**Investment Strategy**

The investment seeks to provide long-term growth of capital. The fund invests primarily in equity securities of companies with any market capitalization, but has a greater exposure to large market capitalization companies than small or medium market capitalization companies. It invests in equity securities with value and/or growth characteristics and constructs an investment portfolio that has a "blend" of equity securities with these characteristics. Investing in value equity securities is an investment strategy that emphasizes buying equity securities that appear to be undervalued.

**Portfolio managers**

**Daniel R. Coleman** Since 05/19/2010, M.B.A., New York University  
**Theodore Jayne, CFA.** Since 09/30/2015, B.A., Harvard University

**Performance disclosure**

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit principal.com, contact your representative of The Principal, or call our Participant Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different or where a contractual cap and/or waiver date is given, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

**Morningstar category**

Large Blend

**Morningstar Style Box™**

As of 08/31/2017

**Investment style**

Value  Blend  Growth

**Market capitalization**

Large  Medium  Small

**Risk and Return Statistics**

**As of 09/30/2017 Relative to Russell 3000 Index**

<table>
<thead>
<tr>
<th></th>
<th>3Yr</th>
<th>5Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>-0.31</td>
<td>-0.07</td>
</tr>
<tr>
<td>Beta</td>
<td>0.96</td>
<td>0.97</td>
</tr>
<tr>
<td>R-Squared</td>
<td>97.69</td>
<td>97.71</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>9.95</td>
<td>9.65</td>
</tr>
<tr>
<td>Mean</td>
<td>9.99</td>
<td>13.77</td>
</tr>
<tr>
<td>Sharpe Ratio</td>
<td>0.97</td>
<td>1.37</td>
</tr>
<tr>
<td>Excess Return</td>
<td>-0.74</td>
<td>-0.46</td>
</tr>
<tr>
<td>Tracking Error</td>
<td>1.56</td>
<td>1.48</td>
</tr>
<tr>
<td>Information Ratio</td>
<td>-0.48</td>
<td>-0.31</td>
</tr>
</tbody>
</table>

**Operations**

Total Investment Expense Net 0.73%  
Total Investment Expense Gross 0.73%  
Contractual Cap Expiration Date 06/30/2018  
Waiver Expiration Date 06/30/2018  
Inception Date 06/30/2009  
Extended Performance Inception Date# 11/30/1986  
Total Net Assets (mil) $2,482.94

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Separate Accounts are available through a group annuity contract with Principal Life Insurance Company. Insurance products and plan administrative services, if applicable, are provided by Principal Life Insurance Company, a member 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 contracts providing access to the Separate Accounts 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.

The full name of this investment option is Principal Capital Appreciation Separate Account-R5. Principal Capital Appreciation investment option is available as a mutual fund and as a Separate Account that invests wholly in Institutional class shares of the Principal Funds, Inc. Capital Appreciation Inst 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 (PWCIX) at http://www.principal.com/retirement/prospectuses/prospect.htm.

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.

The Russell 3000 Index is constructed to provide a comprehensive barometer of the broad market and accounts for nearly 98% of the total value of all equity traded on the U.S. exchanges. It measures the stocks that are also members of either the Russell 1000 or the Russell 2000 indexes.

Past performance is no guarantee of future results. Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect fees or expenses. Individuals cannot invest directly in an index.

Alpha - The difference between an investment’s actual returns and its expected performance, given its level of risk (as measured by beta). Beta - An investment’s sensitivity to market movements. R-squared - Ranges from 0 to 100 and reveals how closely an investment’s returns track those of a benchmark index. Standard Deviation - Measures how much an investment’s returns are likely to fluctuate. Mean - Represents the annualized total return for a fund over 3 and 5 years. Sharpe Ratio - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment’s historical risk-adjusted performance. Excess Return - The difference between a manager’s return and the return of an external standard such as a passive index. Tracking Error - The standard deviation or volatility of excess returns. Information Ratio - A risk-adjusted measure commonly used to evaluate an active manager’s involvement skill. It’s defined as the manager’s excess return divided by the variability or standard deviation of the excess return.
Average Market Cap - The overall "size" of a stock investment option’s portfolio. It is the geometric mean of the market capitalization for all of the stocks it owns and is calculated by raising the market capitalization of each stock to a power equal to that stock’s stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Price/Cash Flow (projected) Ratio - The ratio of the company’s most recent month-end share price to the company’s estimated cash flow per share (CPS) for the current fiscal year. Cash flow measures the ability of a business to generate cash and it acts as a gauge of liquidity and solvency. Morningstar calculates internal estimates for the current year CPS based on the most recently reported CPS and average historical cash flow growth rates. Price/cash flow (projected) is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the cash flow yields (C/P) of all the stocks in the portfolio and then taking the reciprocal of the result.

Price/Projected Earnings Ratio - The ratio of the company’s most recent month-end share price to the company’s estimated earnings per share (EPS) for the current fiscal year. If a third-party estimate for the current year EPS is not available, Morningstar will calculate an internal estimate based on the most recently reported EPS and average historical earnings growth rates. Price/projected earnings is one of the five value factors used to calculate the Morningstar Style Box. For portfolios, this data point is calculated by taking an asset-weighted average of the earnings yields (E/P) of all the stocks in the portfolio and then taking the reciprocal of the result.

Price/Book (projected) Ratio - The ratio of the company’s most recent month-end share price to the company’s estimated book value per share (BPS) for the current fiscal year. Book value is the total assets of a company, less total liabilities. Morningstar calculates internal estimates for the current year BPS based on the most recently reported BPS and average historical book value growth rates.

The Portfolio Composition depicts a breakdown of the investment option’s portfolio holdings, as of the date listed, into general investment classes. The x-axis represents the percentage each investment group holds, with the y-axis representing a zero value. Values to the right of the y-axis represent long security positions, while values to the left of the y-axis represent short security positions. The table to the right of the bar chart sums these two values to present the net emphasis of each investment group. Due to rounding, the total net position may not equal 100%. Long positions involve buying a security and selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. Portfolio holdings are subject to change and companies referenced in this report may not currently be held. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. For a complete list of the most recent publicly available holdings visit principal.com.

# These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect a portion of the fees and expenses of this share class. For time periods prior to inception date of the fund, predecessor performance is reflected. Please see the fund’s prospectus for more information on specific expenses, and the fund’s most recent shareholder report for actual date of first sale. Expenses are deducted from income earned by the fund. As a result, dividends and investment results will differ for each share class.

Small-cap and mid-cap stocks may have additional risks, including greater price volatility.

Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s). Principal Life Insurance Company is the Investment Manager as defined by ERISA, with regard to the assets of the Separate Accounts. Principal Global Investors is a member of the Principal Financial Group. Edge Asset Management is an internal investment boutique of Principal Global Investors.

* Values may exceed 100% if both long and short positions are included in the portfolio.