

## Important Notes:

1. Principal Hong Kong Equity Fund will invest primarily in listed equities issued by companies established in Hong Kong or by companies whose shares are listed in Hong Kong. The Fund may also invest in listed equities issued by companies which have business in Hong Kong.
2. The Fund invests in a single country. Compared with a well-diversified fund, its concentration risk is relatively high and hence it might be more volatile than a well-diversified fund.
3. Investment involves risk. There is no assurance on investment returns and your investments may suffer significant loss.
4. 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.
5. You should not invest solely in reliance on this marketing material alone. You should read the Explanatory Memorandum of Principal Life Style Fund for further details (including investment policy, risk factors, fees and charges, and fund information).

## Fund Objective

Principal Life Style Fund – Principal Hong Kong Equity Fund aims to achieve capital growth over the long-term by investing mainly in Hong Kong equity markets. The Fund will invest primarily in listed equities issued by companies established in Hong Kong or by companies whose shares are listed in Hong Kong (including but not limited to H shares and shares of red-chip companies listed on the Hong Kong Stock Exchange). The Fund may also invest in listed equities issued by companies which have business in Hong Kong. The Fund may hold cash and short-term investments. The risk profile of the Principal Hong Kong Equity Fund is generally regarded as high.

## Fund Commentary

### Market Review

Top performing sectors for the month were consumer staples, utilities and telecommunication services.

### Fund Performance

The fund outperformed the benchmark during the month. Stock selection positively affected performance in the information technology, financials and energy sectors, while stock selection in utilities, consumer staples and consumer discretionary sectors lagged on a relative basis.

### Portfolio Strategy & Outlook

In China, policy has turned to selective easing, while keeping a control over inflation and asset prices. Economy is likely to slow further over next several quarters on the back of tightening policy already implemented and slowdown in exports. As inflation moderates, we expect the central government will take this opportunity to further restructure the economy away from investment to consumption driven. Selective easing measures will be made available to SMEs and mitigate the downside risk in the economy. However, any significant expansion in monetary policy is unlikely due to excess credit created during past years. In Hong Kong, liquidity condition may be negative in near term due to tightening in the mainland and external front. Over medium term, Hong Kong will benefit from its leading position in Renminbi offshore centre and further supportive measures are expected to roll out on this front. The portfolio continues to overweight stocks with improving business fundamentals, rising investor expectations and attractive relative valuations. We minimize market, sector and industry exposures relative to the index in order to isolate superior stock selection as the primary source of outperformance.

### TOP TEN HOLDINGS

Stock	%
HSBC HOLDINGS PLC	7.08%
INDUSTRIAL & COMMERCIAL BANK OF CHINA	3.79%
JARDINE MATHESON HOLDINGS LTD	3.07%
HUTCHISON WHAMPOA LTD	3.04%
CHINA CONSTRUCTION BANK-H	2.95%
CHINA MOBILE LTD	2.54%
HONG KONG EXCHANGES & CLEARING LTD	2.50%
CNOOC LTD	2.46%
PETROCHINA CO LTD-H	2.35%
CLP HOLDINGS LTD	2.29%

\* Investors should be aware that the exposure of the Fund can change significantly on a daily basis.

This flyer is to be read in conjunction with the Explanatory Memorandum. Future performance and the capital value of the Fund are not guaranteed. Past performance figures are not indicative of future performance. Investment involves risks. The value of units may rise as well as fall. Investors are reminded that in certain circumstances their right to redeem may be suspended. Full details of the risks of investing in the Fund are contained in the Explanatory Memorandum. We recommend investors obtain and read a copy of the Explanatory Memorandum before investing. This material has not been reviewed by the Securities and Futures Commission.  
Issuer: Principal Asset Management Company (Asia) Limited

## QUICK FUND FACTS

Fund Manager	Principal Asset Management Company (Asia) Limited
Launch Date	1 November 2005
Fund Domicile	Hong Kong
Base Currency	Hong Kong Dollar
Fund Size (million)	HK\$2,104.8
Risk Profile	High

## MINIMUM SUBSCRIPTION

### Retail Class

- Initial Subscription (inclusive of initial charges) HK\$10,000 / class
- Each Subsequent Subscription (inclusive of initial charges) HK\$ 5,000 / class
- Regular Savings Plan HK\$ 2,000 per month / class

### Investment Class

Please contact us for more information.

## FEE STRUCTURE

### Retail Class

- Initial Charge Up to 5%
- Management Fee 1.20% p.a.
- Trustee Fee 0.20% p.a.
- Switching Fee 4 free switches / year<sup>#</sup>
- Valuation Fee Up to HK\$1,000 / month

For other charges and expenses, please refer to the Explanatory Memorandum.

### Investment Class

Please contact us for more information.

<sup>#</sup> Switching fee of up to 1% of the issue price of the new class of units to be issued may be levied for subsequent switches.

## Cumulative Return(%)<sup>1</sup>

	1 month	3 months	1 year	3 years	5 years	Since Inception
Fund	-8.01	-13.39	-19.27	67.22	30.16	94.85
Index <sup>2</sup>	-9.24	-11.66	-19.33	41.97	10.99	50.13

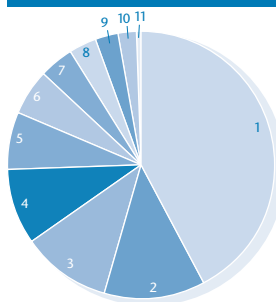
## Calendar Year Return(%)<sup>1</sup>

	Year-to-date	2010	2009	2008	2007	2006
Fund	-18.94	17.25	64.23	-51.19	55.46	58.24
Index <sup>2</sup>	-19.44	8.57	56.65	-46.40	43.37	38.98

<sup>1</sup> The performance information reflects performance of the retail class units, income re-invested. It is denominated in HK dollar and calculated on NAV to NAV basis. The source of the performance is from Lipper and Principal Asset Management Company (Asia) Limited. Outperforming the Hang Seng Total (dividend re-invested) is not specifically included in the objective of 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.

<sup>2</sup> Hang Seng Total (dividend re-invested)

## Asset Allocation



1 Financials	42.3%
2 Consumer Discretionary	12.3%
3 Industrials	10.9%
4 Energy	9.2%
5 Telecommunication Services	6.7%
6 Utilities	5.8%
7 Information Technology	4.0%
8 Cash	3.4%
9 Materials	2.8%
10 Consumer Staples	2.2%
11 Health Care	0.4%