The Principal LDI Intermediate 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 Edge Asset Management (EDGE), investment manager of the Principal LDI Intermediate Duration separate account.

Edge Asset Management (EDGE) offers broad expertise in equity, fixed income and asset allocation capabilities while specializing 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 mutual 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

The Principal LDI Intermediate Duration portfolio is available as a separate account that invests in EDGE's Investment Grade Corporate strategy with duration between 3 and 10 years.

**Philosophy**

The Principal LDI Intermediate Duration portfolio seeks to provide a high level of current income consistent with the stability of principal by investing primarily in corporate fixed income securities that are deemed to be investment grade.

The firm’s philosophy includes:

- Long-term focus over a complete business cycle
- Value approach through contrarian view and cyclical timing
- A belief that credit selection (not interest rate positioning) is a key driver of excess returns

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

**Process**

The Principal LDI Intermediate Duration portfolio managers use a disciplined four-step process that combines top-down strategy with bottom-up fundamental research, supported by rigorous controls at each step. EDGE may look to invest in out-of-favor companies, industries or sectors and may at times be contrarian to current market sentiment.

**Edge Asset Management’s Investment Process**

**Investment Process Overview**

I. **Idea Generation**
   - Set economic outlook over next 18-24 months to identify attractive sectors & industries

II. **Fundamental Research**
   - Perform sector, industry, company & issue analysis to identify attractive investment opportunities

III. **Portfolio Construction**
   - Integrate fundamental research with economic, sector & industry themes focusing on attractively priced securities to maximize risk adjusted returns

IV. **Risk Management**
   - Active monitoring of risk measures through FactSet & BarraOne®

Asset allocation/diversification does not guarantee a profit or protect against a loss.
The Principal LDI Intermediate Duration portfolio invests primarily in investment grade corporate bonds.

EDGE's core long-term positioning and investment horizon are based on the premise that the firm seeks bonds it expects to hold to maturity. EDGE looks to identify issuers with strong business fundamentals from sectors and industries which traditionally have the characteristics EDGE believes allow these securities to deliver consistent results through multiple business cycles. Those characteristics include steady cash flows, positive demographic trends and defensible market positions. EDGE's fundamental research-driven strategy is opportunistic and flexible to adapt to changing market conditions while remaining true to the firm's focus as a long-term investor. Following EDGE's determination that a security/issuer meets fundamental requirements, the firm determines its acceptable purchase-price range.

**Portfolio management team**

**Greg L. Tornga, CFA,** is Head of Fixed Income at Edge Asset Management and also serves as a Portfolio Manager. He joined EDGE in 2011 and has been in the investment industry since 2002. Previously, Greg was a Senior Vice President for Payden & Rygel Investment Management in Los Angeles, where he served as the Head of Investment Grade Credit Strategy. He received an M.B.A. from the Argyros School of Business and Economics at Chapman University and a bachelor's degree from the University of Michigan. Mr. Tornga has earned the right to use the Chartered Financial Analyst designation.

**John R. Friedl, CFA,** is a Portfolio Manager at Edge Asset Management. He joined EDGE in 1998 and has been in the investment industry since 1998. Previously, he was an Agency Coordinator for Northern Life. He received a master’s degree in finance from Seattle University and a bachelor’s degree in communications and history from the University of Washington. Mr. Friedl has earned the right to use the Chartered Financial Analyst designation.

**Scott J. Peterson, CFA,** has been a Portfolio Manager at Edge Asset Management since 2002 and has been in the investment industry since 1989. Previously, he held a variety of positions at Russell Investment Group, Standish, Ayer & Wood, Inc. and Moody’s Investors Service. He received an M.B.A. from New York University and a bachelor’s degree in mathematics from Brigham Young University. Mr. Peterson has earned the right to use the Chartered Financial Analyst designation.

**Ryan P. McCann, CFA,** has been a Portfolio Manager at Edge Asset Management since 2010 and has been in the investment industry since 1993. Previously, he was a Portfolio Manager and Trader of Structured Mortgage Products for Columbia Asset Management. He received a bachelor's degree in business administration from Washington State University. Mr. McCann has earned the right to use the Chartered Financial Analyst designation.
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.