

Principal  
Variable Annuity  
Investment Options  
Quarter Ending September 30, 2004

WE UNDERSTAND WHAT YOU'RE WORKING FOR.®





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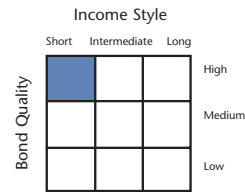
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# Money Market Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The Money Market Subaccount seeks as high a level of current income available from short-term securities as is considered consistent with the preservation of principal and maintenance of liquidity by investing in a portfolio of money market instruments.

## PORTFOLIO MANAGERS

Michael R. Johnson is assistant director – Securities Trading – of the Principal Financial Group®. He has been with the company since 1982. He is also responsible for short-term portfolio management and trading fixed income securities. Michael received his bachelor's degree in finance from Iowa State University in 1981.

Alice Robertson is a trader on the corporate fixed-income trading desk. She joined the firm in 1990 after working as an assistant vice president/commercial paper analyst with Duff & Phelps Credit Company. Alice earned her master's degree in finance and marketing from DePaul University, and her bachelor's degree in economics from Northwestern University.



*An investment into the Money Market Subaccount is not insured or guaranteed by the FDIC or any other government agency.*

*Although the Subaccount seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in this Subaccount.*

*Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.*

*Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit our Web site at [www.principal.com](http://www.principal.com) and click on "Rates and Values."*

*Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.*

*Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.*

*The Money Market 7-day current yield is computed as follows: The fund's average daily net income per share during the 7-day period is divided by the average daily price per share during the period. The result is multiplied by 365, with the resulting annualized yield carried to the nearest 1/100<sup>th</sup> of 1%. Effective 7-day yield is the annualized compounded return assuming distributions are reinvested. The 7-day yield more closely reflects the current earnings of this money market option than the total return displayed.*

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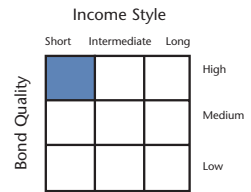
TOP HOLDINGS	
CRC Funding	1.10%
River Fuel Funding	1.08%
BNP Paribas Finance	0.87%
HBOS Treasury Services	0.83%
Federal National Mort. Association	0.81%
Yorktown Capital	0.78%
Citicorp	0.76%
Louis Dreyfus	0.76%
Windmill Funding	0.76%
Svenska Handelsbanken	0.76%
Total	8.51%

TOP INDUSTRIES	
Asset Backed Securities	24.1%
Foreign Banks & Branches	17.9%
Security Brokers & Dealers	10.7%
Business Credit Institutions	8.8%
Federal & Federally Sponsored	8.7%
Personal Credit Institutions	8.0%
Commercial Banks	5.4%
Motor Vehicles & Equipment	2.4%
Insurance Agents & Brokers	1.9%
Electric Services	1.8%

PERFORMANCE SUMMARY					
	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/2003) <sup>1</sup>					
Subaccount Inception (05/01/2003) <sup>1</sup>					
Including Sales Charges					
Excluding Sales Charges					
Current 7-day yield annualized		Including Sales Charge			-6.71
Current 7-day yield annualized		Excluding Sales Charge			-0.71
Effective 7-day yield annualized		Including Sales Charge			-6.71
Effective 7-day yield annualized		Excluding Sales Charges			-0.71

# Limited Term Bond Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The Limited Term Bond Subaccount seeks a high level of current income consistent with a relatively high level of principal stability by investing in a portfolio of securities with a dollar-weighted average maturity of five years or less.

## PORTFOLIO MANAGER

Martin J. Schafer is a portfolio manager at the Principal Financial Group. He specializes in managing mortgage-backed securities and high-quality short, intermediate, and long duration portfolios. Marty joined The Principal® in 1977. Marty holds a BBA in accounting and finance from the University of Iowa.



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Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.

Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.

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## TOP HOLDINGS

Federal National Mort. Association	5.92%
Federal Home Loan Mortgage	4.60%
Federal Home Loan Mortgage	3.94%
Federal National Mort. Association	3.82%
Federal Home Loan Bank	2.92%
Federal Home Loan Bank System	2.91%
Federal Farm Credit Bank	1.92%
Federal Home Loan Bank	1.65%
Bank One Issuance Trust	1.37%
Ford Credit Auto Owner Trust	1.31%
<b>Total</b>	<b>30.36%</b>

## TOP INDUSTRIES

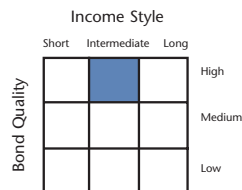
Federal & Federally Sponsored	35.2%
Asset Backed Securities	18.1%
Commercial Banks	5.6%
Collateralized Mortgage	4.7%
Personal Credit Institutions	3.8%
Mortgage Pass Thru Securities	2.7%
Telephone Communication	2.6%
Electric Services	2.4%
Security Brokers & Dealers	2.3%
General Government	2.1%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/2003) <sup>1</sup>					
Subaccount Inception (05/01/2003) <sup>3</sup>					
Including Sales Charges	-6.04	—	—	-4.22	-4.22
Excluding Sales Charges	-0.04	—	—	0.05	0.05

# Government Securities Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The Government Securities Subaccount seeks a high level of current income, liquidity, and safety of principal.

## PORTFOLIO MANAGERS

Mark Karstrom is responsible for MBS portfolio management for core and government fixed-income products, including mutual funds, separate accounts and pension plans. He joined The Principal in 2001. Mark received a bachelor's degree in economics from the University of Denver. He is a member of the Association for Investment Management and Research (AIMR).

Martin J. Schafer is a portfolio manager at the Principal Financial Group. He specializes in managing mortgage-backed securities and high-quality short, intermediate, and long duration portfolios. Marty joined The Principal in 1977. Marty holds a BBA in accounting and finance from the University of Iowa.



*While underlying securities of this investment option may be guaranteed by the U.S. Government as to timely payment of principal and interest, this investment option is not guaranteed.*

*Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.*

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*Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.*

*Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.*

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## TOP HOLDINGS

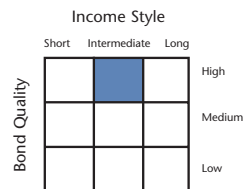
4.10% FNMA	5.79%
5.00% FHLMC	4.40%
5.50% FNMA	4.15%
6.00% FNMA	3.12%
Federal Home Loan Mortgage	2.97%
5.50% GNMA I	2.93%
5.00% FHLMC	2.70%
5.00% FHLMC	2.68%
4.00% FNMA	2.63%
5.00% FHLMC	2.12%
<b>Total</b>	<b>33.49%</b>

## TOP INDUSTRIES

Federal & Federally Sponsored	84.7%
Investment Offices	7.5%
Mortgage Bankers & Brokers	4.0%
Electric Services	1.8%
Collateralized Mortgage	1.2%
Business Credit Institutions	0.8%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (04/09/1987) <sup>1</sup>					
Subaccount Inception (04/09/1987) <sup>3</sup>					
Including Sales Charges	-4.32	1.43	4.55	6.29	6.29
Excluding Sales Charges	1.68	3.02	5.05	6.29	6.29



# Bond Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The Bond Subaccount seeks to provide as high a level of income as is consistent with preservation of capital and prudent investment risk.

## PORTFOLIO MANAGERS

William Armstrong is responsible for U.S. corporate and global credit portfolios at the Principal Financial Group. He earned an MBA from the University of Iowa and a BA from Kearney State College. Bill is a member of the Iowa Society of Financial Analysts and the Association for Investment Management and Research (AIMR).

Timothy Warrick, CFA, is a portfolio manager at the Principal Financial Group with responsibility for multiple asset class portfolios. Tim originally joined The Principal in 1990. In 1996, he joined ReliaStar Investment Research, Inc. and was responsible for multiple asset classes, including corporate bonds and leveraged bank loans. Tim rejoined the Principal Financial Group in 1998 as a portfolio manager. He received an MBA in finance from Drake University and a bachelor's degree in accounting and economics from Simpson College. Tim is a member of the Association for Investment Management and Research (AIMR).



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## TOP HOLDINGS

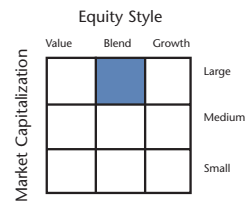
Household Finance	4.85%
SBC Communications	2.47%
5.50% FNMA	2.25%
5.50% FNMA	1.87%
5.50% FHLMC	1.81%
U.S. Treasury Inflation-Indexed Obligations	1.79%
5.00% FHLMC	1.77%
5.50% FNMA	1.70%
4.50% FNMA	1.69%
6.50% GNMA I	1.43%
Total	21.63%

## TOP INDUSTRIES

Federal & Federally Sponsored	43.5%
Personal Credit Institutions	6.6%
Investment Offices	4.4%
Telephone Communication	3.7%
Asset Backed Securities	3.5%
Electric Services	3.0%
Commercial Banks	2.9%
Collateralized Mortgage	2.8%
Miscellaneous Chemical Products	2.7%
Security Brokers & Dealers	1.8%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (12/18/1987) <sup>1</sup>					
Subaccount Inception (12/18/1987) <sup>3</sup>					
Including Sales Charges	-3.07	2.71	4.77	6.65	6.65
Excluding Sales Charges	2.93	4.26	5.26	6.65	6.65



# Balanced Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The Balanced Subaccount seeks to generate a total investment return consisting of current income and capital appreciation.

## PORTFOLIO MANAGER

Dirk Laschanzky, CFA, is a portfolio manager at the Principal Financial Group. He joined the company in 1997. Previously, Dirk was a portfolio manager and analyst at AMR Investment Services where he managed short-term money market funds. Dirk received an MBA and BA, both in finance, from the University of Iowa.



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Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.

Before investing in the Principal Variable Annuity, investors should carefully consider the investment objectives, risks, charges and expenses of the contract. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing.

## TOP HOLDINGS

Exxon Mobil	1.52%
5.50% GNMA I	1.46%
General Electric	1.42%
Household Finance	1.36%
Microsoft	1.35%
Pfizer	1.22%
5.00% FHLMC	1.04%
Procter & Gamble	1.00%
Citigroup	0.90%
Wal-Mart Stores	0.89%
<b>Total</b>	<b>12.16%</b>

## TOP INDUSTRIES

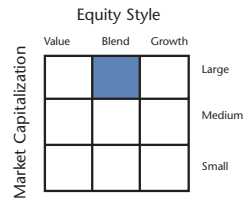
Federal & Federally Sponsored	14.3%
Commercial Banks	6.3%
Drugs	4.4%
Computer & Data Processing	3.5%
Petroleum Refining	3.5%
Telephone Communication	3.3%
Investment Offices	2.9%
Computer & Office Equipment	2.7%
Security Brokers & Dealers	2.5%
Crude Petroleum & Natural Gas	2.1%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (12/18/1987) <sup>1</sup>					
Subaccount Inception (12/18/1987) <sup>3</sup>					
Including Sales Charges	3.05	0.72	-1.58	6.82	6.82
Excluding Sales Charges	9.05	2.34	-0.95	6.82	6.82

# Asset Allocation Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The Asset Allocation Subaccount seeks to generate a total investment return consistent with the preservation of capital. The Subaccount intends to preserve a flexible investment policy in seeking to achieve this investment objective.

## PORTFOLIO MANAGER

Francine J. Bovich joined Morgan Stanley Asset Management as a principal in April 1993. She became a managing director in 1997 and is responsible for product development and portfolio management for international and global asset allocation programs. Her past experience includes serving as a principal and executive vice president of Westwood Management Corporation. She was also a managing director of Citicorp Investment Management Inc. She graduated from Connecticut College with a bachelor's degree in economics and received her master's degree in finance from New York University.



*Investment in this type of portfolio is subject to special risks due to currency exchange rates, foreign taxation, economic and political environments, and differences in auditing and other financial standards.*

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## TOP HOLDINGS

iShares MSCI Japan Index Fund	3.42%
6.50% FNMA	2.30%
iShares S&P 500/Barra Growth Index Fund	2.03%
Microsoft	1.52%
U.S. Treasury	1.52%
General Electric	1.39%
American International Group	1.34%
Federal Home Loan Bank System	1.32%
Federal National Mort. Association	1.32%
Federal Home Loan Bank System	1.32%
Total	17.48%

## TOP INDUSTRIES

Federal & Federally Sponsored	24.6%
Non-classifiable Establishments	6.8%
Asset Backed Securities	5.7%
Drugs	5.6%
Telephone Communication	4.8%
Computer & Data Processing	4.5%
Fire, Marine & Casualty Insurance	3.7%
Commercial Banks	3.0%
Electronic Components & Accessories	2.5%
Electric Services	2.3%

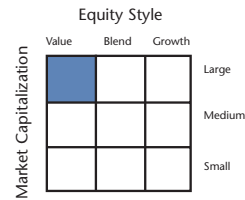
## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (06/01/1994) <sup>1</sup>					
Subaccount Inception (06/01/1994) <sup>3</sup>					
Including Sales Charges	2.08	0.71	1.14	6.56	6.56
Excluding Sales Charges	8.08	2.58	1.71	6.56	6.56



# Fidelity VIP Equity-Income Subaccount<sup>6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The Fidelity VIP Equity-Income Subaccount seeks reasonable income by investing primarily in income-producing equity securities. In choosing these securities, it considers the potential for capital appreciation. The Subaccount has a secondary goal to achieve a yield that exceeds the composite yield on the securities comprising the S&P 500 Index<sup>®</sup>.

## PORTFOLIO MANAGER

Stephen R. Petersen is a vice president and portfolio manager for Fidelity Investments, the nation's largest mutual fund company and a leading provider of financial services. He manages Fidelity Puritan Fund, Fidelity Equity-Income Fund, and Fidelity Variable Insurance Products (VIP) Fund: Equity-Income Portfolio. Mr. Petersen is also a senior vice president for Fidelity Management Trust Company (FMTC) — the unit of Fidelity that serves institutional investment businesses worldwide by managing assets for corporate and public employee retirement funds, endowments, foundations, and other major institutions.

Mr. Petersen joined Fidelity in 1980 as a research analyst covering the airline and insurance industries. In 1981, he began managing earnings growth portfolios for FMTC, including: Fidelity Large Cap Value Discipline, Fidelity Income-Managed Equity Discipline, Fidelity Balanced Discipline and Fidelity Convertible Discipline portfolios. From 1996 to 1997, Mr. Petersen managed Fidelity Balanced Fund. Mr. Petersen was named manager of Fidelity Equity-Income Fund in 1993 and VIP: Equity Income Portfolio in 1997. In February 2000, he was named portfolio manager of Fidelity Puritan Fund.



Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.

## TOP HOLDINGS

Exxon Mobil Corp.	
Bank of America Corp.	
JP Morgan Chase & Co.	
Citigroup Inc.	
Amer Intl Group Inc.	
Total SA	
SBC Communications Inc.	
Fannie Mae	
Verizon Communications Inc.	
Bellsouth Corp.	
Total	23.20%

## TOP INDUSTRIES

Financials
Industrials
Energy
Consumer Discretionary
Health Care
Materials
Information Technology
Consumer Staples
Telecommunication Services
Utilities

## PERFORMANCE SUMMARY

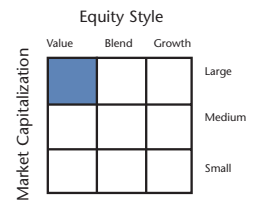
	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (11/03/1986) <sup>1</sup>					
Subaccount Inception (05/20/2002) <sup>3</sup>					
Including Sales Charges	9.04	—	—	—	-0.18
Excluding Sales Charges	15.04	5.11	1.85	9.12	1.91

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# Capital Value Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The Capital Value Subaccount's primary objective is long-term capital appreciation; the secondary objective is growth of investment income.

## PORTFOLIO MANAGER

John Philblad, CFA, is director of quantitative portfolio management for the Principal Financial Group. He also serves as lead manager for the firm's large capitalization value equity portfolios. Previously, he was a partner and co-founder of Globeflex Capital where he was responsible for helping develop and implement the investment process for both domestic and international products. Prior to that, John was at Nicholas Applegate, where he developed one of the first global systematic investment processes. He was also director of research at Boatmen's Trust Company, Kansas City, Mo. John received a BA from Westminster College.



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## TOP HOLDINGS

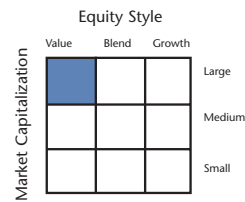
Exxon Mobil	4.58%
General Electric	3.50%
Citigroup	2.90%
JP Morgan Chase	2.38%
Bank of America	2.25%
ChevronTexaco	2.22%
Verizon Communications	1.96%
SBC Communications	1.65%
ConocoPhillips	1.51%
Time Warner	1.37%
<b>Total</b>	<b>24.32%</b>

## TOP INDUSTRIES

Commercial Banks	16.4%
Petroleum Refining	9.3%
Telephone Communication	5.0%
Crude Petroleum & Natural Gas	4.5%
Security Brokers & Dealers	4.4%
Household Appliances	3.5%
Gas Production & Distribution	3.1%
Savings Institutions	2.9%
Electric Services	2.9%
Aircraft & Parts	2.9%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/13/1970) <sup>1</sup>					
Subaccount Inception (05/13/1970) <sup>3</sup>					
Including Sales Charges	7.53	3.13	-0.79	10.27	10.27
Excluding Sales Charges	13.53	4.67	-0.18	10.27	10.27



# LargeCap Value Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The LargeCap Value Subaccount seeks to provide investors long-term growth of capital by investing primarily in common stocks of larger capitalization domestic companies.

## PORTFOLIO MANAGERS

Marilyn Fedak, CFA, has been chief investment officer of U.S. Value Equities and chairman of the U.S. Equity Investment Policy Group of the Bernstein Investment Research and Management unit of Alliance Capital Management L.P. (Alliance) since October 2000 — prior to that, at Sanford C. Bernstein & Co., Inc. (SCB Inc.), since 1993. She joined SCB Inc. in 1984 and has managed portfolio investments since 1976. She has a BA from Smith College and an MBA from Harvard Business School.

John Phillips, CFA, a senior portfolio manager, member of the U.S. Equity Investment Policy Group, and member of the Research Review Committee, joined the firm in 1994. From 1992 to 1993, he was chairman of the Investment Committee and chief equity officer at Investment Advisors, Inc. in Minneapolis. From 1972 to 1992, he was at State Street Research and Management Co. in Boston, where he progressed from investment research analyst to vice chairman of the Equity Investment Committee. He earned a BA from Hamilton College and an MBA from Harvard University.



Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.

Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit our Web site at [www.principal.com](http://www.principal.com) and click on "Rates and Values."

## TOP HOLDINGS

Exxon Mobil	4.97%
General Electric	4.97%
Citigroup	4.28%
Bank of America	3.49%
ChevronTexaco	2.46%
Altria Group	2.18%
Hewlett-Packard	1.49%
ConocoPhillips	1.47%
Verizon Communications	1.40%
Time Warner	1.38%
<b>Total</b>	<b>28.09%</b>

## TOP INDUSTRIES

Commercial Banks	12.2%
Petroleum Refining	10.8%
Savings Institutions	6.7%
Household Appliances	5.4%
Telephone Communication	3.9%
Electric Services	3.8%
Fire, Marine & Casualty Insurance	3.6%
Drugs	3.2%
Aircraft & Parts	2.7%
Consumer Products	2.3%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/2002) <sup>1</sup>					
Subaccount Inception (05/01/2002) <sup>3</sup>					
Including Sales Charges	9.72	—	—	2.16	2.16
Excluding Sales Charges	15.72	—	—	4.14	4.14

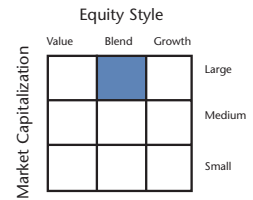
Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.

Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.

Before investing in the Principal Variable Annuity, investors should carefully consider the investment objectives, risks, charges and expenses of the contract. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing.

# LargeCap Stock Index Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The LargeCap stock Index Subaccount seeks to achieve long-term growth of capital.

## PORTFOLIO MANAGER

Dirk Laschanzky, CFA, is responsible for asset allocation and provides advice to clients concerning their portfolios across all asset classes. Prior to joining The Principal in 1997, he was a portfolio manager and analyst for over seven years at AMR Investment Services where he managed short-term money market funds and was responsible for American Airlines' pension plan investment management. He also served as a financial analyst for American Airlines. He received an MBA and BA, both in finance, from the University of Iowa. He has earned the right to use the Chartered Financial Analyst designation.



The LargeCap Stock Index Subaccount generally invests at least 80 percent of its assets in common stocks of companies that compose the S&P 500 Index in an attempt to mirror the investment performance of the index over a long term. It is unlikely a perfect correlation will be achieved.

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Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.

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Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.

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## TOP HOLDINGS

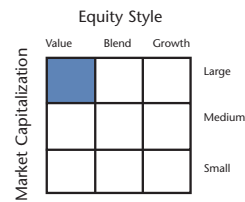
General Electric	3.34%
Exxon Mobil	2.96%
Microsoft	2.83%
Pfizer	2.18%
Citigroup	2.15%
Wal-Mart Stores	2.12%
Household Finance	1.80%
American International Group	1.67%
Bank of America	1.66%
Johnson & Johnson	1.57%
Total	22.28%

## TOP INDUSTRIES

Drugs	8.3%
Commercial Banks	7.9%
Computer & Data Processing	5.7%
Computer & Office Equipment	5.4%
Petroleum Refining	5.0%
Household Appliances	3.3%
Telephone Communication	3.3%
Fire, Marine & Casualty Insurance	3.0%
Department Stores	3.0%
Personal Credit Institutions	2.7%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/03/1999) <sup>1</sup>					
Subaccount Inception (05/03/1999) <sup>3</sup>					
Including Sales Charges	5.86	0.68	-3.72	-4.27	-4.274
Excluding Sales Charges	11.86	2.29	-3.03	-3.83	-3.83



# Equity Income Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The Equity Income Subaccount seeks to achieve high current income and long-term growth of income and capital by investing primarily in equities securities, preferred securities, Real Estate Investment Trusts (REITs) and convertible securities.

## PORTFOLIO MANAGERS

Rollie Woltjen, of Principal Global Investors, is the lead manager of the investment team for the Equity Income Fund.

John Philblad, CFA is director of quantitative portfolio management for the Principal Financial Group. He also serves as lead manager for the firm's large capitalization value equity portfolios.

Kelly D. Rush, CFA, directs the Real Estate Investment Trusts (REIT) activity with experience in both separate account and pooled fund management. He has been with the commercial real estate investment division of The Principal since 1987.

Catherine A. Zaharis directs portfolio management for the Principal Global Investors value team and leads the value research group. She joined Principal Global Investors in 1985. Ms. Zaharis received her MBA from Drake University and her BBA in finance from the University of Iowa.



Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.

Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit our Web site at [www.principal.com](http://www.principal.com) and click on "Rates and Values."

Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.

Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.

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## TOP HOLDINGS

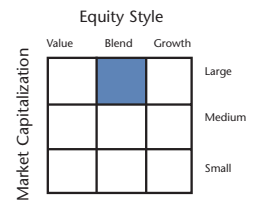
Federal Home Loan Bank System	4.76%
KN Cap Trust Iii	3.14%
Cobank	2.78%
Istar Financial	2.73%
American Home Mort. Investment	2.49%
Enerplus Resources Fund	2.34%
Georgia Power Capital Trust IV	2.14%
Dairy Farmers of America	1.75%
Alltel	1.71%
Bank of America	1.57%
<b>Total</b>	<b>25.41%</b>

## TOP INDUSTRIES

Miscellaneous Investing	18.4%
Commercial Banks	9.6%
Electric Services	9.1%
Crude Petroleum & Natural Gas	7.6%
Federal & Federally Sponsored	4.9%
Petroleum Refining	4.4%
Combination Utility Services	4.0%
Motor Vehicles & Equipment	2.2%
Consumer Products	2.2%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/1998) <sup>1</sup>					
Subaccount Inception (05/01/1998) <sup>3</sup>					
Including Sales Charges	5.71	-2.28	-3.31	-0.15	-0.15
Excluding Sales Charges	11.71	-0.57	-2.64	-0.15	-0.15



# LargeCap Blend Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The LargeCap Blend Subaccount seeks long-term growth of capital by investing primarily in equity securities of companies that offer above average growth potential or companies whose stock is undervalued.

## PORTFOLIO MANAGER

William J. Stromberg, CFA, is a vice president of T. Rowe Price Group, Inc., and T. Rowe Price Associates, Inc., Director of Global Equity Research, and a member of the Equity Steering Committee. He is also president and chairman of the Investment Advisory Committee of the Capital Opportunity Fund. In addition, Bill is a vice president and Investment Advisory Committee member of the Dividend Growth Fund, Equity Income Fund, Financial Services Fund, Real Estate Fund, and Tax-Efficient Growth Fund. He is also a vice president of the Tax-Efficient Balanced Fund and Tax-Efficient Multi-Cap Growth Fund. Bill earned a BA from Johns Hopkins University and an MBA from Tuck School of Business at Dartmouth College.



## TOP HOLDINGS

General Electric	4.15%
Exxon Mobil	3.19%
Microsoft	2.73%
Pfizer	2.16%
Citigroup	2.09%
Wal-Mart Stores	1.91%
JP Morgan Chase	1.79%
American International Group	1.77%
Procter & Gamble	1.65%
Johnson & Johnson	1.61%
Total	23.05%

## TOP INDUSTRIES

Drugs	8.3%
Commercial Banks	7.6%
Computer & Data Processing	6.0%
Petroleum Refining	5.6%
Computer & Office Equipment	5.5%
Household Appliances	4.3%
Fire, Marine & Casualty Insurance	3.9%
Telephone Communication	3.1%
Department Stores	3.1%
Electronic Components & Accessories	2.9%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/2002) <sup>1</sup>					
Subaccount Inception (05/01/2002) <sup>3</sup>					
Including Sales Charges	5.56	—	—	-1.09	-1.09
Excluding Sales Charges	11.56	—	—	0.98	0.98

Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.

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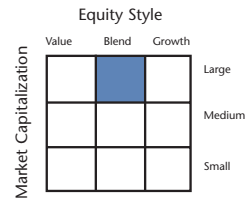
Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.

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# AIM V.I. Core Equity Subaccount<sup>6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The AIM V.I. Core Equity Subaccount seeks growth of capital with a secondary objective of current income.

## PORTFOLIO MANAGERS

Ronald S. Sloan, senior vice president, is lead portfolio manager of AIM Charter Fund, AIM Mid Cap Core Equity Fund, AIM V.I. Mid Cap Core Equity Fund, and AIM V.I. Core Equity Fund. Mr. Sloan joined AIM in 1998 from Verissimo Research and Management, where he served as president since 1993. Prior to Verissimo Research and Management, he was partner and executive vice president at Wood Island Associates, Inc./Siebel Capital Management, Inc. from 1981 to 1993. Mr. Sloan has been in the investment industry since 1971. Mr. Sloan holds a BS in business administration as well as an MBA from the University of Missouri. He is a Chartered Financial Analyst. He holds a Chartered Financial Analyst designation.

David Pointer, vice president, is portfolio manager for AIM Capital Management, Inc. Prior to joining AIM, Mr. Pointer was with Brueggeman & Johnson, PLC, conducting corporate valuations, offering merger advice, and dispute resolution consulting services. He also worked as a private equity analyst with the Government of Singapore Investment Corporation. Mr. Pointer received a BS in finance and economics from Central Washington University and earned his MBA from The Wharton School of the University of Pennsylvania. He holds a Chartered Financial Analyst designation.



Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.

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## TOP HOLDINGS

Microsoft Corp.	3.09%
General Mills Inc.	2.87%
Pfizer, Inc.	2.49%
Tyco International Ltd.	2.46%
Glaxosmithkline Plc. ADR	2.13%
Washington Mutual Inc.	2.08%
BP Plc ADR	1.97%
Wyeth	1.96%
Campbell Soup Co.	1.88%
Computer Associates Intl.	1.88%
Total	22.81%

## TOP INDUSTRIES

Pharmaceuticals
Packaged Foods
Integrated Oil & Gas
Systems Software
Semiconductors
Industrial Conglomerates
Publishing & Printing
Food Retail
Industrial Machinery
Railroads

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/02/1994) <sup>1</sup>					
Subaccount Inception (08/02/1999) <sup>3</sup>					
Including Sales Charges	4.81	3.87	—	—	-4.73
Excluding Sales Charges	10.81	5.39	-4.13	7.52	-4.26

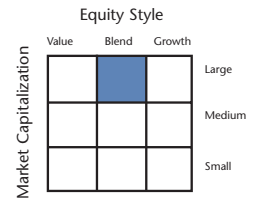
Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.

Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.

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# AIM V.I. Premier Equity Subaccount<sup>6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The AIM V. I. Premier Equity Subaccount seeks long-term growth of capital by investing primarily in equity securities judged by the fund's investment advisor to be undervalued relative to the investment advisor's appraisal of the current or projected earnings of the companies issuing the securities, or relative to current market values of assets owned by the companies issuing the securities, or relative to the equity market generally. Income is a secondary objective.

## PORTFOLIO MANAGERS

Ron Sloan is a senior vice president and senior portfolio manager of AIM Capital Management, Inc. Mr. Sloan joined AIM in 1998 from Verissimo Research and Management, where he had served as president since 1993. Prior to Verissimo Research and Management, he was partner and executive vice president at Wood Island Associates, Inc./Siebel Capital Management, Inc. from 1981 to 1993.

Lanny Sachnowitz is a lead portfolio manager. Mr. Sachnowitz joined AIM Management Group in 1987 as a money market trader and research analyst. In 1990, Mr. Sachnowitz's trading responsibilities were expanded to include head of equity trading.

Bret Stanley is a lead portfolio manager. He is co-manager of AIM Summit Fund. Prior to joining AIM in 1998, Mr. Stanley was a vice president and portfolio manager with Van Kampen American Capital, Inc. where he managed growth and income, equity income, and value portfolios. He began his investment career in 1988.



Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.

## TOP HOLDINGS

Tyco International Ltd.	3.05%
Pfizer Inc.	2.17%
Computer Associates Intl.	1.79%
First Data Corp.	1.63%
Waste Management Inc.	1.63%
Cendant Corp.	1.50%
Microsoft Corp.	1.48%
Wyeth	1.44%
Masco Corp.	1.41%
General Mills Inc.	1.40%
Total	17.50%

## TOP INDUSTRIES

Pharmaceuticals
Industrial Conglomerates
Systems Software
Packaged Foods
Integrated Oil & Gas
Other Diversified Financial Services
Communications Equipment
Semiconductors
Oil & Gas Equipment Svcs
Food Retail

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/05/1993) <sup>1</sup>					
Subaccount Inception (08/02/1999) <sup>3</sup>					
Including Sales Charges	0.19	-5.28	—	—	-7.50
Excluding Sales Charges	6.19	-3.46	-6.92	7.09	-6.97

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*Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.*

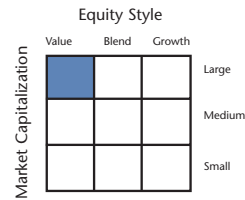
*Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.*

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# American Century VP Income and Growth Subaccount<sup>7</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The American Century VP Income and Growth Subaccount seeks capital growth by investing in common stocks. Income is a secondary objective.

## PORTFOLIO MANAGERS

John Schniedwind, senior vice president, senior portfolio manager and group leader Quantitative Equity, has been a member of the team that manages the American Century VP Income and Growth fund since its inception. He joined American Century in 1982 and also supervises other portfolio management teams. He holds the designation of Chartered Financial Analyst (CFA).

Kurt Borgwardt, vice president and senior portfolio manager, joined American Century in August 1990, and has managed the quantitative equity research effort since then. He has been a member of the team that manages the American Century VP Income and Growth fund since its inception. He holds the designation of Chartered Financial Analyst (CFA).

Zili Zhang is a vice president, portfolio manager and director of quantitative research and has been with American Century since 1995. Mr. Zhang holds a bachelor's of science degree from the University of Science and Technology of China and a Ph.D. from the University of Texas.



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## TOP HOLDINGS

Chevrontexaco Corp	5.31%
Bank of America Corp.	4.76%
J P Morgan Chase & Co	3.34%
Johnson & Johnson	3.26%
Intl. Business Machines Corp	2.86%
Microsoft Corporation	2.63%
Merck & Co. Inc.	2.20%
Countrywide Financial Corp.	2.18%
Amerisourcebergen Corp.	2.10%
Ford Motor Co.	2.06%
Total	30.70%

## TOP INDUSTRIES

Oil & Gas
Leisure Equipment & Products
Diversified Telecommunication Services
Commercial Banks
Thrifts & Mortgage Finance

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (10/31/1997) <sup>1</sup>					
Subaccount Inception (05/03/1999) <sup>3</sup>					
Including Sales Charges	8.91	2.78	-1.94	—	-2.30
Excluding Sales Charges	14.91	4.33	-1.30	3.75	-1.89

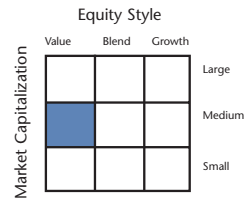
Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.

Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.

Before investing in the Principal Variable Annuity, investors should carefully consider the investment objectives, risks, charges and expenses of the contract. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing.

# American Century VP Value Subaccount<sup>7</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The American Century VP Value Subaccount seeks long-term capital growth. Income is a secondary objective.

## PORTFOLIO MANAGERS

**Phillip N. Davidson, CFA**, is a senior vice president and senior portfolio manager for American Century investments. Mr. Davidson joined the company in 1993. He is a member of the team of investment professionals managing American Century's Value and Equity Income funds. Prior to joining American Century, Mr. Davidson was vice president and equity portfolio manager for Boatmen's Trust Company in St. Louis. He has worked in the financial industry since 1980. Mr. Davidson holds a bachelor's degree in business administration and a master's degree in finance from Illinois State University. He is a holder of the right to use the Chartered Financial Analyst designation.

**Scott Moore, CFA, CMA**, is a vice president and portfolio manager for American Century Investments. Mr. Moore, who joined American Century in 1993 and has worked in the financial industry since then, is a member of the management team that oversees the American Century Value and Equity Income funds. He left the company in 1995 to work for Boatmen's Trust Company in St. Louis as an investment analyst. He returned to American Century in 1996 as an investment analyst. Mr. Moore holds a bachelor's degree in finance from Southern Illinois University and a master's degree from the University of Missouri. He is a member of the Institute of Management Accountants and the Association for Investment Management and Research (AIMR). He is a holder of the right to use the Chartered Financial Analyst designation.



## TOP HOLDINGS

Union Pacific Corp	3.55%
Suntrust Banks Inc.	3.20%
Kraft Foods Inc	2.85%
Martin Marietta Materials	2.77%
March & Mc Lennan Cos	2.56%
New York Times Co - Cl A	2.53%
Republic Services Inc.	2.41%
Edwards (A G) Inc.	2.24%
Unilever N V (Group)	2.17%
Royal Dutch Petrol (Group)	2.16%
Total	26.44%

## TOP INDUSTRIES

Commercial Banks
Oil & Gas
Diversified Telecommunication Services
Electric Utilities
Insurance

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/1996) <sup>1</sup>					
Subaccount Inception (05/20/2002) <sup>3</sup>					
Including Sales Charges	11.89	—	—	—	3.10
Excluding Sales Charges	17.89	8.79	7.75	9.08	5.10

Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.

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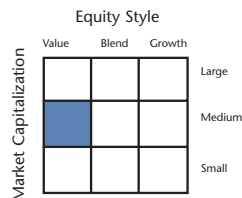
Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.

Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.

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# MidCap Value Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The MidCap Value Subaccount seeks long-term capital growth by investing primarily in equity securities of medium capitalization companies.

## PORTFOLIO MANAGER

Andrew Wellington is the portfolio manager of the MidCap Value subaccount and the Neuberger Berman Regency Fund. He has over 14 years investment experience and previously worked at Pzena Investment Management as a Portfolio Manager. Andrew received a B.S. in Economics from the University of Pennsylvania, Wharton School of Business.

**NEUBERGER BERMAN**

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## TOP HOLDINGS

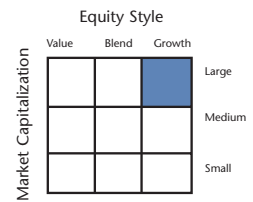
Bear Stearns	2.66%
Triad Hospitals	2.60%
SPX	2.56%
AMBAC Financial Group	2.49%
Western Digital	2.49%
Coventry Health Care	2.48%
Whirlpool	2.47%
XTO Energy	2.45%
IndyMac Bancorp	2.44%
Radian Group	2.38%
Total	25.02%

## TOP INDUSTRIES

Surety Insurance	7.4%
Fire, Marine & Casualty Insurance	6.4%
Crude Petroleum & Natural Gas	6.3%
Motor Vehicles & Equipment	5.0%
Medical Services & Health	4.4%
Hospitals	4.1%
Commercial Banks	3.9%
Health & Allied Services	3.8%
Auto & Home Supply Stores	3.4%
Department Stores	3.2%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/03/1999) <sup>1</sup>					
Subaccount Inception (05/03/1999) <sup>3</sup>					
Including Sales Charges	17.53	11.06	14.31	10.76	10.76
Excluding Sales Charges	23.53	12.39	14.66	11.00	11.00



# Equity Growth Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The Equity Growth Subaccount seeks to provide long-term capital appreciation by investing primarily in growth-oriented common stocks of medium and large capitalization, U.S. Corporations and, to a limited extent, foreign corporations.

## PORTFOLIO MANAGERS

The day-to-day management of the fund is performed by the Morgan Stanley Asset Management LargeCap Growth Team. Current members of the team include: William S. Auslander, managing director; Jeffrey Alvino, executive director; and Peter Dumenbaum, executive director.

**Morgan Stanley**

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## TOP HOLDINGS

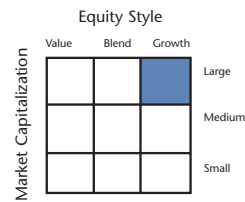
Microsoft	4.37%
General Electric	4.35%
UnitedHealth Group	3.32%
Citigroup	3.20%
Dell	2.86%
International Game Technology	2.58%
Anthem	2.42%
State Street	2.34%
Transocean	2.32%
Gilead Sciences	2.27%
Total	30.03%

## TOP INDUSTRIES

Computer & Data Processing	12.3%
Drugs	8.8%
Computer & Office Equipment	7.3%
Electronic Components & Accessories	6.5%
Medical Services & Health	5.8%
Household Appliances	4.4%
Communications Equipment	3.9%
Department Stores	3.6%
Oil & Gas Field Services	3.4%
Savings Institutions	3.3%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (06/01/1994) <sup>1</sup>					
Subaccount Inception (06/01/1994) <sup>3</sup>					
Including Sales Charges	0.36	-2.88	-5.98	8.92	8.92
Excluding Sales Charges	6.36	-1.15	-5.23	8.92	8.92



# Growth Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The Growth Subaccount seeks growth of capital primarily through the purchase of common stocks, but may invest in other securities.

## PORTFOLIO MANAGER

Mary Sunderland, CFA, manages the large cap growth portfolios for The Principal. She joined the company in 1999 following a 10-year career with Skandia Asset Management. At Skandia, Mary directed their \$3.0 billion U.S. equity large cap growth portfolios and U.S. technology portfolios. She has more than a decade of prior experience with ValueLine. Mary received an MBA in finance from the Columbia University Graduate School of Business and a BA in economics from Northwestern University.



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## TOP HOLDINGS

Microsoft	5.22%
Pfizer	4.90%
Johnson & Johnson	4.30%
Cisco Systems	3.60%
Procter & Gamble	3.34%
UnitedHealth Group	2.71%
Dell	2.62%
Medtronic	2.48%
3M	2.36%
Intel	2.32%
<b>Total</b>	<b>33.85%</b>

## TOP INDUSTRIES

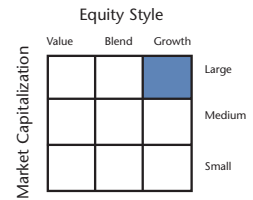
Drugs	13.6%
Computer & Office Equipment	12.6%
Computer & Data Processing	9.5%
Medical Instruments & Supplies	6.5%
Soap, Cleaners & Toilet Goods	6.5%
Electronic Components & Accessories	5.9%
Miscellaneous Shopping Goods	3.6%
Beverages	2.8%
Security Brokers & Dealers	2.8%
Cutlery & Hand Tools	2.7%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/02/1994) <sup>1</sup>					
Subaccount Inception (05/02/1994) <sup>3</sup>					
Including Sales Charges	1.70	-2.65	-9.33	3.17	3.17
Excluding Sales Charges	7.70	-0.92	-8.46	3.17	3.17

# Fidelity VIP Growth Subaccount<sup>4,6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The Fidelity VIP Growth Subaccount seeks to maximize total return by allocating its assets among stocks, bonds, short-term instruments, and other investments.

## PORTFOLIO MANAGER

Jennifer Uhrig is vice president and portfolio manager for Fidelity Investments. Jennifer manages Fidelity Advisor Equity Growth Fund and Fidelity VIP Growth Fund. Jennifer joined Fidelity in 1987 as a research analyst covering the telecommunications industry. Prior to joining Fidelity, Jennifer was a research associate for Fred Alger Management, a pension fund manager, in New York, from 1983 to 1985. She earned a bachelor of arts degree in government from Harvard College in 1983 and an MBA from the Amos Tuck School at Dartmouth College in 1987.



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**Before investing in the Principal Variable Annuity, investors should carefully consider the investment objectives, risks, charges and expenses of the contract. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing.**

## TOP HOLDINGS

Pfizer Inc.	
CISCO Systems, Inc.	
Microsoft Corp.	
Wal Mart Stores Inc.	
Dell Inc.	
Johnson & Johnson	
Home Depot Inc.	
General Electric Co.	
Amer Intl Group Inc.	
Qualcomm Inc.	
Total	23.60%

## TOP INDUSTRIES

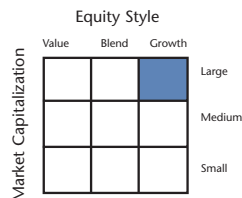
Information Technology
Health Care
Consumer Discretionary
Financials
Industrials
Consumer Staples
Energy
Materials
Telecommunication Services
Utilities

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (10/31/1986) <sup>1</sup>					
Subaccount Inception (08/02/1999) <sup>3</sup>					
Including Sales Charges	-1.50	-2.02	—	—	-6.27
Excluding Sales Charges	4.50	-0.31	-5.70	9.39	-5.77

# AIM V.I. Growth Subaccount<sup>6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The AIM V.I. Growth Subaccount seeks growth of capital primarily by investing in seasoned and better capitalized companies considered to have strong earnings momentum.

## PORTFOLIO MANAGERS

Lanny H. Sachnowitz, senior vice president, is lead portfolio manager of AIM Dent Demographics Fund, AIM Weingarten Fund, AIM V.I. Dent Demographics Fund, AIM V.I. Growth Fund, and AIM Capital Weingarten Fund. Mr. Sachnowitz joined AIM Management Group in 1987 as a money market trader and research analyst. In 1989, he was promoted to assistant portfolio manager for AIM Strategic Income Fund, a closed-end convertible arbitrage fund. He also was named co-portfolio manager for AIM Convertible Securities. In 1990, Mr. Sachnowitz's trading responsibilities were expanded to include head of equity trading. He was named to his current position in 1991.

Monika H. Degan, senior vice president, is the lead manager of AIM Blue Chip Fund, AIM V.I. Blue Chip Fund, and INVESCO Growth & Income Fund. Ms. Degan joined AIM in 1995 as an investment officer and portfolio analyst for equity securities and was promoted to her current position in 1997. She has been in the investment business since 1991. Prior to joining AIM she was senior financial analyst for Shell Oil Co. Pension Trust. She has earned the designation Chartered Financial Analyst.

Gabe Birdsall, vice president, is portfolio manager for AIM Capital Management Inc. Prior to assuming his current responsibilities, Mr. Birdsall worked on AIM's derivative trading desk from 1997 to 1999 and in AIM's shareholder services area from 1995 to 1997.



## TOP HOLDINGS

Tyco International Ltd.	4.49%
Aetna Inc.	2.65%
Yahoo! Inc.	2.51%
Cendant Corp.	2.26%
Dell Inc.	2.19%
Kohls Corp.	2.02%
Microsoft Corp.	2.01%
Cisco Systems Inc.	1.97%
Johnson & Johnson	1.89%
Pfizer Inc.	1.88%
Total	23.87%

## TOP INDUSTRIES

Pharmaceuticals
Communications Equipment
Industrial Conglomerates
Systems Software
Managed Health Care
Computer Hardware
Personal Products
Investment Banking & Brokerage
Department Stores
Diversified Commercial Svcs.

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/05/1993) <sup>1</sup>					
Subaccount Inception (08/02/1999) <sup>3</sup>					
Including Sales Charges	1.27	-4.37	—	—	-12.03
Excluding Sales Charges	7.27	-2.55	-11.82	4.15	-11.38

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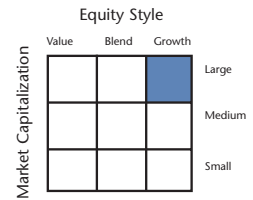
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# American Century VP Ultra Subaccount<sup>6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The American Century VP Ultra Subaccount seeks long-term capital growth. It invests in common stocks considered by management to have better-than-average prospects for appreciation.

## PORTFOLIO MANAGERS

James E. Stowers III, co-chairman and portfolio manager, has been a member of the team that manages American Century VP Ultra since its inception in December 2000. He joined American Century in 1981.

Bruce A. Wimberly, vice president and senior portfolio manager, has been a member of the team that manages American Century VP Ultra since its inception in December 2000. He joined American Century in September 1994 as an investment analyst. Previously, he was with Frontier Capital Management in Boston, where he served as a small-cap analyst on a fund with more than \$1.5 billion in assets.

Wade Slome, CFA, portfolio manager, joined the company in 1998. Previously, he was an analyst for the American Century Ultra Fund providing fundamental research and equity analysis. Prior to joining the company, he was a research analyst for William O'Neil & Co., Inc. He is a member of the Association for Investment Management Research (AIMR).

Jerry Sullivan, vice president and portfolio manager, joined the company in 2000. Before joining the company, he was a portfolio manager for the Franklin Templeton Group and prior to that a portfolio manager with SunAmerica Asset Management.



## TOP HOLDINGS

Meditronic Inc	2.14%
Dell Inc	2.12%
Berkshire Hathaway Inc Class B Shares	2.02%
Wal-Mart Stores Inc	1.94%
Unitedhealth Group Inc.	1.90%
Citigroup Inc.	1.84%
Microsoft Corporation	1.81%
Iac/Interactivecorp	1.66%
Sim Corp	1.64%
Pfizer, Inc.	1.60%
Total	18.67%

## TOP INDUSTRIES

Oil & Gas  
Health Care Providers and Services  
Consumer Finance  
Energy Equipment & Services  
Hotels, Restaurants & Leisure

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/2001) <sup>1</sup>					
Subaccount Inception (05/21/2001) <sup>3</sup>					
Including Sales Charges	2.58	0.15	—	—	-6.47
Excluding Sales Charges	8.58	1.78	—	-3.56	-5.10

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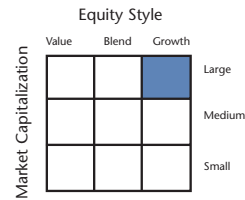
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# Fidelity VIP II Contrafund® Subaccount<sup>4,6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The Fidelity VIP II Contrafund® Subaccount seeks long-term capital appreciation by investing primarily in common stocks.

## PORTFOLIO MANAGER

William Danoff joined Fidelity in 1986 as a securities analyst. Will has managed the Fidelity VIP II Contrafund since its inception in January 1995. He earned a bachelor's degree from Harvard in 1982 and a master's degree from the University of Pennsylvania, The Wharton School, in 1986.



## TOP HOLDINGS

Avon Products Inc.	
Berkshire Hathaway Inc.	
3M Co	
Encana Corp.	
Yahoo! Inc.	
Genentech, Inc.	
Samsung Electronics Co Ltd.	
Amer Intl. Group Inc.	
Patterson Companies, Inc.	
Danaher Corp.	
Total	18.80%

## TOP INDUSTRIES

Information Technology
Health Care
Financials
Consumer Discretionary
Industrials
Energy
Consumer Staples
Materials
Telecommunication Services
Utilities

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## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (01/31/1995) <sup>1</sup>					
Subaccount Inception (08/02/1999) <sup>3</sup>					
Including Sales Charges	10.26	6.61	—	—	0.89
Excluding Sales Charges	16.26	8.05	1.99	12.25	1.26

# LargeCap Growth Equity Subaccount

Portfolio Information as of September 30, 2004

		Equity Style			
		Value	Blend	Growth	
Market Capitalization	Large			█	
	Medium				
	Small				

## OBJECTIVE

The LargeCap Growth Equity Subaccount seeks long-term growth of capital by investing primarily in common stocks of larger capitalization domestic companies.

## PORTFOLIO MANAGER

Chuck Joyce is involved in equity analysis and portfolio management for the U.S. quantitative equity portfolios. Mr. Joyce earned a B.S. from Cornell University and an MBA in finance from the MIT Sloan School of Management.

Donna Murphy is on GMO's U.S. equity quantitative investment team with a special focus on product management. Prior to joining GMO, she was a partner and co-head of product management for INVESCO within its structured products group. She earned a BA in chemistry and biology from Elon College and an MBA from the University of North Carolina.

Robert Soucy is the director of U.S. equity management and is responsible for all U.S. quantitative equities portfolio management at GMO. Mr. Soucy earned his BS from the University of Massachusetts at Amherst.

# GMO

North America • Europe • Australasia

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## TOP HOLDINGS

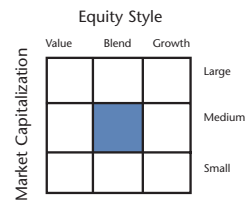
Home Depot	5.01%
Qualcom	4.50%
Dell	3.87%
Johnson & Johnson	3.48%
Procter & Gamble	3.38%
Merck	3.31%
Exxon Mobil	3.19%
American International Group	2.93%
Pfizer	2.92%
Federal National Mort. Association	2.34%
<b>Total</b>	<b>34.93%</b>

## TOP INDUSTRIES

Drugs	12.0%
Computer & Data Processing	6.4%
Computer & Office Equipment	6.2%
Communications Equipment	6.0%
Lumber & Other Building Materials	5.8%
Soap, Cleaners & Toilet Goods	4.2%
Fire, Marine & Casualty Insurance	4.1%
Medical Instruments & Supplies	3.8%
Petroleum Refining	3.5%
Medical Services & Health	3.4%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (10/24/2000) <sup>1</sup>					
Subaccount Inception (10/24/2000) <sup>3</sup>					
Including Sales Charges	-4.45	-7.41	—	-22.71	-22.71
Excluding Sales Charges	1.55	-5.51	—	-20.63	-20.63



# MidCap Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The MidCap Subaccount seeks capital appreciation by investing primarily in securities of emerging and other growth-oriented companies.

## PORTFOLIO MANAGER

K. William Nolin, CFA, manages the domestic Mid Cap portfolio for Principal Global Investors. He also actively participates in equity research with an emphasis on the telecommunications, media and entertainment, lodging and consumer non-durables sectors. Bill joined The Principal in 1993, as an investment credit analyst. Bill earned his MBA from the Yale School of Management and his BBA in finance from the University of Iowa. He is a member of the Iowa Society of Financial Analysts and the Association for Investment Management and Research (AIMR).



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## TOP HOLDINGS

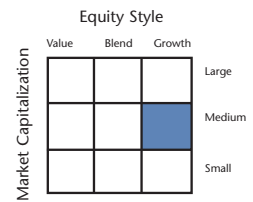
TCF Financial	2.55%
Republic Services	1.91%
IMS Health	1.74%
Citizens Communication	1.69%
Gentex	1.62%
Storage Technology	1.62%
Everest Re Group	1.53%
UST	1.48%
Household Finance	1.45%
Fidelity National Financial,	1.41%
Total	17.00%

## TOP INDUSTRIES

Computer & Data Processing	8.5%
Computer & Office Equipment	7.3%
Fire, Marine & Casualty Insurance	4.5%
Medical Instruments & Supplies	4.5%
Crude Petroleum & Natural Gas	4.1%
Medical Services & Health	3.3%
Commercial Banks	3.1%
Miscellaneous Investing	2.8%
Sanitary Services	2.6%
Savings Institutions	2.6%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (12/18/1987) <sup>1</sup>					
Subaccount Inception (12/18/1987) <sup>3</sup>					
Including Sales Charges	13.94	9.50	10.12	12.52	12.52
Excluding Sales Charges	19.94	10.88	10.53	12.52	12.52



# MidCap Growth Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The MidCap Growth Subaccount seeks to achieve long-term growth of capital by investing primarily in medium capitalization U.S. companies with strong earnings growth potential.

## PORTFOLIO MANAGER

John O' Toole, CFA, is a portfolio manager for The Dreyfus Corporation and senior vice president of Mellon Equity Associates, LLP (an affiliate of The Dreyfus Corporation) since 1990. He has managed the MidCap Growth Account for The Dreyfus Corporation since its inception in April 1998. John has a master's degree in finance from the University of Chicago and a bachelor's degree in economics from the University of Pennsylvania.

YOU, YOUR ADVISOR AND



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## TOP HOLDINGS

Moody's	1.43%
Lexmark International	1.41%
Adobe Systems	1.33%
Coach	1.31%
Bed Bath & Beyond	1.30%
Yum! Brands	1.23%
Fortune Brands	1.22%
Biomet	1.20%
Altera	1.10%
Black & Decker	1.10%
Total	12.63%

## TOP INDUSTRIES

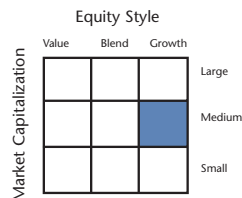
Computer & Data Processing	11.3%
Drugs	5.0%
Electronic Components & Accessories	4.7%
Measuring & Controlling Devices	4.2%
Computer & Office Equipment	3.4%
Research & Testing Services	3.1%
Eating & Drinking Places	3.0%
Medical Instruments & Supplies	2.7%
Communications Equipment	2.4%
Crude Petroleum & Natural Gas	2.1%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/1998) <sup>1</sup>					
Subaccount Inception (05/01/1998) <sup>3</sup>					
Including Sales Charges	2.94	5.53	-0.83	-1.53	-1.53
Excluding Sales Charges	8.94	7.01	-0.22	-1.53	-1.53

# Janus Aspen MidCap Growth Subaccount<sup>5</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The Janus Aspen MidCap Growth Subaccount seeks long-term capital growth by primarily investing in medium capitalization companies with strong earnings potential.

## PORTFOLIO MANAGER

Jonathan Coleman is portfolio manager of Janus Enterprise Fund and Janus Aspen MidCap Growth Portfolio. He also manages the Janus Adviser Aggressive Growth Fund. Jonathan joined Janus in 1994 and during his tenure as a Janus analyst and portfolio manager, has covered a broad range of market caps. He graduated magna cum laude from Williams College, earning a bachelor's degree in political economy and Spanish. Jonathan has earned the right to use the Chartered Financial Analyst designation.



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## TOP HOLDINGS

Kinder Morgan, Inc.
Lamar Advertising Co.
Berkshire Hathaway, Inc.
Ball Corp.
Murphy Oil Corp.
Starwood Hotels & Resorts Worldwide, Inc.
EOG Resources, Inc.
Harman International Industries, Inc.
St. Jude Medical, Inc.
T.Rowe Price Group, Inc.
Total
23.40%

## TOP INDUSTRIES

Oil Companies - Exploration & Production
Electronic Components - Semiconductors
Commercial Services - Finance
Pipelines
Advertising Sales
Reinsurance
Hotels and Motels
Fiduciary Banks
Medical - Biomedical and Genetic
Human Resources

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (09/13/1993) <sup>1</sup>					
Subaccount Inception (11/27/2000) <sup>3</sup>					
Including Sales Charges					
Excluding Sales Charges					

# INVESCO VIF-Dynamics Subaccount<sup>6</sup>

Portfolio Information as of September 30, 2004

		Equity Style			
		Value	Blend	Growth	
Market Capitalization	Large				
	Medium				
	Small				

## OBJECTIVE

The INVESCO VIF-Dynamics Subaccount seeks long-term capital growth by investing primarily in the common stocks of rapidly growing mid-sized companies.

## PORTFOLIO MANAGERS

Paul J. Rasplicka, CFA, is senior vice president and senior portfolio manager at AIM Capital Management, Inc. Mr. Rasplicka joined AIM in 1998. Prior to joining AIM, he was with INVESCO Trust Company and was responsible for management of small-capitalization growth separate account portfolios.

Michael Chapman is vice president and portfolio manager with AIM Capital Management Inc. Mr. Chapman began his investment career in 1995 as an analyst and then portfolio manager with U.S. Global Investors, Inc. He joined AIM in 2001.

Brent Lium, CFA, is an equity analyst with AIM Capital Management, Inc. Mr. Lium joined AMVESCAP in 1999 in its corporate associate rotation program, working with fund managers throughout AMVESCAP before joining AIM in 2003.

Warren Tennant, CFA, is a senior analyst with AIM Capital Management, Inc. Prior to joining AIM in 2000, Mr. Tennant worked for Exxon as a domestic internal auditor from 1993 to 1995 and as the lead auditor for Latin American from 1995 to 1998.



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## TOP HOLDINGS

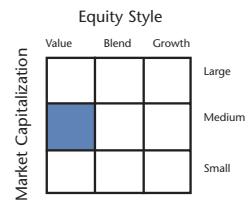
Republic Services Inc.	1.68%
Polo Ralph Lauren Corp.	1.66%
Smith International	1.64%
Manpower Inc.	1.62%
Shire Pharmaceuticals ADR	1.58%
DST Systems Inc.	1.52%
Eaton Corp.	1.51%
Versign Inc.	1.51%
Hilton Hotels Corp.	1.45%
Talisman Energy Inc.	1.40%
Total	15.57%

## TOP INDUSTRIES

Asset Management & Custody Banks
Data Processing & Outsourced Svcs
Hotels
Communication Equipment
Pharmaceuticals
Application Software
Broadcasting & Cable TV
Oil & Gas Equipment & Svcs
Construction & Farm Machinery
Apparel & Accessories

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (08/25/1997) <sup>1</sup>					
Subaccount Inception (05/21/2001) <sup>3</sup>					
Including Sales Charges	5.92	3.73	—	—	-12.01
Excluding Sales Charges	11.92	5.26	-4.93	1.23	-10.44



# Real Estate Securities Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The Real Estate Securities Subaccount seeks to generate total return by investing primarily in equity securities of companies principally engaged in the real estate industry.

## PORTFOLIO MANAGER

Kelly D. Rush, CFA, directs the Real Estate Investment Trusts (REITs) activity with experience in both separate account and pooled fund management. He has been with the commercial real estate investment division of The Principal since 1987. Kelly received an MBA and a BA in finance from the University of Iowa. He is a member of the Iowa Society of Financial Analysts and the Association for Investment Management and Research (AIMR). He is an associate member of the National Association of Real Estate Investment Trusts (NAREIT).



*This Subaccount is subject to risks inherent in real estate and Real Estate Investment Trusts that are associated with general and local economic conditions.*

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## TOP HOLDINGS

Boston Properties	6.36%
Simon Property Group	5.17%
Kimco Realty	4.56%
Household Finance	4.46%
Starwood Hotels & Resorts Worldwide	4.14%
Brookfield Properties	4.06%
Developers Diversified Realty	3.97%
Prologis	3.72%
Centerpoint Properties	3.44%
Vornado Realty Trust	3.28%
Total	43.16%

## TOP INDUSTRIES

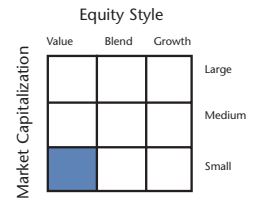
Office & Industrial	24.6%
Retail-Malls	16.2%
Residential-Apartments	14.6%
Retail-Centers	13.3%
Diversified	10.0%
Lodging-Hotels	6.3%
Retail-Outlets	3.7%
Healthcare	3.2%
Storage	3.2%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/1998) <sup>1</sup>					
Subaccount Inception (05/01/1998) <sup>3</sup>					
Including Sales Charges	18.50	18.22	17.66	11.39	11.39
Excluding Sales Charges	24.50	19.40	17.97	11.39	11.39

# SmallCap Value Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The SmallCap Value Subaccount seeks long-term growth of capital by investing primarily in equity securities of small companies with value characteristics and market capitalizations of less than \$1 billion.

## PORTFOLIO MANAGER

Christopher T. Blum, CFA, is a portfolio manager in the U.S. SmallCap Equity Group. He rejoined the firm in 2001. Previously, he spent two years as a research analyst responsible for the valuation and acquisition of private equity assets at Pomona Capital. Prior to that, Mr. Blum spent over three years with J.P. Morgan where he focused on structured small-cap core and small-cap value accounts. He earned his BBA in finance at the Bernard M. Baruch School for Business.



*This Subaccount is at risk for greater volatility than other larger company stock-type portfolios.*

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## TOP HOLDINGS

Carramerica Realty	1.26%
Southwestern Energy	1.05%
Mid-America Apartment Community	0.85%
New Jersey Resources	0.82%
Applied Industrial Technologies	0.81%
Lexington Corp. Properties Trust	0.71%
Universal	0.70%
Oshkosh Truck	0.69%
Steel Dynamics	0.69%
American Home Mortgage Investment	0.68%
Total	8.26%

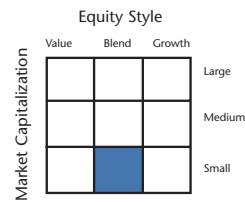
## TOP INDUSTRIES

Miscellaneous Investing	12.8%
Commercial Banks	9.5%
Savings Institutions	3.5%
Crude Petroleum & Natural Gas	3.4%
Gas Production & Distribution	3.1%
Electric Services	2.7%
Fire, Marine & Casualty Insurance	2.3%
Computer & Data Processing	2.2%
Drugs	2.0%
Blast Furnace	1.8%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/1998) <sup>1</sup>					
Subaccount Inception (05/01/1998) <sup>3</sup>					
Including Sales Charges	19.87	16.64	15.52	10.13	10.13
Excluding Sales Charges	25.87	17.78	15.85	10.13	10.13





# SmallCap Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The SmallCap Subaccount seeks to provide long-term growth of capital by investing primarily in equity securities of both growth and value oriented companies with comparatively smaller market capitalizations.

## PORTFOLIO MANAGER

Todd Sanders, CFA, is an equity analyst for Principal Global Investors focused on quantitative research. He joined the firm in 1998. Previously, Todd was an investment analyst for NISA Investment Advisors and in credit analysis/risk management with the U.S. Central Credit Union. He received an MBA in finance from Washington University and a bachelor's degree in finance/economics from the University of Missouri-Columbia. He is a member of the International Association of Financial Engineers (IAFE), the Global Association of Risk Professionals (GARP) and the Association of Investment Management and Research (AIMR).



*This Subaccount is at risk for greater volatility than other larger company stock-type portfolios*

## TOP HOLDINGS

iShares Russell 2000 Index	2.95%
Terex	1.91%
Comtech Telecommunications	1.60%
Watsco	1.49%
Columbia Banking System	1.47%
Benchmark Electronics	1.47%
Unit	1.46%
Eagle Materials	1.41%
Entertainment Properties Trust	1.40%
PS Business Parks	1.40%
<b>Total</b>	<b>16.56%</b>

## TOP INDUSTRIES

Miscellaneous Investing	7.9%
Computer & Data Processing	7.4%
Commercial Banks	5.8%
Electronic Components & Accessories	5.5%
Crude Petroleum & Natural Gas	5.1%
Non-classifiable Establishments	4.3%
Medical Instruments & Supplies	2.8%
Research & Testing Services	2.8%
Drugs	2.4%
Personnel Supply Services	2.2%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/1998) <sup>1</sup>					
Subaccount Inception (05/01/1998) <sup>3</sup>					
Including Sales Charges	10.69	6.42	0.98	-0.21	-0.21
Excluding Sales Charges	16.69	7.87	1.55	-0.21	-0.21

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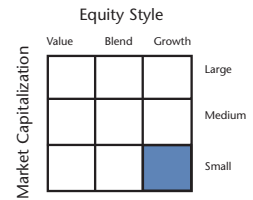
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# SmallCap Growth Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The SmallCap Growth Subaccount seeks long-term growth of capital by investing primarily in equity securities of small growth companies with market capitalization of less than \$1 billion.

## PORTFOLIO MANAGERS

Paul A. Graham, Jr., CFA, is responsible for overseeing and managing the U.S. small capitalization growth and biotech stock portfolios at UBS Global Asset Management. He has held portfolio management responsibilities with the firm since August 1994. For eight years prior to joining the firm, he served as a small cap portfolio manager and research analyst at Value Line Asset Management. Mr. Graham is a member of the New York Society of Security Analysts.

David N. Wabnik is responsible for managing the U.S. small capitalization growth stock portfolios at UBS Global Asset Management. Mr. Wabnik has been a portfolio manager with the firm since 1995. He served as a small cap portfolio manager/senior research analyst with Value Line Asset Management for four years prior to joining the firm. He also served as a tax accountant and financial advisor at Morgan Stanley & Co.



Global Asset Management

*This Subaccount is at risk of greater volatility than other larger company stock-type portfolios.*

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## TOP HOLDINGS

Cognizant Tech Solutions	3.15%
UCBH Holdings	2.24%
Quicksilver Resources	2.20%
VCA Antech	2.20%
Investors Financial Services	2.03%
Pediatrix Medical Group	2.00%
CACI International	1.93%
iShares Russell 2000 Index	1.91%
Patina Oil & Gas	1.75%
Patterson	1.72%
<b>Total</b>	<b>21.13%</b>

## TOP INDUSTRIES

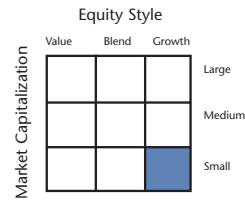
Computer & Data Processing	14.8%
Electronic Components & Accessories	8.2%
Medical Instruments & Supplies	5.4%
Drugs	5.0%
Commercial Banks	4.6%
Miscellaneous Investing	3.8%
Oil & Gas Field Services	3.3%
Home Health Care Services	3.1%
Professional & Commercial	2.9%
Eating & Drinking Places	2.5%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/1998) <sup>1</sup>					
Subaccount Inception (05/01/1998) <sup>3</sup>					
Including Sales Charges	0.73	-3.74	-8.63	-2.90	-2.90
Excluding Sales Charges	6.73	-1.97	-7.78	-2.90	-2.90

# Dreyfus IP Founders Discovery Subaccount<sup>6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The Dreyfus IP Founders Discovery Subaccount seeks capital appreciation by investing primarily in the common stocks of small, rapidly growing U.S. companies.

## PORTFOLIO MANAGERS

James Padgett, CFA, has been a portfolio manager for the Discovery Fund since April 2004. Mr. Padgett joined Founders as an equity analyst in 2002. He was formerly an equity analyst for Berger Financial LLC from 2000 to 2002, and a portfolio manager at Colorado Public Employees' Retirement Association from 1997 to 2000.

Brad Orr, CFA, has been a portfolio manager for the Discovery Fund since April 2004. He joined Founders in 1995, and served as an equity analyst for Founders from 1997 to 2004.



*This Subaccount is at risk for greater volatility than other larger company stock-type portfolios.*

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## TOP HOLDINGS

GTECH Holdings Corp.	2.81%
Altriris, Inc.	2.28%
AMETEK, Inc.	2.01%
Harris Corporation	2.00%
National Oilwell, Inc.	1.95%
Insight Enterprises, Inc.	1.93%
Hughes Supply, Inc.	1.87%
Station Casinos, inc.	1.83%
Fisher Scientific	1.77%
Gaylord Entertainment Company	1.76%
Total	20.21%

## TOP INDUSTRIES

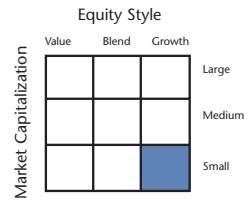
Pharmaceuticals
Communications Equipment
Casinos & Gaming
Specialty Stores
Hotels, Resorts, & Cruise Lines
Oil & Gas Equipment & Services
Healthcare Distributors
Restaurants
Application Software
Trucking

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (12/15/1999) <sup>1</sup>					
Subaccount Inception (05/21/2001) <sup>3</sup>					
Including Sales Charges	1.92	-0.15	—	—	-10.35
Excluding Sales Charges	7.92	1.49	—	-8.55	-8.84

# INVESCO VIF-Small Company Growth Subaccount<sup>6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The INVESCO VIF-Small Company Growth Subaccount seeks long-term capital growth by investing primarily in the common stocks of a diversified group of growth companies with market capitalization of \$2 billion or less.

## PORTFOLIO MANAGERS

Stacie L. Cowell, CFA, is a vice president with INVESCO Funds Group. She has managed the INVESCO VIF-Small Company Growth fund since 1997. Stacie began her investment career in 1989. Before joining INVESCO in 1997, Stacie was a senior equity analyst with Founders Asset Management and a capital markets and trading analyst with Chase Manhattan Bank in New York.

Cameron Cooke, is the co-portfolio manager of the Fund. He joined the investment division of INVESCO in 2000. Prior to joining INVESCO, Cameron was a senior equity analyst at Wells Capital Management.

David Chu is a CFA. He has analytical expertise in the healthcare, energy and financial sectors. He was designated top fund co-manager by *Mutual Funds Magazine* in 1999. He is also a member of AIMR. David was previously employed by Morgan Stanley

## TOP HOLDINGS

American Tower Corp. Cl. A	1.20%
Dendrite International Inc.	1.19%
HydriL Co.	1.10%
Boyd Gaming Corp.	1.09%
IWO Shares (Shares Russell 2000 Growth)	1.08%
Labor Ready Inc.	1.07%
Jarden Corp.	1.02%
Advanced Medical Optics	0.99%
Gen-Probe Inc.	0.99%
Trimble Navigation Ltd.	0.96%
Total	10.69%

## TOP INDUSTRIES

Biotechnology
Regional Banks
Health Care Services
Semiconductor Equipment
Oil & Gas Exploration & Production
Construction & Farm Machinery
Casinos & Gaming
Communications Equipment
Asset Management & Custody Banks
Pharmaceuticals

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (08/25/1997) <sup>1</sup>					
Subaccount Inception (05/21/2001) <sup>3</sup>					
Including Sales Charges	-0.44	1.09	—	—	-11.31
Excluding Sales Charges	5.56	2.70	-2.95	3.19	-9.76



*This subaccount is at risk for greater volatility than other larger company stock-type portfolios.*

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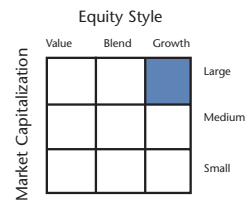
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# INVESCO VIF-Health Sciences Subaccount<sup>7</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The INVESCO VIF-Health Sciences Subaccount seeks long-term capital growth by primarily investing in stocks of strongly managed, innovative health care companies, blending well-established firms with faster-growing, more dynamic health care businesses.

## PORTFOLIO MANAGER

Thomas R. Wald, CFA, is a vice president with INVESCO Funds Group. He has managed the INVESCO VIF-Health Sciences fund since November 2000. Tom began his investment career in 1988. Before joining INVESCO in 1997, Tom was an analyst with Munder Capital Management, Duff & Phelps and Prudential Investment Corp. Tom earned a bachelor's degree at Tulane University and an MBA at the University of Pennsylvania.



*An investment in this Subaccount is subject to value fluctuations directly related to the condition or performance of the companies that make up the market segment represented and offer less diversification than subaccounts that include investment in companies from across several market segments.*

*Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.*

*Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit our Web site at [www.principal.com](http://www.principal.com) and click on "Rates and Values."*

*Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.*

*Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.*

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## TOP HOLDINGS

Johnson & Johnson	4.97%
Novartis AG-ADR	4.59%
Procter & Gamble Co.	4.42%
Pfizer Inc.	4.29%
Abbott Laboratories	4.26%
Schering-Plough Corp.	3.57%
Guidant Corp.	3.55%
St Jude Medical Inc.	3.42%
Glaxosmithkline Plc. Adr.	3.37%
Boston Scientific Corp.	3.32%
Total	39.76%

## TOP INDUSTRIES

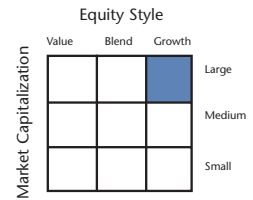
Pharmaceuticals
Health Care Equipment
Managed Health Care
Biotechnology
Household Products
Drug Retail
Health Care Services
Health Care Supplies

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/22/1997) <sup>1</sup>					
Subaccount Inception (05/21/2001) <sup>3</sup>					
Including Sales Charges	3.15	-2.54	—	—	-4.60
Excluding Sales Charges	9.15	-0.81	3.26	6.99	-3.30

# INVESCO VIF-Technology Subaccount<sup>6</sup>

Portfolio Information as of September 30, 2004



## OBJECTIVE

The INVESCO VIF-Technology Subaccount seeks long-term capital growth by investing primarily in the common stocks of hardware, software and technology-related companies.

## PORTFOLIO MANAGER

William R. Keithler, CFA, is a senior vice president and director of Sector Management, INVESCO Funds Group. Bill has managed the INVESCO VIF-Technology fund since January 1999. He began his investment career in 1982. Before rejoining INVESCO in 1998, Bill was a portfolio manager with Berger Associates, Inc. Bill holds a bachelor's degree from Webster College and an MS from the University of Wisconsin-Madison.



*An investment in this Subaccount is subject to value fluctuations directly related to the condition or performance of the companies that make up the market segment represented, and offer less diversification than subaccounts that include investment in companies from across several market segments.*

*Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.*

*Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit our Web site at [www.principal.com](http://www.principal.com) and click on "Rates and Values."*

*Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.*

*Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.*

*Before investing in the Principal Variable Annuity, investors should carefully consider the investment objectives, risks, charges and expenses of the contract. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing.*

## TOP HOLDINGS

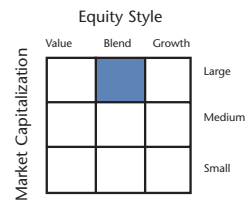
Yahoo! Inc.	4.74%
Microsoft Corp.	3.45%
Cisco Systems Inc.	2.84%
Symantec Corp.	2.70%
Apple Computer Inc.	2.42%
Dell Inc.	2.23%
EBay Inc.	2.04%
Texas Instruments Inc.	1.92%
Motorola Inc.	1.86%
Time Warner Inc.	1.85%
Total	26.05%

## TOP INDUSTRIES

Semiconductors
Communications Equipment
Systems Software
Internet Software & Svcs.
Computer Hardware
Application Software
Computer Storage & Peripherals
Integrated Telecom Svcs.
Data Processing & Outsourced Services
Wireless Telecom Svcs.

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/21/1997) <sup>1</sup>					
Subaccount Inception (05/21/2001) <sup>3</sup>					
Including Sales Charges	-5.91	-4.35	—	—	-23.68
Excluding Sales Charges	0.09	-2.56	-14.76	-0.24	-21.51



# International Subaccount

Portfolio Information as of September 30, 2004

## OBJECTIVE

The International SmallCap Subaccount seeks to achieve long-term growth of capital by investing in a portfolio of equity securities of companies domiciled in any of the nations of the world.

## PORTFOLIO MANAGERS

Paul H. Blankenhagen, CFA, is a portfolio manager at Principal Global Investors. He is responsible for developing portfolio strategy and leading the ongoing management of core international equity portfolios, including developed markets portfolios and broad market portfolios. Paul is also active in research with an emphasis on the banking and media industries. He joined the firm in 1992 and has been a member of the international equity team since 1995. Paul was named a portfolio manager in 2000.

Juliet Cohn is a portfolio manager at Principal Global Investors. Ms. Cohn has been with Principal Global Investors since 2003, serving as a portfolio manager for the Dublin domiciled European equity fund. Prior to joining Principal Global Investors, she served as a director and senior portfolio manager at Allianz Dresdner Asset Management. She earned a degree in mathematics from Trinity College in England



Investments in the International Subaccount are subject to special risks due to currency exchange rates and foreign taxation, economic and political environments, and differences in auditing and financial standards.

Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.

Past performance is no guarantee of future results. Current performance may be lower or higher than the performance data shown. For more performance information, including most recent month-end performance, visit our Web site at [www.principal.com](http://www.principal.com) and click on "Rates and Values."

Returns and principal values fluctuate with changes in interest rates and other market conditions so that the value at any time may be more or less than the principal amount invested.

Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.

Before investing in the Principal Variable Annuity, investors should carefully consider the investment objectives, risks, charges and expenses of the contract. This and other information is contained in the free prospectus, which can be obtained from your local representative. Please read the prospectus carefully before investing.

## TOP HOLDINGS

Total	1.95%
Stanley Works	1.87%
Toyota Motor	1.52%
BNP Paribas	1.42%
BP	1.19%
Continental	1.18%
Ericsson LM	1.18%
Canon	1.14%
ENI	1.08%
BBVA	1.07%
Total	13.60%

## TOP INDUSTRIES

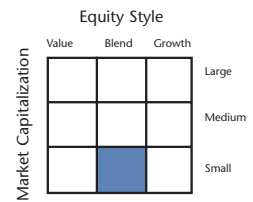
Commercial Banks	10.7%
Crude Petroleum & Natural Gas	6.3%
Telephone Communication	4.3%
Drugs	4.1%
Foreign Banks & Branches	3.8%
Motor Vehicles & Equipment	3.6%
Oil & Gas Field Services	3.1%
Life Insurance	3.0%
Communications Equipment	2.9%
Department Stores	2.2%

## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/02/1994) <sup>1</sup>					
Subaccount Inception (05/02/1994) <sup>3</sup>					
Including Sales Charges	15.01	5.39	-3.25	4.05	4.05
Excluding Sales Charges	21.01	6.87	-2.57	4.05	4.05

# International SmallCap Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The International SmallCap Subaccount seeks long-term growth of capital by investing primarily in stocks of non-U.S. companies with relatively small market capitalizations.

## PORTFOLIO MANAGER

Brian W. Pattinson, CFA, is a portfolio manager at the Principal Financial Group. He performs international security analysis and strategy development for the firm's core international equity research effort. Brian also specializes in the information technology and telecom sectors. He joined Invista in 1994. Brian earned his MBA and bachelor's degree in finance from the University of Iowa. He is a member of the Iowa Society of Financial Analysts and the Association for Investment Management and Research (AIMR).



*The Subaccount is at risk for greater volatility than other large company stock-type portfolios and is subject to special risks due to currency exchange rates, foreign taxation, economic and political environments, and differences in auditing and other financial standards.*

*Investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the period shown.*

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*Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding additional charges for riders.*

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## TOP HOLDINGS

Stanley Works	2.03%
Next	1.52%
Geberit	1.51%
Puma	1.48%
Hypo Real Estate Holding	1.47%
Kelda Group	1.36%
William Hill	1.30%
Continental	1.27%
Colruyt	1.26%
Vinci	1.25%
<b>Total</b>	<b>14.45%</b>

## TOP INDUSTRIES

Commercial Banks	3.2%
Communications Equipment	3.0%
Crude Petroleum & Natural Gas	2.9%
Miscellaneous Amusement	2.6%
Miscellaneous Investing	2.5%
Residential Building Construction	2.4%
Personnel Supply Services	2.4%
Medical Instruments & Supplies	2.3%
Mortgage Bankers & Brokers	2.3%
Deep Sea Foreign Transportation	2.2%

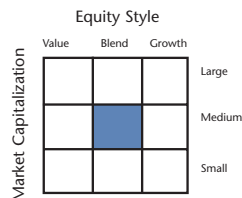
## PERFORMANCE SUMMARY

	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (05/01/1998) <sup>1</sup>					
Subaccount Inception (05/01/1998) <sup>3</sup>					
Including Sales Charges	27.76	15.76	4.77	7.74	7.74
Excluding Sales Charges	33.76	17.00	5.26	7.74	7.74



# International Emerging Markets Subaccount

Portfolio Information as of September 30, 2004



## OBJECTIVE

The International Emerging Markets Subaccount seeks to achieve long-term growth of capital by investing primarily in equity securities of issuers in emerging markets countries.

## PORTFOLIO MANAGERS

Michael A. Marusiak specializes in emerging markets equity portfolios. Prior to joining the Principal Financial Group in early 2000, he was an analyst at Trust Company of the West's global fund management team. He holds an MBA in international finance from Columbia University and a BBA in business administration and economics from Simon Fraser University of Burnaby.

Michael Reynal specializes in the international emerging markets sector. Prior to joining The Principal in early 2001, he was responsible for equity investments in Latin America, the Mediterranean and the Balkans at Wafra Investment Advisory Group, Inc. He received an MBA from the Amos Tuck School at Dartmouth College, a BA/MA in history from Christ's College at Cambridge University, and a BA in history from Middlebury College.



TOP HOLDINGS	
Samsung Electronics	5.44%
Anglo American	2.82%
America Telecom SA De CV	2.56%
Petroleo Brasileiro	2.30%
LUKOIL Holding	2.12%
Caemi Mineracao e Metal	1.83%
SK Telecom	1.74%
ABSA Group	1.67%
China Petroleum and Chemical	1.63%
Philippine Long Distance Telephone	1.55%
<b>Total</b>	<b>23.66%</b>

TOP INDUSTRIES	
Telephone Communication	12.3%
Commercial Banks	11.9%
Electronic Components & Accessories	9.7%
Crude Petroleum & Natural Gas	9.1%
Blast Furnace	6.2%
Foreign Banks & Branches	3.3%
Metal Mining Services	2.9%
Petroleum Refining	2.7%
Gasoline Service Stations	2.3%
Iron Ores	1.9%

PERFORMANCE SUMMARY					
	1 Year	3 Years	5 Years	10 Years <sup>2</sup> or Since Portfolio Inception	10 Years <sup>2,3</sup> or Since Subaccount Inception
Portfolio Inception (10/24/2000) <sup>1</sup>					
Subaccount Inception (10/24/2000) <sup>3</sup>					
Including Sales Charges	16.18	21.54	—	5.90	5.90
Excluding Sales Charges	22.18	22.66	—	6.74	6.74

The Subaccount is at risk for greater volatility than other stock-type portfolios and is subject to special risks due to currency exchange rates, foreign taxation, economic and political environments, and differences in auditing and other financial standards.

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- 1 Portfolio Inception Date is the date the underlying fund was established.
- 2 If Inception Date is less than one year from the date of these returns, the performance is a cumulative return, not an annual return. Not all the investment advisors or variable subaccounts listed are available in every state.
- 3 Performance since each subaccount's date of inclusion in the separate account.
- 4 Because Service Class shares for the Fidelity VIP II Contrafund® and Fidelity VIP Growth Subaccounts were not offered until November 3, 1997, performance shown for periods prior to that date represent the historical results of Initial Class shares and do not include the effects of the Service Class' higher annual fees and expenses resulting from the .10% 12b-1 fee. Had Service Class shares' .10% 12b-1 fee been reflected, returns prior to November 3, 1997, would have been lower.  
  
The initial offering of Service Class 2 shares for the Fidelity VIP Equity-Income Subaccount took place on January 12, 2000. Returns from November 3, 1997, to January 12, 2000, are those of the Service Class which reflect a different 12b-1 fee. Service Class 2 returns prior to November 3, 1997, are those of the Initial Class, and do not include the effects of a 12b-1 fee. Had Service Class 2 shares' .25% 12b-1 fee been reflected, returns prior to January 12, 2000, would have been lower.
- 5 Service Shares of the Janus Aspen Series were first offered on December 31, 1999. Performance shown for periods prior to December 31, 1999, reflect performance of a different class of shares (the Institutional Shares) restated based on the Service

- Shares' estimated fees and expenses including the Service Shares' .25% 12b-1 fee and ignoring any fee and expense limitations.
- 6 V.I., VIP, VIP II, VP, VIF and DIP refer to Variable Insurance, Variable Insurance Products, Variable Insurance Products II, Variable Portfolios, Variable Insurance Fund and Dreyfus Investment Portfolios.
  - 7 The initial offering of Class II shares for the American Century VP Value Subaccount took place on August 14, 2001. Returns prior to August 14, 2001, are those of the Original Class, and do not include the effects of Class II shares' servicing and distribution expenses. Had Class II shares' .40% servicing and distribution expenses been reflected, returns prior to August 14, 2001, would have been .40% lower.

The initial offering of The Principal Variable Annuity was June 16, 1994. The separate account that funds the contract was established on January 12, 1970. The investment results shown represent historical returns based upon the assumption that the Principal Variable Annuity was available for the periods shown. Past performance is no guarantee of future results. The return and principal value of an investment in any of the subaccounts will fluctuate so that the value, when redeemed, may be worth more or less than its original cost. Except where noted, investment results include all charges and expenses for the base contract, including a contingent deferred surrender charge (which declines from a maximum of 6%), but excluding any additional charges for riders.

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