

# Principal Strategic Asset Management (SAM) Portfolios

Sub-advised by Edge Asset Management



Edge Asset Management (EDGE) offers broad expertise in equity, fixed income and global asset allocation capabilities and specializes in income oriented strategies. The firm is headquartered in Seattle, Washington and has been managing assets for clients for more than 75 years.

EDGE remains at the forefront of innovation with a heritage dating back to 1939, when it launched one of the first 50 mutual funds in the U.S. The firm also introduced one of the first target risk series of funds in the industry. Acquired by Principal Management Corporation (a member of the Principal Financial Group®) on December 31, 2006, EDGE enjoys the focus of a boutique firm while leveraging the resources of a leading global organization.

## Investment Philosophy and Process

Each Principal Strategic Asset Management (SAM) Portfolio is available as a mutual fund and as a separate account that invests wholly in Institutional class shares of said mutual fund.

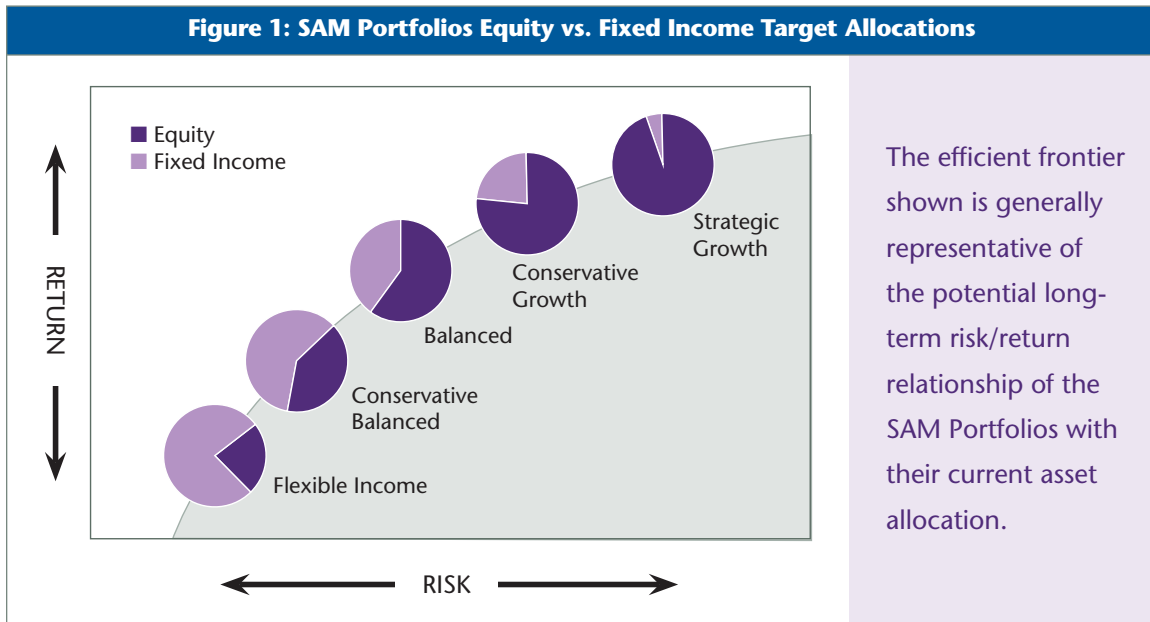
### Philosophy

The Principal SAM Portfolios — five actively managed target-risk asset allocation portfolios — are designed to deliver sophisticated portfolio management with the ease of a single investment option. The SAM Portfolios are comprised of a diverse mix of up to 28 asset classes constructed using a fund-of-funds structure.

**Not FDIC or NCUA insured**

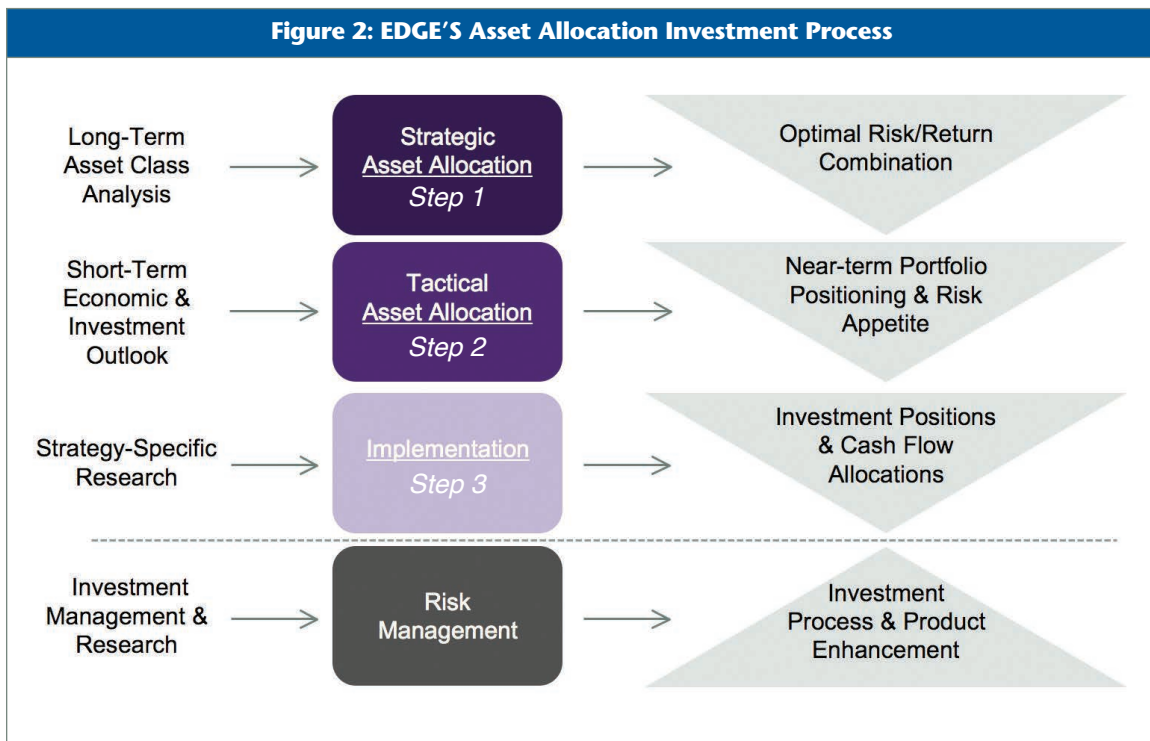
May lose value • Not a deposit • No bank or credit union guarantee  
Not insured by any Federal government agency

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



### Process

All five SAM Portfolios are actively managed through a continuous, disciplined investment process (Figure 2) designed to benefit from changing investment and economic conditions.



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The investment process begins with the development of strategic, long-term asset allocation targets. The asset allocation team then:

- Identifies the relevant market and economic forces
- Formulates tactical preferences, or “views”
- Implements the tactical preferences weighted by confidence and conviction
- Uses a rigorous risk management process that includes daily look-through to underlying holdings
- Repeats this process on a continual basis

As a result, each actively managed portfolio is highly diversified. With underlying securities that represent up to 28 distinct asset classes, the portfolios’ long-term target allocations are as follows:

- **SAM Flexible Income Portfolio:** 25% equity/75% fixed income
- **SAM Conservative Balanced Portfolio:** 40% equity/60% fixed income
- **SAM Balanced Portfolio:** 60% equity/40% fixed income
- **SAM Conservative Growth Portfolio:** 80% equity/20% fixed income
- **SAM Strategic Growth Portfolio:** 95% equity/5% fixed income

*Actual allocations are subject to change. The target allocations shown are presented for informational purposes only and may vary over time.*

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

### **Portfolio management team**

**Todd A. Jablonski**, CFA is the Head of Asset Allocation at Edge Asset Management and also serves as a Portfolio Manager. He joined EDGE in 2010 and has been in the investment industry since 1998. Previously, he was an Executive Director and Portfolio Manager for UBS. He received an M.B.A. from New York University with a concentration in quantitative finance and a bachelor’s degree in economics from the University of Virginia.

**Charles D. Averill**, CFA is a Portfolio Manager at Edge Asset Management. He joined EDGE in 1990 and has been in the investment industry since 1990. Previously, he was a Professor of Economics at Gonzaga University. He received a master’s degree in economics from Princeton University and a bachelor’s degree in economics from Reed College.

**Jill R. Cuniff** is the President of Edge Asset Management and also serves as a Portfolio Manager. She joined EDGE in 2009 and has been in the investment industry since 1987. Ms. Cuniff started her career as a trader and has held numerous investment management roles until being named the Chief Investment Officer of Morley Capital Management in 1999. She was subsequently named Morley’s President in 2001 and oversaw all the firm’s investment, sales, marketing and operation functions. In 2007, she led the business side of Morley’s acquisition by Principal Financial Group (PFG). She currently serves as Director on the Board of Edge Asset Management. Ms. Cuniff received a bachelor’s degree in business finance from Montana State University.

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## Additional Information

***Carefully consider the Fund's objectives, risks, charges, and expenses. Contact your financial professional or visit [principal.com](http://principal.com) for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.***

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

*Investing involves risk, including possible loss of principal.*

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.

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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.

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



WE'LL GIVE YOU AN EDGE®

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