

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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PRINCIPAL GOVERNMENT SECURITIES FUND INC

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Mailing Address

*PRINCIPAL FINANCIAL CORP
DES MOINES IA 50392-0200*

Business Address

*PRINCIPAL FINANCIAL
GROUP
DES MOINES IA 50392-0200
515-248-9155*

To Principal Mutual Life Insurance Company Customers

Equity markets, both domestic and international, began the year quite strong. However, as investors received varying economic data fears of inflation returned. The result was an increasingly nervous marketplace and some weakening of this upward trend.

Though much attention has been paid to the potential for increasing inflation, most financial experts do not see this as a real threat. Instead, they look for a steady economic environment with correspondingly low inflation and interest rates.

The Principal Mutual Funds continue to experience excellent growth both in assets and the number of contracts. The Principal Mutual Funds act as investment options within several different Principal Mutual Life Insurance Company variable annuity and variable life products. Please see your contract prospectus for a description of the Funds specifically available in your contract.

For each contract holder, particularly those who have recently joined us, we hope that you find the information contained in this Semiannual Report helpful in monitoring your investment.

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June 30, 1996

STATEMENTS OF ASSETS AND LIABILITIES

(unaudited)

	Principal Aggressive Growth Fund, Inc. -----	Principal Asset Allocation Fund, Inc. -----	Principal Balanced Fund, Inc. -----	Principal Bond Fund, Inc. -----
<S>	<C>	<C>	<C>	<C>
Investment in securities -- at cost.....	\$53,669,288	\$39,137,926	\$67,233,960	\$52,710,002
	-----	-----	-----	-----
Assets				
Investment in securities -- at value (Note 4).....	\$57,931,524	\$41,991,360	\$72,596,193	\$52,629,596
Cash	4,792,442	12,324,611	6,116	4,945
Receivables:				
Dividends and interest.....	137,227	399,106	482,185	1,075,247
Investment securities sold.....	832,100	131,556	-	-
Capital Stock sold.....	304,376	219,828	395,854	287,400
	-----	-----	-----	-----
Total Assets	63,997,669	55,066,461	73,480,348	53,997,188
Liabilities				
Accrued expenses.....	37,919	35,910	33,455	20,305
Payables:				
Investment securities purchased.....	615,129	189,206	704,417	-
Capital Stock reacquired.....	-	-	337	-
	-----	-----	-----	-----
Total Liabilities	653,048	225,116	738,209	20,305

Net Assets Applicable to Outstanding Shares.....	\$63,344,621	\$54,841,345	\$72,742,139	\$53,976,883
Capital Stock (par value: \$.01 a share)				
Shares authorized.....	100,000,000	100,000,000	100,000,000	100,000,000
Shares issued and outstanding.....	4,483,391	4,738,192	5,089,845	4,757,064
Net Asset Value Per Share.....	\$14.13	\$11.57	\$14.29	\$11.35

Net Assets Consist of:				
Capital Stock.....	\$ 44,834	\$ 47,382	\$ 50,898	\$ 47,571
Additional paid-in capital.....	54,500,267	49,545,819	64,644,178	52,795,999
Accumulated undistributed net investment income.....	321,868	877,508	972,845	1,510,126
Accumulated undistributed net realized gain (loss) from:				
Investment transactions	4,215,416	1,517,202	1,711,985	(296,407)
Foreign currency transactions.....	-	-	-	-
Net unrealized appreciation (depreciation) of investments.....	4,262,236	2,853,434	5,362,233	(80,406)
Net unrealized appreciation on translation of assets and liabilities in foreign currencies..	-	-	-	-
Total Net Assets	\$63,344,621	\$54,841,345	\$72,742,139	\$53,976,883

See accompanying notes.
</TABLE>

<TABLE>
<CAPTION>
June 30, 1996

STATEMENTS OF ASSETS AND LIABILITIES

(unaudited)

	Principal Capital Accumulation Fund, Inc.	Principal Emerging Growth Fund, Inc.	Principal Government Securities Fund, Inc.	Principal Growth Fund, Inc.
<S>	<C>	<C>	<C>	<C>
Investment in securities -- at cost.....	\$145,281,805	\$ 86,725,251	\$78,226,146	\$66,913,728
Assets				
Investment in securities -- at value (Note 4).....	\$172,894,117	\$103,016,897	\$77,672,828	\$73,490,491
Cash	8,047	2,302,307	1,040	9,083
Receivables:				
Dividends and interest.....	172,348	74,912	976,646	72,694
Investment securities sold.....	2,071,056	-	-	-
Capital Stock sold.....	759,901	791,488	543,398	554,228
Total Assets	175,905,469	106,185,604	79,193,912	74,126,496
Liabilities				
Accrued expenses.....	65,210	47,455	30,619	31,056
Payables:				
Investment securities purchased.....	2,479,651	9,904,451	1,000,000	-
Capital Stock reacquired.....	236,988	125	16,073	448
Total Liabilities	2,781,849	9,952,031	1,046,692	31,504
Net Assets Applicable to Outstanding Shares.....	\$173,123,620	\$ 96,233,573	\$78,147,220	\$74,094,992
Capital Stock (par value: \$.01 a share)				
Shares authorized.....	100,000,000	100,000,000	100,000,000	100,000,000
Shares issued and outstanding.....	5,802,427	3,505,410	7,539,139	5,699,509
Net Asset Value Per Share.....	\$29.84	\$27.45	\$10.37	\$13.00

Net Assets Consist of:				
Capital Stock.....	\$ 58,024	\$ 35,054	\$ 75,391	\$ 56,995
Additional paid-in capital.....	133,719,947	77,995,577	77,361,014	66,714,302
Accumulated undistributed net investment income.....	1,397,395	417,615	1,982,169	504,784
Accumulated undistributed net realized gain (loss) from:				
Investment transactions	10,335,942	1,493,681	(718,036)	242,148
Foreign currency transactions.....	-	-	-	-
Net unrealized appreciation (depreciation) of investments.....	27,612,312	16,291,646	(553,318)	6,576,763
Net unrealized appreciation on translation of assets and liabilities in foreign currencies..	-	-	-	-
Total Net Assets	\$173,123,620	\$ 96,233,573	\$78,147,220	\$74,094,992
	-----	-----	-----	-----

See accompanying notes.

</TABLE>

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June 30, 1996

STATEMENTS OF ASSETS AND LIABILITIES

(unaudited)

	Principal High Yield Fund, Inc. -----	Principal Money Market Fund, Inc. -----	Principal World Fund, Inc. -----
<S>	<C>	<C>	<C>
Investment in securities -- at cost.....	\$12,145,229	\$49,089,585	\$49,999,222
	-----	-----	-----
Assets			
Investment in securities -- at value (Note 4).....	\$12,038,875	\$49,089,585	\$54,813,419
Cash	208,753	1,006,055	174,693
Receivables:			
Dividends and interest.....	260,769	49,178	158,150
Investment securities sold.....	-	-	-
Capital Stock sold.....	146,665	429,420	283,965
	-----	-----	-----
Total Assets	12,655,062	50,574,238	55,430,227
Liabilities			
Accrued expenses.....	6,222	18,944	38,700
Payables:			
Investment securities purchased.....	300,000	998,860	2,205,674
Capital Stock reacquired.....	-	879,066	-
	-----	-----	-----
Total Liabilities	306,222	1,896,870	2,244,374
	-----	-----	-----
Net Assets Applicable to Outstanding Shares.....	\$12,348,840	\$48,677,368	\$53,185,853
	-----	-----	-----
Capital Stock (par value: \$.01 a share)			
Shares authorized.....	100,000,000	500,000,000	100,000,000
Shares issued and outstanding.....	1,437,162	48,677,368	4,485,304
Net Asset Value Per Share.....	\$8.59	\$1.000	\$11.86
	-----	-----	-----

Net Assets Consist of:			
Capital Stock.....	\$ 14,372	\$ 486,773	\$ 44,853
Additional paid-in capital.....	13,041,755	48,190,595	47,104,237
Accumulated undistributed net investment income.....	542,993	-	678,016
Accumulated undistributed net realized gain (loss) from:			
Investment transactions	(1,143,926)	-	550,807
Foreign currency transactions.....	-	-	(6,806)
Net unrealized appreciation (depreciation) of investments.....	(106,354)	-	4,814,197
Net unrealized appreciation on translation of assets and liabilities in foreign currencies..	-	-	549
Total Net Assets	\$12,348,840	\$48,677,368	\$53,185,853
	-----	-----	-----

See accompanying notes.
</TABLE>

<TABLE>
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Six Months Ended June 30, 1996

STATEMENTS OF OPERATIONS

(unaudited)

	Principal Aggressive Growth Fund, Inc.	Principal Asset Allocation Fund, Inc.	Principal Balanced Fund, Inc.	Principal Bond Fund, Inc.
Net Investment Income				
Income:				
<S>	<C>	<C>	<C>	<C>
Dividends.....	\$ 387,508	\$ 323,490	\$ 327,599	\$ -
Less: Withholding tax on foreign dividends.....	-	-	-	-
Interest.....	127,134	756,966	817,643	1,631,352
Total Income	514,642	1,080,456	1,145,242	1,631,352
Expenses:				
Management and investment advisory fees (Note 3).....	182,983	183,994	163,058	107,958
Custodian fees.....	8,023	10,079	4,830	2,908
Directors' fees.....	3,907	3,915	3,916	3,888
Other.....	678	654	836	673
Total Expenses	195,591	198,642	172,640	115,427
Net Investment Income	319,051	881,814	972,602	1,515,925
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency				
Net realized gain (loss) from:				
Investment transactions.....	4,308,709	1,556,666	1,723,210	140
Foreign currency transactions.....	-	-	-	-
Net increase (decrease) in unrealized appreciation/depreciation on:				
Investments	1,564,190	(23,214)	(393,211)	(2,715,765)
Translation of assets and liabilities in foreign currencies.....	-	-	-	-
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency	5,872,899	1,533,453	1,329,999	(2,715,625)
Net Increase (Decrease) in Net Assets Resulting from Operations	\$6,191,950	\$2,415,266	\$2,302,601	\$(1,199,700)

See accompanying notes.
</TABLE>

<TABLE>
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Six Months Ended June 30, 1996

STATEMENTS OF OPERATIONS

(unaudited)

	Principal Capital Accumulation Fund, Inc.	Principal Emerging Growth Fund, Inc.	Principal Government Securities Fund, Inc.	Principal Growth Fund, Inc.
Net Investment Income				
Income:				
<S>	<C>	<C>	<C>	<C>
Dividends.....	\$ 1,628,103	\$ 280,971	\$ -	\$ 374,935
Less: Withholding tax on foreign dividends.....	-	-	-	-
Interest.....	146,752	371,879	2,137,141	274,366
Total Income	1,774,855	652,850	2,137,141	649,301
Expenses:				
Management and investment advisory fees (Note 3).....	359,495	228,195	150,839	135,433
Custodian fees.....	4,440	4,136	4,107	3,623
Directors' fees.....	3,998	3,909	3,876	3,798
Other.....	671	673	672	656

Total Expenses	368,504	236,913	159,494	143,510
Net Investment Income	1,406,351	415,937	1,977,647	505,791
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency				
Net realized gain (loss) from:				
Investment transactions.....	10,523,598	1,513,506	(2,198)	242,902
Foreign currency transactions.....	-	-	-	-
Net increase (decrease) in unrealized appreciation/depreciation on:				
Investments	2,187,976	3,923,097	(2,752,776)	1,294,638
Translation of assets and liabilities in foreign currencies.....	-	-	-	-
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency	12,711,574	5,436,603	(2,754,974)	1,537,540
Net Increase (Decrease) in Net Assets Resulting from Operations	\$14,117,925	\$5,852,540	\$ (777,327)	\$2,043,331

See accompanying notes.
</TABLE>

<TABLE>
<CAPTION>
Six Months Ended June 30, 1996

STATEMENTS OF OPERATIONS

(unaudited)

	Principal High Yield Fund, Inc.	Principal Money Market Fund, Inc.	Principal World Fund, Inc.
Net Investment Income:			
<S>	<C>	<C>	<C>
Dividends.....	\$ -	\$ -	\$ 766,394
Less: Withholding tax on foreign dividends.....	-	-	(90,087)
Interest.....	610,308	1,092,747	183,834
Total Income	610,308	1,092,747	860,141
Expenses:			
Management and investment advisory fees (Note 3).....	35,674	97,046	146,112
Custodian fees.....	1,948	6,307	20,808
Directors' fees.....	3,895	3,828	3,933
Other.....	670	740	671
Total Expenses	42,187	107,921	171,524
Net Investment Income	568,121	984,826	688,617
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency			
Net realized gain (loss) from:			
Investment transactions.....	62,130	-	562,082
Foreign currency transactions.....	-	-	(6,806)
Net increase (decrease) in unrealized appreciation/depreciation on:			
Investments	(348,021)	-	2,767,203
Translation of assets and liabilities in foreign currencies.....	-	-	70
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency	(285,891)	-	3,322,549
Net Increase (Decrease) in Net Assets Resulting from Operations	\$282,230	\$ 984,826	\$4,011,166

See accompanying notes.
</TABLE>

<TABLE>
<CAPTION>
Six Months Ended June 30, 1996

STATEMENTS OF CHANGES IN NET ASSETS

(unaudited)

	Principal Aggressive Growth Fund, Inc.		Principal Asset Allocation Fund, Inc.	
	Six Months Ended June 30, 1996	Year Ended December 31, 1995	Six Months Ended June 30, 1996	Year Ended December 31, 1995
Operations				
<S>	<C>	<C>	<C>	<C>
Net investment income.....	\$ 319,051	\$ 302,552	\$ 881,814	\$ 1,387,625
Net realized gain (loss) from investment transactions..	4,308,709	4,905,174	1,556,666	1,628,048
Net increase (decrease) in unrealized appreciation/ depreciation on investments and translation of assets and liabilities in foreign currencies.....	1,564,190	2,660,711	(23,214)	3,340,632
Net Increase (Decrease) in Net Assets Resulting from Operations	6,191,950	7,868,437	2,415,266	6,356,305
Dividends and Distributions to Shareholders				
From net investment income.....	(666)	(305,795)	(24,132)	(1,398,405)
From net realized gain on investments and foreign currency transactions.....	(1,649,581)	(3,377,897)	(462,912)	(1,026,374)
	(1,650,247)	(3,683,692)	(487,044)	(2,424,779)
Capital Share Transactions (Note 5)				
Shares sold.....	29,392,420	14,807,229	12,222,259	7,552,421
Shares issued in reinvestment of dividends and distributions.....	1,650,247	3,683,692	487,044	2,424,779
Shares redeemed.....	(5,882,690)	(2,803,211)	(870,218)	(875,745)
Net Increase (Decrease) in Net Assets from Capital Share Transactions	25,159,977	15,687,710	11,839,085	9,101,455
Total Increase	29,701,680	19,872,455	13,767,307	13,032,981
Net Assets				
Beginning of period.....	33,642,941	13,770,486	41,074,038	28,041,057
End of period (including undistributed net investment income as set forth below).....	\$63,344,621	\$33,642,941	\$54,841,345	\$41,074,038
Undistributed Net Investment Income.....	\$ 321,868	\$ 3,483	\$ 877,508	\$ 19,826

See accompanying notes.

</TABLE>

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Six Months Ended June 30, 1996

STATEMENTS OF CHANGES IN NET ASSETS

(unaudited)

	Principal Balanced Fund, Inc.		Principal Bond Fund, Inc.	
	Six Months Ended June 30, 1996	Year Ended December 31, 1995	Six Months Ended June 30, 1996	Year Ended December 31, 1995
Operations				
<S>	<C>	<C>	<C>	<C>
Net investment income.....	\$ 972,602	\$ 1,419,736	\$ 1,515,925	\$ 1,790,567
Net realized gain (loss) from investment transactions..	1,723,210	1,509,204	140	(178,683)
Net increase (decrease) in unrealized appreciation/ depreciation on investments and translation of assets and liabilities in foreign currencies.....	(393,211)	4,627,533	(2,715,765)	3,151,543
Net Increase (Decrease) in Net Assets Resulting from Operations	2,302,601	7,556,473	(1,199,700)	4,763,427
Dividends and Distributions to Shareholders				
From net investment income.....	(11,522)	(1,419,914)	(5,799)	(1,807,251)
From net realized gain on investments and foreign				

currency transactions.....	(840,918)	(1,126,793)	-	-
	(852,440)	(2,546,707)	(5,799)	(1,807,251)
Capital Share Transactions (Note 5)				
Shares sold.....	31,348,329	18,469,155	26,538,000	15,942,301
Shares issued in reinvestment of dividends and distributions.....	482,410	1,530,787	5,799	1,815,744
Shares redeemed.....	(5,942,087)	(4,649,589)	(7,239,076)	(1,944,844)
Net Increase (Decrease) in Net Assets from Capital Share Transactions	25,888,652	15,350,353	19,304,723	15,813,161
Total Increase	27,338,813	20,360,119	18,099,224	18,769,337
Net Assets				
Beginning of period.....	45,403,326	25,043,207	35,877,659	17,108,322
End of period (including undistributed net investment income as set forth below).....	\$72,742,139	\$45,403,326	\$53,976,883	\$35,877,659
Undistributed Net Investment Income.....	\$ 972,845	\$ 11,765	\$ 1,510,126	\$ -

See accompanying notes.

</TABLE>

<TABLE>

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Six Months Ended June 30, 1996

STATEMENTS OF CHANGES IN NET ASSETS

(unaudited)

	Principal Capital Accumulation Fund, Inc.	
	Six Months Ended June 30, 1996	Year Ended December 31, 1995
Operations		
<S>	<C>	<C>
Net investment income.....	\$ 1,406,351	\$ 2,706,864
Net realized gain (loss) from investment transactions..	10,523,598	11,294,865
Net increase (decrease) in unrealized appreciation/ depreciation on investments and translation of assets and liabilities in foreign currencies.....	2,187,976	19,225,574
Net Increase (Decrease) in Net Assets Resulting from Operations	14,117,925	33,227,303
Dividends and Distributions to Shareholders		
From net investment income.....	(68,376)	(2,707,756)
From net realized gain on investments and foreign currency transactions.....	(3,248,528)	(10,552,706)
	(3,316,904)	(13,260,462)
Capital Share Transactions (Note 5)		
Shares sold.....	47,304,803	38,113,651
Shares issued in reinvestment of dividends and distributions.....	3,289,150	13,137,194
Shares redeemed.....	(23,911,034)	(56,149,805)
Net Increase (Decrease) in Net Assets from Capital Share Transactions	26,682,919	(4,898,960)
Total Increase	37,483,940	15,067,881
Net Assets		
Beginning of period.....	135,639,680	120,571,799
End of period (including undistributed net investment income as set forth below).....	\$173,123,620	\$135,639,680
Undistributed Net Investment Income.....	\$ 1,397,395	\$ 59,419

See accompanying notes.
</TABLE>

<TABLE>
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Six Months Ended June 30, 1996

STATEMENTS OF CHANGES IN NET ASSETS (Continued)

(unaudited)

	Principal Emerging Growth Fund, Inc.		Principal Government Securities Fund, Inc.	
	Six Months Ended June 30, 1996	Year Ended December 31, 1995	Six Months Ended June 30, 1996	Year Ended December 31, 1995
Operations				
<S>	<C>	<C>	<C>	<C>
Net investment income.....	\$ 415,937	\$ 502,095	\$ 1,977,647	\$ 2,727,198
Net realized gain (loss) from investment transactions...	1,513,506	1,202,668	(2,198)	(41,117)
Net realized (loss) from foreign currency transactions..	-	-	-	-
Net increase (decrease) in unrealized appreciation/ depreciation on investments and translation of assets and liabilities in foreign currencies.....	3,923,097	8,417,614	(2,752,776)	4,199,844
Net Increase (Decrease) in Net Assets Resulting from Operations	5,852,540	10,122,377	(777,327)	6,885,925
Dividends and Distributions to Shareholders				
From net investment income.....	(4,675)	(496,559)	(12,373)	(2,764,369)
Excess distribution of net investment income (Note 1)...	-	-	-	-
From net realized gain on investments and foreign currency transactions.....	(766,929)	(473,643)	-	-
Capital Share Transactions (Note 5)				
Shares sold.....	44,621,027	33,010,562	38,092,002	24,755,653
Shares issued in reinvestment of dividends and distributions.....	723,417	825,122	12,373	2,708,209
Shares redeemed.....	(12,712,247)	(8,379,384)	(9,246,924)	(17,627,312)
Net Increase in Net Assets from Capital Share Transactions	32,632,197	25,456,300	28,857,451	9,836,550
Total Increase	37,713,133	34,608,475	28,067,752	13,958,106
Net Assets				
Beginning of period.....	58,520,440	23,911,965	50,079,469	36,121,363
End of period (including undistributed (overdistributed) net investment income as set forth below).....	\$96,233,573	\$58,520,440	\$78,147,220	\$50,079,469
Undistributed (overdistributed) Net Investment Income...	\$ 417,615	\$ 6,354	\$ 1,982,169	\$ 16,895

See accompanying notes.

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<TABLE>
<CAPTION>

Six Months Ended June 30, 1996

STATEMENTS OF CHANGES IN NET ASSETS (Continued)

(unaudited)

	Principal Growth Fund, Inc.		Principal High Yield Fund, Inc.	
	Six Months Ended June 30, 1996	Year Ended December 31, 1995	Six Months Ended June 30, 1996	Year Ended December 31, 1995

	<C>	<C>	<C>	<C>
Operations				
<S>	<C>	<C>	<C>	<C>
Net investment income.....	\$ 505,791	\$ 572,297	\$ 568,121	\$ 976,414
Net realized gain (loss) from investment transactions...	242,902	298,608	62,130	(49,300)
Net realized (loss) from foreign currency transactions..	-	-	-	-
Net increase (decrease) in unrealized appreciation/ depreciation on investments and translation of assets and liabilities in foreign currencies.....	1,294,638	5,280,826	(348,021)	664,483
Net Increase (Decrease) in Net Assets Resulting from Operations	2,043,331	6,151,731	282,230	1,591,597
Dividends and Distributions to Shareholders				
From net investment income.....	(6,768)	(566,536)	(24)	(991,915)
Excess distribution of net investment income (Note 1)...	-	-	-	(25,104)
From net realized gain on investments and foreign currency transactions.....	(4,612)	(294,742)	-	-
	(11,380)	(861,278)	(24)	(1,017,019)
Capital Share Transactions (Note 5)				
Shares sold.....	35,868,195	29,355,706	313,967	673,188
Shares issued in reinvestment of dividends and distributions.....	11,380	753,669	24	1,017,019
Shares redeemed.....	(6,524,055)	(5,778,425)	(77,290)	(131,664)
Net Increase in Net Assets from Capital Share Transactions	29,355,520	24,330,950	236,701	1,558,543
Total Increase	31,387,471	29,621,403	518,907	2,133,121
Net Assets				
Beginning of period.....	42,707,521	13,086,118	11,829,933	9,696,812
End of period (including undistributed (overdistributed) net investment income as set forth below).....	\$74,094,992	\$42,707,521	12,348,840	\$11,829,933
Undistributed (overdistributed) Net Investment Income...	\$ 504,784	\$ 5,761	\$ 542,993	\$ (25,104)

See accompanying notes.

</TABLE>

<TABLE>

<CAPTION>

Six Months Ended June 30, 1996

STATEMENTS OF CHANGES IN NET ASSETS (Continued)

(unaudited)

	Principal Money Market Fund, Inc.		Principal World Fund, Inc.	
	Six Months Ended June 30, 1996	Year Ended December 31, 1995	Six Months Ended June 30, 1996	Year Ended December 31, 1995
Operations				
<S>	<C>	<C>	<C>	<C>
Net investment income.....	\$ 984,826	\$ 1,502,142	\$ 688,617	\$ 519,182
Net realized gain (loss) from investment transactions...	-	-	562,082	174,169
Net realized (loss) from foreign currency transactions..	-	-	(6,806)	(5,526)
Net increase (decrease) in unrealized appreciation/ depreciation on investments and translation of assets and liabilities in foreign currencies.....	-	-	2,767,273	2,574,265
Net Increase (Decrease) in Net Assets Resulting from Operations	984,826	1,502,142	4,011,166	3,262,090
Dividends and Distributions to Shareholders				
From net investment income.....	(984,826)	(1,502,142)	(23,106)	(506,808)
Excess distribution of net investment income (Note 1)...	-	-	-	-
From net realized gain on investments and foreign currency transactions.....	-	-	(139,328)	(23,834)
	(984,826)	(1,502,142)	(162,434)	(530,642)
Capital Share Transactions (Note 5)				
Shares sold.....	82,700,206	94,151,329	21,697,681	15,630,379

Shares issued in reinvestment of dividends and distributions.....	834,256	1,130,170	139,669	530,642
Shares redeemed.....	(67,527,013)	(91,983,464)	(3,065,849)	(2,072,943)
	-----	-----	-----	-----
Net Increase in Net Assets from Capital Share Transactions	16,007,449	3,298,035	18,771,501	14,088,078
	-----	-----	-----	-----
Total Increase	16,007,449	3,298,035	22,620,233	16,819,526
	-----	-----	-----	-----
Net Assets				
Beginning of period.....	32,669,919	29,371,884	30,565,620	13,746,094
	-----	-----	-----	-----
End of period (including undistributed (overdistributed) net investment income as set forth below).....	\$48,677,368	\$32,669,919	\$53,185,853	\$30,565,620
	-----	-----	-----	-----
Undistributed (overdistributed) Net Investment Income...	\$ -	\$ -	\$ 678,016	\$ 12,505
	-----	-----	-----	-----

See accompanying notes.

</TABLE>

June 30, 1996

NOTES TO FINANCIAL STATEMENTS

(unaudited)

Principal Aggressive Growth Fund, Inc.
Principal Asset Allocation Fund, Inc.
Principal Balanced Fund, Inc.
Principal Bond Fund, Inc.
Principal Capital Accumulation Fund, Inc.
Principal Emerging Growth Fund, Inc.
Principal Government Securities Fund, Inc.
Principal Growth Fund, Inc.
Principal High Yield Fund, Inc.
Principal Money Market Fund, Inc.
Principal World Fund, Inc.

Note 1 - Significant Accounting Policies

Principal Aggressive Growth Fund, Inc., Principal Asset Allocation Fund, Inc., Principal Balanced Fund, Inc., Principal Bond Fund, Inc., Principal Capital Accumulation Fund, Inc., Principal Emerging Growth Fund, Inc., Principal Government Securities Fund, Inc., Principal Growth Fund, Inc., Principal High Yield Fund, Inc., Principal Money Market Fund, Inc. and Principal World Fund, Inc. (the "Funds") are registered under the Investment Company Act of 1940, as amended, as open-end diversified management investment companies and operate in the mutual fund industry.

Principal Money Market Fund, Inc. values its securities at amortized cost, which approximates market. Under the amortized cost method, a security is valued by applying a constant amortization to maturity of the difference between the principal amount due at maturity and the cost of the security to the fund.

The other funds value securities for which market quotations are readily available at market value, which is determined using the last reported sale price or, if no sales are reported, as is regularly the case for some securities traded over-the-counter, the last reported bid price. When reliable market quotations are not considered to be readily available, which may be the case, for example, with respect to certain debt securities and preferred stocks, the investments are valued by using market quotations, prices provided by market makers or estimates of market values obtained from yield data and other factors relating to instruments or securities with similar characteristics in accordance with procedures established in good faith by each fund's Board of Directors. Securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market.

With respect to Principal World Fund, Inc., the value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. The identified cost of the portfolio holdings is translated at approximate rates prevailing when acquired. Income and expense amounts are translated at approximate rates prevailing when received or paid, with daily accruals of such amounts reported at approximate rates prevailing at the date of valuation.

Since the carrying amount of the foreign securities in the Principal World Fund, Inc. is determined based on the exchange rate and market values at the close of the period, it is not practicable to isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities during the period.

The Funds record investment transactions generally one day after the trade date. The identified cost basis has been used in determining the net realized gain or loss from investment transactions and unrealized appreciation or depreciation of investments. The Funds record dividend income on the ex-dividend date, except dividend income from foreign securities whereby the ex-dividend date has passed; such dividends are recorded as soon as the Funds are informed of the ex-dividend date. Interest income is recognized on an accrual basis.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amount of dividends and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities at fiscal year end, resulting from changes in the exchange rate.

With respect to Principal Money Market Fund, Inc., all net investment income and any realized gains and losses from investment transactions are declared as dividends daily to shareholders of record as of that day. Dividends and distributions to shareholders of the other funds are recorded on the ex-dividend date.

Dividends and distributions to shareholders from net investment income and net realized gain from investment and foreign currency transactions is determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. To the extent these "book/tax" differences are permanent in nature (i.e. that they result from other than timing of recognition - "temporary"), such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. Reclassifications made for the year ended December 31, 1995 were not material.

Due to the timing of dividend distributions and the differences in accounting for income and realized gains (losses) for financial statement and federal income tax purposes, the fiscal year in which amounts are distributed may differ from the year in which the income and realized gains (losses) are recorded for financial statement purposes by the fund. The differences between the income and gains distributed on a book versus tax basis are shown as excess distributions of net investment income and net realized gain on investments in the accompanying Statements of Changes in Net Assets.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Federal Income Taxes

No provision for federal income taxes is considered necessary because each fund is qualified as a "regulated investment company" under the Internal Revenue Code and intends to distribute each year, substantially all of its net investment income and realized capital gains to shareholders. The cost of investments is approximately the same for both federal income tax and financial reporting purposes.

Note 3 - Management Agreement and Transactions With Affiliates

The Funds have agreed to pay investment advisory and management fees to Princor Management Corporation (wholly owned by Princor Financial Services Corporation, a subsidiary of Principal Mutual Life Insurance Company) (the "Manager"), computed at an annual percentage rate of each fund's average daily net assets. The annual rate used in this calculation for Principal Bond Fund, Inc., Principal Capital Accumulation Fund, Inc., Principal Government Securities Fund, Inc., Principal Growth Fund, Inc. and Principal Money Market Fund, Inc. is .50% of the first \$100 million of the fund's average daily net assets and .45% of the next \$100 million of the fund's average daily net assets. The annual rate used in this calculation for Principal Asset Allocation Fund, Inc. and Principal Aggressive Growth Fund, Inc. is .80% of the first \$100 million of the fund's average daily net assets. With respect to Principal Balanced Fund, Inc. and Principal High Yield Fund, Inc., the annual rate used in this calculation is .60% of the first \$100 million of the fund's average daily net assets. With respect to Principal Emerging Growth Fund, Inc. and Principal World Fund, Inc., the annual rate used in this calculation is .65% and .75%, respectively, of the first \$100 million of the fund's average daily net assets.

Brokerage commissions were paid to affiliates by certain of the funds, as follows:

Six Months Ended	Year Ended
June 30,	December 31,
1996	1995
-----	-----

Principal Balanced Fund, Inc.	\$1,300	\$ 219
Principal Capital Accumulation Fund, Inc.	1,098	8,243
Principal Emerging Growth Fund, Inc.	-	910
Principal Growth Fund, Inc.	-	4,252
Principal World Fund, Inc.	1,134	2,207

All of the shares of the Funds are owned by Principal Mutual Life Insurance Company and/or one or more Separate Accounts sponsored by Principal Mutual Life Insurance Company.

Note 4 - Investment Transactions

For the six months ended June 30, 1996, the cost of investment securities purchased and proceeds from investment securities sold (not including short-term investments and U.S. government securities) by the Funds were as follows:

	Purchases	Sales
	-----	-----
Principal Aggressive Growth Fund, Inc.	\$ 1,624,948	\$ -
Principal Asset Allocation Fund, Inc.	18,423,844	14,981,401
Principal Balanced Fund, Inc.	21,160,727	4,435,701
Principal Bond Fund, Inc.	21,023,062	70,000
Principal Capital Accumulation Fund, Inc.	47,128,018	31,680,508
Principal Emerging Growth Fund, Inc.	31,037,202	5,514,763
Principal Government Securities Fund, Inc.	15,932,593	1,670,150
Principal Growth Fund, Inc.	19,251,520	1,232,765
Principal High Yield Fund, Inc.	2,498,044	2,109,750
Principal World Fund, Inc.	18,747,085	2,367,819

<TABLE>

<CAPTION>

At June 30, 1996, net unrealized appreciation (depreciation) of investments held by the Funds was composed of the following:

<S>	Gross Unrealized		Net Unrealized
	Appreciation	(Depreciation)	Appreciation (Depreciation)
	-----	-----	-----
	<C>	<C>	<C>
Principal Aggressive Growth Fund, Inc.	\$ 5,188,245	\$ (926,009)	\$ 4,262,236
Principal Asset Allocation Fund, Inc.	3,797,847	(944,413)	2,853,434
Principal Balanced Fund, Inc.	6,349,437	(987,204)	5,362,233
Principal Bond Fund, Inc.	1,106,875	(1,187,281)	(80,406)
Principal Capital Accumulation Fund, Inc.	29,882,193	(2,269,881)	27,612,312
Principal Emerging Growth Fund, Inc.	18,505,369	(2,213,223)	16,292,146
Principal Government Securities Fund, Inc.	920,896	(1,474,214)	(553,318)
Principal Growth Fund, Inc.	8,952,099	(2,375,336)	6,576,763
Principal High Yield Fund, Inc.	206,303	(312,657)	(106,354)
Principal World Fund, Inc.	6,400,394	(1,586,197)	4,814,197

</TABLE>

<TABLE>

<CAPTION>

At June 30, 1996, Principal Asset Allocation Fund, Inc., Principal Balanced Fund, Inc., Principal Emerging Growth Fund, Inc., Principal High Yield Fund, Inc. and Principal World Fund, Inc. held the following securities which may require registration under the Securities Act of 1933 or an exemption therefrom in order to effect a sale in the ordinary course of business.

Fund	Security Description	Date of Acquisition	Cost	Value at June 30, 1996	Value as a Percentage of Net Assets
-----	-----	-----	-----	-----	-----
Principal Asset Allocation Fund, Inc.	Alps 96 1 PT;				
<S>	<C>	<C>	<C>	<C>	<C>
	Pass Through Certificates	5/22/96	\$ 75,000	\$ 74,812	.14%
	CIA Brasilia de Distribuicao; GDR	5/30/96	48,825	51,150	.09%
		5/31/96	49,988	53,212	.10%
	Echostar Sattelite Broadcasting;				
	Senior Discount Notes	3/19/96	60,353	62,000	.11%
		6/11/96	16,125	15,500	.03%
	Fomento Economico Mexicano	5/30/96	100,040	93,900	.17%
		5/31/96	90,900	85,884	.16%
	Grupo Financiero Bancomer;				
	SA ADR	5/30/96	99,375	92,298	.17%
		5/31/96	93,125	87,074	.16%
	Homeside, Inc.; Senior Notes	5/7/96	20,000	20,700	.04%
	Lenfest Communications;				
	Senior Subordinated Notes	6/20/96	19,844	20,167	.04%

	Norcal Waste Systems, Inc.;				
	Step-Up Senior Notes	6/26/96	63,750	63,300	.12%
	Occidente Y Carbide Cellular;				
	Step-Up Units	5/31/96	65,533	64,687	.12%
	Time Warner; Series K				
	Preferred Stock	4/3/96	96,009	93,100	.17%
	Unisys Corp.; Senior Notes	3/22/96	93,886	97,138	.18%
				974,922	1.80%
Principal Balanced Fund, Inc.	Federal-Mogul Corp.; Series D Convertible	10/15/92	248,325	240,800	.33%
Principal Emerging Growth Fund, Inc.	Ciba-Geigy Corp.; Exchangeable Subordinated Debentures	3/20/91	150,000	153,750	.16%
	Sierra On Line; Convertible Subordinated Debentures	8/17/94	100,375	346,500	.36%
				500,250	.52%
Principal High Yield Fund, Inc.	Mariner Health Corp; Senior Subordinated Notes	4/1/96	298,662	288,375	2.34%
	Howmet Corp.; Senior Subordinated Notes	11/22/95	150,000	157,875	1.28%
				446,250	3.62%
Principal World Fund, Inc.	Alfa SA; Convertible Subordinated Debentures	9/25/95	398,000	427,000	.80%
	Fokus Bank	6/25/96	645,965	648,458	1.22%
	Royal Plastics Group	11/23/94	41,703	77,492	.14%
		9/25/95	132,960	151,946	.29%
		6/25/96	300,947	303,891	.57%
	Voest-Alpine Stahl	10/30/95	280,007	310,895	.58%
		3/27/96	146,558	152,068	.29%
		6/25/96	256,093	260,205	.49%
		6/27/96	145,930	145,309	.27%
				-----	-----
				\$2,477,264	4.65%

</TABLE>

The Fund's investments are with various issuers in various industries. The Schedules of Investments contained herein summarize concentrations of credit risk by industry and issuer .

<TABLE>

<CAPTION>

Note 5 - Capital Share Transactions

Transactions in Capital Stock by fund were as follows:

	Principal Aggressive Growth Fund, Inc.	Principal Asset Allocation Fund, Inc.	Principal Balanced Fund, Inc.
Six Months Ended June 30, 1996:			
<S>	<C>	<C>	<C>
Shares sold.....	2,189,188	1,075,442	2,232,444
Shares issued in reinvestment of dividends and distributions.....	128,723	43,608	34,754
Shares redeemed.....	(433,936)	(78,730)	(428,426)
	-----	-----	-----
Net Increase	1,883,975	1,040,320	1,838,772
	-----	-----	-----
Year Ended December 31, 1995:			
Shares sold.....	1,161,931	692,541	1,392,999
Shares issued in reinvestment of dividends and distributions.....	287,452	219,390	115,881
Shares redeemed.....	(211,535)	(78,261)	(354,061)
	-----	-----	-----
Net Increase	1,237,848	833,670	1,154,819
	-----	-----	-----

</TABLE>

<TABLE>

<CAPTION>

	Principal Bond Fund, Inc.	Principal Capital Accumulation Fund, Inc.	Principal Emerging Growth Fund, Inc.
Six Months Ended June 30, 1996:			
<S>	<C>	<C>	<C>
Shares sold.....	2,330,880	1,648,518	1,661,598
Shares issued in reinvestment of dividends and distributions.....	496	118,915	28,208

Shares redeemed.....	(633,341)	(843,955)	(494,598)
Net Increase	1,698,035	923,478	1,195,208
Year Ended December 31, 1995:			
Shares sold.....	1,388,036	1,462,128	1,443,488
Shares issued in reinvestment of dividends and distributions.....	155,537	493,432	32,984
Shares redeemed.....	(174,815)	(2,220,452)	(363,945)
Net Increase (Decrease)	1,368,758	(264,892)	1,112,527

</TABLE>

<TABLE>
<CAPTION>

	Principal Government Securities Fund, Inc.	Principal Growth Fund, Inc.	Principal High Yield Fund, Inc.
Six Months Ended June 30, 1996:			
<S>	<C>	<C>	<C>
Shares sold.....	3,674,323	2,779,677	36,739
Shares issued in reinvestment of dividends and distributions.....	1,176	921	-
Shares redeemed.....	(884,574)	(518,184)	(9,077)
Net Increase	2,790,925	2,262,414	27,662
Year Ended December 31, 1995:			
Shares sold.....	2,389,165	2,597,297	77,400
Shares issued in reinvestment of dividends and distributions.....	258,394	61,037	121,455
Shares redeemed.....	(1,752,028)	(517,157)	(15,228)
Net Increase	895,531	2,141,177	183,627

</TABLE>

<TABLE>
<CAPTION>

	Principal Money Market Fund, Inc.	Principal World Fund, Inc.
Six Months Ended June 30, 1996:		
<S>	<C>	<C>
Shares sold.....	82,700,206	1,897,449
Shares issued in reinvestment of dividends and distributions.....	834,256	12,840
Shares redeemed.....	(67,527,013)	(277,237)
Net Increase	16,007,449	1,633,052
Year Ended December 31, 1995:		
Shares sold.....	94,151,329	1,566,265
Shares issued in reinvestment of dividends and distributions.....	1,130,170	49,808
Shares redeemed.....	(91,983,464)	(202,182)
Net Increase	3,298,035	1,413,891

</TABLE>

Note 6 - Line of Credit

The Funds have an unsecured line of credit with a bank which allows each fund to borrow up to \$500,000. Borrowings are made solely to facilitate the handling of unusual and/or unanticipated short-term cash requirements. Interest is charged to each fund, based on its borrowings, at a rate equal to the bank's Fed Funds Unsecured Rate plus 100 basis points. Additionally, a commitment fee is charged at the annual rate of .25% on the line of credit. At June 30, 1996, the Funds had no outstanding borrowings under the line of credit.

June 30, 1996

SCHEDULES OF INVESTMENTS

PRINCIPAL AGGRESSIVE GROWTH FUND, INC.

	Shares Held	Value
Common Stocks (91.45%)		
Advertising (0.17%)		
Catalina Marketing Corp.	300 (a)	\$ 27,450
Valassis Communications	4,400	81,400
		108,850
Agricultural Chemicals (0.34%)		
IMC Global Group, Inc.	5,800	218,225
Air Transportation, Scheduled (0.50%)		
AMR Corp.	3,500 (a)	318,500
Aircraft & Parts (8.72%)		
Allied Signal, Inc.	11,800	674,075
Boeing Co.	6,400	557,600
General Dynamics Corp.	5,800	359,600
McDonnell Douglas Corp.	14,600	708,100
Rockwell International Corp.	7,500	429,375
Rohr Industries	6,700 (a)	139,862
United Technologies Corp.	23,100	2,656,500
		5,525,112
Auto & Home Supply Stores (0.71%)		
Autozone, Inc.	13,000 (a)	451,750
Bakery Products (0.53%)		
Interstate Bakeries	12,400	331,700
Beverages (2.49%)		
Coca-Cola Enterprises	26,900	931,412
Pepsico, Inc.	18,200	643,825
		1,575,237
Commercial Banks (6.43%)		
Chase Manhattan Corp.	7,712	544,660
Citicorp	6,400	528,800
J. P. Morgan & Co.	5,000	423,125
Wells Fargo & Co.	10,783	2,575,789
		4,072,374
Communications Equipment (0.32%)		
U.S. Robotics Corp.	2,400 (a)	205,200
Computer & Data Processing Services (3.90%)		
First Data Corp.	7,400	589,225
GTECH Holdings Corp.	28,900	856,162
Microsoft Corp.	6,000 (a)	720,750
Oracle Systems Corp.	7,700 (a)	303,669
		2,469,806
Computer & Office Equipment (2.30%)		
Bell & Howell Co.	5,600 (a)	182,700
Cisco Systems	5,900 (a)	334,087
Hewlett-Packard Co.	3,500	348,687
International Business Machines Corp.	3,600	356,400
International Game Technology	13,700	231,188
		1,453,062
Construction & Related Machinery (0.20%)		
Baker Hughes, Inc.	3,900	128,213
Consumer Products (12.16%)		
Philip Morris Cos., Inc.	44,900	4,669,600
RJR Nabisco	97,900	3,034,900
		7,704,500
Department Stores (0.59%)		
Harcourt General, Inc.	7,400	370,000
Dimension Stone (0.51%)		
Potash Corp. of Saskatchewan	4,900	324,625
Drugs (3.16%)		
American Home Products Corp.	11,100	667,387
Amgen, Inc.	3,200 (a)	172,800
Pfizer, Inc.	5,000	356,875
Schering-Plough Corp.	12,800	803,200

Eating & Drinking Places (3.16%)		2,000,262
Boston Chicken, Inc.	50,100 (a)	1,628,250
Brinker International, Inc.	14,900 (a)	223,500
Foodmaker Inc.	17,500 (a)	150,937
		2,002,687
Electrical Industrial Apparatus (0.51%)		
Emerson Electric Co.	3,600	325,350
Electronic Components & Accessories (0.98%)		
Intel Corp.	8,400	616,875
Federal & Federally Sponsored Credit (1.08%)		
Student Loan Marketing Association (non-voting)	9,200	680,800
Fire, Marine, & Casualty Insurance (5.48%)		
Aetna Life & Casualty Co.	6,200	443,300
Cigna Corp.	6,950	819,231
Loews Corp.	23,200	1,829,900
PartnerRe Holdings Ltd.	9,400	280,825
RenaissanceRe Holdings	3,200	98,400
		3,471,656
Grain Mill Products (1.18%)		
Kellogg Co.	5,500	402,875
Ralston-Ralston Purina Group	5,400	346,275
		749,150
Hospitals (0.66%)		
Columbia/HCA Healthcare Corp.	7,800	416,325
Hotels & Motels (2.31%)		
Hilton Hotels Corp.	4,200	472,500
La Quinta Motor Inns	29,600	991,600
		1,464,100
Industrial Inorganic Chemicals (1.64%)		
Monsanto Co.	16,500	536,250
Olin Corp.	5,600	499,800
		1,036,050
Insurance Agents, Brokers, & Services (0.59%)		
Exel Ltd.	5,300	373,650
Medical Instruments & Supplies (0.58%)		
Becton, Dickinson & Co.	4,600	369,150
Medical Service & Health Insurance (0.83%)		
Pacificare Health Systems, Inc.; Class B	3,400 (a)	230,350
United Healthcare Corp.	5,900	297,950
		528,300
Miscellaneous Business Services (0.78%)		
CUC International, Inc.	13,950	495,225
Miscellaneous Food Stores (0.33%)		
General Nutrition Cos.	12,000 (a)	210,000
Miscellaneous Investing (3.00%)		
HFS, Inc.	27,100 (a)	1,897,000
Miscellaneous Plastics Products, NEC (0.25%)		
Premark International Inc.	2,500	46,250
Tupperware Corp.	2,600 (a)	109,850
		156,100
Motion Picture Production & Services (1.26%)		
Viacom, Inc.; Class B	6,800 (a)	264,350
Walt Disney Company	8,500	534,438
		798,788
Motion Picture Theaters (0.55%)		
AMC Entertainment	12,500 (a)	348,438
Motor Vehicles & Equipment (2.08%)		
ITT Industries	19,900	1,318,375
Newspapers (1.65%)		
Gannett Co.	4,700	332,525
New York Times Co.	6,400	208,800
News Corp. Ltd. ADS	21,400	502,900
		1,044,225

Oil & Gas Field Services (0.49%)		
Schlumberger Ltd.	3,700	311,725
Periodicals (1.51%)		
K III Communications	76,500 (a)	956,250
Personal Credit Institutions (3.74%)		
American Express Co.	39,000	1,740,375
Associates First Capital	6,200 (a)	233,275
Dean Witter, Discover & Co.	6,900	395,025
		2,368,675
Photographic Equipment & Supplies (1.04%)		
Eastman Kodak Co.	8,450	656,988
Photographic Studios, Portrait (0.06%)		
PCA International Inc.	2,200	36,850
Plastic Materials & Synthetics (0.68%)		
Hercules, Inc.	7,800	430,950
Radio & Television Broadcasting (1.61%)		
Heftel Broadcasting Co.	15,900 (a)	471,038
Infinity Broadcasting	10,400 (a)	312,000
New World Communications	16,100 (a)	235,462
		1,018,500
Real Estate Operators & Lessors (0.41%)		
Insignia Financial Group	9,600 (a)	260,400
Refrigeration & Service Machinery (0.24%)		
American Standard Inc.	4,600 (a)	151,800
Retail Stores, NEC (0.82%)		
PETSMART, Inc.	10,900 (a)	520,475
Roofing, Siding & Sheet Metal Work (0.41%)		
AMRE Inc.	12,000	262,500
Sanitary Services (0.37%)		
WMX Technologies, Inc.	7,200	235,800
Search & Navigation Equipment (0.14%)		
Watkins Johnson Co.	3,300	90,338
Security & Commodity Services (0.98%)		
Franklin Resources, Inc.	10,200	622,200
Special Industry Machinery (0.27%)		
Applied Materials, Inc.	5,700 (a)	173,850
Surety Insurance (4.75%)		
Ace Ltd.	12,700	596,900
CMAC Investment Corp.	28,500	1,638,750
MGIC Investment Corp.	4,600	258,175
The PMI Group, Inc.	12,100	514,250
		3,008,075
Telephone Communication (1.22%)		
AT&T Corp.	6,000	372,000
Airtouch Communications, Inc.	9,400 (a)	265,550
Teleport Communication	6,900 (a)	131,963
		769,513
Tires & Inner Tubes (0.78%)		
Goodyear Tire & Rubber Co.	10,300	496,975
Total Portfolio Investments (91.45%)		57,931,524
Cash and receivables, net of liabilities (8.55%)		5,413,097
Total Net Assets (100.00%)		\$ 63,344,621

(a) Non-income producing security - No dividend paid during the past twelve months.

PRINCIPAL ASSET ALLOCATION FUND, INC.

	Shares Held	Value
Common Stocks (50.04%)		
Advertising (0.08%)		

True North Communications	1,500	\$	33,755
Valassis Communications	400 (a)		7,400
			40,775
Aerospace Industries (0.17%)			
Gencorp, Inc.	2,800		42,350
Thiokol Corp.	1,300		51,350
			93,700
Agricultural Chemicals (0.04%)			
IMC Global Group Inc.	600		22,575
Air Transportation, Scheduled (1.06%)			
Airborne Freight Corp.	1,500		39,000
AMR Corp.	900 (a)		81,900
British Airways PLC ADR	1,400		120,050
Cathay Pacific Airways ADR	8,500		77,966
KLM Royal Dutch Airlines	7,380		234,315
SkyWest Airlines, Inc.	1,500		27,938
			581,169
Aircraft & Parts (1.29%)			
Allied Signal, Inc.	1,200		68,550
Boeing Co.	600		52,275
General Dynamics Corp.	600		37,200
McDonnell Douglas Corp.	1,600		77,600
Rockwell International Corp.	2,200		125,950
Rohr Industries	700 (a)		14,613
United Technologies Corp.	2,900		333,500
			709,688
Auto & Home Supply Stores (0.08%)			
Autozone, Inc.	1,300 (a)		45,175
Automotive Rentals, No Drivers (0.10%)			
Ryder Systems, Inc.	2,000		56,250
Bakery Products (0.06%)			
Interstate Bakeries	1,300		34,775
Beer, Wine & Distilled Beverages (0.19%)			
Embotelladora Andina SA ADR	2,800		102,900
Beverages (1.22%)			
Bass PLC ADR	5,000		123,750
Coca-Cola Enterprises	3,000		103,875
Coors (Adolph); Class B	2,100		37,537
Fomento Economico Mexicano	62,800 (c)		179,784
Kirin Brewery	1,200		148,800
Pepsico, Inc.	2,200		77,825
			671,571
Bituminous Coal & Lignite Mining (0.07%)			
Ashland Coal, Inc.	1,500		39,000
Blast Furnace & Basic Steel Products (0.30%)			
Australian National Industries	8,960		29,054
Birmingham Steel	2,800		45,850
British Steel PLC ADS	3,500		88,812
			163,716
Bowling Centers (0.24%)			
Meija Seika Kaisha Ltd. ADR	2,100		130,004
Broadwoven Fabric Mills, Cotton (0.08%)			
Springs Industries, Inc.	900		45,450
Business Credit Institutions (0.09%)			
Finova Group, Inc.	1,000		48,750
Chemicals & Allied Products (1.06%)			
Aceto, Inc.	2,400		37,800
Bayer AG Sponsored ADR	10,735		379,075
Ciba-Geigy Sponsored ADR	2,700		164,484
			581,359
Clay, Ceramic & Refractory Minerals (0.12%)			
English China Clays ADR	5,300		64,925
Combination Utility Services (0.68%)			
Central Hudson Gas & Electric Corp.	1,500		46,875
CIA Energetica de Mainas Cemig ADR	3,700 (a)		105,024
Commonwealth Energy Systems	2,000		51,500
NIPSCO Industries, Inc.	1,850		74,463
Orange & Rockland Utilities, Inc.	1,200		44,100

Washington Water Power Co.	2,700	50,287
		372,249
Commercial Banks (4.30%)		
ABN-AMRO Holdings NV ADR	7,385	396,295
Allied Irish Banks ADR	2,900	90,262
Banco Central ADR	6,500	66,625
BankAmerica Corp.	750	56,813
Banker's Trust	850	62,794
Barclays PLC ADS	5,571	264,622
Brierly Investments Ltd. ADR	5,550	104,938
Chase Manhattan	340	24,013
Chemical Banking Corp.	1,400	98,875
Citicorp	700	57,837
Commerzbank AG ADR	1,800	74,500
First of America Bank Corp.	1,300	58,175
First Security Corp.	1,400	33,600
HSBC Holdings ADR	600	90,692
J. P. Morgan & Co.	500	42,313
Mellon Bank Corp.	1,000	57,000
National Westminster ADR	1,900	109,250
Onbankcorp Inc.	1,200	39,300
Peoples Heritage Financial Group, Inc.	1,900	38,712
PNC Financial Corp.	1,900	56,525
Summit Bancorp.	72	2,529
Susquehanna Bancshares	1,400	37,450
Trustmark Corp.	1,700	35,700
Union Planter's Corp.	1,200	36,450
Wells Fargo & Co.	1,300	310,538
Westpac Banking ADR	4,900	110,250
		2,356,058
Commercial Printing (0.07%)		
Bowne & Co., Inc.	1,800	37,125
Communications Equipment (0.66%)		
Alcatel Alsthom ADR	4,700	82,838
Hanson PLC ADR	2,750	39,187
Harris Corp.	1,250	76,250
Matsushita Electrical ADR	800	148,800
US Robotics Corp.	200 (a)	17,100
		364,175
Communications Services, NEC (0.03%)		
Comsat Corp.	700	18,200
Computer & Data Processing Services (0.53%)		
First Data Corp.	800	63,700
Gerber Scientific Inc.	2,700	43,538
GTECH Holdings Corp.	2,700 (a)	79,987
Microsoft Corp.	600 (a)	72,075
Oracle Systems Corp.	750 (a)	29,578
		288,878
Computer & Office Equipment (0.64%)		
Apple Computer Inc.	1,300	27,300
Bell & Howell Co.	600 (a)	19,575
Cisco Systems	600 (a)	33,975
Hewlett-Packard Co.	400	39,850
Hitachi Ltd. ADR	1,300	121,875
International Business Machines Corp.	400	39,600
International Game Technology	1,500	25,313
National Computer Systems, Inc.	2,000	42,750
		350,238
Concrete, Gypsum & Plaster Products (0.58%)		
Ameron International Corp.	1,000	39,500
Cementos de Mexico SA ADR	25,600 (a)	176,975
Italcementi Fabrice S P A ADR	13,000	104,308
		320,783
Concrete Work (0.13%)		
Pioneer International Ltd. ADR	25,000	72,800
Construction & Related Machinery (0.11%)		
Baker Hughes, Inc.	400	13,150
Cascade Corp.	3,400	45,475
		58,625
Consumer Products (1.67%)		
American Brands, Inc.	1,300	58,988
Philip Morris Cos., Inc.	4,850	504,400
RJR Nabisco	11,400	353,400
		916,788

Crude Petroleum & Natural Gas (0.42%)		
Broken Hill Proprietary Ltd. ADR	2,200	61,325
Petrofina SA ADR	2,900	90,900
Societe Generale ADR	3,600	79,159
		231,384
Cutlery, Handtools & Hardware (0.07%)		
Starrett (L.S.); Class A	1,500	39,000
Deep Sea Foreign Transportation of Freight (0.01%)		
Overseas Shipholding Group, Inc.	400	7,250
Department Stores (0.50%)		
Harcourt General, Inc.	900	45,000
Marui Corp. ADR	3,800	168,378
Penney (J.C.) Co.	1,200	63,000
		276,378
Dimension Stone (0.05%)		
Potash Corp. of Saskatchewan	400	26,500
Drugs (1.17%)		
American Home Products Corp.	1,100	66,138
Amgen	300 (a)	16,200
Hafslund ADR	13,172	83,115
Novo Nordisk ADR	3,200	114,400
Nycomed	13,172	186,055
Pfizer, Inc.	500	35,687
Schering-Plough Corp.	1,300	81,575
Smithkline Beecham PLC ADR	1,100	59,812
		642,982
Drugs, Proprietaries & Sundries (0.57%)		
Amway Japan Ltd. ADS	7,000	174,125
Bergen Brunswig	1,400	38,850
Bindley Western Industries, Inc.	2,800	46,900
Block Drug Co.	1,200	50,400
		310,275
Eating & Drinking Places (0.49%)		
Boston Chicken, Inc.	4,800 (a)	156,000
Brinker International, Inc.	1,500 (a)	22,500
Foodmaker Inc.	1,800 (a)	15,525
Piccadilly Cafeterias	4,000	42,000
Sbarro, Inc.	1,300	32,663
		268,688
Electric Services (1.03%)		
Empresa Nacional de Electricidad SA ADR	1,400	87,675
EVN Energie-Vansorgung Nied ADR	3,600	99,474
General Public Utilities Corp.	2,100	74,025
National Power ADR	3,300	103,950
Pinnacle West Capital Corp.	2,000	60,750
Shangdong Huaneng Power Development Ltd. ADS	8,000	66,000
Texas Utilities Co.	1,700	72,675
		564,549
Electrical Industrial Apparatus (0.07%)		
Emerson Electric Co.	400	36,150
Electronic Components & Accessories (0.67%)		
AIDA Engineering Ltd. ADR	800	66,885
Dallas Semiconductor	2,000	36,250
Intel Corp.	900	66,094
Nintendo Ltd. ADR	17,600	163,673
Texas Instruments	700	34,912
		367,814
Electronic Distribution Equipment (0.41%)		
Phillips NV ADR	6,969	227,364
Engineering & Architectural Services (0.06%)		
Gilbert Associates, Inc.; Class A	2,700	34,425
Family Clothing Stores (0.10%)		
TJX Cos., Inc.	1,600	54,000
Farm & Garden Machinery (0.12%)		
Deere & Co.	1,700	68,000
Federal & Federally Sponsored Credit (0.24%)		
Student Loan Marketing Association (Non-Voting)	1,800	133,200
Finance Services (0.33%)		

Grupo Financiero Bancomer SA ADR	20,600 (a) (c)	179,372
Fire Marine & Casualty Insurance (0.90%)		
Aetna Life & Casualty Co.	600	42,900
Argonaut Group, Inc.	1,000	31,250
CIGNA Corp.	850	100,194
Loews Corp.	2,400	189,300
PartnerRe Holdings Ltd.	1,000	29,875
RenaissanceRe Holdings	300	9,225
Selective Insurance Group, Inc.	1,200	39,000
St. Paul Cos., Inc.	1,000	53,500
		495,244
Footwear, Except Rubber (0.39%)		
Ollivetti Inc. Cos.	396,825	214,047
Gas Production & Distribution (0.16%)		
Eastern Enterprises	1,500	49,875
ONEOK, Inc.	1,500	37,500
		87,375
General Industrial Machinery (0.83%)		
Amer Group Ltd. ADR	5,500	46,169
Binks Mfg.	1,800	49,050
S K F AB ADR	15,370	361,195
		456,414
Grain Mill Products (0.19%)		
Kellogg Co.	800	58,600
Ralston-Ralston Purina Group	700	44,888
		103,488
Groceries & Related Products (0.23%)		
Fleming Cos., Inc.	3,450	49,594
International Multifoods Corp.	1,900	34,675
Nash Finch Co.	2,600	41,600
		125,869
Grocery Stores (0.78%)		
Disco SA ADS	9,980 (a)	220,808
Koninklijke Bijenkorf Beheer NV ADR	2,400	101,372
Santa Isabella SA ADR	3,735	103,646
		425,826
Holding Offices (0.12%)		
Jardine Strategic Holdings Ltd. ADR	10,000	64,000
Hospitals (0.08%)		
Columbia/HCA Healthcare Corp.	800	42,700
Hotels & Motels (0.44%)		
Hilton Hotels Corp.	400	45,000
La Quinta Motor Inns	2,700	90,450
Ladbroke Group ADR	37,000	103,482
		238,932
Household Audio & Video Equipment (0.30%)		
Sony Corp. ADR	2,500	165,313
Industrial Inorganic Chemicals (0.85%)		
AKZO ADR	4,283	255,909
Eastman Chemical Co.	950	57,831
Monsanto Co.	3,000	97,500
Olin Corp.	600	53,550
		464,790
Industrial Machinery, NEC (0.08%)		
Commercial Intertech Corp.	1,800	46,350
Industrial Organic Chemicals (0.17%)		
Nova Corp. ADR	6,700	60,300
Witco Corp.	1,000	34,375
		94,675
Insurance Agents, Brokers & Services (0.06%)		
EXEL Ltd.	500	35,250
Iron Ores (0.07%)		
Cleveland-Cliffs, Inc.	1,000	39,125
Jewelry, Silverware & Plated Ware (0.08%)		
ONEIDA Ltd.	2,200	41,250
Knitting Mills (0.06%)		
Guilford Mills, Inc.	1,300	32,500

Laundry, Cleaning & Garment Services (0.08%)		
Angelica Corp.	1,900	44,887
Life Insurance (0.23%)		
American General Corp.	1,800	65,475
Lincoln National	1,300	60,125
		125,600
Logging (0.09%)		
Weyerhaeuser Co.	1,200	51,000
Machinery, Equipment & Supplies (0.11%)		
AAR Corp.	1,300	26,488
Kaman Corp.; Class A	3,300	33,412
		59,900
Management & Public Relations (0.14%)		
Ogden Corp.	4,300	77,938
Manifold Business Forms (0.06%)		
New England Business Service	1,600	31,200
Measuring & Controlling Devices (0.35%)		
Analogic Corp.	2,000	53,500
Beckman Instruments, Inc.	1,000	38,000
Core Industries	2,600	37,375
Cubic Corp.	1,200	39,150
MTS Systems, Corp.	1,200	25,200
		193,225
Meat Products (0.59%)		
Groupe Danone	10,764	325,757
Medical Instruments & Supplies (0.19%)		
Baxter International, Inc.	1,400	66,150
Beckton, Dickinson & Co.	500	40,125
		106,275
Medical Service & Health Insurance (0.34%)		
PacifiCare Health Systems, Inc.; Class B	300 (a)	20,325
Provident Companies, Inc.	1,200	44,400
United Healthcare Corp.	600	30,300
United Wisconsin Services	1,800	46,800
US Life Corp.	1,300	42,737
		184,562
Metal Cans & Shipping Containers (0.08%)		
Ball Corp.	1,500	43,125
Metalworking Machinery (0.26%)		
Makita Corp. ADR	9,000	144,000
Miscellaneous Amusement, Recreation Service (0.07%)		
Jackpot Enterprises	3,200	40,800
Miscellaneous Business Services (0.09%)		
CUC International, Inc.	1,400 (a)	49,700
Miscellaneous Chemical Products (0.07%)		
Learonal, Inc.	1,500	37,500
Miscellaneous Converted Paper Products (0.05%)		
P. T. Inti Indorayon Utama ADR	10,000	29,002
Miscellaneous Electrical Equipment & Supplies (0.31%)		
TDK Corp. ADS	2,800	169,750
Miscellaneous Fabricated Metal Products (0.08%)		
Barnes Group, Inc.	900	46,013
Miscellaneous Food & Kindred Products (0.21%)		
Nestle Reg. ADR	2,000	114,170
Miscellaneous Food Stores (0.05%)		
General Nutrition Cos.	1,400 (a)	24,500
Miscellaneous Furniture & Fixtures (0.06%)		
Kinetic Concepts, Inc.	2,000	31,000
Miscellaneous Investing (6.14%)		
Amlı Residential Property	6,600	136,125
Avalon Properties	10,900	237,075
Bedford Property Investors	20,500	276,750
Cousins Properties	7,800	153,075

DeBartolo Realty	12,500	201,562
Duke Realty Investments, Inc.	8,700	263,175
Essex Property Trust	5,400	116,100
Felcor Suite Hotels	4,000	122,000
HFS, Inc.	2,800 (a)	196,000
Horizon Group Inc.	3,100	63,550
Irvine Apartment Community	5,000	100,625
Liberty Property Trust	6,400	127,200
Manufactured Home Communities	1,800	34,650
Meridian Industrial Trust	12,100	222,338
Patriot American Hospitality	3,700	109,612
ROC Communities	9,400	224,425
Security Capital Industrial Trust	3,000	52,875
Shurgard Storage Center	4,000	101,000
South West Property Trust	15,200	203,300
Sun Communities	2,000	53,750
Taubman Centers	9,400	104,575
Urban Shopping Centers	9,700	230,375
Wellsford Residential Property Trust	1,700	38,250
		3,368,387
Miscellaneous Manufacturers (0.08%)		
Russ Berrie & Co.	2,400	44,100
Miscellaneous Non-Durable Goods (0.07%)		
Stanhope, Inc.	1,400	37,100
Miscellaneous Petroleum & Coal Products (0.03%)		
Quaker Chemical Corp.	1,500	19,125
Miscellaneous Plastics Products, NEC (0.09%)		
American Filtrona Corp.	1,000	32,000
Premark International, Inc.	300	5,550
Tupperware Corp.	300 (a)	12,675
		50,225
Miscellaneous Special Trade Contractors (0.16%)		
Hang Lung Development Co. ADR	9,400	88,347
Miscellaneous Transportation Services (0.01%)		
Petro PSC Properties Warrants	200 (a)	6,625
Motion Picture Production & Services (0.15%)		
Viacom, Inc.; Class B	700	27,212
Walt Disney Company	900	56,588
		83,800
Motion Picture Theaters (0.06%)		
AMC Entertainment	1,200 (a)	33,450
Motor Vehicles & Equipment (1.72%)		
Arvin Industries, Inc.	1,900	42,275
Augat, Inc.	2,000	38,250
Chrysler Corp.	700	43,400
Fiat SPA ADR	4,700	79,900
Ford Motor Co.	1,500	48,563
General Motors Corp.	1,000	52,375
Honda Motor ADR	4,400	224,400
ITT Industries	1,600	106,000
Smith (A.O.) Corp.	2,000	50,000
Toyota Motor Corp. ADR	3,100	155,387
Volkswagen AG ADR	1,400	104,025
		944,575
Newspapers (0.19%)		
Gannett Co.	500	35,375
New York Times Co.	600	19,575
News Corp. Ltd. ADS	2,100	49,350
		104,300
Non-Classifiable Establishments (0.13%)		
Keppel Corp. Ltd. ADR	4,300	71,898
Nonresidential Building Construction (0.07%)		
Emprapas ICA Sociedad Controladora SA ADR	2,700 (a)	37,462
Non-Store Retailers (0.07%)		
Lillian Vernon Corp.	2,800	35,700
Oil & Gas Field Services (0.06%)		
Schlumberger Ltd.	400	33,700
Operative Builders (0.23%)		
Fujita Corp. ADR	2,700	125,545

Ophthalmic Goods (0.10%)		
Bausch & Lomb	1,250	53,125
Paints & Allied Products (0.07%)		
Dexter Corp.	1,200	35,700
Paper Mills (0.18%)		
Potlatch Corp.	1,000	39,125
Willamette Ind., Inc.	1,000	59,500
		98,625
Partitions & Fixtures (0.05%)		
Knappe & Vogt Mfg.	1,560	24,570
Pens, Pencils, Office & Art Supplies (0.07%)		
Cross (A.T.) Co.; Class A	2,300	40,825
Periodicals (0.18%)		
K III Communications	7,800 (a)	97,500
Personal Credit Institutions (0.46%)		
American Express Co.	4,000	178,500
Associates First Capital	900 (a)	33,863
Dean Witter, Discover & Co.	700	40,075
		252,438
Petroleum Refining (0.69%)		
Ashland, Inc.	1,500	59,437
Atlantic Richfield Co.	600	71,100
Diamond Shamrock, Inc.	1,200	34,650
Exxon Corp.	800	69,500
Total SA IE Francaise ADR	2,800	103,950
Ultramar Corp.	1,400	40,600
		379,237
Photographic Equipment & Supplies (0.87%)		
Eastman Kodak Co.	1,450	112,738
Fuji Photo Film	6,800	216,750
OCE Van Der Grinten NV ADR	1,400	147,000
		476,488
Photographic Studios, Portrait (0.06%)		
CPI Corp.	2,000	33,000
Plastic Materials & Synthetics (0.22%)		
Hercules, Inc.	800	44,200
Shanghai Petrochemical Co. Ltd. ADR	2,600	74,100
		118,300
Primary Nonferrous Metals (0.11%)		
Phelps Dodge Corp.	950	59,256
Radio & Television Broadcasting (0.18%)		
Heftel Broadcasting Co.	1,500 (a)	44,438
Infinity Broadcasting	1,000 (a)	30,000
New World Communications	1,600 (a)	23,400
		97,838
Real Estate Operators & Lessors (0.05%)		
Insignia Financial Group	1,000 (a)	27,125
Refrigeration & Service Machinery (0.10%)		
American Standard, Inc.	500 (a)	16,500
Tecumseh Products Co.; Class A	700	37,625
		54,125
Rental of Railroad Cars (0.08%)		
GATX Corp.	900	43,425
Residential Building Construction (0.07%)		
Ryland Group, Inc.	2,500	37,500
Retail Stores, NEC (0.29%)		
CIA Brasileira de Distribuicao GDR	6,325 (c)	104,362
PETSMART, Inc.	1,100 (a)	52,525
		156,887
Roofing, Siding & Sheet Metal Work (0.05%)		
AMRE, Inc.	1,300 (a)	28,437
Sanitary Services (0.04%)		
WMX Technologies, Inc.	700	22,925
Savings Institutions (0.30%)		
Astoria Financial Corp.	1,200	32,550

Greenpoint Financial Corp.	1,600	45,200
Standard Federal Bancorp., Inc.	1,000	38,500
Washington Mutual, Inc.	1,600	47,800
		164,050
Sawmills & Planning Mills (0.08%)		
Louisiana Pacific Corp.	2,100	46,463
Search & Navigation Equipment (0.02%)		
Watkins-Johnson Co.	400	10,950
Security & Commodity Services (0.11%)		
Franklin Resources, Inc.	1,000	61,000
Soap, Cleaners & Toilet Goods (0.30%)		
KAO Corp. ADR	1,200	161,923
Special Industry Machinery (0.10%)		
Applied Materials, Inc.	600 (a)	18,300
Scitex Corp.	2,000	34,500
		52,800
Subdividers & Developers (0.14%)		
Singapore Land ADR	11,600	78,487
Sugar & Confectionary Products (0.14%)		
Perlis Plantations ADR	20,000	76,946
Surety Insurance (0.62%)		
ACE Ltd.	1,300	61,100
CMAC Investment Corp.	2,800	161,000
Enhance Financial Services Group	1,700	47,600
MGIC Investment Corp.	300	16,837
The PMI Group, Inc.	1,200	51,000
		337,537
Telephone Communication (2.77%)		
Airtouch Communications, Inc.	1,000 (a)	28,250
AT&T Corp.	600	37,200
BCE, Inc.	8,590	339,305
Nynex Corp.	1,200	57,000
SBC Communications Inc.	800	39,400
Sprint Corp.	1,500	63,000
Telebras GDR	18	1,253
Telecomunicacoes Brasileiras SA ADR	7,900	550,038
Telefonica de Argentina ADR	6,600	195,525
Telefonica de Espana SA ADS	2,500	137,812
Telfonos de Mexico SA ADR	1,700	56,950
Telport Communication	600 (a)	11,475
		1,517,208
Tires & Inner Tubes (0.40%)		
Bridgestone ADR	900	171,496
Goodyear Tire & Rubber Co.	1,000	48,250
		219,746
Variety Stores (0.15%)		
Woolworth Corp.	3,550 (a)	79,875
Water Supply (0.06%)		
SJW Corp.	1,000	33,250
Water Transportation of Freight, NEC (0.15%)		
Penninsular & Oriental Steamships ADR	5,400	81,556
Women's & Children's Undergarments (0.26%)		
Wacoal Corp. ADR	2,100	141,750
		27,443,290
Preferred Stock (0.17%)		
Periodicals (0.17%)		
Time Warner; Series K	95 (a) (c)	93,100
	Principal	Value
	Amount	
Bonds (7.70%)		
Agricultural Chemicals (0.37%)		
IMC Fertilizer Senior Notes;		
9.25%; 10/1/00	\$ 200,000	\$ 204,500
Airports, Flying Fields & Services (0.14%)		

Alps 96 1 PT Pass Through Certificates; 12.75%; 6/15/06	75,000 (c)	74,812
Asphalt Paving & Roofing Materials (0.07%) G-I Holdings Senior Notes; 10/01/98	45,000 (b)	36,225
Blast Furnace & Basic Steel Products (0.13%) Algoma Steel, Inc. First Mortgage; 12.38%; 7/15/05	75,000	73,125
Cable & Other Pay TV Services (0.82%) Cablevision Systems Corp. Senior Subordinated Notes; 9.88%; 5/15/06	80,000	77,100
Continental Cablevision Debentures; 9.50%; 8/1/13	80,000	87,336
Marcus Cable Company Step-Up Senior Discount Notes; 12/15/05	150,000 (b) *	91,875
Rogers Cable Systems Ltd. Senior Notes; 10.00%; 3/15/05	100,000	99,250
TCI Communications Inc. Debentures; 7.88%; 2/15/26	105,000	92,333
		447,894
Carpets & Rugs (0.06%) Collins & Aikman Products Senior Subordinated Notes; 11.50%; 4/15/06	30,000	30,450
Chemicals & Allied Products (0.11%) Harris Chemical North America Senior Notes; 10.25%; 7/15/01	60,000	59,850
Communications Equipment (0.18%) Plantronics, Inc. Senior Notes; 10.00%; 1/15/01	100,000	99,000
Communications Services, NEC (0.54%) Dial Call Communications, Inc. Senior Discount Notes, Series B; 12/12/05	500,000 (b)	295,000
Computer & Office Equipment (0.18%) Unisys Corp. Senior Notes; 12.00%; 4/15/03	95,000 (c)	97,138
Consumer Products (0.07%) RJR Nabisco, Inc. Senior Notes; 8.75%; 8/15/05	40,000	39,900
Crude Petroleum & Natural Gas (0.09%) Nuevo Energy Co. Senior Subordinated Notes; 9.50%; 4/15/06	50,000	49,438
Electric Services (0.09%) Midland Cogeneration Debentures; 10.33%; 7/23/02	7,715	8,024
Midland Cogent Debentures; 10.33%; 7/23/02	16,615	17,279
Midland Funding II Notes; 11.75%; 7/23/05	20,000	21,100
		46,403
Finance Services (0.22%) APP International Finance; Guaranteed by Asia Pulp & Paper Yankee Dollar Bond; 11.75%; 10/01/05	75,000	76,687
TLC Beatrice International Finance Senior Notes; 11.50%; 10/01/05	45,000	45,563
		122,250
Fire, Marine & Casualty Insurance (0.26%) Home Holdings Inc. Senior Notes; 8.63%; 12/15/03	125,000	70,000
Reliance Group Holdings Senior Notes; 9.00%; 11/15/00	75,000	74,437
		144,437
Glass & Glassware, Pressed or Blown (0.15%) Owens-Ill. Inc. Debentures; 11.00%; 12/01/03	75,000	80,625

Grocery Stores (0.15%)		
Big V Supermarkets Inc.		
Senior Subordinated Notes;		
11.00%; 2/15/04	25,000	23,125
Smith's Food and Drug		
Senior Subordinated Notes;		
11.25%; 5/15/07	60,000	60,750
		83,875
Hotels & Motels (0.39%)		
Courtyard by Marriott Senior Notes;		
10.75%; 2/1/08	90,000	88,200
Host Marriott Travel Plaza		
Senior Notes; 9.50%; 5/15/05	95,000	90,844
LaQuinta Inns Senior Subordinated		
Notes; 9.25%; 5/15/03	35,000	35,350
		214,394
Meat Products (0.09%)		
Pilgrim's Pride Corp. Senior		
Subordinated Notes;		
10.88%; 8/1/03	50,000	47,500
Miscellaneous Amusement, Recreation Service (0.33%)		
Grand Casinos Inc. First Mortgage;		
10.13%; 12/1/03	15,000	15,450
Six Flags Theme Park Inc.		
Senior Subordinated Notes; 6/15/05	150,000 (b)	127,125
Trump Atlantic City First Mortgage;		
11.25%; 5/1/06	40,000	40,200
		182,775
Miscellaneous Converted Paper Products (0.27%)		
Crown Paper Co. Senior		
Subordinated Notes; 11.00%; 9/1/05	90,000	85,500
SD Warren Co. Senior Subordinated		
Notes; 12.00%; 12/15/04	60,000	63,600
		149,100
Miscellaneous Electrical Equipment & Supplies (0.02%)		
Exide Corp. Senior Subordinated		
Notes; 2.90%; 12/15/05	15,000	8,269
Miscellaneous Investing (0.33%)		
HMC Acquisition Properties Senior		
Notes; 9.00%; 12/15/07	200,000	183,500
Miscellaneous Publishing (0.14%)		
Marvel Parent Holding; 4/15/98	100,000 (b)	79,250
Miscellaneous Shopping Goods Stores (0.20%)		
Southland Corp. Senior Subordinated		
Debentures; 5.00%; 12/15/03	140,000	108,325
Miscellaneous Textile Goods (0.18%)		
West Point Stevens Senior		
Subordinated Debentures;		
9.38%; 12/15/05	100,000	97,000
Mortgage Bankers & Brokers (0.04%)		
Homeside, Inc. Senior Notes;		
11.25%; 5/15/03	20,000 (c)	20,700
Operative Builders (0.03%)		
MDC Holdings Notes;		
11.13%; 12/15/03	20,000	18,800
Paperboard Mills (0.21%)		
Gaylord Container Senior Notes;		
11.50%; 5/15/01	20,000	20,500
Gaylord Container Senior		
Subordinated Debentures;		
12.75%; 5/15/01	20,000	21,050
Stone Container Corp. First Mortgage		
Notes; 10.75%; 10/1/02	75,000	75,750
		117,300
Radio & Television Broadcasting (0.37%)		
Echostar Satellite Broadcasting		
Step-Up Senior Discount		
Notes; 3/15/04	125,000 (b) (c) *	77,500
Viacom Subordinated Debentures;		
8.00%; 7/7/06	135,000	125,542
		203,042

Sanitary Services (0.12%)		
Norcal Waste Systems Inc. Step-Up Senior Notes; 11/15/05	60,000* (c)	63,300
Soap, Cleaners & Toilet Goods (0.17%)		
Revlon Worldwide Corp. Senior Discount Notes; 3/15/98	110,000 (b)	91,575
Telephone Communication (0.97%)		
Comcast Cellular Notes; 3/5/00	110,000 (b)	75,350
Senior Subordinated Debentures; 9.38%; 5/15/05	60,000	58,050
Lenfest Communications Senior Notes; 8.38%; 11/1/05	125,000	113,906
Senior Subordinated Notes; 10.50%; 6/15/06	20,000 (c)	20,167
MFS Communications Inc. Step-Up Senior Discount Notes; 1/15/06	185,000 (b)	111,463
Occidente Y Carbide Cellular Step-Up Units; 3/15/04	125,000 (b) (c) *	64,687
Philippine Long Distance Telephone Co. Notes; 9.25%; 6/30/06	25,000	25,289
Telewest PLC Step-Up Debentures; 10/01/07	110,000 (b)	64,900
		533,812
Variety Stores (0.21%)		
DR Structured Finance Pass thru Certificates; 7.60%; 8/15/07	138,308	117,781
	Total Bonds	4,221,345
U.S. Government Treasury Notes (18.66%)		
8.00%; 1/15/97	3,809,000	3,857,800
7.88%; 11/15/04	5,931,000	6,375,825
	Total U.S. Government Treasury Notes	10,233,625
	Total Portfolio Investments (76.57%)	41,991,360
Cash and receivables, net of liabilities (23.43%)		12,849,985
	Total Net Assets (100.00%)	\$ 54,841,345

- (a) Non-income producing security - No dividend paid during the past twelve months.
- (b) Non-income producing security - zero-and zero-step coupon bonds.
- (c) Restricted Security - See Note 4 to the financial statements.
- * Variable Rate

PRINCIPAL BALANCED FUND, INC.

	Shares Held	Value
Common Stocks (53.32%)		
Advertising (0.43%)		
Interpublic Group of Cos., Inc.	6,600	\$ 309,375
Beverages (0.77%)		
Pepsico, Inc.	11,300	399,737
Universal Foods Corp.	4,300	158,563
		558,300
Combination Utility Services (0.53%)		
Cinergy Corp.	12,100	387,200
Commercial Banks (4.77%)		
Banc One Corp.	20,413	694,042
Bank of Boston Corp.	9,800	485,100
Chase Manhattan Corp.	5,400	381,375
Comerica, Inc.	6,600	294,525
First of America Bank Corp.	7,600	340,100
KeyCorp.	16,200	627,750
Marshall & Ilsley Corp.	6,000	166,500
Nationsbank Corp.	5,800	479,225
		3,468,617
Communications Equipment (1.55%)		
Allen Group, Inc.	4,200	91,350

DSC Communications Corp.	12,700 (a)	382,587
General Instrument Corp.	22,500 (a)	649,688
		1,123,625
Computer & Office Equipment (1.70%)		
Hewlett-Packard Co.	3,800	378,575
International Business Machines Corp.	8,700	861,300
		1,239,875
Construction & Related Machinery (0.53%)		
Caterpillar, Inc.	5,700	386,175
Consumer Products (0.43%)		
Philip Morris Cos., Inc.	3,000	312,000
Crude Petroleum & Natural Gas (1.17%)		
Texaco, Inc.	10,100	847,138
Dairy Products (0.31%)		
Dean Foods Co.	9,000	222,750
Drugs (6.30%)		
Abbott Labs	26,100	1,135,350
American Home Products Corp.	13,700	823,713
Bristol-Myers Squibb Co.	7,300	657,000
Lilly (Eli) & Co.	5,600	364,000
Merck & Co., Inc.	12,300	794,887
Warner-Lambert Co.	14,700	808,500
		4,583,450
Electric Services (1.87%)		
Dominion Resources, Inc.	10,400	416,000
FPL Group, Inc.	7,000	322,000
Houston Industries, Inc.	14,900	366,912
Potomac Electric Power Co.	9,600	254,400
		1,359,312
Electrical Industrial Apparatus (0.56%)		
Emerson Electric Co.	4,500	406,687
Electronic Components & Accessories (0.90%)		
Duracell International, Inc.	15,200	655,500
Electronic Distribution Equipment (1.52%)		
General Electric Co.	12,800	1,107,200
Fats & Oils (1.18%)		
Archer Daniels Midland Co.	44,800	856,800
Fire, Marine & Casualty Insurance (0.56%)		
Allstate Corp.	8,920	406,975
General Industrial Machinery (0.37%)		
BW/IP Holdings, Inc.; Class A	4,200	79,800
Pall Corp.	7,700	185,763
		265,563
Grain Mill Products (0.73%)		
Ralston-Ralston Purina Group	8,300	532,238
Greeting Cards (0.67%)		
American Greetings Corp.	17,800	487,275
Grocery Stores (3.02%)		
Albertson's, Inc.	15,000	620,625
American Stores Co.	20,700	853,875
Sysco Corp.	21,100	722,675
		2,197,175
Household Furniture (1.01%)		
Masco Corp.	24,200	732,050
Industrial Inorganic Chemicals (0.74%)		
Dow Chemical Co.	4,600	349,600
Eastman Chemical Co.	3,150	191,756
		541,356
Jewelry, Silverware & Plated Ware (0.14%)		
Jostens, Inc.	5,300	104,675
Management & Public Relations (0.96%)		
Dun & Bradstreet Corp.	11,200	700,000
Meat Products (1.35%)		
ConAgra, Inc.	8,141	369,398

Tyson Foods, Inc.	22,300	610,462
		979,860
Medical Instruments & Supplies (0.61%)		
St. Jude Medical, Inc.	13,350 (a)	447,225
Medical Service & Health Insurance (1.04%)		
AON Corp.	7,550	383,163
Foundation Health Corp.	8,600 (a)	308,525
Physicians Corp. of America	5,000 (a)	66,250
		757,938
Metal Forgings & Stampings (1.01%)		
Newell Co.	24,000	735,000
Metalworking Machinery (0.10%)		
Giddings & Lewis	4,600	74,750
Miscellaneous Business Services (0.26%)		
Safety-Kleen Corp.	10,900	190,750
Miscellaneous Converted Paper Products (1.36%)		
Minnesota Mining & Mfg. Co.	14,300	986,700
Miscellaneous Electrical Equipment & Supplies (0.61%)		
Motorola, Inc.	7,000	440,125
Miscellaneous Fabricated Metal Products (0.24%)		
Keystone International, Inc.	8,500	176,375
Miscellaneous Shopping Goods Stores (1.03%)		
Toys 'R' Us, Inc.	26,400 (a)	752,400
Motor Vehicles, Parts & Supplies (0.98%)		
Grainger (W. W.), Inc.	9,200	713,000
Offices & Clinics of Medical Doctors (0.40%)		
FHP International Corp.	10,700 (a)	292,913
Paper Mills (0.86%)		
Kimberly Clark Corp.	8,100	625,725
Petroleum Refining (1.75%)		
Atlantic Richfield Co.	4,200	497,700
Exxon Corp.	8,900	773,187
		1,270,887
Plastic Materials & Synthetics (0.18%)		
Wellman, Inc.	5,600	130,900
Sanitary Services (2.09%)		
Browning-Ferris Industries, Inc.	22,100	640,900
WMX Technologies, Inc.	26,900	880,975
		1,521,875
Security Brokers & Dealers (0.35%)		
Edwards (A.G.), Inc.	9,500	257,687
Soap, Cleaners & Toilet Goods (2.04%)		
Avon Products	17,100	771,638
Colgate-Palmolive Co.	8,400	711,900
		1,483,538
Telephone Communication (2.17%)		
AT&T Corp.	15,600	967,200
MCI Communications Corp.	23,900	612,438
		1,579,638
Variety Stores (2.17%)		
Dayton-Hudson Corp.	6,700	690,937
Wal-Mart Stores, Inc.	35,000	888,125
		1,579,062
	Total Common Stocks	38,787,659
Preferred Stocks (2.04%)		
Commercial Banks (0.25%)		
Boatmen's Bancshares, Inc.		
Convertible	5,334	184,023
Motor Vehicles & Equipment (1.79%)		
Federal-Mogul Corp.		
Series D Convertible	4,300 (b)	240,800

Ford Motor Co. Series A Convertible	10,000	1,060,000
		1,300,800
Total Preferred Stocks		1,484,823
	Principal Amount	Value
Bonds (2.17%)		
Blast Furnace & Basic Steel Products (0.26%) Quanex Corp. Convertible Subordinated Debentures; 6.88%; 6/30/07	\$ 200,000	\$ 194,000
Electric Lighting & Wiring Equipment (0.31%) Cooper Industries, Inc. Convertible Subordinated Debentures; 7.05%; 1/1/15	208,000	224,640
Electric Industrial Apparatus (0.36%) Liebert Co. Convertible Subordinated Debentures; 8.00%; 11/15/10	80,000	266,300
Engines & Turbines (0.28%) Outboard Marine Corp. Convertible Subordinated Debentures; 7.00%; 7/1/02	200,000	200,500
Lumber & Other Building Materials (0.27%) Hechinger Co. Convertible Subordinated Debentures; 5.50%; 4/1/12	425,000	198,688
Petroleum Refining (0.39%) Pennzoil Co. Senior Exchangeable Debentures; 6.50%; 1/15/03	200,000	280,750
Trucking & Courier Services, Ex., Air (0.30%) Builders Transport, Inc. Convertible Subordinated Debentures; 6.50%; 5/1/11	306,000	215,730
	Total Bonds	1,580,608
U.S. Government Treasury Notes & Bonds (31.88%)		
5.13%; 2/28/98	2,500,000	2,463,280
5.13%; 11/30/98	2,000,000	1,951,873
6.38%; 1/15/00	1,900,000	1,899,405
5.50%; 4/15/00	3,500,000	3,396,092
6.13%; 9/30/00	1,000,000	988,437
6.25%; 4/30/01	2,000,000	1,980,000
6.38%; 8/15/02	1,000,000	990,625
6.25%; 2/15/03	1,000,000	981,875
5.75%; 8/15/03	3,200,000	3,044,998
7.25%; 8/15/04	1,500,000	1,552,968
7.50%; 2/15/05	800,000	841,249
7.25%; 5/15/16	1,000,000	1,024,375
7.50%; 11/15/16	1,000,000	1,050,312
7.25%; 8/15/22	1,000,000	1,024,687
Total U. S. Government Treasury Notes & Bonds		23,190,176
Commercial Paper (10.39%)		
Business Credit Institutions (6.27%) American Express Credit Corp.;		
5.32%; 7/1/96	1,910,000	1,910,000
5.39%; 7/3/96	1,300,000	1,299,611
General Electric Capital Corp.;		
5.35%; 7/2/96	1,350,000	1,349,799
		4,559,410
Personal Credit Institutions (4.12%) Ford Motor Credit Co. ;		
5.36%; 7/3/96	1,040,000	1,039,690
5.40%; 7/5/96	1,955,000	1,953,827
		2,993,517
Total Commercial Paper		7,552,927

Total Portfolio Investments (99.80%) 72,596,193

Cash, receivables and other assets
net of liabilities (0.20%) 145,946

Total Net Assets (100.00%) \$ 72,742,139

(a) Non-income producing security - No dividend paid during the past twelve months.

(b) Restricted Security - See Note 4 to the financial statements.

PRINCIPAL BOND FUND, INC.

	Principal Amount	Value
Bonds (95.70%)		
Air Transportation, Scheduled (1.81%)		
Federal Express Corp., Pass-Through Cert.;		
7.96%; 3/28/17	\$ 500,000	\$ 501,325
7.58%; 7/2/19	500,000	478,590
		979,915
Aircraft & Parts (0.61%)		
Textron, Inc. Medium-Term Notes, Series C; 9.55%; 3/19/01	300,000	329,820
Auto & Home Supply Stores (1.06%)		
Pep Boys-Manny, Moe & Jack Notes; 7.00%; 6/1/05	600,000	574,460
Bakery Products (1.68%)		
Nabisco, Inc. Notes; 7.05%; 7/15/07	950,000	906,375
Beverages (1.05%)		
Joseph E. Seagram & Sons Guaranteed Debentures; 8.88%; 9/15/11	500,000	567,147
Broadwoven Fabric Mills, Cotton (2.67%)		
Burlington Industries, Inc. Notes; 7.25%; 9/15/05	1,500,000	1,439,164
Cable & Other Pay TV Services (1.82%)		
TCI Communications, Inc. Senior Notes; 8.00%; 8/1/05	1,000,000	980,784
Cash Grains (0.55%)		
DeKalb Corp. Notes; 10.00%; 4/15/98	300,000	296,250
Combination Utility Services (0.49%)		
Public Service Electric & Gas Medium-Term Notes; 8.16%; 5/26/09	250,000	263,930
Consumer Products (0.55%)		
RJR Nabisco Capital Corp. Senior Notes; 8.75%; 4/15/04	300,000	297,375
Copper Ores (0.56%)		
Asarco, Inc. Notes; 7.38%; 2/1/03	300,000	302,241
Crude Petroleum & Natural Gas (1.46%)		
Occidental Petroleum Corp. Medium-Term Notes; 9.73%; 6/15/01	250,000	276,430
Union Oil of California Medium-Term Notes; 7.77%; 4/19/05	500,000	510,735
		787,165
Deep Sea Foreign Transportation of Freight (1.78%)		
American President Cos., Ltd. Senior Notes; 7.13%; 11/15/03	1,000,000	959,424
Department Stores (4.68%)		
Dillard Investment Co. Notes; 9.25%; 5/1/97	200,000	205,015
Harcourt General, Inc. Subordinated Notes; 9.50%; 3/15/00	350,000	376,570
J. C. Penney Co., Inc. Medium-		

Term Notes, Series A; 6.88%; 10/15/15	1,500,000	1,380,675
Sears Roebuck Co. Medium-Term Notes; 9.05%; 2/6/12	500,000	566,030
		2,528,290
Drug Stores & Proprietary Stores (2.54%) Rite Aid Corp. Senior Debentures; 6.88%; 8/15/13	1,500,000	1,369,908
Eating & Drinking Places (2.34%) Marriott International, Inc. Notes; 6.75%; 12/15/03 Senior Notes; 7.88%; 4/15/05	200,000 1,050,000	192,391 1,069,842
		1,262,233
Electric Services (2.44%) Cleveland Electric Illuminating Co. First Mortgage Bonds; 8.75%; 11/15/05 Southern California Edison Co. Notes; 6.38%; 1/15/06	400,000 1,000,000	388,000 927,500
		1,315,500
Fabricated Rubber Products, NEC (0.51%) M. A. Hanna Co. Senior Notes; 9.38%; 9/15/03	250,000	277,176
Farm & Garden Machinery (2.60%) Case Corp. Notes; 7.25%; 1/15/16	1,500,000	1,402,555
Gas Production & Distribution (2.92%) Enron Corp. Notes; 7.13%; 5/15/07 Tennessee Gas Pipeline Co. Notes; 9.00%; 1/15/97 Transco Energy Co. Notes; 9.38%; 8/15/01	750,000 400,000 400,000	733,772 406,167 439,231
		1,579,170
General Government, NEC (1.90%) Ontario Hydro Debentures; 7.45%; 3/31/13 Province of Saskatchewan, Canada Global Notes; 8.00%; 2/1/13	500,000 500,000	501,785 524,880
		1,026,665
Gold & Silver Ores (1.36%) Placer Dome, Inc. Notes; 7.13%; 6/15/07	750,000	732,055
Grain Mill Products (1.80%) Ralston Purina Co. Debentures; 7.75%; 10/1/15	1,000,000	973,882
Highway & Street Construction (1.76%) Foster Wheeler Corp. Notes; 6.75%; 11/15/05	1,000,000	947,624
Hospitals (1.01%) Columbia/HCA Healthcare Corp. Medium-Term Notes; 8.70%; 2/10/10	500,000	543,940
Hotels & Motels (1.87%) Hilton Hotels Corp. Notes; 7.70%; 7/15/02	1,000,000	1,008,656
Household Appliances (0.99%) Maytag Corp. Medium-Term Notes; 8.62%; 11/15/07	500,000	535,990
Household Furniture (0.87%) Masco Corp. Debentures; 7.13%; 8/15/13	500,000	469,543
Industrial Inorganic Chemicals (1.31%) FMC Corp. Senior Notes; 6.38%; 9/1/03 Grace (W.R.) & Co. Guaranteed Notes; 8.00%; 8/15/04	200,000 500,000	187,367 519,565
		706,932
Lumber & Construction Materials (3.02%) Crane Co. Notes; 8.50%; 3/15/04	1,524,000	1,628,676

Machinery, Equipment & Supplies (1.33%) AAR Corp. Notes; 7.25%; 10/15/03	750,000	715,441
Metalworking Machinery (0.36%) Black & Decker Corp. Notes; 7.00%; 2/1/06	200,000	194,084
Millwork, Plywood & Structural Members (2.00%) Georgia-Pacific Corp. Debentures; 9.50%; 12/1/11 Senior Debentures; 7.70%; 6/15/15	100,000 1,000,000	114,132 965,763
		1,079,895
Miscellaneous Chemical Products (0.72%) Ferro Corp. Senior Debentures; 7.63%; 5/1/13	400,000	389,702
Miscellaneous Investing (1.36%) Weingarten Realty Investors Medium-Term Notes; 7.29%; 5/23/05	750,000	735,562
Miscellaneous Metal Ores (2.11%) Amax, Inc. Notes; 9.88%; 6/13/01 Cyprus Amax Minerals Notes; 7.38%; 5/15/07 Cyprus Minerals Co. Notes; 10.13%; 4/1/02	100,000 650,000 350,000	108,178 636,107 395,929
		1,140,214
Motion Picture Production & Services (0.68%) Columbia Pictures Entertainment, Inc. Senior Subordinated Notes; 9.88%; 2/1/98	350,000	367,924
Motor Vehicles & Equipment (1.95%) Arvin Overseas Finance B.V. Medium-Term Notes; 9.62%; 8/9/96 TRW, Inc. Medium-Term Notes; 9.25%; 12/30/11	250,000 700,000	250,982 799,232
		1,050,214
Newspapers (2.93%) News America Holdings, Inc. Guaranteed Senior Notes; 8.50%; 2/15/05	1,500,000	1,579,218
Operative Builders (2.77%) Pulte Corp. Senior Notes; 8.38%; 8/15/04 7.30%; 10/24/05	1,000,000 500,000	1,022,517 473,601
		1,496,118
Paper Mills (6.05%) Bowater, Inc. Debentures; 9.38%; 12/15/21 Champion International Corp. Notes; 9.88%; 6/1/00 7.10%; 9/1/05 Chesapeake Corp. Notes; 7.20%; 3/15/05 Potlatch Corp. Medium-Term Notes; 8.75%; 1/14/22	200,000 250,000 875,000 1,400,000 500,000	231,572 274,397 854,192 1,362,677 543,985
		3,266,823
Personal Credit Institutions (1.86%) General Motors Acceptance Corp. Medium-Term Notes; 8.25%; 2/24/04 Notes; 6.63%; 10/15/05	500,000 500,000	528,325 473,915
		1,002,240
Petroleum Refining (5.07%) Ashland Oil, Inc. Medium-Term Notes; 7.71%; 5/11/07 7.73%; 7/15/13 Series F; 8.54%; 1/13/05 Pennzoil Co. Debentures; 10.13%; 11/15/09 Phillips Petroleum Co. Notes; 9.38%; 2/15/11 Sun Co., Inc. Debentures; 9.00%; 11/1/24	500,000 250,000 250,000 325,000 500,000 500,000	504,390 246,970 266,022 379,138 582,833 557,001

Notes; 7.13%; 3/15/04	200,000	197,631
		2,733,985
Plastic Materials & Synthetics (2.63%)		
Geon Company Notes;		
6.88%; 12/15/05	1,500,000	1,421,328
Primary Nonferrous Metals (1.21%)		
Reynolds Metals Co.		
Medium-Term Notes;		
8.34%; 5/22/07	500,000	529,310
7.65%; 2/4/08	125,000	125,947
		655,257
Pulp Mills (0.41%)		
International Paper Co. Medium-Term		
Notes; 9.70%; 8/15/00	200,000	219,876
Railroads (1.72%)		
Union Pacific Corp. Notes;		
6.40%; 2/1/06	1,000,000	930,743
Refrigeration & Service Machinery (0.60%)		
Westinghouse Electric Corp.		
Debentures; 8.63%; 8/1/12	350,000	325,670
Rental of Railroad Cars (1.99%)		
Gatx Capital Corp. Medium-Term		
Notes, Series C; 6.86%; 10/13/05	1,000,000	956,970
Signal Capital Corp. Equipment Trust		
Cert.; 9.95%; 2/1/06	109,000	115,386
		1,072,356
Sanitary Services (1.98%)		
Laidlaw, Inc. Senior Notes;		
7.88%; 4/15/05	1,045,000	1,069,243
Sawmills & Planning Mills (1.45%)		
MacMillan Bloedel Delaware		
Guaranteed Notes; 8.50%; 1/15/04	750,000	781,380
Telephone Communication (2.72%)		
Sprint Corp. Notes; 8.13%; 7/15/02	500,000	526,447
U.S. West Capital Funding, Inc.		
Medium-Term Notes;		
6.83%; 11/15/07	1,000,000	941,920
		1,468,367
Variety Stores (1.79%)		
Dayton-Hudson Corp. Debentures;		
9.63%; 2/1/08	150,000	175,178
Dayton-Hudson Corp. Sinking Fund		
Debentures; 9.50%; 10/15/16	250,000	262,138
Shopko Stores, Inc. Senior Notes;		
9.00%; 11/15/04	500,000	528,795
		966,111
	Total Bonds	51,654,596
Commercial Paper (1.80%)		
Personal Credit Institutions (1.80%)		
Associates Corp. of North America;		
5.55%; 7/1/96	975,000	975,000
	Total Portfolio Investments (97.50%)	52,629,596
Cash and receivables, net of liabilities (2.50%)		1,347,287
	Total Net Assets (100.00%)	\$ 53,976,883

PRINCIPAL CAPITAL ACCUMULATION
FUND, INC.

	Shares Held	Value
Common Stocks (93.30%)		
Advertising (0.83%)		
Interpublic Group of Cos., Inc.	30,800	\$ 1,443,750
Beverages (1.37%)		
Pepsico, Inc.	49,000	1,733,375

Universal Foods Corp.	17,200	634,250
		2,367,625
Combination Utility Services (1.08%)		
Cinergy Corp.	58,200	1,862,400
Commercial Banks (8.66%)		
Banc One Corp.	80,640	2,741,760
Bank of Boston Corp.	38,300	1,895,850
Boatmen's Bancshares, Inc.	31,200	1,251,900
Chase Manhattan	23,920	1,689,350
Comerica, Inc.	37,300	1,664,513
First of America Bank Corp.	28,700	1,284,325
KeyCorp	66,600	2,580,750
Nationsbank Corp.	22,800	1,883,850
		14,992,298
Communications Equipment (2.67%)		
Allen Group, Inc.	16,000	348,000
DSC Communications Corp.	52,800 (a)	1,590,600
General Instrument Corp.	92,800 (a)	2,679,600
		4,618,200
Computer & Office Equipment (3.12%)		
Hewlett-Packard Co.	16,700	1,663,738
International Business Machines Corp.	37,700	3,732,300
		5,396,038
Construction & Related Machinery (0.94%)		
Caterpillar, Inc.	24,000	1,626,000
Crude Petroleum & Natural Gas (1.91%)		
Texaco, Inc.	39,400	3,304,675
Dairy Products (0.61%)		
Dean Foods Co.	42,500	1,051,875
Drugs (11.11%)		
Abbott Labs	105,000	4,567,500
American Home Products Corp.	61,900	3,721,737
Bristol-Myers Squibb Co.	30,000	2,700,000
Lilly (Eli) & Co.	25,000	1,625,000
Merck & Co., Inc.	52,800	3,412,200
Warner-Lambert Co.	58,300	3,206,500
		19,232,937
Electric Services (2.89%)		
Dominion Resources, Inc.	44,400	1,776,000
FPL Group, Inc.	38,500	1,771,000
Houston Industries, Inc.	3,100	76,337
Potomac Electric Power Co.	52,400	1,388,600
		5,011,937
Electrical Industrial Apparatus (1.57%)		
Emerson Electric Co.	30,090	2,719,384
Electronic Components & Accessories (1.52%)		
Duracell International, Inc.	61,100	2,634,938
Electronic Distribution Equipment (2.68%)		
General Electric Co.	53,700	4,645,050
Fats & Oils (2.08%)		
Archer Daniels Midland Co.	188,200	3,599,325
Fire, Marine & Casualty Insurance (1.26%)		
Allstate Corp.	47,643	2,173,712
General Industrial Machinery (0.67%)		
BW/IP Holdings, Inc., Class A	23,000	437,000
Pall Corp.	30,100	726,162
		1,163,162
Grain Mill Products (1.32%)		
Ralston-Ralston Purina Group	35,600	2,282,850
Greeting Cards (1.17%)		
American Greetings Corp.	74,000	2,025,750
Grocery Stores (4.65%)		
Albertson's, Inc.	61,700	2,552,838
American Stores Co.	64,300	2,652,375
Sysco Corp.	83,400	2,856,450

Household Furniture (1.68%)		8,061,663
Masco Corp.	96,400	2,916,100
Industrial Inorganic Chemicals (2.78%)		
Dow Chemical Co.	51,400	3,906,400
Eastman Chemical Co.	14,900	907,037
		4,813,437
Jewelry, Silverware & Plated Ware (0.36%)		
Jostens, Inc.	31,700	626,075
Management & Public Relations (1.62%)		
Dun & Bradstreet Corp.	44,900	2,806,250
Meat Products (1.39%)		
Tyson Foods, Inc.	88,000	2,409,000
Medical Instruments & Supplies (1.03%)		
St. Jude Medical, Inc.	53,100 (a)	1,778,850
Medical Service & Health Insurance (1.86%)		
AON Corp.	31,050	1,575,788
Foundation Health Corp.	37,400 (a)	1,341,725
Physicians Corp. of America	22,900 (a)	303,425
		3,220,938
Metal Forgings & Stampings (2.05%)		
Newell Co.	115,800	3,546,375
Metalworking Machinery (0.22%)		
Giddings & Lewis	23,000	373,750
Miscellaneous Business Services (0.44%)		
Safety-Kleen Corp.	43,500	761,250
Miscellaneous Converted Paper Products (2.40%)		
Minnesota Mining & Mfg. Co.	60,100	4,146,900
Miscellaneous Electrical Equipment & Supplies (1.14%)		
Motorola, Inc.	31,400	1,974,275
Miscellaneous Fabricated Metal Products (0.33%)		
Keystone International, Inc.	27,300	566,475
Miscellaneous Shopping Goods Stores (1.79%)		
Toys 'R' Us, Inc.	108,700 (a)	3,097,950
Motor Vehicles, Parts & Supplies (1.63%)		
Grainger (W. W.), Inc.	36,400	2,821,000
Offices & Clinics of Medical Doctors (0.73%)		
FHP International Corp.	46,200 (a)	1,264,725
Paper Mills (1.51%)		
Kimberly Clark Corp.	33,800	2,611,050
Petroleum Refining (3.03%)		
Atlantic Richfield Co.	17,100	2,026,350
Exxon Corp.	37,000	3,214,375
		5,240,725
Plastic Materials & Synthetics (0.31%)		
Wellman, Inc.	23,000	537,625
Sanitary Services (3.57%)		
Browning-Ferris Industries, Inc.	88,500	2,566,500
WMX Technologies, Inc.	110,600	3,622,150
		6,188,650
Security Brokers & Dealers (0.56%)		
Edwards (A.G.), Inc.	36,015	976,907
Soap, Cleaners, & Toilet Goods (3.66%)		
Avon Products	74,600	3,366,325
Colgate-Palmolive Co.	35,000	2,966,250
		6,332,575
Telephone Communication (3.36%)		
AT&T Corp.	52,000	3,224,000
MCI Communications Corp.	101,500	2,600,937
		5,824,937
Variety Stores (3.74%)		
Dayton-Hudson Corp.	31,800	3,279,375

Wal-Mart Stores, Inc.	126,000	3,197,250
		6,476,625
Total Common Stocks		161,526,013

	Principal Amount	Value
Commercial Paper (6.57%)		
Personal Credit Institutions (1.80%)		
American Express Credit Corp.;		
5.39%; 7/3/96	\$ 6,330,000	\$ 6,328,104
General Electric Capital Corp.;		
5.35%; 7/1/96	5,040,000	5,040,000
Total Commercial Paper		11,368,104
Total Portfolio Investments (99.87%)		172,894,117
Cash, receivables and other assets, net of liabilities (0.13%)		229,503
Total Net Assets (100.00%)	\$	173,123,620

(a) Non-income producing security - No dividend paid during the past twelve months.

PRINCIPAL EMERGING GROWTH FUND, INC.

	Shares Held	Value
Common Stocks (80.84%)		
Blast Furnace & Basic Steel Products (1.56%)		
Lukens, Inc.	63,100	\$ 1,506,513
Carpets & Rugs (1.09%)		
Shaw Industries, Inc.	79,700	1,046,062
Chemicals & Allied Products (0.56%)		
Sigma-Aldrich Corp.	10,000	535,000
Commercial Banks (4.94%)		
Boatmen's Bancshares, Inc.	6,100	244,763
First Federal Capital Corp.	40,665	823,466
Independent Bank Corp. Michigan	25,200	711,900
Mercantile Bancorp., Inc.	14,000	623,000
Merchants Bancorp., Inc.	16,500	536,250
North Fork Bancorp., Inc.	20,000	522,500
Peoples Heritage Financial Group, Inc.	31,000	631,625
Princeton National Bancorp., Inc.	36,000	657,000
		4,750,504
Commercial Printing (0.44%)		
Merrill Corp.	16,800	420,000
Computer & Data Processing Services (7.44%)		
American Management Systems, Inc.	68,000 (a)	1,989,000
Cerner Corp.	93,700 (a)	2,002,837
HBO & Co.	14,000	948,500
Microsoft Corp.	10,000 (a)	1,201,250
Sunquest Information Systems, Inc.	68,100 (a)	1,021,500
		7,163,087
Computer & Office Equipment (1.32%)		
EMC Corp.	63,300 (a)	1,178,963
Seagate Technology	2,000 (a)	90,000
		1,268,963
Construction & Related Machinery (1.38%)		
Energy Ventures, Inc.	41,000 (a)	1,332,500
Crude Petroleum & Natural Gas (0.76%)		
Devon Energy Corp.	30,000	735,000
Dairy Products (0.33%)		
Dreyer's Grand Ice Cream, Inc.	10,000	315,000
Drugs (3.11%)		
Alliance Pharmaceutical Corp.	30,000 (a)	495,000
Forest Laboratories, Inc.	14,500 (a)	560,063
Genzyme Corp. - General Division	1,891	95,023

Genzyme Corp. - Tissue Repair	255 (a)	2,996
Merck & Co., Inc.	10,000	646,250
Pharmacia & Upjohn, Inc.	24,900	1,104,937
Seragen, Inc.	20,000 (a)	87,500
		2,991,769
Electronic Components & Accessories (5.51%)		
Intel Corp.	30,500	2,239,844
Linear Technology Corp.	42,900	1,287,000
Solelectron Corp.	46,900 (a)	1,776,337
		5,303,181
Engineering & Architectural Services (1.52%)		
Paychex, Inc.	30,400	1,463,000
Finance Services (0.82%)		
First Financial Corp.	35,000	787,500
Fire, Marine, & Casualty Insurance (1.58%)		
Avemco Corp.	35,000	472,500
Berkley W.R. Corp.	25,000	1,043,750
		1,516,250
Footwear, Except Rubber (0.99%)		
Nine West Group, Inc.	18,700 (a)	956,038
General Industrial Machinery (5.86%)		
Flow International Corp.	55,000 (a)	440,000
Kaydon Corp.	36,300	1,560,900
Pentair, Inc.	54,600	1,638,000
Roper Industries, Inc.	41,000	1,998,750
		5,637,650
Grocery Stores (1.07%)		
Casey's General Stores, Inc.	51,700	1,027,537
Hardware Stores (0.83%)		
Central Tractor Farm & Country, Inc.	64,900 (a)	795,025
Holding Offices (0.88%)		
ISB Financial Corp.	25,000	368,750
Today's Bancorp., Inc.	16,000	476,000
		844,750
Hose, Belting, Gaskets & Packing (1.26%)		
Mark IV Industries	53,575	1,212,134
Hospitals (2.29%)		
Humana, Inc.	50,200 (a)	897,325
Universal Health Services, Inc.; Class B	50,000 (a)	1,306,250
		2,203,575
Insurance Agents, Brokers & Services (1.62%)		
Equifax, Inc.	59,400	1,559,250
Investment Offices (0.91%)		
Invesco PLC ADR	25,000	875,000
Iron & Steel Foundries (0.49%)		
Atchison Casting Corp.	30,000 (a)	472,500
Laundry, Cleaning & Garment Services (1.10%)		
G & K Services, Inc.; Class A	37,225	1,060,912
Life Insurance (0.97%)		
First Colony Corp.	30,000	930,000
Measuring & Controlling Devices (1.92%)		
ISCO, Inc.	8,613	81,819
Millipore Corp.	32,000	1,340,000
Photon Dynamics	45,000 (a)	427,500
		1,849,319
Meat Products (0.65%)		
Michael Foods, Inc.	54,000	627,750
Medical Instruments & Supplies (4.81%)		
Boston Scientific Corp.	26,500 (a)	1,192,500
Nellcor Puritan Bennett	34,200 (a)	1,658,700
Steris Corp.	55,700 (a)	1,782,400
		4,633,600
Medical Service & Health Insurance (4.54%)		
Foundation Health Corp.	31,200 (a)	1,119,300
Health System International, Inc.	40,800 (a)	1,106,700

Orthofix International NV	66,400 (a)	730,400
United Healthcare Corp.	27,900	1,408,950
		4,365,350
Metal Services, NEC (1.84%)		
BMC Industries, Inc.	61,600	1,771,000
Miscellaneous Chemical Products (2.68%)		
Cytec Industries	7,000 (a)	598,500
H. B. Fuller Co.	20,000	725,000
Loctite Corp.	27,000	1,255,500
		2,579,000
Office Furniture (1.05%)		
Chromcraft Revington, Inc.	27,900 (a)	652,163
Kimball International, Inc.; Class B	13,000	359,125
		1,011,288
Oil & Gas Field Services (1.19%)		
Diamond Offshore Drilling	20,000 (a)	1,145,000
Operative Builders (1.00%)		
D. R. Horton, Inc.	64,800	680,400
Pulte Corp.	10,421	278,762
		959,162
Paints & Allied Products (0.86%)		
RPM, Inc.	53,000	828,125
Plastic Materials & Synthetics (1.17%)		
A. Schulman, Inc.	45,900	1,124,550
Plumbing, Heating, Air-Conditioning (2.17%)		
Apogee Enterprises, Inc.	57,000	1,952,250
Metalclad Corp.	45,600 (a)	139,650
		2,091,900
Refrigeration & Service Machinery (0.63%)		
Tecumseh Products Co.; Class A	11,200	602,000
Sanitary Services (1.04%)		
Browning-Ferris Industries, Inc.	31,500	913,500
Sanifill, Inc.	1,734	85,399
		998,899
Savings Institutions (0.74%)		
North Side Savings Bank (NY)	15,000	521,250
Sterling Financial Corp.	13,200 (a)	194,700
		715,950
Screw Machine Products, Bolts, Etc. (1.09%)		
TriMas Corp.	44,900	1,049,537
Security Brokers & Dealers (0.64%)		
Jefferies Group, Inc.	20,000	620,000
Telephone Communication (0.83%)		
McLeod, Inc.	33,400 (a)	801,600
Toys & Sporting Goods (0.59%)		
Mattel, Inc.	20,000	572,500
Trucking & Courier Services, Ex. Air (0.77%)		
J. B. Hunt Transport Services, Inc.	35,500	741,063
		77,796,293
Preferred Stock (0.53%)		
Offices & Clinics of Medical Doctors (0.53%)		
FHP International Corp.;		
Series A Convertible	20,000 (a)	510,000
	Principal	Value
Bonds (1.23%)	Amount	
Computer & Data Processing Services (0.36%)		
Sierra On Line Convertible		
Subordinated Debentures;		
6.50%; 4/1/01	\$ 110,000 (b)	\$ 346,500
Industrial Inorganic Chemicals (0.54%)		

Ciba-Geigy Corp. Exchangeable Subordinated Debentures; 6.25%; 3/15/16	150,000 (b)	153,750
ICN Pharmaceuticals, Inc. Convertible Subordinated Debentures; 8.50%; 11/15/99	300,000	366,000
		519,750
Nursing & Personal Care Facilities (0.22%) Greenery Rehabilitation Group, Inc. Convertible Senior Subordinated Notes; 8.75%; 4/1/15	250,000	213,125
Sanitary Services (0.11%) Enclean, Inc. Convertible Subordinated Debentures; 7.50%; 8/1/01	100,000	101,484
	Total Bonds	1,180,859
Commercial Paper (24.45%)		
Business Credit Institutions (9.91%) American Express Credit Corp.; 5.32%; 7/1/96	1,700,000	1,700,000
5.28%; 7/3/96	1,755,000	1,754,485
CIT Group Holdings, Inc.; 5.30%; 7/9/96	3,000,000	2,996,467
General Electric Capital Corp.; 5.25%; 7/5/96	3,085,000	3,083,200
		9,534,152
Personal Credit Institutions (11.57%) Associates Corp. of North America; 5.28%; 7/1/96	1,185,000	1,185,000
5.55%; 7/1/96	3,345,000	3,345,000
Commercial Credit Co.; 5.37%; 7/8/96	3,105,000	3,101,758
Ford Motor Credit Co.; 5.32%; 7/3/96	2,500,000	2,499,261
5.36%; 7/1/96	1,005,000	1,005,000
		11,136,019
Security Brokers & Dealers (2.97%) Smith Barney, Inc.; 5.37%; 7/2/96	2,860,000	2,859,574
	Total Commercial Paper	23,529,745
	Total Portfolio Investments (107.05%)	103,016,897
Liabilities, net of cash and receivables (-7.05%)		(6,783,324)
	Total Net Assets (100.00%)	\$ 96,233,573

(a) Non-income producing security - No dividend paid during the past twelve months.

(b) Restricted Security - See Note 4 to the financial statements.

PRINCIPAL GOVERNMENT SECURITIES FUND, INC.

Description of Issue			Principal Amount	Value
Type	Rate	Maturity		
Government National Mortgage Association (GNMA) Certificates (32.73%)				
GNMA I	7.00%	1/15/24	\$ 849,732	\$ 818,743
GNMA I	8.00	10/15/16-6/15/17	2,050,003	2,095,186
GNMA I	8.50	2/15/17-5/15/21	3,211,263	3,335,307
GNMA II	6.00	5/20/24-4/20/26	17,352,061	15,611,668
GNMA II	6.50	12/20/25-2/20/26	4,015,735	3,714,916
		Total GNMA Certificates		25,575,820
Federal National Mortgage Association (FNMA) Certificates (15.37%)				
FNMA	5.50	5/1/24	1,187,645	1,047,348
FNMA	6.00	11/1/23-3/1/26	4,152,053	3,777,871
FNMA	6.50	11/1/23-5/1/26	3,733,615	3,502,750
FNMA	7.00	8/1/23	813,948	786,347
FNMA	7.50	4/1/22	577,017	572,655
FNMA	8.00	6/1/17-11/1/21	582,673	590,815
FNMA GL	6.50	8/15/25	976,269	913,456

FNMA Major	7.50	4/1/22	532,915	528,130
FNMA Major	8.00	10/1/21	287,777	291,250

Total FNMA Certificates 12,010,622

Federal Home Loan Mortgage Corporation (FHLMC) Certificates (18.25%)

FHLMC	5.50	3/1/24	551,115	493,540
FHLMC	6.00	12/1/23-1/1/26	2,887,437	2,632,186
FHLMC	6.50	4/1/24-5/1/26	3,401,228	3,193,793
FHLMC	7.00	1/1/24	852,266	824,167
FHLMC Gold	5.50	2/1/24	982,502	864,140
FHLMC Gold	6.50	10/1/25-5/1/26	1,980,658	1,855,698
FHLMC Gold	7.00	9/1/23-12/1/23	1,791,853	1,733,352
FHLMC Gold	7.50	2/1/22-6/1/24	1,872,103	1,855,946
FHLMC Gold	8.00	11/1/21	796,166	806,516

Total FHLMC Certificates 14,259,338

Principal Amount Value

Student Loan Marketing Association (SLMA) Certificates (16.09%)

Student Loan Marketing Association

Debentures;

7.30%; 8/1/12	\$ 10,000,000	\$ 10,212,219
9.15%; 12/1/24	1,200,000	1,358,640
Notes; 7.82%; 10/14/99	1,000,000	1,002,246

Total SLMA Certificates 12,573,105

Private Export Funding Corporation (PEFCO) Certificates (15.59%)

Private Export Funding Corp.

Series SS, Senior Secured Notes;

5.50%; 3/15/01	2,325,000	2,222,630
5.80%; 2/1/04	2,200,000	2,107,688
7.03%; 10/31/03	1,000,000	1,012,500
Secured Notes;		
6.62%; 10/1/05	2,000,000	1,944,900
9.45%; 12/31/99	4,500,000	4,896,225

Total PEFCO Certificates 12,183,943

Federal Agency Short-Term Obligations (1.37%)

Federal Home Loan Mortgage Corp.;

5.25%; 7/1/96	1,070,000	1,070,000
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Total Portfolio Investments (99.39%) 77,672,828

Cash and receivables, net of liabilities (0.61%) 474,392

Total Net Assets (100.00%) \$ 78,147,220

PRINCIPAL GROWTH FUND, INC.

Shares Held Value

Common Stocks (79.37%)

Advertising (1.11%)

Interpublic Group of Cos., Inc.	17,500	\$ 820,313
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Beverages (1.97%)

Coca-Cola Co.	8,800	430,100
Pepsico, Inc.	29,200	1,032,950

1,463,050

Blast Furnace & Basic Steel Products (0.75%)

Lukens, Inc.	23,400	558,675
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Carpets & Rugs (0.97%)

Shaw Industries, Inc.	54,800	719,250
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Cash Grains (1.96%)

Pioneer Hi-Bred International	27,400	1,448,775
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Commercial Banks (5.16%)

Banc One Corp.	16,500	561,000
Barnett Banks Inc.	5,000	305,000

Baybanks, Inc.	5,000	538,750
Boatmen's Bancshares, Inc.	6,000	240,750
First of America Bank Corp.	11,700	523,575
Firststar Corp.	15,000	691,875
Firstmerit Corp.	14,600	463,550
Princeton National Bancorp., Inc.	27,300	498,225
		3,822,725
Communications Equipment (3.32%)		
General Instrument Corp.	50,000 (a)	1,443,750
Northern Telecom Ltd.	18,700	1,016,812
		2,460,562
Computer & Data Processing Services (1.44%)		
Microsoft Corp.	8,900 (a)	1,069,113
Computer & Office Equipment (4.90%)		
Automatic Data Processing, Inc.	20,000	772,500
Bay Networks	34,400 (a)	885,800
Digital Equipment Corp.	20,500 (a)	922,500
Hewlett-Packard Co.	8,200	816,925
Pitney Bowes, Inc.	5,000	238,750
		3,636,475
Department Stores (0.76%)		
May Department Stores	12,800	560,000
Drugs (8.46%)		
Alliance Pharmaceutical Corp.	10,000 (a)	165,000
Bristol-Myers Squibb Co.	10,000	900,000
Johnson & Johnson	20,000	990,000
Lilly (Eli) & Co.	20,000	1,300,000
Merck & Co., Inc.	14,600	943,525
Pharmacia & Upjohn, Inc.	20,000	887,500
Smithkline Beecham PLC ADR	20,000	1,087,500
		6,273,525
Eating & Drinking Places (0.44%)		
McDonald's Corp.	7,000	327,250
Electrical Goods (0.50%)		
Avnet, Inc.	8,800	370,700
Electronic Components & Accessories (2.78%)		
Intel Corp.	17,300	1,270,469
Linear Technology Corp.	26,300	789,000
		2,059,469
Electronic Distribution Equipment (0.58%)		
General Electric Co.	5,000	432,500
Federal & Federally Sponsored Credit (0.50%)		
Federal National Mortgage Association	11,000	368,500
Footwear, Except Rubber (0.33%)		
Stride Rite Corp.	30,000	247,500
General Industrial Machinery (3.13%)		
Flow International Corp.	29,200 (a)	233,600
Ingersoll-Rand Co.	20,400	892,500
Tyco International Ltd.	29,200	1,189,900
		2,316,000
Grain Mill Products (1.68%)		
Ralcorp Holdings, Inc.	15,000 (a)	309,375
Ralston-Ralston Purina Group	14,600	936,225
		1,245,600
Hose, Belting, Gaskets & Packing (1.07%)		
Mark IV Industries	35,100	794,137
Hospitals (1.78%)		
Humana, Inc.	30,000 (a)	536,250
Universal Health Services, Inc.; Class B	30,000 (a)	783,750
		1,320,000
Household Furniture (0.96%)		
Masco Corp.	23,400	707,850
Investment Offices (0.69%)		
Invesco PLC ADR	14,600	511,000
Knitting Mills (0.37%)		
Russell Corp.	10,000	276,250

Lumber & Other Building Materials (2.00%)		
Home Depot, Inc.	27,400	1,479,600
Management & Public Relations (0.42%)		
Dun & Bradstreet Corp.	5,000	312,500
Medical Instruments & Supplies (5.17%)		
Becton, Dickinson & Co.	10,000	802,500
Boston Scientific Corp.	41,100 (a)	1,849,500
Nellcor Puritan Bennett	24,300 (a)	1,178,550
		3,830,550
Medical Service & Health Insurance (4.22%)		
AON Corp.	11,700	593,775
Foundation Health Corp.	21,900 (a)	785,663
Health System International, Inc.	14,600 (a)	396,025
United Healthcare Corp.	15,000	757,500
Value Health, Inc.	25,000 (a)	590,625
		3,123,588
Millwork, Plywood & Structural Members (0.29%)		
Georgia-Pacific Corp.	3,000	213,000
Miscellaneous Chemical Products (0.63%)		
Loctite Corp.	10,000	465,000
Miscellaneous Converted Paper Products (0.35%)		
Minnesota Mining & Mfg. Co.	3,800	262,200
Miscellaneous Electrical Equipment & Supplies (1.40%)		
Motorola, Inc.	16,500	1,037,437
Miscellaneous Plastics Products, NEC (0.37%)		
Rubbermaid, Inc.	10,000	272,500
Miscellaneous Shopping Goods Stores (0.58%)		
Toys 'R' Us, Inc.	15,000 (a)	427,500
Motor Vehicles & Equipment (2.03%)		
Chrysler Corp.	10,000	620,000
Dana Corp.	28,600	886,600
		1,506,600
Offices & Clinics of Medical Doctors (0.97%)		
FHP International Corp.	26,200 (a)	717,225
Operative Builders (0.42%)		
Pulte Corp.	11,500	307,625
Paints & Allied Products (0.53%)		
RPM, Inc.	25,000	390,625
Petroleum Refining (2.12%)		
Atlantic Richfield Co.	5,800	687,300
Exxon Corp.	10,200	886,125
		1,573,425
Plastic Materials & Synthetics (0.77%)		
A. Schulman, Inc.	23,400	573,300
Preserved Fruits & Vegetables (0.68%)		
CPC International, Inc.	7,000	504,000
Radio, Television & Computer Stores (0.32%)		
Tandy Corp.	5,000	236,875
Refrigeration & Service Machinery (0.85%)		
Tecumseh Products Co.; Class A	11,700	628,875
Rubber & Plastics Footwear (1.39%)		
Nike, Inc.	10,000	1,027,500
Sanitary Services (1.69%)		
Browning-Ferris Industries, Inc.	26,300	762,700
WMX Technologies, Inc.	15,000	491,250
		1,253,950
Security Brokers & Dealers (1.21%)		
Salomon, Inc.	20,400	897,600
Shoe Stores (0.07%)		
Payless Shoesource Inc.	1,600 (a)	50,800
Soap, Cleaners & Toilet Goods (3.38%)		
Colgate-Palmolive Co.	11,700	991,575

Ecolab, Inc.	37,100	1,224,300
International Flavors & Fragrances, Inc.	6,000	285,750
		2,501,625
Toys & Sporting Goods (1.39%)		
Mattel, Inc.	35,950	1,029,069
Variety Stores (0.51%)		
Wal-Mart Stores, Inc.	15,000	380,625
		58,812,813
Preferred Stock (0.42%)		
Offices & Clinics of Medical Doctors (0.42%)		
FHP International Corp.;		
Series A Convertible	12,182	310,641
	Principal	Value
	Amount	
Commercial Paper (19.39%)		
Business Credit Institutions (8.67%)		
American Express Credit Corp.;		
5.39%; 7/5/96	\$ 1,000,000	\$ 999,401
5.39%; 7/9/96	2,200,000	2,197,365
CIT Group Holdings, Inc.;		
5.30%; 7/3/96	2,000,000	1,999,411
5.30%; 7/5/96	1,225,000	1,224,278
		6,420,455
Personal Credit Institutions (7.12%)		
Associates Corp. of North America;		
5.35%; 7/2/96	2,340,000	2,339,652
Ford Motor Credit Co.;		
5.37%; 7/8/96	2,940,000	2,936,930
		5,276,582
Securities Brokers & Dealers (3.60%)		
Merrill Lynch & Co., Inc.		
5.35%; 7/1/96	2,670,000	2,670,000
		14,367,037
	Total Commercial Paper	14,367,037
		73,490,491
	Total Portfolio Investments (99.18%)	73,490,491
		604,501
		604,501
	Total Net Assets (100.00%)	\$ 74,094,992

(a) Non-income producing security - No dividend paid during the past twelve months.

PRINCIPAL HIGH YIELD FUND, INC.

	Principal	Value
	Amount	
Bonds (93.12%)		
Agricultural Chemicals (2.45%)		
IMC Fertilizer Group, Inc. Senior		
Debentures; 9.45%; 12/15/11	\$ 300,000	\$ 303,000
Aircraft & Parts (2.24%)		
Rohr Industries, Inc. Subordinated		
Debentures; 9.25%; 3/1/17	300,000	276,000
Automotive Rentals, No Drivers (1.25%)		
Alamo Rent-A-Car, Inc. Senior		
Notes; 11.75%; 1/31/06	150,000	154,500
Blast Furnace & Basic Steel Products (3.48%)		
Ivaco Senior Notes;		
11.50%; 9/1/05	150,000	146,250
Weirton Steel Corp. Senior Notes;		
10.75%; 6/1/05	300,000	282,750
		429,000
Broadwoven Fabric Mills, Cotton (2.31%)		
J.P. Stevens & Co. Inc.		
Sinking Fund Debentures;		
9.00%; 3/1/17	300,000	285,000

Cable & Other Pay TV Services (2.47%)		
Jones Intercable, Inc. Senior Notes;		
9.63%; 3/15/02	300,000	304,500
Cogeneration - Small Power Producer (3.68%)		
AES Corp. Senior Subordinated		
Notes; 10.25%; 7/15/06	300,000	301,125
California Energy Co., Inc.		
Ltd. Resource Senior Secured		
Notes; 9.88%; 6/30/03	150,000	153,375
		454,500
Computer & Data Processing Services (2.56%)		
Tenet Healthcare Corp.		
Senior Subordinated Notes;		
10.13%; 3/1/05	300,000	316,500
Consumer Products (3.23%)		
RJR Nabisco, Inc. Senior Notes;		
8.75%; 8/15/05	400,000	399,000
Crude Petroleum & Natural Gas (4.40%)		
Chesapeake Energy Corp.		
Senior Notes; 9.13%; 4/15/06	150,000	147,750
Nuevo Energy Co.		
Senior Subordinated Notes;		
9.50%; 4/15/06	400,000	395,500
		543,250
Electric Services (1.20%)		
El Paso Electric Co.		
First Mortgage Bonds, Series D;		
8.90%; 2/1/06	150,000	148,125
Engines & Turbines (2.14%)		
Outboard Marine Corp. Debentures;		
9.13%; 4/15/17	300,000	264,000
Forest Products (2.15%)		
Doman Industries, Ltd. Senior Notes;		
8.75%; 3/15/04	300,000	265,794
Fuel Dealers (2.36%)		
Petroleum Heat & Power Co., Inc.		
Subordinated Notes;		
10.13%; 4/1/03	300,000	291,000
General Government, NEC (1.06%)		
Republic of Argentina Global Bonds;		
8.38%; 12/20/03	150,000	130,687
Groceries & Related Products (2.23%)		
Rykoff-Sexton, Inc. Senior		
Subordinated Notes;		
8.88%; 11/1/03	300,000	275,250
Grocery Stores (3.52%)		
Dominick's Finer Foods, Inc.		
Senior Subordinated Notes;		
10.88%; 5/1/05	150,000	158,625
Ralph's Grocery Co.		
Senior Subordinated Notes;		
11.00%; 6/15/05	300,000	276,000
		434,625
Hotels & Motels (4.93%)		
Bally's Grand, Inc. First Mortgage		
Notes; 10.38%; 12/15/03	300,000	328,875
John Q. Hammons Hotels, L.P. &		
Finance Corp. First Mortgage		
Notes; 8.88%; 2/15/04	300,000	280,500
		609,375
Knitting Mills (2.52%)		
Tultex Corp. Senior Notes;		
10.63%; 3/15/05	300,000	311,250
Miscellaneous Amusement, Recreation Service (1.26%)		
Rio Hotel & Casino, Inc.		
Senior Subordinated Notes;		
10.63%; 7/15/05	150,000	156,000
Miscellaneous Converted Paper Products (1.99%)		
Drypers Corp. Senior Notes;		
12.50%; 11/1/02	300,000	246,000

Miscellaneous Plastics Products, NEC (4.74%)		
Congoleum Corp. Senior Notes;		
9.00%; 2/1/01	300,000	288,000
Plastic Containers, Inc. Senior		
Secured Notes; 10.75%; 4/1/01	300,000	297,750
		585,750
Motor Vehicles & Equipment (2.30%)		
Lear Seating Corp. Subordinated		
Notes; 8.25%; 2/1/02	300,000	284,250
Nonferrous Foundries (Casting) (1.28%)		
Howmet Corp. Senior Subordinated		
Notes; 10.00%; 12/1/03	150,000 (a)	157,875
Nursing & Personal Care Facilities (2.34%)		
Mariner Health Group, Inc. Senior		
Subordinated Notes; 9.50%; 4/1/06	300,000 (a)	288,375
Petroleum Refining (2.45%)		
Crown Central Petroleum Corp.		
Senior Notes; 10.88%; 2/1/05	300,000	302,250
Pulp Mills (2.79%)		
Magnetek, Inc. Senior Subordinated		
Debentures; 10.75%; 11/15/98	350,000	344,313
Radio, Television & Computer Stores (2.46%)		
Compusa, Inc. Senior Subordinated		
Notes; 9.50%; 6/15/00	300,000	303,375
Radio & Television Broadcasting (3.84%)		
American Radio Systems		
Senior Subordinated Notes;		
9.00%; 2/1/06	150,000	141,750
EZ Communications, Inc.		
Senior Subordinated Notes;		
9.75%; 12/1/05	200,000	190,000
Sullivan Broadcasting Inc.		
Senior Subordinated Notes;		
10.25%; 12/15/05	150,000	142,875
		474,625
Soap, Cleaners & Toilet Goods (2.50%)		
Coty, Inc. Senior Subordinated		
Notes; 10.25%; 5/1/05	300,000	309,000
Telephone Communication (10.17%)		
360 Communications Co.		
Senior Notes; 7.50%; 3/1/06	150,000	142,331
Paging Network, Inc. Senior		
Debentures; 8.88%; 2/1/06	300,000	271,875
Rogers Cablesystems Ltd. Senior		
Secured Second Priority Notes;		
9.63%; 8/1/02	250,000	246,875
Rogers Cantel Inc. Senior Secured		
Debentures; 9.75%; 6/1/16	300,000	289,125
Telecom Argentina Stet-France		
Telecom SA Senior Notes;		
12.00%; 11/15/02	150,000	160,500
Vanguard Cellular Systems, Inc.		
Senior Debentures; 9.38%; 4/15/06	150,000	145,500
		1,256,206
Textile Finishing, Except Wool (2.35%)		
Dominion Textile (USA) Inc.		
Guaranteed Senior Notes;		
9.25%; 4/1/06	300,000	290,250
Water Supply (2.47%)		
California Energy Casecan Water &		
Energy Co., Inc. Senior Secured		
Bonds Series B; 11.95%; 11/15/10	300,000 (a)	305,250
	Total Bonds	11,498,875
Commercial Paper (4.37%)		
Personal Credit Institutions (4.37%)		
Associates Corp. of North America;		
5.55%; 7/1/96	540,000	540,000
	Total Portfolio Investments (97.49%)	12,038,875

Cash and receivables, net of liabilities (2.51%) 309,965

Total Net Assets (100.00%) \$ 12,348,840

(a) Restricted Security - See Note 4 to the financial statements.

PRINCIPAL MONEY MARKET FUND, INC.

	Principal Amount	Value
Commercial Paper (94.48%)		
Advertising (1.74%)		
Omnicom Finance, Inc.;		
LOC ABN-AMRO Bank NV;		
5.35%; 7/24/96	\$ 850,000	\$ 847,095
Asset-Backed Securities (4.15%)		
Retailer Funding Corp.;		
5.38%; 7/15/96	1,000,000	997,908
5.38%; 7/25/96	1,025,000	1,021,323
		2,019,231
Business Credit Institutions (4.47%)		
American Express Credit Corp.;		
5.28%; 7/3/96	460,000	459,865
5.29%; 7/25/96	190,000	189,331
4.95%; 8/16/96	150,000	149,051
5.28%; 8/20/96	400,000	397,067
CIT Group Holdings, Inc.;		
5.28%; 8/21/96	500,000	496,260
General Electric Capital Corp.;		
5.29%; 1/24/97	500,000	484,791
		2,176,365
Department Stores (4.75%)		
Sears Roebuck Acceptance Corp.;		
5.28%; 7/10/96	275,000	274,637
5.33%; 7/17/96	450,000	448,934
5.36%; 8/9/96	350,000	347,968
5.38%; 8/14/96	675,000	670,561
5.39%; 8/15/96	250,000	248,316
5.41%; 8/20/96	325,000	322,558
		2,312,974
Drugs (0.55%)		
Warner-Lambert Co.;		
4.76%; 11/12/96	275,000	270,128
Electric Services (12.66%)		
AES Shady Point, Inc.; LOC Bank of		
Tokyo-Mitsubishi, Ltd.;		
5.34%; 7/9/96	1,000,000	998,813
5.50%; 7/10/96	750,000	748,969
5.43%; 7/22/96	350,000	348,891
Centerior Fuel Corp.;		
LOC Barclays Bank PLC;		
5.45%; 7/31/96	375,000	373,297
Commed Fuel Co., Inc.;		
LOC Canadian Imperial Bank of		
Commerce;		
5.34%; 7/8/96	425,000	424,559
5.30%; 7/12/96	125,000	124,798
5.38%; 8/19/96	250,000	248,169
LOC Credit Suisse; 5/30%; 7/11/96	1,000,000	998,528
Connecticut Yankee Atomic Power		
Co.; LOC Toronto Dominion Bank;		
5.65%; 7/01/96	500,000	500,000
FPL Fuels Inc.;		
LOC Barclays Bank PLC;		
5.33%; 7/3/96	350,000	349,896
5.35%; 7/31/96	150,000	149,331
5.39%; 7/31/96	400,000	398,203
Southern California Edison;		
5.35%; 7/12/96	500,000	499,183
		6,162,637
Federal & Federally Sponsored Credit (1.72%)		
U.S. Government Treasury Bills;		
5.35%; 8/22/96	200,000	198,455
5.09%; 3/6/97	660,000	636,685
		835,140
Finance Services (4.90%)		

ABN-AMRO North America Finance, Inc.; 4.91%; 8/23/96	500,000	496,386
Mitsubishi International Corp.;		
4.98%; 7/9/96	200,000	199,779
5.31%; 7/29/96	150,000	149,381
5.34%; 9/3/96	300,000	297,152
5.41%; 9/4/96	700,000	693,162
PHH Corp.; 5.36%; 7/23/96	550,000	548,198
		2,384,058
Fire, Marine & Casualty Insurance (1.53%) General Reinsurance Corp.;		
5.38%; 8/20/96	750,000	744,396
Gas Production & Distribution (2.05%) Southwest Gas Corp.;		
LOC Union Bank of Switzerland;		
5.28%; 7/8/96	1,000,000	998,973
Investment Offices (2.92%) Morgan Stanley Group, Inc.;		
5.34%; 7/2/96	475,000	474,930
5.29%; 7/26/96	550,000	547,979
5.27%; 7/30/96	400,000	398,302
		1,421,211
Miscellaneous Electrical Equipment & Supplies (1.02%) General Electric Co.;		
5.38%; 8/13/96	500,000	496,787
Miscellaneous Investing (0.61%) MLTC Funding, Inc.;		
LOC Citibank, N.A.;		
5.39%; 7/24/96	300,000	298,967
Mortgage Bankers & Brokers (3.77%) Countrywide Home Loan, Inc.;		
5.32%; 8/22/96	850,000	843,468
5.42%; 9/16/96	1,000,000	988,407
		1,831,875
Personal Credit Institutions (22.70%) Associates Corp. of North America;		
5.28%; 7/5/96	690,000	689,595
5.29%; 7/25/96	500,000	498,237
5.36%; 7/31/96	450,000	447,990
5.36%; 8/2/96	300,000	298,571
Beneficial Corp.;		
5.29%; 7/18/96	525,000	523,688
5.38%; 8/16/96	550,000	546,219
Comoloco Inc.;		
5.33%; 8/5/96	150,000	149,223
5.36%; 8/6/96	800,000	795,712
5.37%; 8/12/96	850,000	844,675
5.40%; 9/9/96	400,000	395,800
Ford Motor Credit Co.;		
5.30%; 7/12/96	425,000	424,312
5.28%; 7/26/96	350,000	348,717
5.36%; 7/29/96	500,000	497,915
5.36%; 8/8/96	600,000	596,605
General Motors Acceptance Corp.;		
4.75%; 11/01/96	250,000	245,943
5.33%; 12/10/96	100,000	97,602
5.35%; 12/13/96	140,000	136,567
5.35%; 12/20/96	250,000	243,610
5.35%; 12/27/96	225,000	219,015
5.35%; 1/17/97	150,000	145,542
5.45%; 1/24/96	150,000	145,299
5.60%; 3/3/97	125,000	120,236
5.67%; 3/7/97	400,000	384,313
5.70%; 3/10/97	200,000	192,020
5.68%; 3/14/97	250,000	239,902
Norwest Financial, Inc.;		
5.28%; 7/10/96	750,000	749,010
5.29%; 7/15/96	1,075,000	1,072,788
		11,049,106
Real Estate Operators & Lessors (8.44%) Maguire/Thomas Partners Westlake Southlake Partnership Notes;		
LOC Sumitomo Bank Ltd.;		
5.50%; 7/11/96	275,000	274,580
5.38%; 7/23/96	1,000,000	996,715
5.35%; 7/24/96	300,000	298,975
5.40%; 8/15/96	400,000	397,300

5.45%; 9/3/96	200,000	198,062
Towson Town Center, Inc.; LOC		
Bank of Tokyo-Mitsubishi, Ltd.;		
5.42%; 7/12/96	500,000	499,172
5.42%; 7/16/96	700,000	698,419
5.35%; 7/19/96	500,000	498,662
5.45%; 8/13/96	250,000	248,373
		4,110,258
Security Brokers & Dealers (9.79%)		
Goldman Sachs Group, L.P.;		
5.38%; 8/7/96	375,000	372,927
5.33%; 9/4/96	500,000	495,188
Merrill Lynch & Co., Inc.;		
5.06%; 7/31/96	225,000	224,051
5.32%; 7/16/96	500,000	498,892
5.32%; 8/1/96	375,000	373,282
5.38%; 8/7/96	500,000	497,235
5.40%; 8/26/96	725,000	718,910
Smith Barney Inc.;		
5.28%; 7/1/96	1,090,000	1,090,000
5.38%; 8/19/96	500,000	496,339
		4,766,824
Subdividers & Developers (0.72%)		
Hartz 667 Commercial Paper Corp.;		
LOC Bank of Tokyo-Mitsubishi,		
Ltd.; 5.42%; 7/17/96	350,000	349,157
Telephone Communication (1.74%)		
Ameritech Corp.;		
5.23%; 7/30/96	150,000	149,368
5.38%; 8/2/96	700,000	696,652
		846,020
Tires & Inner Tubes (4.25%)		
Bridgestone/Firestone;		
LOC Dai-Ichi Kangyo Bank Ltd.;		
5.34%; 7/22/96	450,000	448,598
5.38%; 7/19/96	1,000,000	997,310
5.45%; 7/22/96	325,000	323,967
LOC Sumitomo Bank Ltd.;		
5.42%; 7/9/96	300,000	299,639
		2,069,514
Total Commercial Paper		45,990,716
Bank Notes (4.32%)		
Commercial Banks (4.32%)		
LaSalle National Bank;		
5.75%; 7/8/96	250,000	250,000
5.72%; 8/30/96	500,000	500,000
5.56%; 3/6/97	300,000	300,000
5.47%; 3/15/97	300,000	300,000
5.77%; 4/25/97	350,000	350,000
5.72%; 4/30/97	400,000	400,000
Total Bank Notes		2,100,000
Bonds (2.05%)		
Business Credit Institutions (2.05%)		
John Deere Capital Corp.		
Medium-Term Notes, Series C;		
5.95%; 6/30/97	1,000,000	998,869
Total Portfolio Investments (100.85%)		49,089,585
Liabilities, net of cash and receivables (-0.85%)		(412,217)
Total Net Assets (100.00%)		\$ 48,677,368

PRINCIPAL WORLD FUND, INC.

	Shares Held	Value
Common Stocks (88.30%)		
Aircraft & Parts (0.05%)		
Cemex SA	6,936	\$ 25,119
Beverages (1.78%)		

Lion Nathan	362,000	944,858
Blast Furnace & Basic Steel Products (1.63%) Voest-Alpine Stahl	25,700 (b)	868,477
Cement, Hydraulic (0.07%) Apasco SA	6,320	34,770
Central Reserve Depositories (3.21%) Barclays PLC Ergo Bank Union Bank of Norway Wing Hang Bank	82,000 3,800 12,800 50,000	984,892 209,141 313,285 198,307
		1,705,625
Combination Utility Services (2.07%) ABB AG Iberdrola 1 SA	745 17,600	921,398 180,515
		1,101,913
Commercial Banks (9.04%) ABN-AMRO Holdings NV Bank of Ireland Christiana Bank; Ordinary Shares Fokus Bank Grupo Financiero Bancomer; Series B Series L Korea Housing Bank National Australia Bank Ltd. Siam City Bank Svenska Handelsbanken AB Free	12,235 113,816 74,000 119,000 (a) (b) 235,000 (a) 8,704 (a) 1,290 (a) 72,885 875,000 40,500	656,557 778,129 174,283 648,458 102,312 2,882 30,057 674,040 938,759 802,618
		4,808,095
Communications Equipment (0.17%) ABC Communications Holdings Ltd.	420,000	91,699
Communications Services, NEC (1.38%) KPN Royal PTT Nederland	19,389	733,771
Computer & Office Equipment (0.16%) Canon, Inc.	4,000	83,150
Concrete, Gypsum & Plaster Products (0.02%) Cementos de Mexico SA	3,200	12,623
Construction & Related Machinery (0.77%) Powerscreen International PLC	58,100	411,658
Consumer Products (0.81%) Imasco Ltd.	21,000	429,036
Crude Petroleum & Natural Gas (0.63%) Hardy Oil & Gas	86,200	336,184
Department Stores (0.81%) Vendex International	12,400	432,226
Drugs (4.23%) Galencia Holdings AG Roussel-Uclaf Sandoz AG Teva Pharmaceutical ADR	480 2,970 460 21,500	195,583 712,488 525,918 814,312
		2,248,301
Electric Light & Wiring Equipment (0.49%) Clipsal Industries Holdings Otra NV	25,000 8,300	70,250 191,092
		261,342
Electric Services (2.46%) CEP-A Consolidated Electric Power-Asia Korea Electric Power Corp. Korea Mobil Telecommunications Corp. Northern Ireland Electric	231,000 8,100 290 63,400	381,991 281,592 228,804 414,731
		1,307,118
Electronic Components & Accessories (2.53%) Amtek Engineering Elec & Eltek International Murata Mfg. Varitronix	209,250 268,000 1,000 63,000	378,044 798,640 37,837 131,445
		1,345,966
Electronic Distribution Equipment (1.77%)		

Phillips Electronics	28,900	939,644
Engines & Turbines (0.17%)		
Mabuchi Motor	1,400	89,094
Finance Services (1.25%)		
MBF Capital Berhad	481,000	663,119
Flat Glass (0.14%)		
Weru AG	200	75,026
Forest Products (0.21%)		
Metsa-Serla	16,000	113,649
Functions Closely Related to Banking (1.12%)		
Liechtenstein Global Trust AG	1,225	597,016
Gas Production & Distribution (2.34%)		
Australia Gas & Light	95,457	397,438
Hafslund ASA	5,467	34,503
OMV AG	8,000	810,282
		1,242,223
Highway & Street Construction (0.30%)		
Edrasis Psallidas	14,664	157,758
Holding Offices (1.49%)		
First Pacific Co., Ltd.	516,382	793,869
Household Appliances (1.07%)		
Fisher & Paykel	178,000	570,688
Household Audio & Video Equipment (0.79%)		
SKF 'B' Free	17,700	420,128
Industrial Inorganic Chemicals (1.33%)		
Bayer AG	20,100	707,133
Investment Offices (0.85%)		
Invesco PLC	126,000	452,249
Meat Products (3.80%)		
AFFCO Holdings	1,096,185	413,028
Orkla B Ordinary Shares	18,100	880,435
Unilever NV	5,030	727,843
		2,021,306
Medical Instruments & Supplies (0.14%)		
Nycomed	5,467	75,740
Miscellaneous Chemical Products (3.10%)		
Ciba Geigy AG-REG	730	889,432
Hoechst AG	22,500	759,786
		1,649,218
Miscellaneous Durable Goods (1.23%)		
Hagemeyer NV	9,175	653,600
Miscellaneous Equipment Rental & Leasing (1.32%)		
Insituto Mobiliane Italian	84,000	701,392
Miscellaneous Food & Kindred Products (0.82%)		
Burns, Philp & Co., Ltd.	230,631	435,645
Miscellaneous Furniture & Fixtures (0.12%)		
Pt Surya Toto	29,000	62,301
Miscellaneous Manufacturers (0.78%)		
Carter Holt Harvey Ltd.	181,000	412,910
Miscellaneous Non-Durable Goods (2.24%)		
Grand Metropolitan PLC	179,500	1,190,934
Miscellaneous Plastics Products, NEC (1.00%)		
Royal Plastics Group	35,100 (a) (b)	533,329
Miscellaneous Textile Goods (0.69%)		
Espirit Asia	1,158,000	366,526
Miscellaneous Transportation Equipment (0.51%)		
Autoliv AB	8,900	270,938
Miscellaneous Transportation Services (0.26%)		
Koninklijke Pakhoed NV	5,281	137,673

Miscellaneous Wood Products (0.33%)		
Enso OY	22,300	173,278
Motor Vehicles & Equipment (0.70%)		
Volvo AB	16,450	374,344
Motor Vehicles, Parts & Supplies (0.97%)		
Dahl International AB	36,000 (a)	518,124
Newspapers (0.94%)		
Marcoiberica Distribucion de Edicioues	58,500	497,345
Non-Classifiable Establishments (0.13%)		
Thailand International Fund	2	67,000
Office Furniture (0.16%)		
Lamex Holdings	242,000	84,413
Oil & Gas Field Services (1.89%)		
Repsol Petroleo SA	28,960	1,006,286
Personal Credit Institutions (0.36%)		
Manhattan Card Co.	402,000	192,158
Plastic Materials & Synthetics (0.90%)		
Astra AB	11,000	479,092
Primary Nonferrous Metals (0.58%)		
British Steel PLC	121,300	310,043
Pulp Mills (1.56%)		
Asia Pacific Resources	36,300 (a)	272,250
Babcock International Group	41,000	56,698
UPM-Kymmene OY	24,140	499,334
		828,282
Railroad Equipment (0.26%)		
Vae AG	1,470	138,597
Sand & Gravel (0.08%)		
Bardon Group PLC	75,900	44,520
Security Brokers & Dealers (1.43%)		
Peregrine Investment Holdings	526,000	757,690
Peregrine Investment - Warrants	38,800 (a)	4,461
		762,151
Security & Commodity Services (2.13%)		
Corporacion Bancaria de Espania SA	26,000	1,133,601
Ship & Boat Building & Repairing (0.36%)		
Unitor Ships Service	11,930	192,824
Special Industry Machinery (1.59%)		
Bobst SA	205	295,632
IHC Caland NV	7,700	378,915
Sulzer AG	290	173,772
		848,319
Sugar & Confectionary Products (4.44%)		
Huhtamake I Free	7,200	240,212
Nestle	1,005	1,147,410
Tate & Lyle	137,000	974,948
		2,362,570
Telephone Communication (7.25%)		
Cable & Wireless PLC	21,000	139,003
Compania de Telecomunicaciones ADR	1,600	157,000
Investec Consultadoria Internacional SA	8,600 (a)	285,395
Nokia Corp.; Class A ADR	23,800	880,600
Tele Danmark B	8,500	425,515
Telecom Italia-DI	300,200	517,974
Telecom Italia Mobile	419,200	571,530
Telefonica de Espana SA	40,400	743,650
Telefonos de Mexico SA ADR	4,050	135,675
		3,856,342
Water Supply (0.30%)		
Wessex Water PLC	28,596	158,628
Water Transportation of Freight, NEC (0.79%)		
Argonaut AB 'B' Free	17,100 (a)	35,306
ICB Shipping AB 'B' Free	32,000	385,805
		421,111

	Total Common Stocks	46,964,067
Preferred Stocks (0.29%)		
Highway & Street Construction (0.29%)		
BAU Holdings AG	3,030	154,154
	Principal Amount	Value
Bonds (0.80%)		
Fire, Marine & Casualty Insurance (0.80%)		
Alfa SA Convertible Subordinated Debentures; 8.00%; 9/15/00	\$ 400,000 (b)	\$ 427,000
Commercial Paper (13.67%)		
Business Credit Institutions (4.72%)		
American Express Credit Co.; 5.28%; 7/1/96	1,780,000	1,780,000
General Electric Capital Corp.; 5.35%; 7/3/96	730,000	729,783
		2,509,783
Personal Credit Institutions (5.86%)		
Associates Corp. of North America; 5.38%; 7/5/96	1,365,000	1,364,184
Ford Motor Credit Co.; 5.40%; 7/3/96	1,750,000	1,749,475
		3,113,659
Security Brokers & Dealers (3.09%)		
Merrill Lynch & Co., Inc.; 5.35%; 7/2/96	1,645,000	1,644,756
	Total Commercial Paper	7,268,198
	Total Portfolio Investments (103.06%)	54,813,419
Liabilities, net of cash, receivables and other assets (-3.06%)		(1,627,566)
Total Net Assets (100.00%)		\$ 53,185,853

(a) Non-Income producing security - No dividend paid during the period.

(b) Restricted security - See Note 4 to the financial statements.

Principal World Fund, Inc. Investments by Country

Country	Total Market Value	Percentage of Total Market Value
Australia	\$ 1,507,123	2.75%
Austria	1,971,511	3.60
Canada	962,365	1.76
Denmark	425,515	0.78
Finland	1,026,472	1.87
France	712,488	1.30
Germany	1,541,945	2.81
Greece	366,898	0.67
Hong Kong	3,002,559	5.48
Indonesia	62,301	0.11
Italy	1,790,897	3.27
Japan	210,081	0.38
Korea	540,453	0.99
Malaysia	663,119	1.21
Mexico	177,706	0.32
Netherlands	4,851,322	8.85
New Zealand	2,341,484	4.27
Norway	2,319,528	4.23
Portugal	285,395	0.52
Singapore	378,044	0.69
Spain	3,561,396	6.50
Sweden	3,286,355	6.00
Switzerland	4,746,161	8.66
Thailand	938,759	1.71
United Kingdom	6,252,618	11.40
United States	10,890,924	19.87

<TABLE>

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FINANCIAL HIGHLIGHTS

Selected data for a share of Capital Stock outstanding throughout each period:

	Income from Investment Operations			
	Net Asset Value at Beginning of Period	Net Invest- ment Income	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations
PRINCIPAL AGGRESSIVE GROWTH FUND INC.				
<S>	<C>	<C>	<C>	<C>
Six Months Ended June 30, 1996	\$12.94	\$.07	\$ 1.70	\$1.77
Year Ended December 31, 1995	10.11	.13	4.31	4.44
Period Ended December 31, 1994 (d)	9.92	.05	.24	.29
PRINCIPAL ASSET ALLOCATION FUND, INC.				
Six Months Ended June 30, 1996	11.11	.18	.40	.58
Year Ended December 31, 1995	9.79	.40	1.62	2.02
Period Ended December 31, 1994 (d)	9.98	.23	(.18)	.05
PRINCIPAL BALANCED FUND, INC.				
Six Months Ended June 30, 1996	13.97	.19	.37	.56
Year Ended December 31,				
1995	11.95	.45	2.44	2.89
1994	12.77	.37	(.64)	(.27)
1993	12.58	.42	.95	1.37
Six Months Ended December 31, 1992 (a)	12.93	.23	.75	.98
Year Ended June 30,				
1992	11.33	.47	1.61	2.08
1991	10.79	.54	.59	1.13
PRINCIPAL BOND FUND, INC.				
Six Months Ended June 30, 1996	11.73	.32	(.70)	(.38)
Year Ended December 31,				
1995	10.12	.62	1.62	2.24
1994	11.16	.72	(1.04)	(.32)
1993	10.77	.88	.38	1.26
Six Months Ended December 31, 1992 (a)	11.08	.45	.13	.58
Year Ended June 30,				
1992	10.64	.91	.46	1.37
1991	10.72	.94	(.06)	.88
PRINCIPAL CAPITAL ACCUMULATION FUND, INC.				
Six Months Ended June 30, 1996	27.80	.24	2.46	2.70
Year Ended December 31,				
1995	23.44	.60	6.69	7.29
1994	24.61	.62	(.49)	.13
1993	25.19	.61	1.32	1.93
Six Months Ended December 31, 1992 (a)	26.03	.31	1.84	2.15
Year Ended June 30,				
1992	23.35	.65	2.70	3.35
1991	22.48	.74	1.22	1.96
PRINCIPAL EMERGING GROWTH FUND, INC.				
Six Months Ended June 30, 1996	25.33	.12	2.33	2.45
Year Ended December 31,				
1995	19.97	.22	5.57	5.79
1994	20.79	.14	.03	.17
1993	18.91	.17	3.47	3.64
Six Months Ended December 31, 1992 (a)	15.97	.10	3.09	3.19
Year Ended June 30,				
1992	13.93	.21	2.04	2.25
1991	14.25	.20	.50	.70

See accompanying notes.

</TABLE>

<TABLE>

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FINANCIAL HIGHLIGHTS

Selected data for a share of Capital Stock outstanding throughout each period:

Less Distributions

	Dividends from Net Investment Income	Distributions from Capital Gains	Excess Distributions from Capital Gains	Total Distributions	Net Asset Value at End of Period	Total Return
PRINCIPAL AGGRESSIVE GROWTH FUND INC.						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Six Months Ended June 30, 1996	\$ -	\$ (.58)	\$ -	\$ (.58)	\$14.13	14.14% (c)
Year Ended December 31, 1995	(.13)	(1.48)	-	(1.61)	12.94	44.19%
Period Ended December 31, 1994 (d)	(.05)	(.05)	-	(.10)	10.11	2.59% (c)
PRINCIPAL ASSET ALLOCATION FUND, INC.						
Six Months Ended June 30, 1996	-	(.12)	-	(.12)	11.57	5.30% (c)
Year Ended December 31, 1995	(.40)	(.30)	-	(.70)	11.11	20.66%
Period Ended December 31, 1994 (d)	(.23)	-	(.01)	(.24)	9.79	.52% (c)
PRINCIPAL BALANCED FUND, INC.						
Six Months Ended June 30, 1996	-	(.24)	-	(.24)	14.29	4.05% (c)
Year Ended December 31, 1995	(.45)	(.42)	-	(.87)	13.97	24.58%
1994	(.37)	(.18)	-	(.55)	11.95	(2.09)%
1993	(.42)	(.76)	-	(1.18)	12.77	11.06%
Six Months Ended December 31, 1992 (a)	(.47)	(.86)	-	(1.33)	12.58	8.00% (c)
Year Ended June 30, 1992	(.48)	-	-	(.48)	12.93	18.78%
1991	(.57)	(.02)	-	(.59)	11.33	11.36%
PRINCIPAL BOND FUND, INC.						
Six Months Ended June 30, 1996	-	-	-	-	11.35	(3.24)% (c)
Year Ended December 31, 1995	(.63)	-	-	(.63)	11.73	22.17%
1994	(.72)	-	-	(.72)	10.12	(2.90)%
1993	(.87)	-	-	(.87)	11.16	11.67%
Six Months Ended December 31, 1992 (a)	(.89)	-	-	(.89)	10.77	5.33% (c)
Year Ended June 30, 1992	(.93)	-	-	(.93)	11.08	13.57%
1991	(.96)	-	-	(.96)	10.64	8.94%
PRINCIPAL CAPITAL ACCUMULATION FUND, INC.						
Six Months Ended June 30, 1996	(.01)	(.65)	-	(.66)	29.84	9.90% (c)
Year Ended December 31, 1995	(.60)	(2.33)	-	(2.93)	27.80	31.91%
1994	(.61)	(.69)	-	(1.30)	23.44	.49%
1993	(.60)	(1.91)	-	(2.51)	24.61	7.79%
Six Months Ended December 31, 1992 (a)	(.64)	(2.35)	-	(2.99)	25.19	8.81% (c)
Year Ended June 30, 1992	(.67)	-	-	(.67)	26.03	14.53%
1991	(.79)	(.30)	-	(1.09)	23.35	9.46%
PRINCIPAL EMERGING GROWTH FUND, INC.						
Six Months Ended June 30, 1996	-	(.33)	-	(.33)	27.45	9.77% (c)
Year Ended December 31, 1995	(.22)	(.21)	-	(.43)	25.33	29.01%
1994	(.14)	(.85)	-	(.99)	19.97	.78%
1993	(.17)	(1.59)	-	(1.76)	20.79	19.28%
Six Months Ended December 31, 1992 (a)	(.21)	(.04)	-	(.25)	18.91	20.12% (c)
Year Ended June 30, 1992	(.21)	-	-	(.21)	15.97	16.19%
1991	(.23)	(.79)	-	(1.02)	13.93	5.72%

See accompanying notes.
</TABLE>

<TABLE>
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FINANCIAL HIGHLIGHTS

Selected data for a share of Capital Stock outstanding throughout each period:

Ratios/Supplemental Data				
Net Assets at	Ratio of Expenses to	Ratio of Net Investment Income to	Portfolio	Average

	End of Period (in thousands)	Average Net Assets	Average Net Assets	Turnover Rate	Commission Rate
PRINCIPAL AGGRESSIVE GROWTH FUND INC.					
<S>	<C>	<C>	<C>	<C>	<C>
Six Months Ended June 30, 1996	\$63,345	.85% (b)	1.39% (b)	206.8% (b)	\$.0544
Year Ended December 31, 1995	33,643	.90%	1.34%	172.9%	N/A
Period Ended December 31, 1994 (d)	13,770	1.03% (b)	1.06% (b)	105.6% (b)	N/A
PRINCIPAL ASSET ALLOCATION FUND, INC.					
Six Months Ended June 30, 1996	58,841	.86% (b)	3.83% (b)	77.0% (b)	.0462
Year Ended December 31, 1995	41,074	.89%	4.07%	47.1%	N/A
Period Ended December 31, 1994 (d)	28,041	.95% (b)	4.27% (b)	60.7% (b)	N/A
PRINCIPAL BALANCED FUND, INC.					
Six Months Ended June 30, 1996	72,742	.63% (b)	3.57% (b)	22.3% (b)	.0426
Year Ended December 31, 1995	45,403	.66%	4.12%	25.7%	N/A
1994	25,043	.69%	3.42%	31.5%	N/A
1993	21,399	.69%	3.30%	15.8%	N/A
Six Months Ended December 31, 1992 (a)	18,842	.73% (b)	3.71% (b)	38.4% (b)	N/A
Year Ended June 30, 1992	17,344	.72%	3.80%	26.6%	N/A
1991	14,555	.73%	5.27%	27.1%	N/A
PRINCIPAL BOND FUND, INC.					
Six Months Ended June 30, 1996	53,977	.53% (b)	7.00% (b)	.3% (b)	N/A
Year Ended December 31, 1995	35,878	.56%	7.28%	5.9%	N/A
1994	17,108	.58%	7.86%	18.2%	N/A
1993	14,387	.59%	7.57%	14.0%	N/A
Six Months Ended December 31, 1992 (a)	12,790	.62% (b)	8.10% (b)	6.7% (b)	N/A
Year Ended June 30, 1992	12,024	.62%	8.47%	6.1%	N/A
1991	10,552	.63%	9.17%	2.7%	N/A
PRINCIPAL CAPITAL ACCUMULATION FUND, INC.					
Six Months Ended June 30, 1996	173,124	.49% (b)	1.89% (b)	44.1% (b)	.0426
Year Ended December 31, 1995	135,640	.51%	2.25%	49.2%	N/A
1994	120,572	.51%	2.36%	44.5%	N/A
1993	128,515	.51%	2.49%	25.8%	N/A
Six Months Ended December 31, 1992 (a)	105,355	.55% (b)	2.56% (b)	39.7% (b)	N/A
Year Ended June 30, 1992	94,596	.54%	2.65%	34.8%	N/A
1991	76,537	.53%	3.53%	14.0%	N/A
PRINCIPAL EMERGING GROWTH FUND, INC.					
Six Months Ended June 30, 1996	96,234	.67% (b)	1.18% (b)	18.3% (b)	.0397
Year Ended December 31, 1995	58,520	.70%	1.23%	13.1%	N/A
1994	23,912	.74%	1.15%	12.0%	N/A
1993	12,188	.78%	.89%	22.4%	N/A
Six Months Ended December 31, 1992 (a)	9,693	.81% (b)	1.24% (b)	8.6% (b)	N/A
Year Ended June 30, 1992	7,829	.82%	1.33%	10.1%	N/A
1991	6,579	.89%	1.70%	11.1%	N/A

See accompanying notes.

</TABLE>

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FINANCIAL HIGHLIGHTS (Continued)

Selected data for a share of Capital Stock outstanding throughout each period:

Income from Investment Operations			

Net Realized and			
Net Asset Value at Beginning	Net Invest- ment	Unrealized Gain (Loss) on	Total from Investment

of Period Income Investments Operations

PRINCIPAL GOVERNMENT SECURITIES FUND, INC.

<S>	<C>	<C>	<C>	<C>
Six Months Ended June 30, 1996	\$10.55	\$.26	\$ (.44)	\$ (.18)
Year Ended December 31,				
1995	9.38	.60	1.18	1.78
1994	10.61	.76	(1.24)	(.48)
1993	10.28	.71	.33	1.04
Six Months Ended December 31, 1992(a)	10.93	.40	.04	.44
Year Ended June 30,				
1992	10.24	.80	.71	1.51
1991	10.05	.80	.24	1.04

PRINCIPAL GROWTH FUND, INC.

Six Months Ended June 30, 1996	12.43	.09	.48	.57
Year Ended December 31, 1995	10.10	.17	2.42	2.59
Period Ended December 31, 1994(e)	9.60	.07	.51	.58

PRINCIPAL HIGH YIELD FUND, INC.

Six Months Ended June 30, 1996	8.39	.40	(.20)	.20
Year Ended December 31,				
1995	7.91	.76	.51	1.27
1994	8.62	.77	(.72)	.05
1993	8.38	.80	.23	1.03
Six Months Ended December 31, 1992(a)	8.93	.45	(.10)	.35
Year Ended June 30,				
1992	8.28	.92	.66	1.58
1991	8.96	.99	(.53)	.46

PRINCIPAL MONEY MARKET FUND, INC.

Six Months Ended June 30, 1996	1.000	.024	-	.024
Year Ended December 31,				
1995	1.000	.054	-	.054
1994	1.000	.037	-	.037
1993	1.000	.027	-	.027
Six Months Ended December 31, 1992(a)	1.000	.016	-	.016
Year Ended June 30,				
1992	1.000	.046	-	.046
1991	1.000	.070	-	.070

PRINCIPAL WORLD FUND, INC.

Six Months Ended June 30, 1996	10.72	.15	1.04	1.19
Year Ended December 31, 1995	9.56	.19	1.16	1.35
Period Ended December 31, 1994(e)	9.94	.03	(.33)	(.30)

See accompanying notes.

</TABLE>

<TABLE>

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FINANCIAL HIGHLIGHTS (Continued)

Selected data for a share of Capital Stock outstanding throughout each period:

	----- Less Distributions -----					
	Dividends from Net Investment Income	Distributions from Capital Gains	Excess Distributions from Capital Gains	Total Distributions	Net Asset Value at End of Period	Total Return
	-----	-----	-----	-----	-----	-----

PRINCIPAL GOVERNMENT SECURITIES FUND, INC.

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Six Months Ended June 30, 1996	\$ -	\$ -	\$ -	\$ -	\$10.37	(1.71)%(c)
Year Ended December 31,						
1995	(.61)	-	-	(.61)	10.55	19.07%
1994	(.75)	-	-	(.75)	9.38	(4.53)%
1993	(.71)	-	-	(.71)	10.61	10.07%
Six Months Ended December 31, 1992(a)	(.78)	-	(.31)	(1.09)	10.28	4.10%(c)
Year Ended June 30,						
1992	(.81)	-	(.01)	(.82)	10.93	15.34%

1991	(.81)	-	(.04)	(.85)	10.24	10.94%
PRINCIPAL GROWTH FUND, INC.						
Six Months Ended June 30, 1996	-	-	-	-	13.00	4.59% (c)
Year Ended December 31, 1995	(.17)	-	(.09)	(.26)	12.43	25.62%
Period Ended December 31, 1994 (e)	(.08)	-	-	(.08)	10.10	5.42% (c)
PRINCIPAL HIGH YIELD FUND, INC.						
Six Months Ended June 30, 1996	-	-	-	-	8.59	2.38% (c)
Year Ended December 31, 1995	(.77)	(.02)	-	(.79)	8.39	16.08%
1994	(.76)	-	-	(.76)	7.91	.62%
1993	(.79)	-	-	(.79)	8.62	12.31%
Six Months Ended December 31, 1992 (a)	(.90)	-	-	(.90)	8.38	4.06% (c)
Year Ended June 30, 1992	(.93)	-	-	(.93)	8.93	20.70%
1991	(1.14)	-	-	(1.14)	8.28	6.35%
PRINCIPAL MONEY MARKET FUND, INC.						
Six Months Ended June 30, 1996	(.024)	-	-	(.024)	1.000	2.47% (c)
Year Ended December 31, 1995	(.054)	-	-	(.054)	1.000	5.59%
1994	(.037)	-	-	(.037)	1.000	3.76%
1993	(.027)	-	-	(.027)	1.000	2.69%
Six Months Ended December 31, 1992 (a)	(.016)	-	-	(.016)	1.000	1.54% (c)
Year Ended June 30, 1992	(.046)	-	-	(.046)	1.000	4.64%
1991	(.070)	-	-	(.070)	1.000	7.20%
PRINCIPAL WORLD FUND, INC.						
Six Months Ended June 30, 1996	(.01)	(.04)	-	(.05)	11.86	11.18% (c)
Year Ended December 31, 1995	(.18)	-	(.01)	(.19)	10.72	14.17%
Period Ended December 31, 1994 (e)	(.05)	(.02)	(.01)	(.08)	9.56	(3.37)% (c)

See accompanying notes.

</TABLE>

<TABLE>

<CAPTION>

FINANCIAL HIGHLIGHTS (Continued)

Selected data for a share of Capital Stock outstanding throughout each period:

	Ratios/Supplemental Data				
	Net Assets at End of Period (in thousands)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate	Average Commission Rate
PRINCIPAL GOVERNMENT SECURITIES FUND, INC.					
<S>	<C>	<C>	<C>	<C>	<C>
Six Months Ended June 30, 1996	\$78,147	.53% (b)	6.53% (b)	5.0% (b)	N/A
Year Ended December 31, 1995	50,079	.55%	6.73%	9.8%	N/A
1994	36,121	.56%	7.05%	23.2%	N/A
1993	36,659	.55%	7.07%	20.4%	N/A
Six Months Ended December 31, 1992 (a)	31,760	.59% (b)	7.35% (b)	34.5% (b)	N/A
Year Ended June 30, 1992	33,022	.58%	7.84%	38.9%	N/A
1991	26,021	.59%	8.31%	4.2%	N/A
PRINCIPAL GROWTH FUND, INC.					
Six Months Ended June 30, 1996	74,095	.53% (b)	1.86% (b)	5.5% (b)	\$.0416
Year Ended December 31, 1995	42,708	.58%	2.08%	6.9%	N/A
Period Ended December 31, 1994 (e)	13,086	.75% (b)	2.39% (b)	0.9% (b)	N/A
PRINCIPAL HIGH YIELD FUND, INC.					
Six Months Ended June 30, 1996	12,349	.71% (b)	9.55% (b)	37.0% (b)	N/A
Year Ended December 31, 1995	11,830	.73%	9.09%	35.1%	N/A
1994	9,697	.73%	9.02%	30.6%	N/A
1993	9,576	.74%	8.80%	28.7%	N/A
Six Months Ended December 31, 1992 (a)	8,924	.77% (b)	10.33% (b)	20.6% (b)	N/A
Year Ended June 30,					

1992	8,556	.77%	11.00%	31.3%	N/A
1991	7,085	.82%	12.58%	6.4%	N/A

PRINCIPAL MONEY MARKET FUND, INC.

Six Months Ended June 30, 1996	48,677	.48% (b)	4.40% (b)	N/A	N/A
Year Ended December 31,					
1995	32,670	.58%	5.32%	N/A	N/A
1994	29,372	.60%	3.81%	N/A	N/A
1993	22,753	.60%	2.64%	N/A	N/A
Six Months Ended December 31, 1992(a)	27,680	.59% (b)	3.10% (b)	N/A	N/A
Year Ended June 30,					
1992	25,194	.57%	4.54%	N/A	N/A
1991	26,509	.56%	6.94%	N/A	N/A

PRINCIPAL WORLD FUND, INC.

Six Months Ended June 30, 1996	53,186	.88% (b)	3.52% (b)	13.8% (b)	.0150
Year Ended December 31, 1995	30,566	.95%	2.26%	15.6%	N/A
Period Ended December 31, 1994(e)	13,746	1.24% (b)	1.31% (b)	14.4% (b)	N/A

See accompanying notes.

</TABLE>

(a) Effective July 1, 1992 the fund changed its fiscal year end from June 30 to December 31.

(b) Computed on an annualized basis.

(c) Total return amounts have not been annualized.

(d) Period from June 1, 1994, date shares first offered to public, through December 31, 1994. Net investment income, aggregating \$.01 per share for Principal Aggressive Growth Fund, Inc. and \$.01 per share for Principal Asset Allocation Fund, Inc. for the period from the initial purchase of shares on May 23, 1994 through May 31, 1994, was recognized, none of which was distributed to the sole stockholder, Principal Mutual Life Insurance Company, during the period. Additionally, Principal Aggressive Growth Fund, Inc. and Principal Asset Allocation Fund, Inc. incurred unrealized losses on investments of \$.09 and \$.03 per share, respectively, during the initial interim period. This represented activities of each fund prior to the initial public offering of fund shares.

(e) Period from May 1, 1994, date shares first offered to public, through December 31, 1994. Net investment income, aggregating \$.01 per share for Principal Growth Fund, Inc. and \$.04 per share for Principal World Fund, Inc. for the period from the initial purchase of shares on March 23, 1994 through April 30, 1994, was recognized, none of which was distributed to the sole stockholder, Principal Mutual Life Insurance Company, during the period. Additionally, Principal Growth Fund, Inc. and Principal World Fund, Inc. incurred unrealized losses on investments of \$.41 and \$.10 per share, respectively, during the initial interim period. This represented activities of each fund prior to the initial public offering of fund shares.