

City of Rockville
Thrift Plan

ANALYSIS OF INVESTMENT PERFORMANCE

February 2011

Amy Heyel
Vice President



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February 07, 2011

Board of Trustees
City of Rockville
111 Maryland Avenue
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Dear Trustees:

We have prepared this report to review the experience of the Thrift Plan investment options through various time periods ended December 31, 2010. We believe this report will help the Trustees to better understand how the investment options of the Plan have performed and will aid in evaluating any strength or weakness of the investment program.

It should be noted that the information set forth in this report is gathered through research from various mutual fund databases and the fund families.

We look forward to meeting with you to discuss the performance results of the funds and answer any questions regarding our analysis.

Sincerely yours,

A handwritten signature in cursive script that reads "Amy L. Heyel".

Amy Heyel
Vice President

cc: Gavin Cohen

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Financial Market Conditions: Review of Fourth Quarter 2010

The Economy: Key Indicators

Page 1 and page 2 focus on Segal Advisors' commentary on select economic indicators for fourth quarter (Q4) 2010.

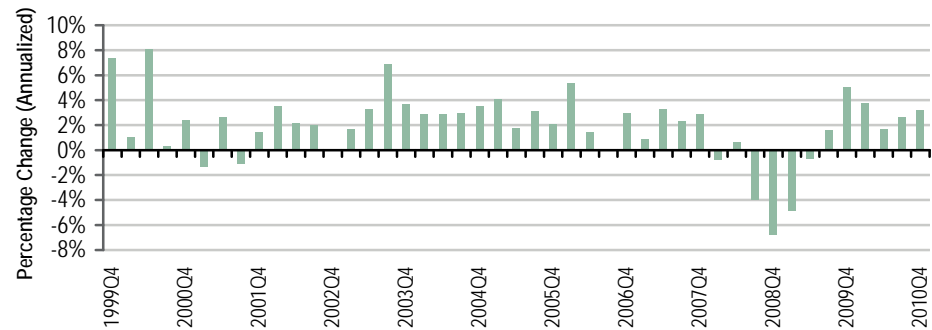
GDP Growth Positive

During Q4 2010, GDP increased at a 3.2 percent annualized rate, up from the 2.6 percent pace experienced during Q3 2010. Although GDP was slightly below consensus, this marked the sixth consecutive quarter of positive growth. The increase was driven predominantly by the 4.4 percent annualized increase in consumer spending, the largest gain since Q1 2006. Net exports added 3.4 percentage points to growth as imports fell and exports grew during the quarter. Fixed investment rose 4.2 percent on an annualized basis and added 0.5 percentage points to growth.

Inventories were a large detractor from growth in the fourth quarter, subtracting 3.7 percentage points. In addition, governments detracted 0.1 percentage points from growth, with a majority of the decline coming from state and local governments.

For all of 2010, GDP expanded 2.9 percent, following a 2.6 percent drop in 2009. This marked the largest increase since 2005.

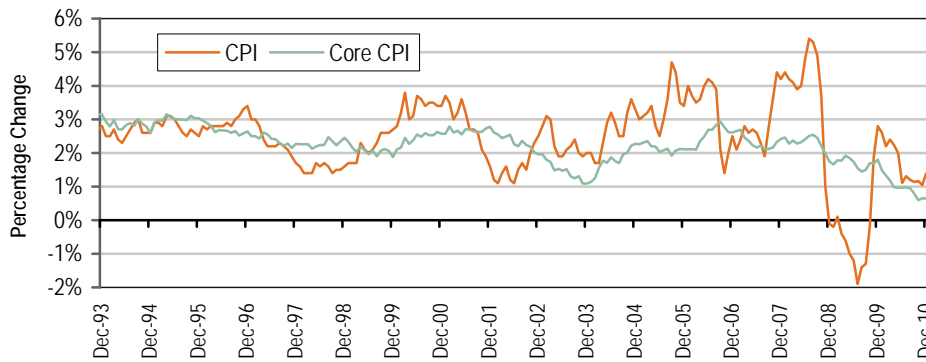
Percentage Change in Real GDP (Annualized)



Source: Bureau of Economic Analysis

Inflation

CPI and Core CPI: Percentage Change Year over Year



Source: Bureau of Labor Statistics

Headline Consumer Price Index (CPI)¹ rose by 0.5 percent in December 2010, and increased on a year-over-year basis by 1.4 percent. December's increase was above the consensus of 0.4 percent, and marked the largest jump since June 2009. The Food and Beverages Index rose 0.1 percent in December and was up 1.5 percent from the Q4 2009 level.

The core CPI, which excludes both food and energy prices, rose 0.1 percent in December. On a year-over-year basis, the Index rose 0.6 percent. An increase in the Shelter Index² accounted for approximately 60 percent of the December increase. The adjacent graph shows CPI and core CPI since December 1993.

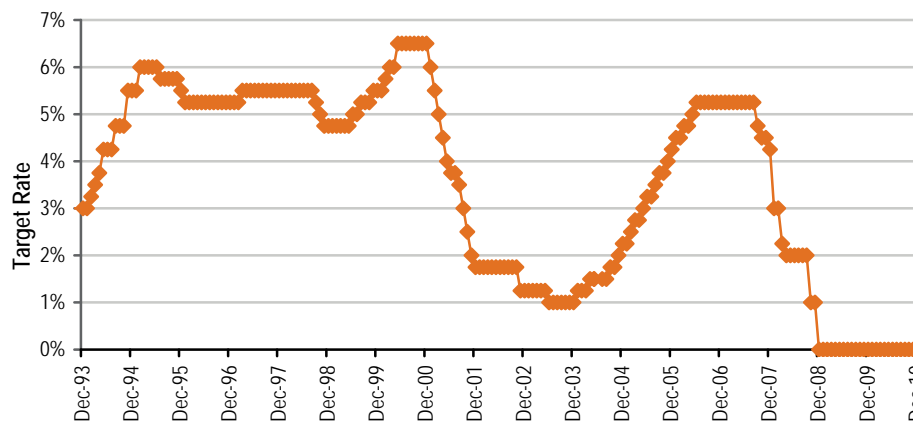
¹Headline CPI is the CPI-U, the CPI for all urban consumers.

²The Shelter Index is comprised of the following items: rent of primary residence, lodging away from home, owners' equivalent rent of primary residence, and tenants' and household insurance.

Fed Funds Target Rate

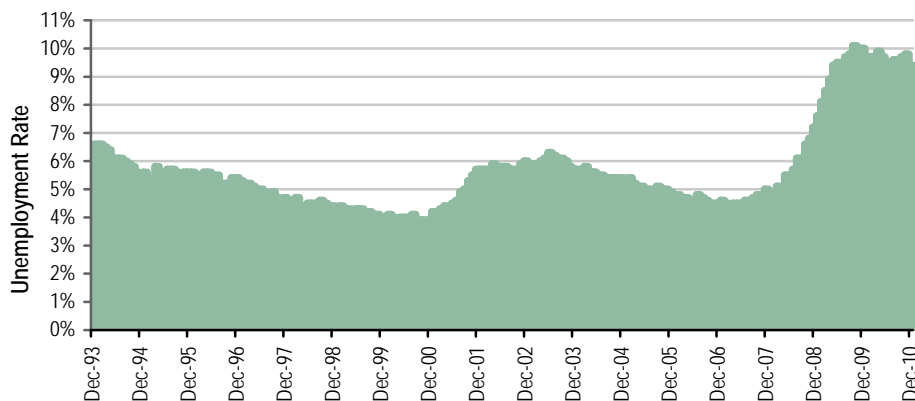
At the Federal Reserve's December 14 meeting, the Federal Open Market Committee (FOMC) kept the target rate at 0-0.25 percent and expects to maintain this target range "for an extended period." The FOMC stated that the economic recovery is continuing; however, labor market improvement has been slow. Although household spending has moderately increased, bank lending continues to contract. Business spending on equipment and software has risen, albeit at a less rapid pace than earlier in the year, but investment in nonresidential structures continues to be weak. In addition, continued high unemployment, modest income growth, lower housing wealth, tight credit, and a depressed housing market remain concerns for future economic growth.

The FOMC stated that the measures of underlying inflation remain at low levels. In addition, the FOMC stated that it would continue expanding its holdings of securities as announced in November and intends to purchase \$600 billion of long-term Treasury securities by the end of the Q2 2011.



Source: Federal Reserve Board

Labor Market and the Unemployment Rate



Source: Bureau of Labor Statistics

The unemployment rate ended Q4 2010 at 9.4 percent compared to 9.6 percent at the end of Q3 2010. Nonfarm payrolls increased by 103,000 in December, which was far less than the consensus expectation of 125,000. Private payrolls increased by 113,000, with the largest gains occurring in Leisure/Hospitality and Healthcare; Construction was the only industry to shed jobs.

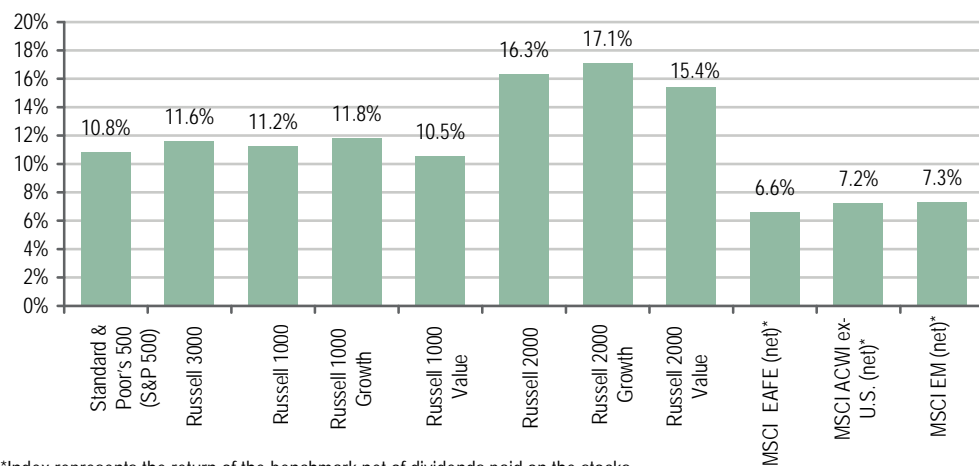
The employment-to-population ratio remained unchanged at 58.3 percent. Although the unemployment rate decreased, more than 500,000 workers left the workforce. Average hourly earnings increased by 0.1 percent in December and rose 1.8 percent year over year. In addition, the average workweek remained unchanged at 34.2 hours.

Investment Performance: Selected Rates of Return

This page presents rates of return for selected equity, fixed income, and other indices. The graphs illustrate returns for Q4 2010. The tables of data show returns for the latest quarter, year-to-date (YTD), one-, three-, five- and 10-year annualized timeframes. All data in the tables are percentages.

Equity Index Returns

Equity Index Returns: Q4 2010

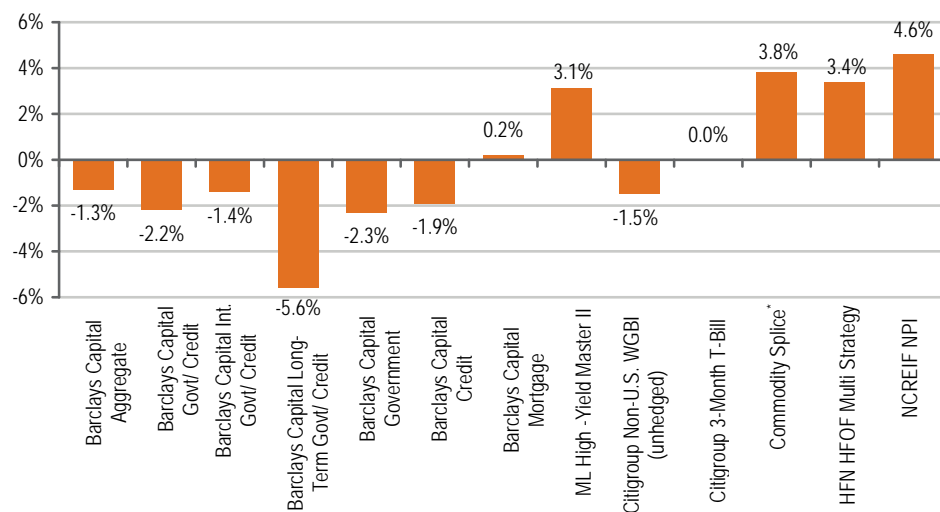


*Index represents the return of the benchmark net of dividends paid on the stocks.

Equity Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Standard & Poor's 500	10.8	15.1	15.1	-2.9	2.3	1.4
Russell 3000	11.6	16.9	16.9	-2.0	2.7	2.2
Russell 1000	11.2	16.1	16.1	-2.4	2.6	1.8
Russell 1000 Growth	11.8	16.7	16.7	-0.5	3.8	0.0
Russell 1000 Value	10.5	15.5	15.5	-4.4	1.3	3.3
Russell 2000	16.3	26.9	26.9	2.2	4.5	6.3
Russell 2000 Growth	17.1	29.1	29.1	2.2	5.3	3.8
Russell 2000 Value	15.4	24.5	24.5	2.2	3.5	8.4
MSCI EAFE (net)*	6.6	7.8	7.8	-7.0	2.5	3.5
MSCI ACWI ex-U.S. (net)*	7.2	11.2	11.2	-5.0	4.8	5.5
MSCI EM (net)*	7.3	18.9	18.9	-0.3	12.8	15.9

Fixed-Income and Other Index Returns

Fixed Income and Other Index Returns: Q4 2010



Fixed Income Indices	Quarter	YTD	1-year	3-year	5-year	10-year
Barclays Capital Aggregate	-1.3	6.5	6.5	5.9	5.8	5.8
Barclays Capital Govt/Credit	-2.2	6.6	6.6	5.6	5.6	5.8
Barclays Capital Intermediate Govt/Credit	-1.4	5.9	5.9	5.4	5.5	5.5
Barclays Capital Long-Term Govt/Credit	-5.6	10.2	10.2	6.8	5.9	7.1
Barclays Capital Government	-2.3	5.5	5.5	5.1	5.5	5.4
Barclays Capital Credit	-1.9	8.5	8.5	6.9	6.0	6.5
Barclays Capital Mortgage	0.2	5.4	5.4	6.5	6.3	5.9
ML High-Yield Master II	3.1	15.2	15.2	10.1	8.8	8.6
Citigroup Non-U.S. WGBI (unhedged)	-1.5	5.2	5.2	6.5	7.6	7.4
Citigroup 3-Month T-Bill	0.0	0.1	0.1	0.7	2.3	2.3
Commodity Splice*	3.8	2.3	2.3	-11.0	-3.9	3.0
HFN HFOF Multi-Strategy	3.4	4.7	4.7	-3.0	2.0	4.5
NCREIF NPI	4.6	13.1	13.1	-4.2	3.5	7.4

*Commodity Splice is a blended portfolio comprising the DJ UBS Commodity Index (50%) and the S&P GSCI Index (50%), rebalanced monthly.

Investment Performance: Equity Sector and Yield Spread Analysis

This page presents data on sector and spread analysis for Q4 2010 alongside commentary from Segal Advisors.

Equity Sector Analysis

During Q4 2010, every S&P sector experienced positive results. Consumer Discretionary, Industrials, and Materials were among the best performing sectors of the ten S&P sectors. The three worst performing sectors were Health Care, Utilities, and Information Technology. The adjacent chart shows the breakdown of each equity sector for Q4 2010.

S&P 500 Sector Performance

	Fourth Quarter 2010		
	Ending Weight (%)	Return (%)	Contribution (%)
Consumer Discretionary	10.6%	27.6%	2.7%
Consumer Staples	10.6%	14.1%	1.7%
Energy	12.0%	20.3%	2.2%
Financials	16.1%	12.1%	1.9%
Health Care	10.8%	2.8%	0.3%
Industrials	10.9%	26.9%	2.7%
Information Technology	18.8%	10.2%	1.8%
Materials	3.7%	22.9%	0.8%
Telecom	3.1%	19.0%	0.6%
Utilities	3.3%	5.9%	0.2%

Source: Standard & Poor's

Option-Adjusted Spreads

Option Adjusted Spreads (OAS)* in Basis Points**

	Option Adjusted Spreads			
	12/31/09	9/30/10	12/31/10	10 Year Average OAS
U.S. Aggregate Index	61	76	56	73
U.S. Agency (Non-mortgage) Sector	30	25	20	40
Mortgage and ABS Sectors:				
• Mortgage-Backed Securities	18	85	42	59
• Asset-Backed Securities	100	71	82	153
• CMBS	473	304	254	221
Credit Sectors:				
• U.S. Investment Grade	172	175	156	175
– Industrial	138	149	134	169
– Utility	161	167	147	177
– Financial Institutions	226	215	191	182
• U.S. High Yield	617	621	526	613

Source: Baird Advisors using Barclays Capital Data

*OAS is the yield spread of bonds versus Treasury yields taking into consideration differing bond options.

**As a reminder, 10 bps equals 0.1 percent.

Credit spreads on mortgage-backed securities (MBS), commercial mortgage-backed securities (CMBS), and corporate bonds narrowed during the quarter. CMBS narrowed the most, as signs of fundamental improvement and new issuance spurred investor demand. Corporate credit benefited from continued improvement of credit fundamentals and positive earnings growth. Asset-backed securities (ABS) was the only sector to experience spread widening during the quarter; however, spreads remain below the 10-year average.

November's announcement of a second round of quantitative easing resulted in rising Treasury rates and tighter credit spreads. U.S. Investment grade spreads, including the Industrial and Utility sectors, are below their 10-year average OAS, while spreads in the Financials sector are still wider than their 10-year average. The Financial sector was the best performing sector during the quarter and benefitted from REIT and insurance spread tightening.

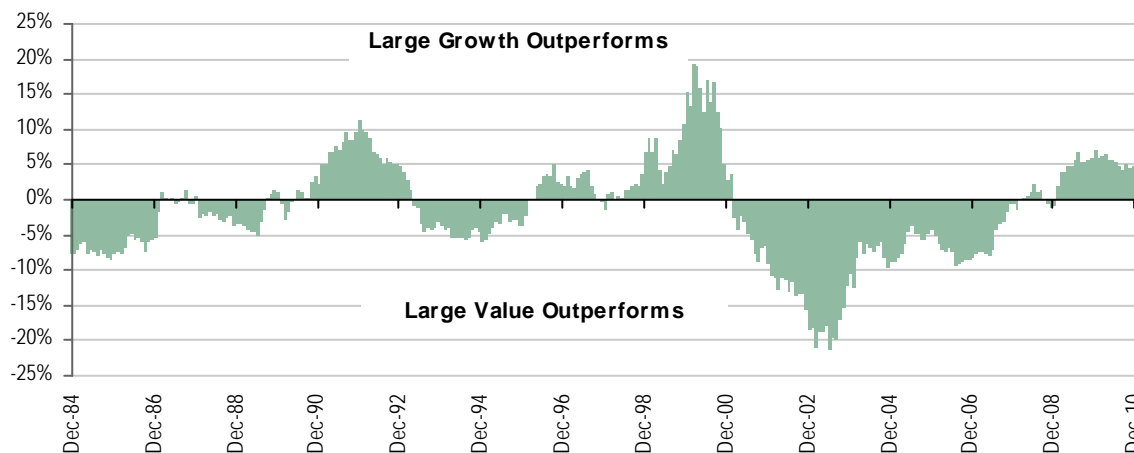
U.S. high yield markets rallied for the second year in a row, driven by sharply lower spreads and investor demand for excess yield.

Investment Performance: Long-Term Equity Trends

Segal Advisors observes the relative performance of selected indices. All of the graphs on this page show rolling three-year return deviations from December 1984 through December 2010. These graphs demonstrate the importance of diversification over the long term. Changes are expressed in terms of percentages and/or bps.

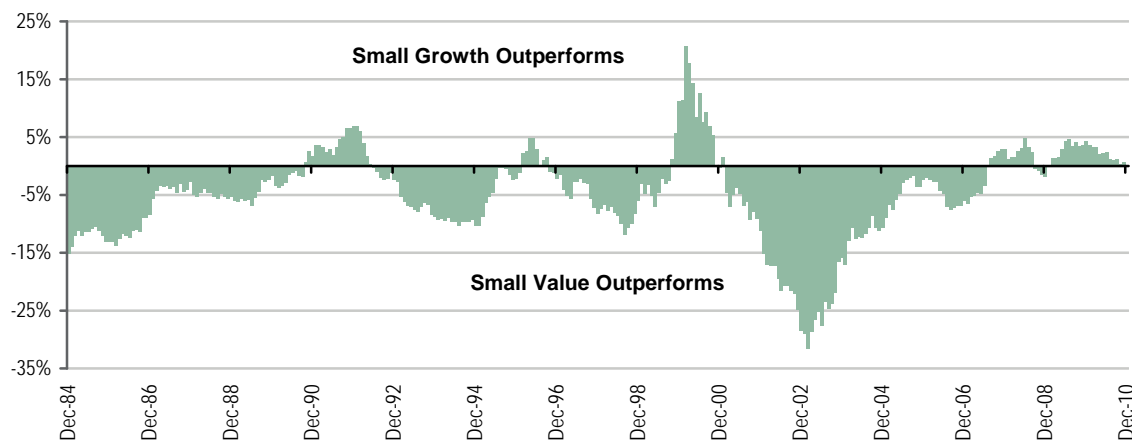
Large Growth Stocks vs. Large Value Stocks

The Russell 1000 Growth (R1000G) has outpaced the Russell 1000 Value (R1000V) for each rolling three-year period over the last twenty-four months. Although the R1000V has outpaced the R1000G on a trailing 10-year basis (+330 bps), the R1000G has outpaced the R1000V on a trailing one-year (+120 bps), three-year (+390 bps) and five-year (+250 bps) basis. The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R1000V has increased 12.2 percent and the R1000G has increased 10.7 percent, a difference of 1.5 percent.



Source: Russell Investments

Small Growth Stocks vs. Small Value Stocks

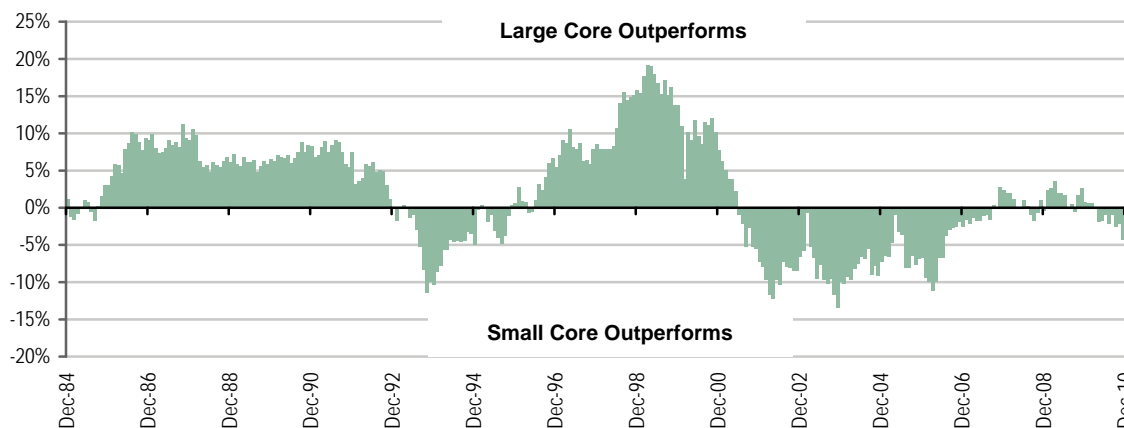


Source: Russell Investments

Similar to large cap stocks, the Russell 2000 Growth (R2000G) has outpaced the Russell 2000 Value (R2000V) for each rolling three-year period over the last twenty-four months. Although the R2000G has outperformed the R2000V on a trailing one-year (+460 bps) and five-year (+180 bps) basis, the R2000V continues to outperform the R2000G on a trailing three-year (+1 bps) and 10-year basis (+460 bps). The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R2000V has increased 13.7 percent and the R2000G has increased 9.4 percent, a difference of 4.3 percent.

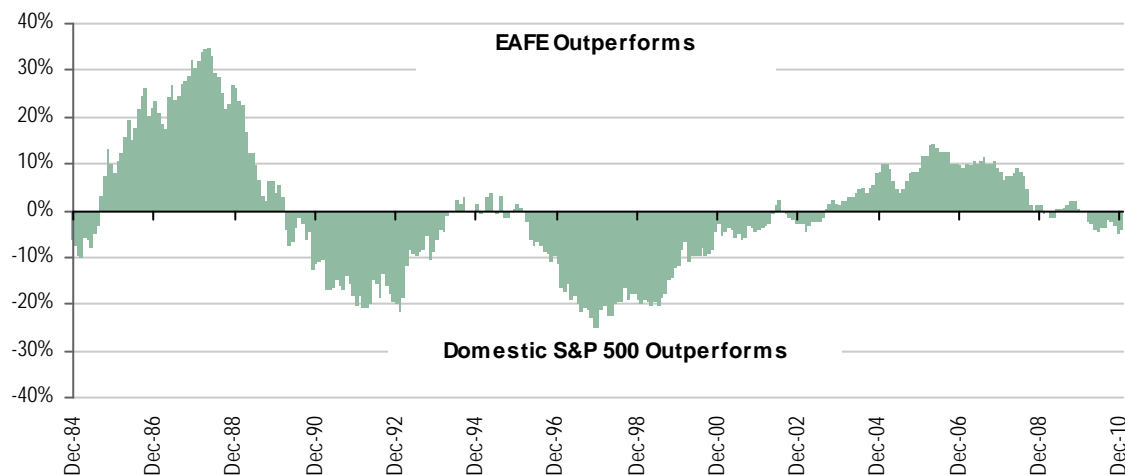
Large Stocks vs. Small Stocks

Small cap stocks have outperformed large cap stocks on a rolling three-year basis for each of the last nine months. In addition, the Russell 2000 (R2000) has outpaced the Russell 1000 (R1000) on a trailing one-year (+1080 bps), three-year (+460 bps), five-year (+190 bps), and 10-year (+450 bps) basis. The adjacent graph compares the rolling three-year returns for both indices. Since the inception of these indices in January 1979, the R2000 increased 11.8 percent and the R1000 increased 11.6 percent, a difference of 0.2 percent.



Source: Russell Investments

Foreign Stocks vs. U.S. Stocks



Sources: Morgan Stanley Capital International and Standard & Poor's

Domestic stocks have outperformed international stocks on a rolling three-year basis over the last thirteen months. Although the S&P 500 has outperformed the MSCI EAFE on a trailing one-year (+730 bps) and three-year (+410 bps) basis, the MSCI EAFE continues to outpace the S&P 500 for the trailing five-year (+20 bps) and 10-year (+210 bps) basis. Since January 1979, the S&P 500 increased 11.6 percent and the MSCI EAFE increased 9.5 percent, a difference of 2.1 percent. The adjacent graph compares the rolling three-year returns for both indices.

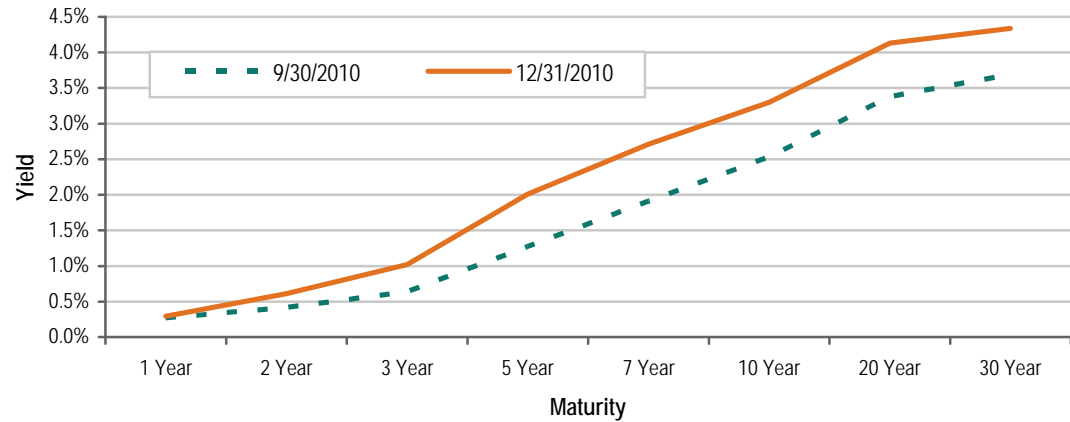
Investment Performance: Fixed-Income and Alternative Asset Class Data

Page 7 and page 8 focus on selected fixed-income and alternative asset class data along with Segal Advisors' commentary.

Yield Curve

During Q4 2010, the Treasury yield curve shifted upward compared to Q3 2010. The yield curve remained relatively steep with the difference between the two- and 30-year Treasury yields increasing from 3.3 percent at the end of September 2010 to 3.7 percent at the end of December 2010.

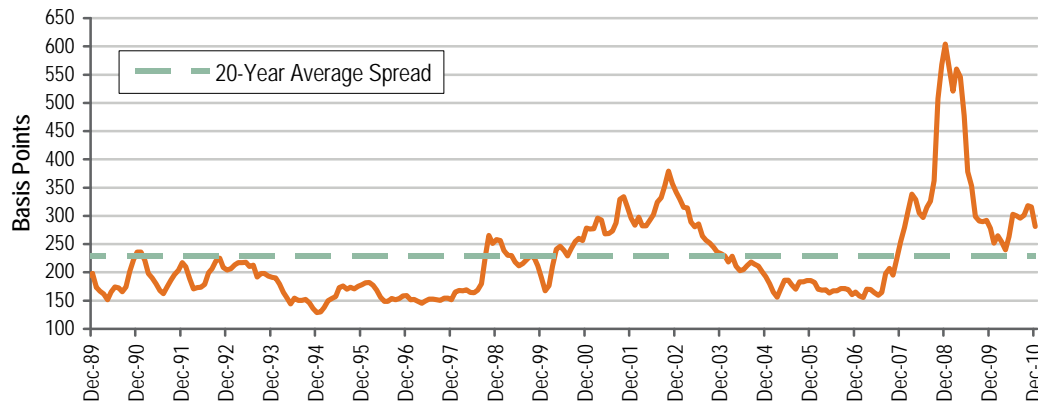
The upward movement of the Treasury yield curve can be attributed to an improved outlook for the economy. Reports from government and private groups show U.S. economic growth is improving. The U.S. added jobs in December for a third consecutive month and reports show gains in retail sales, manufacturing and consumer confidence.



Source: Treasury Department

Credit Spreads Widen

Moody's Corporate-Treasury Bond Spread Baa 10-Yr Constant Maturities



Source: Moody's Economy.com

During Q4 2010, credit spreads narrowed slightly and ended the quarter 281 bps over Treasuries, as shown in the adjacent graph. However, spreads remain higher than their 20-year average, which ended the year at 228.7 bps. Spreads widened slightly during October and November but tightened during December as corporate fundamentals continued to improve. Rising 10-year Treasury interest rates during December also contributed to the narrowing of credit spreads during Q4 2010.

International Bond and Domestic Bond Performance

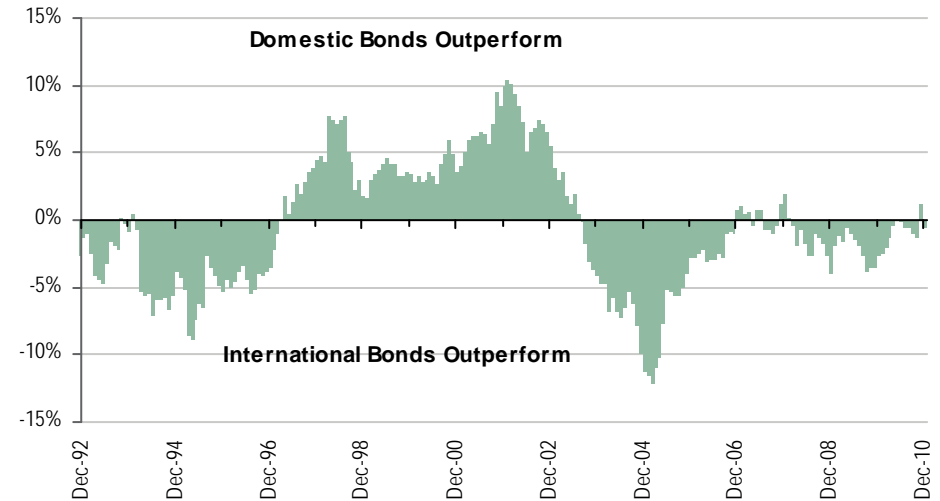
International bonds have outperformed domestic bonds on a rolling three-year basis for six of the last seven months. Although domestic bonds outperformed international bonds for the quarter (+20 bps) and trailing one-year basis (+130 bps), international bonds have outpaced domestic bonds for the trailing three-year (+60 bps), five-year (+180 bps), and 10-year (+160 bps) basis.

Sovereign debt issues re-emerged during the fourth quarter as Ireland, Spain, and Portugal came under intense scrutiny and several sovereigns were downgraded.

Although bonds had served as the safe haven for investors since 2008, the recent run-up in yields beginning in November resulted in net outflows from bond funds for the first time in nearly two years.

(Barclays Aggregate -
Citigroup Non-US WGBI)

Performance of U.S. Bonds vs. International Bonds: Rolling Three-Year Return Deviations December 1992 – December 2010



Source: Barclays Capital and Citigroup

National Property Index Sector and Region Performance

	Returns as of the Fourth Quarter 2010		
	Ending Weight (%)	Quarter (%)	1-year (%)
NCREIF NPI Total Return	100.0	4.6	13.1
Sector			
Apartment	24.8	6.3	18.2
Hotel	2.2	3.4	9.0
Industrial	14.1	3.4	9.4
Office	34.4	3.9	11.7
Retail	24.4	4.8	12.6
NCREIF Region			
East	33.2	5.3	15.1
Midwest	10.5	3.6	9.7
South	22.4	4.4	12.1
West	33.9	4.4	12.9

Source: National Council of Real Estate Investment Fiduciaries

Private Real Estate Sector and Region Performance

The NCREIF Property Index (NPI) produced a positive result of 4.6 percent for Q4 2010. This marks the highest quarterly return since Q4 2005 and the fourth consecutive positive quarterly return. The Index gained 13.1 percent for the trailing one-year period.

The Q4 2010 total return combined 1.6 percent of income with 3.0 percent of property level appreciation. This is the third consecutive quarter since Q2 2008 in which the Index had property level appreciation.

During Q4 2010, all sectors and regions had positive returns, with Apartments leading the charge. The Apartment sector's performance has been the bright spot throughout the year as transaction volume has been heightened by the availability of Government Sponsored Entity (GSE) debt and investors looking for income-yielding investments. The East region continued to be the best performing region for Q4 2010 and one-year period, due to investors' desire to hold/acquire assets in markets such as Boston, New York City, and Washington, DC.

Quarterly Highlights: Noteworthy Developments

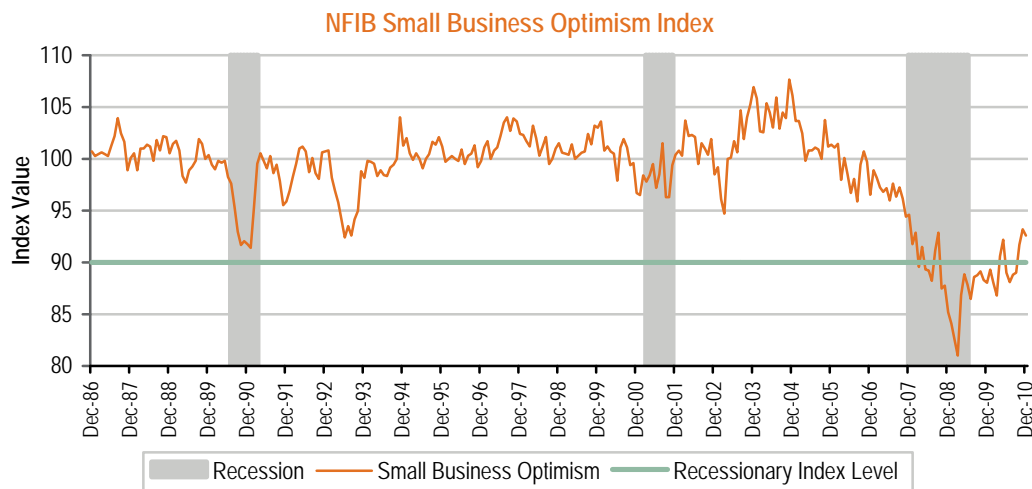
Segal Advisors finds the Q4 2010 developments discussed below to be noteworthy for institutional investors.

Currency Comparison

In December 2010, the National Federation of Independent Business (NFIB) Small Business Optimism Index fell by .06 to 92.6, following a steady increase since May 2010. This marks the 36th consecutive month of recessionary levels. Despite the slight decrease, the index remains at one of the highest levels since the start of the recession in December 2007.

As reported by the Small Business Administration (SBA), small businesses, which are defined by the government as those with fewer than 500 employees, represent 99.7 percent of all employer firms and generated 65 percent of the 15 million net new jobs created between 1993 and 2009.

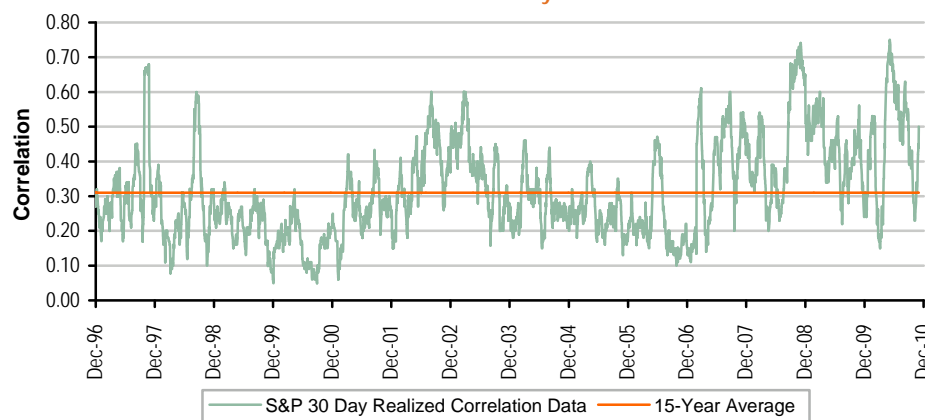
According to the NFIB's Small Business Economic Trends Survey, given to its members on a quarterly and monthly basis, many businesses are not planning to hire until sales increase. Overall, credit needs have not been met, capital-spending remains at historic lows, and sales remain weak. Continued weak sales and government regulations were cited as two of the most important problems viewed by small business owners.



Sources: NFIB Small Business Economic Trends, January 2011. © NFIB Research Foundation. ISBS #0940791-24-2

Mutual Fund Flows

S&P 500 Index Constituents 30-Day Realized Correlation



Source: A Grosvenor Capital Management Fund of Funds Approved GP

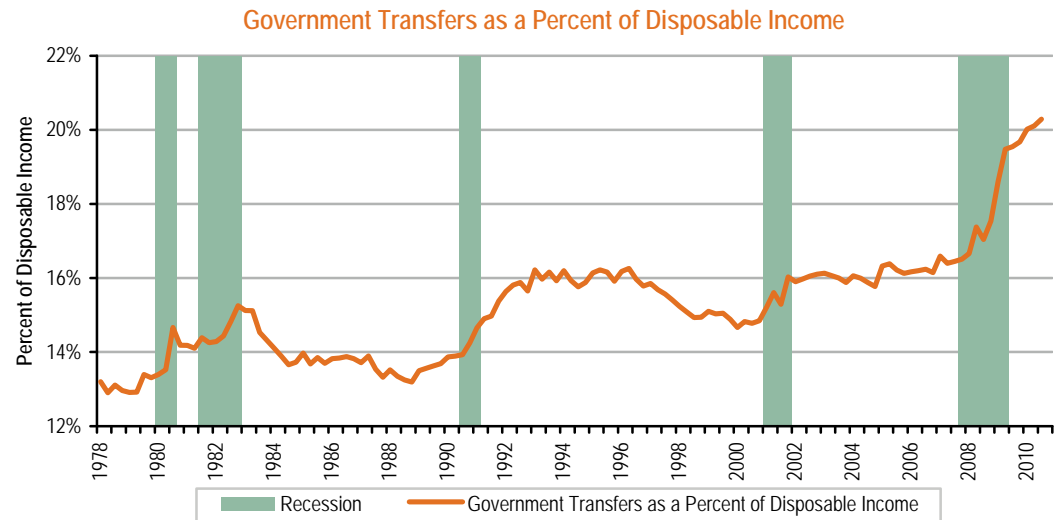
Over the past fifteen years, the S&P 500 Index constituents have experienced short time periods in which the stock price movements of the majority of the underlying companies have behaved in a similar fashion. The phenomenon of high correlation was previously associated with market crashes, exhibited by the high correlation of S&P 500 Index constituents in 1987, when the Index reached a correlation of 83 percent. More recently, the S&P 500 Index constituents have maintained a correlation that exceeds the 30-year average of 31 percent.

The higher than average correlation can be partially explained by the growth in sector and market linked Exchange Traded Funds and investors focused on investing in a basket/group of companies as opposed to searching for individual companies that may outperform the market.

Residential Rent vs. Buy

Government Transfer Payments is a component of personal income, which involves payments to persons for which no current services are performed. This consists of payments to individuals and to nonprofit institutions by federal, state, and local governments and businesses. Disposable income is total personal income minus personal current taxes. As the adjacent chart shows, the government currently accounts for a record-high of over 20 percent of personal disposable income.

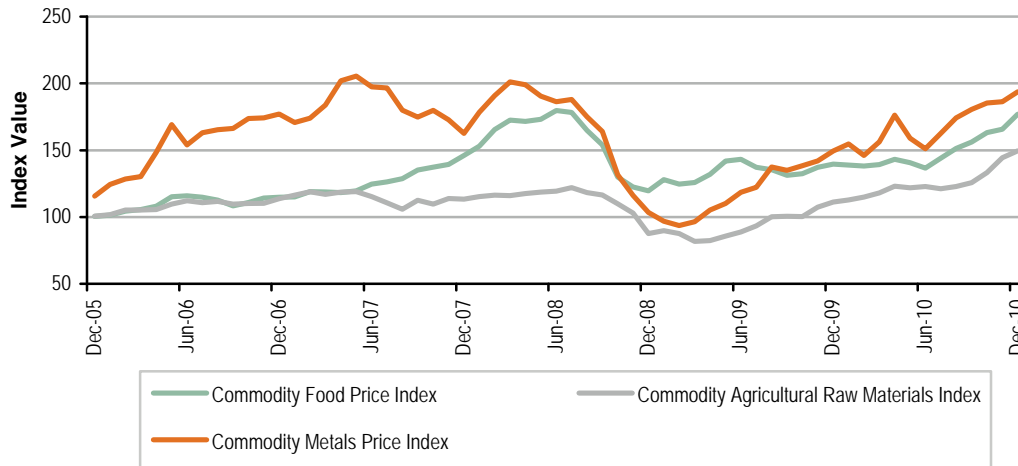
This data suggests that while personal disposable income and consumer spending have been on the rise, there has been minimal 'organic' growth from the consumer. Approximately one-half of the rebound in GDP from the 2009 lows can be traced to the amount of consumer spending that is attributed to government payments.



Source: Bureau of Economic Analysis

Break-Even Inflation Rate

Commodity Price Index Comparison



Source: IndexMundi <<http://www.indexmundi.com/commodities/>>

The adjacent graph charts the Food Price Index, Agricultural Raw Materials Index, and Metals Price Index over the past five years.

2010 was a year of strength for commodities as some prices more than doubled over the year. From a fundamental perspective, as the U.S., Japan, and Europe pursue loose monetary policy, commodity prices continue their upswing. Rising commodity prices can primarily be attributed to demand from emerging economies; although, speculation may be playing a role in current prices. More people in formerly poor nations are entering the global middle class and are placing a growing pressure on global natural resources.

Many analysts predict 2011 will see a continuation in the rise of commodities, although prices may be volatile.

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PLAN ACTIVITY
October 1, 2010 through December 31, 2010

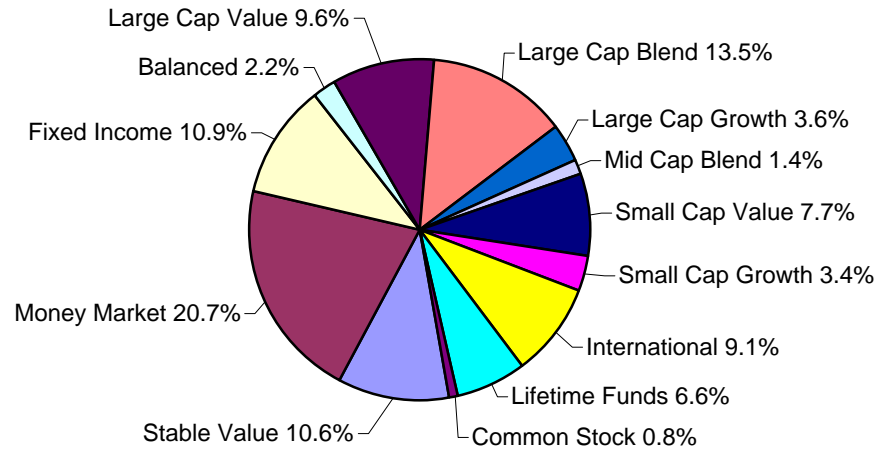
Funds	Beginning Balance October 1, 2010	Ending Balance December 31, 2010
Principal 2 Year Guaranteed Interest Account*	\$ 504,702	\$ 490,775
Principal 7 Year Guaranteed Interest Account*	\$ 1,353,450	\$ 1,336,696
Principal Money Market Account	\$ 3,559,587	\$ 3,550,131
Vanguard Total Bond Market Index	\$ 1,829,659	\$ 1,877,702
Principal Stock Emphasis Balanced Account	\$ 351,366	\$ 381,988
Vanguard Windsor II Fund Inv	\$ 1,488,888	\$ 1,649,100
Principal Large Cap Stock Index Account	\$ 2,113,211	\$ 2,313,049
Principal Large Company Growth Account	\$ 580,860	\$ 614,353
Principal MidCap S&P 400 Index	\$ 206,845	\$ 242,581
Principal Small Company Value Account	\$ 1,149,051	\$ 1,314,861
Vanguard Explorer Fund	\$ 497,620	\$ 583,036
Principal Diversified International Account	\$ 1,450,615	\$ 1,559,680
Principal Lifetime Strategic Income	\$ 66,638	\$ 66,187
Principal Lifetime 2010	\$ 159,677	\$ 170,655
Principal Lifetime 2020	\$ 433,178	\$ 473,509
Principal Lifetime 2030	\$ 218,547	\$ 249,631
Principal Lifetime 2040	\$ 89,904	\$ 104,144
Principal Lifetime 2050	\$ 55,578	\$ 64,486
Principal Common Stock Account	\$ 117,450	\$ 141,461
Total	\$ 16,226,826	\$ 17,184,025

* Beginning Balance includes Matured Accounts Reinvested

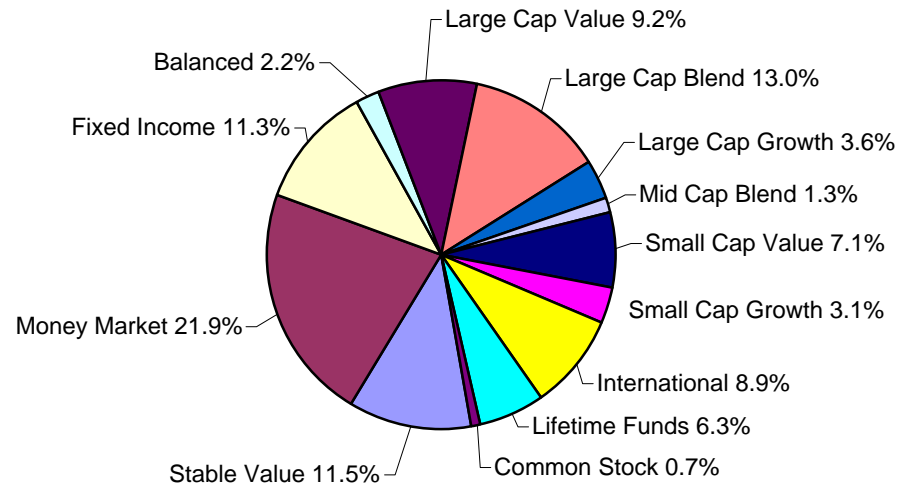
**Asset Allocation Summary
As of December 31, 2010**

Fund	Plan Assets	% of Total
Principal 2 Year Guaranteed Interest Account*	\$ 490,775	2.9%
Principal 7 Year Guaranteed Interest Account*	\$ 1,336,696	7.8%
Principal Money Market Account	\$ 3,550,131	20.7%
Vanguard Total Bond Market Index	\$ 1,877,702	10.9%
Principal Stock Emphasis Balanced Account	\$ 381,988	2.2%
Vanguard Windsor II Fund Inv	\$ 1,649,100	9.6%
Principal Large Cap Stock Index Account	\$ 2,313,049	13.5%
Principal Large Company Growth Account	\$ 614,353	3.6%
Principal MidCap S&P 400 Index	\$ 242,581	1.4%
Principal Small Company Value Account	\$ 1,314,861	7.7%
Vanguard Explorer Fund	\$ 583,036	3.4%
Principal Diversified International Account	\$ 1,559,680	9.1%
Principal Lifetime Strategic Income	\$ 66,187	0.4%
Principal Lifetime 2010	\$ 170,655	1.0%
Principal Lifetime 2020	\$ 473,509	2.8%
Principal Lifetime 2030	\$ 249,631	1.5%
Principal Lifetime 2040	\$ 104,144	0.6%
Principal Lifetime 2050	\$ 64,486	0.4%
Principal Common Stock Account	\$ 141,461	0.8%
Total Assets	\$ 17,184,025	100.0%

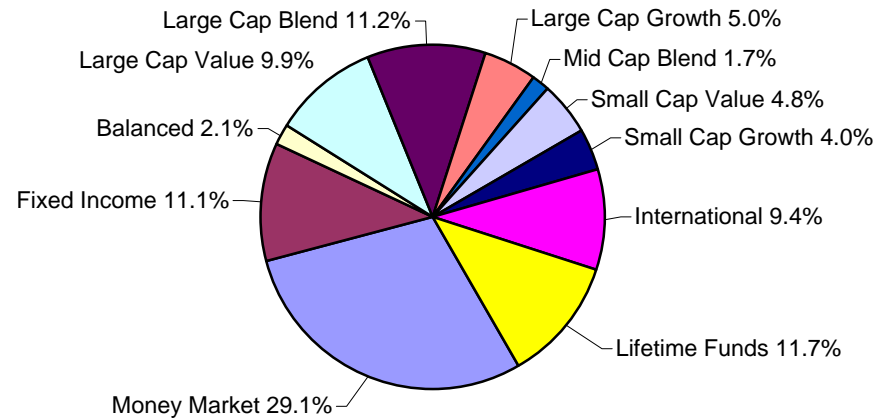
Asset Allocation as of December 31, 2010



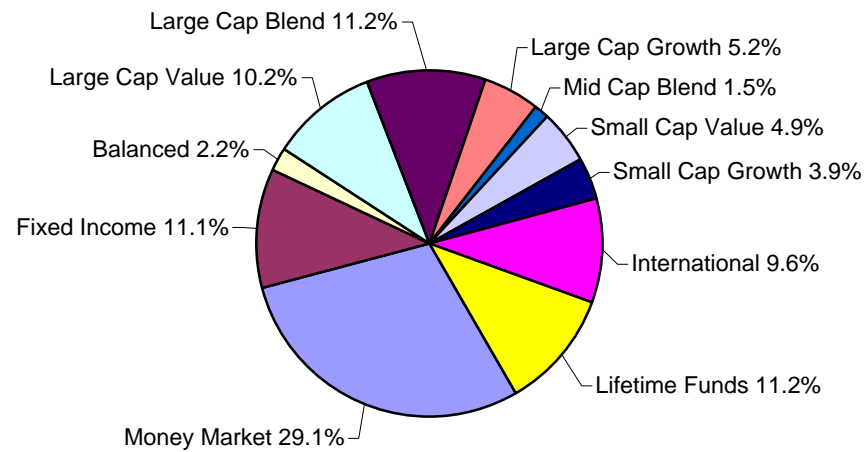
Asset Allocation as of October 1, 2010



Plan Contributions - 4th Quarter 2010



Plan Contributions - 3rd Quarter 2010



**Expense Ratios
For Periods Ended December 31, 2010**

Funds	Expense Ratio	Morningstar Rating	Market Value
Principal 2-Year Guaranteed Interest Account	-	-	\$ 490,775
Principal 7-Year Guaranteed Interest Account	-	-	\$ 1,336,696
Principal Money Market Account	0.56	-	\$ 3,550,131
90-Day U.S. T-Bill	-	-	
Vanguard Total Bond Market Index	0.22	***	\$ 1,877,702
Barclays Capital Aggregate Bond Index	-	-	
Median of the U.S. Broad Market Core Fund	-	-	
Principal Stock Emphasis Balanced Account ***WATCHLIST***	0.78	-	\$ 381,988
58.0% Russell 3000 / 30.0% Barclays Cap Agg / 12.0% MSCI EAFE Net	-	-	
Median of the All Balanced Fund Universe	-	-	
Vanguard Windsor II Fund Inv	0.38	***	\$ 1,649,100
Russell 1000 Value Index	-	-	
Median of the U.S. Equity Large Cap Value Fund Universe	-	-	
Principal Large Cap Stock Index Account	0.31	-	\$ 2,313,049
S&P 500 Index	-	-	
Median of the U.S. Equity Large Cap Core Fund Universe	-	-	
Principal Large Company Growth Account	0.71	-	\$ 614,353
Russell 1000 Growth Index	-	-	
Median of the U.S. Equity Large Cap Growth Fund Universe	-	-	
Principal MidCap S&P 400 Index	0.31	-	\$ 242,581
S&P Mid Cap 400 Index	-	-	
Median of the U.S. Equity Mid Cap Core Fund Universe	-	-	
Principal Small Company Value Account ***WATCHLIST***	0.91	-	\$ 1,314,861
Russell 2000 Value Index	-	-	
Median of the U.S. Equity Small Cap Value Fund Universe	-	-	
Vanguard Explorer Fund	0.54	****	\$ 583,036
Russell 2000 Growth Index	-	-	
Median of the U.S. Equity Small Cap Growth Fund Universe	-	-	
Principal Diversified International Stock Account ***WATCHLIST***	1.06	-	\$ 1,559,680
MSCI Net EAFE	-	-	
Median of the International Equity Large Cap Core	-	-	
Principal Lifetime Strategic Income ***WATCHLIST***	0.78	-	\$ 66,187
75.0% Barclays Cap Agg / 19.0% Russell 3000 / 6.0% MSCI EAFE Net	-	-	
Principal Lifetime 2010 ***WATCHLIST***	0.89	-	\$ 170,655
43.0% Barclays Cap Agg / 41.9% Russell 3000 / 15.1% MSCI EAFE Net	-	-	
Principal Lifetime 2020 ***WATCHLIST***	0.92	-	\$ 473,509
51.1% Russell 3000 / 29.5% Barclays Cap Agg / 19.4% MSCI EAFE Net	-	-	
Principal Lifetime 2030 ***WATCHLIST***	0.95	-	\$ 249,631
57.3% Russell 3000 / 22.5% MSCI EAFE Net / 20.2% Barclays Cap Agg	-	-	
Principal Lifetime 2040 ***WATCHLIST***	0.98	-	\$ 104,144
61.8% Russell 3000 / 24.7% MSCI EAFE Net / 13.5% Barclays Cap Agg	-	-	
Principal Lifetime 2050 ***WATCHLIST***	1.00	-	\$ 64,486
64.2% Russell 3000 / 25.8% MSCI EAFE Net / 10.0% Barclays Cap Agg	-	-	

**Participant Counts
as of September 30, 2010**

Fund	Number of Participants per Fund	Number of One-Funders
Principal 2 Year Guaranteed Interest Account*		
Principal 7 Year Guaranteed Interest Account*		
Principal Money Market Account		
Vanguard Total Bond Market Index		
Principal Stock Emphasis Balanced Account		
Vanguard Windsor II Fund Inv		
Principal Large Cap Stock Index Account		
Principal Large Company Growth Account		
Principal MidCap S&P 400 Index		
Principal Small Company Value Account		
Vanguard Explorer Fund		
Principal Diversified International Account		
Principal Lifetime Strategic Income		
Principal Lifetime 2010		
Principal Lifetime 2020		
Principal Lifetime 2030		
Principal Lifetime 2040		
Principal Lifetime 2050		
Principal Common Stock Account		

Principal Investment Diversification as of September 30, 2010



Number of Funds	Number of Participants	Percent
One		#DIV/0!
Two		#DIV/0!
Three		#DIV/0!
Four		#DIV/0!
Five		#DIV/0!
Six		#DIV/0!
Seven		#DIV/0!
Eight		#DIV/0!
Nine		#DIV/0!
Ten+		#DIV/0!
		#DIV/0!

Average Number of funds being used in the Plan
Average Account Balance
Total Participants in Plan

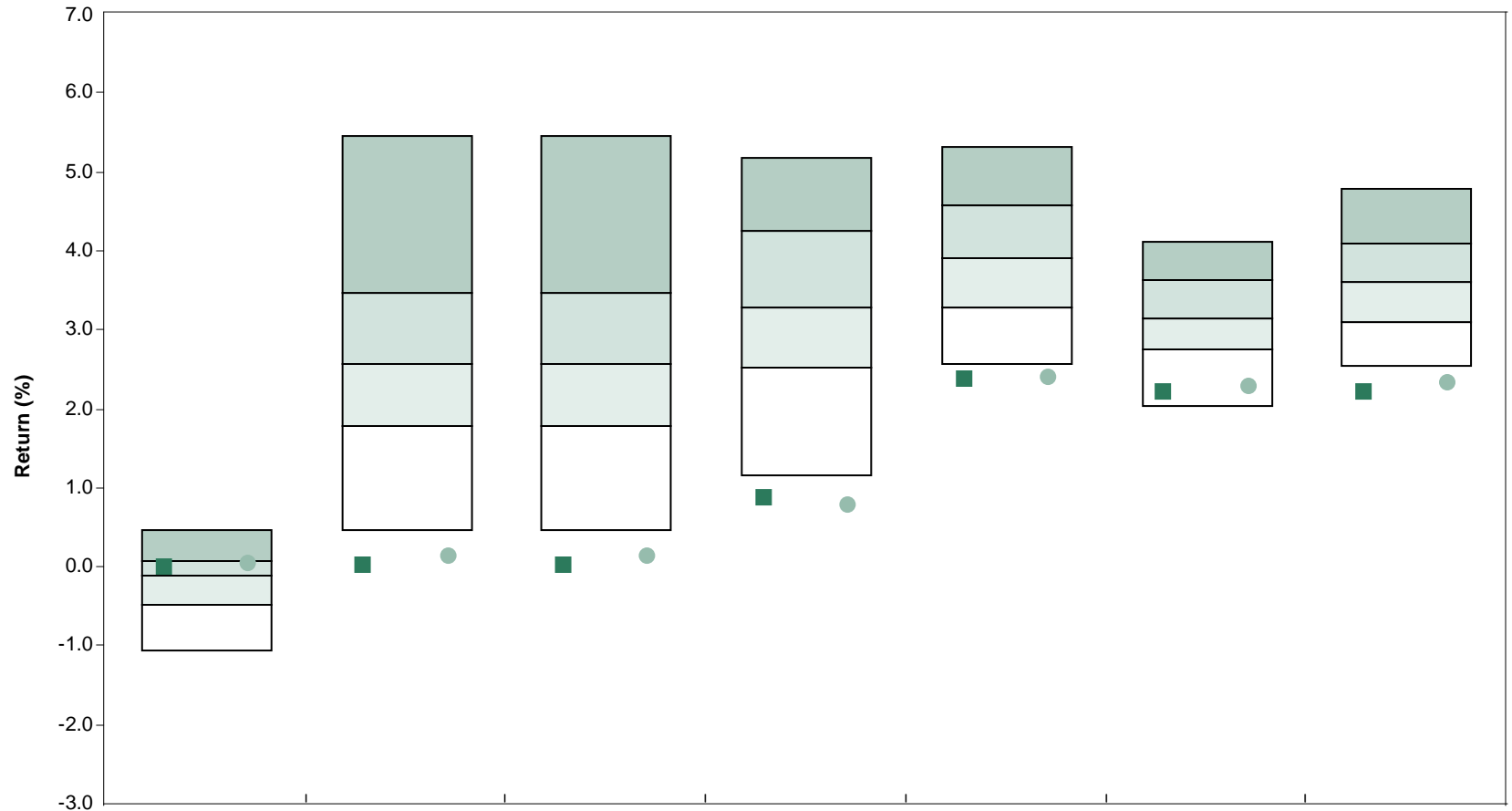
	Allocation		Performance %				
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years
City of Rockville	17,184,025	100.00					
Principal 2yr Guaranteed Int Acct	490,775	2.86	0.22	0.20	0.20	1.07	2.08
Principal 7yr Guaranteed Int Acct	1,336,696	7.78	1.63	1.80	1.80	2.56	3.14
Principal Money Market Account	3,550,131	20.66	0.00	0.03	0.03	0.87	2.39
90 Day U.S. Treasury Bill			0.04	0.13	0.13	0.79	2.39
US Cash/Short Duration Fixed Income (SA+CF+MF) Median			-0.12	2.56	2.56	3.29	3.90
Percentile Rank			34	100	100	97	97
Vanguard Total Bond Market	1,877,702	10.93	-1.35	6.42	6.42	5.80	5.72
Barclays Capital Aggregate			-1.30	6.54	6.54	5.90	5.80
US Broad Market Core Funds (MF) Median			-0.97	7.54	7.54	5.94	5.53
Percentile Rank			79	80	80	54	43
Principal Stock Emph Bal Acct	381,988	2.22	7.56	15.17	15.17	-3.49	2.52
58% R3000 / 30% BC Agg / 12% MSCI Net EAFE			7.07	13.18	13.18	0.28	4.04
All Balanced Funds (MF) Median			6.28	12.20	12.20	0.06	3.52
Percentile Rank			32	13	13	92	73
Vanguard Windsor II Fund Inv	1,649,100	9.60	9.80	10.62	10.62	-3.82	1.46
Russell 1000 Value Index			10.54	15.51	15.51	-4.42	1.28
US Equity Large-Cap Value Funds (MF) Median			10.51	12.75	12.75	-4.32	1.16
Percentile Rank			74	84	84	37	42
Principal Lrg Cap Stk Idx Acct	2,313,049	13.46	10.64	14.68	14.68	-3.11	2.01
S&P 500			10.76	15.06	15.06	-2.85	2.29
US Equity Large-Cap Core Funds (MF) Median			10.54	13.11	13.11	-3.22	1.99
Percentile Rank			46	25	25	49	50

	Allocation		Performance %				
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years
Principal Lrg Comp Grth Acct	614,353	3.58	12.10	18.58	18.58	-4.89	3.02
Russell 1000 Growth Index			11.83	16.71	16.71	-0.47	3.75
US Equity Large-Cap Growth Funds (MF) Median			11.72	14.92	14.92	-2.38	2.52
Percentile Rank			37	16	16	79	40
Principal MidCap S&P 400 Index	242,581	1.41	13.36	26.12	26.12	3.21	5.43
S&P MidCap 400			13.50	26.64	26.64	3.52	5.73
US Equity Mid-Cap Core Funds (MF) Median			13.31	23.29	23.29	0.33	4.16
Percentile Rank			48	14	14	19	23
Principal Small Comp Val Acct	1,314,861	7.65	14.04	22.02	22.02	-0.97	1.49
Russell 2000 Value Index			15.36	24.50	24.50	2.19	3.52
US Equity Small-Cap Value Funds (MF) Median			16.00	25.95	25.95	3.19	3.93
Percentile Rank			84	84	84	95	86
Vanguard Explorer Fund	583,036	3.39	14.93	27.43	27.43	1.14	3.58
Russell 2000 Growth Index			17.11	29.09	29.09	2.18	5.30
US Equity Small-Cap Growth Funds (MF) Median			16.83	27.72	27.72	0.41	4.42
Percentile Rank			78	53	53	43	63
Principal Diversified Intl Acct	1,559,680	9.08	9.45	14.07	14.07	-7.61	3.27
MSCI EAFE (net)			6.61	7.75	7.75	-7.02	2.46
International Equity Large-Cap Core Funds (MF) Median			6.73	8.10	8.10	-7.59	2.08
Percentile Rank			1	2	2	51	23
Principal Lifetime Strategic Income	66,187	0.39	2.30	11.03	11.03	0.64	2.44
75 BC Agg / 10 R3000 / 6 EAFE Net			1.58	8.99	8.99	4.08	5.37
Mixed-Asset Target 2010 Funds (MF) Median			4.67	10.77	10.77	0.60	3.62
Percentile Rank			85	41	41	50	95

	Allocation		Performance %				
	Market Values (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years
Principal Lifetime 2010	170,655	0.99	5.47	13.72	13.72	-0.42	2.70
43 BC Agg / 41.9 R3000 / 15.1 EAFE Net			5.24	11.63	11.63	1.25	4.50
Mixed-Asset Target 2010 Funds (MF) Median			4.67	10.77	10.77	0.60	3.62
Percentile Rank			15	1	1	67	85
Principal Lifetime 2020	473,509	2.76	6.98	14.67	14.67	-1.15	2.97
29.5 BC Agg / 51.1 R3000 / 19.4 EAFE Net			6.78	12.58	12.58	-0.12	4.02
Mixed-Asset Target 2020 Funds (MF) Median			6.17	12.27	12.27	-0.57	2.86
Percentile Rank			27	3	3	63	47
Principal Lifetime 2030	249,631	1.45	8.07	15.34	15.34	-1.89	2.90
20.2 BC Agg / 57.3 R3000 / 22.5 EAFE Net			7.84	13.16	13.16	-1.11	3.65
Mixed-Asset Target 2030 Funds (MF) Median			8.00	13.61	13.61	-1.99	2.43
Percentile Rank			48	12	12	49	27
Principal Lifetime 2040	104,144	0.61	9.05	15.66	15.66	-2.60	2.64
13.5 BC Agg / 61.8 R3000 / 24.7 EAFE Net			8.60	13.57	13.57	-1.85	3.37
Mixed-Asset Target 2035 Funds (MF) Median			8.95	14.59	14.59	-1.96	1.91
Percentile Rank			47	17	17	75	36
Principal Lifetime 2050	64,486	0.38	9.54	15.82	15.82	-2.98	2.52
10.0 BC Agg / 64.2 R3000 / 25.8 EAFE Net			9.01	13.77	13.77	-2.24	3.21
Mixed-Asset Target 2035 Funds (MF) Median			8.95	14.59	14.59	-1.96	1.91
Percentile Rank			28	13	13	82	37
Principal Common Stk Acct	141,461	0.82					

Principal Money Market Account

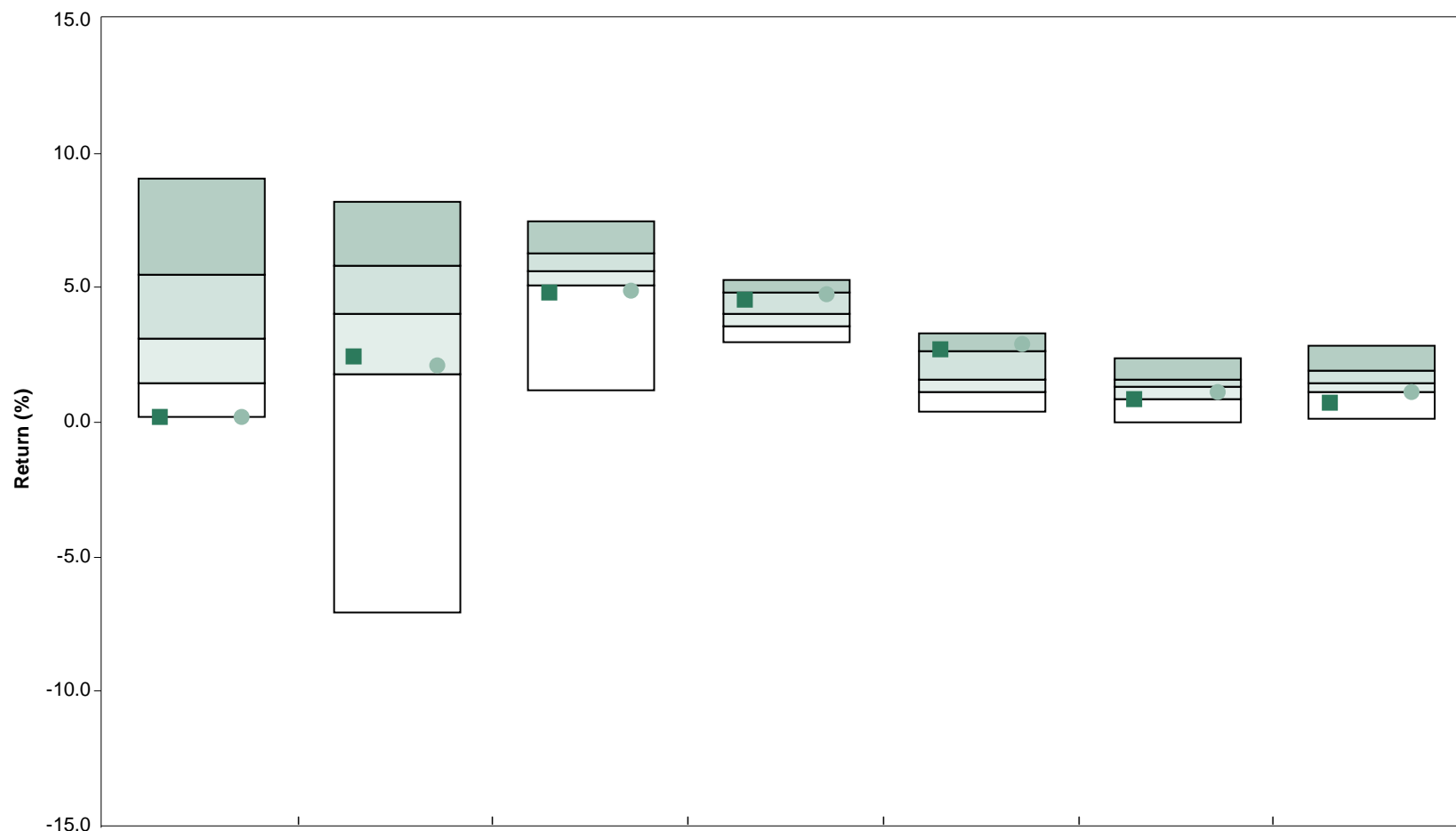
Peer Group Analysis - US Cash/Short Duration Fixed Income (SA+CF+MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Money Market Account	0.00 (34)	0.03 (100)	0.03 (100)	0.87 (97)	2.39 (97)	2.22 (90)	2.21 (99)
● 90 Day U.S. Treasury Bill	0.04 (31)	0.13 (100)	0.13 (100)	0.79 (97)	2.39 (97)	2.28 (89)	2.33 (99)
5th Percentile	0.47	5.45	5.45	5.16	5.32	4.10	4.78
1st Quartile	0.08	3.46	3.46	4.25	4.58	3.62	4.08
Median	-0.12	2.56	2.56	3.29	3.90	3.13	3.61
3rd Quartile	-0.48	1.78	1.78	2.53	3.28	2.75	3.09
95th Percentile	-1.06	0.46	0.46	1.15	2.58	2.03	2.55

Principal Money Market Account

Peer Group Analysis - US Cash/Short Duration Fixed Income (SA+CF+MF)



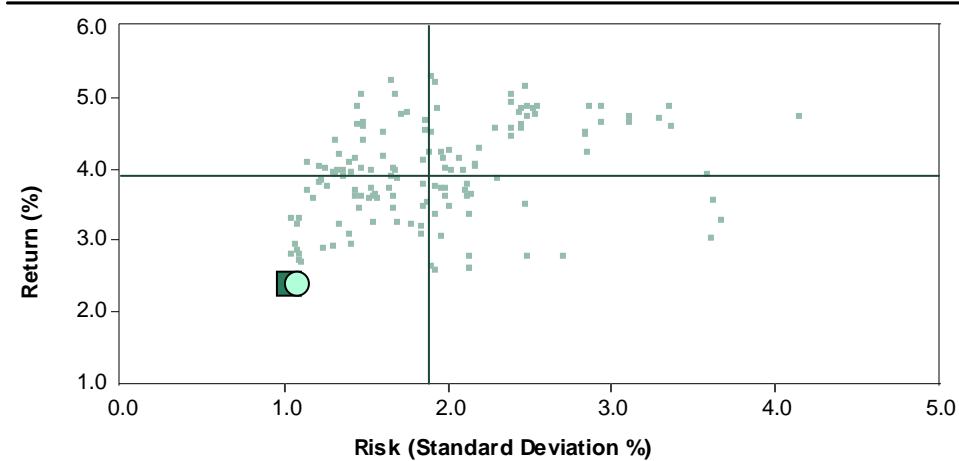
■ Principal Money Market Account
● 90 Day U.S. Treasury Bill

	2009	2008	2007	2006	2005	2004	2003
Principal Money Market Account	0.19 (95)	2.42 (74)	4.86 (81)	4.56 (34)	2.73 (25)	0.87 (74)	0.72 (90)
90 Day U.S. Treasury Bill	0.17 (96)	2.10 (75)	4.91 (80)	4.76 (30)	2.88 (22)	1.14 (60)	1.10 (77)
5th Percentile	9.07	8.17	7.44	5.29	3.33	2.40	2.83
1st Quartile	5.50	5.85	6.31	4.86	2.67	1.56	1.93
Median	3.08	4.00	5.59	4.05	1.61	1.32	1.44
3rd Quartile	1.44	1.77	5.11	3.59	1.12	0.83	1.13
95th Percentile	0.19	-7.07	1.18	2.95	0.42	-0.01	0.16

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Money Market Account	2.39	1.03	-0.02	0.15	0.94	0.95	0.24	-0.02	0.24	01/01/2001
90 Day U.S. Treasury Bill	2.39	1.07	N/A	0.00	1.00	1.00	0.00	N/A	0.00	01/01/2001
90 Day U.S. Treasury Bill	2.39	1.07	N/A	0.00	1.00	1.00	0.00	N/A	0.00	01/01/2001

Peer Group Scattergram (01/01/06 to 12/31/10)



Up Down Market Capture

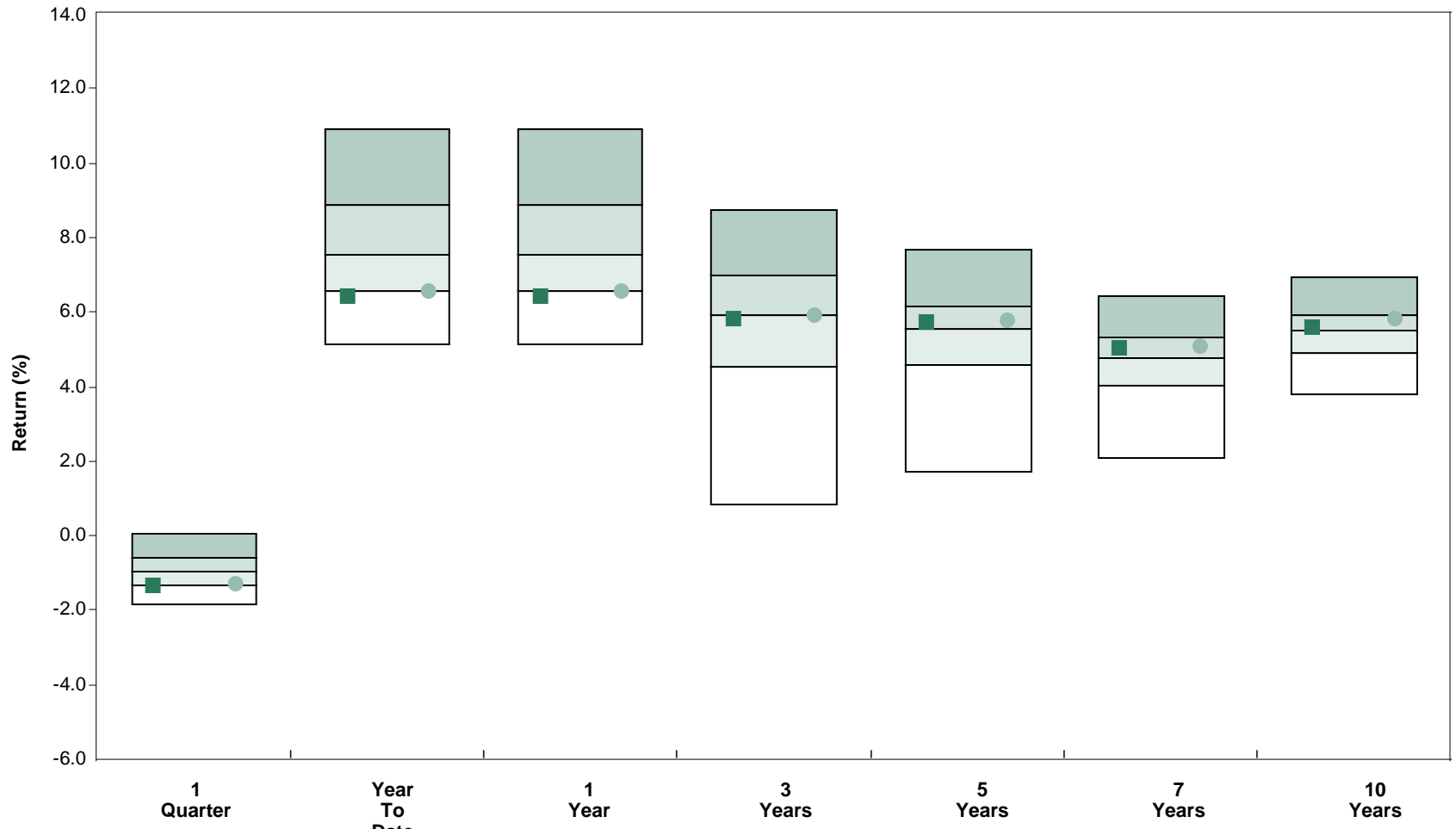
Not enough data.

	Return	Standard Deviation
■ Principal Money Market Account	2.39	1.03
○ 90 Day U.S. Treasury Bill	2.39	1.07
— Median	3.90	1.89

* Quarterly periodicity used.

Vanguard Total Bond Market

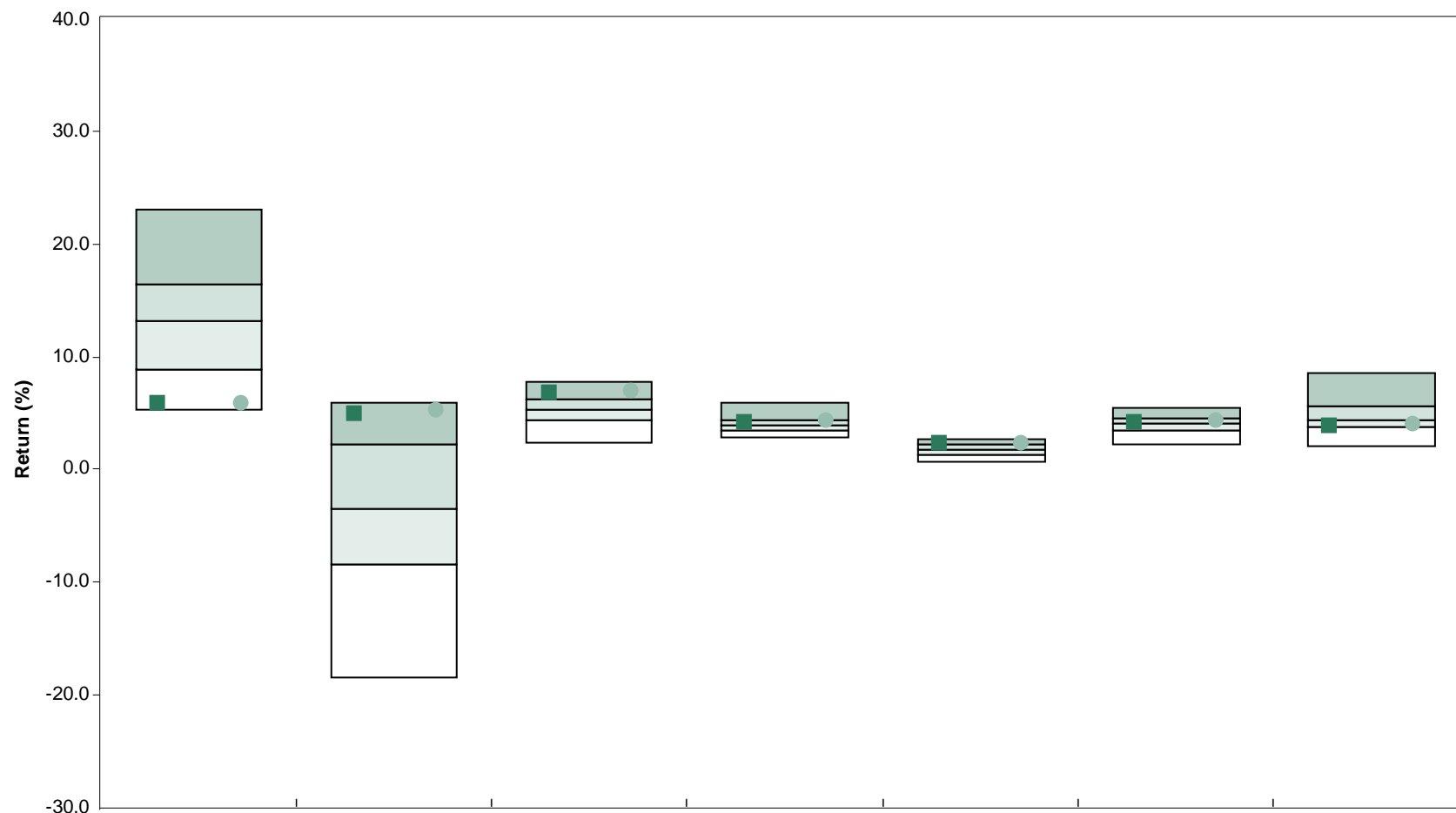
Peer Group Analysis - US Broad Market Core Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Vanguard Total Bond Market	-1.35 (79)	6.42 (80)	6.42 (80)	5.80 (54)	5.72 (43)	5.02 (39)	5.57 (44)
● Barclays Capital Aggregate	-1.30 (75)	6.54 (77)	6.54 (77)	5.90 (52)	5.80 (40)	5.10 (36)	5.84 (29)
5th Percentile	0.04	10.89	10.89	8.74	7.68	6.42	6.95
1st Quartile	-0.60	8.85	8.85	6.96	6.16	5.32	5.89
Median	-0.97	7.54	7.54	5.94	5.53	4.74	5.51
3rd Quartile	-1.31	6.58	6.58	4.54	4.58	4.01	4.90
95th Percentile	-1.86	5.14	5.14	0.81	1.71	2.10	3.77

Vanguard Total Bond Market

Peer Group Analysis - US Broad Market Core Funds (MF)



■ Vanguard Total Bond Market
● Barclays Capital Aggregate

	2009	2008	2007	2006	2005	2004	2003
Vanguard Total Bond Market	5.93 (93)	5.05 (12)	6.92 (12)	4.27 (35)	2.40 (19)	4.24 (40)	3.97 (65)
Barclays Capital Aggregate	5.93 (93)	5.24 (9)	6.97 (11)	4.34 (30)	2.43 (16)	4.34 (33)	4.11 (60)
5th Percentile	23.00	5.92	7.78	5.92	2.76	5.51	8.49
1st Quartile	16.35	2.28	6.24	4.43	2.22	4.54	5.64
Median	13.10	-3.44	5.31	3.93	1.83	4.02	4.36
3rd Quartile	8.87	-8.47	4.31	3.51	1.36	3.42	3.70
95th Percentile	5.24	-18.42	2.32	2.84	0.65	2.21	2.07

Vanguard Total Bond Market

Fund Information

Fund Name Vanguard Bond Index Funds: Vanguard Total Bond Market Index Fund; Investor Shares
 Fund Family Vanguard Group Inc
 Ticker VBMFX
 Inception Date 12/11/1986
 Fund Assets \$14,437.4 Million

Portfolio Assets \$86,219.1 Million
 Portfolio Manager Volpert/Davis
 PM Tenure 1992--2008
 Fund Style US Broad Market Core Funds (MF)
 Style Benchmark Barclays Capital Aggregate
 Portfolio Turnover 80%

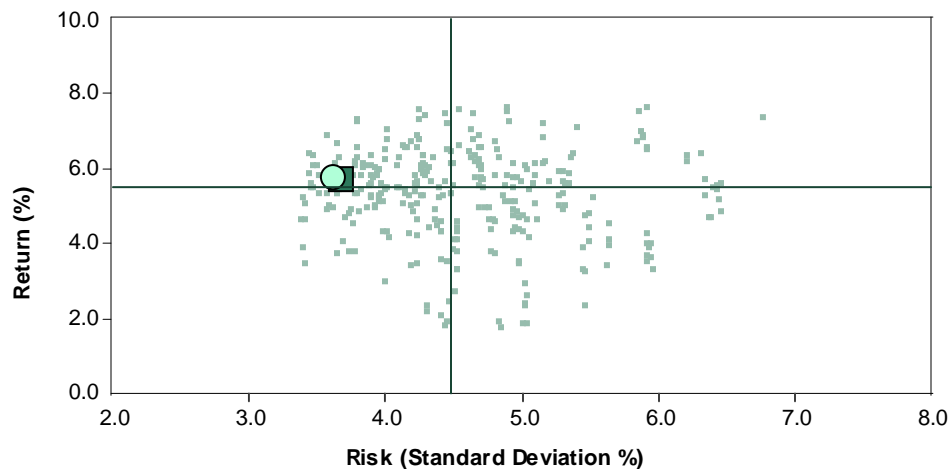
Fund Investment Policy

The Fund seeks to generate returns that track the performance of the Barclays Capital Aggregate Bond Index, and will maintain a dollar-weighted average maturity consistent with that of the index. The Index measures investment-grade, taxable fixed income securities in the U.S.

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Vanguard Total Bond Market	5.72	3.67	0.88	-0.12	1.01	0.99	0.42	-0.19	3.73	01/01/1987
Barclays Capital Aggregate	5.80	3.62	0.91	0.00	1.00	1.00	0.00	N/A	3.69	01/01/1987
90 Day U.S. Treasury Bill	2.39	0.64	N/A	2.39	0.00	0.00	3.69	-0.91	0.00	01/01/1987

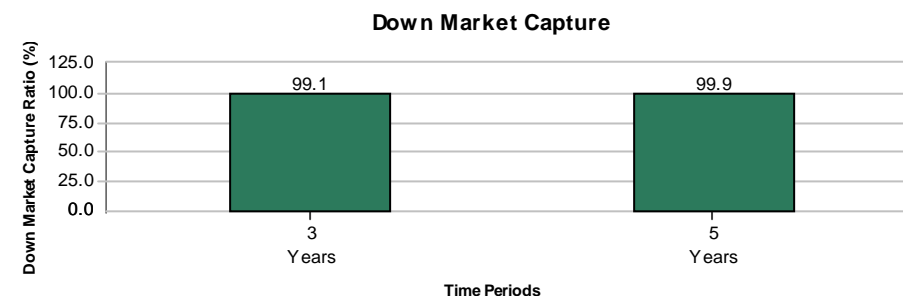
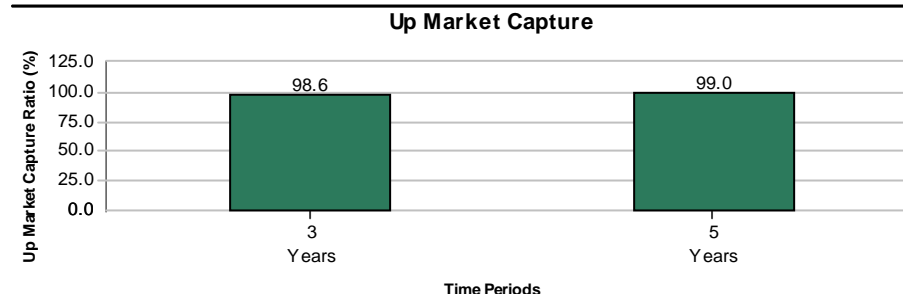
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
■ Vanguard Total Bond Market	5.72	3.67
○ Barclays Capital Aggregate	5.80	3.62
— Median	5.53	4.48

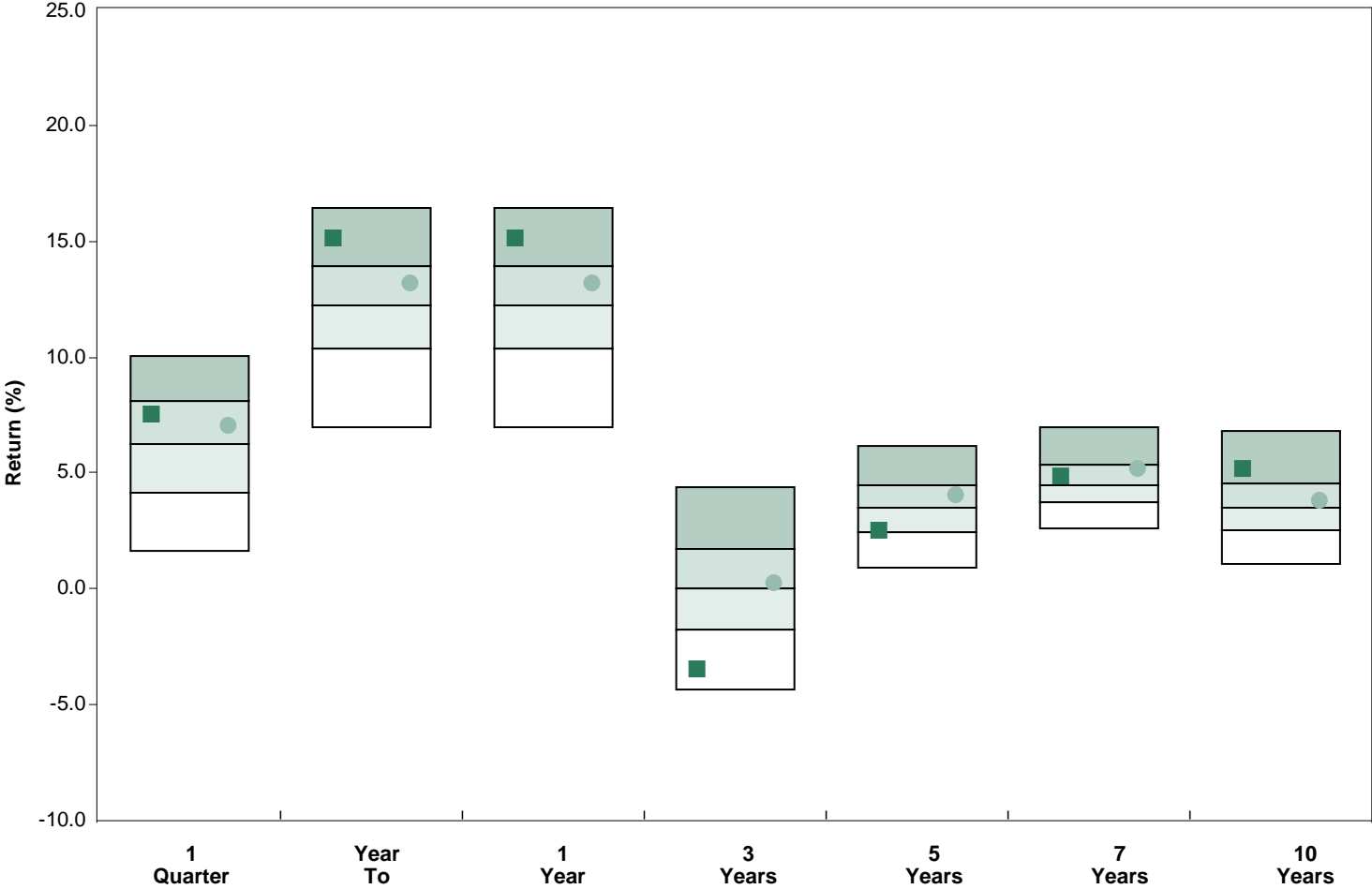
* Monthly periodicity used.

Up Down Market Capture



Principal Stock Emph Bal Acct

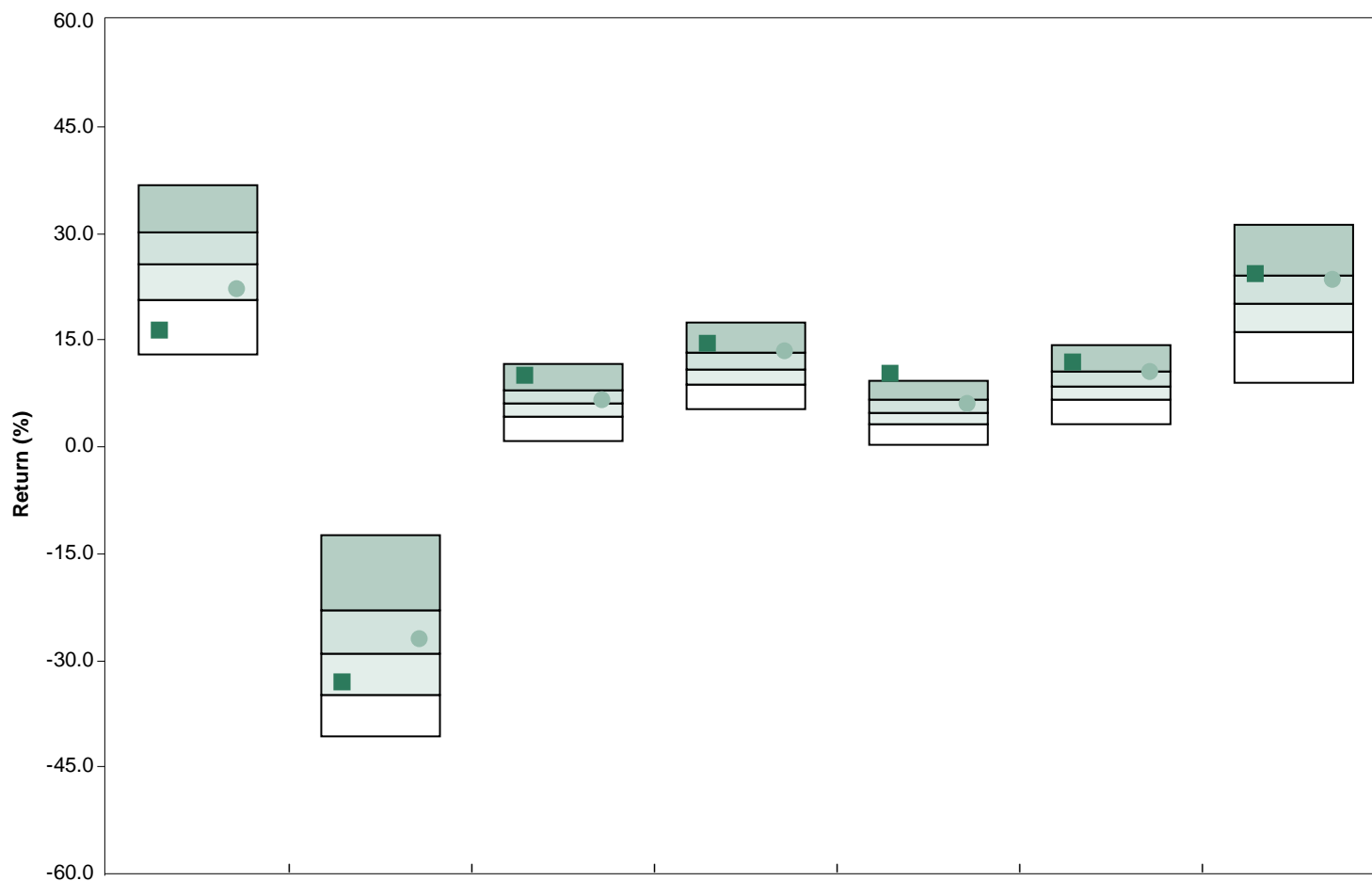
Peer Group Analysis - All Balanced Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Stock Emph Bal Acct	7.56 (32)	15.17 (13)	15.17 (13)	-3.49 (92)	2.52 (73)	4.89 (38)	5.19 (18)
● 58% R3000 / 30% BC Agg / 12% MSCI Net EAFE	7.07 (38)	13.18 (36)	13.18 (36)	0.28 (47)	4.04 (37)	5.24 (28)	3.79 (42)
5th Percentile	10.07	16.42	16.42	4.36	6.14	6.96	6.82
1st Quartile	8.13	13.89	13.89	1.71	4.49	5.32	4.53
Median	6.28	12.20	12.20	0.06	3.52	4.50	3.51
3rd Quartile	4.16	10.33	10.33	-1.79	2.42	3.78	2.49
95th Percentile	1.66	6.94	6.94	-4.38	0.88	2.60	1.05

Principal Stock Emph Bal Acct

Peer Group Analysis - All Balanced Funds (MF)



■ Principal Stock Emph Bal Acct

● 58% R3000 / 30% BC Agg / 12% MSCI Net EAFE

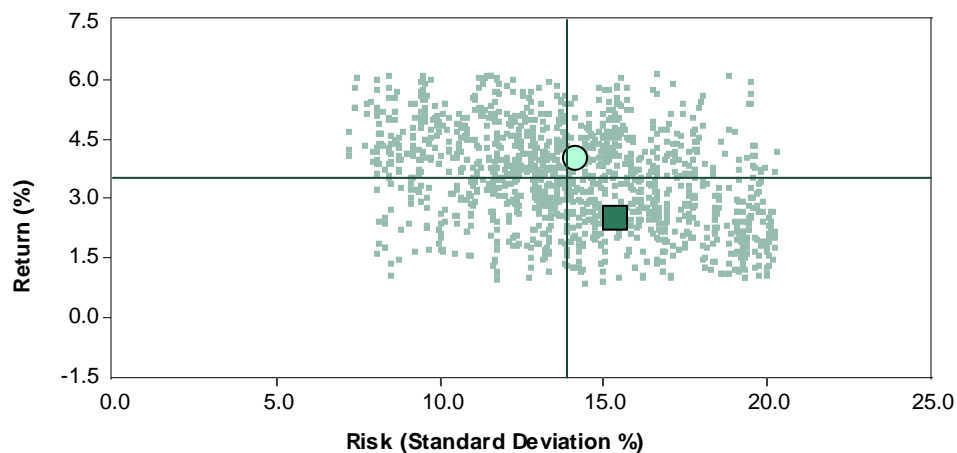
	2009	2008	2007	2006	2005	2004	2003
Principal Stock Emph Bal Acct	16.50 (91)	-33.01 (68)	9.95 (10)	14.58 (17)	10.21 (4)	11.93 (16)	24.27 (25)
58% R3000 / 30% BC Agg / 12% MSCI Net EAFE	22.16 (68)	-27.06 (42)	6.54 (41)	13.45 (24)	5.98 (32)	10.65 (26)	23.42 (29)
5th Percentile	36.82	-12.45	11.73	17.55	9.25	14.16	31.31
1st Quartile	30.23	-23.00	7.81	13.26	6.57	10.70	24.16
Median	25.64	-29.05	5.95	10.91	4.67	8.55	20.17
3rd Quartile	20.71	-34.89	4.11	8.66	3.16	6.55	16.14
95th Percentile	12.92	-40.77	0.81	5.31	0.35	3.05	9.03

Principal Stock Emph Bal Acct

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Stock Emph Bal Acct	2.52	15.36	0.09	-1.59	1.07	0.96	3.11	-0.41	15.39	10/01/1998
58% R3000 / 30% BC Agg / 12% MSCI Net EAFE	4.04	14.14	0.18	0.00	1.00	1.00	0.00	N/A	14.22	10/01/1998
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.39	0.00	0.00	14.22	-0.18	0.00	10/01/1998

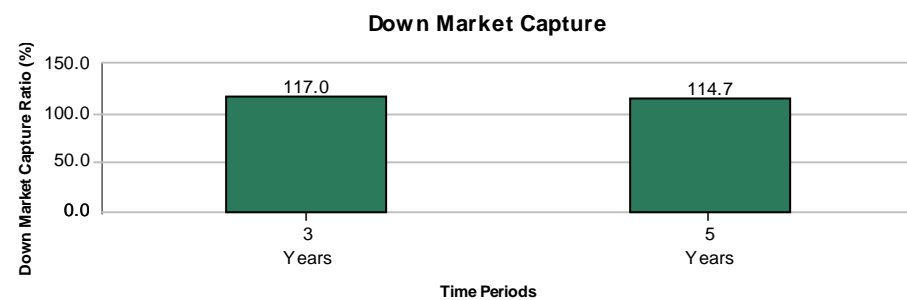
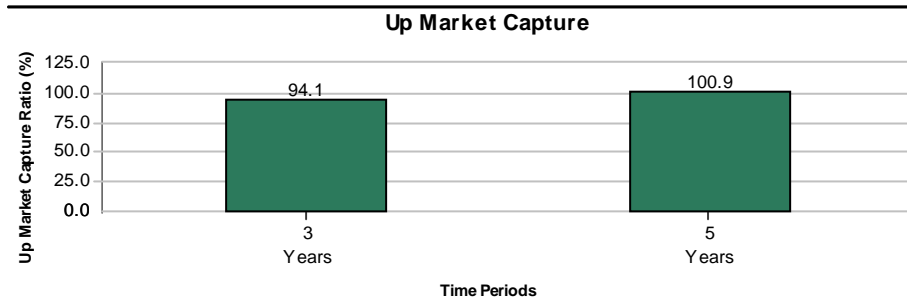
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
■ Principal Stock Emph Bal Acct	2.52	15.36
○ 58% R3000 / 30% BC Agg / 12% MSCI Net EAFE	4.04	14.14
— Median	3.52	13.89

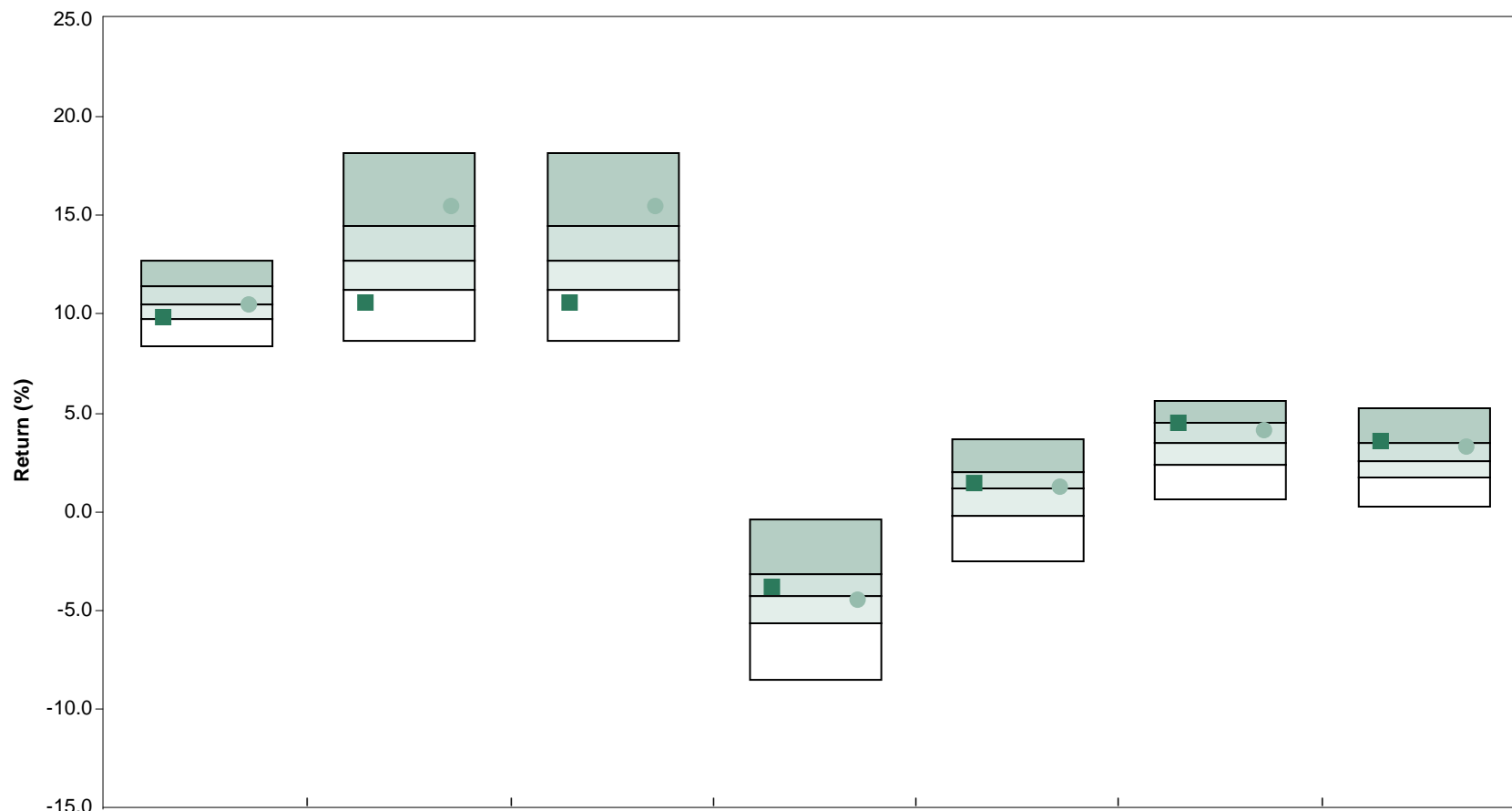
* Quarterly periodicity used.

Up Down Market Capture



Vanguard Windsor II Fund Inv

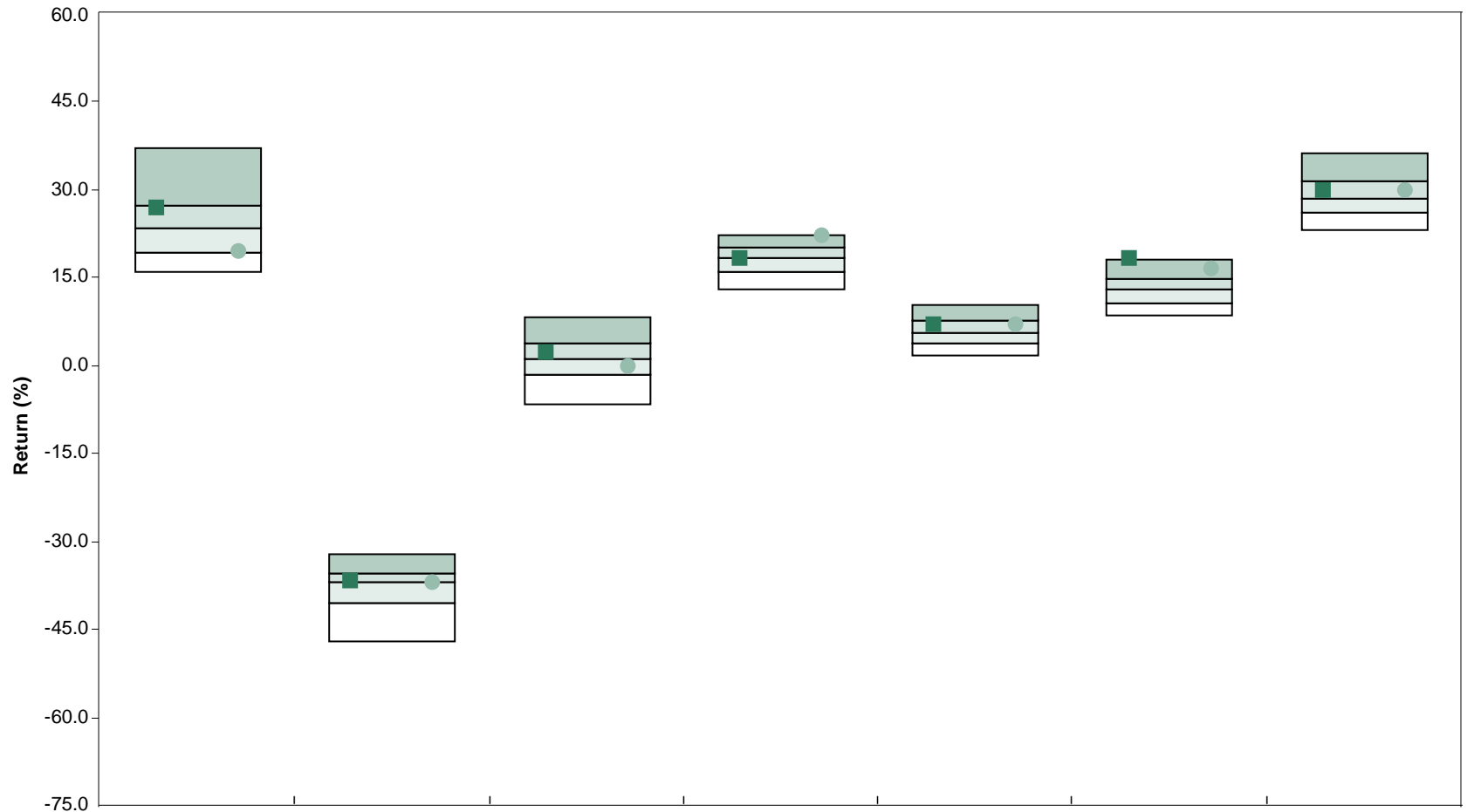
Peer Group Analysis - US Equity Large-Cap Value Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Vanguard Windsor II Fund Inv	9.80 (74)	10.62 (84)	10.62 (84)	-3.82 (37)	1.46 (42)	4.51 (25)	3.59 (22)
● Russell 1000 Value Index	10.54 (50)	15.51 (14)	15.51 (14)	-4.42 (54)	1.28 (47)	4.14 (34)	3.26 (31)
5th Percentile	12.69	18.14	18.14	-0.41	3.70	5.58	5.25
1st Quartile	11.45	14.51	14.51	-3.14	2.02	4.48	3.51
Median	10.51	12.75	12.75	-4.32	1.16	3.50	2.59
3rd Quartile	9.76	11.25	11.25	-5.70	-0.22	2.34	1.70
95th Percentile	8.38	8.68	8.68	-8.52	-2.54	0.62	0.23

Vanguard Windsor II Fund Inv

Peer Group Analysis - US Equity Large-Cap Value Funds (MF)



	2009	2008	2007	2006	2005	2004	2003
■ Vanguard Windsor II Fund Inv	27.05 (28)	-36.70 (46)	2.23 (42)	18.25 (51)	7.01 (30)	18.31 (5)	30.08 (36)
● Russell 1000 Value Index	19.69 (72)	-36.85 (47)	-0.17 (63)	22.25 (6)	7.05 (30)	16.49 (13)	30.03 (37)
5th Percentile	37.21	-32.16	8.19	22.27	10.36	18.20	36.31
1st Quartile	27.36	-35.36	3.76	20.26	7.75	14.82	31.35
Median	23.31	-37.01	1.27	18.30	5.44	13.06	28.51
3rd Quartile	19.39	-40.46	-1.64	15.85	3.76	10.60	26.04
95th Percentile	15.89	-47.08	-6.52	12.92	1.76	8.52	23.17

Vanguard Windsor II Fund Inv

Fund Information

Fund Name Vanguard Windsor Funds: Vanguard Windsor II Fund; Investor Shares
 Fund Family Vanguard Group Inc
 Ticker VWNFX
 Inception Date 06/24/1985
 Fund Assets \$20,503.9 Million

Portfolio Assets \$35,481.8 Million
 Portfolio Manager Team Managed
 PM Tenure
 Fund Style US Equity Large-Cap Value Funds (MF)
 Style Benchmark Russell 1000 Value Index
 Portfolio Turnover 41%

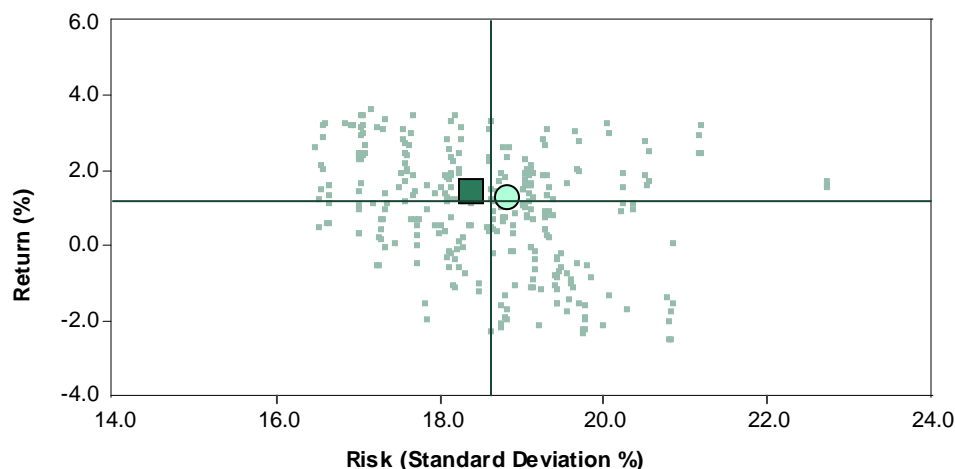
Fund Investment Policy

The Fund seeks long-term growth of capital and income. The Fund invests mainly in large- and mid-capitalization companies whose stocks are considered to be undervalued. Undervalued stocks generally trade at prices that are below average in relation to such measures as earnings and book value.

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Vanguard Windsor II Fund Inv	1.46	18.37	0.04	0.21	0.96	0.97	3.22	0.03	18.41	07/01/1985
Russell 1000 Value Index	1.28	18.82	0.04	0.00	1.00	1.00	0.00	N/A	18.86	07/01/1985
90 Day U.S. Treasury Bill	2.39	0.64	N/A	2.37	0.00	0.00	18.86	-0.04	0.00	07/01/1985

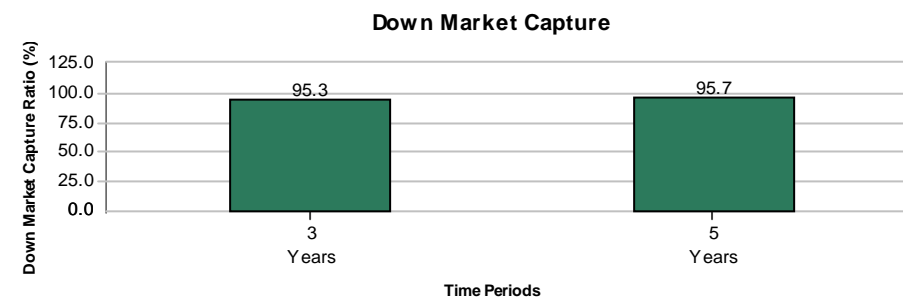
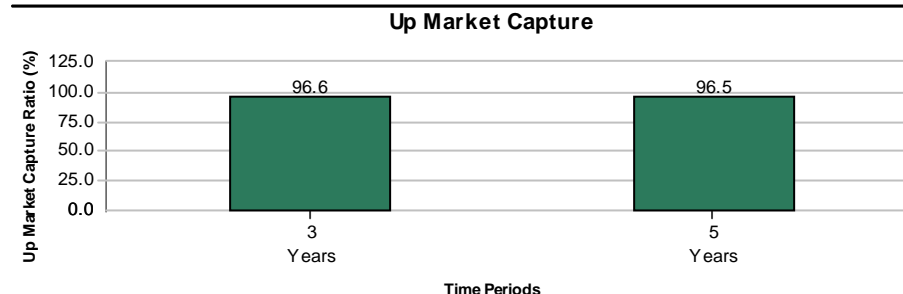
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
Vanguard Windsor II Fund Inv	1.46	18.37
Russell 1000 Value Index	1.28	18.82
Median	1.16	18.61

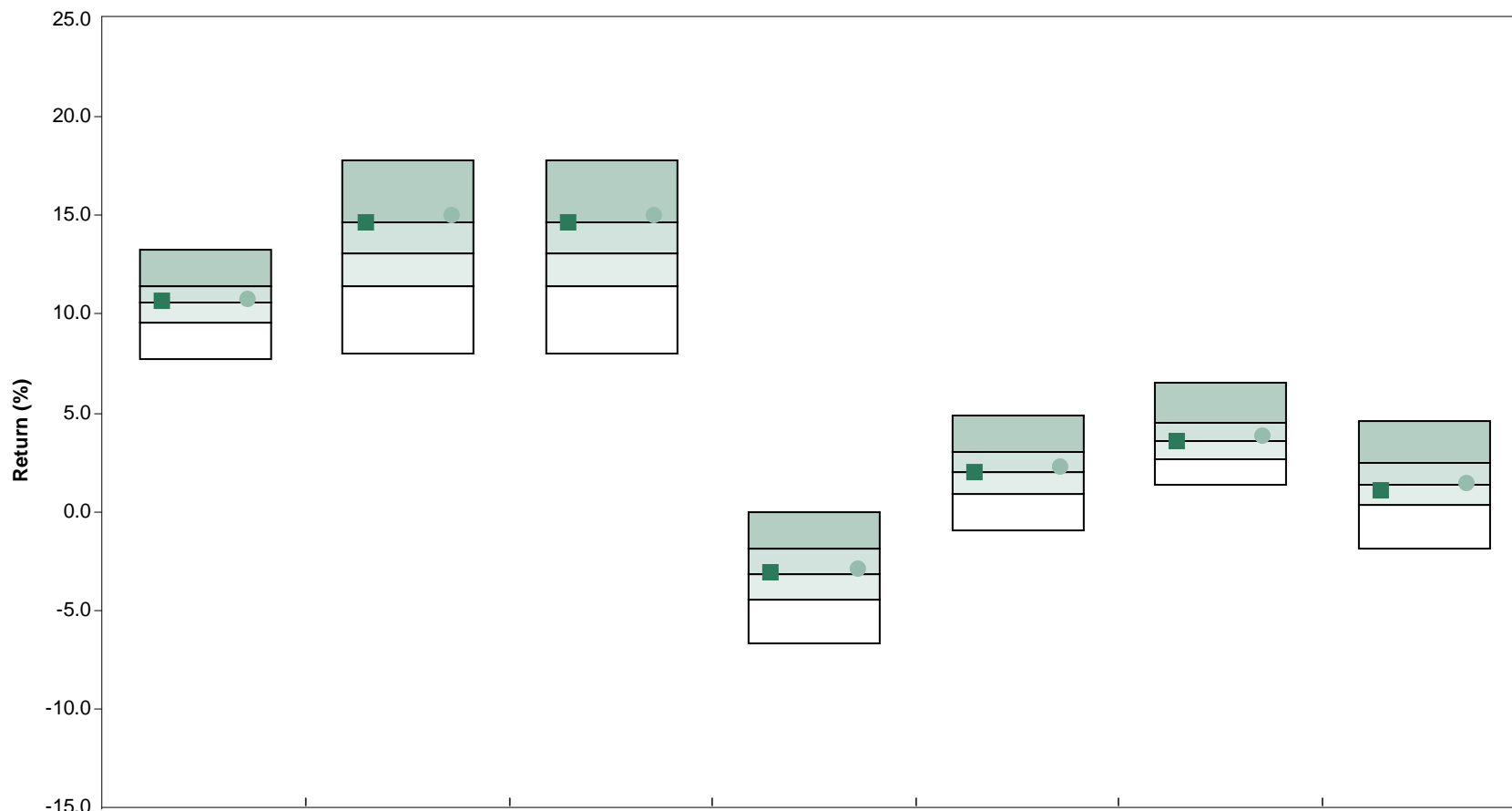
* Monthly periodicity used.

Up Down Market Capture



Principal Lrg Cap Stk Idx Acct

Peer Group Analysis - US Equity Large-Cap Core Funds (MF)

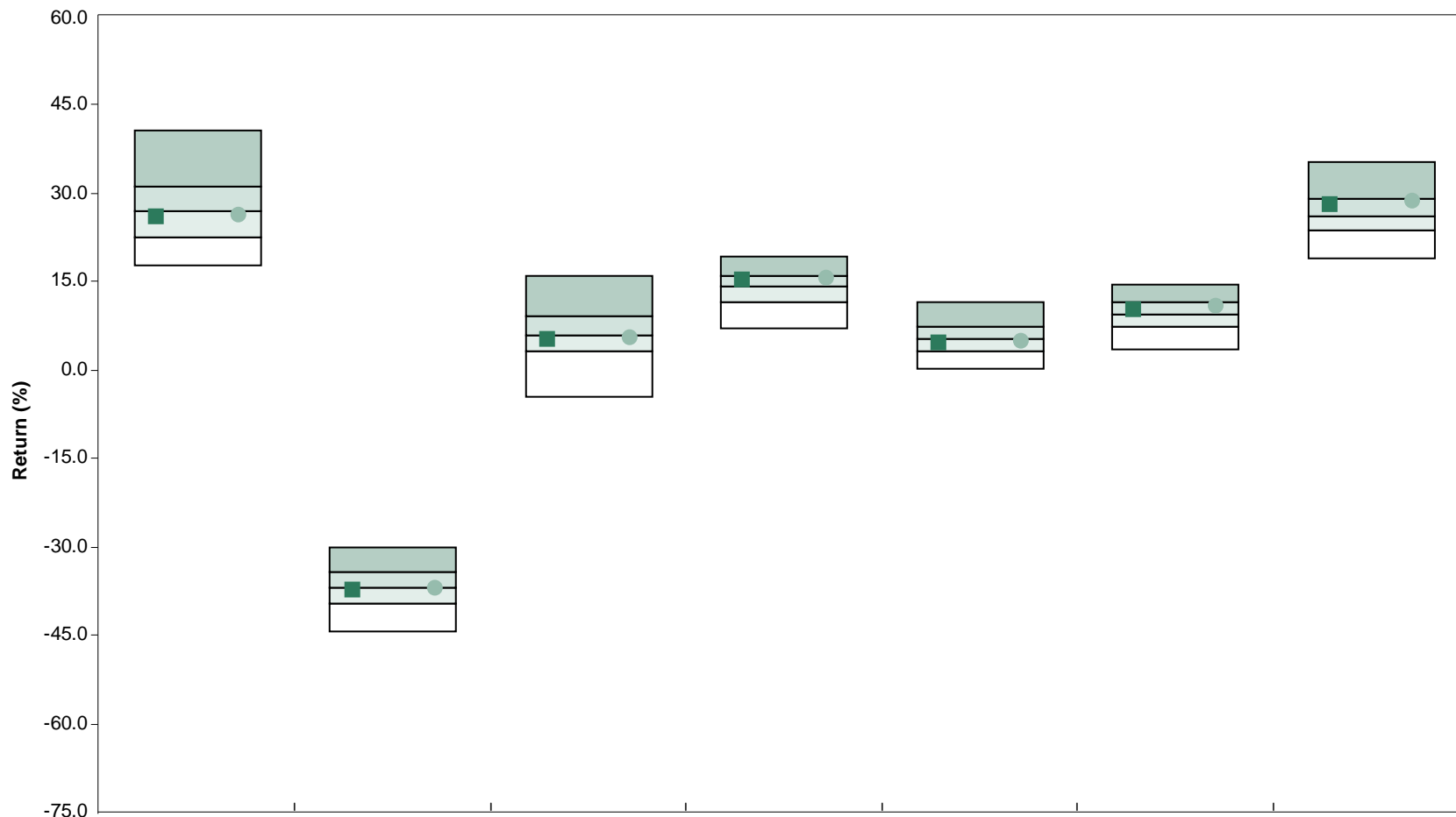


■ Principal Lrg Cap Stk Idx Acct
● S&P 500

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
Principal Lrg Cap Stk Idx Acct	10.64 (46)	14.68 (25)	14.68 (25)	-3.11 (49)	2.01 (50)	3.55 (51)	1.10 (56)
S&P 500	10.76 (43)	15.06 (21)	15.06 (21)	-2.85 (43)	2.29 (43)	3.85 (43)	1.41 (49)
5th Percentile	13.26	17.78	17.78	-0.03	4.84	6.49	4.55
1st Quartile	11.38	14.61	14.61	-1.88	3.05	4.49	2.42
Median	10.54	13.11	13.11	-3.22	1.99	3.57	1.35
3rd Quartile	9.54	11.47	11.47	-4.48	0.86	2.65	0.36
95th Percentile	7.69	8.05	8.05	-6.66	-0.99	1.31	-1.85

Principal Lrg Cap Stk Idx Acct

Peer Group Analysis - US Equity Large-Cap Core Funds (MF)



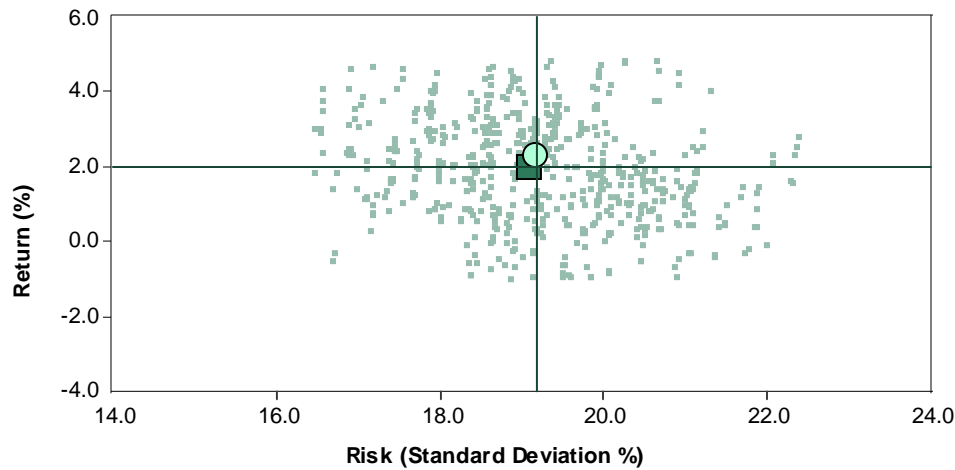
	2009	2008	2007	2006	2005	2004	2003
■ Principal Lrg Cap Stk Idx Acct	26.09 (56)	-37.10 (51)	5.18 (58)	15.47 (34)	4.59 (58)	10.49 (38)	28.14 (32)
● S&P 500	26.46 (54)	-37.00 (50)	5.49 (55)	15.79 (29)	4.91 (54)	10.88 (34)	28.68 (28)
5th Percentile	40.81	-30.24	15.99	19.39	11.52	14.57	35.33
1st Quartile	31.12	-34.39	9.20	16.11	7.35	11.57	29.06
Median	26.97	-37.03	5.86	14.08	5.15	9.58	26.14
3rd Quartile	22.55	-39.68	3.15	11.67	3.28	7.23	23.65
95th Percentile	17.73	-44.23	-4.48	7.08	0.09	3.51	18.91

Principal Lrg Cap Stk Idx Acct

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lrg Cap Stk Idx Acct	2.01	19.10	0.08	-0.27	1.00	1.00	0.08	-3.52	19.17	01/01/1995
S&P 500	2.29	19.16	0.09	0.00	1.00	1.00	0.00	N/A	19.24	01/01/1995
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.39	0.00	0.00	19.24	-0.09	0.00	01/01/1995

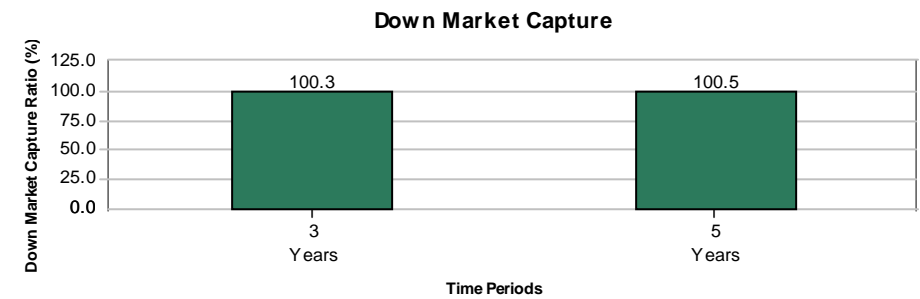
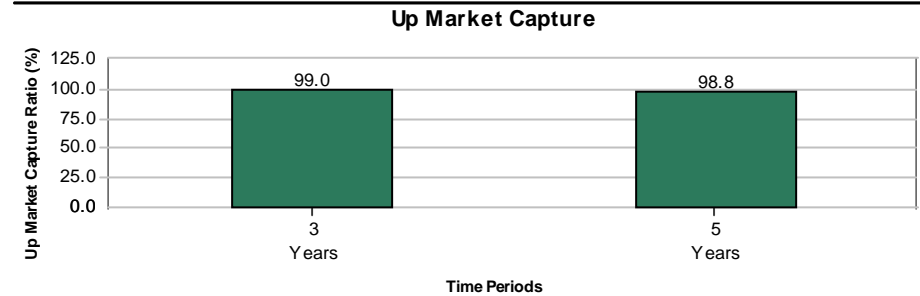
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
Principal Lrg Cap Stk Idx Acct	2.01	19.10
S&P 500	2.29	19.16
Median	1.99	19.18

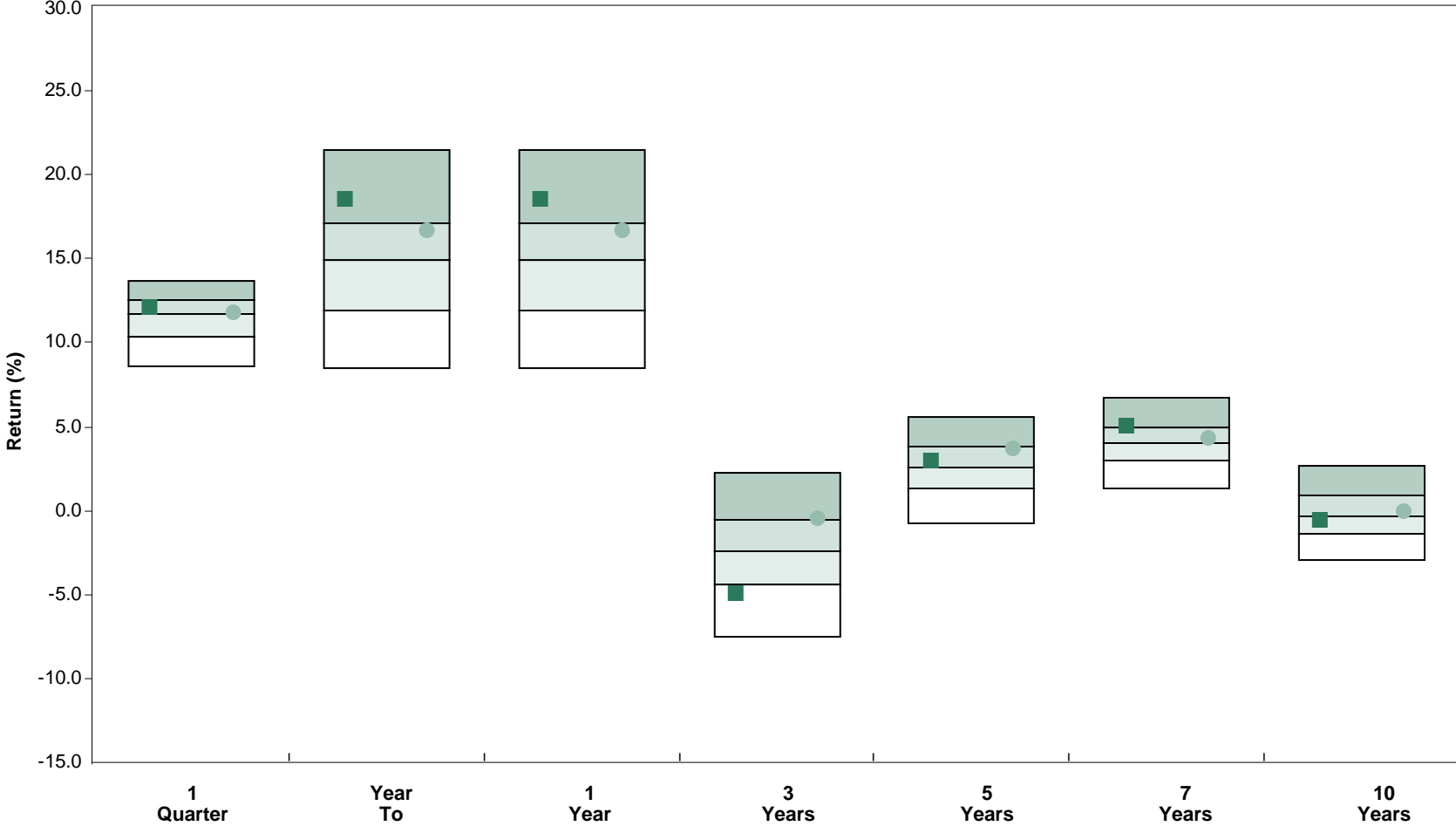
* Quarterly periodicity used.

Up Down Market Capture



Principal Lrg Comp Grth Acct

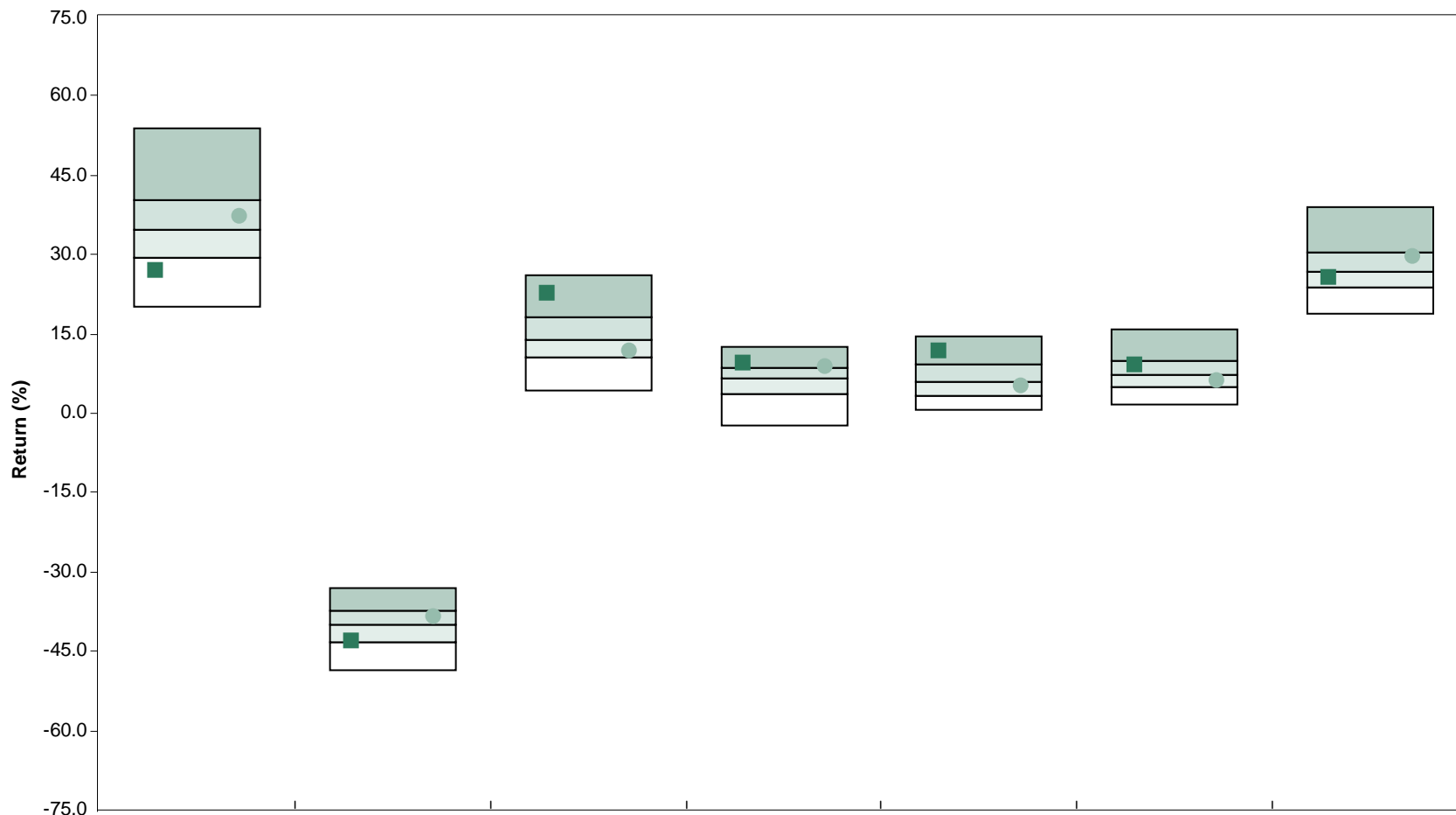
Peer Group Analysis - US Equity Large-Cap Growth Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Lrg Comp Grth Acct	12.10 (37)	18.58 (16)	18.58 (16)	-4.89 (79)	3.02 (40)	5.10 (21)	-0.50 (57)
● Russell 1000 Growth Index	11.83 (47)	16.71 (30)	16.71 (30)	-0.47 (24)	3.75 (26)	4.33 (41)	0.02 (42)
5th Percentile	13.67	21.45	21.45	2.21	5.61	6.74	2.66
1st Quartile	12.54	17.16	17.16	-0.54	3.77	4.94	0.94
Median	11.72	14.92	14.92	-2.38	2.52	3.97	-0.32
3rd Quartile	10.32	11.92	11.92	-4.45	1.35	2.96	-1.43
95th Percentile	8.62	8.45	8.45	-7.48	-0.71	1.31	-2.99

Principal Lrg Comp Grth Acct

Peer Group Analysis - US Equity Large-Cap Growth Funds (MF)



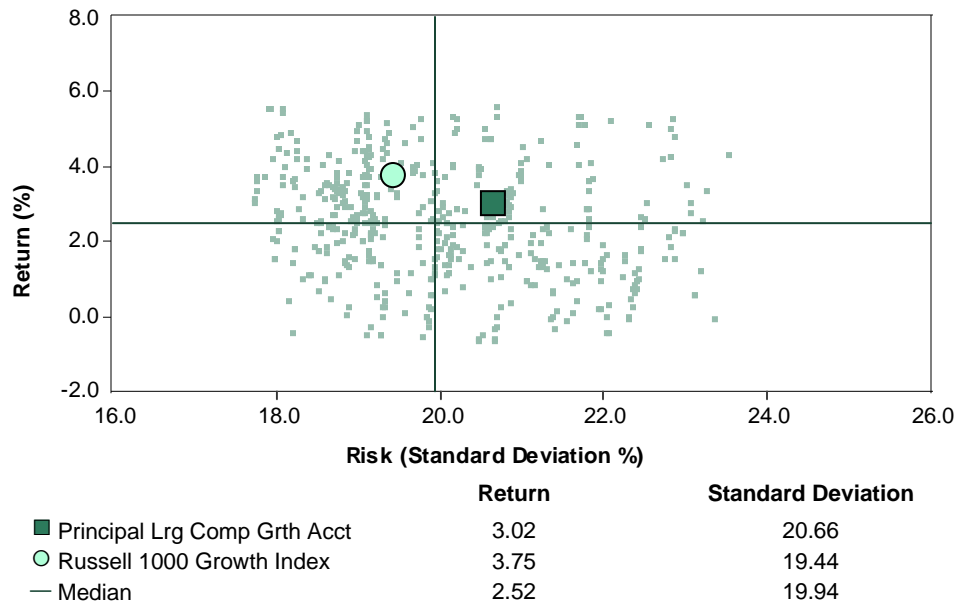
	2009	2008	2007	2006	2005	2004	2003
■ Principal Lrg Comp Grth Acct	26.95 (83)	-42.84 (72)	22.93 (7)	9.68 (16)	11.81 (14)	9.17 (32)	25.93 (59)
● Russell 1000 Growth Index	37.21 (39)	-38.44 (37)	11.81 (68)	9.07 (22)	5.26 (58)	6.30 (62)	29.75 (31)
5th Percentile	53.84	-33.00	26.25	12.59	14.58	15.87	39.01
1st Quartile	40.42	-37.36	18.20	8.69	9.12	9.98	30.47
Median	34.60	-39.94	13.96	6.48	5.86	7.28	26.91
3rd Quartile	29.37	-43.35	10.66	3.60	3.46	5.09	23.70
95th Percentile	20.27	-48.55	4.45	-2.19	0.65	1.69	18.81

Principal Lrg Comp Grth Acct

Historical Statistics (01/01/06 - 12/31/10) *

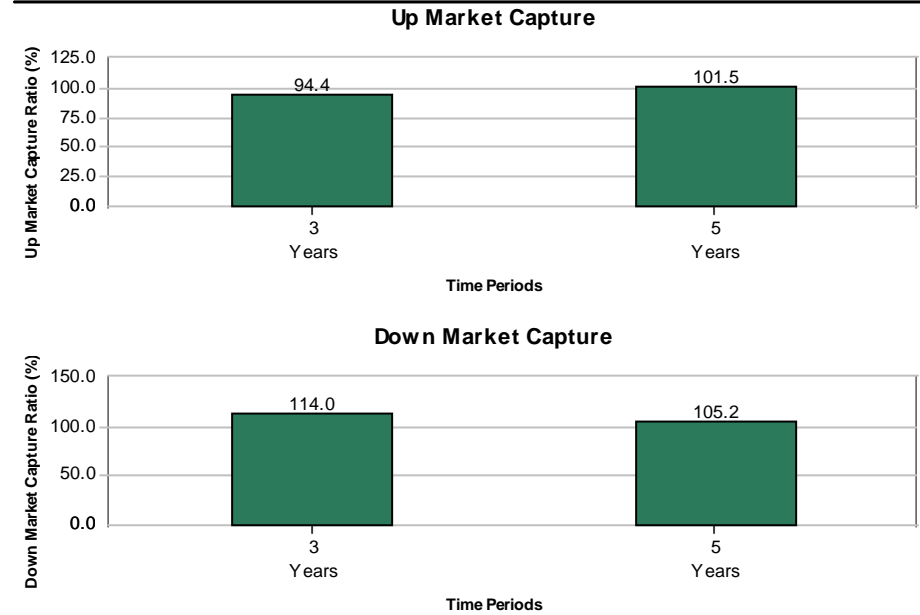
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lrg Comp Grth Acct	3.02	20.66	0.14	-0.57	1.03	0.94	5.12	-0.08	20.70	01/01/2001
Russell 1000 Growth Index	3.75	19.44	0.17	0.00	1.00	1.00	0.00	N/A	19.57	01/01/2001
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.41	-0.01	0.01	19.57	-0.17	0.00	01/01/2001

Peer Group Scattergram (01/01/06 to 12/31/10)



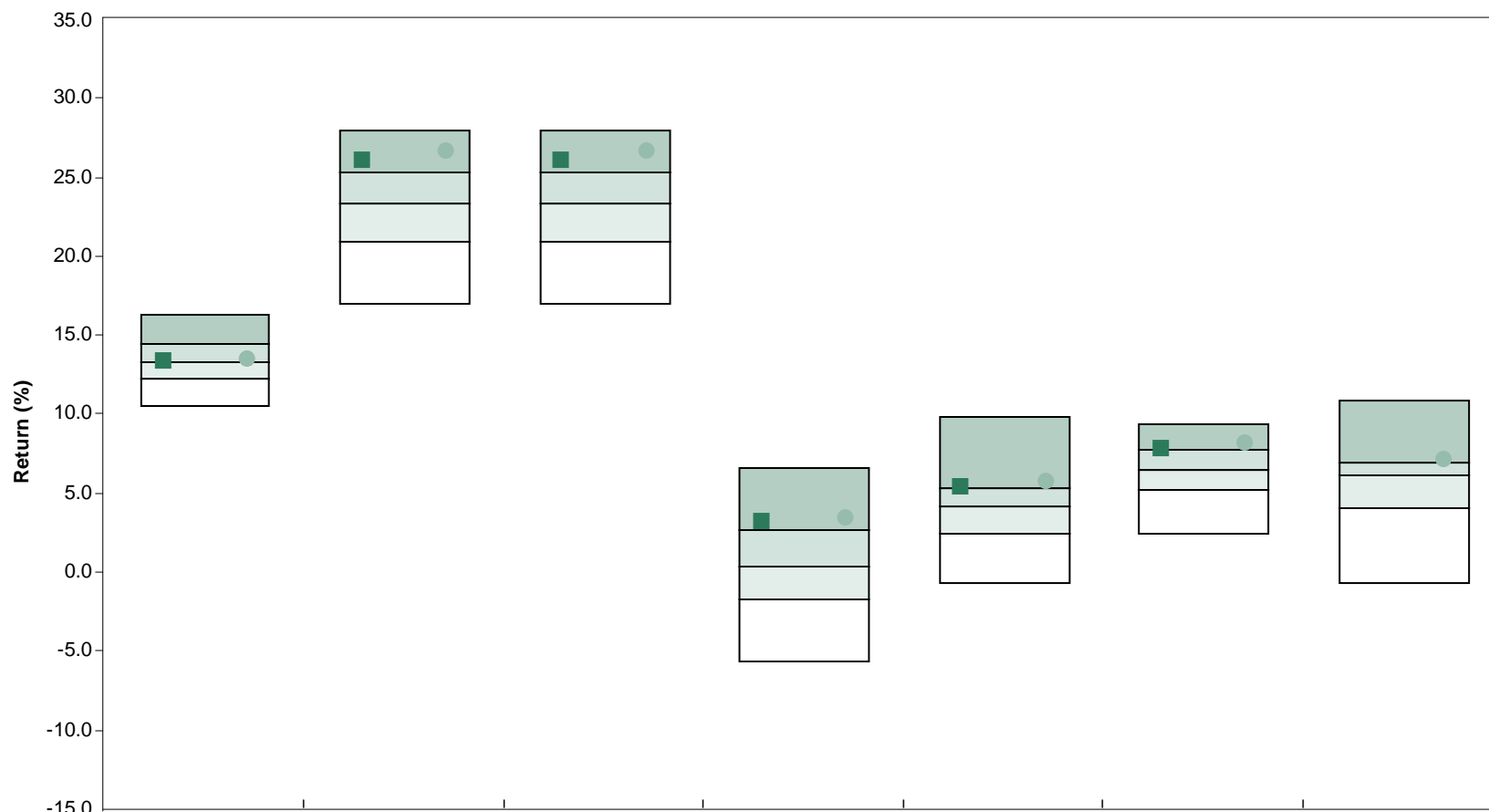
* Quarterly periodicity used.

Up Down Market Capture



Principal MidCap S&P 400 Index

Peer Group Analysis - US Equity Mid-Cap Core Funds (MF)

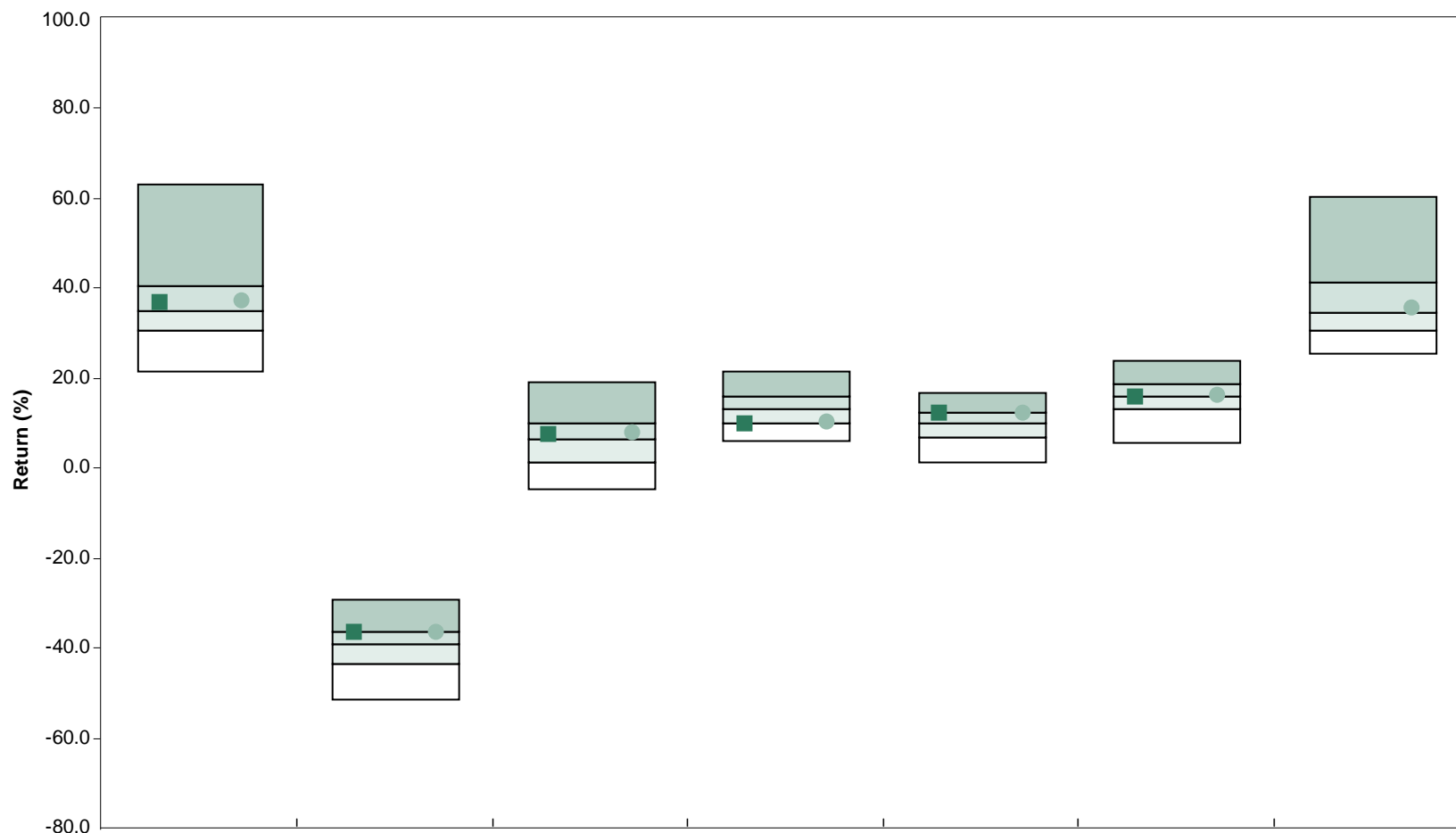


■ Principal MidCap S&P 400 Index
● S&P MidCap 400

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
Principal MidCap S&P 400 Index	13.36 (48)	26.12 (14)	26.12 (14)	3.21 (19)	5.43 (23)	7.84 (22)	N/A
S&P MidCap 400	13.50 (43)	26.64 (9)	26.64 (9)	3.52 (16)	5.73 (19)	8.17 (15)	7.16 (20)
5th Percentile	16.26	27.95	27.95	6.62	9.80	9.39	10.90
1st Quartile	14.43	25.30	25.30	2.65	5.35	7.73	6.92
Median	13.31	23.29	23.29	0.33	4.16	6.52	6.12
3rd Quartile	12.21	20.87	20.87	-1.77	2.42	5.17	4.05
95th Percentile	10.50	17.00	17.00	-5.65	-0.71	2.47	-0.71

Principal MidCap S&P 400 Index

Peer Group Analysis - US Equity Mid-Cap Core Funds (MF)



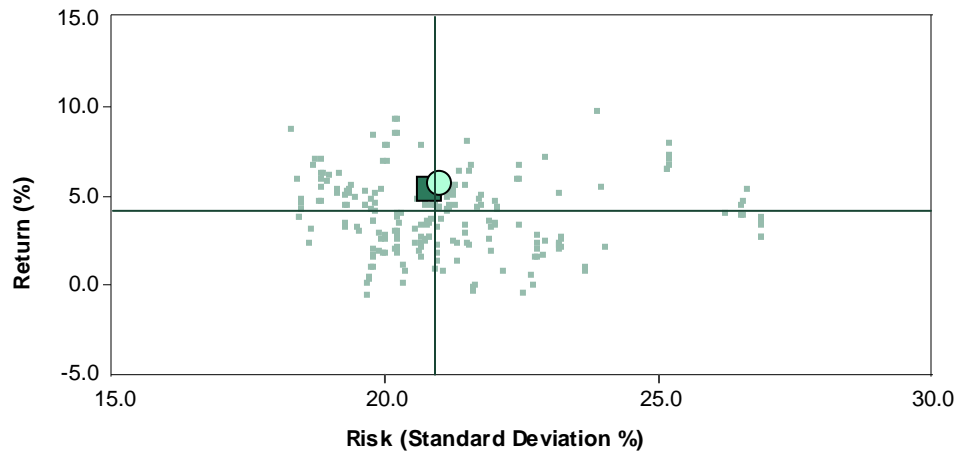
	2009	2008	2007	2006	2005	2004	2003
■ Principal MidCap S&P 400 Index	36.89 (38)	-36.32 (25)	7.67 (38)	10.05 (74)	12.20 (29)	16.02 (48)	N/A
● S&P MidCap 400	37.38 (35)	-36.23 (24)	7.98 (35)	10.32 (72)	12.55 (25)	16.50 (43)	35.64 (42)
5th Percentile	63.15	-29.29	19.09	21.42	16.85	23.99	60.38
1st Quartile	40.62	-36.32	10.18	15.84	12.52	18.67	41.42
Median	34.95	-39.26	6.48	13.24	9.89	15.89	34.68
3rd Quartile	30.62	-43.34	1.45	9.94	6.92	13.33	30.73
95th Percentile	21.63	-51.62	-4.77	6.21	1.46	5.74	25.48

Principal MidCap S&P 400 Index

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal MidCap S&P 400 Index	5.43	20.79	0.25	-0.11	0.97	0.96	3.99	-0.08	20.90	01/01/2004
S&P MidCap 400	5.73	20.97	0.26	0.00	1.00	1.00	0.00	N/A	21.08	01/01/2004
90 Day U.S. Treasury Bill	2.39	0.64	N/A	2.41	0.00	0.03	21.08	-0.26	0.00	01/01/2004

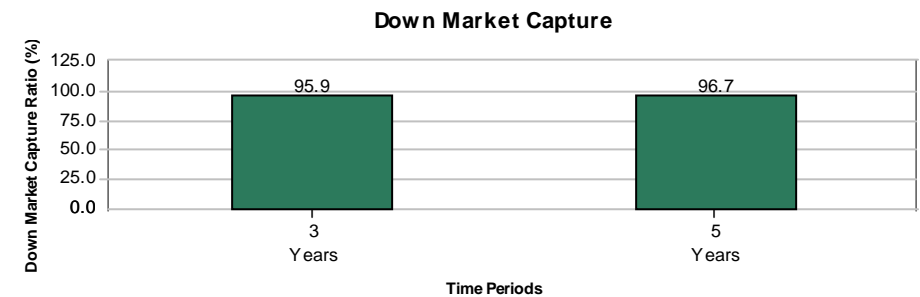
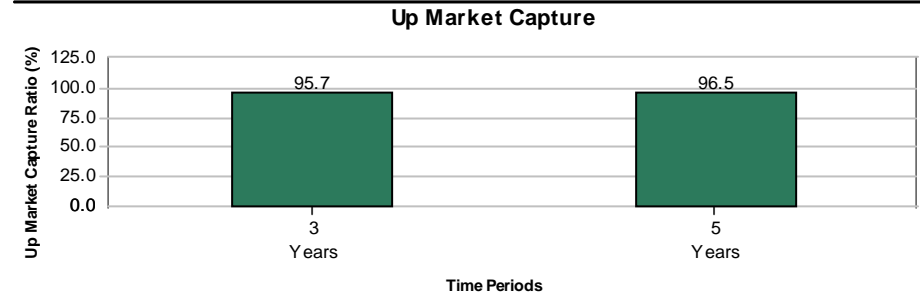
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
Principal MidCap S&P 400 Index	5.43	20.79
S&P MidCap 400	5.73	20.97
— Median	4.16	20.89

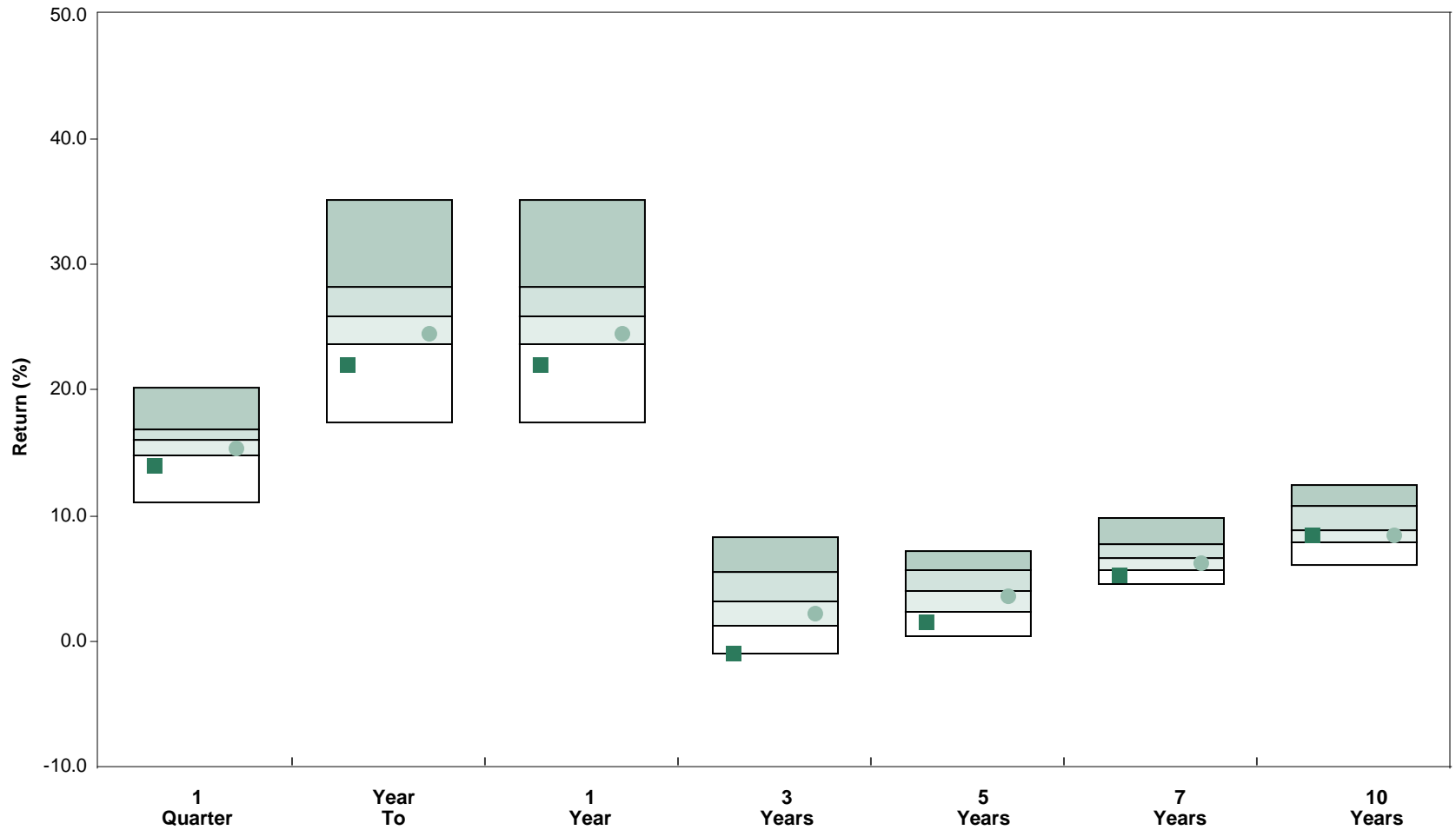
* Monthly periodicity used.

Up Down Market Capture



Principal Small Comp Val Acct

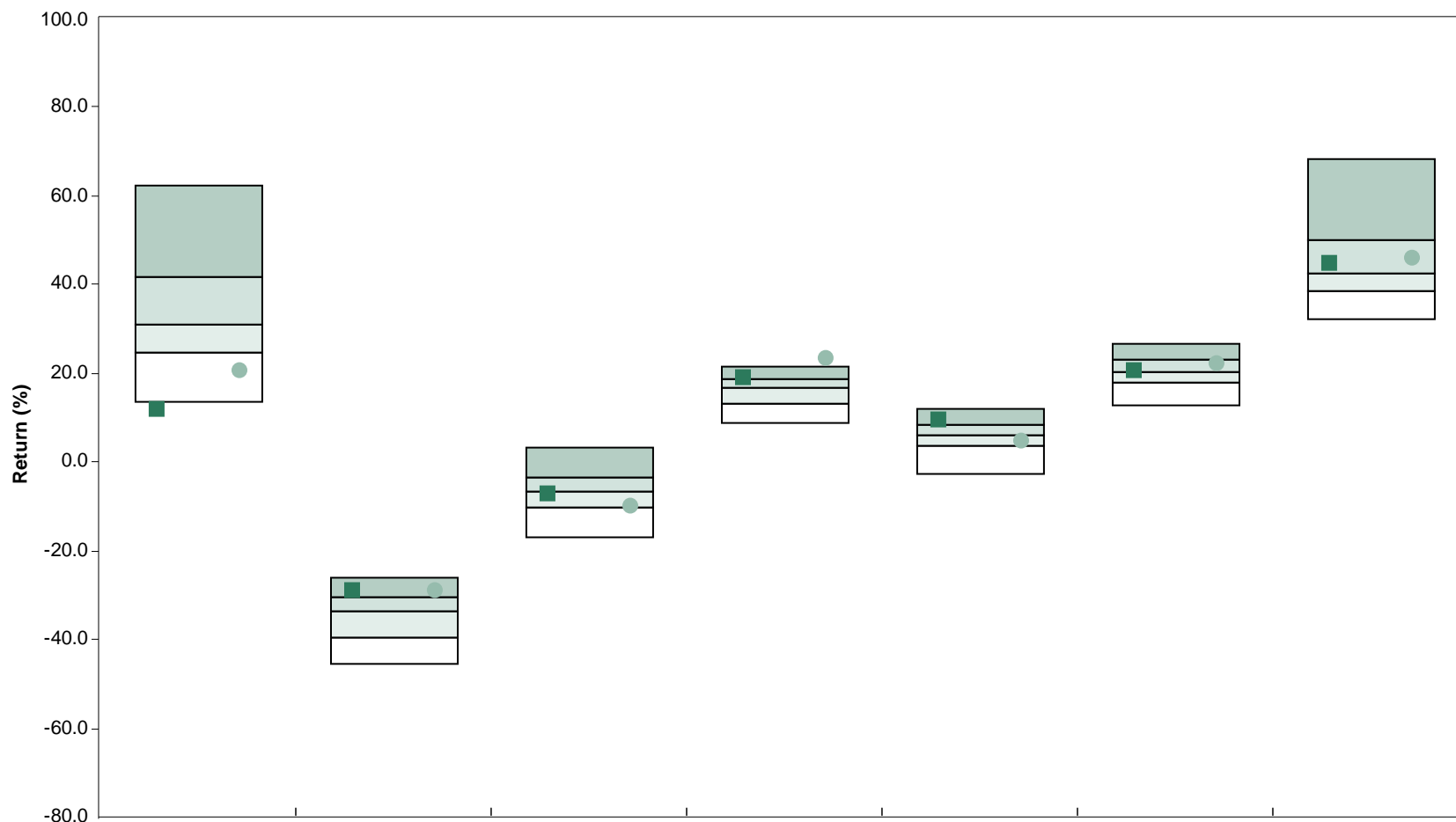
Peer Group Analysis - US Equity Small-Cap Value Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Small Comp Val Acct	14.04 (84)	22.02 (84)	22.02 (84)	-0.97 (95)	1.49 (86)	5.21 (88)	8.47 (57)
● Russell 2000 Value Index	15.36 (60)	24.50 (70)	24.50 (70)	2.19 (64)	3.52 (57)	6.18 (64)	8.42 (57)
5th Percentile	20.23	35.19	35.19	8.25	7.15	9.82	12.45
1st Quartile	16.86	28.21	28.21	5.46	5.61	7.75	10.84
Median	16.00	25.95	25.95	3.19	3.93	6.64	8.78
3rd Quartile	14.79	23.66	23.66	1.29	2.34	5.70	7.86
95th Percentile	11.00	17.40	17.40	-1.05	0.38	4.55	6.10

Principal Small Comp Val Acct

Peer Group Analysis - US Equity Small-Cap Value Funds (MF)



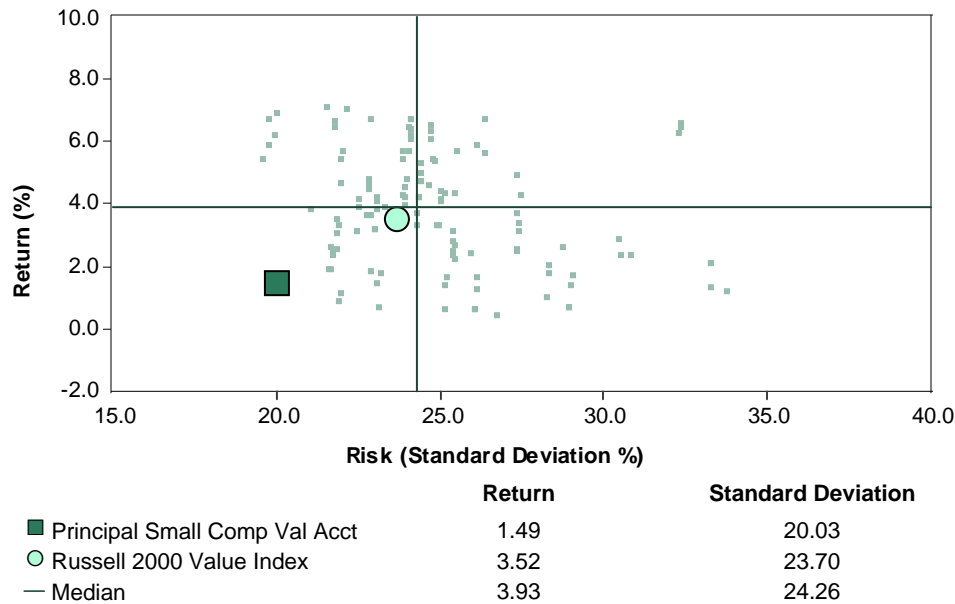
	2009	2008	2007	2006	2005	2004	2003
■ Principal Small Comp Val Acct	11.84 (98)	-28.83 (16)	-7.00 (56)	19.20 (23)	9.72 (16)	20.84 (47)	44.80 (39)
● Russell 2000 Value Index	20.58 (87)	-28.92 (17)	-9.78 (72)	23.48 (1)	4.71 (69)	22.25 (40)	46.03 (35)
5th Percentile	62.17	-26.22	3.40	21.58	12.16	26.76	68.10
1st Quartile	41.57	-30.34	-3.58	18.91	8.54	23.25	50.03
Median	31.19	-33.49	-6.46	16.55	6.13	20.42	42.63
3rd Quartile	24.59	-39.64	-10.21	13.26	3.85	18.03	38.43
95th Percentile	13.67	-45.70	-17.05	8.80	-2.51	12.82	32.18

Principal Small Comp Val Acct

Historical Statistics (01/01/06 - 12/31/10) *

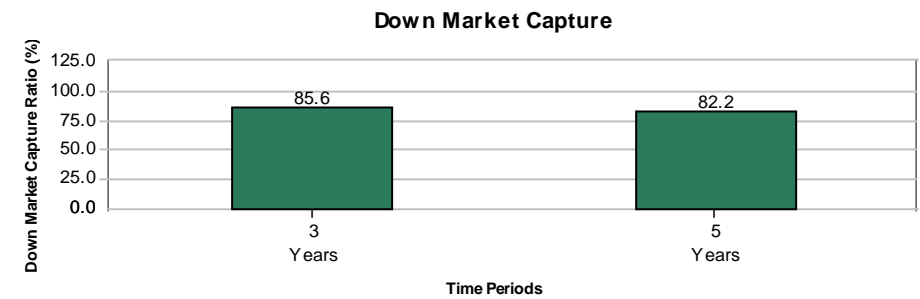
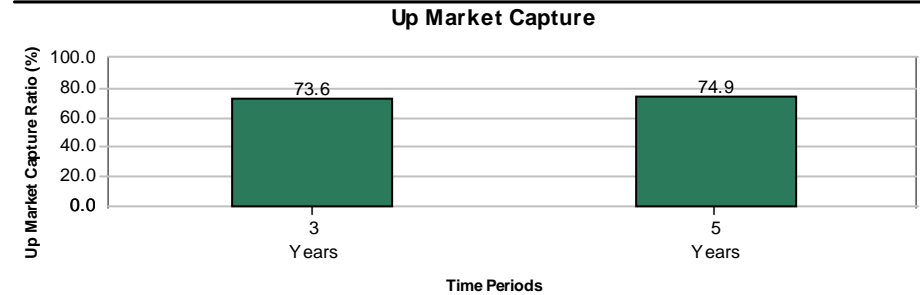
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Small Comp Val Acct	1.49	20.03	0.06	-1.66	0.82	0.95	6.19	-0.45	20.15	04/01/1997
Russell 2000 Value Index	3.52	23.70	0.17	0.00	1.00	1.00	0.00	N/A	23.83	04/01/1997
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.41	0.00	0.01	23.83	-0.17	0.00	04/01/1997

Peer Group Scattergram (01/01/06 to 12/31/10)



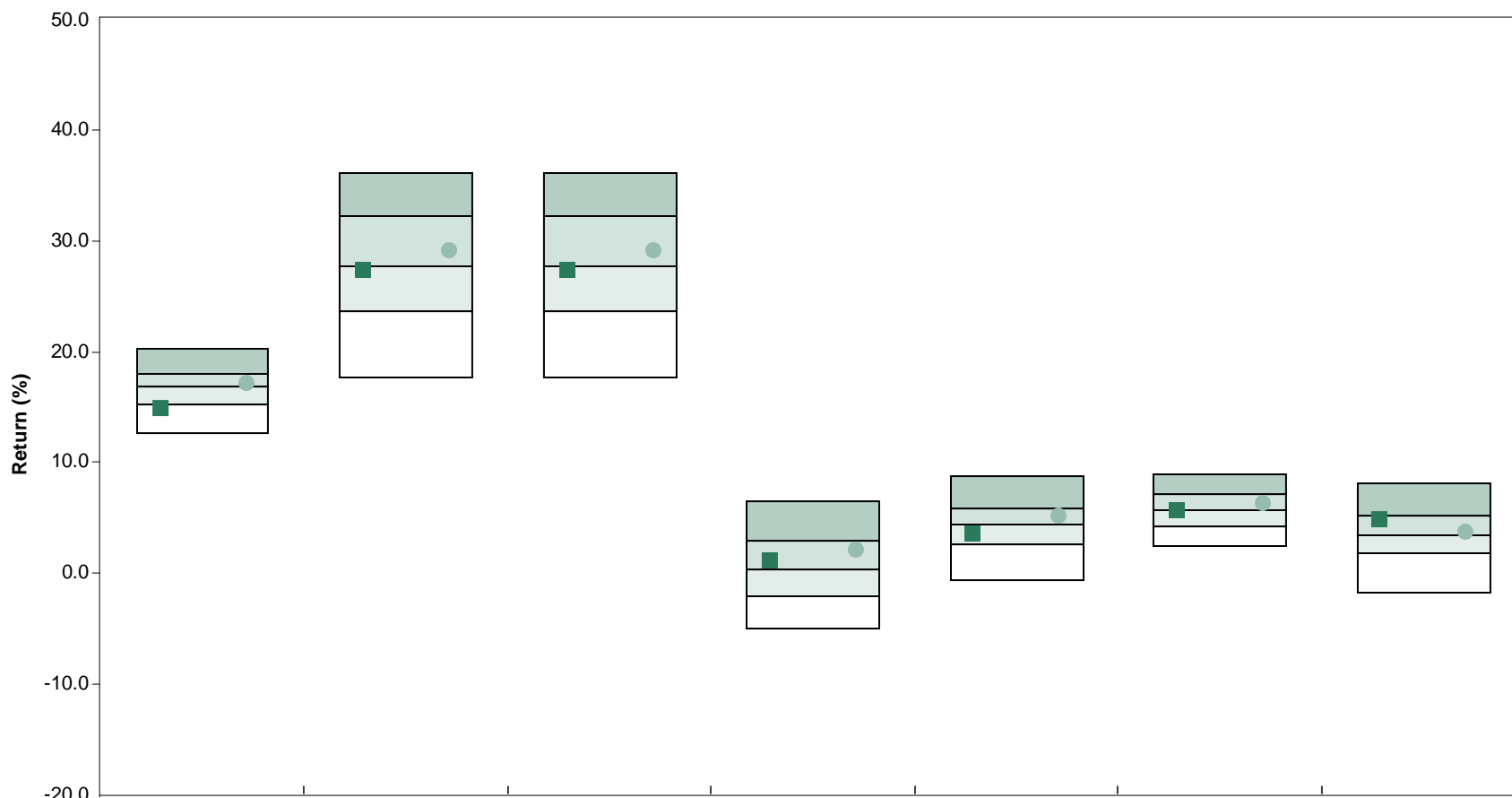
* Quarterly periodicity used.

Up Down Market Capture



Vanguard Explorer Fund

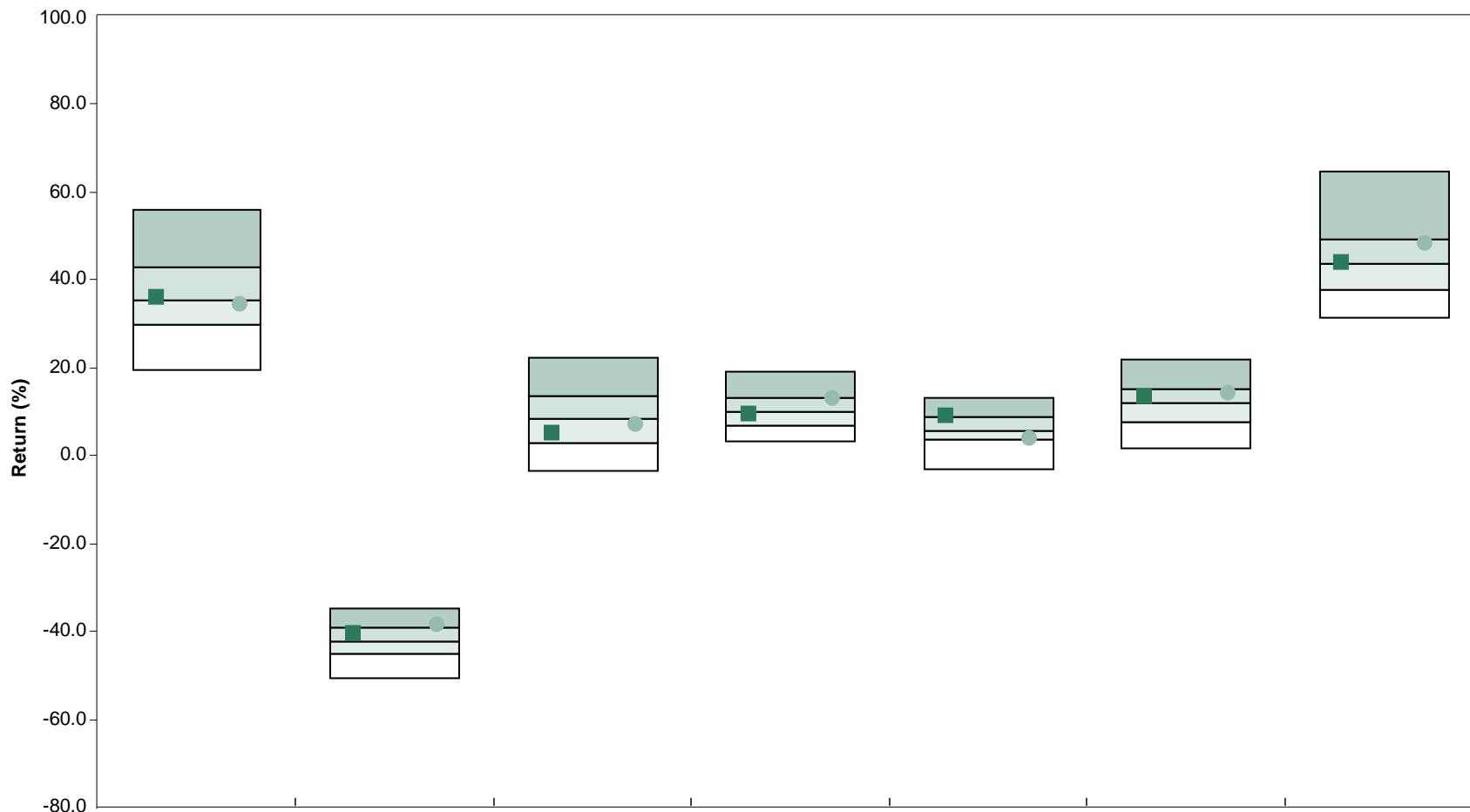
Peer Group Analysis - US Equity Small-Cap Growth Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Vanguard Explorer Fund	14.93 (78)	27.43 (53)	27.43 (53)	1.14 (43)	3.58 (63)	5.78 (49)	4.95 (30)
● Russell 2000 Growth Index	17.11 (44)	29.09 (41)	29.09 (41)	2.18 (30)	5.30 (35)	6.37 (38)	3.78 (44)
5th Percentile	20.32	36.16	36.16	6.56	8.80	8.93	8.09
1st Quartile	18.07	32.19	32.19	2.92	5.83	7.14	5.16
Median	16.83	27.72	27.72	0.41	4.42	5.74	3.51
3rd Quartile	15.30	23.72	23.72	-2.11	2.67	4.21	1.89
95th Percentile	12.65	17.68	17.68	-5.01	-0.59	2.47	-1.66

Vanguard Explorer Fund

Peer Group Analysis - US Equity Small-Cap Growth Funds (MF)



	2009	2008	2007	2006	2005	2004	2003
■ Vanguard Explorer Fund	36.21 (47)	-40.40 (36)	5.06 (65)	9.70 (51)	9.28 (21)	13.75 (36)	44.25 (48)
● Russell 2000 Growth Index	34.47 (54)	-38.54 (20)	7.05 (58)	13.35 (26)	4.15 (69)	14.31 (31)	48.54 (28)
5th Percentile	55.94	-34.78	22.48	19.12	13.29	21.82	64.56
1st Quartile	42.99	-39.22	13.39	13.36	8.77	15.08	49.31
Median	35.36	-42.16	8.51	9.81	5.56	11.83	43.83
3rd Quartile	29.63	-45.05	2.86	6.67	3.53	7.81	37.89
95th Percentile	19.57	-50.79	-3.51	3.28	-3.27	1.53	31.59

Vanguard Explorer Fund

Fund Information

Fund Name Vanguard Explorer Fund; Investor Shares
 Fund Family Vanguard Group Inc
 Ticker VEXPX
 Inception Date 12/11/1967
 Fund Assets \$6,686.1 Million

Portfolio Assets \$9,786.4 Million
 Portfolio Manager Team Managed
 PM Tenure
 Fund Style US Equity Small-Cap Growth Funds (MF)
 Style Benchmark Russell 2000 Growth Index
 Portfolio Turnover 95%

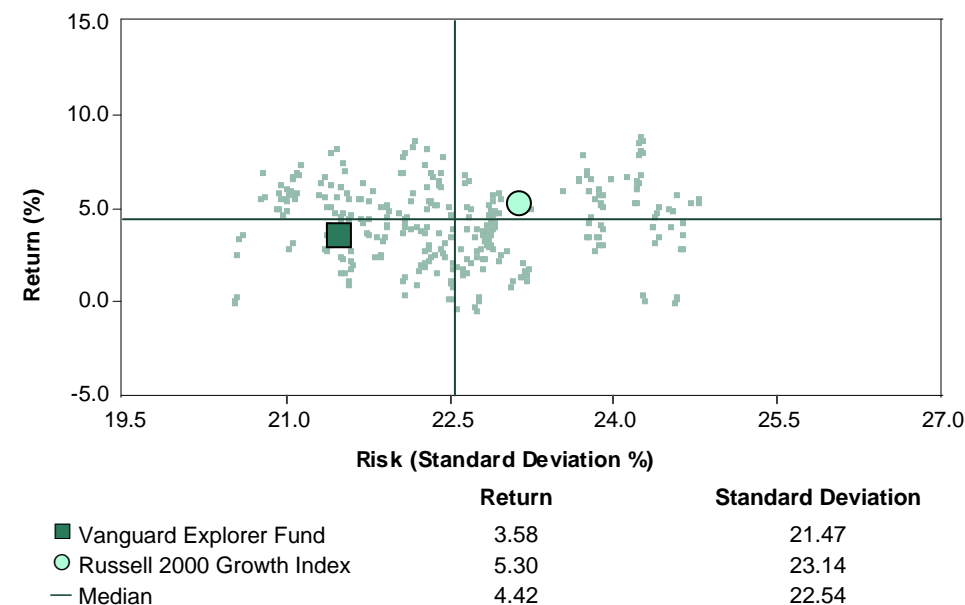
Fund Investment Policy

The Fund seeks long-term capital growth. Invests mainly in stocks of small firms. These tend to be unseasoned firms, but are considered to have superior growth potential. These companies provide little or no dividend income.

Historical Statistics (01/01/06 - 12/31/10) *

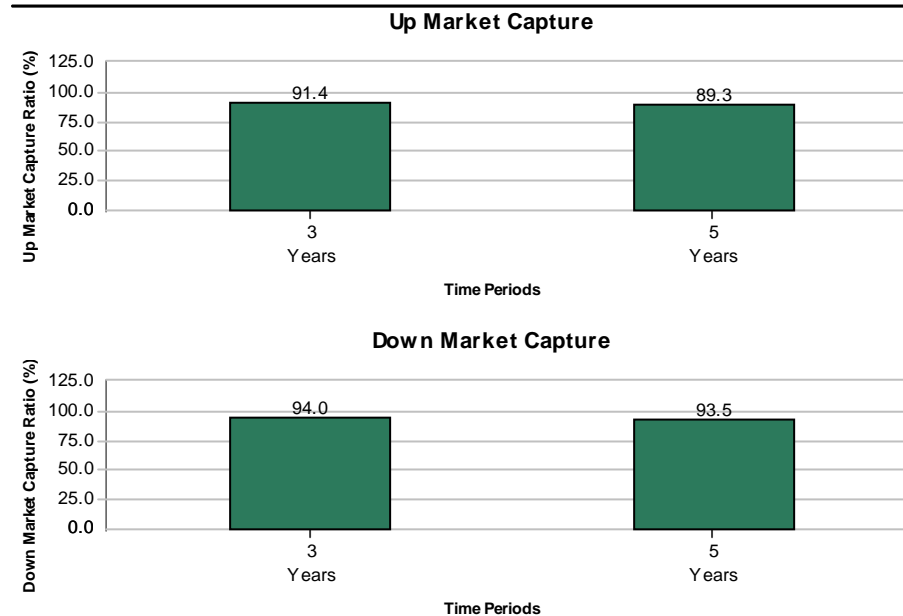
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Vanguard Explorer Fund	3.58	21.47	0.16	-1.40	0.92	0.98	3.37	-0.60	21.60	01/01/1968
Russell 2000 Growth Index	5.30	23.14	0.24	0.00	1.00	1.00	0.00	N/A	23.25	01/01/1968
90 Day U.S. Treasury Bill	2.39	0.64	N/A	2.40	0.00	0.02	23.25	-0.24	0.00	01/01/1968

Peer Group Scattergram (01/01/06 to 12/31/10)



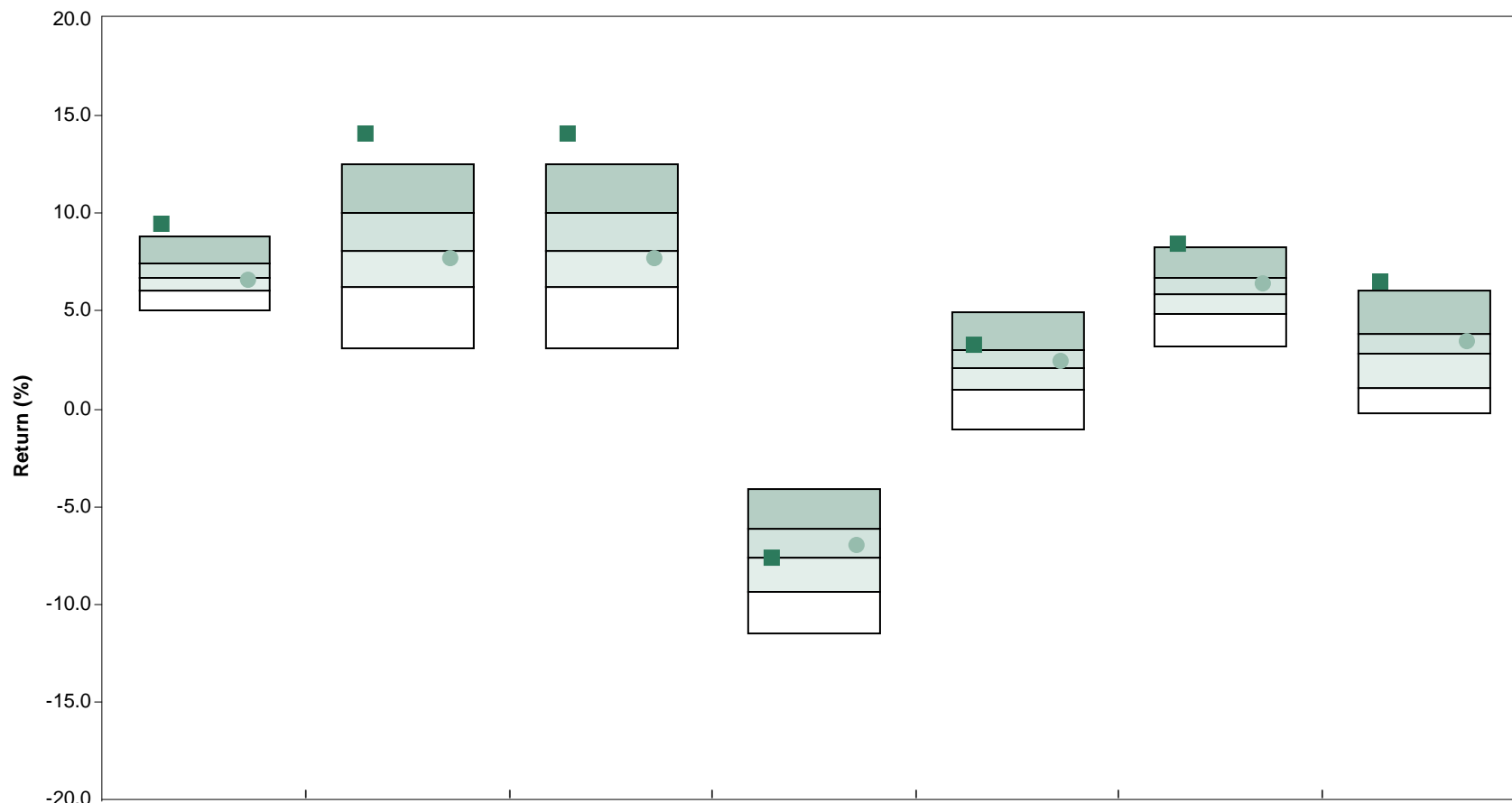
* Monthly periodicity used.

Up Down Market Capture



Principal Diversified Intl Acct

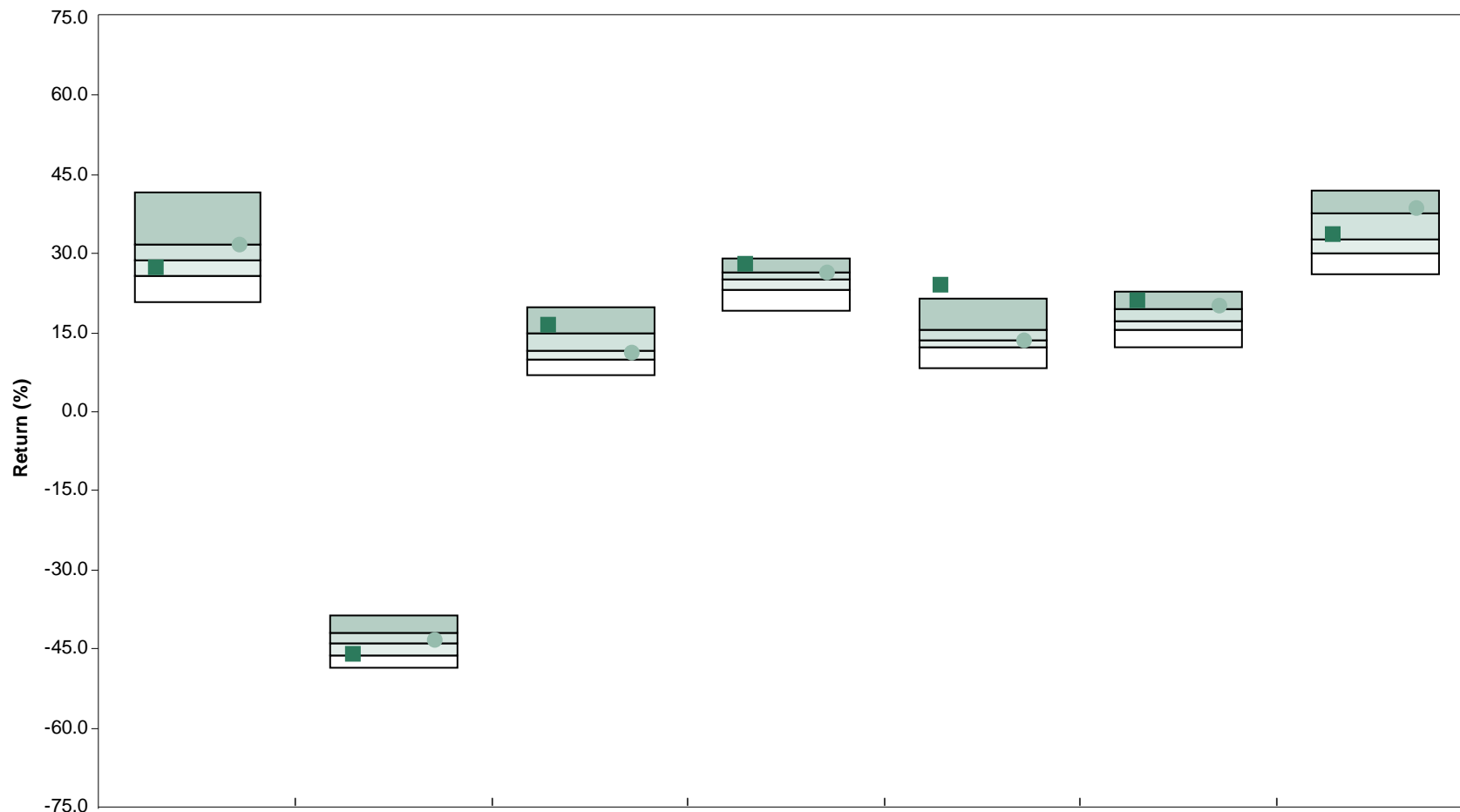
Peer Group Analysis - International Equity Large-Cap Core Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Diversified Intl Acct	9.45 (1)	14.07 (2)	14.07 (2)	-7.61 (51)	3.27 (23)	8.45 (5)	6.54 (1)
● MSCI EAFE (net)	6.61 (55)	7.75 (56)	7.75 (56)	-7.02 (40)	2.46 (42)	6.38 (36)	3.50 (30)
5th Percentile	8.78	12.48	12.48	-4.07	4.91	8.23	6.07
1st Quartile	7.47	10.04	10.04	-6.14	2.98	6.72	3.85
Median	6.73	8.10	8.10	-7.59	2.08	5.85	2.80
3rd Quartile	6.02	6.25	6.25	-9.33	0.97	4.87	1.11
95th Percentile	5.02	3.14	3.14	-11.53	-1.06	3.23	-0.24

Principal Diversified Intl Acct

Peer Group Analysis - International Equity Large-Cap Core Funds (MF)



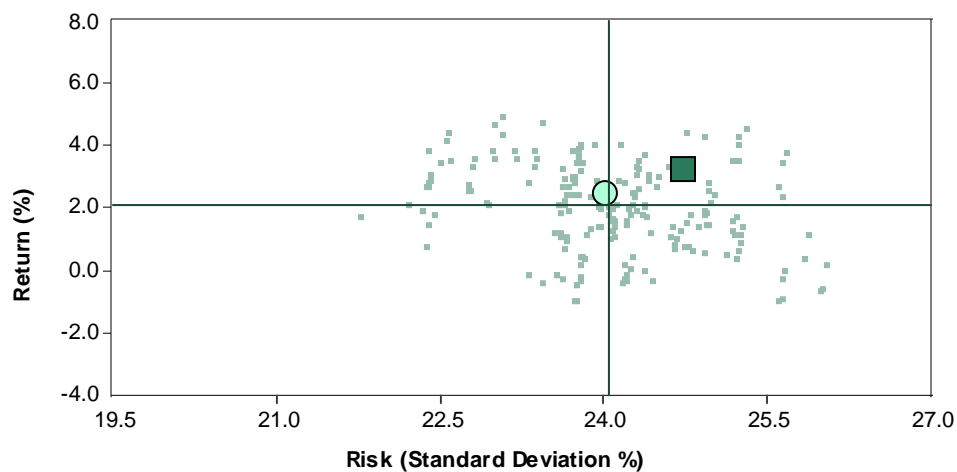
	2009	2008	2007	2006	2005	2004	2003
■ Principal Diversified Intl Acct	27.57 (62)	-45.81 (70)	16.36 (14)	28.00 (13)	24.14 (3)	20.99 (14)	33.69 (45)
● MSCI EAFE (net)	31.78 (26)	-43.38 (44)	11.17 (54)	26.34 (26)	13.54 (51)	20.25 (18)	38.59 (17)
5th Percentile	41.49	-38.81	19.93	29.09	21.50	22.73	42.05
1st Quartile	31.86	-41.94	14.77	26.38	15.57	19.64	37.53
Median	28.69	-43.93	11.52	24.95	13.58	17.15	32.82
3rd Quartile	25.63	-46.30	9.84	23.13	12.16	15.44	29.90
95th Percentile	20.98	-48.72	6.81	19.11	8.10	12.33	25.98

Principal Diversified Intl Acct

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Diversified Intl Acct	3.27	24.73	0.16	0.99	1.01	0.97	4.22	0.25	24.71	01/01/1995
MSCI EAFE (net)	2.46	24.01	0.12	0.00	1.00	1.00	0.00	N/A	24.01	01/01/1995
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.37	0.00	0.00	24.01	-0.12	0.00	01/01/1995

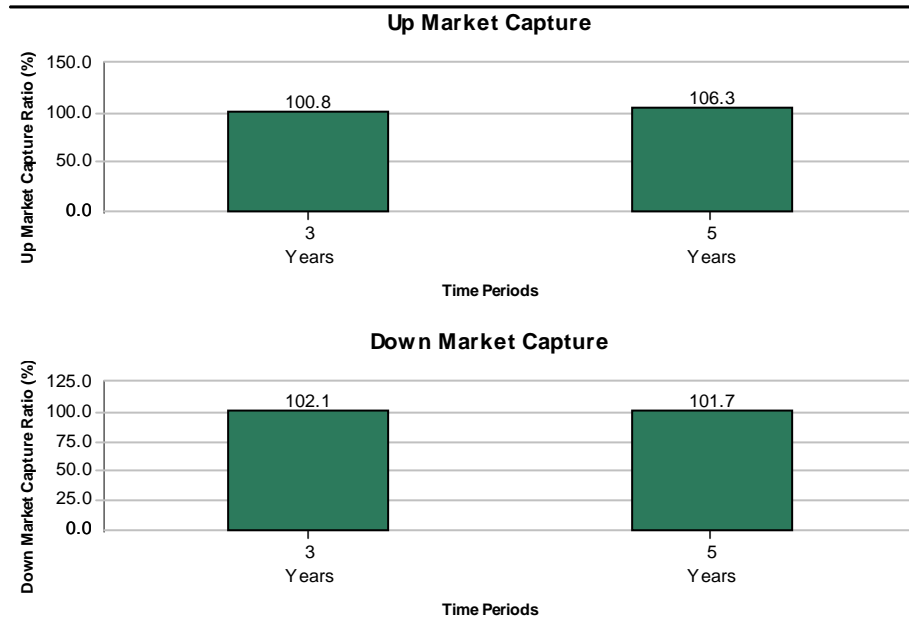
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
■ Principal Diversified Intl Acct	3.27	24.73
○ MSCI EAFE (net)	2.46	24.01
— Median	2.08	24.05

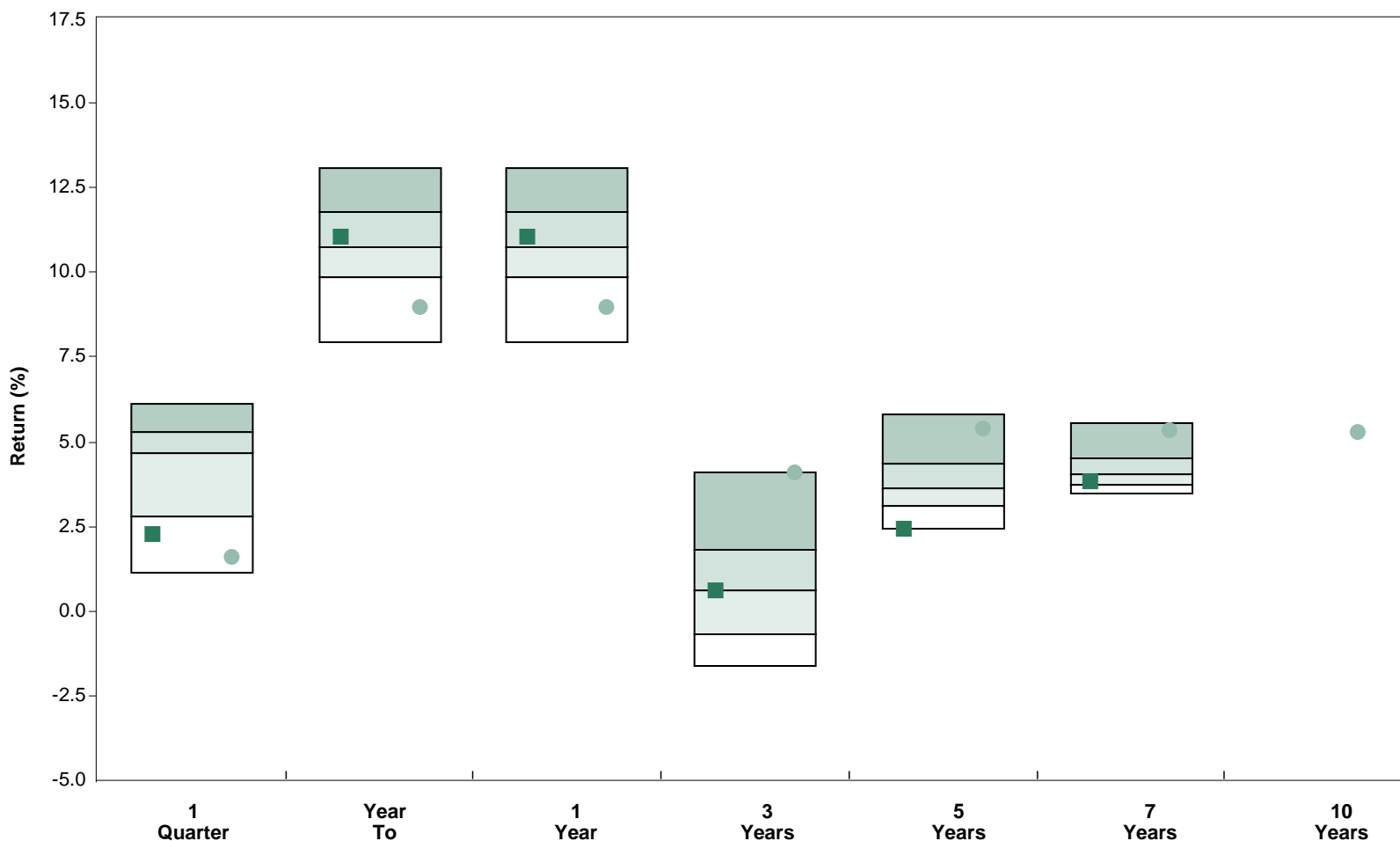
* Quarterly periodicity used.

Up Down Market Capture



Principal Lifetime Strategic Income

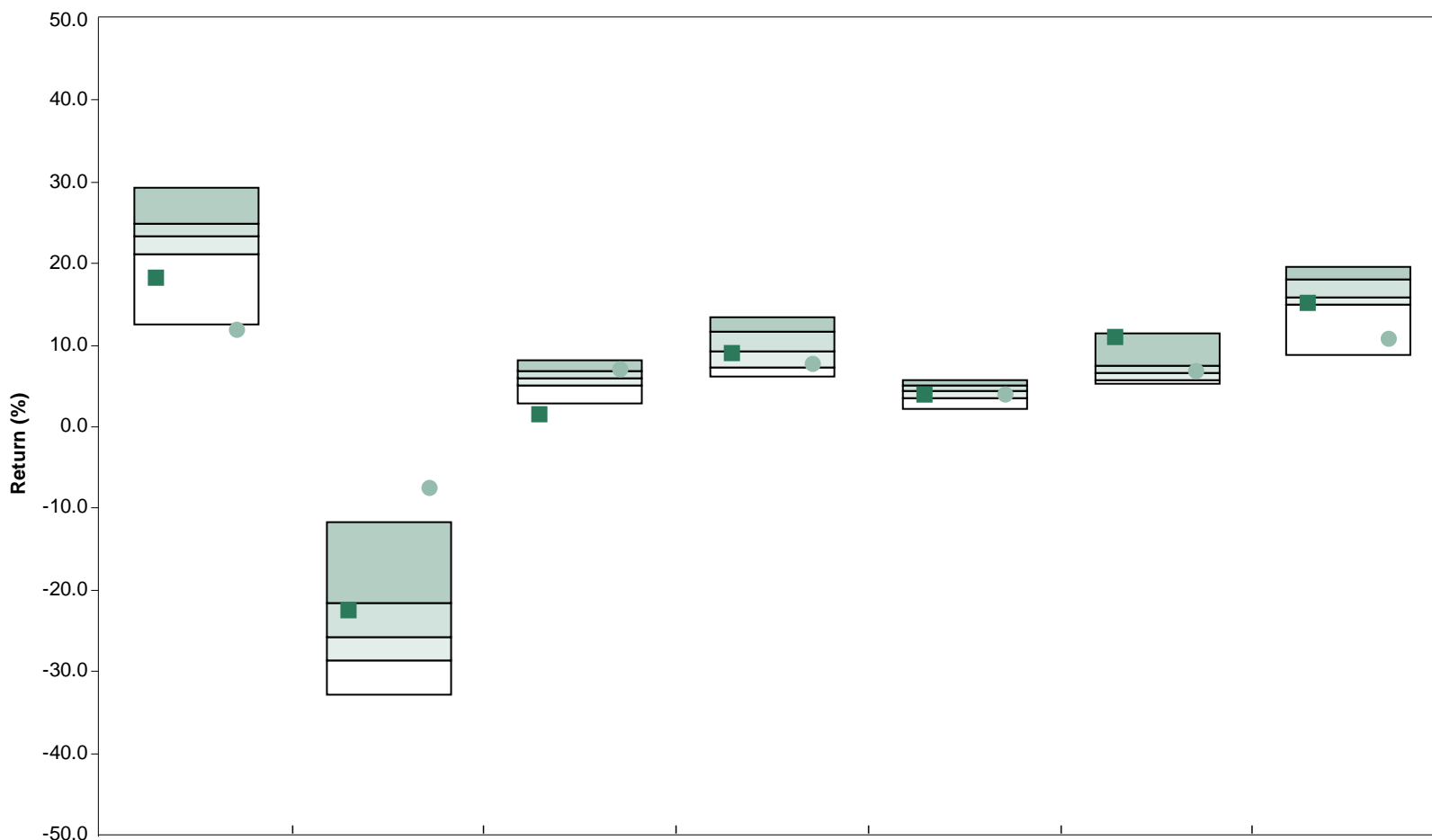
Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Lifetime Strategic Income	2.30 (85)	11.03 (41)	11.03 (41)	0.64 (50)	2.44 (95)	3.82 (73)	N/A
● 75 BC Agg / 10 R3000 / 6 EAFE Net	1.58 (86)	8.99 (89)	8.99 (89)	4.08 (6)	5.37 (7)	5.35 (7)	5.31 (N/A)
5th Percentile	6.10	13.08	13.08	4.12	5.78	5.57	N/A
1st Quartile	5.29	11.76	11.76	1.83	4.33	4.49	N/A
Median	4.67	10.77	10.77	0.60	3.62	4.02	N/A
3rd Quartile	2.81	9.89	9.89	-0.67	3.11	3.73	N/A
95th Percentile	1.12	7.93	7.93	-1.64	2.43	3.45	N/A

Principal Lifetime Strategic Income

Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)



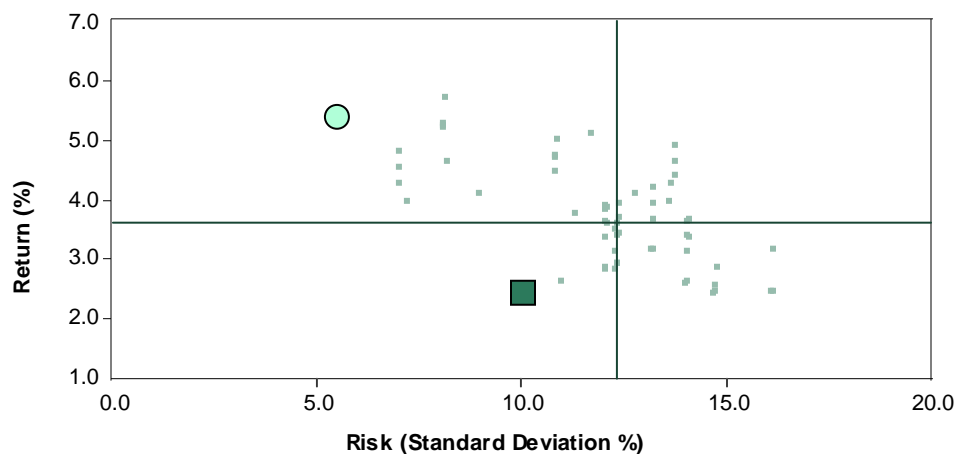
	2009	2008	2007	2006	2005	2004	2003
■ Principal Lifetime Strategic Income	18.33 (84)	-22.42 (30)	1.59 (100)	8.94 (56)	3.95 (70)	10.91 (16)	15.29 (67)
● 75 BC Agg / 10 R3000 / 6 EAFE Net	11.80 (97)	-7.47 (1)	6.98 (21)	7.71 (70)	3.86 (71)	6.73 (46)	10.87 (89)
5th Percentile	29.26	-11.59	8.11	13.34	5.82	11.37	19.53
1st Quartile	24.97	-21.58	6.74	11.68	5.00	7.47	18.06
Median	23.30	-25.81	5.84	9.35	4.31	6.56	15.82
3rd Quartile	21.06	-28.64	5.00	7.37	3.57	5.68	14.92
95th Percentile	12.53	-32.90	2.89	6.14	2.12	5.39	8.92

Principal Lifetime Strategic Income

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime Strategic Income	2.44	10.01	0.05	-6.29	1.70	0.86	5.33	-0.47	10.18	04/01/2001
75 BC Agg / 10 R3000 / 6 EAFE Net	5.37	5.46	0.54	0.00	1.00	1.00	0.00	N/A	5.61	04/01/2001
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.42	-0.01	0.00	5.61	-0.54	0.00	04/01/2001

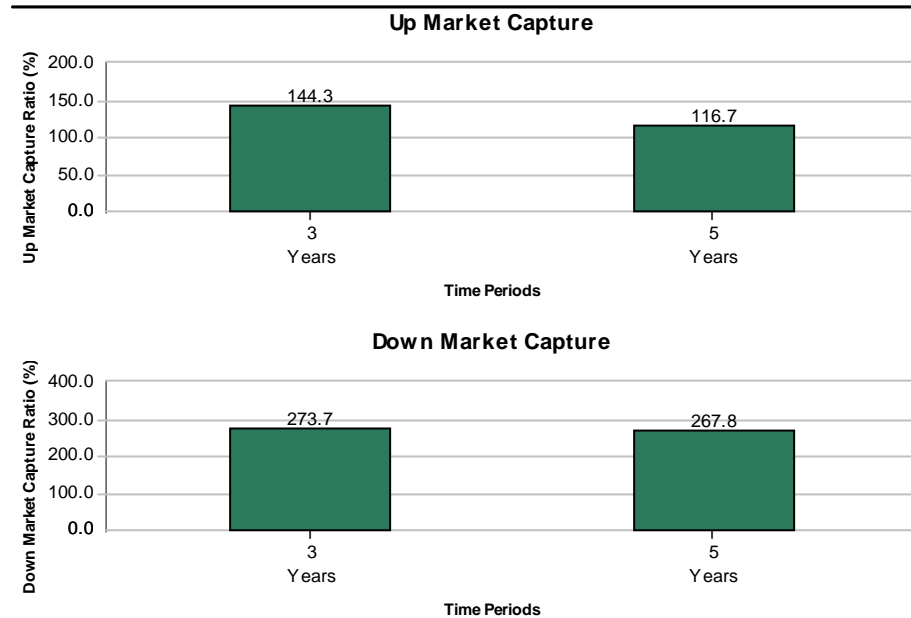
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
■ Principal Lifetime Strategic Income	2.44	10.01
● 75 BC Agg / 10 R3000 / 6 EAFE Net	5.37	5.46
— Median	3.62	12.32

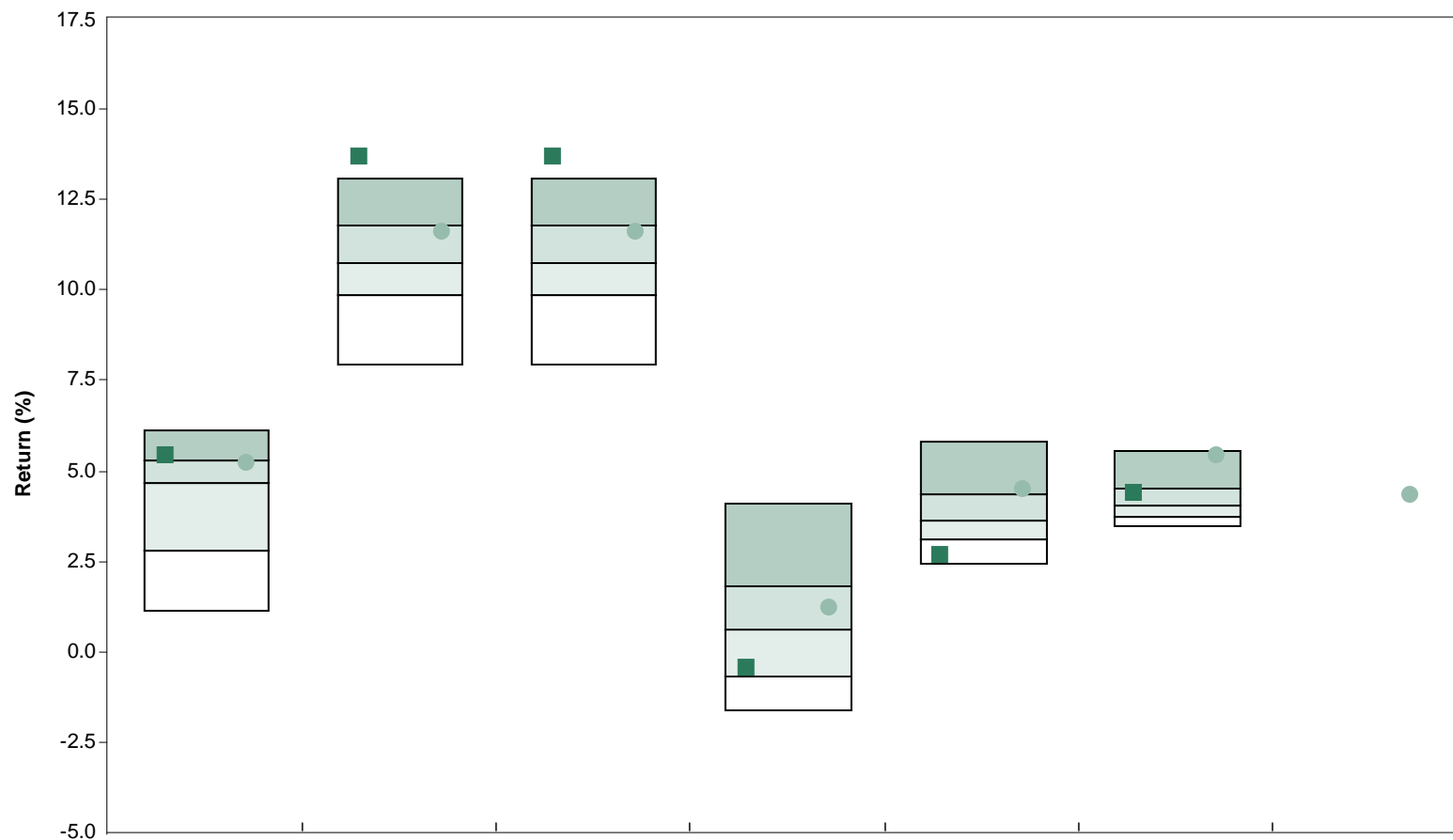
* Quarterly periodicity used.

Up Down Market Capture



Principal Lifetime 2010

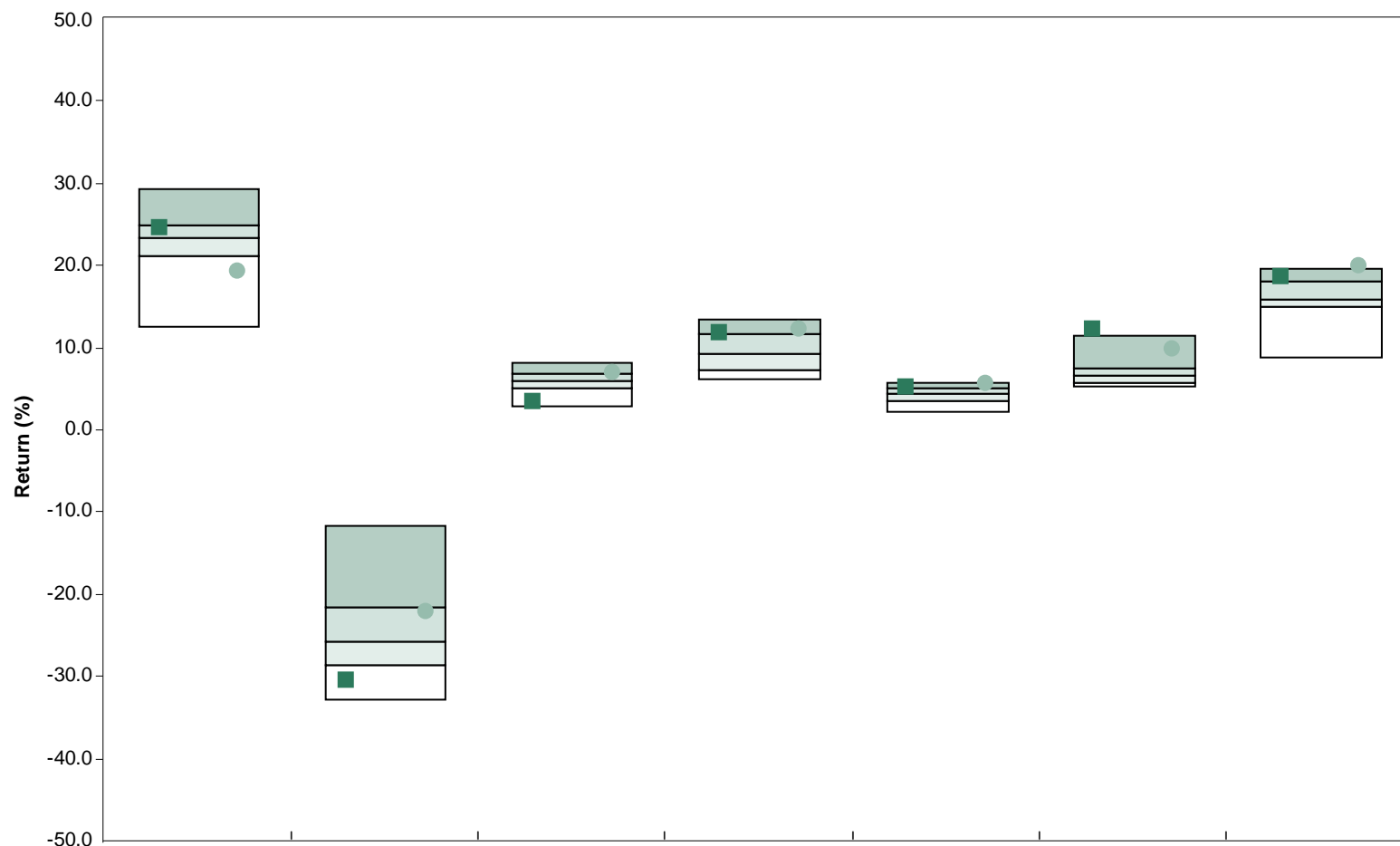
Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)



■ Principal Lifetime 2010	5.47 (15)	13.72 (1)	13.72 (1)	-0.42 (67)	2.70 (85)	4.41 (34)	N/A
● 43 BC Agg / 41.9 R3000 / 15.1 EAFE Net	5.24 (28)	11.63 (29)	11.63 (29)	1.25 (40)	4.50 (23)	5.43 (7)	4.37 (N/A)
5th Percentile	6.10	13.08	13.08	4.12	5.78	5.57	N/A
1st Quartile	5.29	11.76	11.76	1.83	4.33	4.49	N/A
Median	4.67	10.77	10.77	0.60	3.62	4.02	N/A
3rd Quartile	2.81	9.89	9.89	-0.67	3.11	3.73	N/A
95th Percentile	1.12	7.93	7.93	-1.64	2.43	3.45	N/A

Principal Lifetime 2010

Peer Group Analysis - Mixed-Asset Target 2010 Funds (MF)

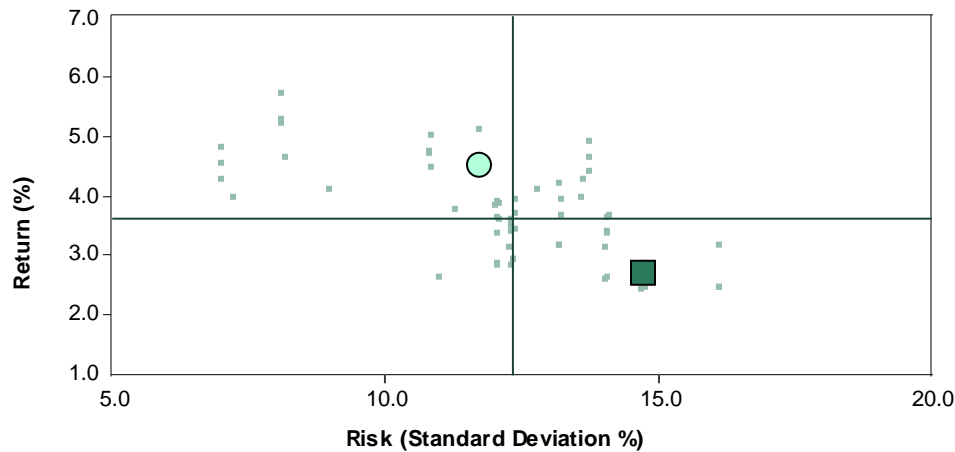


	2009	2008	2007	2006	2005	2004	2003
■ Principal Lifetime 2010	24.71 (28)	-30.37 (86)	3.44 (90)	11.85 (25)	5.39 (13)	12.32 (1)	18.79 (6)
● 43 BC Agg / 41.9 R3000 / 15.1 EAFE Net	19.35 (80)	-22.11 (30)	6.98 (21)	12.26 (19)	5.73 (7)	9.90 (22)	20.04 (5)
5th Percentile	29.26	-11.59	8.11	13.34	5.82	11.37	19.53
1st Quartile	24.97	-21.58	6.74	11.68	5.00	7.47	18.06
Median	23.30	-25.81	5.84	9.35	4.31	6.56	15.82
3rd Quartile	21.06	-28.64	5.00	7.37	3.57	5.68	14.92
95th Percentile	12.53	-32.90	2.89	6.14	2.12	5.39	8.92

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2010	2.70	14.74	0.09	-2.61	1.25	0.98	3.49	-0.38	14.87	04/01/2001
43 BC Agg / 41.9 R3000 / 15.1 EAFE Net	4.50	11.71	0.23	0.00	1.00	1.00	0.00	N/A	11.79	04/01/2001
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.39	0.00	0.00	11.79	-0.23	0.00	04/01/2001

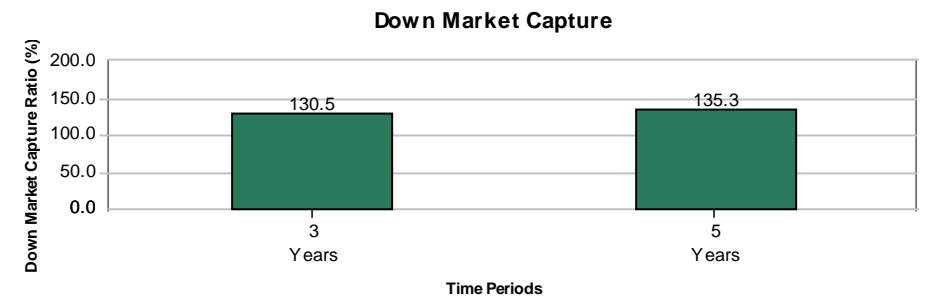
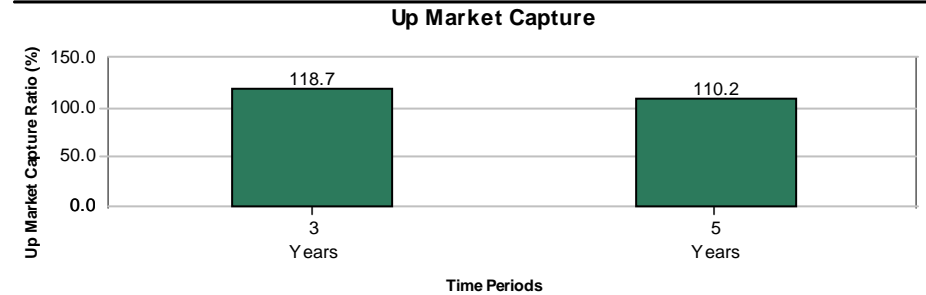
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
■ Principal Lifetime 2010	2.70	14.74
○ 43 BC Agg / 41.9 R3000 / 15.1 EAFE Net	4.50	11.71
— Median	3.62	12.32

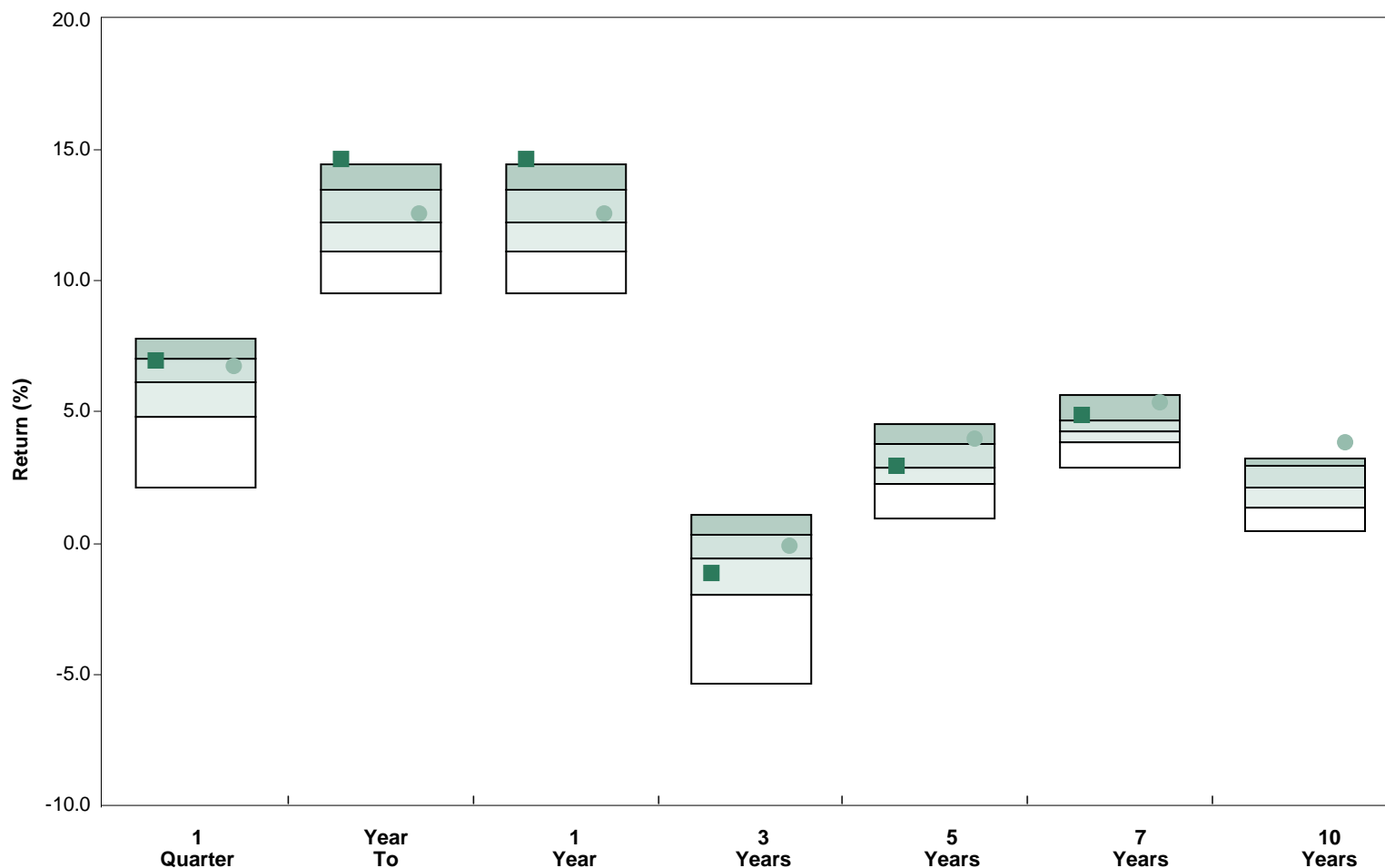
* Quarterly periodicity used.

Up Down Market Capture



Principal Lifetime 2020

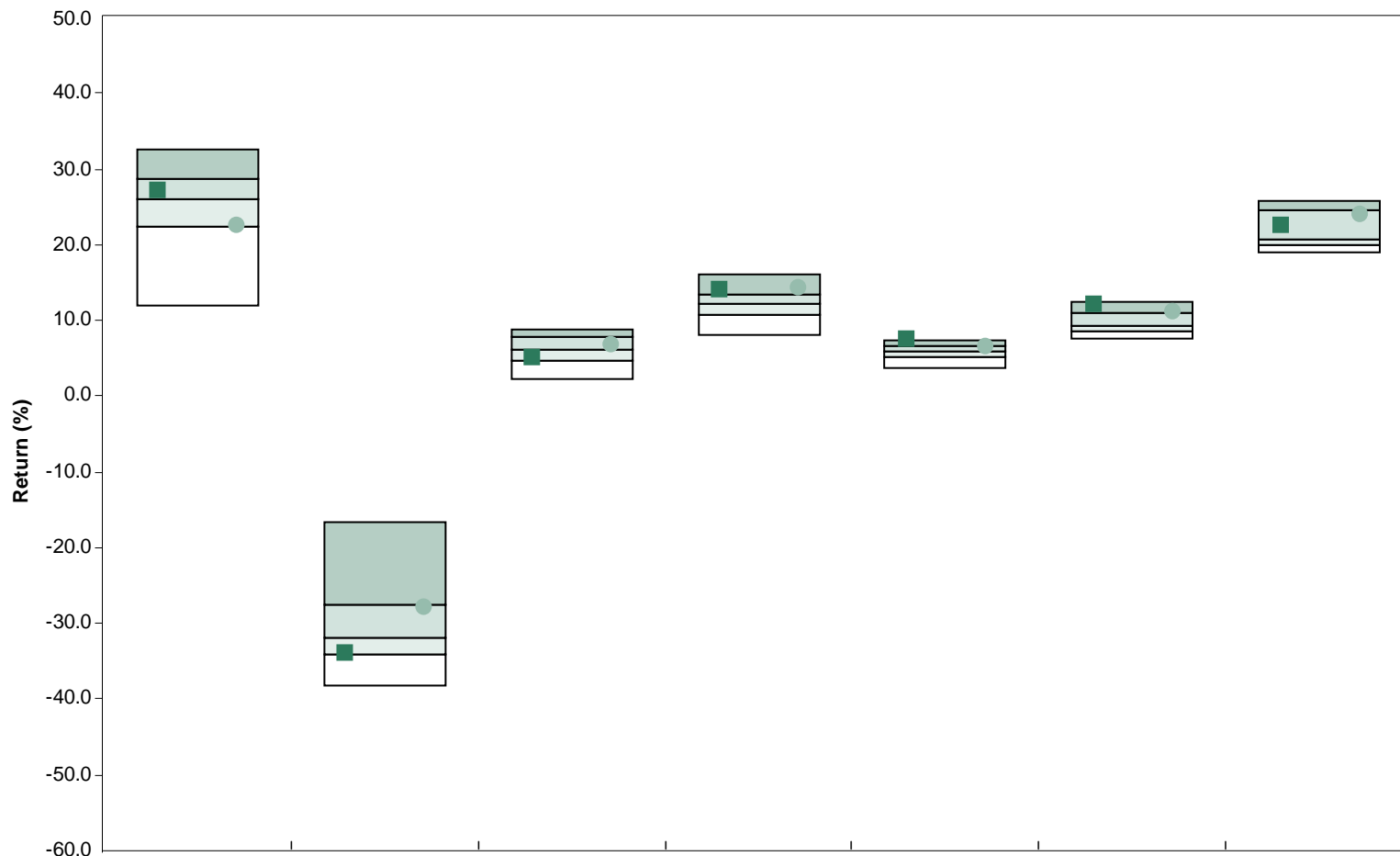
Peer Group Analysis - Mixed-Asset Target 2020 Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Lifetime 2020	6.98 (27)	14.67 (3)	14.67 (3)	-1.15 (63)	2.97 (47)	4.87 (17)	N/A
● 29.5 BC Agg / 51.1 R3000 / 19.4 EAFE Net	6.78 (32)	12.58 (46)	12.58 (46)	-0.12 (43)	4.02 (18)	5.39 (8)	3.88 (1)
5th Percentile	7.79	14.46	14.46	1.07	4.56	5.69	3.22
1st Quartile	7.02	13.49	13.49	0.30	3.81	4.67	2.97
Median	6.17	12.27	12.27	-0.57	2.86	4.28	2.12
3rd Quartile	4.86	11.17	11.17	-1.95	2.25	3.87	1.35
95th Percentile	2.11	9.54	9.54	-5.33	0.92	2.91	0.49

Principal Lifetime 2020

Peer Group Analysis - Mixed-Asset Target 2020 Funds (MF)



■ Principal Lifetime 2020

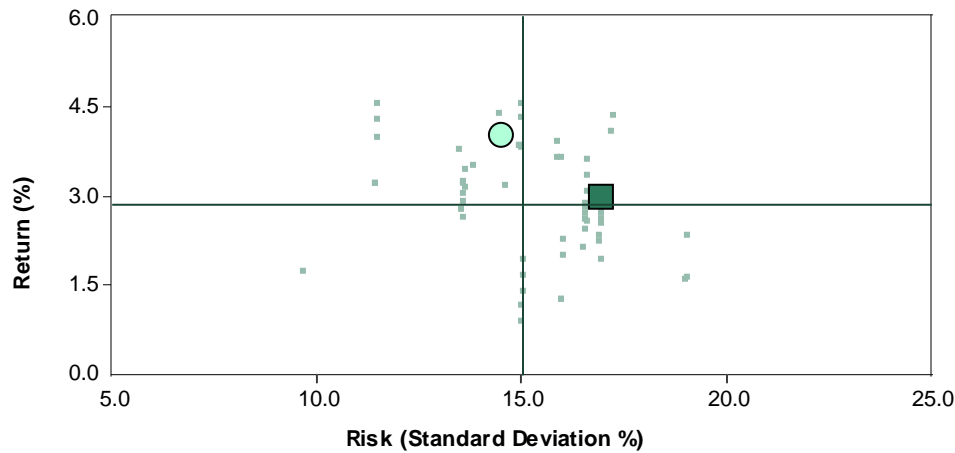
● 29.5 BC Agg / 51.1 R3000 / 19.4 EAFE Net

	2009	2008	2007	2006	2005	2004	2003
Principal Lifetime 2020	27.25 (34)	-33.80 (71)	5.07 (66)	14.03 (14)	7.49 (4)	12.15 (11)	22.69 (30)
29.5 BC Agg / 51.1 R3000 / 19.4 EAFE Net	22.54 (74)	-27.76 (27)	6.97 (40)	14.26 (13)	6.54 (27)	11.28 (25)	24.08 (27)
5th Percentile	32.47	-16.53	8.86	16.18	7.30	12.43	25.73
1st Quartile	28.62	-27.47	7.80	13.32	6.62	10.92	24.45
Median	25.92	-31.95	6.23	12.25	5.94	9.34	20.73
3rd Quartile	22.47	-34.03	4.64	10.66	5.14	8.51	19.92
95th Percentile	11.91	-38.25	2.26	8.11	3.78	7.52	18.87

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2020	2.97	16.94	0.12	-1.44	1.16	0.99	2.85	-0.22	17.05	04/01/2001
29.5 BC Agg / 51.1 R3000 / 19.4 EAFE Net	4.02	14.51	0.18	0.00	1.00	1.00	0.00	N/A	14.58	04/01/2001
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.39	0.00	0.00	14.58	-0.18	0.00	04/01/2001

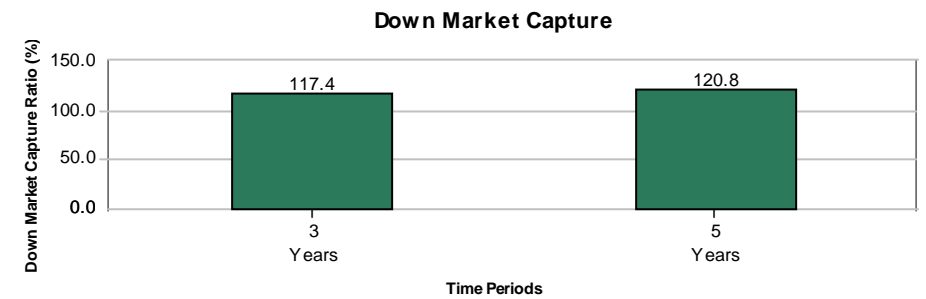
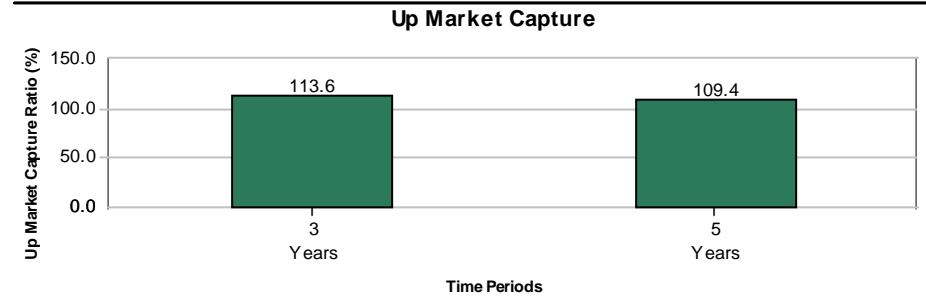
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
■ Principal Lifetime 2020	2.97	16.94
● 29.5 BC Agg / 51.1 R3000 / 19.4 EAFE Net	4.02	14.51
— Median	2.86	15.02

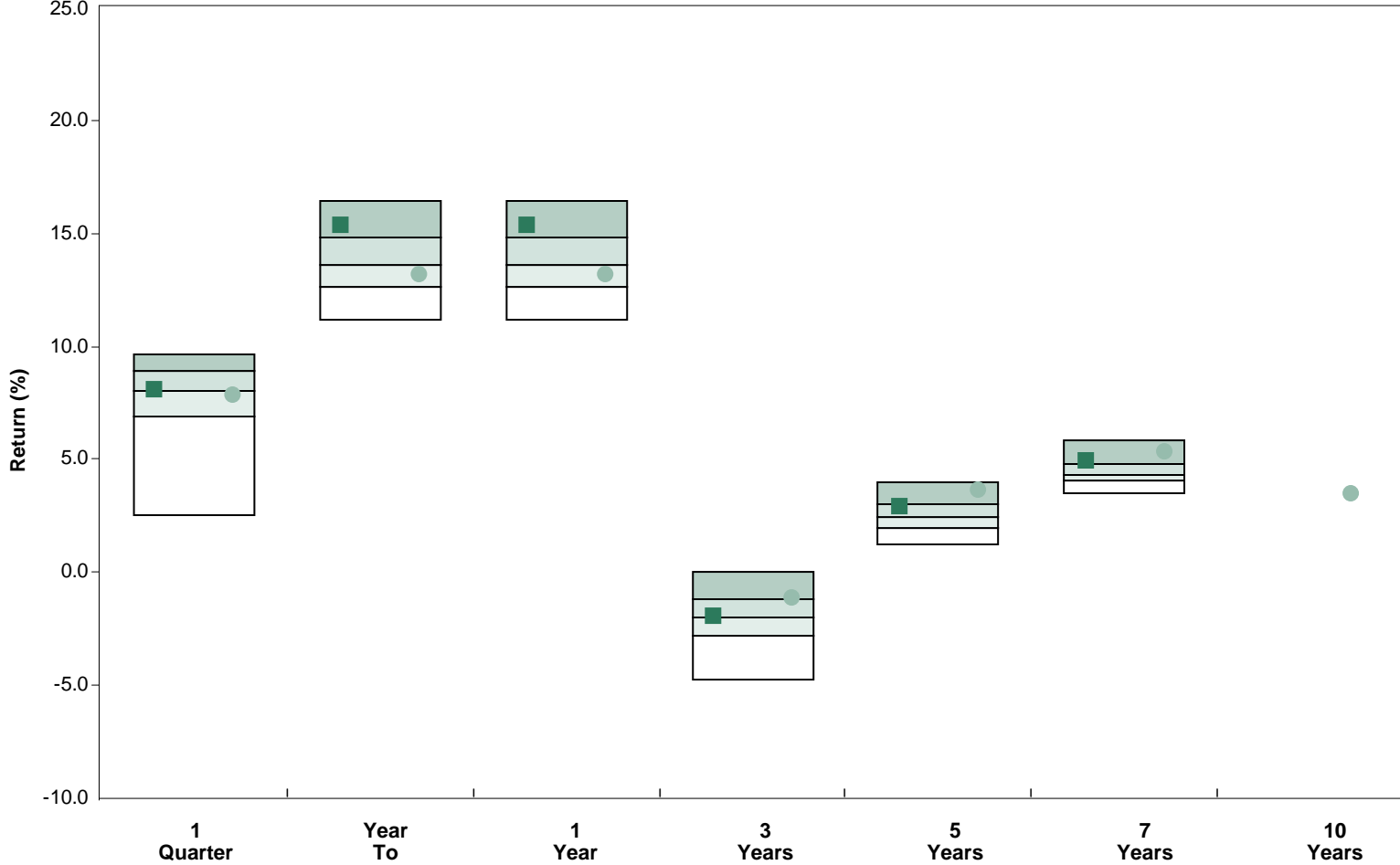
* Quarterly periodicity used.

Up Down Market Capture



Principal Lifetime 2030

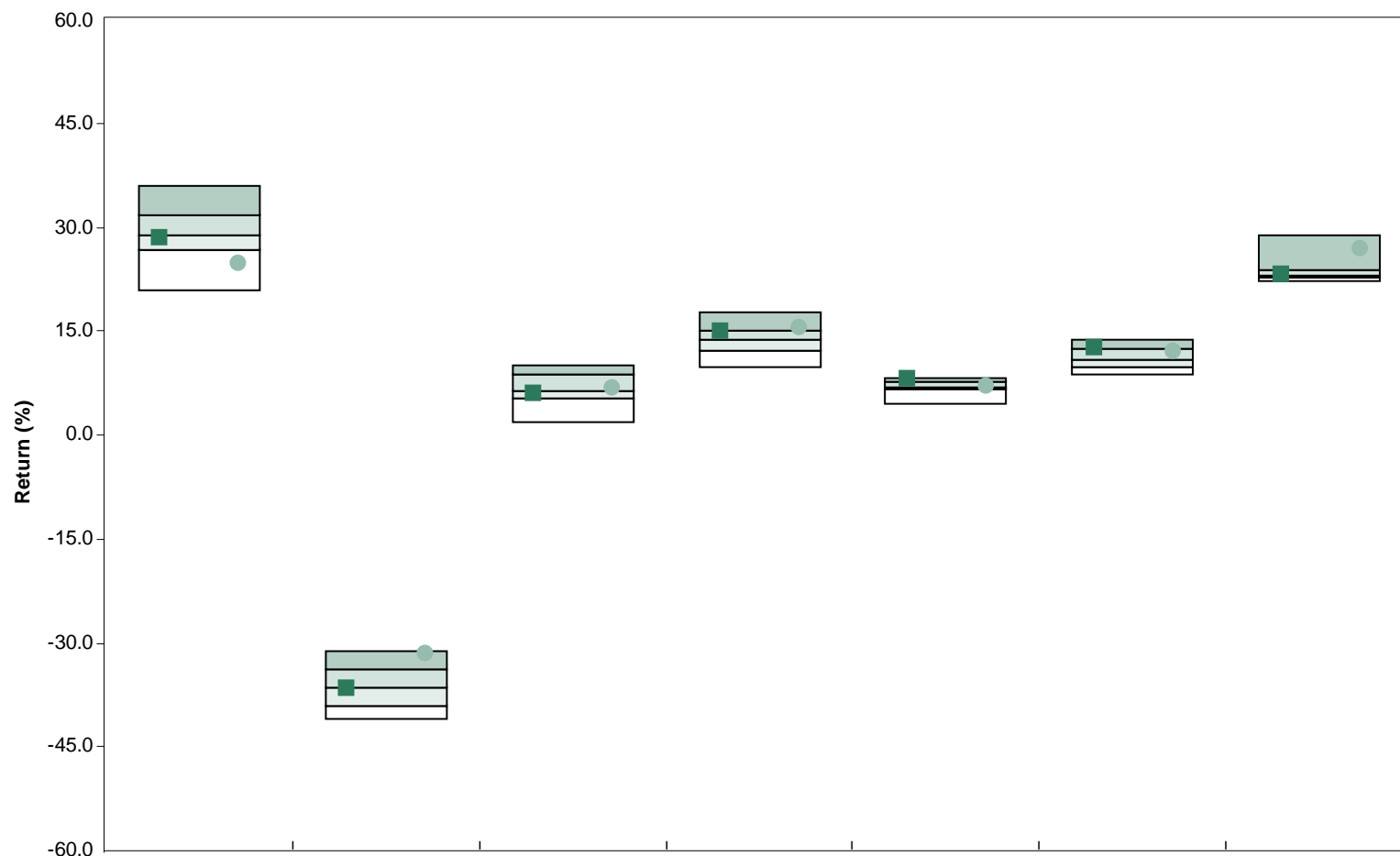
Peer Group Analysis - Mixed-Asset Target 2030 Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Lifetime 2030	8.07 (48)	15.34 (12)	15.34 (12)	-1.89 (49)	2.90 (27)	4.99 (16)	N/A
● 20.2 BC Agg / 57.3 R3000 / 22.5 EAFE Net	7.84 (56)	13.16 (63)	13.16 (63)	-1.11 (21)	3.65 (12)	5.33 (9)	3.52 (N/A)
5th Percentile	9.60	16.44	16.44	0.01	3.95	5.83	N/A
1st Quartile	8.88	14.82	14.82	-1.23	2.99	4.79	N/A
Median	8.00	13.61	13.61	-1.99	2.43	4.31	N/A
3rd Quartile	6.86	12.63	12.63	-2.81	1.95	4.03	N/A
95th Percentile	2.50	11.17	11.17	-4.75	1.23	3.47	N/A

Principal Lifetime 2030

Peer Group Analysis - Mixed-Asset Target 2030 Funds (MF)

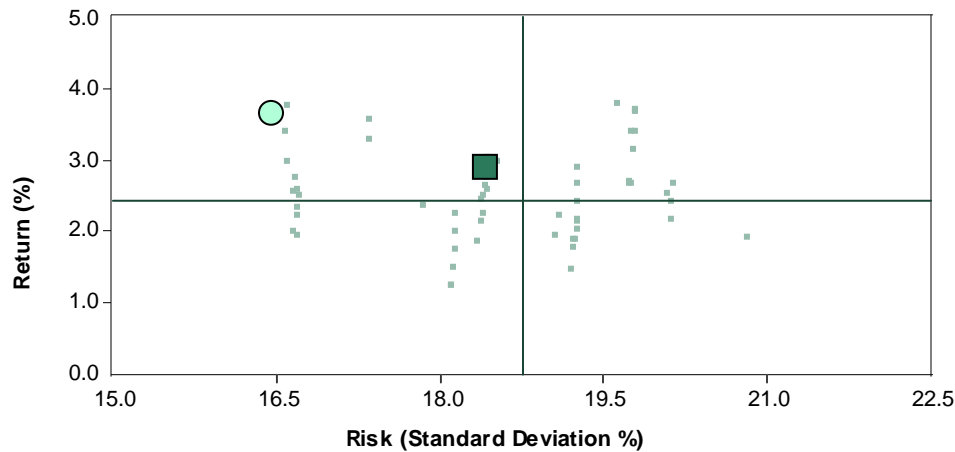


	2009	2008	2007	2006	2005	2004	2003
■ Principal Lifetime 2030	28.64 (52)	-36.36 (49)	6.10 (57)	15.13 (24)	8.20 (5)	12.69 (15)	23.33 (46)
● 20.2 BC Agg / 57.3 R3000 / 22.5 EAFE Net	24.72 (91)	-31.48 (9)	6.97 (46)	15.67 (17)	7.11 (44)	12.24 (30)	26.93 (11)
5th Percentile	35.89	-31.21	9.92	17.66	8.16	13.75	28.89
1st Quartile	31.79	-33.87	8.77	15.07	7.56	12.46	23.87
Median	28.81	-36.51	6.44	13.75	6.98	10.71	23.07
3rd Quartile	26.69	-39.00	5.39	12.28	6.48	9.75	22.65
95th Percentile	20.99	-41.07	1.86	9.66	4.53	8.68	22.26

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2030	2.90	18.42	0.12	-0.95	1.12	0.99	2.44	-0.15	18.52	04/01/2001
20.2 BC Agg / 57.3 R3000 / 22.5 EAFE Net	3.65	16.45	0.16	0.00	1.00	1.00	0.00	N/A	16.53	04/01/2001
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.39	0.00	0.00	16.53	-0.16	0.00	04/01/2001

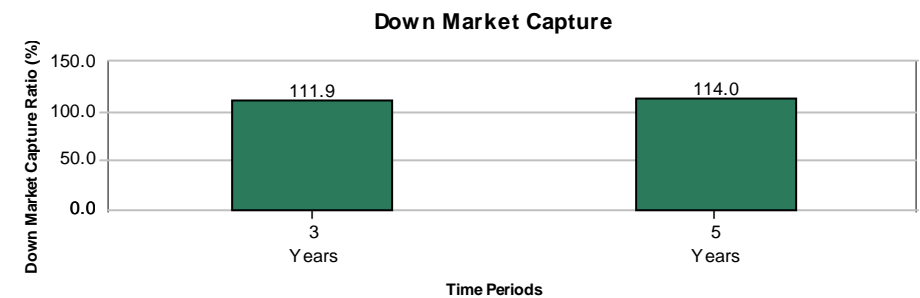
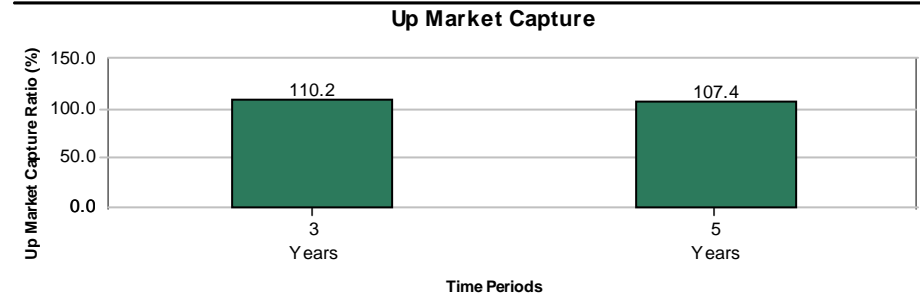
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
■ Principal Lifetime 2030	2.90	18.42
○ 20.2 BC Agg / 57.3 R3000 / 22.5 EAFE Net	3.65	16.45
— Median	2.43	18.76

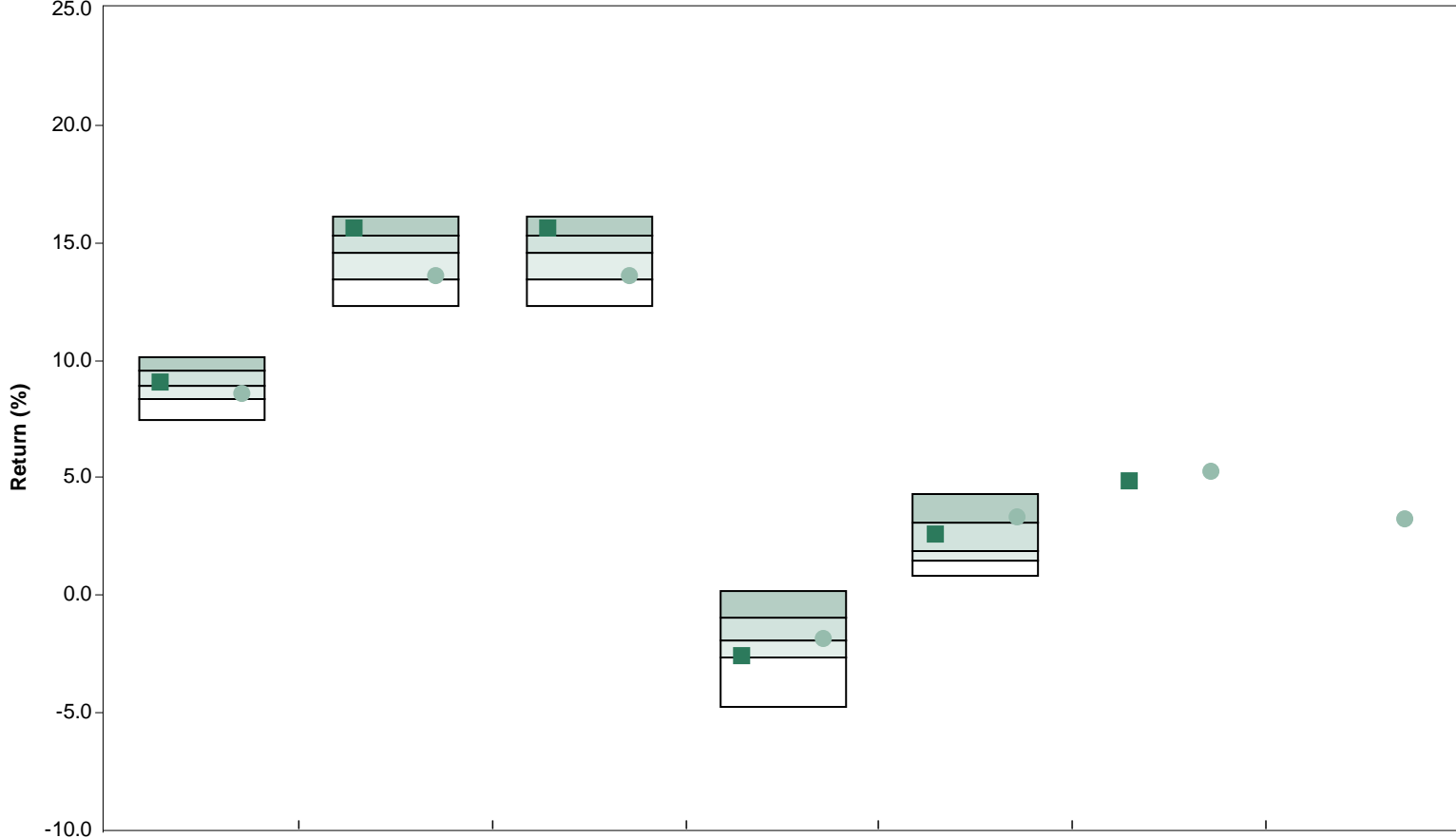
* Quarterly periodicity used.

Up Down Market Capture



Principal Lifetime 2040

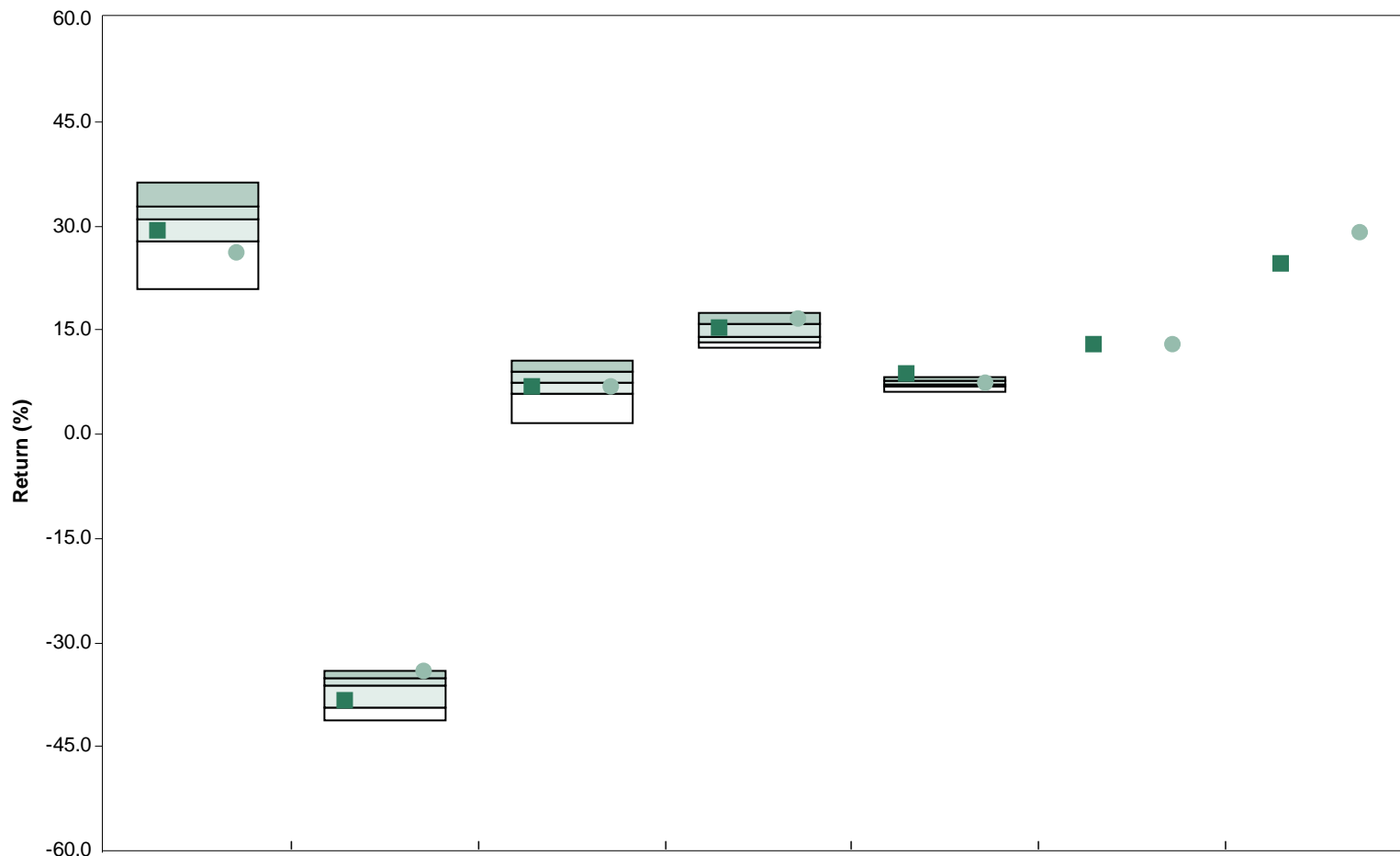
Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Lifetime 2040	9.05 (47)	15.66 (17)	15.66 (17)	-2.60 (75)	2.64 (36)	4.89 (N/A)	N/A
● 13.5 BC Agg / 61.8 R3000 / 24.7 EAFE Net	8.60 (63)	13.57 (73)	13.57 (73)	-1.85 (46)	3.37 (23)	5.27 (N/A)	3.23 (N/A)
5th Percentile	10.17	16.10	16.10	0.19	4.29	N/A	N/A
1st Quartile	9.59	15.26	15.26	-0.92	3.11	N/A	N/A
Median	8.95	14.59	14.59	-1.96	1.91	N/A	N/A
3rd Quartile	8.37	13.46	13.46	-2.67	1.47	N/A	N/A
95th Percentile	7.45	12.32	12.32	-4.72	0.86	N/A	N/A

Principal Lifetime 2040

Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)



■ Principal Lifetime 2040

● 13.5 BC Agg / 61.8 R3000 / 24.7 EAFE Net

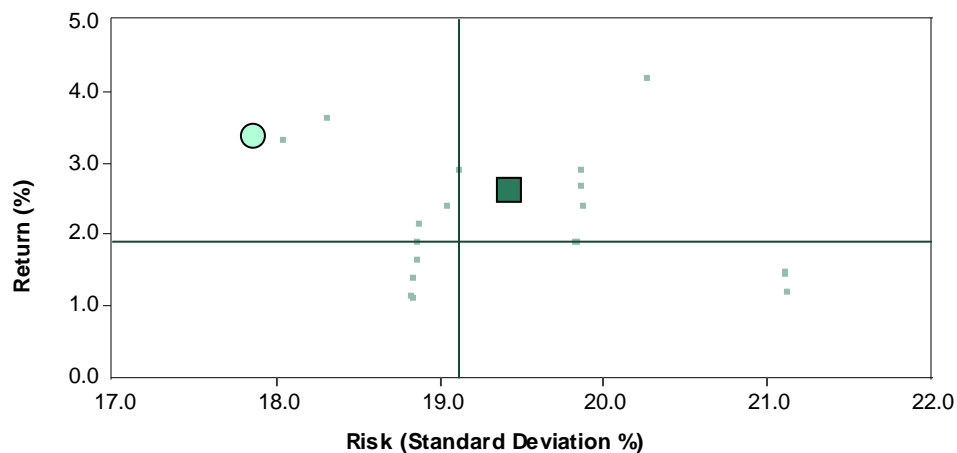
	2009	2008	2007	2006	2005	2004	2003
Principal Lifetime 2040	29.26 (61)	-38.20 (65)	6.79 (57)	15.44 (27)	8.68 (3)	12.86 (N/A)	24.48 (N/A)
13.5 BC Agg / 61.8 R3000 / 24.7 EAFE Net	26.29 (89)	-34.07 (7)	6.95 (55)	16.69 (16)	7.51 (37)	12.93 (N/A)	29.01 (N/A)
5th Percentile	36.34	-34.05	10.47	17.37	8.15	N/A	N/A
1st Quartile	32.84	-35.25	9.04	15.95	7.70	N/A	N/A
Median	30.99	-36.09	7.49	13.96	7.22	N/A	N/A
3rd Quartile	27.65	-39.32	5.72	13.13	6.91	N/A	N/A
95th Percentile	20.80	-41.34	1.50	12.40	6.19	N/A	N/A

Principal Lifetime 2040

Historical Statistics (01/01/06 - 12/31/10) *

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2040	2.64	19.42	0.11	-0.81	1.08	0.99	2.15	-0.18	19.51	04/01/2001
13.5 BC Agg / 61.8 R3000 / 24.7 EAFE Net	3.37	17.85	0.14	0.00	1.00	1.00	0.00	N/A	17.92	04/01/2001
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.39	0.00	0.00	17.92	-0.14	0.00	04/01/2001

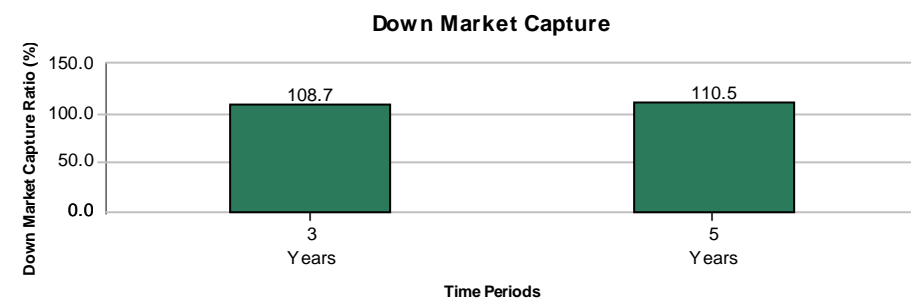
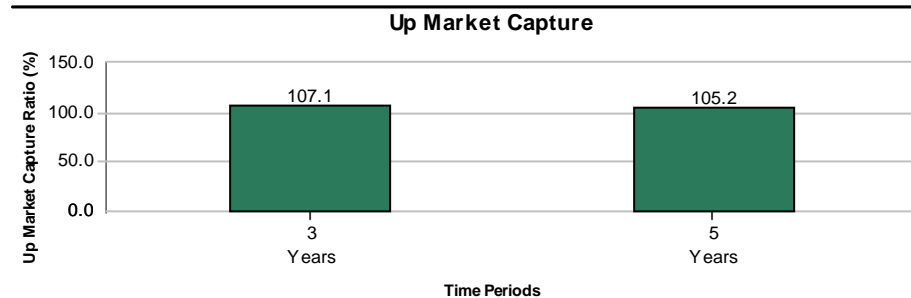
Peer Group Scattergram (01/01/06 to 12/31/10)



	Return	Standard Deviation
■ Principal Lifetime 2040	2.64	19.42
○ 13.5 BC Agg / 61.8 R3000 / 24.7 EAFE Net	3.37	17.85
— Median	1.91	19.11

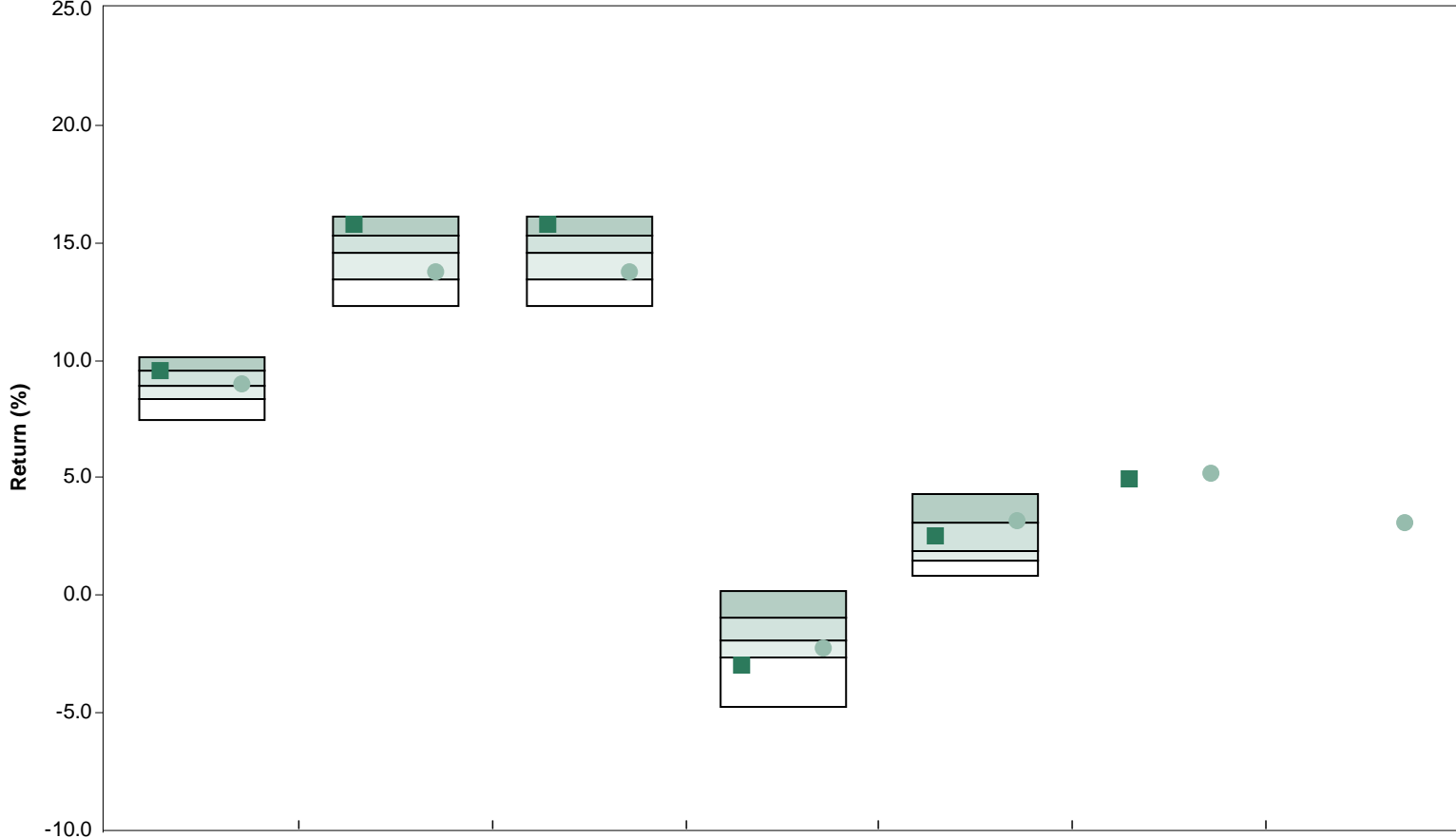
* Quarterly periodicity used.

Up Down Market Capture



Principal Lifetime 2050

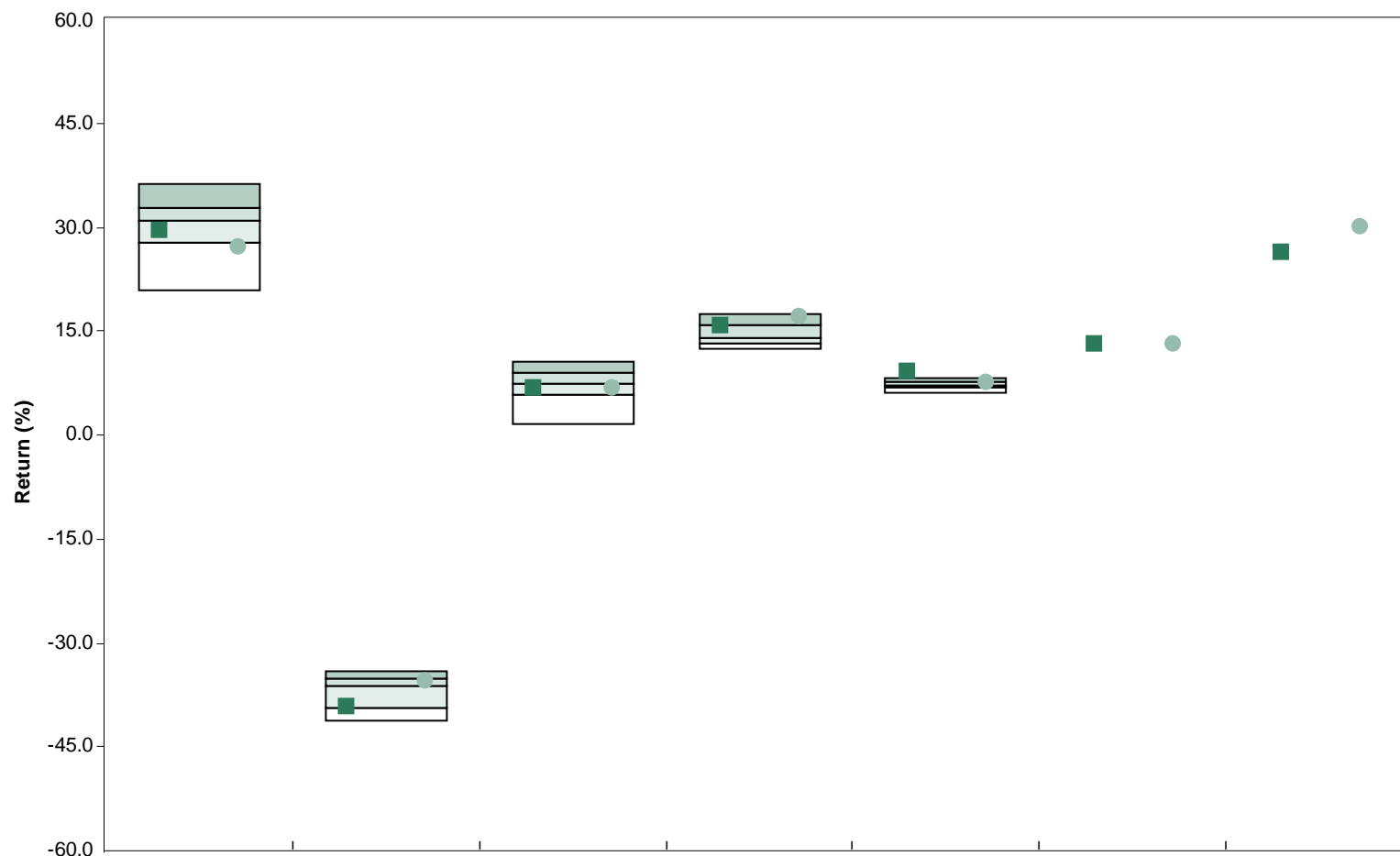
Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years
■ Principal Lifetime 2050	9.54 (28)	15.82 (13)	15.82 (13)	-2.98 (82)	2.52 (37)	4.92 (N/A)	N/A
● 10.0 BC Agg / 64.2 R3000 / 25.8 EAFE Net	9.01 (48)	13.77 (71)	13.77 (71)	-2.24 (61)	3.21 (25)	5.23 (N/A)	3.08 (N/A)
5th Percentile	10.17	16.10	16.10	0.19	4.29	N/A	N/A
1st Quartile	9.59	15.26	15.26	-0.92	3.11	N/A	N/A
Median	8.95	14.59	14.59	-1.96	1.91	N/A	N/A
3rd Quartile	8.37	13.46	13.46	-2.67	1.47	N/A	N/A
95th Percentile	7.45	12.32	12.32	-4.72	0.86	N/A	N/A

Principal Lifetime 2050

Peer Group Analysis - Mixed-Asset Target 2035 Funds (MF)

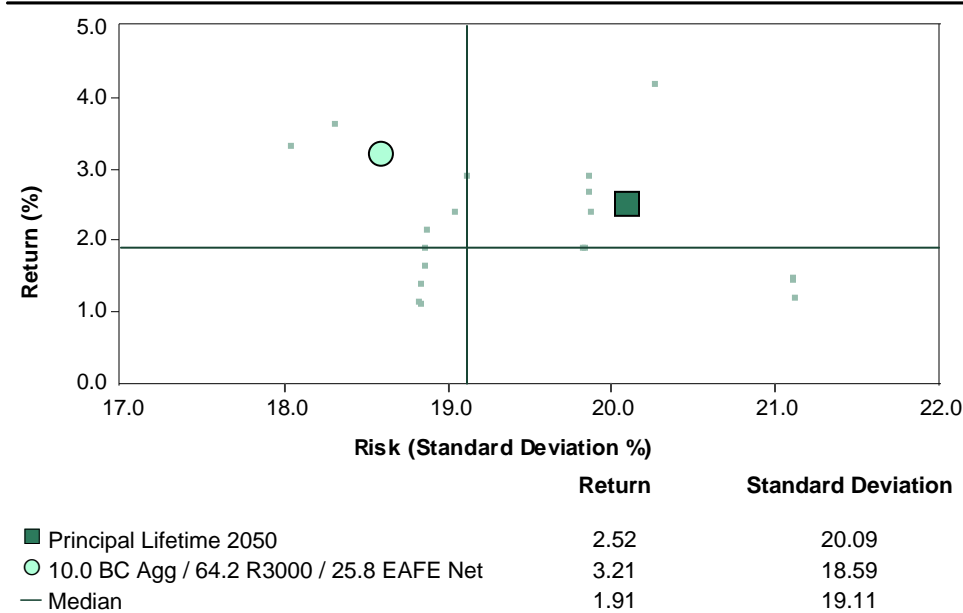


	2009	2008	2007	2006	2005	2004	2003
■ Principal Lifetime 2050	29.56 (61)	-39.13 (74)	6.96 (55)	15.94 (26)	9.19 (1)	13.18 (N/A)	26.41 (N/A)
● 10.0 BC Agg / 64.2 R3000 / 25.8 EAFE Net	27.10 (80)	-35.39 (28)	6.94 (55)	17.22 (10)	7.71 (25)	13.29 (N/A)	30.10 (N/A)
5th Percentile	36.34	-34.05	10.47	17.37	8.15	N/A	N/A
1st Quartile	32.84	-35.25	9.04	15.95	7.70	N/A	N/A
Median	30.99	-36.09	7.49	13.96	7.22	N/A	N/A
3rd Quartile	27.65	-39.32	5.72	13.13	6.91	N/A	N/A
95th Percentile	20.80	-41.34	1.50	12.40	6.19	N/A	N/A

Historical Statistics (01/01/06 - 12/31/10) *

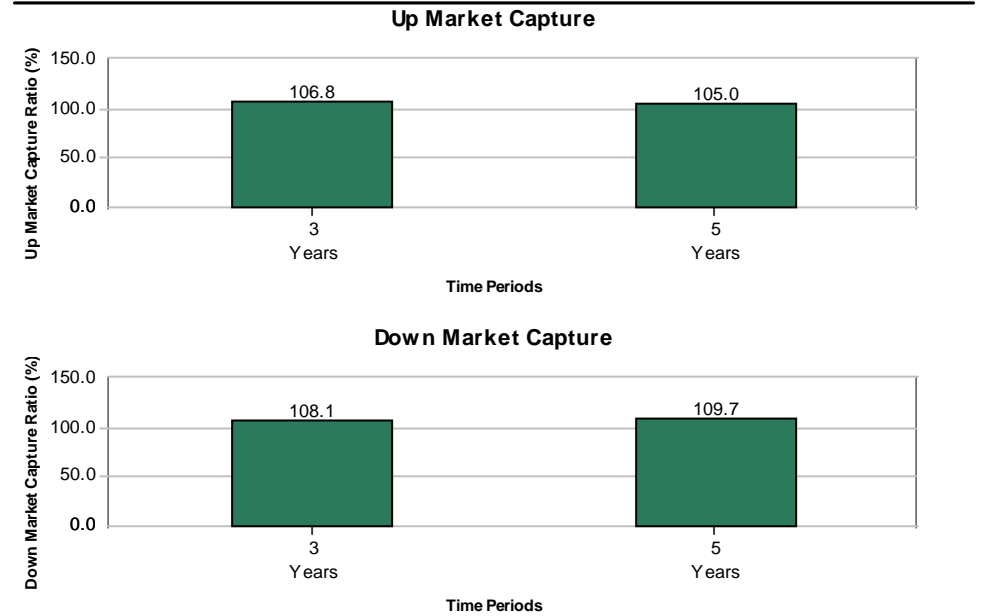
	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R-Squared	Tracking Error	IR	Excess Risk	Inception Date
Principal Lifetime 2050	2.52	20.09	0.11	-0.74	1.08	0.99	2.10	-0.17	20.18	01/01/2002
10.0 BC Agg / 64.2 R3000 / 25.8 EAFE Net	3.21	18.59	0.14	0.00	1.00	1.00	0.00	N/A	18.65	01/01/2002
90 Day U.S. Treasury Bill	2.39	1.07	N/A	2.39	0.00	0.00	18.65	-0.14	0.00	01/01/2002

Peer Group Scattergram (01/01/06 to 12/31/10)



* Quarterly periodicity used.

Up Down Market Capture



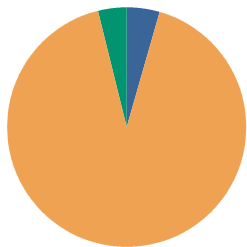
Vanguard Explorer Inv

VEXPX

Overall Morningstar Rating ★★★	Total Assets \$9,786 mil	Morningstar Category Small Growth	Inception Date 12/11/1967	Family Vanguard	
Manager Troyer/Antoian/Abrams/Heffern/Gran	Manager Tenure 9.8 Years	Total Holdings 667	Expense Ratio 0.54%	12b-1 0.00	Sharpe Ratio 0.15%

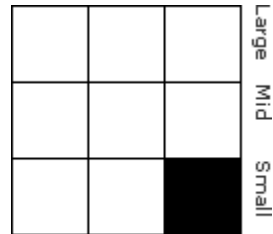
Portfolio Analysis

Asset Allocation



■ Cash	4.32
■ U.S. Stocks	91.85
■ Non-U.S. Stocks	3.83
■ Bonds	0.00
■ Other	0.00

Equity Style Details



Value Blend Growth

Avg Mkt Cap \$Mil	2,043
P/E Ratio TTM	19.4
P/C Ratio TTM	10.7
P/B Ratio TTM	2.4
Turnover Ratio	95%

Risk Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating	3 ★	3 ★	3 ★
Standard Deviation	26.33	21.66	20.68
Information Ratio	0.48		

Sector Weightings

	Stocks %
Information Economy	29.0
Software	11.3
Hardware	12.6
Media	1.6
Telecommunication	3.4
Service Economy	48.0
Healthcare Services	16.7
Consumer Services	13.6
Business Services	10.2
Financial Services	7.6
Manufacturing Economy	23.1
Consumer Goods	7.3
Industrial Goods	10.6
Energy	4.4
Utilities	0.7

% Assets in Top 10

10.17%

Valuations and Growth Rates

Price/Prospective Earnings	17.6
Price/Book	2.2
Price/Sales	1.2
Price/Cash Flow	7.3
Dividend Yield	1.5
Long-Term Earnings	14.6
Historical Earnings	-0.2
Sales Growth	-6.3
Cash-Flow Growth	5.0
Book-Value Growth	2.4

Stock Portfolio

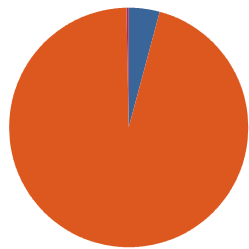
Vanguard Total Bond Market Index Inv

VBMFX

Overall Morningstar Rating ★★★	Total Assets \$77,227 mil	Morningstar Category Intermediate-Term Bond	Inception Date 12/11/1986	Family Vanguard	
Manager Volpert/Davis	Manager Tenure 10.4 Years	Total Holdings 13,985	Expense Ratio 0.22%	12b-1 0.00	Sharpe Ratio 1.19%

Portfolio Analysis

Asset Allocation

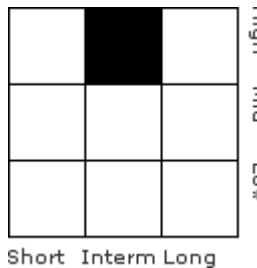


■ Cash	4.14
■ U.S. Stocks	0.00
■ Non-U.S. Stocks	0.00
■ Bonds	95.72
■ Other	0.14

% Assets in Top 10

9.99%

Fixed Income Style Details



Short Interim Long

Credit Analysis

AAA	75.87
AA	4.51
A	10.54

BBB	9.08
BB	0.00
B	0.00

Below B	0.00
NR/NA	0.00

Bond %

Risk Profile

		3 Yr	5 Yr	10 Yr
Avg Eff Duration	4.80			
Avg Eff Maturity	6.60			
Morningstar Rating	3 ★	3 ★	3 ★	3 ★
Avg Credit Quality	AA			
Standard Deviation	4.27	3.70	3.81	
Avg Wtd Coupon	4.55			
Information Ratio	-0.20			
Avg Wtd Price	109.89			

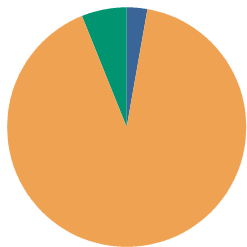
Vanguard Windsor II Investor

VWNFX

Overall Morningstar Rating ★★★	Total Assets \$35,482 mil	Morningstar Category Large Value	Inception Date 06/24/1985	Family Vanguard	
Manager Troyer/Barrow/Davis, Jr./Lieberman	Manager Tenure 6.6 Years	Total Holdings 246	Expense Ratio 0.38%	12b-1 0.00	Sharpe Ratio -0.08%

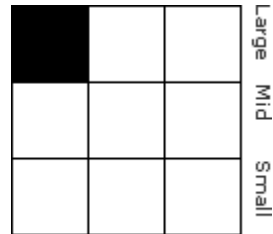
Portfolio Analysis

Asset Allocation



■ Cash	2.82
■ U.S. Stocks	91.13
■ Non-U.S. Stocks	6.05
■ Bonds	0.00
■ Other	0.00

Equity Style Details



Avg Mkt Cap \$Mil	41,381
P/E Ratio TTM	12.8
P/C Ratio TTM	7.8
P/B Ratio TTM	1.8
Turnover Ratio	41%

Risk Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating	3 ★	3 ★	3 ★
Standard Deviation	22.95	18.52	15.86
Information Ratio	-0.28		

Sector Weightings

	Stocks %
Information Economy	18.5
Software	3.8
Hardware	8.9
Media	2.2
Telecommunication	3.6
Service Economy	41.8
Healthcare Services	13.7
Consumer Services	7.6
Business Services	1.4
Financial Services	19.2
Manufacturing Economy	39.6
Consumer Goods	10.4
Industrial Goods	14.0
Energy	11.0
Utilities	4.2

Valuations and Growth Rates

Price/Prospective Earnings	12.3
Price/Book	1.7
Price/Sales	1.2
Price/Cash Flow	3.6
Dividend Yield	2.6
Long-Term Earnings	9.3
Historical Earnings	-6.0
Sales Growth	-1.5
Cash-Flow Growth	2.5
Book-Value Growth	1.2

Stock Portfolio

% Assets in Top 10

26.97%