



Principal Strategic Asset Management (SAM) Portfolios

A Target Risk Portfolio Series

About SAM Portfolios

SAM Portfolios use a multi-manager approach in pursuing their active asset allocation strategies and are available via Separate Accounts or Principal Funds, Inc. (Principal Funds).¹ SAM Portfolios invest in mutual funds² that are carefully selected by Edge Asset Management, Inc. (EDGE). This combination of different Principal Funds into one portfolio offers varying levels of risk and return in addition to an efficient, unique approach to retirement investing. The five SAM Portfolios were developed to address a broad spectrum of investor risk tolerance, so all – or as few as one – of the portfolios may be appropriate for and added to your investment option lineup. Ranging from a portfolio consisting mostly of equity funds, to one that invests primarily in fixed-income funds, participants can choose the SAM Portfolio that best fits their individual goals and risk tolerance.

Participants have two options:

If you choose to offer all five SAM Portfolios, “do-it-for-me” investors may choose the applicable SAM Portfolio from a list of five risk summaries. Or, for an even more personalized approach, participants can take an Investor Profile Quiz to help find the investment option that more closely matches their preference for potential risk and return.

A Consistent Philosophy and Process

The SAM Portfolios are designed to cover a broad range of participants’ retirement needs. Each portfolio follows three basic principles:

- **Broad diversification** across multiple traditional and specialty asset classes;
- **Professional investment managers** representing a wide range of asset classes, investment styles and money management firms; and
- **A structured investment process** with disciplined risk management at each stage of the investment process.

¹Separate Accounts are available based on state availability.

²SAM Portfolios invest in Principal Funds mutual funds.

Not FDIC or NCUA Insured

May Lose Value • Not a Deposit • No Bank or Credit Union Guarantee
Not Insured by any Federal Government Agency

Asset allocation/diversification does not guarantee a profit or protect against a loss.

Premier Investment Managers

Combining managers with complementary investment styles and different asset classes helps reduce overall volatility. This means your plan participants have access to investment portfolios that seek to provide consistent, above average returns while helping to manage risk.

MULTIPLE SUB-ADVISORS OF UNDERLYING FUNDS

MULTIPLE ASSET CLASSES AND STYLES

U.S. Equities	Non-U.S. Equities	Fixed Income	Real Estate
<ul style="list-style-type: none"> • Large Cap Growth • Large Cap Value • Mid Cap Growth • Mid Cap Value • Small Cap Growth • Small Cap Value • Convertible Securities • Master Limited Partnerships • Commodities • Absolute Return 	<ul style="list-style-type: none"> • Developed Market Growth • Developed Market Value • Emerging Market Growth • Emerging Market Value 	<ul style="list-style-type: none"> • Cash • Commercial Mortgage Backed Securities • Government Securities • Investment-Grade Corporate Bonds • Mortgage & Asset-Backed Securities • Bank Loans • High Yield Corporate Bonds • Treasury-Inflation Protected Securities (TIPS) • Preferred Securities • International Developed Market Bonds • International Emerging Market Bonds 	<ul style="list-style-type: none"> • Real Estate Investment Trusts (REITs) • International Real Estate

The managers used within the SAM Portfolios can change at any time.

Managing Your Fiduciary Responsibility

A retirement plan is one of the most important employee benefits you can offer as an employer. However, as a retirement plan sponsor, you face plenty of challenges — one of which is acting as a fiduciary. While SAM Portfolios provide participants a diversified investment option, they can help you support your fiduciary responsibilities related to asset allocation and manager selection.³

THE EFFICIENT FRONTIER

Plan participants who are unsure of how much risk they want to accept can explore portfolio mixes at differing levels of risk. The range of these portfolios is called the “efficient frontier.” As you move from left to right on the graph, risk increases and there are different strategies that can offer potentially higher returns. However, as with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, reduce returns.

The efficient frontier shown is generally representative of the potential long-term risk/return relationship of the portfolios with their current asset allocation. The asset allocation of these portfolios may change over time and there is no guarantee that future risk/return performance will be consistent, especially over shorter time periods. No portfolio has zero risk, and none guarantees any specific reward.

³The ultimate decision as to whether a SAM Portfolio is an appropriate investment option for a plan belongs to the appropriate retirement plan fiduciaries.

Asset allocation/diversification does not guarantee a profit or protect against a loss.

Strategically Allocated Portfolios

A look at the Strategic Asset Management (SAM) Target Risk Portfolio Series⁴

PROFILE I – SAM FLEXIBLE INCOME PORTFOLIO											
<table border="1"> <caption>Profile I Asset Allocation</caption> <tr><th>Asset Class</th><th>Percentage</th></tr> <tr><td>Fixed Income</td><td>72%</td></tr> <tr><td>U.S. Equities</td><td>21%</td></tr> <tr><td>Non-U.S. Equities</td><td>4%</td></tr> <tr><td>Real Estate</td><td>3%</td></tr> </table>	Asset Class	Percentage	Fixed Income	72%	U.S. Equities	21%	Non-U.S. Equities	4%	Real Estate	3%	<p>Long-Term Target Allocation: The Flexible Income Portfolio is made up of approximately 25 percent equity and 75 percent fixed-income funds.</p> <p>Investment Objective: This portfolio seeks to generate income and preserve capital.</p> <p>Profile: Investors who fall within this profile may be cautious with a low risk tolerance and/or short time until retirement.</p>
Asset Class	Percentage										
Fixed Income	72%										
U.S. Equities	21%										
Non-U.S. Equities	4%										
Real Estate	3%										
PROFILE II – SAM CONSERVATIVE BALANCED PORTFOLIO											
<table border="1"> <caption>Profile II Asset Allocation</caption> <tr><th>Asset Class</th><th>Percentage</th></tr> <tr><td>Fixed Income</td><td>56%</td></tr> <tr><td>U.S. Equities</td><td>32%</td></tr> <tr><td>Non-U.S. Equities</td><td>9%</td></tr> <tr><td>Real Estate</td><td>3%</td></tr> </table>	Asset Class	Percentage	Fixed Income	56%	U.S. Equities	32%	Non-U.S. Equities	9%	Real Estate	3%	<p>Long-Term Target Allocation: The Conservative Balanced Portfolio is made up of approximately 40 percent equity and 60 percent fixed-income funds.</p> <p>Investment Objective: This portfolio seeks to generate income and some growth of capital.</p> <p>Profile: Investors who fall within this profile may have a slightly higher risk tolerance than the most conservative investor and/or short to intermediate time to retirement.</p>
Asset Class	Percentage										
Fixed Income	56%										
U.S. Equities	32%										
Non-U.S. Equities	9%										
Real Estate	3%										
PROFILE III – SAM BALANCED PORTFOLIO											
<table border="1"> <caption>Profile III Asset Allocation</caption> <tr><th>Asset Class</th><th>Percentage</th></tr> <tr><td>U.S. Equities</td><td>47%</td></tr> <tr><td>Fixed Income</td><td>36%</td></tr> <tr><td>Non-U.S. Equities</td><td>12%</td></tr> <tr><td>Real Estate</td><td>5%</td></tr> </table>	Asset Class	Percentage	U.S. Equities	47%	Fixed Income	36%	Non-U.S. Equities	12%	Real Estate	5%	<p>Long-Term Target Allocation: The Balanced Portfolio is made up of approximately 60 percent equity and 40 percent fixed-income funds.</p> <p>Investment Objective: This portfolio seeks growth of capital and some income.</p> <p>Profile: Investors who fall within this profile may have a moderate risk range and/or intermediate to long time until retirement.</p>
Asset Class	Percentage										
U.S. Equities	47%										
Fixed Income	36%										
Non-U.S. Equities	12%										
Real Estate	5%										
PROFILE IV – SAM CONSERVATIVE GROWTH PORTFOLIO											
<table border="1"> <caption>Profile IV Asset Allocation</caption> <tr><th>Asset Class</th><th>Percentage</th></tr> <tr><td>U.S. Equities</td><td>61%</td></tr> <tr><td>Fixed Income</td><td>17%</td></tr> <tr><td>Non-U.S. Equities</td><td>16%</td></tr> <tr><td>Real Estate</td><td>6%</td></tr> </table>	Asset Class	Percentage	U.S. Equities	61%	Fixed Income	17%	Non-U.S. Equities	16%	Real Estate	6%	<p>Long-Term Target Allocation: The Conservative Growth Portfolio is made up of approximately 80 percent equity and 20 percent fixed-income funds.</p> <p>Investment Objective: This portfolio seeks above-average growth of capital with little income.</p> <p>Profile: Investors who fall within this profile may have a moderate to high tolerance for risk and/or long time until retirement.</p>
Asset Class	Percentage										
U.S. Equities	61%										
Fixed Income	17%										
Non-U.S. Equities	16%										
Real Estate	6%										
PROFILE V – SAM STRATEGIC GROWTH PORTFOLIO											
<table border="1"> <caption>Profile V Asset Allocation</caption> <tr><th>Asset Class</th><th>Percentage</th></tr> <tr><td>U.S. Equities</td><td>64%</td></tr> <tr><td>Non-U.S. Equities</td><td>24%</td></tr> <tr><td>Real Estate</td><td>7%</td></tr> <tr><td>Fixed Income</td><td>5%</td></tr> </table>	Asset Class	Percentage	U.S. Equities	64%	Non-U.S. Equities	24%	Real Estate	7%	Fixed Income	5%	<p>Long-Term Target Allocation: The Strategic Growth Portfolio is made up of approximately 95 percent equity and 5 percent fixed-income funds.</p> <p>Investment Objective: This portfolio seeks high growth of capital with no income.</p> <p>Profile: Investors who fall within this profile may have a high tolerance for risk and/or long time until retirement.</p>
Asset Class	Percentage										
U.S. Equities	64%										
Non-U.S. Equities	24%										
Real Estate	7%										
Fixed Income	5%										
<p>● U.S. Equities ● Non-U.S. Equities ● Real Estate ● Fixed Income</p>											

⁴Allocations based on current long-term strategic allocation targets as of December 2015. Allocations are subject to change.

Asset allocation/diversification does not guarantee a profit or protect against a loss.

About Edge Asset Management

EDGE is a leading manager of equities, fixed income and asset allocation strategies and currently manages more than \$29.3 billion in assets.⁵ A heritage dating back to 1939, EDGE remains at the forefront of innovation managing one of the first mutual funds in the industry and is a pioneer in target risk asset allocation funds. EDGE enjoys the focus of a boutique firm while leveraging the resources of Principal Global Investors, its asset management affiliate. EDGE has a tenured team of 22 investment professionals and EDGE portfolio managers average more than 20 years of investment experience.

About The Principal

The Principal Financial Group® (The Principal®)⁶ is a global investment management leader offering retirement services, insurance solutions and asset management. The Principal offers businesses, individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance through its diverse family of financial services companies. Founded in 1879 and a member of the FORTUNE 500®, the Principal Financial Group has \$495 billion in assets under management⁵ and serves more than 19 million customers worldwide from offices in Asia, Australia, Europe, Latin America and the United States. Principal Financial Group, Inc. is traded on the New York Stock Exchange under the ticker symbol PFG.

Principal Funds is the sixth largest of 61 target risk service providers in the industry.

⁵ As of December 31, 2015

⁶ "The Principal Financial Group" and "The Principal" are registered service marks of Principal Financial Services, Inc., a member of the Principal Financial Group.

⁷ Based on total assets of target risk funds. Strategic Insight Lifecycle FlowWatch Report, 4Q15.

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

Carefully consider the Fund's objectives, risks, charges, and expenses. Contact your financial professional or visit principal.com for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing. Investing involves risk, including possible loss of principal.

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.

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.

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

Each Principal Strategic Asset Management Portfolio is available through a Separate Account or Principal Funds, Inc. mutual fund. Principal Strategic Asset Management Separate Accounts are made available through a group annuity contract with the Principal Life Insurance Company, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths.

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with their financial professional about their responses to this questionnaire and other relevant factors that they should consider before making an investment decision. Be sure to complete the quiz periodically to make sure that the investment choice(s) you elected continues to match your risk profile. The questionnaire is made available through a license agreement with the Principal Financial Group®, and use by an investor in no way establishes a relationship (including advisory relationship) between the investor and Ibbotson Associates. In no way does your use of the quiz establish a relationship (including advisory relationship) between you and Ibbotson Associates nor is Ibbotson responsible for mapping or identifying a specific investment choice(s) that may be appropriate for your risk profile. Find the Investor Profile Quiz online at principal.com/investorquiz. Past performance does not guarantee future results.

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WE'LL GIVE YOU AN EDGE®

The Principal Financial Group®, Des Moines, Iowa 50392-0001, principal.com

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