

First Quarter 2019

Quarterly Commentary

Ticker	Inv Manager or Sub-Advisor	Benchmark	Morningstar Category	Investment Objective
PLSAX	Principal Global Investors	Standard & Poor's 500 Index	Large Blend	Growth and Income

Economic Overview

Years of belief that interest rates and inflation would stay "lower for longer" appear to be coming to an end. If wage gains in the United States persist, inflation could work its way back into the system, pressuring long-term interest rates and bond yields to compensate by increasing. Inflation seems tame, but we expect yields to work higher toward the end of 2019.

The yield curve inversion between the three-month and 10-year points has been much-hyped, but we're not too alarmed yet. While inversion has been a good recession predictor in the past, the present spell hasn't been long enough or significant enough to give us pause.

The current equity market surge probably can't last, but a devastating bear market also doesn't seem in the cards. Reactions from bond and stock markets give two different interpretations of world growth expectations. Super-low government bond yields likely imply a dim view of growth prospects. Equity market rallies portray optimism about a solid recovery and healthy profit growth. If bond markets are reading the situation correctly, stock prices should fade as growth worries return. If the bond market is wrong, then interest rates could rise, causing stock prices to fall along with valuations.

We anticipate US economic growth to run near 2.5% for the remainder of 2019. A red-hot US labor market appears to be driving the economy forward by keeping consumers and small businesses happy. News from Europe has been less thrilling-disappointing, even. The European Central Bank has been supportive, which should help keep growth positive but uninspiring. Europe's growth prospects could get a boost in the second half of the year if exports to China pick up.

Speaking of China, recent business surveys suggest that their economic growth has stabilized. Fixed investment has been up and growth in retail sales has suspended its fall. Official figures from the government suggest growth around 6% for 2019, but we would anticipate any uptick to fade next year as the effects from current Chinese economic stimulus fade.

Large US Equity

Following their worst quarter since the financial crisis, US equity markets rebounded with their best quarter since 2009. While every sector posted a positive return, technology companies led the way. US mid-caps returned 14.49% outperforming both US large-cap's 13.65% and US small-cap's 11.61% return. From a style perspective, growth outperformed value within US large-cap and mid-cap equities, while value outperformed growth within small-caps.¹

Performance Contributors

Positive Contributors

During last quarter:

Principal LargeCap S&P 500 Index was in line with the S&P 500 index. It uses an indexing strategy and does not attempt to manage market volatility, use defensive strategies, or reduce the effect of any long-term periods of negative stock market performance. All 11 economic sectors in the index posted positive returns with the information technology and real estate sectors providing the best return. Xilinx, Celgene, and Alexion Pharmaceuticals contributed.

During last 12 months:

Principal LargeCap S&P 500 Index was in line with the S&P 500 index. It uses an indexing strategy and does not attempt to manage market volatility, use defensive strategies, or reduce the effect of any long-term periods of negative stock market performance. Nine of the 11 economic sectors posted positive returns with the real estate and utility sectors providing the largest positive returns. Eli Lilly, Merck, and Intuit contributed.

Negative Contributors

During last quarter:

The healthcare and financials sectors recorded the worst returns. Biogen, CVS Health, and Cigna detracted.

During last 12 months:

The financials and materials sectors recorded the worst returns. Kraft Heinz, Activision Blizzard, and Schlumberger detracted.

Changes to the investment option's structure or portfolio:

No material changes occurred in the portfolio structure.

LargeCap S&P 500 Index Fund (A)

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. The gross fund expense figure does not reflect any waivers or caps on the mutual fund. Performance shown reflects the application of net expenses of the fund. For more performance information, including most recent month-end performance, visit principalfunds.com, or contact your financial representative of The Principal.

In situations where the net and gross fund 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 fund. The gross fund expense figure does not reflect any waivers or caps on the mutual fund. Performance shown reflects the application of net expenses of the fund.

Average Annual Total Returns (%) as of 03/31/2019	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	06/28/2005
LargeCap S&P 500 Index Fund (A) (excl. sales charge)	13.56	13.56	9.01	12.97	10.38	15.28	5.52	Ext. Perf. Inc. Date	12/06/2000
LargeCap S&P 500 Index Fund (A) (incl. sales charge)	11.84	11.84	7.40	12.40	10.05	15.11	5.43	Total Inv. Exp Gross	0.44
Standard & Poor's 500 Index	13.65	13.65	9.50	13.51	10.91	15.92	-	Total Inv Exp Net	0.44
Large Blend Category	12.94	12.94	6.90	11.84	8.91	14.54	-	Waiver Date	-
Morningstar Percentile Ranking	-	-	33	34	25	37	-	Contractual Cap Date	-
Total Funds in Category	1481	1481	1412	1218	1081	810	-	Contingent Deferred Sales Charge	0.25
								Maximum Up-front Sales Charge	1.50

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.

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.

LargeCap S&P 500 Index Fund (A)

Statistics Summary as of 03/31/2019

	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					
LargeCap S&P 500 Index Fund (A)	-0.50	1.00	99.99	1.07	-6.04	10.75	30	6	2.02	-4.83	98.07	100.96
Standard & Poor's 500 Index	N/A	N/A	N/A	N/A	N/A	N/A	31	5	2.06	-4.78	100.00	100.00
	5 Year						5 Year					
LargeCap S&P 500 Index Fund (A)	-0.49	1.00	99.99	0.87	-5.42	11.20	43	17	2.32	-3.09	98.39	101.56
Standard & Poor's 500 Index	N/A	N/A	N/A	N/A	N/A	N/A	44	16	2.36	-3.04	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 02/28/2019

Security	Net Assets (%)
Microsoft Corp	3.62
Apple Inc	3.26
Amazon.com Inc	2.81
S&P500 Emini Fut Mar19	1.79
Berkshire Hathaway Inc B	1.64
Facebook Inc A	1.62
Johnson & Johnson	1.53
JPMorgan Chase & Co	1.45
Alphabet Inc Class C	1.44
Alphabet Inc A	1.41
Total % in Top 10	20.56

LargeCap S&P 500 Index Fund (A)

Manager(s)	Start Date	Degree	Alma Mater
Jeffrey A. Schwarte	07/29/2016	B.A.	University of Northern Iowa
Aaron J. Siebel	10/15/2018	B.A.	University of Iowa

Fund Strategy

The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies that compose the S&P 500 Index at the time of purchase. The index is designed to represent U.S. equities with risk/return characteristics of the large cap universe, which include growth and value stocks.

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

Investors should carefully consider a fund's investment objectives, risks, charges, and expenses prior to investing. A prospectus, or summary prospectus if available, containing this and other information can be obtained by contacting a financial professional, visiting principalfunds.com, or calling 800-222-5852. Read the prospectus carefully before investing.

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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Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

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.

The risks associated with derivative investments include that the underlying security, interest rate, market index, or other financial asset will not move in the direction the Investment Adviser and/or Sub-Advisor anticipated, the possibility that there may be no liquid secondary market, the risk that adverse price movements in an instrument can result in a loss substantially greater than a fund's initial investment, the possibility that the counterparty may fail to perform its obligations; and the inability to close out certain hedged positions to avoid adverse tax consequences.

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Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

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

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.

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.

[†]Unless otherwise stated, all data from Bloomberg. Commentary by Bob Baur and the Economic Committee

¹US large-cap equities: Russell 1000 Index; US mid-cap equities: Russell Midcap Index; US small-cap equities: Russell 2000 Index

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

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