

# Principal Trust<sup>SM</sup> Target Date Collective Investment Funds

Portfolio Advisor: Principal Management Corporation

Principal Trust Company

A member of



Delaware Charter Guarantee & Trust Company, conducting business as Principal Trust Company (Principal Trust) is the Trustee of the Principal Trust<sup>SM</sup> Target Date Collective Investment Funds (Target Date Funds) and has sole discretion over the management of each Target Date Fund. Principal Management Corporation provides nondiscretionary investment advisory services to Principal Trust with respect to the Target Date Funds. Principal Trust Company makes investment decisions using advice provided by Principal Management Corporation.

## Investment Philosophy and Process

### Philosophy

Launched in 2009, the Target Date Funds are a series of target date collective investment funds developed for qualified retirement plans. They are managed over time toward the approximate date the participant expects to start withdrawing money. Each Target Date Fund reflects what Principal Trust believes to be an optimal asset class mix — a combination of actively and passively managed equity, fixed income and real estate — for the respective target date.

The Target Date Funds consist of distinct funds staged in five-year increments. Each Target Date Fund gradually becomes more conservative by increasing its exposure to traditionally more conservative underlying investment options and reducing its exposure to more aggressive underlying investment options as the target date nears.

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.

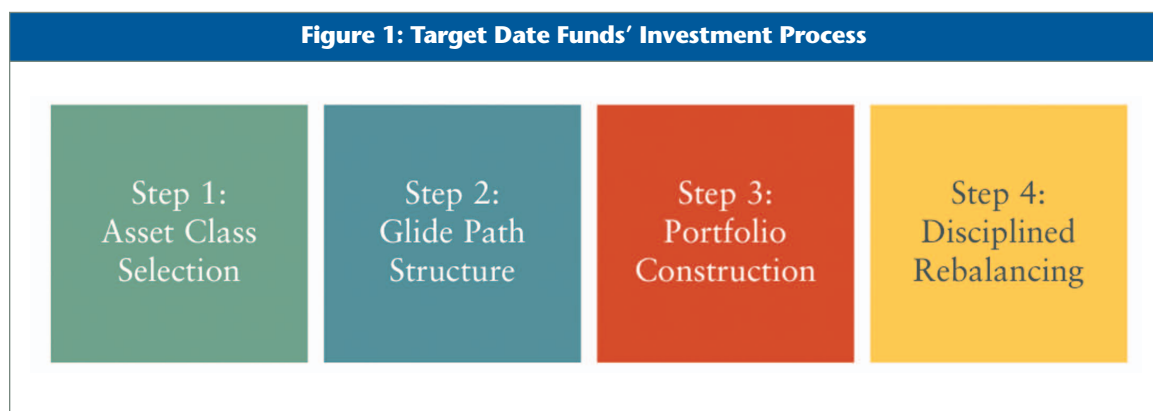
The Target Date Funds embrace a multi-asset class, multi-style and multi-manager strategy while providing broad diversification and an institutional-quality investment approach. The Target Date Funds have the following key attributes:

- Extensive diversification across core and specialty asset classes.
- A structured investment strategy, with disciplined risk management at each stage of the process.
- Multiple underlying investment managers representing a range of asset classes and investment styles.

The investment advisor’s philosophy and strategy may not perform as intended and could result in a loss or gain.

### Process

The investment process for the Target Date Funds is comprised of the four steps shown in Figure 1 below.

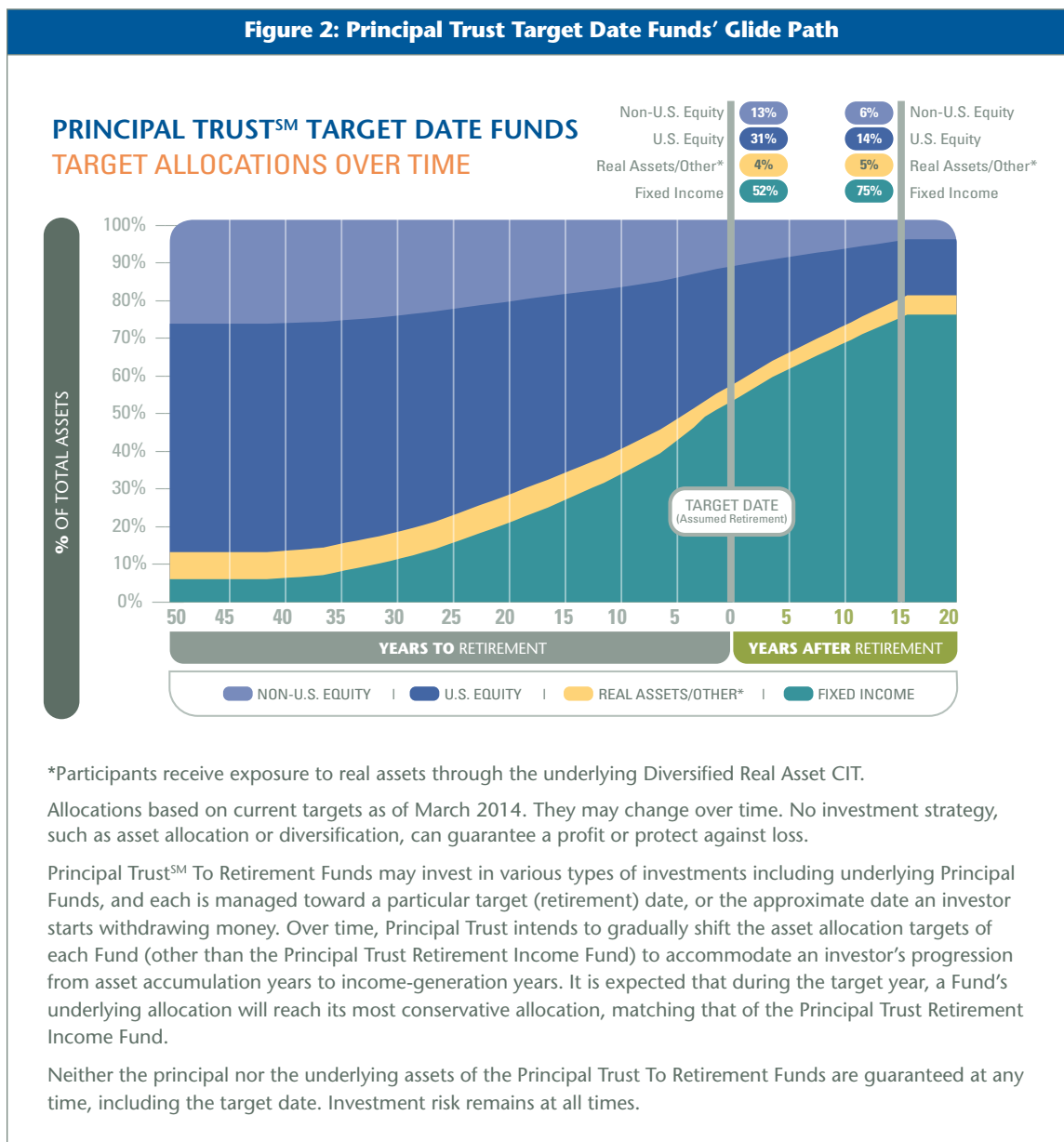


**The first step** is the selection of asset classes and their corresponding benchmarks. Every asset class used in the Target Date Funds must meet certain eligibility requirements, such as:

- Risk premiums are commensurate with the asset class risk profile.
- The asset class provides incremental diversification benefits.
- Suitable implementation vehicles exist that permit efficient access to the asset class.

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The **second step** is the design of the glide path for the Target Date Funds. The chart in Figure 2 below depicts the asset class targets and overall glide path for the Target Date Funds.



To develop the glide path recommendation to Principal Trust, Principal Management Corporation analyzes several investing and spending scenarios using proprietary capital market assumptions and a variety of optimization and stochastic modeling tools (e.g., Monte Carlo simulations, mean/variance optimization and downside risk analysis).

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The glide path ultimately decided upon by Principal Trust reflects what Principal Trust believes to be the optimal asset allocation mix that balances various key financial risks — savings shortfall risk, market risk, inflation risk and longevity risk — throughout the time horizon of the Target Date Funds. Each risk is managed differently, depending on the time horizon for each of the Target Date Funds. The resulting framework encompasses a total investment time horizon of roughly 80 years, including up to a 50-year working career and more than 25 years in retirement.

Over time, Principal Trust intends to gradually shift the asset allocation targets of each Target Date Fund (other than the Principal Trust Income Fund) to accommodate investors progressing from asset accumulation years to income-generation years. It is expected that, within 15 years after its target year, each Target Date Fund will reach its most conservative allocation.

**The third step** in the investment process is the selection and monitoring of the Target Date Funds' underlying investment options and investment managers. Principal Management Corporation provides advice to Principal Trust with respect to the glide path design and portfolio construction of the Target Date Funds and also recommends the asset allocation guidelines to Principal Trust. Principal Management Corporation then implements the guidelines and monitors each Target Date Fund to ensure it remains within the guidelines established by Principal Trust.

The Target Date Funds are invested in underlying investment options having a combination of different investment managers. As a result, they are classified within the industry as "multiple manager" target date funds. Many of the underlying investment options used within the Target Date Funds are passively managed. The investment strategy is to use passively managed underlying investment options in the generally more efficient asset classes and investment styles — such as U.S. equities and core fixed income — and actively managed underlying investment options in less efficient market segments (e.g., developed non-U.S. equities, global emerging markets, real estate and high yield bonds).

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**The final step** in the investment process is rebalancing. Rebalancing is a risk management service; the primary focus of rebalancing is on controlling and managing systematic risks, not forecasting short-term market trends.

Principal Management Corporation monitors each Target Date Fund and provides advice to Principal Trust with respect to rebalancing and recommends guidelines. Principal Trust rebalances each Target Date Fund as necessary to ensure the Target Date Fund remains within the guidelines established by Principal Trust.

The goal of the four-step investment process used to construct each Target Date Fund is a well-diversified, institutional-quality target date fund constructed to help investors over their entire lives. The combined experience and complementary skills of Principal Management Corporation as the nondiscretionary investment adviser to Principal Trust provide the Target Date Funds with a competitive edge in terms of strategic asset allocation, investment manager selection and monitoring, and systematic rebalancing.

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### **Portfolio management team**

**Jeff Tyler** is a Vice President and Portfolio Manager for the Principal LifeTime and CIT Funds at the Principal Financial Group. He joined the firm in 2011. Previously, Jeff was the Chief Investment Officer at EXOS Partners, a financial advisory firm in San Francisco. Jeff began his career as an Institutional Fixed Income salesman at Citibank. From there he moved to Benham Capital Management, where he managed a variety of fixed-income portfolios, and eventually managed the Fixed Income department. From 1988 – 2009, Jeff was a member of the quantitative equity group and developed the Asset Allocation team at American Century. He was responsible for the design and management of several investment products, including the Strategic Asset Allocation Funds, the Learning Quest 529 funds, and the Livestrong target date series of portfolios. Jeff received his B.A. Degree in Economics from the University of California at Santa Barbara and earned his Masters of Management from J.L. Kellogg Graduate School of Management at Northwestern University. He has earned the right to use the Charter Financial Analyst designation.

**James Fennessey** is a Vice President and Portfolio Manager of Principal Management Corporation. He joined the Principal Financial Group in 2000. He is the Head of the Manager Research Team that is responsible for analyzing, interpreting, and coordinating investment performance data and evaluation of the investment managers under the due diligence program that monitors investment managers used by Principal Funds, Inc. James graduated from Truman State University with a B.S. in Business Administration, with an emphasis in Finance, and a minor in Economics. He has earned the right to use the Chartered Financial Analyst designation.

**Randy L. Welch** is a Senior Vice President and Portfolio Manager of Principal Management Corporation. He joined the Principal Financial Group in 1989 and oversees the functions of the Investment Services group, which includes investment manager research, investment consulting, performance analysis, and investment communication. He is also responsible for the due diligence program that monitors investment managers used by Principal Funds, Inc. Randy has FINRA Series 7, 24, 63, and 66 registrations and is also an affiliate member of the Chartered Financial Analysts (CFA) Institute. He earned his undergraduate degree from Grand View College and an M.B.A. from Drake University.

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## Additional Information

Delaware Charter Guarantee & Trust Company, conducting business as Principal Trust<sup>SM</sup> Company ("Principal Trust") is a member of the Principal Financial Group<sup>®</sup>. Principal Trust maintains various Collective Investment Funds, as trustee, under certain plan and declaration of trust documents, which may be amended from time to time ("Trusts"). Principal Trust has discretion over the investment of the Collective Investment Funds. Principal Management Corporation ("PMC"), an affiliate of Principal Trust, provides nondiscretionary advisory services to Principal Trust with respect to the Collective Investment Funds. Principal Trust and PMC are fiduciaries subject to the Employee Retirement Income Security Act of 1974, as amended.

PMC also manages portfolios of Principal Funds, Inc., ("Principal Funds") a series mutual fund, which may be included as underlying investments in the Collective Investment Funds maintained by Principal Trust. PMC receives management fees from Principal Funds. The Collective Investment Funds maintained by Principal Trust may also include group annuity separate accounts ("Separate Accounts") managed by Principal Life Insurance Company ("Principal Life"), an affiliate of Principal Trust. Principal Life receives management fees from the Separate Accounts. PMC, Principal Life, or other affiliates of Principal Trust may provide services with respect to Principal Funds or Separate Accounts and may receive fees for such services.

The Collective Investment Funds offered and maintained by Principal Trust are available only to qualified plans and governmental 457(b) plans. They are not mutual funds and are not registered with the Securities and Exchange Commission, the State of Delaware or any other regulatory body. The Collective Investment Funds are not guaranteed by Principal Trust, PMC, any of their affiliates, the FDIC or any other governmental agency.

*The value of the Collective Investment Funds offered by Principal Trust will fluctuate so that when redeemed, shares or units may be worth more or less than the original cost. Past performance is no guarantee of future results.*

*Participation in Collective Investment Funds offered by Principal Trust is governed by the terms of the applicable Trust and a Participation Agreement, which is signed by the retirement plan's fiduciary at the time the plan invests in the Collective Investment Funds. If the Collective Investment Funds invest in Principal Funds, the retirement plan's fiduciary is also provided with a Principal Funds, Inc. Institutional Class Shares Prospectus ("Prospectus") before the plan invests in the Collective Investment Funds. The Trust and Prospectus are available from Principal Trust or Principal Life by visiting us at [principal.com](http://principal.com). A copy of the Participation Agreement can be obtained from your plan administrator.*

*The Trust, Participation Agreement and the Prospectus contain important information about Trust fees and investment objectives, risks and expenses of the underlying investments in the Collective Investment Funds managed by Principal Trust and should be read carefully before investing.*

The Collective Investment Funds are operated by Principal Trust Company, which has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act (the "Act") and, therefore, is not subject to registration or regulation as a pool operator under the Act.

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

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.

**Asset allocation and diversification do not ensure a profit or protect against a loss.** Additionally there is no guarantee this investment option will provide adequate income at or through retirement.



WE'LL GIVE YOU AN EDGE®

Principal Financial Group, Des Moines, Iowa 50392-0001, [principal.com](http://principal.com)

Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company. Securities are offered through Princor Financial Services Corporation, 1.800.547.7754, member SIPC and/or independent broker/dealers. Securities sold by a Princor® Registered Representative are offered through Princor. 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.