PRINCIPAL GLOBAL INVESTORS FUNDS
Emerging Markets Equity Fund

Important Notes

I. The Principal Emerging Markets Equity Fund will invest in the equity securities of companies domiciled or with their core business in the world's emerging investment markets, which the Adviser believes are mispriced by the market and have the potential for significant growth.
II. Generally, emerging market investments carry higher risk due to risks associated with higher volatility, inadequate liquidity and additional regulatory risks. As such, the Fund that predominantly invests into such markets may be considered speculative and carries significant risk.
III. Investment involves risk. There is no assurance on investment returns and your investments may suffer significant loss.
IV. The investment decision is yours but you should not invest in this Fund unless the intermediary who sells it to you has advised you that it is suitable for you and explained how it is consistent with your investment objectives.
V. You should not invest solely in reliance on this marketing material alone. You should read the Prospectus and the relevant Supplement(s) before investing including the Special Investment Considerations and Risks section of the Prospectus.

INVESTMENT OBJECTIVE

The Principal Global Investors Funds **Emerging Markets Equity Fund** aims to provide capital growth over the medium to long term predominantly through investment in equities from the world's emerging investment markets that we believe are mispriced by the market and have potential for significant growth.

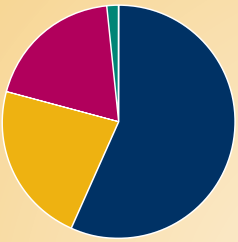
Why Invest in the Emerging Markets Equity Fund?

The **Emerging Markets Equity Fund** offers investors:

- The opportunity to participate in the rapidly developing emerging market economies, which are expected to have faster long-term growth rates than most developed economies.
- Access to markets that would otherwise be unavailable or difficult for an individual to invest in.
- An investment in the regions of Latin America, Asia, Eastern Europe, the Middle East, and Africa.

What Were the Fund's Investments as at 31 May 2010?*

Geographical Allocation (%)



GICS Sector Allocations (%)

Financials	22.1
Materials	15.8
Information Technology	14.9
Energy	12.8
Telecommunications	8.8
Consumer Discretionary	8.7
Consumer Staples	6.2
Industrials	5.5
Utilities	2.3
Cash	1.6
Health Care	1.3
Total	**100.0**

Top 10 Holdings

Security	Country	Sector	%
Cia Vale Do Rio Doce	Brazil	Materials	3.6
Petrobras Petroleo Brasileiro	Brazil	Energy	2.8
Samsung Electronics Co. Ltd.	South Korea	Information Technology	2.8
China Mobile Ltd.	China	Telecommunication Services	2.8
America Movil S.A.B. De C.V.	Mexico	Telecommunication Services	2.0
Gazprom	Russia	Energy	1.7
China Construction Bank Corp.	China	Financials	1.6
Cnooc Ltd.	China	Energy	1.5
Banco Bradesco S/A	Brazil	Financials	1.5
Hon Hai Precision Industry Co. Ltd.	Taiwan	Information Technology	1.4
Total Top Ten			**21.8**
Total Number of Holdings in Fund			**182**

** In preparing the asset exposure of the Fund, we have taken into account both direct and indirect investments and the effects of futures and options contracts. Investors should be aware that the exposure of the Fund can change significantly on a daily basis.*

Investments do not always add up to 100% due to rounding.

Fund Rating

Standard & Poor's Fund Management Rating **AA**
Issued as at June 2008

QUICK FUND FACTS

Lead Investment Professional
Michael Reynal, Mihail Dobrinov, Michael Ade

Launch date	19 February 1998
Fund structure	Irish Unit Trust (UCITS Qualified)
Registration	France, Germany, UK, Switzerland, Hong Kong, Ireland, Guernsey, Jersey, Sweden, Spain, Italy, Finland & the Netherlands
Base currency	US$
Fund size	US$179.6 million
Dealing Cutoff	10am Dublin 5pm Hong Kong
Pricing	Daily

Sub-investment Advisor
Principal Global Investors (Europe) Limited

Investor minimum
For minimum investment amounts, please contact Principal Global Investors.

ISIN codes:
- Accumulation units IE0002492894

Lipper ID:
- Accumulation units 60005181

Fee Structure

A Class
- Application fee/ Preliminary charge max 5%
- Management fee 1.50% pa
- Administration charge 0.15% pa
- Trustee fee
  - Up to $100 million 0.02%
  - Above $100 million 0.01%

For More Information on the Fund, Please Contact:

- **Principal Global Investors (Asia) Limited** on 852 2117 8383
  Email: Investors-Asia@principal.com

A member of the Principal Financial Group®

PRINCIPAL GLOBAL INVESTORS FUNDS

Emerging Markets Equity Fund

EMERGING MARKETS EQUITY FUND REVIEW AS AT 31 MAY 2010

Market Review

The MSCI Emerging Markets Index reported -8.8% for the month of May, underperforming the S&P 500 Index at -8.0% and outperforming the MSCI EAFE Index at -11.5%. Latin America performed the best for the month of May despite having negative returns. Peru and Colombia were the best performing countries, and telecommunication services and consumer staples were the top performing sectors. Asian equities also returned negative performance in May. Eastern Europe, Middle East and Africa (EEMEA) equities performed the worst for the month. The laggard performance came from the information technology and financials sectors.

Fund Review

The fund underperformed the MSCI Emerging Markets Index for the month. Asset allocation was negative on a country basis, but neutral on a sector basis. Stock selection was negative on a country and sector basis. The fund outperformed in the consumer discretionary, health care, industrials and information technology sectors, but lagged in the materials, financials and energy sectors. On a relative basis Taiwan, India, and Egypt contributed positively to performance for the month whereas Russia, China, and South Korea detracted from performance.

Portfolio Outlook & Strategy

Asian indices traded sharply lower during May as Eurozone sovereign concerns and continued policy uncertainty in China weighed on markets. Thailand was the best performing market during month, supported by the removal of the "red shirt" protesters from the downtown site they had occupied since March. The Philippine market was another notable outperformer, as a landslide victory in the presidential election by the business friendly Begnino Aquino III of the liberal party was applauded by investors. China managed to outperform the regional index, as the hard hit financial sector stabilized. South Korea was the worst performing market in May, dropping nearly 13%. The Korean won was a major headwind to USD returns, as heightened tensions with the North and a perceived reliance on external funding led to an 8% decline in the currency. We remain overweight export oriented names, which are positioned to benefit from currency weakness.

The EEMEA region traded down in sympathy with the European markets. Sharp deterioration in the Greek debt situation and rising concerns about Spain, combined with lingering uncertainty about Chinese policy stance, all contributed to increased risk aversion. In this environment, higher beta assets suffered the most, with Hungary, Poland and Russian commodity stocks seeing the worst performance. Morocco and South Africa, being relatively detached from the European debt concerns, outperformed. The implications for this are the potential for lower-for-longer interest rates environment in EEMEA countries, as well as some growth stimulus to the CE3 economies (Hungary, Poland and Czech Republic) due to rising exports out of Germany.

Latin American markets fell nearly 9% in May, on continued fears of a European melt down, global financial regulation and China slowing down. Commodities fell sharply, impacting Brazil in particular. Fund flows were sharply negative, again hurting the larger markets in the region. The more defensive sectors, consumer staples and telecoms, outperformed the more cyclical sectors, such as energy and materials. In Mexico, industrial production and retail sales figures improved, pointing to a muted recovery. President Sebastian Pinera in Chile announced a positive reconstruction and development package which should boost activity in the second half.

FUND PERFORMANCE AS AT 31 MAY 2010

Accumulative Performance (%)

	PGIF	Index*
1 month	–9.8	–8.8
3 months	–0.5	–0.2
6 months	–3.9	–1.6
Year-to-date	–7.4	–5.4
1 year	19.4	22.7
2 years	–27.4	–19.2
3 years	–12.9	–1.4
4 years	21.1	36.7
5 years	76.5	92.6
7 years	219.7	254.3
Since Inception	281.7	212.7

Annualised Performance (%)

	PGIF	Index*
2 years	–14.8	–10.1
3 years	–4.5	–0.5
4 years	4.9	8.1
5 years	12.0	14.0
7 years	18.0	19.8

Calendar Year Performance (%)

	PGIF	Index*
2009	69.8	79.0
2008	–54.9	–53.2
2007	41.1	39.8
2006	34.3	32.6
2005	33.6	34.5
2004	24.9	26.0
2003	55.5	56.3
2002	–9.7	–6.0
2001	–6.7	–2.4
2000	–32.3	–30.7
1999	67.2	66.6

Performance is calculated on a bid–to-bid basis up to 1 June 2000 and on a NAV-to-NAV basis thereafter, includes the reinvestment of all investment income, and does not take account of application fee or tax, but does include trustee and management fees. The performance information reflects performance of the A Class accumulation units. Investors should obtain their own independent tax advice.

**Outperforming the MSCI Emerging Markets Index is not specifically included in the objective for the Fund, and the figures shown in the table are provided as a comparison only. The two methods of calculation of performance may not be identical.*

From Fund inception to 31 October 2002, the source of performance is based on the previous Advisor, BT Funds Management.

From 1 November 2002, the source of performance is based on the current Advisor, Principal Global Investors, LLC.

Past performance is not indicative of future performance. All figures are stated in USD unless otherwise noted.