

**Principal**<sup>®</sup>

信安

信安資金管理(亞洲)有限公司

Principal Asset Management Company (Asia) Limited

# Principal Global Selection Fund Series

**Unaudited Semi-Annual Report**  
For the six months ended 31 March 2011

# PRINCIPAL GLOBAL SELECTION FUND SERIES

CONTENTS	<i>Pages</i>
Administration.....	2
Manager's Report.....	3
Statement of assets and liabilities.....	4
Investment portfolio.....	5-10
Statement of movements in portfolio holdings.....	11-12

# ADMINISTRATION

## **Manager**

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# MANAGER'S REPORT

## FOR THE SIX MONTHS ENDED 31 MARCH 2011

### Principal Asia Pacific High Income Bond Fund

#### Market Review

Risks and volatilities surged as markets continued to face numerous uncertainties. Conflicts and protests in the Middle East intensified, exposing the market to risks that were not anticipated, such as higher oil prices. The devastating earthquake in Japan, along with the unsettled debt crisis in Europe, will likely continue to create volatility in the near-term. In the US, the US Federal Reserve remains committed to its quantitative easing program and will continue to purchase Treasury securities through June.

Growth has continued to surprise on the upside in Asia. Indeed, economic growth has accelerated, with fourth quarter 2010 GDP prints generally surprising to the upside. Upside surprises are being seen in inflation as well. We expect policymakers to front-load rate hikes to firmly anchor inflation expectations. Indeed, the central banks in Korea, Singapore, India, China, Thailand and Indonesia have indicated a preference to move towards a more "neutral" monetary stance to head off rising inflation expectations.

#### Fund Performance

The fund outperformed the benchmark in the fourth quarter of 2010. Very strong performance from high yield exposures in China and Indonesia. However, the fund underperformed the benchmark in the first quarter of 2011.

#### Strategy and Outlook

Volatility surged due to a number of events occurred during December 2010 and March 2011 quarters. Looking ahead, these risks and uncertainties remain and will continue to have significant impact on financial markets. While volatility may remain somewhat elevated in the short-term, overall fundamentals remain very sound, and outlook is still very positive in Asia. Recent data release shows that inflation is moderating. Fundamentals remain very strong and corporate earnings are healthy and economic growth is gaining strength, all these factors will continue to encourage attractive returns from credit markets in Asia over the course of the year.

### Principal BRIC Emerging Economies Fund

#### Market Review

Brazil's Bovespa was down 1.0% in the past half year and Brazilian BRL appreciated 3.32%, which had little effect on Brazil's performance. Russia RTSIS\$ gained 32.0%. The Russian ruble depreciated 6.93% during this time period. Oil prices were up 31% in the past half year, closing at US\$106.7/barrel. India's Sensex was down 3.0% for the past half year. The Indian rupee appreciated 0.8%, which had little effect on India's performance. In China, the market was up 4.0%. Purchasing Managers Index (PMI) growth within the region contributed to China's outperformance.

#### Fund Performance

The fund returned 9.49% for the past six-month period. The month-end asset allocations were 25.28% (PRC), 26.80% (Russia), 21.35% (India), 24.38% (Brazil).

#### Strategy and Outlook

Developments in Africa/Middle East remain fluid. At this stage, it does not look like we are heading for a supply shock. Libya's oil deficit seems to have been easily met by other Organization of Petroleum Exporting Countries (OPEC) nations. The problem would accentuate if the disturbances spread to any of the major oil-producing nation like Saudi Arabia or Kuwait. Saudi Arabia announced a new US\$67 billion plan to top its previously announced US\$36 billion spending plan last month, in a bold attempt to transfer prosperity to the people. The flip side of such large spending plans is that Saudi Arabia would now need much higher international oil prices for its budget to balance.

Asian currencies are likely to continue relative outperformance, as monetary policy adjustments to combat inflation bear fruit. Asian central banks are beginning to show higher tolerance for currency appreciation as a tool to soften the impact of high import prices.

Our basic view remains that 2011 will provide solid yet unspectacular returns to equity investors. The main supportive factors include reasonable valuations, strong profitability of the corporate sector, lack of solid investment alternatives on the fixed income side (low sovereign yields and tightened credit spreads), and a favorable outlook on global and emerging market growth.

Principal Asset Management Company (Asia) Limited  
18 April 2011

# STATEMENT OF ASSETS AND LIABILITIES

## AS AT 31 MARCH 2011

*(Expressed in United States dollars)*

	<i>31 March 2011</i>		<i>30 September 2010</i>	
	<i>Principal Asia Pacific High Income Bond Fund</i>	<i>Principal BRIC Emerging Economies Fund</i>	<i>Principal Asia Pacific High Income Bond Fund</i>	<i>Principal BRIC Emerging Economies Fund</i>
<b>Assets</b>				
Investments	\$ 5,892,456	\$ 18,406,680	\$ 6,734,296	\$ 19,694,924
Dividends and interest receivables	93,769	11,068	109,552	80,138
Amounts receivable on sales of investments	-	559,911	38,025	229,585
Amounts receivable on subscriptions	-	124	-	12,420
Other receivables	14,065	13,792	4,096	4,096
Cash and cash equivalents	80,067	399,600	210,845	477,649
	<b>\$ 6,080,357</b>	<b>\$ 19,391,175</b>	<b>\$ 7,096,814</b>	<b>\$ 20,498,812</b>
<b>Liabilities</b>				
Amounts payable on redemptions	\$ 6,232	\$ 654,220	\$ 13,450	\$ 175,826
Accruals and other payable	16,990	37,797	110,918	59,146
	<b>\$ 23,222</b>	<b>\$ 692,017</b>	<b>\$ 124,368</b>	<b>\$ 234,972</b>
<b>Total equity</b>	<b>\$ 6,057,135</b>	<b>\$ 18,699,158</b>	<b>\$ 6,972,446</b>	<b>\$ 20,263,840</b>
<b>Total number of units in issue - Retail Class</b>	<b>719,842.8270</b>	<b>1,341,273.3650</b>	<b>816,480.0917</b>	<b>1,595,486.8977</b>
<b>Net asset value per unit</b>	<b>\$ 8.4145</b>	<b>\$ 13.9413</b>	<b>\$ 8.5396</b>	<b>\$ 12.7007</b>

## INVESTMENT PORTFOLIO AS AT 31 MARCH 2011

<b>Principal Asia Pacific High Income Bond Fund</b>				
	<i>Maturity</i>	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
<b>Listed/quoted Investments (Costs: US\$5,901,571)</b>				
<i>Listed/quoted debt instruments</i>				
<i>China</i>				
China Overseas Finance (Cayman) II Ltd-5.5%	10/11/2020	100,000	\$ 97,313	1.61
CNOOC Finance 2011 Ltd-4.25%	26/01/2021	200,000	195,067	3.22
Sino-Forest Corp-10.25%	28/07/2014	125,000	138,438	2.28
			\$ 430,818	7.11
<i>Hong Kong</i>				
China Oriental Group Co Ltd-8%	18/08/2015	250,000	\$ 262,500	4.33
Hutchison Whampoa International 09/19 Ltd-5.75%	11/09/2019	100,000	107,569	1.78
Noble Group Ltd-6.75%	29/01/2020	260,000	278,200	4.59
			\$ 648,269	10.70
<i>India</i>				
Axis Bank Ltd-4.75%	02/05/2016	150,000	\$ 150,122	2.48
Indian Oil Corp Ltd-4.75%	22/01/2015	150,000	155,214	2.56
Reliance Holdings USA Inc-6.25%	19/10/2040	250,000	236,515	3.91
State Bank of India London-4.5%	23/10/2014	150,000	154,519	2.55
			\$ 696,370	11.50
<i>Indonesia</i>				
Adaro Indonesia PT-7.625%	22/10/2019	250,000	\$ 276,250	4.56
Berau Capital Resources Pte Ltd-12.5%	08/07/2015	150,000	175,125	2.89
Bumi Investment Pte Ltd-10.75%	06/10/2017	190,000	214,472	3.54
GT 2005 BONDS BV-Floating	21/07/2014	293,000	270,673	4.47
Majapahit Holding BV-7.875%	29/06/2037	240,000	262,800	4.34
Star Energy Geothermal Wayang Windu Ltd-11.5%	12/02/2015	270,000	309,150	5.10
			\$ 1,508,470	24.90
<i>Malaysia</i>				
Penerbangan Malaysia Bhd-5.625%	15/03/2016	100,000	\$ 110,329	1.82
Sarawak International Inc-5.5%	03/08/2015	200,000	214,036	3.53
			\$ 324,365	5.35
<i>Philippines</i>				
Philippine Government-4%	15/01/2021	336,000	\$ 316,680	5.23
Power Sector Assets & Liabilities Management Corp-7.39%	02/12/2024	290,000	330,600	5.46
			\$ 647,280	10.69

**INVESTMENT PORTFOLIO AS AT 31 MARCH 2011** *(continued)*

<b>Principal Asia Pacific High Income Bond Fund</b> <i>(continued)</i>					
	<i>Maturity</i>	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>	
<b>Listed/quoted Investments (Costs: US\$5,901,571)</b>					
<i>Listed/quoted debt instruments (continued)</i>					
<i>Singapore</i>					
ST Engineering Financial 1 Ltd-4.8%	16/07/2019	200,000	\$ 208,150	3.44	
STATS ChipPAC Ltd-7.5%	12/08/2015	150,000	163,500	2.70	
			\$ 371,650	6.14	
<i>South Korea</i>					
Export-Import Bank of Korea-4%	29/01/2021	200,000	\$ 182,381	3.01	
Hyundai Capital Services Inc-6%	05/05/2015	150,000	161,390	2.66	
Kookmin Bank-7.25%	14/05/2014	200,000	225,259	3.72	
Korea Expressway Corp-4.5%	23/03/2015	150,000	155,616	2.57	
Republic of Korea-5.625%	03/11/2025	90,000	94,303	1.56	
Shinhan Bank-4.375%	15/09/2015	250,000	255,915	4.23	
			\$ 1,074,864	17.75	
<i>Thailand</i>					
Bangkok Bank Pcl Hong Kong-4.8%	18/10/2020	200,000	\$ 190,370	3.14	
<b>Total of listed/quoted debt instruments</b>			\$ 5,892,456	97.28	
<b>Total investments</b>			\$ 5,892,456	97.28	
<b>Other net assets</b>			164,679	2.72	
<b>Total net assets</b>			\$ 6,057,135	100.00	

**INVESTMENT PORTFOLIO AS AT 31 MARCH 2011** *(continued)*

<b>Principal BRIC Emerging Economies Fund</b>			
	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
<b>Listed Investments (Costs: US\$15,238,142)</b>			
<i>Listed shares</i>			
<i>Brazil</i>			
Banco Bradesco SA-ADR	13,914	\$ 288,716	1.54
Banco do Brasil SA	5,200	94,328	0.50
Banco Santander Brasil SA	4,300	52,265	0.28
BM&FBOVESPA SA	15,400	112,026	0.60
BRF - Brasil Foods SA	4,500	85,166	0.46
Brookfield Incorporacoes SA	14,100	73,400	0.39
Cia de Bebidas das Americas-ADR	5,917	167,510	0.90
Cia Siderurgica Nacional SA-SPON ADR	16,114	268,459	1.43
Diagnosticos da America SA	10,393	133,980	0.72
Gerdau SA	10,862	135,775	0.73
iShares MSCI Brazil Index Fund	985	76,318	0.41
Itau Unibanco Holding SA-ADR	20,622	495,959	2.65
MRV Engenharia e Participacoes SA	22,500	180,387	0.96
OGX Petroleo e Gas Participacoes SA	14,082	169,866	0.91
PDG Realty SA Empreendimentos e Participacoes	34,600	194,559	1.04
Petroleo Brasileiro SA-SPON ADR	26,617	945,968	5.06
Vale SA-SPON ADR	26,962	899,183	4.81
		\$ 4,373,865	23.39
<i>China</i>			
Anta Sports Products Ltd	39,000	\$ 60,519	0.32
Bank of China Ltd-H	444,500	247,239	1.32
China Construction Bank Corp-H	431,530	404,107	2.16
China Life Insurance Co Ltd-H	58,000	217,555	1.16
China Merchants Bank Co Ltd-H	48,630	134,620	0.72
China Merchants Holdings (International) Co Ltd	20,000	84,396	0.45
China Mobile Ltd	35,000	322,138	1.72
China National Materials Co Ltd-H	68,000	61,146	0.33
China Overseas Land & Investment Ltd	56,000	113,803	0.61
China Petroleum & Chemical Corp-H	150,000	150,295	0.80
China Resources Enterprise	12,000	48,711	0.26
China Shanshui Cement Group Ltd	57,000	53,158	0.29
China Shenhua Energy Co Ltd-H	34,500	162,424	0.87
China Shipping Container Lines Co Ltd-H	150,000	59,347	0.32
China Telecom Corp Ltd-H	230,000	140,339	0.75
China Yurun Food Group Ltd	29,000	97,229	0.52
CNOOC Ltd	157,000	395,288	2.11
COSCO Pacific Ltd	32,000	60,508	0.32
Country Garden Holdings Co	196,000	85,604	0.46
ENN Energy Holdings Ltd	26,000	80,825	0.43
Focus Media Holding Ltd-ADR	1,775	54,439	0.29
Great Wall Motor Co Ltd-H	30,000	55,416	0.30
Guangzhou Shipyard International Co Ltd-H	26,000	52,637	0.28
Industrial & Commercial Bank of China-H	516,150	428,318	2.29

**INVESTMENT PORTFOLIO AS AT 31 MARCH 2011** *(continued)*

<b>Principal BRIC Emerging Economies Fund</b> <i>(continued)</i>			
	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
<b>Listed Investments (Costs: US\$15,238,142)</b>			
<i>Listed shares (continued)</i>			
<i>China (continued)</i>			
Intime Department Store Group Co Ltd	52,000	\$ 70,538	0.38
Jiangxi Copper Co Ltd-H	23,000	76,670	0.41
KWG Property Holding Ltd	113,000	91,303	0.49
Lianhua Supermarket Holdings Co Ltd-H	12,000	47,632	0.26
PetroChina Co Ltd-H	122,000	184,613	0.99
Ping An Insurance (Group) Co of China Ltd-H	20,500	207,641	1.11
Shandong Chenming Paper Holdings Ltd	68,000	56,691	0.30
Sichuan Expressway Co Ltd-H	90,000	58,384	0.31
Tencent Holdings Ltd-H	6,400	155,793	0.83
XTEP International Holdings	82,500	55,850	0.30
Yantai Changyu Pioneer Wine Co Ltd-B	4,300	42,151	0.23
Yanzhou Coal Mining Co Ltd-H	30,000	109,060	0.59
		\$ 4,726,387	25.28
<i>Hong Kong</i>			
AAC Acoustic Technologies Holdings Inc	22,000	\$ 59,347	0.32
Xingda International Holdings Ltd	62,000	57,901	0.31
		\$ 117,248	0.63
<i>India</i>			
Aurobindo Pharma Ltd	20,480	\$ 89,928	0.48
Axis Bank Ltd	2,921	91,891	0.49
Bharat Heavy Electricals Ltd	2,263	104,600	0.56
Bharat Petroleum Corp Ltd	5,275	72,325	0.39
Bharti Airtel Ltd	12,196	97,677	0.52
Crompton Greaves Ltd	10,553	64,500	0.35
HDFC Bank Ltd-ADR	1,145	194,581	1.04
Housing Development Finance Corp	15,920	250,154	1.34
ICICI Bank Ltd-SPON ADR	4,920	245,164	1.31
Infosys Technologies Ltd-SPON ADR	5,727	410,626	2.20
Infrastructure Development Finance Co Ltd	27,242	94,378	0.50
ITC Ltd	45,180	184,365	0.99
Jindal Steel & Power Ltd	6,235	97,427	0.52
Larsen & Toubro Ltd	3,301	122,194	0.65
Lupin Ltd	13,436	125,056	0.67
Maruti Suzuki India Ltd	2,035	57,557	0.31
Oil & Natural Gas Corp Ltd	14,072	91,858	0.49
Reliance Industries Ltd	10,113	237,749	1.27
Reliance Industries Ltd-SPON GDR	4,852	230,082	1.23
Siemens India Ltd	4,924	97,217	0.52
State Bank of India Ltd-GDR	560	72,240	0.39
Sterlite Industries India Ltd	26,182	101,736	0.54
Sun TV Network Ltd	9,065	91,259	0.49
Tata Chemicals Ltd	15,412	118,115	0.63

**INVESTMENT PORTFOLIO AS AT 31 MARCH 2011** *(continued)*

<b>Principal BRIC Emerging Economies Fund</b> <i>(continued)</i>			
	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
<b>Listed Investments</b> (Costs: US\$15,238,142)			
<i>Listed shares (continued)</i>			
<i>India (continued)</i>			
Tata Consultancy Services Ltd	8,512	\$ 225,823	1.21
Tata Power Co Ltd	3,269	97,455	0.52
Tata Steel Ltd	6,075	84,710	0.45
The Great Eastern Shipping Co Ltd	14,122	83,166	0.44
Torrent Pharmaceuticals Ltd	8,051	104,722	0.56
Wipro Ltd	5,067	54,525	0.29
		\$ 3,993,080	21.35
<i>Russia</i>			
Federal Hydrogenerating Co -ADR	32,595	\$ 165,909	0.89
Gazprom OAO-SPON ADR	45,677	1,478,564	7.91
Lukoil OAO-SPON ADR	9,058	649,006	3.47
Magnit OJSC-SPON GDR REGS	3,569	108,176	0.58
Mechel-ADR	2,860	88,059	0.47
MMC Norilsk Nickel-ADR	13,210	349,272	1.87
Mobile Telesystems OJSC-SPON ADR	9,084	192,854	1.03
NovaTek OAO-SPON GDR	1,837	255,343	1.36
Novolipetsk Steel OJSC-SPON GDR	2,468	108,592	0.58
Rosneft Oil Co-GDR	39,909	364,569	1.95
Sberbank of Russia	186,574	701,145	3.75
Surgutneftegaz-SPON ADR	7,873	85,580	0.46
Tatneft-SPON GDR	3,770	166,596	0.89
Uralkali-SPON GDR	3,548	147,136	0.79
Vimpel-Communications-SPON ADR	3,059	43,193	0.23
VTB Bank OJSC-REG	10,860	76,020	0.41
Wimm-Bill-Dann Foods OJSC-ADR	914	30,592	0.16
		\$ 5,010,606	26.80
<b>Total listed shares</b>		\$ 18,221,186	97.45

**INVESTMENT PORTFOLIO AS AT 31 MARCH 2011** *(continued)*

<b>Principal BRIC Emerging Economies Fund</b> <i>(continued)</i>	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
<b>Listed Investments (Costs: US\$15,238,142)</b>			
<i>Listed preference shares</i>			
<i>Brazil</i>			
Cia Brasileira de Distribuicao Grupo Pao de Acucar	203	\$ 8,364	0.05
Cia Energetica de Minas Gerais	5,400	103,392	0.55
Gol Linhas Aereas Inteligentes SA	5,500	73,738	0.39
<b>Total listed preference shares</b>		\$ 185,494	0.99
<i>Unlisted shares</i>			
<i>Russia</i>			
Enel OJK-5 OJSC-GDR	3,789	\$ -	-
TGK-5-REG-SPON GDR	1,563	-	-
<b>Total unlisted shares</b>		\$ -	-
<b>Total investments</b>		\$ 18,406,680	98.44
<b>Other net assets</b>		292,478	1.56
<b>Total net assets</b>		\$ 18,699,158	100.00

## STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

<b>Principal Asia Pacific High Income Bond Fund</b>	<i>% of net assets as at 31 March 2011</i>	<i>% of net assets as at 30 September 2010</i>
<i>Listed/quoted debt instruments</i>		
China	7.11	5.81
Hong Kong	10.70	11.05
India	11.50	4.52
Indonesia	24.90	31.00
Kazakhstan	-	3.36
Malaysia	5.35	6.34
Philippines	10.69	9.83
Singapore	6.14	5.51
South Korea	17.75	16.65
Thailand	3.14	-
<i>Listed preference shares</i>		
Australia	-	2.65
<i>Forward contract</i>	-	(0.14)
<b>Total investments</b>	<b>97.28</b>	<b>96.58</b>
<b>Other net assets</b>	<b>2.72</b>	<b>3.42</b>
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS** *(continued)*

<b>Principal BRIC Emerging Economies Fund</b>	<i>% of net assets as at 31 March 2011</i>	<i>% of net assets as at 30 September 2010</i>
<i>Listed shares</i>		
Brazil	23.39	24.82
China	25.28	23.57
Hong Kong	0.63	1.68
India	21.35	24.07
Russia	26.80	23.05
<i>Listed preference shares</i>		
Brazil	0.99	-
<b>Total investments</b>	<b>98.44</b>	<b>97.19</b>
<b>Other net assets</b>	<b>1.56</b>	<b>2.81</b>
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>