

Principal Financial Advisors, Inc.



Investment Advisory Report  
South Dakota Department of Labor Retirement Plan  
Contract No. 4-15193  
July 01, 2009 - June 30, 2010

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# Principal Financial Advisors, Inc. Overview

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

For over 20 years, Principal Financial Advisors, Inc., a registered investment advisor and a member company of the Principal Financial Group®, has been providing asset allocation solutions for clients. As of June 30, 2010, we manage more than \$5 billion in assets overall and have more than 400 clients using our advisory services for retirement plans.

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

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

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

Principal Financial Advisors, Inc., provides:

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

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

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

# Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 07/01/2009 through 06/30/2010					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
<b>Large U.S. Equity</b>					
<b>Large Value</b>					
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 <sup>3, 17, 22, 34, 44</sup>	\$2,334,593	4.81%	\$2,782,092	5.40%
UBS / TS&W	LargeCap Value I Separate Account-R6 <sup>15, 44, 48</sup>	\$4,483,598	9.23%	\$5,058,021	9.81%
<b>Large Blend</b>					
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 <sup>10</sup>	\$4,266,954	8.78%	\$0	0.00%
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 <sup>2, 9, 24</sup>	\$0	0.00%	\$3,543,615	6.87%
<b>Large Growth</b>					
Columbus Circle Investors	LargeCap Growth Separate Account-R6 <sup>25</sup>	\$3,392,707	6.98%	\$4,053,356	7.86%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 <sup>3, 38, 44, 46</sup>	\$3,399,231	7.00%	\$4,134,889	8.02%
<b>Small/Mid U.S. Equity</b>					
<b>Mid Cap Value</b>					
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 <sup>1, 13, 26</sup>	\$875,630	1.80%	\$1,015,494	1.97%
<b>Mid Cap Growth</b>					
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 <sup>1, 12, 28, 44</sup>	\$871,481	1.79%	\$996,882	1.93%
<b>Small Value</b>					
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 <sup>1, 15, 38, 41, 44</sup>	\$0	0.00%	\$984,111	1.91%
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 <sup>1, 3, 16, 44</sup>	\$876,034	1.80%	\$0	0.00%
<b>Small Growth</b>					
Emerald / Essex	SmallCap Growth II Separate Account-R6 <sup>1, 3, 44, 45</sup>	\$876,149	1.80%	\$985,590	1.91%
<b>International Equity</b>					
<b>Diversified Emerging Markets</b>					
Principal Global Investors	International Emerging Markets Separate Account-R6 <sup>4</sup>	\$681,371	1.40%	\$761,784	1.48%
<b>Foreign Large Value</b>					
AXA Rosenberg/Causeway	International Value I Separate Account-R6 <sup>4, 15, 44</sup>	\$2,044,016	4.21%	\$1,984,318	3.85%
<b>Foreign Large Blend</b>					
Fidelity / Schroders	International I Separate Account-R6 <sup>4, 15, 19, 32, 44, 49</sup>	\$1,996,039	4.11%	\$1,964,355	3.81%
<b>Foreign Large Growth</b>					
Principal Global Investors	International Growth Separate Account-R6 <sup>3, 4</sup>	\$2,042,529	4.20%	\$2,118,618	4.11%
<b>Real Estate</b>					
<b>Owned Real Estate</b>					
Principal Real Estate Inv	U.S. Property Separate Account-R6 <sup>6</sup>	\$2,841,888	5.85%	\$2,586,278	5.02%
<b>Real Estate</b>					
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 <sup>3, 8</sup>	\$1,041,534	2.14%	\$1,286,194	2.50%

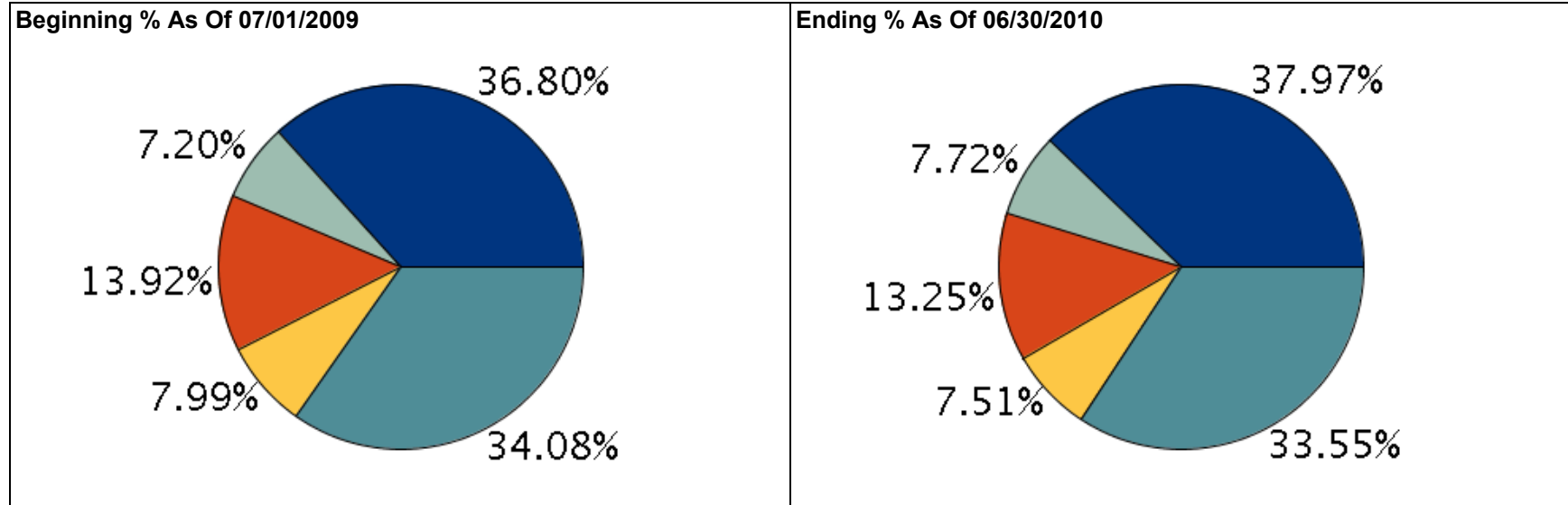
# Portfolio and Strategic Asset Allocation Review

Investment Review - Allocation 07/01/2009 through 06/30/2010					
Investment Advisor	Investment Option	Beginning Balance	Breakdown %	Ending Balance	Breakdown %
<b>Fixed Income</b>					
<b>High Yield Bond</b>					
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 <sup>5, 15, 18, 20, 21, 33</sup>	\$2,151,621	4.43%	\$2,651,141	5.14%
<b>Intermediate-Term Bond</b>					
PIMCO	Core Plus Bond I Separate Account-R6 <sup>15, 18, 21</sup>	\$5,927,617	12.20%	\$7,020,586	13.62%
Principal Global Investors	Bond and Mortgage Separate Account-I2 <sup>18, 21</sup>	\$5,980,085	12.31%	\$4,629,387	8.98%
<b>Inflation-Protected Bond</b>					
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 <sup>15, 18, 21, 35</sup>	\$2,494,935	5.14%	\$2,992,842	5.81%
<b>TOTAL</b>		<b>\$48,578,012</b>	<b>100%</b>	<b>\$51,549,553</b>	<b>100%</b>

Please see important disclosures at the end of this presentation.

# Portfolio and Strategic Asset Allocation Review

## Asset Class Breakdown



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

# Portfolio and Strategic Asset Allocation Review

The table below illustrates the plan's target allocation for future contributions at the beginning and end of the reporting period.

Your plan's assets and liabilities are reviewed periodically during the year and we make changes as needed. We will continue to monitor your plan and adjust its allocation as necessary.

Target Allocation 07/01/2009 through 06/30/2010			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	<b>Large U.S. Equity</b>	<b>36.80%</b>	<b>36.80%</b>
	<b>Large Value</b>		
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 <sup>3, 17, 22, 34, 44</sup>	4.80%	5.30%
UBS / TS&W	LargeCap Value I Separate Account-R6 <sup>15, 44, 48</sup>	9.20%	9.80%
	<b>Large Blend</b>		
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 <sup>10</sup>	8.80%	0.00%
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 <sup>2, 9, 24</sup>	0.00%	6.60%
	<b>Large Growth</b>		
Columbus Circle Investors	LargeCap Growth Separate Account-R6 <sup>25</sup>	7.00%	7.60%
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 <sup>3, 38, 44, 46</sup>	7.00%	7.50%
	<b>Small/Mid U.S. Equity</b>	<b>7.20%</b>	<b>7.20%</b>
	<b>Mid Cap Value</b>		
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 <sup>1, 13, 26</sup>	1.80%	1.80%
	<b>Mid Cap Growth</b>		
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 <sup>1, 12, 28, 44</sup>	1.80%	1.80%
	<b>Small Value</b>		
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 <sup>1, 15, 38, 41, 44</sup>	0.00%	1.80%
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 <sup>1, 3, 16, 44</sup>	1.80%	0.00%
	<b>Small Growth</b>		
Emerald / Essex	SmallCap Growth II Separate Account-R6 <sup>1, 3, 44, 45</sup>	1.80%	1.80%
	<b>International Equity</b>	<b>13.90%</b>	<b>13.90%</b>
	<b>Diversified Emerging Markets</b>		
Principal Global Investors	International Emerging Markets Separate Account-R6 <sup>4</sup>	1.40%	1.40%
	<b>Foreign Large Value</b>		
AXA Rosenberg/Causeway	International Value I Separate Account-R6 <sup>4, 15, 44</sup>	4.20%	4.20%
	<b>Foreign Large Blend</b>		
Fidelity / Schroders	International I Separate Account-R6 <sup>4, 15, 19, 32, 44, 49</sup>	4.10%	4.10%
	<b>Foreign Large Growth</b>		
Principal Global Investors	International Growth Separate Account-R6 <sup>3, 4</sup>	4.20%	4.20%

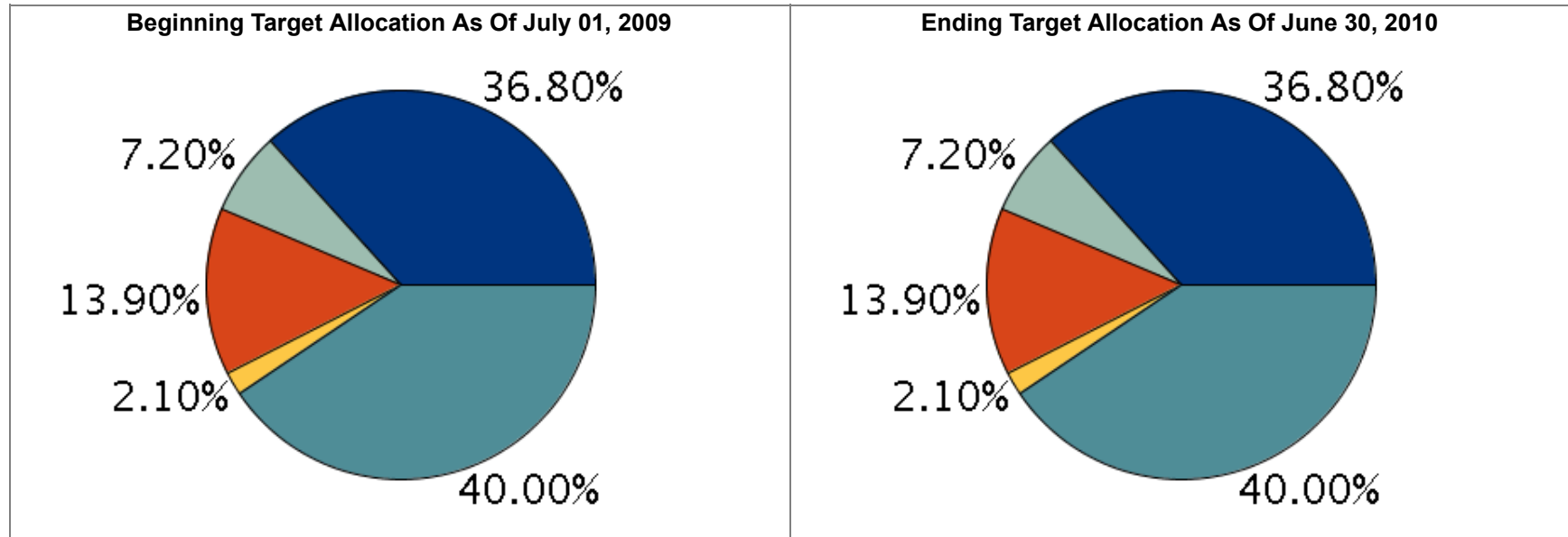
# Portfolio and Strategic Asset Allocation Review

Target Allocation 07/01/2009 through 06/30/2010			
Investment Advisor	Investment Option	Beginning Allocation	Ending Allocation
	<b>Real Estate</b>	2.10%	2.10%
	<b>Real Estate</b>		
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 <sup>3, 8</sup>	2.10%	2.10%
	<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, 15, 18, 20, 21, 33</sup>	4.40%	4.40%
	<b>Intermediate-Term Bond</b>		
PIMCO	Core Plus Bond I Separate Account-R6 <sup>15, 18, 21</sup>	15.20%	15.20%
Principal Global Investors	Bond and Mortgage Separate Account-I2 <sup>18, 21</sup>	15.30%	15.30%
	<b>Inflation-Protected Bond</b>		
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 <sup>15, 18, 21, 35</sup>	5.10%	5.10%

*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
- Fixed Income



# Portfolio and Strategic Asset Allocation Review

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

Large U.S. Equity		
Large Value	Large Blend	Large Growth
<p>LargeCap Value III Separate Account-R6 <sup>3, 17, 22, 34, 44</sup></p>   <p>LargeCap Value I Separate Account-R6 <sup>15, 44, 48</sup></p>  	<p>LargeCap S&amp;P 500 Index Separate Account-R6 <sup>2, 9, 24 ++</sup></p>	<p>LargeCap Growth Separate Account-R6 <sup>25</sup></p>  <p>LargeCap Growth I Separate Account-R6 <sup>3, 38, 44, 46</sup></p>  
Small/Mid U.S. Equity		
Mid Cap Value	Mid Cap Blend	Mid Cap Growth
<p>MidCap Value III Separate Account-R6 <sup>1, 13, 26</sup></p>  		<p>MidCap Growth III Separate Account-R6 <sup>1, 12, 28, 44</sup></p>   
Small Value	Small Blend	Small Growth
<p>SmallCap Value II Separate Account-R6 <sup>1, 15, 38, 41, 44</sup></p>   		<p>SmallCap Growth II Separate Account-R6 <sup>1, 3, 44, 45</sup></p>  

# Portfolio and Strategic Asset Allocation Review

International Equity	Real Estate	Balanced/Asset Allocation
<p>International Value I Separate Account-R6 <sup>4, 15, 44</sup></p>   <p>International I Separate Account-R6 <sup>4, 15, 19, 32, 44, 49</sup></p>   <p>International Emerging Markets Separate Account-R6 <sup>4</sup></p> <p>International Growth Separate Account-R6 <sup>3, 4</sup></p> 	<p>Real Estate Securities Separate Account-R6 <sup>3, 8</sup></p> <p>U.S. Property Separate Account-R6 <sup>6</sup></p> <p>Principal Real Estate Investors</p>	
Short-Term Fixed Income	Fixed Income	
	<p>Inflation Protection Separate Account-R6 <sup>15, 18, 21, 35</sup></p>  <p>High Yield I Separate Account-R6 <sup>5, 15, 18, 20, 21, 33</sup></p>   <p>Core Plus Bond I Separate Account-R6 <sup>15, 18, 21</sup></p>  <p><i>The Authority On Bonds™</i></p> <p>Bond and Mortgage Separate Account-I2 <sup>18, 21</sup></p> 	

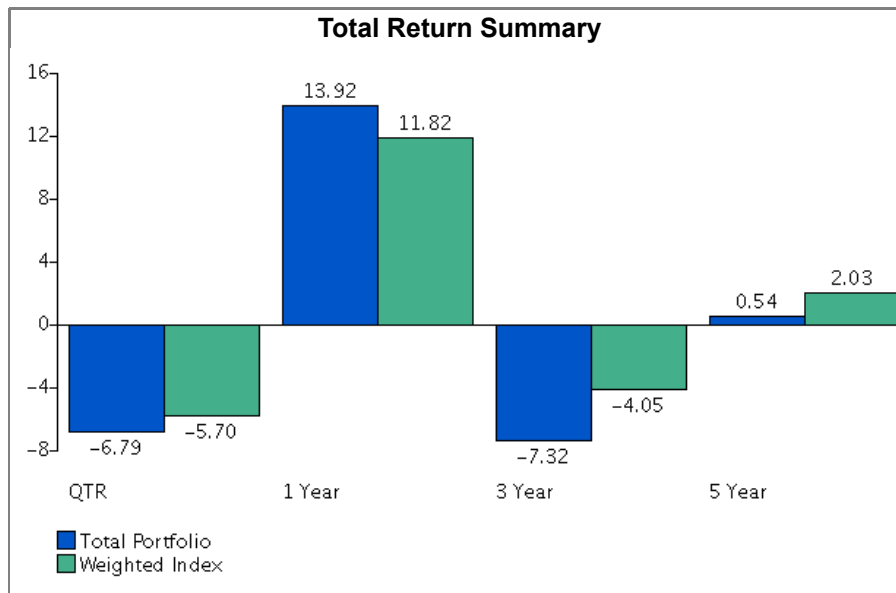
Please see important disclosures at the end of this presentation.

# Portfolio Performance Review

## Time & Dollar Weighted Rates of Return June 30, 2010

Time & Dollar Weighted Returns	QTR	1 Year	3 Year	5 Year
Total Portfolio Return	-6.79	13.92	-7.32	0.54
Weighted Index	-5.70	11.82	-4.05	2.03
Excess Return	-1.09	2.10	-3.27	-1.49

Asset Class Return Information	QTR	1 Year	3 Year	5 Year
Your Plan's U.S. Equity Return	-11.96	15.63	-10.77	-0.95
Russell 3000 Index	-11.32	15.72	-9.47	-0.48
Your Plan's International Equity Return	-13.56	8.89	-12.56	2.21
MSCI - EAFE Index NDTR D	-13.97	5.92	-13.38	0.88
Your Plan's Real Estate Return	1.22	6.72	-9.86	1.18
Blended Real Estate Index	2.04	5.36	-10.06	-0.06
Your Plan's Fixed Income Return	2.61	15.37	0.92	1.78
Barclays Capital Aggregate Bond Index	3.49	9.50	7.55	5.54



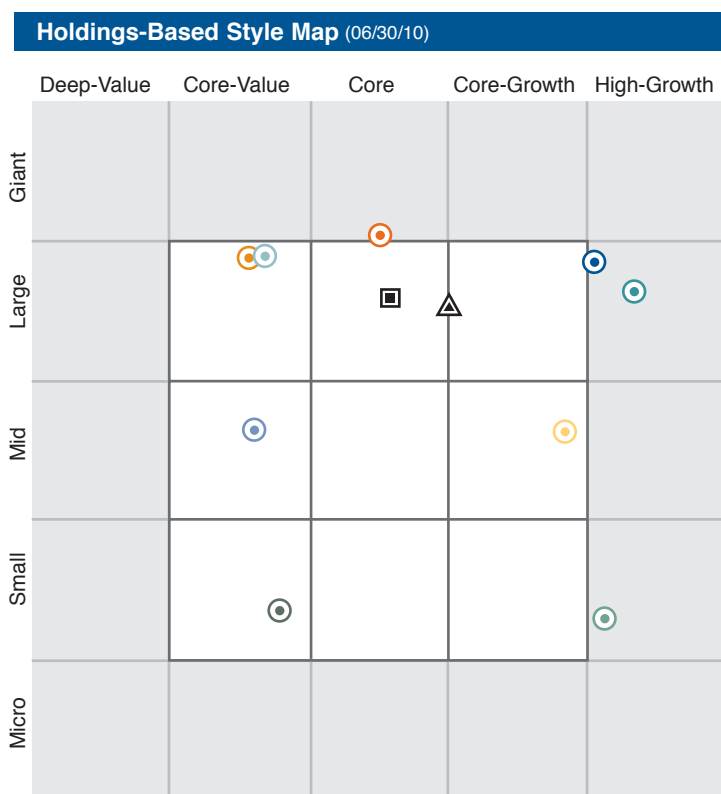
We calculated performance of your plan assets with information provided to us by Principal Life Insurance Company from your June 30, 2010 Contractholder Fund Statement.

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

# US Equity

Principal Financial Advisors believes in setting long-term, strategic asset allocation targets for our clients. We do not believe that we, or any other consultant or advisor, can consistently add value over extended time periods by tactically transferring funds between asset classes and/or investment styles. We look to add value for our clients by taking active risks in areas we feel we can potentially add consistent value, such as manager selection.

For example, in building our U.S. equity strategy, it is our goal to provide our clients exposure to a variety of investment styles and managers. The holdings-based style analysis chart from Morningstar Direct below illustrates how our U.S. equity strategy provides clients exposure to a wide variety of investment styles and managers, yet aligns closely with the Russell 3000 Index from a size and style perspective. It is our goal to closely match the overall market performance and still provide the ability to potentially outperform the market through the stock selection skill of active managers.



Holdings are subject to change over time.  
Source: Morningstar Direct

## Principal Financial Advisors US Equity Components

(Separate Account allocations as a percentage of 60% Equity/40% Fixed Income portfolio\*)

- ▲ Principal Financial Advisors Domestic Equity Portfolio
- (Blue) LargeCap Value I Separate Account (sub-advised by UBS/TS&W) – 9.8%
- (Orange) LargeCap Value III Separate Account (sub-advised by AllianceBernstein/Westwood) – 5.3%
- (Orange) LargeCap S&P 500 Index Separate Account (sub-advised by PGI) – 6.6%
- (Blue) LargeCap Growth Separate Account (sub-advised by CCI) – 7.6%
- (Blue) LargeCap Growth I Separate Account (sub-advised by T.Rowe Price/Brown) – 7.5%
- (Blue) MidCap Value III Separate Account (sub-advised by PGI/Barrow Hanley) – 1.8%
- (Orange) MidCap Growth III Separate Account (sub-advised by Turner/Mellon/Jacobs Levy) – 1.8%
- (Green) SmallCap Value II Separate Account (sub-advised by DFA/Vaughan Nelson/LA Capital) – 1.8%
- (Green) SmallCap Growth II Separate Account (sub-advised by Emerald/Essex) – 1.8%
- Russell 3000 TR USD\*\*

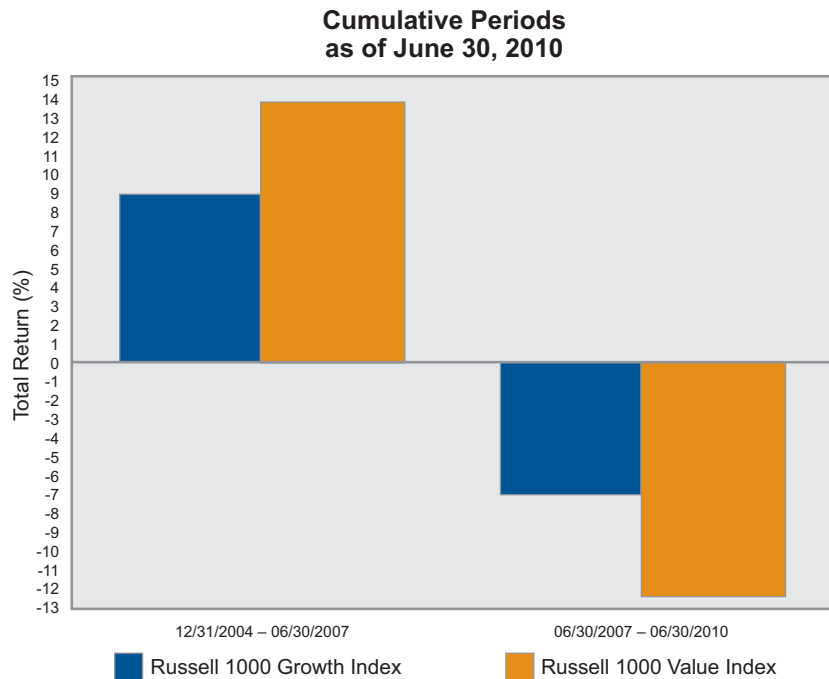
**Note:** Separate Account sub-advisors as of 6/30/10 are listed in parentheses. These may change over time.

\*Principal Financial Advisors 60/40 Index is composed of underlying indexes that represent the target asset allocation weights of the PFA 60/40 Composite. The index weightings adjust over time as the portfolio adjusts. The weightings as of June 30, 2010 are 46.1% Russell 3000 Index, 13.9% MSCI EAFE Index, and 40.0% Barclays Capital Aggregate Bond Index.

\*\*Russell 3000 Index is constructed to provide a comprehensive barometer of the broad market and accounts for nearly 98% of the total value of all equity traded on the U.S. exchanges. It measures the stocks that are also members of either the Russell 1000 or the Russell 2000 indexes.

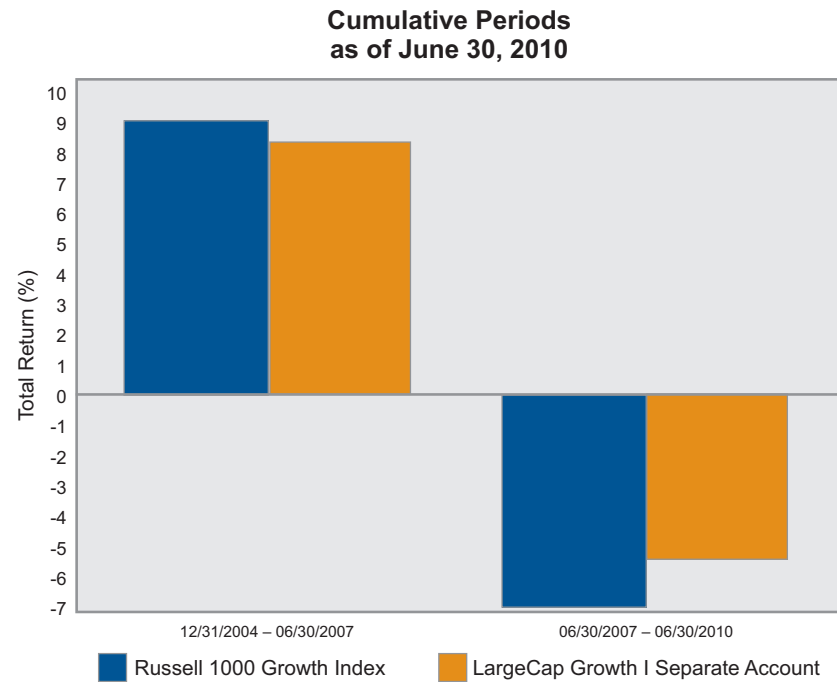
# US Equity

Given the strong growth characteristics of the LargeCap Growth I Separate Account, sub-advised by T.Rowe Price and Brown Advisory, it can be susceptible to some underperformance when value outperforms growth. In the chart below we can see that from Jan. 2005 – June 2007 the large value index outperformed the large growth index. Then, from June 2007 – June 2010 the large growth index has outperformed the large value index.



Source: Wilshire Compass

During the time period when value outperformed growth, the LargeCap Growth I Separate Account, sub-advised by T.Rowe Price and Brown Advisory, underperformed their benchmark index. Then, when the market favored growth, this investment option outperformed its benchmark index as depicted in the chart below.

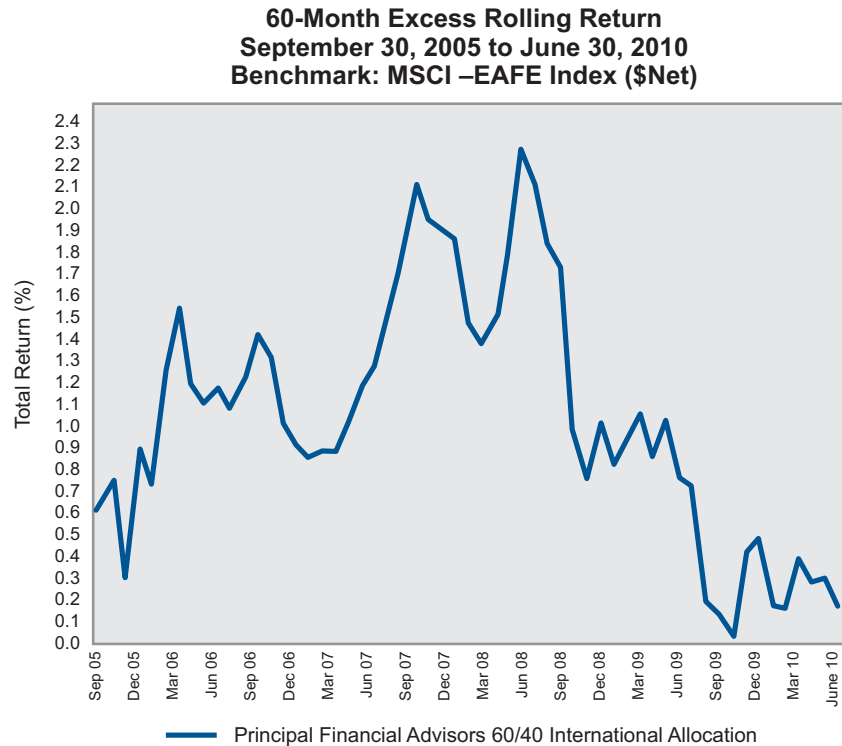


Source: Wilshire Compass

Indices are unmanaged and not available for direct investment. Past performance is no guarantee of future results.

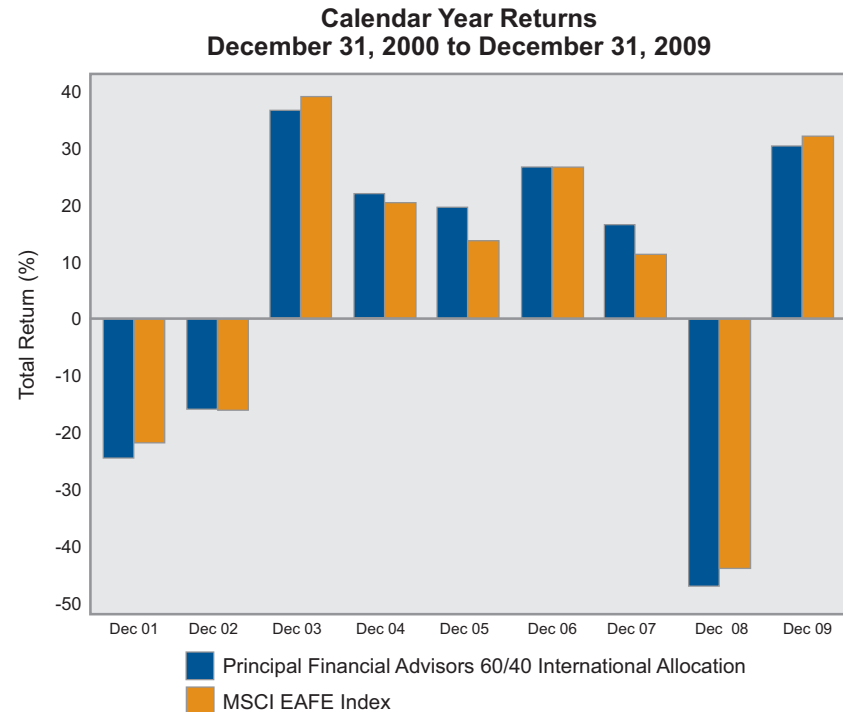
# International Equity

Even though our international equity performance has struggled recently, our international equity portfolio has consistently added value on a five-year basis, as depicted in the graph below.



Returns displayed are in excess of the return of the MSCI-EAFE Index.  
 Source: Wilshire Compass

This graph shows the historical success of the international equity composite of Principal Financial Advisors when compared to the MSCI EAFE Index. The international equity portfolio has outperformed the MSCI EAFE Index five out of the past nine calendar years.

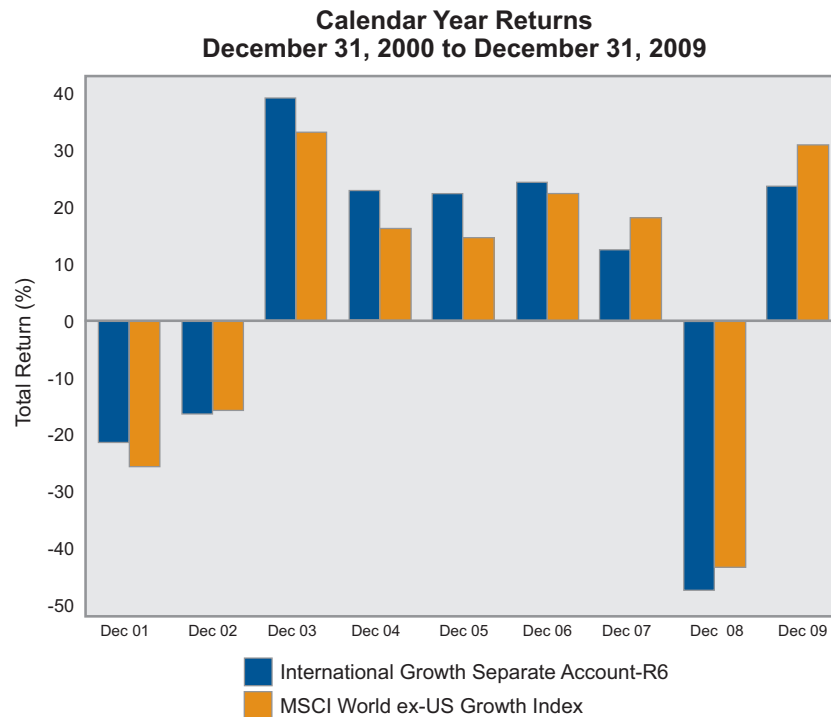


Source: Wilshire Compass

Inception date: October 2000

# International Equity

The bar graph below isolates the largest detractor in our international equity portfolio, the International Growth Separate Account, sub-advised by Principal Global Investors. Even though the performance of this specific investment mandate has struggled over the past three years, this graph shows that this strategy has historically been a solid performer, outperforming its benchmark index six out of the past nine years.



The percentile ranks for the International Growth Separate Account, sub-advised by Principal Global Investors, have historically been very impressive, landing in the 50th percentile or better (as measured by Morningstar) in seven out of nine calendar years.

Year	Percentile Rank
2001	27th
2002	24th
2003	24th
2004	8th
2005	8th
2006	39th
2007	80th
2008	50th
2009	90th

Source: Wilshire Compass

# Market & Performance Commentary

## Principal Financial Advisors Second Quarter 2010 Market Overview and Commentary

### **After Lengthy Rally, Stocks Shift Direction**

Following four positive quarters in a row, both U.S. and international stocks fell in the second quarter of 2010. The rally ended as investor concerns mounted about economic stability in Europe, slowing growth in China and the sustainability of the U.S. recovery.<sup>1</sup>

Europe's troubles, which started with the revelation of Greece's staggering deficit and debt load, broadened as it became apparent other countries (such as Spain and Portugal) faced similar issues. Markets reacted negatively to the exposure of European banks to the sovereign and corporate debt of these countries, despite the nearly \$1 trillion bailout plan put in effect by the European Union and International Monetary Fund. In China, the government's decision to reign in real estate growth weighed on international investors, as did new data indicating a slowdown in China's pace of economic growth.<sup>2</sup>

### **A Sputtering U.S. Recovery?**

Negative economic data reported during the quarter pointed to slowing growth across the U.S. economy:

- Employers continued their reluctance to add staff. May payrolls were meager, following gains in April and March.<sup>3</sup>
- Gross Domestic Product (GDP) for the first quarter came in lower than expected. The 2.7% gain was a sharp drop from the 5.6% increase for fourth quarter 2009.<sup>4</sup>
- After rising for three consecutive months, consumer confidence fell unexpectedly in June, reflecting consumers' uncertainty about jobs and income.<sup>5</sup>
- Following expiration of the home buyer tax credit in April, new-home sales fell in May to a seasonally adjusted, annual rate of 300,000 (the lowest number since the government began tracking the figure in 1963).<sup>6</sup> Meanwhile, existing home sales fell 2.2% in May after gaining 8% in April.<sup>7</sup>

After its June meeting, the Federal Reserve reaffirmed its belief that economic recovery is proceeding, but also acknowledged that "financial conditions have become less supportive of economic growth..." and restated its intention to keep the fed funds interest rate very low "for an extended period."<sup>8</sup>

<sup>1</sup> On the Other Hand: Economic Insights, Second Quarter 2010, by Bob Baur and the Principal Global Investors Economic Committee

<sup>2</sup> The Conference Board Leading Economic Index® (LEI) for China, measuring economic activity, increased 0.3% in April following increases of 1.2% in March and 0.4% in February.

<sup>3</sup> U.S. Bureau of Labor Statistics: Employment Situation Summary 6/4/2010 ([www.bls.gov](http://www.bls.gov))

<sup>4</sup> Bureau of Economic Analysis, US Dept of Commerce ([www.bea.gov](http://www.bea.gov))

<sup>5</sup> [www.conference-board.org](http://www.conference-board.org)

<sup>6</sup> National Association of Home Builders ([www.nahb.com](http://www.nahb.com))

<sup>7</sup> [www.realtor.org](http://www.realtor.org) National Association of Realtors

<sup>8</sup> Federal Reserve press release dated 6/23/10 ([www.federalreserve.gov](http://www.federalreserve.gov))



# Market & Performance Commentary

## **In U.S. Stocks, All Sectors Struggle**

The broad U.S. stock market posted a return of -11.3% as all sectors within the Russell 3000 Index delivered negative performance. The economically sensitive materials sector struggled the most. Financial stocks also were under acute pressure, as many investors grappled with the changing landscape of regulatory reform and how it might impact the industry. In this environment, growth and value performed similarly among large- and mid-cap stocks, while within small-caps, value slightly underperformed growth. From a market-cap perspective, small-caps outperformed large-caps.<sup>9</sup>

## **International Stocks Also Plummet**

International stocks in developed markets returned -14.0%,<sup>10</sup> reflecting in part the precarious financial situation in Europe. Emerging markets performed better, but still delivered -8.37%.<sup>11</sup>

## **REITs Outperform Stocks for Quarter**

Real estate investment trusts returned -4.0%<sup>12</sup> to outperform the broad U.S. stock market. Although real estate fundamentals were still unfavorable, access to capital for commercial real estate had improved, which drew investors hoping to participate in the asset class's recovery.

## **In “Flight to Safety,” Treasuries Outperform**

Within fixed income, risk aversion was apparent as many investors turned to the “safe haven” of U.S. Treasuries, which outperformed other fixed-income sectors. By quarter-end, the yield on the benchmark 10-year Treasury had fallen from 3.84% to 2.95%. (Bond prices and yields move in opposite directions.) Meanwhile, investment-grade corporate bonds fell -2.25% relative to duration-adjusted Treasuries. Returns were slightly worse in the financial segment of the corporate bond market (down 2.97% relative to duration-adjusted Treasuries), due in part to uncertainty and anxiety surrounding financial regulation reform. Commercial mortgage-backed securities and asset-backed securities also lagged Treasuries, while mortgage-backed securities managed to outperform Treasuries by 0.01%.<sup>13</sup> Finally, high-yield bonds returned -3.86% relative to duration-adjusted Treasuries, with the lowest-rated (highest risk) high-yield bonds performing the worst.<sup>14</sup>

<sup>9</sup> As measured by Russell family of indexes

<sup>10</sup> As measured by the MSCI EAFE Index

<sup>11</sup> As measured by the MSCI EM Index

<sup>12</sup> MSCI U.S. REIT Index

<sup>13</sup> as measured by components of Barclays Capital Aggregate Bond Index

<sup>14</sup> Returns as measured by components of Barclays Capital High Yield Index

# Market & Performance Commentary

## Index Performance

Index	As of June 30, 2010	
	Q2 2010 (%)	Last 12 months ending 06/30/2010 (%)
Russell 3000 (Broad Market)	-11.32	15.72
S&P 500 (Quality Large Caps)	-11.43	14.43
NASDAQ Composite	-12.04	14.94
Russell Mid-Cap	-9.88	25.13
Russell 2000 (Small Caps)	-9.92	21.48
Russell 1000 Value	-11.15	16.92
Russell 1000 Growth	-11.75	13.62
MSCI EAFE (Core International)	-13.97	5.92
MSCI Emerging Markets (Developing Economies)	-8.37	23.15
MSCI US REIT	-3.99	55.23
Barclays Capital Treasury Bellwethers 3 Month	0.04	0.17
Barclays Capital US TIPS	3.82	9.52
Barclays Capital Long US Treasury Zeros	13.45	15.07
Barclays Capital Aggregate Bond	3.49	9.50
Barclays Capital High Yield	-0.11	26.77

## Second Quarter 2010 Performance Summary

The asset allocation strategies of Principal Financial Advisors, Inc. posted negative returns, with the exception of the most conservative strategy, and lagged their respective custom benchmark indexes. Performance reflected the uptick in risk aversion which led to volatility and weak results in both the equity and fixed-income segments. In this environment, performance relative to their benchmarks was slightly worse in our fixed income-focused strategies, reflecting the underperformance of non-U.S. Treasury sectors — where most of our fixed-income portfolio is focused.

# Market & Performance Commentary

## **U.S. Equities Lag the Russell 3000 Index**

The U.S. equities segment of our strategies underperformed the broad U.S. equities market (as measured by the Russell 3000 Index), driven in part by manager underperformance within our large-cap value allocation; the large-cap value investment options within our strategies lagged not only the Russell 1000 Value Index, but also the Russell 3000 Index. Manager underperformance within the investment options that comprise our large-cap growth allocation also was a detractor. This unfavorable large-value and large-growth performance was offset by our allocation to small- and mid-cap stocks. Strong manager performance in the small-cap growth investment options within our strategies also was helpful.

## **International Equities Add to Returns**

The international equity segment outperformed the MSCI EAFE Index, led by our allocation to international emerging markets. Our allocation to international growth also was rewarded, along with strong manager performance within our allocation to core international equities. Our allocation to international value, combined with manager underperformance within that investment option, offset otherwise favorable results.

## **Fixed-Income Segment Falters**

The fixed-income segment of our strategies faltered this quarter, underperforming the Barclays Capital Aggregate Bond Index. Our allocation to high-yield bonds hurt returns the most, as this asset class significantly underperformed the Barclays Capital Aggregate Bond Index. Underperformance by the managers of the two core bond investment options within our strategies was detrimental, as both failed to keep pace with the index. On a positive note, our allocation to U.S. Treasury inflation-protected securities (TIPS) and manager outperformance within that investment option were beneficial.

## **Positive Absolute Returns in Real Estate**

The Real Estate Securities Separate Account, sub-advised by Principal Real Estate Investors, added value for the broad domestic equity allocation by significantly outpacing the Russell 3000 Index. Meanwhile, the U.S. Property Separate Account, also sub-advised by Principal Real Estate Investors, generated a solid positive return as the pace of asset-value depreciation moderated considerably. This Separate Account outperformed the broad fixed-income market (as measured by Barclays Capital Aggregate Bond Index).

# Market & Performance Commentary

## Last 12 Months Ending June 30, 2010

All of our asset allocation strategies outpaced their custom benchmark indexes for the year, led by strong results in the fixed-income-focused strategies — due in large part to healing that occurred in the credit markets and investors' improved appetite for risk (although this sentiment reversed in the second quarter of 2010). In particular, the investment strategy of underweighting Treasuries in favor of higher-yielding fixed-income sectors was strongly rewarded in this environment.

### **U.S. Equities Outpace the Russell 3000 Index**

The U.S. equities segment of our strategies outperformed the broad U.S. equities market (as measured by the Russell 3000 Index). An allocation to small-cap value boosted returns, as did manager performance (i.e., our small-cap value investment option outperformed not only the Russell 2000 Index Value Index, but also the Russell 3000 Index). An allocation to mid-cap stocks was a further positive. Strong manager performance within large-cap growth also benefited results. Overall, exposure to large-cap growth and large-cap blend stocks detracted from results, as these segments underperformed the broad U.S. equities market.

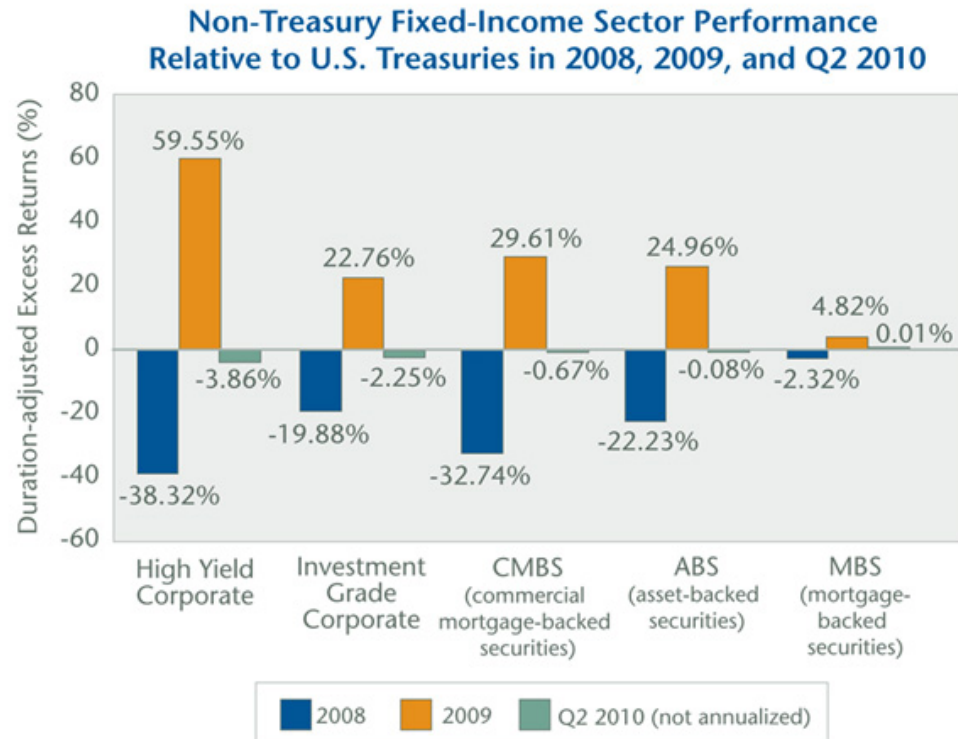
### **International Equities Add to Returns**

Similar to the quarter, the international equity segment outperformed the MSCI EAFE Index, led by our allocation to international emerging markets. An allocation to international growth was also rewarded. An allocation to international value offset otherwise favorable results; fortunately, our international value manager performed in line with the MSCI EAFE Index, which mitigated this effect. Manager underperformance within core international also hampered returns, as both of our managers within this segment underperformed the MSCI EAFE Index.

# Market & Performance Commentary

## Fixed-Income Segment Boosts Absolute and Relative Returns

The fixed-income segment of our strategies continued to perform well, maintaining an advantage over the Barclays Capital Aggregate Bond Index despite weak results in the second quarter of this year. Both of our core bond managers contributed positively to returns. An allocation to high-yield bonds also benefited significantly, as this asset class led the broad fixed-income market. Individually, each of our fixed-income investment options contributed to the outperformance.



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

# Market & Performance Commentary

As the credit markets healed and non-Treasury fixed-income sectors improved, our fixed-income segment was positioned to outperform. The Bond and Mortgage Separate Account, sub-advised by Principal Global Investors, was a primary positive contributor due to its overweight to the top-performing fixed-income sector, commercial mortgage-backed securities, and out-of-index exposure to high-yield bonds. The High Yield I Separate Account, sub-advised by JP Morgan and Neuberger Berman, also added significant value, as the high-yield sector led all U.S. fixed income for the year. This trend faltered in the second quarter of 2010 when risk aversion increased. Our fixed-income segment suffered in this environment.

## **Positive Absolute Returns in Real Estate**






The Real Estate Securities Separate Account added value for the broad domestic equity allocation by significantly outpacing the Russell 3000 Index. Meanwhile, the U.S. Property Separate Account hindered performance as asset-value depreciation resulted in a sharply negative absolute return.

## **Our Goal: Strong Long-Term Performance**

Principal Financial Advisors recognizes that investing for retirement requires a long-term perspective. We implement and maintain a core asset allocation strategy for each client based on a solid set of fundamental views that are designed to help maximize long-term returns while helping to control long-term risks. In this manner, we can help avoid overreacting to short-term market events that many times have little if any impact on a portfolio when compared to the portfolio's overall long-term performance. Instead, we strive to deliver consistently strong investment results over the long term for our clients' benefit.

# Due Diligence Update

Over the past year the following actions have impacted client portfolios designed by Principal Financial Advisors, Inc.

Investment Manager	Investment Option	Action Taken
 	International Value I Separate Account	<b>Placed on Watch List in April 2010</b> – This Separate Account was placed on the Watch List for qualitative reasons due to information the due diligence team of Principal Life Insurance Company (Principal Life) received from AXA Rosenberg on April 15, 2010. AXA Rosenberg (which uses multiple risk models and quantitative tools in its investment process) revealed that in 2009, while conducting research on a risk modeling enhancement, the firm discovered a coding error that affected the flow of information between its risk model and portfolio optimization process. AXA Rosenberg is not certain whether client portfolios were impacted positively or negatively by the coding error and has hired an outside consultant that is currently conducting a review of the situation. Please note: The other two investment managers for this core-satellite investment option <sup>1</sup> – Causeway and Principal Management Corporation – remain in good standing; placement on the qualitative Watch List was triggered solely by AXA Rosenberg.
	International Growth Separate Account	<b>Placed on Watch List in September 2009</b> – This Separate Account received a quantitative grade of “Less Favorable” for three out of four quarters <sup>2</sup> and was placed on the Watch List in September 2009. The investment process of Principal Global Investors tends to struggle during periods of extreme market volatility and inflection points which characterize the markets over the past several quarters.
 	SmallCap Growth II Separate Account	<b>Removed UBS as Sub-Advisor in July 2009</b> – In June 2009, Principal Life informed clients that UBS would be terminated as a sub-advisor on this investment option due to underperformance. As part of the new core-satellite structure, a substantial portion of the assets managed by UBS was absorbed by the core portfolio; remaining assets were allocated to Emerald and Essex. <sup>1</sup>

The due diligence team of Principal Life Insurance Company will continue to monitor performance of all Separate Accounts placed on the Watch List.<sup>3</sup>

<sup>1</sup> In a core-satellite structure, a Separate Account is comprised of a “core” portfolio plus two or more sub-advised “satellite” portfolios. Comprised of an enhanced index, the core portfolio is actively managed within narrow risk constraints while each actively-managed satellite portfolio strives to deliver excess return relative to the benchmark. Principal Management Corporation has responsibility for portfolio management of all core portfolios.

<sup>2</sup> Based on the quantitative scoring criteria of the Principal Due Diligence Program<sup>SM</sup>

<sup>3</sup> According to the guidelines of The Principal Due Diligence Program<sup>SM</sup>, Separate Accounts may be placed on the Watch List for a period not to exceed 12 months. Any resulting action from the Principal Due Diligence Program<sup>SM</sup> process may affect the client portfolios designed by Principal Financial Advisors.

# Investment Option Performance

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

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

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

Investment Advisor	Investment Option	Rates of Return through 06/30/2010							Percentile Rankings as of 06/30/2010					Total Inv. Expense Gross	
		Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.		
<b>Large U.S. Equity</b>															
<b>Large Value</b>															
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 <sup>3, 17, 22, 34, 44</sup>	-13.03	12.32	-16.01	-4.46	-	0.56	12/29/2000	-	61	94	93	-	0.94	
	Russell 1000 Value Index	-11.15	16.92	-12.32	-1.64	2.38	-	-	-	-	-	-	-	-	
UBS / TS&W	LargeCap Value I Separate Account-R6 <sup>15, 44, 48</sup>	-13.52	11.09	-13.85	-2.83	-	-0.22	06/01/2004	-	75	82	76	-	0.95	
	Russell 1000 Value Index	-11.15	16.92	-12.32	-1.64	2.38	-	-	-	-	-	-	-	-	
	<b>Morningstar Category Average - Large Value</b>	<b>-11.78</b>	<b>13.64</b>	<b>-11.56</b>	<b>-1.58</b>	<b>2.06</b>	<b>Total Funds in Category</b>		<b>1323</b>	<b>1283</b>	<b>1135</b>	<b>952</b>	<b>494</b>	<b>-</b>	
<b>Large Blend</b>															
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 <sup>10</sup>	-12.01	12.34	-11.47	-2.06	-3.28	3.95	06/01/1995	-	61	79	78	89	0.76	
	Standard & Poor's 500 Index	-11.43	14.43	-9.81	-0.79	-1.59	-	-	-	-	-	-	-	-	
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 <sup>2, 9, 24</sup>	-11.47	14.05	-10.04	-1.07	-1.91	7.28	01/01/1990	-	36	51	54	67	0.31	
	Standard & Poor's 500 Index	-11.43	14.43	-9.81	-0.79	-1.59	-	-	-	-	-	-	-	-	
	<b>Morningstar Category Average - Large Blend</b>	<b>-11.57</b>	<b>13.43</b>	<b>-9.93</b>	<b>-0.85</b>	<b>-0.78</b>	<b>Total Funds in Category</b>		<b>2154</b>	<b>2062</b>	<b>1810</b>	<b>1486</b>	<b>772</b>	<b>-</b>	
<b>Large Growth</b>															
Columbus Circle Investors	LargeCap Growth Separate Account-R6 <sup>25</sup>	-12.47	14.56	-8.41	0.04	-4.28	4.69	06/01/1995	-	25	56	44	65	0.71	
	Russell 1000 Growth Index	-11.75	13.62	-6.91	0.38	-5.14	-	-	-	-	-	-	-	-	
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 <sup>3, 38, 44, 46</sup>	-10.86	17.58	-5.33	0.87	-	-1.46	12/29/2000	-	10	16	28	-	0.90	
	Russell 1000 Growth Index	-11.75	13.62	-6.91	0.38	-5.14	-	-	-	-	-	-	-	-	
	<b>Morningstar Category Average - Large Growth</b>	<b>-12.11</b>	<b>12.41</b>	<b>-8.11</b>	<b>-0.18</b>	<b>-3.37</b>	<b>Total Funds in Category</b>		<b>1836</b>	<b>1770</b>	<b>1545</b>	<b>1298</b>	<b>739</b>	<b>-</b>	
<b>Small/Mid U.S. Equity</b>															
<b>Mid Cap Value</b>															
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 <sup>1, 13, 26</sup>	-10.01	24.35	-9.08	0.05	5.76	9.20	01/01/1991	-	39	41	54	76	0.81	
	Russell Midcap Value Index	-9.57	28.91	-9.44	0.71	7.55	-	-	-	-	-	-	-	-	
	<b>Morningstar Category Average - Mid Cap Value</b>	<b>-10.10</b>	<b>23.76</b>	<b>-9.39</b>	<b>0.41</b>	<b>6.46</b>	<b>Total Funds in Category</b>		<b>432</b>	<b>410</b>	<b>345</b>	<b>259</b>	<b>87</b>	<b>-</b>	



# Investment Option Performance

Investment Advisor	Investment Option	Rates of Return through 06/30/2010							Percentile Rankings as of 06/30/2010					Total Inv. Expense Gross	
		Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.		
<b>Mid Cap Growth</b>															
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 <sup>1, 12, 28, 44</sup>	-11.11	23.01	-7.91	0.96	-3.56	1.23	10/28/1999	-	25	49	54	75	1.15	
	Russell Midcap Growth Index	-10.20	21.30	-7.53	1.37	-1.99	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Mid Cap Growth	-9.61	19.58	-7.94	1.13	-0.84	Total Funds in Category	815	782	694	612	354	-		
<b>Small Value</b>															
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 <sup>1, 15, 38, 41, 44</sup>	-11.19	26.11	-11.09	-0.75	-	1.86	06/01/2004	-	45	73	65	-	1.25	
	Russell 2000 Value Index	-10.60	25.07	-9.85	-0.51	7.48	-	-	-	-	-	-	-	-	
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 <sup>1, 3, 16, 44</sup>	-9.56	22.61	-12.53	-2.79	-	6.79	12/31/2002	-	75	88	88	-	1.23	
	Russell 2000 Value Index	-10.60	25.07	-9.85	-0.51	7.48	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Small Value	-9.35	25.88	-8.66	0.36	8.13	Total Funds in Category	381	357	321	251	129	-		
<b>Small Growth</b>															
Emerald / Essex	SmallCap Growth II Separate Account-R6 <sup>1, 3, 44, 45</sup>	-8.25	16.86	-11.37	-2.10	-	-1.51	12/29/2000	-	70	76	83	-	1.18	
	Russell 2000 Growth Index	-9.22	17.96	-7.54	1.14	-1.72	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Small Growth	-9.14	19.07	-8.73	0.33	-0.31	Total Funds in Category	783	758	666	549	315	-		
<b>International Equity</b>															
<b>Diversified Emerging Markets</b>															
Principal Global Investors	International Emerging Markets Separate Account-R6 <sup>4</sup>	-9.23	21.89	-6.17	11.64	9.28	10.20	01/01/1995	-	47	64	27	46	1.51	
	MSCI - Emerging Markets NDTR D Index	-8.37	23.15	-2.50	12.73	-	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Diversified Emerging Markets	-8.87	21.84	-5.33	10.64	9.24	Total Funds in Category	398	378	269	205	119	-		
<b>Foreign Large Value</b>															
AXA Rosenberg/Causeway	International Value I Separate Account-R6 <sup>4, 15, 44</sup>	-14.83	5.88	-	-	-	-1.86	09/30/2008	-	36	-	-	-	1.30	
	MSCI EAFE Value Index	-15.53	3.21	-15.11	0.01	1.80	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Foreign Large Value	-13.89	5.37	-14.02	0.35	1.84	Total Funds in Category	379	373	293	216	125	-		
<b>Foreign Large Blend</b>															
Fidelity / Schroders	International I Separate Account-R6 <sup>4, 15, 19, 32, 44, 49</sup>	-13.77	4.62	-14.52	0.11	-0.77	1.36	07/01/1999	-	70	67	62	54	1.29	
	MSCI - EAFE Index NDTR D	-13.97	5.92	-13.38	0.88	0.16	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Foreign Large Blend	-13.38	7.05	-13.04	1.13	-0.39	Total Funds in Category	838	813	655	473	260	-		

# Investment Option Performance

Investment Advisor	Investment Option	Rates of Return through 06/30/2010							Percentile Rankings as of 06/30/2010					Total Inv. Expense Gross
		Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	
<b>Foreign Large Growth</b>														
Principal Global Investors	International Growth Separate Account-R6 <sup>3, 4</sup>	-13.63	7.56	-16.58	-0.86	-	1.10	12/29/2000	-	69	93	88	-	1.17
	MSCI World Ex US Growth Index	-12.18	8.70	-11.16	2.18	-1.43	-	-	-	-	-	-	-	-
	Morningstar Category Average - Foreign Large Growth	-11.76	11.03	-10.92	2.53	-0.23	Total Funds in Category		285	270	215	158	81	-
<b>Real Estate</b>														
<b>Owned Real Estate</b>														
Principal Real Estate Inv	U.S. Property Separate Account-R6 <sup>6</sup>	4.56	-8.99	-12.97	-2.56	3.24	5.41	01/01/1982	-	-	-	-	-	1.15
	NFI-ODCE Equal-Weight	3.99	-8.50	-12.30	-1.50	3.50	-	-	-	-	-	-	-	-
<b>Real Estate</b>														
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 <sup>3, 8</sup>	-4.89	51.44	-6.74	1.59	-	10.56	12/31/2002	-	58	12	10	-	1.15
	MSCI US REIT Index	-3.99	55.23	-9.15	0.11	9.67	-	-	-	-	-	-	-	-
	Morningstar Category Average - Real Estate	-3.93	51.59	-9.91	-0.81	8.73	Total Funds in Category		271	265	239	209	99	-
<b>Short-Term Fixed Income</b>														
<b>Money Market</b>														
Principal Global Investors	Money Market Separate Account-R6 <sup>7, 37, 39</sup>	0.00	0.01	1.66	2.71	2.49	5.66	12/10/1980	-	-	-	-	-	0.56
	Barclays Capital Treasury Bellwethers 3 Month Index	0.04	0.17	1.67	2.84	2.73	-	-	-	-	-	-	-	-
	Morningstar Category Average - Money Market	0.01	0.05	1.48	2.55	2.31	Total Funds in Category		1062	1038	965	882	656	-
<b>Fixed Income</b>														
<b>High Yield Bond</b>														
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 <sup>5, 15, 18, 20, 21, 33</sup>	-0.70	24.87	7.92	7.63	-	7.15	12/31/2004	-	39	2	3	-	0.81
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	-0.06	26.66	6.88	7.22	7.46	-	-	-	-	-	-	-	-
	Morningstar Category Average - High Yield Bond	-0.58	23.95	3.32	5.00	5.27	Total Funds in Category		582	564	500	428	280	-
<b>Intermediate-Term Bond</b>														
PIMCO	Core Plus Bond I Separate Account-R6 <sup>15, 18, 21</sup>	2.72	9.66	-	-	-	10.32	09/30/2008	-	79	-	-	-	0.76
	Barclays Capital Aggregate Bond Index	3.49	9.50	7.55	5.54	6.47	-	-	-	-	-	-	-	-
Principal Global Investors	Bond and Mortgage Separate Account-I2 <sup>18, 21</sup>	3.46	20.14	5.45	4.43	6.06	8.53	02/01/1983	-	5	71	62	38	0.55
	Barclays Capital Aggregate Bond Index	3.49	9.50	7.55	5.54	6.47	-	-	-	-	-	-	-	-
	Morningstar Category Average - Intermediate-Term Bond	2.71	13.11	6.03	4.51	5.75	Total Funds in Category		1202	1149	1011	880	515	-

# Investment Option Performance

Investment Advisor	Investment Option	Rates of Return through 06/30/2010							Percentile Rankings as of 06/30/2010					Total Inv. Expense Gross	
		Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception	Inception Date	Last 3 mos	1 yr.	3 yr.	5 yr.	10 yr.		
	<b>Inflation-Protected Bond</b>														
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 <sup>15, 18, 21, 35</sup>	4.03	11.20	-1.41	-0.60	-	-0.11	12/31/2004	-	14	94	95	-	0.57	
	Barclays Capital US Treas TIPS Index	3.82	9.52	7.62	4.98	7.46	-	-	-	-	-	-	-	-	
	Morningstar Category Average - Inflation-Protected Bond	3.23	9.70	6.27	3.98	6.41	Total Funds in Category	187	159	148	112	16	-		

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

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

# Calendar Year Performance Report

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

Investment Advisor	Investment Option	Calendar Year Performance										Inception Date
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
<b>Large U.S. Equity</b>												
<b>Large Value</b>												
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 <sup>3, 17, 22, 34, 44</sup>	18.88	-40.90	-3.91	21.72	5.18	13.18	27.48	-13.58	5.52	-	12/29/2000
	Russell 1000 Value Index	19.69	-36.85	-0.17	22.25	7.05	16.49	30.03	-15.52	-5.59	7.01	-
UBS / TS&W	LargeCap Value I Separate Account-R6 <sup>15, 44, 48</sup>	22.35	-39.34	0.31	18.01	9.75	-	-	-	-	-	06/01/2004
	Russell 1000 Value Index	19.69	-36.85	-0.17	22.25	7.05	16.49	30.03	-15.52	-5.59	7.01	-
	Morningstar Category Average - Large Value	24.13	-37.09	1.42	18.15	5.95	12.97	28.44	-18.69	-4.99	7.87	
	Total Funds in Category	1272	1433	1432	1371	1296	1220	1050	961	892	809	
<b>Large Blend</b>												
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 <sup>10</sup>	21.89	-35.84	0.62	14.60	6.51	12.12	28.46	-25.25	-17.62	-12.19	06/01/1995
	Standard & Poor's 500 Index	26.46	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.10	-
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 <sup>2, 9, 24</sup>	26.09	-37.10	5.18	15.46	4.58	10.49	28.18	-22.38	-12.34	-9.47	01/01/1990
	Standard & Poor's 500 Index	26.46	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.10	-
	Morningstar Category Average - Large Blend	28.17	-37.79	6.16	14.17	5.88	10.02	27.05	-22.25	-13.50	-6.31	
	Total Funds in Category	2027	2086	2090	1980	1743	1611	1526	1468	1345	1089	
<b>Large Growth</b>												
Columbus Circle Investors	LargeCap Growth Separate Account-R6 <sup>25</sup>	26.95	-42.84	23.02	9.67	11.82	9.16	25.98	-28.87	-25.55	-10.07	06/01/1995
	Russell 1000 Growth Index	37.21	-38.44	11.81	9.07	5.26	6.30	29.75	-27.88	-20.42	-22.42	-
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 <sup>3, 38, 44, 46</sup>	51.92	-40.69	8.18	5.93	7.44	9.12	24.01	-27.76	-14.36	-	12/29/2000
	Russell 1000 Growth Index	37.21	-38.44	11.81	9.07	5.26	6.30	29.75	-27.88	-20.42	-22.42	-
	Morningstar Category Average - Large Growth	35.68	-40.67	13.35	7.05	6.71	7.81	28.66	-27.64	-22.30	-13.05	
	Total Funds in Category	1796	1809	1748	1642	1495	1400	1311	1234	1064	805	
<b>Small/Mid U.S. Equity</b>												
<b>Mid Cap Value</b>												
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 <sup>1, 13, 26</sup>	30.11	-35.92	-0.59	16.00	13.15	16.34	29.08	-7.99	3.63	6.29	01/01/1991
	Russell Midcap Value Index	34.21	-38.44	-1.42	20.22	12.65	23.71	38.07	-9.64	2.33	19.18	-
	Morningstar Category Average - Mid Cap Value	35.41	-36.77	0.83	15.87	8.82	17.85	33.85	-13.25	6.67	18.45	
	Total Funds in Category	416	442	405	375	310	320	331	311	261	233	

# Calendar Year Performance Report

Investment Advisor	Investment Option	Calendar Year Performance										Inception Date
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
<b>Mid Cap Growth</b>												
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 <sup>1, 12, 28, 44</sup>	44.81	-48.56	24.40	6.26	11.59	11.41	49.44	-32.65	-28.17	-3.54	10/28/1999
	Russell Midcap Growth Index	46.29	-44.32	11.43	10.66	12.10	15.48	42.71	-27.41	-20.15	-11.75	-
	Morningstar Category Average - Mid Cap Growth	39.11	-43.77	15.09	9.00	9.84	13.23	35.96	-27.24	-19.98	-4.78	
	Total Funds in Category	812	934	967	994	936	903	890	786	714	549	
<b>Small Value</b>												
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 <sup>1, 15, 38, 41, 44</sup>	32.13	-37.14	-9.11	20.37	6.85	-	-	-	-	-	06/01/2004
	Russell 2000 Value Index	20.58	-28.92	-9.78	23.48	4.71	22.25	46.03	-11.43	14.02	22.83	-
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 <sup>1, 3, 16, 44</sup>	15.95	-32.24	-9.49	18.19	6.32	23.03	50.29	-	-	-	12/31/2002
	Russell 2000 Value Index	20.58	-28.92	-9.78	23.48	4.71	22.25	46.03	-11.43	14.02	22.83	-
	Morningstar Category Average - Small Value	31.32	-32.24	-6.08	16.27	6.40	21.14	42.38	-10.12	15.92	18.64	
	Total Funds in Category	370	438	438	389	348	307	303	273	261	241	
<b>Small Growth</b>												
Emerald / Essex	SmallCap Growth II Separate Account-R6 <sup>1, 3, 44, 45</sup>	31.14	-42.31	5.64	8.79	6.88	11.00	45.09	-24.62	-20.42	-	12/29/2000
	Russell 2000 Growth Index	34.47	-38.54	7.05	13.35	4.15	14.31	48.54	-30.26	-9.23	-22.43	-
	Morningstar Category Average - Small Growth	35.46	-41.55	7.59	10.81	6.02	12.41	45.54	-27.88	-8.91	-3.85	
	Total Funds in Category	778	834	829	763	723	711	696	630	560	470	
<b>International Equity</b>												
<b>Diversified Emerging Markets</b>												
Principal Global Investors	International Emerging Markets Separate Account-R6 <sup>4</sup>	68.87	-54.93	41.60	36.36	35.09	25.63	58.03	-7.18	-4.68	-29.19	01/01/1995
	MSCI - Emerging Markets NDTR D Index	78.51	-53.33	39.39	32.17	34.00	25.55	55.82	-6.17	-2.62	-30.83	-
	Morningstar Category Average - Diversified Emerging Markets	73.81	-54.44	36.68	32.06	31.54	23.54	55.19	-6.05	-3.83	-30.33	
	Total Funds in Category	367	312	274	242	212	202	196	184	175	159	
<b>Foreign Large Value</b>												
AXA Rosenberg/Causeway	International Value I Separate Account-R6 <sup>4, 15, 44</sup>	26.68	-	-	-	-	-	-	-	-	-	09/30/2008
	MSCI EAFE Value Index	34.23	-44.09	5.96	30.38	13.80	24.33	45.30	-15.91	-18.52	-3.17	-
	Morningstar Category Average - Foreign Large Value	30.33	-42.41	9.01	25.98	13.19	21.99	39.07	-12.37	-15.98	-6.76	
	Total Funds in Category	340	307	280	215	181	169	156	154	130	117	

# Calendar Year Performance Report

Investment Advisor	Investment Option	Calendar Year Performance										Inception Date
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
<b>Foreign Large Blend</b>												
Fidelity / Schroders	International I Separate Account-R6 <sup>4, 15, 19, 32, 44, 49</sup>	25.40	-44.35	15.06	26.36	13.40	18.44	44.11	-20.25	-20.29	-18.60	07/01/1999
	MSCI - EAFE Index NDTR D	31.78	-43.38	11.17	26.34	13.54	20.25	38.59	-15.94	-21.44	-14.17	-
	Morningstar Category Average - Foreign Large Blend	31.24	-43.99	12.71	24.77	14.72	17.39	33.58	-16.69	-21.67	-16.34	-
	Total Funds in Category	823	778	743	657	608	551	504	482	439	396	-
<b>Foreign Large Growth</b>												
Principal Global Investors	International Growth Separate Account-R6 <sup>3, 4</sup>	23.40	-47.02	12.32	24.16	22.14	22.64	38.97	-16.18	-21.06	-	12/29/2000
	MSCI World Ex US Growth Index	30.66	-42.88	18.03	22.12	14.41	16.27	32.99	-15.72	-25.33	-24.20	-
	Morningstar Category Average - Foreign Large Growth	38.02	-46.56	16.26	23.95	15.23	16.23	33.83	-19.15	-24.05	-21.04	-
	Total Funds in Category	266	251	220	243	213	221	226	214	191	161	-
<b>Real Estate</b>												
<b>Owned Real Estate</b>												
Principal Real Estate Inv	U.S. Property Separate Account-R6 <sup>6</sup>	-31.59	-13.23	13.42	15.14	18.61	12.52	8.26	3.77	6.56	12.01	01/01/1982
	NFI-ODCE Equal-Weight	-31.30	-	-	-	-	-	-	-	-	-	-
<b>Real Estate</b>												
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 <sup>3, 8</sup>	27.56	-32.82	-17.73	36.03	15.28	33.69	37.83	-	-	-	12/31/2002
	MSCI US REIT Index	28.61	-37.97	-16.82	35.92	12.13	31.49	36.74	3.64	12.83	26.81	-
	Morningstar Category Average - Real Estate	31.26	-39.55	-14.66	33.58	11.51	32.02	36.80	4.54	10.00	27.02	-
	Total Funds in Category	262	265	372	306	279	252	206	168	152	138	-
<b>Short-Term Fixed Income</b>												
<b>Money Market</b>												
Principal Global Investors	Money Market Separate Account-R6 <sup>7, 37, 39</sup>	0.19	2.42	4.86	4.55	2.72	0.87	0.76	1.45	4.06	6.07	12/10/1980
	Barclays Capital Treasury Bellwethers 3 Month Index	0.23	2.24	5.11	4.87	3.07	1.30	1.14	1.78	4.46	6.20	-
	Morningstar Category Average - Money Market	0.17	2.00	4.63	4.42	2.59	0.78	0.60	1.22	3.60	5.76	-
	Total Funds in Category	1005	1054	1015	1001	960	965	932	868	823	777	-
<b>Fixed Income</b>												
<b>High Yield Bond</b>												
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 <sup>5, 15, 18, 20, 21, 33</sup>	52.86	-20.12	2.37	8.71	3.91	-	-	-	-	-	12/31/2004
	Barclays Capital US Corp High Yld 2% Issuer Capped Index	58.76	-25.88	2.27	10.76	2.76	11.14	28.78	-0.24	5.46	-5.79	-
	Morningstar Category Average - High Yield Bond	46.70	-26.41	1.47	10.14	2.59	9.99	24.36	-1.52	2.39	-7.12	-
	Total Funds in Category	543	559	542	549	518	493	455	425	414	365	-

# Calendar Year Performance Report

Investment Advisor	Investment Option	Calendar Year Performance										Inception Date
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
<b>Intermediate-Term Bond</b>												
PIMCO	Core Plus Bond I Separate Account-R6 <sup>15, 18, 21</sup>	6.76	-	-	-	-	-	-	-	-	-	09/30/2008
	Barclays Capital Aggregate Bond Index	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	8.44	11.63	-
Principal Global Investors	Bond and Mortgage Separate Account-I2 <sup>18, 21</sup>	21.81	-13.06	3.83	4.72	2.64	5.02	5.21	9.91	8.40	11.99	02/01/1983
	Barclays Capital Aggregate Bond Index	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	8.44	11.63	-
	Morningstar Category Average - Intermediate-Term Bond	13.97	-4.70	4.70	4.15	1.80	3.91	5.10	8.04	7.64	9.44	
	Total Funds in Category	1123	1135	1097	1092	1043	1035	952	784	706	614	
<b>Inflation-Protected Bond</b>												
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 <sup>15, 18, 21, 35</sup>	6.42	-18.00	5.77	0.27	2.28	-	-	-	-	-	12/31/2004
	Barclays Capital US Treas TIPS Index	11.41	-2.35	11.64	0.41	2.84	8.46	8.40	16.57	7.90	13.18	-
	Morningstar Category Average - Inflation-Protected Bond	10.88	-4.08	9.86	0.09	2.09	7.48	7.15	14.81	7.27	12.36	
	Total Funds in Category	158	160	156	140	109	69	44	18	15	13	

Please see important disclosures at the end of this presentation.

# Calendar Year Percentile Ranks

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

Investment Advisor	Investment Option	Calendar Year Percentile Ranks										Inception Date
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
	<b>Large U.S. Equity</b>											
	<b>Large Value</b>											
AllianceBernstein / Westwood	LargeCap Value III Separate Account-R6 <sup>3, 17, 22, 34, 44</sup>	74	80	85	10	55	45	52	13	7	-	12/29/2000
UBS / TS&W	LargeCap Value I Separate Account-R6 <sup>15, 44, 48</sup>	55	70	61	53	16	-	-	-	-	-	06/01/2004
	<b>Large Blend</b>											
Goldman Sachs Asset Mgt	LargeCap Blend I Separate Account-R6 <sup>10</sup>	83	26	90	46	38	21	28	82	82	84	06/01/1995
Principal Global Investors	LargeCap S&P 500 Index Separate Account-R6 <sup>2, 9, 24</sup>	59	40	55	29	64	43	33	48	46	62	01/01/1990
	<b>Large Growth</b>											
Columbus Circle Investors	LargeCap Growth Separate Account-R6 <sup>25</sup>	83	71	9	25	14	36	59	59	68	36	06/01/1995
T. Rowe Price/Brown Advisory	LargeCap Growth I Separate Account-R6 <sup>3, 38, 44, 46</sup>	6	51	75	63	40	37	75	51	19	-	12/29/2000
	<b>Small/Mid U.S. Equity</b>											
	<b>Mid Cap Value</b>											
Principal Global/Barrow Hanley	MidCap Value III Separate Account-R6 <sup>1, 13, 26</sup>	68	41	65	46	9	55	70	18	60	84	01/01/1991
	<b>Mid Cap Growth</b>											
Turner/Mellon/Jacobs Levy	MidCap Growth III Separate Account-R6 <sup>1, 12, 28, 44</sup>	31	80	12	69	37	65	5	78	74	44	10/28/1999
	<b>Small Value</b>											
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Separate Account-R6 <sup>1, 15, 38, 41, 44</sup>	36	81	71	15	50	-	-	-	-	-	06/01/2004
JP Morgan/Mellon Capital Mgmt	SmallCap Value I Separate Account-R6 <sup>1, 3, 16, 44</sup>	93	56	75	40	55	33	16	-	-	-	12/31/2002
	<b>Small Growth</b>											
Emerald / Essex	SmallCap Growth II Separate Account-R6 <sup>1, 3, 44, 45</sup>	65	57	58	63	42	60	44	35	82	-	12/29/2000
	<b>International Equity</b>											
	<b>Diversified Emerging Markets</b>											
Principal Global Investors	International Emerging Markets Separate Account-R6 <sup>4</sup>	64	55	20	17	29	34	27	59	62	38	01/01/1995
	<b>Foreign Large Value</b>											
AXA Rosenberg/Causeway	International Value I Separate Account-R6 <sup>4, 15, 44</sup>	67	-	-	-	-	-	-	-	-	-	09/30/2008
	<b>Foreign Large Blend</b>											
Fidelity / Schroders	International I Separate Account-R6 <sup>4, 15, 19, 32, 44, 49</sup>	80	55	27	30	62	37	3	86	39	68	07/01/1999
	<b>Foreign Large Growth</b>											
Principal Global Investors	International Growth Separate Account-R6 <sup>3, 4</sup>	90	50	80	39	8	8	24	24	27	-	12/29/2000
	<b>Real Estate</b>											
	<b>Owned Real Estate</b>											
Principal Real Estate Inv	U.S. Property Separate Account-R6 <sup>6</sup>	-	-	-	-	-	-	-	-	-	-	01/01/1982



# Calendar Year Percentile Ranks

Investment Advisor	Investment Option	Calendar Year Percentile Ranks										Inception Date
		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
	<b>Real Estate</b>											
Principal Real Estate Inv	Real Estate Securities Separate Account-R6 <sup>3, 8</sup>	66	5	70	30	16	36	32	-	-	-	12/31/2002
	<b>Short-Term Fixed Income</b>											
	<b>Money Market</b>											
Principal Global Investors	Money Market Separate Account-R6 <sup>7, 37, 39</sup>	-	-	-	-	-	-	-	-	-	-	12/10/1980
	<b>Fixed Income</b>											
	<b>High Yield Bond</b>											
JP Morgan/Neuberger Berman	High Yield I Separate Account-R6 <sup>5, 15, 18, 20, 21, 33</sup>	24	14	34	81	15	-	-	-	-	-	12/31/2004
	<b>Intermediate-Term Bond</b>											
PIMCO	Core Plus Bond I Separate Account-R6 <sup>15, 18, 21</sup>	85	-	-	-	-	-	-	-	-	-	09/30/2008
Principal Global Investors	Bond and Mortgage Separate Account-I2 <sup>18, 21</sup>	11	89	78	19	9	14	34	16	25	8	02/01/1983
	<b>Inflation-Protected Bond</b>											
BlackRock Financial Mgmt, Inc.	Inflation Protection Separate Account-R6 <sup>15, 18, 21, 35</sup>	94	93	90	27	37	-	-	-	-	-	12/31/2004

Please see important disclosures at the end of this presentation.

# Disclosures

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- 3. This Separate Account invests solely in the Institutional class shares of the Principal Funds. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund.*
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10. Effective November 13, 2006, this portfolio is sub-advised by Goldman Sachs Asset Management. From November 18, 2002, to November 16, 2006, the portfolio was sub-advised by Goldman Sachs Asset Management and Wellington Management Company, LLP. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

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

13. Effective July 12, 2005, Barrow Hanley was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

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

16. Effective August 8, 2005, Mellon Capital Management was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

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

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

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

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

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

22. Formerly known as Large-Cap Value Separate Account.

24. Formerly known as Large-Cap Stock Index Separate Account.

25. Formerly known as Large Company Growth Separate Account.

26. Formerly known as Medium Company Value Separate Account.

28. Formerly known as Mid-Cap Growth Separate Account.

32. Formerly known as International Separate Account.

33. Formerly known as High Yield Separate Account.

34. Effective July 15, 2008, Westwood Management Corp. was added as an additional sub-advisor. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

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

37. Principal Life Insurance Company may voluntarily waive a certain portion of its fees collected from the Money Market Separate Account on a temporary basis. The Total Investment Expense - Net may be lower when fees are waived.

38. This investment option maintains a voluntary waiver which is reflected in the value displayed for Total Investment Expense - Net. This waiver may be discontinued at any time.

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

41. 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.

44. 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.

45. Effective June 26, 2009, this portfolio is sub-advised by Emerald Advisors and Essex. Prior to June 26, 2009, the portfolio was sub-advised by UBS Global Asset Management, Emerald Advisors and Essex. The portfolio has had various sub-advisors since its inception. Performance results displayed reflect all sub-advisors managing this portfolio during the time periods displayed.

46. 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.

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

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

## **Benchmark Descriptions**

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

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

*Barclays Capital US 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%.*

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

*Blended Real Estate Index is composed of 75% NFI-ODCE Equal-Weight and 25% MSCI US REIT Index. The NFI-ODCE Equal-Weight is the NCREIF Fund Index- Open End 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.*

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

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

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

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

*NFI-ODCE Equal-Weight is the NCREIF Fund Index - Open End Diversified Core Equity. It is a fund-level equal-weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage. The return series is net of the average fee charged by accounts that make up the index.*

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

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

*Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.*

*Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.*

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

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

*Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.*

*The MSCI World Ex US Growth Index measures global developed market equity performance of growth securities outside of the United States. It is comprised of half the securities in the MSCI World Ex US Index, with half of the market capitalization of each country index in the Growth Index (the other half is in the Value Index).*

*Weighted Index is composed of:*

*07/01/2005 - 02/28/2007: 34% Barclays Capital Aggregate Bond Index, 47.9% Russell 3000 Index, 10% MSCI EAFE Index, 6% NFI-ODCE Equal Weight Index and 2.1% MSCI US REIT Index.*

*03/01/2007 - 06/30/2010: 34% Barclays Capital Aggregate Bond Index, 44% Russell 3000 Index, 13.9% MSCI EAFE Index, 6% NFI-ODCE Equal Weight Index and 2.1% MSCI US REIT Index.*