

Principal®

信安

信安資金管理(亞洲)有限公司

Principal Asset Management Company (Asia) Limited

Principal Prosperity Series

Unaudited Semi-Annual Report
For the six months ended 31 December 2010

PRINCIPAL PROSPERITY SERIES

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ADMINISTRATION

Manager

Principal Asset Management Company (Asia) Limited
Units 1001-03, 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
U.S.A.

Trustee and Registrar

Principal Trust Company (Asia) Limited
Units 1001-03, 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

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 FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

Principal Prosperity Series - Principal Asia Pacific High Dividend Equity Fund

Market Review

The Asia Pacific equity markets posted positive returns in the second half of the year with the MSCI All Country Asia Pacific ex Japan Index up 27.24%. During this period, the best performing sectors were materials, industrials, and health care. From a country perspective, stocks in Taiwan, Thailand, and Australia performed the best during the last half of 2010.

Fund Performance

The fund outperformed the index during the period. The fund's dividend yield was 2.25% inline with the index as of 31 December, 2010. Stock selection in the consumer discretionary, consumer staples, and energy sectors contributed positively to the fund's performance for the second half of the year, while stock selection in the industrials sector negatively impacted the relative performance the most. From a country perspective, China, Australia, and India contributed positively to the fund's performance. Stock selection in Taiwan and Singapore negatively impacted performance.

An overweight position in Charoen Pokphand Indonesia contributed positively to performance for this period, posting a return of 105.35%. An underweight position in Hyundai Heavy Industries Co. Ltd. contributed negatively to performance for the second half of 2010. The stock returned 102.97% (did not hold position).

Strategy and Outlook

The market outlook for Pan Asia ex-Japan region remains positive. The US economic outlook is increasingly positive with both unemployment rate and housing markets bottoming out, which bodes well for Asia as exports to US markets still remain one of key drivers of economic growth in the Pan Asia region. We remain positive on China. Even though the China government has officially shifted its monetary policy to prudent, we expect M2 money supply and loan growth are likely to be at decent level. The overall fiscal policy remains proactive with focus on public housing, infrastructure, education, and health care. Administrative measures will be used selectively in addition to monetary policy to control and moderate inflation due to food prices near-term. Corporate profits and earning expectation in Pan Asia region are largely positive on the back of business confidence and income growth.

Principal Asset Management Company (Asia) Limited
19 January 2011

STATEMENT OF ASSETS AND LIABILITIES

(Expressed in United States dollar)

Principal Asia Pacific High Dividend Equity Fund

as at 31 December 2010 as at 30 June 2010

Assets		
Equity Investments	\$ 119,432,998	\$ 106,930,597
Interest, dividend and other receivables	8,988,977	527,574
Amounts receivable on subscription of units	1,296	408,339
Cash and cash equivalents	2,062,611	2,514,312
	<hr/>	<hr/>
	\$ 130,485,882	\$ 110,380,822
Liabilities		
Amounts payable on redemption of units	\$ 26,218	\$ 62,703
Amounts payable to brokers	7,016,082	647,976
Distributions payable	1,511,679	1,704,299
Accrued expenses and other payables	68,655	77,056
	<hr/>	<hr/>
	\$ 8,622,634	\$ 2,492,034
Total Equity	<hr/>	<hr/>
	\$ 121,863,248	\$ 107,888,788
Total number of units in issue	<hr/>	<hr/>
	4,446,114.90	5,012,644.84
Net asset value per unit	<hr/>	<hr/>
	\$ 27.41	\$ 21.52

INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2010

Principal Asia Pacific High Dividend Equity Fund			
	<i>Holdings</i>	<i>Market value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$92,843,392)			
<i>Equities</i>			
<i>Australia</i>			
Ausdrill Ltd	30,579	\$ 96,561	0.08
Australia & New Zealand Banking Group Ltd	116,537	2,771,834	2.28
BHP Billiton Ltd	126,701	5,840,030	4.79
Bradken Ltd	92,000	844,363	0.69
Caltex Australia Ltd	46,000	673,335	0.55
Challenger Ltd	152,000	727,709	0.60
Coca-Cola Amatil Ltd	71,000	785,425	0.65
Commonwealth Bank of Australia	47,161	2,438,971	2.00
FKP Property Group	378,000	329,211	0.27
Iluka Resources Ltd	105,000	977,579	0.80
IOOF Holdings Ltd	76,000	603,844	0.50
Metcash Ltd	173,000	724,276	0.59
Monadelphous Group Ltd	45,000	838,842	0.69
National Australia Bank Ltd	59,767	1,442,867	1.18
OneSteel Ltd	179,271	472,962	0.39
OZ Minerals Ltd	380,000	665,777	0.55
QBE Insurance Group Ltd	28,508	527,060	0.43
Ramsay Health Care Ltd	35,000	634,606	0.52
Rio Tinto Ltd	23,337	2,031,773	1.67
SMS Management & Technology Ltd	106,000	719,112	0.59
Stockland	117,896	432,333	0.35
Straits Resources Ltd	212,500	487,032	0.40
Westpac Banking Corp	84,498	1,911,664	1.57
Woodside Petroleum Ltd	13,500	585,264	0.48
Woolworths Ltd	54,442	1,495,655	1.23
		\$ 29,058,085	23.85
<i>China</i>			
Anta Sports Products Ltd	365,000	\$ 579,387	0.47
Bank of China Ltd-H	3,069,000	1,618,608	1.33
Beijing Capital Land Ltd-H	1,300,000	434,788	0.36
Bosideng International Holdings Ltd	1,648,000	657,173	0.54
China Construction Bank Corp-H	2,131,620	1,911,189	1.57
China Mobile Ltd	254,500	2,527,354	2.07
China Petroleum & Chemical Corp-H	1,074,000	1,027,870	0.84
China Shanshui Cement Group Ltd	851,000	607,552	0.50
China Shenhua Energy Co Ltd-H	258,000	1,081,928	0.89
CNOOC Ltd	841,000	1,994,885	1.64
Fushan International Energy Group Ltd	896,000	614,322	0.50
Great Wall Motor Co Ltd-H	247,000	762,552	0.63
Industrial & Commercial Bank of China-H	2,013,715	1,499,815	1.23
Kingboard Laminates Holdings Ltd	821,000	834,317	0.68
Maanshan Iron & Steel-H	796,000	423,911	0.35

INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2010 *(continued)*

Principal Asia Pacific High Dividend Equity Fund			
	<i>Holdings</i>	<i>Market value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$92,843,392) <i>(continued)</i>			
<i>Equities (continued)</i>			
<i>China (continued)</i>			
PetroChina Co Ltd-H	1,188,308	\$ 1,553,044	1.27
Shandong Chenming Paper Holdings Ltd-H	800,000	633,916	0.52
Sichuan Expressway Co Ltd-H	636,000	409,061	0.34
Soho China Ltd	900,000	669,162	0.55
		\$ 19,840,834	16.28
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<i>Hong Kong</i>			
AAC Acoustic Technologies Holdings Inc	250,000	\$ 667,297	0.55
BOC Hong Kong (Holdings) Ltd	305,500	1,039,436	0.85
Cathay Pacific Airways Ltd	252,000	695,327	0.57
Cheung Kong (Holdings) Ltd	63,000	971,674	0.80
Cheung Kong Infrastructure Holdings Ltd	186,000	851,773	0.70
CLP Holdings Ltd	60,000	487,014	0.40
Giordano International Ltd	1,346,000	784,340	0.64
Hongkong Electric Holdings	182,500	1,150,324	0.95
Hongkong Land Holdings Ltd	102,532	740,281	0.61
Hutchison Telecommunications Hong Kong Holdings Ltd	2,920,000	893,966	0.73
Jardine Matheson Holdings Ltd	12,800	563,200	0.46
The Link REIT	333,000	1,034,481	0.85
NWS Holdings Ltd	388,500	589,704	0.49
Orient Overseas (International) Ltd	55,500	538,301	0.44
SJM Holdings Ltd	426,000	676,217	0.56
Television Broadcasts Ltd	163,000	880,639	0.72
VTech Holdings Ltd	80,000	941,098	0.77
Wharf (Holdings) Ltd	130,000	1,000,013	0.82
Yue Yuen Industrial (Holdings) Ltd	208,000	747,836	0.61
		\$ 15,252,921	12.52
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INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2010 *(continued)*

Principal Asia Pacific High Dividend Equity Fund	<i>Holdings</i>	<i>Market value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$92,843,392) <i>(continued)</i>			
<i>Equities (continued)</i>			
<i>India</i>			
Bajaj Auto Ltd	26,000	\$ 894,031	0.73
Bank of Baroda	28,657	573,396	0.47
Chambal Fertilizers & Chemicals Ltd	260,000	523,597	0.43
Infosys Technologies Ltd	15,300	1,175,367	0.96
Mahindra & Mahindra Ltd	55,000	955,060	0.78
Oil & Natural Gas Corp Ltd	24,900	715,747	0.59
Tata Consultancy Services Ltd	50,000	1,300,513	1.07
Tata Motors Ltd	40,000	1,167,779	0.96
Vijaya Bank	236,000	536,088	0.44
		----- \$ 7,841,578	6.43
<i>Indonesia</i>			
PT Bank Central Asia Tbk	1,407,000	\$ 1,003,045	0.82
PT Bank Rakyat Indonesia Persero Tbk	719,000	840,939	0.69
PT Charoen Pokphand Indonesia Tbk	4,350,000	891,566	0.73
PT Indo Tambangraya Megah	166,000	938,405	0.77
PT Jasa Marga	1,486,000	566,925	0.47
PT United Tractors Tbk	264,500	701,211	0.58
		----- \$ 4,942,091	4.06
<i>Malaysia</i>			
Digi.Com Bhd	67,000	\$ 538,012	0.44
Malayan Banking Bhd	310,000	860,127	0.71
		----- \$ 1,398,139	1.15
<i>The Philippines</i>			
Universal Robina Corp	610,000	\$ 487,080	0.40

INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2010 *(continued)*

Principal Asia Pacific High Dividend Equity Fund			
	<i>Holdings</i>	<i>Market value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$92,843,392) <i>(continued)</i>			
<i>Equities (continued)</i>			
<i>Singapore</i>			
Fraser and Neave Ltd	139,000	\$ 695,114	0.57
Keppel Corp Ltd	117,000	1,033,274	0.85
MobileOne Ltd	364,000	667,348	0.55
Oversea-Chinese Banking Corp	84,000	647,470	0.53
SembCorp Industries Ltd	200,000	802,003	0.66
Suntec Real Estate Investment Trust	560,000	655,334	0.54
United Overseas Bank Ltd	89,000	1,263,702	1.03
UOL Group Ltd	162,000	600,332	0.49
		\$ 6,364,577	5.22
<i>South Korea</i>			
Busan Bank	55,700	\$ 709,854	0.58
Daeduck Electronics Co	90,000	644,228	0.53
GS Holdings Corp	15,500	897,514	0.74
Hanwha Chem Corp	25,900	713,055	0.59
Hyundai Mobis	4,535	1,145,833	0.94
Hyundai Motor Co	10,083	1,553,643	1.28
Industrial Bank of Korea	36,660	610,458	0.50
Kia Motors Corp	24,210	1,087,946	0.89
Korea Zinc Co Ltd	1,678	412,049	0.34
KT Corp	14,850	609,958	0.50
Lotte Shopping Co Ltd	1,950	819,139	0.67
POSCO	2,576	1,114,132	0.91
Samsung Electronics Co Ltd	4,051	3,414,211	2.80
SK Energy Co Ltd	6,750	1,162,967	0.95
		\$ 14,894,987	12.22
<i>Taiwan</i>			
Asustek Computer Inc	75,000	\$ 709,069	0.58
China Steel Corp	812,137	928,584	0.76
Chunghwa Telecom Co Ltd	457,200	1,156,303	0.95
Delta Electronics Inc	217,000	1,055,412	0.87

INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2010 *(continued)*

Principal Asia Pacific High Dividend Equity Fund	<i>Holdings</i>	<i>Market value US\$/ US\$ equivalent</i>	<i>% of net assets</i>
Listed investments (cost: US\$92,843,392) (continued)			
<i>Equities (continued)</i>			
<i>Taiwan (continued)</i>			
D-Link Corp	338,143	\$ 346,233	0.28
Formosa Chemicals & Fibre Corp	397,000	1,330,605	1.09
Hon Hai Precision Industry Co Ltd	167,068	670,006	0.55
HTC Corp	47,000	1,443,735	1.18
Huaku Development Co Ltd	179,000	540,073	0.44
Largan Precision Co Ltd	37,000	915,560	0.75
Mega Financial Holding Co Ltd	1,185,000	907,992	0.75
Powertech Technology Inc	163,445	541,116	0.44
President Chain Store Corp	150,000	688,590	0.57
Simplo Technology Co Ltd	118,096	854,512	0.70
Taiwan Mobile Co Ltd	360,078	856,597	0.70
Taiwan Semiconductor Manufacturing Co Ltd	768,169	1,861,497	1.54
Tripod Technology Corp	103,000	418,342	0.34
U-Ming Marine Transport Corp	264,000	572,170	0.47
Unimicron Technology Corp	485,000	940,237	0.77
		\$ 16,736,633	13.73
<i>Thailand</i>			
Delta Electronics Thai Pcl-Foreign	70,000	\$ 81,612	0.07
Kasikornbank Pcl-Foreign	160,000	695,536	0.57
Kiatnakin Bank Pcl-Foreign	653,000	848,335	0.70
Thai Vegetable Oil Pcl-Foreign	915,000	990,590	0.81
		\$ 2,616,073	2.15
Total listed investments		\$ 119,432,998	98.01
Cash and cash equivalents		\$ 2,062,611	1.69
Other net assets		\$ 367,639	0.30
Total net assets		\$ 121,863,248	100.00

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

Principal Asia Pacific High Dividend Equity Fund	<i>as at 31 December 2010</i> <i>% of net assets</i>	<i>as at 30 June 2010</i> <i>% of net assets</i>
Listed investments		
<i>Equities</i>		
Australia	23.85	25.08
China	16.28	17.42
Hong Kong	12.52	10.52
India	6.43	7.32
Indonesia	4.06	3.90
Malaysia	1.15	2.45
The Philippines	0.40	0.46
Singapore	5.22	5.12
South Korea	12.22	14.30
Taiwan	13.73	11.45
Thailand	2.15	1.09
Total listed investments	98.01	99.11
Other net assets	1.99	0.89
Total net assets	100.00	100.00