Fixed income investment options
The importance of selecting a fixed income investment option

Choosing a strategy for your program

Reviewing the range of investment options

Return-focused and capital preservation-focused

An investment provider with fixed income expertise: Principal Financial Group®

Investment expertise
Managing a retirement program for employees who have diverse savings needs and goals can be challenging. Fixed income investment options can offer a range of benefits and flexibility. These options are meant to serve a variety of participant needs and therefore play different roles in an investment lineup. That’s why plan sponsors should evaluate including fixed income investment options from two types of broad fixed income strategies:

- **Return-focused** – fixed income investment options that seek to generate income; market value risk generally applies.
- **Capital preservation-focused** – fixed income investment options that seek to preserve capital; this strategy is often met through either a guaranteed product or a stable value product.

Why are fixed income investment options important to consider for your retirement plan’s investment lineup?

- Fixed income investment options add overall **portfolio diversification** which may provide a hedge against periodic down equity markets and may help with **overall investment performance** through differing market cycles.
- Fixed income investment options may help with the **stability of principal**.
- The fixed income asset class represents a more conservative investment choice for participants **nearing retirement** or who have a **low risk tolerance** and are more concerned about volatility than investment returns.

---

<table>
<thead>
<tr>
<th>Not FDIC or NCUA insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>May lose value • Not a deposit • No bank or credit union guarantee</td>
</tr>
<tr>
<td>Not insured by any Federal government agency</td>
</tr>
</tbody>
</table>

Asset allocation and diversification do not ensure a profit or protect against a loss.
Guarantees are based upon the claims-paying ability of the issuing insurance company.
This document is not a recommendation and is not intended to be taken as a recommendation. This material was prepared for general distribution and is not directed to a specific individual.
Choosing a strategy for your program

Count on our investment specialists to work closely with you and your financial professional as you determine your fixed income objectives. The following questions can help you select investment option(s) for your program:

- Are you more concerned about the potential for higher returns or decreased risk investment options?
- How much flexibility are you looking for in structure, design, asset allocation, fees, etc.?
- What is your goal for possible returns and fee structure as compared to the amount of risk taken?
- What level of volatility and risk is acceptable for your participants?
- Is your objective to have a fixed income investment option where:
  – Returns change daily to reflect market fluctuations (up or down)?
  – Crediting rates are guaranteed and will not reflect daily market fluctuations (up or down)?
  – Daily market fluctuations (up or down) are smoothed out over time?
- What type of liquidity do you desire on participant-directed transactions?
- How flexible are you with transfer charges or restrictions at the plan sponsor level due to an employer-initiated event (i.e., terminating the program’s interest in the investment option)?
- Do you want your participants to have access to multiple types of fixed income investment options?

Guarantees are based upon the claims-paying ability of the issuing insurance company.
Our spectrum of fixed income investment options includes return-focused and capital preservation-focused investment options. These investment choices are designed to provide you and your participants a broad range of comparative options.

To determine what you’re looking for in a fixed income investment option, and which one(s) may help you meet your retirement program goals, take a closer look at the characteristics of return-focused investment options:

### Return-focused investment options³

<table>
<thead>
<tr>
<th>Type of investment option</th>
<th>Characteristics</th>
</tr>
</thead>
</table>
| Government bond, short-term bond, intermediate-term bond, long-term bond, inflation-protected bond and high-yield bond investment options, and also investment options that invest in preferred securities* | • This type of investment generally has a low correlation to equity markets, resulting in increased diversification and potentially lower volatility for participants.¹  
• May provide a clearer, more straightforward cost structure.  
• Features direct crediting of portfolio performance.  
• Each portfolio has a specific investment strategy and objective.  
• Participant transactions occur at market value without surrender charge.²  
• The more volatile of the two types of fixed income investment options, with potential for greater investment risk and possible returns for the retirement plan and participants.³  
• Open-ended investment options which allow for purchasing and redeeming at the next calculated public offering price. |

---

*In general, the risk and return characteristics of these different categories of investment options differ significantly from one another. See important information for more details.

¹ Correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel; a negative correlation indicates the extent to which one variable increases as the other decreases.

² See the fund prospectus or group annuity contract for any restrictions which might apply for frequent purchases or redemptions.

³ Return-focused options may be mutual funds or insurance company separate accounts.
Return-focused investment options

The following chart illustrates the historical returns of the Principal Core Plus Bond Fund, the Principal Income Fund and the Barclays U.S. Aggregate Bond Index (a common benchmark for the bond market as a whole) to show the potential for meeting investment objectives using return-focused fixed income investments.

Accumulated value of $1,000

*Source: Morningstar®

Note: Hypothetical illustration shown for informational purposes only. Investment products noted do not include fees; any investment and plan expenses paid from amounts allocated to investments noted may affect the slope or degree to which the amounts may increase. Past performance is no guarantee of future results. See appendix and important information for more details.

Chart assumes a single $1,000 deposit was made into each of the investment options and illustrates growth over the past ten years.
On the opposite end of the fixed income spectrum from return-focused are the capital preservation-focused investment options:

**Capital preservation-focused investment options**

<table>
<thead>
<tr>
<th>Type of investment option</th>
<th>Characteristics</th>
</tr>
</thead>
</table>
| Guaranteed Interest       | • Our Guaranteed Interest products guarantee principal and credit a fully guaranteed rate of interest. They provide an interest rate that is declared in advance for the defined maturity period. Guarantees are supported by the General Account of Principal Life.  
• With guaranteed products, the insurance company takes on the full risk — credit, interest rate, duration, cash flow volatility, etc. to provide the guarantee.  
• Contracts should be reviewed to determine plan sponsor liquidity provisions and if any restrictions apply to participant transfers. |

The following chart illustrates that the value of a guaranteed product will always increase based upon the claims-paying ability of the issuing insurance company. The slope or degree at which the amount may increase will vary, but should directionally increase.

**Accumulated value of $1,000**

Note: Hypothetical illustration shown for informational purposes only. Plan expenses paid from amounts allocated to a guaranteed product may affect the slope or degree to which the amounts may increase. Past performance is no guarantee of future results. Chart assumes a single $1,000 deposit was made in the guaranteed interest account Class of A, with five year maturity. At maturity, the accumulated value rolled-forward into a new five year guaranteed interest account. This chart shows the effect of guaranteed account accumulation based on guaranteed interest account rates available during the time period shown.

*Guarantees are supported by the General Account of Principal Life, but participants do not participate in the investment experience or performance of the General Account. See important information for more details.
Another type of capital preservation-focused investment options is stable value.

**Capital preservation-focused investment options**

<table>
<thead>
<tr>
<th>Type of investment option</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stable Value</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Such as the Principal Stable Value Fund and the Morley Stable Value Fund | • The investment option’s goal is to produce higher returns than money market investment options while seeking safety and stability of principal.  
• This investment option offers less volatility than the return-focused investment options, and thus less risk and return on a day-to-day basis at the participant level related to the portfolio of securities held in the investment option.  
• The underlying portfolio’s market performance or fluctuation is intended to be smoothed over time through wrap contracts that provide book value crediting rates.  
• Participant redemptions from the stable value fund are generally permitted without restriction.  
• Stable Value investment options, depending on market conditions, may impose liquidity restrictions on employer transactions. |

The Fund and indices on the following chart illustrate ranges of historical performance and how a stable value product smooths market fluctuation over time.

**Accumulated value of $1,000**

*Source: Morningstar®

**Note:** Hypothetical illustration shown for informational purposes only. Index options noted do not include fees; any investment and plan expenses paid from amounts allocated to investments noted may affect the slope or degree to which the amounts may increase. Past performance is no guarantee of future results.

Chart assumes a single $1,000 deposit was made into both the Signature and Z share classes of the Principal Stable Value Fund. The deposits accumulated using rolling one-month Principal Stable Value Fund returns according to actual performance data over the time period shown. The difference in the accumulated value in the Signature and Z share classes is due to the Total Investment Expense for each share class.
## Return-focused and capital preservation-focused

### Principal fixed income comparison charts

<table>
<thead>
<tr>
<th>Return-focused products</th>
<th>Principal Short-Term Income</th>
<th>Principal Core Plus Bond</th>
<th>Principal Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General description</strong></td>
<td>Invests in high quality short-term bonds and other fixed income securities. Focus on stability of principal and high current income.</td>
<td>Invests in a broad array of fixed income sectors and securities including: U.S. government; corporate; securitized; sovereign; emerging market; and high yield. Focus on providing current income while still seeking capital appreciation both in keeping with preservation of capital and appreciation.</td>
<td>Invests in a broad array of fixed income securities including: investment-grade and high-yield corporates, mortgage-backed securities, agency mortgages and asset-backed securities. Focus on high current income consistent with preservation of capital.</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td>May be a registered Mutual Fund or an Insurance Company Separate Account.</td>
<td>May be a registered Mutual Fund or an Insurance Company Separate Account.</td>
<td>May be a registered Mutual Fund or an Insurance Company Separate Account.</td>
</tr>
<tr>
<td><strong>Investment manager or sub-advisor</strong></td>
<td>Principal Global Investors</td>
<td>Principal Global Investors</td>
<td>Principal Global Investors</td>
</tr>
<tr>
<td><strong>Surrender charges on employer-level transactions</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Surrender charges on participant-level transactions</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Competing investment options allowed</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Rates or return information</strong></td>
<td>Like other market value products, returns change daily with the fluctuation of underlying securities.</td>
<td>Like other market value products, returns change daily with the fluctuation of underlying securities.</td>
<td>Like other market value products, returns change daily with the fluctuation of underlying securities.</td>
</tr>
<tr>
<td><strong>Primary risk associated with the product</strong></td>
<td>Fixed-income securities are subject to interest rate, credit quality and liquidity risks.</td>
<td>Fixed-income securities are subject to interest rate, credit quality and liquidity risks.</td>
<td>Fixed-income securities are subject to interest rate, credit quality and liquidity risks.</td>
</tr>
<tr>
<td><strong>Available for all plan types?</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Environment in which returns are competitive</strong></td>
<td>Competitive against shorter duration products (i.e., money market or ultra-short funds) in declining interest rate environments. Competitive against longer duration products (i.e., intermediate or long-term funds) in rising interest rate environments.</td>
<td>Competitive against intermediate-duration, multi-sector fixed income options. The product also seeks to maintain an inherent yield advantage (typically higher yields compensate for longer duration) vs. shorter duration products, thereby carrying additional interest rate risk. Fundamental credit research coupled with a macro-oriented risk perspective seeks to limit downside risk while providing upside return capture.</td>
<td>Competitive against intermediate-duration products when market performance is driven by underlying fundamentals. The product’s research focuses on issuers and companies with stable cash flows, hard assets, limited ongoing capital needs and those that are benefiting from demographic trends.</td>
</tr>
</tbody>
</table>
### Principal capital preservation-focused products

<table>
<thead>
<tr>
<th>Recordkeeping availability</th>
<th>Principal Guaranteed Option (PGO)⁴</th>
<th>Principal Fixed Income Guaranteed Option (PFIGO)⁵</th>
<th>Guaranteed Interest Accounts¹</th>
<th>Guaranteed Interest Balance Contract⁶</th>
<th>Principal Stable Value Fund (PSVF); Morley Stable Value Fund (MSVF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal recordkeeping and external recordkeeping</td>
<td>Principal recordkeeping</td>
<td>Principal recordkeeping</td>
<td>Principal recordkeeping and external recordkeeping</td>
<td>Principal recordkeeping</td>
<td>PSVF: Principal recordkeeping and external recordkeeping</td>
</tr>
<tr>
<td><strong>General description</strong></td>
<td>Guarantee principal and provide a guaranteed interest rate for a defined time period.</td>
<td></td>
<td></td>
<td></td>
<td>Invests primarily in pools of assets wrapped by insurance contracts. Focus on stability of principal and guarantee rates.</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td>Insurance company contract</td>
<td>Insurance company contract</td>
<td>Insurance company contract</td>
<td>Insurance company contract</td>
<td>Collective Investment Trust maintained by a bank or trust company, not a mutual fund.</td>
</tr>
<tr>
<td><strong>Investment manager or sub-advisor</strong></td>
<td>Not applicable. Backed by the multi-billion dollar general account of Principal Life Insurance Company. The underlying portfolio consists of interest-earning investments, including bonds, commercial mortgages and government securities. Fluctuation in price of general account securities does not affect existing account value. Focus on stability of principal and guaranteed crediting rates.</td>
<td></td>
<td></td>
<td></td>
<td>Morley Capital Management⁵</td>
</tr>
<tr>
<td><strong>Surrender charges on employer-level transactions</strong></td>
<td>No charge on distributions paid out in 6 installments over 5 years. A charge may apply on an immediate withdrawal if available.</td>
<td>No charge on distributions paid out under installments. A charge may apply on an immediate withdrawal.</td>
<td>No charge on distributions paid out under installments. A charge may apply on an immediate withdrawal if available.</td>
<td>No charge on distributions paid out under installments. A charge may apply on an immediate withdrawal if available.</td>
<td>No surrender charge, but Trustee can delay payment up to 12 months.</td>
</tr>
<tr>
<td><strong>Surrender charges on participant-level transactions</strong></td>
<td>No; participants can generally transfer without surrender charges.</td>
<td>No; participants can generally transfer without surrender charges.</td>
<td>No; participants can generally transfer without surrender charges.</td>
<td>No; participants can generally transfer without surrender charges.</td>
<td>No; participant transactions are executed at book value.</td>
</tr>
<tr>
<td><strong>Competing investment options allowed¹⁰</strong></td>
<td>Yes, subject to equity wash provision.</td>
<td>Yes, subject to equity wash provision.</td>
<td>Yes</td>
<td>Yes, subject to equity wash provision.</td>
<td>PSVF: No</td>
</tr>
<tr>
<td><strong>Rates or return information</strong></td>
<td>Composite crediting rate resets every 6 months. Composite crediting rate is based on an average of underlying guaranteed balances. Guaranteed balances are opened periodically for a specified amount and a targeted average maturity of 4-6 years.</td>
<td>Composite crediting rate resets every 6 months. Composite crediting rate is based on an average of underlying guaranteed balances. Guaranteed balances are opened periodically for a specified amount and a targeted average maturity of 2-4 years.</td>
<td>Crediting rate is guaranteed for the maturity period (2-7 years) selected by the participant from the periods available to the plan. Crediting rates are set for each vintage based on the average rate associated with the individual participant’s allocations during the year.</td>
<td>Composite crediting rates are set for each plan and reset every 6 or 12 months (selected by plan sponsor). Composite crediting rate is based on an average of underlying guaranteed balances. Guaranteed balances are specific to each plan and depend on the maturity structure selected by the plan sponsor.</td>
<td>Return changes daily based on crediting rates of underlying wrap issuer contracts and cash. The targeted average duration for the funds are 2-3 years.</td>
</tr>
<tr>
<td><strong>Primary risk associated with the product</strong></td>
<td>Solvency risk – risk that the insurance company providing the guarantee is not able to return principal balance in the event of insolvency.</td>
<td>Solvency risk – risk that the insurance company providing the guarantee is not able to return principal balance in the event of insolvency.</td>
<td>Solvency risk – risk that the insurance company providing the guarantee is not able to return principal balance in the event of insolvency.</td>
<td>Solvency risk – risk that the insurance company providing the guarantee is not able to return principal balance in the event of insolvency.</td>
<td>Wrap contract risk – risk that wrap contract issuers are unable to fulfill their contractual obligation to provide a stable crediting rate.¹¹</td>
</tr>
<tr>
<td><strong>Available for all plan types?</strong></td>
<td>Not available for defined benefit or nonqualified plans.</td>
<td>Not available for defined benefit or nonqualified plans.</td>
<td>Not available for defined benefit or nonqualified plans.</td>
<td>Not available for defined benefit or nonqualified plans.</td>
<td>Not available for defined benefit or nonqualified plans; may be used by 403(b) (9) church plans.</td>
</tr>
<tr>
<td><strong>Tracking market interest rates</strong></td>
<td>Composite crediting rate is an average of underlying guarantees, including guarantees for new aggregate participant allocations, as well as prior guarantees set over time. Underlying guarantees reflect current interest rates at that time. The composite crediting rate will track interest rate changes over time but more slowly than market rates due to prior guarantees included in the calculation. In a declining interest rate environment, the composite crediting rate will generally appear more attractive. In a rising interest rate environment, the contract allows for a new vintage to open.¹²</td>
<td>Composite crediting rate is an average of underlying guarantees, including guarantees for new aggregate participant allocations, as well as prior guarantees set over time. Underlying guarantees reflect current interest rates at that time. The composite crediting rate will track interest rate changes over time but more slowly than market rates due to prior guarantees included in the calculation. In a declining interest rate environment, the composite crediting rate will generally appear more attractive. In a rising interest rate environment, the contract allows for a new vintage to open.¹²</td>
<td>Crediting rates for individual participant allocations can change daily, allowing new allocations and reinvestment of maturing guarantees to closely track changes in market interest rates. The participant’s average crediting rate will reflect a blending of interest rate environments for the individual participant’s allocations and maturing balances.</td>
<td>Crediting rate for initial plan deposits reflects current market interest rate at that time. Over time the plan’s composite crediting rate will generally track interest rate changes. The trend in the composite crediting rate is unique to the plan’s aggregate participant allocations and maturing guarantees.</td>
<td>The return reflects interest rate movements over time as cash flows and reinvestments, reflecting the duration of the fund, are made. The return on the fund will generally track market movements in interest rates over time. In an environment of declining interest rates, the fund’s return will generally appear relatively attractive.</td>
</tr>
</tbody>
</table>

⁴ Principal Guaranteed Option is the Custodial Guaranteed Option Group Annuity Contract available through Principal Life Insurance Company, a member of the Principal Financial Group⁶, Des Moines, Iowa 50392.

⁵ Principal Fixed Income Guaranteed Option is the Group Annuity Contract – Custodial Guaranteed Interest Contract available through Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, Iowa 50392.

⁶ Guaranteed interest account refers to the Guaranteed Interest Investment of the Flexible Investment Annuity Contract and the Guaranteed Account Balance of the Modular Group Annuity Contract available from Principal Life, Des Moines, Iowa 50392.

⁷ Guaranteed Interest Balance Contract is the Group Annuity Contract – Guaranteed Interest Balance Contract – Combined available through Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, Iowa 50392.

⁸ Guaranteed Interest Balance Contract is the Group Annuity Contract – Guaranteed Interest Balance Contract – Combined available through Principal Life Insurance Company, a member of the Principal Financial Group, Des Moines, Iowa 50392.

⁹ Morley Capital Management is a specialized investment boutique of Principal Global Investors, LLC.

¹⁰ A competing investment option is another guaranteed, stable value, money market or other short-term fixed income investment option with an average duration of less than three years.

¹¹ A vintage can be thought of as a portfolio of underlying Guaranteed Interest Balances that comprise the composite crediting rate of the PFIGO and PGO. A new vintage will be opened when the guaranteed interest rate on the Guaranteed Interest Balance is higher than the composite crediting rate, as described in the contract.
An investment provider with fixed income expertise: Principal Financial Group®

Commitment to the retirement plan industry

• Principal\(^{12}\) is a leader in the retirement plan industry with more than 135 years of financial services experience and more than 75 years of experience working with retirement plans.\(^{12}\)

• Principal Life Insurance Company continues to earn strong financial strength ratings from U.S. rating agencies.\(^{13}\) The underlying strength of Principal Life Insurance Company enables us to provide in-house guaranteed interest investment options, backed by the General Account of Principal Life.

• Principal Global Investors is one of the investment managers for various fixed income investment options offered by Principal, as well as an asset manager that offers individualized mandates for institutional clients.\(^{14}\)

People who provide expertise

• Principal Global Investors and its affiliates employ over 95 fixed income professionals.\(^{15}\) This diverse group of global credit analysts, economists, portfolio managers, traders and risk management specialists has the breadth and depth of knowledge you’re looking for.

• These fixed income professionals are complemented by 19 investment specialists, financial analysts and support staff who work closely together to provide choices for your retirement plan needs.\(^{15}\)

• When it comes to expertise around Guaranteed Interest investment options, we have extensive industry experience through multiple product offerings supported by nine dedicated investment and actuarial specialists.

\(^{12}\) Principal ranks number one among defined benefit plan service providers (PLANSPONSOR, May 2018) and number five among Defined Contribution recordkeepers (PLANSPONSOR, July 2018).

\(^{13}\) Third-party ratings relate to Principal Life Insurance Company and Principal National Life Insurance Company only, and do not reflect any ratings actions or notices relating to the U.S. life insurance sector generally. Source: Fitch Rating—‘AA-’ Very Strong - fourth highest of 19 rating levels; Standard & Poor’s Rating Group—‘A+’ Strong - fifth highest of 20 rating levels; A.M. Best—‘A+’ Superior - second highest of 13 rating levels; Moody’s Investors Service—‘A1’ Good—fifth highest of 21 rating levels. Ratings current as of Feb. 2019. Nationally recognized statistical rating organizations (NRSROs) publish financial strength ratings of U.S. life insurance companies that are indicators of an insurance company’s ability to meet contractholder and policyholder obligations. Such ratings are not a recommendation to buy, sell or hold an investment, are subject to withdrawal or revision at any time by the assigning NRSRO, and each rating should be evaluated independently of any other rating.

\(^{14}\) Principal Life Insurance Company is an investment manager based on ERISA for the separate accounts. Principal Life may hire Principal Global Investors as the investment manager - for the separate account(s).

\(^{15}\) As of Dec. 31, 2018.
Fixed income investment options from Principal

We understand that when it comes to making investment choices for a retirement program, you want to make the most informed and prudent decisions possible. To find the right fixed income investment option for a retirement program, or for more information, contact your financial professional or give us a call at 800.547.7754.

Investment expertise

Principal Global Investors leads global asset management at Principal. As a multi-boutique firm, we bring a focused perspective and offer expertise across a host of asset classes: fixed income, equities, real estate, asset allocation, target-date and target-risk, stable value, and other structured investment strategies. Today, we manage $412.7 billion of assets on behalf of a broad range of investors from over 80 countries.16

- Through Principal Global Investors and its affiliates, we make available multiple types of return-focused investment choices, which invest in public and private corporate, mortgage-backed, asset-backed and/or government securities.

- Principal Life Insurance Company supports guaranteed interest rates on Guaranteed Interest investment options through approximately $74.2 billion in assets held in the company’s general account.17 The general account consists of more than 7,200 investments, which include corporate bonds, asset-backed securities, commercial real estate mortgages, government bonds and short-term cash equivalents.

- We offer stable value investment option expertise through Morley Capital Management, a specialized investment boutique of Principal Global Fixed Income. With over 30 years of stable value experience, Morley oversees more than $18 billion in assets for over 12,000 plans.18 Morley is dedicated and committed to stable value management and employs a consistent and disciplined investment process with a focus on portfolio modeling, sector and security analysis, credit research and liquidity management techniques.

- We offer expertise in the management of preferred securities through an external investment management group within Principal Global Investors, Spectrum Asset Management, Inc. As one of the largest managers of preferred securities portfolios in the United States, Spectrum implements a rigorous credit approach and offers investment capabilities that emphasize preferred and capital securities, generally one of the highest-yielding investment grade securities in the U.S. capital markets.19

17 As of Dec. 31, 2018.
19 $18.5 billion in assets as of Dec. 31, 2018.

Guarantees are based upon the claims-paying ability of the issuing insurance company.
Appendix

Average annual total returns through 12/31/2018

<table>
<thead>
<tr>
<th>Inv Manager or Sub-Advisor Investment Option</th>
<th>1 yr.</th>
<th>5 yr.</th>
<th>10 yr.</th>
<th>Since inception</th>
<th>Inception date</th>
<th>Total inv. exp. net/ gross</th>
<th>Contractual cap/waiver expire date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intermediate-term bond</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Global Investors Income R3 Fund(^{20, 21, 22})</td>
<td>-0.53</td>
<td>2.29</td>
<td>5.27</td>
<td>7.11</td>
<td>03/01/2010</td>
<td>1.05/1.05</td>
<td></td>
</tr>
<tr>
<td>Principal Global Investors Core Plus Bond R3 Fund(^{21, 22, 23, 24})</td>
<td>-2.15</td>
<td>1.79</td>
<td>4.87</td>
<td>3.58</td>
<td>12/06/2000</td>
<td>1.03/1.09</td>
<td>02/29/2020 02/29/2020</td>
</tr>
<tr>
<td>Principal Global Investors Core Plus Bond Inst Fund(^{20, 21, 22, 23, 24})</td>
<td>-1.68</td>
<td>2.35</td>
<td>5.46</td>
<td>4.15</td>
<td>03/01/2001</td>
<td>0.47/0.53</td>
<td>02/29/2020 02/29/2020</td>
</tr>
<tr>
<td>Principal Global Investors Income Inst Fund(^{20, 21, 22, 25})</td>
<td>-0.06</td>
<td>2.84</td>
<td>5.83</td>
<td>7.37</td>
<td>03/23/1998</td>
<td>0.58/0.59</td>
<td>02/29/2020 02/29/2020</td>
</tr>
</tbody>
</table>

Please see important information at the end of this brochure.

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 the most recent month-end performance, visit principal.com.

\(^{20}\) These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. For time periods prior to inception date of the fund, predecessor performance is reflected. Please see the fund’s prospectus for more information on specific expenses, and the fund’s most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

\(^{21}\) 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.

\(^{22}\) Fixed income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

\(^{23}\) The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund’s initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

\(^{24}\) Formerly known as Bond & Mortgage Securities Fund.

\(^{25}\) Principal Funds Class P shares automatically converted to Institutional Class share effective close of business June 23, 2017.
Glossary of terms

7-Day Yield – The 7-Day Yield percentage more closely reflects the current earnings of this money market investment option than the total return displayed.

Total Investment Expense Gross – The maximum expense ratio that can be applied to an investment option. This includes expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the investment option, except brokerage costs.

Total Investment Expense Net – Gross expense ratio less any fee waivers, reimbursements or caps. The expenses, as a percentage of net assets, actually borne by the fund. Investment performance results are always net of expense ratios.

Expense Waiver – The investment advisor can waive a portion of their management fees resulting in a lower net investment expense ratio.

Contractual Cap – A contractual agreement between the investment advisor and the fund to limit, as a percentage of net assets, the expenses borne by the fund.

Inception Date – Date on which the investment option began its operations.

Investment Advisor – May include Registered Investment Advisers as defined in the Advisers Act of 1940, Investment Advisers as defined in the Investment Company Act of 1940, as well as a company employed by the investment option’s advisor to handle the investment option’s day-to-day management. In these instances, the portfolio manager generally works for the fund’s subadvisor, and not the advisor. See definition of Multiple Sub-Advisor appearing elsewhere in this presentation for greater detail about Sub-Advisors.
Important information

This document is not a recommendation and is not intended to be taken as a recommendation. This material was prepared for general distribution and is not directed to a specific individual.

As a general rule, we make more revenue on our proprietary products.

In situations where the net and gross fund expense figures are different, the investment manager has contractually agreed to limit the investment option’s expense. Differences may also be shown due to the investment manager choosing to pay certain expenses that would normally be payable by the fund. The gross fund expense figure does not reflect any waivers or caps on the mutual fund. Performance shown reflects the application of net expenses of the fund.

For more information on investment options, go to principal.com or call 800.547.7754.

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.

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 800.547.7754 or by visiting principal.com.

The value of the non-guaranteed Investment Options will fluctuate so that when redeemed, shares or units may be worth more or less than the original cost.

Guarantees are supported by the General Account of Principal Life, but participants do not participate in the investment experience or performance of the General Account.

Fixed Income Investment Options that are not guaranteed are subject to interest rate risk and their value will decline as market interest rates rise. Neither the principal of market value Investment Options nor their yields are guaranteed by the U.S. government. Fixed Income Investment Options that are not guaranteed and that invest in mortgage securities are subject to increased risk due to real estate exposure.

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

Preferred Securities have additional credit risk in comparison to other types of corporate debt and are subject to interest rate risk as well as other risks inherent with fixed income investing.

Asset allocation and diversification do not ensure a profit or protect against a loss.

The Morley Stable Value Fund and Principal Stable Value Fund (the Funds), are collective investment trusts maintained by Principal Global Investors Trust Company, (the Trust Company). The Trust Company has retained Morley Capital Management, a specialized investment boutique of Principal Global Investors, LLC, (the Adviser), to serve as investment adviser with respect to the Fund, subject to the Trust Company’s supervision and review. The Adviser is an indirect wholly owned subsidiary of Principal Financial Group® and is under common control with the Trust Company.

The Funds are not mutual funds and are not registered with the Securities and Exchange Commission, the State of Oregon, or any other regulatory body. Units of the Funds are not deposits or obligations of, guaranteed by, or insured by the Trust Company or any affiliate, and are not insured by the FDIC or any other federal or state government agency. The value of the Funds may fluctuate so that when redeemed, units may be worth more or less than the original cost.

The declaration of trust, participation agreement, and disclosure documents contain important information about investment objectives, risks, fees and expenses associated with investment in the Funds and should be read carefully before investing.

Rates for all products are consistently competitive but dependent upon market conditions, certain products may seem more favorable.

Principal Fixed Income Guaranteed Option and Principal Guaranteed Option are not FDIC insured and are not an obligation or deposit for any bank nor guaranteed by a bank. The guarantees provided with regard to these two options are supported by the general account of Principal Life.

Total Investment Expense – Gross is the current maximum expense ratio, as a percentage of assets that can be applied to this investment option.

This does not represent the recordkeeping or individual transactional fees that can be deducted from or reduce the earnings for an investment under your account. However, it does include operating expenses, management fees, including 12b-1 fees and administrative fees.

Total Investment Expense – Net; you will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense Net is the Total Investment Expense Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes operating expenses, management fees, including 12b-1 fees and administrative fees.

Expense Waiver/Contractual Cap – Where gross and net expense ratios differ, the investment adviser has contractually agreed to limit the investment option’s expenses. Differences also may be due to the investment adviser’s decision to pay (through the same dates) certain expenses that would normally be payable by the fund.