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FILER

PRINCIPAL PRESERVATION PORTFOLIOS INC

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(PRINCIPAL PRESERVATION LOGO)

Tax-Exempt Portfolio

Government Portfolio

S&P 100 Plus Portfolio

Dividend Achievers Portfolio

Select Value Portfolio

PSE Tech 100 Index Portfolio

Managed Growth Portfolio

SEMIANNUAL REPORT
TO SHAREHOLDERS
(UNAUDITED)

June 30, 1999

PRINCIPAL PRESERVATION PORTFOLIOS, INC.
PRESIDENT'S LETTER/MANAGEMENT DISCUSSION AND ANALYSIS
SEMIANNUAL REPORT TO SHAREHOLDERS
JUNE 30, 1999

August 26 1999

Dear Shareholder:

I am pleased to present the semiannual report to shareholders of Principal Preservation Portfolios, Inc. for the six months ended June 30, 1999. The total net assets of the portfolios in this report continued to grow, increasing from approximately \$390,000,000 as of December 31, 1998 to approximately \$530,000,000 as of June 30, 1999.

The domestic economy continued to grow at a healthy pace during the first six months of 1999. Higher income levels combined with a robust real estate market and increasing stock prices fueled the consumer sector, which was the primary driver of domestic growth. The federal reserve, concerned about inflation in light of the strong economy, finally made good on its warnings with a 0.25% increase in the overnight lending rate. During the first six months we added our ninth portfolio of Principal Preservation Portfolios, Inc. The Managed Growth Portfolio is a mid-cap growth fund managed by Geneva Capital Management. From the beginning of the year to June 30, 1999, we accumulated approximately \$6,300,000 in this fund.

As you review each Portfolio's Statement of Operations included in this Report, you may notice that the expense ratios appear lower than the ratios shown in the Portfolio's Prospectus. As required under new SEC rules, the Prospectus shows gross expenses, without reflecting any voluntary fee waivers or expense reimbursements by the investment advisor. Each Portfolio's operating expenses shown in its Statement of Operations in this Report, on the other hand, have been adjusted to reflect reductions resulting from the investment advisor's voluntary fee waivers and expense reimbursements. These effects are especially pronounced in the PSE Tech 100 Index, Select Value and Managed Growth Portfolios. Consistent with its past practice, the investment advisor absorbed a greater percentage of expenses and waived a greater percentage of its fees for these Portfolios, which have relatively fewer assets, so that the expense ratios actually experienced by the shareholders would be more in line with industry standards. While the investment advisor anticipates continuing to support these Portfolios in this fashion as their assets grow to more competitive levels, you should understand that all such fee waivers and expense reimbursements are voluntary and may be discontinued at any time.

The accompanying report describes in more detail the factors that affected the performance of your portfolio. We thank you for your continued support and trust with us at Principal Preservation.

Sincerely,

/S/ Robert J. Tuszynski

Robert J. Tuszynski
President and CEO

This report contained herein is meant to be information to the existing

shareholders of Principal Preservation. This does not constitute an offer to sell and should an investor wish to receive more information about the portfolios, they should obtain a prospectus which includes a discussion of each investment objective and all sales charges and expenses of the relevant portfolio(s).

MANAGEMENT DISCUSSION AND ANALYSIS

STANDARDIZED PERFORMANCE

Returns on each Portfolio's net assets are presented throughout this report. Such net asset returns do not reflect the front-end or back-end sales charges investors may pay in connection with their investment. The following table presents standardized average annual total returns, including maximum applicable sales charges.

<TABLE>

| | PERIOD ENDED JUNE 30, 1999 | | | |
|--------------------------------------|----------------------------|-----------|-------------|-----------------|
| | ONE YEAR | FIVE YEAR | TEN YEAR | SINCE INCEPTION |
| <S> | <C> | <C> | <C> | <C> |
| Tax Exempt Portfolio | -3.82% | 5.25% | 6.30%*<F1> | -- |
| Government Portfolio | -.51% | 5.64% | 6.71%*<F1> | -- |
| S&P 100 Plus Portfolio Class A | 21.08% | 26.70% | 17.55%*<F1> | -- |
| S&P 100 Plus Portfolio Class B | -- | -- | -- | 19.97%**<F2> |
| Dividend Achievers Portfolio Class A | 10.82% | 21.22% | 14.18% | -- |
| Dividend Achievers Portfolio Class B | -- | -- | -- | 9.62%**<F2> |
| Select Value Portfolio Class A | -13.38% | -- | -- | 11.59% |
| Select Value Portfolio Class B | -- | -- | -- | -10.17%**<F2> |
| PSE Tech 100 Index Portfolio Class A | 65.40% | -- | -- | 36.18% |
| PSE Tech 100 Index Portfolio Class B | -- | -- | -- | 63.78%**<F2> |
| Managed Growth Portfolio Class A | -- | -- | -- | -4.21% |
| Managed Growth Portfolio Class B | -- | -- | -- | -4.00%**<F2> |

</TABLE>

*<F1>NOTE: Total returns are not shown for periods in excess of 10 years.

**<F2>NOTE: Class B shares were first available beginning July 27, 1998.

FIXED INCOME ANALYSIS

The bond markets responded negatively to fears of inflation and the possibility of increases in the Fed Funds rate. As a result, the first six months of 1999 were mostly negative, and represented the second worst period in the taxable bond market over the last thirteen years. U.S. Government bond yields rose as measured by the 30-year treasury bonds from approximately 5.09% at December 31, 1998 to 5.97% on June 30, 1999.

However, due to a stabilization of municipal bond issuances, the tax exempt yields did not rise nearly as much. Therefore municipal bonds, on average, performed better than the taxable bond market during the six months.

At the end of June, the Federal Reserve increased the discount rate as a pre-emptive strike against inflationary fears. This move slowed the economy and calmed the fixed income markets.

GENERAL STOCK MARKET ANALYSIS

Stock mutual fund investors were rewarded during the first six months of this year by their focus on large cap growth securities and technology sectors of the market. The S&P 100 Index return for the six-month period was 17.3% and the PSE Tech 100 Index return was 33.7%. This compares to a 9.3% return of the Russell 2000, an index comprised of securities that have a small market capitalization, and the S&P 500 Index return of 12.4%, an index which contains many mid capitalization companies. Similar to 1998, investors continued to ignore the small to mid cap stocks during the first quarter. However, during the second quarter smaller cap stocks caused the Russell 2000 return to reach 15.5%. Earnings disappointments continued to be met with heavy selling pressures by investors, resulting in a decline in the prices of the stocks of companies making those announcements.

TAX-EXEMPT PORTFOLIO

The six-month total return for the Tax-Exempt Portfolio was (2.91%), compared to the Lipper General Municipal Debt Funds of (5.03%). At the end of 1998, long term municipal bond yields were 101.28% of treasuries. In the first quarter of 1999, U.S. Treasury yields rose over 50 basis points, while long term high quality municipal bond yields rose on average about 10 basis points. As a result, long term municipal bond yields declined to an average of 89.9% of treasury yields, which is closer to the nine year average percentage of 87.02%. The volume of new issues of municipal bonds in the first quarter was average to slightly above average as compared to 1998 issuances, which was the second highest in ten years. The non-callable portion of the Portfolio (which represents about 40%) outperformed the callable portion, as was expected.

Lehman Municipal Research reported that the 22 year plus non-callable index had a one year total return of 10.32% compared to 6.26% for the similar callable index and 6.58% for the 15 year callable index.

Sales of the portfolio securities were minimal. The Portfolio continues its high quality posture, with 80% of its assets invested in AAA rated bonds and the remaining 20% in AA rated bonds. The manager has not purchased energy bonds because of uncertainty over deregulation of the industry, and also has avoided healthcare bonds because of concerns over proposed Medicare reform.

After declining slightly during the first two weeks in April, municipal bond yields generally increased during the second quarter of 1999. The yield on the 30-year, AAA bond started the period at 5.06% and fell to 4.99% on April 12, 1999, the only time it was below the 5.00% mark. The yield then rose to the highest level in 20 months, peaking at 5.37% on June 24, 1999.

The low level of new issues compared to last year slowed the increase of municipal bond yields. New issue volume totaled \$57.6 billion during the second quarter of 1999, down about 28% from the same period in 1998. Hence, the relative value of municipal bonds compared to U.S. Treasuries stayed within a range of 5% to 6%. Because of a widening spread between the bid and ask prices, the manager chose to limit portfolio moves in the second quarter. Second quarter performance lagged the benchmark because the duration of the Portfolio was longer than the benchmark. The large percentage of non-callable bonds lengthens the duration. Although, the non-callable bonds outperformed callable bonds generally, in a weak market a short duration holds up better than a longer one. As opportunities present themselves, the manager plans to reduce the duration in order to bring the Portfolio closer to the benchmark.

GOVERNMENT PORTFOLIO

The Government Portfolio total return for the six months ended June 30, 1999 was -2.45%, compared with -2.17% for the Morningstar Intermediate Government group funds. You may recall that last year the financial crisis in the Far East, Russia and South America caused a flight to quality and safety in the United States Treasury market. During the first quarter of 1999 this trend reversed. The relative stability that has returned at least to the Far East and South American caused the U.S. Treasury market yield to rise from between 43 and 63 basis points in the two to ten year range. Notably, over the past 20 years, the U.S. Treasury market generally has performed poorly during the first quarter.

Inflation, as measured by the Consumer Price Index, has been fairly low so far this year, averaging between 1.6% and 1.7% on a year-over-year basis. The only commodity that is higher in price is oil. However, OPEC historically has not demonstrated a keen ability to implement production cuts, so the increase in price may not hold.

For the reasons discussed above, February was the weakest performing month in the first quarter in 19 years. During that quarter, the spread between direct government securities and mortgage securities continued to narrow, continuing the trend that started in the fourth quarter of 1998. The spread narrowed from 200 basis points in mid-January to 148 by March 31, 1999. The Portfolio contains 19.25% GNMA securities. Funds with a higher percentage of mortgage securities outperformed the Portfolio in the first quarter.

The performance, although improved in the second quarter, mirrored the bear market of 1994. However, unlike 1994 when the Federal Reserve Board raised interest rates six times, this year, the Fed only raised rates once, and that did not occur until the last day of the second quarter. This produced a mild rally. The last time the Fed raised rates was in 1997. At that time, the 12 month change in the Consumer Price Index was 3% versus a 2% change in the 12 month period ended June 30, 1999; capacity utilization in 1998 was 82.6% versus 80.3% this year, and the Commodity Research Bureau Index was 243.53 versus 184.50 this year. The CRB Index is at a twenty-five year low.

The narrowing of the spread between direct government securities and mortgage backed securities ceased after the first quarter. The best performing group of funds in the second quarter were funds invested in U.S. Treasury bills which were rolled over during the quarter.

The portfolio manager's only trades in the second quarter were the purchase of \$2,000,000 U.S. Treasury 9 1/8% bonds maturing on May 15, 2009, which are callable in 2004 to yield over 6% to the call, and a related sale of U.S. Treasury 5.75% bonds maturing on November 30, 2002 to yield 5.86%.

After raising the Fed Funds rate 0.25% on June 30, 1999, the Fed indicated its stance had changed from a tightening mode to a neutral mode. However, on August 24, 1999, under renewed signals of inflationary trends, the Federal Reserve raised the Fed Funds rates another 0.25%. With the lack of any great inflationary force it would seem unlikely the Fed would feel compelled to raise rates again. Early in the third quarter there is a large supply of corporate bonds, which brings pressure on the Treasury market. We expect these corporate issues will be completed before the start of the fourth quarter. With the supply out of the way the market will have room to improve.

S&P 100 PLUS PORTFOLIO

The S&P 100 Plus Portfolio net asset value total return for the six months ended June 30, 1999 was 16.73%, compared to the S&P 100 Index return of 17.27%. The second quarter continued a positive trend for the domestic equity markets, although the ride was anything but smooth. As has been the case for the past few years, large-cap equities were the investment of choice for many participants, with "value" identified stocks beginning to make some headway as compared to their "growth" counterparts. In this environment, the S&P 100 Plus Portfolio again posted strong investment performance.

At second quarter end the portfolio manager maintained over-weighted positions in technology and telecommunications (Cisco, Microsoft, Nortel and AT&T) along with a regional bank (Wells Fargo & Co.). Underweightings were focused in the consumer staples area, where the portfolio manager remained disenchanted with growth prospects versus existing valuations. Cisco Systems and Nortel Networks added a significant boost to the strategy, especially during June, while the lighter position in Coca-Cola proved beneficial as well.

During the first half of 1999, the equity markets continued to be marked with price volatility. The "goldilocks" environment which we have been operating in for some time came under intense scrutiny, with many analysts and economists voicing concerns that the best was behind us and that an extended period of contraction and moderation lay ahead. As such, valuations in the large-cap sector of the domestic market were deemed to be outrageous by some, and from a historical perspective they were indeed correct.

The result was a relatively broad sell-off in some of the growth sectors such as technology, health-care and telecommunications, and a shift into long-shunned areas such as capital goods, energy and utilities. The end was near according to some, with the Fed poised to raise interest rates and Y2K lurking in the not too distant future. In fact, the Fed did raise the discount rate at the end of June and again on August 24, 1999.

The portfolio manager believes that supply-demand dynamics are rewarding superior companies in the large-cap market with relatively high valuations. The portfolio manager remains optimistic about the domestic large-cap equity market for the remainder of this year and into 2000. Price volatility likely will continue, but in the end strong companies with bright prospects and continued growth opportunities will be rewarded.

DIVIDEND ACHIEVERS PORTFOLIO

The Dividend Achievers Portfolio net asset value total return for the six months ended June 30, 1999 was 9.46%, compared to the S&P 500 of 12.38% and the Lipper Analytical Growth and Income Funds Average of 10.97%. The strong growth of the economy, driven by the free-spending American consumer, helped to keep investor enthusiasm high during the period. The strength of first quarter earnings combined with the generally positive tenor of pre-announcement rumors over second quarter earnings provided investors with the incentive to bid up the prices of their favorite stocks. The rally in blue chip and technology stocks also spilled over into the small capitalization sector, with the Russell 2000 significantly outperforming the S&P 500 for the quarter.

The willingness of investors to focus on earnings allowed them to ignore a significant increase in long term interest rates, an unexpected spike in the April inflation number and a Federal Reserve rate hike during the second quarter. While April's CPI statistic could have been an anomaly, it is harder to ignore the higher bond yields that confronted investors at mid-year. Declining interest rates have been one of the catalysts of the current bull market. Yet investors happily drove the stock market higher during the second quarter, even in the face of increasing interest rates.

The sector allocation of Dividend Achievers Portfolio relative to the S&P 500 negatively impacted the Portfolio's performance for the first half of the year. An overweighting in both consumer staples and healthcare, the two worst performing sectors of the market, and an underweighting in basic materials and technology, two of the better performing sectors in the market, were key detractors from the Portfolio's relative performance.

However, stock selection probably played an even more significant role in the Portfolio's relatively weak performance during the second quarter. On the positive side, the stock selection in the technology sector was particularly profitable for shareholders. The three best performing stocks in the Portfolio, Hewlett-Packard, Texas Instruments and Nortel Networks (formerly Northern Telecom) all are part of this sector. The Portfolio also experienced solid returns from its two energy stocks, Royal Dutch Petroleum and Mobil Oil. However, Dividend Achievers performance, both absolute and relative, was particularly hurt by three stocks. Pfizer, Becton Dickinson and Gillette all lost more than 20% of their market value during the second quarter. Each stock experienced an immediate, severe decline after disseminating negative news and failing to meet analysts' expectations. The Portfolio still holds two of these three positions, because the managers view the companies and their future potential growth favorably.

Portfolio turnover was very light during the second quarter. The managers reduced the position in Williams Companies by 20% after it had grown to over 5% of the Portfolio, increasing the cash position slightly. Despite the recent strength in the market, we have continued to maintain a relatively conservative stance in the Portfolio. Our objective with the Portfolio is to maintain competitive returns when the market rises, while adding value when the market declines. The Portfolio has generally followed this pattern. We intend to continue to manage Dividend Achievers Portfolio to provide shareholders with competitive returns from a conservatively managed portfolio.

SELECT VALUE PORTFOLIO

The net asset value total return for the six-month period ended June 30, 1999 for the Select Value Portfolio was 3.7% compared to the Russell 2000 return of 9.3%. The big news of the second quarter was the improved performance of small cap stocks, with the Russell 2000 Index showing a gain of 15.6% compared to a 6.9% return for the S&P 500 Index. This turnaround started in mid-April, when first quarter earnings reports were announced.

Investors noticed that profit growth was accelerating after a difficult second half in 1998. At the same time, companies reported that results from Asia were improving. This occurred at a time when relative valuations favored small cap stocks. The combination of low valuations and good financial news sparked a meaningful rally. In terms of investment styles, both small growth and small value managers found something positive in the period as all major industry sectors produced solid returns.

Value-oriented investment strategies saw improved results due largely to big gains registered by cyclical sectors of the market. Investors reasoned that improving worldwide economic news was positive for cyclical companies. At the same time, the technology sector was very strong, helping growth stock managers. Interestingly, consumer stocks were laggards during the period despite very strong consumer spending trends. Compared to almost any measure, the Portfolio performed well in the second quarter with an 18.6% return on net assets.

The combination of a strong economy and renewed interest in small company stocks helped create positive returns. The outperformance largely stemmed from strong stock selections. Sector returns relative to our benchmarks were mixed, although more heavily weighted areas such as technology and consumer-related stocks performed well. On an absolute basis, every industry sector showed positive returns in the second quarter, but some were more robust than others.

Technology stocks were the stars in the second quarter after being a difficult area for the Portfolio over the last year. In fact, these stocks were up over 40% for the Portfolio and represented almost 20% of the holdings. Signs improved for the profit outlook for many of these companies due to high sales demand and big cost savings programs. This outlook combined with low valuations, drove powerful moves in these stocks. We remain bullish on this sector, although valuations are not quite so compelling. Another important sector for the Portfolio was consumer-related stocks, which represented over 25% of the holdings. These stocks were also generally strong performers for the Portfolio, even though there were also a few weak positions. Low valuations coupled with improving profit growth trends fueled solid stock selections in this sector. The portfolio manager believes this area should continue to do well as we approach this holiday season.

Financial stocks in the Portfolio performed similar to the financial stocks within the Russell 2000 Index. However, the return of 11% was comparatively weak versus other sectors. Rising interest rate fears caused other sectors to appear more attractive. In response, we reduced the Portfolio's holdings in this sector during the quarter.

After an extended period of outperformance by large cap stocks and growth-oriented strategies, a shift occurred in April that favored small cap stocks and value-oriented strategies. The portfolio manager believes this shift occurred because of superior relative valuation, an improving worldwide economic environment, and better corporate earnings growth. In terms of relative valuation, small cap stocks have not been so attractively priced since the early 1970s. After trading near parity with large cap stocks for most of the past 20 years, small cap stocks are currently trading at a very large discount. A move back to parity from current levels would provide an enormous performance advantage for small cap stocks.

We believe the catalyst for such a move is the improving international economic situation along with better corporate earnings growth. Recent developments on the international front have been encouraging and corporate earnings growth picked up in the second quarter, following a rather dismal showing in the last half of 1998. Further improvement in these areas should strongly help small cap valuations. The Portfolio remains inexpensively priced relative to the market, trading at a 20% discount to the Russell 2000 Index and a 30% discount compared to the S&P 500 Index. The expected earnings growth rate for the companies within the Portfolio is considerably better than the average company within the Russell 2000 Index or the S&P 500 Index. We are confident that the move in small cap stocks in the second quarter is just the beginning of

a very long period of strong relative performance. While not many quarters will likely be as robust as this past one, we believe the Portfolio is well positioned to benefit from improving trends over the coming years.

PSE TECH 100 INDEX PORTFOLIO

The net asset value year-to-date total return for the PSE Tech 100 Index Portfolio was 33.06% compared to the PSE Index return of 33.70%. There were many stories to be told during the second quarter in technology. First and foremost of course is the exhilarating ride of the Internet stocks. The rise and subsequent pullback in prices for most Internet stocks made good copy for the media, and created boom-bust scenarios for day-traders. A constant flow of initial public offerings, almost on a daily basis, created a flood of new opportunities for short-term traders to make and break the bank. No matter if investors were successful in identifying the winners, the activity during the period seemed to emphasize the legitimacy of the Internet as a vehicle for commerce and a repository of information. Not to be outdone, many established technology bellwethers also attracted attention, although not always as spectacularly as the Internet stocks.

The beginning of the second quarter had Compaq Computers missing its quarterly numbers and the subsequent dismissal of almost its entire management team. Next was the continued battle in the semiconductor arena pitting Intel against AMD, with consumers benefitting from the resulting price reductions for PCs. Data networking remained the technology focus, as Cisco Systems, Lucent Technologies and Nortel Networks all slugged it out in providing equipment for the coming integration of data, video and voice. Microsoft and the antitrust suit remained at the forefront of every television reporter's daily "things to do list." Looking forward, the portfolio manager remains firmly optimistic on the technology sector's investment prospects. Stock price volatility likely will continue, especially in response to disappointing announcements of earnings or growth in revenue.

The portfolio manager believes it is important in this market to maintain a long-term investment horizon and not to get too emotionally involved with short-term price corrections or volatility. To date, 1999 has been a strong year for technology investors. The portfolio manager coined last year's 54% return a "once in a decade" year, but with continued strong return for the first six months, investors may need to temper their expectations.

MANAGED GROWTH PORTFOLIO

The net asset value total return for the six months ended June 30, 1999 was 1.10% compared to the S&P 400 mid cap index return of 6.87%. The stock market rose sharply in the first six months of the year with a broad range of stocks and sectors participating in the increase. We ordinarily would not expect this performance in an increasing interest rate environment and at a time when most stocks are fully priced or over priced based on our value analysis. Our valuation model suggests the strong possibility of a 10-15% correction in the second half of the year.

The reasons for the Portfolio's underperformance during the first half of 1999 is not immediately apparent on any rationale basis. Twenty-six of our forty-nine holdings were below the benchmark in terms of performance, but in most cases there was no indication of any new fundamental weaknesses. Furthermore, only three of our companies, Metro Information Systems, HMA and Incyte, had lingering investment concerns which might have affected the stock prices in the second quarter. We believe that our group of high quality growth stocks was temporarily out of favor, especially in April, our worst month of underperformance. Over the past several months, the portfolio manager met personally with management of over half of our portfolio companies at seminars in New York, San Francisco and Chicago, and confirmed our analysis. Four exciting new holdings have been added: Citrix Systems, DeVry, Electronic Arts, and Hannaford Brothers. The managers are pleased with the composition of the portfolio at this point and believe the portfolio is positioned for stronger performance in the future.

Our stock selections over the last half of this year will focus on companies offering reasonable price to earnings ratios and predictability in reported earnings. The sharp sell-off (30-50%) experienced in the universe of internet stocks over the April to May period is a warning to aggressive investors that this mania may be approaching a terminal phase.

Our strategy in the technology sector is to focus on the more mature retail and distribution participants along with leading players on the infrastructure side, i.e. software, network, semi-conductor and IT outsourcing players. We believe this is a lower risk strategy and eventually will prove more profitable than chasing "dot com" companies with no earnings history.

The cyclical sector of the stock market has exhibited strong price momentum over the last three months. Aside from the obvious need for an aggressive high technology portfolio component, we believe focus on growth cyclicals operating in rapidly expanding niche markets in the airline, trucking and industrial machinery sectors should prove profitable, especially given their attractive valuation characteristics in today's richly valued equity environment.

The secular bull market remains in force. The sharp sell off in internet stocks, avoidance of an Asian meltdown, and the broadening of the market away from strict focus on leading S&P 500 issues is an encouraging sign that rationality is returning to the market.

While we expect a further correction period in the second half of 1999, especially as fears of Y2K problems mount, we believe 2000 should none the less be a strong year for equities as is generally the case in an election year.

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

FINANCIAL HIGHLIGHTS

The table below presents information for a share of capital stock of each of six portfolios of Principal Preservation Portfolios, Inc. outstanding for the periods indicated. This information should be read in conjunction with the financial statements and related notes:

<TABLE>

| | TAX-EXEMPT PORTFOLIO | | | | | |
|---|---|----------------------------------|----------|-----------|-----------|----------|
| | For the period ending June 30, 1999 (Unaudited) | For the years ended December 31, | | | | |
| | | 1998 | 1997 | 1996 | 1995 | 1994 |
| <S> | <C> | <C> | <C> | <C> | <C> | |
| PER SHARE DATA: | | | | | | |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$ 9.24 | \$ 9.52 | \$ 9.30 | \$ 9.39 | \$ 8.36 | \$ 9.41 |
| INCOME FROM INVESTMENT OPERATIONS: | | | | | | |
| Net investment income | .18 | .37 | .41 | .43 | .45 | .45 |
| Net realized and unrealized gains (losses) on investments | (.44) | .03 | .44 | (.09) | 1.03 | (1.05) |
| TOTAL FROM INVESTMENT OPERATIONS | (.26) | .40 | .85 | .34 | 1.48 | (.60) |
| LESS DISTRIBUTIONS: | | | | | | |
| Dividends from net investment income | (.18) | (.37) | (.41) | (.43) | (.45) | (.45) |
| Distributions from net realized gains on investments | -- | (.31) | (.22) | -- | -- | -- |
| TOTAL DISTRIBUTIONS | (.18) | (.68) | (.63) | (.43) | (.45) | (.45) |
| NET ASSET VALUE, END OF PERIOD | \$ 8.80 | \$ 9.24 | \$ 9.52 | \$ 9.30 | \$ 9.39 | \$ 8.36 |
| TOTAL RETURN**<F4> | (2.9)% | 4.3% | 9.4% | 3.8% | 18.1% | (6.4)% |
| RATIOS/SUPPLEMENTAL DATA: | | | | | | |
| Net assets, end of period (to nearest thousand) | \$48,884 | \$54,914 | \$60,252 | \$66,310 | \$56,443 | \$55,492 |
| Ratio of net expenses to average net assets | 1.1%*<F3> | 1.1% | 1.1% | 1.1%+<F5> | 1.0%+<F5> | 1.0% |
| Ratio of net investment income to average net assets | 3.9%*<F3> | 3.9% | 4.4% | 4.7%+<F5> | 4.9%+<F5> | 5.2% |
| Portfolio turnover rate | 14.3% | 236.7% | 209.2% | 163.1% | 105.9% | 36.1% |

</TABLE>

*<F3> Annualized

**<F4> The Fund's sales charge is not reflected in total return as set forth in the table.

+<F5> Reflects a voluntary reimbursement of fund expenses of 0.1% in 1996 and 0.01% in 1995, respectively.

<TABLE>

| | GOVERNMENT PORTFOLIO | | | | | |
|---|---|----------------------------------|---------|---------|---------|---------|
| | For the period ending June 30, 1999 (Unaudited) | For the years ended December 31, | | | | |
| | | 1998 | 1997 | 1996 | 1995 | 1994 |
| <S> | <C> | <C> | <C> | <C> | <C> | |
| PER SHARE DATA: | | | | | | |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$ 9.55 | \$ 9.28 | \$ 9.20 | \$ 9.64 | \$ 8.84 | \$ 9.98 |
| INCOME FROM INVESTMENT OPERATIONS: | | | | | | |
| Net investment income | .28 | .55 | .63 | .64 | .61 | .61 |
| Net realized and unrealized gains (losses) on investments | (.51) | .27 | .08 | (.44) | .80 | (1.14) |
| TOTAL FROM INVESTMENT OPERATIONS | (.23) | .82 | .71 | .20 | 1.41 | (.53) |
| LESS DISTRIBUTIONS: | | | | | | |

| | | | | | | |
|--|-----------|----------|-----------|-----------|-----------|----------|
| Dividends from net investment income | (.28) | (.55) | (.63) | (.64) | (.61) | (.61) |
| Distributions from net realized gains on investments | -- | -- | -- | -- | -- | -- |
| TOTAL DISTRIBUTIONS | (.28) | (.55) | (.63) | (.64) | (.61) | (.61) |
| NET ASSET VALUE, END OF PERIOD | \$ 9.04 | \$ 9.55 | \$ 9.28 | \$ 9.20 | \$ 9.64 | \$ 8.84 |
| TOTAL RETURN**<F7> | (2.5)% | 9.1% | 8.1% | 2.3% | 16.3% | (5.4)% |
| RATIOS/SUPPLEMENTAL DATA: | | | | | | |
| Net assets, end of period (to nearest thousand) | \$38,394 | \$40,088 | \$40,683 | \$44,920 | \$49,319 | \$47,324 |
| Ratio of net expenses to average net assets | 1.1%*<F6> | 1.2% | 1.1%+<F8> | 1.1%+<F8> | 1.1%+<F8> | 1.1% |
| Ratio of net investment income to average net assets | 6.0%*<F6> | 5.9% | 7.0%+<F8> | 7.0%+<F8> | 6.5%+<F8> | 6.6% |
| Portfolio turnover rate | 6.9% | 87.7% | 78.6% | 36.9% | 68.2% | 106.1% |

</TABLE>

*<F6> Annualized

**<F7> The Fund's sales charge is not reflected in total return as set forth in the table.

+<F8> Reflects a voluntary reimbursement of fund expenses of 0.04% in 1997, 0.04% in 1996 and 0.02% in 1995, respectively.

<TABLE>

| S&P 100 PLUS PORTFOLIO | | | | | | | | | |
|---|---|----------------|---|----------------|----------------------------------|------------|----------|----------|------|
| | For the period ending June 30, 1999 (Unaudited) | | For the period from July 27, 1998 (commencement of operations) to December 31, 1998 | | For the years ended December 31, | | | | |
| | Class B Shares | Class A Shares | Class B Shares | Class A Shares | 1998 | 1997 | 1996 | 1995 | 1994 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| PER SHARE DATA: | | | | | | | | | |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$34.91 | \$34.90 | \$33.13 | \$27.04 | \$22.08 | \$19.53 | \$14.95 | \$15.04 | |
| INCOME FROM INVESTMENT OPERATIONS: | | | | | | | | | |
| Net investment income | -- | .07 | .01 | .20 | .26 | .29 | .25 | .25 | |
| Net realized and unrealized gains (losses) on investments | 5.71 | 5.77 | 2.43 | 8.51 | 5.63 | 4.07 | 5.21 | (.09) | |
| TOTAL FROM INVESTMENT OPERATIONS | 5.71 | 5.84 | 2.44 | 8.71 | 5.89 | 4.36 | 5.46 | .16 | |
| LESS DISTRIBUTIONS: | | | | | | | | | |
| Dividends from net investment income | -- | (.07) | (.01) | (.20) | (.26) | (.29) | (.25) | (.25) | |
| Distributions from net realized gains on investments | -- | -- | (.59) | (.59) | (.65) | (1.52) | (.63) | -- | |
| Distributions in excess of net realized gains | -- | -- | (.06) | (.06) | (.02) | -- | -- | -- | |
| TOTAL DISTRIBUTIONS | -- | (.07) | (.66) | (.85) | (.93) | (1.81) | (.88) | (.25) | |
| NET ASSET VALUE, END OF PERIOD | \$40.62 | \$40.67 | \$34.91 | \$34.90 | \$27.04 | \$22.08 | \$19.53 | \$14.95 | |
| TOTAL RETURN**<F10> | 16.3% | 16.7% | 7.4% | 32.3% | 26.8% | 22.4% | 36.7% | 1.1% | |
| RATIOS/SUPPLEMENTAL DATA: | | | | | | | | | |
| Net assets, end of period (to nearest thousand) | \$24,006 | \$199,230 | \$6,123 | \$160,190 | \$105,738 | \$77,517 | \$57,062 | \$40,034 | |
| Ratio of net expenses to average net assets | 1.4%*<F9> | 0.8%*<F9> | 1.3%*<F9>+<F11> | 0.9%+<F11> | 0.9%+<F11> | 1.0%+<F11> | 1.2% | 1.2% | |
| Ratio of net investment income to average net assets | -- | 0.4%*<F9> | --*<F9> | 0.6%+<F11> | 1.0%+<F11> | 1.4%+<F11> | 1.4% | 1.7% | |
| Portfolio turnover rate | 3.9% | 3.9% | 10.2% | 10.2% | 17.0% | 8.0% | 3.5% | 1.0% | |

</TABLE>

*<F9> Annualized.

**<F10> The Fund's sales charge is not reflected in total return as set forth

in the table.

+<F11> Reflects a voluntary reimbursement of fund expenses of 0.03% in Class B Shares and 0.07% in Class A Shares in 1998, 0.11% in 1997 and 0.01% in 1996, respectively.

<TABLE>

| DIVIDEND ACHIEVERS PORTFOLIO | | | | | | | | |
|---|---|----------------|---|----------------------------------|------------|------------|------------|----------|
| | For the six month period ending June 30, 1999 (Unaudited) | | For the period from July 27, 1998 (commencement of operations) to December 31, 1998 | For the years ended December 31, | | | | |
| | Class B Shares | Class A Shares | Class B Shares | 1998 | 1997 | 1996 | 1995 | 1994 |
| <S> | <C> | <C> | <C> | Class A Shares | <C> | <C> | <C> | <C> |
| PER SHARE DATA: | | | | | | | | |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$27.92 | \$27.92 | \$28.48 | \$25.13 | \$20.01 | \$16.97 | \$13.24 | \$13.40 |
| INCOME FROM INVESTMENT OPERATIONS: | | | | | | | | |
| Net investment income | -- | .01 | .01 | .07 | .13 | .14 | .18 | .18 |
| Net realized and unrealized gains (losses) on investments | 2.51 | 2.63 | 1.39 | 4.80 | 5.43 | 3.54 | 3.99 | (.02) |
| TOTAL FROM INVESTMENT OPERATIONS | 2.51 | 2.64 | 1.40 | 4.87 | 5.56 | 3.68 | 4.17 | .16 |
| LESS DISTRIBUTIONS: | | | | | | | | |
| Dividends from net investment income | -- | (.01) | (.01) | (.07) | (.13) | (.14) | (.18) | (.18) |
| Distributions from net realized gains on investments | -- | -- | (2.01) | (2.01) | (.31) | (.50) | (.26) | (.14) |
| TOTAL DISTRIBUTIONS | -- | (.01) | (2.02) | (2.08) | (.44) | (.64) | (.44) | (.32) |
| NET ASSET VALUE, END OF PERIOD | \$30.43 | \$30.55 | \$27.86 | \$27.92 | \$25.13 | \$20.01 | \$16.97 | \$13.24 |
| TOTAL RETURN**<F13> | 9.2% | 9.5% | 4.9% | 19.4% | 27.9% | 21.8% | 31.7% | 1.2% |
| RATIOS/SUPPLEMENTAL DATA: | | | | | | | | |
| Net assets, end of period (to nearest thousand) | \$709 | \$45,989 | \$338 | \$44,219 | \$39,565 | \$30,504 | \$25,393 | \$20,231 |
| Ratio of net expenses to average net assets | 1.9%*<F12> | 1.3%*<F12> | 1.7%*<F12>+<F14> | 1.3%+<F14> | 1.2%+<F14> | 1.2%+<F14> | 1.3%+<F14> | 1.5% |
| Ratio of net investment income to average net assets | -- | 0.1% | --*<F12> | 0.2%+<F14> | 0.6%+<F14> | 0.8%+<F14> | 1.2%+<F14> | 1.3% |
| Portfolio turnover rate | 3.5% | 3.5% | 11.9% | 11.9% | 11.9% | 13.1% | 28.2% | 36.5% |

</TABLE>

*<F12> Annualized.

**<F13> The Fund's sales charge is not reflected in total return as set forth in the table.

+<F14> Reflects a voluntary reimbursement of fund expenses of 0.02% in Class B and Class A Shares in 1999, 0.06% in Class B Shares and 0.02% in Class A Shares in 1998, 0.1% in 1997, 0.1% in 1996 and 0.2% in 1995, respectively.

<TABLE>

| SELECT VALUE PORTFOLIO | | | | | | | | |
|--------------------------------------|---|----------------|---|----------------------------------|---------|---------|---------|---|
| | For the period ending June 30, 1999 (Unaudited) | | For the period from July 27, 1998 (commencement of operations) to December 31, 1998 | For the years ended December 31, | | | | For the period from August 23, 1994 (commencement of operations) to December 31, 1994 |
| | Class B Shares | Class A Shares | Class B Shares | 1998 | 1997 | 1996 | 1995 | <C> |
| <S> | <C> | <C> | <C> | Class A Shares | <C> | <C> | <C> | <C> |
| PER SHARE DATA: | | | | | | | | |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$11.27 | \$11.30 | \$12.32 | \$12.07 | \$10.97 | \$10.21 | \$ 9.03 | \$ 9.55 |
| INCOME FROM INVESTMENT OPERATIONS: | | | | | | | | |

| | | | | | | | | |
|--|------------|------------|------------------|------------|------------|------------|------------|------------------|
| Net investment income | -- | -- | -- | -- | .01 | .04 | .14 | .04 |
| Net realized and unrealized gains (losses) on investments | .40 | .42 | (1.05) | (.77) | 2.93 | 2.68 | 1.73 | (.51) |
| TOTAL FROM INVESTMENT OPERATIONS | .40 | .42 | (1.05) | (.77) | 2.94 | 2.72 | 1.87 | (.47) |
| LESS DISTRIBUTIONS: | | | | | | | | |
| Dividends from net investment income | -- | -- | -- | -- | (.01) | (.04) | (.14) | (.03) |
| Distributions from net realized gains on investments | -- | -- | -- | -- | (1.83) | (1.92) | (.43) | (.01) |
| Distributions in excess of net realized gains on investments | -- | -- | -- | -- | -- | -- | (.12) | -- |
| Book return of capital | -- | -- | -- | -- | -- | -- | -- | (.01) |
| TOTAL DISTRIBUTIONS | -- | -- | -- | -- | (1.84) | (1.96) | (.69) | (.05) |
| NET ASSET VALUE, END OF PERIOD | \$11.67 | \$11.72 | \$11.27 | \$11.30 | \$12.07 | \$10.97 | \$10.21 | \$ 9.03 |
| TOTAL RETURN**<F16> | 3.4% | 3.7% | (8.5)% | (6.4)% | 27.2% | 26.7% | 20.8% | (5.0)% |
| RATIOS/SUPPLEMENTAL DATA: | | | | | | | | |
| Net assets, end of period (to nearest thousand) | \$1,235 | \$10,575 | \$1,012 | \$10,520 | \$8,497 | \$4,829 | \$3,445 | \$1,935 |
| Ratio of net expenses to average net assets | 1.9%*<F15> | 1.3%*<F15> | 1.7%*<F15>+<F17> | 1.3%+<F17> | 1.1%+<F17> | 1.0%+<F17> | 0.8%+<F17> | 0.8%*<F15>+<F17> |
| Ratio of net investment income to average net assets | -- | -- | --*<F15> | -- | 0.1%+<F17> | 0.3%+<F17> | 1.4%+<F17> | 1.1%*<F15>+<F17> |
| Portfolio turnover rate | 60.5% | 60.5% | 110.0% | 110.0% | 82.5% | 122.2% | 124.3% | 20.2% |

</TABLE>

*<F15> Annualized.

**<F16> The Fund's sales charge is not reflected in total return as set forth in the table.

+<F17> Reflects a voluntary reimbursement of fund expenses of 0.7% in Class B Shares and 0.7% in Class A Shares in 1999, 0.5% in Class B Shares and 0.5% in Class A Shares in 1998, 1.0% in 1997, 1.4% in 1996 and 2.5% in 1995, respectively.

<TABLE>

PSE TECH 100 INDEX PORTFOLIO

| | For the period ending June 30, 1999 (Unaudited) | | For the period from July 27, 1998 (commencement of operations) to December 31, 1998 | | For the years ended 1998 1997 | | For the period from June 10, 1996 (commencement of operations) to December 31, 1996 | |
|--|---|--------------------|---|--------------------|-------------------------------|---------|---|-----|
| | Class B Shares <C> | Class A Shares <C> | Class B Shares <C> | Class A Shares <C> | <C> | <C> | <C> | <C> |
| PER SHARE DATA: | | | | | | | | |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$18.39 | \$18.45 | \$14.94 | \$12.39 | \$10.76 | \$10.00 | | |
| INCOME FROM INVESTMENT OPERATIONS: | | | | | | | | |
| Net investment income | -- | -- | .01 | .01 | .04 | .03 | | |
| Net realized and unrealized gains on investments | 6.01 | 6.10 | 4.07 | 6.68 | 2.04 | 1.03 | | |
| TOTAL FROM INVESTMENT OPERATIONS | 6.01 | 6.10 | 4.08 | 6.69 | 2.08 | 1.06 | | |
| LESS DISTRIBUTIONS: | | | | | | | | |
| Dividends from net investment income | -- | -- | (.01) | (.01) | (.04) | (.03) | | |
| Distributions from net realized gains on investments | -- | -- | (.60) | (.60) | (.38) | (.24) | | |
| Distributions in excess of net realized gains | -- | -- | (.02) | (.02) | (.03) | (.03) | | |
| TOTAL DISTRIBUTIONS | -- | -- | (.63) | (.63) | (.45) | (.30) | | |
| NET ASSET VALUE, END OF PERIOD | \$24.40 | \$24.55 | \$18.39 | \$18.45 | \$12.39 | \$10.76 | | |
| TOTAL RETURN**<F19> | 32.7% | 33.1% | 27.2% | 54.0% | 19.4% | 10.7% | | |
| RATIOS/SUPPLEMENTAL DATA: | | | | | | | | |

| | | | | | | |
|---|----------------------|----------------------|----------------------|----------|----------------|----------------------|
| Net assets, end of period (to nearest thousand) | \$32,459 | \$121,856 | \$6,559 | \$72,724 | \$27,144 | \$6,004 |
| Ratio of net expenses to average net assets | 1.2%*+ <F18><F20> | 0.6%*+ <F18><F20> | 1.2%*+ <F18><F20> | 0.6% | 0.2%+<F20> | --+ <F18><F20> |
| Ratio of net investment income to average net assets | -- | -- | --* <F18> | -- | 0.3%+ <F20> | 0.7%*+ <F18><F20> |
| Portfolio turnover rate | 26.2% | 26.2% | 25.4% | 25.4% | 22.0% | 3.0% |

</TABLE>

*<F18> Annualized.

**<F19> The Fund's sales charge is not reflected in total return as set forth in the table.

+<F20> Reflects a voluntary reimbursement of fund expenses of 0.1% in Class B Shares and 0.2% in Class A Shares in 1999, 0.3% in Class B Shares and 0.5% in Class A Shares in 1998, 1.1% in 1997 and 3.3% in 1996.

MANAGED GROWTH PORTFOLIO

For the period from
January 4, 1999
(commencement of operations)
to June 30, 1999

| | Class B Shares | Class A Shares |
|---|-------------------|-------------------|
| PER SHARE DATA: | | |
| NET ASSET VALUE, | | |
| BEGINNING OF PERIOD | \$10.00 | \$10.00 |
| INCOME FROM INVESTMENT OPERATIONS: | | |
| Net investment income | -- | -- |
| Net realized and unrealized gains on investments | .10 | .11 |
| TOTAL FROM INVESTMENT OPERATIONS | .10 | .11 |
| LESS DISTRIBUTIONS: | | |
| Dividends from net investment income | -- | -- |
| Distributions from net realized gains on investments | -- | -- |
| Distributions in excess of net realized gains | -- | -- |
| TOTAL DISTRIBUTIONS | -- | -- |
| NET ASSET VALUE, END OF PERIOD | \$10.10 | \$10.11 |
| TOTAL RETURN**<F22> | 1.0% | 1.1% |
| RATIOS/SUPPLEMENTAL DATA: | | |
| Net assets, end of period (to nearest thousand) | -- | -- |
| Ratio of net expenses to average net assets | 0.01%*<F21>+<F23> | 0.02%*<F21>+<F23> |
| Ratio of net investment income to average net assets | -- | -- |
| Portfolio turnover rate | 12.4% | 12.4% |

*<F21> Annualized.

**<F22> The Fund's sales charge is not reflected in total return as set forth in the table.

+<F23> Reflects a voluntary reimbursement of fund expenses of 0.10% in Class B Shares and 0.10% in Class A Shares in 1999.

<TABLE>

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

BALANCE SHEETS
JUNE 30, 1999 (UNAUDITED)

| | TAX-EXEMPT | GOVERNMENT | S&P 100 PLUS | DIVIDEND ACHIEVERS | SELECT VALUE | PSE TECH 100 INDEX | MANAGED GROWTH |
|--------------|------------|------------|-----------------|-----------------------|-----------------|-----------------------|-------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| ASSETS: | | | | | | | |
| Investments: | | | | | | | |

| | | | | | | | |
|---|--------------|--------------|---------------|--------------|--------------|---------------|-------------|
| Cost basis of investments | \$50,821,765 | \$39,186,295 | \$113,627,457 | \$19,819,731 | \$10,737,336 | \$114,505,120 | \$5,841,706 |
| Long-term investments in securities | \$48,503,112 | \$37,628,551 | \$221,018,264 | \$44,906,352 | \$11,098,034 | \$151,800,410 | \$6,110,285 |
| Short-term investments | 1,000 | 165,000 | 1,351,000 | 1,726,000 | 1,045,000 | 3,460,000 | 108,000 |
| Total investments (See Schedule of Investments) | 48,504,112 | 37,793,551 | 222,369,264 | 46,632,352 | 12,143,034 | 55,260,410 | 6,218,285 |
| Cash | 262 | 78 | 246 | 763 | 501 | 954 | 99 |
| Receivables: | | | | | | | |
| Capital shares sold | 209 | 31,703 | 1,274,528 | 121,909 | 10,297 | 1,589,859 | 181,633 |
| Dividends and interest | 732,592 | 734,350 | 183,997 | 35,337 | 12,782 | 41,894 | 3,290 |
| Investments sold | 967,407 | -- | -- | -- | 24,663 | 25,346 | -- |
| Margin variation | -- | -- | 31,250 | -- | -- | 60,000 | -- |
| Total receivables | 1,700,208 | 766,053 | 1,489,775 | 157,246 | 47,742 | 1,717,099 | 184,923 |
| Other assets | 1,602 | 1,082 | 3,384 | 1,145 | 684 | 7,580 | -- |
| Total assets | \$50,206,184 | \$38,560,764 | \$223,862,669 | \$46,791,506 | \$12,191,961 | \$156,986,043 | \$6,403,307 |
| LIABILITIES: | | | | | | | |
| Payables: | | | | | | | |
| Capital shares redeemed | \$ 3,329 | \$ 26,313 | \$ 64,411 | \$ 3,000 | \$ 62,000 | \$ 48,357 | \$ -- |
| Distributions to shareholders | 52,942 | 70,006 | 11,206 | 538 | -- | -- | -- |
| Management fees | 23,612 | 18,143 | 65,961 | 26,953 | 6,702 | 41,078 | 3,184 |
| Other accrued expenses | 56,203 | 51,978 | 160,569 | 63,355 | 28,266 | 61,666 | (23,305) |
| Investments purchased | 972,405 | -- | 324,715 | -- | 285,426 | 2,019,678 | 99,762 |
| Other liabilities | 113,996 | -- | -- | -- | -- | 180 | -- |
| Total liabilities | 1,222,487 | 166,440 | 626,862 | 93,846 | 382,394 | 2,170,959 | 79,641 |
| NET ASSETS: | | | | | | | |
| Capital stock | 51,478,274 | 41,931,161 | 113,475,636 | 18,246,229 | 11,188,835 | 102,481,568 | 6,065,779 |
| Undistributed net investment income | 8,743 | 2,396 | 7,764 | 2,788 | (13,604) | (249,463) | 4,624 |
| Undistributed net realized gains (losses) on investments | (185,667) | (2,146,489) | 1,010,600 | 1,636,022 | (771,362) | 11,827,689 | (123,316) |
| Net unrealized appreciation on investments | (2,317,653) | (1,392,744) | 108,741,807 | 26,812,621 | 1,405,698 | 40,755,290 | 376,579 |
| Total net assets | 48,983,697 | 38,394,324 | 223,235,807 | 46,697,660 | 11,809,567 | 154,815,084 | 6,323,666 |
| Total liabilities and net assets | \$50,206,184 | \$38,560,764 | \$223,862,669 | \$46,791,506 | \$12,191,961 | \$156,986,043 | \$6,403,307 |
| NET ASSET VALUE AND REDEMPTION PRICE PER SHARE | \$ 8.80 | \$ 9.04 | | | | | |
| MAXIMUM OFFERING PRICE PER SHARE | \$ 9.12 | \$ 9.37 | | | | | |
| NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE | | | | | | | |
| Class A: | | | | | | | |
| Net asset value | | | \$199,229,732 | \$45,988,509 | \$10,574,512 | \$121,855,804 | \$5,301,797 |
| Shares outstanding | | | 4,898,782 | 1,505,142 | 902,008 | 4,963,312 | 524,227 |
| Redemption price per share | | | \$ 40.67 | \$ 30.55 | \$ 11.72 | \$ 24.55 | \$ 10.11 |
| Maximum offering price per share | | | \$ 42.92 | \$ 32.24 | \$ 12.37 | \$ 25.91 | \$ 10.67 |
| Class B: | | | | | | | |
| Net asset value | | | \$ 24,006,074 | \$ 709,151 | \$ 1,235,055 | \$ 32,959,280 | \$1,021,869 |
| Shares outstanding | | | 591,025 | 23,304 | 105,856 | 1,350,912 | 101,167 |
| Offering and redemption price per share | | | \$ 40.62 | \$ 30.43 | \$ 11.67 | \$ 24.40 | \$ 10.10 |

</TABLE>

<TABLE>

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)

| | TAX-EXEMPT | GOVERNMENT | S&P 100 PLUS | DIVIDEND ACHIEVERS | SELECT VALUE | PSE TECH 100 INDEX | MANAGED GROWTH |
|---|----------------|--------------|-----------------|-----------------------|-----------------|-----------------------|-------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| INVESTMENT INCOME: | | | | | | | |
| Dividends | \$ -- | \$ -- | \$ 1,110,105 | \$ 280,803 | \$ 39,866 | \$ 133,650 | \$ 9,152 |
| Interest | 1,324,928 | 1,406,771 | 41,686 | 35,957 | 20,718 | 41,041 | 3,284 |
| Total investment income | 1,324,928 | 1,406,771 | 1,151,791 | 316,760 | 60,584 | 174,691 | 12,436 |
| EXPENSES: | | | | | | | |
| Investment advisory fees | 156,121 | 117,027 | 385,445 | 168,406 | 40,397 | 210,727 | 14,817 |
| Custodian fees | 7,710 | 5,094 | 17,896 | 4,220 | 2,520 | 14,369 | 2,896 |
| Transfer agent fees | 22,144 | 22,135 | 58,424 | 18,904 | 7,790 | 35,871 | 2,172 |
| Broker service fees | 69,484 | 51,708 | 279,969 | 60,077 | 16,283 | 178,624 | 6,138 |
| Distribution Fees - Class B | -- | -- | 16,449 | 557 | 1,117 | 21,123 | 616 |
| Professional fees | 17,012 | 13,333 | 41,529 | 25,984 | 14,111 | 27,909 | 18,394 |
| Registration | 6,490 | 3,622 | 13,173 | 10,051 | 11,383 | 11,371 | 5,430 |
| Communication | 9,202 | 7,890 | 20,429 | 8,391 | 12,196 | 11,298 | 6,810 |
| Director fees | 2,255 | 1,582 | 8,458 | 2,624 | 1,145 | 4,609 | 905 |
| Pricing of investments | 2,538 | 1,001 | 2,975 | 2,163 | 2,430 | 3,216 | 2,353 |
| Deferred organization expense | -- | -- | -- | -- | 1,350 | 1,676 | -- |
| Other (income) expense | 4,764 | -- | 4,579 | 1,849 | 989 | 4,257 | 6,905 |
| Total expenses | 297,720 | 223,392 | 849,326 | 303,226 | 111,711 | 525,050 | 67,436 |
| Less expenses absorbed by advisor | -- | -- | (9,426) | (3,994) | (37,523) | (100,896) | (59,624) |
| Net expenses | 297,720 | 223,392 | 839,900 | 299,232 | 74,188 | 424,154 | 7,812 |
| NET INVESTMENT INCOME (LOSS) | 1,027,208 | 1,183,379 | 311,891 | 17,528 | (13,604) | (249,463) | 4,624 |
| NET REALIZED GAINS (LOSSES) ON INVESTMENTS | (198,579) | (25,745) | 1,377,632 | 1,635,976 | (337,615) | 12,005,027 | (123,316) |
| NET UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS | (2,351,677) | (2,140,092) | 28,326,079 | 2,434,080 | 738,750 | 21,437,445 | 376,579 |
| Net gains (losses) on investments | (2,550,256) | (2,165,837) | 29,703,711 | 4,070,056 | 401,135 | 33,442,472 | 253,263 |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | \$ (1,523,048) | \$ (982,458) | \$30,015,602 | \$4,087,584 | \$387,531 | \$33,193,009 | \$ 257,887 |

The accompanying notes to financial statements are an integral part of these statements.

</TABLE>

<TABLE>

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)

| | TAX-EXEMPT | GOVERNMENT | S&P 100 PLUS | DIVIDEND ACHIEVERS | SELECT VALUE | PSE TECH 100 INDEX | MANAGED GROWTH |
|--|--------------|--------------|-----------------|-----------------------|-----------------|-----------------------|-------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| OPERATIONS: | | | | | | | |
| Net investment income | \$ 1,027,208 | \$ 1,183,379 | \$ 311,891 | \$ 17,528 | \$ (13,604) | \$ (249,463) | \$ 4,624 |
| Net realized gains (losses) on investments | (198,579) | (25,745) | 1,377,632 | 1,635,976 | (337,615) | 12,005,027 | (123,316) |
| Change in unrealized appreciation (depreciation) on investments for the year | (2,351,677) | (2,140,092) | 28,326,079 | 2,434,080 | 738,750 | 21,437,445 | 376,579 |
| Net increase (decrease) in net assets resulting from operations | (1,523,048) | (982,458) | 30,015,602 | 4,087,584 | 387,531 | 33,193,009 | 257,887 |

| DISTRIBUTIONS TO SHAREHOLDERS: | | | | | | | |
|---|--------------|--------------|---------------|--------------|--------------|---------------|-------------|
| Net investment income | (1,018,465) | (1,185,312) | (313,579) | (15,132) | -- | -- | -- |
| Total distributions | (1,018,465) | (1,185,312) | (313,579) | (15,132) | -- | -- | -- |
| CAPITAL SHARE TRANSACTIONS: | | | | | | | |
| Proceeds from shares issued | 593,852 | 2,077,591 | 34,920,525 | 1,634,673 | 1,935,501 | 54,684,499 | 6,127,209 |
| Net asset value of shares issued in distributions | 654,747 | 778,038 | 286,251 | 14,152 | -- | 931 | -- |
| Cost of shares redeemed | (4,637,602) | (2,381,219) | (7,986,103) | (3,580,433) | (2,045,328) | (5,787,268) | (61,430) |
| Net increase (decrease) in net assets from capital share transactions | (3,389,003) | 474,410 | 27,220,673 | (1,931,608) | (109,827) | 48,898,162 | 6,065,779 |
| Total increase (decrease) | (5,930,516) | (1,693,360) | 56,922,696 | 2,140,844 | 277,704 | 82,091,171 | 6,323,666 |
| NET ASSETS: | | | | | | | |
| Balance at beginning of period | 54,914,213 | 40,087,684 | 166,313,111 | 44,556,816 | 11,531,863 | 72,723,913 | -- |
| Balance at end of period | \$48,983,697 | \$38,394,324 | \$223,235,807 | \$46,697,660 | \$11,809,567 | \$154,815,084 | \$6,323,666 |

</TABLE>
<TABLE>

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1998

| | TAX-EXEMPT | GOVERNMENT | S&P 100 PLUS | DIVIDEND ACHIEVERS | SELECT VALUE | PSE TECH 100 INDEX |
|--|--------------|--------------|---------------|--------------------|--------------|--------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| OPERATIONS: | | | | | | |
| Net investment income (loss) | \$ 2,288,238 | \$ 2,340,336 | \$ 828,385 | \$ 98,997 | \$ (8,542) | \$ (14,391) |
| Net realized gains (losses) on investments | 1,767,224 | 514,545 | 2,791,207 | 3,014,952 | (434,802) | 2,256,382 |
| Change in unrealized appreciation (depreciation) on investments for the year | (1,583,100) | 622,997 | 33,392,322 | 4,410,903 | (251,854) | 19,319,500 |
| Net increase (decrease) in net assets resulting from operations | 2,472,362 | 3,477,877 | 37,011,914 | 7,524,852 | (695,198) | 21,561,491 |
| DISTRIBUTIONS TO SHAREHOLDERS: | | | | | | |
| Net investment income | (2,290,497) | (2,345,276) | (827,779) | (99,223) | -- | (29,881) |
| Distributions in excess of net realized gains on investments | -- | -- | (281,681) | -- | -- | (89,874) |
| Net realized gains on investments | (1,766,795) | -- | (2,791,208) | (3,014,906) | -- | (2,256,382) |
| Total distributions | (4,057,292) | (2,345,276) | (3,900,668) | (3,114,129) | -- | (2,376,137) |
| CAPITAL SHARE TRANSACTIONS: | | | | | | |
| Proceeds from shares issued | 1,817,590 | 1,780,198 | 35,767,268 | 3,386,784 | 6,252,009 | 31,213,981 |
| Net asset value of shares issued in distributions | 2,719,842 | 1,499,635 | 3,606,285 | 2,836,202 | 1,490 | 2,051,744 |
| Cost of shares redeemed | (8,289,995) | (5,007,964) | (11,909,578) | (5,641,880) | (2,523,817) | (6,871,469) |
| Net increase (decrease) in net assets from capital share transactions | (3,752,563) | (1,728,131) | 27,463,975 | 581,106 | 3,729,682 | 26,394,256 |
| Total increase (decrease) | (5,337,493) | (595,529) | 60,575,221 | 4,991,829 | 3,034,484 | 45,579,610 |
| NET ASSETS: | | | | | | |
| Balance at beginning of period | 60,251,706 | 40,683,213 | 105,737,890 | 39,564,987 | 8,497,379 | 27,144,303 |
| Balance at end of period | \$54,914,213 | \$40,087,684 | \$166,313,111 | \$44,556,816 | \$11,531,863 | \$72,723,913 |

</TABLE>

The accompanying notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 (UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES --

Principal Preservation Portfolios, Inc. (the "Fund"), registered under the Investment Company Act of 1940 as an open-end management investment company, is a series company with nine portfolios: Tax-Exempt Portfolio, Government Portfolio, S&P100 Plus Portfolio, Dividend Achievers Portfolio, Select Value Portfolio, PSE Tech 100 Index Portfolio, Wisconsin Tax-Exempt Portfolio, Cash Reserve Portfolio and the Managed Growth Portfolio. This report contains the information of all portfolios, except for the Managed Growth Portfolio, the Cash Reserve Portfolio and the Wisconsin Tax-Exempt Portfolio information with respect to the latter two portfolios is contained in separate reports. The assets and liabilities of each portfolio are segregated and a shareholder's interest is limited to the portfolio in which the shareholder owns shares.

The S&P 100 Plus Portfolio, Dividend Achievers Portfolio, Select Value Portfolio, PSE Tech 100 Index Portfolio and Managed Growth Portfolio each offer two classes of shares - Class A Shares and Class B Shares. Both classes represent interests in the same portfolio of investments of each Portfolio and are substantially the same in all respects except that the classes are subject to different sales load structures and 12b-1 fees and certain other expenses.

The following is a summary of the significant accounting policies of the Fund.

(a) Long-Term Securities and Short-Term Investments

The long-term tax-exempt securities are valued at market or fair value using quotations by an independent pricing service (the "Service"). When in the judgment of the Service, quoted bid prices for securities are readily available and are representative of the bid side of the market, these investments are valued at the mean between quoted bid prices (as obtained by the Service from dealers in such securities) and ask prices (as calculated by the Service based upon its evaluation of the market for such securities). Securities for which, in the judgment of the Service, there are no readily obtainable market quotations (which may constitute a majority of the portfolio's securities) are carried at fair value as determined by the Service, based on methods which include consideration of yields or prices of municipal securities of comparable quality, coupon, maturity, type, indications as to values from dealers, and general market conditions.

Long-term taxable fixed income securities are valued at market using quotations provided by an independent pricing service.

Common and preferred stocks are valued at the last sales price reported by the New York Stock Exchange, other appropriate exchanges, or NASDAQ, on the date of valuation. Common and preferred stocks not traded on that date are valued at the last bid price.

Short-term investments are valued at amortized cost, which approximates market value.

Through the year, investment transactions are recorded on the next date after trade date. However, the year-end financial statements are adjusted to reflect trade date, which adjustment does not materially impact the Funds financial results.

Premiums on long-term tax-exempt securities are amortized to the shorter of call date or maturity. The fund does not amortize premiums on taxable long-term securities. The fund amortizes all discounts on taxable securities and on original issue discount tax-exempt securities.

(b) Option Transactions

For hedging purposes, the S&P 100 Plus Portfolio and the PSE Tech 100 Index Portfolio may buy and sell put and call options, write covered call options on portfolio securities, write cash-secured puts, and write call options that are not covered for cross-hedging purposes. The risk in writing a call option is that a fund gives up the opportunity for profit if the market price of the security increases. The risk in writing a put option is that a fund may incur a loss if the market price of the security decreases and the option is exercised. The risk in buying an option is that a fund pays a premium whether or not the option is exercised. A fund also has the additional risk of not being able to enter into a closing transaction if a liquid secondary market does not exist. The S&P 100 Plus Portfolio also may write over-the-counter options where the completion of the obligation is dependent upon the credit standing of another party.

Option contracts are valued daily, and unrealized appreciation or depreciation is recorded. A fund will realize a gain or loss upon expiration or closing of the option transaction. When an option is exercised, the proceeds on sales for a written call option, the purchase cost for a written put option, or the cost of a security for a purchased put or call option is adjusted by the amount of premium received or paid.

(c) Futures Contracts

The S&P 100 Plus and PSE Tech 100 Index Portfolios may utilize futures contracts to a limited extent. The primary risks associated with the use of futures contracts include an imperfect correlation between the change in market value of the securities held by the Fund and the prices of futures contracts and the possibility of an illiquid market. Futures contracts are based upon their quoted daily settlement prices.

Upon entering into a futures contract, the Fund is required to deposit either cash or securities in an amount (initial margin) equal to a certain percentage of the contract value. Subsequent payments (variation margin) are made or received by the Fund each day. The variation margin payments are equal to the daily changes in the contract value and are recorded as unrealized appreciation (depreciation) until the contracts are terminated at which time realized gains and losses are recognized.

(d) Net Realized Gains and Losses and Investment Income

Net realized gains and losses on securities sales (including options) are computed on the identified cost basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis. Total net realized gains on investments for the period ended June 30, 1999, were comprised of the following:

| | TAX-EXEMPT | GOVERNMENT | S&P 100 PLUS | DIVIDEND ACHIEVERS | SELECT VALUE | PSE TECH 100 INDEX | MANAGED GROWTH |
|--|--------------|-------------|--------------|--------------------|--------------|--------------------|----------------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Net realized gains (losses) on investments | \$ (198,579) | \$ (25,745) | \$ 985,686 | \$ 1,635,976 | \$ (337,615) | \$ 11,509,167 | \$ (123,316) |
| Net realized gains on options and futures | -- | -- | 391,946 | -- | -- | 495,860 | -- |
| Total net realized gains (losses) on investments | \$ (198,579) | \$ (25,745) | \$ 1,377,632 | \$ 1,635,976 | \$ (337,615) | \$ 12,005,027 | \$ (123,316) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |

(e) Federal Income Taxes

Provision has not been made for Federal income taxes since each portfolio has elected to be taxed as a "regulated investment company" and intends to distribute substantially all income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. As of December 31, 1998, the Government Portfolio has capital loss carryforwards of \$1,963,517 and \$151,408 expiring in 2002 and 2005, respectively. It is management's intention to make no distribution of any future realized capital gains until the Federal income tax capital loss carryforwards are exhausted.

Distributions in excess of net realized gains on investments in the PSE Tech 100 Index Portfolio of \$89,874 and \$72,790, for the years ended December 31, 1998 and 1997, are the result of losses on wash sales which are currently recognized for book purposes but are deferred for tax purposes and the reversal of Section 1256 mark to market losses utilized in 1997. This distribution does not represent a tax return of capital.

Distributions in excess of net realized gains on investments in the S&P 100 Plus Portfolio of \$1,281,681 and \$70,840, for the years ended December 31, 1998 and 1997 are as a result of current year Section 1256 mark to market gains and the reversal of Section 1256 mark to market losses utilized in 1997. This distribution does not represent a tax return of capital.

The character of distributions made during the year from net investment income or net realized gains may differ from the characterization for federal income tax purposes due to differences in the recognition of income, expense or gain items for financial statement and tax purposes. Where appropriate, reclassifications between net asset accounts are made for such differences that are permanent in nature. Accordingly, at December 31, 1998, reclassifications were recorded to increase undistributed net investment income by \$2,259, \$8,542 and \$44,272, and decrease capital stock by \$2,259, \$8,542 and \$44,272 in the Tax-Exempt,

Select Value and PSETech 100 Portfolios.

(f) Expenses

Fund expenses associated with a specific portfolio are charged to that portfolio as they are incurred. Common expenses incurred by the Fund are allocated, as incurred, between the portfolios based upon the ratio of the net assets of each portfolio to the combined net assets of the Fund.

(g) Distributions to Shareholders

Dividends to shareholders are recorded on the ex-dividend date.

(h) Deferred Organization Costs

Costs incurred with the organization, initial registration and public offering of shares aggregating \$13,627 for the Select Value Portfolio and \$16,900 for the PSETech 100 Index Portfolio have been paid by the Fund and are being amortized over a five year period.

(i) Use of Estimates

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.

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH RELATED PARTIES --

On May 1, 1999 the Fund assigned the Investment Advisory Agreement from Ziegler Asset Management, Inc. ("ZAMI") to B.C. Ziegler and Company ("BCZ"). Both entities are wholly owned subsidiaries of The Ziegler Companies, Inc. The Fund has Investment Advisory Agreements ("the Agreements") with Ziegler Asset Management, Inc. ("ZAMI"), (with whom certain officers and directors of the Fund are affiliated) to serve as Investment Advisor (the "Advisor"). Pursuant to the Agreement, BCZ manages the Tax-Exempt Portfolio, and Government Portfolio. Under the Agreement, the Tax-Exempt and Government Portfolios pay BCZ a monthly fee based upon the average daily net assets of each portfolio at the rate of .60% of the first \$50,000,000 of each portfolio's average daily net assets, reducing to .50% on the next \$200,000,000 of each portfolio's average daily net assets and .40% of each portfolio's average daily net assets in excess of \$250,000,000.

Pursuant to the Agreement, the S&P 100 Plus Portfolio pays BCZ a monthly fee based upon the S&P 100 Plus average daily net assets at the rate of 0.575% of the first \$20,000,000, .45% of the next \$30,000,000, .40% of the next \$50,000,000, .35% of the next \$400,000,000 and .30% of assets over \$500,000,000.

Pursuant to the Agreement, the Dividend Achievers Portfolio pays BCZ a monthly fee based upon the Dividend Achievers average daily net assets at the rate of .75% of the first \$250,000,000 of average daily net assets, reducing to .70% on the next \$250,000,000 and .65% on the average daily net assets of over \$500,000,000.

Under its Agreement, the PSETech 100 Index Portfolio pays BCZ a monthly fee based upon the PSE Tech 100 average daily net assets at the rate of .50% of the first \$50,000,000 of average daily net assets, .30% of the next \$200,000,000 of average daily net assets, .25% of the next \$250,000,000 of average daily net assets and .20% of average daily net assets in excess of \$500,000,000.

Pursuant to the Agreement, BCZ has retained Skyline Asset Management, Inc. ("Skyline") to manage the Select Value Portfolio. Under the Agreement, the Select Value Portfolio pays BCZ a monthly fee based on the average daily net assets of the Portfolio at the rate of .75% of the first \$250,000,000 of the Portfolio's average daily net assets, and .65% on average daily net assets exceeding \$250,000,000. ZAMI pays Skyline 50% of the fee paid by the Select Value Portfolio.

Pursuant to the Agreement, BCZ has retained Geneva Capital Management ("Geneva") to manage the Managed Growth Portfolio. Under the Agreement, the Managed Growth Portfolio pays BCZ a monthly fee based on the average daily net assets of the Portfolio at the rate of .75% of the first \$250,000,000 of the Portfolio's average daily assets, and .65% on the average daily net assets exceeding \$250,000,000. BCZ pays Geneva 50% of the fee paid by the Managed Growth Portfolio.

The Advisor voluntarily reimbursed the S&P 100 Plus Portfolio \$9,426, the Dividend Achievers Portfolio \$3,994, the Select Value Portfolio \$37,523, the PSE Tech 100 Index Portfolio \$100,896 and the Managed Growth Portfolio \$59,624 in 1999. The Advisor is not obligated to continue the voluntary

reimbursement in the future.

Ziegler has an Accounting and Pricing Agreement with the Fund to perform accounting and pricing services and a Transfer and Dividend Disbursing and Shareholder Services Agency Agreement with the Fund to provide Transfer Agent Services. In addition, each Portfolio pays Ziegler commissions on sales of Portfolio shares. The transfer agent fees, commissions, accounting and pricing fees paid to Ziegler for the period ended June 30, 1999, were as follows for each Portfolio:

<TABLE>

| | TRANSFER AGENT FEES | COMMISSIONS ON PORTFOLIO SHARES | ACCOUNTING AND PRICING FEES | 12B-1 FEES |
|------------------------------|------------------------|------------------------------------|-----------------------------------|---------------|
| <S> | <C> | <C> | <C> | <C> |
| Tax-Exempt Portfolio | \$ 17,351 | \$ 9,746 | \$ 13,066 | \$ 43,999 |
| Government Portfolio | 16,684 | 23,992 | 10,970 | 37,191 |
| S&P100 Plus Portfolio | 51,530 | 538,315 | 28,474 | 158,032 |
| Dividend Achievers Portfolio | 14,422 | 22,641 | 11,743 | 48,164 |
| Select Value Portfolio | 9,122 | 36,328 | 9,500 | 7,794 |
| PSE Tech 100 Index Portfolio | 45,564 | 582,341 | 19,109 | 48,596 |
| Managed Growth Portfolio | 1,317 | 74,324 | 7,918 | 1,333 |
| | ----- | ----- | ----- | ----- |
| TOTAL | \$155,990 | \$1,287,687 | \$100,780 | \$345,109 |
| | ----- | ----- | ----- | ----- |

</TABLE>

During the period ended June 30, 1999, an affiliate of Ziegler received \$5,751, \$1,926, \$4,994 and \$2,707 representing commissions from the purchases and sales of investments of the S&P 100 Plus Portfolio, Dividend Achievers Portfolio, PSE Tech 100 Portfolio and Managed Growth Portfolio, respectively.

3. INVESTMENT TRANSACTIONS --

Purchases and proceeds from sales of securities, excluding short-term investments, for the period ended June 30, 1999 aggregated:

| | PURCHASES | PROCEEDS FROM SALES |
|------------------------------|--------------|---------------------|
| | ----- | ----- |
| Tax-Exempt Portfolio | \$ 7,546,853 | \$11,140,251 |
| Government Portfolio | 3,988,801 | 2,676,036 |
| S&P100 Plus Portfolio | 35,721,377 | 7,472,406 |
| Dividend Achievers Portfolio | 1,547,373 | 1,813,993 |
| Select Value Portfolio | 6,264,346 | 6,786,557 |
| PSE Tech 100 Index Portfolio | 88,091,764 | 28,138,911 |
| Managed Growth Portfolio | 6,278,342 | 544,635 |

Net tax basis unrealized appreciation (depreciation) on investments as of June 30, 1999, included:

<TABLE>

| | TAX-EXEMPT | GOVERNMENT | S&P 100 PLUS | DIVIDEND ACHIEVERS | SELECT VALUE | PSE TECH 100 INDEX | MANAGED GROWTH |
|--|---------------|---------------|-----------------|-----------------------|-----------------|-----------------------|-------------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Gross unrealized appreciation | \$ -- | \$ -- | \$109,231,753 | \$26,821,929 | \$1,772,178 | \$ 43,894,284 | \$ 533,739 |
| Gross unrealized (depreciation) | (2,317,653) | (1,392,744) | (489,946) | (9,308) | (366,480) | (3,138,994) | (157,160) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Net unrealized appreciation (depreciation) | \$(2,317,653) | \$(1,392,744) | \$108,741,807 | \$26,812,621 | \$1,405,698 | \$ 40,755,290 | \$ 376,579 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Tax basis cost of investments | \$50,821,765 | \$39,021,295 | \$114,003,581 | \$18,093,731 | \$9,692,337 | \$114,675,120 | \$5,733,706 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |

</TABLE>

4. LINE OF CREDIT --

The Fund has an available line of credit of \$3,000,000. However, each Portfolio's borrowings, by investment restriction, cannot exceed 10% of the total net assets not including the borrowings. Interest expense incurred in connection with such borrowings was not material during the year. Borrowings under this arrangement bear interest approximating the then current Prime

Rate. All borrowings under this line of credit are guaranteed by Ziegler. Each Portfolio's policies allow borrowings for temporary or emergency purposes.

5. CAPITAL SHARE TRANSACTIONS --

(a) The Fund has authorized capital of 1,000,000,000 shares at \$.001 par value per share. The Fund's shares are divided into nine separate portfolios: Wisconsin Tax-Exempt Portfolio, Government Portfolio, Tax-Exempt Portfolio, S&P 100 Plus Portfolio, Dividend Achievers Portfolio, Select Value Portfolio, PSE Tech 100 Index Portfolio, Managed Growth Portfolio and Cash Reserve Portfolio, consisting of 50,000,000 shares in each of the first eight portfolios and 400,000,000 in the Cash Reserve Portfolio. Each portfolio (other than the Cash Reserve Portfolio) has designated Class A (front-end load) shares. In addition, the S&P 100 Plus, Dividend Achievers, Select Value, PSE Tech 100 Index and Managed Growth Portfolio also have designated Class B (contingent deferred sales charge) shares. The shares of the Cash Reserve Portfolio have been subdivided into 200,000,000 shares of Class X (Retail Shares) and 200,000,000 shares of Class Y (Institutional Shares). The remaining 200,000,000 authorized shares of common stock of the Fund may be allocated to any of the above portfolios or to new portfolios as determined by the Board of Directors. The shares of each portfolio have equal rights and privileges with all other shares of that portfolio.

(b) Capital share activity during the years ended December 31, 1998 and six months ended June 30, 1999, were as follows:

<TABLE>

| | TAX-EXEMPT | GOVERNMENT | S&P 100 PLUS | DIVIDEND ACHIEVERS | SELECT VALUE | PSE TECH 100 INDEX | MANAGED GROWTH |
|---|------------|------------|--------------|--------------------|--------------|--------------------|----------------|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| CLASS A SHARES | | | | | | | |
| ----- | | | | | | | |
| SHARES OUTSTANDING | | | | | | | |
| AT DECEMBER 31, 1997 | 6,330,386 | 4,382,997 | 3,910,233 | 1,574,239 | 704,173 | 2,190,175 | -- |
| Shares issued | 190,850 | 187,980 | 955,644 | 111,801 | 448,577 | 1,719,208 | -- |
| Shares issued in distributions | 290,135 | 159,302 | 102,379 | 100,863 | 124 | 100,656 | -- |
| Shares redeemed | (870,402) | (534,125) | (378,892) | (203,074) | (221,718) | (423,487) | -- |
| ----- | | | | | | | |
| SHARES OUTSTANDING | | | | | | | |
| AT DECEMBER 31, 1998 | 5,940,969 | 4,196,154 | 4,589,364 | 1,583,829 | 931,156 | 3,586,552 | -- |
| Shares issued | 64,487 | 222,184 | 503,160 | 42,409 | 144,973 | 1,581,835 | 529,570 |
| Shares issued in distributions | 71,789 | 84,031 | 7,434 | 474 | -- | 42 | -- |
| Shares redeemed | (508,613) | (257,087) | (201,176) | (121,570) | (174,121) | (205,117) | (5,343) |
| ----- | | | | | | | |
| SHARES OUTSTANDING | | | | | | | |
| AT JUNE 30, 1999 | 5,568,632 | 4,245,282 | 4,898,782 | 1,505,142 | 902,008 | 4,963,312 | 524,227 |
| ----- | | | | | | | |
| CLASS B SHARES | | | | | | | |
| ----- | | | | | | | |
| SHARES OUTSTANDING | | | | | | | |
| AT JULY 27, 1998 (commencement of operations) | | | -- | -- | -- | -- | -- |
| Shares issued | | | 174,934 | 11,323 | 90,380 | 387,176 | -- |
| Shares issued in distributions | | | 3,157 | 822 | -- | 11,012 | -- |
| Shares redeemed | | | (2,698) | -- | (558) | (41,545) | -- |
| ----- | | | | | | | |
| SHARES OUTSTANDING | | | | | | | |
| AT DECEMBER 31, 1998 | | | 175,393 | 12,145 | 89,822 | 356,643 | -- |
| Shares issued | | | 425,832 | 12,857 | 37,599 | 1,066,733 | 102,201 |
| Shares issued in distributions | | | -- | -- | -- | 9 | -- |
| Shares redeemed | | | (10,200) | (1,698) | (21,565) | (72,473) | (1,034) |
| ----- | | | | | | | |
| SHARES OUTSTANDING | | | | | | | |
| AT JUNE 30, 1999 | | | 591,025 | 23,304 | 105,856 | 1,350,912 | 101,167 |
| ----- | | | | | | | |

* Amounts shown for the Managed Growth are from its commencement of operations.

</TABLE>

(c) For the S&P 100 Plus Portfolio, the Dividend Achievers Portfolio, the Select Value Portfolio, the PSE Tech 100 Index Portfolio and the Managed Growth Portfolio, the maximum offering price per Class A Share is computed based on a maximum sales charge of 5.25% of the offering price or 5.54% of the net asset value. For the purpose of this computation, the price per share is derived from multiplying the net asset value and redemption price per share by 100 and then dividing the product by 94.75.

For the Tax-Exempt and Government Portfolios, the maximum offering price

per share is computed based on a maximum sales charge of 3.5% of the offering price or 3.62% of the net asset value. For these portfolios the price per share is derived from multiplying the net asset value and redemption price per share by 100 and then dividing the product by 96.5.

6. FUTURES CONTRACTS WRITTEN --

An analysis of the futures contracts written for the period ended June 30, 1999, in the S&P 100 Plus and PSE Tech 100 Index Portfolios, respectively, were as follows:

| | NUMBER OF CONTRACTS | AGGREGATE FACE VALUE OF CONTRACTS |
|----------------------------------|------------------------|--------------------------------------|
| S&P 100 PLUS PORTFOLIO: | | |
| Outstanding at December 31, 1998 | 7 | \$ 1,826,806 |
| Contracts opened | 17 | 5,628,674 |
| Contracts closed | (19) | (5,792,252) |
| | --- | ----- |
| Outstanding at June 30, 1999 | 5 | \$ 1,663,228 |
| | --- | ----- |

| | NUMBER OF CONTRACTS | AGGREGATE FACE VALUE OF CONTRACTS |
|----------------------------------|------------------------|--------------------------------------|
| PSE TECH 100 INDEX PORTFOLIO: | | |
| Outstanding at December 31, 1998 | 40 | \$ 1,675,695 |
| Contracts opened | 110 | 5,751,380 |
| Contracts closed | (90) | (4,138,295) |
| | --- | ----- |
| Outstanding at June 30, 1999 | 60 | \$ 3,288,780 |
| | --- | ----- |

The number of financial futures contracts and the gross unrealized appreciation, as of June 30, 1999, for each Portfolio were as follows:

| | NUMBER OF CONTRACTS | UNREALIZED APPRECIATION |
|--|------------------------|----------------------------|
| S&P 100 PLUS PORTFOLIO: | | |
| S&P 500 Index Futures Contract expiration date September 1999 | 5 | \$ 63,898 |
| PSE TECH 100 INDEX PORTFOLIO: | | |
| PSE Technology 100 Index Futures Contract expiration date September 1999 | 60 | \$341,220 |

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

TAX-EXEMPT PORTFOLIO

SCHEDULE OF INVESTMENTS
JUNE 30, 1999 (UNAUDITED)

<TABLE>

| PRINCIPAL AMOUNT | DESCRIPTION | S&P RATING | MOODY'S RATING | VALUE |
|--|---|---------------|-------------------|------------|
| <S> | <C> | <C> | <C> | <C> |
| LONG-TERM TAX-EXEMPT SECURITIES -- 99.0% | | | | |
| ALABAMA -- 2.0% | | | | |
| \$1,000,000 | The Board of Trustees of Alabama Agricultural and Mechanical University Revenue Bonds, Series 1998, 5.00%, due 11-01-2016 | AAA | Aaa | \$ 960,000 |
| ARIZONA -- 1.8% | | | | |
| 1,000,000 | Scottsdale Preserve Authority Excise Tax Revenue Bonds, Series 1998, 4.50%, due 7-2-2024 | AAA | Aaa | 877,500 |
| ARKANSAS -- 3.5% | | | | |
| 1,700,000 | City of Conway, Arkansas, Sales and Use Tax Capital Improvement Bonds, Series 1997A, 5.35%, due 12-01-2017 | AAA | NR | 1,714,875 |
| COLORADO -- 2.0% | | | | |
| 1,000,000 | City of Colorado Springs, Colorado, Revenue Bonds (The Colorado College Project) Series 1999, 5.25%, due 06-01-2024 | AA- | Aa3 | 962,500 |
| DISTRICT OF COLUMBIA -- 2.4% | | | | |
| +1,175,000 | District of Columbia Water and Sewer Authority Public Utility Revenue Bonds, 5.50%, due 10-01-2028 | AAA | Aaa | 1,195,563 |
| <F25> | | | | |

| | | | | |
|-----------------------|--|-----|-----|-----------|
| GEORGIA -- 1.9% | | | | |
| 1,000,000 | The Atlanta Development Authority Revenue Bonds, (The Atlanta Recreation Center Project at Georgia State University), Series 1998, 4.750%, due 10-01-2018 | AAA | Aaa | 907,500 |
| ILLINOIS -- 10.7% | | | | |
| 1,000,000 | Public Building Commission of Chicago Building Revenue Bonds, Series A of 1990, (Board of Education of the City of Chicago), 7.00%, due 01-01-2020 | AAA | Aaa | 1,212,500 |
| 1,000,000 | State of Illinois Build Illinois Bonds (Sales Tax Revenue Bonds), Series P, 6.50%, due 06-15-2022 | AAA | Aa2 | 1,127,500 |
| 1,000,000 | Community Unit School District #220 (Barrington) Lake, Cook, Kane and McHenry Counties, Illinois, General Obligation School Bonds, Series 1998, 6.30%, due 12-01-2017 | AAA | Aaa | 1,112,500 |
| 1,800,000 | Metropolitan Pier and Exposition Authority (Illinois) McCormick Place Expansion Project Refunding Bonds, Series 1998A, 5.50%, due 12-15-2023 | AAA | Aaa | 1,811,250 |
| INDIANA -- 7.3% | | | | |
| 1,500,000 | Indiana State Office Building Commission Capitol Complex Revenue Bonds, Series 1990A (Senate Avenue Parking Facility), 7.40%, due 07-01-2015 | AAA | Aaa | 1,839,375 |
| 1,500,000 | The Indianapolis Local Public Improvement Bond Bank, Series 1992D Bonds, 6.750%, due 02-01-2014 | AA | NR | 1,732,500 |
| KANSAS -- 3.5% | | | | |
| 1,800,000 | City of Topeka, Kansas, Water and Water Pollution Control Utility Revenue Bonds, Series 1998B, 5.05%, due 08-01-2018 | NR | Aaa | 1,716,750 |
| LOUISIANA -- 2.0% | | | | |
| 1,000,000 | Parishwide School District of the Parish of Orleans, State of Louisiana, General Obligation School Bonds, Series 1998A, 5.125%, due 09-10-2022 | NR | Aaa | 957,500 |
| MASSACHUSETTS -- 1.9% | | | | |
| 1,000,000 | City of Springfield, Massachusetts, General Obligation State Qualified Municipal Purpose Loan of 1998 Bonds, 5.00%, due 11-15-2018 | AAA | Aaa | 950,000 |
| MICHIGAN -- 9.4% | | | | |
| 2,250,000 | Dexter Community Schools Counties of Washtenaw and Livingston, State of Michigan, 1998 School Building and Site Bonds, (Unlimited Tax General Obligation), 5.10%, due 05-01-2018 | AAA | Aaa | 2,196,562 |
| 1,000,000 | Board of Control of Northern Michigan University, General Revenue Bonds, Series 1997, 5.125%, due 12-01-2020 | AAA | Aaa | 956,250 |
| 1,500,000 | Standish-Sterling Community Schools, State of Michigan, 1998 School Building and Site Bonds, (General Obligation - Unlimited Tax), 5.10%, due 05-01-2018 | AAA | Aaa | 1,445,625 |
| MINNESOTA -- 1.9% | | | | |
| 1,000,000 | Minnesota Public Facilities Authority Water Pollution Control Revenue Bonds, Series 1998A, 4.750%, due 03-01-2019 | AAA | Aaa | 925,000 |
| MISSISSIPPI -- 6.1% | | | | |
| 1,000,000 | Mississippi Business Finance Corporation Revenue Refunding Bonds, Series 1998A, (Millsap College Project), 5.00%, due 11-01-2019 | AAA | Aaa | 940,000 |
| 1,000,000 | Certificates of Participation (East Mississippi Correctional Facility Project), Series 1997, Payments under Lease/Purchase Agreement, 5.0%, due 01-01-2018 | AAA | Aaa | 943,750 |
| 1,130,000 | Mississippi State University Educational Building Corporation Revenue Bonds, Series 1998, 5.25%, due 08-01-2017 | NR | Aaa | 1,120,112 |
| NEVADA -- 1.9% | | | | |
| 1,000,000 | Clark County, Nevada, General Obligation (Limited Tax) Las Vegas Convention and Visitors Authority Refunding Bonds, Series 1998A, 5.00%, due 07-01-2024 | AA- | Aa3 | 945,000 |
| NEW MEXICO -- 2.0% | | | | |
| 1,000,000 | Bernalillo County, New Mexico, Gross Receipts Tax Refunding Revenue Bonds, Series 1998, 5.25%, due 04-01-2027 | AA | Aa3 | 972,500 |
| NEW YORK -- 2.7% | | | | |
| 1,200,000 | County of Monroe, New York General Obligation Bonds Public Improvement Refunding Bonds-1996, Series A, 6.00%, due 03-01-2019 | AA | Aa2 | 1,303,500 |
| OKLAHOMA -- 2.2% | | | | |
| 1,000,000 | Tulsa Industrial Authority Revenue and Refunding Bonds, (The University of Tulsa), Series 1996A, 6.00%, due 10-01-2016 | AAA | Aaa | 1,086,250 |

| | | | | |
|---|--|-----|-----|--------------|
| PENNSYLVANIA -- 6.0% | | | | |
| 1,000,000 | Delaware Valley Regional Finance Authority, (Bucks, Chester, Delaware and Montgomery Counties, Pennsylvania), Local Government Revenue Bonds, 1997 Series B, 5.70%, due 07-01-2027 | AAA | Aaa | 1,048,750 |
| 1,000,000 | Nazareth Area School District, Northampton County, Pennsylvania, General Obligation Bonds Improvement Series of 1998, 5.00%, due 08-15-2017 | AAA | Aaa | 953,750 |
| 1,000,000 | Public Auditorium Authority of Pittsburgh and Allegheny County, Allegheny County, Pennsylvania), Hotel Room Excise Tax Revenue Bonds, Series of 1999, 5.00%, due 02-01-2017 | AAA | Aaa | 948,750 |
| SOUTH CAROLINA -- 1.9% | | | | |
| 1,000,000 | City of Spartanburg, South Carolina, Water System Refunding Revenue Bonds, Series 1997, 5.00%, due 06-01-2019 | AAA | Aaa | 952,500 |
| TENNESSEE -- 5.7% | | | | |
| 1,000,000 | Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee, Utilities Improvement Revenue Bonds, Series 1998, 5.05%, due 09-01-2020 | AAA | Aaa | 951,250 |
| 1,000,000 | Knox County, Tennessee General Obligation Public Improvement Bonds, Series 1998, 4.75%, due 04-10-2018 | AA | Aa2 | 920,000 |
| 1,000,000 | City of Knoxville, Tennessee, Gas System Revenue Refunding and Improvement Bonds, Series H-1998, 5.100%, due 03-01-2024 | AA | Aa3 | 940,000 |
| TEXAS -- 3.7% | | | | |
| 2,000,000 | Austin Independent School District, (Travis County, Texas), Unlimited Tax Refunding Bonds, Series 1998, 5.00%, due 08-01-2016 | AAA | Aaa | 1,920,000 |
| VIRGINIA -- 6.2% | | | | |
| 2,000,000 | Chesapeake Bay Bridge and Tunnel District, General Resolution Revenue Bonds, Refunding Series 1998, 5.50%, due 07-01-2025 | AAA | Aaa | 2,050,000 |
| 1,000,000 | Commonwealth Transportation Board, Commonwealth of Virginia, Revenue Refunding Bonds, Series 1997C, (U.S. Route 58 Corridor Development Program), 5.125%, due 05-15-2019 | AA | Aa2 | 963,750 |
| WASHINGTON -- 3.9% | | | | |
| 2,000,000 | Washington Higher Education Facilities Authority Revenue and Refunding Revenue Bonds (Gonzaga University Project), Series 1998, 5.00%, due 04-01-2017 | AAA | Aaa | 1,897,500 |
| WISCONSIN -- 6.2% | | | | |
| 1,200,000 | Southeast Wisconsin Professional Baseball Park District Sales Tax Revenue Refunding Bonds, Series 1998A, 5.50%, due 12-15-2020 | AAA | Aaa | 1,219,500 |
| 1,000,000 | School District of Waupun, Dodge and Fond du Lac Counties, Wisconsin, General Obligation Refunding Bonds, 4.75%, due 04-01-2018 | NR | Aaa | 915,000 |
| 1,000,000 | Wisconsin State Transportation Revenue Refunding Bonds, Series B, 4.75%, due 07-01-2019 | AAA | Aaa | 910,000 |
| Total Municipal Bonds (Cost \$50,820,765) | | | | 48,503,112 |
| SHORT-TERM TAX-EXEMPT SECURITIES -- 0.0% | | | | |
| MONEY MARKET | | | | |
| \$1,000 | Firststar Tax-Exempt Money Market Fund | | | 1,000 |
| Total Investments | | | | \$48,391,112 |

</TABLE>

*<F24> Non-income producing

+<F25> Segregated as collateral against "when issued" purchase

Percentages shown are a percent of net assets.

The accompanying notes to financial statements are an integral part of this schedule.

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

GOVERNMENT PORTFOLIO

SCHEDULE OF INVESTMENTS
JUNE 30, 1999 (UNAUDITED)

<TABLE>

| PRINCIPAL AMOUNT | DESCRIPTION | INTEREST RATE | MATURITY | MARKET VALUE |
|--|----------------------------|------------------|------------|-----------------|
| <S> | <C> | <C> | <C> | <C> |
| U.S. GOVERNMENT AND AGENCY OBLIGATIONS -- 98.0% | | | | |
| U.S. GOVERNMENT OBLIGATIONS -- 79.6% | | | | |
| \$1,000,000 | U.S. Treasury Note | 5.750% | 11-30-2002 | \$ 1,001,562 |
| 6,000,000 | U.S. Treasury Note | 11.125% | 08-15-2003 | 7,153,122 |
| 5,875,000 | U.S. Treasury Note | 7.875% | 11-15-2004 | 6,416,599 |
| 4,400,000 | U.S. Treasury Bond | 10.750% | 08-15-2005 | 5,472,500 |
| 7,000,000 | U.S. Treasury Note | 6.250% | 02-15-2007 | 7,133,434 |
| 3,000,000 | U.S. Treasury Note | 9.125% | 05-15-2009 | 3,382,500 |
| Total U.S. Government Obligations | | | | 30,559,717 |
| GOVERNMENT NATIONAL MORTGAGE ASSOCIATION POOLS -- 18.4% | | | | |
| 345,890 | Pool #407884 | 7.000% | 09-15-2025 | 342,230 |
| 349,089 | Pool #420853 | 7.000% | 01-15-2026 | 345,395 |
| 558,715 | Pool #422688 | 7.000% | 05-15-2026 | 552,803 |
| 404,759 | Pool #451586 | 7.000% | 08-15-2027 | 400,477 |
| 1,764,487 | Pool #456741 | 7.000% | 03-15-2028 | 1,745,817 |
| 936,533 | Pool #457779 | 7.000% | 07-15-2028 | 926,623 |
| 1,838,749 | Pool #22617 | 7.500% | 07-20-2028 | 1,851,271 |
| 913,888 | Pool #433945 | 7.000% | 08-15-2028 | 904,218 |
| Total Agency Obligations | | | | 7,068,834 |
| Total U.S. Government and Agency Obligations (Cost \$39,021,295) | | | | 37,628,551 |
| SHORT-TERMINVESTMENTS -- 0.4% | | | | |
| MONEY MARKET | | | | |
| \$ 165,000 | Firststar Government Trust | | | 165,000 |
| Total Short-Term Investments | | | | 165,000 |
| Total Investments | | | | \$37,793,551 |

</TABLE>

Percentages shown are a percent of net assets.

The accompanying notes to financial statements are an integral part of this schedule.

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

S&P100 PLUS PORTFOLIO

SCHEDULE OF INVESTMENTS
JUNE 30, 1999 (UNAUDITED)

| | NUMBER OF SHARES OR PAR VALUE | MARKET VALUE |
|---|-------------------------------------|-----------------|
| COMMON STOCKS -- 99.0% | | |
| BASIC INDUSTRIES -- 3.0% | | |
| Alcoa Inc. | 14,500 | \$ 897,188 |
| *<F26> Bethlehem Steel Corporation | 4,600 | 35,362 |
| Boise Cascade Corporation | 1,566 | 67,142 |
| Champion International | 3,000 | 143,625 |
| Dow Chemical Company | 8,250 | 1,046,719 |
| Homestake Mining Company | 9,600 | 78,600 |
| International Paper Company | 15,600 | 787,800 |
| Weyerhaeuser Company | 7,400 | 508,750 |
| DuPont (E.I.) de Nemours and Company | 44,500 | 3,039,906 |
| | | 6,605,092 |
| CONSUMER STAPLES -- 0.4% | | |
| Campbell Soup Company | 17,100 | 793,013 |
| | | 793,013 |
| CONSUMER DURABLES -- 2.1% | | |
| Black & Decker Corporation | 3,000 | 189,375 |
| Brunswick Corporation | 3,100 | 86,412 |
| Ford Motor Company | 47,900 | 2,703,356 |
| General Motors Corporation | 25,700 | 1,696,200 |

| | | | |
|--|---------|------------|------------|
| | | 4,675,343 | |
| ----- | | | |
| CONSUMER NONDURABLES -- 7.4% | | | |
| Avon Products, Inc. | 9,600 | 532,800 | |
| Coca-Cola Company | 91,300 | 5,706,250 | |
| Colgate-Palmolive Company | 12,300 | 1,214,625 | |
| Eastman Kodak Company | 12,100 | 819,775 | |
| Heinz (H.J.) Company | 13,700 | 686,713 | |
| International Flavors & Fragrances Inc. | 3,450 | 153,094 | |
| PepsiCo, Inc. | 59,800 | 2,313,512 | |
| Polaroid Corporation | 1,500 | 41,438 | |
| Procter & Gamble Company | 53,400 | 4,765,950 | |
| Ralston Purina Group | 12,500 | 380,469 | |
| | | | 16,614,626 |
| ----- | | | |
| CONSUMER SERVICE -- 7.5% | | | |
| *<F26> CBS Corporation | 28,000 | 1,216,250 | |
| Walt Disney Company | 75,000 | 2,310,937 | |
| *<F26> Harrah's Entertainment, Inc. | 4,750 | 104,500 | |
| *<F26> Kmart Corporation | 19,000 | 312,313 | |
| Limited (The), Inc. | 8,539 | 387,457 | |
| May Department Stores Company | 13,450 | 549,769 | |
| McDonald's Corporation | 47,200 | 1,949,950 | |
| Sears, Roebuck & Co. | 15,500 | 690,719 | |
| Tandy Corporation | 7,400 | 361,675 | |
| *<F26> Toys "R" Us, Inc. | 9,725 | 201,186 | |
| Wal-Mart Stores, Inc. | 178,900 | 8,631,925 | |
| | | | 16,716,681 |
| ----- | | | |
| CAPITAL GOODS -- 9.5% | | | |
| Allegheny Teledyne Inc. | 7,092 | 160,456 | |
| The Boeing Company | 38,712 | 1,710,587 | |
| Fluor Corporation | 2,700 | 109,350 | |
| General Dynamics Corporation | 4,500 | 308,250 | |
| General Electric Company | 132,300 | 14,949,900 | |
| Minnesota Mining & Manufacturing Company | 15,900 | 1,382,306 | |
| Raytheon Company, Class B Shares | 12,700 | 893,762 | |
| Rockwell International Corporation | 7,000 | 425,250 | |
| United Technologies Corporation | 19,200 | 1,376,400 | |
| | | | 21,316,261 |
| ----- | | | |
| ENERGY -- 6.9% | | | |
| +<F27> Atlantic Richfield Company | 12,700 | 1,061,244 | |
| Baker Hughes Incorporated | 12,360 | 414,060 | |
| Coastal Corporation | 7,700 | 308,000 | |
| Exxon Corporation | 96,900 | 7,473,413 | |
| Halliburton Company | 17,200 | 778,300 | |
| Mobil Corporation | 30,900 | 3,059,100 | |
| Occidental Petroleum Corporation | 13,100 | 276,737 | |
| Schlumberger Limited | 21,700 | 1,382,019 | |
| Williams Companies, Inc. | 17,200 | 732,075 | |
| | | | 15,484,948 |
| ----- | | | |
| FINANCIAL -- 13.3% | | | |
| American International Group, Inc. | 49,396 | 5,782,419 | |
| American Express Company | 17,600 | 2,290,200 | |
| American General Corporation | 9,500 | 716,063 | |
| Bank One Corporation | 47,044 | 2,802,058 | |
| Bank of America Corporation | 69,790 | 5,116,479 | |
| CIGNA Corporation | 8,100 | 720,900 | |
| Citigroup Inc. | 135,625 | 6,442,187 | |
| Hartford Financial Services Group | 8,500 | 495,656 | |
| Merrill Lynch & Co., Inc. | 14,500 | 1,159,094 | |
| U.S. Bankcorp | 29,000 | 986,000 | |
| Wells Fargo Company | 76,500 | 3,270,375 | |
| | | | 29,781,431 |
| ----- | | | |
| HEALTH CARE -- 9.1% | | | |
| Baxter International Inc. | 11,200 | 679,000 | |
| Bristol-Myers Squibb Company | 79,140 | 5,574,424 | |
| Columbia/HCA Healthcare Corporation | 22,400 | 511,000 | |
| Johnson & Johnson | 53,800 | 5,272,400 | |
| Mallinckrodt, Inc. | 2,400 | 87,300 | |
| Merck & Co., Inc. | 95,300 | 7,052,200 | |
| Pharmacia & Upjohn, Inc. | 19,760 | 1,122,615 | |
| | | | 20,298,939 |
| ----- | | | |

| | | |
|---|---------|------------|
| TECHNOLOGY -- 31.8% | | |
| *<F26> Ceridian Corporation | 4,900 | 160,169 |
| *<F26> Cisco Systems, Inc. | 141,450 | 9,123,525 |
| Computer Sciences Corporation | 5,800 | 401,288 |
| *<F26> FDX Corporation | 11,400 | 618,450 |
| Harris Corporation | 2,500 | 97,969 |
| Hewlett-Packard Company | 42,000 | 4,221,000 |
| Honeywell Inc. | 4,600 | 533,025 |
| International Business Machines Corporation | 74,200 | 9,590,350 |
| Intel Corporation | 134,100 | 7,978,950 |
| Lucent Technologies, Inc. | 123,000 | 8,294,812 |
| *<F26> Microsoft Corporation | 212,600 | 19,173,863 |
| Monsanto Company | 24,800 | 978,050 |
| *<F26> National Semiconductor Corporation | 6,000 | 151,875 |
| Nortel Networks Corp. | 33,700 | 2,925,581 |
| *<F26> Oracle Corporation | 58,287 | 2,163,905 |
| Tektronix, Inc. | 1,600 | 48,300 |
| Texas Instruments Inc. | 17,100 | 2,479,500 |
| *<F26> Unisys Corporation | 10,300 | 401,056 |
| Xerox Corporation | 26,782 | 1,581,812 |

70,923,480

| | | |
|--|--------|---------|
| TRANSPORTATION -- 0.6% | | |
| Burlington Northern Santa Fe Corporation | 18,200 | 564,200 |
| Delta Air Lines, Inc. | 5,100 | 293,887 |
| Norfolk Southern Corporation | 14,400 | 433,800 |

1,291,887

| | | |
|---------------------------------------|---------|-----------|
| UTILITIES -- 7.4% | | |
| AT&T Corp. | 136,738 | 7,631,690 |
| American Electric Power Company, Inc. | 6,900 | 259,181 |
| Ameritech Corporation | 43,600 | 3,204,600 |
| Bell Atlantic Corporation | 62,582 | 4,091,298 |
| Entergy Corporation | 9,400 | 293,750 |
| Southern Company | 27,600 | 731,400 |
| Unicom Corporation | 7,900 | 304,644 |

16,516,563

Total Common Stocks
(Cost \$112,340,355) 221,018,264

SHORT-TERM INVESTMENTS -- 0.6%

MONEY MARKET

| | | |
|---|-----------|-----------|
| Firststar Institutional Money Market Fund | 1,351,000 | 1,351,000 |
|---|-----------|-----------|

Total Short-Term Investments 1,351,000

Total Security Holdings \$222,369,264

FUTURES CONTRACTS -- 0.8%

FUTURES

| | | |
|--|---|-----------|
| S&P 500 Index Future expires September, 1999 | 5 | 1,727,125 |
|--|---|-----------|

Total Futures Contracts
(cost \$1,663,227) 1,727,125

*<F26> Non-income producing
+<F27> Segregated as collateral against futures

Percentages shown are a percent of net assets.

The accompanying notes to financial statements are an integral part of this schedule.

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

DIVIDEND ACHIEVERS PORTFOLIO

SCHEDULE OF INVESTMENTS
JUNE 30, 1999 (UNAUDITED)

NUMBER

| | OF SHARES OR PAR VALUE | MARKET VALUE |
|---|---------------------------|-----------------|
| | ----- | ----- |
| COMMON STOCKS -- 96.2% | | |
| CONSUMER DISCRETIONARY -- 1.5% | | |
| Newell Company | 15,500 | \$ 720,750 |
| | | ----- |
| | | 720,750 |
| | | ----- |
| CONSUMER NONDURABLES -- 10.4% | | |
| Gillette Company | 32,000 | 1,312,000 |
| Kimberly-Clark Corporation | 21,600 | 1,231,200 |
| PepsiCo, Inc. | 37,000 | 1,431,438 |
| Sherwin-Williams Company | 31,400 | 871,350 |
| | | ----- |
| | | 4,845,988 |
| | | ----- |
| CONSUMER SERVICE -- 9.9% | | |
| Walt Disney Company | 30,000 | 924,375 |
| McDonald's Corporation | 33,200 | 1,371,575 |
| McGraw-Hill Companies, Inc. | 17,000 | 916,937 |
| Walgreen Company | 48,000 | 1,410,000 |
| | | ----- |
| | | 4,622,887 |
| | | ----- |
| CONSUMER NONCYCLICAL -- 2.3% | | |
| Becton, Dickinson & Company | 36,000 | 1,080,000 |
| | | ----- |
| | | 1,080,000 |
| | | ----- |
| CAPITAL GOODS -- 9.0% | | |
| Avery-Dennison Corporation | 28,400 | 1,714,650 |
| General Electric Company | 18,000 | 2,034,000 |
| Minnesota Mining & Manufacturing Company | 5,000 | 434,688 |
| | | ----- |
| | | 4,183,338 |
| | | ----- |
| ENERGY -- 9.8% | | |
| Mobil Corporation | 14,400 | 1,425,600 |
| Royal Dutch Petroleum Company | 24,000 | 1,446,000 |
| Williams Companies, Inc. | 40,000 | 1,702,500 |
| | | ----- |
| | | 4,574,100 |
| | | ----- |
| FINANCIAL -- 13.6% | | |
| Bank One Corporation | 11,000 | 655,187 |
| Bank of America Corporation | 22,632 | 1,659,209 |
| Federal Home Loan Mortgage Corporation | 16,000 | 928,000 |
| Federal National Mortgage Association | 24,000 | 1,641,000 |
| Jefferson-Pilot Corporation | 22,500 | 1,489,219 |
| | | ----- |
| | | 6,372,615 |
| | | ----- |
| HEALTH CARE -- 10.7% | | |
| Johnson & Johnson | 21,600 | 2,116,800 |
| Merck & Co., Inc. | 24,000 | 1,776,000 |
| Pfizer, Inc. | 10,000 | 1,097,500 |
| | | ----- |
| | | 4,990,300 |
| | | ----- |
| INDUSTRIAL -- 3.5% | | |
| Illinois Tool Works, Inc. | 20,000 | 1,640,000 |
| | | ----- |
| | | 1,640,000 |
| | | ----- |
| TECHNOLOGY -- 18.3% | | |
| Automatic Data Processing, Inc. | 15,600 | 686,400 |
| Hewlett-Packard Company | 20,000 | 2,010,000 |
| Intel Corporation | 32,400 | 1,927,800 |
| Johnson Controls, Inc. | 9,000 | 623,812 |
| Nortel Networks Corp. | 16,000 | 1,389,000 |
| Texas Instruments Inc. | 7,400 | 1,073,000 |
| Xerox Corporation | 14,000 | 826,875 |
| | | ----- |
| | | 8,536,887 |
| | | ----- |
| UTILITIES -- 7.2% | | |
| AT&T Corp. | 9,000 | 502,312 |
| SBC Communications, Inc. | 21,600 | 1,252,800 |

| | | |
|--|-----------|--------------|
| Sprint Corporation | 30,000 | 1,584,375 |
| | | ----- |
| | | 3,339,487 |
| | | ----- |
| Total Common Stocks (Cost \$18,093,731) | | 44,906,352 |
| | | ----- |
| SHORT-TERM DEBT -- 3.7% | | |
| MONEY MARKET | | |
| Firststar Institutional Money Market Fund | 1,726,000 | 1,726,000 |
| | | ----- |
| Total Short-Term Debt. | | 1,726,000 |
| | | ----- |
| Total Investments | | \$46,632,352 |
| | | ----- |
| *<F28> Non-income producing | | |

Percentages shown are a percent of net assets.

The accompanying notes to financial statements are an integral part of this schedule.

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

SELECT VALUE PORTFOLIO

SCHEDULE OF INVESTMENTS
JUNE 30, 1999 (UNAUDITED)

| | NUMBER OF SHARES OR PAR VALUE | MARKET VALUE |
|---|-------------------------------------|-----------------|
| | ----- | ----- |
| COMMON STOCKS -- 94.0% | | |
| AUTOS & TRANSPORTATION -- 5.8% | | |
| *<F29> Covenant Transport, Inc., Class A | 17,200 | \$ 270,900 |
| *<F29> Dura Automotive Systems, Inc. | 7,900 | 262,675 |
| *<F29> Mesaba Holdings, Inc. | 11,800 | 150,450 |
| | | ----- |
| | | 684,025 |
| | | ----- |
| CONSUMERS DISCRETIONARY -- 22.1% | | |
| *<F29> CEC Entertainment, Inc. | 3,400 | 143,650 |
| *<F29> Department 56, Inc. | 6,700 | 180,063 |
| *<F29> Gadzooks, Inc. | 5,500 | 88,000 |
| *<F29> Gildan Activeware, Inc. Class A Subordinate Voting Shares | 14,300 | 241,312 |
| *<F29> Heidrick & Struggles International, Inc. | 12,000 | 228,000 |
| *<F29> Kenneth Cole Productions, Inc. Midas, Inc. | 7,600 | 211,850 |
| | 7,500 | 212,813 |
| *<F29> RemedyTemp, Inc. | 15,900 | 214,650 |
| *<F29> Safety-Kleen Corporation | 19,075 | 345,734 |
| *<F29> United Stationers Warnaco Group, Inc. | 9,600 | 211,200 |
| | 7,500 | 200,625 |
| *<F29> Whitehall Jewellers, Inc. | 4,200 | 112,087 |
| *<F29> World Color Press, Inc. | 8,100 | 222,750 |
| | | ----- |
| | | 2,612,734 |
| | | ----- |
| CONSUMER STAPLES -- 4.8% | | |
| *<F29> Del Monte Foods Company | 18,900 | 316,575 |
| *<F29> International Home Foods, Inc. | 13,200 | 243,375 |
| | | ----- |
| | | 559,950 |
| | | ----- |
| ENERGY -- 2.6% | | |
| *<F29> Newfield Exploration Company | 10,700 | 304,281 |
| | | ----- |
| | | 304,281 |
| | | ----- |
| FINANCIAL -- 17.4% | | |
| ARM Financial Group, Inc. | 7,600 | 64,600 |
| American Capital Strategies, Ltd. | 9,500 | 173,375 |
| CNA Surety Corporation | 8,000 | 122,500 |
| Fremont General Corporation | 5,500 | 103,813 |
| *<F29> Gabelli Asset Management, Inc. | 15,100 | 238,769 |
| HCC Insurance Holdings, Inc. | 7,600 | 172,425 |
| Heller Financial, Inc. | 8,200 | 228,062 |
| Peoples Heritage Financial Group, Inc. | 12,400 | 233,275 |
| Prentiss Properties Trust | 10,400 | 244,400 |

| | | |
|---|---------|--------------|
| Radian Group Inc. | 3,300 | 161,081 |
| Raymond James Financial, Inc. | 7,800 | 186,713 |
| *<F29> StanCorp Financial Group, Inc. | 4,200 | 126,000 |
| | | ----- |
| | | 2,055,013 |
| | | ----- |
| HEALTH CARE -- 8.4% | | |
| Arrow International, Inc. | 7,100 | 183,712 |
| Cooper Companies, Inc. | 8,100 | 201,994 |
| DENTSPLY International, Inc. | 7,500 | 210,000 |
| *<F29> US Oncology, Inc. | 8,600 | 103,200 |
| *<F29> Wesley Jessen VisionCare, Inc. | 9,100 | 294,613 |
| | | ----- |
| | | 993,519 |
| | | ----- |
| MATERIALS & PROCESSING -- 5.3% | | |
| *<F29> Ivex Packaging Corporation | 17,400 | 382,800 |
| Spartech Corporation | 7,700 | 243,513 |
| | | ----- |
| | | 626,313 |
| | | ----- |
| PRODUCER DURABLES -- 8.7% | | |
| Applied Power, Inc. Class A | 8,600 | 234,887 |
| Belden Inc. | 5,200 | 124,475 |
| *<F29> Kellstrom Industries, Inc. | 10,200 | 186,150 |
| Pentair Inc. | 5,800 | 265,350 |
| *<F29> TriStar Aerospace Co. | 26,400 | 217,800 |
| | | ----- |
| | | 1,028,662 |
| | | ----- |
| TECHNOLOGY -- 18.9% | | |
| *<F29> Artesyn Technologies, Inc. | 11,000 | 244,063 |
| *<F29> Black Box Corporation | 4,800 | 240,600 |
| *<F29> CACI International, Inc. | 12,400 | 279,000 |
| CTS Corporation | 3,200 | 224,000 |
| *<F29> DII Group, Inc. | 7,800 | 291,037 |
| *<F29> Keane, Inc. | 5,200 | 117,650 |
| *<F29> Metro Information Services, Inc. | 6,300 | 104,737 |
| National Data Corporation | 4,400 | 188,100 |
| *<F29> SCI Systems, Inc. | 3,600 | 171,000 |
| *<F29> ScanSource, Inc. | 6,600 | 142,725 |
| *<F29> Zebra Technologies Corporation | 6,000 | 230,625 |
| | | ----- |
| | | 2,233,537 |
| | | ----- |
| Total Common Stocks (cost \$9,692,336) | | 11,098,034 |
| | | ----- |
| SHORT-TERM DEBT -- 8.8% | | |
| DEMAND NOTE -- 6.7% | | |
| American Family Financial Services, Inc. Demand Note | 400,000 | 400,000 |
| Pitney Bowes Capital Corporation, Variable Demand Note | 400,000 | 400,000 |
| | | ----- |
| | | 800,000 |
| | | ----- |
| MONEY MARKET -- 2.1% | | |
| Firststar Institutional Money Market Fund | 245,000 | 245,000 |
| | | ----- |
| | | 245,000 |
| | | ----- |
| Total Short-Term Debt | | 1,045,000 |
| | | ----- |
| Total Security Holdings | | \$12,143,034 |
| | | ----- |
| *<F29>Non-income producing | | |

Percentages shown are a percent of net assets.

The accompanying notes to financial statements are an integral part of this schedule.

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

PSE TECH 100 INDEX PORTFOLIO

SCHEDULE OF INVESTMENTS
JUNE 30, 1999 (UNAUDITED)

NUMBER
OF SHARES MARKET

| | OR PAR VALUE | VALUE |
|--|--------------|--------------|
| | ----- | ----- |
| COMMON STOCKS -- 98.1% | | |
| BIOTECHNOLOGY --6.9% | | |
| *<F30> Amgen, Inc. | 29,700 | \$ 1,807,988 |
| *<F30> Biogen, Inc. | 29,700 | 1,910,081 |
| *<F30> Centocor, Inc. | 29,700 | 1,384,762 |
| *<F30> Chiron Corporation | 29,700 | 616,275 |
| *<F30> Immunex Corporation | 29,700 | 3,784,894 |
| Monsanto Company | 29,700 | 1,171,294 |
| | | ----- |
| | | 10,675,294 |
| | | ----- |
| CAD/CAM -- 2.3% | | |
| Autodesk, Inc. | 29,700 | 878,006 |
| *<F30> Evans & Sutherland Computer Corporation | 29,700 | 387,956 |
| *<F30> Intergraph Corporation | 29,700 | 230,175 |
| *<F30> Mentor Graphics Corporation | 29,700 | 380,531 |
| *<F30> Synopsys, Inc. | 29,700 | 1,639,069 |
| | | ----- |
| | | 3,515,737 |
| | | ----- |
| DATA COMMUNICATIONS -- 12.7% | | |
| *<F30> 3Com Corporation | 29,700 | 792,619 |
| *<F30> Adaptec, Inc. | 29,700 | 1,048,781 |
| *<F30> ADC Telecommunications, Inc. | 29,700 | 1,353,206 |
| *<F30> Cabletron Systems, Inc. | 29,700 | 386,100 |
| *<F30> Cisco Systems, Inc. | 29,700 | 1,915,650 |
| Lucent Technologies | 29,700 | 2,002,894 |
| *<F30> Newbridge Networks Corporation | 29,700 | 853,875 |
| Nortel Networks Corporation | 29,700 | 2,578,331 |
| *<F30> QUALCOMM Inc. | 29,700 | 4,261,950 |
| Scientific - Atlanta, Inc. | 29,700 | 1,069,200 |
| *<F30> Standard Microsystems Corporation | 29,700 | 224,606 |
| Symbol Technologies, Inc. | 29,700 | 1,095,188 |
| *<F30> Tellabs, Inc. | 29,700 | 2,006,606 |
| | | ----- |
| | | 19,589,006 |
| | | ----- |
| DATA STORAGE AND PROCESSING -- 1.4% | | |
| *<F30> Quantum Corporation | 29,700 | 716,512 |
| *<F30> Seagate Technology, Inc. | 29,700 | 761,063 |
| *<F30> Storage Technology Corporation | 29,700 | 675,675 |
| | | ----- |
| | | 2,153,250 |
| | | ----- |
| ELECTRONIC EQUIPMENT -- 5.4% | | |
| Linear Technologies | 29,700 | 1,997,325 |
| *<F30> Maxim Integrated Products, Inc. | 29,700 | 1,975,050 |
| *<F30> Sensormatic Electronics Corporation | 29,700 | 413,944 |
| *<F30> Soletron Corporation | 29,700 | 1,980,619 |
| *<F30> Vitesse Semiconductors | 29,700 | 2,002,894 |
| | | ----- |
| | | 8,369,832 |
| | | ----- |
| INFORMATION PROCESSING -- 12.7% | | |
| *<F30> America Online, Inc. | 29,700 | 3,281,850 |
| Automatic Data Processing, Inc. | 29,700 | 1,306,800 |
| *<F30> Ceridian Corporation | 29,700 | 970,819 |
| *<F30> Computer Sciences Corporation | 29,700 | 2,054,869 |
| Comsat Corporation | 29,700 | 965,250 |
| *<F30> DST System, Inc. | 29,700 | 1,867,387 |
| Electronic Data Systems | 29,700 | 1,679,906 |
| First Data Corporation | 29,700 | 1,453,444 |
| *<F30> SunGard Data Systems, Inc. | 29,700 | 1,024,650 |
| *<F30> Yahoo!, Inc. | 29,700 | 5,115,825 |
| | | ----- |
| | | 19,720,800 |
| | | ----- |
| LARGE DIVERSIFIED COMPUTER MANUFACTURING -- 3.2% | | |
| +<F31> International Business Machines Corporation | 29,700 | 3,838,725 |
| *<F30> Unisys Corporation | 29,700 | 1,156,444 |
| | | ----- |
| | | 4,995,169 |
| | | ----- |
| MEDICAL TECHNOLOGY -- 9.8% | | |
| *<F30> Acuson Corporation | 29,700 | 510,469 |
| Biomet, Inc. | 29,700 | 1,180,575 |

| | | |
|--|--------|------------|
| *<F30> Boston Scientific Corporation | 29,700 | 1,304,944 |
| *<F30> Coherent, Inc. | 29,700 | 553,163 |
| *<F30> Genzyme Corporation | 29,700 | 1,440,450 |
| Medtronic, Inc. | 29,700 | 2,312,887 |
| Shared Medical Systems Corporation | 29,700 | 1,937,925 |
| *<F30> St. Jude Medical, Inc. | 29,700 | 1,058,063 |
| *<F30> Uniphase Corporation | 29,700 | 4,930,200 |
| | | ----- |
| | | 15,228,676 |
| | | ----- |
| MICRO COMPUTER MANUFACTURERS -- 5.0% | | |
| *<F30> Apple Computer, Inc. | 29,700 | 1,375,481 |
| Compaq Computer Corporation | 29,700 | 703,519 |
| *<F30> Data General Corporation | 29,700 | 432,506 |
| *<F30> Dell Computer Corporation | 29,700 | 1,098,900 |
| *<F30> Gateway, Inc. | 29,700 | 1,752,300 |
| *<F30> Micron Electronics, Inc. | 29,700 | 298,856 |
| *<F30> Sun Microsystems, Inc. | 29,700 | 2,045,587 |
| | | ----- |
| | | 7,707,149 |
| | | ----- |
| MINI AND MAINFRAME COMPUTER MANUFACTURERS -- 3.3% | | |
| *<F30> EMC Corporation | 29,700 | 1,633,500 |
| Hewlett-Packard Company | 29,700 | 2,984,850 |
| *<F30> Silicon Graphics, Inc. | 29,700 | 486,338 |
| | | ----- |
| | | 5,104,688 |
| | | ----- |
| OFFICE AUTOMATION EQUIPMENT -- 1.9% | | |
| Harris Corporation | 29,700 | 1,163,869 |
| Xerox Corporation | 29,700 | 1,754,156 |
| | | ----- |
| | | 2,918,025 |
| | | ----- |
| SEMICONDUCTOR CAPITAL EQUIPMENT MANUFACTURERS -- 6.3% | | |
| *<F30> Analog Devices, Inc. | 29,700 | 1,490,569 |
| *<F30> Applied Materials, Inc. | 29,700 | 2,194,087 |
| *<F30> KLA Instruments Corporation | 29,700 | 1,926,788 |
| *<F30> Kulicke & Soffa Industries, Inc. | 29,700 | 796,331 |
| *<F30> Lam Research Corporation | 29,700 | 1,386,619 |
| *<F30> Novellus Systems, Inc. | 29,700 | 2,027,025 |
| | | ----- |
| | | 9,821,419 |
| | | ----- |
| SEMICONDUCTOR MANUFACTURERS -- 8.8% | | |
| *<F30> Advanced Micro Devices, Inc. | 29,700 | 536,456 |
| *<F30> Cypress Semiconductor Corporation | 29,700 | 490,050 |
| Intel Corporation | 29,700 | 1,767,150 |
| *<F30> Micron Technology, Inc. | 29,700 | 1,197,281 |
| Motorola, Inc. | 29,700 | 2,814,075 |
| *<F30> National Semiconductor Corporation | 29,700 | 751,781 |
| Texas Instruments Inc. | 29,700 | 4,306,500 |
| *<F30> Xilinx, Inc. | 29,700 | 1,700,325 |
| | | ----- |
| | | 13,563,618 |
| | | ----- |
| SOFTWARE PRODUCTS -- 10.9% | | |
| Adobe Systems, Inc. | 29,700 | 2,440,039 |
| *<F30> BMC Software, Inc. | 29,700 | 1,603,800 |
| *<F30> Cadence Design Systems, Inc. | 29,700 | 378,675 |
| Computer Associates International, Inc. | 29,700 | 1,633,500 |
| *<F30> Compuware Corp. | 29,700 | 944,831 |
| *<F30> Informix Corporation | 29,700 | 253,377 |
| *<F30> Microsoft Corporation | 29,700 | 2,678,569 |
| *<F30> Network Associates | 29,700 | 436,219 |
| *<F30> Novell, Inc. | 29,700 | 787,050 |
| *<F30> Oracle Corporation | 29,700 | 1,102,612 |
| *<F30> PeopleSoft, Inc. | 29,700 | 512,325 |
| SAP AG | 29,700 | 1,028,363 |
| *<F30> Siebel Systems, Inc. | 29,700 | 1,971,337 |
| *<F30> Sybase, Inc. | 29,700 | 326,700 |
| *<F30> Symantec Corporation | 29,700 | 757,350 |
| | | ----- |
| | | 16,854,747 |
| | | ----- |
| TEST, ANALYSIS, AND INSTRUMENTATION EQUIPMENT -- 7.5% | | |
| Honeywell Inc. | 29,700 | 3,441,488 |
| Millipore Corporation | 29,700 | 1,204,706 |
| PE Biosystems Group | 29,700 | 3,408,075 |
| Tektronix, Inc. | 29,700 | 896,569 |

| | | |
|---|-----------|---------------|
| *<F30> Teradyne, Inc. | 29,700 | 2,130,975 |
| *<F30> Thermo Instrument Systems, Inc. | 29,700 | 501,187 |
| | | ----- |
| | | 11,583,000 |
| | | ----- |
| Total Common Stocks (Cost \$111,386,340) | | 151,800,410 |
| | | ----- |
| SHORT-TERM INVESTMENTS -- 2.2% | | |
| MONEY MARKET | | |
| Firststar Institutional Money Market Fund | 3,460,000 | 3,460,000 |
| | | ----- |
| Total Short-Term Investments | | 3,460,000 |
| | | ----- |
| TOTAL INVESTMENTS | | \$155,260,410 |
| | | ----- |
| FUTURES CONTRACTS -- 2.3% | | |
| FUTURES | | |
| PSE Technology 100 Index, expiring September, 1999 | 60 | 3,630,000 |
| | | ----- |
| Total Futures Contracts (Cost \$3,288,780) | | 3,630,000 |
| | | ----- |

*<F30> Non-income producing

+<F31> Segregated as collateral against futures

Percentages shown are a percent of net assets.

The accompanying notes to financial statements are an integral part of this schedule.

PRINCIPAL PRESERVATION PORTFOLIOS, INC.

MANAGED GROWTH PORTFOLIO

SCHEDULE OF INVESTMENTS
JUNE 30, 1999 (UNAUDITED)

| | NUMBER OF SHARES | MARKET VALUE |
|----------------------------------|---------------------|-----------------|
| | ----- | ----- |
| COMMON STOCKS -- 96.6% | | |
| BASIC INDUSTRIES --4.9% | | |
| Cintas Corporation | 1,860 | \$ 124,969 |
| *<F32> Dionex Corporation | 3,010 | 121,905 |
| Ingersoll-Rand Company | 1,000 | 64,625 |
| | | ----- |
| | | 311,499 |
| | | ----- |
| CONSUMERS DISCRETIONARY -- 2.5% | | |
| Newell Rubbermaid, Inc. | 3,475 | 161,588 |
| | | ----- |
| | | 161,588 |
| | | ----- |
| CONSUMER DURABLES -- 5.0% | | |
| Harley-Davidson, Inc. | 2,850 | 154,969 |
| Regal-Beloit Corporation | 2,810 | 66,386 |
| Snap-on Incorporated | 2,570 | 93,002 |
| | | ----- |
| | | 314,357 |
| | | ----- |
| CONSUMER NONDURABLES -- 2.2% | | |
| Valspar Corporation | 3,700 | 140,600 |
| | | ----- |
| | | 140,600 |
| | | ----- |
| CONSUMER SERVICE -- 30.5% | | |
| Central Parking Corporation | 3,020 | 103,435 |
| Ecolab Inc. | 3,630 | 158,359 |
| Fastenal Company | 2,970 | 155,739 |
| Hannaford Bros. Co. | 1,000 | 53,500 |
| The Home Depot, Inc. | 2,640 | 170,115 |
| *<F32> Interim Services Inc. | 5,515 | 113,747 |
| *<F32> Kohl's Corporation | 2,590 | 199,916 |
| *<F32> O'Reilly Automotive, Inc. | 3,850 | 193,944 |
| Omnicom Group Inc. | 2,410 | 192,800 |

| | | |
|--|---------|-------------|
| Paychex, Inc. | 3,825 | 121,922 |
| *<F32> Staples, Inc. | 4,510 | 139,528 |
| *<F32> Starbucks Corporation | 4,890 | 183,680 |
| Walgreen Co. | 4,800 | 141,000 |
| | | ----- |
| | | 1,927,685 |
| | | ----- |
| EDUCATION -- 1.0% | | |
| *<F32> DeVry, Inc. | 2,700 | 60,412 |
| | | ----- |
| | | 60,412 |
| | | ----- |
| FINANCIAL -- 9.9% | | |
| *<F32> Concord EFS, Inc. | 4,540 | 192,099 |
| Fifth Third Bancorp | 2,330 | 155,091 |
| MBIA, Inc. | 1,760 | 113,960 |
| Marshall & Ilsley Corporation | 2,540 | 163,512 |
| | | ----- |
| | | 624,662 |
| | | ----- |
| HEALTH CARE -- 4.5% | | |
| Cardinal Health, Inc. | 2,150 | 137,869 |
| *<F32> Patterson Dental Company | 4,320 | 150,120 |
| | | ----- |
| | | 287,989 |
| | | ----- |
| PRODUCER DURABLES -- 1.5% | | |
| Kaydon Corporation | 2,860 | 96,167 |
| | | ----- |
| | | 96,167 |
| | | ----- |
| TECHNOLOGY -- 29.3% | | |
| *<F32> Acxiom Corporation | 5,740 | 143,141 |
| *<F32> Biogen, Inc. | 2,890 | 185,863 |
| *<F32> Cisco Systems, Inc. | 2,640 | 170,280 |
| *<F32> Citrix Systems, Inc. | 3,100 | 175,150 |
| *<F32> Comverse Technology, Inc. | 2,645 | 199,698 |
| *<F32> Electronic Arts Inc. | 1,900 | 103,075 |
| *<F32> Fiserv, Inc. | 4,840 | 151,552 |
| Intel Corporation | 2,200 | 130,900 |
| *<F32> Keane, Inc. | 2,460 | 55,658 |
| *<F32> Legato Systems, Inc. | 2,257 | 130,342 |
| *<F32> Metro Information Services, Inc. | 3,332 | 55,394 |
| *<F32> Microsoft Corporation | 1,510 | 136,183 |
| *<F32> SunGard Data Systems, Inc. | 4,190 | 144,555 |
| *<F32> Zebra Technologies Corporation | 1,800 | 69,188 |
| | | ----- |
| | | 1,850,979 |
| | | ----- |
| TRANSPORTATION -- 5.3% | | |
| *<F32> Knight Transportation, Inc. | 5,180 | 110,722 |
| *<F32> Midwest Express Holdings, Inc. | 2,000 | 68,000 |
| Southwest Airlines Co. | 5,000 | 155,625 |
| | | ----- |
| | | 334,347 |
| | | ----- |
| Total Common Stocks (Cost \$5,733,706) | | 6,110,285 |
| | | ----- |
| SHORT-TERM DEBT -- 1.7% | | |
| MONEY MARKET | | |
| Firststar Institutional Money Market Fund | 108,000 | 108,000 |
| | | ----- |
| | | 108,000 |
| | | ----- |
| Total Short-Term Debt | | 108,000 |
| | | ----- |
| Total Investments | | \$6,218,285 |
| | | ----- |
| | | ----- |
| *<F32> Non-income producing | | |

Percentages shown are a percent of net assets.

The accompanying notes to financial statements are an integral part of this schedule.

PRINCIPAL PRESERVATION PORTFOLIOS, INC.
215 North Main Street
West Bend, Wisconsin 53095

OFFICERS AND DIRECTORS
Richard H. Aster, M.D., Director

Augustine J. English, Director
Ralph J. Eckert, Director
Richard J. Glaisner, Director
Robert J. Tuszynski, President, Director
Frank Ciano, Chief Financial Officer and Treasurer
James Brendemuehl, Senior Vice President of Sales
John Lauderdale, Senior Vice President of Marketing
Kathleen Cain, Secretary

INVESTMENT ADVISORS

B.C. Ziegler and Company
215 North Main Street
West Bend, Wisconsin 53095

Ziegler Asset Management, Inc.
(Sub-Advisor to S&P 100 Plus, Dividend Achievers and
PSE Tech 100 Index Portfolios)
215 North Main Street
West Bend, Wisconsin 53095

Skyline Asset Management, L.P.
(Sub-Advisor to Select Value Portfolio)
311 South Wacker Drive, Suite 4500
Chicago, Illinois 60606

Geneva Capital Management, Ltd.
(Sub-Advisor to Managed Growth Portfolio)
250 East Wisconsin Avenue
Suite 1050
Milwaukee, Wisconsin 53202

DISTRIBUTOR, TRANSFER AND DIVIDEND
DISBURSING AGENT, ACCOUNTING/PRICING AGENT

B.C. Ziegler and Company
215 North Main Street
West Bend, Wisconsin 53095

CUSTODIAN

Firststar Bank Milwaukee, N.A.
615 East Michigan Street
Milwaukee, Wisconsin 53202

COUNSEL

Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

AUDITOR

Arthur Andersen LLP
100 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

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PP 344-8/99