

Principal LDI Short Duration Separate Account

Investment manager: Dimensional Fund Advisors



The Principal LDI Short Duration separate account is one of four investment options that together comprise the Principal LDI separate accounts. This suite of fixed income separate accounts was designed for the purpose of implementing liability-driven investing (LDI) strategies within defined benefit (DB) retirement plans. Each of the four Principal LDI separate accounts covers a distinct duration band; several can easily be combined to achieve any duration needed for a specific DB plan.

This profile discusses the investment philosophy and process followed by Dimensional Fund Advisors (DFA), the investment manager of the Principal LDI Short Duration separate account.

Dimensional is a leading global investment firm that has been translating academic research into practical investment solutions since 1981. Guided by a strong belief in markets, the firm helps investors pursue high expected returns through advanced portfolio design and careful implementation. An enduring philosophy, strong client commitment and deep working relationships with the academic community underpin Dimensional's approach to investing and form the foundation for new strategies.

Dimensional Fund Advisors is a private limited partnership owned primarily by directors and employees. Dimensional is headquartered in the U.S. (Austin, Texas) and Dimensional entities have representative offices across Europe, U.S. Canada, Australia and Asia.

Not FDIC or NCUA insured

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

Investment Philosophy and Process

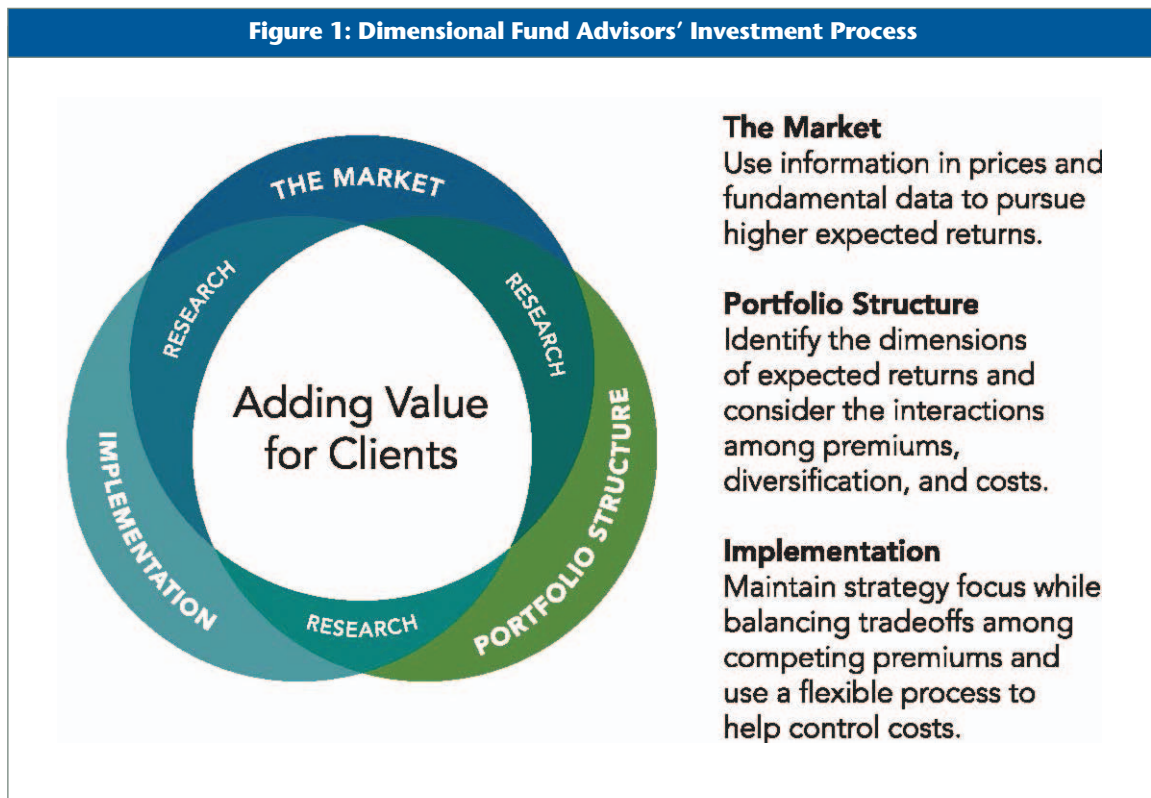
Philosophy

Fixed income securities expand the opportunity of investors to participate in the performance of capital markets and tend to provide a more reliable source of income than other asset classes. Because bonds generally behave independently from equities, adding fixed income to a portfolio may improve overall diversification. Dimensional believes the risk and expected return of fixed income securities are related and that broad diversification is crucial in capturing the fixed income risk factors. Diversification neither assures a profit nor guarantees against loss in a declining market.

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

Process

Figure 1: Dimensional Fund Advisors' Investment Process



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

The Principal LDI Short Duration separate account follows Dimensional's variable maturity approach in making investment decisions. When the anticipated maturity risk premium is greater for longer-term securities in the eligible maturity range, Dimensional focuses investment in that longer-term area. Otherwise, the portfolio will focus investment in the short-term range of the eligible maturity range. Dimensional also places priority on efficiently managing portfolio turnover and keeping trading costs low.

The portfolio invests in a full range of investment-grade bonds, extending into the universe of U.S. and foreign corporate debt securities rated in the lower half of the investment-grade spectrum when Dimensional believes the credit risk premium warrants the investment. The portfolio also invests in: obligations issued or guaranteed by U.S. and foreign governments, their agencies, and instrumentalities; bank obligations; commercial paper; repurchase agreements; obligations of other domestic and foreign issuers having investment-grade ratings; securities of domestic or foreign issuers denominated in U.S. dollars but not trading in the U.S.; and, obligations of supranational organizations.

Currently, most investments are made in developed countries, but other countries may be added in the future. The portfolio hedges foreign currency exposure. Also, the portfolio primarily invests in securities that mature within five years from the date of settlement and maintains a target portfolio duration of three years or less.

Portfolio management team

David A. Plecha is a Global Head of Fixed Income, Vice President of Dimensional and a member of the Investment Committee. Mr. Plecha received his BS from the University of Michigan at Ann Arbor in 1983 and his MBA from the University of California at Los Angeles in 1987. Mr. Plecha has been a portfolio manager since 1989 and has been responsible for the fixed income portfolios since the end of 1991.

Joseph F. Kolerich is a Senior Portfolio Manager, Vice President of Dimensional and a member of the Investment Committee. Mr. Kolerich has an MBA from the University of Chicago Booth School of Business and a BS from Northern Illinois University. Mr. Kolerich joined Dimensional as a portfolio manager in 2001 and has been responsible for the fixed income portfolios since 2012.

Additional Information

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.

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.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

High yield investment options are subject to greater credit risk and volatility that is associated with high yield bonds.

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.

The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

This separate account invests solely in the DFA Short-Term Extended Quality I Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the separate account, not of contract holders investing in the separate account. For further information on the underlying mutual fund, see the prospectus of the fund.



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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 an orderly investment transaction; 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.

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