Principal Stable Value Fund
Classic

Fund Profile
Assets $4,681,706,676
Crediting Rate\(^1\) 2.54%
Avg. Duration\(^2\) 2.61 years
Market/Book Value Ratio\(^3\) 100.02%
Turnover Ratio (updated annually)\(^4\) 6.65%
Inception Date January 1997

Fund Composition
Cash 7.31%
GIC 5.79%
Separate Account Contracts 37.52%
Synthetic Investment Contracts 49.37%

Trustee/Adviser Fee\(^{11}\) 8 basis points

Investment Contract Issuers
Prudential Ins Co of America 19.67%
Metropolitan Life Ins Co 15.39%
TIAA-CREF Life Ins Co 9.67%
Transamerica Life Ins Co 9.55%
Massachusetts Mutual Life Ins Co 8.58%
New York Life Ins Co 8.32%
American General Life Ins Co 7.24%
RGA Reinsurance Co 4.79%
Pacific Life Insurance Company 4.79%
State Street Bank 4.67%

Duration Distribution
0-1 Yr 17.10%
1-2 Yrs 16.70%
2-3 Yrs 27.87%
3-4 Yrs 23.13%
4-5 Yrs 11.17%
5+ Yrs 4.03%

Fund Structure
The Principal Stable Value Fund (Fund) is a Collective Investment Trust (CIT) maintained by Principal Global Investors Trust Company (the Trust Company). The Trust Company has retained Morley Capital Management (Morley), a specialized investment boutique of Principal Global Investors, LLC, (the Adviser), to serve as investment adviser with respect to the Fund, subject to the Trust Company’s supervision and review. The Adviser is an indirect wholly owned subsidiary of Principal Financial Group® and is under common control with the Trust Company.

About the Adviser
Morley was founded in 1982 and began managing its first discretionary stable value account in February 1984. Morley has focused almost exclusively on managing stable value assets for our institutional client base since our inception.

Contact Information
For additional information on enrolling in the Fund, to obtain the Principal Stable Value Fund Disclosure document or to obtain additional information, please contact the Human Resources Department of the participating plan, or the participating plan’s recordkeeper.

Fund Description
The Fund primarily consists of a diversified portfolio of Stable Value Investment Contracts (Investment Contracts) issued by life insurance companies, banks and other financial institutions, the performance of which may be predicated on underlying fixed income investments. The principal value of these assets is designed to remain stable regardless of stock and bond market fluctuations. The Fund is typically appropriate for investors who desire low volatility, stable principal value, and returns commensurate with a capital preservation objective for a component of their retirement savings. The Fund is designed for long-term retirement investing.

Investment Objective
The objective of the Fund is to provide preservation of capital, relatively stable returns consistent with its comparatively low risk profile, and liquidity for benefit responsive plan or participant payments.

Performance
Past performance is not a guarantee of future results. Performance returns assume the reinvestment of dividends and other earnings. Returns for periods less than one year are not annualized. Gross returns are presented net of Fund Level Expenses which include Stable Value Investment Contract Fees, Sub-Adviser Fees, Acquired Fund Fees and Other Expenses. Net returns are presented net of 0.08% annualized Trustee/Adviser Fee and 0.52% annualized Service Fee. Fees charged by varying share classes including the Service Fee may differ and as a result, investors in other share classes may obtain higher or lower net returns if multiple share classes are available. Performance information for share class options available after the original Fund inception date are based on the performance of the Principal Stable Value Fund, adjusted to reflect estimated fees for the respective share class option. The Fund’s inception date is January 1997. Please review page 2 for important information.

Credit Quality

Sector Allocation
ABS 8.95%
GIC 5.79%
MBS 20.59%
CMBS 5.63%
Cash 5.75%
U.S. Govt 22.22%
Credit 31.06%

Credit
AAA 65.05%
AA+ 0.79%
AA 0.37%
AA- 5.76%
A+ 1.48%
A 6.01%
A- 6.04%
BBB+ 4.38%
BBB 6.69%
BBB- 6.29%
< BBB/ NR 0.14%

ABS = Asset Backed Securities
MBS = Mortgage Backed Securities
CMBS = Commercial Mortgage Backed Securities
A Word on Risk

While stable value is generally considered a conservative investment option, stable value assets do carry potential risks. The Fund may lose value and may be worth more or less than the original cost when redeemed, and there is no assurance that the Fund’s objective will be achieved. Risks include, but are not limited to, 1) Investment Contract risk which includes the risk of maintaining Book Value Accounting standards and the risk that Investment Contract issuers may default on their obligations under the contract; 2) interest rate risk which includes the potential that an increase in market interest rates may decrease the value of fixed income securities (bonds); 3) credit risk which reflects the potential that the issuer of fixed income securities will be unable to make the required payments of interest and/or principal when due. Morley seeks to mitigate Investment Contract and credit risk by investing only in investment grade securities. Our credit research team continually analyzes the credit standing and outlook of investments in the Fund seeking to identify investment options with the best risk/return characteristics consistent with the Fund’s investment objective. Investors are not guaranteed the protection of registered securities afforded by the Securities and Exchange Commission ("SEC").

Definitions

1. Crediting Rate – The rate of return credited to the book value of the Fund, expressed as an annual percentage rate and is calculated based on a book value dollar weighted basis gross of the Trustee/Adviser Fee and Service Fee and Other Expenses but net of Wrap Fees, Sub-Adviser Fees, and Acquired Fund Fees. A crediting rate is determined per Investment Contract which may remain fixed for the term of the contract or may be reset at predetermined intervals based upon portfolio characteristics including yields, market value, book value and duration. The data is provided for general informational purposes and the return received may be higher or lower than the crediting rate provided.

2. Average Duration – Represents the average dollar weighted effective duration of the underlying securities in the Fund. Duration is a measure of the price sensitivity of a fixed-income security or portfolio to a change in interest rates and is commonly presented in years. The longer the duration the more sensitive the Fund or security is expected to have to interest rate changes.

3. Market/Book Value Ratio – Represents a measurement of the market value of the Fund’s underlying securities as compared to the Fund’s book value; typically quoted as a percentage. Generally, participant transactions occur at book value even if the market value is above or below the book value.

4. Turnover Ratio – A measure of trading activity during the previous 12 months, expressed as a percentage of the average total assets of the Fund. The resulting percentage loosely represents the percentage of the portfolio’s holdings that have changed over the past 12 months. For the purposes of calculating turnover, investments in other pooled products including other collective investment trusts, or separate account contracts, are treated as a single transaction and do not account for the underlying trading activity within these products.

5. Book Value Accounting – An accounting methodology associated with Stable Value Funds which allows the Funds to amortize market value gains and losses over time through the Fund’s crediting rate thus providing capital preservation.

6. Stable Value Investment Contracts – (also known as Investment Contracts or Wrap Contracts) Contracts issued by insurance companies, banks, and other financial institutions that provide book value accounting treatment for the Fund. These contracts are designed to provide capital preservation and permit benefit-responsive transactions at book value. Investment Contracts do not insure the value of the Fund and are not insurance against Fund losses but rather by applying Book Value Accounting standards permit the amortization of gains and losses over time through the crediting rate thus providing capital preservation. Typical examples of these contracts include Guaranteed Investment Contracts (GICs), Bank Investment Contracts (BICs), Synthetic Investment Contracts (SICs), Separate Account Contracts (SACs).

7. Stable Value Investment Contract Fees – Fees assessed by the financial institutions issuing the stable value investment contracts (wrap contracts) in which the Fund invests.

8. Sub-Adviser Fees – Fees assessed by sub-advisers which provide underlying fixed income management for certain portions of the Fund. Fees associated with services provided by Morley are paid directly by the Trustee and are not Fund Level Expenses.

9. Acquired Fund Fees – The Fund invests in other funds which incur their own fees and expenses associated with fund operations. As a result a pro-rata share of the Other Expense of each underlying fund, as provided in its most recent audited financial report, is reported.

10. Other Expenses – Represents fees and expenses associated with Fund operations including but not limited to, accounting and valuation services, custody services, legal and auditing services.

11. Trustee/Adviser Fee – Paid to the Trustee of the Fund for trustee and investment advisory services. Breakpoints associated with this fee reduce costs based upon total assets of the Fund.

12. Service Fee – A fee option that may be selected by the Plan/Trust investing in the Fund. The fee is provided to Principal Life Insurance Company which provides various services to the plan which may include but is not limited to Service Provider functions, plan administrative services, investment management selection, and ongoing investment oversight.

Based upon the structure of various investment options (e.g. collective investment trusts, insurance company separate account contracts, or individually managed accounts), the client may or may not have direct fractional ownership of the underlying securities.

Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect any fees or expenses. Individuals cannot invest directly in an index. The Bloomberg Barclays 0-1 Year Govt Bond Index measures the equally weighted returns of the largest taxable money market funds. The Bloomberg Barclays 1-3 Year Govt Bond Index measures the returns of investment grade, dollar denominated bonds publicly issued by the U.S. Govt, with a maturity of over 1, and less than 3 years.

Direct investment in the Fund is limited to Participating Trusts (also known as investing Plan/Trust) that meet certain requirements described in the Declaration of Trust, that enter into a Participation Agreement with the Trustee. The Fund cannot accept investment directly from individuals and is subject to restrictions regarding transfer and withdrawal of assets including potential deferral of withdrawal requests by up to 12 months, as defined in the applicable Declaration of Trust.