

PRINCIPAL LIFE STYLE FUND

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For The Year Ended 31 December 2015



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MANAGEMENT AND ADMINISTRATION

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Sub-Delegate of the Manager

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(for Principal Asian Equity Fund, Principal China Equity Fund, Principal Hong Kong Bond Fund, Principal Hong Kong Dollar Savings Fund, and Principal Hong Kong Equity Fund)

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MANAGER'S REPORT

The Manager has pleasure in presenting the Manager's report together with the performance of Principal Asian Equity Fund, Principal China Equity Fund, Principal European Equity Fund, Principal Hong Kong Bond Fund, Principal Hong Kong Dollar Savings Fund, Principal Hong Kong Equity Fund, Principal International Bond Fund, Principal International Equity Fund, Principal Pension Bond Fund and Principal U.S. Equity Fund (Sub-funds of Principal Life Style Fund and referred to individually or collectively as the "Sub-funds") for the year ended 31 December 2015.

Principal Asian Equity Fund

Market Review

Investors in emerging markets were subjected to central bank actions, declining commodity prices, a slowing rate of growth in China, fiscal uncertainty, and a strong U.S. dollar for much of 2015. A weak December capped a year of negative returns in 2015. Using the MSCI All Country World Index (USD) as a proxy, global equities declined 1.8% in December. During 2015, emerging markets declined 14.6% while developed markets declined 0.3%.

Portfolio Strategy and Outlook

The growth of the Chinese economy will continue to slow moving forward, but the structure of China's economy will become more balanced between investment and consumption. Exports are not likely to stabilize until the currency depreciates meaningfully. In Korea, weak global demand, especially from China, which is Korea's largest trading partner, continued to weigh on the market. Not surprisingly, the industrials were the worst performing sector. Taiwan's economy remains challenged early in the year and GDP growth will slow due to a lack of strong tech product cycles. The focus for 2016 in Thailand is on the new cabinet to deliver on its promise of increased infrastructure spending.

Principal China Equity Fund

Market Review

In 2015, the MSCI MPF China Index was down 8.3%. Information Technology, Consumer Discretionary and Telecommunication Service were the top performing sectors, while Consumer Staples, Energy and Materials lagged during the year.

Both the official manufacturing and services Purchasing Manager's Index ("PMI") improved from 49.6 and 53.6 in November to 49.7 and 54.4 in December. However, the Markit manufacturing PMI, which is more sensitive to exports, dropped from 48.6 to 48.2 in December due to weaker than expected external demand. The monetary policy remains loosening as M2 growth increased to 13.7% from 13.5%. Consumer Price Index ("CPI") increased to 1.5% year-over-year ("YoY") in November versus 1.3% in October, while Producer Price Index ("PPI") remained stable at -5.9%. RMB traded very weak after the Special Drawing Rights ("SDR") inclusion, onshore RMB depreciated around 2.0% against USD in December.

Portfolio Strategy and Outlook

The growth of Chinese economy will continue to slow down going forward, but the structure of China economy will become more balanced between investment and consumption. Export will not stabilize until RMB depreciates meaningfully. China has loosened fiscal and monetary policy since the 3rd quarter of 2015 to stabilize economic growth. As a result, RMB is under higher depreciation pressure with RMB supply increasing, which also increases the risk of capital outflow. We believe the Chinese government will allow more FX volatility, or more RMB downside, in exchange of sizable FX reserve. In term of sectors, we continue to like new economy and defensive sectors i.e. consumer, technology and telecommunications, where we can still see sustainable earnings growth. And we are paying more attention to companies that can benefit from weaker RMB.

Principal European Equity Fund

Market Review

The early part of the year was dominated by the European Central Bank's commencement of their quantitative easing ("QE") purchases which led to a growing optimism towards investment in Europe. Over the summer investors grew concerned about the impact of Greece's default on an International Monetary Fund ("IMF") payment. A referendum followed quickly when the electorate rejected more austerity, though by the end of the summer, the Greeks had accepted an outline bailout agreement, deeming the prospect of leaving the euro, and potentially the European union as worse than further austerity.

European markets rallied during the first half of the year under review, though gave up most of the gains in the second half, when measured in U.S. dollars. Local market returns were good, especially in some of the smaller markets, namely Denmark which rose 39.0%, Ireland 30.0% and Belgium 20.0%, but the U.S. dollar strengthened by over 10.0% during the year. Spain was the only market to produce a negative return, falling some 6.0% in euros terms.

Portfolio Strategy and Outlook

Investor sentiment closed the year with a somewhat dour tone amid worrisome geopolitical events. For the past several years, adverse geo-political developments have largely been shrugged off by markets as relatively isolated conflicts. However, the attack on Paris by ISIS in November, and the December San Bernardino shootings were somber reminders of the potential spreading global threats. Adding to the fray was the report of Turkey shooting down a Russian warplane, a set-back to progress on coordinated efforts to thwart ISIS and stabilize Syria and Iraq. Bold calls on market direction, macro policies or the political landscape are highly questionable in the best of times, and potentially disastrous amid more challenging environments. For our part, the view from the bottom-up remains our guide and mantra.

Principal Hong Kong Bond Fund

Principal Hong Kong Dollar Savings Fund

Market Review

Economic numbers showed that Hong Kong's growth drivers remained weak during the year. The Nikkei Purchasing Manager's Index ("PMI") remained in contractionary territory at 46.4. It was below the expansionary 50 mark in 11 of the 12 months of the year. Retail Sales (by Value) dropped average -3.0% year-over-year ("YoY") last 12 months while those by Volume average 1.0% YoY. Hong Kong home prices dropped -7.0% in the 4th quarter, based on the Overall Centaline Property Price Index, but were still up 2.6% for the year.

Globally, the two most important actions in December were from the U.S. Federal Reserve ("U.S. Fed") and European Central Bank ("ECB"). The U.S. Fed made its first rate hike since 2006. It was a consensus decision, with the new target fed funds rate set at 25-50 basis points ("bps") from 0-25 bps. On the other hand, ECB extended its quantitative easing ("QE") program by 6 months to March 2017, cut the deposit rate -10 bps to -30 bps and broadened purchases to include state-level/local government debt. It also affirmed its commitment to do more to achieve its 2.0% inflation goal, should conditions warrant.

Portfolio Strategy and Outlook

Our sector positioning is based on value remaining in spread product as well as stable to improving growth in the major organisation for Economic Cooperation and Development ("OECD") economies. We remain short duration as we feel global rates are still on a path to increased rates, but the increase in global volatility gets us a little more cautious. As we look at the fair value of rates, currently interest rates are significantly below fair value. Global growth also remains a key factor as we continue to anticipate the path of spreads.

Principal Hong Kong Equity Fund

Market Review

In 2015, the Hang Seng Index was down 3.9%. Information technology, telecommunication services, and financials were the top performing sectors, while energy, materials, and consumer discretionary sectors lagged during the year.

Hong Kong PMI fell to 46.4 in December, showing a broad-based deterioration at the end of 2015. Total retail sales value slumped by 8.0% year-over-year ("YoY") in November, making the ninth consecutive month of decline. Labor market is still holding up well as unemployment rate remains unchanged at 3.3%. For China, the Markit manufacturing PMI, which is more sensitive to exports, dropped from 48.6 to 48.2 in December due to weaker than expected external demand. RMB traded very weak after the Special Drawing Rights ("SDR") inclusion, onshore RMB depreciated around 2.0% against USD in December.

Portfolio Strategy and Outlook

While the strength of domestic labor market conditions should help to support Hong Kong domestic consumption, prospects for a stronger recovery of HK economy are limited by the continued slowdown in Mainland China and the likely appreciation of HKD pegged to the U.S. dollar.

The growth of Chinese economy will continue to slow down going forward, but the structure of China economy will become more balanced between investment and consumption. Export will not stabilize until RMB depreciates meaningfully. In term of sectors, we continue to like new economy and defensive sectors i.e. consumer, technology, and telecom, where we can still see sustainable earnings growth. And we are paying more attention to companies that can benefit from weaker RMB.

Principal International Bond Fund

Market Review

For yet another year, oil continued to decline in prices being driven by over-supply and concerns over global demand. In general global commodities are seeing significant declines in value. This has led to significant volatility in the global market. During the second half of the year, we saw a precipitous drop in Chinese stocks sent the market reeling with worries about slowing growth in China. This was followed by a surprise devaluation of the yuan. The combination of weakness in both the commodities and in Chinese economics has been the primary driver of the increased volatility for the year as well as spread widening for the year.

Portfolio Strategy and Outlook

We expect the U.S. economy to continue on a moderate growth path over the next year, core inflation in the U.S. to resume a slight upward trend through 2016, and global growth to remain slow. Oil prices have remained more volatile moving lower than we expected.

As 2016 moves forward we expect oil prices to rebound modestly. One of the main drivers of corporate spreads is profit margins. We expect profit margins to remain high for some time as economic growth expands, however we remain vigilant for signs of softness in corporate profits. We will continually reassess the corporate overweight as spreads tighten, volatility increases, or our fundamental outlook changes.

In Europe, the European Central Bank ("ECB") continues to have a strong presence with continued quantitative easing ("QE"). Given that backdrop, we expect rates to remain contained to the lower levels and spread product will continue to perform. We will remain overweight spread product in Europe.

Principal International Equity Fund

Market Review

During 2015, the global equity markets broadly saw total returns in the red with the MSCI MPF All Country World Index returning -2.1%. During the period, the health care, consumer staples and consumer discretionary sectors were the top performers while energy, materials and utilities lagged in performance. From a country perspective, Denmark, Ireland and Belgium led the performance while Greece, Brazil and Peru lagged its peers.

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.

The portfolio continues to have a relatively in-line weighting within the information technology sector as while Personal Computer ("PC") weakness is well known within the market, business and enterprise spending should begin to expand as the growth in the U.S. economy begins to accelerate leading us to favor the software and Information Technology services industries. In industrials, we see attractive opportunities largely through positions in the aerospace and defense industry. In the materials sector, we maintain our negative outlook for the mining sector as there are risks to the downside for companies with above average cost structures and high debt load in the low growth environment which have the makings of potential company specific default situations.

Principal Pension Bond Fund

Market Review

During the year, credit underperformed duration-matched Treasury securities by -1.7%. U.S. Treasury rates increased during the year, with the largest sell-offs coming at the front-end of the curve as the market adjusted to the first U.S. Federal ("Fed") Reserve rate hike in almost ten years. For the year, higher quality credit issuers outperformed with AAA-rated and AA-rated issuer bonds realizing excess returns of -0.1% and -0.0%, respectively. In comparison, A-rated issuer bonds realized -0.3% of excess performance, while BBB-rated issuer bonds realized -3.7% of excess performance.

Portfolio Strategy and Outlook

With the first rate hike of this tightening cycle behind us, the market has become increasingly more comfortable with the potential of the Fed taking a gradual approach to future rate increases. As the Fed remains data dependent, future increases in rates would be a sign of continued improvement in U.S. economic conditions and reduced risks of a global growth contagion. In addition, the market expects most other central banks to remain highly accommodative, which should help support demand for higher yielding U.S. fixed income assets. Low commodity prices will continue to weigh on emerging market countries, but should be offset by improved growth in U.S., Europe and Japan.

Corporate fundamentals remain strong, though there has been modest deterioration due to a strong U.S. dollar and low commodity prices combined with increased leverage. Issuance is expected to remain strong in 2016 due to continued Mergers and Acquisitions ("M&A") financing needs, and heavy supply could weigh on the market at times. However, continued central bank easing outside the U.S. should help support technicals.

MANAGER'S REPORT *(continued)*

Principal U.S. Equity Fund

Market Review

Over the 12-month period, the S&P 500 was up 1.4% as the MSCI World, MSCI World ex U.S., and MSCI Emerging Markets posted returns of -0.2%, -2.6%, and -14.6% respectively. Monetary policy has remained the focal point of the U.S. and world markets over the past year as the U.S. Federal Reserve ("U.S. Fed") and other central banks continue to hold interest rates near zero.

Throughout the year growth trends in emerging markets continued to trend downwards as growth subsided, the People's Bank of China ("PBoC") devalued the yuan/U.S. dollar rate by roughly 2.0% to align it with the market rate which greatly impacted the broader Asian markets. Most commodities saw falling prices over the last 12 months as the GS Commodity Index fell 25.0%.

Portfolio Strategy and Outlook

We own companies with favorable exposures to software and services end-markets with value-added capabilities that enable enterprises to achieve much needed expense savings via outsourcing arrangements. We continue to see opportunities in the gaming industry driven by the first console refresh cycle in seven years, which has reinvigorated content demand. We own a collection of financial services companies that we believe provide a balanced exposure to future interest rate risks while providing superior company specific attributes relative to peers. We are most positive on drug distribution companies benefiting from volumes growth in generic drugs and early signs of generic price inflation driven by consolidation in the industry.

Principal Asset Management Company (Asia) Limited

Hong Kong

5 February 2016

INVESTMENT REPORT

Performance table

Investment record as at 31 December 2015

	Net asset value per unit					Total net asset value HK\$
	Pension Class	Retail Class	Investment Class	I6 Class	^f R6 Class	
	HK\$	HK\$	HK\$	HK\$	HK\$	
Principal Asian Equity Fund	38.9012	32.2005	16.5853	-	-	3,487,294,634
Principal China Equity Fund	13.5490	11.6518	11.4385	-	8.5583	2,875,151,158
Principal European Equity Fund	12.8955	-	11.8047	-	-	701,733,684
Principal Hong Kong Bond Fund	11.1894	10.6417	-	-	9.9302	2,707,641,968
Principal Hong Kong Dollar Savings Fund	12.6817	11.5632	-	-	-	1,826,788,912
Principal Hong Kong Equity Fund	30.7459	26.4605	26.7083	10.0137	8.9534	4,833,616,938
Principal International Bond Fund	15.6295	11.3226	12.6559	-	-	2,891,892,245
Principal International Equity Fund	27.0169	22.1582	-	-	-	2,919,301,459
Principal Pension Bond Fund	16.0016	-	-	-	-	2,134,429,894
Principal U.S. Equity Fund	25.8657	15.2048	-	-	-	1,064,830,822

Investment record as at 31 December 2014

	Net asset value per unit					Total net asset value HK\$
	Pension Class	Retail Class	Investment Class	I6 Class	^f R6 Class	
	HK\$	HK\$	HK\$	HK\$	HK\$	
Principal Asian Equity Fund	42.1529	35.4015	18.1703	-	-	3,748,594,299
Principal China Equity Fund	14.5632	12.7410	12.4429	-	-	2,580,033,203
Principal European Equity Fund	12.2259	-	11.3262	-	-	585,270,890
Principal Hong Kong Bond Fund	10.8463	10.3896	-	-	-	1,925,546,660
Principal Hong Kong Dollar Savings Fund	12.5580	11.5113	-	-	-	1,682,748,079
Principal Hong Kong Equity Fund	31.9784	27.9131	28.1138	10.5192	-	5,103,758,618
Principal International Bond Fund	16.0975	11.8125	13.1660	-	-	2,620,905,976
Principal International Equity Fund	27.5481	22.9308	-	-	-	2,875,085,659
Principal Pension Bond Fund	15.8302	-	-	-	-	2,317,138,249
Principal U.S. Equity Fund	25.7670	15.3737	-	-	-	948,585,580

Investment record as at 31 December 2013

	Net asset value per unit					Total net asset value HK\$
	Pension Class	Retail Class	Investment Class	I6 Class	^f R6 Class	
	HK\$	HK\$	HK\$	HK\$	HK\$	
Principal Asian Equity Fund	41.5090	35.3663	18.0905	-	-	3,442,391,981
Principal China Equity Fund	13.2747	11.8135	11.4784	-	-	2,136,213,099
Principal European Equity Fund	12.7056	-	11.9017	-	-	564,037,298
Principal Hong Kong Bond Fund	10.4168	10.0496	-	-	-	1,483,613,592
Principal Hong Kong Dollar Savings Fund	12.4067	11.4634	-	-	-	1,493,004,250
Principal Hong Kong Equity Fund	30.6797	27.1596	27.2969	-	-	3,617,246,668
Principal International Bond Fund	16.1165	12.3064	13.3143	-	-	2,582,837,041
Principal International Equity Fund	26.9280	22.7457	-	-	-	2,723,922,135
Principal Pension Bond Fund	15.1551	-	-	-	-	2,162,450,588
Principal U.S. Equity Fund	22.8227	13.8685	-	-	-	728,605,373

^f R6 class was launched on 2 January 2015.

INVESTMENT REPORT (continued)
Performance table (continued)

Performance record for the year ended 31 December 2015				
	Fund expense ratio (%)	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund				
Pension Class	0.04%	48.9112	37.0683	(7.71)%
Retail Class	-	40.8928	30.8392	(9.04)%
Investment Class	1.14%	21.0112	15.8643	(8.72)%
Principal China Equity Fund				
Pension Class	0.03%	18.2263	12.5608	(6.96)%
Retail Class	-	15.8616	10.8594	(8.55)%
Investment Class	1.23%	15.5149	10.6433	(8.07)%
R6 Class [†]	-	11.9736	8.0266	(14.42)%
Principal European Equity Fund				
Pension Class	0.02%	13.7081	11.7471	5.48%
Investment Class	1.22%	12.6429	10.8800	4.22%
Principal Hong Kong Bond Fund				
Pension Class	0.01%	11.2318	10.8365	3.16%
Retail Class	-	10.6957	10.3798	2.43%
R6 Class [†]	-	10.0579	9.9215	-
Principal Hong Kong Dollar Savings Fund				
Pension Class	0.01%	12.6955	12.5535	0.99%
Retail Class	-	11.5878	11.5068	0.45%
Principal Hong Kong Equity Fund				
Pension Class	0.03%	39.2582	28.7460	(3.85)%
Retail Class	-	34.0799	24.8478	(5.20)%
Investment Class	1.23%	34.3527	25.0635	(5.00)%
I6 Class	1.03%	12.8657	9.3927	(4.81)%
R6 Class [†]	-	11.7680	8.4735	(10.47)%
Principal International Bond Fund				
Pension Class	0.01%	16.1440	15.4279	(2.91)%
Retail Class	-	11.8404	11.2362	(4.15)%
Investment Class	1.01%	13.1986	12.5484	(3.87)%
Principal International Equity Fund				
Pension Class	0.01%	29.2400	25.3916	(1.93)%
Retail Class	-	24.2024	20.9023	(3.37)%
Principal Pension Bond Fund				
Pension Class	0.00%	16.2046	15.8321	1.08%
Principal U.S. Equity Fund				
Pension Class	0.00%	27.2545	23.8684	0.38%
Retail Class	-	16.1296	14.1046	(1.10)%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR (unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year (for terminated Sub-fund/ fully redeemed class during the year) OR (unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception (for newly launched Sub-fund/ class)

[†] R6 Class was launched on 2 January 2015.

INVESTMENT REPORT *(continued)*
Performance table *(continued)*

Performance record for the year ended 31 December 2014				
	Fund expense ratio (%)	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund				
Pension Class	0.04%	45.7393	38.2642	1.55%
Retail Class	-	38.5938	32.5538	0.10%
Investment Class	1.14%	19.7870	16.6577	0.44%
Principal China Equity Fund				
Pension Class	0.03%	15.0947	12.1942	9.71%
Retail Class	-	13.2768	10.8183	7.85%
Investment Class	1.23%	12.9456	10.5235	8.40%
Principal European Equity Fund				
Pension Class	0.02%	13.5898	11.3051	(3.78)%
Investment Class	1.21%	12.6751	10.4991	(4.84)%
Principal Hong Kong Bond Fund				
Pension Class	0.02%	10.9169	10.4003	4.12%
Retail Class	-	10.4634	10.0319	3.38%
Principal Hong Kong Dollar Savings Fund				
Pension Class	0.01%	12.5619	12.4109	1.22%
Retail Class	-	11.5236	11.4503	0.42%
Principal Hong Kong Equity Fund				
Pension Class	0.03%	33.6933	28.6071	4.23%
Retail Class	-	29.5455	25.1973	2.77%
Investment Class	1.23%	29.7372	25.3442	2.99%
I6 Class	0.63%	11.1216	9.9529	5.19%
Principal International Bond Fund				
Pension Class	0.01%	16.8485	16.0287	(0.12)%
Retail Class	-	12.6015	11.7749	(4.01)%
Investment Class	1.01%	13.8467	13.1180	(1.11)%
Principal International Equity Fund				
Pension Class	0.01%	28.6356	25.5374	2.30%
Retail Class	-	24.0104	21.5021	0.81%
Principal Pension Bond Fund				
Pension Class	0.00%	15.9195	15.1706	4.45%
Principal U.S. Equity Fund				
Pension Class	0.00%	26.1634	21.8247	12.90%
Retail Class	-	15.6119	13.2357	10.85%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

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(unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
(for terminated Sub-fund/ fully redeemed class during the year) OR
(unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
(for newly launched Sub-fund/ class)

INVESTMENT REPORT (continued)
Performance table (continued)

Performance record for the year ended 31 December 2013	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	42.9624	36.5621	4.06%
Retail Class	36.9482	31.3806	2.57%
Investment Class	18.8591	16.0256	2.91%
Principal China Equity Fund			
Pension Class	13.7351	10.7442	7.29%
Retail Class	12.2398	9.6456	5.45%
Investment Class	11.8883	9.3478	6.00%
Principal European Equity Fund			
Pension Class	12.7056	10.0101	28.91%
Investment Class	11.9017	9.4867	27.39%
Principal Hong Kong Bond Fund			
Pension Class	10.6697	10.2489	(1.61)%
Retail Class	10.3436	9.9207	(2.32)%
Principal Hong Kong Dollar Savings Fund			
Pension Class	12.4066	12.1890	1.81%
Retail Class	11.4634	11.3138	1.34%
Principal Hong Kong Equity Fund			
Pension Class	31.1707	25.9009	11.81%
Retail Class	27.6523	23.0959	10.22%
Investment Class	27.7607	23.1877	10.47%
Principal International Bond Fund			
Pension Class	16.4072	15.5437	(1.97)%
Retail Class	13.0101	12.1194	(5.61)%
Investment Class	13.6900	12.9027	(2.94)%
Principal International Equity Fund			
Pension Class	26.9279	21.5599	26.99%
Retail Class	22.7457	18.4748	25.14%
Principal Pension Bond Fund			
Pension Class	15.4237	14.7326	0.15%
Principal U.S. Equity Fund			
Pension Class	22.8227	17.4916	32.74%
Retail Class	13.8684	10.8681	29.74%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
 (unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
 (for terminated Sub-fund/ fully redeemed class during the year) OR
 (unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
 (for newly launched Sub-fund/ class)

INVESTMENT REPORT *(continued)*
Performance table *(continued)*

Performance record for the year ended 31 December 2012	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	40.1961	31.8699	26.18%
Retail Class	34.7460	27.9430	24.37%
Investment Class	17.7135	14.2365	24.45%
Principal China Equity Fund			
Pension Class	12.3849	10.0269	22.40%
Retail Class	11.2144	9.1687	20.28%
Investment Class	10.8396	8.8361	20.93%
Principal European Equity Fund			
Pension Class	9.9864	7.7494	21.52%
Investment Class	9.4702	7.3963	20.07%
Principal Hong Kong Bond Fund			
Pension Class	10.5868	10.1479	4.05%
Retail Class	10.2937	9.9368	3.25%
Principal Hong Kong Dollar Savings Fund			
Pension Class	12.1865	12.0074	1.51%
Retail Class	11.3121	11.1972	1.03%
Principal Hong Kong Equity Fund			
Pension Class	27.5059	21.7538	27.22%
Retail Class	24.7020	19.8079	25.42%
Investment Class	24.7721	19.8215	25.70%
Principal International Bond Fund			
Pension Class	16.5451	15.4453	6.07%
Retail Class	13.2027	12.6070	3.01%
Investment Class	13.8157	13.0151	5.01%
Principal International Equity Fund			
Pension Class	21.3675	17.6144	19.98%
Retail Class	18.3237	15.2271	18.20%
Principal Pension Bond Fund			
Pension Class	15.1525	13.9185	8.59%
Principal U.S. Equity Fund			
Pension Class	17.8579	15.1407	15.53%
Retail Class	11.1854	9.6662	9.38%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
 (unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
 (for terminated Sub-fund/ fully redeemed class during the year) OR
 (unit price at the end of the year - unit price at the date of inception)/ unit price at the date of inception
 (for newly launched Sub-fund/ class)

INVESTMENT REPORT (continued)
Performance table (continued)

Performance record for the year ended 31 December 2011

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	39,5841	28,1735	(12.99)%
Retail Class	34,9490	24,8008	(14.30)%
Investment Class	17,7787	12,6241	(14.05)%
Principal China Equity Fund			
Pension Class	13,5052	8,6427	(19.68)%
Retail Class	12,6026	7,9972	(21.11)%
Investment Class	12,0674	7,6781	(20.66)%
Principal European Equity Fund			
Pension Class	10,4019	7,2190	(11.25)%
Investment Class	10,0627	6,9456	(12.32)%
Principal Hong Kong Bond Fund			
Pension Class	10,3246	9,9093	1.75%
Retail Class	10,0593	9,9407	(0.35)%
Principal Hong Kong Dollar Savings Fund			
Pension Class	12,0054	11,8960	0.93%
Retail Class	11,1957	11,1459	0.46%
Principal Hong Kong Equity Fund			
Pension Class	27,3774	18,8273	(16.90)%
Retail Class	25,2937	17,2095	(18.13)%
Investment Class	25,2429	17,2073	(17.91)%
Principal International Bond Fund			
Pension Class	16,1826	14,6565	4.28%
Retail Class	13,3620	12,3324	1.12%
Investment Class	13,6895	12,4729	3.25%
Principal International Equity Fund			
Pension Class	20,6090	15,9606	(6.04)%
Retail Class	18,1187	13,9373	(7.46)%
Principal Pension Bond Fund			
Pension Class	14,0219	13,0976	5.85%
Principal U.S. Equity Fund			
Pension Class	15,9740	12,9435	2.08%
Retail Class	10,9768	8,6451	(4.59)%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
 (unit price at the last pricing date - unit price at the beginning of the year)/ unit price at the beginning of the year
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 (for newly launched Sub-fund/ class)

INVESTMENT REPORT *(continued)*
Performance table *(continued)*

Performance record for the year ended 31 December 2010	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	36.7996	26.4916	20.47%
Retail Class	32.8366	23.7896	18.72%
Investment Class	16.6776	12.0946	18.98%
Principal China Equity Fund			
Pension Class	13.7799	10.0672	10.61%
Retail Class	12.9631	9.5439	8.65%
Investment Class	12.3808	9.0935	9.27%
Principal European Equity Fund			
Pension Class	9.3362	6.7096	10.23%
Investment Class	9.0835	6.5624	8.91%
Principal Hong Kong Bond Fund			
Pension Class	-	-	-
Retail Class	-	-	-
Principal Hong Kong Dollar Savings Fund			
Pension Class	11.8945	11.7990	0.81%
Retail Class	11.1450	11.1090	0.31%
Principal Hong Kong Equity Fund			
Pension Class	27.8591	19.4904	18.96%
Retail Class	25.8123	18.1733	17.25%
Investment Class	25.7493	18.1103	17.54%
Principal International Bond Fund			
Pension Class	15.4542	13.6497	6.35%
Retail Class	13.0956	11.6944	3.29%
Investment Class	13.1759	11.6852	5.29%
Principal International Equity Fund			
Pension Class	18.8253	14.9896	13.60%
Retail Class	16.6318	13.3307	11.92%
Principal Pension Bond Fund			
Pension Class	13.5110	12.1737	8.44%
Principal U.S. Equity Fund			
Pension Class	14.6050	11.7781	12.94%
Retail Class	10.5330	8.5838	4.44%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
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(for newly launched Sub-fund/ class)

INVESTMENT REPORT (continued)
Performance table (continued)

Performance record for the year ended 31 December 2009

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	30.2166	15.9318	64.19%
Retail Class	27.3033	14.5686	61.78%
Investment Class	13.8745	7.4305	62.43%
Principal China Equity Fund			
Pension Class	11.7168	5.8649	69.89%
Retail Class	11.2048	5.6816	66.93%
Investment Class	10.6461	5.3762	67.89%
Principal European Equity Fund			
Pension Class	8.5772	5.0216	27.78%
Investment Class	8.4432	4.9828	26.27%
Principal Hong Kong Bond Fund			
Pension Class	-	-	-
Retail Class	-	-	-
Principal Hong Kong Dollar Savings Fund			
Pension Class	11.8004	11.6548	1.29%
Retail Class	11.1149	11.0502	0.59%
Principal Hong Kong Equity Fund			
Pension Class	22.3492	11.1836	66.81%
Retail Class	20.9905	10.6153	64.40%
Investment Class	20.8887	10.5427	64.84%
Principal International Bond Fund			
Pension Class	14.4969	12.0515	7.95%
Retail Class	12.6082	10.7415	4.37%
Investment Class	12.4751	10.4475	6.92%
Principal International Equity Fund			
Pension Class	16.7275	10.0981	26.04%
Retail Class	15.0469	9.1690	24.05%
Principal Pension Bond Fund			
Pension Class	12.2746	10.1086	16.34%
Principal U.S. Equity Fund			
Pension Class	13.0661	8.2272	21.54%
Retail Class	9.9385	6.6791	11.30%
Investment Class	8.3297	5.5097	16.88%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
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(for newly launched Sub-fund/ class)

INVESTMENT REPORT *(continued)*
Performance table *(continued)*

Performance record for the year ended 31 December 2008			
	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	36.6600	14.6631	(50.55)%
Retail Class	34.1609	13.4838	(51.34)%
Investment Class	17.3038	6.8891	(51.16)%
Principal China Equity Fund			
Pension Class	13.5119	4.6240	(50.63)%
Retail Class	13.3892	4.5087	(51.58)%
Investment Class	10.0065	4.2567	(38.48)%
Principal European Equity Fund			
Pension Class	10.0644	5.5164	(35.12)%
Investment Class	10.0611	5.4937	(35.47)%
Principal Hong Kong Bond Fund			
Pension Class	-	-	-
Retail Class	-	-	-
Principal Hong Kong Dollar Savings Fund			
Pension Class	11.6527	11.3031	3.10%
Retail Class	11.0488	10.8178	2.26%
Principal Hong Kong Equity Fund			
Pension Class	26.3303	9.8116	(50.48)%
Retail Class	25.4614	9.3677	(51.26)%
Investment Class	25.2221	9.2915	(51.11)%
Principal International Bond Fund			
Pension Class	13.5628	11.9486	1.26%
Retail Class	12.4097	10.7596	(1.31)%
Investment Class	11.8731	10.3890	0.23%
Principal International Equity Fund			
Pension Class	23.2866	10.9795	(43.93)%
Retail Class	21.5682	10.0195	(44.83)%
Principal Pension Bond Fund			
Pension Class	10.4806	9.9610	4.36%
Principal U.S. Equity Fund			
Pension Class	16.7918	8.9458	(37.20)%
Retail Class	14.9667	7.4685	(40.90)%
Investment Class	11.4055	6.0143	(37.92)%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
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INVESTMENT REPORT (continued)
Performance table (continued)

Performance record for the year ended 31 December 2007

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	41.5115	25.2664	40.99%
Retail Class	38.7910	23.8366	38.91%
Investment Class	19.6178	12.1590	39.33%
Principal China Equity Fund			
Pension Class	16.3089	9.2237	35.66%
Retail Class	16.2164	9.2007	34.44%
Investment Class	-	-	-
Principal European Equity Fund			
Pension Class	-	-	-
Investment Class	-	-	-
Principal Hong Kong Bond Fund			
Pension Class	-	-	-
Retail Class	-	-	-
Principal Hong Kong Dollar Savings Fund			
Pension Class	11.2991	10.8151	4.48%
Retail Class	10.8160	10.4333	3.84%
Principal Hong Kong Equity Fund			
Pension Class	30.4638	15.4331	58.01%
Retail Class	29.5488	15.1219	55.72%
Investment Class	29.2521	14.9183	56.11%
Principal International Bond Fund			
Pension Class	12.9374	11.5193	9.76%
Retail Class	11.9239	10.8414	7.08%
Investment Class	11.3617	10.2084	8.95%
Principal International Equity Fund			
Pension Class	24.4501	20.3281	13.26%
Retail Class	22.7124	19.0818	11.54%
Principal Pension Bond Fund			
Pension Class	-	-	-
Principal U.S. Equity Fund			
Pension Class	17.6299	15.2919	7.76%
Retail Class	15.9131	14.1832	4.54%
Investment Class	12.0054	10.5154	6.85%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

* Percentage change: (unit price at the end of the year - unit price at the beginning of the year)/ unit price at the beginning of the year OR
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INVESTMENT REPORT *(continued)*
Performance table *(continued)*

Performance record for the year ended 31 December 2006	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	26.4710	19.4228	36.20%
Retail Class	25.0427	18.6587	34.10%
Investment Class	12.7672	9.7140	24.97%
Principal China Equity Fund			
Pension Class	-	-	-
Retail Class	-	-	-
Investment Class	-	-	-
Principal European Equity Fund			
Pension Class	-	-	-
Investment Class	-	-	-
Principal Hong Kong Bond Fund			
Pension Class	-	-	-
Retail Class	-	-	-
Principal Hong Kong Dollar Savings Fund			
Pension Class	10.8147	10.3534	4.50%
Retail Class	10.4363	10.0565	3.70%
Principal Hong Kong Equity Fund			
Pension Class	16.7413	10.4132	61.30%
Retail Class	16.4500	10.3948	58.60%
Investment Class	16.2203	10.2072	59.40%
Principal International Bond Fund			
Pension Class	11.8536	10.8221	6.60%
Retail Class	11.1914	10.2861	5.50%
Investment Class	10.5288	9.6878	2.92%
Principal International Equity Fund			
Pension Class	20.7586	17.0896	21.70%
Retail Class	19.5519	16.2329	19.80%
Principal Pension Bond Fund			
Pension Class	-	-	-
Principal U.S. Equity Fund			
Pension Class	15.8143	13.4536	15.20%
Retail Class	14.7395	12.7499	10.00%
Investment Class	10.9014	9.3808	7.16%

The net annualised investment return represents the percentage change in unit price* for the year covered in this report. It is for indicative purposes only and is not necessarily a guide to future performance.

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INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal Asian Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares			
<i>China</i>			
AAC Technologies Holdings Inc	442,500	22,368,375	0.64
Air China Ltd-H	6,010,000	36,721,100	1.05
ANTA Sports Products Ltd	1,282,000	27,306,600	0.78
Bank of China Ltd-H	5,273,300	18,245,618	0.52
China Communications Construction Co Ltd-H	2,511,000	19,887,120	0.57
China Construction Bank Corp-H	19,950,010	105,934,553	3.04
China Eastern Airlines Corp Ltd-H	7,832,000	34,539,120	0.99
China Mobile Ltd	1,201,124	105,098,350	3.01
China Overseas Land & Investment Ltd	992,000	26,982,400	0.77
China Petroleum & Chemical Corp-H	7,328,000	34,295,040	0.98
China Power International Development Ltd	5,642,000	25,276,160	0.72
China Taiping Insurance Holdings Co Ltd	2,218,400	53,241,600	1.53
China Travel International Investment Hong Kong Ltd	1,776,000	5,789,760	0.17
China Vanke Co Ltd-H	731,600	16,753,640	0.48
CNOOC Ltd	2,813,000	22,700,910	0.65
Dongfeng Motor Group Co Ltd-H	3,276,000	33,939,360	0.97
Haitong Securities Co Ltd-H	2,643,600	36,217,320	1.04
Huadian Power International Corp Ltd-H	4,020,000	20,301,000	0.58
Industrial and Commercial Bank of China Ltd-H	7,798,000	36,494,640	1.05
Lee & Man Paper Manufacturing Ltd	731,000	3,165,230	0.09
PICC Property and Casualty Co Ltd-H	3,162,600	48,767,292	1.40
Shenzhen International Group Holdings Ltd	265,000	11,805,750	0.34
Shimao Property Holdings Ltd	1,160,000	15,984,800	0.46
Sino Biopharmaceutical Ltd	2,297,000	16,216,820	0.47
Sound Global Ltd	1,225,000	8,575,000	0.25
Tencent Holdings Ltd	1,032,400	157,441,000	4.52
		944,048,558	27.07
<i>Hong Kong</i>			
AIA Group Ltd	2,462,800	114,766,480	3.30
BOC Hong Kong (Holdings) Ltd	1,211,000	28,700,700	0.82
CK Hutchison Holdings Ltd	654,992	68,512,163	1.96
Hongkong Land Holdings Ltd	296,700	16,096,599	0.46
Kerry Properties Ltd	655,000	13,853,250	0.40
PCCW Ltd	2,505,000	11,397,750	0.33
SmarTone Telecommunications Holdings Ltd	575,000	6,875,000	0.19
Sun Hung Kai Properties Ltd	239,000	22,370,400	0.64
Technic Industries Co Ltd	798,500	25,232,600	0.72
Wheelock and Co Ltd	929,000	30,331,850	0.87
		338,046,792	9.69
<i>India</i>			
Ashok Leyland Ltd	3,188,042	32,808,514	0.94
Aurobindo Pharma Ltd	609,266	62,482,717	1.79
Bajaj Auto Ltd	85,674	25,397,232	0.73
Bharat Petroleum Corp Ltd	196,388	20,516,321	0.59
Ceat Ltd	222,646	27,406,685	0.79
Dr. Reddy's Laboratories Ltd-ADR	28,410	10,192,411	0.29
HCL Technologies Ltd	191,129	19,134,501	0.55
HDFC Bank Ltd	331,349	41,980,419	1.20
Hindustan Petroleum Corp Ltd	360,302	35,273,656	1.01
Indiabulls Housing Finance Ltd	249,504	21,519,978	0.62
Infosys Ltd-ADR	412,844	53,594,388	1.54
JSW Energy Ltd	399,705	3,980,041	0.11

Principal Asian Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>India <i>(continued)</i></i>			
Maruti Suzuki India Ltd	80,077	43,331,795	1.24
Reliance Industries Ltd	505,057	59,994,149	1.72
Welspun India Ltd	97,854	10,458,072	0.30
Wockhard Ltd	260,000	46,533,879	1.33
YES BANK Ltd	337,328	28,664,410	0.82
		543,269,168	15.57
<i>Indonesia</i>			
PT Astra International Tbk	4,229,900	14,275,199	0.41
PT Bank Negara Indonesia (Perseero) Tbk	5,196,900	14,586,319	0.42
PT Telekomunikasi Indonesia Tbk	12,051,600	21,047,820	0.60
		49,909,338	1.43
<i>Singapore</i>			
DBS Group Holdings Ltd	518,900	47,515,940	1.36
Oversea-Chinese Banking Corp Ltd	467,900	22,590,978	0.65
UOL Group Ltd	522,000	17,871,229	0.51
		87,978,147	2.52
<i>South Korea</i>			
BGF retail Co Ltd	8,288	9,375,581	0.27
BNK Financial Group Inc	182,511	10,136,441	0.29
Dongbu Insurance Co Ltd	58,299	27,033,406	0.78
GS Retail Co Ltd	77,158	27,380,891	0.79
Hankook Tire Co Ltd	93,604	29,049,481	0.83
Hansol Technics Co Ltd	78,771	14,885,908	0.43
Hyosung Corp	21,355	16,550,907	0.47
Hyundai Development Co-Engineering & Construction	101,968	26,096,362	0.75
Industrial Bank of Korea	385,385	31,393,961	0.90
KB Financial Group Inc	119,700	26,173,514	0.75
KIA Motors Corp	133,770	46,411,843	1.33
Korea Electric Power Corp	146,780	48,408,456	1.39
KT&G Corp	74,292	51,208,574	1.47
LG Chem Ltd	15,967	34,597,366	0.99
LG Household & Health care Ltd	3,023	20,936,872	0.60
LG Uplus Corp	413,927	28,394,972	0.81
Lotte Chemical Corp	9,208	14,789,334	0.42
Samsung Electronics Co Ltd	21,561	179,194,133	5.15
SHINSEGAE Inc	25,612	38,855,784	1.11
SK Innovation Co Ltd	45,049	38,628,945	1.11
Yuhan Corp	3,812	6,851,785	0.20
		726,354,516	20.84
<i>Taiwan</i>			
Catcher Technology Co Ltd	382,000	24,869,271	0.71
Chunghua Telecom Co Ltd	1,240,000	28,985,844	0.83
Elite Material Co Ltd	1,455,000	19,734,287	0.57
Flexium Interconnect Inc	657,396	12,203,724	0.35
Fubon Financial Holding Co Ltd	5,411,000	57,435,533	1.65
Hon Hai Precision Industry Co Ltd	3,220,670	61,383,012	1.76

INVESTMENT REPORT (continued)
Portfolio statement as at 31 December 2015

Principal Asian Equity Fund (continued)			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed shares (continued)			
<i>Taiwan (continued)</i>			
Hota Industrial Mfg. Co Ltd	846,000	24,146,064	0.69
King Yuan Electronics Co Ltd	3,256,000	16,550,925	0.47
Mega Financial Holding Co Ltd	7,127,857	35,727,985	1.02
Pegatron Corp	896,000	15,217,073	0.44
Pou Chen Corp	1,196,000	12,159,033	0.35
Powertech Technology Inc	1,737,000	26,713,945	0.77
SinoPac Financial Holdings Co Ltd	11,927,000	26,360,972	0.76
Taiwan Semiconductor Manufacturing Co Ltd-ADR	923,431	162,818,734	4.68
Uni-President Enterprises Corp	2,831,920	36,672,788	1.05
Visual Photonics Epitaxy Co Ltd	2,048,000	22,825,609	0.65
Zhen Ding Technology Holding Ltd	1,130,000	20,204,042	0.58
		604,008,841	17.33
<i>Thailand</i>			
PTT Global Chemical Pcl-Foreign	503,700	5,408,460	0.16
PTT Pcl-Foreign	314,300	16,468,947	0.47
Thai Oil Pcl-Foreign	2,244,300	31,809,473	0.91
The Siam Cement Pcl-Foreign	325,150	31,840,526	0.91
Tipco Asphalt Pcl-NVDR	1,640,000	14,263,644	0.41
		99,791,050	2.86
<i>United States</i>			
China Biologic Products Inc	11,142	12,301,969	0.35
Total listed shares		3,405,708,379	97.66
Delisted Shares			
<i>Hong Kong</i>			
Peace Mark (Holdings) Ltd	2,010,000	-	0.00
Total delisted shares		-	0.00
Total investments		3,405,708,379	97.66
Other net assets		81,586,255	2.34
Total net asset value		3,487,294,634	100.00
Total cost of investments		3,445,371,689	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.			

Principal China Equity Fund			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed shares			
<i>China</i>			
AAC Technologies Holdings Inc	679,000	34,323,450	1.19
ANTA Sports Products Ltd	2,079,000	44,282,700	1.54
Bank of China Ltd-H	32,059,100	110,924,486	3.86
Beijing Capital Land Ltd-H	7,974,000	28,307,700	0.98
Beijing Jingneq Clean Energy Co Ltd-H	9,326,000	25,646,500	0.89
China CITIC Bank Corp Ltd-H	1,681,000	8,438,620	0.29
China Communications Construction Co Ltd-H	4,964,000	39,314,880	1.37
China Construction Bank Corp-H	46,757,620	248,282,962	8.64
China Eastern Airlines Corp Ltd-H	8,006,000	35,306,460	1.23
China Everbright Ltd	962,000	17,142,840	0.60
China Life Insurance Co Ltd-H	2,402,000	60,170,100	2.09
China Merchants Bank Co Ltd-H	627,218	11,478,089	0.40
China Mobile Ltd	3,064,000	268,100,000	9.32
China Overseas Land & Investment Ltd	3,077,200	83,699,840	2.91
China Pacific Insurance (Group) Co Ltd-H	613,400	19,567,460	0.68
China Petroleum & Chemical Corp-H	19,154,800	89,644,464	3.12
China Power International Development Ltd	9,460,000	42,380,800	1.47
China Railway Construction Corp Ltd-H	2,674,000	25,697,140	0.89
China Resources Cement Holdings Ltd	2,744,000	6,530,720	0.23
China Shenhua Energy Co Ltd-H	613,000	7,466,340	0.26
China Southern Airlines Co Ltd-H	3,788,000	22,652,240	0.79
China Taiping Insurance Holdings Co Ltd	2,300,600	55,214,400	1.92
China Telecom Corp Ltd-H	6,440,000	23,441,600	0.82
China Travel International Investment Hong Kong Ltd	13,354,000	43,534,040	1.51
China Unicom (Hong Kong) Ltd	4,792,000	45,284,400	1.58
China Vanke Co Ltd-H	1,393,787	31,917,722	1.11
Chongqing Rural Commercial Bank Co Ltd-H	4,936,000	23,149,840	0.81
CNOOC Ltd	8,452,000	68,207,640	2.37
Dongfeng Motor Group Co Ltd-H	4,206,000	43,574,160	1.52
Far East Horizon Ltd	4,431,000	31,947,510	1.11
Fosun International Ltd	3,550,500	42,961,050	1.49
Geely Automobile Holdings Ltd	12,555,000	51,852,150	1.80
Haitong Securities Co Ltd-H	1,492,000	20,440,400	0.71
Hua Hong Semiconductor Ltd	1,491,000	11,227,230	0.39
Huadian Power International Corp Ltd-H	6,843,998	34,562,190	1.20
Huaneng Renewables Corp Ltd-H	6,922,000	16,059,040	0.56
Industrial and Commercial Bank of China Ltd-H	37,499,850	175,499,298	6.10
Lee & Man Paper Manufacturing Ltd	827,000	3,580,910	0.12
PICC Property and Casualty Co Ltd-H	3,407,120	52,537,790	1.83
Ping An Insurance (Group) Co of China Ltd-H	2,230,000	95,890,000	3.34
Shenzhou International Group Holdings Ltd	268,000	11,939,400	0.42
Shimao Property Holdings Ltd	2,786,500	38,397,970	1.34
Skyworth Digital Holdings Ltd	4,206,000	21,282,360	0.74
Sound Global Ltd	1,374,000	9,618,000	0.33
Sunny Optical Technology (Group) Co Ltd	2,355,000	41,966,100	1.46
Technovator International Ltd	6,530,000	32,454,100	1.13
Tencent Holdings Ltd	1,835,100	279,852,751	9.74
Tianneng Power International Ltd	6,398,000	41,778,940	1.45
Tongda Group Holdings Ltd	23,690,000	32,455,300	1.13
Uni-President China Holdings Ltd	4,723,000	28,196,310	0.98
		2,638,180,392	91.76
<i>Hong Kong</i>			
AIA Group Ltd	881,600	41,082,560	1.43
Man Wah Holdings Ltd	4,858,800	44,312,256	1.54
Orient Overseas (International) Ltd	480,000	17,880,000	0.62
PCCW Ltd	5,485,000	24,956,750	0.87

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal China Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<i>Listed shares (continued)</i>			
<i>Hong Kong (continued)</i>			
Sun Hung Kai & Co Ltd	1,603,000	8,175,300	0.28
Technic Industries Co Ltd	1,024,000	32,358,400	1.13
		168,765,266	5.87
Total listed shares		2,806,945,658	97.63
<i>Delisted shares</i>			
<i>China</i>			
China North Industries Investment Ltd	20,000	-	0.00
Total delisted shares		-	0.00
Total investments		2,806,945,658	97.63
Other net assets		68,205,500	2.37
Total net asset value		2,875,151,158	100.00
Total cost of investments		2,852,712,868	

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

Principal European Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<i>Listed shares</i>			
<i>Austria</i>			
OMV AG	14,714	3,256,039	0.46
<i>Belgium</i>			
Anheuser-Busch InBev SA/NV	8,798	8,523,725	1.21
Delhaize Group SA	8,304	6,314,439	0.90
KBC Group NV	11,074	5,408,464	0.77
Ontex Group NV	6,184	1,715,666	0.24
Proximus SADP	8,365	2,125,234	0.30
		24,087,528	3.42
<i>Denmark</i>			
A/S Schouw & Co	10,164	4,464,067	0.64
Carlsberg A/S-B	4,263	2,963,306	0.42
Danske Bank A/S	28,823	6,058,083	0.86
Genmab A/S	4,538	4,725,259	0.67
Novo Nordisk A/S-B	39,077	17,734,855	2.54
Pandora A/S	11,857	11,734,007	1.67
Royal Unibrew A/S	21,033	6,686,046	0.95
Vestas Wind Systems A/S	15,867	8,711,957	1.24
		63,077,580	8.99
<i>Finland</i>			
Elisa Oyj	21,070	6,207,810	0.88
Neste Oyj	17,514	4,098,130	0.58
Sampo Oyj-A	12,908	5,137,789	0.73
Stora Enso Oyj-R	43,710	3,105,720	0.44
UPM-Kymmene Oyj	34,767	5,073,083	0.72
		23,622,532	3.35
<i>France</i>			
Altran Technologies	21,788	2,276,942	0.32
AXA SA	39,152	8,365,476	1.19
Cap Gemini SA	8,948	6,486,631	0.92
Euronext NV	9,096	3,642,448	0.52
Natixis SA	64,876	2,866,318	0.41
Orange	69,025	9,051,845	1.29
Peugeot SA	36,228	4,971,791	0.71
Renault SA	6,101	4,785,994	0.68
SCOR SE	11,072	3,235,866	0.46
Teleperformance	6,445	4,230,036	0.60
Thales SA	3,465	2,027,686	0.29
Total SA	26,655	9,314,939	1.33
Ubisoft Entertainment SA	38,590	8,716,001	1.24
Veolia Environnement SA	34,780	6,440,188	0.92
Vinci	12,354	6,187,403	0.88
		82,599,564	11.76

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed shares (continued)</i>			
<i>Germany</i>			
Bayer AG	6,629	6,500,938	0.93
Continental AG	3,473	6,604,460	0.94
Daimler AG	14,935	9,812,382	1.40
Deutsche Telekom AG	93,682	13,241,341	1.90
Dialog Semiconductor Plc	9,605	2,530,968	0.36
Duerr AG	2,414	1,504,647	0.21
Evonik Industries AG	12,867	3,336,039	0.48
Fresenius SE & Co KGaA	14,816	8,277,457	1.18
FUCHS PETROLUB SE	6,458	2,379,067	0.34
Hannover Rueck SE	8,360	7,479,891	1.07
Henkel AG & Co KGaA	4,282	3,742,362	0.53
Infineon Technologies AG	41,944	4,797,157	0.68
Metro AG	16,057	4,019,651	0.57
ProSiebenSat.1 Media SE	13,654	5,407,547	0.77
SAP SE	17,959	11,160,389	1.59
Suedzucker AG	17,199	2,671,296	0.38
Vonovia SE	13,844	3,347,242	0.48
		96,812,834	13.81
<i>Ireland</i>			
Bank of Ireland	1,115,069	3,191,817	0.45
CRH Plc	30,819	6,968,660	0.99
Kingspan Group Plc	13,939	2,869,697	0.41
Smurfit Kappa Group Plc	9,834	1,960,452	0.28
		14,990,626	2.13
<i>Italy</i>			
ENEL SpA	134,023	4,417,450	0.63
Intesa Sanpaolo SpA	65,874	1,722,704	0.25
Mediobanca Banca di Credito Finanziario Societa' Per Azioni	49,786	3,746,141	0.53
Prysman SpA	16,188	2,777,487	0.40
Recordati SpA	10,997	2,243,523	0.32
		14,907,305	2.13
<i>Netherlands</i>			
Corbion NV	14,749	2,787,269	0.40
Heineken NV	11,040	7,364,604	1.05
Koninklijke Ahold NV	33,883	5,588,288	0.80
NN Group NV	15,295	4,216,188	0.60
Royal Boskalis Westminster NV	6,683	2,129,733	0.30
		22,086,082	3.15
<i>Norway</i>			
Statoil ASA	25,399	2,767,051	0.39
Yara International ASA	8,560	2,886,623	0.41
		5,653,674	0.80

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed shares (continued)</i>			
<i>Portugal</i>			
Jerónimo Martins SGPS SA	30,177	3,065,461	0.44
<i>Spain</i>			
Grifols SA	6,819	2,461,815	0.35
Iberdrola SA	129,972	7,209,590	1.03
International Consolidated Airlines Group SA	110,762	7,762,083	1.11
		17,433,488	2.49
<i>Sweden</i>			
Boliden AB	23,987	3,159,726	0.45
Electrolux AB-B	7,231	1,367,782	0.19
Investor AB-B	25,175	7,254,371	1.03
Nobia AB	23,408	2,287,239	0.33
Nordea Bank AB	48,859	4,202,111	0.60
Skandinaviska Enskilda Banken AB-A	41,970	3,458,739	0.49
Skanska AB-B	26,582	4,038,185	0.58
Svenska Cellulosa AB SCA-B	17,341	3,940,328	0.56
Svenska Handelsbanken AB-A	33,932	3,531,382	0.50
Swedbank AB-A	24,717	4,262,956	0.61
Volvo AB-B	37,453	2,730,891	0.39
		40,233,710	5.73
<i>Switzerland</i>			
Acrelion Ltd	4,313	4,717,840	0.67
dorma+kaba Holding AG-B	535	2,865,303	0.41
Givaudan SA	225	3,214,012	0.46
Lonza Group AG	3,197	4,085,779	0.58
Nestle SA	18,320	10,701,667	1.53
Novartis AG	18,752	12,753,977	1.82
Roche Holding Ltd	10,891	23,587,618	3.37
Swiss Life Holding AG	1,535	3,263,146	0.47
UBS Group AG	50,770	7,765,426	1.11
		72,954,768	10.42
<i>United Kingdom</i>			
3i Group Plc	107,135	5,930,711	0.85
ARM Holdings Plc	42,972	5,132,040	0.73
Ashtead Group Plc	23,468	3,018,527	0.43
AstraZeneca Plc	7,921	4,203,217	0.60
Auto Trader Group Plc	52,589	2,683,903	0.38
BARRATT DEVELOPMENTS Plc	72,360	5,206,691	0.74
Beazley Plc	48,709	2,187,467	0.31
Bellway Plc	14,223	4,636,458	0.66
Betfair Group Plc	8,852	3,968,213	0.57
BHP Billiton Plc	42,054	3,673,752	0.52
British American Tobacco Plc	3,388	1,468,550	0.21
BT Group Plc	229,060	12,419,499	1.77
BTG Plc	41,317	3,269,804	0.47
Bunzl Plc	12,132	2,628,650	0.37
Direct Line Insurance Group Plc	164,142	7,688,405	1.10
Dixons Carphone Plc	79,675	4,579,109	0.65
easyJet Plc	25,099	5,019,895	0.72

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed shares (continued)</i>			
<i>United Kingdom (continued)</i>			
Galliford Try Plc	12,368	2,167,995	0.31
Greencore Group Plc	107,104	4,361,800	0.62
Greggs Plc	30,231	4,566,010	0.65
Halma Plc	27,576	2,741,803	0.39
Howden Joinery Group Plc	90,671	5,487,262	0.78
Imperial Tobacco Group Plc	12,836	5,291,630	0.75
Intermediate Capital Group Plc	70,447	5,077,138	0.72
ITV Plc	348,284	11,073,238	1.58
Land Securities Group Plc	22,086	2,988,013	0.43
Legal & General Group Plc	163,110	5,020,883	0.72
Man Group Plc	104,977	2,117,679	0.30
Mondi Plc	19,243	2,950,649	0.42
Next Plc	6,587	5,519,556	0.79
OneSavings Bank Plc	64,454	2,620,438	0.37
Persimmon Plc	23,374	5,445,976	0.78
Provident Financial Plc	14,885	5,760,775	0.82
Prudential Plc	37,735	6,640,618	0.95
Royal Dutch Shell Plc-A	29,978	5,258,309	0.75
Royal Dutch Shell Plc-B	27,776	4,926,342	0.70
SEGRO Plc	80,258	3,961,314	0.56
Shire Plc	17,804	9,614,341	1.37
Taylor Wimpey Plc	224,924	5,250,911	0.75
The Paragon Group of Cos Plc	76,164	3,094,768	0.44
Travis Perkins Plc	11,270	2,555,877	0.36
Unilever Plc	11,474	3,859,689	0.55
WPP Plc	20,712	3,721,088	0.53
		199,788,993	28.47
Total listed shares		684,570,184	97.55
Total investments		684,570,184	97.55
Other net assets		17,163,500	2.45
Total net asset value		701,733,684	100.00
Total cost of investments		591,671,129	

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

Principal Hong Kong Bond Fund				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments</i>				
<i>Certificates of deposit</i>				
<i>Denominated in Hong Kong Dollar</i>				
Agricultural Bank of China Ltd-0.9%	24/06/2016	25,000,000	24,995,000	0.92
Bank of China Ltd-1.25%	20/12/2016	20,000,000	19,994,000	0.74
Bank of China Ltd-2.4%	15/05/2017	20,000,000	20,170,420	0.74
Bank of China Ltd-2.8%	21/11/2016	11,500,000	11,635,355	0.43
Bank of China Ltd-Floating	11/01/2018	10,000,000	9,991,060	0.37
Bank of Communications Co Ltd-1.86%	13/03/2018	15,000,000	14,934,000	0.55
China Construction Bank (Asia) Corp Ltd-2.4%	03/04/2017	15,000,000	15,146,820	0.56
China Construction Bank Corp-2.28%	30/05/2017	20,000,000	20,144,960	0.74
China Construction Bank Corp-3%	31/03/2016	20,000,000	20,090,980	0.74
China Construction Bank Corp-4.05%	15/01/2020	4,000,000	4,201,576	0.16
China Development Bank Corp-2.95%	20/03/2017	20,000,000	20,304,000	0.75
China Development Bank Corp-3%	25/06/2018	4,000,000	4,087,744	0.15
China Development Bank Corp-3.75%	26/01/2022	20,000,000	20,842,620	0.77
DBS Bank (Hong Kong) Ltd-2.55%	30/06/2016	25,000,000	25,176,775	0.93
DBS Bank (Hong Kong) Ltd-3.86%	20/01/2020	10,000,000	10,530,000	0.39
DBS Bank (Hong Kong) Ltd-3.95%	20/01/2020	15,000,000	15,846,885	0.59
Hang Seng Bank Ltd-1.75%	16/10/2017	60,000,000	60,155,400	2.23
Hang Seng Bank Ltd-2.25%	11/05/2020	10,000,000	10,029,440	0.37
Industrial and Commercial Bank of China (Asia) Ltd-1.95%	09/09/2016	25,000,000	25,104,675	0.93
Malayan Banking Bhd-2.5%	05/06/2017	17,000,000	17,139,672	0.63
OCBC Wing Hang Bank Ltd-2.6%	16/07/2018	19,000,000	19,349,600	0.71
OCBC Wing Hang Bank Ltd-3.2%	09/06/2021	25,000,000	25,480,000	0.94
Sumitomo Mitsui Banking Corp-1.98%	03/12/2018	15,000,000	14,958,930	0.55
The Bank of East Asia Ltd-1.43%	21/06/2016	6,000,000	5,981,760	0.22
The Bank of East Asia Ltd-2.25%	15/05/2017	25,000,000	25,162,500	0.93
Wing Lung Bank Ltd-2.75%	19/05/2016	22,000,000	22,131,428	0.82
Total certificates of deposit			483,585,600	17.86
<i>Non-certificates of deposit</i>				
<i>Denominated in Hong Kong Dollar</i>				
Airport Authority Hong Kong-1.5%	02/09/2016	16,000,000	16,081,248	0.59
Airport Authority Hong Kong-1.75%	28/07/2016	15,000,000	15,093,360	0.56
Airport Authority Hong Kong-2.25%	05/09/2022	15,000,000	14,873,850	0.55
Airport Authority Hong Kong-4.85%	15/03/2021	22,000,000	24,994,486	0.92
Airport Authority Hong Kong-5.1%	13/04/2016	31,000,000	31,381,300	1.16
Ausnet Services Holdings Pty Ltd-4.125%	16/03/2020	18,000,000	19,030,104	0.70
Australia and New Zealand Banking Group Ltd-3.37%	14/11/2018	1,500,000	1,564,880	0.06
Australia and New Zealand Banking Group Ltd-4.01%	02/02/2017	5,000,000	5,147,215	0.19
Australia and New Zealand Banking Group Ltd-4.5%	10/02/2020	4,000,000	4,367,828	0.16
Australia and New Zealand Banking Group Ltd-5.24%	05/07/2017	3,000,000	3,170,160	0.12
Bank of Scotland Plc-4.65%	19/01/2016	9,000,000	9,011,763	0.33
BG Energy Capital Plc-3.94%	02/10/2019	10,000,000	10,492,980	0.39
CIMB Bank Bhd-2.7%	14/05/2019	20,000,000	20,251,500	0.75
CLP Power Hong Kong Financing Ltd-2%	31/01/2017	23,000,000	23,143,014	0.85
CLP Power Hong Kong Financing Ltd-2.83%	20/09/2022	22,000,000	22,092,290	0.82
CLP Power Hong Kong Financing Ltd-3.22%	20/03/2030	10,000,000	9,596,480	0.35

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal Hong Kong Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in Hong Kong Dollar (continued)</i>				
CLP Power Hong Kong Financing Ltd-3.45%	01/03/2027	5,000,000	5,096,370	0.19
CLP Power Hong Kong Financing Ltd-3.93%	20/09/2021	4,000,000	4,272,116	0.16
CLP Power Hong Kong Financing Ltd-3.97%	23/03/2026	7,000,000	7,480,564	0.28
CLP Power Hong Kong Financing Ltd-4.38%	11/01/2017	23,000,000	23,690,000	0.87
HKCG (Finance) Ltd-2.8%	25/02/2025	6,000,000	5,886,090	0.22
HKCG (Finance) Ltd-2.85%	10/11/2025	40,000,000	39,110,120	1.44
HKCG (Finance) Ltd-3.3%	16/05/2022	10,000,000	10,351,740	0.38
HKCG (Finance) Ltd-3.4%	07/02/2022	12,000,000	12,504,684	0.46
HKCG (Finance) Ltd-3.55%	13/12/2023	20,000,000	20,981,380	0.77
HKCG (Finance) Ltd-3.8%	05/04/2027	5,000,000	5,283,600	0.20
Hong Kong Government-0.25%	18/09/2017	16,000,000	15,939,424	0.59
Hong Kong Government-0.27%	18/12/2017	28,000,000	27,838,272	1.03
Hong Kong Government-0.44%	19/06/2017	17,000,000	17,015,164	0.63
Hong Kong Government-0.8%	27/08/2027	40,000,000	36,186,280	1.34
Hong Kong Government-0.97%	08/12/2016	45,000,000	45,308,385	1.67
Hong Kong Government-1.09%	05/06/2023	20,000,000	19,547,900	0.72
Hong Kong Government-1.1%	17/01/2023	103,900,000	101,153,610	3.75
Hong Kong Government-1.73%	20/02/2024	19,000,000	19,386,194	0.72
Hong Kong Government-1.94%	04/12/2023	15,000,000	15,551,025	0.57
Hong Kong Government-2.16%	09/12/2019	13,000,000	13,608,179	0.50
Hong Kong Government-2.22%	07/08/2024	61,000,000	63,438,597	2.35
Hong Kong Government-2.31%	21/06/2021	25,000,000	26,480,225	0.98
Hong Kong Government-2.46%	04/08/2021	35,000,000	37,119,635	1.37
Hong Kong Government-2.53%	22/06/2020	40,000,000	42,578,000	1.57
Hong Kong Government-3.56%	25/06/2018	20,000,000	21,413,820	0.79
Hong Kong Government-5.125%	23/07/2019	45,000,000	50,782,500	1.88
Hong Kong Science & Technology Parks Corp-2.12%	11/07/2019	36,000,000	36,334,800	1.34
Hong Kong Science & Technology Parks Corp-3.2%	11/07/2024	45,000,000	47,156,535	1.74
Hongkong Land Notes Co Ltd-3%	26/10/2022	5,000,000	5,030,425	0.19
Hongkong Land Notes Co Ltd-3.15%	10/05/2028	10,000,000	9,770,440	0.36
Hongkong Land Notes Co Ltd-3.95%	08/06/2020	10,000,000	10,592,910	0.39
Hongkong Land Notes Co Ltd-3.95%	06/11/2023	10,000,000	10,660,530	0.39
Industrial & Commercial Bank of China Ltd-1%	11/03/2016	29,000,000	29,001,508	1.07
Korea Expressway Corp-4%	02/03/2022	4,000,000	4,259,200	0.16
Korea Gas Corp-2.5%	20/06/2017	15,000,000	15,169,365	0.56
Korea National Oil Corp-2.18%	29/01/2020	20,000,000	19,814,000	0.73
Korea National Oil Corp-4.5%	04/03/2021	10,000,000	10,904,940	0.40
Kowloon-Canton Railway Corp-3.5%	29/04/2019	21,000,000	22,253,385	0.82
Kowloon-Canton Railway Corp-3.64%	24/07/2019	27,500,000	29,344,948	1.08
Kowloon-Canton Railway Corp-3.82%	09/07/2021	27,000,000	29,392,470	1.09
Kowloon-Canton Railway Corp-3.88%	15/06/2021	21,000,000	22,911,987	0.85
Macquarie Bank Ltd-3.55%	29/08/2017	18,000,000	18,533,052	0.68
Malayan Banking Bhd-2.85%	01/03/2017	11,500,000	11,630,341	0.43
MTR Corp (C.I.) Ltd-1.68%	15/03/2017	20,000,000	20,158,440	0.74
MTR Corp (C.I.) Ltd-1.9%	25/10/2020	27,500,000	27,320,865	1.01
MTR Corp (C.I.) Ltd-2.15%	08/12/2016	30,000,000	30,357,000	1.12
MTR Corp (C.I.) Ltd-2.25%	12/10/2022	21,500,000	21,196,700	0.78
MTR Corp (C.I.) Ltd-3%	09/11/2045	10,000,000	9,560,500	0.35
MTR Corp (C.I.) Ltd-4.95%	21/10/2019	4,000,000	4,434,000	0.16
MTR Corp (C.I.) Ltd-5.2%	18/07/2018	29,000,000	31,678,962	1.17
National Australia Bank Ltd-2.3%	12/06/2017	15,000,000	15,195,105	0.56
Nordea Bank AB-2.5%	22/01/2019	30,000,000	30,534,120	1.13

Principal Hong Kong Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in Hong Kong Dollar (continued)</i>				
Oversea-Chinese Banking Corp Ltd-2.2%	19/01/2017	5,000,000	5,043,935	0.19
SP PowerAssets Ltd-4.01%	20/05/2019	15,000,000	15,756,390	0.58
Standard Chartered Bank-4.1%	29/06/2020	5,000,000	5,307,495	0.20
Sun Hung Kai Properties (Capital Market) Ltd-2.95%	08/05/2023	9,000,000	8,964,000	0.33
Sun Hung Kai Properties (Capital Market) Ltd-3.23%	10/01/2023	5,000,000	5,075,275	0.19
Sun Hung Kai Properties (Capital Market) Ltd-3.25%	05/12/2022	6,000,000	6,107,400	0.23
Sun Hung Kai Properties (Capital Market) Ltd-3.36%	24/04/2017	6,000,000	6,134,820	0.23
Sun Hung Kai Properties (Capital Market) Ltd-4.05%	24/02/2021	5,000,000	5,338,795	0.20
Sun Hung Kai Properties (Capital Market) Ltd-4.1%	20/04/2021	5,000,000	5,343,990	0.20
Sun Hung Kai Properties (Capital Market) Ltd-5.05%	14/08/2018	3,000,000	3,218,775	0.12
Swire Pacific MTN Financing Ltd-2.9%	24/01/2023	10,000,000	9,985,110	0.37
Swire Pacific MTN Financing Ltd-3.35%	31/07/2025	10,000,000	10,086,520	0.37
Swire Pacific MTN Financing Ltd-3.28%	28/02/2022	10,000,000	10,548,650	0.39
Swire Pacific MTN Financing Ltd-3.9%	05/11/2030	10,000,000	10,064,460	0.37
Swire Pacific MTN Financing Ltd-4.2%	18/12/2018	6,000,000	6,334,500	0.23
Telstra Corp Ltd-4.02%	10/07/2020	10,000,000	10,549,120	0.39
The Bank of East Asia Ltd-2.97%	24/06/2019	15,000,000	15,241,260	0.56
The Export-Import Bank of Korea-2.3%	31/08/2016	25,000,000	25,201,900	0.93
The Export-Import Bank of Korea-2.525%	13/02/2019	2,000,000	2,030,240	0.07
The Hong Kong Mortgage Corp Ltd-0%	19/09/2016	5,000,000	4,973,090	0.18
The Hong Kong Mortgage Corp Ltd-1.33%	14/08/2017	15,000,000	15,045,570	0.56
The Hong Kong Mortgage Corp Ltd-1.6%	04/03/2020	25,000,000	24,777,475	0.92
The Hong Kong Mortgage Corp Ltd-1.85%	14/12/2016	20,000,000	20,190,980	0.75
The Hong Kong Mortgage Corp Ltd-2.4%	27/09/2021	2,000,000	2,012,404	0.07
The Hong Kong Mortgage Corp Ltd-3.475%	17/09/2019	25,000,000	26,550,300	0.98
The Hong Kong Mortgage Corp Ltd-4.525%	02/09/2020	42,500,000	46,412,975	1.71
The Hong Kong Mortgage Corp Ltd-4.85%	09/07/2018	10,500,000	11,391,450	0.42
The Hong Kong Mortgage Corp Ltd-5.056%	05/10/2022	7,000,000	8,093,183	0.30
The Hong Kong Mortgage Corp Ltd-5.34%	26/06/2017	10,000,000	10,618,830	0.39
The Hongkong Land Treasury Services (Singapore) Pte Ltd-4.1875%	23/10/2019	4,000,000	4,267,036	0.16
The Korea Development Bank-1.82%	26/04/2018	36,000,000	36,117,936	1.33
The Korea Development Bank-2.28%	31/10/2018	28,500,000	28,849,923	1.07
The Link Finance (Cayman) 2009 Ltd-2.5%	22/10/2022	25,000,000	25,235,000	0.93
The Link Finance (Cayman) 2009 Ltd-2.8%	27/12/2022	20,000,000	19,839,260	0.73
The Link Finance (Cayman) 2009 Ltd-3.14%	18/05/2018	10,000,000	10,283,130	0.38

INVESTMENT REPORT (continued)
Portfolio statement as at 31 December 2015

Principal Hong Kong Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in Hong Kong Dollar (continued)</i>				
The Link Finance (Cayman) 2009 Ltd-3.2%	06/09/2021	4,000,000	4,120,228	0.15
The Link Finance (Cayman) 2009 Ltd-3.73%	23/01/2017	36,000,000	36,860,400	1.36
The Link Finance (Cayman) 2009 Ltd-4.75%	20/05/2019	11,000,000	11,906,290	0.44
United Overseas Bank Ltd-2.2%	27/03/2017	35,000,000	35,275,205	1.30
Urban Renewal Authority-1.5%	13/07/2017	20,000,000	20,131,800	0.74
Urban Renewal Authority-1.65%	17/01/2020	15,000,000	14,898,435	0.55
Urban Renewal Authority-1.75%	02/08/2019	10,000,000	10,019,580	0.37
Urban Renewal Authority-2.15%	10/05/2023	26,000,000	25,492,948	0.94
Urban Renewal Authority-2.92%	27/01/2021	62,000,000	64,442,800	2.39
Wharf Finance (No. 1) Ltd-3.8%	02/12/2016	10,000,000	10,164,560	0.38
Total non-certificates of deposit		2,135,795,833		78.88
Total listed/quoted debt instruments		2,619,381,433		96.74
Total investments		2,619,381,433		96.74
Other net assets		88,260,535		3.26
Total net asset value		2,707,641,968		100.00
Total cost of investments		2,616,875,149		
* 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	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments</i>				
<i>Certificates of deposit</i>				
<i>Denominated in Hong Kong Dollar</i>				
Agricultural Bank of China Ltd-0.9%	24/06/2016	10,000,000	9,998,000	0.55
Agricultural Bank of China Ltd-1.1%	28/11/2016	20,000,000	19,956,780	1.09
Agricultural Bank of China Ltd-1.4%	27/06/2016	17,000,000	17,016,592	0.93
Bank of China Ltd-1.05%	02/03/2016	30,000,000	30,014,070	1.64
Bank of China Ltd-2%	26/06/2016	35,000,000	35,129,710	1.92
Bank of China Ltd-2.25%	27/03/2017	2,000,000	2,014,600	0.11
Bank of China Ltd-2.6%	25/10/2016	16,000,000	16,150,336	0.88
Bank of Communications Co Ltd-3.18%	16/02/2016	35,000,000	35,091,175	1.92
China CITIC Bank International Ltd-1%	22/07/2016	45,000,000	44,943,615	2.46
China CITIC Bank International Ltd-3.26%	14/09/2017	20,000,000	20,388,320	1.12
China Construction Bank Corp-3%	31/03/2016	10,000,000	10,045,490	0.55
China Development Bank Corp-1.17%	28/10/2016	60,000,000	59,906,160	3.29
China Development Bank Corp-1.27%	15/03/2016	25,000,000	25,013,950	1.37
China Development Bank Corp-2.7%	25/01/2016	11,000,000	11,011,275	0.60
China Development Bank Corp-2.95%	20/03/2017	15,000,000	15,228,000	0.83
Dah Sing Bank Ltd-1%	24/03/2016	30,000,000	30,002,850	1.64
Dah Sing Bank Ltd-1.85%	16/01/2017	15,000,000	15,064,140	0.82
Industrial and Commercial Bank of China (Asia) Ltd-1.95%	09/09/2016	20,000,000	20,083,740	1.10
Industrial and Commercial Bank of China (Asia) Ltd-2.89%	11/02/2016	25,000,000	25,055,050	1.37
OCBC Wing Hang Bank Ltd-3.03%	17/02/2016	37,000,000	37,090,946	2.03
The Bank of East Asia Ltd-1.15%	20/01/2016	40,000,000	40,007,200	2.19
The Bank of East Asia Ltd-2.52%	04/08/2016	6,000,000	6,044,634	0.33
Wing Lung Bank Ltd-2.75%	19/05/2016	30,000,000	30,179,220	1.65
			555,435,853	30.39
<i>Denominated in Offshore Chinese Renminbi</i>				
China Development Bank Corp-2.95%	15/01/2016	11,000,000	12,948,722	0.71
Industrial & Commercial Bank of China Ltd-4.1%	25/02/2016	35,000,000	41,058,432	2.25
			54,007,154	2.96
Total certificates of deposit		609,443,007		33.35
<i>Non-certificates of deposit</i>				
<i>Denominated in Hong Kong Dollar</i>				
Airport Authority Hong Kong-1.5%	19/09/2016	6,500,000	6,534,509	0.36
Airport Authority Hong Kong-1.75%	28/07/2016	5,000,000	5,031,120	0.28
Airport Authority Hong Kong-5.1%	13/04/2016	60,000,000	60,738,000	3.33
Australia and New Zealand Banking Group Ltd-4.01%	22/02/2017	36,000,000	37,107,792	2.03
CLP Power Hong Kong Financing Ltd-2%	31/01/2017	30,000,000	30,186,540	1.65
CLP Power Hong Kong Financing Ltd-4.38%	11/01/2017	35,000,000	36,050,000	1.97
Commonwealth Bank of Australia-0%	25/01/2016	20,000,000	19,994,000	1.09
Industrial & Commercial Bank of China Ltd-1%	11/03/2016	35,000,000	35,001,820	1.92
MTR Corp (C.I.) Ltd-1.68%	15/03/2017	32,000,000	32,253,504	1.77

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal Hong Kong Dollar Savings Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in Hong Kong Dollar (continued)</i>				
MTR Corp (C.I.) Ltd-2.15%	08/12/2016	10,000,000	10,119,000	0.55
Sun Hung Kai Properties (Capital Market) Ltd-4.67%	09/02/2016	19,000,000	19,066,500	1.04
The Hong Kong Mortgage Corp Ltd-1.33%	14/08/2017	23,000,000	23,069,874	1.26
The Hong Kong Mortgage Corp Ltd-5.34%	26/06/2017	50,000,000	53,094,150	2.91
The Link Finance (Cayman) 2009 Ltd-3.73%	23/01/2017	16,000,000	16,382,400	0.90
United Overseas Bank Ltd-2.2%	27/03/2017	25,000,000	25,196,575	1.38
			409,825,784	22.44
<i>Denominated in Offshore Chinese Renminbi</i>				
Caterpillar Financial Services Corp-2.95%	03/03/2016	37,000,000	43,245,389	2.37
HKCG (Finance) Ltd-1.4%	11/04/2016	10,000,000	11,614,248	0.64
Standard Chartered Plc-2.625%	31/05/2016	20,000,000	23,316,930	1.28
			78,176,567	4.29
Total non-certificates of deposit		488,002,351		26.73
Total listed/quoted debt instruments		1,097,445,358		60.08
Total investments		1,097,445,358		60.08
Other net assets		729,343,554		39.92
Total net asset value		1,826,788,912		100.00
Total cost of investments		1,112,649,231		
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.				

Principal Hong Kong Equity Fund				
Investments		* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed shares</i>				
<i>China</i>				
AAC Technologies Holdings Inc		922,500	46,632,375	0.96
ANTA Sports Products Ltd		2,646,000	56,359,800	1.17
Bank of China Ltd-H		12,668,000	43,831,280	0.91
Beijing Capital Land Ltd-H		8,248,000	29,280,400	0.61
Beijing Jingneng Clean Energy Co Ltd-H		14,264,000	39,226,000	0.81
China Communications Construction Co Ltd-H		4,063,000	32,178,960	0.67
China Construction Bank Corp-H		35,393,570	187,939,857	3.89
China Eastern Airlines Corp Ltd-H		7,982,000	35,200,620	0.73
China Everbright Ltd		818,000	14,576,760	0.30
China Mobile Ltd		1,915,993	167,649,388	3.47
China Overseas Land & Investment Ltd		2,964,000	80,620,800	1.67
China Petroleum & Chemical Corp-H		16,537,200	77,394,096	1.60
China Power International Development Ltd		11,309,000	50,664,320	1.05
China Railway Construction Corp Ltd-H		3,608,000	34,672,880	0.72
China Resources Cement Holdings Ltd		6,166,000	14,675,080	0.30
China Southern Airlines Co Ltd-H		3,908,000	23,369,840	0.48
China Taiping Insurance Holdings Co Ltd		3,142,400	75,417,600	1.56
China Telecom Corp Ltd-H		3,804,000	13,846,560	0.29
China Travel International Investment Hong Kong Ltd		22,056,000	71,902,560	1.49
China Unicom (Hong Kong) Ltd		3,516,000	33,226,200	0.69
China Vanke Co Ltd-H		1,164,500	26,667,050	0.55
Chongqing Rural Commercial Bank Co Ltd-H		5,155,000	24,176,950	0.50
CNOOC Ltd		4,638,040	37,428,983	0.77
Dongfeng Motor Group Co Ltd-H		3,124,000	32,364,640	0.67
Far East Horizon Ltd		5,008,000	36,107,680	0.75
Fosun International Ltd		5,450,000	65,945,000	1.36
Geely Automobile Holdings Ltd		17,570,000	72,564,100	1.50
Haitong Securities Co Ltd-H		1,329,600	18,215,520	0.38
Hua Hong Semiconductor Ltd		525,000	3,953,250	0.08
Huadian Power International Corp Ltd-H		9,461,903	47,782,610	0.99
Huaneng Renewables Corp Ltd-H		6,534,000	15,158,880	0.31
Industrial and Commercial Bank of China Ltd-H		27,347,460	127,986,113	2.65
PICC Property and Casualty Co Ltd-H		2,594,820	40,012,124	0.83
Ping An Insurance (Group) Co of China Ltd-H		988,000	42,484,000	0.88
Shenzhou International Group Holdings Ltd		268,000	11,939,400	0.25
Shimao Property Holdings Ltd		4,597,000	63,346,660	1.31
Skyworth Digital Holdings Ltd		5,872,000	29,702,200	0.61
Sound Global Ltd		1,682,000	11,774,000	0.24
Sunny Optical Technology (Group) Co Ltd		3,451,000	61,496,820	1.27
Technovator International Ltd		10,732,000	53,338,040	1.10
Tencent Holdings Ltd		1,945,135	296,633,088	6.13
Tianneng Power International Ltd		6,192,000	40,433,760	0.84
Tongda Group Holdings Ltd		39,130,000	53,608,100	1.11
Uni-President China Holdings Ltd		6,148,000	36,703,560	0.76
			2,378,487,904	49.21
<i>Hong Kong</i>				
AIA Group Ltd		8,263,000	385,055,800	7.96
BOC Hong Kong (Holdings) Ltd		2,972,500	70,448,250	1.46
Cathay Pacific Airways Ltd		2,582,000	34,650,440	0.72
Cheung Kong Infrastructure Holdings Ltd		535,000	38,413,000	0.79
Cheung Kong Property Holdings Ltd		1,521,829	76,700,182	1.59
Chong Hing Bank Ltd		502,000	8,112,320	0.17
CK Hutchison Holdings Ltd		2,138,829	223,721,513	4.63
CLP Holdings Ltd		724,000	47,675,400	0.99
Hang Seng Bank Ltd		397,700	58,660,750	1.21
Hong Kong Exchanges and Clearing Ltd		594,000	117,909,000	2.44

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Principal Hong Kong Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<i>Listed shares (continued)</i>			
<i>Hong Kong (continued)</i>			
Hongkong Land Holdings Ltd	1,503,000	81,540,909	1.69
HSBC Holdings Plc	6,240,900	386,311,709	7.98
Jardine Matheson Holdings Ltd	141,528	53,451,181	1.11
Kerry Properties Ltd	2,619,500	55,402,425	1.15
Man Wah Holdings Ltd	8,770,800	79,989,696	1.65
Orient Overseas (International) Ltd	541,500	20,170,875	0.42
PCCW Ltd	17,737,000	80,703,350	1.67
Power Assets Holdings Ltd	1,340,000	95,542,000	1.98
Smar Tone Telecommunications Holdings Ltd	3,465,000	40,887,000	0.85
Sun Hung Kai & Co Ltd	3,533,000	18,018,300	0.37
Sun Hung Kai Properties Ltd	1,390,359	130,137,602	2.69
Technic Industries Co Ltd	2,995,500	94,657,800	1.96
The Link REIT	1,451,000	67,326,400	1.39
Vitasoy International Holdings Ltd	682,000	10,843,800	0.22
Wheelock and Co Ltd	2,611,000	85,249,150	1.76
		2,361,578,852	48.85
Total listed shares		4,740,066,756	98.06
<i>Delisted shares</i>			
<i>Hong Kong</i>			
Moulin Global Eyecare Holdings Ltd	514,000	-	0.00
Total delisted shares		-	0.00
Total investments		4,740,066,756	98.06
Other net assets		93,550,182	1.94
Total net asset value		4,833,616,938	100.00
Total cost of investments		4,854,747,742	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.			

Principal International Bond Fund				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<i>Listed/quoted debt instruments</i>				
<i>Certificates of deposit</i>				
<i>Denominated in Canadian Dollar</i>				
Bank of Montreal-4.55%	01/08/2017	500,000	2,935,483	0.10
The Bank of Nova Scotia-4.1%	08/06/2017	500,000	2,905,120	0.10
Total certificates of deposit			5,840,603	0.20
<i>Non-certificates of deposit</i>				
<i>Denominated in Australian Dollar</i>				
Australia Government-3.25%	21/04/2029	875,000	5,023,550	0.17
Australia Government-4.5%	15/04/2020	2,225,000	13,814,641	0.48
GE Capital Australia Funding Pty Ltd-6%	15/03/2019	1,000,000	6,150,751	0.21
Morgan Stanley-4.75%	16/11/2018	500,000	2,916,524	0.10
Morgan Stanley-8%	09/05/2017	500,000	3,007,294	0.10
			30,912,760	1.06
<i>Denominated in British Pound</i>				
American International Group Inc-5%	26/04/2023	500,000	6,404,247	0.22
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.-2.25%	23/03/2022	500,000	5,637,417	0.19
HSBC Finance Corp-6.25%	19/08/2019	250,000	3,250,179	0.11
ING Bank NV-5.375%	15/04/2021	500,000	6,598,521	0.23
Lloyds Bank Plc-2.5%	01/06/2022	500,000	5,699,096	0.20
NATIONAL GRID ELECTRICITY TRANSMISSION Plc-7.375%	13/01/2031	350,000	5,895,632	0.20
Nationwide Building Society-5.625%	09/09/2019	500,000	6,476,111	0.22
Northern Rock (Asset Management) Plc-6.375%	02/12/2019	400,000	5,316,330	0.18
NV Bank Nederlandse Gemeenten-5.2%	07/12/2028	200,000	2,884,551	0.10
The Goldman Sachs Group Inc-5.5%	12/10/2021	500,000	6,360,614	0.22
The Royal Bank of Scotland Plc-6.625%	17/09/2018	400,000	5,134,920	0.18
The United Kingdom-1.25%	22/07/2018	1,450,000	16,830,051	0.58
The United Kingdom-1.75%	22/07/2019	1,800,000	21,140,757	0.73
The United Kingdom-1.75%	07/09/2022	470,000	5,445,258	0.19
The United Kingdom-3.25%	22/01/2044	1,650,000	21,109,208	0.73
The United Kingdom-4.25%	07/12/2027	950,000	13,394,150	0.46
The United Kingdom-4.25%	07/03/2036	240,000	3,480,612	0.12
The United Kingdom-4.25%	07/12/2040	750,000	11,137,313	0.39
			152,194,967	5.25
<i>Denominated in Canadian Dollar</i>				
Bell Canada-3.35%	22/03/2023	750,000	4,279,830	0.15
JPMorgan Chase & Co-Floating	22/02/2021	500,000	2,792,689	0.10
Morgan Stanley-4.9%	23/02/2017	500,000	2,901,879	0.10
Ontario Electricity Financial Corp-10%	06/02/2020	500,000	3,751,155	0.13
Province Of British Columbia-5.7%	18/06/2029	275,000	2,055,408	0.07
Province of Ontario-2.1%	08/09/2019	1,850,000	10,674,839	0.37
Province of Quebec Canada-4.5%	01/12/2020	1,000,000	6,389,850	0.22
Rogers Communications Inc-6.11%	25/08/2040	800,000	5,159,567	0.18
Royal Bank of Canada-Floating	06/12/2024	1,000,000	5,750,742	0.20
The Goldman Sachs Group Inc-Floating	19/04/2022	1,000,000	5,709,904	0.20
The Royal Bank of Scotland Plc-5.875%	12/05/2016	500,000	2,831,376	0.10

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Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in Canadian Dollar (continued)</i>				
TransCanada PipeLines Ltd-3.69%	19/07/2023	500,000	2,945,567	0.10
Wells Fargo & Co-3.874%	21/05/2025	750,000	4,318,168	0.15
Winnipeg City of-5.9%	02/02/2029	125,000	905,617	0.03
			60,466,591	2.10
<i>Denominated in Czech Koruna</i>				
Czech Republic Government-4%	11/04/2017	5,400,000	1,791,942	0.06
<i>Denominated in Danish Krone</i>				
Denmark Government-1.75%	15/11/2025	5,200,000	6,343,410	0.22
Denmark Government-4.5%	15/11/2039	500,000	897,076	0.03
			7,240,486	0.25
<i>Denominated in Euro</i>				
ABB Finance BV-2.625%	26/03/2019	400,000	3,619,545	0.13
Abbey National Treasury Services Plc-1.75%	15/01/2018	500,000	4,350,153	0.15
ABN AMRO Bank NV-3.625%	06/10/2017	500,000	4,488,160	0.16
ABN AMRO Bank NV-4.125%	28/03/2022	500,000	4,984,496	0.17
Aegon NV-Floating	25/04/2044	500,000	4,075,587	0.14
Anheuser-Busch InBev SA/NV-2.875%	25/09/2024	250,000	2,328,259	0.08
Autouroutes du Sud de la France-7.375%	20/03/2019	500,000	5,145,784	0.18
B.A.T. International Finance Plc-5.375%	26/06/2017	600,000	5,468,799	0.19
Belgium Government-0.8%	22/06/2025	2,250,000	18,761,728	0.65
Belgium Government-3.75%	28/09/2020	50,000	497,790	0.02
Belgium Government-4.25%	28/09/2022	50,000	10,364,890	0.36
BNP Paribas SA-2.375%	17/02/2025	500,000	4,128,136	0.14
BNP Paribas SA-2.875%	26/09/2023	500,000	4,708,923	0.16
BPCE-2.125%	17/03/2021	500,000	4,480,766	0.15
BRED-Banque Populaire-6.437%	18/06/2018	400,000	3,707,637	0.13
Bundesrepublik Deutschland-1%	15/08/2024	3,275,000	28,974,151	1.00
Bundesrepublik Deutschland-1.5%	15/05/2024	1,575,000	14,525,713	0.50
Bundesrepublik Deutschland-2.5%	15/08/2046	375,000	3,961,134	0.14
Bundesrepublik Deutschland-4%	04/01/2037	630,000	7,908,008	0.27
Bundesrepublik Deutschland-4.75%	04/07/2034	250,000	3,341,888	0.12
Cloverie Plc for Zurich Insurance Co Ltd-Floating	24/07/2039	500,000	4,994,252	0.17
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.-4.125%	14/07/2025	900,000	9,323,569	0.32
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.-5.875%	20/05/2019	450,000	4,417,053	0.15
CRH Finance Ltd-3.125%	03/04/2023	500,000	4,660,016	0.16
Daimler AG-2.375%	08/03/2023	500,000	4,591,093	0.16
DIRECTV Holdings Llc / DIRECTV Financing Co Inc-2.75%	19/05/2023	500,000	4,494,858	0.16
EDF-4%	12/11/2025	250,000	2,537,461	0.09
EDF-4.125%	25/03/2027	1,000,000	10,318,667	0.36
Electricité de France-4.625%	11/09/2024	700,000	7,446,024	0.26
Engie-6.375%	18/01/2021	500,000	5,399,736	0.19
Finland Government-3.375%	15/04/2020	250,000	2,427,208	0.08
France Government OAT-1%	25/05/2019	3,000,000	26,369,156	0.91
France Government OAT-1.75%	25/11/2024	1,500,000	13,724,715	0.47

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in Euro (continued)</i>				
France Government OAT-3%	25/04/2022	3,200,000	31,643,272	1.09
France Government OAT-4.5%	25/04/2041	1,000,000	12,855,076	0.44
GE Capital European Funding-4.35%	03/11/2021	250,000	2,519,750	0.09
HSBC France-1.875%	16/01/2020	500,000	4,438,329	0.15
Imperial Tobacco Finance Plc-2.25%	26/02/2021	500,000	4,450,177	0.15
Ireland Government-2%	18/02/2045	150,000	1,218,078	0.04
Ireland Government-3.4%	18/03/2024	2,375,000	23,935,617	0.83
Ireland Government-4.5%	18/04/2020	900,000	9,034,669	0.31
Italy Buoni Poliennali Del Tesoro-0.25%	15/05/2018	2,000,000	16,998,481	0.59
Italy Buoni Poliennali Del Tesoro-2.15%	15/12/2021	2,025,000	18,391,549	0.64
Italy Buoni Poliennali Del Tesoro-3.25%	01/09/2046	250,000	2,365,441	0.08
Italy Buoni Poliennali Del Tesoro-3.75%	01/08/2021	795,000	7,818,030	0.27
Italy Buoni Poliennali Del Tesoro-5%	01/08/2034	500,000	5,937,578	0.21
Italy Buoni Poliennali Del Tesoro-5.25%	01/11/2029	600,000	7,059,668	0.24
Italy Buoni Poliennali Del Tesoro-5.5%	01/11/2022	2,500,000	27,283,930	0.94
JPMorgan Chase & Co-1.375%	16/09/2021	500,000	4,290,567	0.15
MasterCard Inc-1.1%	01/12/2022	500,000	4,212,095	0.15
Morgan Stanley-2.25%	12/03/2018	500,000	4,403,862	0.15
Morgan Stanley-2.375%	31/03/2021	500,000	4,482,731	0.16
Morgan Stanley-4.375%	12/10/2016	500,000	4,373,577	0.15
Nationwide Building Society-1.25%	03/03/2025	500,000	4,086,664	0.14
Netherlands Government-2.25%	15/07/2022	1,175,000	11,225,848	0.39
Netherlands Government-2.5%	15/01/2033	150,000	1,495,664	0.05
Netherlands Government-2.75%	15/01/2047	150,000	1,627,145	0.06
Netherlands Government-5.5%	15/01/2028	1,125,000	14,378,081	0.50
Nordea Bank AB-2.25%	05/10/2017	200,000	1,755,454	0.06
Oracle Corp-3.125%	10/07/2025	500,000	4,821,202	0.17
Orange-2.5%	01/03/2023	500,000	4,571,035	0.16
Philip Morris International Inc-2.875%	30/05/2024	300,000	2,827,681	0.10
Santander Consumer Finance SA-0.9%	18/02/2020	500,000	4,176,891	0.14
Spain Government-1.15%	30/07/2020	4,000,000	34,586,387	1.20
Spain Government-4.4%	31/10/2023	3,000,000	31,028,537	1.07
Spain Government-5.15%	31/10/2044	250,000	2,998,743	0.10
Spain Government-6%	31/01/2029	2,325,000	28,197,835	0.98
Standard Chartered Plc-1.75%	29/10/2017	750,000	6,501,157	0.22
Svenska Handelsbanken AB-4.375%	20/10/2021	750,000	7,571,434	0.26
Telefonica Emisiones SAU-5.496%	01/04/2016	400,000	3,430,319	0.12
The Goldman Sachs Group Inc-2.625%	19/08/2020	500,000	4,528,420	0.16
The Goldman Sachs Group Inc-3.25%	01/02/2023	500,000	4,669,086	0.16
The Goldman Sachs Group Inc-4.5%	30/01/2017	500,000	4,428,946	0.15
The Procter & Gamble Co-2%	16/08/2022	500,000	4,532,637	0.16
The Royal Bank of Scotland Plc-5.375%	30/09/2019	110,000	1,092,928	0.04
The Royal Bank of Scotland Plc-5.5%	23/03/2020	750,000	7,597,411	0.26
Time Warner Inc-1.95%	15/09/2023	500,000	4,294,725	0.15
Tyco Electronics Group SA-1.1%	01/03/2023	500,000	4,100,807	0.14
			638,762,869	22.09
<i>Denominated in Japanese Yen</i>				
Asian Development Bank-2.35%	21/06/2027	200,000,000	15,929,384	0.55
BPCE-0.793%	13/12/2018	300,000,000	19,632,834	0.68
Citigroup Inc-2.24%	09/12/2022	100,000,000	7,046,567	0.24
Citigroup Inc-2.36%	16/09/2025	100,000,000	7,164,424	0.25
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.-0.38%	22/05/2020	100,000,000	6,422,229	0.22
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.-1.362%	02/11/2022	100,000,000	6,761,168	0.23

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in Japanese Yen (continued)</i>				
Credit Agricole SA-0.435%	26/06/2020	100,000,000	6,451,072	0.22
DnB Bank ASA-0.593%	24/01/2019	100,000,000	6,486,295	0.22
European Investment Bank-1.9%	26/01/2026	300,000,000	22,665,668	0.78
European Investment Bank-2.15%	18/01/2027	200,000,000	15,482,187	0.54
Japan Government 2 Year Bond-0.1%	15/05/2017	760,000,000	49,033,530	1.70
Japan Government 5 Year Bond-0.2%	20/06/2019	695,000,000	45,047,492	1.56
Japan Government 10 Year Bond-0.6%	20/03/2023	650,000,000	43,412,142	1.50
Japan Government 10 Year Bond-0.7%	20/12/2022	30,000,000	2,016,501	0.07
Japan Government 10 Year Bond-1.1%	20/09/2021	375,000,000	25,604,382	0.89
Japan Government 20 Year Bond-1.4%	20/09/2034	630,000,000	44,064,666	1.52
Japan Government 20 Year Bond-1.5%	20/03/2034	240,000,000	17,114,269	0.59
Japan Government 30 Year Bond-1.5%	20/03/2045	305,000,000	20,719,253	0.72
Province of Ontario-1.65%	08/06/2020	200,000,000	13,749,411	0.48
Province of Quebec Canada-3.95%	07/11/2016	100,000,000	6,643,510	0.23
Province of Quebec Canada-4%	28/10/2016	200,000,000	13,275,946	0.46
The Export-Import Bank of Korea-0.45%	14/03/2017	100,000,000	6,439,857	0.22
The Export-Import Bank of Korea-1.32%	08/07/2016	100,000,000	6,474,745	0.22
The Export-Import Bank of Korea-1.38%	24/05/2017	100,000,000	6,522,536	0.23
The Korea Development Bank-0.69%	29/01/2019	100,000,000	6,474,411	0.22
			420,634,479	14.54
<i>Denominated in Malaysian Ringgit</i>				
Malaysia Government-3.654%	31/10/2019	2,200,000	4,002,108	0.14
Malaysia Government-3.795%	30/09/2022	10,750,000	19,102,327	0.66
Malaysia Government-3.889%	31/07/2020	6,200,000	11,297,604	0.39
Malaysia Government-4.498%	15/04/2030	500,000	893,389	0.03
			35,295,428	1.22
<i>Denominated in Mexican Peso</i>				
Mexican Bonos-4.75%	14/06/2018	6,000,000	2,687,519	0.09
Mexican Bonos-5%	11/12/2019	6,000,000	2,647,395	0.09
Mexican Bonos-6.5%	10/06/2021	123,000,000	56,725,000	1.96
Mexican Bonos-7.25%	15/12/2016	2,000,000	920,830	0.03
Mexican Bonos-8.5%	13/12/2018	17,000,000	8,336,623	0.29
			71,317,367	2.46
<i>Denominated in New Zealand Dollar</i>				
New Zealand Government-3%	15/04/2020	200,000	1,066,974	0.04
New Zealand Government-6%	15/12/2017	230,000	1,299,127	0.04
			2,366,101	0.08
<i>Denominated in Norwegian Krone</i>				
Norway Government-4.25%	19/05/2017	500,000	461,798	0.02
Norway Government-4.5%	22/05/2019	1,900,000	1,883,513	0.07
			2,345,311	0.09

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in Polish Zloty</i>				
Poland Government-2.5%	25/07/2018	27,000,000	54,694,022	1.89
Poland Government-5.25%	25/10/2017	850,000	1,799,365	0.06
Poland Government-5.25%	25/10/2020	825,000	1,866,531	0.06
Poland Government-5.5%	25/10/2019	800,000	1,793,247	0.06
			60,153,165	2.07
<i>Denominated in Singapore Dollar</i>				
Singapore Government-1.625%	01/10/2019	300,000	1,644,319	0.06
Singapore Government-3%	01/09/2024	400,000	2,271,432	0.08
SP PowerAssets Ltd-4.665%	18/08/2020	250,000	1,463,216	0.05
			5,378,967	0.19
<i>Denominated in South African Rand</i>				
South Africa Government-8.25%	15/09/2017	4,100,000	2,036,096	0.07
<i>Denominated in Swedish Krona</i>				
Sweden Government-1.5%	13/11/2023	1,400,000	1,356,222	0.05
Sweden Government-4.25%	12/03/2019	3,475,000	3,651,878	0.13
			5,008,100	0.18
<i>Denominated in Swiss Franc</i>				
Switzerland Government-2.5%	08/03/2036	1,225,000	13,306,738	0.46
<i>Denominated in Thai Baht</i>				
Thailand Government-5.67%	13/03/2028	10,000,000	2,797,472	0.10
<i>Denominated in United States Dollar</i>				
21st Century Fox America Inc-3%	15/09/2022	45,000	343,679	0.01
21st Century Fox America Inc-4.75%	15/09/2044	50,000	372,734	0.01
21st Century Fox America Inc-5.4%	01/10/2043	135,000	1,089,071	0.04
21st Century Fox America Inc-6.15%	15/02/2041	130,000	1,132,199	0.04
AbbVie Inc-1.75%	06/11/2017	200,000	1,547,051	0.05
AbbVie Inc-3.6%	14/05/2025	555,000	4,245,219	0.15
ABN AMRO Bank NV-2.45%	04/06/2020	800,000	6,146,993	0.21
ACE INA Holdings Inc-3.35%	03/05/2026	500,000	3,863,277	0.13
Aetna Inc-2.75%	15/11/2022	30,000	225,870	0.01
Alabama Power Co-3.85%	01/12/2042	40,000	284,570	0.01
Altria Group Inc-2.85%	09/08/2022	205,000	1,548,902	0.05
Altria Group Inc-4.5%	02/05/2043	335,000	2,464,581	0.09
American Honda Finance Corp-1.125%	07/10/2016	460,000	3,567,994	0.12
American Honda Finance Corp-2.45%	24/09/2020	460,000	3,570,653	0.12
American International Group Inc-3.375%	15/08/2020	500,000	3,984,270	0.14
American International Group Inc-3.75%	10/07/2025	500,000	3,840,506	0.13
American International Group Inc-3.875%	15/01/2035	1,000,000	6,836,013	0.24

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Anadarko Petroleum Corp-4.5%	15/07/2044	410,000	2,432,731	0.08
Anheuser-Busch Cos Llc-5.6%	01/03/2017	295,000	2,394,357	0.08
Anheuser-Busch InBev Worldwide Inc-8.2%	15/01/2039	145,000	1,619,894	0.06
Anthem Inc-1.875%	15/01/2018	180,000	1,389,002	0.05
Anthem Inc-3.125%	15/05/2022	60,000	456,383	0.02
Anthem Inc-4.35%	15/08/2020	110,000	902,963	0.03
Anthem Inc-4.625%	15/05/2042	110,000	805,061	0.03
Anthem Inc-4.65%	15/01/2043	95,000	700,616	0.02
Anthem Inc-4.65%	15/08/2044	65,000	480,139	0.02
Apache Corp-3.25%	15/04/2022	413,000	3,048,637	0.11
Apache Corp-4.25%	15/01/2044	80,000	485,386	0.02
Apache Corp-4.75%	15/04/2043	35,000	226,690	0.01
Apple Inc-1%	03/05/2018	30,000	230,620	0.01
Apple Inc-2.85%	06/05/2021	425,000	3,373,260	0.12
Apple Inc-3.45%	09/02/2045	255,000	1,701,534	0.06
Associated Banc-Corp-4.25%	15/01/2025	640,000	4,963,228	0.17
AstraZeneca Plc-4.375%	16/11/2045	100,000	776,601	0.03
AT&T Inc-2.375%	27/11/2018	125,000	975,388	0.03
AT&T Inc-3.4%	15/05/2025	225,000	1,675,966	0.06
AT&T Inc-4.35%	15/06/2045	115,000	762,468	0.03
AT&T Inc-4.45%	15/05/2021	165,000	1,361,095	0.05
AT&T Inc-4.5%	15/05/2035	375,000	2,687,981	0.09
Australia and New Zealand Banking				
Group Ltd-5.1%	13/01/2020	500,000	4,257,875	0.15
B.A.T. International Finance Plc-2.75%	15/06/2020	525,000	4,067,724	0.14
Baltimore Gas and Electric Co-3.35%	01/07/2023	390,000	3,059,466	0.11
Bank of America Corp-2.6%	15/01/2019	2,290,000	17,806,029	0.62
Bank of America Corp-4%	01/04/2024	1,000,000	7,926,348	0.27
Barclays Bank Plc-5%	22/09/2016	430,000	3,418,144	0.12
BHP Billiton Finance (USA) Ltd-2.05%	30/09/2018	230,000	1,751,030	0.06
BNP Paribas SA-1.25%	12/12/2016	410,000	3,172,866	0.11
BNP Paribas SA-2.4%	12/12/2018	360,000	2,812,047	0.10
BP Capital Markets Plc-2.241%	26/09/2018	75,000	583,040	0.02
BPCE-5.15%	21/07/2024	555,000	4,337,566	0.15
Burlington Northern Santa Fe Llc-3.45%	15/09/2021	250,000	1,980,301	0.07
Burlington Northern Santa Fe Llc-3.85%	01/09/2023	185,000	1,489,193	0.05
Capital One Bank (USA) National Association-2.15%				
	21/11/2018	420,000	3,227,077	0.11
Celgene Corp-2.875%	15/08/2020	300,000	2,307,564	0.08
Celgene Corp-3.875%	15/08/2025	500,000	3,859,456	0.13
Celgene Corp-5%	15/08/2045	160,000	1,244,869	0.04
Celgene Corp-5.25%	15/08/2043	15,000	118,784	0.00
Chevron Corp-0.889%	24/06/2016	300,000	2,325,664	0.08
Chevron Corp-1.104%	05/12/2017	80,000	615,761	0.02
Chevron Corp-1.718%	24/06/2018	80,000	616,857	0.02
Chevron Corp-2.355%	05/12/2022	80,000	592,055	0.02
Cigna Corp-4%	15/02/2022	145,000	1,161,541	0.04
Cigna Corp-4.375%	15/12/2020	200,000	1,650,775	0.06
City National Corp-5.25%	15/09/2020	245,000	2,108,526	0.07
CMS Energy Corp-4.875%	01/03/2044	325,000	2,556,356	0.09
Colombia Government-4.375%	12/07/2021	12,000,000	93,468,620	3.23
Colombia Government-7.375%	18/03/2019	7,600,000	66,058,909	2.28
Comcast Corp-4.6%	15/08/2045	240,000	1,883,368	0.07
Comcast Corp-5.7%	01/07/2019	600,000	5,213,824	0.18
Comcast Corp-6.5%	15/11/2035	25,000	242,839	0.01
ConocoPhillips Co-1.05%	15/12/2017	170,000	1,293,665	0.04
ConocoPhillips Co-4.3%	15/11/2044	250,000	1,610,169	0.06
ConocoPhillips Co-Floating	15/05/2022	500,000	3,817,759	0.13

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Cooperative Centrale Raiffeisen-Boerenlenkbank B.A.-1.7%	19/03/2018	590,000	4,570,354	0.16
Cooperative Centrale Raiffeisen-Boerenlenkbank B.A.-4.375%	04/08/2025	650,000	5,123,603	0.18
Cooperative Centrale Raiffeisen-Boerenlenkbank B.A.-5.25%	04/08/2045	250,000	2,030,366	0.07
CRH America Inc-8.125%	15/07/2018	255,000	2,248,279	0.08
CSX Corp-3.7%	30/10/2020	195,000	1,576,936	0.05
CSX Corp-3.95%	01/05/2050	370,000	2,425,483	0.08
CVS Health Corp-2.25%	05/12/2018	420,000	3,270,832	0.11
CVS Health Corp-3.875%	20/07/2025	155,000	1,226,019	0.04
CVS Health Corp-4.875%	20/07/2035	300,000	2,400,635	0.08
CVS Health Corp-5.125%	20/07/2045	490,000	4,000,559	0.14
Daimler Finance North America Llc-1.45%	01/08/2016	285,000	2,211,886	0.08
Daimler Finance North America Llc-2.375%	01/08/2018	190,000	1,474,776	0.05
Daimler Finance North America Llc-2.7%	03/08/2020	500,000	3,835,852	0.13
Deutsche Telekom International Finance				
BV-6.75%	20/08/2018	250,000	2,159,945	0.07
Devon Energy Corp-2.25%	15/12/2018	230,000	1,626,885	0.06
Devon Energy Corp-3.25%	15/05/2022	245,000	1,614,070	0.06
DIRECTV Holdings Llc / DIRECTV Financing Co Inc-3.8%				
	15/03/2022	85,000	662,941	0.02
DIRECTV Holdings Llc / DIRECTV Financing Co Inc-4.45%				
	01/04/2024	130,000	1,034,835	0.04
DIRECTV Holdings Llc / DIRECTV Financing Co Inc-6%				
	15/08/2040	110,000	872,420	0.03
DIRECTV Holdings Llc / DIRECTV Financing Co Inc-6.375%				
	01/03/2041	55,000	457,522	0.02
Dominion Gas Holdings Llc-4.8%	01/11/2043	25,000	185,306	0.01
Dominion Resources Inc-3.9%	01/10/2025	500,000	3,879,180	0.13
DTE Energy Co-6.375%	15/04/2033	110,000	1,056,127	0.04
Eastman Chemical Co-3.8%	15/03/2025	500,000	3,752,827	0.13
Eastman Chemical Co-4.65%	15/10/2044	45,000	309,650	0.01
Electricite de France-4.875%	22/01/2044	360,000	2,667,787	0.09
Encana Corp-5.15%	15/11/2041	50,000	259,180	0.01
Enterprise Products Operating Llc-4.9%	15/05/2046	500,000	3,166,726	0.11
ERAC USA Finance Llc-3.3%	15/10/2022	20,000	152,493	0.01
ERAC USA Finance Llc-4.5%	15/02/2045	95,000	684,671	0.02
FedEx Corp-3.2%	01/02/2025	235,000	1,771,484	0.06
Florida Power & Light Co-5.96%	01/04/2039	200,000	1,934,878	0.07
GE Capital International Funding Co-0.964%				
	15/04/2016	412,000	3,194,564	0.11
GE Capital International Funding Co-2.342%				
	15/11/2020	571,000	4,388,513	0.15
GE Capital International Funding Co-4.181%				
	15/11/2035	297,000	2,348,985	0.08
General Electric Capital Corp-5.3%	11/02/2021	198,000	1,730,400	0.06
General Electric Capital Corp-5.875%	14/01/2038	94,000	891,399	0.03
General Electric Capital Corp-6%	07/08/2019	600,000	5,267,910	0.18
General Electric Co-4.5%	11/03/2044	60,000	478,565	0.02
Georgia-Pacific Llc-3.734%	15/07/2023	50,000	391,994	0.01
Georgia-Pacific Llc-5.4%	01/11/2020	70,000	598,432	0.02
Gilead Sciences Inc-3.65%	01/03/2026	335,000	2,618,365	0.09
Gilead Sciences Inc-4.75%	01/03/2046	150,000	1,176,526	0.04
Gilead Sciences Inc-4.8%	01/04/2044	205,000	1,595,068	0.06
GNMA 0626-4%	20/12/2042	965,615	7,992,407	0.28

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal International Bond Fund *(continued)*

Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
GNMA 3171-5.5%	20/12/2031	3,995	34,308	0.00
GNMA 3201-6.5%	20/02/2032	9,242	83,099	0.00
GNMA 3272-5.5%	20/08/2032	24,631	212,767	0.01
GNMA 3474-6%	20/11/2033	70,519	621,430	0.02
GNMA 3488-5.5%	20/12/2033	17,512	151,414	0.01
GNMA 3499-5%	20/01/2034	26,143	224,070	0.01
GNMA 3500-5.5%	20/01/2034	184,773	1,597,746	0.06
GNMA 3515-5.5%	20/02/2034	114,616	989,762	0.03
GNMA 3534-4%	20/04/2019	12,170	99,295	0.00
GNMA 3543-5%	20/04/2034	115,516	986,759	0.03
GNMA 3556-5.5%	20/05/2034	96,141	831,105	0.03
GNMA 3568-5%	20/06/2034	62,317	534,085	0.02
GNMA 3570-6%	20/06/2034	44,047	394,123	0.01
GNMA 3584-6%	20/07/2034	15,031	132,866	0.00
GNMA 3595-5%	20/08/2034	92,197	790,365	0.03
GNMA 3596-5.5%	20/08/2034	10,462	90,210	0.00
GNMA 3617-4.5%	20/10/2019	39,986	322,208	0.01
GNMA 3625-6%	20/10/2034	59,364	524,660	0.02
GNMA 3666-6%	20/01/2035	70,629	624,440	0.02
GNMA 3678-5.5%	20/02/2035	107,612	930,433	0.03
GNMA 3702-5.5%	20/04/2035	45,163	390,947	0.01
GNMA 3711-5.5%	20/05/2035	75,182	649,371	0.02
GNMA 3712-6%	20/05/2035	16,537	147,362	0.01
GNMA 3750-6.5%	20/08/2035	35,042	325,378	0.01
GNMA 3759-5%	20/09/2035	57,201	490,292	0.02
GNMA 3760-5.5%	20/09/2035	166,244	1,437,568	0.05
GNMA 3797-6%	20/12/2035	20,114	177,012	0.01
GNMA 3805-5%	20/01/2036	52,000	444,216	0.02
GNMA 3808-6%	20/01/2036	16,535	143,984	0.00
GNMA 3820-6%	20/02/2036	81,666	720,261	0.02
GNMA 3821-6.5%	20/02/2036	22,441	199,105	0.01
GNMA 3864-5.5%	20/06/2036	36,171	311,923	0.01
GNMA 3865-6%	20/06/2036	14,800	129,153	0.00
GNMA 3931-6%	20/12/2036	52,711	457,077	0.02
GNMA 3932-6.5%	20/12/2036	75,912	673,516	0.02
GNMA 3984-5%	20/05/2037	41,620	350,220	0.01
GNMA 4196-6.5%	20/07/2038	58,608	519,988	0.02
GNMA 429779-5.5%	15/12/2033	26,786	234,355	0.01
GNMA 4854-4.5%	20/11/2040	1,060,061	8,949,498	0.31
GNMA 487861-5.5%	15/04/2039	147,700	1,299,936	0.04
GNMA 4882-4%	20/12/2040	762,073	6,326,867	0.22
GNMA 511460-5%	15/04/2035	16,853	145,522	0.01
GNMA 5169-4.5%	20/09/2026	1,022,258	8,450,949	0.29
GNMA 5175-4.5%	20/09/2041	966,301	8,158,002	0.28
GNMA 531047-5.5%	15/11/2032	44,041	388,340	0.01
GNMA 546760-4.5%	15/04/2040	655,569	5,573,491	0.19
GNMA 553055-5.5%	15/02/2033	35,015	308,716	0.01
GNMA 562388-6%	15/08/2034	19,850	177,694	0.01
GNMA 570310-6%	15/02/2017	3,604	28,109	0.00
GNMA 574548-5.5%	15/04/2034	212,969	1,877,092	0.06
GNMA 592593-6%	15/02/2033	8,254	73,209	0.00
GNMA 593891-5.5%	15/03/2033	1,086	9,361	0.00
GNMA 605098-5%	15/03/2034	87,348	753,031	0.03
GNMA 605396-5%	15/05/2019	74,080	605,951	0.02
GNMA 615603-5.5%	15/07/2034	35,353	305,192	0.01
GNMA 615892-5%	15/08/2033	40,787	351,649	0.01
GNMA 616474-5%	15/06/2034	29,675	256,292	0.01
GNMA 618860-5%	15/08/2018	17,740	144,085	0.00
GNMA 620568-5%	15/09/2033	96,583	832,511	0.03

Principal International Bond Fund *(continued)*

Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
GNMA 621759-5.5%	15/12/2033	25,222	222,310	0.01
GNMA 640215-5.5%	15/03/2035	43,517	375,241	0.01
GNMA 644034-5.5%	15/08/2035	51,361	454,306	0.02
GNMA 649221-6%	15/09/2035	4,815	41,861	0.00
GNMA 651782-6%	15/04/2036	145,556	1,327,008	0.05
GNMA 654420-6.5%	15/08/2036	39,358	348,999	0.01
GNMA 661047-6%	15/11/2036	25,670	226,224	0.01
GNMA 661552-6.5%	15/12/2036	40,995	363,520	0.01
GNMA 663852-5.5%	15/02/2037	34,472	299,984	0.01
GNMA 671325-6%	15/07/2037	54,884	480,678	0.02
GNMA 685878-6%	15/05/2038	64,525	570,685	0.02
GNMA 699451-6%	15/10/2038	45,119	392,879	0.01
GNMA 700908-6%	15/11/2038	71,715	637,973	0.02
GNMA 716373-5%	15/06/2039	1,464,292	12,714,406	0.44
GNMA 716657-5%	15/08/2039	130,100	1,105,822	0.04
GNMA 717803-5.5%	15/06/2039	242,739	2,093,114	0.07
GNMA 726031-4.5%	15/07/2040	1,158,131	9,819,594	0.34
GNMA 746103-4.5%	15/08/2040	742,847	6,273,848	0.22
GNMA 758314-4%	15/10/2041	2,099,633	17,273,420	0.60
GNMA 758589-4.5%	20/12/2040	1,204,310	10,072,516	0.35
GNMA 781305-6.5%	15/06/2031	53,044	485,402	0.02
GNMA 781687-5.5%	15/12/2033	70,243	618,786	0.02
GNMA 781811-5%	15/10/2034	695,391	6,007,672	0.21
GNMA 782017-5.5%	15/12/2020	26,518	219,077	0.01
Halliburton Co-4.75%	01/08/2043	65,000	472,932	0.02
Hewlett Packard Enterprise Co-2.85%	05/10/2018	750,000	5,809,482	0.20
HP Inc-6%	15/09/2041	90,000	609,035	0.02
Ingersoll-Rand Global Holding Co Ltd-2.875%	15/01/2019	95,000	743,659	0.03
Ingersoll-Rand Global Holding Co Ltd-5.75%	15/06/2043	35,000	295,621	0.01
Ingersoll-Rand Luxembourg Finance SA-2.625%	01/05/2020	325,000	2,481,878	0.09
Ingersoll-Rand Luxembourg Finance SA-3.55%	01/11/2024	250,000	1,895,979	0.07
Ingersoll-Rand Luxembourg Finance SA-4.65%	01/11/2044	65,000	482,150	0.02
Intec Corp-4.9%	29/07/2045	155,000	1,269,725	0.04
John Deere Capital Corp-2.25%	17/04/2019	325,000	2,529,762	0.09
JPMorgan Chase & Co-3.2%	25/01/2023	310,000	2,394,749	0.08
JPMorgan Chase & Co-3.875%	10/09/2024	470,000	3,623,495	0.13
JPMorgan Chase & Co-4.4%	22/07/2020	320,000	2,647,205	0.09
JPMorgan Chase & Co-4.5%	24/01/2022	130,000	1,086,738	0.04
JPMorgan Chase & Co-6.3%	23/04/2019	500,000	4,345,210	0.15
JPMorgan Chase & Co-Floating	25/01/2018	250,000	1,941,561	0.07
Kellogg Co-1.75%	17/05/2017	275,000	2,132,275	0.07
Lloyds Bank Plc-2.3%	27/11/2018	325,000	2,528,847	0.09
Lockheed Martin Corp-2.5%	23/11/2020	475,000	3,659,558	0.13
Lockheed Martin Corp-4.7%	15/05/2046	280,000	2,222,971	0.08
Lowé's Cos Inc-3.12%	15/04/2022	385,000	3,051,453	0.11
LYB International Finance BV-4.875%	15/03/2044	45,000	318,489	0.01
Marathon Petroleum Corp-4.75%	15/09/2044	145,000	918,584	0.03
McDonald's Corp-2.75%	09/12/2020	575,000	4,453,352	0.15
McDonald's Corp-4.875%	09/12/2045	75,000	584,813	0.02
Medtronic Inc-3.5%	15/03/2025	545,000	4,258,423	0.15
Medtronic Inc-4.375%	15/03/2035	655,000	5,131,485	0.18
Medtronic Inc-6.625%	15/03/2045	205,000	1,638,786	0.06
Merck & Co Inc-1.3%	18/05/2018	195,000	1,507,763	0.05
MetLife Inc-1.756%	15/12/2017	1,393,000	10,807,191	0.37

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Mexico Government-3.625%	15/03/2022	7,550,000	58,865,855	2.04
Mexico Government-5.125%	15/01/2020	8,250,000	69,694,575	2.41
Microsoft Corp-2%	03/11/2020	350,000	2,713,367	0.09
Monsanto Co-3.375%	15/07/2024	500,000	3,694,576	0.13
Monsanto Co-3.95%	15/04/2045	90,000	541,218	0.02
Monsanto Co-4.4%	15/07/2044	25,000	160,418	0.01
Moody's Corp-5.5%	01/09/2020	155,000	1,323,740	0.05
Morgan Stanley-4.3%	27/01/2045	285,000	2,107,468	0.07
Morgan Stanley-6.625%	01/04/2018	2,955,000	25,112,880	0.87
Nabors Industries Inc-2.35%	15/09/2016	55,000	424,149	0.01
NBCUniversal Media LLC-2.875%	15/01/2023	280,000	2,154,778	0.07
NBCUniversal Media LLC-4.45%	15/01/2043	275,000	2,088,186	0.07
Newmont Mining Corp-4.875%	15/03/2042	90,000	498,424	0.02
NIKE Inc-3.875%	01/11/2045	175,000	1,308,835	0.05
Nissan Motor Acceptance Corp-1.95%	12/09/2017	135,000	1,048,004	0.04
Noble Energy Inc-3.9%	15/11/2024	60,000	413,876	0.01
Noble Energy Inc-5.05%	15/11/2044	150,000	938,640	0.03
Nordica Bank AB-4.875%	13/05/2021	300,000	2,509,172	0.09
Northern Trust Corp-3.95%	30/10/2025	45,000	365,182	0.01
Novartis Capital Corp-3%	20/11/2025	200,000	1,528,420	0.05
Oracle Corp-2.375%	15/01/2019	235,000	1,849,444	0.06
Oracle Corp-2.5%	15/10/2022	230,000	1,740,798	0.06
Oracle Corp-4.375%	15/05/2055	260,000	1,843,462	0.06
Pacific Gas and Electric Co-5.125%	15/11/2043	75,000	635,885	0.02
Pacific Gas and Electric Co-5.4%	15/01/2040	500,000	4,377,602	0.15
PacifiCorp-5.5%	15/01/2019	500,000	4,252,900	0.15
Perrigo Co Plc-1.3%	08/11/2016	200,000	1,539,098	0.05
Petro-Canada-6.05%	15/05/2018	350,000	2,907,717	0.10
Petroleos Mexicanos-4.875%	24/01/2022	3,000,000	22,378,992	0.77
Philip Morris International Inc-4.25%	10/11/2044	255,000	1,908,604	0.07
Philip Morris International Inc-4.375%	15/11/2041	75,000	577,967	0.02
Phillips 66-2.95%	01/05/2017	500,000	3,927,821	0.14
Phillips 66-4.65%	15/11/2034	150,000	1,089,615	0.04
PNC Funding Corp-3.3%	08/03/2022	500,000	3,967,483	0.14
Prudential Financial Inc-5.375%	21/06/2020	500,000	4,308,283	0.15
QUALCOMM Inc-4.65%	20/05/2035	80,000	575,123	0.02
QUALCOMM Inc-4.8%	20/05/2045	20,000	137,724	0.00
Rio Tinto Finance (USA) Ltd-3.5%	02/11/2020	390,000	2,962,929	0.10
Rio Tinto Finance (USA) Ltd-4.125%	20/05/2021	340,000	2,638,841	0.09
Sempra Energy-2.875%	01/10/2022	160,000	1,199,965	0.04
Shell International Finance BV-3.25%	11/05/2025	755,000	5,710,895	0.20
Shell International Finance BV-3.625%	21/08/2042	225,000	1,455,026	0.05
Shell International Finance BV-4.375%	11/05/2045	85,000	621,928	0.02
Siemens Financieringsmaatschappij NV-1.45%	25/05/2018	350,000	2,690,839	0.09
Skandinaviska Enskilda Banken AB-2.45%	27/05/2020	1,160,000	8,930,464	0.31
Spectra Energy Partners LP-4.75%	15/03/2024	130,000	975,980	0.03
Svenska Handelsbanken AB-2.5%	25/01/2019	390,000	3,050,634	0.11
Svenska Handelsbanken AB-5.125%	30/03/2020	500,000	4,288,427	0.15
Telefonica Emisiones SAU-5.462%	16/02/2021	410,000	3,551,356	0.12
Telefonica Emisiones SAU-7.045%	20/06/2036	65,000	605,404	0.02
The Bank of Tokyo-Mitsubishi UFJ Ltd-2.7%	09/09/2018	530,000	4,151,878	0.14
The Dow Chemical Co-4.375%	15/11/2042	25,000	168,742	0.01
The Dow Chemical Co-7.375%	01/11/2029	85,000	813,620	0.03
The Goldman Sachs Group Inc-2.375%	22/01/2018	400,000	3,126,905	0.11
The Goldman Sachs Group Inc-5.375%	15/03/2020	710,000	6,044,967	0.21
The Goldman Sachs Group Inc-6%	15/06/2020	40,000	350,348	0.01

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
The Goldman Sachs Group Inc-6.25%	01/02/2041	285,000	2,634,703	0.09
The Goldman Sachs Group Inc-6.45%	01/05/2036	105,000	919,942	0.03
The Goldman Sachs Group Inc-6.75%	01/10/2037	195,000	1,766,623	0.06
The Goldman Sachs Group Inc-Floating	29/11/2023	295,000	2,306,630	0.08
The Home Depot Inc-2.25%	10/09/2018	120,000	950,875	0.03
The Home Depot Inc-3.35%	15/09/2025	615,000	4,870,643	0.17
The J. M. Smucker Co-4.375%	15/03/2045	415,000	3,131,334	0.11
Time Warner Cable Inc-5.875%	15/11/2040	5,000	36,723	0.00
Time Warner Cable Inc-6.75%	01/07/2018	410,000	3,466,952	0.12
Time Warner Cable Inc-8.75%	14/02/2019	110,000	988,983	0.03
Time Warner Inc-3.6%	15/07/2025	125,000	943,094	0.03
Time Warner Inc-4.05%	15/12/2023	105,000	830,315	0.03
Time Warner Inc-4.65%	01/06/2044	90,000	639,878	0.02
Time Warner Inc-4.875%	15/03/2020	275,000	2,304,361	0.08
Time Warner Inc-6.25%	29/03/2041	140,000	1,205,018	0.04
Total Capital SA-2.125%	10/08/2018	380,000	2,953,628	0.10
TransCanada PipeLines Ltd-4.625%	01/03/2034	355,000	2,601,325	0.09
TransCanada PipeLines Ltd-5%	16/10/2043	55,000	392,027	0.01
TransCanada PipeLines Ltd-7.125%	15/01/2019	380,000	3,280,686	0.11
Tyco Electronics Group SA-2.375%	17/12/2018	190,000	1,470,526	0.05
Tyco Electronics Group SA-3.5%	03/02/2022	285,000	2,248,941	0.08
Union Pacific Corp-3.875%	01/02/2055	325,000	2,221,155	0.08
United States Treasury Note/Bond-0.5%	30/04/2017	2,500,000	19,274,338	0.67
United States Treasury Note/Bond-0.875%	15/07/2018	1,000,000	7,680,369	0.27
United States Treasury Note/Bond-1.875%	30/11/2021	13,000,000	100,336,681	3.47
United States Treasury Note/Bond-2.125%	15/05/2025	3,000,000	22,947,546	0.79
United States Treasury Note/Bond-2.5%	15/02/2045	3,500,000	24,338,225	0.84
United States Treasury Note/Bond-3%	15/11/2044	190,000	1,467,207	0.05
United States Treasury Note/Bond-3%	15/05/2045	270,000	2,083,018	0.07
United States Treasury Note/Bond-4.5%	15/02/2036	1,250,000	12,415,611	0.43
UnitedHealth Group Inc-4.625%	15/07/2035	500,000	4,022,863	0.14
UnitedHealth Group Inc-4.75%	15/07/2045	340,000	2,775,527	0.10
Verizon Communications Inc-6.25%	21/02/2020	123,000	956,602	0.03
Verizon Communications Inc-6.5%	15/09/2048	202,000	1,400,076	0.05
Verizon Communications Inc-5.012%	21/08/2054	453,000	3,214,536	0.11
Verizon Communications Inc-5.15%	15/09/2023	320,000	2,726,434	0.09
Verizon Communications Inc-6.4%	15/09/2033	2,000	17,660	0.00
Viacom Inc-4.85%	15/12/2034	30,000	189,888	0.01
Viacom Inc-5.85%	01/09/2043	175,000	1,217,929	0.04
Virginia Electric and Power Co-4%	15/01/2043	570,000	4,227,729	0.15
Virginia Electric and Power Co-4.45%	15/02/2044	535,000	4,264,720	0.15
Virginia Electric and Power Co-4.65%	15/08/2043	75,000	614,555	0.02
Visa Inc-2.2%	14/12/2020	650,000	5,028,320	0.17
Visa Inc-4.3%	14/12/2045	390,000	3,066,623	0.11
Vodafone Group Plc-1.5%	19/02/2018	255,000	1,954,372	0.07
Vodafone Group Plc-2.5%	26/09/2022	105,000	753,819	0.03
Volkswagen International Finance NV-1.6%	20/11/2017	500,000	3,757,590	0.13
Voya Financial Inc-5.5%	15/07/2022	240,000	2,081,395	0.07
W.W. Grainger Inc-4.6%	15/06/2045	275,000	2,231,535	0.08
Wal-Mart Stores Inc-3.25%	25/10/2020	175,000	1,429,352	0.05

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Non-certificates of deposit (continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Wal-Mart Stores Inc-4.75%	02/10/2043	85,000	708,560	0.02
Wells Fargo & Co-3.45%	13/02/2023	500,000	3,884,280	0.13
Wells Fargo & Co-5.606%	15/01/2044	700,000	6,026,861	0.21
Wm. Wrigley Jr. Co-1.4%	21/10/2016	240,000	1,858,158	0.06
Wm. Wrigley Jr. Co-2.4%	21/10/2018	145,000	1,126,793	0.04
Wm. Wrigley Jr. Co-3.375%	21/10/2020	440,000	3,476,558	0.12
Zimmer Biomet Holdings Inc-3.15%	01/04/2022	355,000	2,704,804	0.09
Zimmer Biomet Holdings Inc-3.55%	01/04/2025	620,000	4,669,305	0.16
			1,231,651,780	42.59
Total non-certificates of deposit			2,743,660,619	94.86
Total listed/quoted debt instruments			2,749,501,222	95.06
Total investments			2,749,501,222	95.06
Forward contract				
<i>Denominated in Euro</i>				
Buy EUR/sell USD Forward Rate 1.093985	01/03/2016	3,080,481	(143,422)	0.00
<i>Denominated in Japanese Yen</i>				
Buy JPY/sell USD Forward Rate 120.3103	01/03/2016	182,871,656	17,074	0.00
<i>Denominated in United States Dollar</i>				
Buy USD/sell AUD Forward Rate 0.71662	01/03/2016	1,464,520	(137,442)	0.00
Buy USD/sell CAD Forward Rate 1.334458	01/03/2016	3,327,793	1,010,892	0.03
Buy USD/sell CHF Forward Rate 1.025165	01/03/2016	651,749	(135,640)	0.00
Buy USD/sell CZK Forward Rate 25.4490031	01/03/2016	91,870	(17,677)	0.00
Buy USD/sell DKK Forward Rate 7.0270553	01/03/2016	333,362	(63,962)	0.00
Buy USD/sell EUR Forward Rate 1.0608165	01/03/2016	28,108,190	(5,583,075)	(0.19)
Buy USD/sell GBP Forward Rate 1.5045875	01/03/2016	7,130,767	1,121,362	0.04
Buy USD/sell JPY Forward Rate 122.3585841	01/03/2016	17,454,390	(2,502,801)	(0.09)
Buy USD/sell MXN Forward Rate 16.6500638	01/03/2016	872,327	272,068	0.01
Buy USD/sell NOK Forward Rate 8.6925606	01/03/2016	114,190	16,440	0.00
Buy USD/sell NZD Forward Rate 0.64976	01/03/2016	177,612	(68,321)	0.00
Buy USD/sell PLN Forward Rate 4.038942	01/03/2016	256,156	(42,780)	0.00
Buy USD/sell SEK Forward Rate 8.7121955	01/03/2016	239,756	(65,495)	0.00

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Forward contract <i>(continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Buy USD/sell SGD Forward Rate 1.415723	01/03/2016	255,135	8,043	0.00
Buy USD/sell ZAR Forward Rate 14.5674021	01/03/2016	126,282	69,273	0.00
			(6,119,115)	(0.20)
Total forward contracts			(6,245,463)	(0.20)
Other net assets			148,636,486	5.14
Total net asset value			2,891,892,245	100.00
Total cost of investments			2,887,449,542	
* 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 31 December 2015

Principal International Equity Fund			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed shares			
<i>Australia</i>			
Caltex Australia Ltd	70,448	15,046,861	0.52
Commonwealth Bank of Australia	58,626	28,408,260	0.97
Macquarie Group Ltd	26,037	12,209,554	0.42
Qantas Airways Ltd	364,739	8,451,648	0.29
The Star Entertainment Group Ltd	236,415	6,804,162	0.23
		70,920,485	2.43
<i>Belgium</i>			
Delhaize Group SA	20,642	15,696,369	0.54
KBC Group NV	12,926	6,312,968	0.22
		22,009,337	0.76
<i>Brazil</i>			
Ambev SA	574,200	20,068,836	0.69
JBS SA	581,900	14,071,361	0.48
		34,140,197	1.17
<i>Canada</i>			
Air Canada	102,300	5,835,116	0.20
Alimentation Couche-Tard Inc-B	17,300	5,886,848	0.20
Bank of Montreal	44,800	19,541,862	0.67
Brookfield Asset Management Inc-A	81,900	19,971,758	0.68
Canadian Imperial Bank of Commerce	18,800	9,577,523	0.33
Canadian National Railway Co	27,200	11,753,775	0.40
Canadian Natural Resources Ltd	107,600	18,165,814	0.62
Dollarama Inc	24,000	10,718,241	0.37
METRO Inc	26,900	5,821,837	0.20
Suncor Energy Inc	77,200	15,405,539	0.53
The Toronto-Dominion Bank	65,900	19,968,858	0.68
WSP Global Inc	30,000	7,124,600	0.24
		149,771,771	5.12
<i>China</i>			
China Construction Bank Corp-H	2,914,000	15,473,340	0.53
Guangdong Investment Ltd	1,374,000	15,086,520	0.52
		30,559,860	1.05
<i>Denmark</i>			
Novo Nordisk A/S-B	52,024	23,610,772	0.81
Pandora A/S	10,714	10,602,864	0.36
		34,213,636	1.17

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed shares <i>(continued)</i>			
<i>Finland</i>			
Stora Enso Oyj-R	144,652	10,277,935	0.35
UPM-Kymmene Oyj	55,908	8,157,906	0.28
		18,435,841	0.63
<i>France</i>			
AXA SA	94,537	20,199,403	0.69
Cap Gemini SA	15,426	11,182,697	0.38
Orange	136,587	17,911,833	0.61
Renault SA	23,241	18,231,648	0.62
Safran SA	27,685	14,857,567	0.51
SCOR SE	43,798	12,800,257	0.44
Total SA	38,560	13,475,297	0.46
Ubisoft Entertainment SA	27,574	6,227,909	0.21
Veolia Environnement SA	72,003	13,332,744	0.46
		128,219,355	4.38
<i>Germany</i>			
adidas AG	16,696	12,712,761	0.44
Allianz SE	11,192	15,501,642	0.53
Continental AG	6,271	11,925,300	0.41
Daimler AG	27,481	18,055,178	0.62
Deutsche Telekom AG	128,602	18,177,055	0.62
Dialog Semiconductor Plc	35,630	9,388,692	0.32
Evonik Industries AG	37,694	9,772,956	0.33
ProSiebenSat.1 Media SE	32,914	13,035,301	0.45
Rheinmetall AG	24,336	12,670,756	0.43
		121,239,641	4.15
<i>Hong Kong</i>			
Kerry Properties Ltd	326,500	6,905,475	0.24
<i>Ireland</i>			
CRH Plc	33,525	7,580,529	0.26
Ryanair Holdings Plc-ADR	13,251	8,879,375	0.30
		16,459,904	0.56
<i>Israel</i>			
Teva Pharmaceutical Industries Ltd	45,301	22,930,690	0.79
<i>Italy</i>			
ENEL Spa	329,189	10,850,197	0.37
Mediobanca Banca di Credito Finanziario Societa' Per Azioni	111,385	8,381,150	0.29
Prismian Spa	59,839	10,266,992	0.35
		29,498,339	1.01

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>Japan</i>			
Bridgestone Corp	73,800	19,832,295	0.68
Fuji Heavy Industries Ltd	53,800	17,412,268	0.60
Japan Airlines Co Ltd	35,900	10,068,076	0.34
KDDI Corp	126,900	25,768,402	0.88
Mitsubishi UFJ Financial Group Inc	191,000	9,310,024	0.32
Mizuho Financial Group Inc	1,392,600	21,831,799	0.75
Nintendo Co Ltd	5,500	5,932,958	0.20
Nippon Telegraph and Telephone Corp	86,200	26,838,469	0.92
NTT DOCOMO Inc	125,600	20,086,553	0.69
Sekisui House Ltd	111,500	14,690,981	0.50
Sumitomo Mitsui Financial Group Inc	47,200	13,996,844	0.48
Toyota Motor Corp	66,600	32,107,334	1.10
		217,876,003	7.46
<i>Mexico</i>			
Gruma SAB de CV-B	100,000	10,776,936	0.37
Grupo Aeroportuario del Pacifico SAB de CV-B	82,600	5,598,805	0.19
Grupo Aeroportuario del Sureste SAB de CV-B	75,547	8,213,723	0.28
Wal-Mart de Mexico SAB de CV	804,400	15,595,177	0.53
		40,184,641	1.37
<i>Netherlands</i>			
Unilever NV	36,508	12,399,553	0.42
<i>South Korea</i>			
Industrial Bank of Korea	116,209	9,466,535	0.32
KIA Motors Corp	36,074	12,515,966	0.43
Korea Electric Power Corp	56,293	18,565,589	0.64
Samsung Electronics Co Ltd	2,018	16,771,660	0.57
		57,319,750	1.96
<i>Spain</i>			
Iberdrola SA	358,827	19,904,253	0.68
<i>Sweden</i>			
Investor AB-B	49,459	14,251,993	0.49
<i>Switzerland</i>			
Lonza Group AG	11,961	15,286,208	0.52
Nestle SA	25,567	14,935,017	0.51
Novartis AG	30,555	20,781,664	0.71
Roche Holding Ltd	3,292	7,129,781	0.24
		58,132,670	1.98
<i>Taiwan</i>			
Hon Hai Precision Industry Co Ltd	913,000	17,400,941	0.60

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United Kingdom</i>			
3i Group Plc	187,512	10,380,170	0.36
Ashtead Group Plc	86,714	11,153,425	0.38
BARRATT DEVELOPMENTS Plc	222,206	15,988,917	0.55
Bellway Plc	19,130	6,236,058	0.21
Direct Line Insurance Group Plc	354,965	16,626,548	0.57
Howden Joinery Group Plc	115,726	7,003,550	0.24
Imperial Tobacco Group Plc	61,282	25,263,453	0.87
International Consolidated Airlines Group SA	154,832	10,865,140	0.37
ITV Plc	663,035	21,080,338	0.72
Mondi Plc	80,727	12,378,373	0.42
Taylor Wimpey Plc	395,552	9,234,267	0.32
		146,210,239	5.01
<i>United States</i>			
AbbVie Inc	17,002	7,806,091	0.27
Accenture Plc-A	30,323	24,558,791	0.84
Aetna Inc	9,264	7,762,884	0.27
Alphabet Inc-A	6,930	41,786,591	1.44
Alphabet Inc-C	3,286	19,326,766	0.66
Amazon.com Inc	4,123	21,597,719	0.74
Ameren Corp	39,684	13,295,945	0.46
AmerisourceBergen Corp	16,256	13,066,307	0.45
Amgen Inc	21,718	27,323,551	0.94
Am Frust Financial Services Inc	21,630	10,323,209	0.35
Anthem Inc	10,643	11,501,910	0.39
Apple Inc	84,030	68,551,387	2.36
Archer-Daniels-Midland Co	60,688	17,252,446	0.59
AT&T Inc	43,480	11,595,587	0.40
Bunge Ltd	22,704	12,014,741	0.41
Cambrex Corp	20,410	7,448,867	0.26
Cardinal Health Inc	37,117	25,680,113	0.88
CBOE Holdings Inc	16,408	8,253,133	0.28
CBRE Group Inc-A	49,550	13,279,667	0.45
Centene Corp	13,000	6,630,614	0.23
Chevron Corp	10,352	7,217,590	0.25
CIGNA Corp	14,980	16,988,839	0.58
Cisco Systems Inc	147,307	31,002,143	1.06
Comcast Corp-A	35,501	15,526,343	0.53
ConocoPhillips	39,803	14,403,174	0.49
Cubsmart	38,583	9,156,293	0.31
Danaher Corp	19,565	14,083,824	0.48
Delta Air Lines Inc	36,124	14,191,773	0.49
Dr Pepper Snapple Group Inc	19,688	14,221,193	0.49
DST Systems Inc	12,769	11,287,786	0.39
Eastman Chemical Co	20,303	10,622,992	0.36
Electronic Arts Inc	37,784	20,123,782	0.69
EOG Resources Inc	23,051	12,646,787	0.43
Everest Re Group Ltd	14,076	19,973,879	0.68
Exelon Corp	41,487	8,929,074	0.31
Extra Space Storage Inc	14,870	10,165,935	0.35
Exxon Mobil Corp	56,088	33,884,774	1.16
Facebook Inc-A	25,860	20,976,246	0.72
Fiserv Inc	22,800	16,161,608	0.55
Ford Motor Co	111,186	12,141,704	0.42
General Dynamics Corp	20,837	22,182,679	0.76
General Electric Co	152,252	36,756,960	1.27
Gilead Sciences Inc	44,591	34,970,620	1.20
Intel Corp	40,934	10,929,290	0.37

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed shares (continued)</i>			
<i>United States (continued)</i>			
International Business Machines Corp	5,549	5,918,543	0.20
Johnson & Johnson	18,502	14,729,643	0.50
JPMorgan Chase & Co	82,481	42,209,843	1.46
Lamar Advertising Co-A	28,377	13,191,418	0.45
Lowe's Cos Inc	34,157	20,129,841	0.69
LyondellBasell Industries NV-A	31,013	20,887,289	0.72
Manpowergroup Inc	13,794	9,011,245	0.31
Masco Corp	54,273	11,903,887	0.41
MasterCard Inc-A	10,828	8,170,476	0.28
McKesson Corp	7,422	11,345,208	0.39
Merck & Co Inc	31,256	12,795,296	0.44
Microsoft Corp	149,079	64,101,981	2.21
Mid-America Apartment Communities Inc	18,747	13,194,228	0.45
NIKE Inc-B	44,484	21,547,772	0.74
Noble Corp Plc	151,186	12,361,824	0.42
Northrop Grumman Corp	18,849	27,582,386	0.94
Occidental Petroleum Corp	21,817	11,432,060	0.39
PepsiCo Inc	34,267	26,536,707	0.91
Pfizer Inc	138,696	34,698,922	1.19
Philip Morris International Inc	41,994	28,611,725	0.98
PPL Corp	54,597	14,441,875	0.49
Sabre Corp	37,945	8,225,561	0.28
Simon Property Group Inc	9,149	13,787,254	0.47
Spirit AeroSystems Holdings Inc-A	30,362	11,782,203	0.40
SunTrust Banks Inc	66,685	22,140,944	0.76
Synopsys Inc	39,921	14,111,722	0.48
Target Corp	29,430	16,561,712	0.57
Tesoro Corp	17,694	14,449,790	0.49
The Boeing Co	25,979	29,112,481	1.00
The Dow Chemical Co	33,015	13,172,505	0.45
The Goodyear Tire & Rubber Co	55,291	13,999,809	0.48
The Home Depot Inc	31,858	32,653,724	1.12
The Interpublic Group of Cos Inc	65,890	11,888,334	0.41
The Kroger Co	67,304	21,819,624	0.75
The Procter & Gamble Co	13,731	8,450,762	0.29
The Sherwin-Williams Co	9,097	18,302,963	0.63
The Travelers Cos Inc	24,118	21,095,988	0.72
The Walt Disney Co	6,956	5,664,977	0.19
Total System Services Inc	18,220	7,032,281	0.24
Tyson Foods Inc-A	39,089	16,156,403	0.55
UGI Corp	36,612	9,579,535	0.33
UnitedHealth Group Inc	17,281	15,755,871	0.54
Vail Resorts Inc	8,012	7,947,591	0.27
Valero Energy Corp	11,354	6,222,261	0.21
Wells Fargo & Co	86,090	36,270,261	1.25
		1,588,588,332	54.46
Total listed shares		2,857,572,906	97.89
Total investments		2,857,572,906	97.89
Other net assets		61,728,553	2.11
Total net asset value		2,919,301,459	100.00
Total cost of investments		2,607,582,895	

* 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	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments</i>				
<i>Fixed coupon rate debt instruments</i>				
<i>Denominated in United States Dollar</i>				
21st Century Fox America Inc-3%	15/09/2022	2,630,000	20,086,142	0.94
AbbVie Inc-1.75%	06/11/2017	950,000	7,348,494	0.34
AbbVie Inc-3.6%	14/05/2025	1,985,000	15,183,349	0.71
ABN AMRO Bank NV-2.45%	04/06/2020	3,000,000	23,051,222	1.08
Abu Dhabi National Energy Co PJSC-3.625%	12/01/2023	450,000	3,339,606	0.16
ACE INA Holdings Inc-2.3%	03/11/2020	2,250,000	17,312,778	0.81
ACE INA Holdings Inc-3.35%	03/05/2026	1,500,000	11,589,830	0.54
Aetna Inc-2.75%	15/11/2022	100,000	752,899	0.04
Alibaba Group Holding Ltd-2.5%	28/11/2019	500,000	3,785,859	0.18
Alibaba Group Holding Ltd-3.6%	28/11/2024	500,000	3,701,706	0.17
America Movil SAB de CV-5%	30/03/2020	1,000,000	8,410,091	0.39
American Express Credit Corp-2.8%	19/09/2016	4,475,000	35,124,345	1.65
American Honda Finance Corp-1.6%	16/02/2018	730,000	5,614,766	0.26
American International Group Inc-3.375%	15/08/2020	3,200,000	25,499,331	1.19
American International Group Inc-3.75%	10/07/2025	1,000,000	7,681,013	0.36
Anthem Inc-1.875%	15/01/2018	895,000	6,906,428	0.32
Anthem Inc-3.125%	15/05/2022	205,000	1,559,309	0.07
Anthem Inc-4.35%	15/08/2020	360,000	2,955,151	0.14
Apache Corp-2.625%	15/01/2023	1,000,000	7,023,865	0.33
Apache Corp-3.25%	15/04/2022	1,170,000	8,636,575	0.40
Apple Inc-1%	03/05/2018	920,000	7,072,343	0.33
Apple Inc-2.85%	06/05/2021	3,360,000	26,668,597	1.25
AT&T Inc-2.375%	27/11/2018	1,155,000	9,012,584	0.42
AT&T Inc-2.45%	30/06/2020	1,450,000	11,067,388	0.52
AT&T Inc-4.45%	15/05/2021	795,000	6,558,005	0.31
Baidu Inc-3.25%	06/08/2018	500,000	3,924,787	0.18
Baltimore Gas and Electric Co-3.35%	01/07/2023	565,000	4,432,303	0.21
Banco de Credito e Inversiones-4%	11/02/2023	300,000	2,307,182	0.11
Bank of America Corp-2.6%	15/01/2019	6,295,000	48,947,139	2.30
Bank of America Corp-4%	01/04/2024	4,285,000	33,964,401	1.59
Barclays Bank Plc-5%	22/09/2016	2,100,000	16,693,263	0.78
Bayer US Finance LLC-3%	08/10/2021	1,135,000	8,870,852	0.42
BBVA Bancomer SA-6.75%	30/09/2022	2,355,000	20,077,153	0.94
BHP Billiton Finance (USA) Ltd-3.85%	30/09/2023	2,000,000	14,676,232	0.69
BNP Paribas SA-1.25%	12/12/2016	1,340,000	10,369,855	0.49
BNP Paribas SA-2.4%	12/12/2018	1,185,000	9,256,320	0.43
BP Capital Markets Plc-2.241%	26/09/2018	1,650,000	12,826,884	0.60
BPCE-5.15%	21/07/2024	2,130,000	16,646,874	0.78
British Telecommunications Plc-1.625%	28/06/2016	575,000	4,461,975	0.21
Burlington Northern Santa Fe LLC-3.45%	15/09/2021	1,040,000	8,238,050	0.39
Burlington Northern Santa Fe LLC-3.85%	01/09/2023	610,000	4,910,314	0.23
Capital One Bank (USA) National Association-2.15%	21/11/2018	1,385,000	10,641,670	0.50
CBS Corp-5.75%	15/04/2020	2,180,000	18,753,551	0.88
Celgene Corp-2.875%	15/08/2020	1,500,000	11,537,818	0.54
Celgene Corp-3.875%	15/08/2025	750,000	5,789,184	0.27
Chevron Corp-2.355%	05/12/2022	1,250,000	9,250,865	0.43
Cigna Corp-4%	15/02/2022	475,000	3,805,047	0.18
Cigna Corp-4.375%	15/12/2020	800,000	6,603,101	0.31

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% 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>				
Citigroup Inc-4.05%	30/07/2022	1,595,000	12,644,380	0.59
City National Corp-5.25%	15/09/2020	245,000	2,108,526	0.10
Coca-Cola FEMSA SAB de CV-2.375%	26/11/2018	500,000	3,869,520	0.18
Commonwealth Edison Co-6.15%	15/09/2017	4,500,000	37,443,040	1.75
ConocoPhillips Co-3.35%	15/11/2024	750,000	5,315,830	0.25
ConocoPhillips Co-5.75%	01/02/2019	1,500,000	12,582,946	0.59
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.-4.625%	01/12/2023	610,000	4,926,931	0.23
Corporacion Nacional del Cobre de Chile-3%	17/07/2022	550,000	3,828,662	0.18
Countrywide Financial Corp-6.25%	15/05/2016	1,690,000	13,318,787	0.62
Covident International Finance SA-6%	15/10/2017	1,750,000	14,609,874	0.68
CRH America Inc-8.125%	15/07/2018	855,000	7,538,347	0.35
CSX Corp-3.7%	30/10/2020	800,000	6,469,479	0.30
CSX Transportation Inc-6.251%	15/01/2023	414,520	3,666,761	0.17
CVS Health Corp-2.25%	05/12/2018	820,000	6,385,910	0.30
CVS Health Corp-3.875%	20/07/2025	725,000	5,734,606	0.27
CVS Health Corp-4.125%	15/05/2021	2,160,000	17,708,978	0.83
Daimler Finance North America Llc-2.375%	01/08/2018	3,505,000	27,205,740	1.27
Daimler Finance North America Llc-2.7%	03/08/2020	1,135,000	8,707,385	0.41
Devon Energy Corp-3.25%	15/05/2022	2,645,000	17,425,371	0.82
DIRECTV Holdings Llc / DIRECTV Financing Co Inc-3.8%	15/03/2022	415,000	3,236,712	0.15
DIRECTV Holdings Llc / DIRECTV Financing Co Inc-4.45%	01/04/2024	1,355,000	10,786,168	0.51
Dominion Resources Inc-1.95%	15/08/2016	1,970,000	15,306,552	0.72
DTE Energy Co-6.375%	15/04/2033	935,000	8,807,078	0.41
Eastman Chemical Co-3.8%	15/03/2025	1,000,000	7,505,654	0.35
Ecopetrol SA-7.625%	23/07/2019	800,000	6,725,897	0.32
Edison International-3.75%	15/09/2017	1,525,000	12,192,766	0.57
ERAC USA Finance Llc-3.3%	15/10/2022	1,630,000	12,428,196	0.58
Express Scripts Holding Co-3.125%	15/05/2016	2,395,000	18,685,833	0.88
FedEx Corp-3.2%	01/02/2025	760,000	5,729,054	0.27
GE Capital International Funding Co-2.342%	15/11/2020	3,605,000	27,706,814	1.30
GE Capital International Funding Co-3.373%	15/11/2025	1,863,000	14,699,935	0.69
General Electric Capital Corp-3.1%	09/01/2023	716,000	5,632,520	0.26
General Electric Capital Corp-4.65%	17/10/2021	1,003,000	8,606,627	0.40
General Electric Capital Corp-5.3%	11/02/2021	262,000	2,289,721	0.11
General Electric Co-5.25%	06/12/2017	370,000	3,061,702	0.14
Genzyme Corp-5%	15/06/2020	980,000	8,413,087	0.39
Georgia-Pacific Llc-3.734%	15/07/2023	1,815,000	14,229,393	0.67
Georgia-Pacific Llc-5.4%	01/11/2020	460,000	3,932,554	0.18
Gilead Sciences Inc-3.05%	01/12/2016	375,000	2,955,515	0.14
Grupo Bimbo SAB de CV-3.875%	27/06/2024	1,000,000	7,532,424	0.35
HP Inc-6%	15/09/2041	425,000	2,875,997	0.13
HSBC Bank Plc-3.1%	24/05/2016	2,000,000	15,632,402	0.73
Ingersoll-Rand Global Holding Co Ltd-2.875%	15/01/2019	525,000	4,109,694	0.19
Ingersoll-Rand Luxembourg Finance SA-2.625%	01/05/2020	1,355,000	10,347,524	0.48
Ingersoll-Rand Luxembourg Finance SA-3.55%	01/11/2024	1,000,000	7,583,917	0.36

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HKS/HKS equivalent</i>	% 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>				
JPMorgan Chase & Co-3.875%	10/09/2024	3,045,000	23,475,624	1.10
JPMorgan Chase & Co-4.4%	22/07/2020	2,500,000	20,681,289	0.97
JPMorgan Chase & Co-4.5%	24/01/2022	420,000	3,510,999	0.16
Korea Hydro & Nuclear Power Co Ltd-3%	19/09/2022	600,000	4,623,256	0.22
Lloyds Bank Plc-2.3%	27/11/2018	1,050,000	8,170,122	0.38
Lockheed Martin Corp-2.5%	23/11/2020	550,000	4,237,383	0.20
Lockheed Martin Corp-3.55%	15/01/2026	600,000	4,666,544	0.22
LyondellBasell Industries NV-5%	15/04/2019	2,200,000	18,138,476	0.85
Macy's Retail Holdings Inc-5.9%	01/12/2016	2,025,000	16,284,686	0.76
McDonald's Corp-2.75%	09/12/2020	775,000	6,002,344	0.28
Medtronic Inc-3.5%	15/03/2025	2,980,000	23,284,588	1.09
Mexico Government-3.5%	21/01/2021	850,000	6,686,572	0.31
Monsanto Co-3.375%	15/07/2024	1,675,000	12,376,829	0.58
Monsanto Co-3.95%	15/04/2045	495,000	2,976,696	0.14
Moody's Corp-5.5%	01/09/2020	715,000	6,106,284	0.29
Morgan Stanley-1.75%	25/02/2016	920,000	7,138,512	0.33
Morgan Stanley-4.1%	22/05/2023	7,630,000	59,738,024	2.81
Morgan Stanley-6.625%	01/04/2018	890,000	7,563,609	0.35
NBCUniversal Media Llc-2.875%	15/01/2023	3,710,000	28,550,815	1.34
Nissan Motor Acceptance Corp-1.95%	12/09/2017	795,000	6,171,581	0.29
Noble Energy Inc-3.9%	15/11/2024	405,000	2,793,665	0.13
Nordea Bank AB-4.875%	13/05/2021	585,000	4,892,886	0.23
Northern Trust Corp-3.95%	30/10/2025	385,000	3,124,331	0.15
Oracle Corp-2.375%	15/01/2019	1,405,000	11,057,312	0.52
Oracle Corp-2.5%	15/10/2022	885,000	6,698,288	0.31
Oracle Corp-2.95%	15/05/2025	320,000	2,416,085	0.11
Oracle Corp-4.375%	15/05/2055	360,000	2,552,486	0.12
Pacific Gas and Electric Co-3.85%	15/11/2023	650,000	5,234,135	0.25
PacificCorp-3.85%	15/06/2021	1,710,000	13,939,148	0.65
Packaging Corp of America-4.5%	01/11/2023	1,500,000	12,207,013	0.57
Panama Government-4%	22/09/2024	1,000,000	7,750,300	0.36
Perrigo Co Plc-1.3%	08/11/2016	255,000	1,962,350	0.09
Peruvian Government-4.125%	25/08/2027	1,000,000	7,595,294	0.36
Petroleos Mexicanos-4.875%	18/01/2024	550,000	3,974,935	0.19
Poland Government-3%	17/03/2023	500,000	3,836,399	0.18
Praxair Inc-1.25%	07/11/2018	1,700,000	12,999,235	0.61
Progress Energy Inc-4.4%	15/01/2021	2,930,000	24,019,062	1.13
QUALCOMM Inc-4.65%	20/05/2035	275,000	1,976,984	0.09
Rabobank Nederland-1.7%	19/03/2018	2,185,000	16,925,803	0.79
Republic Services Inc-3.8%	15/05/2018	1,900,000	15,253,512	0.71
Rio Tinto Finance (USA) Ltd-3.5%	02/11/2020	1,300,000	987,643	0.05
Rio Tinto Finance (USA) Ltd-4.125%	20/05/2021	510,000	3,958,262	0.19
Sempra Energy-2.875%	01/10/2022	555,000	4,162,378	0.20
Shell International Finance BV-3.25%	11/05/2025	5,000,000	37,820,495	1.77
Siemens Financiëringmaatschappij NV-1.45%	25/05/2018	635,000	4,881,951	0.23
Spectra Energy Partners LP-4.75%	15/03/2024	870,000	6,531,558	0.31
Statoil ASA-2.25%	08/11/2019	2,000,000	15,445,635	0.72
Sumitomo Mitsui Banking Corp-2.5%	19/07/2018	555,000	4,358,109	0.20
Svenska Handelsbanken AB-2.5%	25/01/2019	1,335,000	10,442,554	0.49
Telefonica Emisiones SAU-5.462%	16/02/2021	1,840,000	15,937,793	0.75
The Bank of Nova Scotia-2.55%	12/01/2017	1,000,000	7,853,224	0.37
The Bank of Tokyo-Mitsubishi UFJ Ltd-1.55%	09/09/2016	805,000	6,250,702	0.29

INVESTMENT REPORT *(continued)*
Portfolio statement as at 31 December 2015

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair 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>				
The Bank of Tokyo-Mitsubishi UFJ Ltd-2.7%	09/09/2018	2,365,000	18,526,777	0.87
The Goldman Sachs Group Inc-2.375%	22/01/2018	1,540,000	12,038,585	0.56
The Goldman Sachs Group Inc-3.625%	07/02/2016	1,950,000	15,151,397	0.71
The Goldman Sachs Group Inc-5.375%	15/03/2020	2,575,000	21,923,648	1.03
The Goldman Sachs Group Inc-6%	15/06/2020	1,865,000	16,334,960	0.77
The Goldman Sachs Group Inc-6.45%	01/05/2036	440,000	3,854,994	0.18
The Home Depot Inc-2.25%	10/09/2018	510,000	4,041,220	0.19
The Home Depot Inc-3.35%	15/09/2025	1,420,000	11,246,038	0.53
Time Warner Cable Inc-6.75%	01/07/2018	2,015,000	17,038,801	0.80
Time Warner Inc-3.6%	15/07/2025	280,000	2,112,531	0.10
Time Warner Inc-4.05%	15/12/2023	750,000	5,930,822	0.28
Time Warner Inc-4.875%	15/03/2020	1,000,000	8,379,493	0.39
Total Capital SA-2.125%	10/08/2018	1,675,000	13,019,283	0.61
TransCanada PipeLines Ltd-7.125%	15/01/2019	1,210,000	10,446,396	0.49
Transnet SOC Ltd-4%	26/07/2022	200,000	1,366,967	0.06
Tyco Electronics Group SA-2.375%	17/12/2018	785,000	6,075,596	0.28
Tyco Electronics Group SA-3.5%	03/02/2022	1,450,000	11,441,983	0.54
UBS AG-2.35%	26/03/2020	1,085,000	8,399,220	0.39
Vale Overseas Ltd-4.375%	11/01/2022	450,000	2,639,543	0.12
Verizon Communications Inc-2.625%	21/02/2020	2,740,000	21,309,660	1.00
Verizon Communications Inc-4.522%	15/09/2048	91,000	630,727	0.03
Verizon Communications Inc-5.15%	15/09/2023	1,445,000	12,311,554	0.58
Viacom Inc-4.5%	01/03/2021	2,200,000	17,602,420	0.82
Visa Inc-2.2%	14/12/2020	2,500,000	19,339,692	0.91
Vodafone Group Plc-1.5%	19/02/2018	1,170,000	8,967,116	0.42
Volkswagen International Finance NV-1.125%	18/11/2016	600,000	4,593,922	0.22
Volkswagen International Finance NV-1.6%	20/11/2017	325,000	2,442,433	0.11
Voya Financial Inc-5.5%	15/07/2022	800,000	6,937,982	0.33
Wells Fargo & Co-5.606%	15/01/2044	1,060,000	9,126,389	0.43
Wm. Wrigley Jr. Co-1.4%	21/10/2016	2,075,000	16,065,325	0.75
Wm. Wrigley Jr. Co-2.4%	21/10/2018	610,000	4,740,301	0.22
Wm. Wrigley Jr. Co-3.375%	21/10/2020	1,355,000	10,706,219	0.50
Xerox Corp-2.95%	15/03/2017	200,000	1,561,579	0.07
Xerox Corp-6.75%	01/02/2017	1,425,000	11,573,459	0.54
Zimmer Biomet Holdings Inc-3.55%	01/04/2025	2,060,000	15,514,143	0.73
Zoetis Inc-1.15%	01/02/2016	695,000	5,385,500	0.25
Total fixed coupon rate debt instruments			1,924,431,740	90.14

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<i>Listed/quoted debt instruments (continued)</i>				
<i>Floating coupon rate debt instruments</i>				
<i>Denominated in United States Dollar</i>				
AT&T Inc-Floating	27/11/2018	540,000	4,188,812	0.20
MetLife Inc-1.756%	15/12/2017	5,850,000	45,385,547	2.14
The Goldman Sachs Group Inc-Floating	29/11/2023	1,250,000	9,773,855	0.46
Total floating coupon rate debt instruments			59,348,214	2.80
Total listed/quoted debt instruments			1,983,779,954	92.94
Total investments			1,983,779,954	92.94
Other net assets			150,649,940	7.06
Total net asset value			2,134,429,894	100.00
Total cost of investments			2,012,991,504	

* 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 31 December 2015

Principal U.S. Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares			
<i>United States</i>			
Accenture Plc-A	33,340	27,002,278	2.54
Alphabet Inc-A	4,048	24,408,675	2.29
Alphabet Inc-C	3,758	22,102,857	2.08
Amazon.com Inc	3,480	18,229,459	1.71
Amgen Inc	23,070	29,024,511	2.73
Anthem Inc	15,970	17,258,809	1.62
Apartment Investment and Management Co-A	19,290	5,984,617	0.56
Apple Inc	66,000	53,842,575	5.07
Archer-Daniels-Midland Co	55,850	15,877,095	1.49
AT&T Inc	27,030	7,208,572	0.68
AutoNation Inc	7,040	3,255,176	0.31
Bunge Ltd	4,670	2,471,320	0.23
Cameron International Corp	11,380	5,574,140	0.52
Campbell Soup Co	22,030	8,972,340	0.84
Cardinal Health Inc	37,780	26,138,822	2.45
Centene Corp	6,040	3,080,685	0.29
Cisco Systems Inc	114,490	24,095,497	2.26
Corstorph-A	55,780	24,395,352	2.29
CoreLogic Inc	8,680	2,277,850	0.21
CVS Health Corp	16,330	12,374,006	1.16
Darden Restaurants Inc	28,739	14,174,911	1.33
Dr Pepper Snapple Group Inc	12,300	8,884,634	0.83
Electronic Arts Inc	34,200	18,214,942	1.71
Eli Lilly & Co	23,760	15,516,237	1.46
EnSCO Plc-A	40,760	4,861,735	0.46
EP Energy Corp-A	45,700	1,551,347	0.15
Equifax Inc	25,190	21,742,772	2.04
Equity Residential	41,640	26,330,929	2.47
Everest Re Group Ltd	7,420	10,528,998	0.99
Exelon Corp	21,450	4,616,594	0.43
Expedia Inc	9,090	8,756,963	0.82
Exxon Mobil Corp	14,170	8,560,606	0.80
FirstEnergy Corp	33,090	8,137,394	0.76
Foot Locker Inc	32,680	16,485,983	1.55
Ford Motor Co	73,060	7,978,278	0.75
General Dynamics Corp	23,780	25,315,742	2.38
General Electric Co	4,820	1,163,653	0.11
General Motors Co	20,130	5,306,021	0.50
Gilead Sciences Inc	24,460	19,182,825	1.80
HCA Holdings Inc	22,450	11,767,230	1.11
Honeywell International Inc	12,500	10,033,732	0.94
Ingredion Inc	7,640	5,674,906	0.53
Intel Corp	15,970	4,263,956	0.40
Jacobs Engineering Group Inc	14,770	4,802,098	0.45
Johnson & Johnson	1,310	1,042,905	0.10
Jones Lang LaSalle Inc	2,870	3,555,824	0.33
JPMorgan Chase & Co	60,680	31,053,131	2.92
Juniper Networks Inc	37,910	8,109,263	0.76
Keysight Technologies Inc	14,320	3,144,185	0.30
Lear Corp	7,100	6,758,983	0.63
Lowe's Cos Inc	17,480	10,301,538	0.97
LyondellBasell Industries NV-A	31,930	21,504,890	2.02
Manpowergroup Inc	4,480	2,926,662	0.27
Masco Corp	25,940	5,689,511	0.53
McKesson Corp	5,460	8,346,111	0.78
Microsoft Corp	76,960	33,091,773	3.11
NetApp Inc	13,120	2,697,675	0.25
NISource Inc	71,850	10,864,320	1.02
Northrop Grumman Corp	10,710	15,672,309	1.47

Principal U.S. Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United States <i>(continued)</i></i>			
Oracle Corp	13,480	3,816,437	0.36
O'Reilly Automotive Inc	3,260	6,402,904	0.60
Pfizer Inc	141,830	35,482,986	3.33
Raytheon Co	4,390	4,236,986	0.40
Regency Centers Corp	12,370	6,530,747	0.61
Simon Property Group Inc	7,760	11,694,075	1.10
Spirit AeroSystems Holdings Inc-A	9,900	3,841,770	0.36
Sun Trust Banks Inc	39,770	13,204,549	1.24
Synchrony Financial	91,950	21,671,386	2.04
Synopsis Inc	26,920	9,515,983	0.89
Target Corp	33,260	18,717,042	1.76
Tesoro Corp	18,510	15,116,175	1.42
The Boeing Co	19,450	21,795,979	2.05
The Goodyear Tire & Rubber Co	43,560	11,029,493	1.04
The Kroger Co	82,410	26,716,915	2.51
The Travelers Cos Inc	4,690	4,102,338	0.39
Valero Energy Corp	46,020	25,220,052	2.37
Wells Fargo & Co	90,660	38,195,631	3.59
Total listed shares		1,039,477,650	97.62
Total investments		1,039,477,650	97.62
Other net assets		25,353,172	2.38
Total net asset value		1,064,830,822	100.00
Total cost of investments		925,068,800	

* 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 31 December 2015	% of net assets as at 31 December 2014
Listed shares (by country/by region)		
China	27.07	30.24
Hong Kong	9.69	12.69
India	15.57	-
Indonesia	1.43	3.27
Malaysia	-	4.15
Philippines	-	1.61
Singapore	2.52	6.04
South Korea	20.84	21.42
Taiwan	17.33	15.18
Thailand	2.86	3.12
United States	0.35	-
	97.66	97.72
Other net assets	2.34	2.28
Total net assets	100.00	100.00

Principal China Equity Fund	% of net assets as at 31 December 2015	% of net assets as at 31 December 2014
Listed shares (by industry sector)		
Consumer discretionary	11.65	3.38
Consumer staples	0.98	1.91
Energy	5.75	9.43
Financials	40.43	43.39
Health care	-	2.60
Industrials	6.39	7.48
Information technology	15.04	11.76
Materials	0.35	2.03
Telecommunication services	12.59	10.72
Utilities	4.45	4.97
	97.63	97.67
Other net assets	2.37	2.33
Total net assets	100.00	100.00

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

Principal European Equity Fund	% of net assets as at 31 December 2015	% of net assets as at 31 December 2014
Listed shares (by country/by region)		
Austria	0.46	0.30
Belgium	3.42	3.18
Denmark	8.99	7.66
Finland	3.35	2.51
France	11.76	7.99
Germany	13.81	11.31
Greece	-	0.78
Ireland	2.13	-
Italy	2.13	2.00
Netherlands	3.15	1.96
Norway	0.80	3.73
Portugal	0.44	0.30
Spain	2.49	5.87
Sweden	5.73	5.96
Switzerland	10.42	13.65
United Kingdom	28.47	28.80
	97.55	96.00
Other net assets	2.45	4.00
Total net assets	100.00	100.00

Principal Hong Kong Bond Fund	% of net assets as at 31 December 2015	% of net assets as at 31 December 2014
Listed/quoted debt instruments		
Certificates of deposit	17.86	24.00
Non-certificates of deposit	78.88	73.00
	96.74	97.00
Other net assets	3.26	3.00
Total net assets	100.00	100.00

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

Principal Hong Kong Dollar Savings Fund	% of net assets as at 31 December 2015	% of net assets as at 31 December 2014
Listed/quoted debt instruments		
Certificates of deposit	33.35	46.30
Non-certificates of deposit	26.73	15.85
	60.08	62.15
Other net assets	39.92	37.85
Total net assets	100.00	100.00

Principal Hong Kong Equity Fund	% of net assets as at 31 December 2015	% of net assets as at 31 December 2014
Listed shares (by industry sector)		
Consumer discretionary	10.14	5.58
Consumer staples	0.98	0.93
Energy	2.37	3.67
Financials	48.65	52.17
Health care	-	2.10
Industrials	10.84	10.19
Information technology	10.65	6.38
Materials	0.30	1.84
Telecommunication services	6.97	6.78
Utilities	7.16	8.44
	98.06	98.08
Other net assets	1.94	1.92
Total net assets	100.00	100.00

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

Principal International Bond Fund	% of net assets as at 31 December 2015	% of net assets as at 31 December 2014	Principal International Equity Fund	% of net assets as at 31 December 2015	% of net assets as at 31 December 2014
Listed/quoted debt instruments (by currency)			Listed shares (by country/by region)		
Certificates of deposit (by currency)			Australia	2.43	0.65
Canadian Dollar	0.20	-	Belgium	0.76	0.42
Non-certificates of deposit (by currency)			Brazil	1.17	0.41
Australian Dollar	1.06	1.23	Canada	5.12	4.54
British Pound	5.25	5.31	China	1.05	4.15
Canadian Dollar	2.10	3.36	Denmark	1.17	-
Czech Koruna	0.06	0.08	Finland	0.63	0.91
Danish Krone	0.25	0.29	France	4.38	2.74
Euro	22.09	25.32	Germany	4.15	1.53
Japanese Yen	14.54	15.22	Hong Kong	0.24	2.15
Malaysian Ringgit	1.22	-	India	-	0.42
Mexican Peso	2.46	1.26	Ireland	0.56	-
New Zealand Dollar	0.08	0.06	Israel	0.79	-
Norwegian Krone	0.09	0.11	Italy	1.01	0.39
Polish Zloty	2.07	0.22	Japan	7.46	8.41
Singapore Dollar	0.19	0.06	Malaysia	-	0.50
South African Rand	0.07	0.11	Mexico	1.37	0.28
Swedish Krona	0.18	0.22	Netherlands	0.42	-
Swiss Franc	0.46	0.15	Norway	-	1.48
Thai Baht	0.10	0.11	South Africa	-	0.56
United States Dollar	42.59	43.11	South Korea	1.96	2.86
Forward contracts (by currency)	95.06	96.22	Spain	0.68	1.05
Euro	-	-	Sweden	0.49	2.10
Japanese Yen	-	-	Switzerland	1.98	3.48
United States Dollar	(0.20)	-	Taiwan	0.60	-
	(0.20)	-	United Kingdom	5.01	4.61
Other net assets	5.14	3.78	United States	54.46	54.21
Total net assets	100.00	100.00		97.89	97.85
			Other net assets	2.11	2.15
			Total net assets	100.00	100.00

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

Principal Pension Bond Fund	% of net assets as at 31 December 2015	% of net assets as at 31 December 2014
Listed/quoted debt instruments		
Fixed coupon rate debt instruments	90.14	91.10
Floating coupon rate debt instruments	2.80	4.14
	92.94	95.24
Other net assets	7.06	4.76
Total net assets	100.00	100.00

Principal U.S. Equity Fund	% of net assets as at 31 December 2015	% of net assets as at 31 December 2014
Listed shares (by industry sector)		
Consumer discretionary	14.26	13.13
Consumer staples	7.59	8.31
Energy	5.72	6.72
Financials	16.24	17.19
Health care	15.67	16.59
Industrials	11.00	10.84
Information technology	22.23	22.47
Materials	2.02	0.22
Telecommunication services	0.68	1.13
Utilities	2.21	1.97
	97.62	98.57
Other net assets	2.38	1.43
Total net assets	100.00	100.00

INVESTMENT REPORT *(continued)*
Investment income and performance

	Year ended 31 December 2015									
	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
	Asian	China	European	Hong Kong	Hong Kong	Hong Kong	International	International	Pension	U.S.
	Equity	Equity	Equity	Bond	Dollar Savings	Equity	Bond	Equity	Bond	Equity
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS
Investment performance										
Net gains/(losses) of investments - realised	505,721	(5,070)	2,182,584	53,389,064	20,462,092	189,914,548	15,158,226	(75,357,047)	69,171,327	28,784,768
Net gains/(losses) of investments - unrealised	(340,250,767)	(339,516,462)	12,696,652	11,025,012	(11,767,780)	(472,795,371)	(87,743,394)	(22,538,721)	(44,475,411)	(39,920,310)
	Year ended 31 December 2014									
	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
	Asian	China	European	Hong Kong	Hong Kong	Hong Kong	International	International	Pension	U.S.
	Equity	Equity	Equity	Bond	Dollar Savings	Equity	Bond	Equity	Bond	Equity
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS
Investment performance										
Net gains of investments - realised	120,363,101	95,350,924	34,706,715	41,497,924	14,306,017	193,997,363	29,449,711	250,169,211	82,715,085	85,760,063
Net gains/(losses) of investments - unrealised	(131,512,398)	64,498,656	(70,359,259)	27,128,327	(2,899,096)	(117,263,175)	(30,663,262)	(229,362,360)	11,317,737	7,106,566
	Year ended 31 December 2013									
	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
	Asian	China	European	Hong Kong	Hong Kong	Hong Kong	International	International	Pension	U.S.
	Equity	Equity	Equity	Bond	Dollar Savings	Equity	Bond	Equity	Bond	Equity
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS	HKS
Investment performance										
Net gains of investments - realised	159,980,564	136,040,401	40,816,737	32,215,264	16,223,607	313,713,879	69,414,643	334,486,536	85,230,777	91,595,256
Net gains/(losses) of investments - unrealised	(66,281,214)	(34,714,275)	72,658,511	(51,673,041)	2,189,239	(17,410,948)	(111,414,047)	206,855,893	(82,774,009)	77,352,097

INVESTMENT REPORT *(continued)*
Investment income and performance *(continued)*

	Year ended 31 December 2015									
	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
	Asian	China	European	Hong Kong	Hong Kong	Hong Kong	International	International	Pension	U.S.
	Equity	Equity	Equity	Bond	Dollar Savings	Equity	Bond	Equity	Bond	Equity
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Income derived from investments										
Dividend income	105,062,107	86,553,615	20,082,462	-	-	150,402,849	-	71,901,414	-	19,628,547
Fixed deposit interest	3,469	-	-	-	8,703,676	-	-	-	-	-
Bank interest	9,741	470	1,619	199	109	-	8,934	6,477	18,838	1,637
Other income	-	-	80,889	-	-	-	-	163,096	17,051	537

	Year ended 31 December 2014									
	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
	Asian	China	European	Hong Kong	Hong Kong	Hong Kong	International	International	Pension	U.S.
	Equity	Equity	Equity	Bond	Dollar Savings	Equity	Bond	Equity	Bond	Equity
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Income derived from investments										
Dividend income	104,271,288	79,592,365	16,932,372	-	-	156,523,996	-	65,833,829	-	15,020,505
Fixed deposit interest	13,284	-	-	-	8,684,884	-	19,166	26,429	1,998	-
Bank interest	12,432	366	1,534	141	101	-	11,467	9,435	15,255	1,411
Other income	4,800	-	-	-	-	-	34,882	28,550	9,302	27,628

	Year ended 31 December 2013									
	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
	Asian	China	European	Hong Kong	Hong Kong	Hong Kong	International	International	Pension	U.S.
	Equity	Equity	Equity	Bond	Dollar Savings	Equity	Bond	Equity	Bond	Equity
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Income derived from investments										
Dividend income	86,238,792	62,143,080	14,564,826	-	-	97,168,756	-	53,795,851	-	10,688,364
Fixed deposit interest	16,088	-	-	3,807	7,004,701	2,819	21,828	36,134	3,121	-
Bank interest	11,820	200	1,433	181	183	1	10,386	5,881	11,877	1,135
Other income	128,063	-	-	-	-	-	14,919	-	-	368

INVESTMENT REPORT *(continued)* **Investment objectives and policies**

Each sub-fund of Principal Life Style Fund (the “Sub-fund”) has a separate and distinct investment objective and policy, as described below:

Principal Asian Equity Fund

The investment objective of the Principal Asian Equity Fund is to seek capital growth over the long term by investment in Asian equity markets.

To achieve its objective, the Sub-fund will invest primarily in equity securities of companies in the Asian Region. In addition, the Sub-fund may hold cash and short-term investments such as bills and deposits.

Investment markets may include, but are not limited to, Hong Kong, Singapore, South Korea, Malaysia, Taiwan, Thailand, the Philippines, Indonesia, India and China.

The risk profile of this Sub-fund is generally regarded as high. In the long term, the return of this Sub-fund is expected to exceed the inflation rates in Hong Kong.

Principal China Equity Fund

The investment objective of the Principal China Equity Fund is to achieve capital growth over the long term by investing mainly in China-related equities.

This Sub-fund will invest primarily in equities issued by companies with exposure in different sectors of economies in People's Republic of China (Mainland China). Equity securities include but are not limited to equity shares, preference shares, depository receipts and other collective investment schemes as permitted under the MPF Regulation.

This Sub-fund may hold cash and short-term investments for cash management purpose. It will maintain an effective exposure of at least 30% in Hong Kong dollars.

This Sub-fund will not enter into any financial futures contracts or financial options contracts.

The risk profile of this Sub-fund is generally regarded as high. In the long term, the return of this Sub-fund is expected to exceed the inflation rates in Hong Kong.

Principal European Equity Fund

The investment objective of the Principal European Equity Fund is to achieve capital growth over the long-term by investing mainly in European equity markets.

This Sub-fund will invest primarily in listed equities issued by companies established in Europe or by companies whose shares are listed in Europe or companies that are listed elsewhere but have substantial business in Europe.

This Sub-fund may hold cash and short-term investments for cash management purpose.

This Sub-fund will not enter into any financial futures contracts or any financial option contracts.

The risk profile of this Sub-fund is generally regarded as high. In the long term, the return of this Sub-fund is expected to exceed the inflation rates in Hong Kong.

Principal Hong Kong Bond Fund

The investment objective of the Principal Hong Kong Bond Fund is to provide a return consisting of income and capital growth over medium to long term.

This Sub-fund will seek to achieve its investment objective by primarily investing at least 70% of its assets in Hong Kong debt securities, including (but not limited to) sovereign and/or non-sovereign, floating and/or fixed, of varying maturities issued by the government or by multi-lateral agencies or by companies, and denominated in Hong Kong dollars.

The types of debt securities that this Sub-fund primarily intends to invest into are government bonds, corporate bonds/debentures, floating rate notes, bills, commercial papers and certificates of deposit.

INVESTMENT REPORT *(continued)*
Investment objectives and policies *(continued)*

Principal Hong Kong Bond Fund *(continued)*

This Sub-fund will invest not more than 30% of its assets in other short-term investments such as bills and deposits or may hold cash.

This Sub-fund will not enter into any financial derivative instruments, including financial futures contracts or financial option contracts.

The risk profile of this Sub-fund is generally regarded as moderate.

Principal Hong Kong Dollar Savings Fund

The investment objective of the Principal Hong Kong Dollar Savings Fund is to earn a competitive short-to-medium-term rate of return.

To achieve its investment objective, the Sub-fund will invest primarily in a portfolio of high quality Hong Kong dollars short-to-medium duration debt securities. The Sub-fund may also hold assets denominated in other currencies.

This Sub-fund will not enter into any financial future contracts or financial options contracts.

The risk profile of this Sub-fund is generally regarded as low. In the long term, the return of this Sub-fund is expected to exceed the Hong Kong dollar bank saving rates in Hong Kong.

Principal Hong Kong Equity Fund

The objective of the Principal Hong Kong Equity Fund is to achieve capital growth over the long-term by investing mainly in Hong Kong equity markets.

The Sub-fund will invest primarily in listed equities issued by companies established in Hong Kong or by companies whose shares are listed in Hong Kong (including but not limited to H shares and shares of red-chip companies listed on the Hong Kong Stock Exchange). The Sub-fund may also invest in listed equities issued by companies which have business in Hong Kong. The Sub-fund may hold cash and short-term investments.

This Sub-fund will not enter into any financial futures contracts or financial option contracts.

The risk profile of this Sub-fund is generally regarded as high. In the long term, the return of this Sub-fund is expected to exceed the inflation rates in Hong Kong.

Principal International Bond Fund

The investment objective of the Principal International Bond Fund is to protect and maximise real asset value in terms of international purchasing power.

To accomplish its objective, the Sub-fund will invest mainly in the global bond markets. The Sub-fund will primarily invest in a portfolio of debt securities, both sovereign and non-sovereign, of varying maturities and denominated in the world's major currencies.

The risk profile of this Sub-fund is generally regarded as moderate. In the long term, the return of this Sub-fund is expected to be comparable to the inflation rates in Hong Kong.

Principal International Equity Fund

The investment objective of the Principal International Equity Fund is to seek capital growth over the long-term by investing in international equity markets.

The Sub-fund seeks to achieve its objective by investing primarily in equity securities selected from investment markets around the world. The Sub-fund may also hold cash and short-term investments.

The risk profile of this Sub-fund is generally regarded as high. In the long term, the return of this Sub-fund is expected to exceed the inflation rates in Hong Kong.

INVESTMENT REPORT *(continued)*
Investment objectives and policies *(continued)*

Principal Pension Bond Fund

The investment objective of the Principal Pension Bond Fund is to provide a return consisting of income and capital growth over medium to long term.

This Sub-fund will seek to achieve its investment objective by primarily investing in debt securities, including sovereign and/or non-sovereign, floating and/or fixed, of varying maturities issued by the government or by multi-lateral agencies or by companies throughout the world such that at least 40% is invested at all times in United States and Greater China (People's Republic of China, Hong Kong, Macau and Taiwan). The types of debt securities that the Sub-fund primarily intends to invest into are government bonds, corporate bonds/debentures, bills, commercial paper and certificates of deposit.

This Sub-fund will not enter into any financial futures contracts or financial options contracts.

The risk profile of this Sub-fund is generally regarded as moderate. In the long term, the return of the Sub-fund is expected to be comparable to the inflation rates in Hong Kong.

Principal U.S. Equity Fund

The investment objective of the Principal U.S. Equity Fund is to achieve capital growth over the long term by investing in U.S. equity markets.

The Sub-fund seeks to achieve its objective by investing primarily in U.S. equities. The Sub-fund may also hold cash and short-term securities.

The risk profile of this Sub-fund is generally regarded as high. In the long term, the return of this Sub-fund is expected to exceed the inflation rates in Hong Kong.

Changes in the statement of investment policy

Principal Asian Equity Fund

Principal China Equity Fund

Principal European Equity Fund

Principal Hong Kong Bond Fund

Principal Hong Kong Dollar Savings Fund

Principal Hong Kong Equity Fund

Principal International Bond Fund

Principal International Equity Fund

Principal Pension Bond Fund

Principal U.S. Equity Fund

(Sub-funds of Principal Life Style Fund and referred to individually or collectively as the "Sub-funds")

During the year under review, there were no changes in the investment objective and policies of the above Sub-funds that would significantly affect their risk profile.

Commentary by the Trustee

During this financial year, all the investments made by each of the Sub-funds were in accordance with the respective Sub-funds' investment policy and the requirements under the Mandatory Provident Fund Schemes Ordinance and the Securities and Futures Ordinance. For detailed information of each Sub-funds' performance and particulars of investments, please refer to the details in this report.

Principal Trust Company (Asia) Limited

Hong Kong

15 April 2016

REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF PRINCIPAL LIFE STYLE FUND (THE “FUND”)

We hereby confirm that:

- (1) in our opinion, subject to (3) below, the Manager of the Fund has in all material respects managed the Fund in accordance with the provisions of the Trust Deed dated 7 May 2003, as subsequently amended, for the year ended 31 December 2015;
- (2) during the year ended 31 December 2015, subject to (3) below, we have not become aware of any failures by the Custodian, the Manager, or their delegates to comply with the obligations imposed on them;
- (3) we are not aware of any events of a significant nature relating to the Fund that occurred during the year ended 31 December 2015 but have not been reported to the Mandatory Provident Fund Schemes Authority (the “Authority”) and/or the Securities and Futures Commission (the “SFC”) except for the events specified under the Guidelines on Notification of Events of Significant Nature issued by the Authority;
- (4) subject to (3) above, the provisions of the constitutive documents, the Mandatory Provident Fund Schemes Ordinance, the Mandatory Provident Fund Schemes (General) Regulation, the Code on MPF Investment Funds, the Code on Unit Trusts and Mutual Funds and other relevant guidelines issued by the Authority and the SFC have been complied with in all material respects during the year ended 31 December 2015; and
- (5) in our opinion, there are no material changes which have not been reported to the Authority during the year ended 31 December 2015.

We declare that, during the year ended 31 December 2015, we have supervised and exercised proper controls over all persons appointed or engaged for the purposes of the Fund.

Principal Trust Company (Asia) Limited

Hong Kong

15 April 2016

INDEPENDENT AUDITORS' REPORT

To the unitholders of Principal Asian Equity Fund, Principal China Equity Fund, Principal European Equity Fund, Principal Hong Kong Bond Fund, Principal Hong Kong Dollar Savings Fund, Principal Hong Kong Equity Fund, Principal International Bond Fund, Principal International Equity Fund, Principal Pension Bond Fund and Principal U.S. Equity Fund

(Sub-funds of Principal Life Style Fund, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

We have audited the financial statements of Principal Asian Equity Fund, Principal China Equity Fund, Principal European Equity Fund, Principal Hong Kong Bond Fund, Principal Hong Kong Dollar Savings Fund, Principal Hong Kong Equity Fund, Principal International Bond Fund, Principal International Equity Fund, Principal Pension Bond Fund and Principal U.S. Equity Fund (Sub-funds of Principal Life Style Fund and referred to individually or collectively as the "Sub-funds") set out on pages 53 to 94, which comprise the statements of financial position as at 31 December 2015, and the statements of comprehensive income, the statements of changes in net assets attributable to unitholders and the statements of cash flows for the year then ended, and the statements of distribution for the year ended 31 December 2015 for Principal China Equity Fund, Principal Hong Kong Bond Fund and Principal Hong Kong Equity Fund, and a summary of significant accounting policies and other explanatory information.

Trustee's Responsibility for the Financial Statements

The Trustee of the Sub-funds are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 7 May 2003, as subsequently amended, the Mandatory Provident Fund Schemes Ordinance (the "Ordinance"), the Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation"), the Code on MPF Investment Funds (the "MPF Code"), Guideline II.5 issued by the Mandatory Provident Fund Schemes Authority (the "Authority"), and the disclosure requirements specified in the Appendix E to the Code on Unit Trusts and Mutual Funds (the "UT Code") issued by the Hong Kong Securities and Futures Commission (the "SFC"), and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Chapter C2.2 of the MPF Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1 (Revised), "The Audit of Retirement Schemes" issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In addition, we are required to assess whether the financial statements of the Sub-funds have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed dated 7 May 2003, as subsequently amended, the Ordinance, the General Regulation, the MPF Code, Guidelines II.5 issued by the Authority, and the disclosure requirements specified in the Appendix E to the UT Code issued by the SFC.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Sub-funds' preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-funds' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT *(continued)*

To the unitholders of Principal Asian Equity Fund, Principal China Equity Fund, Principal European Equity Fund, Principal Hong Kong Bond Fund, Principal Hong Kong Dollar Savings Fund, Principal Hong Kong Equity Fund, Principal International Bond Fund, Principal International Equity Fund, Principal Pension Bond Fund and Principal U.S. Equity Fund

(Sub-funds of Principal Life Style Fund, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong)

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Sub-funds as at 31 December 2015, and of their financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

- (a) In our opinion, the financial statements have been properly prepared, in all material respect, in accordance with the relevant provisions of the Trust Deed dated 7 May 2003, as subsequently amended, the Ordinance, the General Regulation, the MPF Code, Guideline II.5 issued by the Authority and the disclosure requirements specified in the Appendix E to the UT code issued by the SFC; and
- (b) We have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Ernst & Young

Certified Public Accountants

Hong Kong

15 April 2016

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

	2015										
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$	
Income											
Gross dividend income	105,062,107	86,553,615	20,082,462	-	-	150,402,849	-	71,901,414	-	19,628,547	
Fixed deposit interest income	3,469	-	-	-	8,703,676	-	-	-	-	-	
Bank interest income	9,741	470	1,619	199	109	-	8,934	6,477	18,838	1,637	
Other income	-	-	80,889	-	-	-	-	163,096	17,051	537	
	105,075,317	86,554,085	20,164,970	199	8,703,785	150,402,849	8,934	72,070,987	35,889	19,630,721	
Expenses											
Investment transaction costs	(24,206,273)	(14,300,982)	(1,513,145)	(12,631)	(9,079)	(25,085,498)	(28,863)	(7,001,656)	(4,116)	(573,076)	
Investment management fees	10(a) (427,184)	(11,873,355)	(27,754)	(2,902,753)	(5,286)	(23,477,356)	(100,933)	(266,668)	-	(45,649)	
Custodian fees	(965,822)	(415,240)	(52,968)	(213,692)	(141,968)	(610,866)	(139,453)	(150,060)	(18,792)	(7,218)	
Auditors' remuneration	(69,489)	(83,392)	(12,546)	(75,584)	(36,289)	(147,557)	(50,727)	(52,070)	(48,778)	(21,818)	
Formation cost	-	-	-	-	-	(908)	-	-	-	-	
Operating expenses	(32,808)	(101,836)	(5,607)	(114,356)	(7,316)	(163,489)	(6,603)	(22,491)	(5,574)	(11,983)	
Trustee fees	10(b) (74,721)	(1,826,555)	(5,551)	(1,161,101)	(4,229)	(4,536,776)	(24,734)	(44,445)	-	(7,608)	
Legal and other professional fees	(130,820)	-	-	-	-	-	-	(12,942)	-	-	
Bank charges	(317,469)	(391,854)	(51,859)	(40,661)	(30,644)	(600,841)	(5,080)	(69,414)	(230)	(780)	
	(26,224,586)	(28,993,214)	(1,669,430)	(4,520,778)	(234,811)	(54,623,291)	(356,393)	(7,619,746)	(77,490)	(668,132)	
Gains/(losses) on investments and exchange difference											
Gains on investments	3 704,570,379	420,556,278	97,893,441	81,116,904	29,910,458	869,724,055	149,696,821	410,696,893	96,018,404	135,876,217	
Losses on investments	3 (1,044,315,425)	(760,077,810)	(83,014,205)	(16,702,828)	(21,216,146)	(1,152,604,878)	(222,281,989)	(508,592,661)	(71,322,488)	(147,011,759)	
Exchange gain/(loss)	(7,489,257)	-	195,696	-	188,716	(1,611)	(3,885,526)	(647,285)	(154,983)	(28,088)	
	(347,234,303)	(339,521,532)	15,074,932	64,414,076	8,883,028	(282,882,434)	(76,470,694)	(98,543,053)	24,540,933	(11,163,630)	
Net income/(loss) for the year	(268,383,572)	(281,960,661)	33,570,472	59,893,497	17,352,002	(187,102,876)	(76,818,153)	(34,091,812)	24,499,332	7,798,959	
Taxation	7 (11,971,292)	(7,038,461)	(3,516,648)	-	-	(7,615,305)	(401,004)	(14,517,594)	-	(5,453,619)	
Net income/(loss) for the year before distribution to unitholders	(280,354,864)	(288,999,122)	30,053,824	59,893,497	17,352,002	(194,718,181)	(77,219,157)	(48,609,406)	24,499,332	2,345,340	
Distribution to unitholders	-	(543,936)	-	(1,105,671)	-	(436,562)	-	-	-	-	
Increase/ (Decrease) in net assets attributable to unitholders	(280,354,864)	(289,543,058)	30,053,824	58,787,826	17,352,002	(195,154,743)	(77,219,157)	(48,609,406)	24,499,332	2,345,340	

STATEMENT OF COMPREHENSIVE INCOME *(continued)*
Year ended 31 December 2015

	2014										
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$	
Income											
Gross dividend income	104,271,288	79,592,365	16,932,372	-	-	156,523,996	-	65,833,829	-	15,020,505	
Fixed deposit interest income	13,284	-	-	-	8,684,884	-	19,166	26,429	1,998	-	
Bank interest income	12,432	366	1,534	141	101	-	11,467	9,435	15,255	1,411	
Other income	4,800	-	-	-	-	-	34,882	28,550	9,302	27,628	
	104,301,804	79,592,731	16,933,906	141	8,684,985	156,523,996	65,515	65,898,243	26,555	15,049,544	
Expenses											
Investment transaction costs	(24,353,620)	(11,799,624)	(1,230,325)	(8,179)	(11,908)	(29,008,635)	(18,608)	(8,724,921)	(5,811)	(876,487)	
Investment management fees	10(a) (437,726)	(8,889,503)	(421,348)	(2,105,860)	(54,996)	(19,276,279)	(64,458)	(182,380)	-	(31,122)	
Custodian fees	(943,102)	(330,841)	(56,665)	(178,424)	(127,110)	(571,634)	(143,990)	(179,879)	(19,941)	(7,195)	
Auditors' remuneration	(87,707)	(67,622)	(14,486)	(57,875)	(37,113)	(145,516)	(64,731)	(70,088)	(47,003)	(20,196)	
Formation cost	-	-	-	-	-	(150,000)	-	-	-	-	
Operating expenses	(19,032)	(42,066)	(6,512)	(51,431)	(17,280)	(101,017)	(17,098)	(22,754)	(5,727)	(21,012)	
Trustee fees	10(b) (75,914)	(1,385,480)	(84,269)	(842,344)	(43,997)	(3,523,189)	(15,850)	(30,397)	-	(5,187)	
Legal and other professional fees	(14,798)	-	-	-	-	-	-	(14,798)	-	-	
Bank charges	(318,951)	(331,939)	(48,766)	(33,772)	(29,662)	(668,863)	(5,351)	(53,768)	(230)	(830)	
	(26,250,850)	(22,847,075)	(1,862,371)	(3,277,885)	(322,066)	(53,445,133)	(330,086)	(9,278,985)	(78,712)	(962,029)	
Gains/(losses) on investments and exchange difference											
Gains on investments	3 684,384,132	439,301,683	73,572,570	78,547,796	24,960,803	806,745,680	206,198,381	557,844,132	128,045,746	201,145,429	
Losses on investments	3 (695,533,429)	(279,452,103)	(109,225,114)	(9,921,545)	(13,553,882)	(730,011,492)	(207,411,932)	(537,037,281)	(34,012,924)	(108,278,800)	
Exchange gain/(loss)	(5,626,857)	(92,596)	(167,781)	-	(164,793)	39,972	(7,016,937)	(3,451,264)	15,537	(14,770)	
	(16,776,154)	159,756,984	(35,820,325)	68,626,251	11,242,128	76,774,160	(8,230,488)	17,355,587	94,048,359	92,851,859	
Net income/(loss) for the year	61,274,800	216,502,640	(20,748,790)	65,348,507	19,605,047	179,853,023	(8,495,059)	73,974,845	93,996,202	106,939,574	
Taxation	7 (11,232,959)	(6,498,176)	(3,344,714)	-	-	(7,176,763)	(769,585)	(14,094,198)	-	(4,281,455)	
Net income/(loss) for the year before distribution to unitholders	50,041,841	210,004,464	(24,093,504)	65,348,507	19,605,047	172,676,260	(9,264,644)	59,880,647	93,996,202	102,657,919	
Distribution to unitholders	-	-	-	-	-	-	-	-	-	-	
Increase/ (Decrease) in net assets attributable to unitholders	50,041,841	210,004,464	(24,093,504)	65,348,507	19,605,047	172,676,260	(9,264,644)	59,880,647	93,996,202	102,657,919	

STATEMENT OF FINANCIAL POSITION
31 December 2015

	Notes	2015									
		Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Assets											
Investments	4	3,405,708,379	2,806,945,658	684,570,184	2,619,381,433	1,097,445,358	4,740,066,756	2,749,501,222	2,857,572,906	1,983,779,954	1,039,477,650
Derivative financial instruments		-	-	-	-	-	-	2,515,152	-	-	-
Interest and dividend receivables	5	-	403,776	719,904	21,118,675	16,461,939	665,280	28,854,961	2,748,694	18,499,238	277,382
Amounts receivable from brokers		-	-	1,970,587	-	-	1,199,139	-	-	-	-
Amounts receivable on subscriptions		1,123,791	1,130,453	74,057	1,822,097	815,300	1,501,822	752,743	670,535	281,041	218,767
Cash at banks	6	83,441,279	68,047,697	14,519,144	66,378,097	712,752,114	94,770,383	119,787,088	58,937,952	131,973,568	25,108,382
Other receivables		-	-	-	-	7,874	-	8,733	-	-	6,501
		3,490,273,449	2,876,527,584	701,853,876	2,708,700,302	1,827,482,585	4,838,203,380	2,901,419,899	2,919,930,087	2,134,533,801	1,065,088,682
Liabilities											
Derivative financial instruments		-	-	-	-	-	-	8,760,615	-	-	-
Amounts payable to brokers		1,636,076	-	-	-	-	1,556,433	-	-	-	-
Amounts payable on redemptions		1,002,561	866,148	67,773	86,004	628,890	1,961,777	658,413	453,982	54,480	229,833
Accrual and other payables		340,178	510,278	52,419	972,330	64,783	1,068,232	108,626	174,646	49,427	28,027
		2,978,815	1,376,426	120,192	1,058,334	693,673	4,586,442	9,527,654	628,628	103,907	257,860
Net assets attributable to unitholders		3,487,294,634	2,875,151,158	701,733,684	2,707,641,968	1,826,788,912	4,833,616,938	2,891,892,245	2,919,301,459	2,134,429,894	1,064,830,822
Number of units in issue											
	8										
- Pension class		88,614,986.4745	151,938,461.0893	54,171,928.9559	148,399,648.5504	143,906,997.9329	88,836,861.0956	178,292,819.0475	101,560,019.1373	133,388,241.6603	40,988,371.6325
- Retail class		1,022,731.0954	38,835,348.0671	-	88,008,580.0861	155,451.8655	38,608,616.4259	82,941.2970	7,918,544.1198	-	305,121.4527
- Investment class		430,030.2075	30,051,136.1043	267,663.0238	-	-	12,023,742.8359	8,243,269.1889	-	-	-
- I6 class ^f		-	-	-	-	-	71,865,873.7546	-	-	-	-
- R6 class ^f		-	2,371,503.4492	-	11,134,893.6839	-	4,452,949.6562	-	-	-	-
Net asset value per unit											
- Pension class		38.9012	13.5490	12.8955	11.1894	12.6817	30.7459	15.6295	27.0169	16.0016	25.8657
- Retail class		32.2005	11.6518	-	10.6417	11.5632	26.4605	11.3226	22.1582	-	15.2048
- Investment class		16.5853	11.4385	11.8047	-	-	26.7083	12.6559	-	-	-
- I6 class ^f		-	-	-	-	-	10.0137	-	-	-	-
- R6 class ^f		-	8.5583	-	9.9302	-	8.9534	-	-	-	-

^f R6 class was launched on 2 January 2015

Principal Trust Company (Asia) Limited

Principal Asset Management Company (Asia) Limited

Hong Kong
15 April 2016

STATEMENT OF FINANCIAL POSITION (continued)
31 December 2015

Notes	2014										
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$	
Assets											
Investments	4	3,662,979,036	2,519,826,437	561,836,808	1,867,802,368	1,045,804,893	5,005,767,474	2,521,862,201	2,813,187,861	2,206,798,099	935,023,095
Interest and dividend receivables	5	677,563	-	406,769	16,325,062	12,271,371	-	22,083,458	1,252,850	21,089,336	676,861
Amounts receivable from brokers		-	3,856,411	-	-	-	26,135,596	-	-	-	41,585
Amounts receivable on subscriptions		1,321,445	2,000,193	80,124	15,423,587	3,316,493	10,324,987	1,295,462	1,639,935	429	1,451,577
Cash at banks	6	86,229,973	74,533,640	23,097,149	34,791,745	623,373,773	109,716,147	76,865,742	65,318,959	89,305,282	11,648,595
		3,751,208,017	2,600,216,681	585,420,850	1,934,342,762	1,684,766,530	5,151,944,204	2,622,106,863	2,881,399,605	2,317,193,146	948,841,713
Liabilities											
Amounts payable to brokers		-	16,573,460	-	4,715,918	-	39,486,837	-	5,203,568	-	-
Amounts payable on redemptions		2,274,824	3,317,659	103,914	3,893,276	1,953,876	7,495,437	1,106,876	980,736	4,166	229,190
Accrual and other payables		338,894	492,359	46,046	186,908	64,575	1,203,312	94,011	129,642	50,731	26,943
		2,613,718	20,183,478	149,960	8,796,102	2,018,451	48,185,586	1,200,887	6,313,946	54,897	256,133
Net assets attributable to unitholders		3,748,594,299	2,580,033,203	585,270,890	1,925,546,660	1,682,748,079	5,103,758,618	2,620,905,976	2,875,085,659	2,317,138,249	948,585,580
Number of units in issue											
	8										
- Pension class		88,095,222.7586	123,394,534.6764	47,685,985.3169	133,693,514.2046	133,744,366.5883	90,445,341.6360	162,340,621.9725	103,854,426.2965	146,374,456.3181	36,689,464.3537
- Retail class		812,055.9216	35,289,568.4326	-	45,763,543.4779	276,458.1347	42,661,095.4423	93,314.3919	614,617.3022	-	208,793.3147
- Investment class		350,905.9254	26,793,143.9662	200,036.0383	-	-	10,325,844.5719	496,210.8908	-	-	-
- I6 class		-	-	-	-	-	69,430,983.6091	-	-	-	-
Net asset value per unit											
- Pension class		42.1529	14.5632	12.2259	10.8463	12.5580	31.9784	16.0975	27.5481	15.8302	25.7670
- Retail class		35.4015	12.7410	-	10.3896	11.5113	27.9131	11.8125	22.9308	-	15.3737
- Investment class		18.1703	12.4429	11.3262	-	-	28.1138	13.1660	-	-	-
- I6 class		-	-	-	-	-	10.5192	-	-	-	-

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
Year ended 31 December 2015

	2015									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Balance brought forward	3,748,594,299	2,580,033,203	585,270,890	1,925,546,660	1,682,748,079	5,103,758,618	2,620,905,976	2,875,085,659	2,317,138,249	948,585,580
Amounts received and receivable on issue of units	832,603,490	1,650,953,320	175,445,227	1,102,677,983	915,348,256	1,597,177,463	1,134,339,937	781,729,242	336,644,151	442,580,931
Amounts paid and payable on redemptions of units	(813,548,291)	(1,066,292,307)	(89,036,257)	(379,370,501)	(788,659,425)	(1,672,164,400)	(786,134,511)	(688,904,036)	(543,851,838)	(328,681,029)
Increase/(Decrease) in net asset attributable to unitholders	(280,354,864)	(289,543,058)	30,053,824	58,787,826	17,352,002	(195,154,743)	(77,219,157)	(48,609,406)	24,499,332	2,345,340
Net assets carried forward	3,487,294,634	2,875,151,158	701,733,684	2,707,641,968	1,826,788,912	4,833,616,938	2,891,892,245	2,919,301,459	2,134,429,894	1,064,830,822
	2014									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Balance brought forward	3,442,391,981	2,136,213,099	564,037,298	1,483,613,592	1,493,004,250	3,617,246,668	2,582,837,041	2,723,922,135	2,162,450,588	728,605,373
Amounts received and receivable on issue of units	895,397,453	905,415,241	289,492,568	694,133,411	876,286,712	2,771,652,912	791,759,637	828,621,593	425,393,463	363,819,149
Amounts paid and payable on redemptions of units	(639,236,976)	(671,599,601)	(244,165,472)	(317,548,850)	(706,147,930)	(1,457,817,222)	(744,426,058)	(737,338,716)	(364,702,004)	(246,496,861)
Increase/(Decrease) in net asset attributable to unitholders	50,041,841	210,004,464	(24,093,504)	65,348,507	19,605,047	172,676,260	(9,264,644)	59,880,647	93,996,202	102,657,919
Net assets carried forward	3,748,594,299	2,580,033,203	585,270,890	1,925,546,660	1,682,748,079	5,103,758,618	2,620,905,976	2,875,085,659	2,317,138,249	948,585,580

STATEMENT OF DISTRIBUTION
For the year ended 31 December 2015

	Note	2015		
		Principal China Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Equity Fund HK\$
Amount brought forward at the beginning of the year		-	-	-
Net profit/(loss) for the year		(288,999,122)	59,893,497	(194,718,181)
Distribution to Unitholders of R6 class [†] for Q1 2015	17	-	(46)	(5,728)
Distribution to Unitholders of R6 class [†] for Q2 2015	17	(420,908)	(54,467)	(152,564)
Distribution to Unitholders of R6 class [†] for Q3 2015	17	(114,491)	(397,540)	(179,415)
Distribution to Unitholders of R6 class [†] for Q4 2015	17	(8,537)	(653,618)	(98,855)
Transfer to/(from) capital		289,543,058	(58,787,826)	195,154,743
Undistributed income carried forward		-	-	-

[†]R6 class was launched on 2 January 2015

STATEMENT OF CASH FLOWS
Year ended 31 December 2015

	2015									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Cash flows from operating activities										
Dividend received, net of withholding tax	94,008,209	79,111,378	16,252,679	-	-	142,122,264	-	55,887,976	-	14,574,407
Interest received, net of withholding tax	13,655	470	1,619	54,799,512	24,565,507	-	65,739,056	6,477	75,157,084	1,637
Other income received	-	-	80,889	-	-	-	-	163,096	17,051	537
Operating expenses paid	(26,223,302)	(28,983,832)	(1,663,057)	(4,388,974)	(242,477)	(54,857,226)	(350,511)	(7,574,742)	(78,794)	(673,549)
Capital gain tax paid	(240,276)	-	-	-	-	-	-	-	-	-
Exchange gain/(loss)	(7,489,257)	-	195,696	-	188,716	(1,611)	(3,885,526)	(647,285)	(154,983)	(28,088)
Net deposits with maturity over 3 months placed at banks	-	-	-	-	(86,958,277)	-	-	-	-	-
Net cash flows from/(used in) operating activities	60,069,029	50,128,016	14,867,826	50,410,538	(62,446,531)	87,263,427	61,503,019	47,835,522	74,940,358	13,874,944
Cash flows from investing activities										
Purchase of investment securities	(4,703,031,798)	(3,051,323,080)	(418,322,282)	(1,408,363,715)	(921,412,642)	(5,070,264,961)	(2,226,444,302)	(3,333,300,662)	(928,265,994)	(979,694,557)
Proceeds from sale of investment securities	4,622,193,485	2,412,165,278	308,497,555	656,889,882	858,414,199	5,040,090,909	1,859,562,947	3,185,816,281	1,103,431,907	864,146,045
Net cash flows from/(used in) investing activities	(80,838,313)	(639,157,802)	(109,824,727)	(751,473,833)	(62,998,443)	(30,174,052)	(366,881,355)	(147,484,381)	175,165,913	(115,548,512)
Cash flows from financing activities										
Subscriptions received	832,801,144	1,651,823,060	175,451,294	1,116,279,473	917,849,449	1,606,000,628	1,134,882,656	782,698,642	336,363,539	443,813,741
Redemptions paid	(814,820,554)	(1,068,743,818)	(89,072,398)	(383,177,773)	(789,984,411)	(1,677,698,060)	(786,582,974)	(689,430,790)	(543,801,524)	(328,680,386)
Distribution paid	-	(535,399)	-	(452,053)	-	(337,707)	-	-	-	-
Net cash flows from/(used in) financing activities	17,980,590	582,543,843	86,378,896	732,649,647	127,865,038	(72,035,139)	348,299,682	93,267,852	(207,437,985)	115,133,355
Net increase/(decrease) in cash and cash equivalents	(2,788,694)	(6,485,943)	(8,578,005)	31,586,352	2,420,064	(14,945,764)	42,921,346	(6,381,007)	42,668,286	13,459,787
Cash and cash equivalents at beginning of year	86,229,973	74,533,640	23,097,149	34,791,745	9,147,130	109,716,147	76,865,742	65,318,959	89,305,282	11,648,595
Cash and cash equivalents at end of year	83,441,279	68,047,697	14,519,144	66,378,097	11,567,194	94,770,383	119,787,088	58,937,952	131,973,568	25,108,382
Analysis of balances of cash and cash equivalents:										
Cash at banks	83,441,279	68,047,697	14,519,144	66,378,097	712,752,114	94,770,383	119,787,088	58,937,952	131,973,568	25,108,382
Less: Bank deposits with maturity over 3 months	-	-	-	-	(701,184,920)	-	-	-	-	-
	83,441,279	68,047,697	14,519,144	66,378,097	11,567,194	94,770,383	119,787,088	58,937,952	131,973,568	25,108,382

STATEMENT OF CASH FLOWS *(continued)*
Year ended 31 December 2015

	2014									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Cash flows from operating activities										
Dividend received, net of withholding tax	93,751,605	73,253,349	13,917,609	-	-	150,786,683	-	53,494,729	-	10,533,684
Interest received, net of withholding tax	25,279	366	1,534	40,694,530	13,572,996	-	77,013,060	36,086	67,215,461	1,411
Other income received	4,800	-	-	-	-	-	34,882	28,550	9,302	27,628
Operating expenses paid	(26,213,980)	(22,859,258)	(1,912,199)	(3,248,317)	(333,433)	(53,141,590)	(328,184)	(9,262,172)	(84,141)	(959,153)
Capital gain tax paid	(76,170)	-	(206,365)	-	-	-	-	(719,928)	-	-
Exchange gain/(loss)	(5,626,857)	(92,596)	(167,781)	-	(164,793)	39,972	(7,016,937)	(3,451,264)	15,537	(14,770)
Net deposits with maturity over 3 months placed at banks	-	-	-	-	(50,828,706)	-	-	-	-	-
Net cash flows from/(used in) operating activities	61,864,677	50,301,861	11,632,798	37,446,213	(37,753,936)	97,685,065	69,702,821	40,126,001	67,156,159	9,588,800
Cash flows from investing activities										
Purchase of investment securities	(4,404,897,370)	(2,327,437,013)	(388,925,548)	(745,560,791)	(1,146,471,008)	(6,093,502,990)	(2,214,884,473)	(3,438,889,541)	(993,822,030)	(1,001,212,048)
Proceeds from sale of investment securities	4,099,354,444	2,023,720,507	342,845,412	345,956,385	1,019,317,490	4,690,867,791	2,072,641,962	3,333,277,814	905,730,281	869,403,723
Net cash flows used in investing activities	(305,542,926)	(303,716,506)	(46,080,136)	(399,604,406)	(127,153,518)	(1,402,635,199)	(142,242,511)	(105,611,727)	(88,091,749)	(131,808,325)
Cash flows from financing activities										
Subscriptions received	896,055,180	916,474,610	289,498,998	688,746,409	874,196,870	2,769,464,011	791,227,358	828,308,185	425,567,042	364,837,548
Redemptions paid	(638,719,869)	(668,901,084)	(244,174,130)	(315,985,001)	(707,730,821)	(1,453,494,435)	(744,435,557)	(736,945,180)	(364,818,593)	(246,382,347)
Net cash flows from financing activities	257,335,311	247,573,526	45,324,868	372,761,408	166,466,049	1,315,969,576	46,791,801	91,363,005	60,748,449	118,455,201
Net increase/(decrease) in cash and cash equivalents	13,657,062	(5,841,119)	10,877,530	10,603,215	1,558,595	11,019,442	(25,747,889)	25,877,279	39,812,859	(3,764,324)
Cash and cash equivalents at beginning of year	72,572,911	80,374,759	12,219,619	24,188,530	7,588,535	98,696,705	102,613,631	39,441,680	49,492,423	15,412,919
Cash and cash equivalents at end of year	86,229,973	74,533,640	23,097,149	34,791,745	9,147,130	109,716,147	76,865,742	65,318,959	89,305,282	11,648,595
Analysis of balances of cash and cash equivalents:										
Cash at banks	86,229,973	74,533,640	23,097,149	34,791,745	623,373,773	109,716,147	76,865,742	65,318,959	89,305,282	11,648,595
Less: Bank deposits with maturity over 3 months	-	-	-	-	(614,226,643)	-	-	-	-	-
	86,229,973	74,533,640	23,097,149	34,791,745	9,147,130	109,716,147	76,865,742	65,318,959	89,305,282	11,648,595

NOTES TO FINANCIAL STATEMENTS

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1. PRINCIPAL LIFE STYLE FUND

Principal Life Style Fund (“The Fund”) is an umbrella unit trust established under the laws of Hong Kong pursuant to a Trust Deed dated 7 May 2003, as subsequently amended. There are ten sub-funds (individually the “Sub-fund” or collectively as the “Sub-funds”) established under the Fund during the year with the first dealing date as stated below:

	First dealing date				
	Retail class	Pension class	Investment class	I6 class	R6 Class
Principal Asian Equity Fund	3 July 2003	3 July 2003	20 January 2006	-	-
Principal China Equity Fund	29 June 2007	29 June 2007	11 June 2008	-	26 January 2015
Principal European Equity Fund	-	4 August 2008	4 August 2008	-	-
Principal Hong Kong Bond Fund	14 October 2011	22 June 2011	-	-	26 January 2015
Principal Hong Kong Dollar Savings Fund	3 July 2003	3 July 2003	-	-	-
Principal Hong Kong Equity Fund	2 November 2005	2 November 2005	2 December 2005	28 May 2014	26 January 2015
Principal International Bond Fund	3 July 2003	3 July 2003	18 January 2006	-	-
Principal International Equity Fund	3 July 2003	3 July 2003	-	-	-
Principal Pension Bond Fund	-	5 December 2008	-	-	-
Principal U.S. Equity Fund	3 July 2003	3 July 2003	18 January 2006	-	-

The Sub-funds are authorised by the Securities and Futures Commission (“SFC”) under section 104 of the Hong Kong Securities and Futures Ordinance. All Sub-funds are approved pooled investment funds (“APIFs”) under section 6(1) of the Mandatory Provident Fund Schemes (General) Regulation (the “General Regulation”). They are governed by the Code on Unit Trusts and Mutual Funds (the “UT Code”) issued by SFC, Mandatory Provident Fund Schemes Ordinance (the “Ordinance”), the General Regulation, the Code on MPF Investment Funds (the “MPF Code”), and other relevant guidelines (the “MPF Guidelines”) issued by the Hong Kong Mandatory Provident Fund Schemes Authority (the “Authority”).

The Sub-funds can offer five different classes of units, namely, Investment, I6, Pension, Retail and R6 Class Units. Investment Class Units are available for issue to any collective investment scheme, registered schemes or approved pooled investment fund under the Ordinance, occupational retirement schemes or other institutional investor, to which the Pension Class Units are not made available. I6 Class Units are available to registered schemes or approved pooled investment funds under the Ordinance or occupational retirement schemes for which the Manager has offered a special management fee structure. Pension Class Units are available to registered schemes or approved pooled investment funds under the Ordinance or occupational retirement schemes, which are managed by Principal Asset Management Company (Asia) Limited. Retail and R6 Class Units are available to retail investors and any other investors to which the Pension Class Units, I6 Class Units and Investment Class Units are not made available.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant provisions of the Trust Deed, as subsequently amended, the Ordinance, the General Regulation, the MPF Code, the MPF Guidelines, and the relevant disclosure requirements of the UT Code.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.1 BASIS OF PREPARATION *(continued)*

These financial statements have been prepared under the historical cost convention, except for investments which have been measured at their fair values. These financial statements are presented in Hong Kong dollars.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Sub-funds have adopted the following revised standards for the first time for the current year's financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and impact of each amendment is explained below:

- (a) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year and applicable to the Sub-funds are as follows:
 - HKAS 24 Related Party Disclosures clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Sub-funds as the Sub-funds do not receive any management services from other entities.
- (b) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year and applicable to the Sub-funds are as follows:
 - HKFRS 13 Fair Value Measurement clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied and the adoption has had no material impact on the Sub-funds' fair value measurements.

NOTES TO FINANCIAL STATEMENTS

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Sub-funds have not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
<i>Annual Improvements</i> <i>2012-2014 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

Further information about those HKFRSs that are expected to be applicable to the Sub-funds are as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Sub-funds expect to adopt HKFRS 9 from 1 January 2018. During 2015, the Sub-funds performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Sub-funds in the future.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Sub-funds expect to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Sub-funds' financial statements.

The *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. The Sub-funds expect to adopt the amendments from 1 January 2016. None of the amendments are expected to have a significant financial impact on the Sub-funds. Details of the amendments are as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the HKFRS 7 disclosures are required.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Sub-funds measure their debt and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Sub-funds. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Sub-funds use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Sub-funds determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Sub-funds commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Sub-funds' financial assets include investments, derivative financial instruments, interest and dividend receivables, amounts receivable from brokers, amounts receivable on subscriptions and cash at banks.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” mentioned below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, which comprise cash at banks, interest and dividend receivables, amounts receivable from brokers and amounts receivable on subscriptions. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Sub-funds’ statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Sub-funds have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Sub-funds have transferred substantially all the risks and rewards of the asset, or (b) the Sub-funds have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Sub-funds have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Sub-funds continue to recognise the transferred asset to the extent of the Sub-funds’ continuing involvement in the asset. In that case, the Sub-funds also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-funds have retained.

Impairment of financial assets

The Sub-funds assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Sub-funds first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Sub-funds determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Sub-funds.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Sub-funds' financial liabilities include derivative financial instruments, amounts payable to brokers, amounts payable on redemptions, and accrual and other payables.

Subsequent measurement

Borrowings

After initial recognition, borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Sub-funds' cash management.

For the purpose of the statement of financial position, cash at banks comprise cash at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Sub-funds and when the revenue can be measured reliably, on the following bases:

- (a) Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income on bank deposits is disclosed separately on the face of the statement of comprehensive income. Interest income on debt securities is included in gains on investments.
- (b) Dividend income is recognised when the Sub-funds' right to receive payment has been established. Dividend income relating to exchange-traded equity investments is recognised in profit or loss on the ex-dividend date.

In some cases, the Sub-funds may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Sub-funds recognise the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment. Income distributions from private equity investments and other investment funds are recognised in profit or loss as dividend income when declared.

- (c) Realised and unrealised gains and losses on investments at fair value through profit or loss are dealt with in profit or loss in the year in which they arise.

Expenses

All expenses, including investment management and custodian fees, are recognised in profit or loss on an accrual basis.

Formation costs

Formation costs of the Sub-funds are charged to the profit or loss as incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Sub-funds' functional and presentation currency. Foreign currency transactions are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Related parties

A party is considered to be related to the Sub-funds if:

- (a) the party is a person or a close member of that person's family and that person,
 - (i) has control or joint control over the Sub-funds;
 - (ii) has significant influence over the Sub-funds;
 - (iii) is a member of the key management personnel of the Sub-funds or of a parent of the Sub-funds;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Sub-funds are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Sub-funds are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-funds or an entity related to the Sub-funds;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a Sub-funds of which it is a part, provides key management personnel services to the Sub-funds or to the parent of the Sub-funds.

Taxation

Taxation comprises current tax. Taxation relating to items recognised outside profit or loss is recognised outside profit or loss; therefore, taxation relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Sub-funds hold the investments.

Units in issue

The Sub-funds classify financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

NOTES TO FINANCIAL STATEMENTS
31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Units in issue (continued)

A puttable financial instrument that includes a contractual obligation for the Sub-funds to repurchase or redeem that instrument for cash or another financial asset is classified as an equity instrument if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Sub-funds' net assets in the event of its liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Sub-funds to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Sub-funds over the life of the instrument.

The redeemable units do not provide the unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Sub-funds' net assets at each daily redemption date and also in the event of the Sub-funds' liquidation. Therefore, they do not meet the criteria for equity classification and therefore are classified as financial liabilities. They are measured at the present value of the redemption amounts.

3. GAINS AND LOSSES ON INVESTMENTS

	2015										
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$	
Realised gains	450,772,386	276,475,217	30,676,814	59,799,644	25,849,250	603,513,161	100,419,804	198,837,817	87,124,623	72,277,025	
Unrealised gains	253,797,993	144,081,061	67,216,627	21,317,260	4,061,208	266,210,894	49,277,017	211,859,076	8,893,781	63,599,192	
Total gains on investments	704,570,379	420,556,278	97,893,441	81,116,904	29,910,458	869,724,055	149,696,821	410,696,893	96,018,404	135,876,217	
Realised losses	(450,266,665)	(276,480,287)	(28,494,230)	(6,410,580)	(5,387,158)	(413,598,613)	(85,261,578)	(274,194,864)	(17,953,296)	(43,492,257)	
Unrealised losses	(594,048,760)	(483,597,523)	(54,519,975)	(10,292,248)	(15,828,988)	(739,006,265)	(137,020,411)	(234,397,797)	(53,369,192)	(103,519,502)	
Total losses on investments	(1,044,315,425)	(760,077,810)	(83,014,205)	(16,702,828)	(21,216,146)	(1,152,604,878)	(222,281,989)	(508,592,661)	(71,322,488)	(147,011,759)	

	2014										
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$	
Realised gains	368,180,781	198,418,856	49,707,908	45,263,159	19,689,384	417,333,538	109,726,550	375,117,665	88,596,312	106,792,085	
Unrealised gains	316,203,351	240,882,827	23,864,662	33,284,637	5,271,419	389,412,142	96,471,831	182,726,467	39,449,434	94,353,344	
Total gains on investments	684,384,132	439,301,683	73,572,570	78,547,796	24,960,803	806,745,680	206,198,381	557,844,132	128,045,746	201,145,429	
Realised losses	(247,817,680)	(103,067,932)	(15,001,193)	(3,765,235)	(5,383,367)	(223,336,175)	(80,276,839)	(124,948,454)	(5,881,227)	(21,032,022)	
Unrealised losses	(447,715,749)	(176,384,171)	(94,223,921)	(6,156,310)	(8,170,515)	(506,675,317)	(127,135,093)	(412,088,827)	(28,131,697)	(87,246,778)	
Total losses on investments	(695,533,429)	(279,452,103)	(109,225,114)	(9,921,545)	(13,553,882)	(730,011,492)	(207,411,932)	(557,037,281)	(34,012,924)	(108,278,800)	

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4. INVESTMENTS

	2015									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
(a) Equities										
Listed shares	3,405,708,379	2,806,945,658	684,570,184	-	-	4,740,066,756	-	2,857,572,906	-	1,039,477,650
(b) Debt securities										
Listed/quoted debt instruments	-	-	-	2,135,795,833	488,002,351	-	2,743,660,619	-	1,983,779,954	-
Certificates of deposit	-	-	-	483,585,600	609,443,007	-	5,840,603	-	-	-
	-	-	-	2,619,381,433	1,097,445,358	-	2,749,501,222	-	1,983,779,954	-
	3,405,708,379	2,806,945,658	684,570,184	2,619,381,433	1,097,445,358	4,740,066,756	2,749,501,222	2,857,572,906	1,983,779,954	1,039,477,650

	2014									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
(a) Equities										
Listed shares	3,662,979,036	2,519,826,437	561,836,808	-	-	5,005,767,474	-	2,813,187,861	-	935,023,095
(b) Debt securities										
Listed/quoted debt instruments	-	-	-	1,405,638,720	266,489,985	-	2,521,862,201	-	2,206,798,099	-
Certificates of deposit	-	-	-	462,163,648	779,314,908	-	-	-	-	-
	-	-	-	1,867,802,368	1,045,804,893	-	2,521,862,201	-	2,206,798,099	-
	3,662,979,036	2,519,826,437	561,836,808	1,867,802,368	1,045,804,893	5,005,767,474	2,521,862,201	2,813,187,861	2,206,798,099	935,023,095

5. INTEREST AND DIVIDEND RECEIVABLES

	2015									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Interest receivables	-	-	-	21,118,675	16,461,939	-	28,854,961	-	18,499,238	-
Dividend receivables	-	403,776	719,904	-	-	665,280	-	2,748,694	-	277,382
	-	403,776	719,904	21,118,675	16,461,939	665,280	28,854,961	2,748,694	18,499,238	277,382

	2014									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Interest receivables	445	-	-	16,325,062	12,271,371	-	22,083,458	-	21,089,336	-
Dividend receivables	677,118	-	406,769	-	-	-	-	1,252,850	-	676,861
	677,563	-	406,769	16,325,062	12,271,371	-	22,083,458	1,252,850	21,089,336	676,861

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6. CASH AT BANKS

	2015									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Deposits with banks	-	-	-	-	701,184,920	-	-	-	-	-
Cash at banks	83,441,279	68,047,697	14,519,144	66,378,097	11,567,194	94,770,383	119,787,088	58,937,952	131,973,568	25,108,382
	83,441,279	68,047,697	14,519,144	66,378,097	712,752,114	94,770,383	119,787,088	58,937,952	131,973,568	25,108,382

	2014									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Deposits with banks	15,023,729	-	-	-	618,226,643	-	-	-	-	-
Cash at banks	71,206,244	74,533,640	23,097,149	34,791,745	5,147,130	109,716,147	76,865,742	65,318,959	89,305,282	11,648,595
	86,229,973	74,533,640	23,097,149	34,791,745	623,373,773	109,716,147	76,865,742	65,318,959	89,305,282	11,648,595

7. TAXATION

Taxation in the statement of comprehensive income represents:

	2015									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Overseas capital gain tax	240,276	-	-	-	-	-	-	-	-	-
Overseas withholding tax	11,731,016	7,038,461	3,516,648	-	-	7,615,305	401,004	14,517,594	-	5,453,619
	11,971,292	7,038,461	3,516,648	-	-	7,615,305	401,004	14,517,594	-	5,453,619

	2014									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Overseas capital gain tax	76,170	-	206,365	-	-	-	-	719,928	-	-
Overseas withholding tax	11,156,789	6,498,176	3,138,349	-	-	7,176,763	769,585	13,374,270	-	4,281,455
	11,232,959	6,498,176	3,344,714	-	-	7,176,763	769,585	14,094,198	-	4,281,455

No provision for Hong Kong profits tax has been made as interest, distribution income and realised gains on disposals of investments of the Sub-funds are excluded from the charge to profits tax under either sections 14, 26 or 26A of the Hong Kong Inland Revenue Ordinance. A reconciliation of the tax expense/credit applicable to income/loss for the year using the statutory rate to tax expense/credit at the effective tax rate has not been presented as the income/loss of the Sub-funds is excluded from the charge to profits tax.

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8. UNITS IN ISSUE

	2015									
	Principal Asian Equity Fund	Principal China Equity Fund	Principal European Equity Fund	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Pension Bond Fund	Principal U.S. Equity Fund
Pension Class										
Balance brought forward	88,095,222.7586	123,394,534.6764	47,685,985.3169	133,693,514.2046	133,744,366.5883	90,445,341.6360	162,340,621.9725	103,854,426.2965	146,374,456.3181	36,689,464.3537
Issued during the year	19,155,912.7644	78,390,530.0272	13,382,844.5351	30,859,443.3792	72,319,268.2663	29,423,713.1206	65,820,852.7205	22,347,465.0687	20,977,268.7190	16,902,523.1377
Redeemed during the year	(18,636,149.0485)	(49,846,603.6143)	(6,896,900.8961)	(16,153,309.0334)	(62,156,636.9217)	(31,032,193.6610)	(49,868,655.6455)	(24,641,872.2279)	(33,963,483.3768)	(12,603,615.8589)
Balance as at 31 December 2015	88,614,986.4745	151,938,461.0893	54,171,928.9559	148,399,648.5504	143,906,997.9329	88,366,861.0956	178,292,819.0475	101,560,019.1373	133,388,241.6603	40,988,371.6325
Retail Class										
Balance brought forward	812,055,9216	35,289,568.4326	-	45,763,543.4779	276,458,1347	42,661,095.4423	93,314,3919	614,617.3022	-	208,793.3147
Issued during the year	346,503.6244	23,366,928.5596	-	60,491,250.2165	124,169.6412	11,937,387.1342	87,8889	7,342,701.1982	-	96,328.1380
Redeemed during the year	(135,828.4506)	(19,821,148.9251)	-	(18,246,213.6081)	(245,175.9104)	(15,989,866.1506)	(10,460.9838)	(38,774.3806)	-	-
Balance as at 31 December 2015	1,022,731.0954	38,835,348.0671	-	88,008,580.0861	155,451.8655	38,608,616.4259	82,941.2970	7,918,544.1198	-	305,121.4527
Investment Class										
Balance brought forward	350,905.9254	26,793,143.9662	200,036.0383	-	-	10,325,844.5719	496,210.8908	-	-	-
Issued during the year	86,597.9751	5,032,947.9982	70,277.2022	-	-	2,683,555.4906	7,809,437.1612	-	-	-
Redeemed during the year	(7,473.6930)	(1,774,955.8601)	(2,650.2167)	-	-	(985,657.2266)	(62,378.8631)	-	-	-
Balance as at 31 December 2015	430,030.2075	30,051,136.1043	267,663.0238	-	-	12,023,742.8359	8,243,269.1889	-	-	-
I6 Class										
Balance brought forward	-	-	-	-	-	69,430,983.6091	-	-	-	-
Issued during the year	-	-	-	-	-	10,116,723.2743	-	-	-	-
Redeemed during the year	-	-	-	-	-	(7,681,833.1288)	-	-	-	-
Balance as at 31 December 2015	-	-	-	-	-	71,865,873.7546	-	-	-	-
R6 Class										
Balance brought forward	-	-	-	-	-	-	-	-	-	-
Issued during the year	-	3,084,435.5672	-	11,874,606.3389	-	5,161,357.7888	-	-	-	-
Redeemed during the year	-	(712,932.1180)	-	(739,712.6550)	-	(708,408.1326)	-	-	-	-
Balance as at 31 December 2015	-	2,371,503.4492	-	11,134,893.6839	-	4,452,949.6562	-	-	-	-
	2014									
	Principal Asian Equity Fund	Principal China Equity Fund	Principal European Equity Fund	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Pension Bond Fund	Principal U.S. Equity Fund
Pension Class										
Balance brought forward	81,976,366.2726	111,117,111.6277	31,761,045.0671	107,863,327.3562	112,977,920.7051	66,233,162.8000	159,766,962.9103	100,559,786.0328	142,687,764.0474	31,835,978.2586
Issued during the year	21,058,352.5005	50,188,401.5968	21,281,075.3594	36,219,515.1955	69,953,028.8261	44,146,201.3718	47,746,874.4883	30,029,087.6670	27,049,264.1903	15,107,076.3135
Redeemed during the year	(14,939,496.0145)	(37,910,978.5481)	(5,356,135.1096)	(10,389,328.3471)	(49,186,582.9429)	(19,934,022.5358)	(45,173,215.4261)	(26,734,447.4033)	(23,362,571.9196)	(10,253,590.2184)
Balance as at 31 December 2014	88,095,222.7586	123,394,534.6764	47,685,985.3169	133,693,514.2046	133,744,366.5883	90,445,341.6360	162,340,621.9725	103,854,426.2965	146,374,456.3181	36,689,464.3537
Retail Class										
Balance brought forward	965,327.8104	31,870,660.7086	-	35,824,477.6559	7,966,397.4054	32,034,707.3050	27,285.1863	705,674.1371	-	145,737.8688
Issued during the year	26,861.9829	14,825,362.5008	-	30,130,559.8684	349,361.3540	22,038,430.9090	66,029.2056	58,372.5555	-	75,826.2752
Redeemed during the year	(180,133.8717)	(11,406,454.7768)	-	(20,191,494.0464)	(8,039,300.6247)	(11,412,042.7717)	-	(149,429.3904)	-	(12,770.8293)
Balance as at 31 December 2014	812,055.9216	35,289,568.4326	-	45,763,543.4779	276,458.1347	42,661,095.4423	93,314.3919	614,617.3022	-	208,793.3147
Investment Class										
Balance brought forward	303,546.1312	24,800,020.0326	13,484,894.3269	-	-	26,200,208.3710	571,515.8438	-	-	-
Issued during the year	100,899.5825	3,477,307.0446	988,604.4720	-	-	2,364,800.0471	43,889.8166	-	-	-
Redeemed during the year	(53,539.7883)	(1,484,783.1110)	(14,273,462.7606)	-	-	(18,329,163.8462)	(119,914.7696)	-	-	-
Balance as at 31 December 2014	350,905.9254	26,793,143.9662	200,036.0383	-	-	10,325,844.5719	496,210.8908	-	-	-
I6 Class										
Balance brought forward	-	-	-	-	-	-	-	-	-	-
Issued during the year	-	-	-	-	-	72,704,414.1223	-	-	-	-
Redeemed during the year	-	-	-	-	-	(3,273,430.5132)	-	-	-	-
Balance as at 31 December 2014	-	-	-	-	-	69,430,983.6091	-	-	-	-

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9. NET ASSET VALUE FOR THE SUB-FUNDS

The Trustee and the Manager would like to highlight that the net asset value (“NAV”) presented in the financial statements and that quoted for pricing purposes at the year end (“Dealing NAV”) are the same since the adoption of HKFRS 13 in 2013. Difference noted in 2015 was due to the principles for calculating the Dealing NAV as set out in the Explanatory Memorandum document being different from that required for financial reporting purposes under HKFRSs. The following reconciliation provides details of these differences for 2015:

	2015									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
NAV as reported in the financial statements as at 31 December 2015	3,487,294,634	2,875,151,158	701,733,684	2,707,641,968	1,826,788,912	4,833,616,938	2,891,892,245	2,919,301,459	2,134,429,894	1,064,830,822
Formation cost	-	-	-	-	-	102,799	-	-	-	-
Dealing NAV as at 31 December 2015	3,487,294,634	2,875,151,158	701,733,684	2,707,641,968	1,826,788,912	4,833,719,737	2,891,892,245	2,919,301,459	2,134,429,894	1,064,830,822

10. RELATED PARTY TRANSACTIONS

The following is a summary of transactions with related parties during the year which were entered into in the ordinary course of business and on normal commercial terms:

- (a) Principal Asset Management Company (Asia) Limited is the Manager of the Sub-funds. The Manager is entitled to receive management fees for each Sub-fund, calculated at the following percentage of the NAV of the relevant class of units of each Sub-fund. The maximum management fee for each class of units of each Sub-fund is 2% per annum of its NAV.

	Management fee (p.a.)				
	Pension Class	Retail Class	Investment Class	I6 Class	R6 Class
Principal Asian Equity Fund	Nil	1.20%	0.90%	0.80%	1.20%
Principal China Equity Fund	Nil	1.50%	1.00%	0.80%	1.50%
Principal European Equity Fund	Nil	1.50%	1.00%	0.80%	1.50%
Principal Hong Kong Bond Fund	Nil	0.50%	N/A	0.80%	0.50%
Principal Hong Kong Dollar Savings Fund	Nil	0.25%	0.60%	0.80%	0.25%
Principal Hong Kong Equity Fund	Nil	1.20%	1.00%	0.80%	1.20%
Principal International Bond Fund	Nil	1.00%	0.80%	0.80%	1.00%
Principal International Equity Fund	Nil	1.20%	1.00%	0.80%	1.20%
Principal Pension Bond Fund	Nil	1.00%	0.80%	0.80%	1.00%
Principal U.S. Equity Fund	Nil	1.20%	1.00%	0.80%	1.20%

The management fee is accrued daily, calculated on each dealing day and is paid monthly in arrears.

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10. RELATED PARTY TRANSACTIONS (continued)

- (b) Principal Trust Company (Asia) Limited acts as the Trustee and the Registrar of the Sub-funds. The Trustee is entitled to receive a trustee fee from each Sub-fund at the following percentage of the NAV of the relevant class of units of each Sub-fund. The maximum trustee fee for each class of units of each Sub-fund is 1% per annum of its NAV.

	Trustee fee (p.a.)				
	Pension Class	Retail Class	Investment Class	I6 Class	R6 Class
Principal Asian Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%
Principal China Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%
Principal European Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%
Principal Hong Kong Bond Fund	Nil	0.20%	N/A	0.20%	0.20%
Principal Hong Kong Dollar Savings Fund	Nil	0.20%	0.20%	0.20%	0.20%
Principal Hong Kong Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%
Principal International Bond Fund	Nil	0.20%	0.20%	0.20%	0.20%
Principal International Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%
Principal Pension Bond Fund	Nil	0.20%	0.20%	0.20%	0.20%
Principal U.S. Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%

The trustee fee is accrued daily, calculated on each dealing day and is paid monthly in arrears.

- (c) During the year, the Manager has delegated part of its responsibilities to a fellow subsidiary, Principal Global Investors, LLC.
- (d) The transactions with related parties as stated above are within the definition of transactions with associates in accordance with the Ordinance and MPF Guidelines on Reporting Requirements II.5 Annex A I(E)2.

The amounts of related party transactions during the year are disclosed in the statement of comprehensive income.

	2015									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Management fees payable	10,134	231,722	692	114,963	99	475,881	18,511	46,361	-	1,229
Trustee fee payable	1,768	35,938	139	45,985	79	92,180	4,618	7,727	-	205
	11,902	267,660	831	160,948	178	568,061	23,129	54,088	-	1,434

	2014									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Management fees payable	10,008	247,404	562	57,559	180	565,170	1,559	4,210	-	961
Trustee fee payable	1,749	38,441	112	23,024	144	108,550	376	702	-	160
	11,757	285,845	674	80,583	324	673,720	1,935	4,912	-	1,121

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11. SOFT COMMISSION ARRANGEMENTS

During the year, the Manager, and/or its connected parties, had soft commission arrangements with brokers in respect of which certain goods and services used to support investment decision making were received. The Manager, and/or its connected parties, do not make direct payment for these services but transacts an agreed amount of business with the brokers on behalf of the Sub-funds and commission is paid on these transactions.

The services utilised for the Sub-funds include research and trading related items.

The Manager is satisfied that such soft commission arrangements comply with the relevant requirements under the UT Code.

12. BANKING FACILITIES, BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Sub-funds had no bank loans, overdrafts or other borrowings as at 31 December 2015 (2014: Nil).

13. SECURITY LENDING ARRANGEMENTS

During the year ended 31 December 2015, the Sub-funds did not enter into any security lending arrangements (2014: Nil).

14. NEGOTIABILITY OF ASSETS

At 31 December 2015, there was no statutory or contractual requirement restricting the negotiability of the assets of the Sub-funds (2014: Nil).

15. COMMITMENTS

The Sub-funds had no commitments as at 31 December 2015 (2014: Nil).

16. CONTINGENT LIABILITIES

The Sub-funds had no contingent liabilities as at 31 December 2015 (2014: Nil).

17. DISTRIBUTION

The Manager currently does not intend to make distributions in respect of the Investment Class Units, I6 Class Units, Pension Class Units and Retail Class Units of any Sub-fund and any income earned by such classes of a Sub-fund will be reinvested in the relevant class or classes of that Sub-fund and reflected in the value of units of the relevant class or classes of that Sub-fund.

For R6 Class Units of any Sub-fund, the Manager at present intends to distribute all income or any part thereof received by the relevant Sub-fund and attributable to such Units generally on a quarterly basis in March, June, September and December each year. However, this is not a guarantee that such distributions will be made or that there will be a target level of income distribution for any Sub-fund. The level and frequency of the income distributed by any Sub-fund does not necessarily indicate the total return and income of such Sub-fund. However, the Manager may determine at its absolute discretion that no distribution shall be made (whether by way of interim distribution or final distribution) in respect of R6 Class Units of any Sub-fund.

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17. DISTRIBUTION *(continued)*

The distributions made by Principal China Equity Fund, Principal Hong Kong Bond Fund and Principal Hong Kong Equity Fund for the year ended 31 December 2015 are as follows:

	2015								
	Principal China Equity Fund - R6 Class ^a			Principal Hong Kong Bond Fund - R6 Class ^a			Principal Hong Kong Equity Fund - R6 Class ^a		
	Unit	HKS/Unit	HKS	Unit	HKS/Unit	HKS	Unit	HKS/Unit	HKS
Distribution for Q1 2015 (paid at 1 April 2015)	-	-	-	1,000,000	0.0456	46	256,838,000	0.0223	5,728
Distribution for Q2 2015 (paid at 2 July 2015)	2,063,277,0657	0.204	420,908	3,756,332,4155	0.0145	54,467	1,218,565,1405	0.1252	152,564
Distribution for Q3 2015 (paid at 2 October 2015)	2,201,747,2095	0.052	114,491	8,129,659,7366	0.0489	397,540	3,730,037,3746	0.0481	179,415
Distribution for Q4 2015 (paid at 4 January 2016)	2,371,503,4492	0.0036	8,537	11,134,893,6839	0.0587	653,618	4,452,949,6562	0.0222	98,855
			543,936			1,105,671			436,562

^a R6 class was launched on 2 January 2015

18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Principal Asian Equity Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	3,405,708,379	-	3,405,708,379	3,662,979,036	-	3,662,979,036
Interest and dividend receivables	-	-	-	-	677,563	677,563
Amounts receivable on subscriptions	-	1,123,791	1,123,791	-	1,321,445	1,321,445
Cash at banks	-	83,441,279	83,441,279	-	86,229,973	86,229,973
	3,405,708,379	84,565,070	3,490,273,449	3,662,979,036	88,228,981	3,751,208,017

Financial liabilities

	2015		2014	
	At amortised cost HK\$		At amortised cost HK\$	
Amounts payable to brokers	1,636,076		-	
Amounts payable on redemptions	1,002,561		2,274,824	
Accrual and other payables	340,178		338,894	
	2,978,815		2,613,718	
Net assets attributable to unitholders	3,487,294,634		3,748,594,299	
	3,490,273,449		3,751,208,017	

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18. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Principal China Equity Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	2,806,945,658	-	2,806,945,658	2,519,826,437	-	2,519,826,437
Interest and dividend receivables	-	403,776	403,776	-	-	-
Amounts receivable from brokers	-	-	-	-	3,856,411	3,856,411
Amounts receivable on subscriptions	-	1,130,453	1,130,453	-	2,000,193	2,000,193
Cash at banks	-	68,047,697	68,047,697	-	74,533,640	74,533,640
	2,806,945,658	69,581,926	2,876,527,584	2,519,826,437	80,390,244	2,600,216,681

Financial liabilities

	2015		2014	
	At amortised cost HK\$		At amortised cost HK\$	
Amounts payable to brokers	-	-	-	16,373,460
Amounts payable on redemptions	866,148	-	866,148	3,317,659
Accrual and other payables	510,278	-	510,278	492,359
		1,376,426		20,183,478
Net assets attributable to unitholders		2,875,151,158		2,580,033,203
		2,876,527,584		2,600,216,681

Principal European Equity Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	684,570,184	-	684,570,184	561,836,808	-	561,836,808
Interest and dividend receivables	-	719,904	719,904	-	406,769	406,769
Amounts receivable from brokers	-	1,970,587	1,970,587	-	-	-
Amounts receivable on subscriptions	-	74,057	74,057	-	80,124	80,124
Cash at banks	-	14,519,144	14,519,144	-	23,097,149	23,097,149
	684,570,184	17,283,692	701,853,876	561,836,808	23,584,042	585,420,850

Financial liabilities

	2015		2014	
	At amortised cost HK\$		At amortised cost HK\$	
Amounts payable on redemptions	67,773	-	67,773	103,914
Accrual and other payables	52,419	-	52,419	46,046
		120,192		149,960
Net assets attributable to unitholders		701,733,684		585,270,890
		701,853,876		585,420,850

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31 December 2015

18. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Principal Hong Kong Bond Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	2,619,381,433	-	2,619,381,433	1,867,802,368	-	1,867,802,368
Interest and dividend receivables	-	21,118,675	21,118,675	-	16,325,062	16,325,062
Amounts receivable on subscriptions	-	1,822,097	1,822,097	-	15,423,587	15,423,587
Cash at banks	-	66,378,097	66,378,097	-	34,791,745	34,791,745
	2,619,381,433	89,318,869	2,708,700,302	1,867,802,368	66,540,394	1,934,342,762

Financial liabilities

	2015	2014
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable to brokers	-	4,715,918
Amounts payable on redemptions	86,004	3,893,276
Accrual and other payables	972,330	186,908
	1,058,334	8,796,102
Net assets attributable to unitholders	2,707,641,968	1,925,546,660
	2,708,700,302	1,934,342,762

Principal Hong Kong Dollar Savings Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	1,097,445,358	-	1,097,445,358	1,045,804,893	-	1,045,804,893
Interest and dividend receivables	-	16,461,939	16,461,939	-	12,271,371	12,271,371
Amounts receivable on subscriptions	-	815,300	815,300	-	3,316,493	3,316,493
Cash at banks	-	712,752,114	712,752,114	-	623,373,773	623,373,773
Other receivables	-	7,874	7,874	-	-	-
	1,097,445,358	730,037,227	1,827,482,585	1,045,804,893	638,961,637	1,684,766,530

Financial liabilities

	2015	2014
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable on redemptions	628,890	1,953,876
Accrual and other payables	64,783	64,575
	693,673	2,018,451
Net assets attributable to unitholders	1,826,788,912	1,682,748,079
	1,827,482,585	1,684,766,530

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31 December 2015

18. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Principal Hong Kong Equity Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	4,740,066,756	-	4,740,066,756	5,005,767,474	-	5,005,767,474
Interest and dividend receivables	-	665,280	665,280	-	-	-
Amounts receivable from brokers	-	1,199,139	1,199,139	-	26,135,596	26,135,596
Amounts receivable on subscriptions	-	1,501,822	1,501,822	-	10,324,987	10,324,987
Cash at banks	-	94,770,383	94,770,383	-	109,716,147	109,716,147
	4,740,066,756	98,136,624	4,838,203,380	5,005,767,474	146,176,730	5,151,944,204

Financial liabilities

	2015		2014	
		At amortised cost HK\$		At amortised cost HK\$
Amounts payable to brokers		1,556,433		39,486,837
Amounts payable on redemptions		1,961,777		7,495,437
Accrual and other payables		1,068,232		1,203,312
		4,586,442		48,185,586
Net assets attributable to unitholders		4,833,616,938		5,103,758,618
		4,838,203,380		5,151,944,204

Principal International Bond Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	2,749,501,222	-	2,749,501,222	2,521,862,201	-	2,521,862,201
Derivative financial instruments	2,515,152	-	2,515,152	-	-	-
Interest and dividend receivables	-	28,854,961	28,854,961	-	22,083,458	22,083,458
Amounts receivable on subscriptions	-	752,743	752,743	-	1,295,462	1,295,462
Cash at banks	-	119,787,088	119,787,088	-	76,865,742	76,865,742
Other receivables	-	8,733	8,733	-	-	-
	2,752,016,374	149,403,525	2,901,419,899	2,521,862,201	100,244,662	2,622,106,863

Financial liabilities

	2015			2014		
	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$
Derivative financial instruments	8,760,615	-	8,760,615	-	-	-
Amounts payable on redemptions	-	658,413	658,413	-	1,106,876	1,106,876
Accrual and other payables	-	108,626	108,626	-	94,011	94,011
	8,760,615	767,039	9,527,654	-	1,200,887	1,200,887
Net assets attributable to unitholders	-	2,891,892,245	2,891,892,245	-	2,620,905,976	2,620,905,976
	8,760,615	2,892,659,284	2,901,419,899	-	2,622,106,863	2,622,106,863

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31 December 2015

18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Principal International Equity Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	2,857,572,906	-	2,857,572,906	2,813,187,861	-	2,813,187,861
Interest and dividend receivables	-	2,748,694	2,748,694	-	1,252,850	1,252,850
Amounts receivable on subscriptions	-	670,535	670,535	-	1,639,935	1,639,935
Cash at banks	-	58,937,952	58,937,952	-	65,318,959	65,318,959
	<u>2,857,572,906</u>	<u>62,357,181</u>	<u>2,919,930,087</u>	<u>2,813,187,861</u>	<u>68,211,744</u>	<u>2,881,399,605</u>

Financial liabilities

	2015	2014
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable to brokers	-	5,203,568
Amounts payable on redemptions	453,982	980,736
Accrual and other payables	174,646	129,642
	<u>628,628</u>	<u>6,313,946</u>
Net assets attributable to unitholders	<u>2,919,301,459</u>	<u>2,875,085,659</u>
	<u>2,919,930,087</u>	<u>2,881,399,605</u>

Principal Pension Bond Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	1,983,779,954	-	1,983,779,954	2,206,798,099	-	2,206,798,099
Interest and dividend receivables	-	18,499,238	18,499,238	-	21,089,336	21,089,336
Amounts receivable on subscriptions	-	281,041	281,041	-	429	429
Cash at banks	-	131,973,568	131,973,568	-	89,305,282	89,305,282
	<u>1,983,779,954</u>	<u>150,753,847</u>	<u>2,134,533,801</u>	<u>2,206,798,099</u>	<u>110,395,047</u>	<u>2,317,193,146</u>

Financial liabilities

	2015	2014
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable on redemptions	54,480	4,166
Accrual and other payables	49,427	50,731
	<u>103,907</u>	<u>54,897</u>
Net assets attributable to unitholders	<u>2,134,429,894</u>	<u>2,317,138,249</u>
	<u>2,134,533,801</u>	<u>2,317,193,146</u>

NOTES TO FINANCIAL STATEMENTS
31 December 2015

18. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Principal U.S. Equity Fund

Financial assets

	2015			2014		
	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$	At fair value through profit or loss HK\$	Loans and receivables HK\$	Total HK\$
Investments at fair value through profit or loss	1,039,477,650	-	1,039,477,650	935,023,095	-	935,023,095
Interest and dividend receivables	-	277,382	277,382	-	676,861	676,861
Amounts receivable from brokers	-	-	-	-	41,585	41,585
Amounts receivable on subscriptions	-	218,767	218,767	-	1,451,577	1,451,577
Cash at banks	-	25,108,382	25,108,382	-	11,648,595	11,648,595
Other receivables	-	6,501	6,501	-	-	-
	<u>1,039,477,650</u>	<u>25,611,032</u>	<u>1,065,088,682</u>	<u>935,023,095</u>	<u>13,818,618</u>	<u>948,841,713</u>

Financial liabilities

	2015	2014
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable on redemptions	229,833	229,190
Accrual and other payables	28,027	26,943
	<u>257,860</u>	<u>256,133</u>
Net assets attributable to unitholders	1,064,830,822	948,585,580
	<u>1,065,088,682</u>	<u>948,841,713</u>

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The major methods and assumptions used in estimating the fair values of financial instruments in accordance to the accounting policy, as stated in note 2.4, are disclosed below.

The carrying amounts of all the Sub-funds' financial assets and financial liabilities at the year end date approximated their fair values. For investment in securities, the fair values are based on their quoted market prices at the year end date without any deduction for estimated future selling costs. For other financial instruments, including amounts due from/to brokers, other account receivables and accounts payables, the carrying amounts approximate their fair values due to the immediate or short-term nature of these financial instruments.

The following tables illustrate the fair value measurement hierarchy of the Sub-funds' financial statements:

As at 31 December 2015

	Principal Asian Equity Fund				Principal China Equity Fund			
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	3,405,708,379	-	-	3,405,708,379	2,806,945,658	-	-	2,806,945,658

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19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

As at 31 December 2015 (continued)

	Principal European Equity Fund				Principal Hong Kong Bond Fund			
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	684,570,184	-	-	684,570,184	2,619,381,433	-	-	2,619,381,433
	Principal Hong Kong Dollar Savings Fund				Principal Hong Kong Equity Fund			
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	1,097,445,358	-	-	1,097,445,358	4,740,066,756	-	-	4,740,066,756
	Principal International Bond Fund				Principal International Equity Fund			
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	2,749,501,222	-	-	2,749,501,222	2,857,572,906	-	-	2,857,572,906
- Derivatives	-	2,515,152	-	2,515,152	-	-	-	-
Liabilities								
Financial liabilities at fair value through profit or loss:								
- Derivatives	-	8,760,615	-	8,760,615	-	-	-	-
	Principal Pension Bond Fund				Principal U.S. Equity Fund			
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	1,983,779,954	-	-	1,983,779,954	1,039,477,650	-	-	1,039,477,650

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31 December 2015

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

As at 31 December 2014

	Principal Asian Equity Fund				Principal China Equity Fund			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	3,662,979,036	-	-	3,662,979,036	2,519,826,437	-	-	2,519,826,437
	Principal European Equity Fund				Principal Hong Kong Bond Fund			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	561,836,808	-	-	561,836,808	1,867,802,368	-	-	1,867,802,368
	Principal Hong Kong Dollar Savings Fund				Principal Hong Kong Equity Fund			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	1,045,804,893	-	-	1,045,804,893	5,005,767,474	-	-	5,005,767,474
	Principal International Bond Fund				Principal International Equity Fund			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	2,521,862,201	-	-	2,521,862,201	2,813,187,861	-	-	2,813,187,861
	Principal Pension Bond Fund				Principal U.S. Equity Fund			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	2,206,798,099	-	-	2,206,798,099	935,023,095	-	-	935,023,095

NOTES TO FINANCIAL STATEMENTS

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Sub-funds' investing activities expose them to various types of risks that are associated with the financial instruments and markets in which they invest. The most important types of financial risks to which the Sub-funds are exposed are market risk, credit risk and liquidity risk.

Asset allocation is determined by the Sub-funds' Manager who manages the distribution of the assets to achieve the investment objectives as stated in the "Investment objective and policies" section of the investment report of the Sub-funds. Divergence from target asset allocations and the composition of the portfolio is monitored by the Sub-funds' Manager. In instances where the Sub-funds have diverged from target asset allocations, the Sub-funds' Manager will rebalance the portfolios to fall in line with the target asset allocations.

(a) Market risk

Market risk embodies the potential for both loss and gain and includes currency risk, interest rate risk and other price risk. To control risk, investment decisions are based on risk/reward analysis, with the adoption of diversification policies. Investment decisions are taken in accordance with the investment objectives of the concerned portfolios so that unwarranted deviations (risks) are controlled. For example, exposure to long-term bonds is limited in the case of short-medium bond funds so that the price risk from a change in market interest rates is limited. Conversely, for long-term bond funds, a close watch is kept not only on duration but also on the amount of cash/near cash assets as an excess of such assets too can deviate from the portfolio objectives. For equity portfolios too, composition is based on risk-return objectives, in consideration of internally selected benchmarks.

The securities markets of emerging markets tend to be more volatile, less liquid, subject to substantial currency fluctuations and can experience sudden economic and political developments. They may have less government regulations and are probably less subject to extensive accounting and financial reporting requirements than the markets of more developed countries. At times, the Sub-funds may not be able to sell certain portfolio securities without a substantial drop in price, if at all.

The Sub-funds are also subject to the risk of concentration of investments in issuers located in a particular country or region which may be susceptible to adverse securities markets, exchange rates and social, political, regulatory or economic events which may occur in that country or region.

Currency risk

The Sub-funds may invest in financial instruments denominated in currencies other than their functional currencies. Consequently, the portfolios are exposed to the risk that the exchange rate of their currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the portfolios' assets or liabilities denominated in currencies other than the functional currency.

The Sub-funds do not generally hedge currency exposures beyond what is required to achieve the minimum Hong Kong Dollar ("HKD") currency exposure set by the Authority. Such Sub-funds' effective HKD exposure is monitored on a daily basis, based on which additional hedges may be put in place from time to time.

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31 December 2015

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Market risk *(continued)*

Currency risk (continued)

At the end of the reporting period the Sub-funds had the following net currency exposure:

As at 31 December 2015

Currency	Principal Asian Equity Fund		Principal China Equity Fund		Principal European Equity Fund		Principal Hong Kong Bond Fund		Principal Hong Kong Dollar Savings Fund	
	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets
Australian Dollar	-	-	-	-	-	-	-	-	-	-
Brazilian Real	-	-	-	-	-	-	-	-	-	-
British Pound	82	-	-	-	201,310,894	28.69	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-	-
Czech Koruna	-	-	-	-	-	-	-	-	-	-
Danish Krone	-	-	-	-	63,077,580	8.99	-	-	-	-
Euro	-	-	-	-	304,030,049	43.32	-	-	-	-
India Rupee	479,482,369	13.75	-	-	-	-	-	-	-	-
Indonesia Rupiah	49,940,207	1.43	-	-	-	-	-	-	-	-
Israeli New Sheqel	-	-	-	-	-	-	-	-	-	-
Japanese Yen	-	-	-	-	-	-	-	-	-	-
Malaysian Ringgit	-	-	-	-	-	-	-	-	-	-
Mexican Peso	-	-	-	-	-	-	-	-	-	-
New Zealand Dollar	-	-	-	-	-	-	-	-	-	-
Norwegian Krone	-	-	-	-	5,653,674	0.80	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	134,499,231	7.36
Polish Zloty	-	-	-	-	-	-	-	-	-	-
Singapore Dollar	87,978,147	2.52	-	-	-	-	-	-	-	-
South African Rand	-	-	-	-	-	-	-	-	-	-
South Korean Won	724,718,440	20.78	-	-	-	-	-	-	-	-
Swedish Krona	-	-	-	-	40,233,710	5.73	-	-	-	-
Swiss Franc	-	-	-	-	72,954,768	10.40	-	-	-	-
Taiwan Dollar	441,190,107	12.65	-	-	-	-	-	-	-	-
Thai Baht	99,791,050	2.86	-	-	-	-	-	-	-	-
United States Dollar	295,559,729	8.48	279	-	3,628,955	0.52	-	-	-	-
Total value	2,178,660,131		279		690,889,630		-		134,499,231	

Currency	Principal Hong Kong Equity Fund		Principal International Bond Fund		Principal International Equity Fund		Principal Pension Bond Fund		Principal U.S. Equity Fund	
	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets
Australian Dollar	-	-	33,116,383	1.15	70,920,485	2.43	-	-	-	-
Brazilian Real	-	-	-	-	35,502,265	1.22	-	-	-	-
British Pound	-	-	156,336,555	5.41	146,799,766	5.03	-	-	-	-
Canadian Dollar	-	-	71,187,156	2.46	150,147,913	5.14	-	-	-	-
Czech Koruna	-	-	2,101,017	0.07	-	-	-	-	-	-
Danish Krone	-	-	7,581,352	0.26	34,213,636	1.17	-	-	-	-
Euro	-	-	650,188,656	22.48	359,466,127	12.31	-	-	-	-
India Rupee	-	-	-	-	-	-	-	-	-	-
Indonesia Rupiah	-	-	-	-	-	-	-	-	-	-
Israeli New Sheqel	-	-	-	-	22,930,690	0.78	-	-	-	-
Japanese Yen	-	-	426,719,328	14.76	218,132,578	7.47	-	-	-	-
Malaysian Ringgit	-	-	35,698,053	1.23	-	-	-	-	-	-
Mexican Peso	-	-	72,351,839	2.50	40,187,413	1.38	-	-	-	-
New Zealand Dollar	-	-	4,160,930	0.14	-	-	-	-	-	-
Norwegian Krone	-	-	2,500,217	0.09	-	-	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	-	-
Polish Zloty	-	-	61,172,613	2.12	-	-	-	-	-	-
Singapore Dollar	-	-	5,747,561	0.20	-	-	-	-	-	-
South African Rand	-	-	2,634,617	0.09	1	-	-	-	-	-
South Korean Won	-	-	-	-	57,319,750	1.96	-	-	-	-
Swedish Krona	-	-	5,440,486	0.19	14,251,993	0.49	-	-	-	-
Swiss Franc	-	-	14,752,861	0.51	58,132,670	1.99	-	-	-	-
Taiwan Dollar	-	-	-	-	17,400,941	0.60	-	-	-	-
Thai Baht	-	-	2,834,168	0.10	-	-	-	-	-	-
United States Dollar	134,992,090	2.79	1,312,181,500	45.37	1,632,364,059	55.92	2,124,804,101	99.55	1,045,215,013	98.16
Total value	134,992,090		2,866,705,292		2,857,770,287		2,124,804,101		1,045,215,013	

NOTES TO FINANCIAL STATEMENTS
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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Market risk *(continued)*

Currency risk (continued)

At the end of the reporting period the Sub-funds had the following net currency exposure:

As at 31 December 2014

Currency	Principal Asian Equity Fund		Principal China Equity Fund		Principal European Equity Fund		Principal Hong Kong Bond Fund		Principal Hong Kong Dollar Savings Fund	
	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets
Australian Dollar	-	-	-	-	-	-	-	-	-	-
Brazilian Real	-	-	-	-	-	-	-	-	-	-
British Pound	86	-	-	-	172,178,686	29.42	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-	-
Czech Koruna	-	-	-	-	-	-	-	-	-	-
Danish Krone	-	-	-	-	44,868,019	7.66	-	-	-	-
Euro	-	-	-	-	208,517,829	35.63	-	-	-	-
Indonesian Rupiah	122,676,805	3.27	-	-	-	-	-	-	-	-
Japanese Yen	-	-	-	-	-	-	-	-	-	-
Malaysian Ringgit	156,740,524	4.18	-	-	-	-	-	-	-	-
Mexican Peso	-	-	-	-	-	-	-	-	-	-
New Zealand Dollar	-	-	-	-	-	-	-	-	-	-
Norwegian Krone	-	-	-	-	21,778,817	3.72	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	180,162,508	10.71
Philippine Peso	60,431,499	1.61	-	-	-	-	-	-	-	-
Polish Zlory	-	-	-	-	-	-	-	-	-	-
Singapore Dollar	226,573,792	6.04	-	-	-	-	-	-	-	-
South African Rand	-	-	-	-	-	-	-	-	-	-
South Korean Won	802,568,637	21.41	-	-	-	-	-	-	-	-
Swedish Krona	-	-	-	-	34,866,673	5.96	-	-	-	-
Swiss Franc	-	-	-	-	80,051,215	13.68	-	-	-	-
Taiwan Dollar	398,584,667	10.63	-	-	-	-	-	-	-	-
Thai Baht	116,818,251	3.12	-	-	-	-	-	-	-	-
United States Dollar	225,530,321	6.02	279	-	12,923,727	2.21	-	-	-	-
Total value	2,109,924,582		279		575,184,966		-		180,162,508	

Currency	Principal Hong Kong Equity Fund		Principal International Bond Fund		Principal International Equity Fund		Principal Pension Bond Fund		Principal U.S. Equity Fund	
	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets	HK\$	% of net assets
Australian Dollar	-	-	32,746,757	1.25	18,774,098	0.65	-	-	-	-
Brazilian Real	-	-	-	-	13,699,037	0.48	-	-	-	-
British Pound	-	-	157,952,431	6.03	133,056,619	4.63	-	-	-	-
Canadian Dollar	-	-	90,279,893	3.44	130,994,130	4.56	-	-	-	-
Czech Koruna	-	-	2,268,266	0.09	-	-	-	-	-	-
Danish Krone	-	-	7,889,345	0.30	-	-	-	-	-	-
Euro	-	-	674,889,794	25.75	202,220,834	7.03	-	-	-	-
Indonesian Rupiah	-	-	-	-	-	-	-	-	-	-
Japanese Yen	-	-	407,080,728	15.53	242,288,558	8.43	-	-	-	-
Malaysian Ringgit	-	-	-	-	14,355,418	0.50	-	-	-	-
Mexican Peso	-	-	40,693,728	1.55	8,182,831	0.28	-	-	-	-
New Zealand Dollar	-	-	2,804,778	0.11	-	-	-	-	-	-
Norwegian Krone	-	-	2,916,182	0.11	42,328,134	1.47	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	-	-
Philippine Peso	-	-	-	-	-	-	-	-	-	-
Polish Zlory	-	-	6,464,420	0.25	-	-	-	-	-	-
Singapore Dollar	-	-	1,646,563	0.06	-	-	-	-	-	-
South African Rand	-	-	3,411,594	0.13	16,040,076	0.56	-	-	-	-
South Korean Won	-	-	-	-	82,172,496	2.86	-	-	-	-
Swedish Krona	-	-	5,858,373	0.22	60,053,663	2.09	-	-	-	-
Swiss Franc	-	-	4,083,043	0.16	99,881,492	3.47	-	-	-	-
Taiwan Dollar	-	-	-	-	-	-	-	-	-	-
Thai Baht	-	-	2,996,562	0.11	-	-	-	-	-	-
United States Dollar	147,878,978	2.90	1,159,184,577	44.23	1,608,529,203	55.95	2,302,475,170	99.37	936,500,620	98.73
Total value	147,878,978		2,603,167,034		2,672,576,589		2,302,475,170		936,500,620	

NOTES TO FINANCIAL STATEMENTS
31 December 2015

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Market risk *(continued)*

Currency risk sensitivity analysis

As at year end, had the HKD strengthened/weakened by 5% (2014: 5%) in relation to all currencies except USD, with all other variables held constant, the NAV of the Sub-funds and the change in net assets attributable to unitholders per the statement of comprehensive income would have decreased/increased by the amounts shown below.

		<i>As at 31 December 2015</i>									
Currency	Percentage change	Principal Asian Equity Fund	Principal China Equity Fund	Principal European Equity Fund	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Pension Bond Fund	Principal U.S. Equity Fund
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Australian Dollar	5%	-	-	-	-	-	-	1,655,819	3,546,024	-	-
Brazilian Real	5%	-	-	-	-	-	-	-	1,775,113	-	-
British Pound	5%	4	-	10,065,545	-	-	-	7,816,828	7,339,988	-	-
Canadian Dollar	5%	-	-	-	-	-	-	3,559,358	7,507,396	-	-
Czech Koruna	5%	-	-	-	-	-	-	105,051	-	-	-
Danish Krone	5%	-	-	3,153,879	-	-	-	379,068	1,710,682	-	-
Euro	5%	-	-	15,201,502	-	-	-	32,509,433	17,973,306	-	-
India Rupee	5%	23,974,118	-	-	-	-	-	-	-	-	-
Indonesia Rupiah	5%	2,497,010	-	-	-	-	-	-	-	-	-
Israeli New Sheqel	5%	-	-	-	-	-	-	-	1,146,535	-	-
Japanese Yen	5%	-	-	-	-	-	-	21,335,966	10,906,629	-	-
Malaysian Ringgit	5%	-	-	-	-	-	-	1,784,903	-	-	-
Mexican Peso	5%	-	-	-	-	-	-	3,617,592	2,009,371	-	-
New Zealand Dollar	5%	-	-	-	-	-	-	208,047	-	-	-
Norwegian Krone	5%	-	-	282,684	-	-	-	125,011	-	-	-
Offshore Renminbi	5%	-	-	-	-	6,724,962	-	-	-	-	-
Polish Zloty	5%	-	-	-	-	-	-	3,058,631	-	-	-
Singapore Dollar	5%	4,398,907	-	-	-	-	-	287,378	-	-	-
South African Rand	5%	-	-	-	-	-	-	131,731	-	-	-
South Korean Won	5%	36,235,922	-	-	-	-	-	-	2,865,988	-	-
Swedish Krona	5%	-	-	2,011,686	-	-	-	272,024	712,600	-	-
Swiss Franc	5%	-	-	3,647,738	-	-	-	737,643	2,906,634	-	-
Taiwan Dollar	5%	22,059,505	-	-	-	-	-	-	870,047	-	-
Thai Baht	5%	4,989,553	-	-	-	-	-	141,708	-	-	-
Total		94,155,019	-	34,363,034	-	6,724,962	-	77,726,191	61,270,313	-	-
Increase/decrease in net assets value		2.6999%	-	4.8969%	-	0.3681%	-	2.6877%	2.0988%	-	-

As HKD is pegged to USD, the risk of movement in exchange rates between HKD and USD is insignificant.

NOTES TO FINANCIAL STATEMENTS
31 December 2015

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Market risk *(continued)*

Currency risk sensitivity analysis (continued)

		<i>As at 31 December 2014</i>									
Currency	Percentage change	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Australian Dollar	5%	-	-	-	-	-	-	1,637,338	938,705	-	-
Brazilian Real	5%	-	-	-	-	-	-	-	684,952	-	-
British Pound	5%	4	-	8,608,934	-	-	-	7,897,622	6,652,831	-	-
Canadian Dollar	5%	-	-	-	-	-	-	4,513,995	6,549,707	-	-
Czech Koruna	5%	-	-	-	-	-	-	113,413	-	-	-
Danish Krone	5%	-	-	2,243,401	-	-	-	394,467	-	-	-
Euro	5%	-	-	10,425,891	-	-	-	33,744,490	10,111,042	-	-
Indonesian Rupiah	5%	6,133,840	-	-	-	-	-	-	-	-	-
Japanese Yen	5%	-	-	-	-	-	-	20,354,036	12,114,428	-	-
Malaysian Ringgit	5%	7,837,026	-	-	-	-	-	-	717,771	-	-
Mexican Peso	5%	-	-	-	-	-	-	2,034,686	409,142	-	-
New Zealand Dollar	5%	-	-	-	-	-	-	140,239	-	-	-
Norwegian Krone	5%	-	-	1,088,941	-	-	-	145,809	2,116,407	-	-
Offshore Renminbi	5%	-	-	-	-	9,008,125	-	-	-	-	-
Philippine Peso	5%	3,021,575	-	-	-	-	-	-	-	-	-
Polish Zloty	5%	-	-	-	-	-	-	323,221	-	-	-
Singapore Dollar	5%	11,328,690	-	-	-	-	-	82,328	-	-	-
South African Rand	5%	-	-	-	-	-	-	170,580	802,004	-	-
South Korean Won	5%	40,128,432	-	-	-	-	-	-	4,108,625	-	-
Swedish Krona	5%	-	-	1,743,334	-	-	-	292,919	3,002,683	-	-
Swiss Franc	5%	-	-	4,002,561	-	-	-	204,152	4,994,075	-	-
Taiwan Dollar	5%	19,929,233	-	-	-	-	-	-	-	-	-
Thai Baht	5%	5,840,913	-	-	-	-	-	149,828	-	-	-
Total		94,219,713	-	28,113,062	-	9,008,125	-	72,199,123	53,202,372	-	-
Increase/decrease in net assets value		2.5135%	-	4.8034%	-	0.5355%	-	2.7547%	1.8505%	-	-

As HKD is pegged to USD, the risk of movement in exchange rates between HKD and USD is insignificant.

Interest rate risk

The Sub-funds holding interest rate debt securities are exposed to interest rate risk, where the value of these securities may fluctuate as a result of changes in interest rates. In general, if interest rates rise, the income potential of the floating interest rate securities also rises but the value of fixed rate securities declines. A fall in interest rates would generally have the opposite effect. Aligning the portfolio maturity profile to that of the benchmark as described in the Manager's report (like Barclays Bond Index) and keeping deviations within certain limits is an important way of controlling relative interest rate risk. For example, if a benchmark has a duration of 5 years, the Manager may keep the portfolio duration in a range of 5 +/-2 years to control interest rate risk relative to the benchmark. The Manager is also aware of the running yield of the portfolio, in absolute and relative terms, based on which he adjusts portfolio holdings with the objective of optimizing total portfolio returns from the two sources i.e. running yield and expected price changes.

Some Sub-funds may not have internal underlying benchmarks. For such Sub-funds (especially money market type funds), the Manager may use a laddering technique to control duration risk. Such a technique involves staggering investment maturities over different time buckets to reduce reinvestment and price risk arising from interest rate changes.

NOTES TO FINANCIAL STATEMENTS
31 December 2015

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Market risk *(continued)*

Interest rate risk (continued)

The following table details the Sub-funds' exposure to interest rate risks. It includes the Sub-funds' assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying value of the assets and liabilities:

As at 31 December 2015

	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Assets										
Cash at banks	83,441,279	68,047,697	14,519,144	66,378,097	11,567,194	94,770,383	119,787,088	58,937,952	131,973,568	25,108,382
Time deposit										
- 1 year or less	-	-	-	-	701,184,920	-	-	-	-	-
	83,441,279	68,047,697	14,519,144	66,378,097	712,752,114	94,770,383	119,787,088	58,937,952	131,973,568	25,108,382
Financial assets designated at fair value through profit or loss										
- 1 year or less	-	-	-	427,101,127	791,409,463	-	101,859,142	-	264,729,136	-
- over 1 year to 5 years	-	-	-	1,278,212,149	306,035,895	-	957,937,901	-	848,079,014	-
- over 5 year to 10 years	-	-	-	821,029,463	-	-	1,024,985,605	-	814,318,785	-
- over 10 years	-	-	-	93,038,694	-	-	664,718,574	-	56,653,019	-
- non-interest-bearing Investments	3,405,708,379	2,806,945,658	684,570,184	-	-	4,740,066,756	-	2,857,572,906	-	1,039,477,650
Subtotal	3,405,708,379	2,806,945,658	684,570,184	2,619,381,433	1,097,445,358	4,740,066,756	2,749,501,222	2,857,572,906	1,983,779,954	1,039,477,650
Other non-interest-bearing assets	1,123,791	1,534,229	2,764,548	22,940,772	17,285,113	3,366,241	32,131,589	3,419,229	18,780,279	502,650
	3,490,273,449	2,876,527,584	701,853,876	2,708,700,302	1,827,482,585	4,838,203,380	2,901,419,899	2,919,930,087	2,134,533,801	1,065,088,682
Liabilities										
Non-interest-bearing liabilities	2,978,815	1,376,426	120,192	1,058,334	693,673	4,586,442	9,527,654	628,628	103,907	257,860
	2,978,815	1,376,426	120,192	1,058,334	693,673	4,586,442	9,527,654	628,628	103,907	257,860
Non-interest-bearing net assets attributable to unitholders	3,487,294,634	2,875,151,158	701,733,684	2,707,641,968	1,826,788,912	4,833,616,938	2,891,892,245	2,919,301,459	2,134,429,894	1,064,830,822

NOTES TO FINANCIAL STATEMENTS
31 December 2015

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Interest rate risk (continued)

As at 31 December 2014

	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Assets										
Cash at banks	71,206,244	74,533,640	23,097,149	34,791,745	5,147,130	109,716,147	76,865,742	65,318,959	89,305,282	11,648,595
Time deposit - 1 year or less	15,023,729	-	-	-	618,226,643	-	-	-	-	-
	86,229,973	74,533,640	23,097,149	34,791,745	623,373,773	109,716,147	76,865,742	65,318,959	89,305,282	11,648,595
Financial assets designated at fair value through profit or loss										
- 1 year or less	-	-	-	219,628,285	646,539,477	-	172,032,525	-	278,899,692	-
- over 1 year to 5 years	-	-	-	1,004,371,980	399,265,416	-	832,139,722	-	859,667,680	-
- over 5 years to 10 years	-	-	-	606,899,416	-	-	931,172,120	-	996,624,819	-
- over 10 years	-	-	-	36,902,687	-	-	586,517,834	-	71,605,908	-
- non-interest-bearing Investments	3,662,979,036	2,519,826,437	561,836,808	-	-	5,005,767,474	-	2,813,187,861	-	935,023,095
Subtotal	3,662,979,036	2,519,826,437	561,836,808	1,867,802,368	1,045,804,893	5,005,767,474	2,521,862,201	2,813,187,861	2,206,798,099	935,023,095
Other non-interest-bearing assets	1,999,008	5,856,604	486,893	31,748,649	15,587,864	36,460,583	23,378,920	2,892,785	21,089,765	2,170,023
	3,751,208,017	2,600,216,681	585,420,850	1,934,342,762	1,684,766,530	5,151,944,204	2,622,106,863	2,881,399,605	2,317,193,146	948,841,713
Liabilities										
Non-interest-bearing liabilities	2,613,718	20,183,478	149,960	8,796,102	2,018,451	48,185,586	1,200,887	6,313,946	54,897	256,133
	2,613,718	20,183,478	149,960	8,796,102	2,018,451	48,185,586	1,200,887	6,313,946	54,897	256,133
Non-interest-bearing net assets attributable to unitholders	3,748,594,299	2,580,033,203	585,270,890	1,925,546,660	1,682,748,079	5,103,758,618	2,620,905,976	2,875,085,659	2,317,138,249	948,585,580

Interest rate risk sensitivity analysis

A change of 100 basis points in interest rates as at the end of the reporting period would have changed the NAV of the respective Sub-funds and the change in net assets attributable to unitholders by the percentage shown below. The analysis is performed on the same basis for 2014.

	Principal Asian Equity Fund	Principal China Equity Fund	Principal European Equity Fund	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Pension Bond Fund	Principal U.S. Equity Fund
As at 31 December 2015										
Increase 100 basis points in interest rate	-	-	-	(2.74)%	(0.37)%	-	(4.25)%	-	(3.21)%	-
Decrease 100 basis points in interest rate	-	-	-	2.65%	0.37%	-	3.81%	-	3.46%	-
As at 31 December 2014										
Increase 100 basis points in interest rate	-	-	-	(2.65)%	(0.47)%	-	(3.86)%	-	(3.31)%	-
Decrease 100 basis points in interest rate	-	-	-	2.56%	0.47%	-	3.10%	-	3.45%	-

NOTES TO FINANCIAL STATEMENTS
31 December 2015

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Market risk *(continued)*

Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factors affecting all instruments (generic risks) traded in the market. This risk can be mitigated by constructing a diversified portfolio of investments i.e. diversified by asset class or geographies (global vs. country specific) or both. The Manager manages such risks by regularly monitoring portfolio exposures, both on an absolute basis and relative to underlying benchmarks, if any. For example, if a Sub-fund benchmark has an exposure of x% in a particular stock and of y% in a particular country, the Manager may manage exposure to that stock in his portfolio within x+/-10% and to the country at y+/-10%. Other risks relating to liquidity, sector exposures etc. are also managed in a similar manner.

The percentage breakdown of the investment assets held by each Sub-fund has been stated in the statement of movements in portfolio holdings of the Investment Report.

Other price risk sensitivity analysis

As at year end, the overall market exposures were as follows: a decrease in prices of all the underlying investments of each Sub-fund at the year end by the below percentages would have decreased the NAV of the respective Sub-funds and the change in net assets attributable to unitholders by the amounts shown below; an equal change in the opposite direction would have increased the NAV by an equal but opposite amount. The analysis for 2014 was performed by applying the same percentage change in prices of all the underlying investments as at year end.

As at 31 December 2015

	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Overall market exposure	3,405,708,379	2,806,945,658	684,570,184	2,619,381,433	1,097,445,358	4,740,066,756	2,749,501,222	2,857,572,906	1,983,779,954	1,039,477,650
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV	340,570,838	280,694,566	68,457,018	261,938,143	109,744,536	474,006,676	274,950,122	285,757,291	198,377,995	103,947,765

As at 31 December 2014

	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Overall market exposure	3,662,979,036	2,519,826,437	561,836,808	1,867,802,368	1,045,804,893	5,005,767,474	2,521,862,201	2,813,187,861	2,206,798,099	935,023,095
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV	366,297,904	251,982,644	56,183,681	186,780,237	104,580,489	500,576,747	252,186,220	281,318,786	220,679,810	93,502,310

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment to pay amounts due on time. The Sub-funds' Manager has a credit review process in place. This ensures review and monitoring of credit quality and credit risk exposure on an ongoing basis, which helps protect portfolios from anticipated negative credit events. The Manager performs this review on a regular basis. The Sub-funds' credit risk is also mitigated through diversification and control of exposure to any single issuer in the Sub-fund.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the year end date. At the end of the reporting period, each Sub-funds' financial assets exposure to credit risk is equivalent to the amounts shown on the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Credit risk *(continued)*

Credit risk arising on debt securities is mitigated by investing primarily in rated securities or securities issued by rated counterparties of minimum credit ratings stipulated by the Authority (“BBB”/“A-2” by S&P or equivalent ratings by other rating agencies). Typically, in instances where a holding’s credit rating of an investment falls below the above minimum ratings, the Manager will dispose of it as soon as practical.

At the end of the reporting period, the Sub-funds invested in debt securities with the following credit quality expressed as a percentage of net assets:

As at 31 December 2015

Rating	% of net assets			
	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal International Bond Fund	Principal Pension Bond Fund
Aaa/AAA	31.92	6.86	18.62	-
Aa1/AA+	17.32	4.96	3.90	4.40
Aa2/AA	7.06	3.13	8.60	3.32
Aa3/AA-	1.19	1.28	1.05	0.17
A1/A+	5.29	1.68	13.67	10.39
A2/A	12.10	8.81	7.01	9.43
A3/A-	3.99	-	16.53	20.06
Baa1/BBB+	-	-	9.14	24.56
Baa2/BBB	-	-	16.35	20.61
Certificates of deposits without credit rating	17.86	33.36	0.20	-
Total	96.73	60.08	95.07	92.94

As at 31 December 2014

Rating	% of net assets			
	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal International Bond Fund	Principal Pension Bond Fund
Aaa/AAA	22.71	0.27	30.61	-
Aa1/AA+	20.27	-	7.68	3.60
Aa2/AA	3.05	1.18	3.37	1.07
Aa3/AA-	4.58	2.03	6.27	1.82
A1/A+	6.66	0.98	12.98	8.27
A2/A	10.56	9.01	5.12	10.63
A3/A-	4.44	2.38	9.36	18.35
Baa1/BBB+	0.73	-	6.84	24.26
Baa2/BBB	-	-	13.99	27.24
Certificates of deposits without credit rating	24.00	46.30	-	-
Total	97.00	62.15	96.22	95.24

Apart from the above Sub-funds, the other Sub-funds did not invest in any debt securities.

NOTES TO FINANCIAL STATEMENTS
31 December 2015

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Credit risk *(continued)*

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the good credit quality of the brokers used. The Manager monitors the credit rating and financial positions of the brokers used to further mitigate this risk.

Substantially all the cash at banks held by the Sub-funds are placed with reputable financial institutions. The Trustee monitors the risk by monitoring the credit rating and financial positions of these financial institutions on a regular basis. If the credit quality or the financial position of these financial institutions deteriorates significantly, the Trustee will move the cash balances to another financial institution.

Substantially all the securities of the Sub-funds are held by Citibank N.A., as the custodian of the Sub-funds. Bankruptcy or insolvency of the custodian may cause the Sub-funds' rights with respect to securities held by the custodian to be delayed or limited. The Trustee monitors its risk by monitoring the credit quality and financial positions of the custodian.

(c) Liquidity risk

The Sub-funds are exposed to daily liquidity risk on redemptions of units. This arises from the risk that the Manager may not be able to convert investments into cash to meet liquidity needs in a timely manner. To guard against this risk, stock selection considerations include analysis of factors like daily trading volumes, bid offer spreads, availability of prices from brokers at short notice. The Sub-funds' financial instruments include mainly investments in listed equity securities and quoted debt securities. They are mainly traded either on stock exchanges or over-the-counter markets and are generally liquid. As a result, in most situations, the Sub-funds should be able to reasonably quickly liquidate their investments in these instruments at close to their fair values in order to meet the liquidity requirements. Under extreme market conditions, liquidation of instruments may have to be done at lower prices.

The Sub-funds are not exposed to other activities which give rise to significant liquidity risk.

(d) Specific instruments

Derivatives

The Sub-funds may not enter into any financial futures contracts or financial options contracts. The Manager currently does not undertake any derivatives transactions, except those permitted under the rules of the Authority, i.e. trading in forward contracts for hedging purpose.

As at 31 December 2015

As at the year end, the holdings in derivatives translated into EUR were listed in the table below:

Investment fund	Type of contract	Expiration	Underlying	Notional amount of contracts outstanding HK\$	Fair value HK\$
Principal International Bond Fund	Currency forward	March 2016	Buy EUR/ sell USD	3,080,481	(143,422)

NOTES TO FINANCIAL STATEMENTS

31 December 2015

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) Specific instruments *(continued)*

Derivatives (continued)

As at 31 December 2015 (continued)

As at the year end, the holdings in derivatives translated into JPY were listed in the table below:

Investment fund	Type of contract	Expiration	Underlying	Notional amount of contracts outstanding HK\$	Fair value HK\$
Principal International Bond Fund	Currency forward	March 2016	Buy JPY/ sell USD	182,871,656	17,074

As at the year end, the holdings in derivatives translated into USD were listed in the table below:

Investment fund	Type of contract	Expiration	Underlying	Notional amount of contracts outstanding HK\$	Fair value HK\$
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell AUD	1,464,520	(137,442)
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell CAD	3,327,793	1,010,892
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell CHF	651,749	(135,640)
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell CZK	91,870	(17,677)
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell DKK	333,362	(63,962)
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell EUR	28,108,190	(5,583,075)
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell GBP	7,130,767	1,121,362
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell JPY	17,454,390	(2,502,801)
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell MXN	872,327	272,068
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell NOK	114,190	16,440
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell NZD	177,612	(68,321)
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell PLN	256,156	(42,780)
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell SEK	239,756	(65,495)
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell SGD	255,135	8,043
Principal International Bond Fund	Currency forward	March 2016	Buy USD/ sell ZAR	126,282	69,273

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and Manager on 15 April 2016.

**INDEPENDENT AUDITORS' ASSURANCE REPORT BY THE AUDITORS
To the unitholders of Principal Asian Equity Fund, Principal China Equity Fund,
Principal European Equity Fund, Principal Hong Kong Bond Fund, Principal Hong
Kong Dollar Savings Fund, Principal Hong Kong Equity Fund, Principal International
Bond Fund, Principal International Equity Fund, Principal Pension Bond Fund and
Principal U.S. Equity Fund
(Sub-funds of Principal Life Style Fund, an open-ended unit trust established as an
umbrella fund under the laws of Hong Kong)**

We have audited the financial statements of Principal Asian Equity Fund, Principal China Equity Fund, Principal European Equity Fund, Principal Hong Kong Bond Fund, Principal Hong Kong Dollar Savings Fund, Principal Hong Kong Equity Fund, Principal International Bond Fund, Principal International Equity Fund, Principal Pension Bond Fund and Principal U.S. Equity Fund (Sub-funds of Principal Life Style Fund and referred to individually or collectively as the "Sub-funds") for the year ended 31 December 2015 in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1 (Revised) "The Audit of Retirement Schemes" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unqualified auditors' report thereon dated 15 April 2016.

Pursuant to Guidelines II.5 and Code on MPF Investment Funds issued by the Mandatory Provident Fund Schemes Authority (the "Authority"), we are required to report whether the Sub-funds complied with certain requirements of the Mandatory Provident Fund Schemes Ordinance (the "Ordinance") and the Mandatory Provident Fund Schemes (General) Regulation (the "General Regulation"), which are made applicable to the Sub-funds through the Code on MPF Investment Funds.

Trustee's Responsibility

The General Regulation requires the Trustee to ensure that:

- (a) proper accounting and other records are kept in respect of the Sub-funds' assets and all financial transactions entered into in relation to the Sub-funds;
- (b) the requirements specified in the guidelines made by the Authority under section 28 of the Ordinance with respect to forbidden investment practices and the requirements of sections 51 and 52 of, and Schedule 1 to, the General Regulation, which are made applicable to the Sub-funds through the Code on MPF Investment Funds, are complied with; and
- (c) the Sub-funds' assets are not subject to any encumbrance, otherwise than as permitted by section 65 of the General Regulation.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' Responsibility

Our responsibility is to report on the Sub-funds' compliance with the above requirements based on the results of the procedures performed by us.

INDEPENDENT AUDITORS' ASSURANCE REPORT BY THE AUDITORS *(continued)*
**To the unitholders of Principal Asian Equity Fund, Principal China Equity Fund,
Principal European Equity Fund, Principal Hong Kong Bond Fund, Principal Hong
Kong Dollar Savings Fund, Principal Hong Kong Equity Fund, Principal International
Bond Fund, Principal International Equity Fund, Principal Pension Bond Fund and
Principal U.S. Equity Fund
(Sub-funds of Principal Life Style Fund, an open-ended unit trust established as an
umbrella fund under the laws of Hong Kong)**

Auditors' Responsibility *(continued)*

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 860.1 (Revised), "The Audit of Retirement Schemes" issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance about whether the Sub-funds have complied with the above requirements.

We have planned and performed such procedures as we considered necessary with reference to the procedures recommended on PN 860.1 (Revised), "The Audit of Retirement Schemes" which included reviewing, on a test basis, evidence obtained from the Administrator regarding the Sub-funds' compliance with the above requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

Based on the foregoing:

1. in our opinion:
 - (a) proper accounting and other records have been kept during the year ended 31 December 2015 in respect of the Sub-funds' assets and all financial transactions entered into in relation to the Sub-funds; and
 - (b) the requirements specified in the guidelines made by the Authority under section 28 of the Ordinance with respect to forbidden investment practices and the requirements of sections 51 and 52 of, and Schedule 1 to, the General Regulation, which are made applicable to the Sub-funds through the Code on MPF Investment Funds, have been complied with, in all material respects, as at 31 December 2015, 30 September 2015, and 30 June 2015;
2. as at 31 December 2015, the assets of the Sub-funds were not subject to any encumbrance, otherwise than as permitted by section 65 of the General Regulation, which are made applicable to the Sub-funds through the Code on MPF Investments Funds.

Intended Users and Purpose

This report is intended solely for submission by the Manager and the Trustee to the Authority and is not intended to be, and should not be, used by anyone for any other purpose.

Ernst & Young

Certified Public Accountants
Hong Kong
15 April 2016