

Quarterly Commentary

| Ticker | Inv Manager or Sub-Advisor | Benchmark | Morningstar Category | Investment Objective |
|--------|----------------------------|---|-----------------------------|----------------------|
| PRBDX | Principal Global Investors | Bloomberg Barclays Aggregate Bond Index | Intermediate Core-Plus Bond | Corp Bond - General |

Economic Overview

The United States economy rushed higher in May after its previous collapse due to policies to check the spread of COVID-19. Regional manufacturing purchasing manager indices (PMIs) leapt to near breakeven or more in major U.S. cities. May retail sales sky-rocketed 17.7% over April. According to data from the Bureau of Labor and Statistics, May payrolls climbed a monster 2.5 million jobs and June payrolls had a gain of 4.8 million new jobs. The revival from suspending business closures continued the first half of June. However, gains seem to have stalled somewhat as daily new COVID-19 cases reached new records. The huge May pop from the April economic collapse was like taking the express elevator back to the ground floor from the sub-sub-basement, a V-shaped upwelling after a record contraction. China was the first to emerge from the COVID-19 lockdown. According to the Chinese government, industry was mostly back to normal and expecting output in June to exceed May's annual gain. Chinese consumers were more restrained, likely from lingering fear of infection and reports of renewed outbreak in Beijing. Retail sales recovered in May but were still down from the prior year. Still, demand seemed to be improving as June PMIs from services companies were robust. China reported incredible progress in just a few months. The Eurozone economy showed signs of life after the devastating collapse. The PMI for manufacturing companies was 47.4 in June, still below a 50 breakeven. But it's the second highest this year and up from a devastating April low of 33.4. The Eurozone benefitted from strong action by the European Central Bank to increase its country bond purchases and expand its bank lending program. Widespread work subsidy programs have kept the Eurozone jobless rate from roaring higher. Japan's economy in June was following two tracks: further weakness in industrial output, down another 8.8% in May. The other track showed clear gains in consumer activity with May retail sales up 2.2%. Recovery appeared to be underway.

June was good for most stock and bond markets. The S&P 500 index rose 1.8% in price but was outperformed by many foreign equity indices. The MSCI Emerging Market Index jumped 7.0% and the MSCI All Country World Index climbed 3%. While June returns were good, the second quarter was stellar; the S&P 500 Index soared 19.95%. Of the 47 markets we follow, only the Mongolian Top 20 index lost ground.

*All data from Bloomberg unless otherwise stated, commentary from Economic Insights: July 2020 by Robert F. Baur, Ph.D., executive director, chief global economist

Performance Contributors and Detractors

Contributors

During last quarter:

Out-of-index allocation to below investment-grade corporate bonds contributed. Overweight to investment-grade corporate bonds contributed. Security selection within mortgage-backed securities and investment-grade corporate bonds contributed.

Detractors

During last quarter:

Security selection within below-investment grade corporate bonds detracted. Security selection within U.S. Treasury securities detracted. Underweight to government related credit detracted.

Changes to the investment option's structure or portfolio:

No material changes occurred in the portfolio structure.

Core Plus Bond 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 06/30/2020 | QTR | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception | Inception Date | 06/28/2005 |
|---|------|------|--------|--------|--------|---------|-----------------|----------------------------------|------------|
| Core Plus Bond Fund (A) (excl. sales charge) | 5.34 | 5.79 | 8.14 | 4.86 | 4.04 | 4.02 | 4.21 | Ext. Perf. Inc. Date | 12/06/2000 |
| Core Plus Bond Fund (A) (incl. sales charge) | 1.38 | 1.82 | 4.07 | 3.52 | 3.25 | 3.62 | 4.00 | Total Inv. Exp Gross | 1.08 |
| Bloomberg Barclays Aggregate Bond Index | 2.90 | 6.14 | 8.74 | 5.32 | 4.30 | 3.82 | - | Total Inv Exp Net | 0.89 |
| Intermediate Core-Plus Bond Category | 5.54 | 4.37 | 6.83 | 4.58 | 3.98 | 4.16 | - | Waiver Date | 02/28/2021 |
| Morningstar Percentile Ranking | - | - | 31 | 45 | 55 | 60 | - | Contractual Cap Date | 02/28/2021 |
| Total Funds in Category | 619 | 615 | 601 | 534 | 455 | 333 | - | Contingent Deferred Sales Charge | 1.00 |
| | | | | | | | | Maximum Up-front Sales Charge | 3.75 |

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.

Core Plus Bond Fund (A)

Statistics Summary as of 06/30/2020

| | 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 | | | | | |
| Core Plus Bond Fund (A) | -0.45 | 1.01 | 75.87 | 0.83 | -0.25 | 3.77 | 25 | 11 | 0.96 | -0.59 | 100.59 | 122.54 |
| Bloomberg Barclays Aggregate Bond Index | N/A | N/A | N/A | N/A | N/A | N/A | 23 | 13 | 0.96 | -0.48 | 100.00 | 100.00 |
| | 5 Year | | | | | | 5 Year | | | | | |
| Core Plus Bond Fund (A) | -0.21 | 0.99 | 78.67 | 0.84 | -0.17 | 3.41 | 41 | 19 | 0.86 | -0.57 | 102.42 | 119.87 |
| Bloomberg Barclays Aggregate Bond Index | N/A | N/A | N/A | N/A | N/A | N/A | 38 | 22 | 0.84 | -0.48 | 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 05/31/2020

| Security | Net Assets (%) |
|--|----------------|
| United States Treasury Bonds 3.12% | 4.63 |
| United States Treasury Bills 0.12% | 3.67 |
| United States Treasury Bonds 3.88% | 3.60 |
| 5 Year Treasury Note Future Sept 20 | 3.53 |
| 10 Year Treasury Note Future Sept 20 | 2.71 |
| United States Treasury Notes 1.62% | 2.66 |
| ICE CREDIT DEFAULT SWAP | 2.38 |
| iShares iBoxx \$ Invmt Grade Corp Bd ETF | 2.16 |
| Federal National Mortgage Association 3% | 2.08 |
| Federal National Mortgage Association 3.5% | 1.97 |
| Total % in Top 10 | 29.39 |

| Statistics as of 05/31/2020 | |
|--|----------|
| Average Eff Duration (yrs) | 6.03 |
| Average Eff Maturity (yrs) | 8.53 |
| Average Weighted Price | \$107.70 |
| 30-Day SEC Yield - Subsidized (Net) as of 06/30/2020 | 1.86% |
| 30-Day SEC Yield - Non-Subsidized (Gross) as of 06/30/2020 | 1.72% |

Core Plus Bond Fund (A)

| Manager(s) | Start Date | Degree | Alma Mater |
|----------------------|------------|--------|-----------------------|
| William C. Armstrong | 12/06/2000 | M.A. | University of Iowa |
| Randy Woodbury | 04/30/2020 | M.B.A. | Iowa State University |

Fund Strategy

The investment seeks to provide current income and, as a secondary objective, capital appreciation. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in bonds or other debt securities at the time of purchase. Under normal circumstances, the fund maintains an average portfolio duration that is within from 75% to 125% of the duration of the Bloomberg Barclays U.S. Aggregate Bond Index.

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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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-Adviser 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.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Effective November 30, 2018, class C shares will be closed to new investors. Effective January 11, 2019, class C shares will be converted to the respective class A shares.

About Principal Financial Group



The Principal Financial Group^{Â®} (The Principal^{Â®}) 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

Bloomberg Barclays Aggregate Bond Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

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.

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Important Notes

Statistics:

30-Day SEC Yield - Subsidized (Net) - This yield citation reflects the income that the investment option produced taking into consideration all expense waivers, caps, and breakpoints in place during the 30 day period. Without these waivers, the investment option's yield would be lower.

30-Day SEC Yield - Non-Subsidized (Gross) - This yield citation reflects the income that the investment option would produce if the investment option did not have a portion of its total investment expense waived or capped.

Average Effective Duration - A measure of a fixed income investment option's interest-rate sensitivity and represents an approximate percent change in bond's price for a one percent change in interest rates-the longer a fund's duration, the more sensitive the portfolio is to shifts in interest rates. The duration of a fixed income investment option is determined by a formula that includes projected cash flows, such as coupons and principal payout at maturities for bonds.

Average Effective Maturity - Average effective maturity is a weighted average of all the effective maturities of the bonds in a portfolio.

Average Weighted Price - The statistic is calculated by weighting the price of each bond by its relative size in the portfolio. This number reveals if the investment option favors bonds selling at prices above or below face value (discount or premium securities, respectively). A higher number indicates a bias toward premiums. This statistic is expressed as a percentage of par (face) value.

Effective Duration - A measure of a fixed income investment option's interest-rate sensitivity and represents an approximate percent change in bond's price for a one percent change in interest rates-the longer a fund's duration, the more sensitive the portfolio is to shifts in interest rates. The duration of a fixed income investment option is determined by a formula that includes projected cash flows, such as coupons and principal payout at maturities for bonds.

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

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