

Principal®

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 2010

PRINCIPAL GLOBAL SELECTION FUND SERIES

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ADMINISTRATION

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MANAGER'S REPORT

FOR THE SIX MONTHS ENDED 31 MARCH 2010

Principal Asia Pacific High Income Bond Fund

Market Review

Equity and credit asset values generally appreciated over the half year ending 31 March 2010. January 2010 was a tough month for risky assets as concerns about fading economic recovery combined with the already strong recovery in values seen in 2009, culminated in market declines. This was followed by a recovery in February and March 2010 on the back of strong global manufacturing data. Markets shrugged off concerns over tightening economic policies in China designed to contain a potential market bubble, and sovereign credit concerns in Greece and elsewhere.

Asian credit spreads narrowed in the half year. The spread on the HSBC Asian Dollar Bond Index High Yield component narrowed 82 bp to 318 bp, the lowest level since December 2007. The High Grade component narrowed 71 bp to 209 bp also the lowest level seen since end of 2007.

Fund Performance

The high yield bonds and Australian hybrid securities contributed positively, returning 25% and 21% respectively over the period. This was offset by a negative return of 3% for the US Treasury bonds. The overall performance of the portfolio relative to the benchmark was 89 bp for the six months.

Strategy and Outlook

Cash holdings were raised in February in the face of uncertainty surrounding the Greek sovereign debt situation. This cash was deployed during March into a diversified array of Asian bonds. These holdings should contribute positively to returns whilst the credit asset rally continues.

Meanwhile, given the backdrop of slow credit growth and low capacity utilization evidenced by stubbornly high unemployment in the US and Europe, authorities may have little option other than to maintain low policy interest rates for the foreseeable future. Given this scenario, and the historically steep USD yield curve, over time a portfolio should earn excess returns from owning longer dated bonds. The US Treasury bond holdings in the portfolio are designed to benefit from this and provide protection should there be any future credit market dislocations. The higher yield of our credit holdings should also contribute to outperformance over time.

Principal BRIC Emerging Economies Fund

Market Review

Brazil's Bovespa was up during the period and the Brazilian BRL depreciated 0.8%, which offsets some of the gains.

Russia RTSI was up 25.4%. The Russian ruble appreciated 2.0% during the period. Oil prices were up 18.7% in the six-month period, closing at US\$83.8/barrel.

India's Sensex returned 2.3% for the period; the Indian rupee appreciated 6.6%, helping returns of India.

In China, market was up 8% during the period. Chinese authorities understand the need to revalue their currency and probably will do so soon, provided US lawmakers stop pressuring them.

Fund Performance

The fund returned 12.64% net for the past six-month period. The month-end asset allocations were 25.2% (Brazil), 24.2% (Russia), 23.3% (India), and 25.1% (PRC); with the balance being in net cash.

Strategy and Outlook

Market valuations, as we have iterated before, continue to be in a nowhere zone – neither too expensive nor too cheap but it looks like earnings up to second quarter 2010 are reasonably secure. MSCI Asia-Pacific ex-Japan is trading around 13.5x 2010 earnings and about 12x 2011 earnings. The S&P 500 Index is also trading around similar levels while Europe is trading about 10% cheaper on the earnings metrics, pulled back by concerns in peripheral Europe. Low cash yields, we believe, will continue to provide support to markets and the real inflection point from a flow perspective will arrive when policy rates are jacked up in the US and Europe.

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 2010

(Expressed in United States dollars)

	<i>31 March 2010</i>		<i>30 September 2009</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>
Assets				
Investments	\$ 6,747,469	\$ 20,622,732	\$ 6,738,039	\$ 18,427,334
Dividends and interest receivables	118,198	11,329	117,319	63,551
Amounts receivable on sales of investments	432,879	-	-	300,622
Amounts receivable on subscriptions	-	-	-	8,379
Other receivables	14,065	13,792	7,426	7,426
Cash and cash equivalents	190,270	423,071	586,048	529,133
	\$ 7,502,881	\$ 21,070,924	\$ 7,448,832	\$ 19,336,445
<hr style="border-top: 1px dashed black;"/>				
Liabilities				
Amounts payable on purchase of investments	\$ 469,242	\$ -	\$ -	\$ 299,391
Amounts payable on redemptions	-	-	152,949	-
Accruals and other payable	11,939	31,800	91,846	174,138
	\$ 481,181	\$ 31,800	\$ 244,795	\$ 473,529
<hr style="border-top: 1px dashed black;"/>				
Net asset value	\$ 7,021,700	\$ 21,039,124	\$ 7,204,037	\$ 18,862,916
<hr/>				
Representing:				
Net assets attributable to unitholders	\$ 7,021,700	\$ 21,039,124	\$ 7,204,037	\$ 18,862,916
<hr/>				
Total number of units in issue - Retail Class	842,017.0780	1,698,215.2905	908,163.7383	1,717,797.3610
<hr/>				
Net asset value per unit	\$ 8.3391	\$ 12.3890	\$ 7.9325	\$ 10.9809
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INVESTMENT PORTFOLIO AS AT 31 MARCH 2010

Principal Asia Pacific High Income Bond Fund				
	<i>Maturity</i>	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
Listed/quoted Investments (cost: US\$7,096,269)				
<i>Listed/quoted debt instruments</i>				
<i>China</i>				
AES China Generating Co Ltd-8.25%	26/06/2010	264,000	\$ 249,927	3.56
China Glass Holdings Ltd-9.625%	12/07/2012	500,000	415,650	5.92
Country Garden Holdings Co-11.75%	10/09/2014	150,000	159,375	2.27
Evergrande Real Estate Group Ltd-13%	27/01/2015	150,000	153,750	2.19
			\$ 978,702	13.94
<i>Hong Kong</i>				
Hutchison Whampoa International 09/19 Ltd-5.75%	11/09/2019	150,000	\$ 155,708	2.22
Noble Group Ltd-6.75%	29/01/2020	150,000	155,063	2.21
			\$ 310,771	4.43
<i>India</i>				
Indian Oil Corp Ltd-4.75%	22/01/2015	150,000	\$ 151,294	2.15
State Bank of India London-4.5%	23/10/2014	150,000	150,460	2.14
Vedanta Resources Plc-9.5%	18/07/2018	150,000	164,250	2.34
			\$ 466,004	6.63
<i>Indonesia</i>				
Adaro Indonesia PT-7.625%	22/10/2019	150,000	\$ 155,820	2.22
Bumi Capital Pte Ltd-12%	10/11/2016	150,000	163,706	2.33
Davomas International Finance Co Ltd-Floating	08/12/2014	258,593	151,277	2.15
GT 2005 BONDS BV-5%	21/07/2014	518,000	456,109	6.50
Indonesia Government-7.5%	15/01/2016	100,000	115,472	1.64
Prime Dig Pte Ltd-11.75%	03/11/2014	150,000	162,375	2.31
			\$ 1,204,759	17.15
<i>Kazakhstan</i>				
Kazkommerts International BV-8%	03/11/2015	500,000	\$ 470,000	6.69
<i>Malaysia</i>				
Penerbangan Malaysia Bhd-5.625%	15/03/2016	100,000	\$ 108,370	1.54
Sarawak International Inc-5.5%	03/08/2015	150,000	156,197	2.22
			\$ 264,567	3.76
<i>Philippines</i>				
Philippine Government-8%	15/01/2016	100,000	\$ 119,250	1.70

INVESTMENT PORTFOLIO AS AT 31 MARCH 2010 *(continued)*

Principal Asia Pacific High Income Bond Fund <i>(continued)</i>				
	<i>Maturity</i>	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
Listed/quoted Investments (cost: US\$7,096,269)				
<i>Listed/quoted debt instruments (continued)</i>				
<i>South Korea</i>				
Hyundai Capital Services Inc-6%	05/05/2015	150,000	\$ 157,653	2.25
Kookmin Bank-7.25%	14/05/2014	200,000	222,927	3.17
Korea Expressway Corp-4.5%	23/03/2015	150,000	152,264	2.17
Republic of Korea-7.125%	16/04/2019	100,000	117,166	1.67
Shinhan Bank-4.375%	15/09/2015	150,000	149,386	2.13
			\$ 799,396	11.39
<i>United States</i>				
United States Treasury Note/Bond-4.5%	15/05/2038	900,000	\$ 873,140	12.44
Total listed/quoted debt instruments			\$ 5,486,589	78.13
<i>Listed preference shares</i>				
<i>Australia</i>				
Brookfield Multiplex Group		5,000	\$ 352,477	5.02
Elders Ltd		5,000	256,347	3.65
National Australia Bank Ltd		5,000	352,248	5.02
Transpacific SPS Trust		5,000	316,772	4.52
Total listed preference shares			\$ 1,277,844	18.21
<i>Forward contracts</i>				
Buy AUD/sell USD Forward rate 0.9062050	23/04/2010	321,717	\$ 2,959	0.04
Buy AUD/sell USD Forward rate 0.9144120	23/04/2010	90,054	89	-
Buy AUD/sell USD Forward rate 0.9177300	23/04/2010	480,000	(1,119)	(0.02)
Buy AUD/sell USD Forward rate 0.9184220	23/04/2010	903,424	(2,731)	(0.04)
Buy USD/sell AUD Forward rate 0.9046851	23/04/2010	65,675	(778)	(0.01)
Buy USD/sell AUD Forward rate 0.9105330	23/04/2010	2,873,967	(15,362)	(0.22)
Buy USD/sell AUD Forward rate 0.9148251	23/04/2010	35,000	(22)	-
			\$ (16,964)	(0.25)
Total investments			\$ 6,747,469	96.09
Other net assets			274,231	3.91
Total net asset value			\$ 7,021,700	100.00

INVESTMENT PORTFOLIO AS AT 31 MARCH 2010 *(continued)*

Principal BRIC Emerging Economies Fund			
	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
Listed Investments (cost: US\$18,829,874)			
<i>Listed shares</i>			
<i>Brazil</i>			
Banco Bradesco SA-SPON ADR	13,487	\$ 248,565	1.18
Banco do Brasil SA	5,200	86,761	0.41
Banco Santander Brasil SA	6,318	78,533	0.37
BM&FBOVESPA SA	10,100	67,971	0.32
Cia Siderurgica Nacional SA-SPON ADR	3,400	135,762	0.65
Cielo SA	6,100	57,111	0.28
Gerdaul SA	11,350	185,005	0.88
Gol Linhas Aereas Inteligentes SA-ADR	8,780	108,784	0.53
iShares MSCI Brazil Index Fund	3,708	273,057	1.30
Itau Unibanco Holding SA-ADR	25,683	564,769	2.69
NET Servicos de Comunicacao SA-ADR	7,445	96,413	0.46
OGX Petroleo e Gas Participacoes SA	14,082	131,056	0.62
PDG Realty SA Empreendimentos e Participacoes	24,711	204,561	0.97
Petroleo Brasileiro SA-SPON ADR	27,433	1,086,073	5.16
Rossi Residencial SA	11,400	78,950	0.38
Ultrapar Participacoes SA-SPON ADR	3,463	167,713	0.80
Usinas Siderurgicas de Minas Gerais SA	3,246	111,792	0.54
Vale SA-SPON ADR	28,844	928,489	4.41
		\$ 4,611,365	21.95
<i>China</i>			
361 Degrees International Ltd	87,000	\$ 68,244	0.33
Bank of China Ltd-H	403,000	214,898	1.02
BaWang International Group Holding Ltd	130,000	97,285	0.46
Beijing Enterprises Holdings Ltd	14,500	100,760	0.48
Belle International Holdings Ltd	110,000	147,918	0.70
BYD Co Ltd-H	8,500	84,685	0.40
China Citic Bank Corp Ltd-H	127,000	95,204	0.45
China Coal Energy Co-H	58,000	90,544	0.43
China Construction Bank Corp-H	498,000	407,956	1.94
China High Speed Transmission Equipment Group Co Ltd	35,000	77,359	0.37
China Life Insurance Co Ltd-H	60,000	287,489	1.37
China Merchants Bank Co Ltd-H	57,630	155,882	0.74
China Merchants Holdings (International) Co Ltd	26,000	95,778	0.46
China Mobile Ltd	59,500	572,486	2.72
China Oilfield Services Ltd-H	58,000	85,165	0.40
China Overseas Land & Investment Ltd	60,000	135,553	0.64
China Pacific Insurance Group Co Ltd-H	31,400	139,128	0.66
China Petroleum & Chemical Corp-H	58,000	47,513	0.23
China Shenhua Energy Co Ltd-H	41,500	179,336	0.85
China Taiping Insurance Holdings Co Ltd	28,000	97,916	0.47
China Vanke Co Ltd-B	90,400	103,747	0.49
China Yurun Food Group Ltd	34,000	103,790	0.49
CNOOC Ltd	198,000	325,929	1.55
Comba Telecom Systems Holdings Ltd	68,000	87,061	0.41
COSCO Pacific Ltd	60,000	90,884	0.43

INVESTMENT PORTFOLIO AS AT 31 MARCH 2010 *(continued)*

Principal BRIC Emerging Economies Fund <i>(continued)</i>			
	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
Listed Investments (cost: US\$18,829,874)			
<i>Listed shares (continued)</i>			
<i>China (continued)</i>			
Fosun International	105,500	\$ 84,386	0.40
Fushan International Energy Group Ltd	76,000	57,755	0.27
Great Wall Motor Co Ltd-H	48,500	100,826	0.48
Industrial & Commercial Bank of China-H	347,000	264,593	1.26
Jiangxi Copper Co Ltd-H	35,000	79,072	0.38
Kunlun Energy Co Ltd	60,000	84,237	0.40
Perfect World Co Ltd	1,984	74,301	0.35
PetroChina Co Ltd-H	146,000	170,752	0.81
Shimao Property Holdings Ltd	55,500	102,082	0.49
Tencent Holdings Ltd-H	5,900	118,399	0.56
Weichai Power Co Ltd-H	7,000	58,606	0.28
Zijin Mining Group Co Ltd-H	68,000	53,603	0.25
		\$ 5,141,122	24.42
<i>Hong Kong</i>			
iShares BSE SENSEX India Index ETF	146,200	\$ 322,764	1.53
The United Laboratories Ltd	112,000	96,366	0.46
		\$ 419,130	1.99
<i>India</i>			
Aurobindo Pharma Ltd	5,414	\$ 115,382	0.55
Axis Bank Ltd	4,172	108,268	0.51
Bharat Heavy Electricals Ltd	2,263	120,176	0.57
Bharat Petroleum Corp Ltd	5,275	60,703	0.29
Bharti Airtel Ltd	12,196	84,675	0.40
Crompton Greaves Ltd	17,883	103,661	0.49
HDFC Bank Ltd-ADR	1,145	159,602	0.76
Hero Honda Motors Ltd	2,516	108,671	0.52
Hindustan Unilever Ltd	8,176	43,507	0.21
Housing Development Finance Corp	2,866	172,988	0.82
ICICI Bank Ltd-SPON ADR	5,369	229,256	1.09
Infosys Technologies Ltd-SPON ADR	6,782	399,120	1.90
Infrastructure Development Finance Co Ltd	27,242	97,398	0.46
iShares MSCI India	54,000	385,559	1.83
ITC Ltd	22,590	132,000	0.63
Jindal Steel & Power Ltd	6,235	97,381	0.46
Larsen & Toubro Ltd	4,190	151,791	0.72
Lupin Ltd	3,515	126,846	0.60
Maruti Suzuki India Ltd	3,527	111,093	0.53
Mphasis Ltd	5,655	77,940	0.37
NTPC Ltd	19,306	88,880	0.42
Oil & Natural Gas Corp Ltd	5,200	126,912	0.60
Reliance Industries Ltd	11,688	278,910	1.33
Reliance Industries Ltd-SPON GDR	4,852	233,866	1.11

INVESTMENT PORTFOLIO AS AT 31 MARCH 2010 *(continued)*

Principal BRIC Emerging Economies Fund <i>(continued)</i>			
	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
Listed Investments (cost: US\$18,829,874)			
<i>Listed shares (continued)</i>			
<i>India (continued)</i>			
Siemens India Ltd	4,924	\$ 80,957	0.38
State Bank of India Ltd-GDR	785	73,790	0.35
Sterlite Industries India Ltd	8,835	166,328	0.79
Tata Chemicals Ltd	15,412	112,344	0.53
Tata Consultancy Services Ltd	8,512	147,607	0.70
Tata Power Co Ltd	3,269	99,673	0.47
Tata Steel Ltd	6,075	85,294	0.41
Torrent Pharmaceuticals Ltd	8,051	97,549	0.46
Wipro Ltd	6,849	107,556	0.51
		\$ 4,585,683	21.77
<i>Russia</i>			
Comstar United Telesystems OJSC-GDR	10,850	\$ 76,059	0.36
Gazprom OAO-SPON ADR	53,821	1,255,643	5.97
LUKOIL OAO-SPON ADR	12,675	718,673	3.42
Magnit OJSC-SPON GDR REGS	2,182	40,411	0.19
Mechel-ADR	4,000	113,680	0.54
MMC Norilsk Nickel-ADR	17,697	325,802	1.55
Mobile Telesystems OJSC-SPON ADR	5,995	332,723	1.58
NovaTek OAO-SPON GDR	2,606	189,717	0.91
Novolipetsk Steel OJSC-SPON GDR	2,547	88,254	0.42
Polyus Gold Co	2,490	64,118	0.30
Rosneft Oil Co-GDR	42,762	339,102	1.61
RusHydro-SPON ADR	43,228	228,244	1.08
Sberbank of Russian Federation	243,046	712,124	3.38
Severstal OAO-GDR	7,508	109,316	0.52
Surgutneftegaz-SPON ADR	7,873	78,021	0.37
Tatneft-SPON GDR	5,233	163,793	0.78
Uralkali	4,400	92,356	0.44
Vimpel-Communications-SPON ADR	4,526	83,324	0.40
VTB Bank OJSC-REG	10,860	60,164	0.29
Wimm-Bill-Dann Foods OJSC-ADR	1,572	35,244	0.17
		\$ 5,106,768	24.28
<i>Singapore</i>			
Noble Group Ltd	29,000	\$ 63,379	0.30
Total listed shares		\$ 19,927,447	94.71

INVESTMENT PORTFOLIO AS AT 31 MARCH 2010 *(continued)*

Principal BRIC Emerging Economies Fund <i>(continued)</i>	<i>Holdings</i>	<i>Market value US\$/US\$ equivalent</i>	<i>% of net assets</i>
Listed Investments (cost: US\$18,829,874)			
<i>Listed preference shares</i>			
<i>Brazil</i>			
Cia Brasileira de Distribuicao Grupo Pao de Acucar-B	407	\$ 13,527	0.06
Klabin SA	47,377	144,854	0.69
Lojas Americanas SA	29,800	220,704	1.05
Tam SA	5,400	91,758	0.44
Telemar Norte Leste SA	1,700	47,616	0.23
Ultrapar Participacoes SA	3,700	176,826	0.84
Total listed preference shares		\$ 695,285	3.31
<i>Unlisted shares</i>			
<i>Russia</i>			
Enel OGC-5 OJSC-GDR	3,789	\$ -	-
TGK-5-REG-SPON GDR	1,563	-	-
Total unlisted shares		\$ -	-
Total investments		\$ 20,622,732	98.02
Other net assets		416,392	1.98
Total net asset value		\$ 21,039,124	100.00

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

Principal Asia Pacific High Income Bond Fund

	<i>% of net assets</i> <i>Year ended 31 March 2010</i>	<i>% of net assets</i> <i>Year ended 30 September 2009</i>
<i>Listed/quoted debt instruments</i>		
Australia	-	37.37
China	13.94	8.28
Hong Kong	4.43	-
India	6.63	-
Indonesia	17.15	10.55
Ireland	-	5.27
Kazakhstan	6.69	5.62
Malaysia	3.76	-
Philippines	1.70	-
South Korea	11.39	-
United States	12.44	14.94
<i>Listed preference shares</i>		
Australia	18.21	12.89
<i>Forward contracts</i>	(0.25)	(1.39)
Total investments	96.09	93.53
Other net assets	3.91	6.47
Total net assets	100.00	100.00

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS *(continued)*

Principal BRIC Emerging Economies Fund

	<i>% of net assets</i> <i>Year ended 31 March 2010</i>	<i>% of net assets</i> <i>Year ended 30 September 2009</i>
<i>Listed shares</i>		
Brazil	21.95	27.85
China	24.42	24.25
Hong Kong	1.99	2.11
India	21.77	21.14
Russia	24.28	22.34
Singapore	0.30	-
<i>Listed preference shares</i>		
Brazil	3.31	-
Total investments	98.02	97.69
Other net assets	1.98	2.31
Total net assets	100.00	100.00