

Second Quarter 2020

Quarterly Commentary

Inv Manager or Sub-Advisor	Benchmark	Morningstar Category	Investment Objective
AB/Brown/Emerald	Russell 2000 Growth Index	Small Growth	Small Company

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

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Performance Contributors and Detractors

Contributors

During last quarter:

The information technology sector was the biggest contributor, driven by strong stock selection. Stock selection in the consumer discretionary and financials sectors also enhanced performance. Overweight to the consumer discretionary sector contributed.

Detractors

During last quarter:

Stock selection in the industrials sector hurt performance. Overweight to cash and the consumer staples sector was a drag on returns. Underweight to the health care sector was a detractor.

Changes to the investment option's structure or portfolio:

No material changes occurred in the portfolio structure.

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, 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 06/30/2020	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	12/29/2000
SmallCap Growth I Separate Account-R6	33.82	4.28	7.77	13.90	10.59	15.22	6.90	Ext. Perf. Inc. Date	12/31/2000
Russell 2000 Growth Index	30.58	-3.06	3.48	7.86	6.86	12.92	-	Total Inv. Exp Gross	1.04
Small Growth Category	32.19	-0.10	4.46	10.08	8.28	12.94	-	Total Inv Exp Net	1.02
Morningstar Percentile Ranking	-	-	36	28	24	17	-	Waiver Date	02/28/2021
Total Funds in Category	643	639	625	577	508	377	-	Contractual Cap Date	02/28/2021

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.

SmallCap Growth I Separate Account-R6

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					
SmallCap Growth I Separate Account-R6	5.58	0.98	97.36	0.61	1.61	22.93	26	10	4.55	-5.18	107.36	87.54
Russell 2000 Growth Index	N/A	N/A	N/A	N/A	N/A	N/A	24	12	4.24	-5.91	100.00	100.00
	5 Year						5 Year					
SmallCap Growth I Separate Account-R6	3.58	0.97	97.31	0.54	1.11	20.33	44	16	3.94	-4.84	103.23	88.96
Russell 2000 Growth Index	N/A	N/A	N/A	N/A	N/A	N/A	40	20	3.82	-5.44	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 (%)
Chegg Inc	2.14
SiteOne Landscape Supply Inc	1.38
Freshpet Inc	1.23
Charles River Laboratories International Inc	1.17
Mercury Systems Inc	1.16
Zynga Inc Class A	1.13
Lattice Semiconductor Corp	1.10
Biohaven Pharmaceutical Holding Co Ltd	1.08
Waste Connections Inc	1.04
Trex Co Inc	1.02
Total % in Top 10	12.45

SmallCap Growth I Separate Account-R6

Manager(s)	Start Date	Degree	Alma Mater
James W. Fennessey	06/02/2009	B.S.	Truman State University
Randy L. Welch	06/02/2009	M.B.A.	Drake University

Investment 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 with small market capitalizations at the time of purchase. The management invests up to 30% of the fund's assets in equity securities in an attempt to match the performance of the Russell 2000(R) Growth Index. The fund's remaining assets are managed by the sub-advisors.

About Brown Advisory

Brown Advisory (Brown) was founded in 1993 as an investment management arm of Alex. Brown & Sons, an investment bank founded in 1800. Brown became independently owned through an employee-led buyout in 1998. The firm has principal offices in Baltimore, Maryland and Washington, D.C. Approximately 70 percent of Brown Advisory is owned by employees. Each full-time employee has an equity interest in the firm, aligning employees' interests with the growth in clients' assets and serving as a powerful tool to attract and retain high-caliber professionals. Brown (and its affiliates) strives to meet its investors' unique requirements through a broad array of investment styles and asset classes - including U.S. equities, international equities, sustainable investing, fixed income, private equity, real estate and other alternative assets.

About AB LP

Alliance Bernstein is one of the world's largest investment management firms. The firm offers an extensive selection of global equity services based on its long-standing expertise in growth and value management, as well as its wide array of fixed income and style-blend products. All of these services draw on the intensive research efforts of Alliance Bernstein's fundamental and quantitative buy-side equity, fixed income and economic analysts. The firm's buy-side analysts are part of a larger research team where all - along with the firm's highly regarded sell-side arm - share a culture in which insightful research is paramount.

About Emerald Advisers, LLC

Emerald Advisers, Inc., a U.S. Securities and Exchange Commission Registered Investment Adviser (incorporated in November 1991), is a subsidiary of Emerald Asset Management (incorporated in August 1991). Emerald Asset Management is wholly-owned by Emerald employees. Emerald Advisers provides professional investment advisory services to institutional investors, high net worth individuals and the general public through separate account management and The Emerald Mutual Funds.

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.

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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The full name of this investment option is Principal SmallCap Growth I Separate Account-R6. Principal SmallCap Growth I investment option is available as a mutual fund and as a Separate Account that invests wholly in R6 class shares of the Principal Funds, Inc. SmallCap Growth I R6 Fund. All voting rights associated with ownership of shares in the mutual fund are the rights of the Separate Account, not of contract holders investing in the Separate Account. For further information on the underlying mutual fund, see the prospectus of the fund (PCSMX) at <http://www.principal-funds.com/Principal?site=MF>.

Small-cap and mid-cap investment options are subject to more fluctuation in value and may have additional risks than other investment options with stocks of larger, more stable companies.

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

This Separate Account invests solely in the least expensive share class of a mutual fund (Fund) from Principal Funds, Inc. Principal Global Investors, LLC invests up to 30% of the Fund's assets in equity securities in an attempt to match the performance of the Fund's benchmark index. The Fund's remaining assets are managed by the sub-advisors.

Investment manager/sub-advisor means either the Investment Advisor or Sub-Advisor to the investment option or the underlying asset(s).

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

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.

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



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