



**Form ADV, Part 2A (Firm Disclosure Brochure) for the
Principal Managed Account Program**

Principal Securities, Inc.

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This Brochure provides information about the qualifications and business practices of Principal Securities, Inc. ("Principal Securities"). If you have any questions about the contents of this Brochure, please contact us at 888-774-6267. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Principal Securities is a registered investment adviser. While registration is required under the law, registration of an investment adviser or a broker-dealer does not imply any specific level of skill or training.

Additional information about Principal Securities is available on the SEC's website at www.adviserinfo.sec.gov and on FINRA's website at www.finra.org/brokercheck.

Securities, advisory products, and brokerage services are offered through Principal Securities, Inc., Member SIPC.

Item 2 – Material Changes

This Item 2 (Material Changes) will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

Since our last update on November 1, 2019, we have made no material changes to our brochure.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Our fiscal year-end is December 31st. We may provide other ongoing disclosure information about material changes as necessary throughout the year.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested free of charge by contacting us at 888-774-6267.

Additional information about Principal Securities is available on the SEC's website at www.adviserinfo.sec.gov and on FINRA's website at www.finra.org/brokercheck.

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Item 4 – Advisory Business

Overview

Principal Securities (“we”, “us”, “Firm”) is federally registered with the SEC as an investment adviser and is a member broker-dealer with the Financial Industry Regulatory Authority (“FINRA”). Principal Securities is registered or licensed to conduct business in all fifty states and the District of Columbia.

Principal Securities began its operation in 1968, and is headquartered in Des Moines, Iowa. Principal Securities is a member company of Principal Financial Group, a family of financial services companies offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement and investment services, life and health insurance, and banking through its diverse family of financial services companies.

Principal Securities’ principal business activity is acting as a securities broker-dealer. When acting as a broker-dealer, Principal Securities provides securities-related advice to its brokerage clients that is incidental to the brokerage services provided and for which Principal Securities does not receive any special compensation (i.e., compensation other than the usual and customary brokerage commissions). Brokerage services and incidental advice are provided by individuals who are registered representatives of Principal Securities (“Broker-Dealer Representatives”). Principal Securities does not consider clients who receive only brokerage services or such incidental advice from our Broker-Dealer Representatives to be investment advisory clients (“Advisory Clients”, “you”, “your”).

Principal Securities is a wholly owned subsidiary of Principal Financial Services, Inc., which is a wholly owned subsidiary of Principal Financial Group, Inc. Principal Financial Group, Inc. is a publicly held company traded on the NASDAQ.

In addition to the program described in this document, Principal Securities Inc. offers wrap fee investment advisory programs which are described in the Principal Managed Account Solutions Wrap Fee Disclosure Brochure. We also offer additional advisory programs, each of which is described in a separate Form ADV Part 2A. These programs include both the Principal Direct Advisory Account and Principal Financial Planning & Consulting.

As of 12/31/2019, PSI client discretionary assets under management are \$3,599,900,000 and non-discretionary assets under management are \$4,010,300,000.

Principal Securities authorizes individuals who are registered as investment adviser representatives of Principal Securities (hereafter the “Financial Advisor”) in writing to act on its behalf to offer services as described below, collectively referred to as “Advisory Services.” Principal Securities allows all of its Financial Advisors to use either Investment Adviser Representative or Financial Advisor titles when offering Advisory Services.

Principal Managed Account Program

Principal Securities offers the Principal Managed Account Program (“Program”) only to sponsors (“Sponsors”) of self-directed defined contribution plans whose plan recordkeeping services are provided by Principal Life Insurance Company (“Plans”). The Program enables Sponsors to provide current Plan participants (“Participants”) access to personalized, independent investment advice regarding a Participant’s account held for their benefit by the Plan. Principal Securities has retained the services of an independent financial expert for the Program in compliance with Advisory Opinion 2001-09A, issued

by the U.S. Department of Labor ("DOL"), and with applicable law and other DOL positions or actions applicable to the Program. Morningstar Investment Management LLC ("Morningstar") currently serves as the independent financial expert providing investment advice to the Plan Participants in the Program. Principal Life Insurance Company, an affiliated company of Principal Securities, provides technology to facilitate Morningstar's delivery of investment management services for the Program. Principal Securities' advisory services under the Program are limited to offering the Program to Sponsors and providing certain support services to Morningstar.

Sponsors can elect to include the Program as a service available to their Plan Participants. Participants who choose to utilize the advisory services under the Program ("Program Participants") receive asset allocation modeling, portfolio rebalancing, and ongoing investment management regarding their Plan accounts. Morningstar utilizes its proprietary asset allocation tools and investment research to manage Participant accounts in a manner appropriate for the Participant. Program Participants grant Morningstar exclusive discretionary management authority over their Plan accounts. Neither Morningstar nor Principal Securities provide investment advice to the Plan Sponsor with respect to the Plan's investment options at any time. In addition, Principal Securities does not provide investment advice to the Program Participants. Morningstar delivers asset allocation models and investment advice to Program Participants through a web-based internet portal made available to Program Participants by Principal Life Insurance Company. Program Participants have access to daily valuations of their Plan accounts. Program Participants also have access to records of recent transactions in their Plan accounts, including the fees imposed and current Plan account investment option allocations.

Item 5 – Fees and Compensation

A fee is incurred by each Program Participant ("Program Fee") and is based on the value of plan assets held for the benefit of a Program Participant in the Sponsor's Plan. Program Fees are collected quarterly by Principal Securities from the Program Participant's Plan account balance. Principal Securities pays Morningstar a portion of the Program Fee, up to .08% annually from the Program Fee. The remainder of the Program Fee is paid by Principal Securities to Principal Life Insurance Company for providing technology and communication services on Principal Securities' behalf.

Program Fees are set forth below and are expressed in terms of an annual percentage of the account asset value. There is no minimum balance requirement.

Participant Balance in the Managed Account	Annual Program Fee
\$0 - \$49,999	0.50%
Next \$25,000	0.40%
Next \$25,000	0.30%
All Additional Assets	0.20%

The Program Fee covers the provision of initial and ongoing investment advisory services by Morningstar and the offering and maintenance of the Program by Principal Securities and its affiliate, Principal Life Insurance Company.

Under certain circumstances the Program Fee is waived or negotiated on a case-by-case basis through an agreement with the Sponsor.

If not waived, the Program Fee is deducted from the Program Participant's account balance quarterly in arrears based on the balance of eligible assets in the program on the last day of the calendar quarter. In the first three-month period beginning with the date in which the Participant begins to participate in the Program (the inception quarter), the Program Fees are prorated based on the number of days in the inception quarter for which services were provided. Thereafter, the Program Fees are collected at the end of the calendar quarter a participant participates in the Program. In the event an Advisory Client's participation in the Program terminates before the end of the quarter, the Program Fee will be prorated based on the number of days the account was managed during the calendar quarter. The Program Participant may terminate participation in the Program by visiting principal.com or contacting a customer representative at 1-800-547-7754 at any time without penalty. Program Participants who terminate participation in the Program and their Sponsor's retirement plan have Program Fees collected if there are account balances remaining.

If the Program Participant has elected to participate in the Program in more than one employer-sponsored retirement plan with plan services provided by Principal Life Insurance Company and sponsored by the same employer, the account values will be combined in determining the Program Fee.

Certain investment options may impose redemption fees; therefore, transactions initiated as a result of the advice offered through the Program may result in redemption fees. Investment options may also impose transfer restrictions on certain transactions, including restricting the number of investment transfers that can be made within a certain period of time. Redemption fees and transfer restrictions are outlined in the investment option's governing documents, such as a prospectus.

At Program enrollment, if a transfer restriction occurs when investment transfers to a model portfolio allocation are attempted, the Participant will be notified that the initial investment transfer cannot be implemented until the restriction period is over. If the Participant wishes to continue enrollment, the Program Participant's investment direction for future contributions will be changed in accordance with the advice implemented by the Program. The Program Participant will be notified of this change and of the occurrence of the transfer restriction.

If a Program Participant is already enrolled in the Program and a transfer restriction is activated, the investment direction for future contributions will be changed in accordance with the advice implemented by the Program and eligible assets will be rebalanced to the model portfolio once the investment transfer restriction time period has expired.

Item 6 – Performance-Based Fees and Side-By-Side Management

Principal Securities does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Although Principal Securities provides services to many types of clients, the only type of clients allowed in the Program are retirement plan sponsors of US-based defined contribution plans and their eligible plan participants whose plan recordkeeping services are provided by Principal Life Insurance Company and who have contracted with Principal Securities to provide the Program.

Participants may enroll in the Program through a web-based portal or by calling a call center where an Investment Adviser Representative will enroll them in the Program. During the time the Program Participant is enrolled in the Program, the Program Participant is prohibited from initiating transfers among Eligible Investment Options (as defined in Item 8 below) and directing how new contributions are allocated in the Program Participant's Plan account.

Participation in the Program will terminate if: all assets are withdrawn or transferred from the Program Participant's account, Principal Securities receives notice of the Program Participant's death, Principal Securities is notified the Program Participant is no longer eligible for the Program, Morningstar discontinues participating in the Program, the Plan's named fiduciary directs Principal Securities to discontinue the Program or Principal Securities or its affiliates no longer provide retirement plan services to the Plan. Participation will also terminate for that portion of the Program Participant's account that is transferred to an alternate payee pursuant to a Qualified Domestic Relations Order.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Investment and advisory products and services offered or recommended by Principal Securities and its Financial Advisors are subject to risks associated with investing in securities and will not always be profitable. Principal Securities and its Financial Advisors do not guarantee the results of any advice or recommendations, nor do they guarantee that the investment objectives of Advisory Clients will be met in any program, service or product it provides or offers. Investing in securities involves risk of loss that clients should be prepared to bear.

Under the Program, Morningstar uses a quantitative approach to search for eligible investment options offered in the retirement plan ("Eligible Investment Options") that have demonstrated, over time, consistency in risk characteristics and security selection capabilities. Eligible Investment Options are limited to those chosen for the retirement plan by the Sponsor and are those investment options that are eligible for inclusion in the model portfolio for the Program. Generally, the Program will not advise on guaranteed interest accounts (GICs), brokerage accounts, company stock and investment options with asset allocation, balanced or life-cycle investment objectives. For more information about Morningstar's approach see their Form ADV Part 2A and Form ADV Part 2B.

Morningstar uses the specific Eligible Investment Options in a Sponsor's retirement plan to construct and monitor model portfolios ("Portfolios") for Program Participants that are designed across a broad range of risk exposure levels. Morningstar recommends a specific asset and investment portfolio along with a recommended savings rate and retirement age. Taken together these tools comprise an asset allocation strategy tailored to the individual Program Participant.

To determine which asset and investment option-specific portfolio combination is recommended to a Program Participant, Morningstar uses information supplied by the Program Participant and its own proprietary software to gauge retirement goals and develop a working estimate of the chances that the Program Participant will reach those retirement goals. The software allows Morningstar to analyze a broad range of possible future return scenarios, enabling the company to estimate how a Program Participant's investment might turn out under a variety of conditions, including periods with fluctuations in interest rates, inflation rates and/or market conditions. Morningstar then uses these estimates to produce a forecast reflecting the probability that the Program Participant's annual retirement income is likely to meet or exceed the Program Participant's stated retirement goals.

Once Morningstar has estimated a Program Participant's chances of achieving the desired retirement income, Morningstar analyzes the stated 401(k) savings rate, investment selections, savings rate outside the retirement plan and the Program Participant's chosen retirement age and recommends investment allocations designed to increase the Program Participant's chances of achieving the desired retirement income.

A Program Participant's investments outside of this retirement plan, including company stock that the Program Participant has reported, are considered in Morningstar's recommendation. These are evaluated by general asset class and not by their unique investment characteristics. Morningstar performs reviews of the Portfolio and its holdings at least quarterly to determine if changes need to be made. A change in market or economic changes, or new Eligible Investment Options becoming available through the retirement plan, may lead Morningstar to make changes. The Program will also initiate transactions among Eligible Investment Options on an ongoing basis if the model portfolio's allocations stray from its intended asset allocation mix.

Principal Securities does not recommend, select or play any role in Morningstar's selection of the funds comprising the Portfolios. However, some Eligible Investment Options available to Sponsors are managed and sub-advised by affiliates of Principal Securities. These Eligible Investment Options pay investment management fees to these affiliates.

Item 9 – Disciplinary Information

July 25, 2012 - FINRA found Principal Securities' email monitoring processes were inadequate and FINRA found that this violated NASD Rule 3010(a) and FINRA Rule 2010. Principal Securities was censured and fined \$7,500.

December 2, 2015 – FINRA alleged Principal Securities' email monitoring processes were inadequate due to a coding error that resulted in a portion of incoming email communications not being timely reviewed. FINRA alleged that this violated NASD Rule 3010 and FINRA Rule 2010. Without admitting or denying the findings, Principal Securities accepted and consented to censure and a fine of \$115,000.

December 21, 2016 - Without admitting or denying the findings, Principal Securities consented to sanctions and to the entry of findings by FINRA that Principal Securities: (1) Failed to establish, maintain, and enforce a reasonable supervisory system related to the use of certain consolidated reports provided to customers by its registered representatives, and (2) failed to enforce its written supervisory procedures regarding two registered representatives in one of its branch offices who failed to retain copies of consolidated reports in accordance with its written supervisory procedures. Principal Securities accepted and consented to censure and a fine of \$125,000.

October 26, 2017 – Without admitting or denying the findings, Principal Securities consented to the sanctions and to the entry of findings that for at least three years, its system for supervising additions to existing variable annuities was not reasonably designed to ensure that it complied with applicable securities law and rules, including those governing suitability.

March 11, 2019 – Principal Securities self-reported to the Securities and Exchange Commission (SEC) as part of the SEC's Share Class Selection Disclosure Initiative (SCSD) possible violations of the Investment Advisers Act of 1940 (Advisers Act) relating to the firm's failure to make necessary disclosures concerning mutual fund share class selection. Without the firm admitting or denying the findings, on

March 11, 2019, the SEC entered an order against the firm alleging breaches of fiduciary duty and inadequate disclosures in connection with the firm's mutual fund share class selection practices and fees it received pursuant to Rule 12b-1 under the Investment Company Act of 1940. At times during the period January 1, 2014 to December 31, 2018, the firm purchased, recommended or held advisory clients' mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. The firm received 12b-1 fees in connection with these investments. The firm failed to disclose in its form ADV or otherwise the conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees.

The firm was censured and ordered to cease and desist from committing or causing any violations and any future violations of Section 206(2) and 207 of the Advisers Act. The firm was also required to pay disgorgement and prejudgment interest to affected investors totaling \$1,764,624.26, as well as to take other remedial actions.

Item 10 – Other Financial Industry Activities and Affiliations

Principal Securities' primary business is that of a securities broker-dealer and Registered Investment Adviser. Principal Securities other financial activities primarily include the sale of mutual funds, variable annuity, indexed annuities and variable life insurance contracts, but also markets unit investment trusts, direct participation programs, and general securities (as an introducing broker to its clearing firm on a fully disclosed basis). Principal Securities representatives receive compensation for the sale of these investment products and may receive additional compensation from other sources outside of their securities activities.

The Program is offered exclusively to Plans whose recordkeeping services are provided by Principal Life Insurance Company. Principal Trust Company generally serves as trustee or custodian for Plans utilizing the Program. Plan sponsors may choose Eligible Investment Options that are managed and/or sub-advised by Principal Global Investors, LLC. They may also choose Principal Funds, Inc. mutual funds as Eligible Investment Options. Principal Funds Distributor, Inc., is the principal underwriter for Principal Funds, Inc. Principal Securities serves as distributor for the variable annuity contracts issued by Principal Life Insurance Company and Principal National Life Insurance Company. Principal Securities is affiliated with Principal Funds Distributor, Inc., Principal Life Insurance Company, Principal National Life Insurance Company, Principal Trust Company and Principal Global Investors Holding Company, LLC. All are subsidiaries of Principal Financial Services, Inc.

The inclusion of Principal Funds, Inc. funds and Principal Life Insurance Company or Principal National Life Insurance Company policies and retirement plan accounts present conflicts of interest. This conflict is mitigated because the Sponsor chooses Principal Life Insurance Company as the Plan recordkeeper and also chooses the Eligible Investment Options available through the Program.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Principal Securities has implemented a Code of Ethics ("Code") pursuant to SEC Rule 204A-1. A complete copy of the Code is available upon request. The purpose of this Code is to prevent or mitigate conflicts of interest that exist, or appear to exist, and to prevent any violations of applicable laws, when Principal Securities' Officers, Directors, Investment Adviser Representatives and certain employees who meet the SEC's definition of "Access Person" own or engage in transactions involving securities.

Central aspects of the Code include:

- the requirement that all reportable personal security transactions be conducted in such a manner as to avoid any actual or potential conflict of interest or abuse of an individual's position of trust and responsibility;
- fiduciary principles that include the requirement to place the interests of Advisory Clients first and maintain in confidence information concerning the security holdings of those customers; and
- the duty to comply with applicable federal and state securities laws, including the prohibitions against insider trading and market manipulation.

Each Access Person is provided with a copy of the Code and any amendment and must certify that they have read and will comply with the Code including any amendments.

In general, the Code also requires Access Persons to disclose all accounts in which they will have beneficial ownership in certain reportable securities. When a person becomes an Access Person or prior to being released as an Investment Adviser Representative, those persons must furnish a copy of an initial holding report on any such accounts and reportable securities. A copy of an account statement issued by or an electronic data transmission from the firm where the account is maintained can satisfy this requirement. Covered Access Persons must also furnish copies of quarterly transaction reports and annual holding reports on reportable securities. Copies of quarterly and annual statements issued by or electronic data transmissions from the firm where the account is maintained can satisfy this requirement. These records are then reviewed as appropriate.

Principal Securities Role

Principal Securities is a registered broker-dealer and, through its Broker-Dealer Representatives, transacts business in a variety of securities products including mutual funds, stocks, bonds, CDs, etc. In such role, Principal Securities offers securities products, including those issued by its affiliates or distributed by Principal Securities to Advisory Clients. Principal Securities will charge commissions on the sales of these products to Advisory Clients. Principal Securities ensures that Broker-Dealer Representatives who also act as Financial Advisors clearly disclose their dual role in communications with the public by reviewing all advertising and sales literature, including business cards and letterhead as well as require that this Brochure be delivered to the Advisory Client upon solicitation for Advisory Services.

Item 12 – Brokerage Practices

Principal Securities provides certain trading services to Principal Life Insurance Company in connection with the defined contribution plans for which Principal Life Insurance Company provides recordkeeping services. Principal Securities may also serve as broker-dealer in connection with the sale of securities or insurance products to the Plans utilizing the Program.

Item 13 – Review of Accounts

Accounts in the Program are reviewed as described earlier in Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss).

Item 14 – Client Referrals and Other Compensation

Principal Securities does not compensate any affiliated or unaffiliated person for referrals of its own Advisory Programs, except for the Retirement Plan Consulting Services program described more fully in the Financial Planning and Consulting Services Form ADV Part 2A disclosure brochure, specifically Item 14 Client Referrals and Other Compensation.

Item 15 – Custody

Principal Securities does not take custody of any Advisory Client assets when providing services under the Program.

Item 16 – Investment Discretion

Principal Securities does not have investment discretion as it relates to the Program. Morningstar has investment discretion for portfolio rebalancing and ongoing investment management of Program Participant's accounts.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, Principal Securities does not have any authority to and does not vote proxies on behalf of Sponsor or Plan Participants. Sponsors retain the responsibility for receiving and voting proxies for any and all securities maintained in Program model portfolios.

Item 18 – Financial Information

Principal Securities has no financial issues that would be reasonably likely to impair its ability to meet contractual commitments to clients. Principal Securities has not been the subject of a bankruptcy proceeding.