

Important Notes:

1. Principal Hong Kong Dollar Savings Fund will invest primarily in a portfolio of high quality Hong Kong dollar short-to-medium duration debt securities and it may also hold assets denominated in other currencies.
2. Investment in this Fund is different from placing deposits with a bank or deposit-taking company. Investment in this Fund is not protected by the Deposit Protection Scheme.
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 Dollar Savings Fund aims to earn a competitive short-to-medium term rate of return. To achieve its investment objective, the Fund will invest primarily in a portfolio of high quality Hong Kong dollar short-to-medium duration debt securities. The Fund may also hold assets denominated in other currencies. The risk profile of the Principal Hong Kong Dollar Savings Fund is generally regarded as low.

Fund Commentary

The monetary base increased to HK\$1,062bn from HK\$1,060bn while aggregate balance was almost unchanged at HK\$148.6bn at the end of November. Headline liquidity conditions (as expressed by HIBORs) finally tightened a bit due to high incremental HK\$ Loan-Deposit ratios. There was a further uptick in rates paid by banks on short-term deposits, which nudged Hong Kong's Composite Interest rate higher to 0.43% from 0.36%. 3-m HIBOR increased 2bps while 1-yr HIBOR increased 11bps. USD LIBORs edged up 10bps and 13bps for respective periods. 1-yr Exchange Fund Note rose to 0.18% from previous month's 0.14% while 5-yr and 10-yr yields went down 0.07bps and 0.17bps respectively as global sovereign bond yields declined in a risk-off environment that saw risk assets like equities, credits and commodities come off.

Hong Kong's economic growth numbers were mixed. November Purchasing Manager Index (PMI) eased to 48.7 from October's 49 and still indicates contraction. Headline Inflation was unchanged at +5.8% yoy in September. Labor conditions remained tight with the unemployment rate at 3.3%. Property prices eased a little while volumes remained very low, especially in the secondary markets.

Due to very low interest rates, gross fund returns remain low. The low-yield environment in HKD money markets is making it challenging to increase portfolio accrual yield meaningfully, though recent reinvestments have been benefitted from better deposit rates at the shorter end of the yield curve. We remain watchful of opportunities to enhance portfolio yields in this environment.

QUICK FUND FACTS

Fund Manager	Principal Asset Management Company (Asia) Limited
Launch Date	2 July 2003
Fund Domicile	Hong Kong
Base Currency	Hong Kong Dollar
Fund Size (million)	HK\$1,140.9
Risk Profile	Low

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 0.25% p.a.
- Trustee Fee 0.20% p.a.
- Switching Fee 4 free switches / year[#]
- 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.

[#] 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.

Hong Kong Dollar Savings Fund Cumulative Return(%)¹

	1 month	3 months	1 year	3 years	5 years	Since Inception
Fund	0.04	0.13	0.39	1.59	7.53	11.86
Index ²	0.00	0.00	0.01	0.02	2.37	5.83

Hong Kong Dollar Savings Fund Calendar Year Return(%)¹

	Year-to-date	2010	2009	2008	2007	2006
Fund	0.37	0.31	0.55	2.15	3.64	3.80
Index ²	0.01	0.01	0.01	0.13	2.03	2.51

¹ The performance information reflects performance of the retail class units. It is denominated in HK dollar and calculated on NAV to NAV basis, income reinvested. The source of the performance is from Lipper and Principal Asset Management Company (Asia) Limited. Outperforming the Index 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.

² Hong Kong Dollar Savings Rate, takes into account compound interest

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. 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



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