

Important Notes

- I. The Principal European Equity Fund will invest primarily in the equity securities of companies domiciled or with their core business in Europe (including Eastern Europe), which the Adviser believes are mispriced by the market and have the potential for significant growth.
- II. The Fund invests in a single region. Compared with a well-diversified fund, its concentration risk is relatively high and hence it might be more volatile than a well-diversified fund.
- 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

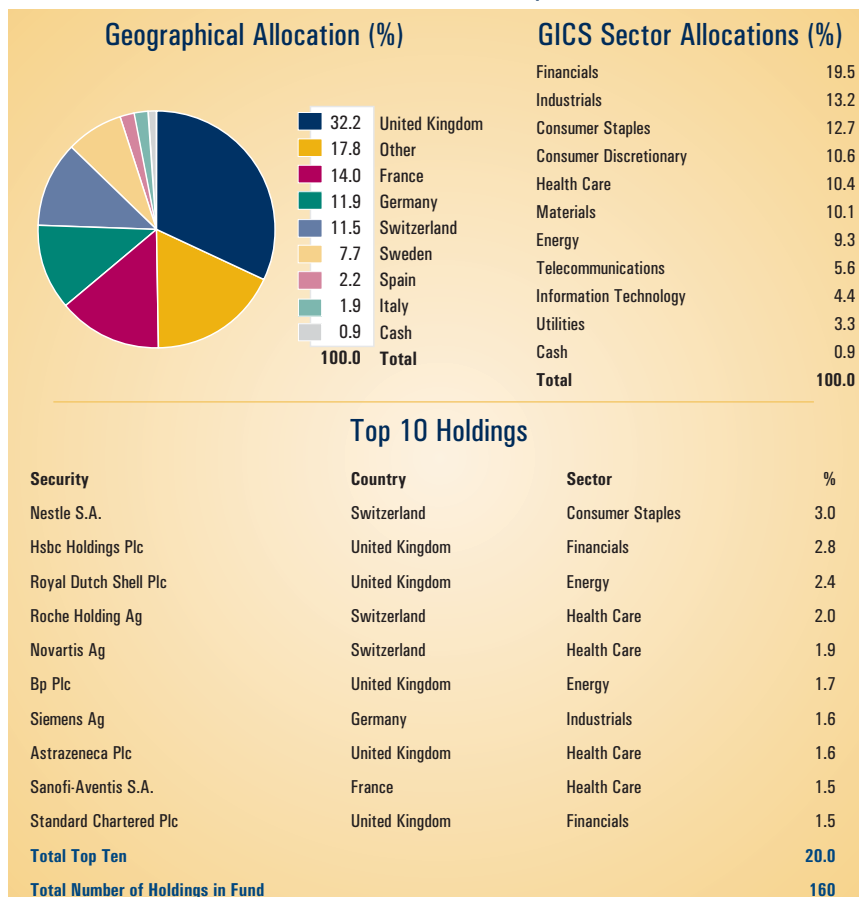
The Principal Global Investors Funds **European Equity Fund** aims to provide capital growth over the medium to long term predominantly through investment in European equities that we believe are mispriced by the market and have potential for significant growth.

Why Invest in the European Equity Fund?

The **European Equity Fund** offers investors:

- Access to companies that the investment manager believes are undergoing significant restructuring and the resultant expected decline in operating costs.
- An investment in a region where the business culture is evolving towards a situation in which shareholder and management interests will be more closely aligned.
- Access to companies that the investment manager believes exhibit improving business fundamentals, sustainable competitive advantages, rising investor expectations, and attractive relative valuation.

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



* 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 Professionals

Juliet Cohn, Chris Ibach

Launch date 24 November 1992

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\$93.1 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:

- Income units IE0000712996
- Accumulation units IE0001148372

Lipper ID:

- Income units 60008020
- Accumulation units 60008019

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

EUROPEAN EQUITY FUND REVIEW AS AT 31 MAY 2010

Market Review

European markets fell in excess of 10% in local currency, before rallying in the final days of the month to halve their losses. For a U.S. dollar based investor we saw the benchmark index fall 12.2%, as the euro weakened 7.4% and sterling -4.8%.

Concerns continued to grow that Greece might default, weakening the euro and this led to a sell off in the European markets. In Britain we saw no overall winner in the election, so the Conservatives were forced into a coalition with the left wing Liberal Democrats. The market is now more skeptical the new government will be able to make the necessary spending cuts to bring the budget deficit down under control, and as a result we saw a sell off in sterling. The €750 billion Area Stabilisation Fund failed to provide more than just a temporary respite for the market.

Fund Review

Defensive sectors such as consumer staples and health care performed best during the month, the former led by the tobacco and beverage sectors, the latter by health care providers and pharmaceuticals. These sectors not only generate much more stable earnings than the rest of the market, but also generate more than average of their revenues and profits from the United States and other markets denominated in U.S. dollars. The best performing markets were Belgium, Portugal and Germany. Belgium was helped by its large exposure to relatively defensive companies which outperformed; Portugal benefitted from the strength in Portugal telecom which saw a bid for its Brazilian assets from Telefonica of Spain, and Germany benefitted from having a large number of companies with revenues and profits denominated in U.S. dollars. Greece and Ireland performed worst. The Greek financial sector lost almost one third of its value during the month. The best performing stocks were Portugal Telecom, French aircraft manufacturer Safran and Hannover Re.

Portfolio Outlook and Strategy

European markets still do not look particularly expensive as in a global context. They are selling on a multiple of less than 13x for the current year, and a yield close to 3.4%. It is clear that some dividends will be cut, or even passed, but equities have not yielded as much for several decades. Corporate activity is down from its record levels, and is likely to stay more subdued whilst it is clearly harder for companies to get funding. In this environment, we believe it remains critical to focus on stock selection. We will continue to focus on those companies where we believe the market does not yet fully discount their earnings prospects.

The information in this document has been derived from sources believed to be accurate as of May 2010. It contains general information only on investment matters and should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The information it contains does not take account of any investor's investment objectives, particular needs or financial situation. Past performance is not a reliable indicator of future performance and should not be relied upon as a significant basis for an investment decision. You should consider whether an investment fits your investment objectives, particular needs and financial situation before making any investment decision. Subject to any contrary provisions of applicable law, no company in the Principal Financial Group nor any of their employees or directors gives any warranty of reliability or accuracy nor accepts any responsibility arising in any other way (including by reason of negligence) for errors or omissions in this document. All figures shown in this document are in U.S. dollars unless otherwise noted. This document is issued in: The United Kingdom by Principal Global Investors (Europe) Limited, Level 4, 10 Gresham Street, London, EC2V 7JD, registered in England, No. 03819986, which has approved its contents, and which is authorised and regulated by the Financial Services Authority; Singapore by Principal Global Investors (Singapore) Limited (ACRA Reg. No. 199603735FH), which is regulated by the Monetary Authority of Singapore. In Singapore this document is directed exclusively at institutional investors [as defined by the Securities and Futures Act (Chapter 289)]. Hong Kong by Principal Global Investors (Asia) Limited, which is regulated by the Securities and Futures Commission. Australia by Principal Global Investors (Australia) Limited (ABN 45 102 488 068, AFS Licence No. 225385) which is regulated by the Australian Securities and Investment Commission. Japan by Principal Global Investors (Japan) Ltd. (Kanto Local Finance Bureau (Kinsho) No. 462, Japan Securities Investment Advisers Association; Membership No. 011-01627). In the United Kingdom this document is directed exclusively at persons who are market counterparties or professional investors (as defined by the rules of the Financial Services Authority). In connection with its management of client portfolios, Principal Global Investors (Europe) Limited may delegate management authority to affiliates that are not authorised and regulated by the Financial Services Authority. In any such case, the client may not benefit from all protections afforded by rules and regulations enacted under the Financial Services and Markets Act 2000. This material has not been reviewed by the Securities and Futures Commission

FUND PERFORMANCE AS AT 31 MAY 2010

Accumulative Performance (%)

	PGIF	Index*
1 month	-11.9	-12.2
3 months	-7.9	-9.0
6 months	-13.8	-14.8
Year-to-date	-14.9	-16.1
1 year	3.0	4.4
2 years	-40.1	-36.4
3 years	-41.4	-38.2
4 years	-23.3	-17.9
5 years	2.5	3.5
7 years	51.2	55.3
10 years	-3.1	7.5
Since Inception	383.5	282.0

Annualised Performance (%)

	PGIF	Index*
2 years	-22.6	-20.2
3 years	-16.3	-14.8
4 years	-6.4	-4.8
5 years	0.5	0.7
7 years	6.1	6.5
10 years	-0.3	0.7

Calendar Year Performance (%)

	PGIF	Index*
2009	28.2	35.8
2008	-46.5	-46.4
2007	11.3	13.9
2006	37.2	33.7
2005	13.0	9.4
2004	21.2	20.9
2003	35.6	38.5
2002	-15.4	-18.4
2001	-24.7	-19.9
2000	-15.5	-8.4
1999	34.0	15.9

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 income units. Investors should obtain their own independent tax advice.

*Outperforming the MSCI Europe Net Accumulation 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.

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

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.