

Principal®

信安

信安資金管理(亞洲)有限公司

Principal Asset Management Company (Asia) Limited

Principal Prosperity Series

**Annual Audited Report
For The Year Ended 30 June 2011**

CONTENTS

	<i>Page(s)</i>
Manager's report	3
Independent auditors' report	4
Statement of comprehensive income	5
Statement of assets and liabilities	6
Statement of changes in equity	7
Cash flow statement	8
Notes to the financial statements	9-20
Report of the Trustee	21
Investment portfolio	22-26
Statement of movements in portfolio holdings	27
Performance table	28
Investment objective and policy	29

ADMINISTRATION

Manager

Principal Asset Management Company
(Asia) Limited
Units 1001 - 1003, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Manager's responsibility delegated to:

Principal Global Investors, LLC
801 Grand Avenue
Des Moines
Iowa 50392-0339
USA

Trustee and Registrar

Principal Trust Company (Asia) Limited
Units 1001 - 1003, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Directors of Principal Asset Management Company (Asia) Limited

Norman RJ Sorensen Valdez
Binay Chandgothia
Sinn Pak Ming, Ringo
Nora Mary Everett
Yuen Sze Fun, Keith (appointed on 16 July 2010)

Auditors

KPMG
P.O. Box 493
Century Yard, Cricket Square
Grand Cayman KY1-1106
Cayman Islands

Legal Advisors to the Manager

(Hong Kong Law)
Baker & McKenzie
23rd Floor, One Pacific Place
88 Queensway
Hong Kong

(Cayman Islands Law)
Maples and Calder Asia
53rd Floor, The Center
99 Queen's Road
Central, Hong Kong

MANAGER'S REPORT

Principal Asia Pacific High Dividend Equity Fund (“the Fund”)

Market Review

The Asia Pacific equity markets posted positive returns in the past year with the MSCI All Country Asia Pacific ex Japan Index gaining 29.83%. During the period, the best-performing sectors were materials, consumer discretionary and industrials. From a country perspective, stocks in New Zealand, Thailand and South Korea performed the best during the period.

Fund Performance

The Fund outperformed the index for the past year. The Fund's dividend yield was 2.84% compared to 2.52% for the index in this time frame. Stock selection in the consumer discretionary, materials and consumer staples sectors contributed positively to the Fund's performance for the period, while the stock selection in the industrials, health care and telecommunication services sectors lagged relatively to performance the most.

The top three contributors in the past year were Iluka Resources Ltd., Hanwha Chemical Corp. and Charoen Pokphand Indonesia. Iluka engages in exploration, mining, concentration and separation of mineral sands, production of ilmenite, rutile, synthetic rutile and other titaniferous concentrates and zircon, and sales of these products globally.

The three top detractors for the past year were Xtep International Holdings, Bank Central Asia and Unimicron Technology Corp. The top detractor was Xtep which is engaged in the design, development, manufacture and marketing of sportswear.

Strategy and Outlook

Overall market outlook in Asia Pacific region remains positive. We expect inflations across the region to be moderating during the second half, and corporate earnings to remain strong and upward trend. The portfolio continues to overweight stocks with improving business fundamentals, rising investor expectations, attractive relative valuations and attractive dividend yield. We minimize market, sector and industry exposures relative to the index in order to isolate superior stock selection as the primary sources of outperformance.

Principal Asset Management Company (Asia) Limited

20 July 2011

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF PRINCIPAL PROSPERITY SERIES ("THE TRUST")

Report on the financial statements

We have audited the financial statements of the Trust set out on pages 5 to 20, which comprise the statement of assets and liabilities as at 30 June 2011, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's and Trustee's responsibility for the financial statements

The Manager and the Trustee are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Manager and the Trustee also have a responsibility to ensure that the financial statements comply with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements set out in Appendix E to the Code on Unit Trusts and Mutual Funds ("the Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Trust as at 30 June 2011 and of its transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on disclosure requirements under the Code

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements set out in the Code.



14 October 2011

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

(Expressed in United States dollar)

Principal Asia Pacific High Dividend Equity Fund	<i>Note</i>	<i>2011</i>	<i>2010</i>
Income			
Dividend income		\$ 4,624,698	\$ 3,836,776
Interest income		396	600
		\$ 4,625,094	\$ 3,837,376
Expenses			
Manager's fee	5(a)	\$ 1,647,939	\$ 1,591,032
Trustee's fee	5(b)	112,168	108,916
Valuation fee	5(b)	12,450	12,450
Registrar fee	5(b)	2,000	2,000
Auditors' remuneration		20,966	18,646
Bank charges and safe custody fees		40,815	36,721
Transaction fees		585,947	222,130
Legal and professional fees		10,083	7,331
Miscellaneous expenses		19,801	28,614
		\$ 2,452,169	\$ 2,027,840
Income before gain on investments		\$ 2,172,925	\$ 1,809,536
Gain/(loss) on investments			
Net realised gain on sale of investments		\$ 25,356,095	\$ 8,184,433
Net change in unrealised gain on investments		7,549,420	9,112,741
Net foreign exchange loss		(70,105)	(64,788)
		\$ 32,835,410	\$ 17,232,386
Profit for the year before taxation		\$ 35,008,335	\$ 19,041,922
Taxation	6	(686,116)	(655,359)
Profit and total comprehensive income for the year before finance costs		\$ 34,322,219	\$ 18,386,563
Finance costs			
Distributions to unitholders	7	(3,636,521)	(3,103,915)
Profit and total comprehensive income for the year		\$ 30,685,698	\$ 15,282,648


The notes on pages 9 to 20 form part of these financial statements.

STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2011

(Expressed in United States dollar)

Principal Asia Pacific High Dividend Equity Fund	<i>Note</i>	<i>2011</i>	<i>2010</i>
Assets			
Equity investments		\$ 105,941,560	\$106,930,597
Interest, dividend and other receivables		813,129	527,574
Amounts receivable from brokers		3,541,542	-
Amounts receivable on subscription of units		69,628	408,339
Cash and cash equivalents	4	2,356,253	2,514,312
Total assets		\$ 112,722,112	\$110,380,822
Liabilities			
Amounts payable on redemption of units		\$ 149,414	\$ 62,703
Amounts payable to brokers		2,999,717	647,976
Distributions payable		2,124,842	1,704,299
Accrued expenses and other payables	5(a), 5(b)	92,446	77,056
Total liabilities		\$ 5,366,419	\$ 2,492,034
Total equity		\$ 107,355,693	\$107,888,788
Total number of units in issue	8	3,863,349.56	5,012,644.84
Net asset value per unit		\$ 27.79	\$ 21.52

Approved and authorised for issue by the Trustee and the Manager on 14 October 2011




) For and on behalf of

) Principal Trust Company

) (Asia) Limited

)



) For and on behalf of

) Principal Asset Management

) Company (Asia) Limited

)

The notes on pages 9 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

(Expressed in United States dollar)

Principal Asia Pacific High Dividend Equity Fund

	<i>Note</i>	<i>2011</i>	<i>2010</i>
Balance at the beginning of the year		\$ 107,888,788	\$ 93,352,613
Issue of 317,605.02 units (30 June 2010: 657,972.50 units)	8	8,274,790	14,850,186
Redemption of 1,466,900.30 units (30 June 2010: 693,618.98 units)	8	(39,493,583)	(15,596,659)
		\$ 76,669,995	\$ 92,606,140
Profit and total comprehensive income for the year		30,685,698	15,282,648
Balance at the end of the year		\$ 107,355,693	\$ 107,888,788

The notes on pages 9 to 20 form part of these financial statements.

CASH FLOW STATEMENT
for the year ended 30 June 2011
(Expressed in United States dollar)

Principal Asia Pacific High Dividend Equity Fund	<i>Note</i>	<i>2011</i>	<i>2010</i>
Operating activities			
Dividends received		\$ 4,297,925	\$ 3,730,083
Withholding tax paid		(438,444)	(630,088)
Capital gain tax paid		(195,831)	-
Interest received		396	600
Operating expenses paid		(2,517,507)	(2,082,069)
Net cash flows from operating activities		\$ 1,146,539	\$ 1,018,526
Investing activities			
Proceeds from sale of investments		\$ 127,537,988	\$ 55,701,914
Payments on purchase of investments		(94,833,237)	(52,388,301)
Net cash flows from investing activities		\$ 32,704,751	\$ 3,313,613
Financing activities			
Proceeds from issue of units		\$ 8,613,501	\$ 14,601,650
Payments on redemption of units		(39,406,872)	(15,605,787)
Payments on distributions		(3,215,978)	(2,762,655)
Net cash used in financing activities		\$ (34,009,349)	\$ (3,766,792)
Net (decrease)/increase in cash and cash equivalents		\$ (158,059)	\$ 565,347
Cash and cash equivalents at beginning of year		2,514,312	1,948,965
Cash and cash equivalents at end of year	4	\$ 2,356,253	\$ 2,514,312

The notes on pages 9 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollar)

1 BACKGROUND

Principal Prosperity Series (“the Trust”) is an open-ended umbrella unit trust established under the laws of the Cayman Islands by a trust deed dated 24 October 2002, as amended. The Trust is an umbrella fund which currently consists of one sub-fund, namely Principal Asia Pacific High Dividend Equity Fund (“the Fund”). The Trust registered under the Mutual Funds Law of the Cayman Islands on 30 October 2002.

The Fund is authorised by the Hong Kong Securities and Futures Commission under section 104 of the Hong Kong Securities and Futures Ordinance.

The primary investment objective of the Fund is to provide investors with high current income through investing in a diversified portfolio of listed securities in the Asia Pacific region. The Fund will also seek to achieve capital appreciation with relatively moderate to high volatility commensurate with investing in equities.

The Trust does not have any externally imposed capital requirements.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant provisions of the Trust Deed, as amended, and the relevant provisions of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (“the Code”). A summary of the significant accounting policies adopted by the Fund is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. There were no changes in the accounting policies of the Fund during the year resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

The Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 13).

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost basis except that investments are stated at their fair value as explained in the accounting policies set out below.

The functional and presentation currency of the Fund is the United States dollar reflecting the fact that the units of the Fund are issued and redeemed in United States dollar.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments

(i) Classification

All investments are designated at fair value through profit or loss upon initial recognition as all investments are managed and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy, and the information provided internally to the relevant parties of the Fund is on a fair value basis.

Financial assets that are classified as loans and receivables include amounts receivable from brokers, amounts receivable on subscription of units, interest, dividend and other receivables.

Financial liabilities that are not at fair value through profit or loss include amounts payable on redemption of units, amounts payable to brokers, distributions payable, accrued expenses and other payables.

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date they become a party to the contractual provisions of the instruments.

Purchases of financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKAS 39.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs of financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in fair value recognised in the statement of comprehensive income.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the year end date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices while financial liabilities are priced at current asking prices.

Realised and unrealised gains and losses are included in the statement of comprehensive income. Realised gains or losses include net gains or losses on contracts which have been settled or for which offsetting contracts have been entered into.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in fair value of financial instruments are recognised in the statement of comprehensive income.

(vi) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or they transfer the financial asset and the transfer qualifies for derecognition in accordance with HKAS 39.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Financial instruments (continued)

(vi) Derecognition (continued)

Investments that are sold are derecognised and corresponding receivables from the brokers are recognised as of the date the Fund commits to sell the investments.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(e) Income recognition

Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

Dividend income from equity investments is recognised in the statement of comprehensive income on the ex-dividend date.

Interest income is recognised as it accrues using the effective interest rate method.

(f) Translation of foreign currencies

Foreign currency transactions during the year are translated into United States dollar at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into United States dollar at the closing exchange rates ruling at the year end date. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in fair value. Foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss are dealt with in the statement of comprehensive income.

(g) Related parties

For the purposes of these financial statements, a party is considered to be related to the Fund if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Fund or exercise significant influence over the Fund in making financial and operating policy decisions, or has joint control over the Fund;
- (ii) the Fund and the party are subject to common control;
- (iii) the party is an associate of the Fund;
- (iv) the party is a member of key management personnel of the Fund or the Fund's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Units in issue

The Fund classifies financial instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

A puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial assets is classified as equity instruments if it has all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's redeemable units meet these conditions and are classified as equity.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognised directly in equity as a deduction from the proceeds or part of the acquisition cost.

Repurchase of redeemable units

When redeemable units recognised as equity are redeemed, the amount paid on the redemption of the units is presented as a deduction from total equity.

(i) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Manager.

3 INCOME TAX

There are no taxes on income or gains in the Cayman Islands and the Trust has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from all local income, profits and capital taxes for a period of 50 years. Accordingly, no provision for income taxes is included in these financial statements.

No provision for Hong Kong profits tax has been made in the financial statements as the income of the Trust is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Dividend income, interest and any capital gains received by the Trust may be subject to non-recoverable withholding tax in the countries of origin.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

4 CASH AND CASH EQUIVALENTS

	<i>2011</i>	<i>2010</i>
Current deposits with banks	\$ 2,356,253	\$ 2,514,312

5 RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions during the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms:

(a) Manager

The Fund is managed by Principal Asset Management Company (Asia) Limited since 1 November 2007 which received a monthly Manager's fee equivalent to 1.4% per annum of the net asset value ("NAV") of the Fund. It is a company incorporated in Hong Kong and is a subsidiary of the Principal Financial Group, Inc.

The Manager's fee for the year amounted to \$1,647,939 (30 June 2010: \$1,591,032). The Manager's fee payable as at 30 June 2011 amounted to \$41,146 (30 June 2010: \$38,868).

(b) Trustee

The Trustee's fee is equivalent to 0.125% per annum of the NAV of the Fund on the first US\$40 million and 0.08% per annum of the NAV of the Fund on the excess above US\$40 million.

The valuation fee is calculated at US\$50 per valuation and the registrar fee is charged at US\$2,000 per annum.

The Trustee's fee, valuation fee and registrar fee for the year amounted to \$126,618 (30 June 2010: \$123,366). The total fees payable to the Trustee as at 30 June 2011 amounted to \$3,299 (30 June 2010: \$3,064).

6 TAXATION

	<i>2011</i>	<i>2010</i>
Capital gain tax	\$ 206,454	\$ -
Overseas taxation withheld	479,662	655,359
	\$ 686,116	\$ 655,359

7 DISTRIBUTIONS

	<i>2011</i>	<i>2010</i>
Interim distribution		
- US\$0.34 on 4,446,114.90 units declared on 31 December 2010 and paid on 3 January 2011 (2010: US\$0.27 on 5,183,764.05 units declared on 31 December 2009 and paid on 4 January 2010)	\$ 1,511,679	\$ 1,399,616
Final distribution		
- US\$0.55 on 3,863,349.56 units declared on 30 June 2011 and paid on 4 July 2011 (2010: US\$0.34 on 5,012,644.84 units declared on 30 June 2010 and paid on 2 July 2010)	2,124,842	1,704,299
	\$ 3,636,521	\$ 3,103,915

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

7 DISTRIBUTIONS *(continued)*

According to Clause 15.3 of the Trust Deed, the amount available for distribution includes any interest, dividends or other receipts deemed by the Manager and after making such provisions, if any, for taxation or otherwise attributable to the Fund. The resulting figure may be adjusted by the Manager in their discretion after consulting the Trustee. All distributable income earned during the years ended 30 June 2011 and 2010 has been distributed as above.

8 TOTAL NUMBER OF UNITS IN ISSUE

	<i>2011</i>	<i>2010</i>
Number of units in issue brought forward	5,012,644.84	5,048,291.32
Units issued during the year	317,605.02	657,972.50
Units redeemed during the year	(1,466,900.30)	(693,618.98)
<hr/>		
Number of units in issue carried forward	3,863,349.56	5,012,644.84
<hr/>		

9 SOFT COMMISSION ARRANGEMENTS

During the year, the Manager, and/or its connected parties, entered into soft commission arrangements with brokers in respect of which certain goods and services used to support investment decision making were received. The Manager, and/or its connected parties, do not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Trust and commission is paid on these transactions.

The goods and services utilised for the Trust include computer hardware and software used for economic and political analysis including valuation and performance measurement, market analysis and data and quotation services.

The Manager is satisfied that such soft commission arrangements comply with the relevant requirements under the Code.

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

Asset allocation is determined by the Manager who manages the distribution of the assets to achieve the investment objectives as stated in the "investment objectives and policies" section of the Fund.

Divergence from target asset allocations and the composition of the portfolio is monitored by the Manager. In instances where the Fund has diverged from target asset allocations, the Manager will arrange to rebalance the portfolio to fall in line with the target asset allocations.

(a) Market risk

Market risk embodies the potential for both loss and gain and includes currency risk, interest rate risk and other price risk. To control risk, investment decisions are based on risk/reward analysis, with the adoption of diversification policies. Investment decisions are taken in accordance with the investment objectives of the Fund so that unwarranted deviations (risks) are controlled.

The Fund is also subject to the risk of concentration of investments in issuers located in a particular country or region which may be susceptible to adverse securities markets, exchange rates and social, political, regulatory or economic events which may occur in that country or region.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS *(continued)*

(a) Market risk (continued)

Currency risk

The Fund may invest in financial instruments denominated in currencies other than its functional currencies. Consequently, the portfolio is exposed to the risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the portfolio's assets or liabilities denominated in currencies other than its functional currency.

Currency exposures are generally left unhedged even though the investment guidelines may allow hedging of such exposures. A part of the reason for such is that the portfolio designates the various investment markets in their geographical allocations (contained in the Explanatory Memorandum of the Fund) and currency risk is considered to be a part of the overall risk taken by investing into these geographical regions.

At the reporting date the Fund had the following currency exposure (in United States dollar equivalent):

<i>Currencies</i>	<i>United States Dollar</i>	
	<i>2011</i>	<i>2010</i>
Australian Dollar	\$ 28,749,538	\$ 27,399,457
Hong Kong Dollar	28,690,550	29,849,414
Indian Rupee	5,150,040	7,941,677
Indonesian Rupiah	3,713,892	4,276,082
Malaysian Ringgit	2,202,408	2,638,909
New Taiwan Dollar	16,552,296	12,510,383
New Zealand Dollar	-	14,078
Philippines Peso	573,599	492,996
Singapore Dollar	5,571,967	5,590,440
South Korean Won	11,457,303	15,436,768
Thai Baht	3,276,886	1,177,171
Total value	\$105,938,479	\$ 107,327,375

Currency risk sensitivity analysis

As at 30 June 2011, had the USD strengthened (or weakened) by 5% in relation to all currencies, with all other variables held constant, the NAV of the Fund and the profit and total comprehensive income for the year as recorded in the statement of comprehensive income would have decreased (or increased) by the amounts shown below. The analysis was performed on the same basis for 2010.

<i>Currencies</i>	<i>United States Dollar</i>	
	<i>2011</i>	<i>2010</i>
Australian Dollar	\$ 1,437,477	\$ 1,369,973
Indian Rupee	257,502	397,084
Indonesian Rupiah	185,695	213,804
Malaysian Ringgit	110,120	131,945
New Taiwan Dollar	827,615	625,519
New Zealand Dollar	-	704
Philippines Peso	28,680	24,650
Singapore Dollar	278,598	279,522
South Korean Won	572,865	771,838
Thai Baht	163,844	58,859
Total value	\$ 3,862,396	\$ 3,873,898

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS *(continued)*

(a) Market risk (continued)

Currency risk (continued)

As Hong Kong Dollar (“HKD”) is pegged to United States Dollar (“USD”), the risk of movement in exchange rates between HKD and USD is considered to be insignificant.

Interest rate risk

The Fund did not hold any interest rate debt securities. The Fund’s only direct exposure to interest rate is via its bank accounts. Therefore, the Fund has negligible interest rate risk.

Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factors affecting all instruments (generic risks) traded in the market. This risk can be mitigated by constructing a diversified portfolio of investments across different issuers, different sectors or traded on different markets.

The Manager manages such risks by regularly monitoring portfolio exposures, both on an absolute basis and relative to underlying benchmarks, if any. For example, if the Fund’s benchmark has an exposure of x% in a particular stock and of y% in a particular country, the Manager may manage exposure to that stock in his portfolio within x+/-10% and to the country at y+/-10%. Other risks relating to liquidity, sector exposures etc. are also managed in a similar manner.

An analysis of the investments held by the Fund has been shown on the investment portfolio and the statement of movement in portfolio holdings.

Other price risk sensitivity analysis

As at 30 June 2011, a 30% (2010: 20%) decrease in prices of all the underlying investments as at the year end date would have decreased the NAV of the Fund and the profit and total comprehensive income for the year by \$31,782,468 (2010: \$21,386,119). An equal change in the opposite direction would have increased the NAV by an equal but opposite amount. The analysis for 2010 was performed by applying 20% change in prices of all the underlying investments as at the year end date.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment to pay dues in time. The Manager has a credit review process in place. This ensures review and monitoring of credit quality and credit risk exposure on an ongoing basis, which helps protect portfolios from anticipated negative credit events. The Manager performs this review on a regular basis. The Fund’s credit risk is also mitigated through diversification and control on exposure to any single issuer in the Fund.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the year end date. At the reporting date, the Fund’s financial assets exposed to credit risk have been shown on the statement of assets and liabilities in which the figures are based on the carrying value of each financial asset item.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the good credit quality of the brokers used. The Manager monitors the credit rating and financing positions of the brokers used to further mitigate this risk.

Substantially all the securities and cash of the Fund are held by Citibank N.A., as the custodian of the Fund. Bankruptcy or insolvency of the custodian may cause the Fund’s rights with respect to securities and cash held by the custodian to be delayed or limited. The Trustee monitors its risk by monitoring the credit quality and financial positions of the custodian.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS *(continued)*

(c) Liquidity risk

The Fund is exposed to daily liquidity risk on redemptions of units. This arises from the risk that the Manager may not be able to convert investments into cash to meet liquidity needs in a timely manner. To guard against this risk, stock selection considerations include analysis of factors like daily trading volumes, bid-offer spreads, availability of prices from brokers at short notice etc. The Fund's financial instruments include mainly investments in listed equity securities. They are mainly traded on stock exchanges and are generally liquid. As a result, for most cases, the Fund should be able to liquidate its investments quickly in these instruments at close to their fair value in order to meet its liquidity requirements. Under extreme market conditions, liquidation of instruments may have to be done at lower prices.

The Fund was not exposed to other activities which will give rise to significant liquidity risk.

The financial liabilities of the Fund mature within one year or on demand.

(d) Specific instruments

Derivatives

Under normal circumstances, the Fund would not hedge against its currency exposure to investing markets. The Fund may use options, futures or other derivatives instruments in order to optimise portfolio performance.

The Manager did not undertake any derivative transactions during the years ended 30 June 2011 and 2010.

(e) Fair value information

The major methods and assumptions used in estimating the fair values of financial instruments are disclosed in note 2(c)(iv).

The carrying amounts of the Fund's financial assets and financial liabilities at the year end date approximated their fair values. For investment securities, the fair value is based on their quoted bid prices at the year end date without any deduction for estimated future selling costs. For other financial instruments, including interest, dividend and other receivables, amounts receivable from brokers, amounts receivable on subscription of units, amounts payable on redemption of units, amounts payable to brokers, distribution payable and accrued expenses and other payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The following table represents the carrying value of financial instruments measured at fair value at the year end across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS *(continued)*

(e) Fair value information (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2011			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
<i>Assets</i>				
Financial assets at fair value through profit or loss:				
- Equities	\$ 105,941,560	\$ -	\$ -	\$ 105,941,560

	2010			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
<i>Assets</i>				
Financial assets at fair value through profit or loss:				
- Equities	\$ 106,930,597	\$ -	\$ -	\$ 106,930,597

During the year there were no significant transfers between instruments in Level 1, Level 2 and Level 3.

11 SEGMENT REPORTING

The Manager makes strategic resource allocation and assesses performance on behalf of the Fund and has determined the operating segments based on the internal reporting which is used to make strategic decisions.

The Manager considers that the Fund has a single operating segment which is investing in a diversified portfolio of listed equities with the objective as stated in the investment objective and policy of the Fund.

The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of assets and liabilities.

The Fund is established and domiciled in the Cayman Islands. Its investment income is derived from the following geographical regions:

	2011					<i>Total</i>
	<i>Australia</i>	<i>Hong Kong</i>	<i>South Korea</i>	<i>Taiwan</i>	<i>Others</i>	
Gross dividend income	\$ 1,486,546	\$ 579,460	\$ 223,340	\$ 800,488	\$ 1,534,864	\$ 4,624,698
Interest income	-	-	-	7	389	396
Net realised gain on investments	4,999,139	2,961,664	6,499,122	1,663,170	9,233,000	25,356,095
Net unrealised gain/(loss) on investments	5,208,195	1,246,804	555,409	2,806,684	(2,267,672)	7,549,420
Exchange loss	-	-	-	-	(70,105)	(70,105)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

11 SEGMENT REPORTING *(continued)*

	2010					
	<i>Australia</i>	<i>China</i>	<i>India</i>	<i>South Korea</i>	<i>Others</i>	<i>Total</i>
Gross dividend income	\$ 1,690,312	\$ 503,529	\$ 144,261	\$ 216,752	\$ 1,281,922	\$ 3,836,776
Interest income	-	-	-	-	600	600
Net realised gain on investments	1,866,443	2,843,923	1,144,688	1,070,997	1,258,382	8,184,433
Net unrealised gain/(loss) on investments	1,637,358	(1,090,762)	1,265,128	3,072,648	4,228,369	9,112,741
Exchange loss	-	-	-	-	(64,788)	(64,788)

The Fund has no assets classified as non-current assets.

The investment income of the Fund is derived from the following types of investments:

	2011		
	<i>Equities</i>	<i>Others</i>	<i>Total</i>
Gross dividend income	\$ 4,624,698	\$ -	\$ 4,624,698
Interest income	-	396	396
Net realised gain on investments	25,356,095	-	25,356,095
Net unrealised gain on investments	7,549,420	-	7,549,420
Exchange loss	-	(70,105)	(70,105)

	2010		
	<i>Equities</i>	<i>Others</i>	<i>Total</i>
Gross dividend income	\$ 3,836,776	\$ -	\$ 3,836,776
Interest income	-	600	600
Net realised gain on investments	8,184,433	-	8,184,433
Net unrealised gain on investments	9,112,741	-	9,112,741
Exchange loss	-	(64,788)	(64,788)

As at 30 June 2011, there were 3 unitholders who each held more than 10% of the Fund's NAV. Their holdings were 25.82%, 22.37% and 15.22% respectively. As at 30 June 2010, there were 3 unitholders who held more than 10% of the Fund's NAV. Their holdings were 28.66%, 20.36% and 16.63% respectively.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(Expressed in United States dollar)

12 NAV RECONCILIATION

The NAV presented in the financial statements and that quoted for pricing purposes at the year end (“Dealing NAV”) are different because the principles for calculating the Dealing NAV as set out in the constitutive/offering document are different from that required for financial reporting purposes under HKFRSs. The following reconciliation provides details:

	<i>2011</i>	<i>2010</i>
NAV as reported in the financial statements as at 30 June	\$107,355,693	\$107,888,788
Adjustment for different basis adopted by the Fund in arriving at the Dealing NAV:		
- Use of latest available traded pricing instead of bid pricing in valuing listed securities	469,566	264,224
	<hr/>	<hr/>
Dealing NAV as at 30 June	\$107,825,259	\$108,153,012

13 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Fund.

	<i>Effective for accounting periods beginning on or after</i>
Improvements to HKFRSs 2010	1 January 2011
HKFRS 9, <i>Financial instruments</i>	1 January 2013

The Fund is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund’s results of operations or financial position.

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager has, in all material respects, managed the Trust in accordance with the provisions of the Trust Deed dated 24 October 2002 as amended by Supplemental Deeds dated 21 July 2003, 28 September 2004, 12 January 2006 and 23 August 2007 for the year ended 30 June 2011.



)
) For and on behalf of
) Principal Trust Company
) (Asia) Limited
)

Hong Kong, 14 October 2011

INVESTMENT PORTFOLIO AS AT 30 JUNE 2011

Principal Asia Pacific High Dividend Equity Fund

	<i>Holdings</i>	<i>Fair value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$85,016,170)			
<i>Equities</i>			
<i>Australia</i>			
Ausdrill Ltd	213,000	\$ 745,000	0.69
Australia & New Zealand Banking Group Ltd	78,097	1,842,548	1.72
BHP Billiton Ltd	104,501	4,906,333	4.57
Caltex Australia Ltd	35,400	440,576	0.41
Challenger Ltd	153,000	802,712	0.75
Charter Hall Retail REIT	200,000	678,073	0.63
Coca-Cola Amatil Ltd	46,000	563,122	0.53
Commonwealth Bank of Australia	46,461	2,602,066	2.42
Dexus Property Group	828,000	777,316	0.72
Emeco Holdings Ltd	570,500	688,601	0.64
Iluka Resources Ltd	60,000	1,075,690	1.00
IOOF Holdings Ltd	76,000	521,859	0.49
Lend Lease Corp Ltd	73,000	689,231	0.64
National Australia Bank Ltd	74,767	2,051,964	1.91
OZ Minerals Ltd	29,000	410,706	0.38
QBE Insurance Group Ltd	48,008	884,904	0.83
Ramsay Health Care Ltd	41,300	797,594	0.74
Rio Tinto Ltd	16,887	1,499,270	1.40
Seven Group Holdings Ltd	65,600	608,806	0.57
SMS Management & Technology Ltd	106,000	711,934	0.66
SP AusNet	500,000	504,263	0.47
Westpac Banking Corp	84,498	2,012,605	1.88
Woodside Petroleum Ltd	13,500	593,850	0.55
Woolworths Ltd	47,942	1,426,347	1.33
		\$ 27,835,370	25.93
<i>China</i>			
Agricultural Bank of China Ltd-H	1,300,000	\$ 683,191	0.64
Anta Sports Products Ltd	278,000	495,803	0.46
Bank of China Ltd-H	2,394,000	1,165,839	1.09
China Communications Services Corp Ltd-H	782,000	460,201	0.43
China Construction Bank Corp-H	1,735,620	1,438,433	1.34
China Mobile Ltd	97,500	901,386	0.84
China Shanshui Cement Group Ltd	601,000	686,517	0.64
China Shenhua Energy Co Ltd-H	239,000	1,139,324	1.06
China Telecom Corp Ltd-H	950,000	613,998	0.57

INVESTMENT PORTFOLIO AS AT 30 JUNE 2011 *(continued)*

Principal Asia Pacific High Dividend Equity Fund

	<i>Holdings</i>	<i>Fair value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$85,016,170) <i>(continued)</i>			
<i>Equities (continued)</i>			
<i>China (continued)</i>			
CNOOC Ltd	601,000	\$ 1,402,380	1.31
Country Garden Holdings Co	1,033,000	452,616	0.42
Industrial & Commercial Bank of China-H	2,013,715	1,526,600	1.42
PetroChina Co Ltd-H	1,034,308	1,507,087	1.40
Soho China Ltd	765,500	682,621	0.63
		\$ 13,155,996	12.25
<i>Hong Kong</i>			
BOC Hong Kong (Holdings) Ltd	305,500	\$ 885,183	0.83
Champion Real Estate Investment Trust	900,000	505,358	0.47
Cheung Kong (Holdings) Ltd	39,000	568,769	0.53
Cheung Kong Infrastructure Holdings Ltd	176,000	911,366	0.85
CLP Holdings Ltd	60,000	530,799	0.49
Dah Chong Hong Holdings Ltd	424,000	505,034	0.47
Emperor International Holdings	1,800,000	404,749	0.38
Giordano International Ltd	834,000	705,127	0.66
Great Eagle Holdings Ltd	155,000	514,834	0.48
Hongkong Land Holdings Ltd	75,532	536,277	0.50
Hutchison Telecommunications Hong Kong Holdings Ltd	2,634,000	812,274	0.76
Jardine Matheson Holdings Ltd	12,800	729,600	0.68
NWS Holdings Ltd	388,500	515,165	0.48
Power Assets Holdings Ltd	142,500	1,073,886	1.00
Regal Real Estate Investment Trust	1,300,000	420,939	0.39
Singamas Container Holdings Ltd	1,364,000	539,809	0.50
SJM Holdings Ltd	377,000	891,322	0.83
Television Broadcasts Ltd	101,000	666,403	0.62
The Link REIT	254,500	869,851	0.81
Varitronix International Ltd	805,000	519,248	0.48
VTech Holdings Ltd	60,000	709,660	0.66
Wharf (Holdings) Ltd	105,000	729,223	0.68
Yue Yuen Industrial (Holdings) Ltd	205,500	652,205	0.61
		\$ 15,197,081	14.16

INVESTMENT PORTFOLIO AS AT 30 JUNE 2011 *(continued)*

Principal Asia Pacific High Dividend Equity Fund

	<i>Holdings</i>	<i>Fair value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$85,016,170) <i>(continued)</i>			
<i>Equities (continued)</i>			
<i>India</i>			
Canara Bank	20,452	\$ 240,343	0.23
Chambal Fertilizers & Chemicals Ltd	410,000	741,745	0.69
Coal India Ltd	101,000	887,865	0.83
Infosys Technologies Ltd	12,300	798,527	0.74
ITC Ltd	234,000	1,062,269	0.99
Tata Consultancy Services Ltd	41,600	1,097,736	1.02
Vijaya Bank	180,500	280,735	0.26
		\$ 5,109,220	4.76
<i>Indonesia</i>			
PT Bank Rakyat Indonesia (Persero) Tbk	1,261,500	\$ 955,353	0.89
PT Charoen Pokphand Indonesia Tbk	3,200,000	738,207	0.69
PT Indo Tambangraya Megah	118,500	617,838	0.58
PT Jasa Marga	1,486,000	623,282	0.58
PT United Tractors Tbk	264,500	767,341	0.71
		\$ 3,702,021	3.45
<i>Malaysia</i>			
Digi.Com Bhd	67,000	\$ 641,286	0.60
Malayan Banking Bhd	310,000	916,838	0.85
Telekom Malaysia Bhd	495,000	644,284	0.60
		\$ 2,202,408	2.05
<i>The Philippines</i>			
Universal Robina Corp	610,000	\$ 573,599	0.53

INVESTMENT PORTFOLIO AS AT 30 JUNE 2011 *(continued)*

Principal Asia Pacific High Dividend Equity Fund

	<i>Holdings</i>	<i>Fair value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$85,016,170) <i>(continued)</i>			
<i>Equities (continued)</i>			
<i>Singapore</i>			
Keppel Corp Ltd	89,100	\$ 802,023	0.75
M1 Ltd	303,000	618,971	0.58
Oversea-Chinese Banking Corp	84,000	639,212	0.59
SembCorp Industries Ltd	100,000	406,120	0.38
SembCorp Marine Ltd	120,000	517,620	0.48
STX OSV Holdings Ltd	480,000	539,106	0.50
Suntec Real Estate Investment Trust	560,000	683,649	0.64
United Overseas Bank Ltd	73,000	1,165,671	1.08
UOL Group Ltd	182,000	736,176	0.69
		\$ 6,108,548	5.69
<i>South Korea</i>			
BS Financial Group Inc	37,700	\$ 531,407	0.49
GS Holdings Corp	7,900	574,167	0.53
GS Home Shopping Inc	4,800	599,268	0.56
Hanwha Chem Corp	13,160	618,741	0.58
Hyundai Heavy Industries Co Ltd	1,850	766,716	0.71
Hyundai Motor Co	7,683	1,712,605	1.60
Industrial Bank of Korea	60,660	1,062,413	0.99
Kia Motors Corp	15,610	1,055,576	0.98
KT Corp	10,050	383,098	0.36
Paradise Co Ltd	153,000	994,490	0.93
POSCO	1,116	483,421	0.45
Samsung Electronics Co Ltd	2,925	2,265,588	2.11
Seah Besteel Corp	8,200	448,514	0.42
Sungwoo Hitech Co Ltd	35,000	830,989	0.77
		\$ 12,326,993	11.48

INVESTMENT PORTFOLIO AS AT 30 JUNE 2011 *(continued)*

Principal Asia Pacific High Dividend Equity Fund

	<i>Holdings</i>	<i>Fair value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$85,016,170) (continued)			
<i>Equities (continued)</i>			
<i>Taiwan</i>			
Career Technology (MFG.) Co Ltd	269,000	\$ 551,617	0.51
Catcher Technology Co Ltd	110,000	691,258	0.64
China Steel Corp	682,137	820,521	0.76
Chunghwa Telecom Co Ltd	365,760	1,256,850	1.17
Flexium Interconnect Inc	200,000	494,377	0.46
Formosa Chemicals & Fibre Corp	277,000	1,027,069	0.96
HTC Corp	26,000	874,421	0.81
King Yuan Electronics Co Ltd	1,033,000	532,270	0.50
Largan Precision Co Ltd	29,000	928,872	0.87
Mega Financial Holding Co Ltd	1,335,000	1,164,285	1.08
Powertech Technology Inc	96,000	320,858	0.30
President Chain Store Corp	150,000	864,290	0.81
Radiant Opto-Electronics Corp	201,880	651,543	0.61
Taiwan Cement Corp	501,000	744,793	0.69
Taiwan Mobile Co Ltd	360,078	974,065	0.91
Taiwan Semiconductor Manufacturing Co Ltd	1,006,169	2,522,165	2.35
TSRC Corp	299,000	877,544	0.82
U-Ming Marine Transport Corp	208,000	443,185	0.41
WT Microelectronics Co Ltd	361,000	664,864	0.62
		\$ 16,404,847	15.28
<i>Thailand</i>			
Advanced Info Service Pcl-Foreign	157,000	\$ 510,569	0.48
Bangkok Bank Pcl-Foreign	67,000	343,171	0.32
Banpu Pcl-Foreign	13,800	320,429	0.30
Delta Electronics Thai Pcl-Foreign	529,000	426,641	0.40
Kasikornbank Pcl-Foreign	118,400	473,600	0.44
Krung Thai Bank Pcl-Foreign	673,600	284,774	0.26
Thai Oil Pcl-Foreign	210,000	508,781	0.47
Thai Vegetable Oil Pcl-Foreign	565,000	457,512	0.43
		\$ 3,325,477	3.10
Total listed investments		\$ 105,941,560	98.68
Cash and cash equivalents		2,383,888	2.22
Other net liabilities		(969,755)	(0.90)
Total net assets		\$ 107,355,693	100.00

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

for the year ended 30 June 2011

Principal Asia Pacific High Dividend Equity Fund	<i>% of net assets</i>	
	<i>2011</i>	<i>2010</i>
Listed investments		
<i>Equities</i>		
Australia	25.93	25.08
China	12.25	17.42
Hong Kong	14.16	10.52
India	4.76	7.32
Indonesia	3.45	3.90
Malaysia	2.05	2.45
The Philippines	0.53	0.46
Singapore	5.69	5.12
South Korea	11.48	14.30
Taiwan	15.28	11.45
Thailand	3.10	1.09
Total listed investments	98.68	99.11
Other net assets	1.32	0.89
Total net assets	100.00	100.00

PERFORMANCE TABLE
for the year ended 30 June 2011
(Expressed in United States dollar)

Principal Asia Pacific High Dividend Equity Fund

(a) Net asset value:

	<i>Total net asset value</i>	<i>Net asset value per unit</i>
30 June 2009	\$ 93,352,613	\$ 18.49
30 June 2010	107,888,788	21.52
30 June 2011	107,355,693	27.79

(b) Performance record:

<i>For the year ended</i>	<i>Highest issue price during the year</i>	<i>Lowest bid price during the year</i>
30 June 2003	\$ 11.88	\$ 9.81
30 June 2004	15.63	11.05
30 June 2005	18.78	13.78
30 June 2006	24.31	16.21
30 June 2007	33.30	19.99
30 June 2008	41.41	26.51
30 June 2009	28.65	11.93
30 June 2010	26.22	17.44
30 June 2011	31.05	21.21

INVESTMENT OBJECTIVE AND POLICY OF PRINCIPAL ASIA PACIFIC HIGH DIVIDEND EQUITY FUND

The primary investment objective of Principal Asia Pacific High Dividend Equity Fund is to achieve high current income through investing in a diversified portfolio of listed securities in the Asia Pacific region, including but not limited to the following countries: Australia, China, Hong Kong, Indonesia, Malaysia, New Zealand, The Philippines, Singapore, South Korea, Taiwan and Thailand. The Manager does not currently intend to invest in Japan but may do so in the future if suitable investment opportunities arise. The Manager will focus on companies which demonstrate strong corporate fundamentals and offer the potential for superior dividend yields. The Principal Asia Pacific High Dividend Equity Fund will also seek to achieve capital appreciation with relatively moderate to high volatility commensurate with investing in equities.

The Principal Asia Pacific High Dividend Equity Fund may also on an ancillary basis from time to time hold cash, deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.

This page is left blank intentionally.