

# Principal LifeTime Portfolios

Managed by Principal Management Corporation  
and Principal Global Investors



Principal Management Corporation has been registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 since 1968. As advisor to Principal Funds, Principal Management Corporation oversees Principal Life Insurance Company’s proprietary due diligence process for identifying, selecting and monitoring investment managers.

Principal Funds offers a full range of investment options covering all core style boxes and several niche options. The Funds are sub-advised by a variety of investment managers representing some of the nation’s leading asset managers and investment boutiques.

Principal Global Investors — the institutional asset management affiliate of the Principal Financial Group<sup>®</sup> — focuses on delivering consistently competitive investment performance and superior service on behalf of its clients.<sup>1</sup> Principal Global Investors has expertise in equities, fixed income and real estate investments, as well as specialized overlay and advisory services. The firm upholds the highest standards of excellence in investment research, risk management, ethics, fiduciary responsibility and client service.

<sup>1</sup> Principal Global Investors is the asset management arm of the Principal Financial Group<sup>®</sup> (The Principal<sup>®</sup>) and includes the asset management operations of the following subsidiaries of The Principal: Principal Global Investors, LLC; Principal Real Estate Investors, LLC; Spectrum Asset Management, Inc.; Post Advisory Group, LLC; Columbus Circle Investors, Edge Asset Management, Inc.; Principal Global Investors (Europe) Limited; Principal Global Investors (Singapore) Ltd.; Principal Global Investors (Australia) Ltd.; and the majority owned affiliates of Principal International, Inc.

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| <b>Not FDIC or NCUA insured</b>  |
| <b>May lose value • Not a deposit • No bank or credit union guarantee<br/>Not insured by any Federal government agency</b> |

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

## Investment Philosophy and Process

Each Principal LifeTime portfolio is available as a mutual fund and as a separate account that invests wholly in Institutional class shares of said mutual fund.

### Philosophy

Launched in 2001, Principal LifeTime portfolios are managed over time toward a particular “target date,” which is the approximate date the investor expects to start withdrawing money. Each portfolio reflects what the managers believe to be an optimal asset class mix for the respective target date.

The Principal LifeTime portfolios series consists of distinct investment options staged in 5-year increments. Like other target date offerings, each Principal LifeTime portfolio gradually becomes more conservative by increasing its exposure to traditionally more conservative underlying funds and reducing its exposure to more aggressive underlying funds as the target date nears.

The investment team at Principal Management Corporation is responsible for portfolio construction decisions and the selection and monitoring of each underlying fund. Principal Global Investors is responsible for developing and monitoring the strategic or long-term asset class targets and rebalancing ranges for each Principal LifeTime portfolio.

The philosophy for selecting and monitoring underlying investment managers is based on the belief that certain attributes explain manager success through time, including organizational and team stability, strong leadership, streamlined decision making, a well-articulated investment philosophy and a systematic and adaptive investment process.

The Principal LifeTime portfolios have the following key attributes:

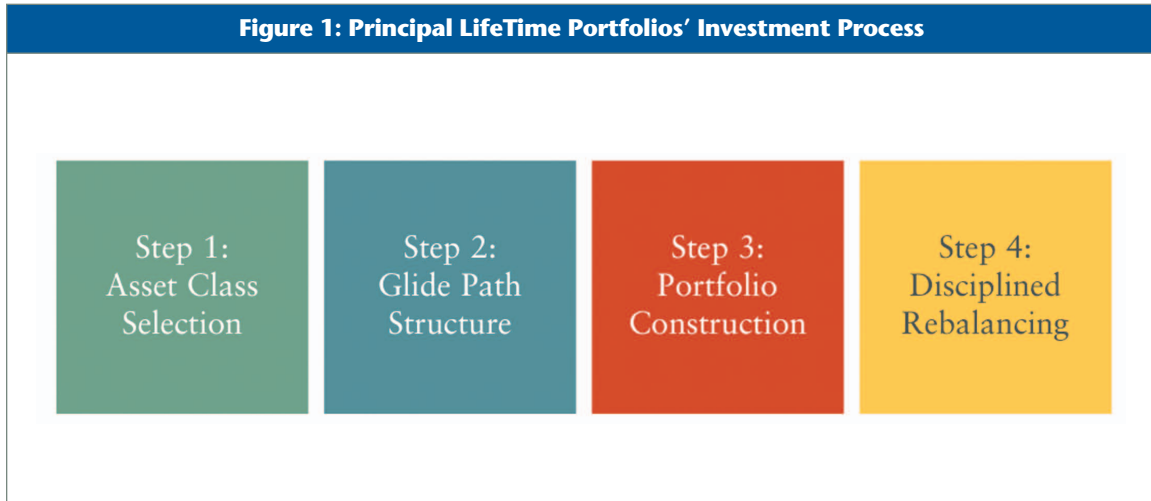
- Extensive diversification across core and specialty asset classes
- Multiple underlying investment managers representing a range of asset classes, investment styles and money management firms
- A structured investment strategy, with disciplined risk management at each stage of the investment process

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

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## Process

The investment process for the Principal LifeTime portfolios is comprised of the four steps shown in Figure 1.



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

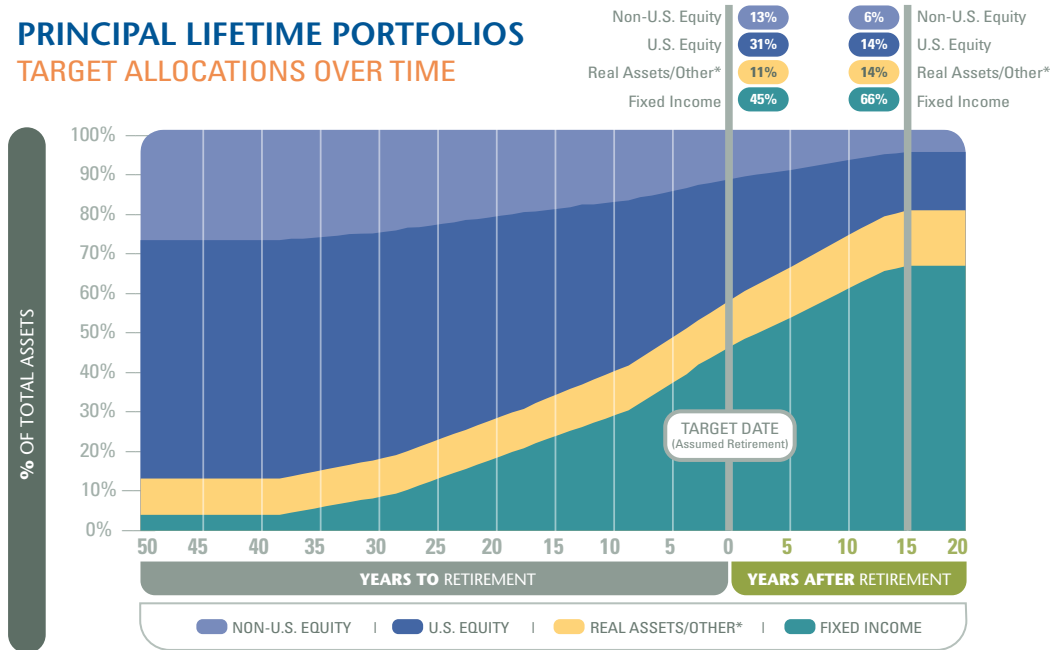
- Risk premiums are commensurate with the asset class risk profile.
- The asset class provides incremental diversification benefits.
- Suitable implementation vehicles exist that permit efficient access to the asset class.

**The second step** is the design of the glide path for the Principal LifeTime portfolios. The following chart (Figure 2 on page 4) depicts the asset class targets and overall glide path for the Principal LifeTime portfolios.

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**Figure 2: Principal LifeTime Glide Path**

**PRINCIPAL LIFETIME PORTFOLIOS**  
**TARGET ALLOCATIONS OVER TIME**



\*Participants receive exposure to real assets through the underlying Diversified Real Asset Fund. Also included is the underlying Global Diversified Income Fund, used for the purpose of enhancing income potential and providing some additional diversification. Finally, participants receive exposure to alternative strategies designed to potentially achieve long-term capital appreciation with an emphasis on striving for positive total returns and relatively low volatility through the underlying Global Multi-Strategy Fund. Allocations based on current targets as of March 2014. They may change over time. No investment strategy, such as asset allocation or diversification, can guarantee a profit or protect against loss.

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

The glide path reflects what Principal Management Corporation believes to be the optimal asset allocation mix that balances various key financial risks — savings shortfall risk, market risk, inflation risk and longevity risk — throughout the time horizon of the Principal LifeTime portfolios. Each risk is managed differently, depending on the time horizon for each of the Principal LifeTime portfolios.

As each Principal LifeTime portfolio approaches its target date, its investment mix becomes more conservative by increasing exposure to generally more conservative investment options and reducing exposure to typically more aggressive investment options. The asset allocation for each Principal LifeTime portfolio is regularly re-adjusted within a timeframe that extends 10 to 15 years beyond the target date, at which point it reaches its most conservative allocation. The resulting framework encompasses a total investment time horizon of roughly 80 years, including up to a 50-year working career and more than 25 years in retirement.

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**The third step** in the investment process is the selection and monitoring of the Principal LifeTime portfolios' underlying funds and investment managers. The proprietary manager selection and monitoring processes used provide a rigorous and disciplined framework for identifying, hiring and retaining premier investment managers within each asset class and investment style. The Principal LifeTime portfolios are classified as "multiple manager" portfolios because they are invested in underlying funds having a combination of different investment managers.

**The final step** in the investment process is rebalancing. The portfolio management team views rebalancing as a risk management service; thus, the team's primary focus is to control and manage systematic risks, not forecast short-term market trends.

The goal of the four-step investment process used to construct each Principal LifeTime portfolio is a well-diversified, institutional-quality target date portfolio designed to help investors over their entire lives.

The combined experience and complementary skills of Principal Management Corporation's and Principal Global Investors' investment teams provide the Principal LifeTime portfolios with a competitive edge in terms of strategic asset allocation, investment manager selection and monitoring, and systematic rebalancing.

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### Portfolio management team

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

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

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

**Matt Annenberg** is a Managing Director, Asset Allocation for Principal Global Investors. He has been with Principal Global Investors since 2012. Prior to Principal Global Investors, he was a Managing Director at K2 Advisors and at ABN AMRO Bank. He earned a Bachelor's Degree in Finance from Harvard College. Matt has earned the right to use the Chartered Financial Analyst designation.

**Dirk Laschanzky** is a Portfolio Manager for Principal Global Investors. He heads the firm's asset allocation and structured investments group. He joined the firm in 1997. Previously, Dirk was a Portfolio Manager and Analyst for over seven years at AMR Investment Services (now American Beacon Advisors) where he managed short-duration fixed-income portfolios and was among the team responsible for the management of the American Airlines' pension plans. He also served previously as a Financial Analyst for American Airlines. Dirk received an M.B.A. and Bachelor's Degree, both in Finance, from the University of Iowa. He has earned the right to use the Chartered Financial Analyst designation. Dirk is a member of the CFA Society of Iowa and the CFA Institute. He is also an Adjunct Instructor of Finance at the University of Iowa Graduate Business School.

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*Neither the principal nor the underlying assets of the Principal LifeTime investment options are guaranteed at any time, including the target date, and investment risk remains at all times.*

## **Additional Information**

*Investors should carefully consider a mutual fund's investment objectives, risks, charges, and expenses prior to investing. A prospectus, or summary prospectus if available, containing this and other information can be obtained by contacting a financial professional, visiting [principal.com](http://principal.com), or calling 1-800-547-7754.*

*Read the prospectus carefully before investing.*

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

*Investment options are subject to investment risk. Shares or unit values will fluctuate and investments, when redeemed, may be worth more or less than their original cost.*

This investment option is available through a separate account or Principal Funds, Inc. mutual fund. Separate accounts are made available through a group annuity contract with the Principal Life Insurance Company, Des Moines, IA 50392.

Asset allocation does not guarantee a profit or protect against a loss. Investing in real estate, small-cap, international, and high-yield investment options involves additional risks.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise.

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

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

Additionally, there is no guarantee this investment option will provide adequate income at or through retirement.

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WE'LL GIVE YOU AN EDGE®

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Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company. Securities are offered through Princor Financial Services Corporation, 1.800.547.7754, member SIPC and/or independent broker/dealers. Securities sold by a Princor® Registered Representative are offered through Princor. Princor and Principal Life are members of the Principal Financial Group®, Des Moines, IA 50392. Certain investment options may not be available in all states or U.S. commonwealths. Principal Life Insurance Company reserves the right to defer payments or transfers from Principal Life Separate Accounts as described in the group annuity contract providing access to the separate account or as required by applicable law. Such deferment will be based on factors that may include situations such as: unstable or disorderly financial markets; investment conditions which do not allow for orderly investment transactions; or investment, liquidity, and other risks inherent in real estate (such as those associated with general and local economic conditions). If you elect to allocate funds to a separate account, you may not be able to immediately withdraw them.