58	0.35
Sharpe Ratio	-0.41	-0.16
Excess Return	-4.64	-2.82
Excess Risk	3.77	3.09
Information Ratio	-1.23	-0.91

## Operations

Total Investment Expense Net	2.21%
Total Investment Expense Gross	2.21%
Inception Date	03/30/2001
Total Net Assets (mil)	\$1,459.63



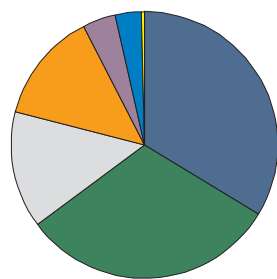
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# Principal LifeTime 2010 Sep Acct-Pro as of 09/30/2009

## Portfolio information†

Composition as of 08/31/2009



% of Assets	
U.S. Stocks	33.66
U.S. Bonds	31.19
Cash	14.22
Non-U.S. Stocks	13.36
Preferred	4.02
Non-U.S. Bonds	3.11
Other	0.39
Convertibles	0.05

Top ten holdings	% of net assets
1. Principal Bond & Mtg Securities Inst	16.95
2. Principal Core Plus Bond I Institutional	10.59
3. Principal Discp Large Cap Blend Inst	8.38
4. Principal Preferred Securities Inst	6.43
5. Principal Real Estate Securities Inst	6.26
6. Principal Large Cap Blend I Inst	4.45
7. Principal Large Cap Growth I Inst	4.05
8. Principal International Value I Instl	4.00
9. Principal International I Inst	3.95
10. Principal International Growth Inst	3.92
% of net assets in top ten holdings*	68.99

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	27
GeoAvgCap (mil)	\$16,716.82
Turnover Ratio	13%
P/C Ratio	4.98
P/E Ratio	12.29
P/B Ratio	1.58

## Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	2.33	Healthcare	9.22	Consumer Goods	9.42
Hardware	7.61	Consumer Services	7.61	Industrial Materials	10.43
Media	1.64	Business Services	4.42	Energy	9.08
Telecom	6.74	Financial Services	28.09	Utilities	3.40

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Principal LifeTime 2010 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2010 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2009 are 39.9% Russell 3000 Index, 14.1% MSCI EAFE Index, and 46.0% Barclays Capital Aggregate Index.

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

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Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.

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# Principal LifeTime 2020 Sep Acct-Pro as of 09/30/2009

## Investment Strategy

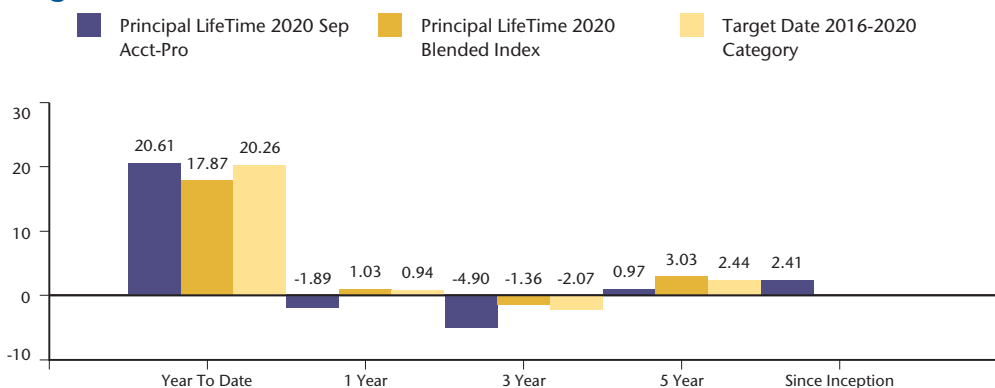
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## Portfolio managers

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



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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	20.61	-1.89	-4.90	0.97	2.41
Principal LifeTime 2020 Blended Index %	17.87	1.03	-1.36	3.03	-
Target Date 2016-2020 Category %	20.26	0.94	-2.07	2.44	-
Morningstar Percentile Rankings	-	86	100	100	-
# of Funds in Category	216	201	107	48	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-34.70	3.66	12.50	6.05	10.67
Principal LifeTime 2020 Blended Index %	-26.44	7.00	11.30	5.12	9.54
Target Date 2016-2020 Category %	-29.46	6.02	11.95	5.80	9.61
Morningstar Percentile Rankings	82	85	42	45	27
# of Funds in Category	186	134	91	62	42

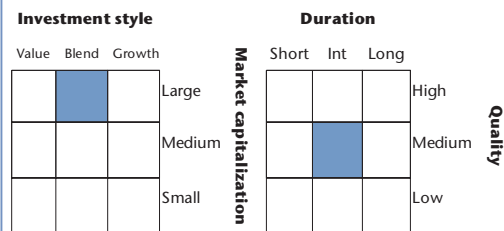
*Morningstar percentile rankings are based on total returns.*

## Morningstar category

Target Date 2016-2020

## Morningstar Style Box™

As of 08/31/2009



## Risk and Return Statistics

as of 09/30/2009 Relative to Principal LifeTime 2020 Blended Index

	3Yr	5Yr
Alpha	-2.79	-1.86
Beta	1.15	1.15
R-Squared	98.41	98.28
Standard Deviation	17.50	14.08
Mean	-4.89	0.97
Sharpe Ratio	-0.36	-0.08
Excess Return	-3.53	-2.06
Excess Risk	3.17	2.60
Information Ratio	-1.11	-0.79

## Operations

Total Investment Expense Net	2.27%
Total Investment Expense Gross	2.27%
Inception Date	03/30/2001
Total Net Assets (mil)	\$3,480.60



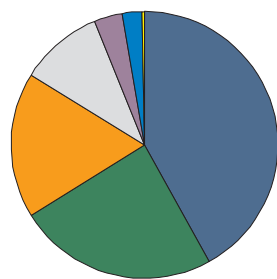
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# Principal LifeTime 2020 Sep Acct-Pro as of 09/30/2009

## Portfolio information†

Composition as of 08/31/2009



Asset Class	% of Assets
U.S. Stocks	41.95
U.S. Bonds	24.18
Non-U.S. Stocks	17.69
Cash	10.09
Preferred	3.36
Non-U.S. Bonds	2.35
Other	0.34
Convertibles	0.04

### Top ten holdings

Rank	Top ten holdings	% of net assets
1.	Principal Bond & Mtg Securities Inst	13.41
2.	Principal Discp Large Cap Blend Inst	10.42
3.	Principal Core Plus Bond I Institutional	8.40
4.	Principal Preferred Securities Inst	5.59
5.	Principal Large Cap Growth I Inst	5.49
6.	Principal Large Cap Blend I Inst	5.46
7.	Principal International Value I Instl	5.43
8.	Principal International I Inst	5.36
9.	Principal High Yield I Inst	5.26
10.	Principal International Growth Inst	5.26
% of net assets in top ten holdings*		70.08

### Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	23
GeoAvgCap (mil)	\$17,450.70
Turnover Ratio	7%
P/C Ratio	4.92
P/E Ratio	12.34
P/B Ratio	1.62

## Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	2.53	Healthcare	9.76	Consumer Goods	9.98
Hardware	8.08	Consumer Services	8.05	Industrial Materials	11.12
Media	1.72	Business Services	4.78	Energy	9.45
Telecom	7.15	Financial Services	23.80	Utilities	3.57

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Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

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

Effective July 1, 2009, the management fee component of the gross and net Total Investment Expense of Principal LifeTime Funds will be reduced to 0.03% annually, from 0.1225%. Since the Principal LifeTime Separate Accounts invest wholly in the Institutional Shares of the Principal LifeTime mutual funds, this reduction will flow through to the Principal LifeTime Separate Accounts.

This Separate Account invests directly in the Institutional class shares of a Principal LifeTime Fund. The mutual fund operating expenses for each Principal LifeTime Fund are reflected in the Total Investment Expense of the Separate Account as well as the operating expenses of the underlying funds in which the Principal LifeTime Fund invests. Based on the asset allocation of the Principal LifeTime Funds as in the prospectus dated March 1, 2009, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.55%; Principal LifeTime 2010, 0.66%; Principal LifeTime 2015, 0.67%; Principal LifeTime 2020, 0.72%; Principal LifeTime 2025, 0.71%; Principal LifeTime 2030, 0.75%; Principal LifeTime 2035, 0.75%; Principal LifeTime 2040, 0.77%; Principal LifeTime 2045, 0.82%; Principal LifeTime 2050, 0.79%; Principal LifeTime 2055, 0.79%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal LifeTime Fund. 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.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.

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

# Principal LifeTime 2030 Sep Acct-Pro as of 09/30/2009

## Investment Strategy

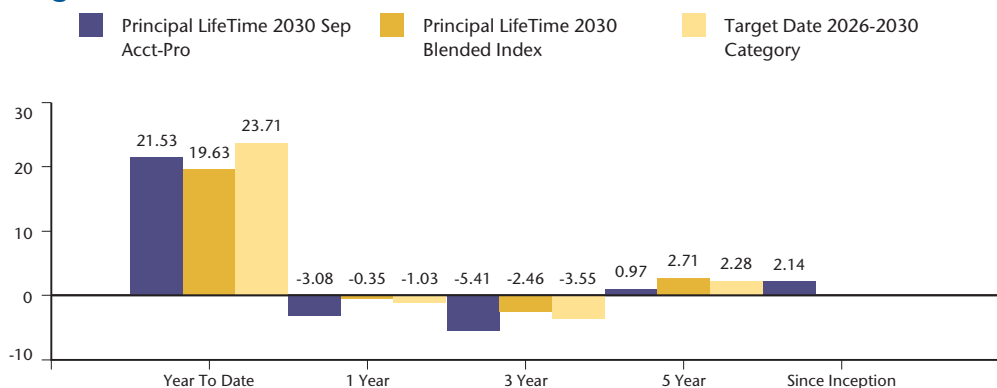
The investment seeks a total return consisting of long-term growth of capital and current income. The fund invests in underlying Principal domestic and foreign equity, hybrid, and fixed-income funds according to an asset allocation strategy designed for investors having an investment time horizon comparable to that of the fund. It allocates the assets more conservatively over time. The fund may invest in any of the Institutional Class shares of the equity funds or fixed-income funds of Principal Funds, at the sub-advisors discretion.



## Portfolio managers

**Dirk Laschanzky**, CFA. Since 03/01/2001. M.B.A., U of Iowa  
**James Fennessey**, CFA. Since 05/29/2007. B.S., Truman State U  
**Michael P. Finnegan**, CFA. Since 05/29/2007. M.A., U of Iowa  
**Randy L. Welch** Since 05/29/2007. M.B.A., Drake U  
**David Blake**, CFA. Since 03/31/2008. M.B.A., Saint Louis U

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



## Performance disclosure

*Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit [www.principal.com](http://www.principal.com), contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.*

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	21.53	-3.08	-5.41	0.97	2.14
Principal LifeTime 2030 Blended Index %	19.63	-0.35	-2.46	2.71	-
Target Date 2026-2030 Category %	23.71	-1.03	-3.55	2.28	-
Morningstar Percentile Rankings	-	84	99	100	-
# of Funds in Category	205	190	103	40	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-37.21	4.65	13.59	6.75	11.16
Principal LifeTime 2030 Blended Index %	-30.22	6.94	12.72	5.65	10.42
Target Date 2026-2030 Category %	-36.04	6.50	13.60	6.81	10.95
Morningstar Percentile Rankings	62	81	53	66	48
# of Funds in Category	169	130	87	58	36

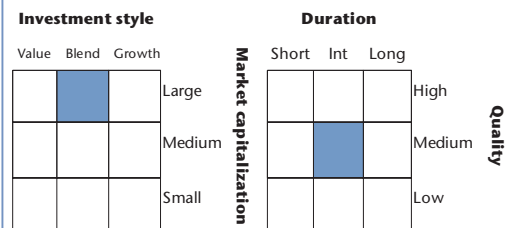
*Morningstar percentile rankings are based on total returns.*

## Morningstar category

Target Date 2026-2030

## Morningstar Style Box™

As of 08/31/2009



## Risk and Return Statistics

as of 09/30/2009 Relative to Principal LifeTime 2030 Blended Index

	3Yr	5Yr
Alpha	-2.26	-1.52
Beta	1.11	1.11
R-Squared	98.79	98.71
Standard Deviation	18.98	15.32
Mean	-5.41	0.97
Sharpe Ratio	-0.34	-0.06
Excess Return	-2.95	-1.74
Excess Risk	2.83	2.34
Information Ratio	-1.04	-0.74

## Operations

Total Investment Expense Net	2.30%
Total Investment Expense Gross	2.30%
Inception Date	03/30/2001
Total Net Assets (mil)	\$3,056.48



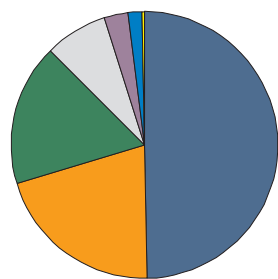
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Risk and return statistical data is provided by Markov Processes International (MPI).

# Principal LifeTime 2030 Sep Acct-Pro as of 09/30/2009

## Portfolio information†

Composition as of  
08/31/2009



Asset Class	% of Assets
U.S. Stocks	49.62
Non-U.S. Stocks	20.68
U.S. Bonds	17.20
Cash	7.62
Preferred	2.87
Non-U.S. Bonds	1.69
Other	0.28
Convertibles	0.04

### Top ten holdings

Rank	Top ten holdings	% of net assets
1.	Principal Discp Large Cap Blend Inst	11.81
2.	Principal Bond & Mtg Securities Inst	7.67
3.	Principal Large Cap Growth I Inst	6.65
4.	Principal High Yield I Inst	6.11
5.	Principal Large Cap Blend I Inst	6.04
6.	Principal International Value I Instl	6.00
7.	Principal International I Inst	5.91
8.	Principal International Growth Inst	5.79
9.	Principal Large Cap Growth Inst	5.60
10.	Principal Real Estate Securities Inst	4.87
% of net assets in top ten holdings*		66.45

### Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	23
GeoAvgCap (mil)	\$17,744.83
Turnover Ratio	7%
P/C Ratio	4.87
P/E Ratio	12.02
P/B Ratio	1.63

## Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	2.59	Healthcare	9.86	Consumer Goods	9.99
Hardware	8.28	Consumer Services	8.16	Industrial Materials	11.19
Media	1.76	Business Services	4.84	Energy	9.61
Telecom	7.30	Financial Services	22.86	Utilities	3.58

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

The full name of this investment option is Principal LifeTime 2030 Sep Acct-Pro.

Principal LifeTime 2030 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2030 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2009 are 56.3% Russell 3000 Index, 22.0% MSCI EAFE Index, and 21.7% Barclays Capital Aggregate Index.

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Effective July 1, 2009, the management fee component of the gross and net Total Investment Expense of Principal LifeTime Funds will be reduced to 0.03% annually, from 0.1225%. Since the Principal LifeTime Separate Accounts invest wholly in the Institutional Shares of the Principal LifeTime mutual funds, this reduction will flow through to the Principal LifeTime Separate Accounts.

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# Principal LifeTime 2040 Sep Acct-Pro as of 09/30/2009

## Investment Strategy

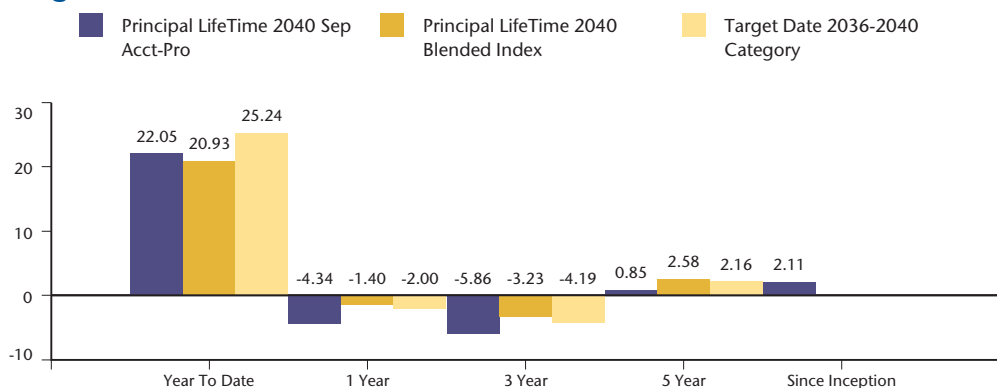
The investment seeks a total return consisting of long-term growth of capital and current income. The fund invests in underlying Principal domestic and foreign equity, hybrid, and fixed-income funds according to an asset allocation strategy designed for investors having an investment time horizon comparable to that of the fund. It allocates the assets more conservatively over time. The fund may invest in any of the Institutional Class shares of the equity funds or fixed-income funds of Principal Funds, at the sub-advisors discretion.



## Portfolio managers

**Dirk Laschanzky**, CFA. Since 03/01/2001. M.B.A., U of Iowa  
**James Fennessey**, CFA. Since 05/29/2007. B.S., Truman State U  
**Michael P. Finnegan**, CFA. Since 05/29/2007. M.A., U of Iowa  
**Randy L. Welch** Since 05/29/2007. M.B.A., Drake U  
**David Blake**, CFA. Since 03/31/2008. M.B.A., Saint Louis U

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



## Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	22.05	-4.34	-5.86	0.85	2.11
Principal LifeTime 2040 Blended Index %	20.93	-1.40	-3.23	2.58	-
Target Date 2036-2040 Category %	25.24	-2.00	-4.19	2.16	-
Morningstar Percentile Rankings	-	87	100	100	-
# of Funds in Category	198	180	95	40	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-39.03	5.36	13.88	7.20	11.33
Principal LifeTime 2040 Blended Index %	-32.87	6.88	14.26	6.21	11.37
Target Date 2036-2040 Category %	-37.94	6.21	14.67	7.41	11.71
Morningstar Percentile Rankings	65	78	64	74	57
# of Funds in Category	151	111	77	53	36

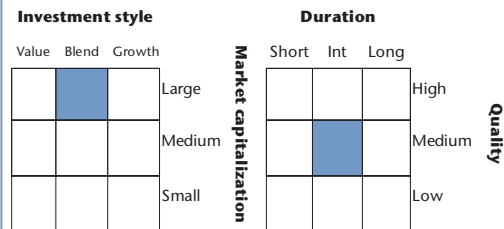
*Morningstar percentile rankings are based on total returns.*

## Morningstar category

Target Date 2036-2040

## Morningstar Style Box™

As of 08/31/2009



## Risk and Return Statistics

as of 09/30/2009 Relative to Principal LifeTime 2040 Blended Index

	3Yr	5Yr
Alpha	-2.06	-1.54
Beta	1.08	1.08
R-Squared	98.99	98.96
Standard Deviation	19.98	16.16
Mean	-5.86	0.85
Sharpe Ratio	-0.34	-0.05
Excess Return	-2.63	-1.73
Excess Risk	2.53	2.08
Information Ratio	-1.04	-0.83

## Operations

Total Investment Expense Net	2.32%
Total Investment Expense Gross	2.32%
Inception Date	03/30/2001
Total Net Assets (mil)	\$1,713.48



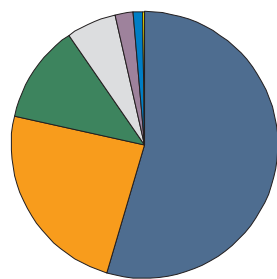
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Risk and return statistical data is provided by Markov Processes International (MPI).

# Principal LifeTime 2040 Sep Acct-Pro as of 09/30/2009

## Portfolio information†

Composition as of  
08/31/2009



Asset Class	% of Assets
U.S. Stocks	54.62
Non-U.S. Stocks	23.89
U.S. Bonds	11.85
Cash	6.09
Preferred	2.12
Non-U.S. Bonds	1.16
Other	0.24
Convertibles	0.03

### Top ten holdings

1. Principal Discp Large Cap Blend Inst	12.36
2. Principal Large Cap Growth I Inst	7.95
3. Principal International Value I Instl	6.86
4. Principal International I Inst	6.76
5. Principal International Growth Inst	6.54
6. Principal Large Cap Blend I Inst	6.51
7. Principal Large Cap Growth Inst	6.36
8. Principal High Yield I Inst	5.94
9. Principal Large Cap Value Inst	4.30
10. Principal Large Cap Value I Inst	4.28
% of net assets in top ten holdings*	67.86

% of net  
assets

### Analysis

# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	23
GeoAvgCap (mil)	\$18,475.20
Turnover Ratio	6%
P/C Ratio	4.87
P/E Ratio	10.59
P/B Ratio	1.65

## Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	2.65	Healthcare	10.00	Consumer Goods	10.18
Hardware	8.48	Consumer Services	8.31	Industrial Materials	11.47
Media	1.79	Business Services	4.98	Energy	9.76
Telecom	7.44	Financial Services	21.34	Utilities	3.61

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The full name of this investment option is Principal LifeTime 2040 Sep Acct-Pro.

Principal LifeTime 2040 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2040 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2009 are 61.0% Russell 3000 Index, 24.5% MSCI EAFE Index, and 14.5% Barclays Capital Aggregate Index.

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# Principal LifeTime 2050 Sep Acct-Pro as of 09/30/2009

## Investment Strategy

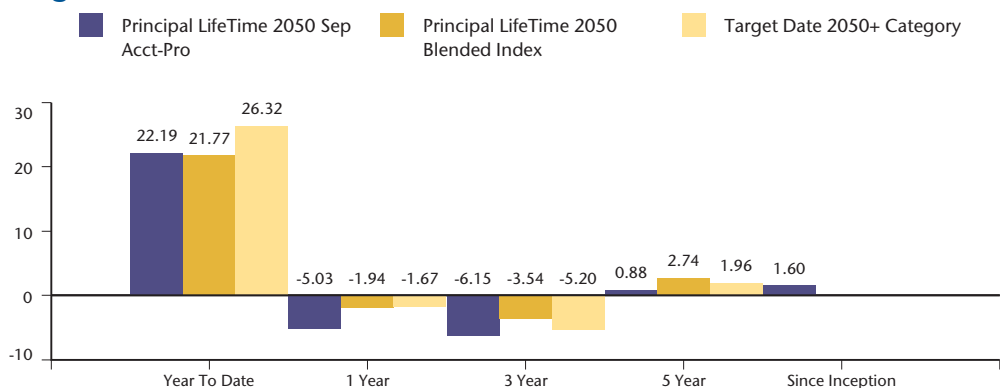
The investment seeks a total return consisting of long-term growth of capital and current income. The fund invests in underlying Principal domestic and foreign equity, hybrid, and fixed-income funds according to an asset allocation strategy designed for investors having an investment time horizon comparable to that of the fund. It allocates the assets more conservatively over time. The fund may invest in any of the Institutional Class shares of the equity funds or fixed-income funds of Principal Funds, at the sub-advisors discretion.



## Portfolio managers

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**Randy L. Welch** Since 05/29/2007. M.B.A., Drake U  
**David Blake**, CFA. Since 03/31/2008. M.B.A., Saint Louis U

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



## Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	Since Inception
Total Return %	22.19	-5.03	-6.15	0.88	1.60
Principal LifeTime 2050 Blended Index %	21.77	-1.94	-3.54	2.74	-
Target Date 2050+ Category %	26.32	-1.67	-5.20	1.96	-
Morningstar Percentile Rankings	-	100	95	100	-
# of Funds in Category	163	145	25	6	-

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-39.95	5.52	14.41	7.71	11.62
Principal LifeTime 2050 Blended Index %	-34.23	6.89	15.81	6.79	12.29
Target Date 2050+ Category %	-38.86	5.94	15.51	8.76	12.60
Morningstar Percentile Rankings	72	79	100	100	100
# of Funds in Category	97	29	16	7	6

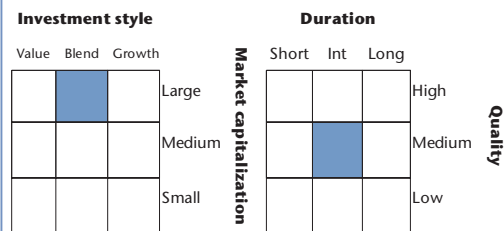
*Morningstar percentile rankings are based on total returns.*

## Morningstar category

Target Date 2050+

## Morningstar Style Box™

As of 08/31/2009



## Risk and Return Statistics

as of 09/30/2009 Relative to Principal LifeTime 2050 Blended Index

	3Yr	5Yr
Alpha	-2.13	-1.70
Beta	1.07	1.07
R-Squared	99.06	99.01
Standard Deviation	20.59	16.74
Mean	-6.16	0.87
Sharpe Ratio	-0.34	-0.05
Excess Return	-2.62	-1.87
Excess Risk	2.41	2.00
Information Ratio	-1.09	-0.93

## Operations

Total Investment Expense Net	2.35%
Total Investment Expense Gross	2.35%
Inception Date	03/30/2001
Total Net Assets (mil)	\$703.07



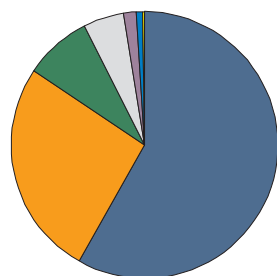
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Risk and return statistical data is provided by Markov Processes International (MPI).

# Principal LifeTime 2050 Sep Acct-Pro as of 09/30/2009

## Portfolio information†

Composition as of  
08/31/2009



Asset Class	% of Assets
U.S. Stocks	58.20
Non-U.S. Stocks	26.22
U.S. Bonds	8.08
Cash	4.96
Preferred	1.52
Non-U.S. Bonds	0.78
Other	0.22
Convertibles	0.02

Top ten holdings	% of net assets
1. Principal Discp Large Cap Blend Inst	11.86
2. Principal Large Cap Growth I Inst	8.21
3. Principal International Value I Instl	7.53
4. Principal International I Inst	7.42
5. Principal International Growth Inst	7.18
6. Principal Large Cap Growth Inst	7.12
7. Principal Large Cap Blend I Inst	6.41
8. Principal High Yield I Inst	5.15
9. Principal Large Cap Value I Inst	4.83
10. Principal Large Cap Value III Inst	4.76
% of net assets in top ten holdings*	70.46

Analysis	
# of Stock Hldgs	0
# of Bond Hldgs	0
# of Other Hldgs	23
GeoAvgCap (mil)	\$18,465.79
Turnover Ratio	7%
P/C Ratio	4.90
P/E Ratio	9.69
P/B Ratio	1.66

## Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	2.48	Healthcare	9.87	Consumer Goods	10.26
Hardware	8.36	Consumer Services	8.49	Industrial Materials	11.50
Media	1.80	Business Services	5.02	Energy	9.67
Telecom	7.25	Financial Services	21.65	Utilities	3.64

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

The full name of this investment option is Principal LifeTime 2050 Sep Acct-Pro.

Principal LifeTime 2050 Blended Index is composed of underlying indexes that represent the target asset allocation weights of the Principal LifeTime 2050 portfolio. The index weightings adjust over time as the portfolio changes to become gradually more conservative. The weightings as of March 31, 2009 are 64.2% Russell 3000 Index, 25.8% MSCI EAFE Index, and 10.0% Barclays Capital Aggregate Index.

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

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

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

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

Effective July 1, 2009, the management fee component of the gross and net Total Investment Expense of Principal LifeTime Funds will be reduced to 0.03% annually, from 0.1225%. Since the Principal LifeTime Separate Accounts invest wholly in the Institutional Shares of the Principal LifeTime mutual funds, this reduction will flow through to the Principal LifeTime Separate Accounts.

This Separate Account invests directly in the Institutional class shares of a Principal LifeTime Fund. The mutual fund operating expenses for each Principal LifeTime Fund are reflected in the Total Investment Expense of the Separate Account as well as the operating expenses of the underlying funds in which the Principal LifeTime Fund invests. Based on the asset allocation of the Principal LifeTime Funds as in the prospectus dated March 1, 2009, the weighted average operating expenses of the underlying funds are: Principal LifeTime Strategic Income, 0.55%; Principal LifeTime 2010, 0.66%; Principal LifeTime 2015, 0.67%; Principal LifeTime 2020, 0.72%; Principal LifeTime 2025, 0.71%; Principal LifeTime 2030, 0.75%; Principal LifeTime 2035, 0.75%; Principal LifeTime 2040, 0.77%; Principal LifeTime 2045, 0.82%; Principal LifeTime 2050, 0.79%; Principal LifeTime 2055, 0.79%. For further information on all mutual fund expenses, see the prospectus of the underlying Principal LifeTime Fund. 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.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.

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