

Capital Appreciation Inst Fund as of 09/30/2009

Investment Strategy

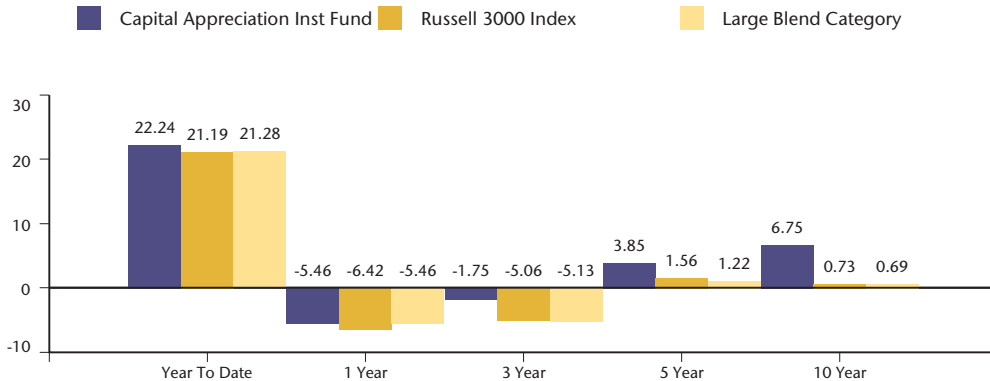
The investment seeks to provide long-term growth of capital. The fund normally invests at least 80% of net assets (plus any borrowings for investment purposes) in the common stocks of small, medium, and large-capitalization companies. It may invest up to 20% of assets in both REIT securities and below-investment-grade fixed-income securities. The fund may also invest up to 25% of net assets in U.S. dollar denominated securities of foreign issuers.



Portfolio managers

Philip M. Foreman, CFA. Since 03/01/2002. M.B.A., U of Puget Sound

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



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit Rates & Values on www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-222-5852.

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

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	22.24	-5.46	-1.75	3.85	6.75
Russell 3000 Index %	21.19	-6.42	-5.06	1.56	0.73
Large Blend Category %	21.28	-5.46	-5.13	1.22	0.69
Morningstar Percentile Rankings	-	49	9	10	2
# of Funds in Category	2028	2005	1704	1352	678

Annual Returns	2008	2007	2006	2005	2004
Total Return %	-33.20	8.85	12.17	8.49	13.63
Russell 3000 Index %	-37.31	5.14	15.72	6.12	11.95
Large Blend Category %	-37.79	6.16	14.17	5.88	10.02
Morningstar Percentile Rankings	14	22	58	59	75
# of Funds in Category	2086	2090	1980	1743	1611

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style Box™

As of 08/31/2009

Investment style			Market capitalization	
Value	Blend	Growth		
				Large
				Medium
			Small	

Risk and Return Statistics

as of 09/30/2009 Relative to Russell 3000 Index

	3Yr	5Yr
Alpha	3.18	2.26
Beta	0.97	0.99
R-Squared	97.08	95.80
Standard Deviation	20.06	16.80
Mean	-1.75	3.85
Sharpe Ratio	-0.12	0.13
Excess Return	3.31	2.29
Excess Risk	3.49	3.45
Information Ratio	0.95	0.66

Operations

Total Investment Expense Net	0.53%
Total Investment Expense Gross	0.53%
Inception Date	06/07/1999
Extended Performance	
Inception Date#	11/24/1986
Total Net Assets (mil)	\$907.95
12b-1 Fees	-
Ticker	PWCIX



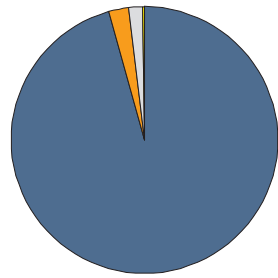
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Risk and return statistical data is provided by Markov Processes International (MPI).

Capital Appreciation Inst Fund as of 09/30/2009

Portfolio information[†]

Composition as of
08/31/2009



% of Assets	
U.S. Stocks	95.66
Non-U.S. Stocks	2.42
Cash	1.67
Other	0.25

Top ten holdings

Top ten holdings	% of net assets
1. Occidental Petroleum Corporation	3.57
2. Microsoft Corporation	3.19
3. Chevron Corporation	3.11
4. Wells Fargo Company	2.40
5. Charles Schwab Corporation	2.19
6. Costco Wholesale Corporation	2.06
7. Franklin Resources	2.04
8. Hewlett-Packard Company	1.71
9. Allergan, Inc.	1.68
10. Cisco Systems, Inc.	1.60
% of net assets in top ten holdings*	23.54

Analysis

# of Stock Hldgs	166
# of Bond Hldgs	0
# of Other Hldgs	6
GeoAvgCap (mil)	\$14,855.16
Turnover Ratio	10%
P/C Ratio	6.71
P/E Ratio	17.46
P/B Ratio	2.02

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	7.23	Healthcare	10.83	Consumer Goods	9.04
Hardware	11.09	Consumer Services	11.59	Industrial Materials	9.43
Media	1.56	Business Services	5.96	Energy	10.59
Telecom	5.34	Financial Services	14.09	Utilities	3.25

Returns shown for periods of less than one year are not annualized. Annualized total returns measure net investment income and capital gain or loss from portfolio investments as an annualized average, assuming the reinvestment of dividends, and without adjusting for loads.

Insurance products and plan administrative services are provided by Principal Life Insurance Company. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. Securities sold or services offered by a Princor[®] Registered Representative are offered through Princor Financial Services Corporation, 800-222-5852, member SIPC, and/or independent broker/dealers. Principal Funds Distributor, Princor and Principal Life are members of the Principal Financial Group[®], Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths.

The full name of this investment option is Principal Capital Appreciation Inst Fund.

Before investing in mutual funds, investors should carefully consider the investment objectives, risks, charges and expenses of the funds. This and other information is contained in the free prospectus, which can be obtained from your local representative, by visiting www.principal.com, or by contacting us at 1-800-222-5852. Please read the prospectus carefully before investing.

The 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.

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

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

#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. 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.

Small-cap and mid-cap stocks may have additional risks, including greater price volatility.

Formerly known as West Coast Equity Fund.

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