

# PRINCIPAL LIFE STYLE FUND

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UNAUDITED SEMI ANNUAL REPORT

For The Six Months Ended 30 June 2011



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# MANAGEMENT AND ADMINISTRATION

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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 2011.

## **Principal Asian Equity Fund**

### ***Market Review***

The MSCI AC Far East ex-Japan Index gained 2.64% during the six-month period ending 30 June 2011. During the period, stocks in Indonesia, Malaysia and Korea performed the best, while stocks in Hong Kong and Taiwan lagged. From a sector perspective, stocks in the consumer discretionary, materials and utilities sectors performed the best during the period while the information technology, industrials and financials sectors lagged the most.

### ***Fund Performance***

The fund underperformed the MSCI AC Far East ex-Japan Index for the six-month period.

Stock selection was positive on a sector basis. Positive performance came from the consumer discretionary, materials and consumer staples sectors while stocks in the health care, financials and telecommunication services sectors negatively impacted the fund's relative performance. From a country standpoint, positive performance came from Korea, Taiwan and Singapore, while negative performance came from China, Indonesia and Hong Kong.

### ***Portfolio Strategy and Outlook***

Asia was the best-performing region during the second quarter, ending the quarter effectively unchanged. Indonesia, Malaysia and the Philippines were the positive standouts, while India, China and Thailand lagged. Chinese equities fell 1.8% as inflation concerns and continued tightening weighed on shares.

The latest Purchasing Managers Index (PMI) data release strengthens our view that tightening is beginning to have an impact on the economy. A slowdown in growth and a peaking of inflationary pressure should lessen the pace of tightening and provide a more supportive backdrop for the equity market going into the second half.

The Korean market continued its year-to-date outperformance, rising nearly 1% in volatile trading. The Taiwanese market managed to outperform, despite weakness in the technology sector. The official GDP forecast was raised slightly, to +5% on stronger-than-expected first quarter growth. The Philippine economy outperformed during the quarter, as an easing of inflationary pressure and upgrades to the country's sovereign debt ratings helped to boost the market.

## **Principal China Equity Fund**

### ***Market Review***

In the last six months, the MSCI China Index returned +1.03%. Information technology and utilities were the top performing sectors, while the industrials and health care sectors lagged during the period.

### ***Fund Performance***

The fund underperformed the benchmark during the period. Stock selection positively affected performance in the financials, consumer discretionary and utilities sectors; while stock selection in the information technology, consumer staples, and energy sectors detracted from performance. An overweight position in China Shanshui Cement Group Co. gave us positive performance for the last half of the year; the stock was up 64.69%. The company is engaged in the production and sales of various types of cements, and the production of commodity clinker necessary for various types of high-grade cements. The company can expect continued improvement due to their focus on improving existing profitability of the cement business as well as further expansion into Xinjiang, Shanxi, and Inner Mongolia. An overweight position in China Unicom Ltd., detracted from performance in the first half of 2011; the stock was up 41.76%. China Unicom is an integrated telecommunications operator in China providing mobile voice and value-added, fixed-line voice and value-added, fixed-line broadband, data communications, and other telecommunications services. We were underweight this company during the quarter as we felt there were better relative alternatives.

### ***Portfolio Strategy and Outlook***

In China, monetary policy continues to focus on controlling inflation and property prices. We expect inflation to be moderating in the coming months, provide some room for selecting policy adjustment on the fiscal side. Overall, China economy growth outlook, corporate earnings and capital expenditure from private sectors remain strong. The portfolio continues to overweight stocks with improving business fundamentals, rising investor expectations and attractive relative valuations. We minimize market, sector and industry exposures relative to the index in order to isolate superior stock selection as the primary source of outperformance.

### **Principal European Equity Fund**

#### ***Market Review***

The year opened with positive momentum, and acceleration in corporate activity, together with an earnings season which exceeded expectations, supported the rally. By the end of April, the market started to grow increasingly concerned about Greece and the sovereign crisis.

Signs of slower economic growth have been all too evident in recent weeks, punctuated by the production disruptions in Japan, continuing European sovereign debt concerns, further social unrest in the Middle East and North Africa, and tightening monetary conditions in China and several other key emerging markets. Weaker sentiment is actually helping avert some longer-term systemic imbalances. Solid balance sheets with high cash reserves, cyclically high corporate profitability, and favorable prospects for capital spending all warrant some degree of optimism, particularly in relation to the meager yields offered by corporate bonds and other assets, typically considered to be lower-risk.

#### ***Fund Performance***

For the six-month period ended 30 June 2011, the fund underperformed the MSCI Europe Index. The euro strengthened by 10%, and sterling by 3% during the period under review, which enhanced the local currency returns for a US dollar-based investor. Healthcare performed best during the period under review, as well as the consumer discretionary sector, whilst energy and materials performed worst.

#### ***Portfolio Strategy and Outlook***

The increased disparity of results across sectors, countries and individual stocks was a healthy sign that we see persisting as investors increase their fundamental scrutiny. We continue to see some favorable pro-cyclical opportunities among capital goods and technology companies globally. We anticipate continuing disparity of returns among markets and individual stocks in the year ahead, which presents both a risk and an opportunity. An area where our sentiment is likely to persist longer term is in peripheral Europe and the broader European banking sector.

From a market perspective, we note that overall valuations are generally favorable in absolute terms by historical standards, while comparisons to yields on corporate bonds and sovereign debt are compelling. Many corporate treasurers continue to express this view through increased debt issuance, dividend hikes and share repurchases.

### **Principal International Equity Fund**

#### ***Market Review***

Since the beginning of the year, the global equity markets saw a strong rally, despite concerns over European sovereign debts and a slowdown in global recovery, as the MSCI All Country World Index returned +4.68%. During the period, the health care, consumer staples and energy sectors were the best performing sectors. From a country perspective, developed markets outperformed emerging markets. European countries, including Ireland, France and Spain outperformed during the period. Japan and Latin American countries, including Peru and Brazil, underperformed.

#### ***Fund Performance***

The fund underperformed the MSCI All Country World Index for the year-to-date period. Stock selection positively contributed to performance the most in the health care, consumer discretionary and financials sectors; while stock selection in the industrials, consumer staples and telecommunication services sectors lagged the most. From a country perspective, stock selection contributed most positively to performance in the US and the emerging Asian countries, including Korea and Taiwan. Stock selection in the Euro markets, including France, Belgium and Netherlands, detracted from performance.

#### ***Portfolio Strategy and Outlook***

The portfolio continues to overweight stocks with improving business fundamentals, rising investor expectations and attractive relative valuations. Stock selection remains the primary source of outperformance. Although we believe that the recovery continues to be intact, global growth will be lower going forward compared to last year. Our ranking process, as well as our analyst picks, continue to capture a moderate cyclical bias in stocks although the sustainability of earnings expectations is being questioned by the market. We remain confident in the media recovery as major corporations continue to spend on advertisement to deepen brand building amidst slow but improving economic trends. We continue to see earnings growth potential with attractive valuations in European exporters that are levered to global growth, as well as opportunities with industrial spending related technology stocks. Consumer finance, particularly in the United States, is another area where we see potential growth. On the other hand, we continue

### **Principal International Equity Fund** *(continued)*

#### **Portfolio Strategy and Outlook** *(continued)*

to maintain a defensive position in Southern European financials due to sovereign debt concerns. Lastly, cheaper valuations and mergers and acquisitions activity could continue to dominate health care stock performance. Continued low medical utilization rates should benefit the managed care companies. We continue to be slightly overweight these groups.

### **Principal International Bond Fund**

#### **Market Review**

The US economy appeared to have everything going for it as we entered 2011. GDP growth had picked up in the fourth quarter 2010, the activity surveys were close to multi-year highs, and yet another round of fiscal and monetary stimulus had been put in place. Unfortunately, the recovery lost significant momentum in the first half of 2011 as the surge in commodity prices ended up constraining real incomes and the Japanese earthquake triggered significant supply constraints.

The emerging slowdown in the US, coupled with the escalating European sovereign debt crisis, conspired to reduce global risk appetite, pushing US Treasury yields back below 3% in June. Within the UK, the sharp loss in economic output at the end of 2010 was only just reversed in the first quarter of 2011. Economic activity indicators peaked in early 2011 before slowing sharply in the second quarter as several fiscal austerity measures were introduced.

Japan's economy had enjoyed two months of strong performance before a devastating earthquake and tsunami hit Japan on March 2011. The outlook for Japan changed drastically, with activity across the economy plunging in April. Demand conditions, as well as supply, have shown strong signs of recovery, while the labour market and business confidence have also improved sharply.

#### **Fund Performance**

The fund underperformed the index during the first half of the year, driven by outperformance from all of the regional allocations. The US region outperformed its index for the first half due to sector allocation and curve positioning. The Pan-European region outperformed its index primarily due to sector allocation and duration positioning. The Asia Pacific regional allocation outperformed its index due to sector allocation and security selection.

#### **Portfolio Strategy and Outlook**

Our sector positioning is based on moderate growth in the major Organization for Economic Co-operation and Development (OECD) economies. Currently we are short duration as rates have significantly dropped as economic data has softened, but as we approach August and September the expectations are for data to rebound. Additionally, we feel that the end of QE2 should provide an opportunity for rates to rise.

From a curve perspective, we have started to move away from the belly of the curve and move out to the long end of the curve with tends to gap out less than the middle of the curve as rate normalization progresses. At this time we are neutral duration in the UK, waiting for a good entry point based on large movements in rates. For the European allocation, the portfolio is overweight financial institutions versus covered bonds. Within the sovereign allocation we are also underweight to the peripheral European countries. We maintain an overweight to high quality credits. From a duration perspective, we are neutral as the market has priced in the July rate hike and also one more for the rest of the year which is in line with our expectations.

### **Principal Hong Kong Bond Fund**

#### **Market Review**

The monetary base and aggregate balance were almost unchanged at HK\$1,053bn and HK\$148.6bn respectively at the end of June 2011. Overall liquidity conditions remained easy despite high incremental loan-deposit ratios in the banking system that prompted some banks to raise mortgage rates and also increase short term deposit rates selectively. 1-yr, 5-yr and 10-yr Hong Kong Exchange fund note yields declined 20bps to 0.14%, -46bps to 1.30% and -59bps to 2.27% respectively, reflecting increased demand for sovereign assets by investors during the period as markets were unsettled by developments in Europe and concerns about a negative impact on global growth from high inflation.

Hong Kong's economy continues to grow, though inflation concerns picked up appreciably. Consumer Price Index (CPI) jumped to +5.2% year-over-year (yoy) in May, the highest level since July 2008 on all around pressures. Yet, Hong Kong's composite interest rate published by Hong Kong Monetary Authority was a lowly 0.25%, given the peg

### **Principal Hong Kong Bond Fund *(continued)***

#### ***Market Review (continued)***

with US interest rates that are close to zero. Money Supply (M1) grew 12.5% yoy in May while M3 increased 11.4% yoy. Labor conditions remained tight with the unemployment rate at 3.5%. Retail sales volume grew 21.6% in May versus +22.1% yoy in April. May Purchasing Managers Index (PMI) weakened to 52.2 from 52.9 in April, in line with the global slowdown. Property prices continued to climb despite government actions to control it.

#### ***Fund Performance***

We invested a significant proportion of the fund into a mix of government and corporate bonds during the short period of its operation (21st to 30th June). It returned -0.36% during the period. HSBC's Hong Kong Bond Index returned -0.16% during this period while returning +2.6%, +3.7% and +3.4% over the past 3, 6 and 12 months.

#### ***Portfolio Strategy and Outlook***

We are in the initial stages of building the fund's investment strategy. Our strategy is to look for yield enhancement opportunities in high-grade corporate bonds, while being a little underweight in duration. We do not expect US Federal Reserve to tighten interest rates anytime soon which should ensure a reasonably benign yield environment in Hong Kong.

### **Principal Hong Kong Dollar Savings Fund**

#### ***Market Review***

The monetary base and aggregate balance were almost unchanged at HK\$1,053bn and HK\$148.6bn respectively at the end of June 2011. Overall liquidity conditions remained easy despite high incremental loan-deposit ratios in the banking system that prompted some banks to raise mortgage rates and also increase short term deposit rates selectively. 3-m HIBOR rose was declined 2 bps to 0.26% while 1-yr HIBOR was lower by 6 bps to 0.64% during first half of 2011. 3-m and 12-m USD LIBORS dipped 6 bps and 5 bps to 0.25% and 0.73% respectively. 1-yr, 5-yr and 10-yr HK Exchange fund note yields declined 20 bps to 0.14%, -46bps to 1.30% and -59bps to 2.27% respectively, reflecting increased demand for sovereign assets by investors during the period.

Hong Kong's economy continues to grow, though inflation concerns have picked up appreciably. Consumer Price Index (CPI) jumped to +5.2% yoy in May, the highest level since July 2008 on all around pressures. Yet, Hong Kong's composite interest rate published by Hong Kong Monetary Authority was a lowly 0.25%, given the peg with US interest rates that are close to zero. Money Supply (M1) grew 12.5% yoy in May while M3 increased 11.4% yoy. Labor conditions remained tight with the unemployment rate at 3.5%. Retail sales volume grew 21.6% in May versus +22.1% yoy in April. May Purchasing Managers Index (PMI) weakened to 52.2 from 52.9 in April, in line with the global slowdown. Property prices continued to climb despite government actions to control it.

#### ***Fund Performance***

Due to very low rates, the fund returns continue to remain low.

#### ***Portfolio Strategy and Outlook***

The low-yield environment in Hong Kong Dollar money markets is making it a challenge to increase the portfolio accrual yield meaningfully. Conditions are unlikely to change till the US Federal Reserve starts increasing interest rates. We remain watchful of opportunities to enhance portfolio yields in this environment.

### **Principal Hong Kong Equity Fund**

#### ***Market Review***

Top performing sectors for the period were information technology, utilities and energy.

#### ***Fund Performance***

The fund underperformed the benchmark during the first half of 2011. Stock selection positively affected performance in the consumer discretionary, telecommunication services and industrials sectors; while stock selection in information technology, consumer staples and health care sectors lagged on a relative basis. An overweight position in Sjm Holdings gave us positive performance for the period; the stock was up 51.76%. Sjm conducts casino gaming operations and gaming-related activities in Macau. The company can expect continued improvement due to its potential approval of a new project in Cotai as well as its growing revenue. An underweight position in Sands China Ltd. detracted from performance this quarter; the stock was up 10.87%. Sands is a developer, owner and operator of integrated resorts and casinos in Macau.

### **Principal Hong Kong Equity Fund *(continued)***

#### ***Portfolio Strategy and Outlook***

In China, monetary policy continues to focus on controlling inflation and property prices. We expect inflation to be moderating in the coming months. Overall, China economy growth outlook, corporate earnings, and capital expenditure from private sectors remain strong. In Hong Kong, we expect property market may be under pressure while retail sales continue to be strong. The portfolio continues to overweight stocks with improving business fundamentals, rising investor expectations, and attractive relative valuations. We minimize market, sector, and industry exposures relative to the index in order to isolate superior stock selection as the primary source of portfolio outperformance.

### **Principal Pension Bond Fund**

#### ***Market Review***

US Treasury rates were mixed as the curve steepened during the first half of 2011. Rates rallied in the short and intermediate part of the yield curve with the five-year Treasury yield decreasing 25 basis points (bps). Rates at the long end of the curve increased slightly with the 30-year Treasury ending 4 bps higher.

During the first six months of 2011, credit outperformed duration-matched Treasury securities by 1.00%. Based on excess returns, the best performing sectors were foreign local government, refining, textile and non-captive consumer finance. The worst performing sectors were pharmaceuticals, retailers, entertainment and airlines.

For the first half of 2011, lower-quality credit assets outperformed with BBB-rated credit bonds realizing excess returns of 1.50%. In comparison, AAA-rated credit bonds returned 0.41% of excess performance.

#### ***Fund Performance***

The fund outperformed the index during the period. Security selection and yield curve positioning were positive drivers of performance while industry allocation detracted from performance. Positive performance in yield curve positioning was driven by a long duration position as interest rates decreased during the first half of 2011. In industry allocation, an underweight to the government related sector, including sovereign, supranational, and agencies, detracted from performance. Overweights to media noncable and integrated oil also negatively impacted industry allocation performance. However, overweights to banking, independents and oil field services contributed positively to relative performance.

#### ***Portfolio Strategy and Outlook***

Continued strong fundamentals in the investment grade corporate sector helped offset an increasingly uncertain US macro backdrop and increased risk from the European sovereign crisis. Despite these near-term risks, we believe the longer-term trajectory for spreads is downward. Given this as well as the outlook for the second half of the year the portfolio remains overweight investment grade corporate bonds in the financial, industrial and utility sectors. Duration will be tactically reduced as interest rates are expected to rise during the second half of the year.

### **Principal US Equity Fund**

#### ***Market Review***

The S&P 500 Index gained 6.13% during the six-month period ending 30 June 2011. During this period, large-cap stocks underperformed small-cap stocks and value stocks underperformed growth stocks. During the period the best-performing sectors included the health care, energy and utilities sectors. The financials sector was the only sector to post a negative return during this period.

#### ***Fund Performance***

The fund underperformed the S&P 500 Index for the period. Stock selection in the health care, consumer discretionary and financials sectors were the most effective for the period, while stock selection in the information technology, materials and consumer staples sectors were less effective.

Our investment strategy worked during the quarter as investors favored stocks with rising investor expectations, improving business fundamentals, sustainable competitive advantages and attractive relative valuations.

At the end of June the portfolio's main overweight positions included Oracle, UnitedHealth and JPMorgan Chase.

The fund's main underweighted positions included IBM, Johnson & Johnson and Procter & Gamble. All three stocks continue to disappoint investors and have deteriorating business fundamentals and expensive relative valuations.

## MANAGER'S REPORT *(continued)*

### **Principal US Equity Fund** *(continued)*

#### **Fund Performance** *(continued)*

Stocks positively affecting relative returns included overweight positions in UnitedHealth Group, CBS Corp. and Aetna. Stocks that negatively contributed to the fund's relative performance include Freeport-McMoRan Copper & Gold, IBM and ConocoPhillips.

#### **Portfolio 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 outperformance.

### **Principal US Dollar Savings Fund**

#### **Market Review**

The US economy appeared to be improving as we entered 2011. GDP growth had picked up in the fourth quarter 2010, the activity surveys were close to multi-year highs, and yet another round of fiscal and monetary stimulus had been put in place. Unfortunately, the recovery lost significant momentum in the first half of 2011 as the surge in commodity prices ended up constraining real incomes and the Japanese earthquake triggered significant supply constraints. Manufacturing activity weakened, the housing market remained subdued and the labor market took back at least some of its recent improvement. The rise in energy prices increased inflationary pressures, with inflation running above the Fed's estimates at the end of the first half of the year.

Reflecting the rapid turn around in economic activity, speculation that the US Federal Reserve (Fed) may look to tighten policy soon after QE2's completion was quickly turned into debate about the likelihood of QE3. In fact, the Fed completed the US\$600 billion US Treasury purchasing program in June as scheduled, and showed little indication of easing or tightening policy in the near future. The emerging slowdown in the US, coupled with the escalating European sovereign debt crisis, conspired to reduce global risk appetite, pushing US Treasury yields back below 3% in June.

The US Treasury slope between the two-year and 10-year maturities remains steep, ending the first half of the year at 2.70%. The two-year Treasury yield ended the quarter at 0.46%, lower by 0.14% , and the 10-year Treasury yield ended the quarter at 3.16%, 0.13% lower.

During the first half of the year, the Barclays Capital US Aggregate Index, a proxy for the overall fixed income market, had an excess return of 0.60% when compared to similar duration US Treasury. All fixed income sectors outperformed during the first half of the year. Below investment grade corporate bonds and commercial mortgage-backed securities (CMBS) were the best performing sectors realizing excess returns of 2.80% and 1.53%, respectively. Mortgage-backed securities (MBS), asset-backed securities (ABS), investment grade corporate bonds and US Agencies had positive excess returns of 0.92%, 0.78%, 0.72% and 0.27%, respectively.

#### **Fund Performance**

The fund underperformed the Barclays Capital 6-month Treasury Index for the period. The securities that remain in the portfolio include US Treasury securities.

#### **Portfolio Strategy and Outlook**

With the portfolio closing in October 2011, we will continue to hold this allocation to US Treasury to maintain liquidity.

Principal Asset Management Company (Asia) Limited

22 July 2011

# INVESTMENT REPORT

## Portfolio statement as at 30 June 2011

Principal Asian Equity Fund			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares</b>			
<i>China</i>			
Agricultural Bank of China Ltd-H	3,921,000	16,036,890	0.57
Anhui Expressway Co-H	2,114,000	13,741,000	0.49
Bank of China Ltd-H	8,725,300	33,068,887	1.17
China Communications Construction Co Ltd-H	2,119,000	14,176,110	0.50
China Construction Bank Corp-H	7,233,010	46,652,914	1.65
China Life Insurance Co Ltd-H	481,000	12,794,600	0.45
China Mobile Ltd	852,124	61,352,928	2.17
China National Building Material Co Ltd-H	916,000	13,978,160	0.49
China National Materials Co Ltd-H	2,577,000	16,415,490	0.58
China Petroleum & Chemical Corp-H	2,203,508	17,253,468	0.61
China Resources Power Holdings Co Ltd	1,702,000	25,836,360	0.91
China Shenhua Energy Co Ltd-H	827,000	30,681,700	1.09
China Telecom Corp Ltd-H	5,746,000	28,959,840	1.02
CNOOC Ltd	2,456,766	44,614,871	1.58
Country Garden Holdings Co	4,511,000	15,427,620	0.55
Datang International Power Generation Co Ltd-H	3,972,000	10,486,080	0.37
ENN Energy Holdings Ltd	830,000	21,912,000	0.78
GCL-Poly Energy Holdings Ltd	2,941,000	11,852,230	0.42
GOME Electrical Appliances Holdings Ltd	5,639,000	17,537,290	0.62
Guangdong Investment Ltd	5,450,000	22,672,000	0.80
Guangzhou Shipyard International Co Ltd-H	686,000	8,959,160	0.32
Industrial & Commercial Bank of China-H	10,737,070	63,456,084	2.25
Intime Department Store Group Co Ltd	1,990,000	26,307,800	0.93
KWG Property Holding Ltd	2,492,000	12,908,560	0.46
Lenovo Group Ltd	5,336,000	23,745,200	0.84
PetroChina Co Ltd-H	5,568,872	63,373,763	2.24
PICC Property & Casualty Co Ltd-H	1,164,000	15,411,360	0.55
Ping An Insurance (Group) Co of China Ltd-H	508,000	40,817,800	1.44
Shougang Fushan Resources Group Ltd	1,836,000	8,721,000	0.31
		739,151,165	26.16
<i>Hong Kong</i>			
AlA Group Ltd	663,600	17,884,020	0.63
BOC Hong Kong (Holdings) Ltd	842,500	19,040,500	0.67
Cheung Kong (Holdings) Ltd	162,000	18,435,600	0.65
Dah Chong Hong Holdings Ltd	1,448,000	13,437,440	0.48
Giordano International Ltd	3,466,000	22,875,600	0.81
Hong Kong Exchanges and Clearing Ltd	64,000	10,438,400	0.37
Hutchison Telecommunications Hong Kong Holdings Ltd	10,538,000	25,291,200	0.90
Hutchison Whampoa Ltd	257,000	21,588,000	0.77
K Wah International Holdings Ltd	6,103,000	17,576,640	0.62
New World Development Ltd	1,602,000	18,839,520	0.67
Peace Mark (Holdings) Ltd	2,010,000	-	-
Power Assets Holdings Ltd	180,500	10,631,450	0.38
Sands China Ltd	1,175,600	24,687,600	0.87
Swire Pacific Ltd-A	349,500	39,947,850	1.41
		260,673,820	9.23

Principal Asian Equity Fund (continued)			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares (continued)</b>			
<i>Indonesia</i>			
PT Bank Mandiri Tbk	2,671,636	17,441,964	0.62
PT Bank Rakyat Indonesia (Persero) Tbk	2,673,000	15,754,256	0.56
PT Harum Energy Tbk	2,400,000	20,782,616	0.74
PT Indo Tambangraya Megah	219,500	8,906,625	0.31
PT International Nickel Indonesia Tbk	4,643,500	18,947,135	0.67
		81,832,596	2.90
<i>Malaysia</i>			
AirAsia Bhd	2,133,500	19,357,059	0.69
Axiata Group Bhd	1,881,300	24,294,046	0.86
Genting Bhd	743,500	21,501,952	0.76
Malayan Banking Bhd	1,890,200	43,556,135	1.54
Media Prima Bhd	1,997,100	14,928,008	0.53
Telekom Malaysia Bhd	898,400	9,146,836	0.32
Tenaga Nasional Bhd	981,200	17,121,833	0.61
WTK Holdings Bhd	2,375,200	11,570,871	0.41
		161,476,740	5.72
<i>The Philippines</i>			
Alliance Global Group Inc	6,693,000	13,149,645	0.47
Filinvest Land Inc	74,496,000	15,652,896	0.55
Megaworld Corp	9,317,000	3,329,700	0.12
Semirara Mining Corp	379,400	14,540,146	0.51
Universal Robina Corp	2,038,700	14,937,894	0.53
		61,610,281	2.18
<i>Singapore</i>			
DBS Group Holdings Ltd	479,000	44,478,316	1.57
Fraser and Neave Ltd	379,000	13,899,418	0.49
Neptune Orient Lines Ltd	518,000	5,019,957	0.18
Oversea-Chinese Banking Corp	175,000	10,375,111	0.37
SembCorp Industries Ltd	1,209,000	38,212,522	1.35
United Overseas Bank Ltd	439,000	54,722,820	1.94
UOL Group Ltd	585,000	18,452,876	0.65
		185,161,020	6.55
<i>South Korea</i>			
Daelim Industrial Co	32,380	30,328,815	1.07
Daum Communications Corp	22,737	18,396,348	0.65
GS Holdings Corp	22,348	12,722,286	0.45
GS Home Shopping Inc	11,558	11,474,539	0.41
Hana Financial Group Inc	40,590	11,035,788	0.39
Hynix Semiconductor Inc	131,610	24,031,013	0.85
Hyundai Department Store Co Ltd	12,736	16,106,753	0.57
Hyundai Heavy Industries Co Ltd	7,733	24,998,681	0.88
Hyundai Motor Co	26,206	45,271,465	1.60
Industrial Bank of Korea	151,140	20,546,305	0.73

# INVESTMENT REPORT *(continued)*

**Portfolio statement as at 30 June 2011**

<b>Principal Asian Equity Fund <i>(continued)</i></b>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>South Korea <i>(continued)</i></i>			
KB Financial Group Inc	81,807	30,113,228	1.07
KCC Corp	6,105	14,863,039	0.53
Kia Motors Corp	89,013	46,910,191	1.66
Kolon Industries Inc	35,234	26,452,982	0.94
Korea Zinc Co Ltd	7,014	20,936,069	0.74
KP Chemical Corp	78,260	14,004,474	0.50
LG Chem Ltd	9,984	35,514,022	1.26
LG Electronics Inc	26,922	16,268,118	0.58
LG International Corp	70,510	27,959,222	0.99
Melias Inc	35,375	7,903,190	0.28
Neowiz Games Corp	30,490	11,734,560	0.41
Nong Shim Co Ltd	8,187	14,531,125	0.51
POSCO	6,329	21,405,656	0.76
Samsung Electronics Co Ltd	19,724	118,754,618	4.20
SK Holdings Co Ltd	17,922	24,167,608	0.85
Sungwoo Hitech Co Ltd	104,830	19,294,007	0.68
Woori Finance Holdings Co Ltd	141,850	14,423,778	0.51
		680,147,880	24.07
<i>Taiwan</i>			
Asustek Computer Inc	196,000	15,135,468	0.54
Catcher Technology Co Ltd	249,000	12,211,607	0.43
China Petrochemical Development Corp	1,141,000	10,140,384	0.36
Chunghwa Telecom Co Ltd	910,000	24,360,895	0.86
E.Sun Financial Holding Co Ltd	4,924,796	27,221,580	0.96
Far Eastern Textile Co Ltd	1,274,100	15,448,683	0.55
Formosa Chemicals & Fibre Corp	901,000	26,121,823	0.92
Foxconn Technology Co Ltd	414,000	13,348,800	0.47
Fubon Financial Holding Co Ltd	1,219,000	14,582,411	0.52
Hon Hai Precision Industry Co Ltd	905,594	24,169,334	0.86
HTC Corp	61,000	15,966,211	0.57
King Yuan Electronics Co Ltd	2,166,000	8,685,905	0.31
Largan Precision Co Ltd	32,000	7,976,874	0.28
Mega Financial Holding Co Ltd	5,086,000	34,589,556	1.22
Powertech Technology Inc	692,000	18,074,989	0.64
President Chain Store Corp	324,000	14,572,968	0.52
Radiant Opto-Electronics Corp	679,800	17,093,226	0.60
SinoPac Financial Holdings Co Ltd	3,166,000	10,637,204	0.38
Taiwan Cement Corp	1,006,000	11,666,394	0.41
Taiwan Hon Chuan Enterprise Co Ltd	537,593	12,585,262	0.45
Taiwan Mobile Co Ltd	823,000	17,348,996	0.61
Taiwan Semiconductor Manufacturing Co Ltd	4,173,719	81,649,836	2.89
Teco Electric and Machinery Co Ltd	3,826,000	21,459,037	0.76
TSRC Corp	649,000	14,859,230	0.53
Yageo Corp	672,000	2,376,155	0.08
		472,282,828	16.72

<b>Principal Asian Equity Fund <i>(continued)</i></b>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Thailand</i>			
Advanced Info Service Pcl-Foreign	442,500	11,647,325	0.41
Bangkok Bank Pcl-Foreign	549,300	22,035,274	0.78
Charoen Pokhand Foods Pcl-Foreign	2,257,200	16,852,784	0.60
Kasikornbank Pcl-Foreign	376,100	11,898,520	0.42
PTT Pcl-Foreign	299,700	25,410,379	0.90
Supalai Pcl-Foreign	2,861,100	7,748,121	0.27
		95,592,403	3.38
<b>Total investments</b>		2,737,928,733	96.91
<b>Other net assets</b>		87,314,113	3.09
<b>Total net asset value</b>		2,825,242,846	100.00
<b>Total cost of investments</b>		2,359,517,307	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.			

# INVESTMENT REPORT *(continued)*

**Portfolio statement as at 30 June 2011**

Principal China Equity Fund			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares</b>			
<i>China</i>			
Agile Property Holdings Ltd	890,000	10,733,400	0.76
Agricultural Bank of China Ltd-H	7,386,415	30,210,437	2.13
Air China Ltd-H	1,126,000	9,075,560	0.64
Bank of China Ltd-H	12,893,100	48,864,849	3.45
Belle International Holdings Ltd	677,000	11,102,800	0.78
China Communications Construction Co Ltd-H	972,000	6,502,680	0.46
China Construction Bank Corp-H	14,039,620	90,555,549	6.39
China Life Insurance Co Ltd-H	1,713,000	45,565,800	3.21
China Merchants Bank Co Ltd-H	735,058	13,819,090	0.97
China Merchants Holdings (International) Co Ltd	384,000	11,539,200	0.81
China Minsheng Banking Corp Ltd-H	1,872,500	13,425,825	0.95
China Mobile Ltd	1,276,500	91,908,000	6.48
China National Building Material Co Ltd-H	1,010,000	15,412,600	1.09
China National Materials Co Ltd-H	1,733,000	11,039,210	0.78
China Overseas Land & Investment Ltd	919,200	15,332,256	1.08
China Pacific Insurance Group Co Ltd-H	614,600	19,820,850	1.40
China Petroleum & Chemical Corp-H	3,240,000	25,369,200	1.79
China Qinfa Group Ltd	2,050,000	7,749,000	0.55
China Resources Enterprise	510,000	16,218,000	1.14
China Resources Power Holdings Co Ltd	944,000	14,329,920	1.01
China Shanshui Cement Group Ltd	2,086,000	18,753,140	1.32
China Shenhua Energy Co Ltd-H	1,101,000	40,847,100	2.88
China Telecom Corp Ltd-H	6,374,000	32,124,960	2.27
China Unicom (Hong Kong) Ltd	444,000	6,961,920	0.49
China Vanke Co Ltd-B	1,518,400	15,912,832	1.12
China Yurun Food Group Ltd	658,000	14,410,200	1.02
Citic Resources Holdings Ltd	4,888,000	7,087,600	0.50
CNOOC Ltd	4,883,000	88,675,280	6.26
Country Garden Holdings Co	5,180,000	17,715,600	1.25
ENN Energy Holdings Ltd	602,000	15,892,800	1.12
GCL-Poly Energy Holdings Ltd	2,800,000	11,284,000	0.80
GOME Electrical Appliances Holdings Ltd	7,230,000	22,485,300	1.59
Great Wall Motor Co Ltd-H	861,000	11,020,800	0.78
Haier Electronics Group Co Ltd	1,076,000	10,394,160	0.73
Harbin Power Equipment-H	754,000	6,695,520	0.47
Industrial & Commercial Bank of China-H	16,219,850	95,859,314	6.76
Inner Mongolia Yitai Coal Co-B	272,208	12,378,314	0.87
Intime Department Store Group Co Ltd	1,363,000	18,018,860	1.27
Jiangxi Copper Co Ltd-H	619,000	16,001,150	1.13
Kingboard Chemical Holdings Ltd	313,500	11,286,000	0.80
KWG Property Holding Ltd	2,795,000	14,478,100	1.02
Lianhua Supermarket Holdings Co Ltd-H	597,600	10,637,280	0.75
Lonking Holdings Ltd	1,969,000	8,368,250	0.59
PetroChina Co Ltd-H	6,742,362	76,728,080	5.41
PICC Property & Casualty Co Ltd-H	1,188,000	15,729,120	1.11
Ping An Insurance (Group) Co of China Ltd-H	584,000	46,924,400	3.31
Shandong Chenming Paper Holdings Ltd-H	1,987,500	10,613,250	0.75
Sichuan Expressway Co Ltd-H	3,134,000	12,598,680	0.89
Tencent Holdings Ltd-H	293,800	62,050,560	4.38
XTEP International Holdings	1,830,000	9,680,700	0.68
Yantai Changyu Pioneer Wine Co Ltd-B	155,300	13,520,418	0.95
Yanzhou Coal Mining Co Ltd-H	806,000	23,857,600	1.68
		1,287,565,514	90.82

Principal China Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Hong Kong</i>			
AAC Acoustic Technologies Holdings Inc	774,000	14,024,880	0.99
China Overseas Grand Oceans Group Ltd	618,000	6,278,880	0.44
Dah Chong Hong Holdings Ltd	1,202,000	11,154,560	0.79
Far East Horizon Ltd	988,000	7,943,520	0.56
Singamas Container Holdings Ltd	4,426,000	13,676,340	0.97
SJM Holdings Ltd	367,000	6,760,140	0.48
Xingda International Holdings Ltd	1,036,000	7,863,240	0.55
Xinyi Glass Holdings Ltd	1,438,000	11,086,980	0.78
		78,788,540	5.56
<i>Singapore</i>			
China Minzhong Food Corp Ltd	626,000	5,947,637	0.42
<b>Total listed shares</b>		1,372,301,691	96.80
<b>Delisted shares</b>			
<i>China</i>			
Chai-Na-Ta Corp	960	-	-
China North Industries Investment Ltd	20,000	-	-
<b>Total delisted shares</b>		-	-
<b>Total investments</b>		1,372,301,691	96.80
<b>Other net assets</b>		45,427,082	3.20
<b>Total net asset value</b>		1,417,728,773	100.00
<b>Total cost of investments</b>		1,260,910,826	

\* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal European Equity Fund			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares</b>			
<i>Belgium</i>			
Delhaize Group	1,825	1,063,938	0.27
Telenor Group Holding NV	3,638	1,345,960	0.34
Umicore	4,206	1,783,757	0.45
		4,193,655	1.06
<i>Denmark</i>			
Carlsberg A/S-B	2,298	1,943,732	0.49
Coloplast A/S-B	1,233	1,455,795	0.37
Novo Nordisk A/S-B	5,571	5,436,452	1.37
TDC A/S	16,500	1,170,882	0.30
		10,006,861	2.53
<i>Finland</i>			
Amer Sports Oyj-A	10,946	1,414,501	0.36
Kesko Oyj-B	4,101	1,483,499	0.38
Kone Oyj	3,422	1,671,983	0.42
Metso Oyj	5,197	2,295,458	0.58
Nokian Renkaat Oyj	5,164	2,014,770	0.51
Pohjola Bank Plc	7,911	795,718	0.20
Sampo Oyj-A	12,226	3,070,207	0.78
Stora Enso Oyj-R	19,550	1,594,955	0.40
Wartsila Oyj	7,432	1,951,813	0.49
		16,292,904	4.12
<i>France</i>			
Alcatel-Lucent	47,151	2,120,358	0.54
Arkema SA	3,246	2,598,417	0.66
AXA SA	8,368	1,478,610	0.37
BNP Paribas	9,561	5,738,824	1.45
Cie de St-Gobain	4,253	2,141,552	0.54
Cie Generale des Etablissements Michelin-B	2,811	2,137,674	0.54
Danone SA	5,697	3,305,177	0.84
Faurecia	3,072	1,023,108	0.26
Ingenico	4,952	1,877,334	0.48
Legrand SA	4,825	1,580,272	0.40
Peugeot SA	4,315	1,502,037	0.38
Plastic Omnium SA	6,153	1,557,637	0.39
PPR	1,196	1,656,123	0.42
Rexel SA	9,416	1,815,623	0.46
Safran SA	5,981	1,986,196	0.50
Schneider Electric SA	2,555	3,318,994	0.84
Tecnip SA	2,706	2,255,857	0.57
Total SA	17,397	7,823,347	1.98
Valeo SA	5,322	2,825,364	0.72
		48,742,504	12.34

Principal European Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Germany</i>			
Aixtron SE	2,190	581,071	0.15
Allianz SE-REG	4,714	5,120,522	1.30
BASF SE	10,502	8,001,825	2.02
Bayerische Motoren Werke AG	4,475	3,472,224	0.88
Continental AG	2,497	2,039,952	0.52
Daimler AG	8,485	4,965,721	1.26
Draegerwerk AG & Co KGaA	1,101	955,963	0.24
Henkel AG & Co KGaA	3,162	1,706,823	0.43
Hugo Boss AG	1,813	1,431,268	0.35
Infineon Technologies AG	19,951	1,743,980	0.44
Lanxess AG	3,123	1,993,203	0.50
Leoni AG	3,476	1,601,161	0.41
Linde AG	1,813	2,471,651	0.63
MAN AG	1,422	1,474,557	0.37
Metro AG	1,911	900,526	0.23
SAP AG	6,453	3,037,954	0.77
Siemens AG	6,077	6,489,367	1.64
Software AG	2,650	1,234,573	0.31
Suedzucker AG	10,020	2,768,762	0.70
Volkswagen AG	2,281	3,661,389	0.93
		55,652,492	14.08
<i>Ireland</i>			
Kerry Group Plc	4,054	1,303,528	0.33
Paddy Power Plc	3,517	1,486,794	0.38
		2,790,322	0.71
<i>Italy</i>			
Enel SpA	75,477	3,833,329	0.97
Pirelli & C SpA	16,427	1,379,995	0.35
Saipem SpA	3,521	1,413,446	0.36
		6,626,770	1.68
<i>Netherlands</i>			
ASM International NV	3,589	1,100,995	0.28
Fugro NV-CVA	2,374	1,330,990	0.34
Heineken Holding NV	4,773	1,898,817	0.48
ING Groep NV-CVA	33,331	3,190,568	0.81
Koninklijke Boskalis Westminster NV	2,901	1,066,584	0.27
Koninklijke DSM NV	3,398	1,714,858	0.43
Koninklijke KPN NV	18,698	2,114,751	0.53
Nutreco Holding NV	2,096	1,198,527	0.30
Unilever NV-CVA	3,861	984,164	0.25
		14,600,254	3.69

# INVESTMENT REPORT *(continued)*

**Portfolio statement as at 30 June 2011**

Principal European Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Norway</i>			
Cermaq ASA	5,750	719,071	0.18
DnB NOR ASA	29,720	3,240,494	0.82
Seadrill Ltd	10,390	2,860,784	0.73
Statoil ASA	14,644	2,900,381	0.73
Telenor ASA	15,812	2,025,526	0.51
Yara International ASA	6,000	2,642,047	0.67
		14,388,303	3.64
<i>Portugal</i>			
Jeronimo Martins SGPS SA	13,658	2,039,098	0.52
		12,433,515	3.15
<i>Spain</i>			
Banco Santander SA	39,441	3,541,504	0.90
Gas Natural SDG SA	9,657	1,572,979	0.40
Obrascon Huarte Lain SA	3,616	1,074,415	0.27
Repsol YPF SA	14,291	3,857,890	0.98
Telefonica SA	12,554	2,386,727	0.60
		31,138,603	7.88
<i>Sweden</i>			
Alfa Laval AB	11,263	1,891,374	0.48
Atlas Copco AB-A	15,354	3,149,658	0.80
Elektra AB-B	5,851	2,159,730	0.55
Investor AB-B	8,866	1,583,884	0.40
Kinnevik Investment AB	9,211	1,594,449	0.40
Nordea Bank AB	34,390	2,881,169	0.73
Scania AB-B	11,523	2,082,683	0.53
Skandinaviska Enskilda Banken AB-A	28,596	1,821,476	0.46
SKF AB-B	6,392	1,441,171	0.36
Svenska Handelsbanken AB-A	10,254	2,464,780	0.62
Swedbank AB-A	15,797	2,068,881	0.52
Tele2 AB-B	8,874	1,366,649	0.35
Telefonaktiebolaget LM Ericsson-B	30,286	3,403,019	0.86
Volvo AB	23,723	3,229,680	0.82
		39,712,546	10.05
<i>Switzerland</i>			
Compagnie Financiere Richemont SA	7,476	3,840,478	0.97
Geberit AG-REG	551	1,024,235	0.26
Georg Fischer AG	313	1,350,144	0.34
Nestle SA-REG	17,666	8,613,570	2.18
Novartis AG-REG	16,622	7,988,204	2.02
Roche Holding AG-GENUSSCHEIN	5,455	7,162,218	1.81
The Swatch Group AG-BR	837	3,310,130	0.84
UBS AG-REG	26,486	3,788,935	0.96
Zurich Financial Services AG-REG	1,328	2,634,632	0.67
		39,712,546	10.05

Principal European Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United Kingdom</i>			
Aberdeen Asset Management Plc	58,135	1,622,606	0.41
Aggreko Plc	6,695	1,615,692	0.41
Anglo American Plc	12,065	4,660,258	1.18
ARM Holdings Plc	23,338	1,716,788	0.43
AstraZeneca Plc	11,060	4,300,429	1.09
Barclays Plc	103,781	3,329,632	0.84
BG Group Plc	34,092	6,030,837	1.53
BHP Billiton Plc	19,143	5,872,272	1.49
BP Plc	63,381	3,636,773	0.92
British American Tobacco Plc	17,962	6,136,943	1.55
BT Group Plc	159,048	4,009,396	1.01
Burberry Group Plc	13,108	2,377,826	0.60
Centrica Plc	58,596	2,370,006	0.60
Computacenter Plc	8,110	487,010	0.12
DS Smith Plc	59,995	1,884,679	0.48
GlaxoSmithKline Plc	14,835	2,475,820	0.63
HSBC Holdings Plc	105,086	8,129,990	2.06
Imagination Technologies Group Plc	26,720	1,260,575	0.32
Intermediate Capital Group Plc	32,893	1,327,939	0.34
International Power Plc	36,050	1,450,882	0.37
ITV Plc	136,674	1,222,553	0.31
Johnson Matthey Plc	6,464	1,589,866	0.40
Kazakhmys Plc	6,885	1,188,663	0.30
Legal & General Group Plc	105,395	1,558,523	0.39
Northumbrian Water Group Plc	25,112	1,305,667	0.33
Prudential Plc	46,416	4,180,959	1.06
Reckitt Benckiser Group Plc	3,749	1,613,428	0.41
Resolution Ltd	41,460	1,524,938	0.38
Rio Tinto Plc	12,794	7,187,482	1.82
Royal Dutch Shell Plc-A	18,198	5,049,645	1.28
Royal Dutch Shell Plc-B	26,093	7,259,964	1.84
Scottish & Southern Energy Plc	11,743	2,046,472	0.52
Shire Plc	17,317	4,213,742	1.07
Standard Chartered Plc	5,763	1,180,968	0.30
The Weir Group Plc	8,774	2,334,752	0.59
United Utilities Group Plc	20,081	1,504,831	0.38
Vodafone Group Plc	432,548	8,945,052	2.26
WM Morrison Supermarkets Plc	52,212	1,944,576	0.49
WPP Group Plc	20,285	1,979,453	0.50
Xstrata Plc	19,447	3,336,754	0.84
		125,864,641	31.85
<b>Total investments</b>		384,482,468	97.30
<b>Other net assets</b>		10,660,021	2.70
<b>Total net asset value</b>		395,142,489	100.00
<b>Total cost of investments</b>		301,389,328	

\* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal International Equity Fund			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares</b>			
<i>Australia</i>			
Australia & New Zealand Banking Group Ltd	37,087	6,812,843	0.35
BHP Billiton Ltd	32,394	11,847,389	0.61
Caltex Australia Ltd	63,598	6,245,033	0.32
National Australia Bank Ltd	33,962	7,265,347	0.37
Rio Tinto Ltd	17,625	12,213,464	0.63
Telstra Corp Ltd	246,310	5,943,795	0.30
		50,327,871	2.58
<i>Belgium</i>			
Bekaert SA	8,349	4,942,616	0.25
<i>Brazil</i>			
Vale SA-SPON ADR	50,980	12,676,385	0.65
<i>Canada</i>			
Agrium Inc	13,600	9,270,735	0.48
Atco Ltd	12,100	6,084,151	0.31
Barrick Gold Corp	30,300	10,679,741	0.55
Brookfield Asset Management Inc-A	35,734	9,229,847	0.48
Canadian National Railway Co	15,800	9,810,245	0.50
Canadian Oil Sands Ltd	30,700	6,876,932	0.35
Manitoba Telecom Services Inc	24,482	6,437,825	0.33
Precision Drilling Corp	51,859	5,781,187	0.30
Shoppers Drug Mart Corp	25,155	8,038,185	0.41
		72,208,848	3.71
<i>China</i>			
China Mobile Ltd	129,000	9,288,000	0.48
CNOOC Ltd	649,000	11,785,840	0.61
Guangdong Investment Ltd	2,018,000	8,394,880	0.43
Kingboard Chemical Holdings Ltd	197,000	7,092,000	0.36
Lenovo Group Ltd	1,742,000	7,751,900	0.40
		44,312,620	2.28
<i>Denmark</i>			
Novo Nordisk A/S-B	11,716	11,433,041	0.59
TDC A/S	97,379	6,910,263	0.35
		18,343,304	0.94
<i>Finland</i>			
Kesko Oyj-B	20,858	7,545,189	0.39
Sampo Oyj-A	34,407	8,640,326	0.44
Stora Enso Oyj-R	90,490	7,382,479	0.38
		23,567,994	1.21

Principal International Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>France</i>			
BNP Paribas	20,268	12,165,514	0.62
Schneider Electric SA	7,458	9,688,086	0.50
Societe Generale	22,874	10,554,577	0.54
Total SA	42,396	19,065,278	0.98
Veolia Environnement SA	29,937	6,565,850	0.34
		58,039,305	2.98
<i>Germany</i>			
Allianz SE-REG	9,069	9,851,085	0.50
BASF SE	19,805	15,090,091	0.77
Bayerische Motoren Werke AG	6,219	4,825,421	0.25
Carl Zeiss Meditec AG	36,747	6,364,675	0.33
Daimler AG	22,379	13,096,979	0.67
Gerresheimer AG	9,255	3,435,052	0.18
Siemens AG	17,863	19,075,129	0.98
Suedzucker AG	26,768	7,396,627	0.38
Volkswagen AG	5,715	9,173,537	0.47
		88,308,596	4.53
<i>Hong Kong</i>			
Swire Pacific Ltd-A	55,500	6,343,650	0.33
<i>India</i>			
Tata Motors Ltd-SPON ADR	46,319	8,114,456	0.42
<i>Ireland</i>			
Kerry Group Plc	24,338	7,825,667	0.40
<i>Italy</i>			
Enel SpA	220,376	11,192,466	0.58
Pirelli & C SpA	88,868	7,465,601	0.38
		18,658,067	0.96
<i>Japan</i>			
Asahi Kasei Corp	154,000	8,047,762	0.41
Elpida Memory Inc	43,000	3,911,623	0.20
Hitachi Ltd	215,000	9,841,476	0.51
Honda Motor Co Ltd	35,800	10,688,059	0.55
Idemitsu Kosan Co Ltd	9,500	7,869,697	0.40
IHI Corp	411,000	8,233,279	0.42
ITOCHU Corp	117,000	9,431,733	0.48
Kohnan Shoji Co Ltd	40,400	5,407,097	0.28
Marubeni Corp	134,000	6,898,856	0.35
Mitsubishi Heavy Industries Ltd	212,000	7,734,600	0.40
Mitsubishi Materials Corp	236,000	5,755,369	0.30
Mitsubishi UFJ Financial Group Inc	318,900	12,035,933	0.62
Mitsui & Co Ltd	26,500	3,549,299	0.18
Mitsui Sugar Co Ltd	187,000	5,845,273	0.30
NTT DoCoMo Inc	678	9,382,668	0.48
ORIX Corp	6,960	5,246,955	0.27

# INVESTMENT REPORT *(continued)*

**Portfolio statement as at 30 June 2011**

Principal International Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed shares (continued)</i>			
<i>Japan (continued)</i>			
Sega Sammy Holdings Inc	60,800	9,114,139	0.47
Sumitomo Corp	79,700	8,399,373	0.43
Sumitomo Forestry Co Ltd	88,600	6,302,048	0.32
Sumitomo Mitsui Financial Group Inc	40,300	9,625,224	0.49
Takeda Pharmaceutical Co Ltd	25,000	8,987,926	0.46
The Kansai Electric Power Co Inc	42,200	6,534,210	0.34
Toyota Motor Corp	10,100	3,225,492	0.17
UNY Co Ltd	121,100	8,730,941	0.45
Yamada Denki Co Ltd	12,420	7,848,658	0.40
		188,647,690	9.68
<i>Mexico</i>			
America Movil SAB de CV	979,400	10,253,983	0.53
Grupo Mexico SAB de CV	285,000	7,325,546	0.37
		17,579,529	0.90
<i>Netherlands</i>			
ASM International NV	25,877	7,938,268	0.41
Koninklijke KPN NV	79,329	8,972,139	0.46
		16,910,407	0.87
<i>Norway</i>			
DnB NOR ASA	56,064	6,112,889	0.31
Marine Harvest	891,133	5,589,508	0.29
Statoil ASA	25,826	5,115,080	0.26
		16,817,477	0.86
<i>Russian Federation</i>			
Gazprom OAO-SPON ADR	90,134	10,227,533	0.53
Lukoil OAO-SPON ADR	19,009	9,408,949	0.48
Rosneft Oil Co-GDR	124,501	8,158,487	0.42
		27,794,969	1.43
<i>Singapore</i>			
China Minzhong Food Corp Ltd	689,000	6,546,201	0.34
DBS Group Holdings Ltd	79,000	7,335,672	0.38
UOL Group Ltd	213,000	6,718,739	0.34
		20,600,612	1.06

Principal International Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed shares (continued)</i>			
<i>South Korea</i>			
Industrial Bank of Korea	85,440	11,614,902	0.60
Kia Motors Corp	17,000	8,959,065	0.46
Lotte Confectionery Co Ltd	528	6,546,568	0.34
Samsung Electronics Co Ltd	2,380	14,329,547	0.73
Woori Finance Holdings Co Ltd	81,980	8,335,998	0.43
		49,786,080	2.56
<i>Spain</i>			
Repsol YPF SA	44,072	11,897,344	0.61
<i>Sweden</i>			
Investor AB-B	53,537	9,564,221	0.49
Loomis AB	56,215	6,112,157	0.31
Nordea Bank AB	118,276	9,909,075	0.51
Volvo AB	67,851	9,237,323	0.48
		34,822,776	1.79
<i>Switzerland</i>			
Aryzta AG	15,123	6,357,574	0.32
Compagnie Financiere Richemont SA	18,473	9,489,720	0.49
Novartis AG-REG	21,524	10,344,009	0.53
UBS AG-REG	37,939	5,427,336	0.28
		31,618,639	1.62
<i>Taiwan</i>			
Chunghua Telecom Co Ltd	352,000	9,423,115	0.48
HTC Corp	22,000	5,758,306	0.30
SinoPac Financial Holdings Co Ltd	2,226,000	7,478,969	0.38
Taiwan Semiconductor Manufacturing Co Ltd -SP ADR	57,658	5,658,475	0.29
		28,318,865	1.45
<i>Turkey</i>			
Turk Telekomunikasyon AS	195,115	8,028,560	0.41
<i>United Kingdom</i>			
AstraZeneca Plc	29,971	11,653,541	0.60
BG Group Plc	53,971	9,547,410	0.49
British American Tobacco Plc	16,146	5,516,484	0.28
BT Group Plc	477,066	12,026,222	0.62
Centrica Plc	230,689	9,330,572	0.48
Drax Group Plc	71,378	4,496,137	0.23
HSBC Holdings Plc	91,304	7,063,744	0.36
Imperial Tobacco Group Plc	29,800	7,720,973	0.40
Intermediate Capital Group Plc	126,453	5,105,094	0.26
Kingfisher Plc	193,961	6,483,754	0.33
Legal & General Group Plc	688,044	10,174,413	0.52
Prudential Plc	111,681	10,059,757	0.52

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal International Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United Kingdom (continued)</i>			
Rio Tinto Plc	18,628	10,464,937	0.54
Royal Dutch Shell Plc-B	74,016	20,593,780	1.06
Shire Plc	46,066	11,209,230	0.58
Standard Chartered Plc	29,334	6,011,196	0.31
Vodafone Group Plc	818,320	16,922,780	0.87
W.M. Morrison Supermarkets Plc	158,844	5,915,961	0.30
Wolsley Plc	30,302	7,703,191	0.39
Xstrata Plc	70,780	12,144,568	0.62
		190,143,744	9.76
<i>United States</i>			
Accenture Plc-A	26,112	12,278,508	0.63
Aetna Inc	37,521	12,874,762	0.66
AGCO Corp	22,865	8,783,570	0.45
Agilent Technologies Inc	24,977	9,935,069	0.51
American Financial Group Inc	31,377	8,715,307	0.45
American Water Works Co Inc	38,966	8,930,913	0.46
AMERIGROUP Corp	12,236	6,710,710	0.34
Ameriprise Financial Inc	24,669	11,073,923	0.57
AmerisourceBergen Corp	33,194	10,695,095	0.55
Ametek Inc	21,529	7,523,067	0.39
Ancestry.com Inc	22,328	7,192,336	0.37
Apple Inc	11,085	28,958,292	1.49
Applied Materials Inc	80,967	8,198,041	0.42
Ascena Retail Group Inc	27,042	7,166,063	0.37
Assurant Inc	24,519	6,921,099	0.36
AT&T Inc	19,867	4,856,517	0.25
Avista Corp	33,577	6,713,217	0.34
Capital One Financial Corp	24,859	9,996,474	0.51
CBS Corp-B	60,620	13,441,047	0.69
Chevron Corp	28,389	22,721,494	1.17
Cisco Systems Inc	51,853	6,299,434	0.32
Citigroup Inc	29,695	9,623,184	0.49
Comcast Corp-A	66,300	13,075,095	0.67
ConocoPhillips	25,750	15,068,223	0.77
Constellation Brands Inc-A	44,803	7,259,598	0.37
Coventry Health Care Inc	24,954	7,082,730	0.36
CSX Corp	48,507	9,898,328	0.51
DIRECTV-A	20,845	8,244,442	0.42
Discover Financial Services	47,896	9,971,207	0.51
Dover Corp	15,242	8,042,598	0.41
Eaton Corp	27,774	11,121,120	0.57
EI Du Pont de Nemours & Co	12,516	5,264,850	0.27
EMC Corp Massachusetts	52,067	11,163,719	0.57
Exxon Mobil Corp	50,298	31,856,138	1.64
FirstEnergy Corp	30,105	10,344,132	0.53
Forest Laboratories Inc	30,750	9,414,650	0.48
Freeport-McMoRan Copper & Gold Inc	31,155	12,826,500	0.66
General Dynamics Corp	18,626	10,802,323	0.55
General Electric Co	146,824	21,550,803	1.11
Google Inc-A	2,605	10,266,183	0.53
Hess Corp	17,977	10,459,507	0.54
Humana Inc	21,403	13,415,628	0.69
IAC/InterActiveCorp	28,587	8,492,107	0.44
Intel Corp	98,818	17,042,392	0.87
International Business Machines Corp	3,086	4,120,134	0.21
Johnson & Johnson	21,559	11,161,063	0.57
JPMorgan Chase & Co	57,287	18,252,764	0.94

Principal International Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United States (continued)</i>			
M&T Bank Corp	14,125	9,668,276	0.50
Macy's Inc	41,042	9,339,650	0.48
Magellan Health Services Inc	16,262	6,927,930	0.36
Marathon Oil Corp	27,884	11,432,088	0.59
Micron Technology Inc	74,216	4,320,399	0.22
Microsoft Corp	112,512	22,766,534	1.17
Navistar International Corp	13,326	5,855,519	0.30
NiSource Inc	37,681	5,938,437	0.31
NorthWestern Corp	13,405	3,454,226	0.18
Occidental Petroleum Corp	12,475	10,101,029	0.52
OGE Energy Corp	19,439	7,612,710	0.39
Oracle Corp	75,103	19,235,784	0.99
Pfizer Inc	118,883	19,059,509	0.98
Philip Morris International Inc	21,570	11,208,726	0.58
Portland General Electric Co	22,940	4,513,310	0.23
Protective Life Corp	38,129	6,863,660	0.35
Prudential Financial Inc	20,161	9,977,589	0.51
Quest Software Inc	31,323	5,540,992	0.28
Safeway Inc	51,273	9,325,501	0.48
Southwest Gas Corp	21,523	6,467,364	0.33
Symantec Corp	66,933	10,272,400	0.53
The McGraw-Hill Companies Inc	29,538	9,634,373	0.49
Tjco International Ltd	20,987	8,073,571	0.41
Tyson Foods Inc-A	59,995	9,067,530	0.47
UnitedHealth Group Inc	38,317	15,381,460	0.79
US Bancorp	65,541	13,012,126	0.67
Valero Energy Corp	40,721	8,103,523	0.42
Verizon Communications Inc	51,580	14,945,109	0.77
Viacom Inc-B	22,662	8,994,834	0.46
Wal-Mart Stores Inc	39,127	16,181,651	0.83
Watson Pharmaceuticals Inc	18,618	9,958,733	0.51
WellPoint Inc	12,795	7,843,788	0.40
Wells Fargo & Co	76,684	16,746,234	0.86
Western Digital Corp	18,525	5,245,002	0.27
		868,873,923	44.61
<b>Total investments</b>		1,925,509,994	98.85
<b>Other net assets</b>		22,350,328	1.15
<b>Total net asset value</b>		1,947,860,322	100.00
<b>Total cost of investments</b>		1,716,604,103	

\* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal International Bond Fund				
Investments	Maturity	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b>				
<i>Denominated in Australian Dollar</i>				
Commonwealth Bank of Australia-4.375%	17/02/2014	200,000	1,637,836	0.06
General Electric Capital Australia Funding-6%	15/03/2019	1,000,000	7,846,709	0.30
HSBC Finance Corp-6.5%	22/09/2011	600,000	5,014,896	0.19
Macquarie Bank Ltd-5%	25/02/2014	500,000	4,131,836	0.16
Royal Bank of Scotland Plc Australia-7.25%	27/08/2013	500,000	4,206,635	0.16
Royal Bank of Scotland Plc Australia-Floating	15/06/2012	1,000,000	8,452,823	0.32
Westpac Banking Corp-7.25%	18/11/2016	500,000	4,276,862	0.17
			35,567,597	1.36
<i>Denominated in British Pound</i>				
American Express Credit Corp -6.625%	24/09/2012	500,000	6,564,362	0.25
Australia & New Zealand Banking Group Ltd-Floating	13/08/2017	300,000	3,870,497	0.15
Banca Intesa SPA-Floating	19/12/2016	175,000	2,152,844	0.08
Bank Nederlandse Gemeenten-5.2%	07/12/2028	200,000	2,644,383	0.10
Bank of Scotland Plc-6.375%	16/08/2019	500,000	5,885,922	0.23
DnB NOR Bank ASA-Floating	31/01/2049	175,000	2,167,449	0.08
EGG Banking Plc-Floating	29/05/2049	200,000	2,436,646	0.09
GE Capital UK Funding-Floating	30/01/2012	200,000	2,497,137	0.10
Morgan Stanley-5.375%	14/11/2013	400,000	5,280,094	0.20
National Grid Electricity Transmission Plc-7.375%	13/01/2031	350,000	5,353,288	0.20
Nationwide Building Society-5.625%	09/09/2019	500,000	6,334,206	0.24
Northern Rock Plc-6.375%	02/12/2019	400,000	5,244,914	0.20
Santander Issuances-Floating	31/01/2018	200,000	2,426,465	0.09
Scottish & Southern Energy Plc-5.75%	05/02/2014	200,000	2,708,019	0.10
Standard Chartered Bank-7.75%	03/04/2018	300,000	4,304,787	0.17
Svenska Handelsbanken AB-Floating	29/09/2049	250,000	3,151,327	0.12
Svenska Handelsbanken AB-Floating	18/12/2049	175,000	2,184,001	0.08
United Kingdom Gilt-4.25%	07/12/2027	3,875,000	49,080,886	1.88
United Kingdom Gilt-4.25%	07/03/2036	240,000	2,990,157	0.12
United Kingdom Gilt-4.25%	07/12/2040	600,000	7,460,229	0.29
United Kingdom Gilt-4.75%	07/03/2020	400,000	5,572,340	0.21
			130,309,953	4.98
<i>Denominated in Canadian Dollar</i>				
Bank of Montreal-4.55%	01/08/2017	500,000	4,253,747	0.16
Bank of Nova Scotia-4.1%	08/06/2017	500,000	4,161,264	0.16
Bank of Nova Scotia-4.56%	30/10/2013	400,000	3,393,790	0.13
Canadian Government-3.75%	01/06/2019	950,000	8,116,835	0.31
City of Vancouver-4.7%	01/12/2017	400,000	3,470,706	0.13
City of Winnipeg-5.9%	02/02/2029	125,000	1,160,418	0.04
Hydro Quebec-5.5%	15/08/2018	1,000,000	9,133,065	0.35
Hydro Quebec-6%	15/02/2040	325,000	3,282,550	0.13
Manulife Financial Corp-4.896%	02/06/2014	500,000	4,223,684	0.16
Ontario Electricity Financial Corp-10%	06/02/2020	500,000	5,878,040	0.22
Province of Ontario Canada-5.85%	08/03/2033	500,000	4,886,602	0.19
Province of Quebec Canada-4.5%	01/12/2016	500,000	4,353,555	0.17

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<i>Denominated in Canadian Dollar <i>(continued)</i></i>				
Province of Quebec Canada-5.35%	01/06/2025	500,000	4,544,921	0.17
Royal Bank of Canada-3.66%	25/01/2017	500,000	4,090,030	0.16
Wells Fargo Financial Canada Corp-6.05%	27/08/2012	100,000	842,387	0.03
			65,791,594	2.51
<i>Denominated in Czech Koruna</i>				
Czech Republic-4%	11/04/2017	12,500,000	6,048,964	0.23
<i>Denominated in Danish Krone</i>				
Denmark Government-4%	15/11/2012	1,000,000	1,559,931	0.06
Denmark Government-4%	15/11/2015	5,650,000	9,105,283	0.35
			10,665,214	0.41
<i>Denominated in Euro</i>				
ABN Amro Bank NV-3.25%	21/09/2015	450,000	5,102,157	0.19
Austria Government-4.65%	15/01/2018	1,800,000	22,196,991	0.85
Autoroutes du Sud de la France-7.375%	20/03/2019	500,000	6,877,782	0.26
Aviva Plc-Floating	29/09/2049	200,000	2,025,252	0.08
Banco Espirito Santo SA-Floating	19/03/2012	300,000	3,168,744	0.12
Bank of America Corp-5.125%	26/09/2014	500,000	5,842,294	0.22
BAT International Finance Plc-5.375%	29/06/2017	600,000	7,363,971	0.28
BBVA Senior Finance SAU-3.25%	23/04/2015	750,000	7,960,874	0.30
BBVA Senior Finance SAU-Floating	22/01/2013	250,000	2,781,299	0.11
BBVA Subordinated Capital SAU-Floating	03/04/2017	200,000	2,154,547	0.08
Belgium Government-3.5%	28/03/2015	300,000	3,437,327	0.13
Belgium Government-3.75%	28/09/2020	650,000	7,187,929	0.27
Belgium Government-4%	28/03/2017	1,000,000	11,512,445	0.44
BNP Paribas-Floating	13/04/2049	250,000	2,537,147	0.10
BNP Paribas-Floating	29/09/2049	350,000	4,144,007	0.16
Bred-Banque Populaire-6.437%	18/06/2018	400,000	4,830,119	0.18
Bundesobligation-2.5%	27/02/2015	500,000	5,737,222	0.22
Bundesrepublik Deutschland-4%	04/01/2037	630,000	7,335,673	0.28
Bundesrepublik Deutschland-4.25%	04/07/2018	2,050,000	25,426,926	0.97
Bundesrepublik Deutschland-4.75%	04/07/2028	740,000	9,472,723	0.36
Caisse d'Amort Dette Soc-3.75%	25/10/2020	300,000	3,421,322	0.13
Citigroup Inc-3.625%	30/11/2017	500,000	5,200,142	0.20
Clovene Plc for Zurich Insurance Co Ltd-Floating	24/07/2039	500,000	6,073,366	0.23
Corp Andina de Fomento-Floating	16/11/2011	200,000	2,232,689	0.09
Credit Suisse Group Finance Guernsey Ltd-Floating	23/01/2018	700,000	7,798,129	0.30
Czech Republic-5%	11/06/2018	2,000,000	24,331,803	0.93
DnB NOR Bank ASA-Floating	30/05/2017	250,000	2,772,194	0.11
Electricite De France-5.125%	23/01/2015	250,000	3,025,311	0.12
Enel Finance International SA-4%	14/09/2016	180,000	2,062,366	0.08
France Government-3.5%	25/04/2020	2,000,000	22,874,015	0.87
France Government-3.5%	25/04/2026	2,900,000	31,265,431	1.19
France Government-3.75%	25/04/2017	500,000	5,905,350	0.23
France Government-4.25%	25/10/2017	3,600,000	43,471,516	1.66
GE Capital European Funding-Floating	06/09/2011	300,000	3,385,092	0.13
HSBC Finance Corp-Floating	28/10/2013	500,000	5,455,723	0.21

# INVESTMENT REPORT *(continued)*

**Portfolio statement as at 30 June 2011**

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<i>Denominated in Euro <i>(continued)</i></i>				
ING Bank NV-Floating	16/09/2020	250,000	2,677,076	0.10
Intesa Sanpaolo SpA-4.125%	14/04/2020	500,000	5,264,445	0.20
Intesa Sanpaolo SpA-5.15%	16/07/2020	500,000	5,491,001	0.21
Intesa Sanpaolo SpA-6.625%	08/05/2018	500,000	5,702,119	0.22
Intesa Sanpaolo SpA-Floating	26/06/2018	450,000	5,042,833	0.19
Italy Buoni Poliennali Del Tesoro-3.75%	01/08/2021	1,695,000	17,744,288	0.68
Italy Buoni Poliennali Del Tesoro-4.25%	01/02/2015	3,685,000	42,242,190	1.61
Italy Buoni Poliennali Del Tesoro-4.25%	01/03/2020	1,850,000	20,343,216	0.78
Italy Buoni Poliennali Del Tesoro-5.25%	01/11/2029	800,000	8,926,247	0.34
JPMorgan Chase & Co-Floating	12/10/2015	250,000	2,678,863	0.10
Kreditanstalt fuer Wiederaufbau-3.125%	25/02/2014	400,000	4,613,868	0.18
Kreditanstalt fuer Wiederaufbau-3.5%	04/07/2021	235,000	2,643,088	0.10
Kreditanstalt fuer Wiederaufbau-3.875%	04/07/2013	450,000	5,270,618	0.20
Lloyds TSB Bank Plc-3.75%	07/09/2015	500,000	5,478,450	0.21
Lloyds TSB Bank Plc-3.375%	03/09/2019	500,000	5,549,242	0.21
Lloyds TSB Bank Plc-6.5%	24/03/2020	500,000	5,242,428	0.20
Macquarie Bank Ltd-Floating	06/12/2016	350,000	3,882,133	0.15
Metropolitan Life Global Funding I-4.625%	16/05/2017	200,000	2,333,399	0.09
National Australia Bank Ltd-4.75%	15/07/2016	500,000	5,903,163	0.23
Nationwide Building Society-6.75%	22/07/2020	500,000	5,543,531	0.21
Natixis-4.125%	20/01/2017	500,000	5,398,834	0.21
Natixis-Floating	14/05/2019	500,000	5,442,372	0.21
Nederlandse Waterschapsbank NV-4%	12/03/2013	150,000	1,747,018	0.07
Netherlands Government-2.75%	15/01/2015	2,650,000	30,445,825	1.16
Netherlands Government-4%	15/07/2018	500,000	5,994,827	0.23
Nordea Bank AB-4.5%	26/03/2020	500,000	5,383,905	0.21
Nordea Bank AB-Floating	10/09/2018	100,000	1,178,026	0.04
Northern Rock Plc-4.125%	27/03/2017	200,000	2,182,774	0.08
Philip Morris International Inc-5.75%	24/03/2016	500,000	6,240,231	0.24
Rabobank Nederland NV-5.875%	20/05/2019	450,000	5,463,157	0.21
Refer-Rede Ferroviaria Nacional SA-5.875%	18/02/2019	300,000	2,239,303	0.09
Roche Holdings Inc-6.5%	04/03/2021	500,000	6,833,123	0.26
RTE EDF Transport SA-5.125%	12/09/2018	350,000	4,278,411	0.16
RWE Finance BV-5%	10/02/2015	300,000	3,592,962	0.14
Santander International Debt SA Unipersonal-2.875%	20/09/2013	500,000	5,513,970	0.21
Santander International Debt SA-Floating	18/01/2013	500,000	5,566,061	0.21
Scottish & Southern Energy Plc-6.125%	29/07/2013	200,000	2,402,791	0.09
Societe Generale-Floating	12/03/2019	115,000	1,304,576	0.05
Spain Government-3.25%	30/04/2016	350,000	3,704,110	0.14
Spain Government-4.1%	30/07/2018	1,500,000	15,967,111	0.61
Spain Government-4.8%	31/01/2024	1,500,000	15,715,765	0.60
Standard Chartered Bank-5.875%	26/09/2017	500,000	5,857,015	0.22
Standard Chartered Plc-5.75%	30/04/2014	500,000	6,044,612	0.23
Telecom Italia SpA-8.25%	21/03/2016	500,000	6,388,384	0.24
Telefonica Emisiones SAU-5.496%	01/04/2016	400,000	4,683,677	0.18
The Royal Bank of Scotland Plc-4.35%	23/01/2017	1,000,000	9,975,994	0.38
The Royal Bank of Scotland Plc-5.375%	30/09/2019	110,000	1,198,861	0.05
UniCredit SpA-5.75%	26/09/2017	500,000	5,544,010	0.21
UniCredit SpA-6.7%	05/06/2018	400,000	4,373,559	0.17
Urenco Finance NV-5.375%	22/05/2015	400,000	4,821,143	0.18
Vodafone Group Plc-Floating	13/01/2012	250,000	2,817,031	0.11
Wells Fargo Bank NA-6%	23/05/2013	400,000	4,787,540	0.18
Zurich Finance USA Inc-6.5%	14/10/2015	700,000	8,865,948	0.34
			680,895,002	26.00

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<i>Denominated in Hungarian Forint</i>				
Hungary Government-5.5%	12/02/2016	80,000,000	3,198,628	0.12
<i>Denominated in Japanese Yen</i>				
Abbott Japan Co Ltd-1.95%	06/11/2013	200,000,000	19,823,991	0.76
American Express Credit Corp-1.85%	30/07/2012	200,000,000	19,476,029	0.74
Bank of America Corp-1.79%	03/12/2014	100,000,000	9,650,689	0.38
Bardays Bank Plc-2.09%	13/07/2012	100,000,000	9,977,028	0.38
Citigroup Inc-0.95%	04/06/2013	200,000,000	18,933,763	0.72
Citigroup Inc-1.86%	22/06/2012	100,000,000	9,747,721	0.37
Development Bank of Japan-1.6%	20/06/2014	210,000,000	21,038,557	0.80
Export-Import Bank of Korea-1.32%	08/07/2016	100,000,000	9,677,444	0.37
Export-Import Bank of Korea-1.84%	26/06/2012	100,000,000	9,759,392	0.37
General Electric Capital Corp-1.45%	10/11/2011	50,000,000	4,847,978	0.19
HSBC Finance Corp-2.01%	20/07/2012	200,000,000	19,557,997	0.75
Industrial Bank of Korea-2.2%	09/11/2011	100,000,000	9,711,121	0.37
Japan Government Ten Year-1.3%	20/03/2015	185,000,000	18,540,949	0.71
Japan Government Ten Year-1.4%	20/09/2019	165,000,000	16,549,280	0.63
Japan Government Ten Year-1.7%	20/03/2017	566,000,000	58,380,014	2.23
Japan Government Twenty Year-1.6%	20/06/2030	280,000,000	25,951,458	0.99
Japan Government Twenty Year-1.9%	22/03/2021	686,100,000	71,382,686	2.73
Japan Government Twenty Year-1.9%	20/03/2024	510,000,000	52,094,113	1.99
Japan Government Twenty Year-2.2%	20/06/2024	160,000,000	16,858,137	0.64
Japan Government Thirty Year-2%	20/09/2040	50,000,000	4,800,414	0.18
Japan Government Thirty Year-2.2%	20/03/2041	50,000,000	5,009,954	0.19
Japan Government Thirty Year-2.3%	20/12/2035	266,750,000	27,317,014	1.04
Korea Development Bank-1.94%	12/10/2012	100,000,000	9,736,215	0.37
Korea Development Bank-2.51%	14/09/2011	100,000,000	9,711,721	0.37
Lloyds TSB Bank Plc-1.81%	16/12/2013	100,000,000	9,637,640	0.37
Merrill Lynch & Co Inc-1.58%	23/02/2012	100,000,000	9,730,834	0.37
Merrill Lynch & Co Inc-2.61%	29/06/2017	100,000,000	9,869,057	0.38
			507,791,196	19.39
<i>Denominated in Mexican Peso</i>				
Mexican Bonos-7.25%	15/12/2016	5,000,000	3,454,778	0.13
Mexican Bonos-7.5%	21/06/2012	5,800,000	3,943,368	0.15
			7,398,146	0.28
<i>Denominated in New Zealand Dollar</i>				
Inter-American Development Bank-7.25%	24/05/2012	400,000	2,669,586	0.10
New Zealand Government-6.5%	15/04/2013	400,000	2,725,746	0.10
			5,395,332	0.20
<i>Denominated in Norwegian Krone</i>				
Norway Government-4.25%	19/05/2017	500,000	774,113	0.03
Norway Government-6.5%	15/05/2013	1,550,000	2,408,062	0.09
			3,182,175	0.12

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<i>Denominated in Polish Zloty</i>				
Poland Government-5.25%	25/10/2017	1,800,000	5,048,978	0.19
Poland Government-5.5%	25/04/2015	2,700,000	7,742,730	0.29
Poland Government-5.5%	25/10/2019	800,000	2,230,460	0.09
			15,022,168	0.57
<i>Denominated in Singapore Dollar</i>				
SP PowerAssets Ltd-2.8%	30/10/2012	750,000	4,864,369	0.18
SP PowerAssets Ltd-4.665%	18/08/2020	250,000	1,777,205	0.07
			6,641,574	0.25
<i>Denominated in South African Rand</i>				
South Africa Government-8.25%	15/09/2017	4,100,000	4,734,316	0.18
<i>Denominated in South Korean Won</i>				
Korea Treasury Bond-4.75%	10/03/2014	2,750,000,000	20,466,004	0.78
<i>Denominated in Swedish Krona</i>				
Sweden Government-3%	12/07/2016	3,250,000	4,072,867	0.15
Sweden Government-5.5%	08/10/2012	2,765,000	3,547,714	0.14
Sweden Government-6.75%	05/05/2014	10,000,000	13,798,197	0.53
			21,418,778	0.82
<i>Denominated in Swiss Franc</i>				
Switzerland Government-4.25%	05/06/2017	1,800,000	19,668,137	0.75
<i>Denominated in Thai Baht</i>				
Thailand Government-5.67%	13/03/2028	10,000,000	3,035,543	0.12
<i>Denominated in United States Dollar</i>				
Abbey National Treasury Services Plc-3.875%	10/11/2014	550,000	4,358,980	0.17
Abbott Laboratories-2.7%	27/05/2015	400,000	3,236,257	0.12
Altria Group Inc-4.75%	05/05/2021	500,000	3,888,635	0.15
Altria Group Inc-9.7%	10/11/2018	1,500,000	15,340,918	0.59
American Express Bank FSB-5.5%	16/04/2013	1,000,000	8,325,795	0.32
Anheuser-Busch InBev Worldwide Inc-5%	15/04/2020	750,000	6,269,912	0.24
Anheuser-Busch InBev Worldwide Inc-5.375%	15/11/2014	250,000	2,172,777	0.08
Anheuser-Busch InBev Worldwide Inc-5.375%	15/01/2020	635,000	5,444,044	0.21
ANZ National (Int'l) Ltd London-2.375%	21/12/2012	500,000	3,951,028	0.15
AT&T Inc-2.95%	15/05/2016	780,000	6,148,033	0.23
Australia & New Zealand Banking Group Ltd-5.1%	13/01/2020	500,000	4,036,010	0.15
Baltimore Gas & Electric Co-6.125%	01/07/2013	145,000	1,233,844	0.05
Bank of America Corp-5%	13/05/2021	800,000	6,150,421	0.23

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
Bank of America Corp-7.375%	15/05/2014	200,000	1,749,834	0.07
Bank One Corp-5.25%	30/01/2013	1,000,000	8,243,354	0.31
Barclays Bank Plc-5.125%	08/01/2020	500,000	3,949,428	0.15
Barclays Bank Plc-5.2%	10/07/2014	1,900,000	15,996,143	0.61
Barclays Bank Plc-6.75%	22/05/2019	400,000	3,494,543	0.13
Barrick Gold Corp-2.9%	30/05/2016	750,000	5,832,357	0.22
Baxter International Inc-4.25%	15/03/2020	125,000	1,007,914	0.04
BB&T Corp-3.95%	29/04/2016	800,000	6,515,630	0.25
BBVA US Senior SAU-Floating	16/05/2014	800,000	6,187,609	0.24
BNP Paribas SA-5%	15/01/2021	750,000	5,868,511	0.22
BP Capital Markets Plc-3.125%	01/10/2015	750,000	5,992,768	0.23
Cameron International Corp-4.5%	01/06/2021	700,000	5,396,551	0.21
Cardinal Health Inc-5.65%	15/06/2012	8,000	65,000	-
Caterpillar Inc-3.9%	27/05/2021	800,000	6,226,896	0.24
Cenovus Energy Inc-4.5%	15/09/2014	245,000	2,069,391	0.08
Cisco Systems Inc-4.45%	15/01/2020	600,000	4,858,393	0.19
Citigroup Inc-3.953%	15/06/2016	800,000	6,373,688	0.24
Citigroup Inc-5.875%	22/02/2033	115,000	841,394	0.03
Clorox Co-3.55%	01/11/2015	255,000	2,067,839	0.08
CMHI Finance BVI Co Ltd-6.125%	18/06/2013	500,000	4,165,442	0.16
Coca-Cola Femsa SAB de CV-4.625%	15/02/2020	150,000	1,193,724	0.05
Comcast Corp-5.15%	01/03/2020	500,000	4,189,728	0.16
Comcast Corp-5.7%	01/07/2019	600,000	5,194,825	0.20
Commonwealth Edison Co-4.7%	15/04/2015	400,000	3,391,374	0.13
Cornell University-5.45%	01/02/2019	400,000	3,523,557	0.13
Credit Suisse AG-5.4%	14/01/2020	750,000	5,909,200	0.23
Credit Suisse New York-5.3%	15/05/2013	1,000,000	8,307,256	0.32
Credit Suisse New York-5.3%	13/08/2019	500,000	4,141,845	0.16
CVS Caremark Corp-6.125%	15/09/2039	600,000	4,787,219	0.18
Danske Bank AIS-3.875%	14/04/2016	800,000	6,161,092	0.24
Deutsche Telekom International Finance BV-6.75%	20/08/2018	250,000	2,295,696	0.09
Dr Pepper Snapple Group Inc-2.9%	15/01/2016	300,000	2,362,699	0.09
Endurance Specialty Holdings Ltd-7%	15/07/2034	80,000	604,001	0.02
Enel Finance International SA-3.875%	07/10/2014	600,000	4,818,556	0.18
Florida Power & Light Co-5.96%	01/04/2039	200,000	1,724,423	0.07
Florida Power Corp-5.65%	15/06/2018	190,000	1,686,965	0.06
France Telecom SA-5.375%	08/07/2019	160,000	1,393,351	0.05
General Electric Capital Corp-3.75%	14/11/2014	500,000	4,118,972	0.16
General Electric Capital Corp-5.3%	11/02/2021	250,000	2,024,531	0.08
General Electric Capital Corp-5.5%	08/01/2020	500,000	4,167,186	0.16
General Electric Capital Corp-6%	07/08/2019	600,000	5,170,417	0.20
General Electric Capital Corp-Floating	07/04/2014	1,000,000	7,772,047	0.30
GNMA 3171-5.5%	20/12/2031	12,369	106,704	-
GNMA 3201-6.5%	20/02/2032	21,644	190,803	0.01
GNMA 3272-5.5%	20/08/2032	64,346	554,770	0.02
GNMA 3474-6%	20/11/2033	207,155	1,791,230	0.07
GNMA 3488-5.5%	20/12/2033	52,117	449,804	0.02
GNMA 3499-5%	20/01/2034	85,359	726,146	0.03
GNMA 3500-5.5%	20/01/2034	575,738	4,958,216	0.19
GNMA 3515-5.5%	20/02/2034	347,602	2,993,524	0.11
GNMA 3534-4%	20/04/2019	105,078	869,191	0.03
GNMA 3543-5%	20/04/2034	389,196	3,310,868	0.13
GNMA 3556-5.5%	20/05/2034	273,845	2,358,334	0.09
GNMA 3568-5%	20/06/2034	207,670	1,766,636	0.07
GNMA 3570-6%	20/06/2034	121,058	1,046,761	0.04
GNMA 3584-6%	20/07/2034	46,989	405,099	0.02
GNMA 3595-5%	20/08/2034	338,229	2,877,295	0.11
GNMA 3596-5.5%	20/08/2034	36,609	315,272	0.01
GNMA 3617-4.5%	20/10/2019	179,729	1,508,772	0.06
GNMA 3625-6%	20/10/2034	171,021	1,478,782	0.06

# INVESTMENT REPORT *(continued)*

**Portfolio statement as at 30 June 2011**

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
GNMA 3666-6%	20/01/2035	181,196	1,566,761	0.06
GNMA 3678-5.5%	20/02/2035	324,560	2,795,093	0.11
GNMA 3702-5.5%	20/04/2035	135,975	1,170,016	0.04
GNMA 3711-5.5%	20/05/2035	260,488	2,241,401	0.09
GNMA 3712-6%	20/05/2035	45,503	392,805	0.01
GNMA 3750-6.5%	20/08/2035	101,565	895,338	0.03
GNMA 3759-5%	20/09/2035	220,093	1,870,714	0.07
GNMA 3760-5.5%	20/09/2035	528,340	4,546,171	0.17
GNMA 3797-6%	20/12/2035	63,075	544,784	0.02
GNMA 3805-5%	20/01/2036	209,544	1,781,409	0.07
GNMA 3808-6%	20/01/2036	60,440	522,025	0.02
GNMA 3820-6%	20/02/2036	280,614	2,423,685	0.09
GNMA 3821-6.5%	20/02/2036	67,107	591,082	0.02
GNMA 3864-5.5%	20/06/2036	174,346	1,498,909	0.06
GNMA 3865-6%	20/06/2036	60,491	522,171	0.02
GNMA 3931-6%	20/12/2036	220,703	1,905,156	0.07
GNMA 3932-6.5%	20/12/2036	245,028	2,158,239	0.08
GNMA 3984-5%	20/05/2037	182,017	1,543,098	0.06
GNMA 4196-6.5%	20/07/2038	213,209	1,873,300	0.07
GNMA 429779-5.5%	15/12/2033	88,091	759,061	0.03
GNMA 487861-5.5%	15/04/2039	429,603	3,695,531	0.14
GNMA 4882-4%	20/12/2040	4,241,640	33,590,396	1.28
GNMA 511460-5%	15/04/2035	60,142	509,555	0.02
GNMA 531047-5.5%	15/11/2032	125,726	1,083,352	0.04
GNMA 546760-4.5%	15/04/2040	988,142	8,143,718	0.31
GNMA 553055-5.5%	15/02/2033	133,394	1,149,426	0.04
GNMA 562388-6%	15/08/2034	90,377	787,702	0.03
GNMA 570310-6%	15/02/2017	34,725	296,668	0.01
GNMA 574548-5.5%	15/04/2034	598,923	5,163,714	0.20
GNMA 592593-6%	15/02/2033	14,962	130,371	-
GNMA 593891-5.5%	15/03/2033	11,432	98,506	-
GNMA 605098-5%	15/03/2034	277,196	2,351,914	0.09
GNMA 605396-5%	15/05/2019	252,941	2,141,068	0.08
GNMA 615603-5.5%	15/07/2034	97,193	837,964	0.03
GNMA 615892-5%	15/08/2033	116,941	992,489	0.04
GNMA 616474-5%	15/06/2034	85,564	725,981	0.03
GNMA 618860-5%	15/08/2018	117,245	987,028	0.04
GNMA 620568-5%	15/09/2033	318,083	2,699,644	0.10
GNMA 621759-5.5%	15/12/2033	82,241	708,655	0.03
GNMA 640215-5.5%	15/03/2035	111,756	961,075	0.04
GNMA 644034-5.5%	15/08/2035	109,333	942,634	0.04
GNMA 649221-6%	15/09/2035	31,671	276,186	0.01
GNMA 651782-6%	15/04/2036	259,773	2,275,474	0.09
GNMA 654420-6.5%	15/08/2036	127,050	1,126,284	0.04
GNMA 661047-6%	15/11/2036	68,102	595,209	0.02
GNMA 661552-6.5%	15/12/2036	144,551	1,281,429	0.05
GNMA 663852-5.5%	15/02/2037	156,678	1,343,585	0.05
GNMA 671325-6%	15/07/2037	239,894	2,082,092	0.08
GNMA 685878-6%	15/05/2038	222,595	1,945,482	0.07
GNMA 699451-6%	15/10/2038	238,078	2,075,020	0.08
GNMA 700908-6%	15/11/2038	224,586	1,962,886	0.07
GNMA 716373-5%	15/06/2039	2,976,965	25,244,032	0.96
GNMA 716657-5%	15/08/2039	2,208,961	18,720,775	0.71
GNMA 717803-5.5%	15/06/2039	503,701	4,332,941	0.17
GNMA 746103-4.5%	15/08/2040	1,552,256	12,792,834	0.49
GNMA 758589-4.5%	20/12/2040	4,019,578	33,008,049	1.26
GNMA 781305-6.5%	15/06/2031	120,011	1,065,632	0.04
GNMA 781687-5.5%	15/1/2033	213,290	1,837,877	0.07
GNMA 782017-5.5%	15/12/2020	84,909	716,486	0.03
Hewlett-Packard Co-2.95%	15/08/2012	75,000	598,018	0.02
HSBC Bank Plc-3.1%	24/05/2016	550,000	4,252,132	0.16

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
HSBC Bank USA NA-4.625%	01/04/2014	1,200,000	9,954,979	0.38
HSBC Holdings Plc-5.1%	05/04/2021	400,000	3,190,194	0.12
ICI Wilmington Inc-5.625%	01/12/2013	45,000	379,845	0.01
ING Bank NV-5.125%	01/05/2015	400,000	3,239,467	0.12
ING Bank NV-Floating	15/03/2013	500,000	3,898,297	0.15
Ingersoll-Rand Global Holding Co Ltd-9.5%	15/04/2014	160,000	1,495,192	0.06
ITT Corp-6.125%	01/05/2019	180,000	1,643,899	0.06
Jersey Central Power & Light Co-6.15%	01/06/2037	500,000	4,227,333	0.16
JP Morgan Chase & Co-3.15%	05/07/2016	1,200,000	9,396,257	0.36
JP Morgan Chase & Co-3.7%	12/01/2015	600,000	4,855,441	0.19
JP Morgan Chase & Co-4.4%	22/07/2020	750,000	5,718,273	0.22
JP Morgan Chase & Co-4.65%	01/06/2014	500,000	4,180,638	0.16
JP Morgan Chase & Co-5.25%	01/05/2015	145,000	1,218,269	0.05
JP Morgan Chase & Co-6.3%	03/04/2019	500,000	4,386,024	0.17
JP Morgan Chase & Co-Floating	22/05/2014	750,000	5,838,695	0.22
Keycorp-3.75%	13/08/2015	750,000	6,025,834	0.23
Kinder Morgan Energy Partners LP-9%	01/02/2019	500,000	4,990,067	0.19
KKR Group Finance Co-6.375%	29/09/2020	560,000	4,686,969	0.18
Lincoln National Corp-5.65%	27/08/2012	35,000	285,436	0.01
Lloyds TSB Bank Plc-4.375%	12/01/2015	750,000	5,923,944	0.23
Lloyds TSB Bank Plc-6.375%	01/01/2021	500,000	4,051,057	0.15
Lloyds TSB Bank Plc-6.5%	14/09/2020	1,950,000	14,315,344	0.55
Lloyds TSB Bank Plc-Floating	24/01/2014	1,000,000	7,890,848	0.30
Lockheed Martin Corp-4.25%	15/11/2019	500,000	3,993,038	0.15
Macquarie Group Ltd-7.3%	01/08/2014	600,000	5,225,345	0.20
Macquarie Group Ltd-7.625%	13/08/2019	195,000	1,657,831	0.06
Merrill Lynch & Co Inc-5.45%	05/02/2013	1,550,000	12,796,366	0.49
MetLife Inc-5%	15/06/2015	1,000,000	8,491,074	0.32
MetLife Institutional Funding II	04/04/2014	1,000,000	7,799,434	0.30
Morgan Stanley-3.45%	02/11/2015	400,000	3,083,697	0.12
Morgan Stanley-3.8%	24/09/2016	800,000	6,153,783	0.23
Morgan Stanley-4.1%	26/01/2015	750,000	5,996,848	0.23
Morgan Stanley-4.2%	20/11/2014	1,750,000	14,144,053	0.54
Morgan Stanley-5.5%	24/07/2020	800,000	6,301,982	0.24
Morgan Stanley-5.625%	23/09/2019	600,000	4,791,664	0.18
Morgan Stanley-6.625%	01/04/2018	500,000	4,286,629	0.16
Motiva Enterprises LLC-5.75%	15/01/2020	100,000	862,885	0.03
National Australia Bank Ltd-5.35%	12/06/2013	500,000	4,173,754	0.16
Nomura Holdings Inc-5%	04/03/2015	850,000	6,974,754	0.27
Nordea Bank AB-3.7%	13/11/2014	675,000	5,496,082	0.21
Northrop Grumman Corp-3.7%	01/08/2014	250,000	2,064,611	0.08
ORIX Corp-4.71%	27/04/2015	800,000	6,441,191	0.25
ORIX Corp-5%	12/01/2016	800,000	6,460,915	0.25
Pacific Gas & Electric Co-5.4%	15/01/2040	500,000	3,776,160	0.14
Pacific Life Insurance Co-9.25%	15/06/2039	750,000	7,606,766	0.29
Pacificcorp-5.5%	15/01/2019	500,000	4,372,658	0.17
Petro-Canada-6.05%	15/05/2018	350,000	3,084,060	0.12
PNC Funding Corp-4.25%	21/09/2015	600,000	5,009,957	0.19
PNC Funding Corp-6.7%	30/01/2019	500,000	4,585,037	0.18
Prudential Financial Inc-3%	12/05/2016	800,000	6,171,222	0.24
Prudential Financial Inc-3.875%	14/01/2015	500,000	4,061,646	0.16
Prudential Financial Inc-4.75%	17/09/2015	600,000	5,023,863	0.19
Prudential Financial Inc-5.375%	21/06/2020	500,000	4,099,492	0.16
Quest Diagnostics Inc-4.75%	30/01/2020	165,000	1,328,027	0.05
Rabobank Nederland NV-4.2%	13/05/2014	435,000	3,623,996	0.14
Raytheon Co-3.125%	15/10/2020	375,000	2,739,832	0.10
Raytheon Co-4.4%	15/02/2020	200,000	1,610,838	0.06
Rio Tinto Finance USA Ltd-4.125%	20/05/2021	750,000	5,797,901	0.22
Roche Holdings Inc-6%	01/03/2019	500,000	4,483,404	0.17

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
Royal Bank of Scotland Group Plc-4.875%	25/08/2014	400,000	3,239,943	0.12
Royal Bank of Scotland Group Plc-4.875%	16/03/2015	1,000,000	8,077,000	0.31
Royal Bank of Scotland Group Plc-5%	01/10/2014	1,000,000	7,681,691	0.29
Royal Bank of Scotland Group Plc-6.4%	21/10/2019	600,000	4,796,395	0.18
Royal Bank of Scotland Plc-3.4%	23/08/2013	800,000	6,370,837	0.24
Sanofi-2.625%	29/03/2016	650,000	5,150,804	0.20
Santander US Debt SA Unipersonal-2.991%	07/10/2013	600,000	4,658,937	0.18
Santander US Debt SA Unipersonal-3.724%	20/01/2015	250,000	1,883,321	0.07
Santander US Debt SA Unipersonal-Floating	30/03/2012	1,300,000	10,118,210	0.39
Schlumberger Norge AS-4.2%	15/01/2021	725,000	5,705,100	0.22
Shell International Finance BV-4.3%	22/09/2019	600,000	4,903,995	0.19
Societe Generale-2.2%	14/09/2013	750,000	5,862,382	0.22
Societe Generale-2.5%	15/01/2014	750,000	5,810,019	0.22
South Africa Government-6.5%	02/06/2014	125,000	1,091,023	0.04
Standard Chartered Plc-3.85%	27/04/2015	200,000	1,611,300	0.06
Standard Chartered Plc-5.5%	18/11/2014	350,000	2,996,802	0.11
Svenska Handelsbanken AB-5.125%	30/03/2020	500,000	4,085,713	0.16
Telecom Italia Capital SA-7.175%	18/06/2019	420,000	3,608,917	0.14
Telefonica Emisiones SAU-5.462%	16/02/2021	400,000	3,160,287	0.12
Telefonica Emisiones SAU-5.877%	15/07/2019	245,000	2,002,255	0.08
The Bear Stearns Companies Inc-5.3%	30/10/2015	300,000	2,558,809	0.10
The Goldman Sachs Group Inc-3.625%	07/02/2016	400,000	3,146,842	0.12
The Goldman Sachs Group Inc-3.7%	01/08/2015	400,000	3,169,909	0.12
The Goldman Sachs Group Inc-5.95%	18/01/2018	170,000	1,426,071	0.05
The Goldman Sachs Group Inc-6%	01/05/2014	150,000	1,280,583	0.05
The Goldman Sachs Group Inc-7.5%	15/02/2019	250,000	2,263,848	0.09
The Goldman Sachs Group Inc-Floating	07/02/2014	900,000	6,946,225	0.27
The Sherwin-Williams Co-3.125%	15/12/2014	500,000	4,109,341	0.16
Time Warner Inc-3.15%	15/07/2015	520,000	4,185,249	0.16
TransCanada Pipelines Ltd-6.5%	15/08/2018	400,000	3,662,277	0.14
Tyco International Finance SA-4.125%	15/10/2014	140,000	1,159,013	0.04
United States Treasury Note/Bond-4.75%	15/02/2041	1,000,000	8,272,663	0.32
United States Treasury Note/Bond-5.375%	15/02/2031	1,000,000	9,121,449	0.35
US Bancorp-2%	14/06/2013	750,000	5,962,935	0.23
US Bancorp-4.125%	24/05/2021	500,000	3,868,688	0.15
Vanderbilt University-5.25%	01/04/2019	600,000	5,205,719	0.20
Verizon Communications Inc-3%	01/04/2016	800,000	6,359,399	0.24
Verizon Communications Inc-6.35%	01/04/2019	750,000	6,780,236	0.26

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
Wal-Mart Stores Inc-3.25%	25/10/2020	1,250,000	9,254,572	0.35
Wells Fargo & Co-3.676%	15/06/2016	300,000	2,398,610	0.09
Wells Fargo & Co-3.75%	01/10/2014	1,300,000	10,662,788	0.41
Wells Fargo & Co-4.6%	01/04/2021	1,000,000	7,825,809	0.30
Wisconsin Power & Light Co-5%	15/07/2019	400,000	3,401,264	0.13
WR Berkley Corp-6.25%	15/02/2037	55,000	427,145	0.02
Xstrata Finance Canada Ltd-5.5%	16/11/2011	65,000	514,661	0.02
			1,000,302,023	38.20
<b>Total listed/quoted debt instruments</b>			2,547,532,344	97.27
<b>Certificates of deposit</b>				
<i>Denominated in United States Dollar</i>				
Intesa Sanpaolo SpA New York-2.375%	21/12/2012	500,000	3,921,034	0.15
<b>Total certificates of deposit</b>			3,921,034	0.15
<b>Total investments</b>			2,551,453,378	97.42
<b>Other net assets</b>			67,459,566	2.58
<b>Total net asset value</b>			2,618,912,944	100.00
<b>Total cost of investments</b>			2,351,186,444	

\* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal Hong Kong Bond Fund				
Investments	Maturity	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed/quoted debt instruments</b>				
<i>Certificates of deposit</i>				
<i>Denominated in Hong Kong Dollar</i>				
DBS Bank Hong Kong Ltd-2.55%	30/06/2016	25,000,000	24,941,050	6.43
Oversea-Chinese Banking Corp Ltd Hong Kong-0.8%	05/07/2012	15,000,000	14,983,500	3.86
Societe Generale Australia-4.825%	21/03/2014	8,000,000	8,639,744	2.23
<b>Total certificates of deposit</b>			48,564,294	12.52
<i>Non-certificates of deposit</i>				
<i>Denominated in Hong Kong Dollar</i>				
Airport Authority Hong Kong-2.2%	09/04/2014	10,000,000	10,307,870	2.66
CLP Power Hong Kong Financing Ltd-3.97%	23/03/2026	7,000,000	7,245,994	1.87
Hong Kong Government-0.43%	17/08/2011	25,000,000	25,012,425	6.45
Hong Kong Government-0.59%	20/05/2013	60,000,000	60,333,720	15.55
Hong Kong Government-1.57%	13/06/2016	5,000,000	5,069,335	1.31
Hong Kong Government-2.31%	21/06/2021	45,000,000	44,958,870	11.59
Hong Kong Government-2.46%	23/06/2014	30,000,000	31,637,310	8.15
Hong Kong Government-3.56%	25/06/2018	35,000,000	38,893,225	10.02
Hong Kong Mortgage Corp-1.32%	31/03/2014	5,000,000	5,027,160	1.29
Hong Kong Mortgage Corp-2%	11/01/2016	17,000,000	17,123,012	4.41
Korea National Oil Corp-4.5%	04/03/2021	10,000,000	10,370,650	2.67
Kowloon Canton Railway Corp-2.65%	28/04/2014	3,000,000	3,127,062	0.81
Kowloon Canton Railway Corp-2.8%	02/02/2015	2,000,000	2,095,874	0.54
Kowloon Canton Railway Corp-3.64%	24/07/2019	10,000,000	10,560,000	2.72
MTR Corp Cayman Islands Ltd-4.6%	03/06/2013	12,000,000	12,872,484	3.32
SPL Electricity & Gas Australia Holdings Pty Ltd-4.125%	16/03/2020	13,000,000	13,672,984	3.52
Sun Hung Kai Properties Capital Market Ltd-2.04%	15/01/2013	5,000,000	5,071,535	1.31
Sun Hung Kai Properties Capital Market Ltd-4.05%	24/02/2021	5,000,000	5,155,725	1.33
Sun Hung Kai Properties Capital Market Ltd-4.67%	09/02/2016	10,000,000	11,015,050	2.84
Swire Pacific MTN Financing Ltd-3.9%	05/11/2030	10,000,000	9,932,520	2.56
<b>Total non-certificates of deposit</b>			329,482,805	84.92
<b>Total investments</b>			378,047,099	97.44
<b>Other net assets</b>			9,937,994	2.56
<b>Total net asset value</b>			387,985,093	100.00
<b>Total cost of investments</b>			379,545,373	

\* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

Principal Hong Kong Dollar Savings Fund				
Investments	Maturity	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed/quoted debt instruments</b>				
<i>Certificates of deposit</i>				
<i>Denominated in Hong Kong Dollar</i>				
Bank of China Ltd Hong Kong-0.78%	07/03/2012	15,000,000	14,989,500	1.38
Bank of China Ltd Hong Kong-0.825%	17/01/2012	35,000,000	35,000,000	3.22
Bank of China Ltd Hong Kong-Floating	11/08/2011	25,000,000	24,995,000	2.30
Bank of Communications Co Ltd Hong Kong-2%	27/01/2013	20,000,000	20,224,000	1.86
Bank of East Asia Ltd-1.14%	14/12/2012	5,000,000	5,004,530	0.46
Bank of East Asia Ltd-1.25%	16/07/2012	10,000,000	10,029,000	0.92
Bank of East Asia Ltd-Floating	21/07/2011	10,000,000	10,000,000	0.92
CITIC Ka Wah Bank Ltd-1.5%	09/02/2012	25,000,000	25,077,900	2.30
Dah Sing Bank Ltd-0.95%	10/01/2012	15,000,000	15,001,500	1.38
Dah Sing Bank Ltd-0.95%	17/02/2012	20,000,000	19,999,900	1.84
Dah Sing Bank Ltd-0.975%	27/01/2012	6,000,000	5,999,400	0.55
DBS Bank Hong Kong Ltd-0.91%	27/06/2012	35,000,000	34,983,550	3.21
DBS Bank Hong Kong Ltd-0.91%	09/07/2012	10,000,000	9,996,000	0.92
DBS Bank Hong Kong Ltd-Floating	04/08/2011	25,000,000	24,990,000	2.30
ICBC Asia Ltd-1.47%	20/07/2011	29,000,000	29,008,700	2.67
Oversea-Chinese Banking Corp Ltd Hong Kong-0.8%	05/07/2012	30,000,000	29,982,000	2.75
Oversea-Chinese Banking Corp Ltd Hong Kong-Floating	21/10/2011	15,000,000	14,995,500	1.38
Standard Chartered Bank Hong Kong Ltd-Floating	27/02/2012	20,000,000	19,988,000	1.84
Wing Hang Bank Ltd-Floating	28/09/2011	25,000,000	24,992,500	2.30
Wing Lung Bank-0.6%	06/07/2011	40,000,000	40,000,000	3.67
Wing Lung Bank-1.08%	10/02/2012	14,000,000	14,019,726	1.29
<b>Total certificates of deposit</b>			429,276,706	39.46

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal Hong Kong Dollar Savings Fund <i>(continued)</i>					Principal Hong Kong Equity Fund				
Investments	Maturity	*Portfolio holdings	Market value <i>HKS/HK\$ equivalent</i>	% of NAV	Investments	*Portfolio holdings	Market value <i>HKS/HK\$ equivalent</i>	% of NAV	
<i>Listed/quoted debt instruments (continued)</i>					<i>Listed shares</i>				
<i>Non-certificates of deposit</i>					<i>China</i>				
<i>Denominated in Hong Kong Dollar</i>									
<i>Commonwealth Bank of Australia-</i>									
Floating	15/05/2012	25,000,000	25,077,500	2.31	Agile Property Holdings Ltd	954,000	11,505,240	0.48	
Export-Import Bank of Korea-1.08%	31/08/2011	20,000,000	20,006,240	1.84	Agricultural Bank of China Ltd-H	2,280,000	9,325,200	0.39	
Hong Kong Government-0.64%	17/02/2012	10,000,000	10,030,000	0.92	Air China Ltd-H	394,895	3,182,854	0.13	
Hong Kong Mortgage Corp-1.22%	06/10/2011	58,000,000	58,103,182	5.34	Bank of China Ltd-H	11,732,000	44,464,280	1.86	
Hong Kong Mortgage Corp-1.85%	06/01/2012	14,000,000	14,088,774	1.30	BBMG Corp-H	1,057,500	12,267,000	0.51	
Hong Kong Mortgage Corp-4.1%	09/01/2012	35,000,000	35,625,520	3.27	Belle International Holdings Ltd	2,204,000	19,745,600	0.83	
Hong Kong Mortgage Corp-4.57%	06/02/2012	15,000,000	15,349,200	1.41	China Communications Construction Co Ltd-H	2,431,000	16,263,390	0.68	
National Australia Bank Ltd-Floating	23/11/2011	25,000,000	24,965,000	2.30	China Construction Bank Corp-H	12,333,570	79,551,527	3.32	
Sun Hung Kai Properties Capital Market Ltd-2.65%	17/02/2012	5,000,000	5,055,125	0.46	China Life Insurance Co Ltd-H	486,000	12,927,600	0.54	
Sun Hung Kai Properties Capital Market Ltd-2.85%	12/03/2012	15,000,000	15,202,785	1.40	China Mobile Ltd	745,493	53,675,496	2.24	
Sun Hung Kai Properties Capital Market Ltd-2.88%	19/03/2012	10,000,000	10,140,900	0.93	China National Building Material Co Ltd-H	1,172,000	17,884,720	0.75	
Sun Hung Kai Properties Capital Market Ltd-3.01%	17/11/2011	20,000,000	20,164,980	1.85	China National Materials Co Ltd-H	1,825,000	11,625,250	0.49	
Westpac Banking Corp-2.17%	17/02/2012	10,000,000	10,083,000	0.93	China Oilfield Services Ltd-H	1,306,000	18,492,960	0.77	
					China Overseas Land & Investment Ltd	1,758,000	29,323,440	1.23	
					China Petroleum & Chemical Corp-H	1,202,000	9,411,660	0.39	
					China Shanshui Cement Group Ltd	2,293,000	20,614,070	0.86	
					China Shenhua Energy Co Ltd-H	953,000	35,356,300	1.48	
					China Telecom Corp Ltd-H	7,856,000	39,594,240	1.65	
					China Unicom (Hong Kong) Ltd	1,314,000	20,603,520	0.86	
					CNOOC Ltd	3,213,040	58,348,806	2.44	
					Country Garden Holdings Co	5,525,000	18,895,500	0.79	
					ENN Energy Holdings Ltd	950,000	25,080,000	1.05	
					GCL-Poly Energy Holdings Ltd	3,845,000	15,495,350	0.65	
					Glorious Property Holdings Ltd	4,980,000	12,101,400	0.51	
					GOME Electrical Appliances Holdings Ltd	9,550,000	29,700,500	1.24	
					Great Wall Motor Co Ltd-H	1,150,000	14,720,000	0.62	
					Haier Electronics Group Co Ltd	2,062,000	19,918,920	0.83	
					Harbin Power Equipment-H	1,500,000	13,320,000	0.56	
					Industrial & Commercial Bank of China-H	10,000,460	59,102,719	2.47	
					Intime Department Store Group Co Ltd	1,670,000	22,077,400	0.92	
					Jiangxi Copper Co Ltd-H	905,000	23,394,250	0.98	
					PetroChina Co Ltd-H	5,181,485	58,965,299	2.46	
					PICC Property & Casualty Co Ltd-H	1,274,000	16,867,760	0.70	
					Ping An Insurance (Group) Co of China Ltd-H	402,500	32,340,875	1.35	
					Shandong Chenming Paper Holdings Ltd-H	1,240,000	6,621,600	0.28	
					Soho China Ltd	1,703,500	11,839,325	0.49	
					Tencent Holdings Ltd-H	130,887	27,643,334	1.15	
					Yantai Changyu Pioneer Wine Co Ltd-B	199,300	17,351,058	0.72	
					Yanzhou Coal Mining Co Ltd-H	760,000	22,496,000	0.94	
							972,094,443	40.61	
					<i>Hong Kong</i>				
					AAC Acoustic Technologies Holdings Inc	730,000	13,227,600	0.55	
					ALA Group Ltd	2,766,000	74,543,700	3.11	
					Ajisen China Holdings Ltd	1,260,000	20,311,200	0.85	
					ASM Pacific Technology	156,500	16,682,900	0.70	
					BOC Hong Kong (Holdings) Ltd	1,603,500	36,239,100	1.51	
					Cheung Kong (Holdings) Ltd	400,782	45,608,992	1.90	
					Cheung Kong Infrastructure Holdings Ltd	445,000	17,978,000	0.75	
					China Overseas Grand Oceans Group Ltd	800,000	8,128,000	0.34	
					CLP Holdings Ltd	620,500	42,783,475	1.79	
					Dah Chong Hong Holdings Ltd	2,164,000	20,081,920	0.84	
					Emperor International Holdings	5,000,000	8,800,000	0.37	
					First Pacific Co Ltd	3,724,000	25,881,800	1.08	
					Galaxy Entertainment Group Ltd	1,540,000	25,625,600	1.07	
					Giordano International Ltd	3,768,000	24,868,800	1.04	
					Great Eagle Holdings Ltd	1,033,000	26,703,050	1.12	
					Hang Seng Bank Ltd	185,800	23,094,940	0.96	
					HKR International Ltd	1,780,000	8,099,000	0.34	

\* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal Hong Kong Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Hong Kong (continued)</i>			
Hong Kong Exchanges and Clearing Ltd	326,900	53,317,390	2.23
Hongkong Land Holdings Ltd	655,468	36,320,867	1.52
HSBC Holdings Plc	2,395,700	184,588,685	7.71
Hutchison Telecommunications Hong Kong Holdings Ltd	10,280,000	24,672,000	1.03
Hutchison Whampoa Ltd	725,982	60,982,488	2.55
Jardine Matheson Holdings Ltd	155,928	69,583,540	2.91
K Wah International Holdings Ltd	3,546,000	10,212,480	0.43
Li & Fung Ltd	1,032,000	15,996,000	0.67
Power Assets Holdings Ltd	593,000	34,927,700	1.46
Regal Real Estate Investment Trust	2,800,000	7,084,000	0.30
SA SA International Holdings Ltd	2,280,000	11,354,400	0.47
Sands China Ltd	836,000	17,556,000	0.73
Singamas Container Holdings Ltd	5,950,000	18,385,500	0.77
SJM Holdings Ltd	1,538,000	28,329,960	1.18
SmarTone Telecommunications Holding Ltd	1,020,000	11,811,600	0.49
Sun Hung Kai Properties Ltd	403,793	45,749,747	1.91
Swire Pacific Ltd-A	358,000	40,919,400	1.71
Technic Industries Co	2,090,500	19,420,745	0.81
Television Broadcasts Ltd	374,000	19,223,600	0.80
The Link REIT	1,395,500	37,050,525	1.55
Vaironix International Ltd	2,625,000	13,230,000	0.55
VTech Holdings Ltd	207,100	19,063,555	0.80
Wharf (Holdings) Ltd	612,250	33,092,112	1.38
Whedock & Co Ltd	612,000	19,094,400	0.80
Wynn Macau Ltd	922,400	23,382,840	0.98
Xingda International Holdings Ltd	1,253,000	9,510,270	0.40
Xinyi Glass Holdings Ltd	2,240,000	17,270,400	0.72
Yue Yuen Industrial (Holdings) Ltd	693,000	17,117,100	0.71
		1,337,905,381	55.89
<i>Singapore</i>			
China Minzhong Food Corp Ltd	1,612,000	15,315,640	0.64
<b>Total listed shares</b>		2,325,315,464	97.14
<b>Delisted shares</b>			
<i>Hong Kong</i>			
Moulin Global Eyecare Holdings	514,000	-	-
<b>Total investments</b>		2,325,315,464	97.14
<b>Other net assets</b>		68,444,621	2.86
<b>Total net asset value</b>		2,393,760,085	100.00
<b>Total cost of investments</b>		2,091,623,777	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.			

Principal Pension Bond Fund				
Investments	Maturity	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<b>Listed/quoted debt instruments</b>				
<i>Fixed coupon rate debt instruments</i>				
<i>Denominated in United States Dollar</i>				
Abbey National Treasury Services Plc London-4%	27/04/2016	930,000	7,182,174	0.28
Affiliated Computer Services Inc-5.2%	01/06/2015	470,000	3,991,895	0.16
Alfac Inc-3.45%	15/08/2015	3,780,000	30,043,454	1.17
Altria Group Inc-4.75%	05/05/2021	2,465,000	19,170,969	0.75
America Movil SAB de CV-5.625%	15/11/2017	660,000	5,765,936	0.23
American International Group Inc-3.65%	15/01/2014	1,500,000	11,896,755	0.46
American International Group Inc-5.85%	16/01/2018	650,000	5,293,292	0.21
AmerisourceBergen Corp-5.625%	15/09/2012	1,735,000	14,198,976	0.55
Amgen Inc-4.1%	15/06/2021	2,250,000	17,372,690	0.68
Anheuser-Busch InBev Worldwide Inc-4.125%	15/01/2015	3,900,000	32,642,604	1.28
Anheuser-Busch InBev Worldwide Inc-5%	15/04/2020	1,685,000	14,086,402	0.55
AON Corp-3.125%	27/05/2016	3,290,000	25,521,334	1.00
Arden Realty LP-5.25%	01/03/2015	1,000,000	8,440,829	0.33
AT&T Inc-2.5%	15/08/2015	2,685,000	21,168,163	0.83
AT&T Inc-2.9%	15/05/2016	3,245,000	25,577,392	1.00
Atmos Energy Corp-5.5%	15/06/2041	760,000	5,855,303	0.23
Baltimore Gas & Electric Co-5.9%	01/10/2016	335,000	2,995,806	0.12
Baltimore Gas & Electric Co-6.125%	01/07/2013	1,490,000	12,678,811	0.50
Banco Bradesco SA Cayman Islands-4.125%	16/05/2016	4,095,000	32,070,527	1.25
Banco Bradesco SA Cayman Islands-8.75%	24/10/2013	310,000	2,717,198	0.11
Banco Santander Chile-3.75%	22/09/2015	125,000	980,121	0.04
Bank of America Corp-3.625%	17/03/2016	3,485,000	27,200,474	1.06
Bank of America Corp-5.625%	01/07/2020	465,000	3,736,567	0.15
Bank of America Corp-6.5%	01/08/2016	500,000	4,339,788	0.17
Barclays Bank Plc-2.5%	23/01/2013	3,325,000	26,353,182	1.03
Barrick Gold Corp-2.9%	30/05/2016	1,500,000	11,664,713	0.46
BP Capital Markets Plc-3.125%	01/10/2015	3,080,000	24,610,299	0.96
BPCE SA-2.375%	04/10/2013	3,345,000	26,455,779	1.03
Broadcom Corp-1.5%	01/11/2013	1,605,000	12,520,178	0.49
Burlington Northern Santa Fe Corp-5.65%	01/05/2017	2,004,000	17,719,693	0.69
Cameron International Corp-6.375%	15/07/2018	1,405,000	12,491,098	0.49
Capital One Financial Corp-5.7%	15/09/2011	415,000	3,262,206	0.13
CBS Corp-5.75%	15/04/2020	1,250,000	10,543,838	0.41
CBS Corp-8.875%	15/05/2019	1,195,000	11,855,542	0.46
Cia de Bebidas das Americas-8.75%	15/09/2013	200,000	1,786,107	0.07
Cingular Wireless-6.5%	15/12/2011	300,000	2,394,345	0.09
Citigroup Inc-3.953%	15/06/2016	2,410,000	19,200,735	0.75
Citigroup Inc-5.875%	29/05/2037	350,000	2,700,814	0.11
Citigroup Inc-6.125%	21/11/2017	1,085,000	9,326,143	0.36
Citigroup Inc-6.125%	15/05/2018	1,965,000	16,840,901	0.66
City National Corp CA-5.25%	15/09/2020	500,000	3,980,030	0.16
Coca-Cola Femsa SAB de CV-4.625%	15/02/2020	118,000	939,063	0.04
Comcast Corp-4.95%	15/06/2016	1,400,000	11,960,580	0.47
Commonwealth Edison Co-4.7%	15/04/2015	335,000	2,840,276	0.11
Commonwealth Edison Co-6.15%	15/09/2017	4,500,000	40,531,910	1.58
ConAgra Foods Inc-6.75%	15/09/2011	62,000	488,272	0.02
ConocoPhillips-4.6%	15/01/2015	4,700,000	40,402,364	1.58
ConocoPhillips-5.75%	01/02/2019	1,500,000	13,425,394	0.52
Countrywide Financial Corp-6.25%	15/05/2016	1,690,000	13,860,520	0.54
COX Communications Inc-5.45%	15/12/2014	825,000	7,156,015	0.28
COX Communications Inc-5.5%	01/10/2015	2,685,000	23,456,703	0.92

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

### Principal Pension Bond Fund *(continued)*

Investments	Maturity	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Fixed coupon rate debt instruments (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
CRH America Inc-4.125%	15/01/2016	965,000	7,683,808	0.30
CRH America Inc-5.75%	15/01/2021	650,000	5,289,063	0.21
CSX Transportation Inc-6.251%	15/01/2023	556,049	5,082,575	0.20
CVS Caremark Corp-3.25%	18/05/2015	3,100,000	25,039,184	0.98
CVS Caremark Corp-6.6%	15/03/2019	870,000	7,858,960	0.31
Daimler Finance North America LLC-5.75%	08/09/2011	515,000	4,044,440	0.16
Daimler Finance North America LLC-7.3%	15/01/2012	1,045,000	8,415,921	0.33
Danske Bank A/S-3.875%	14/04/2016	1,330,000	10,242,816	0.40
DIRECTV Holdings LLC / DIRECTV Financing Co Inc-3.5%	01/03/2016	2,690,000	21,609,622	0.84
DIRECTV Holdings LLC / DIRECTV Financing Co Inc-5%	01/03/2021	925,000	7,456,180	0.29
DIRECTV Holdings LLC / DIRECTV Financing Co Inc-5.875%	01/10/2019	1,195,000	10,314,581	0.40
DIRECTV Holdings LLC / DIRECTV Financing Co Inc-7.625%	15/05/2016	535,000	4,538,423	0.18
Discovery Communications LLC-3.7%	01/06/2015	1,430,000	11,709,969	0.46
Discovery Communications LLC-4.375%	15/06/2021	910,000	7,012,860	0.27
Discovery Communications LLC-6.35%	01/06/2040	490,000	4,050,432	0.16
Dr Pepper Snapple Group Inc-2.9%	15/01/2016	1,565,000	12,325,415	0.48
Duke Energy Corp-3.95%	15/09/2014	3,700,000	30,623,826	1.20
Edison International-3.75%	15/09/2017	1,525,000	11,922,111	0.47
Erac USA Finance Co-7%	15/10/2037	430,000	3,682,264	0.14
ERAC USA Finance LLC-2.25%	10/01/2014	2,125,000	16,702,943	0.65
Express Scripts Inc-3.125%	15/05/2016	2,040,000	15,973,335	0.62
General Electric Co-5.25%	06/12/2017	370,000	3,190,048	0.12
Genzyme Corp-5%	15/06/2020	980,000	8,190,641	0.32
Grupo Televisa SA-6%	15/05/2018	205,000	1,734,421	0.07
Hana Bank-4%	03/11/2016	225,000	1,766,320	0.07
Harley-Davidson Financial Services Inc-3.875%	15/03/2016	2,540,000	20,104,767	0.79
Highmark Inc-4.75%	15/05/2021	1,235,000	9,537,637	0.37
Home Depot Inc-4.4%	01/04/2021	2,480,000	19,393,917	0.76
Home Depot Inc-5.4%	01/03/2016	2,665,000	23,175,870	0.91
HRPT Properties Trust-6.5%	15/01/2013	800,000	6,462,945	0.25
HSBC Bank Plc-3.1%	24/05/2016	1,650,000	12,756,397	0.50
HSBC Finance Corp-6.676%	15/01/2021	2,239,000	17,878,525	0.70
ICICI Bank Ltd-5.5%	25/03/2015	275,000	2,247,513	0.09
JP Morgan Chase & Co-6.3%	23/04/2019	555,000	4,868,487	0.19
KeyBank NA-5.45%	03/03/2016	540,000	4,559,430	0.18
KeyCorp-5.1%	24/03/2021	1,890,000	14,981,130	0.59
Kinder Morgan Energy Partners LP-5.125%	15/11/2014	4,000,000	34,169,973	1.34
Kraft Foods Inc-4.125%	09/02/2016	2,550,000	21,220,873	0.83
Kraft Foods Inc-5.375%	10/03/2020	1,570,000	13,357,439	0.52
Kraft Foods Inc-6.25%	01/06/2012	676,000	5,523,548	0.22
Liberty Mutual Group Inc-5%	01/06/2021	1,385,000	10,206,800	0.40
Lincoln National Corp-5.65%	27/08/2012	580,000	4,730,079	0.18
Lloyds TSB Bank Plc-5.5%	14/09/2020	4,410,000	32,374,702	1.27
Medco Health Solutions Inc-6.125%	15/03/2013	1,749,000	14,678,127	0.57
Medco Health Solutions Inc-7.25%	15/08/2013	1,345,000	11,654,445	0.46
Merrill Lynch & Co Inc-5%	15/01/2015	575,000	4,737,140	0.19
Merrill Lynch & Co Inc-5.45%	15/07/2014	425,000	3,561,110	0.14
Merrill Lynch & Co Inc-5.77%	25/07/2011	500,000	3,890,281	0.15
Merrill Lynch & Co Inc-6.4%	28/08/2017	870,000	7,390,938	0.29
Merrill Lynch & Co Inc-6.875%	15/11/2018	1,130,000	9,715,985	0.38

### Principal Pension Bond Fund *(continued)*

Investments	Maturity	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Fixed coupon rate debt instruments (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Mexico Government-5.625%	15/01/2017	3,295,000	29,144,028	1.14
Mexico Government-6.625%	03/03/2015	1,615,000	14,592,492	0.57
Morgan Stanley-4%	24/07/2015	5,000,000	39,601,411	1.55
Morgan Stanley-5.625%	23/09/2019	1,540,000	12,298,605	0.48
Morgan Stanley-5.95%	28/12/2017	2,295,000	19,201,487	0.75
Morgan Stanley-6.25%	28/08/2017	1,830,000	15,401,912	0.60
National City Bank Cleveland OH-4.625%	01/05/2013	1,250,000	10,252,671	0.40
National Retail Properties Inc-5.5%	15/07/2021	1,230,000	9,365,715	0.37
Nationwide Financial Services-5.375%	25/03/2021	1,685,000	13,171,893	0.51
NBC Universal Inc-5.1%	30/04/2020	5,675,000	46,635,238	1.82
News America Inc-4.5%	15/02/2021	260,000	1,996,989	0.08
Nordstrom Inc-6.25%	15/01/2018	705,000	6,340,003	0.25
Northrop Grumman Corp-3.7%	01/08/2014	2,055,000	16,971,166	0.66
Occidental Petroleum Corp-2.5%	01/02/2016	3,400,000	26,835,579	1.05
Oncor Electric Delivery-6.375%	01/05/2012	410,000	3,327,869	0.13
ONEOK Partners LP-3.25%	01/02/2016	3,500,000	27,705,952	1.08
ORIX Corp-5%	12/01/2016	4,715,000	38,079,021	1.49
PacificCorp-3.85%	15/06/2021	2,250,000	17,412,194	0.68
Petrobras International Finance Co-6.125%	06/10/2016	315,000	2,729,323	0.11
Petrobras International Finance Co-7.875%	15/03/2019	505,000	4,759,150	0.19
Petroleros Mexicanos-4.875%	15/03/2015	340,000	2,864,386	0.11
PNC Funding Corp-5.25%	15/11/2015	3,000,000	25,440,020	0.99
Progress Energy Inc-4.4%	15/01/2021	2,930,000	23,054,171	0.90
Prudential Financial Inc-3%	12/05/2016	3,910,000	30,161,848	1.18
Prudential Financial Inc-3.875%	14/01/2015	1,400,000	11,372,608	0.44
Republic Services Inc-3.8%	15/05/2018	2,915,000	22,783,445	0.89
Rio Tinto Finance USA Ltd-1.875%	02/11/2015	1,915,000	14,688,470	0.57
Royal Bank of Scotland Group Plc-4.7%	03/07/2018	43,000	289,514	0.01
Royal Bank of Scotland Plc-3.4%	23/08/2013	4,000,000	31,854,183	1.25
RSHB Capital SA for OJSC Russian Agricultural Bank-7.125%	14/01/2014	165,000	1,390,070	0.05
Russian Foreign Bond Eurobond-3.625%	29/04/2015	200,000	1,599,324	0.06
Santander Holdings USA Inc-4.625%	19/04/2016	1,540,000	12,044,723	0.47
Santander US Debt SA Unipersonal-2.991%	07/10/2013	500,000	3,882,447	0.15
Shell International Finance BV-3.1%	28/06/2015	2,900,000	23,587,359	0.92
Simon Property Group LP-4.375%	01/03/2021	2,445,000	18,728,778	0.73
South Africa Government-5.5%	09/03/2020	1,210,000	10,288,014	0.40
South Africa Government-6.5%	02/06/2014	400,000	3,491,274	0.14
State Bank of India London-4.5%	23/10/2014	230,000	1,848,159	0.07
Suncor Energy Inc-6.1%	01/06/2018	2,028,000	17,949,914	0.70
TD Ameritrade Holding Corp-2.95%	01/12/2012	1,750,000	13,930,172	0.54
Teck Resources Ltd-6.25%	15/07/2014	625,000	4,910,879	0.19
Telecom Italia Capital SA-5.25%	15/01/2013	1,345,000	10,988,601	0.43
Telefonica Emisiones SAU-3.729%	27/04/2015	1,810,000	14,342,585	0.56
Telefonica Emisiones SAU-3.992%	16/02/2016	3,095,000	24,364,704	0.95
Telefonica Emisiones SAU-5.462%	16/02/2021	565,000	4,463,905	0.17
Telefonos de Mexico SAB de CV-5.5%	27/01/2015	205,000	1,739,371	0.07
Teva Pharmaceutical Finance II BV-3%	15/06/2015	940,000	7,527,849	0.29
Texas Instruments Inc-2.375%	16/05/2016	3,015,000	23,471,767	0.92
The Goldman Sachs Group Inc-6%	15/06/2020	1,260,000	10,551,220	0.41
The Goldman Sachs Group Inc-6.25%	01/02/2041	445,000	3,491,555	0.14
Thermo Fisher Scientific Inc-3.2%	01/03/2016	2,100,000	16,830,316	0.66
Time Warner Cable Inc-5.4%	02/07/2012	3,170,000	25,790,282	1.01
Time Warner Inc-4.75%	29/03/2021	395,000	3,127,162	0.12

# INVESTMENT REPORT *(continued)*

## Portfolio statement as at 30 June 2011

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Fixed coupon rate debt instruments (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
TNK-BP Finance SA-7.25%	02/02/2020	220,000	1,891,950	0.07
Total Capital SA-3%	24/06/2015	1,160,000	9,392,486	0.37
Tyco Electronics Group SA-6%	01/10/2012	515,000	4,249,908	0.17
Tyco International Finance SA-4.125%	15/10/2014	3,235,000	26,781,475	1.05
Tyco International Finance SA-6%	15/11/2013	800,000	6,882,701	0.27
Tyco/US International Finance SA-7%	15/12/2019	2,090,000	19,323,818	0.76
United States Treasury Note/Bond-1.75%	31/05/2016	1,900,000	14,810,008	0.58
United States Treasury Note/Bond-2.25%	31/05/2014	1,520,000	12,331,386	0.48
United States Treasury Note/Bond-3.125%	15/05/2021	2,440,000	18,936,184	0.74
United States Treasury Note/Bond-3.375%	31/07/2013	1,500,000	12,378,899	0.48
United States Treasury Note/Bond-3.625%	15/08/2019	2,000,000	16,584,239	0.65
US Bancorp-3.15%	04/03/2015	2,500,000	20,318,210	0.79
US Bancorp-4.125%	24/05/2021	1,240,000	9,594,346	0.37
Vale Overseas Ltd-5.625%	15/09/2019	610,000	5,066,691	0.20
Verizon Communications Inc-4.6%	01/04/2021	2,000,000	16,060,080	0.63
Wachovia Corp-5.25%	01/08/2014	8,500,000	70,906,123	2.77
Wesfarmers Ltd-2.983%	18/05/2016	1,495,000	11,669,392	0.46
Xerox Corp-6.75%	01/02/2017	2,625,000	23,855,405	0.93
<b>Total fixed coupon rate debt instruments</b>			<b>2,343,036,450</b>	<b>91.59</b>
<i>Floating coupon rate debt instruments</i>				
<i>Denominated in United States Dollar</i>				
General Electric Capital Corp-Floating	15/11/2067	2,220,000	17,709,307	0.69
US Bank NA-Floating	29/04/2020	4,720,000	38,031,020	1.49
Wells Fargo Bank NA-Floating	16/05/2016	2,775,000	20,120,882	0.79
<b>Total floating coupon rate debt instruments</b>			<b>75,861,209</b>	<b>2.97</b>
<b>Total investments</b>			<b>2,418,897,659</b>	<b>94.56</b>
<b>Other net assets</b>			<b>139,146,205</b>	<b>5.44</b>
<b>Total net asset value</b>			<b>2,558,043,864</b>	<b>100.00</b>
<b>Total cost of investments</b>			<b>2,348,027,226</b>	

\* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.

Principal US Equity Fund			
Investments	*Portfolio holdings	Market value HK\$/HK\$ equivalent	% of NAV
<i>Listed shares</i>			
<i>United States</i>			
Accenture Plc-A	13,633	6,410,573	1.10
ACE Ltd	10,873	5,569,702	0.96
Aetna Inc	24,136	8,281,903	1.42
AGCO Corp	6,654	2,556,128	0.44
Agilent Technologies Inc	5,824	2,316,605	0.40
Ameriprise Financial Inc	21,325	9,572,801	1.64
AmerisourceBergen Corp	9,527	3,069,596	0.53
Anadarko Petroleum Corp	2,432	1,452,858	0.25
Apple Inc	8,926	23,318,152	4.00
AT&T Inc	19,976	4,883,163	0.84
Baker Hughes Inc	11,528	6,509,925	1.12
BJ's Wholesale Club Inc	11,802	4,624,660	0.79
BMC Software Inc	12,548	5,341,787	0.92
Bristol-Myers Squibb Co	22,582	5,089,624	0.87
Capital One Financial Corp	22,276	8,957,780	1.54
Cardinal Health Inc	22,306	7,884,852	1.35
Caterpillar Inc	5,320	4,407,810	0.76
CB Richard Ellis Group Inc	9,668	1,889,331	0.32
CBS Corp-B	43,413	9,625,803	1.65
CF Industries Holdings Inc	2,831	3,121,350	0.54
Chevron Corp	20,949	16,766,796	2.87
Citigroup Inc	8,097	2,623,974	0.45
Comcast Corp-A	46,738	9,217,252	1.58
Constellation Brands Inc-A	16,717	2,708,718	0.46
CSX Corp	25,995	5,304,534	0.91
DIRECTV-A	17,835	7,053,952	1.21
Discover Financial Services	19,805	4,123,095	0.71
Dover Corp	10,688	5,639,633	0.97
Duke Energy Corp	62,784	9,200,767	1.58
Eaton Corp	20,019	8,015,904	1.37
El Du Pont de Nemours & Co	13,365	5,621,981	0.96
EMC Corp Massachusetts	38,837	8,327,066	1.43
Exxon Mobil Corp	26,065	16,508,216	2.83
FirstEnergy Corp	23,361	8,026,882	1.38
Forest Laboratories Inc	23,910	7,320,465	1.26
Freeport-McMoRan Copper & Gold Inc	25,008	10,295,782	1.77
Frontier Oil Corp	21,000	5,280,572	0.91
Gardner Denver Inc	3,842	2,513,158	0.43
General Electric Co	130,356	19,133,633	3.28
Google Inc-A	1,915	7,546,925	1.29
Hess Corp	12,301	7,157,056	1.23
Home Depot Inc	19,654	5,540,183	0.95
Humana Inc	9,393	5,887,632	1.01
Huntington Bancshares Inc	82,565	4,215,262	0.72
Intel Corp	19,523	3,366,984	0.58
International Business Machines Corp	80	106,808	0.02
International Paper Co	15,198	3,527,108	0.60
Interpublic Group of Companies Inc	28,665	2,788,603	0.48
JPMorgan Chase & Co	53,999	17,205,143	2.95
Lorillard Inc	4,677	3,962,783	0.68
M&T Bank Corp	5,737	3,926,860	0.67
Macy's Inc	29,010	6,601,609	1.13
Marathon Oil Corp	24,270	9,950,394	1.71
Micron Technology Inc	28,159	1,639,244	0.28
Microsoft Corp	16,324	3,303,122	0.57
Motorola Inc	16,171	5,794,246	0.99
National Oilwell Varco Inc	12,065	7,343,690	1.26
Navistar International Corp	4,437	1,949,643	0.33
NetApp Inc	5,668	2,328,220	0.40
Netflix Inc	840	1,717,306	0.29
Oracle Corp	66,994	17,158,863	2.94

# INVESTMENT REPORT *(continued)*

**Portfolio statement as at 30 June 2011**

Principal US Equity Fund <i>(continued)</i>			
Investments	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed shares (continued)</i>			
<i>United States (continued)</i>			
Parker Hannifin Corp	3,891	2,717,515	0.47
Pfizer Inc	91,448	14,661,086	2.51
Philip Morris International Inc	20,532	10,669,335	1.83
PPL Corp	15,985	3,462,187	0.59
Priceline.com Inc	1,567	6,243,158	1.07
Prudential Financial Inc	21,856	10,816,437	1.86
Qualcomm Inc	14,821	6,550,495	1.12
Red Hat Inc	11,300	4,036,601	0.69
Ross Stores Inc	4,527	2,822,774	0.48
Safeway Inc	12,174	2,214,199	0.38
SanDisk Corp	10,883	3,514,969	0.60
Signet Jewelers Ltd	11,342	4,131,931	0.71
Starbucks Corp	165	50,710	0.01
Symantec Corp	28,894	4,434,445	0.76
The Coca-Cola Co	23,573	12,344,972	2.12
The Goldman Sachs Group Inc	1,380	1,429,385	0.25
The Travelers Companies Inc	8,208	3,729,290	0.64
Thermo Fisher Scientific Inc	11,782	5,904,215	1.01
Timken Co	2,848	1,117,108	0.19
Tyson Foods Inc-A	45,515	6,879,051	1.18
United Technologies Corp	12,940	8,913,563	1.53
UnitedHealth Group Inc	37,850	15,193,994	2.61
US Bancorp	51,492	10,222,920	1.75
Verizon Communications Inc	46,139	13,368,600	2.29
Wal-Mart Stores Inc	33,130	13,701,487	2.35
Western Digital Corp	13,660	3,867,569	0.66
		574,582,463	98.54
<hr style="border-top: 1px dashed black;"/>			
<b>Total investments</b>		574,582,463	98.54
<b>Other net assets</b>		8,490,783	1.46
<b>Total net asset value</b>		583,073,246	100.00
<b>Total cost of investments</b>		514,684,489	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.			

Principal US Dollar Savings Fund				
Investments	Maturity	*Portfolio holdings	Market value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed/quoted debt instruments</i>				
<i>Fixed coupon rate debt instruments</i>				
<i>Denominated in United States Dollar</i>				
United States Treasury Bill-0%	07/07/2011	1,300,000	10,117,360	16.83
United States Treasury Bill-0%	21/07/2011	1,300,000	10,117,269	16.83
United States Treasury Bill-0%	15/12/2011	400,000	3,111,885	5.18
United States Treasury Note/Bond-1%	30/09/2011	700,000	5,460,590	9.08
United States Treasury Note/Bond-1%	31/12/2011	2,000,000	15,632,691	26.00
United States Treasury Note/Bond-1.125%	15/12/2011	975,000	7,623,009	12.68
<b>Total investments</b>			52,062,804	86.60
<b>Other net assets</b>			8,059,060	13.40
<b>Total net asset value</b>			60,121,864	100.00
<b>Total cost of investments</b>			52,158,571	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.				

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

Principal Asian Equity Fund	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<i>Listed shares (by country)</i>		
China	26.16	25.98
Hong Kong	9.23	12.00
Indonesia	2.90	2.42
Malaysia	5.72	4.33
Philippines	2.18	1.80
Singapore	6.55	5.06
South Korea	24.07	22.47
Taiwan	16.72	20.21
Thailand	3.38	3.78
	96.91	98.05
Other net assets	3.09	1.95
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

Principal China Equity Fund	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<i>Listed shares (by industry sector)</i>		
Consumer discretionary	7.88	7.19
Consumer staples	4.28	4.22
Energy	19.44	18.62
Financials	35.91	34.83
Health Care	-	0.85
Industrial	6.11	7.40
Information technology	6.97	7.03
Materials	4.84	6.05
Telecommunication services	9.24	10.07
Utilities	2.13	1.27
	96.80	97.53
Other net assets	3.20	2.47
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

Principal European Equity Fund	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<i>Listed shares (by country)</i>		
Belgium	1.06	1.18
Denmark	2.53	2.97
Finland	4.12	3.79
France	12.34	13.04
Germany	14.08	12.10
Ireland	0.71	0.30
Italy	1.68	1.19
Netherlands	3.69	4.27
Norway	3.64	3.59
Portugal	0.52	0.78
Spain	3.15	3.00
Sweden	7.88	7.87
Switzerland	10.05	10.62
United Kingdom	31.85	32.75
	97.30	97.45
Other net assets	2.70	2.55
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

Principal International Equity Fund	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<i>Listed shares (by country)</i>		
Australia	2.58	1.75
Belgium	0.25	-
Brazil	0.65	1.75
Canada	3.71	3.04
China	2.28	3.50
Denmark	0.94	1.02
Finland	1.21	0.81
France	2.98	2.20
Germany	4.53	5.19
Hong Kong	0.33	1.17
India	0.42	0.45
Ireland	0.40	-
Israel	-	0.72
Italy	0.96	0.24
Japan	9.68	10.92
Malaysia	-	0.20
Mexico	0.90	0.35
Netherlands	0.87	1.40
Norway	0.86	1.37
Russian Federation	1.43	1.18
Singapore	1.06	-
South Korea	2.56	3.67
Spain	0.61	1.38
Sweden	1.79	2.13
Switzerland	1.62	1.45
Taiwan	1.45	1.34
Turkey	0.41	0.35
United Kingdom	9.76	7.80
United States	44.61	43.83
	98.85	99.21
Other net assets	1.15	0.79
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

Principal International Bond Fund	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<i>Listed/quoted debt instruments (by currency)</i>		
Australian Dollar	1.36	1.22
British Pound	4.98	4.58
Canadian Dollar	2.51	2.30
Czech Koruna	0.23	0.22
Danish Krone	0.41	0.37
Euro	26.00	24.81
Hungarian Forint	0.12	0.11
Japanese Yen	19.39	19.12
Mexican Peso	0.28	0.29
New Zealand Dollar	0.20	0.21
Norwegian Krone	0.12	0.09
Polish Zloty	0.57	0.56
Singapore Dollar	0.25	0.26
South African Rand	0.18	0.20
South Korean Won	0.78	0.81
Swedish Krona	0.82	0.48
Swiss Franc	0.75	0.72
Thai Baht	0.12	0.13
United States Dollar	38.20	40.66
	97.27	97.14
<i>Certificates of deposit (by currency)</i>		
United States Dollar	0.15	0.16
	97.42	97.30
Other net assets	2.58	2.70
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

Principal Hong Kong Bond Fund	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<i>Listed/quoted debt instruments</i>		
Certificates of deposit	12.52	-
Non-certificates of deposit	84.92	-
	97.44	-
Other net assets	2.56	-
<b>Total net assets</b>	<b>100.00</b>	<b>-</b>

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

Principal Hong Kong Dollar Savings Fund		
	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<i>Listed/quoted debt instruments</i>		
Certificates of deposit	39.46	38.15
Non-certificates of deposit	24.26	23.30
	63.72	61.45
Other net assets	36.28	38.55
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

Principal Hong Kong Equity Fund		
	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<i>Listed shares (by industry sector)</i>		
Consumer discretionary	15.31	9.55
Consumer staples	1.36	0.73
Energy	8.48	7.32
Financials	44.40	43.87
Health care	-	0.87
Industrial	8.09	12.29
Information technology	4.40	5.88
Materials	3.78	5.84
Telecommunication services	6.27	5.91
Utilities	5.05	5.47
	97.14	97.73
Other net assets	2.86	2.27
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

Principal Pension Bond Fund	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<b>Listed/quoted debt instruments</b>		
Fixed coupon rate debt instruments	91.59	91.73
Floating coupon rate debt instruments	2.97	0.70
	94.56	92.43
Other net assets	5.44	7.57
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

Principal US Equity Fund	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
<b>Listed shares (by industry sector)</b>		
Consumer discretionary	9.56	9.64
Consumer staples	9.79	9.80
Energy	12.18	12.39
Financials	14.46	15.14
Health care	12.97	10.06
Industrial	10.68	11.53
Information technology	18.35	19.04
Materials	3.87	4.58
Telecommunication services	3.13	2.66
Utilities	3.55	3.01
	98.54	97.85
Other net assets	1.46	2.15
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

Principal US Dollar Savings Fund	% of net assets as at 30 June 2011	% of net assets as at 31 December 2010
Listed/quoted debt instruments		
Fixed coupon rate debt instruments	86.60	83.38
Other net assets	13.40	16.62
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

# STATEMENT OF ASSETS AND LIABILITIES

As at 30 June 2011  
(Expressed in Hong Kong dollar)

	Principal Asian Equity Fund \$	Principal China Equity Fund \$	Principal European Equity Fund \$	Principal International Equity Fund \$	Principal International Bond Fund \$	Principal Hong Kong Bond Fund \$	Principal Hong Kong Dollar Savings Fund \$	Principal Hong Kong Equity Fund \$	Principal Pension Bond Fund \$	Principal US Equity Fund \$	Principal US Dollar Savings Fund \$	The Fund \$
<b>Assets</b>												
Investments	2,737,928,733	1,372,301,691	384,482,468	1,925,509,994	2,551,453,378	378,047,099	693,168,912	2,325,315,464	2,418,897,659	574,582,463	52,062,804	15,413,750,665
Account receivables	15,478,880	15,215,996	623,160	2,942,216	30,237,073	982,835	4,949,893	16,260,981	27,930,152	542,321	100,312	115,263,819
Amounts receivable from brokers	8,233,037	-	1,049,791	-	-	-	-	11,307,797	135,807,890	-	-	156,398,515
Amounts receivable on subscriptions	3,753,812	3,525,572	172,226	857,918	1,739,162	62,756	1,267,038	2,478,009	400,956	141,158	10,328	14,409,435
Cash at banks	63,931,865	28,879,946	14,563,010	19,647,461	65,850,417	23,878,546	429,036,538	78,865,075	71,403,157	9,287,927	7,961,448	813,305,390
	2,829,326,327	1,419,923,205	400,891,155	1,948,957,589	2,649,280,030	402,971,236	1,128,422,381	2,434,227,326	2,654,439,814	584,553,869	60,134,892	16,513,127,824
<b>Liabilities</b>												
Amounts payable to brokers	2,319,842	-	5,526,345	-	29,159,632	14,983,603	39,963,206	37,822,098	96,319,713	1,423,088	-	227,517,527
Amounts payable on redemptions	1,499,996	1,931,695	152,360	1,006,991	930,499	-	536,431	2,132,893	-	35,092	10,401	8,236,358
Accrual and other payables	263,643	262,737	69,961	90,276	276,955	2,540	57,204	512,250	76,237	22,443	2,627	1,636,873
	4,083,481	2,194,432	5,748,666	1,097,267	30,367,086	14,986,143	40,556,841	40,467,241	96,395,950	1,480,623	13,028	237,390,758
<b>Net asset value</b>	<b>2,825,242,846</b>	<b>1,417,728,773</b>	<b>395,142,489</b>	<b>1,947,860,322</b>	<b>2,618,912,944</b>	<b>387,985,093</b>	<b>1,087,865,540</b>	<b>2,393,760,085</b>	<b>2,558,043,864</b>	<b>583,073,246</b>	<b>60,121,864</b>	<b>16,275,737,066</b>
<b>Representing:</b>												
<b>Net assets attributable to unitholders</b>	<b>2,825,242,846</b>	<b>1,417,728,773</b>	<b>395,142,489</b>	<b>1,947,860,322</b>	<b>2,618,912,944</b>	<b>387,985,093</b>	<b>1,087,865,540</b>	<b>2,393,760,085</b>	<b>2,558,043,864</b>	<b>583,073,246</b>	<b>60,121,864</b>	<b>16,275,737,066</b>
<b>Number of units in issue</b>												
Pension class	73,975,052.1559	83,995,101.6007	30,337,095.4080	97,552,655.5767	125,166,591.7074	38,938,701.8155	85,586,003.2658	55,539,942.5225	187,672,132.3332	37,451,664.4083	5,768,777.9801	
Retail class	1,291,665.8459	14,163,657.1939	-	731,539.1035	53,508.4735	-	5,886,994.2585	15,329,430.0783	-	22,024.6346	-	
Investment class	262,804.0038	17,772,149.1068	9,745,747.0531	-	49,555,477.6802	-	-	24,397,295.6325	-	-	-	
<b>Net asset value per unit</b>												
Pension class	37.5522	12.5452	9.9419	19.8368	15.6645	9.9640	11.9429	26.0238	13.6304	15.5625	10.4219	
Retail class	33.1961	11.6666	-	17.3942	13.0023	-	11.1643	23.8856	-	10.5940	-	
Investment class	16.8833	11.1833	9.5974	-	13.2688	-	-	23.8652	-	-	-	

# STATEMENT OF ASSETS AND LIABILITIES *(continued)*

As at 31 December 2010 <i>(Expressed in Hong Kong dollar)</i>											
	Principal Asian Equity Fund	Principal China Equity Fund	Principal European Equity Fund	Principal International Equity Fund	Principal International Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal Pension Bond Fund	Principal US Equity Fund	Principal US Dollar Savings Fund	The Fund Fund
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>											
Investments	2,591,860,035	1,242,520,737	359,346,781	1,752,822,889	2,378,119,993	683,128,969	2,189,241,669	2,639,944,960	520,853,208	50,920,177	14,408,759,418
Account receivables	1,407,937	-	411,390	1,533,929	30,710,329	3,542,388	2,208,524	30,351,492	440,298	97,907	70,704,194
Amounts receivable from brokers	-	-	-	-	-	-	-	52,974,124	6,352,734	-	59,326,858
Amounts receivable on subscriptions	1,080,783	2,117,002	44,699	418,009	389,418	330,695	9,228,769	78,951	545,201	20,202	14,253,729
Cash at banks	50,939,988	30,236,151	9,097,072	12,367,206	35,668,190	429,417,007	41,882,195	179,633,721	10,497,986	10,207,264	810,146,780
	2,645,288,743	1,274,873,890	368,899,942	1,767,342,033	2,444,887,930	1,116,419,059	2,295,535,281	2,856,361,858	532,336,693	61,245,550	15,363,190,979
<b>Liabilities</b>											
Amounts payable to brokers	-	-	-	-	-	-	54,726,374	-	-	-	54,726,374
Amounts payable on redemptions	290,207	688,783	57,794	474,627	635,425	4,817,802	299,078	30,232	27,933	174,412	7,496,293
Accrual and other payables	1,510,403	241,349	78,973	116,910	265,929	74,040	489,124	121,081	37,039	4,081	2,938,929
	1,800,610	930,132	136,767	591,537	901,354	4,891,842	55,514,576	151,313	64,972	178,493	65,161,596
<b>Net asset value</b>	<b>2,643,488,133</b>	<b>1,273,943,758</b>	<b>368,763,175</b>	<b>1,766,750,496</b>	<b>2,443,986,576</b>	<b>1,111,527,217</b>	<b>2,240,020,705</b>	<b>2,856,210,545</b>	<b>532,271,721</b>	<b>61,067,057</b>	<b>15,298,029,383</b>
<b>Representing:</b>											
<b>Net assets attributable to unitholders</b>	<b>2,643,488,133</b>	<b>1,273,943,758</b>	<b>368,763,175</b>	<b>1,766,750,496</b>	<b>2,443,986,576</b>	<b>1,111,527,217</b>	<b>2,240,020,705</b>	<b>2,856,210,545</b>	<b>532,271,721</b>	<b>61,067,057</b>	<b>15,298,029,383</b>
<b>Number of units in issue</b>											
Pension class	71,454,611.4275	76,376,134.6636	31,420,088.4286	93,272,209.3132	128,339,161.9024	87,378,287.1083	53,410,615.1576	216,946,768.0467	36,494,433.6785	5,872,231.8813	-
Retail class	1,323,992.6553	12,067,387.9172	-	746,824.6564	52,135.5816	6,478,552.8779	11,539,319.5032	-	21,384.6097	-	-
Investment class	269,130.0143	15,085,726.2352	9,199,543.6111	-	42,343,867.1973	-	24,087,534.7160	-	-	-	-
<b>Net asset value per unit</b>											
Pension class	36.3340	12.5852	9.1382	18.8088	14.8635	11.8945	25.9556	13.1655	14.5790	10.3993	-
Retail class	32.3539	11.8063	-	16.6159	12.5174	11.1449	23.9971	-	10.2421	-	-
Investment class	16.4336	11.2866	8.8743	-	12.6526	-	23.9462	-	-	-	-

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