

PRINCIPAL LIFE STYLE FUND

UNAUDITED SEMI ANNUAL REPORT

For The Six Months Ended 30 June 2008



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MANAGEMENT AND ADMINISTRATION

Manager

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Trustee, Custodian and Registrar

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MANAGER'S REPORT

Principal Life Style Fund (the "Fund")

The Manager has pleasure in presenting the Manager's report of the Fund for the six months ended 30 June 2008.

Principal Asian Equity Fund

Market Review

The MSCI All Country Far East Free ex Japan Index fell 18.32% over the first half of 2008. Consumer staples, utilities and information technology were the best performing sectors for the period. The worst performing sectors were healthcare, industrials and consumer discretionary.

Taiwan and Singapore were the top performing countries, while the Philippines and China were the worst performing countries. In Taiwan, telecommunication services gained the most with a return of 21.04%.

Fund Performance

The fund outperformed the index during the 1st half of 2008. Superior stock selection provided outperformance.

The fund outperformed significantly in the industrials and energy sectors. In industrials, overweight positions in Noble Group Ltd and China Shipping Development Co Ltd led the outperformance for the year, with returns of 25.46% and 15.95% respectively. In energy, BANPU led the way with a return of 33.45%, followed by Bumi Resources with a return of 39.22% for the second half of the year. The fund underperformed in consumer discretionary (-26.62%) and consumer staples (-23.23%).

Strategy and Outlook

Concerns over global growth remain as evidence of a slowdown in developed markets. Inflation risks have risen, particularly in Asia, on the back of higher energy and food prices. We see upward bias to interest rates at a time when economic activity is slowing. In Asia, exporters will be affected negatively by the Organization for Economic Cooperation and Development slowdown, but regional domestic consumption has, thus far, held up well. Commodity prices have exhibited increased volatility, but overall remain supported by Chinese demand, tight supplies and a weak US dollar.

The Chinese economy had a difficult first half of the year. Government measures to cool growth have begun to take hold, at a time when the global outlook has deteriorated and inflation remains elevated. Rising oil prices have resulted in acute fuel shortages, as refiners are at heavy losses given the fixed price structure and rising raw material cost. China has reacted by lifting fuel and electricity prices to encourage supply, while capping coal prices to limit inflationary impact. We continue to favor domestically-oriented companies, but are wary of the declining visibility on margins.

Principal China Equity Fund

Market Review

In the first half of 2008, MSCI China Index was down 26.3%. H-shares, as measured by the Hang Seng China Enterprise Index, were down 26.1%. The consumer staples sector performed the best. The utilities and information technology sectors followed. The financials sector lagged. China's CPI hit new 11-year high of 8.7% in February, increasing concerns on high inflation. Nymex crude jumped 46% in the first half to US\$140 per barrel by the end of June. China stocks, especially those in downstream industries, saw higher energy price and higher material prices squeezing their margins. Slowing external demand also dampened the revenue growth of export-oriented companies. As a measure to combat inflation, the People's Bank of China continued to raise required reserve ratio, and more aggressively in June to absorb excess liquidity. Despite a cut in stamp duty, China A-share market closed at year-low as at end-June, down 48% in the first half. The China market corrected, as industrial profit growth has slowed sharply to 20.9% in the first five months of the year, down by half for the same period in 2007.

Fund Performance

The fund outperformed the MSCI China Index in the first half of 2008. Stock selection was positive in the telecommunication services, information technology and consumer discretionary sectors. Stock selection negatively affected performance in the industrials and materials sectors.

Principal China Equity Fund *(continued)*

Strategy and Outlook

The strong rally of crude oil, negative profit warnings from downstream companies, and renewed concern on US financials have impacted market sentiment negatively. With higher energy price and material prices, corporate earnings would slow down. And high inflation would erode disposable income. Interim results to be released in the third quarter will shed us some light on how corporates in China are doing. The trending-down CPI in the second half would be one pre-requisite for the Chinese government to relax its macro control measures. In that case, both market sentiment and business conditions would be improved.

Principal International Equity Fund

Market Review

During the first half of 2008, the global equity markets posted negative returns as the MSCI World Index fell 10.6% and small-cap stocks outperformed large-cap stocks. The energy and materials sectors led the way and posted returns of 11.7% and 9.5%, respectively.

In the United States, small-cap stocks outperformed large-cap stocks. The S&P 500 Index returned -11.9% during the first half. The energy sector generated the strongest performance, followed by materials. European stocks fell as the MSCI Europe Index returned -12.4% and the MSCI Europe Small Cap Index was down 10.2%. In Europe, the materials and energy sectors were the best performers. In Japan, the MSCI Japan Index returned -5.5% and the MSCI Japan Small Cap Index returned -5.7%, with the industrials sector had the only positive performance.

Fund Performance

The fund posted a negative return in the first half of 2008. Stock selection positively contributed to performance in materials, industrials and telecommunication services sectors. Stock selection negatively affected performance in the healthcare, information technology and financial sectors. From a country perspective, stock selection contributed most positively to performance in the United States and the United Kingdom.

Strategy and Outlook

During the second quarter, the Federal Reserve (Fed) reduced the Fed Funds rate to 2% and the discount rate to 2.25%. We look for the Fed Funds rate to stay at 2% for the foreseeable future. Strong evidence of a recession would be needed for more rate cuts beyond the current level. In the Eurozone, inflation is a significant concern as it is now substantially above its target and rising. We maintain a positive outlook in the global equity markets.

Principal International Bond Fund

Market Review

Growth in the United States has remained on the verge of a recession, but it has remained in positive growth through the first half of the year. The Federal Reserve (Fed) was in an easing cycle through the first part of the period. During the first part of the year, the Federal Funds rate moved from 4.25% in December to the current rate of 2% today. Much of the focus from the Fed has been on the slow growth.

In Europe, growth has remained strong in the face of slowing global growth. Inflation in Europe has moved to more than 2% above the target rate based on an early flash report. European Central Bank (ECB) Chairman, Jean-Claude Trichet, has been very hawkish and has remained focused on fighting inflation. In June, the ECB moved the target rate from 4% to 4.25%, and has had a hawkish tone throughout the year.

Fund Performance

The fund posted a positive return during the period, driven by outperformance in the Asia-Pacific region.

The Asia-Pacific region outperformed its index with performance driven by yield curve positioning and sector allocation. An overweight to noncorporate credit enhanced performance as these securities outperformed like duration treasuries.

Principal International Bond Fund *(continued)*

Strategy and Outlook

Our sector positioning is based on weak, but positive US growth in 2008 buoyed by net exports, capital spending, fiscal stimulus and a slowing in the decline of residential construction. For the remainder of the year, we expect that elevated unemployment, modest inflation trends and weak economic data will keep the Fed on hold and the target rate at 2%. Under this scenario, treasury yields should remain relatively range-bound with the shape of the curve remaining steep. The portfolio is long duration compared to the index. Investment-grade corporate bond spreads narrowed in the second quarter; spreads continue to look attractive, remaining near historically wide levels. We believe that investment-grade corporate bonds spread levels are more than enough to compensate for soft fundamentals in a slow growth economy.

Principal HK Dollar Savings Fund

Market Review

Interest rate movement in Hong Kong for the first half of 2008 can be divided into two parts - interest rate eased in the first five months but jumped in June. The benchmark three-month HKD interbank offer rate (HIBOR) rate fell by 148 bps for the first five months followed by a jump of 34 bps in June and the rate was down by 114 bps for the first half of the year. The rise in interest rates was attributable to the outflow of capital and the increase in expectation of an interest rate hike in the US. Due to the rise in HIBOR, most banks in Hong Kong hiked their mortgage rates to cover the higher funding cost.

Fund Performance

The fund price rose during the first half of 2008. The net return of the fund was able to outperform the MPF Prescribed Savings Rate during the reviewed period.

Strategy and Outlook

Hong Kong continued to report encouraging economic data. The unemployment rate for second quarter dropped to 3.3% from 3.4% in the first quarter. The growth of Hong Kong's retail sales, though weakened in May, still grew at 12.9% YoY in value and 5.5% in volume. Higher global inflation, RMB appreciation and the HKD's peg to a weak USD, however, have contributed to a rise in imported inflation. The headline CPI came in at 5.7% YoY in May and 4.9% for the first five months of 2008. The uptrend in inflation is evident across all major components of the CPI, particularly in food prices. Since rates in Hong Kong are expected to remain soft, Hong Kong will continue to see negative real interest rates in 2008. Under an environment of low real interest rate, improving domestic demand, as well as continued growth in corporate profits, we expect Hong Kong's economic growth will remain resilient in the second half of the year.

Principal Hong Kong Equity Fund

Market Review

In the first half of 2008, the Hang Seng Index was down 19%. The utilities sector was the best performing sector for the first half of the year, however, it still had negative performance. The materials and consumer discretionary sectors lagged the most. H-shares, as measured by the Hang Seng China Enterprise Index, were down 25.0%.

Fund Performance

The fund posted a negative return during the semiannual period. Stock selection positively affected performance in the materials, information technology and consumer staples sectors. Stock selection in the industrial sector negatively affected performance.

MANAGER'S REPORT *(continued)*

Principal Hong Kong Equity Fund *(continued)*

Strategy and Outlook

Concerns about inflation, high oil prices and a weak A-share market continue to weigh on returns for equity investors. Amidst all negatives, there are growing arguments for macro policy easing to mitigate significant downside risks to the Chinese economy. Financial stress of property developers and manufacturers in China could pose threats to asset quality of the banking system. Together the sectors represent over 50% of loans outstanding of listed China banks. There are also concerns about a weak retail outlook in China due to the high inflation eroding consumer spending. A similar situation appears in Hong Kong where retail sales growth moderated in recent months. Although timing of a policy change is difficult to predict, it would be later in the year given gradual easing of inflationary pressure and stabilization of inflation expectation. Nevertheless, the policy change in itself could change sentiments dramatically.

Principal US Equity Fund

Market Review

The S&P 500 Index returned -11.9% during the six-month period ending 30 June. Small-cap stocks outperformed large-caps and growth stocks outperformed value stocks. With the exception of the energy and materials sectors, all sectors posted negative returns during the six-month period.

Fund Performance

The fund posted a negative return over the six-month period. The portfolio had strong stock selection in the financials, materials, consumer discretionary, energy and telecommunication services sectors. Stocks positively affecting relative returns included Wachovia, Massey Energy, Hasbro Inc., American International Group and Apache Corp. Stocks that negatively contributed to the portfolio's performance included NVIDIA Corp., Humana Inc., Halliburton Company and BB&T Corp.

Our investment strategy struggled during the period as investors ignored stock-specific fundamentals and focused on macro issues such as inflation, interest rates and gross domestic product growth.

The fund's main overweights included Transocean Inc., Occidental Petroleum Corporation and Devon Energy Corporation.

Strategy and Outlook

We remain committed to our investment philosophy and will continue to invest in securities with improving business fundamentals, rising investor expectations and attractive valuations. Our portfolio construction strategies neutralize market, sector and industry exposures, relative to the index, in order to isolate superior stock selection as the major source of portfolio outperformance.

Principal US Dollar Savings Fund

Market Review

The second quarter was a little better for credit markets as credit spreads narrowed and some confidence was restored. That improvement brought higher interest rates as yields on 10-year US Treasuries rose to a peak of 4.25%. The credit crunch is not over, but has moderated somewhat. With banks' capital being depleted by write-offs, they are less willing to lend and credit standards continue to rise.

During the second quarter, the Federal Reserve (Fed) reduced the Fed Funds rate to 2% and the discount rate to 2.25%. We look for the Fed Funds rate to stay at 2% for the foreseeable future. Strong evidence of a recession would be needed for more rate cuts beyond the current level.

If gas prices peak and the economy picks back up, the Fed would likely want to begin taking back some of its monetary accommodation. At that point, the Fed could begin another tightening cycle, but we do not see that until sometime in 2009.

Principal US Dollar Savings Fund *(continued)*

Fund Performance

The US dollar portfolio performance for the first half of 2008 was -1.72%, underperforming the Lehman 6-month Treasury return of 1.64%. Our currency exposure decreased performance, as our HK dollar return was -1.47%. Our strategy of excess yield, providing excess return, should continue to be successful over time.

Strategy and Outlook

The current portfolio strategy is driven by diversification and sector allocation. Our strategy is to take slightly underweighted or overweighted positions on each security held, based on the recommendations of our experienced staff. This strategy allows for outperformance while bracing for the unexpected. Allocations to corporate bonds, asset-backed securities and agencies (securities issued by US Government agencies) are actively managed based on disciplined relative value analysis.

Principal Long Term Accumulation Fund

Market Review

The Japanese equity markets posted positive returns in February. This was not enough to bring the markets into positive territory however. The MSCI Japan Index was down 3.91% for January through February.

The MSCI All Country Far East Free ex-Japan index fell 7.84% for the time period, outperforming the S&P 500 at -9.05% and the MSCI EAFE index, at -7.94%.

In the fixed income markets, the Lehman Global Aggregate Index returned 1.82% during the two month period.

Fund Performance

The fund had a negative performance for the two month period ending in February. Volatility in stocks continues to be on the high side due to concerns about the subprime mortgage markets.

The US equity portfolio, Hong Kong equity portfolio, European portfolio and Japanese equity portfolio all outperformed their respective indices for February. The Asia ex-Japan equity portfolio underperformed the MSCI All Country Far East Free ex-Japan index for February.

Strategy and Outlook

Hong Kong's economy is growing steadily at 6% plus per annum, one of the highest rates in the region. Retail sales are strengthening, up 23% in January from a year ago. European markets still do not look particularly expensive in a global context. They are selling on a multiple of 11.1 times earnings for the current year.

Japan's real gross domestic product rose 2% on a year-over-year basis, with a continuing trend. The unemployment rate stayed at a low level of 3.8%. The Chinese economy has had a challenging start to the year. Government measures to cool growth down are taking hold, while the global outlook has deteriorated. The Malaysian economy continues to post respectable growth on higher crude and palm oil exports and firm domestic consumption.

In our fixed income portfolios, data continues to support our outlook of slower growth, with non-farm payrolls notably weak. However, we do not view US growth as recessionary as what is priced in to the credit markets. We therefore maintain our overweighting in that region, arguing that spreads are wide due to technical reasons.

Principal Asset Management Company (Asia) Limited

30 June 2008

INVESTMENT REPORT

Portfolio statement as at 30 June 2008

Principal Asian Equity Fund			
Investments	Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
Listed shares			
<i>China</i>			
Bank of Communications Co Ltd-H	453,000	4,135,890	0.24
BYD Electronic International Co Ltd	308,123	1,426,610	0.08
China Construction Bank Corp-H	5,629,000	35,350,120	2.08
China COSCO Holdings Co Ltd-H	382,000	7,273,280	0.43
China Life Insurance Co Ltd-H	723,000	19,737,900	1.16
China Merchants Bank Co Ltd-H	866,000	21,217,000	1.25
China Petroleum & Chemical Corp-H	1,705,508	12,450,208	0.73
China Railway Construction Corp-H	632,000	6,952,000	0.41
China Shipping Development Co Ltd-H	362,000	8,470,800	0.50
Huaneng Power International Inc-H	1,480,000	8,006,800	0.47
Industrial & Commercial Bank of China-H	6,540,000	34,858,200	2.05
Jiangxi Copper Co Ltd-H	677,000	10,358,100	0.61
PetroChina Co Ltd-H	2,696,872	27,238,407	1.60
Tencent Holdings Ltd	209,600	12,638,880	0.74
Weichai Power Co Ltd-H	304,000	10,184,000	0.60
Zhaojin Mining Industry Co Ltd-H	959,500	9,211,200	0.54
		229,509,395	13.49
<i>Hong Kong</i>			
Agile Property Holdings Ltd	1,004,000	6,827,200	0.40
BOC Hong Kong Holdings Ltd	1,034,500	21,362,425	1.25
Cheung Kong Holdings Ltd	158,000	16,605,800	0.97
Cheung Kong Infrastructure Holdings Ltd	642,000	21,186,000	1.24
China Mobile Ltd	692,624	72,586,995	4.26
CNOOC Ltd	2,098,766	28,165,440	1.65
Dah Sing Banking Group Ltd	141	1,951	0.00
Denway Motors Ltd	2,204,000	6,634,040	0.39
Global Bio-Chem Technology Group Co Ltd	2,012,000	6,518,880	0.38
Hang Seng Bank Ltd	175,660	28,896,070	1.70
Henderson Land Development Co Ltd	299,000	14,531,400	0.85
HongKong Electric Holdings	417,000	19,453,050	1.14
Hutchison Telecommunications International Ltd	1,208,000	13,360,480	0.78
Hutchison Whampoa Ltd	302,000	23,737,200	1.39
New World Development Ltd	1,083,000	17,198,040	1.01
Noble Group Ltd	1,599,600	21,734,659	1.28
Pacific Basin Shipping Ltd	719,000	8,009,660	0.47
Peace Mark Holdings Ltd	2,010,000	10,894,200	0.64
Shanghai Industrial Holdings Ltd	491,000	11,243,900	0.66
Shougang Concord International Enterprises Co Ltd	5,024,000	12,811,200	0.75
Swire Pacific Ltd-A	295,000	23,526,250	1.38
		385,284,840	22.59
<i>Indonesia</i>			
PT Bumi Resources Tbk	3,902,000	27,045,307	1.59
PT Indofood Sukses Makmur Tbk	11,415,000	23,156,768	1.36
PT Timah Tbk	407,000	12,883,594	0.76
PT United Tractors Tbk	1,362,346	13,991,185	0.82
		77,076,854	4.53

Principal Asian Equity Fund (continued)			
Investments	Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
Listed shares (continued)			
<i>Malaysia</i>			
Genting Bhd	1,461,500	19,541,829	1.15
KLCC Property Holdings Bhd	1,974,300	12,822,137	0.75
Kulim Malaysia Bhd	736,000	17,046,213	1.00
Resorts World Bhd	2,050,952	12,732,310	0.75
Sime Darby Bhd	646,000	14,267,656	0.84
Tenaga Nasional Bhd	437,140	8,506,610	0.50
YTL Corp Bhd	551,200	8,883,648	0.52
		93,800,403	5.51
<i>Singapore</i>			
CapitaLand Ltd	424,000	13,855,870	0.81
China Fishery Group Ltd	1,438,000	14,015,251	0.82
DBS Group Holdings Ltd	91,000	9,839,571	0.58
Golden Agri-Resources Ltd	3,287,112	16,960,947	1.00
Oversea-Chinese Banking Corp	263,000	12,318,871	0.72
Singapore Airlines Ltd	227,600	19,181,505	1.13
Singapore Telecommunications Ltd	947,000	19,654,031	1.15
		105,826,046	6.21
<i>South Korea</i>			
Daegu Bank	130,050	13,469,821	0.79
Dongbu Insurance Co Ltd	41,120	11,765,788	0.69
Dongkuk Steed Mill Co Ltd	37,410	12,571,900	0.74
GS Engineering & Construction Corp	17,866	15,242,967	0.90
GS Holdings Corp	48,647	14,499,490	0.85
Hanjin Heavy Ind & Const Holdings Co Ltd	65,706	12,386,889	0.73
Hyundai Heavy Industries	1,955	4,719,853	0.28
Hyundai Mobis	33,293	21,012,272	1.23
Kookmin Bank	11,153	5,135,904	0.30
Korea Exchange Bank	126,250	13,499,571	0.79
Korea Gas Corp	22,334	12,681,136	0.75
LG Display Co Ltd	43,908	12,825,267	0.75
LG Electronics Inc	12,457	10,999,387	0.65
Lotte Confectionery Co Ltd	2,264	21,407,932	1.26
NHN Corp	12,194	16,582,337	0.97
POSCO	10,729	43,490,542	2.55
Samsung Electronics Co Ltd	15,253	71,034,932	4.17
Shinhan Financial Group Co Ltd	48,039	16,931,357	0.99
SK Telecom Co Ltd	12,061	17,120,442	1.01
Sung Kwang Bend Co Ltd	72,388	15,965,957	0.94
Tong Yang Investment Bank	66,606	5,856,418	0.34
Woori Finance Holdings Co Ltd	122,110	15,149,634	0.89
Youngone Corp	178,560	9,779,310	0.57
		394,129,106	23.14
<i>Taiwan</i>			
Acer Inc	969,000	14,888,506	0.87
Asustek Computer Inc	624,000	13,243,135	0.78
AU Optonics Corp	776,000	9,510,564	0.56

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal Asian Equity Fund <i>(continued)</i>			
Investments	Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>Taiwan <i>(continued)</i></i>			
Cheng Shin Rubber Industry Co Ltd	993,000	10,473,421	0.61
China Life Insurance Co Ltd	2,934,000	16,923,984	0.99
Chroma ATE Inc	665,000	10,849,795	0.64
Chunghwa Telecom Co Ltd	1,225,127	24,710,238	1.45
Feng Hsin Iron & Steel Co	434,000	8,787,030	0.52
First Financial Holding Co Ltd	3,570,540	30,549,513	1.79
Formosa Plastics Corp	300,000	5,642,330	0.33
HON HAI Precision Industry Co Ltd	499,433	19,184,240	1.13
Huaku Construction Corp	307,000	6,807,307	0.40
Powertech Technology Inc	455,000	12,450,511	0.73
Simple Technology Co Ltd	187,000	7,255,122	0.43
Taiwan Cooperative Bank	2,803,000	20,309,459	1.19
Taiwan Mobile Co Ltd	849,000	12,324,868	0.72
Taiwan Semiconductor Manufacturing Co Ltd	3,415,345	57,039,289	3.35
U-Ming Marine Transport Corp	476,000	9,784,150	0.57
		290,733,462	17.06
<i>Thailand</i>			
Asian Property Development Pcl-Foreign	5,809,400	6,824,670	0.40
Bangkok Bank Pcl-Foreign	517,400	14,443,308	0.85
Banpu Pcl-Foreign	188,300	23,653,917	1.39
PTT Chemical Pcl-Foreign	480,700	11,741,468	0.69
Quality House Pcl-Foreign	19,390,881	9,743,395	0.57
Siam Commercial Bank Pcl	315,600	5,689,809	0.33
Siam Commercial Bank Pcl-Foreign	600,500	10,826,142	0.64
Thai Beverage Pcl	5,379,000	7,555,457	0.44
		90,478,166	5.31
Total listed shares		1,666,838,272	97.84
Total investment		1,666,838,272	97.84
Other net assets		36,712,782	2.16
Total net asset value		1,703,551,054	100.00
Total cost of investment		1,706,734,997	

Principal China Equity Fund			
Investments	Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares			
<i>China</i>			
Aluminum Corp of China Ltd-H	148,000	1,330,520	0.36
Bank of China Ltd-H	2,121,000	7,359,870	2.00
Bank of Communications Co Ltd-H	295,000	2,693,350	0.73
China BlueChemical Ltd-H	674,000	3,639,600	0.99
China Citic Bank-H	1,086,000	4,745,820	1.29
China Coal Energy Co-H	512,000	6,983,680	1.90
China Communications Construction Co Ltd-H	518,000	6,910,120	1.88
China Construction Bank Corp-H	2,891,000	18,155,480	4.94
China COSCO Holdings Co Ltd-H	407,000	7,749,280	2.11
China High Speed Transmission Equipment Group Co Ltd	234,000	3,744,000	1.02
China Life Insurance Co Ltd-H	562,000	15,342,600	4.18
China Merchants Bank Co Ltd-H	348,000	8,526,000	2.32
China Oilfield Services Ltd-H	314,000	4,396,000	1.20
China Petroleum & Chemical Corp-H	1,654,000	12,074,200	3.29
China Railway Construction Corp-H	317,000	3,487,000	0.95
China Shenhua Energy Co Ltd-H	291,500	8,919,900	2.43
China Shipping Development Co Ltd-H	148,000	3,463,200	0.94
China Southern Airlines Co Ltd-H	418,000	1,295,800	0.35
China Telecom Corp Ltd-H	2,163,514	9,173,299	2.50
China Vanke Co Ltd-B	508,800	5,062,560	1.38
China Yurun Food Group Ltd	387,000	4,961,340	1.35
Huaxin Cement Co Ltd-B	80,000	1,446,210	0.39
Industrial & Commercial Bank of China-H	4,876,000	25,989,080	7.08
Jiangxi Copper Co Ltd-H	434,000	6,640,200	1.81
Lenovo Group Ltd	728,000	3,843,840	1.05
Little Sheep Group Ltd	120,000	345,600	0.10
PetroChina Co Ltd-H	2,026,362	20,466,256	5.57
Ping An Insurance Group Co of China Ltd-H	165,500	9,599,000	2.61
Shimao Property Holdings Ltd	329,500	2,949,025	0.80
Sichuan Expressway Co Ltd-H	1,100,000	2,464,000	0.67
Tencent Holdings Ltd	122,800	7,404,840	2.02
Weichai Power Co Ltd-H	64,000	2,144,000	0.58
Zijin Mining Group Co Ltd-H	542,000	3,593,460	0.98
		226,899,130	61.77
<i>Hong Kong</i>			
China Agri-Industries Holdings Ltd	640,000	3,648,000	0.99
China Everbright International Ltd	625,000	1,512,500	0.41
China Green Holdings Ltd	220,000	2,037,200	0.55
China Mobile Ltd	331,500	34,741,200	9.46
China Overseas Land & Investment Ltd	530,000	6,529,600	1.78
China Power International Development Ltd	872,000	1,900,960	0.52
China Resources Power Holdings Co	196,000	3,724,000	1.01
China Unicom Ltd	370,000	5,357,600	1.46
CITIC Pacific Ltd	176,000	5,060,000	1.38
CNOOC Ltd	1,864,000	25,014,880	6.81
COSCO Pacific Ltd	208,000	2,658,240	0.72
Denway Motors Ltd	544,000	1,637,440	0.45
Global Bio-Chem Technology Group Co Ltd	600,000	1,944,000	0.53
GOME Electrical Appliances Holdings Ltd	1,572,000	5,816,400	1.58
Guangdong Investment Ltd	950,000	3,002,000	0.82
Kerry Properties Ltd	72,000	2,948,400	0.80

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal China Equity Fund <i>(continued)</i>			
Investments	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed shares (continued)</i>			
<i>Hong Kong (continued)</i>			
Li Ning Co Ltd	245,000	4,410,000	1.20
Neo-China Land Group Holdings Ltd	320,000	651,520	0.18
Ports Design Ltd	156,000	3,478,800	0.95
Shougang Concord International Enterprises Co Ltd	1,646,000	4,197,300	1.14
TPV Technology Ltd	794,000	3,223,640	0.88
Xinyu Hengdelei Holdings Ltd	632,000	1,851,760	0.50
		125,345,440	34.12
Total listed shares		352,244,570	95.89
<i>Unlisted shares</i>			
<i>China</i>			
Chai-Na-Ta Corp	960	-	0.00
China North Industries Investment Ltd	20,000	-	0.00
Total unlisted shares		-	-
Total investment		352,244,570	95.89
Other net assets		15,101,137	4.11
Total net asset value		367,345,707	100.00
Total cost of investment		399,595,604	

Principal International Equity Fund			
Investments	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed shares</i>			
<i>Australia</i>			
BHP Billiton Ltd	18,884	6,217,958	0.39
BlueScope Steel Ltd	102,105	8,724,336	0.54
Leighton Holdings Ltd	17,944	6,875,156	0.43
Mount Gibson Iron Ltd	232,650	5,468,925	0.34
OneSteel Ltd	93,580	5,261,136	0.33
Woolworths Ltd	37,746	6,953,799	0.43
		39,501,310	2.46
<i>Belgium</i>			
Groupe Bruxelles Lambert SA	7,025	6,545,840	0.41
KBC Groep NV	6,802	5,912,217	0.37
		12,458,057	0.78
<i>Canada</i>			
Agrium Inc	8,400	7,148,842	0.44
Centerra Gold Inc	19,748	729,126	0.05
EnCana Corp	18,270	13,202,634	0.82
Nexen Inc	16,700	5,255,875	0.33
Potash Corp of Saskatchewan	7,540	13,806,774	0.86
Power Corp of Canada	30,450	7,358,366	0.46
Toronto-Dominion Bank	18,900	9,399,313	0.58
Viterra Inc	52,100	5,645,819	0.35
		62,546,749	3.89
<i>Denmark</i>			
Novo Nordisk A/S-B	16,025	8,208,502	0.51
Sydbank A/S	18,300	5,457,987	0.34
Vestas Wind Systems A/S	10,000	10,244,621	0.64
		23,911,110	1.49
<i>Finland</i>			
Nokian Renkaat Oyj	17,563	6,601,435	0.41
<i>France</i>			
Alstom SA	4,600	8,314,554	0.52
BNP Paribas	11,269	7,990,889	0.50
France Telecom SA	31,125	7,176,670	0.45
Suez SA	12,533	6,678,525	0.41
Total SA	24,433	16,319,841	1.01
Vivendi	40,190	11,936,442	0.74
		58,416,921	3.63

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal International Equity Fund <i>(continued)</i>			
Investments	Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>Germany</i>			
E.ON AG	9,814	15,474,840	0.96
K+S AG	1,909	8,586,944	0.53
MAN AG	9,086	7,882,886	0.49
Muenchener Rueckversicherungs AG-REG	6,148	8,422,136	0.52
RWE AG	10,629	10,472,508	0.65
SGL Carbon AG	9,813	5,392,363	0.33
		56,231,677	3.48
<i>Greece</i>			
Alpha Bank AE	34,034	8,052,932	0.50
National Bank of Greece SA	18,468	6,513,724	0.40
		14,566,656	0.90
<i>Hong Kong</i>			
BOC Hong Kong Holdings Ltd	371,000	7,661,150	0.48
Hang Seng Bank Ltd	56,200	9,244,900	0.57
Hutchison Whampoa Ltd	93,000	7,309,800	0.45
Midland Holdings Ltd	496,000	2,400,640	0.15
New World Development Ltd	267,688	4,250,885	0.26
		30,867,375	1.91
<i>Italy</i>			
Enel SpA	126,585	9,420,785	0.58
ENI SpA	44,393	12,965,901	0.80
Terna Rete Elettrica Nazionale SpA	196,721	6,519,006	0.40
		28,905,692	1.78
<i>Japan</i>			
FamilyMart Co Ltd	18,400	5,913,226	0.37
Hitachi Metals Ltd	45,000	5,811,335	0.36
ITOCHU Corp	91,000	7,621,157	0.47
Keyence Corp	3,700	6,928,951	0.43
Komatsu Ltd	36,700	8,044,049	0.50
Marubeni Corp	113,000	7,421,967	0.46
Matsushita Electric Industrial Co Ltd	44,000	7,461,138	0.46
Millea Holdings Inc	24,600	7,541,407	0.47
Mitsubishi Corp	37,600	9,744,798	0.60
Mitsui & Co Ltd	57,000	9,897,708	0.61
Nintendo Co Ltd	2,700	11,975,882	0.74
Nitto Denko Corp	17,700	5,347,495	0.33
Sankyo Co Ltd	12,000	6,148,997	0.38
Stanley Electric Co Ltd	33,300	6,337,154	0.39
Sumitomo Mitsui Financial Group Inc	161	9,525,540	0.59
The Bank of Kyoto Ltd	65,000	5,337,794	0.33
Toyoda Gosei Co Ltd	20,700	4,751,700	0.29
Toyota Boshoku Corp	24,520	5,165,587	0.32
		130,975,885	8.10

Principal International Equity Fund <i>(continued)</i>			
Investments	Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>Netherlands</i>			
ArcelorMittal	12,974	10,040,917	0.62
Koninklijke KPN NV	59,371	7,975,184	0.49
Royal Dutch Shell Plc-B	27,376	8,602,756	0.53
		26,618,857	1.64
<i>Norway</i>			
StatoilHydro ASA	32,600	9,566,052	0.59
Telenor ASA	45,900	6,794,670	0.42
Yara International ASA	12,500	8,711,175	0.54
		25,071,897	1.55
<i>Portugal</i>			
Banco Espirito Santo SA-REG	45,176	5,517,232	0.34
<i>Singapore</i>			
Golden Agri-Resources Ltd	1,089,000	5,619,057	0.35
Wilmar International Ltd	237,000	6,875,305	0.43
		12,494,362	0.78
<i>Spain</i>			
Banco Santander SA	89,414	12,859,267	0.80
Telefonica SA	63,569	13,223,843	0.82
		26,083,110	1.62
<i>Sweden</i>			
Nordea Bank AB	64,600	7,007,563	0.44
<i>Switzerland</i>			
ABB Ltd-REG	53,445	11,917,555	0.74
Addax Petroleum Corp	17,700	6,746,096	0.42
Credit Suisse Group-REG	9,737	3,504,148	0.22
Nestle SA-REG	51,890	18,379,512	1.14
Roche Holding AG-GENUSSCHEIN	8,998	12,704,229	0.79
Xstrata Plc	10,275	6,432,148	0.40
Zurich Financial Services AG-REG	4,455	8,939,308	0.56
		68,622,996	4.27
<i>United Kingdom</i>			
Aggreko Plc	62,362	7,125,709	0.44
Anglo American Plc	21,216	11,637,563	0.72
Aviva Plc	78,258	6,099,338	0.38
BG Group Plc	62,675	12,743,425	0.79
BP Plc	89,318	8,104,197	0.50
British American Tobacco Plc	32,115	8,688,078	0.54
Cobham Plc	208,589	6,418,506	0.40
Compass Group Plc	173,767	10,258,770	0.64
G4S Plc	188,548	5,939,682	0.37
GKN Plc	134,479	4,665,257	0.29

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal International Equity Fund <i>(continued)</i>			
Investments	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United Kingdom (continued)</i>			
HSBC Holdings Plc	65,520	7,907,003	0.49
ICAP Plc	83,960	7,079,261	0.44
IG Group Holdings Plc	62,967	3,234,984	0.20
Imperial Tobacco Group Plc	37,173	10,819,760	0.67
Man Group Plc	77,000	7,474,662	0.46
Petrofac Ltd	84,019	9,652,598	0.60
Prudential Plc	70,303	5,829,312	0.36
Reckitt Benckiser Group Plc	20,179	7,989,207	0.50
Shire Plc	53,132	6,806,690	0.42
Standard Chartered Plc	35,306	7,854,179	0.49
Unilever Plc	34,034	7,565,915	0.47
Vodafone Group Plc	591,146	13,716,213	0.85
WM Morrison Supermarkets Plc	158,373	6,559,745	0.41
		184,170,054	11.43
<i>United States</i>			
Abbott Laboratories	30,264	12,502,132	0.78
Accenture Ltd-A	33,415	10,611,505	0.66
Adobe Systems Inc	29,701	9,123,990	0.57
Aetna Inc	23,679	7,484,585	0.46
AGCO Corp	15,485	6,329,263	0.39
AK Steel Holding Corp	13,211	7,109,066	0.44
Allergan Inc United States	17,508	7,106,979	0.44
American Electric Power Co Inc	22,211	6,968,606	0.43
American Financial Group Inc	33,798	7,050,868	0.44
Ametek Inc	16,879	6,215,849	0.39
Analog Devices Inc	28,058	6,951,871	0.43
Apache Corp	11,137	12,072,877	0.75
Apple Inc	11,105	14,501,254	0.90
Arch Capital Group Ltd	13,117	6,784,327	0.42
AT&T Inc	52,065	13,679,639	0.85
Bally Technologies Inc	16,312	4,299,834	0.27
BancorpSouth Inc	40,188	5,481,684	0.34
Bank of Hawaii Corp	19,509	7,272,616	0.45
Baxter International Inc	20,143	10,044,413	0.62
BB&T Corp	37,467	6,653,340	0.41
Biogen Idec Inc	13,583	5,920,489	0.37
BJ's Wholesale Club Inc	11,517	3,475,987	0.22
Boeing Co	13,648	6,995,107	0.43
BOK Financial Corp	7,369	3,071,737	0.19
Bunge Ltd	7,442	6,250,184	0.39
CenturyTel Inc	25,494	7,076,096	0.44
Chevron Corp	19,143	14,799,358	0.92
Chubb Corp	23,018	8,797,921	0.55
Cisco Systems Inc	66,443	12,052,766	0.75
Citigroup Inc	40,438	5,285,565	0.33
Commerce Bancshares Inc	10,153	3,140,327	0.20
Corning Inc	36,448	6,551,978	0.41
Deere & Co	10,124	5,695,028	0.35
Devon Energy Corp	7,924	7,425,610	0.46
Dolby Laboratories Inc-A	16,088	5,056,324	0.31
Edison International	15,384	6,164,405	0.38
Eli Lilly & Co	14,101	5,076,256	0.32
Embarq Corp	21,606	7,965,036	0.49
Energizer Corp	11,807	7,185,036	0.45
Express Scripts Inc	19,733	9,652,214	0.60
Exxon Mobil Corp	32,483	22,325,833	1.39
Fossil Inc	23,057	5,227,278	0.32
General Dynamics Corp	14,479	9,507,765	0.59

Principal International Equity Fund <i>(continued)</i>			
Investments	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United States (continued)</i>			
General Electric Co	43,901	9,137,992	0.57
Gilead Sciences Inc	30,130	12,442,076	0.77
Herbalife Ltd	18,218	5,505,543	0.34
Hewlett-Packard Co	36,515	12,589,822	0.78
Honeywell International Inc	15,126	5,931,262	0.37
IntercontinentalExchange Inc	5,445	4,840,949	0.30
International Business Machines Corp	16,336	15,100,863	0.94
Intuitive Surgical Inc	2,290	4,811,282	0.30
Jarden Corp	30,940	4,401,218	0.27
Johnson & Johnson	33,668	16,893,753	1.05
Kellogg Co	16,358	6,126,044	0.38
McDonald's Corp	28,421	12,461,145	0.77
MEMC Electronic Materials Inc	18,105	8,689,280	0.54
Merrill Lynch & Co Inc	10,271	2,540,018	0.16
MetLife Inc	22,276	9,167,524	0.57
Microsoft Corp	93,354	20,028,632	1.24
Morgan Stanley	10,692	3,007,689	0.19
National Fuel Gas Co	14,085	6,533,646	0.41
National Oilwell Varco Inc	16,701	11,555,581	0.72
Newmont Mining Corp	23,732	9,653,831	0.60
Nike Inc-B	21,079	9,799,341	0.61
Northern Trust Corp	12,302	6,578,663	0.41
Occidental Petroleum Corp	18,713	13,114,073	0.81
Omnicom Group Inc	22,524	7,883,628	0.49
optionsXpress Holdings Inc	25,956	4,522,189	0.28
Oracle Corp	49,575	8,119,135	0.50
Philip Morris International Inc	26,076	10,044,025	0.62
Procter & Gamble Co	36,722	17,415,225	1.08
Questaq Corp	12,939	7,168,552	0.45
Reinsurance Group of America Inc	14,555	4,940,022	0.31
Reliance Steel & Aluminum Co	10,986	6,004,887	0.41
Snap-On Inc	18,321	7,431,283	0.46
Terra Industries Inc	17,849	6,869,558	0.43
The Bank of New York Mellon Corp	29,083	8,580,317	0.53
The Coca-Cola Co	31,144	12,625,205	0.78
The Manitowoc Co Inc	25,802	6,545,837	0.41
The Mosaic Co	8,038	9,070,773	0.56
The Travelers Companies Inc	26,670	9,026,939	0.56
The Walt Disney Co	43,564	10,600,104	0.66
Thermo Fisher Scientific Inc	17,046	7,408,654	0.46
TJX Companies Inc	29,108	7,143,925	0.44
Transcan Inc	10,266	12,200,721	0.76
United Technologies Corp	22,115	10,641,427	0.66
Unum Corp	38,366	6,118,819	0.38
Wal-Mart Stores Inc	14,235	6,239,094	0.39
Watson Pharmaceuticals Inc	26,149	5,540,800	0.34
Western Digital Corp	28,762	7,745,392	0.48
Windstream Corp	70,722	6,806,086	0.42
		761,145,822	47.26
Total listed shares		1,581,714,760	98.16
Total investment		1,581,714,760	98.16
Other net assets		29,618,465	1.84
Total net asset value		1,611,333,225	100.00
Total cost of investment		1,522,987,419	

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal International Bond Fund				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments				
<i>Denominated in Australian Dollars</i>				
AMP Group Finance Services Ltd-9%	16/05/11	400,000	2,966,410	0.17
Queensland Treasury Corp-5.5%	14/05/10	425,000	3,101,470	0.17
Queensland Treasury Corp-6%	14/07/09	1,855,000	13,798,097	0.77
Queensland Treasury Corp-6%	14/06/11	890,000	6,486,066	0.36
		26,352,043		1.47
<i>Denominated in British Pounds</i>				
Allied Irish Banks Plc-Floating	05/07/23	250,000	3,828,590	0.21
Arsenal Securities Plc-5.1418%	01/09/29	200,000	2,612,009	0.15
Banca Intesa SpA-Floating	19/12/16	175,000	2,550,159	0.14
Bank Nederlandse Gemeenten-5.2%	07/12/28	200,000	3,017,938	0.17
CIT Group Inc-5.5%	15/12/08	200,000	2,870,203	0.16
Commerzbank Capital Funding Trust I -Floating	12/04/18	200,000	2,349,179	0.13
DnB NOR Bank ASA-Floating	31/01/49	175,000	2,349,689	0.13
EGG Banking Plc-Floating	29/05/49	200,000	2,820,151	0.16
GE Capital UK Funding-Floating	30/01/12	200,000	3,047,175	0.17
HSBC Holdings Plc-Floating	18/10/22	150,000	2,229,907	0.13
Hutchison Whampoa Finance UK Plc -5.625%	24/11/17	100,000	1,360,706	0.08
JPMorgan Chase & Co-Floating	27/06/12	200,000	2,983,088	0.17
Kreditanstalt fuer Wiederaufbau-5.5%	18/06/25	260,000	4,063,862	0.23
Northern Rock Plc-Floating	29/09/08	100,000	1,550,191	0.09
Rabobank Capital Funding Trust-Floating	31/12/49	200,000	2,610,625	0.15
Santander Issuances-Floating	31/01/18	200,000	2,908,345	0.16
Skandinaviska Enskilda Banken AB -Floating	28/11/49	175,000	2,508,953	0.14
Svenska Handelsbanken AB-Floating	18/12/49	175,000	2,507,075	0.14
The Royal Bank of Scotland Plc-Floating	16/09/49	175,000	2,181,583	0.12
United Kingdom Gilt-4%	07/03/09	260,000	4,015,083	0.22
United Kingdom Gilt-4.25%	07/06/32	310,000	4,391,426	0.25
United Kingdom Gilt-4.25%	07/03/36	340,000	4,878,816	0.27
United Kingdom Gilt-4.25%	07/03/11	312,000	4,740,246	0.27
United Kingdom Gilt-4.25%	07/12/27	400,000	5,609,730	0.31
United Kingdom Gilt-4.75%	07/03/20	400,000	5,988,441	0.34
United Kingdom Gilt-4.75%	07/09/15	400,000	6,067,407	0.34
United Kingdom Gilt-5%	07/03/25	860,000	13,170,015	0.74
United Kingdom Gilt-5%	07/09/14	120,000	1,850,334	0.10
United Kingdom Gilt-8%	07/06/21	187,000	3,658,419	0.20
Washington Mutual Bank-Floating	01/02/12	200,000	2,583,565	0.14
		107,302,910		6.01
<i>Denominated in Canadian Dollars</i>				
Canadian Government-6%	01/06/11	265,000	2,199,641	0.12
Kreditanstalt fuer Wiederaufbau-4.375%	09/02/16	695,000	5,478,464	0.31
Kreditanstalt fuer Wiederaufbau-4.95%	14/10/14	640,000	5,185,383	0.29
Province of Ontario Canada-5.85%	08/03/33	100,000	893,957	0.05
Province of Ontario Canada-6.1%	02/12/11	275,000	2,277,197	0.13
Province of Ontario Canada-6.1%	19/11/10	100,000	815,935	0.05
Province of Quebec Canada-4.5%	01/12/17	405,000	3,141,210	0.18
Province of Quebec Canada-5.25%	01/10/13	600,000	4,896,722	0.27
Province of Quebec Canada-5.5%	01/12/14	345,000	2,861,760	0.16
Province of Quebec Canada-6%	01/10/12	1,590,000	13,257,656	0.74
		41,007,925		2.30

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in Euro</i>				
ABN Amro Bank NV-3.25%	21/09/15	450,000	4,858,937	0.27
Air Liquide-5%	22/03/13	200,000	2,399,361	0.13
Anglo American Capital Plc-5.875%	17/04/15	250,000	2,952,198	0.17
Australia & New Zealand Banking Group Ltd-5.25%	20/05/13	350,000	4,139,837	0.23
Aviva Plc-Floating	29/09/49	200,000	2,211,272	0.12
Banca Monte dei Paschi di Siena SpA-5%	25/10/12	250,000	2,961,379	0.17
Banca Monte dei Paschi di Siena SpA-6%	20/06/11	250,000	3,071,858	0.17
Banque Federative du Credit Mutuel -Floating	30/04/10	250,000	3,085,229	0.17
BAT International Finance Plc-5.375%	29/06/17	200,000	2,269,075	0.13
BBVA Subordinated Capital SAU-Floating	03/04/17	200,000	2,313,637	0.13
Belgium Government-3.75%	28/09/15	850,000	9,766,577	0.55
Belgium Government-5%	28/09/12	620,000	7,670,852	0.43
BES Finance Ltd-Floating	21/04/11	250,000	3,045,122	0.17
BNP Paribas-Floating	13/04/49	250,000	2,573,797	0.14
Bred-Banque Populaire-6.437%	18/06/18	400,000	4,929,465	0.28
Bundesobligation-3.5%	08/04/11	2,000,000	23,930,583	1.34
Bundesrepublik Deutschland-3.75%	04/01/15	2,170,000	25,399,884	1.42
Bundesrepublik Deutschland-3.75%	04/01/17	825,000	9,544,699	0.53
Bundesrepublik Deutschland-4%	04/01/37	680,000	7,246,768	0.41
Bundesrepublik Deutschland-4.5%	04/01/13	700,000	8,549,443	0.48
Bundesrepublik Deutschland-4.75%	04/07/28	1,100,000	13,217,807	0.74
Bundesrepublik Deutschland-5%	04/07/12	400,000	4,976,887	0.28
Caisse d'Amort Dette Soc-3.75%	25/10/20	300,000	3,271,722	0.18
CIT Group Inc-Floating	20/06/13	200,000	1,847,709	0.10
Coca-Cola Enterprises Finance LT 1-4.75%	08/11/10	200,000	2,412,000	0.14
Commerzbank AG-Floating	29/11/17	250,000	2,914,596	0.16
Corp Andina de Fomento-6.375%	18/06/09	100,000	1,230,624	0.07
Corp Andina de Fomento-Floating	16/11/11	200,000	2,454,603	0.14
Credit Agricole SA London-6%	24/06/13	500,000	6,143,205	0.34
Czech Republic-5%	11/06/18	2,000,000	24,091,530	1.35
Danaher European Finance Co-4.5%	22/07/13	125,000	1,372,289	0.08
Danske Bank A/S-5.875%	23/06/11	200,000	2,461,580	0.14
Deutsche Bank AG-Floating	09/03/17	300,000	3,352,463	0.19
DnB NOR Bank ASA-5.875%	20/06/13	350,000	4,314,576	0.24
DnB NOR Bank ASA-Floating	30/05/17	250,000	2,901,144	0.16
E.ON International Finance BV-5.125%	07/05/13	300,000	3,627,095	0.20
European Investment Bank-3.625%	15/10/13	300,000	3,465,176	0.19
Fortis Finance NV-5.5%	15/04/11	250,000	3,032,142	0.17
GE Capital European Funding-4.75%	28/09/12	250,000	2,968,536	0.17
GlaxoSmithKline Capital Plc-5.125%	13/12/12	250,000	3,013,330	0.17
Groupe Danone-5.25%	06/05/11	500,000	6,075,591	0.34
Hellenic Republic-3.6%	20/07/16	1,365,000	15,104,800	0.85
Hellenic Republic-3.9%	20/08/11	2,045,000	24,313,022	1.36
Hellenic Republic-4.1%	20/08/12	1,800,000	21,297,731	1.19
HSBC Capital Funding LP-Floating	24/12/49	175,000	1,900,044	0.11
Iberdrola Finanzas SAU-5.625%	09/05/18	350,000	4,248,441	0.24
ING Bank NV-Floating	16/09/20	250,000	2,547,631	0.14
ING Bank NV-Floating	29/05/23	400,000	4,686,246	0.26
International Lease Finance Corp-Floating	15/08/11	250,000	2,885,315	0.16
Intesa Sanpaolo SpA-5%	28/04/11	250,000	3,012,267	0.17
Intesa Sanpaolo SpA-Floating	26/06/18	200,000	2,236,178	0.13
Italy Buoni Poliennali Del Tesoro-3.5%	15/03/11	2,000,000	23,729,461	1.33
Italy Buoni Poliennali Del Tesoro-3.75%	01/08/21	1,295,000	13,741,781	0.77
Italy Buoni Poliennali Del Tesoro-4%	01/02/17	2,250,000	25,679,126	1.44
Italy Buoni Poliennali Del Tesoro-4.25%	01/02/15	1,435,000	16,932,161	0.95
Italy Buoni Poliennali Del Tesoro-5%	01/02/12	1,000,000	12,315,407	0.69
Italy Buoni Poliennali Del Tesoro-5%	01/08/34	1,400,000	16,296,271	0.91

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<i>Listed / quoted debt instruments (continued)</i>				
<i>Denominated in Euro (continued)</i>				
Italy Buoni Poliennali Del Tesoro-5.25%	01/11/29	800,000	9,677,330	0.54
JPMorgan Chase & Co-Floating	12/10/15	250,000	2,807,155	0.16
Keycorp-Floating	22/11/10	250,000	2,910,859	0.16
Koninklijke KPN NV-5%	13/11/12	250,000	2,926,254	0.16
Korea Development Bank-Floating	03/04/14	250,000	3,019,184	0.17
Kreditanstalt fuer Wiederaufbau-3.5%	04/07/21	235,000	2,465,750	0.14
Kreditanstalt fuer Wiederaufbau-3.875%	04/07/13	450,000	5,282,452	0.30
Lehman Brothers Holdings Inc-Floating	10/05/12	250,000	2,696,122	0.15
Macquarie Bank Ltd-Floating	06/12/16	350,000	3,730,299	0.21
Metropolitan Life Global Funding I -4.625%	16/05/17	200,000	2,154,112	0.12
Morgan Stanley-6.5%	15/04/11	250,000	3,049,201	0.17
Nederlandse Waterschapsbank NV-4%	12/03/13	150,000	1,768,265	0.10
Northern Rock Plc-4.125%	27/03/17	200,000	2,147,983	0.12
PLD International Finance LLC-4.375%	13/04/11	50,000	557,052	0.03
Portugal Obligacoes do Tesouro-3.2%	15/04/11	2,000,000	23,546,331	1.32
Procter & Gamble Co-4.875%	11/05/27	200,000	2,204,068	0.12
Province of Quebec Canada-3.375%	20/06/16	250,000	2,725,193	0.15
Raiffeisen Zentralbank Oesterreich AG -5.875%	20/06/11	400,000	4,938,728	0.28
RTE EDF Transport SA-4.875%	06/05/15	300,000	3,571,339	0.20
SABIC Europe BV-4.5%	28/11/13	100,000	1,105,213	0.06
Santander Issuances SA-Floating	24/10/17	250,000	2,945,137	0.17
SNS Bank NV-Floating	02/06/10	400,000	4,928,923	0.28
Societe Generale-Floating	31/05/49	100,000	1,177,286	0.07
Societe Generale-Floating	18/12/14	300,000	3,626,403	0.20
Standard Chartered Plc-4.875%	11/03/11	250,000	2,939,976	0.16
Swedbank AB-Floating	06/05/10	250,000	3,082,148	0.17
Swedbank AB-Floating	26/06/18	200,000	2,475,873	0.14
Swedish Housing Finance Corp-Floating	25/05/10	300,000	3,690,075	0.21
TAQA Abu Dhabi National-4.375%	28/10/13	175,000	1,941,581	0.11
Telefonaktiebolaget LM Ericsson-5.375%	27/06/17	150,000	1,606,926	0.09
Telefonica Emisiones SAU-4.674%	07/02/14	200,000	2,309,053	0.13
The Goldman Sachs Group Inc-Floating	11/05/11	350,000	4,151,336	0.23
UniCredit Spa-6.7%	05/06/18	400,000	4,877,169	0.27
Unilever NV-4.875%	21/05/13	350,000	4,189,728	0.23
Ureco Finance NV-5.375%	22/05/15	400,000	4,831,414	0.27
UT2 Funding Plc-5.321%	30/06/16	250,000	2,302,677	0.13
Vodafone Group Plc-Floating	13/01/12	250,000	3,005,554	0.17
Wachovia Bank NA-6%	23/05/13	400,000	4,675,894	0.26
WM Covered Bond Program-4.375%	19/05/14	250,000	2,685,339	0.15
Xstrata Canada Financial Corp-5.875%	27/05/11	400,000	4,816,319	0.27
			572,442,261	32.06
<i>Denominated in Hungarian Forint</i>				
Hungary Government-6.25%	24/04/09	55,000,000	2,791,496	0.16
<i>Denominated in Japanese Yen</i>				
Depfa ACS Bank-1.65%	20/12/16	70,000,000	5,023,697	0.28
Development Bank of Japan-1.05%	20/06/23	35,000,000	2,260,187	0.13
Development Bank of Japan-1.4%	20/06/12	33,000,000	2,464,321	0.14
Development Bank of Japan-1.6%	20/06/14	140,000,000	10,499,439	0.59
DSL Bank AG-1.75%	07/10/09	133,000,000	9,937,604	0.56
Eksporthans A/S-1.8%	21/06/10	110,000,000	8,250,463	0.46
European Investment Bank-1.9%	26/01/26	30,000,000	2,113,705	0.12
Italian Republic-0.65%	20/03/09	35,800,000	2,645,877	0.15

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<i>Listed / quoted debt instruments (continued)</i>				
<i>Denominated in Japanese Yen (continued)</i>				
Italian Republic-1.8%	23/02/10	91,000,000	6,813,618	0.38
Japan Finance Corp Municipal Enterprises -1.35%	26/11/13	35,000,000	2,607,495	0.15
Japan Government Five Year-1.1%	20/03/11	280,500,000	20,894,720	1.17
Japan Government Ten Year-1%	20/12/12	220,000,000	16,210,903	0.91
Japan Government Ten Year-1.4%	20/09/11	656,000,000	49,264,065	2.76
Japan Government Ten Year-1.5%	20/09/13	110,000,000	8,275,087	0.46
Japan Government Ten Year-1.5%	20/09/14	194,000,000	14,567,524	0.82
Japan Government Ten Year-1.6%	20/12/15	280,000,000	21,102,836	1.18
Japan Government Ten Year-1.7%	20/03/17	336,000,000	25,294,343	1.42
Japan Government Thirty Year-2.3%	20/12/35	226,750,000	16,413,744	0.92
Japan Government Twenty Year-1.9%	22/03/21	406,100,000	30,292,977	1.69
Japan Government Two Year-1%	15/07/09	315,000,000	23,389,481	1.31
Kreditanstalt fuer Wiederaufbau-1.85%	20/09/10	20,000,000	1,504,831	0.08
Province of Quebec Canada-1.6%	09/05/13	110,000,000	8,221,376	0.46
Rabobank Nederland NV-1.05%	22/01/10	35,000,000	2,589,405	0.15
			290,637,698	16.29
<i>Denominated in Mexican Pesos</i>				
Mexican Bonos-7.25%	15/12/16	2,500,000	1,675,927	0.09
Mexican Bonos-8%	24/12/08	2,000,000	1,512,793	0.08
Mexican Bonos-8%	23/12/10	1,000,000	747,912	0.04
Mexican Bonos-9%	22/12/11	3,129,300	2,402,313	0.13
Mexican Bonos-9%	20/12/12	3,500,000	2,663,906	0.15
Mexican Bonos-9%	24/12/09	1,000,000	762,305	0.04
			9,765,156	0.53
<i>Denominated in New Zealand Dollars</i>				
Inter-American Development Bank -7.25%	24/05/12	400,000	2,384,597	0.13
Kreditanstalt fuer Wiederaufbau-6%	15/07/09	870,000	5,092,371	0.29
New Zealand Government-6%	15/07/08	550,000	3,279,080	0.18
			10,756,048	0.60
<i>Denominated in Polish Zloty</i>				
Poland Government-6%	24/05/09	1,835,000	6,685,450	0.37
<i>Denominated in South African Rand</i>				
South Africa Government-10%	28/02/09	4,891,666	4,764,022	0.27
South Africa Government-13%	31/08/10	1,000,000	1,012,310	0.06
South Africa Government-8.75%	21/12/14	950,000	851,563	0.05
			6,627,895	0.38
<i>Denominated in Swedish Kronor</i>				
Sweden Government-4%	01/12/09	6,250,000	8,084,317	0.45
Sweden Government-5.25%	15/03/11	550,000	726,856	0.04
Sweden Government-5.5%	08/10/12	1,200,000	1,612,653	0.09
			10,423,826	0.58

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in US Dollars</i>				
Adjustable Rate Mortgage Trust-Floating	25/02/35	41,889	269,058	0.02
Aetna Inc-6.75%	15/12/37	165,000	1,218,755	0.07
Alabama Power Co-Floating	25/08/09	25,000	194,273	0.01
AMBAC Financial Group Inc-Floating	07/02/87	35,000	43,814	0.00
American Express Credit Account Master Trust-Floating	15/08/11	55,000	424,505	0.02
Ameriprise Financial Inc-5.35%	15/11/10	125,000	978,048	0.06
Ameriprise Financial Inc-Floating	01/06/66	145,000	953,619	0.05
Ameriquest Mortgage Securities Inc -Floating	25/08/33	50,000	323,693	0.02
Arizona Public Service Co-5.8%	30/06/14	235,000	1,741,313	0.10
Arizona Public Service Co-6.25%	01/08/16	80,000	594,325	0.03
Arizona Public Service Co-6.375%	15/10/11	350,000	2,748,392	0.15
Arizona Public Service Co-6.5%	01/03/12	30,000	235,933	0.01
Arran Master Trust-Floating	15/12/10	200,000	1,530,613	0.09
AT&T Corp-7.3%	15/11/11	175,000	1,453,619	0.08
AT&T Inc-4.95%	15/01/13	700,000	5,440,238	0.30
AT&T Inc-6.3%	15/01/38	180,000	1,326,232	0.07
AT&T Wireless Services-7.875%	01/03/11	50,000	415,152	0.02
AT&T Wireless Services-8.125%	01/05/12	60,000	512,520	0.03
BAE Systems Holdings Inc-5.2%	15/08/15	140,000	1,046,589	0.06
BAE Systems Holdings Inc-6.4%	15/12/11	145,000	1,162,705	0.07
Baltimore Gas & Electric Co-5.9%	01/10/16	40,000	301,501	0.02
Baltimore Gas & Electric Co-6.125%	01/07/13	145,000	1,144,804	0.06
Bank of America Commercial Mortgage Inc -5.309%	10/10/45	145,000	1,115,757	0.06
Bank of America Commercial Mortgage Inc -Floating	10/07/43	335,000	2,465,736	0.14
Bank of America Commercial Mortgage Inc -Floating	10/07/43	195,000	1,486,844	0.08
Bank of America Commercial Mortgage Inc -Floating	10/07/46	100,000	722,059	0.04
Bank of America Commercial Mortgage Inc -Floating	10/07/43	55,000	334,650	0.02
Bank of America Commercial Mortgage Inc -Floating	10/07/45	220,000	1,349,510	0.08
Bank of America Commercial Mortgage Inc -Floating	10/09/45	145,000	1,123,774	0.06
Bank of America Corp-5.65%	01/05/18	650,000	4,732,558	0.26
Bank of America Corp-Floating	29/12/49	180,000	1,315,163	0.07
Bank One Corp-5.25%	30/01/13	175,000	1,342,132	0.08
Barclays Bank Plc-Floating	15/12/49	200,000	1,329,755	0.07
Bear Stearns Commercial Mortgage Securities-3.236%	11/02/41	11,328	87,986	0.00
Bear Stearns Commercial Mortgage Securities-Floating	11/06/41	255,000	1,954,813	0.11
Bear Stearns Commercial Mortgage Securities-Floating	20/05/30	63,186	510,713	0.03
Berkshire Hathaway Finance Corp-4.75%	15/05/12	100,000	790,569	0.04
Best Buy Co Inc-6.75%	15/07/13	275,000	2,172,748	0.12
British Sky Broadcasting Group Plc -6.875%	23/02/09	150,000	1,187,554	0.07
British Telecommunications Plc-8.625%	15/12/10	165,000	1,381,704	0.08
Bunge Ltd Finance Corp-4.375%	15/12/08	245,000	1,913,606	0.11
Cameron International Corp-6.375%	15/07/18	165,000	1,294,754	0.07
Canadian Natural Resources Ltd-5.15%	01/02/13	225,000	1,757,771	0.10
Canadian Natural Resources Ltd-6.75%	01/02/39	165,000	1,289,527	0.07
Canadian Oil Sands Ltd-4.8%	10/08/09	120,000	939,103	0.05
Capital Auto Receivables Asset Trust-3.92%	16/11/09	125,000	975,129	0.05
Capital Auto Receivables Asset Trust-5.52%	15/03/11	105,000	812,321	0.05
Capital One Bank USA NA-5%	15/06/09	120,000	934,459	0.05

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
Capital One Bank USA NA-6.5%	13/06/13	30,000	229,104	0.01
Capital One Capital IV-Floating	17/02/37	60,000	349,651	0.02
Capital One Financial Corp-5.7%	15/09/11	55,000	407,979	0.02
Cardinal Health Inc-5.65%	15/06/12	90,000	707,615	0.04
Cargill Inc-5.2%	22/01/13	500,000	3,861,973	0.22
CDC Mortgage Capital Trust-Floating	25/03/34	2,088	10,688	0.00
Chase Credit Card Master Trust-Floating	17/01/11	100,000	779,410	0.04
CIGNA Corp-7%	15/01/11	65,000	521,518	0.03
Citigroup Commercial Mortgage Trust -Floating	15/10/49	2,082,211	355,840	0.02
Citigroup Inc-5.5%	27/08/12	420,000	3,230,006	0.18
Citigroup Inc-5.625%	27/08/12	150,000	1,150,882	0.06
Citigroup Inc-5.875%	22/02/33	115,000	741,920	0.04
Citigroup Inc-6%	15/08/17	80,000	595,123	0.03
Citigroup/Deutsche Bank Commercial Mortgage Trust-Floating	15/10/48	3,602,290	526,108	0.03
Citigroup/Deutsche Bank Commercial Mortgage Trust-Floating	11/12/49	13,600,000	2,182,472	0.12
Citigroup/Deutsche Bank Commercial Mortgage Trust-Floating	11/12/49	3,210,000	365,524	0.02
Citigroup/Deutsche Bank Commercial Mortgage Trust-Floating	11/12/49	23,685,000	1,397,181	0.08
CMHI Finance BVI Co Ltd-6.125%	18/06/13	500,000	3,848,318	0.22
Comcast Corp-6.4%	15/05/38	270,000	1,942,429	0.11
Comcast Corp-6.95%	15/08/37	300,000	2,301,244	0.13
Comerica Capital Trust II-Floating Commercial Mortgage Pass Through Certificates-4.049%	20/02/37	100,000	491,106	0.03
Commercial Mortgage Pass Through Certificates-5.248%	15/10/37	308,323	2,384,132	0.13
Commercial Mortgage Pass Through Certificates-Floating	10/12/46	280,000	2,146,793	0.12
Commercial Mortgage Pass Through Certificates-Floating	15/08/33	147,414	1,185,510	0.07
Commercial Mortgage Pass Through Certificates-Floating	10/05/43	50,000	310,293	0.02
Commercial Mortgage Pass Through Certificates-Floating	10/12/46	1,942,848	153,186	0.01
Commercial Mortgage Pass Through Certificates-Floating	10/12/49	195,000	1,101,153	0.06
Commonwealth Edison Co-4.7%	15/04/15	400,000	2,897,940	0.16
Commonwealth Edison Co-6.15%	15/03/12	65,000	517,836	0.03
Continental Airlines Inc-5.983%	19/04/22	155,000	1,000,294	0.06
Countrywide Asset-Backed Certificates -Floating	25/01/34	45,204	272,289	0.02
Countrywide Asset-Backed Certificates -Floating	25/01/36	85,633	631,522	0.04
Countrywide Asset-Backed Certificates -Floating	25/06/21	100,000	438,523	0.02
Countrywide Asset-Backed Certificates -Floating	25/08/36	95,000	617,491	0.03
Countrywide Asset-Backed Certificates -Floating	25/03/36	115,000	627,529	0.04
Coventry Health Care Inc-5.875%	15/01/12	45,000	338,721	0.02
COX Communications Inc-6.25%	01/06/18	500,000	3,806,571	0.21
Credit Suisse Mortgage Capital Certificates -Floating	15/06/38	80,000	611,958	0.03
Credit Suisse Mortgage Capital Certificates -Floating	15/09/39	2,288,000	427,124	0.02
Credit Suisse Mortgage Capital Certificates -Floating	15/12/39	2,794,256	605,530	0.03
CS First Boston Mortgage Securities Corp -Floating	15/07/36	125,000	940,432	0.05

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
CS First Boston Mortgage Securities Corp -Floating	15/07/36	1,121,426	116,747	0.01
CS First Boston Mortgage Securities Corp -Floating	15/09/41	45,000	363,994	0.02
CS First Boston Mortgage Securities Corp -Floating	15/11/37	1,956,701	259,495	0.01
CS First Boston Mortgage Securities Corp -Floating	15/03/36	532,057	75,341	0.00
CS First Boston Mortgage Securities Corp -Floating	15/05/36	587,919	36,745	0.00
CS First Boston Mortgage Securities Corp -Floating	15/07/37	140,000	859,300	0.05
CW Capital Cobalt Ltd-5.174%	15/08/48	155,000	1,185,703	0.07
Daimler Finance North America LLC -5.75%	08/09/11	265,000	2,107,484	0.12
Deutsche Bank AG London-4.875%	20/05/13	250,000	1,917,935	0.11
Developers Diversified Realty Corp-5.25%	15/04/11	145,000	1,085,663	0.06
Developers Diversified Realty Corp -5.375%	15/10/12	45,000	329,236	0.02
DLJ Commercial Mortgage Corp-7.62%	10/06/33	96,423	781,555	0.04
Duke Realty LP-5.625%	15/08/11	270,000	2,044,226	0.11
E.ON International Finance BV-5.8%	30/04/18	250,000	1,912,669	0.11
Enbridge Energy Partners LP-4%	15/01/09	245,000	1,901,040	0.11
Enbridge Energy Partners LP-7.5%	15/04/38	90,000	733,414	0.04
EnCana Corp-6.5%	15/08/34	35,000	267,791	0.01
Endurance Specialty Holdings Ltd-7%	15/07/34	80,000	554,132	0.03
Energy Mississippi Inc-5.15%	01/02/13	110,000	839,324	0.05
Erac USA Finance Co-5.9%	15/11/15	285,000	2,032,276	0.11
Exelon Generation Co LLC-5.35%	15/01/14	45,000	336,541	0.02
Export-Import Bank of Korea-4.5%	12/08/09	70,000	544,318	0.03
Fannie Mae-5.25%	15/01/09	50,000	395,017	0.02
Fannie Mae-7.125%	15/01/30	60,000	583,482	0.03
First Union National Bank Commercial Mortgage-Floating	17/05/32	10,000	81,899	0.00
Florida Power Corp-5.65%	15/06/18	190,000	1,495,415	0.08
Ford Credit Auto Owner Trust-5.3%	15/06/12	90,000	664,676	0.04
Ford Credit Auto Owner Trust-5.6%	15/10/12	40,000	290,386	0.02
Freddie Mac-6.25%	15/07/32	225,000	2,008,488	0.11
GE Capital Commercial Mortgage Corp -Floating	10/11/45	90,000	554,118	0.03
GE Capital Commercial Mortgage Corp -Floating	10/11/45	305,000	2,307,841	0.13
GE Capital Commercial Mortgage Corp -Floating	10/07/45	140,000	859,528	0.05
GE Capital Commercial Mortgage Corp -Floating	10/12/49	5,012,845	388,322	0.02
GE Capital Commercial Mortgage Corp -Floating	10/12/49	125,000	877,419	0.05
General Electric Capital Corp-5.875%	14/01/38	75,000	530,085	0.03
General Electric Capital Corp-6.15%	07/08/37	60,000	439,093	0.02
Genworth Financial Inc-Floating	15/11/66	90,000	551,743	0.03
GMAC Commercial Mortgage Securities Inc -6.278%	15/11/39	50,000	398,897	0.02
GNMA 3171-5.5%	20/12/31	23,406	181,841	0.01
GNMA 3201-6.5%	20/02/32	39,894	321,952	0.02
GNMA 3272-5.5%	20/08/32	164,845	1,280,268	0.07
GNMA 3474-6%	20/11/33	405,577	3,214,523	0.18
GNMA 3488-5.5%	20/12/33	93,234	725,265	0.04
GNMA 3499-5%	20/01/34	154,276	1,164,648	0.07
GNMA 3500-5.5%	20/01/34	1,027,576	7,976,649	0.45
GNMA 3515-5.5%	20/02/34	612,463	4,754,298	0.27

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
GNMA 3534-4%	20/04/19	188,893	1,398,609	0.08
GNMA 3543-5%	20/04/34	673,354	5,083,223	0.28
GNMA 3556-5.5%	20/05/34	487,010	3,780,459	0.21
GNMA 3568-5%	20/06/34	353,909	2,671,697	0.15
GNMA 3570-6%	20/06/34	238,806	1,892,087	0.11
GNMA 3584-6%	20/07/34	95,979	760,546	0.04
GNMA 3595-5%	20/08/34	586,450	4,427,170	0.25
GNMA 3596-5.5%	20/08/34	72,247	560,822	0.03
GNMA 3617-4.5%	20/10/19	287,727	2,194,670	0.12
GNMA 3625-6%	20/10/34	330,938	2,622,053	0.15
GNMA 3666-6%	20/01/35	377,117	2,985,846	0.17
GNMA 3678-5.5%	20/02/35	601,764	4,668,733	0.26
GNMA 3702-5.5%	20/04/35	258,909	2,008,719	0.11
GNMA 3711-5.5%	20/05/35	508,202	3,942,842	0.22
GNMA 3712-6%	20/05/35	99,162	786,660	0.04
GNMA 3725-6%	20/06/35	1,039,175	8,227,722	0.46
GNMA 3750-6.5%	20/08/35	220,955	1,778,480	0.10
GNMA 3759-5%	20/09/35	391,996	2,958,107	0.17
GNMA 3760-5.5%	20/09/35	1,030,128	7,992,153	0.45
GNMA 3797-6%	20/12/35	139,914	1,107,779	0.06
GNMA 3805-5%	20/01/36	409,277	3,086,753	0.17
GNMA 3808-6%	20/01/36	146,260	1,158,119	0.06
GNMA 3819-5.5%	20/02/36	198,145	1,536,988	0.09
GNMA 3820-6%	20/02/36	696,402	5,514,258	0.31
GNMA 3821-6.5%	20/02/36	172,694	1,391,289	0.08
GNMA 3864-5.5%	20/06/36	431,060	3,343,681	0.19
GNMA 3865-6%	20/06/36	165,652	1,311,664	0.07
GNMA 3910-6%	20/10/36	850,310	6,732,935	0.38
GNMA 3931-6%	20/12/36	621,985	4,925,008	0.28
GNMA 3932-6.5%	20/12/36	713,854	5,751,098	0.32
GNMA 3984-5%	20/05/37	372,607	2,809,423	0.16
GNMA 429779-5.5%	15/12/33	136,579	1,064,453	0.06
GNMA 511460-5%	15/04/35	98,323	745,212	0.04
GNMA 531047-5.5%	15/11/32	174,543	1,360,759	0.08
GNMA 553055-5.5%	15/02/33	258,766	2,016,742	0.11
GNMA 562388-6%	15/08/34	191,169	1,518,027	0.08
GNMA 570310-6%	15/02/17	58,257	468,876	0.03
GNMA 574548-5.5%	15/04/34	992,604	7,728,793	0.43
GNMA 592593-6%	15/02/33	28,119	223,493	0.01
GNMA 593891-5.5%	15/03/33	22,173	172,812	0.01
GNMA 604622-5%	15/09/33	569,983	4,326,286	0.24
GNMA 605098-5%	15/03/34	479,350	3,636,025	0.20
GNMA 605396-5%	15/05/19	482,466	3,776,730	0.21
GNMA 615603-5.5%	15/07/34	133,956	1,043,034	0.06
GNMA 615892-5%	15/08/33	185,684	1,409,379	0.08
GNMA 616474-5%	15/06/34	146,538	1,111,540	0.06
GNMA 618860-6%	15/08/18	278,286	2,181,130	0.12
GNMA 620568-5%	15/09/33	506,555	3,844,855	0.22
GNMA 621759-5.5%	15/12/33	164,465	1,281,794	0.07
GNMA 640215-5.5%	15/03/35	194,432	1,512,971	0.08
GNMA 644034-5.5%	15/08/35	180,040	1,400,985	0.08
GNMA 649221-6%	15/09/35	60,172	477,296	0.03
GNMA 651753-5.5%	15/03/36	649,807	5,053,251	0.28
GNMA 651782-6%	15/04/36	482,198	3,824,273	0.21
GNMA 654420-5.5%	15/08/36	313,352	2,528,201	0.14
GNMA 661047-6%	15/11/36	179,921	1,426,941	0.08
GNMA 661552-6.5%	15/12/36	646,488	5,216,018	0.29
GNMA 671325-6%	15/07/37	742,315	5,885,504	0.33
GNMA 781305-5.5%	15/06/31	222,722	1,803,426	0.10
GNMA 781328-7%	15/09/31	0	1	0.00
GNMA 781687-5.5%	15/12/33	397,779	3,098,920	0.17

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HK\$ equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
GNMA 782017-5.5%	15/12/20	157,835	1,252,520	0.07
GNMA 782150-5.5%	15/04/37	356,401	2,769,833	0.15
Great America Lending Receivables-5.39%	15/09/11	40,000	314,774	0.02
Great West Life & Annuity Insurance Co - Floating	16/05/46	60,000	418,697	0.02
Greenwich Capital Commercial Funding Corp-5.475%	10/03/39	360,000	2,506,785	0.14
Greenwich Capital Commercial Funding Corp-Floating	10/06/36	2,381,904	141,549	0.01
Greenwich Capital Commercial Funding Corp-Floating	10/07/38	110,000	811,933	0.05
Greenwich Capital Commercial Funding Corp-Floating	10/03/39	2,236,430	314,400	0.02
GS Mortgage Securities Corp II-Floating	10/08/45	120,000	857,207	0.05
GTE California Inc-6.7%	01/09/09	155,000	1,238,891	0.07
Halliburton Co-5.5%	15/10/10	120,000	969,519	0.05
Hartford Life Global Funding Trusts - Floating	15/09/09	85,000	662,641	0.04
HCP Inc-5.65%	15/12/13	85,000	606,290	0.03
HCP Inc-6%	30/01/17	55,000	369,139	0.02
Hospira Inc-6.05%	30/03/17	110,000	827,900	0.05
Hospitality Properties Trust-6.3%	15/06/16	45,000	310,656	0.02
Host Marriott Pool Trust-7.3%	03/08/15	130,000	1,045,949	0.06
Household Finance Corp-4.125%	15/12/08	95,000	739,736	0.04
Household Finance Corp-4.125%	16/11/09	150,000	1,162,068	0.06
Household Finance Corp-4.75%	15/07/13	115,000	856,628	0.05
Household Finance Corp-6.375%	15/10/11	35,000	279,167	0.02
Household Finance Corp-7%	15/05/12	75,000	605,850	0.03
HRPT Properties Trust-Floating	16/03/11	72,000	516,195	0.03
Humana Inc-6.45%	01/06/16	140,000	1,059,112	0.06
ICI Wilmington Inc-5.625%	01/12/13	45,000	354,900	0.02
Impac CMB Trust-Floating	25/08/35	33,809	135,004	0.01
Indymac Index Mortgage Loan Trust - Floating	25/04/34	11,858	84,417	0.00
ING Group NV-Floating	29/12/49	125,000	809,104	0.05
International Lease Finance Corp-5.625%	20/09/13	108,000	736,393	0.04
International Lease Finance Corp-5.65%	01/06/14	240,000	1,625,907	0.09
International Lease Finance Corp-6.625%	15/11/13	500,000	3,503,576	0.20
International Lease Finance Corp-Floating	15/01/10	65,000	476,587	0.03
iStar Financial Inc-5.85%	15/03/17	110,000	678,788	0.04
Jefferies Group Inc-6.25%	15/01/36	185,000	1,054,474	0.06
Jefferies Group Inc-6.45%	08/06/27	135,000	820,263	0.05
JP Morgan Chase Capital XXII-6.45%	02/02/37	110,000	735,308	0.04
JP Morgan Chase Commercial Mortgage Securities Corp-4.78%	15/07/42	150,000	1,080,063	0.06
JP Morgan Chase Commercial Mortgage Securities Corp-5.298%	15/05/47	155,000	1,187,077	0.07
JP Morgan Chase Commercial Mortgage Securities Corp-5.44%	15/05/45	150,000	1,061,490	0.06
JP Morgan Chase Commercial Mortgage Securities Corp-5.593%	12/05/45	85,000	608,212	0.03
JP Morgan Chase Commercial Mortgage Securities Corp-6.044%	15/11/35	31,977	252,993	0.01
JP Morgan Chase Commercial Mortgage Securities Corp-Floating	12/09/37	25,000	153,043	0.01
JP Morgan Chase Commercial Mortgage Securities Corp-Floating	12/01/37	25,000	170,274	0.01
JP Morgan Chase Commercial Mortgage Securities Corp-Floating	12/06/41	130,000	923,229	0.05
JP Morgan Chase Commercial Mortgage Securities Corp-Floating	12/06/47	350,000	2,436,543	0.14

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HK\$ equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
JP Morgan Chase Commercial Mortgage Securities Corp-Floating	15/06/49	195,000	1,390,564	0.08
JP Morgan Mortgage Acquisition Corp - Floating	25/11/36	210,000	1,540,559	0.09
JP Morgan Mortgage Trust-Floating	25/04/36	49,677	384,572	0.02
JP Morgan Mortgage Trust-Floating	25/06/36	40,571	308,013	0.02
JP Morgan Mortgage Trust-Floating	25/08/36	143,881	1,061,533	0.06
JP Morgan Mortgage Trust-Floating	25/07/35	74,025	561,895	0.03
JP Morgan Mortgage Trust-Floating	25/06/36	70,000	465,836	0.03
JP Morgan Mortgage Trust-Floating	25/04/37	105,000	757,384	0.04
JPMorgan Chase & Co-5.25%	01/05/15	145,000	1,096,479	0.06
JPMorgan Chase & Co-6%	15/01/18	400,000	3,038,855	0.17
JPMorgan Chase & Co-6.4%	15/05/38	500,000	3,616,834	0.20
JPMorgan Chase & Co-6.75%	01/02/11	250,000	2,023,631	0.11
JPMorgan Chase & Co-Floating	29/04/49	300,000	2,193,740	0.12
Kinder Morgan Energy Partners LP-5.85%	15/09/12	355,000	2,791,835	0.16
Koninklijke KPN NV-8%	01/10/10	175,000	1,444,000	0.08
Korea Development Bank-Floating	20/10/09	95,000	741,579	0.04
Korea East-West Power Co Ltd-4.875%	21/04/11	5,000	38,745	0.00
LB Commercial Conduit Mortgage Trust - Floating	15/07/44	175,000	1,318,221	0.07
LB-UBS Commercial Mortgage Trust -4.31%	15/02/30	125,000	965,231	0.05
LB-UBS Commercial Mortgage Trust -5.413%	15/09/39	35,000	247,357	0.01
LB-UBS Commercial Mortgage Trust -5.455%	15/02/40	430,000	2,985,302	0.17
LB-UBS Commercial Mortgage Trust -5.484%	15/02/40	115,000	704,597	0.04
LB-UBS Commercial Mortgage Trust -5.741%	15/06/32	105,511	830,105	0.05
LB-UBS Commercial Mortgage Trust -Floating	15/08/29	370,000	2,774,119	0.16
LB-UBS Commercial Mortgage Trust -Floating	15/08/36	216,553	20,845	0.00
LB-UBS Commercial Mortgage Trust -Floating	15/04/41	130,000	822,433	0.05
LB-UBS Commercial Mortgage Trust -Floating	17/07/40	120,000	701,909	0.04
LB-UBS Commercial Mortgage Trust -Floating	15/02/40	215,000	1,317,726	0.07
Lehman Brothers Holdings Capital Trust V-Floating	29/11/49	65,000	330,767	0.02
Lehman Brothers Holdings Inc-5.625%	24/01/13	200,000	1,476,321	0.08
Lehman Brothers Holdings Inc-6.875%	02/05/18	355,000	2,680,270	0.15
Lehman Brothers Holdings Inc-Floating	10/11/09	255,000	1,895,559	0.11
Liberty Mutual Group Inc-7.5%	15/08/36	185,000	1,261,721	0.07
Lincoln National Corp-5.65%	27/08/12	35,000	270,677	0.02
Lincoln National Corp-Floating	20/04/67	50,000	328,785	0.02
Long Beach Mortgage Loan Trust-Floating	25/06/34	10,000	63,225	0.00
Marriott Vacation Club Owner Trust -5.518%	20/05/29	68,783	507,431	0.03
Medco Health Solutions Inc -7.125%	15/03/18	55,000	445,445	0.02
Medco Health Solutions Inc -7.25%	15/08/13	210,000	1,738,751	0.10
Merrill Lynch & Co Inc-4.5%	04/11/10	25,000	189,998	0.01
Merrill Lynch & Co Inc-5.45%	05/02/13	220,000	1,618,286	0.09
Merrill Lynch & Co Inc-6.875%	15/11/18	80,000	595,639	0.03
Merrill Lynch & Co Inc-Floating	22/08/08	75,000	583,345	0.03
Merrill Lynch & Co Inc-Floating	06/02/09	135,000	1,038,492	0.06
Merrill Lynch Mortgage Trust-Floating	12/02/42	214,628	18,630	0.00
Merrill Lynch Mortgage Trust-Floating	12/08/43	150,000	1,091,191	0.06

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
Merrill Lynch Mortgage Trust-Floating	12/05/39	240,000	1,872,534	0.10
Merrill Lynch/Countrywide Commercial Mortgage Trust-Floating	12/07/46	80,000	566,462	0.03
Merrill Lynch/Countrywide Commercial Mortgage Trust-Floating	12/12/49	120,000	916,094	0.05
Merrill Lynch/Countrywide Commercial Mortgage Trust-Floating	12/12/49	1,080,418	101,895	0.01
Merrill Lynch/Countrywide Commercial Mortgage Trust-Floating	12/08/48	1,314,503	316,004	0.02
Merrill Lynch/Countrywide Commercial Mortgage Trust-Floating	12/06/50	195,000	1,100,758	0.06
Metropolitan Life Global Funding I -Floating	17/03/09	85,000	662,509	0.04
Mexico Government-Floating	13/01/09	40,000	312,264	0.02
MGI Investment Corp-5.625%	15/09/11	30,000	202,911	0.01
Morgan Stanley Capital I-Floating	12/04/49	70,000	515,083	0.03
Morgan Stanley Capital I-Floating	14/04/40	2,588,515	266,594	0.01
Morgan Stanley Capital I-Floating	12/04/49	70,000	389,891	0.02
Morgan Stanley-4.75%	01/04/14	350,000	2,487,275	0.14
Morgan Stanley-5.375%	15/10/15	255,000	1,819,478	0.10
Morgan Stanley-Floating	15/01/10	75,000	572,565	0.03
National Fuel Gas Co-5.25%	01/03/13	25,000	188,751	0.01
New Century Home Equity Loan Trust -Floating	25/03/35	3,830	25,761	0.00
Nexen Inc-5.05%	20/11/13	30,000	228,614	0.01
Nexen Inc-6.4%	15/05/37	325,000	2,399,863	0.13
Nexen Inc-7.875%	15/03/32	40,000	347,426	0.02
Option One Mortgage Loan Trust-Floating	25/05/34	20,000	125,425	0.01
Option One Mortgage Loan Trust-Floating	25/11/34	35,000	216,021	0.01
Option One Mortgage Loan Trust-Floating	25/01/34	47,580	301,277	0.02
PartnerRe Finance II-Floating	01/12/66	55,000	340,731	0.02
Petro-Canada-6.05%	15/05/18	350,000	2,689,971	0.15
Petronas Capital Ltd-7.875%	22/05/22	55,000	516,278	0.03
Philip Morris International Inc-4.875%	16/05/13	500,000	3,830,486	0.21
Platinum Underwriters Finance Inc-7.5%	01/06/17	40,000	293,065	0.02
PNC Mortgage Acceptance Corp-Floating	10/12/32	208,052	1,666,438	0.09
PPL Energy Supply LLC-6.4%	01/11/11	50,000	398,827	0.02
Provident Master Note Trust-5.1%	15/11/12	100,000	762,891	0.04
Prudential Financial Inc-5.9%	17/03/36	70,000	480,634	0.03
Quest Diagnostics Inc-6.4%	01/07/17	240,000	1,854,094	0.10
Rabobank Capital Funding Trust-Floating	29/12/49	75,000	502,313	0.03
Regency Centers LP-5.875%	15/06/17	40,000	288,724	0.02
Regency Centers LP-8.45%	01/09/10	30,000	246,728	0.01
Residential Asset Securities Corp-Floating	25/09/34	94,460	657,700	0.04
Rio Tinto Finance USA Ltd-5.875%	15/07/13	250,000	1,960,509	0.11
Safeway Inc-6.35%	15/08/17	80,000	642,103	0.04
Sempra Energy-4.75%	15/05/09	55,000	430,465	0.02
Simon Property Group LP-5.75%	01/05/12	55,000	428,924	0.02
SMFG Preferred Capital USD 2 Ltd -8.75%	31/05/49	500,000	3,947,557	0.22
Southern Africa Government-6.5%	02/06/14	125,000	1,002,877	0.06
Southern California Edison Co-5%	15/01/14	55,000	427,329	0.02
Specialty Underwriting & Residential Finance-Floating	25/02/35	14,915	100,387	0.01
StanCorp Financial Group Inc-6.875%	01/10/12	135,000	1,041,751	0.06
Structured Adjustable Rate Mortgage Loan Trust-Floating	25/02/36	77,479	557,307	0.03
Structured Asset Securities Corp-Floating	26/05/36	75,000	481,341	0.03
Suncor Energy Inc-6.1%	01/06/18	325,000	2,542,287	0.14
SunTrust Preferred Capital I-Floating	25/10/46	50,000	283,681	0.02
Talisman Energy Inc-6.25%	01/02/38	330,000	2,365,698	0.13

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
Telecom Italia Capital SA-6.375%	15/11/33	95,000	659,588	0.04
Telefonica Emisiones SAU-5.855%	04/02/13	295,000	2,316,014	0.13
Telefonica Europe BV-7.75%	15/09/10	100,000	821,956	0.05
Telefonos de Mexico SAB de CV-4.5%	19/11/08	260,000	2,032,664	0.11
Textron Financial Corp-Floating	15/02/67	80,000	497,966	0.03
The Allstate Corp-Floating	15/05/37	85,000	601,447	0.03
The Bank of New York Mellon Corp-4.5%	01/04/13	155,000	1,178,361	0.07
The Bear Stearns Companies Inc-5.3%	30/10/15	300,000	2,189,968	0.12
The Dayton Power & Light Co-5.125%	01/10/13	50,000	392,920	0.02
The Goldman Sachs Group Inc-3.875%	15/01/09	40,000	311,962	0.02
The Goldman Sachs Group Inc-4.75%	15/07/13	90,000	675,151	0.04
The Goldman Sachs Group Inc-5.25%	15/10/13	100,000	763,393	0.04
The Goldman Sachs Group Inc-5.25%	01/04/13	205,000	1,570,187	0.09
The Goldman Sachs Group Inc-5.95%	18/01/18	170,000	1,272,707	0.07
The Goldman Sachs Group Inc-6.45%	01/05/36	50,000	347,708	0.02
The Goldman Sachs Group Inc-Floating	06/02/12	50,000	370,620	0.02
The Travelers Companies Inc-Floating	15/03/37	55,000	368,515	0.02
Time Warner Cable Inc-6.2%	01/07/13	500,000	3,965,171	0.22
Union Electric Co-6.7%	01/02/19	340,000	2,685,856	0.15
Union Pacific Corp-5.45%	31/01/13	145,000	1,133,840	0.06
Union Pacific Railroad Co 2003 Pass Through Trust-4.698%	02/01/24	9,481	67,202	0.00
Union Planters Corp-4.375%	01/12/10	50,000	381,625	0.02
United States Treasury Inflation Indexed -2%	15/01/14	600,000	5,774,422	0.32
United States Treasury Note/Bond-4.875%	15/08/16	675,000	5,643,785	0.32
United States Treasury Note/Bond-6%	15/02/26	12,185,000	111,294,571	6.22
Unitedhealth Group Inc-4.875%	15/02/13	125,000	943,304	0.05
Unitedhealth Group Inc-6.875%	15/02/38	105,000	774,912	0.04
Valspar Corp-5.625%	01/05/12	30,000	230,840	0.01
Veolia Environnement-6%	01/06/18	500,000	3,890,451	0.22
Verizon Communications Inc-4.35%	15/02/13	130,000	975,365	0.05
Verizon Communications Inc-6.4%	15/02/38	100,000	725,970	0.04
Viacom Inc-5.75%	30/04/11	15,000	117,255	0.01
Virginia Electric and Power Co-4.5%	15/12/10	65,000	509,597	0.03
Vodafone Group Plc-6.15%	27/02/37	225,000	1,604,730	0.09
Wachovia Bank Commercial Mortgage Trust-4.516%	15/05/44	110,000	846,854	0.05
Wachovia Bank Commercial Mortgage Trust-5.29%	15/12/43	110,000	833,126	0.05
Wachovia Bank Commercial Mortgage Trust-Floating	15/10/41	884,654	78,286	0.00
Wachovia Bank Commercial Mortgage Trust-Floating	15/03/42	2,326,650	151,421	0.01
Wachovia Bank Commercial Mortgage Trust-Floating	15/07/45	160,000	1,160,635	0.06
Wachovia Bank NA-4.875%	01/02/15	75,000	530,975	0.03
Wachovia Bank NA-7.8%	18/08/10	140,000	1,150,637	0.06
Wachovia Corp-5.625%	15/12/08	25,000	194,856	0.01
Wachovia Corp-5.75%	01/02/18	310,000	2,203,462	0.12
Wachovia Corp-6.375%	01/02/09	60,000	467,560	0.03
Wal-Mart Stores Inc-6.2%	15/04/38	90,000	689,647	0.04
Wal-Mart Stores Inc-6.5%	15/08/37	120,000	963,139	0.05
WaMu Mortgage Pass Through Certificates -Floating	25/06/34	20,000	154,060	0.01
Washington Mutual Bank-5.65%	15/08/14	140,000	851,629	0.05
Washington Mutual Bank-6.75%	20/05/36	35,000	199,259	0.01
Washington Mutual Bank-6.875%	15/06/11	90,000	603,627	0.03
Washington Mutual Inc-Floating	15/01/10	25,000	170,337	0.01
Weatherford International Ltd-7%	15/03/38	75,000	599,685	0.03
Wellpoint Inc-5.85%	15/01/36	75,000	502,621	0.03

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
<i>Denominated in US Dollars (continued)</i>				
Wellpoint Inc-6.375%	15/06/37	155,000	1,090,810	0.06
Wells Fargo & Co-4.375%	31/01/13	220,000	1,661,359	0.09
Wells Fargo & Co-5.625%	11/12/17	400,000	3,018,270	0.17
Wells Fargo Home Equity Trust-Floating	25/04/34	16,154	103,643	0.01
Wells Fargo Mortgage Backed Securities Trust-Floating	25/03/35	87,679	664,844	0.04
Westpac Capital Trust III-Floating	29/12/49	500,000	3,595,247	0.20
Willis North America Inc-6.2%	28/03/17	80,000	551,310	0.03
Wilmington Trust Corp-8.5%	02/04/18	250,000	2,037,226	0.11
WPS Resources-7%	01/11/09	135,000	1,083,288	0.06
WR Berkley Corp-6.25%	15/02/37	55,000	360,347	0.02
XL Capital Ltd-Floating	15/04/17	55,000	289,530	0.02
Xstrata Finance Canada Ltd-5.5%	16/11/11	65,000	501,437	0.03
			651,148,633	36.35
Total listed / quoted debt instruments			1,735,941,341	97.10
Total investment			1,735,941,341	97.10
Other net assets			51,874,482	2.90
Total net asset value			1,787,815,823	100.00
Total cost of investment			1,735,136,877	

Principal Hong Kong Dollar Savings Fund				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments				
Certificates of deposit				
<i>Denominated in Hong Kong Dollars</i>				
Bank of East Asia Ltd-2.3%	07/04/09	10,000,000	9,933,000	1.46
Bank of East Asia Ltd-2.31%	22/04/09	25,000,000	24,780,250	3.64
Bank of East Asia Ltd-2.65%	09/04/10	9,000,000	8,836,389	1.30
Bank of East Asia Ltd-4.4%	15/02/09	2,000,000	2,016,454	0.30
China Construction Bank HK-4.64%	30/07/08	42,000,000	42,075,600	6.19
CITIC Ka Wah Bank Ltd	24/11/08	35,000,000	34,653,150	5.10
Dah Sing Bank-5.027%	10/07/08	25,000,000	25,015,000	3.68
Deutsche Bank AG Hong Kong-4.46%	06/03/09	21,000,000	21,234,990	3.12
Deutsche Bank AG Hong Kong-4.77%	20/07/09	14,000,000	14,239,582	2.09
ICBC Asia Ltd-2.38%	14/04/09	5,000,000	4,968,000	0.73
ICBC Asia Ltd-3.98%	09/07/08	30,000,000	30,009,000	4.41
Malayan Banking Bhd HK-Floating	11/05/09	27,000,000	26,977,050	3.97
Rabobank SYD Branch	31/10/08	35,000,000	34,771,550	5.11
Westpac Banking Corp Hong Kong-2.78%	29/12/08	16,000,000	15,997,056	2.35
Wing Hang Bank Ltd-2.53%	19/04/10	35,000,000	34,226,500	5.03
Wing Lung Bank-4.43%	14/05/09	23,000,000	23,241,500	3.42
Wing Lung Bank-4.55%	04/08/08	9,000,000	9,018,000	1.33
Wing Lung Bank-Floating	12/12/08	4,000,000	3,998,800	0.59
Total certificates of deposit			365,951,871	53.82
Non-certificates of deposit				
<i>Denominated in Hong Kong Dollars</i>				
Abbey National Treasury Services Plc-4.01%	16/01/09	35,000,000	35,213,500	5.18
European Investment Bank-4.08%	17/10/08	30,000,000	30,159,180	4.43
General Electric Capital Corp-Floating	05/10/09	15,000,000	14,922,000	2.19
Hong Kong Mortgage Corp-3.415%	08/01/09	20,000,000	20,062,000	2.95
Hong Kong Mortgage Corp-3.72%	08/12/08	25,000,000	25,112,500	3.69
Hong Kong Mortgage Corp-4.01%	30/12/08	6,000,000	6,037,272	0.89
Hong Kong Mortgage Corp-4.81%	12/06/09	30,000,000	30,507,000	4.49
Hong Kong Mortgage Corp-Floating	15/06/10	25,000,000	24,990,000	3.67
Korea Development Bank	29/08/08	25,000,000	25,082,500	3.69
MTR Corp Cayman Islands Ltd-2.15%	22/04/10	12,000,000	11,735,700	1.73
The Link Finance Cayman 2006 Ltd-5%	04/08/08	42,000,000	42,100,800	6.19
Total non-certificates of deposit			265,922,452	39.10
Total listed / quoted debt instruments			631,874,323	92.92
Total investment			631,874,323	92.92
Other net assets			48,178,547	7.08
Total net asset value			680,052,870	100.00
Total cost of investment			633,888,026	

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal Hong Kong Equity Fund			
Investments	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed shares			
<i>China</i>			
Bank of China Ltd-H	1,629,000	5,652,630	0.48
Bank of Communications Co Ltd-H	841,000	7,678,330	0.65
China BlueChemical Ltd-H	1,926,000	10,400,400	0.88
China Citic Bank-H	2,571,483	11,237,381	0.95
China Coal Energy Co-H	1,222,000	16,668,080	1.40
China Communications Construction Co Ltd-H	1,255,000	16,741,700	1.41
China Construction Bank Corp-H	4,582,000	28,774,960	2.43
China COSCO Holdings Co Ltd-H	857,000	16,317,280	1.38
China Life Insurance Co Ltd-H	841,000	22,959,300	1.94
China Merchants Bank Co Ltd-H	505,500	12,384,750	1.04
China Oilfield Services Ltd-H	574,000	8,036,000	0.68
China Petroleum & Chemical Corp-H	2,774,000	20,250,200	1.71
China Shenhua Energy Co Ltd-H	454,000	13,892,400	1.17
China Shipping Development Co Ltd-H	610,000	14,274,000	1.20
China Southern Airlines Co Ltd-H	1,198,000	3,713,800	0.31
China Telecom Corp Ltd-H	1,628,000	6,902,720	0.58
China Vanke Co Ltd-B	1,199,601	11,936,030	1.01
China Yurun Food Group Ltd	1,256,000	16,101,920	1.36
Huaxin Cement Co Ltd-B	176,250	3,186,180	0.27
Industrial & Commercial Bank of China-H	9,085,000	48,423,050	4.08
Jiangxi Copper Co Ltd-H	1,192,000	18,237,600	1.54
Lenovo Group Ltd	1,946,000	10,274,880	0.87
Little Sheep Group Ltd	260,000	748,800	0.06
PetroChina Co Ltd-H	3,239,485	32,718,798	2.76
Ping An Insurance Group Co of China Ltd-H	257,500	14,935,000	1.26
Shimao Property Holdings Ltd	450,428	4,031,331	0.34
Sichuan Expressway Co Ltd-H	1,952,000	4,372,480	0.37
Tencent Holdings Ltd	193,600	11,674,080	0.98
Tingyi (Cayman Islands) Holding Corp	584,000	5,629,760	0.47
Weichai Power Co Ltd-H	196,000	6,566,000	0.55
Xiniao Gas Holdings Ltd	580,000	7,760,400	0.65
Zijin Mining Group Co Ltd	1,070,000	7,094,100	0.60
		419,574,340	35.38
<i>Hong Kong</i>			
BOC Hong Kong Holdings Ltd	1,215,000	25,089,750	2.12
Cheung Kong Holdings Ltd	163,242	17,156,734	1.45
Cheung Kong Infrastructure Holdings Ltd	334,000	11,022,000	0.93
China Agri-Industries Holdings Ltd	1,850,000	10,545,000	0.89
China Everbright International Ltd	1,973,000	4,774,660	0.40
China Mobile Ltd	976,297	102,315,926	8.63
China Overseas Land & Investment Ltd	1,282,000	15,794,240	1.33
China Resources Power Holdings Co	476,000	9,044,000	0.76
China Unicom Ltd	508,000	7,355,840	0.62
CITIC Pacific Ltd	418,000	12,017,500	1.01
CNOOC Ltd	3,092,400	41,500,008	3.50
Denway Motors Ltd	3,504,000	10,547,040	0.89
Esprit Holdings Ltd	240,300	19,464,300	1.64
First Pacific Co	2,170,000	10,676,400	0.90
Global Bio-Chem Technology Group Co Ltd	1,398,000	4,529,520	0.38
GOME Electrical Appliances Holdings Ltd	4,736,000	17,523,200	1.48
Guangdong Investment Ltd	2,542,000	8,032,720	0.68
Hang Lung Group Ltd	373,000	12,924,450	1.09
Hang Lung Properties Ltd	530,000	13,250,000	1.12
Hang Seng Bank Ltd	70,616	11,616,332	0.98
HKR International Ltd	1,181,600	4,702,768	0.40
Hong Kong Exchanges and Clearing Ltd	124,200	14,158,800	1.19
HongKong Electric Holdings	364,000	16,980,600	1.43
HSBC Holdings Plc	722,031	87,293,548	7.36

Principal Hong Kong Equity Fund <i>(continued)</i>			
Investments	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>Hong Kong <i>(continued)</i></i>			
Hutchison Whampoa Ltd	429,047	33,723,094	2.84
Industrial and Commercial Bank of China Asia Ltd	564,000	11,872,200	1.00
Jardine Matheson Holdings Ltd	55,303	13,370,208	1.13
Jardine Strategic Holdings Ltd	37,610	4,986,318	0.42
K Wah International Holdings Ltd	2,396,000	7,739,080	0.65
Kerry Properties Ltd	313,000	12,817,350	1.08
Kingboard Chemical Holdings Ltd	209,000	7,524,000	0.63
Li Ning Co Ltd	504,000	9,072,000	0.76
Luk Fook Holdings International Ltd	792,000	3,310,560	0.28
Midland Holdings Ltd	1,022,000	4,946,480	0.42
Neo-China Land Group Holdings Ltd	934,000	1,901,624	0.16
New World Development Ltd	854,000	13,561,520	1.14
Peace Mark Holdings Ltd	1,390,000	7,533,800	0.64
Ports Design Ltd	577,000	12,867,100	1.08
Shanghai Industrial Holdings Ltd	364,000	8,335,600	0.70
Shougang Concord International Enterprises Co Ltd	4,956,000	12,637,800	1.07
Sun Hung Kai Properties Ltd	156,979	16,608,378	1.40
Swire Pacific Ltd-A	199,500	15,910,125	1.34
The Link REIT	569,000	10,105,440	0.85
TPV Technology Ltd	2,224,000	9,029,440	0.76
Wharf Holdings Ltd	396,750	12,953,888	1.09
Xinyu Hengdeli Holdings Ltd	2,092,000	6,129,560	0.52
		725,250,901	61.14
Total listed shares		1,144,825,241	96.52
Unlisted shares			
<i>Hong Kong</i>			
Moulin Global Eyecare Holdings	514,000	-	0.00
Options/Warrants			
<i>Hong Kong</i>			
China State Construction International Holdings Ltd			
-Warrants		284,568	0.00
Total investment		1,144,843,026	96.52
Other net assets		41,304,946	3.48
Total net asset value		1,186,147,972	100.00
Total cost of investment		1,189,800,145	

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal US Equity Fund			
Investments	Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares			
<i>United States</i>			
3M Co	174	94,433	0.05
Abbott Laboratories	6,151	2,540,993	1.24
ACE Ltd	2,422	1,040,578	0.51
Activision Inc	1,105	293,604	0.14
Adobe Systems Inc	3,572	1,097,300	0.54
Aetna Inc	3,416	1,079,748	0.53
Aflac Inc	1,845	903,616	0.44
AGCO Corp	585	239,110	0.12
AK Steel Holding Corp	1,029	553,723	0.27
Altera Corp	3,292	531,445	0.26
Altria Group Inc	8,385	1,344,479	0.66
American Electric Power Co Inc	3,625	1,137,328	0.56
American Express Co	612	179,794	0.09
American International Group Inc	3,358	692,944	0.34
Ameriprise Financial Inc	1,725	547,131	0.27
Ametek Inc	1,215	447,435	0.22
Anadarko Petroleum Corp	1,980	1,155,651	0.56
Apache Corp	1,547	1,676,999	0.82
Apple Inc	2,799	3,655,021	1.79
Assurant Inc	1,388	713,999	0.35
AT&T Inc	13,299	3,494,200	1.71
Autodesk Inc	2,050	540,539	0.26
Autzone Inc	1,077	1,016,400	0.50
AXIS Capital Holdings Ltd	1,125	261,542	0.13
BancorpSouth Inc	1,100	150,041	0.07
Bank of America Corp	6,913	1,286,906	0.63
Bank of Hawaii Inc	1,263	470,824	0.23
Baxter International Corp	3,237	1,614,147	0.79
BB&T Corp	3,957	702,679	0.34
Becton Dickinson & Co	1,768	1,120,987	0.55
Big Lots Inc	3,427	834,935	0.41
Biogen Idec Inc	1,508	657,299	0.32
BJ's Wholesale Club Inc	1,803	544,170	0.27
BMC Software Inc	2,429	681,958	0.33
Boeing Co	1,962	1,005,598	0.49
BOK Financial Corp	934	389,334	0.19
Bunge Ltd	495	415,727	0.20
Burlington Northern Santa Fe Corp	1,084	844,460	0.41
Celanese Corp-A	1,852	659,485	0.32
CenturyTel Inc	1,812	502,937	0.25
Chevron Corp	5,754	4,448,389	2.17
Chubb Corp	3,090	1,181,057	0.58
Cimarex Energy Co	961	522,152	0.26
Cisco Systems Inc	17,406	3,157,450	1.54
Cingular Inc	6,816	890,905	0.44
Coach Inc	3,340	752,266	0.37
Colgate-Palmolive Co	566	305,016	0.15
Comcast Corp-A	2,169	320,889	0.16
Commerce Bancshares Inc	1,654	511,583	0.25
ConocoPhillips	2,793	2,056,007	1.00
Cooper Industries Ltd-A	1,338	412,174	0.20
Corning Inc	5,096	916,069	0.45
CR Bard Inc	1,051	720,886	0.35
CSX Corp	2,119	1,037,976	0.51
Allen/Frost Bankers Inc	1,388	539,613	0.26
CVS Caremark Corp	1,053	324,954	0.16
Deere & Co	2,250	1,265,687	0.62
Devon Energy Corp	2,270	2,127,226	1.04
Dolby Laboratories Inc-A	1,204	378,407	0.18
Eastman Chemical Co	811	435,528	0.21
Edison International	3,185	1,276,237	0.62
Eli Lilly & Co	3,490	1,256,374	0.61

Principal US Equity Fund <i>(continued)</i>			
Investments	Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United States <i>(continued)</i></i>			
Embarq Corp	1,990	733,612	0.36
Emerson Electric Co	4,025	1,552,244	0.76
Energizer Corp	1,586	965,145	0.47
EOG Resources Inc	964	986,367	0.48
Exelon Corp	170	119,269	0.06
Express Scripts Inc	2,449	1,197,906	0.59
Exxon Mobil Corp	11,470	7,883,425	3.85
Federated Investors Inc	3,277	879,660	0.43
FPL Group Inc	2,589	1,324,132	0.65
Freeport-McMoRan Copper & Gold Inc	1,834	1,676,168	0.82
GameStop Corp-A	2,344	738,528	0.36
General Dynamics Corp	2,276	1,494,556	0.73
General Electric Co	19,884	4,138,854	2.02
General Mills Inc	2,876	1,363,031	0.67
Gilead Sciences Inc	4,707	1,943,739	0.95
Goodrich Corp	1,352	500,417	0.24
Google Inc-A	407	1,670,916	0.82
Guess ? Inc	1,575	460,002	0.22
Hasbro Inc	3,754	1,045,764	0.51
Hess Corp	1,374	1,352,195	0.66
Hewlett-Packard Co	7,964	2,745,867	1.34
Home Depot Inc	340	62,100	0.03
Honeywell International Inc	3,474	1,362,238	0.67
Hospira Inc	908	284,031	0.14
Hudson City Bancorp Inc	4,883	635,200	0.31
Intl Corp	9,916	1,661,111	0.81
IntercontinentalExchange Inc	751	667,686	0.33
International Business Machines Corp	3,744	3,460,923	1.69
Invitrogen Corp	1,116	341,698	0.17
iShares S&P 500 Index Fund	1,905	1,901,659	0.93
Johnson & Johnson	7,624	3,825,531	1.87
JPMorgan Chase & Co	6,849	1,832,634	0.90
Juniper Networks Inc	3,027	523,603	0.26
Kellogg Co	2,984	1,117,503	0.55
Kraft Foods Inc-A	276	61,238	0.03
L-3 Communications Holdings Inc	735	520,878	0.25
Lockheed Martin Corp	2,239	1,722,753	0.84
Massey Energy Co	1,337	977,531	0.48
Mastercard Inc-A	187	387,228	0.19
McDonald's Corp	5,258	2,305,362	1.13
McKesson Corp	2,134	930,490	0.45
MDU Resources Group Inc	1,176	319,715	0.16
Medtronic Inc	495	199,776	0.10
MEMC Electronic Materials Inc	1,286	617,200	0.30
Merck & Co Inc	2,857	839,777	0.41
MetLife Inc	3,918	1,612,424	0.79
Microsoft Corp	21,884	4,695,102	2.29
Monsanto Co	2,106	2,076,685	1.01
National Fuel Gas Co	971	450,420	0.22
National Oilwell Varco Inc	2,594	1,794,813	0.88
National Semiconductor Corp	3,504	561,296	0.27
Newfield Exploration Co	1,090	554,670	0.27
News Corp-A	6,782	795,488	0.39
Nike Inc-B	2,526	1,174,303	0.57
Noble Energy Inc	1,776	1,392,823	0.68
Northern Trust Corp	1,970	1,053,484	0.51
Nucor Corp	2,422	1,410,419	0.69
Occidental Petroleum Corp	3,625	2,540,401	1.24
Omnicom Group Inc	2,632	921,227	0.45
Oracle Corp	6,012	984,614	0.48
Owens-Illinois Inc	1,362	442,830	0.22
Parker Hannifin Corp	1,260	700,825	0.34

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal US Equity Fund <i>(continued)</i>			
Investments	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United States <i>(continued)</i></i>			
Patterson Companies Inc	523	119,875	0.06
PepsiCo Inc	2,949	1,462,485	0.71
Pfizer Inc	10,941	1,490,657	0.73
Philip Morris International Inc	6,341	2,442,444	1.19
Pitney Bowes Inc	1,494	397,313	0.19
Procter & Gamble Co	8,090	3,836,642	1.87
Prudential Financial Inc	111	51,715	0.03
QUALCOMM Inc	1,331	460,570	0.22
Questar Corp	2,407	1,333,542	0.65
Safeway Inc	5,118	1,139,552	0.56
Schlumberger Ltd	1,615	1,353,087	0.66
Snap-On Inc	1,802	730,919	0.36
Southern Co	3,388	922,668	0.45
St Jude Medical Inc	3,497	1,114,896	0.54
State Street Corp	2,105	1,050,490	0.51
SUPERVALU Inc	2,224	535,773	0.26
Symantec Corp	6,706	1,011,981	0.49
SYSCO Corp	3,624	777,511	0.38
Target Corp	172	62,361	0.03
Texet Corp	938	375,786	0.18
Texas Instruments Inc	5,597	1,229,181	0.60
The Bank of New York Mellon Corp	5,149	1,519,102	0.74
The Coca-Cola Co	6,663	2,701,058	1.32
The Goldman Sachs Group Inc	1,159	1,580,888	0.77
The Manitowoc Co Inc	2,072	525,656	0.26
The Mosaic Co	716	807,996	0.39
The Nasdaq OMX Group	1,670	345,787	0.17
The Travelers Companies Inc	3,746	1,267,901	0.62
The Walt Disney Co	7,209	1,754,112	0.86
The Western Union Co	4,227	814,908	0.40
Thermo Fisher Scientific Inc	3,321	1,443,397	0.71
Tiffany & Co	2,602	826,918	0.40
Time Warner Inc	2,240	258,546	0.13
TJX Companies Inc	4,782	1,173,638	0.57
Transocean Inc	1,795	2,133,284	1.04
Tyco Electronics Ltd	2,835	791,966	0.39
United Parcel Service Inc-B	575	275,650	0.13
United Technologies Corp	3,912	1,882,399	0.92
Unum Group	5,365	855,639	0.42
US Bancorp	8,413	1,829,899	0.89
Verizon Communications Inc	4,572	1,262,226	0.62
Viacom Inc-B	3,140	747,871	0.37
Visa Inc-A	488	309,451	0.15
Walgreen Co	264	66,934	0.03
Wal-Mart Stores Inc	6,206	2,720,043	1.33
Watson Pharmaceuticals Inc	2,544	539,057	0.26
Wells Fargo & Co	3,941	729,958	0.36
Windstream Corp	6,888	662,882	0.32
Wyeth	577	215,815	0.11
Xcel Energy Inc	2,097	328,226	0.16
Yum! Brands Inc	3,939	1,077,946	0.53
Total listed shares		199,796,431	97.62
Total investment		199,796,431	97.62
Other net assets		4,863,257	2.38
Total net asset value		204,659,688	100.00
Total cost of investment		188,474,191	

Principal US Dollar Savings Fund				
Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments				
Fixed coupon rates				
<i>Denominated in US Dollars</i>				
Bank One Issuance Trust-3.86%	15/06/11	350,000	2,735,978	1.18
Caterpillar Financial Services Corp-3.7%	15/08/08	200,000	1,561,196	0.67
Chase Funding Mortgage Loan Asset -Backed Certificates-3.34%	25/05/26	72,275	561,961	0.24
Colonial Bank NA Montgomery AL-8%	15/03/09	200,000	1,570,836	0.68
Deutsche Telekom International Finance BV-3.875%	22/07/08	275,000	2,144,541	0.92
Fannie Mae-3.375%	15/12/08	376,000	2,943,471	1.27
Fannie Mae-4.25%	15/05/09	750,000	5,919,002	2.55
Fannie Mae-4.5%	15/10/08	250,000	1,961,035	0.84
Federal Home Loan Bank System-2.625%	15/07/08	250,000	1,949,741	0.84
Federal Home Loan Bank System-4.625%	15/10/08	500,000	3,922,098	1.69
Harley-Davidson Motorcycle Trust-5.26%	15/12/10	72,327	566,910	0.24
Honda Auto Receivables Owner Trust -5.46%	23/05/11	250,000	1,987,682	0.86
JP Morgan Chase Commercial Mortgage Securities Corp-6.044%	15/11/35	96,229	761,340	0.33
Kraft Foods Inc-4%	01/10/08	155,000	1,208,410	0.52
Lehman Brothers Holdings Inc-3.5%	07/08/08	50,000	389,284	0.17
Midamerican Energy Holdings Co-7.52%	15/09/08	200,000	1,570,789	0.68
Provident Master Note Trust-5.1%	15/11/12	100,000	762,891	0.33
SunTrust Banks Inc-4%	15/10/08	100,000	779,952	0.34
Tyco International Group SA-6.125%	15/01/09	200,000	1,574,776	0.68
United States Treasury Note/Bond-3%	15/02/09	500,000	3,918,593	1.69
United States Treasury Note/Bond-4.125%	15/08/08	500,000	3,910,365	1.68
United States Treasury Note/Bond-4.75%	15/11/08	500,000	3,936,869	1.69
WFS Financial Owner Trust-3.93%	17/02/12	131,086	1,022,618	0.44
Wisconsin Power & Light Co-5.7%	15/10/08	50,000	391,832	0.17
Total fixed coupon rates			48,052,170	20.70
Floating coupon rates				
<i>Denominated in US Dollars</i>				
ACE Securities Corp-Floating	25/09/35	56,655	437,889	0.19
American Express Centurion Bank -Floating	16/11/09	250,000	1,917,768	0.83
American Express Credit Account Master Trust-Floating	15/02/12	350,000	2,693,173	1.16
American Express Credit Account Master Trust-Floating	15/08/11	350,000	2,701,394	1.16
American Express Credit Account Master Trust-Floating	15/09/11	250,000	1,937,157	0.83
American Express Credit Account Master Trust-Floating	15/03/12	250,000	1,917,690	0.83
American General Finance Corp-Floating	17/08/11	150,000	1,077,795	0.46
American Honda Finance Corp-Floating	11/07/08	250,000	1,949,665	0.84
Ameriquest Mortgage Securities Inc -Floating	25/11/34	143,598	929,728	0.40
Argent Securities Inc-Floating	25/01/34	42,695	327,912	0.14
Argent Securities Inc-Floating	25/07/36	300,000	1,867,262	0.80
Asset Backed Securities Corp Home Equity -Floating	25/07/36	350,000	2,693,317	1.16
AT&T Inc-Floating	05/02/10	150,000	1,164,555	0.50
Bank of America Funding Corp-Floating	20/07/36	270,811	911,016	0.39
Bank of America Corp-Floating	02/08/10	50,000	382,638	0.17
Bank of America NA-Floating	25/07/08	125,000	974,582	0.42
Bear Stearns Alt-A Trust-Floating	25/11/36	196,721	862,131	0.37
Bear Stearns Alt-A Trust-Floating	25/08/36	201,976	1,406,000	0.61

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal US Dollar Savings Fund *(continued)*

Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
Floating coupon rates <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
Capital One Auto Finance Trust-Floating	15/07/11	192,488	1,455,701	0.63
Capital One Financial Corp-Floating	10/09/09	250,000	1,818,947	0.78
Cardinal Health Inc-Floating	02/10/09	200,000	1,531,736	0.66
Carrington Mortgage Loan Trust-Floating	25/01/36	403,861	3,123,744	1.34
CDC Mortgage Capital Trust-Floating	25/03/34	3,640	18,628	0.01
Centex Home Equity-Floating	25/04/32	31,438	240,992	0.10
Centex Home Equity-Floating	25/02/32	352,906	2,559,697	1.10
Chase Credit Card Master Trust-Floating	17/01/11	250,000	1,948,526	0.84
Chase Credit Card Master Trust-Floating	15/09/11	350,000	2,695,291	1.16
Chase Funding Loan Acquisition Trust -Floating	25/06/34	130,150	805,048	0.35
Chase Funding Mortgage Loan Asset -Backed Certificates-Floating	25/12/33	44,855	326,274	0.14
CIT Group Inc-Floating	27/04/11	250,000	1,610,398	0.69
Citibank Credit Card Master Trust I -Floating	10/03/11	350,000	2,706,864	1.17
Citigroup Inc-Floating	09/06/09	375,000	2,892,049	1.25
Citigroup Mortgage Loan Trust Inc-5.47%	25/12/35	215,433	1,672,166	0.72
Citigroup Mortgage Loan Trust Inc -Floating	25/08/35	51,359	357,359	0.15
Comcast Corp-Floating	14/07/09	200,000	1,547,322	0.67
Countrywide Alternative Loan Trust -Floating	25/02/35	300,000	1,968,695	0.85
Countrywide Alternative Loan Trust -Floating	25/06/36	300,000	1,189,035	0.51
Countrywide Alternative Loan Trust -Floating	25/12/34	81,250	522,041	0.23
Countrywide Asset-Backed Certificates -Floating	25/01/34	90,408	544,579	0.23
Countrywide Asset-Backed Certificates -Floating	25/10/34	83,286	560,426	0.24
Countrywide Asset-Backed Certificates -Floating	25/08/32	3,954	30,685	0.01
Countrywide Asset-Backed Certificates -Floating	25/12/32	112,331	673,003	0.29
Countrywide Asset-Backed Certificates -Floating	25/11/33	61,075	438,830	0.19
Countrywide Asset-Backed Certificates -Floating	25/02/36	88,156	658,926	0.28
Countrywide Asset-Backed Certificates -Floating	25/06/35	38,149	270,243	0.12
Countrywide Asset-Backed Certificates -Floating	25/12/35	139,828	1,071,088	0.46
Countrywide Asset-Backed Certificates -Floating	25/11/34	144,774	1,000,495	0.43
Countrywide Asset-Backed Certificates -Floating	25/07/32	103,163	786,763	0.34
Countrywide Home Equity Loan Trust -Floating	15/12/33	151,328	762,067	0.33
Credit Suisse USA Inc-Floating	15/01/10	100,000	771,067	0.33
Credit-Based Asset Servicing and Securitization LLC-Floating	25/03/36	116,000	863,519	0.37
Diageo Finance BV-Floating	30/03/09	125,000	972,643	0.42
Dominion Resources Inc VA-Floating	14/11/08	200,000	1,538,405	0.66
Erac USA Finance Co-Floating	30/04/09	100,000	767,640	0.33
Erac USA Finance Co-Floating	28/08/09	100,000	775,227	0.33
Fieldstone Mortgage Investment Corp -Floating	25/05/36	12,285	95,552	0.04
First Horizon Asset Back Trust-Floating	25/10/26	110,111	684,159	0.29

Principal US Dollar Savings Fund *(continued)*

Investments	Maturity	Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
Floating coupon rates <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
First NLC Trust-Floating	25/05/35	103,941	690,613	0.30
First NLC Trust-Floating	25/12/35	16,731	130,208	0.06
Florida Power Corp-Floating	14/11/08	100,000	777,752	0.33
GE Capital Credit Card Master Note Trust -Floating	15/03/13	300,000	2,242,156	0.97
General Electric Capital Corp-Floating	06/10/10	300,000	2,321,854	1.00
Georgia Power Co-Floating	17/02/09	150,000	1,168,814	0.50
GSAA Trust-Floating	25/12/34	201,232	1,436,200	0.62
GSR Mortgage Loan Trust-Floating	25/08/46	248,162	1,006,864	0.43
Harborview Mortgage Loan Trust-Floating	19/05/47	162,299	757,957	0.33
Home Equity Mortgage Trust-Floating	25/01/36	72,142	542,518	0.23
Household Finance Corp-Floating	16/11/09	350,000	2,692,433	1.16
Impac CMB Trust-Floating	25/08/35	146,066	723,456	0.31
Impac CMB Trust-Floating	25/04/35	80,584	381,162	0.16
Impac CMB Trust-Floating	25/01/35	49,793	320,785	0.14
Impac CMB Trust-Floating	25/04/35	152,793	911,725	0.39
ING USA Global Funding Trust-Floating	01/10/10	250,000	1,941,279	0.84
International Lease Finance Corp-Floating	15/01/10	50,000	366,606	0.16
International Lease Finance Corp-Floating	24/05/10	100,000	729,640	0.31
iStar Finance Inc-Floating	15/09/09	150,000	1,073,244	0.46
John Deere Capital Corp-Floating	15/07/08	250,000	1,949,577	0.84
JP Morgan Alternative Loan Trust-Floating	25/05/36	53,812	420,348	0.18
JP Morgan Mortgage Acquisition Corp -Floating	25/12/36	99,165	739,794	0.32
JPMorgan Chase & Co-Floating	02/10/09	85,000	662,090	0.28
KeyBank NA-Floating	03/11/09	150,000	1,135,355	0.49
Korea Development Bank-Floating	20/10/09	150,000	1,170,915	0.50
Lehman Brothers Holdings Inc-Floating	10/11/09	150,000	1,115,035	0.48
Lehman Brothers Holdings Inc-Floating	23/03/09	75,000	567,769	0.24
Lincoln National Corp-Floating	06/04/09	250,000	1,940,681	0.84
Long Beach Mortgage Loan Trust-Floating	25/08/45	88,450	671,770	0.29
Martin Marietta Materials Inc-Floating	30/04/10	200,000	1,514,497	0.65
Masco Corp-Floating	12/03/10	200,000	1,488,691	0.64
Mastr Asset Backed Securities Trust -Floating	25/08/36	230,000	1,545,186	0.67
MBNA Credit Card Master Note Trust -Floating	15/02/11	300,000	2,339,020	1.01
MBNA Credit Card Master Note Trust -Floating	16/05/11	375,000	2,921,520	1.26
Merrill Lynch & Co Inc-Floating	25/07/11	250,000	1,778,586	0.77
Metropolitan Life Global Funding I -Floating	17/05/10	250,000	1,922,743	0.83
Morgan Stanley-Floating	15/01/10	200,000	1,526,841	0.66
Nomura Asset Acceptance Corp-Floating	25/02/35	12,940	73,391	0.03
Ohio Power Co-Floating	05/04/10	125,000	955,629	0.41
Option One Mortgage Loan Trust-Floating	25/12/35	257,691	1,790,525	0.77
Option One Mortgage Loan Trust-Floating	25/07/36	310,000	2,324,895	1.00
PNC Funding Corp-Floating	12/06/09	250,000	1,953,026	0.83
Residential Accredit Loans Inc-Floating	25/09/34	172,808	1,317,564	0.57
Residential Asset Securities Corp-Floating	25/06/34	2,025	15,755	0.01
Residential Asset Securities Corp-Floating	25/02/32	315,807	2,397,693	1.03
Residential Asset Securities Corp-Floating	25/08/31	261,189	2,006,728	0.86
Residential Asset Securities Corp-Floating	25/09/36	210,000	1,583,858	0.68
Residential Asset Securities Corp-Floating	25/04/37	163,272	1,213,779	0.52
Residential Asset Securities Corp-Floating	25/04/37	300,000	1,729,836	0.75
Residential Funding Mortgage Securities I -Floating	25/06/35	117,243	888,733	0.38
SabMiller Plc-Floating	01/07/09	150,000	1,172,677	0.50

INVESTMENT REPORT *(continued)*

Portfolio statement as at 30 June 2008

Principal US Dollar Savings Fund <i>(continued)</i>				
Investments	Maturity	Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed / quoted debt instruments <i>(continued)</i>				
Floating coupon rates <i>(continued)</i>				
<i>Denominated in US Dollars <i>(continued)</i></i>				
Santander US Debt SA Unipersonal -Floating	06/02/09	250,000	1,943,621	0.84
Skandinaviska Enskilda Banken AB-Floating	05/01/09	155,000	1,207,783	0.52
SLM Corp-Floating	26/01/09	200,000	1,535,465	0.66
SLM Student Loan Trust-Floating	15/06/16	61,233	469,339	0.20
Snap-On Inc-Floating	12/01/10	200,000	1,531,288	0.66
Southern California Edison Co-Floating	02/02/09	150,000	1,162,189	0.50
Structured Adjustable Rate Mortgage Loan Trust-Floating	25/08/34	240,410	819,953	0.35
Structured Asset Investment Loan Trust -Floating	25/01/36	184,859	1,422,404	0.61
Structured Asset Mortgage Investments Inc -Floating	25/05/45	28,579	160,498	0.07
Telecom Italia Capital SA-Floating	18/07/11	150,000	1,114,759	0.48
Telefonica Emisiones SAU-Floating	19/06/09	150,000	1,163,242	0.50
Textron Financial Corp-Floating	05/06/09	100,000	778,656	0.34
Textron Financial Corp-Floating	02/11/09	50,000	388,266	0.17
Textron Financial Corp-Floating	07/11/08	200,000	1,556,296	0.67
The Bear Stearns Companies Inc-Floating	09/09/09	250,000	1,927,154	0.83
The Bear Stearns Companies Inc-Floating	28/11/11	150,000	1,120,191	0.48
The Goldman Sachs Group Inc-Floating	23/07/09	250,000	1,936,972	0.83
The Western Union Co-Floating	17/11/08	200,000	1,558,532	0.67
Thornburg Mortgage Securities Trust -Floating	25/07/45	213,423	1,664,247	0.72
Thornburg Mortgage Securities Trust -Floating	25/01/46	270,210	2,099,951	0.90
Transocean Inc-Floating	05/09/08	200,000	1,557,709	0.67
Verizon Communications Inc-Floating	03/04/09	100,000	778,210	0.33
WaMu Mortgage Pass Through Certificates -Floating	25/07/44	53,298	396,285	0.17
WaMu Mortgage Pass Through Certificates -Floating	25/03/35	193,935	1,441,465	0.62
WaMu Mortgage Pass Through Certificates -Floating	25/08/46	350,000	2,296,723	0.99
Washington Mutual Asset-Backed Certificates-Floating	25/05/36	26,455	205,789	0.09
Washington Mutual Inc-Floating	15/01/10	100,000	681,349	0.29
Xstrata Finance Dubai Ltd-Floating	13/11/09	150,000	1,141,956	0.49
Total floating coupon rates			169,496,567	72.94
Total listed/ quoted debt instruments			217,548,737	93.64
Total investment			217,548,737	93.64
Other net assets			14,765,285	6.36
Total net asset value			232,314,022	100.00
Total cost of investment			230,775,793	

INVESTMENT REPORT *(continued)*
Statement of movements in portfolio holdings

Principal Asian Equity Fund		
	% of net assets as at 30 June 2008	% of net assets as at 31 December 2007
<i>Listed shares (by country)</i>		
China	13.49	15.44
Hong Kong	22.59	28.17
Indonesia	4.53	1.49
Malaysia	5.51	4.13
Singapore	6.21	6.79
South Korea	23.14	24.31
Taiwan	17.06	13.91
Thailand	5.31	2.78
	97.84	97.02
<i>Option/warrant</i>		
Malaysia	-	0.01
	97.84	97.03
Other net assets	2.16	2.97
Total net assets	100.00	100.00

Principal China Equity Fund		
	% of net assets as at 30 June 2008	% of net assets as at 31 December 2007
<i>Listed shares (by industry sector)</i>		
Consumer discretionary	4.78	5.36
Consumer staples	3.42	2.54
Energy	21.20	21.93
Financials	30.09	28.35
Industrial	11.01	14.30
Information technology	3.95	2.52
Materials	5.67	7.40
Telecommunication services	13.42	12.47
Utilities	2.35	2.46
	95.89	97.33
<i>Option/warrants (by industry sector)</i>		
Financial	-	0.02
	95.89	97.35
Other net assets	4.11	2.65
Total net assets	100.00	100.00

INVESTMENT REPORT *(continued)*
Statement of movements in portfolio holdings

Principal International Equity Fund	% of	% of
	net assets	net assets
	as at 30 June 2008	as at 31 December 2007
<i>Listed shares (by country)</i>		
Australia	2.46	3.69
Austria	-	0.41
Belgium	0.78	0.44
Canada	3.89	4.44
Denmark	1.49	0.38
Finland	0.41	-
France	3.63	3.36
Germany	3.48	5.08
Greece	0.90	1.41
Hong Kong	1.91	1.97
Italy	1.78	2.09
Japan	8.10	7.69
Netherlands	1.64	2.17
Norway	1.55	0.85
Portugal	0.34	0.40
Singapore	0.78	0.71
Spain	1.62	2.48
Sweden	0.44	0.51
Switzerland	4.27	5.03
United Kingdom	11.43	7.20
United States	47.26	44.99
	98.16	95.30
Other net assets	1.84	4.70
Total net assets	100.00	100.00

Principal International Bond Fund	% of	% of
	net assets	net assets
	as at 30 June 2008	as at 31 December 2007
<i>Listed / quoted debt instruments (by currency)</i>		
Australian Dollars	1.47	1.68
British Pounds	6.01	6.10
Canadian Dollars	2.30	2.92
Danish Kronor	-	0.38
Euro	32.06	32.76
Hungarian Forint	0.16	0.14
Japanese Yen	16.29	15.84
Mexican Pesos	0.53	0.53
New Zealand Dollars	0.60	0.64
Polish Zloty	0.37	-
South African Rand	0.38	0.47
Swedish Kronor	0.58	0.67
US Dollars	36.35	34.42
	97.10	96.55
Other net assets	2.90	3.45
Total net assets	100.00	100.00

INVESTMENT REPORT *(continued)*
Statement of movements in portfolio holdings

Principal Hong Kong Dollar Savings Fund	% of net assets as at 30 June 2008	% of net assets as at 31 December 2007
<i>Listed / quoted debt instruments</i>		
Non-Certificates of deposit	39.10	49.20
Certificates of deposit	53.82	44.32
	92.92	93.52
Other net assets	7.08	6.48
Total net assets	100.00	100.00

Principal Hong Kong Equity Fund	% of net assets as at 30 June 2008	% of net assets as at 31 December 2007
<i>Listed shares (by industry sector)</i>		
Consumer discretionary	7.35	8.04
Consumer staples	3.10	2.97
Energy	11.22	12.27
Financials	41.25	41.22
Industrial	11.72	12.11
Information technology	3.24	4.10
Materials	4.36	3.45
Telecommunication services	9.83	9.15
Utilities	4.45	3.99
	96.52	97.30
Other net assets	3.48	2.70
Total net assets	100.00	100.00

INVESTMENT REPORT *(continued)*
Statement of movements in portfolio holdings

Principal US Equity Fund	% of net assets as at 30 June 2008	% of net assets as at 31 December 2007
	<i>Listed shares (by industry sector)</i>	
Consumer discretionary	8.35	8.44
Consumer staples	10.34	9.71
Energy	16.09	12.58
Financials	12.90	15.23
Health care	11.48	12.31
Industrial	10.15	11.07
Information technology	16.19	16.83
Materials	3.93	3.28
Telecommunication services	3.26	3.85
Utilities	4.00	3.65
Others	0.93	0.49
	97.62	97.44
Other net assets	2.38	2.56
Total net assets	100.00	100.00

Principal US Dollar Savings Fund	% of net assets as at 30 June 2008	% of net assets as at 31 December 2007
	<i>Listed / quoted debt instruments</i>	
Fixed coupon rates	20.70	18.57
Floating coupon rates	72.94	76.92
	93.64	95.49
Other net assets	6.36	4.51
Total net assets	100.00	100.00

INVESTMENT REPORT *(continued)*
Statement of movements in portfolio holdings

Principal Long Term Accumulation Fund	% of net assets as at 30 June 2008	% of net assets as at 31 December 2007
<i>Listed shares (by country)</i>		
Austria	-	0.11
Belgium	-	0.08
China	-	9.17
Denmark	-	0.19
Finland	-	0.24
France	-	0.87
Germany	-	0.97
Greece	-	0.20
Hong Kong	-	10.76
Indonesia	-	0.15
Ireland	-	0.03
Italy	-	0.26
Japan	-	7.91
Malaysia	-	0.50
Netherlands	-	0.37
Norway	-	0.14
Portugal	-	0.05
Singapore	-	0.76
South Korea	-	2.65
Spain	-	0.58
Sweden	-	0.24
Switzerland	-	0.94
Taiwan	-	1.59
Thailand	-	0.39
United Kingdom	-	1.90
United States	-	11.77
	-	52.82
Listed bonds	-	34.55
Unlisted bonds	-	9.75
Other net assets	-	2.88
Total net assets	-	100.00

STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2008
(Expressed in Hong Kong dollars)

	Principal Asian Equity Fund \$	Principal China Equity Fund \$	Principal International Equity Fund \$	Principal International Bond Fund \$	Principal Hong Kong Dollar Savings Fund \$	Principal Hong Kong Equity Fund \$	Principal U.S. Equity Fund \$	Principal U.S. Dollar Savings Fund \$	Principal Long Term Accumulation Fund \$	The Fund \$
Assets										
Investments	1,666,838,272	352,244,570	1,581,714,760	1,735,941,341	631,874,323	1,144,843,026	199,796,431	217,548,737	-	7,530,801,460
Amounts receivable from broker	10,644,339	-	30,025,533	811,700	-	-	3,926,345	-	-	45,407,917
Amounts receivable on subscription	353,778	934,310	-	15,828	-	758,166	8,265	-	-	2,070,347
Other receivables	2,127,283	1,484,793	2,111,638	23,990,870	5,218,634	3,440,664	273,627	1,135,332	-	39,782,841
Cash and cash equivalents	52,812,940	12,766,982	26,564,444	31,637,235	43,333,493	37,576,364	4,297,949	13,697,148	-	222,686,555
	1,732,776,612	367,430,655	1,640,416,375	1,792,396,974	680,426,450	1,186,618,220	208,302,617	232,381,217	-	7,840,749,120
Liabilities										
Amounts payable to brokers	28,936,775	-	28,807,012	3,917,444	-	-	3,473,341	-	-	65,134,572
Amounts payable on redemption	105,690	-	162,608	546,093	297,648	142,887	98,261	39,962	-	1,393,149
Accrual and other payables	183,093	84,948	113,530	117,614	75,932	327,361	71,327	27,233	-	1,001,038
	29,225,558	84,948	29,083,150	4,581,151	373,580	470,248	3,642,929	67,195	-	67,528,759
Net Asset Value	1,703,551,054	367,345,707	1,611,333,225	1,787,815,823	680,052,870	1,186,147,972	204,659,688	232,314,022	-	7,773,220,361
Representing:										
Net assets attributable to unitholders	1,703,551,054	367,345,707	1,611,333,225	1,787,815,823	680,052,870	1,186,147,972	204,659,688	232,314,022	-	7,773,220,361
Number of units in issue										
- Pension class	53,672,636.6481	29,702,802.4256	75,611,099.0591	127,212,036.2985	58,978,130.5786	30,738,769.6259	12,875,631.9412	20,528,697.6677	-	-
- Retail class	1,640,309.5508	6,063,026.0294	751,403.2254	92,185.7750	366,063.2020	8,489,845.2960	25,010.5569	-	-	-
- Investment class	315,373.5810	361,903.9543	-	8,863,170.7024	-	20,154,696.8699	1,176,567.9469	-	-	-
Net asset value per unit										
- Pension class	30.7848	10.2067	21.1180	13.2400	11.4629	20.4292	14.9481	11.3166	-	-
- Retail class	28.4702	10.0221	19.4061	12.0351	10.9158	19.6121	12.8210	-	-	-
- Investment class	14.4427	9.4379	-	11.5569	-	19.4337	10.0913	-	-	-

STATEMENT OF ASSETS AND LIABILITIES *(continued)*

As at 31 December 2007 <i>(Expressed in Hong Kong dollars)</i>										
	Principal Asian Equity Fund \$	Principal China Equity Fund \$	Principal International Equity Fund \$	Principal International Bond Fund \$	Principal Hong Kong Dollar Savings Fund \$	Principal Hong Kong Equity Fund \$	Principal U.S. Equity Fund \$	Principal U.S. Dollar Savings Fund \$	Principal Long Term Accumulation Fund \$	The Fund \$
Assets										
Investments	1,683,961,003	304,803,795	1,323,045,517	1,000,077,911	581,162,836	940,294,986	226,450,382	268,468,475	1,727,691,674	8,055,956,579
Amounts receivable from broker	-	1,591,103	15,535,510	-	-	-	340,330	-	724,637	18,191,580
Amounts receivable on subscription	733,501	1,089,517	19,387	314,191	588	684,520	17,612	4,309	332,226	3,195,851
Other receivables	1,054,706	622	1,123,265	13,949,583	6,127,666	859,382	242,858	1,618,443	11,550,006	36,526,531
Cash and cash equivalents	49,901,817	11,612,026	63,782,870	23,730,492	36,162,684	25,038,055	5,695,237	11,735,806	42,377,692	270,036,679
	1,735,651,027	319,097,063	1,403,506,549	1,038,072,177	623,453,774	966,876,943	232,746,419	281,827,033	1,782,676,235	8,383,907,220
Liabilities										
Amounts payable to brokers	-	5,712,267	15,071,477	2,060,128	-	-	308,853	-	3,652,263	26,804,988
Amounts payable on redemptions	-	217,623	10,050	208	1,953,216	78,165	15,752	651,072	51,636	2,977,722
Accrual and other payable	104,874	68,190	67,816	107,928	42,005	428,953	24,030	19,292	81,177	944,265
	104,874	5,998,080	15,149,343	2,168,264	1,995,221	507,118	348,635	670,364	3,785,076	30,726,975
Net Asset Value	1,735,546,153	313,098,983	1,388,357,206	1,035,903,913	621,458,553	966,369,825	232,397,784	281,156,669	1,778,891,159	8,353,180,245
Representing:										
Net assets attributable to unitholders	1,735,546,153	313,098,983	1,388,357,206	1,035,903,913	621,458,553	966,369,825	232,397,784	281,156,669	1,778,891,159	8,353,180,245
Number of units in issue										
- Pension class	45,023,640.4698	16,910,113.7744	58,579,287.3064	71,278,442.0922	54,602,858.4776	12,574,928.8430	13,028,133.9151	24,421,655.1908	102,933,156.7785	
- Retail class	1,663,831.3494	6,225,053.9200	738,800.7287	82,163.5901	419,693.2423	7,630,222.7081	45,636.3511	-	78,989.8364	
- Investment class	311,974.1873	-	-	11,022,910.1408	-	17,376,011.6657	993,255.7238	-	-	
Net asset value per unit										
- Pension class	37.1476	13.5663	23.4269	12.7856	11.2984	26.4131	16.9130	11.5126	17.2699	
- Retail class	34.6149	13.4444	21.6944	11.7653	10.8005	25.5439	14.9093	-	15.8318	
- Investment class	17.4115	-	-	11.2131	-	25.2832	11.4505	-	-	

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