

Second Quarter 2021

# Quarterly Commentary

Inv Manager or Sub-Advisor	Benchmark	Morningstar Category	Investment Objective
Principal Global Investors	MSCI ACWI Ex USA Index	Foreign Large Blend	Foreign Stock

## Performance Contributors and Detractors

### Contributors

#### During last quarter:

Stock selection in the health care sector contributed, led by overweight in Lonza Group, one of the world's top three custom contract manufacturers of pharmaceutical, biotech, cell and gene therapy drugs, and a leading provider of chemical ingredients for antimicrobial, agrochemical, sanitation, nutrition and personal care products. Stock selection in the consumer staples sector contributed, led by overweight in Carlsberg, the fourth largest brewing company globally. Stock selection in the energy sector contributed, led by overweight in Neste, a European refiner producing traditional fossil fuel products and renewable diesel. Stock selection in Canada contributed, led by overweight in Shopify, Inc., which provides a cloud-based commerce platform that allows merchants of all sizes to build and manage their e-commerce business across multiple channels in over 175 countries. Stock selection in the technology sector drove outperformance, led by overweight in Logitech International, a leading designer and manufacturer of personal peripherals for the PC community and other digital platforms.

### Detractors

#### During last quarter:

Stock selection in Europe Ex U.K. detracted, led by overweight in Siemens Energy, which provides energy solutions in the gas and power and renewable energy segments. Stock selection in the consumer discretionary detracted, led by overweight in Sony Group, a conglomerate of businesses that design and manufacture a variety of electronic devices for professional and consumer use such as game & network services, music, and movies. Stock selection in the communication services sector detracted, led by overweight in SoftBank Group, which engages in mobile communication, microprocessors and software, and mobile device distribution. Stock selection in the U.K. detracted from performance, led by overweight in Antofagasta, a London-listed mining company operating in Chile with sales derived predominately from copper, along with gold, molybdenum, silver, and rail. Stock selection in the industrials sector detracted, led by overweight in Itochu Corporation, which operates in product trading and investment activities in the textiles, metals and mining, food, energy, and realty.

#### Changes to the investment option's structure or portfolio:

No material changes occurred in the portfolio structure.

**Not FDIC or NCUA insured**

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

## Diversified International Separate Account-Z

### Performance

*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 most recent month-end performance, visit [www.principal.com](http://www.principal.com), contact your representative of the Principal Financial Group®, or contact our participant contact center at 1-800-547-7754.*

*In situations where the net and gross expense figures are different, the investment manager has contractually agreed to limit the investment option's expense. Differences may also be shown due to the investment manager choosing to pay certain expenses that would normally be payable by the investment option. The gross total investment expense figure does not reflect any waivers or caps on the mutual fund or underlying mutual fund in which a Separate Account invests. Returns displayed are always based on net total investment expense.*

Average Annual Total Returns (%) as of 06/30/2021	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	05/20/1987
Diversified International Separate Account-Z	4.65	8.05	38.55	10.39	11.51	7.25	7.76	Ext. Perf. Inc. Date	05/20/1987
MSCI ACWI Ex USA Index	5.48	9.16	35.72	9.38	11.08	5.45	-	Total Inv. Exp Gross	0.43
Foreign Large Blend Category	5.12	9.07	33.76	8.50	10.08	5.80	-	Total Inv Exp Net	0.43
Morningstar Percentile Ranking	-	-	18	17	18	10	-	Waiver Date	-
Total Funds in Category	783	777	757	673	579	385	-	Contractual Cap Date	-

**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.

## Diversified International Separate Account-Z

### Statistics Summary as of 06/30/2021

	Risk and Return Statistics Summary						Upside/Downside Capture Ratio					
	Alpha	Beta	R2	Sharpe Ratio	Info Ratio	Std Dev	# of Months		Avg Returns %		Benchmark %	
							Up	Down	Up	Down	Up	Down
	3 Year						3 Year					
Diversified International Separate Account-Z	0.93	1.01	96.27	0.57	0.29	18.20	21	15	3.61	-4.33	100.42	94.83
MSCI ACWI Ex USA Index	N/A	N/A	N/A	N/A	N/A	N/A	24	12	3.60	-4.56	100.00	100.00
	5 Year						5 Year					
Diversified International Separate Account-Z	0.30	1.02	95.83	0.72	0.14	15.16	39	21	3.05	-3.76	100.69	97.77
MSCI ACWI Ex USA Index	N/A	N/A	N/A	N/A	N/A	N/A	42	18	3.03	-3.84	100.00	100.00

Risk and return statistical data is calculated by Morningstar, Inc. Please see Important Notes section for definitions of Risk and Return Statistics.

### Top Ten Holdings as of 05/31/2021

Security	Net Assets (%)
Taiwan Semiconductor Manufacturing Co Ltd	2.68
Samsung Electronics Co Ltd	2.37
ASML Holding NV	2.02
Tencent Holdings Ltd	1.83
Nestle SA	1.81
Roche Holding AG	1.51
Toyota Motor Corp	1.46
AIA Group Ltd	1.44
Brookfield Asset Management Inc Class A	1.44
CRH PLC	1.44
<b>Total % in Top 10</b>	<b>17.99</b>

Information is current as of the date noted. Keep in mind that all current and future portfolio holdings are subject to risk.

## Diversified International Separate Account-Z

Manager(s)	Start Date	Degree	Alma Mater
Paul H. Blankenhagen	12/01/2003	M.B.A.	Drake University
Juliet Cohn	05/01/2004	B.A.	Trinity College

### Investment Strategy

The investment option normally invests the majority of assets in companies in at least three different countries. It invests in securities of companies with their principal place of business or principal office outside of the United States; companies for which the principal securities trade on a foreign exchange; and companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from goods or services produced or sold outside of the United States. The Separate Account may invest in securities of companies with small to medium market capitalizations.

### About Principal Global Investors

Principal Global Investors - the institutional asset management affiliate of the Principal Financial Group - the firm focuses on delivering consistently competitive investment performance and superior service on behalf of its clients. Principal Global Investors has expertise in equities, fixed income and real estate investments, as well as specialized overlay and advisory services. The firm upholds the highest standards of excellence in investment research, risk management, ethics, fiduciary responsibility and client service. (Principal Global Investors is the asset management arm of the Principal Financial Group® (The Principal®) and includes the asset management operations of the following subsidiaries of The Principal: Principal Global Investors, LLC; Principal Real Estate Investors, LLC; Spectrum Asset Management, Inc.; Post Advisory Group, LLC; Columbus Circle Investors; Edge Asset Management, Inc.; Principal Global Investors (Europe) Limited; Principal Global Investors (Singapore) Ltd.; Principal Global Investors (Australia) Ltd.; and the majority owned affiliates of Principal International, Inc.).

## Important Notes

Separate Accounts are available through a group annuity contract with Principal Life Insurance Co. 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. See the fact sheet for the full name of the Separate Account. 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 (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.

**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](http://principal.com).**

The value of the investment options will fluctuate so that when redeemed, shares or units may be worth more or less than the original cost.

Returns shown for periods of less than one year are not annualized. All returns displayed here are after Total Investment Expense of the investment option. Any operating expenses of a mutual fund or underlying mutual fund that are part of net Total Investment Expense are obtained from the mutual fund's most recent prospectus. The operating expenses shown as part of the Total Investment Expense include voluntary expense limits and fee credit.

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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.

### About Principal Financial Group



The Principal Financial Group® (The Principal®) is a leading global financial company offering businesses, individuals and institutional clients a wide range of financial products and services. Our range of products and services includes retirement solutions, life and health insurance, wellness programs, and investment and banking products through our diverse family of financial services companies and national network of financial professionals.

## Important Notes

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.

MSCI ACWI Ex USA Index is a free float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the US.

Extended Performance Inception Date (Ext. Perf. Inc. Date) - Inception date of the oldest share class of the fund, or underlying fund of the Separate Account.

**Total Investment Expense Gross** - The current maximum expense ratio, as a percentage of assets that can be applied to this investment option. This does not represent the recordkeeping or individual transactional fees that can be deducted from or reduce the earnings for an investment under your account. However, it does include operating expenses, management fees, including 12b-1 fees, and administrative fees.

**Total Investment Expense Net** - You will be responsible for this expense and it will be automatically taken prior to calculating performance. Total Investment Expense - Net is the Total Investment Expense - Gross expense ratio less any fee waivers, reimbursements or caps, if applicable. The expenses ratio, as a percentage of net assets, includes operating expenses, management fees, including 12b-1 fees, and administrative fees.

**Expense Waiver/Contractual Cap** - When gross and net expense ratios differ, the investment adviser may have agreed to waive certain expenses that would normally be payable by the fund or contractually agreed to limit the investment option's expenses.



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## Important Notes

### **Risk and Return Statistics:**

**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.

**Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance.

**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.

**Up-Market Capture Ratio** - A statistical measure of an investment option's performance relative to a comparative index in months in which that index has risen. An up-market capture ratio of greater than 100 would indicate that the investment option performed better than the comparative index during months in which the index had risen over a specified time period.

**Down-Market Capture Ratio** - A statistical measure of an investment option's performance relative to a comparative index in months in which that index has fallen. A down-market capture ratio of greater than 100 would indicate that the investment option performed worse than the comparative index during months in which the index had fallen over a specified time period.

This report is not complete unless all pages, as noted below, are included.



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