PROFILE

Principal U.S. Property Separate Account

Sub-advised by Principal Real Estate Investors

Principal Real Estate Investors

Principal Real Estate Investors is the dedicated real estate asset manager for Principal Global Investors. Principal Real Estate Investors' capabilities include commercial mortgage-backed securities, real estate equity securities and a broad range of private market real estate equity and debt alternatives.

Investment Philosophy and Process

Philosophy

Principal Real Estate Investors utilizes a relative value approach in all investment management decisions for the U.S. Property Separate Account.

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

Process

The firm's team-based, time-tested investment process for the Principal U.S. Property Separate Account includes rigorous, in-depth research and focuses on maximizing investment returns that are consistent with clients' risk tolerances and preferences.

The relative value framework places significant emphasis on the measurement and management of risk and return. For the Principal U.S. Property Separate Account, Principal Real Estate Investors relies on the following:

- Understanding and respecting client investment objectives.
- Ongoing, active monitoring of real estate space and capital markets. Market sectors are sought for their potential to provide the highest possible risk-adjusted returns.
- Optimizing asset and portfolio performance by focusing on asset-by-asset performance maximization within the context of overall portfolio guidelines.

The firm's private-market equity investment strategies focus on assets in the multi-family, office, industrial, retail and hotel property market sectors. Principal Real Estate Investors provides in-depth coverage of 60 major U.S. metropolitan areas, with individual transaction sizes ranging from approximately $1 million to more than $100 million.

The company's private equity experience covers the risk spectrum. Its core private-equity strategy focuses primarily on high-quality, well-leased properties. The firm also has specialized expertise in core-plus and opportunistic strategies such as land acquisition, development and re-development and leasing. Debt financing is also used to enhance returns within the portfolios, targeting a loan-to-value ratio for the total portfolio in the low-to-mid-20% range. The Principal U.S. Property Separate Account has two primary objectives:

1) to invest in a well-diversified real estate portfolio that reflects the overall performance of the U.S. commercial real estate market, and

2) to provide clients with private real estate returns that, over a market cycle, meet or exceed the open-end fund component of the NCREIF Property Index at the property level, and the NFI-ODCE Equal Weight at the portfolio level.

The greatest strength of Principal Real Estate Investors is its experienced staff and depth of resources. The company employs real estate investment professionals based in the U.S., Australia, Singapore and the U.K. These professionals are supported by a large, diverse staff of specialized real estate administration and operations personnel who provide in-depth coverage of over 60 metropolitan property markets.

The company's capabilities include a full range of private-equity opportunities, ranging from opportunistic property development and redevelopment to conservative core strategies emphasizing stabilized, high-quality investments.

Portfolio manager

John T. Berg is managing director – portfolio management for Principal Real Estate Investors. He is the portfolio manager of the Principal U.S. Property Account, a core open-end real estate strategy. Mr. Berg joined the firm in 1994 and has spent his entire tenure with the firm in the real estate equity area. In addition to portfolio management, John has significant experience in asset management and product development. John received an MBA from the University of Iowa and a bachelor's degree in economics and psychology from Georgetown University. He is a member of the National Council of Real Estate Investment Fiduciaries (NCREIF), the National Association of Real Estate Investment Managers (NAREIM) and the Pension Real Estate Association (PREA).

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 values will fluctuate so that when redeemed, share or units may be worth more or less than the original cost.

This investment option is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Payment of principal and earnings may be delayed.

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.

Real estate investment options are subject to some risks inherent in real estate and Real Estate Investment Trusts, such as risks associated with general and local economic conditions.

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

The NFI-ODCE, short for NCREIF Fund Index – Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 31 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Principal® Financial Group

WE'LL GIVE YOU AN EDGE®

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