

# Principal Life Style Fund

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
For The Year Ended 31 December 2017



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# MANAGEMENT AND ADMINISTRATION

## **Manager**

Principal Asset Management Company (Asia) Limited  
30/F, Millennium City 6  
392 Kwun Tong Road  
Kwun Tong, Kowloon  
Hong Kong

## **Trustee, Custodian and Registrar**

Principal Trust Company (Asia) Limited  
30/F, Millennium City 6  
392 Kwun Tong Road  
Kwun Tong, Kowloon  
Hong Kong

## **Delegate of the Manager**

Principal Global Investors, LLC  
801 Grand Avenue  
Des Moines  
IA 50392, USA

## **Sub-Delegate of the Manager**

(for Principal Hong Kong Bond Fund, Principal International Bond Fund, and Principal European Equity Fund)

Principal Global Investors (Europe) Limited  
10 Gresham Street  
London EC2V 7JD  
United Kingdom

(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)

Principal Global Investors (Hong Kong) Limited  
30/F, Millennium City 6  
392 Kwun Tong Road  
Kwun Tong, Kowloon  
Hong Kong

## **Legal Advisor to the Manager**

Baker & McKenzie  
14/F Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

## **Auditor**

Ernst & Young  
22/F CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

# MANAGER'S REPORT

Principal Asset Management Company (Asia) Limited (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 2017.

## **Principal Asian Equity Fund**

### ***Market Review***

Global equity markets rallied during the fourth quarter to round out a very strong 2017. Using the MSCI All Country World Index (USD) as a proxy, global equities advanced 5.8% during the quarter. Developed markets gained 5.6% vs. 7.5% gain for emerging markets. The main catalysts for the outperformance were strong corporate earnings growth, a falling U.S. dollar, accommodative global monetary policy, benign inflation, and overall positive investor sentiment to "risk-on" assets.

The U.S. dollar continued to ease in the quarter, using the U.S. Dollar Index (USD against a basket of international currencies), the greenback fell 1.0%. Most emerging market currencies moved higher during the period.

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

The Korean economy continues to improve with inflation and consumer spending healthy. The political stand-off with North Korea is cooling off, and if left to the Koreans, it would likely be defused faster. We are constructive on Korean consumption and investment continuing their positive trends.

Indian equities rose 4.9% in U.S. dollar terms in December, recovering from a minor scare in the middle of the month. Opinion polls had shown a tightening race in the state of Gujarat but the Bharatiya Janata Party (BJP) managed to hold Gujarat and replace the Congress in Himachal Pradesh state, consolidating power in the key state assembly elections.

China's economic activity remained steady in 4Q'17. Official Purchasing Managers Index (PMI) retreated by 0.2ppt to 51.6 in December, while Markit PMI, which has more focus on smaller and medium-sized companies, improved from 50.8 in November to 51.5 in December. We maintain a relatively constructive view on China with the biggest overweight to the consumer discretionary, information technology, and energy sectors.

## **Principal China Equity Fund**

### ***Market Review***

Official PMI retreated by 0.2ppt to 51.6 in December, while Markit Purchasing Managers Index (PMI), which has more focus on smaller and medium-sized companies, improved from 50.8 in November to 51.5 in December. Consumer Price Index (CPI) inflation softened to 1.70% in November while Producer Price Index (PPI) weakened to 5.80% in November due to high base. Industrial production slowed down to 6.10% in November, while fixed asset investment (FAI) slightly dropped to 7.20% in November.

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

China's economic activity remained steady in the fourth quarter of 2017. According to annual Central Economic Work Conference in December, the key focus has shifted to high quality growth from high growth. Overall earning revision momentum remained positive. We maintain a relatively constructive view on China with the biggest overweight in consumer discretionary, information technology and energy sectors, which have more sustainable growth driven by recovering economy, under-levered consumer segment and effective policies such as supply-side reform.

## MANAGER'S REPORT *(continued)*

### **Principal European Equity Fund**

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

European markets enjoyed a strong finish to a strong year in 2017, fueled by synchronized global growth and a weaker U.S. dollar. A multitude of themes bolstered the market advance, most notably strong corporate earnings, which surprised to the upside on balance.

Investors' sentiment seemed particularly impressed by top-line growth improvement during the latest earnings reporting season, which saw aggregate earnings growth of more than 6% for Europe as a whole. From a sector perspective, the strength was cyclical in nature led by technology, materials and industrials, while lower volatility defensive sectors lagged.

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

The Bank of England initiated a rate hike in the fourth quarter while European Central Bank has begun cutting its massive stimulus program.

Valuations and improving earnings growth prospects will continue to support European equity markets. Markets will continue to face some risk of correction due to de-risking and rebalancing pressures by pension funds and sovereign institutions, especially after the continued advance in equities.

We continue to prefer companies with favorable earnings trends and other aspects of improving business fundamentals, rising investor expectations and attractive relative valuations. Stock selection remains our focus, as always.

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

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

Markit's HK Bond Index returned -0.3% in the fourth quarter and 4% in 2017. The HKD/USD finished almost flat at 7.8140 while CNH/USD and CNY/USD both strengthened 1.5% to 6.614 and 6.506 respectively.

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

Continued global economic strength remains supportive of valuations. Ongoing asset purchases by central banks globally will contribute to continued investor demand for yield. However, expectations for reductions in stimulus will be a key test of market volatility. The passage of the tax reform bill should generally have a positive effect on credit markets although implications of the tax bill will become more evident throughout 2018.

Fundamentals within investment grade corporate bonds remain stable and earnings are improving. Technicals remain strong as investors continue to seek the yield and liquidity of the sector. In the U.S., the tax bill likely will further boost earnings and lead to deleveraging over time, given the higher after-tax cost of debt.

## MANAGER'S REPORT *(continued)*

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

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

Overall monetary conditions were stable. Monetary base (HK\$1687bn) increased by HKD 13 billion while aggregate balance (HK\$ 180bn) decreased by HKD 32 billion during the quarter. Hong Kong rates moved up in the fourth quarter as new initial public offerings weighed on the liquidity and US yields moved higher.

Hong Kong's economic data remained positive; the third quarter GDP was 3.6% year-on-year (yoy) ahead of consensus (3.5%). December Purchasing Managers Index (PMI) improved to 51.5 from 50.7 in previous month. November export growth was at 7.8%yoy while import grew at 8.6%yoy both ahead of consensus expectation. In November, retail sales grew both in value (7.5%yoy) and volume (6.9%yoy).

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

Due to very low interest rates, gross fund returns remain low. Our strategy of generating returns in excess of 3-month HIBOR continues to do well. As widely expected the Federal Reserve increased rates by 25 bps in December; other developed central banks too are making their first moves to normalize but the pace will be gradual. Hong Kong rates have moved higher recently which should bode well for the strategy adding incremental return through reinvestments in coming months.

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

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

In 2017, the Hang Seng Index was up 40.13%. Information technology, consumer discretionary and real estate were the top performing sectors, while energy, industrials and telecommunication services sectors lagged during the year.

Hong Kong's economy has stabilized recently thanks to an improvement in both domestic and international demand. Domestic consumer sentiment was supported by stable labor market and strong performance in stock market this year. Hong Kong's trade will also benefit from a stronger momentum in global economy.

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

China's economic activity remained steady in the fourth quarter last year. According to annual Central Economic Work Conference in December, the key focus has shifted to high quality growth from high growth. Overall earning revision momentum remained positive. We maintain a relatively constructive view on China with the biggest overweight in Consumer Discretionary, Information Technology and Energy sectors, which have more sustainable growth driven by recovering economy, under-levered consumer segment and effective policies such as supply-side reform.

## MANAGER'S REPORT *(continued)*

### **Principal International Bond Fund**

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

Synchronization of global growth continued in the fourth quarter. However, inflation remains subdued, particularly in Europe, causing global central banks to stay relatively dovish although accommodation is expected to be gradually removed. While the Federal Reserve (Fed) is expected to ramp up its balance sheet reduction throughout the year, global central bank balance sheets will still expand in 2018 but at a slower pace than 2017.

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

Risk assets rallied early in the quarter on the combination of better-than-expected corporate earnings, rebounding economic data, and a lack of inflation globally. With inflation remaining in check, global monetary policy stayed very accommodative, most notably highlighted by the European Central Bank (ECB) announcement that asset purchases will be extended through September 2018. Spreads briefly underperformed mid-quarter due to record October issuance. However, spreads rallied into the end of the year as supply waned and significant progress was made on the tax reform bill. The Fed raised rates, as expected, in December although the Fed remains committed to only gradually removing accommodation. The tax reform bill was ultimately signed into law just days before year-end.

### **Principal International Equity Fund**

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

Global equity investors enjoyed a strong finish to a strong year in the fourth quarter of 2017. Even more remarkable than the strength of the market's advance was the absence of volatility. 2017 marked the first year on record in which the S&P 500 did not experience a single monthly decline, finishing with a gross total return of 21.8%. A wide majority of international markets fared even better, especially the emerging markets variety, fueled by synchronized global growth and a weaker U.S. dollar.

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

The almost nine-year-old bull market rally has been extended on the back of robust corporate profits while moderation of the U.S. dollar has spurred cyclical investment across the globe. While we are getting longer in the cycle, particularly in the United States, many aspects point to a continuation of favorable equity market conditions. Future advances seem quite unlikely to be driven by valuation expansion. Earnings growth remains the essential driver. Markets will continue to face some risk of correction due to de-risking and rebalancing pressures by pension funds and sovereign institutions, especially after the continued advance in equities.

We continue to prefer companies with favorable earnings trends and other aspects of improving business fundamentals, rising investor expectations and attractive relative valuations. Stock selection remains our focus, as always.

## MANAGER'S REPORT *(continued)*

### **Principal Pension Bond Fund**

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

Rates on the U.S. Treasury yield curve flattened during the year, as front-end rates increased due to the Federal Reserve raising the Federal Funds rate three times during 2017. Yields on long-end maturities remained relatively anchored due to subdued inflation, which caused global central banks to stay relatively dovish and only gradually remove accommodation.

The two-year U.S. Treasury rate rose 0.70% to 1.89% and the five-year U.S. Treasury rate rose 0.28% to 2.21%. The ten-year rate fell 0.04% to 2.41% while the thirty-year rate decreased 0.33% to 2.74%. The slope of the two to ten-year Treasury curve fell from 1.26% to 0.52%. During the year, credit outperformed duration-matched Treasury securities by 3.35%.

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

Continued global economic strength remains supportive of valuations. Ongoing asset purchases by central banks globally will contribute to continued investor demand for yield. However, expectations for reductions in stimulus will be a key test of market volatility. The passage of the tax reform bill should generally have a positive effect on credit markets although implications of the tax bill will become more evident throughout 2018.

Fundamentals within credit remain stable and corporate earnings are improving. The tax bill likely will further boost earnings and lead to deleveraging over time, given the higher after-tax cost of debt. Technicals remain strong as investors continue to seek the yield and liquidity of the sector. Spreads are likely range bound, with modest tightening potential.

### **Principal U.S. Equity Fund**

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

U.S. Equity markets were up during the fourth quarter. The U.S. dollar depreciated 1% against the Euro and Japanese Yen, while appreciating 3% against the Australian dollar. During the month, MSCI World returned 1.35% with MSCI Emerging Markets up 3.59%.

November U.S. nonfarm payrolls were 228,000, while the latest initial jobless claims were 245,000. U.S. GDP for the third quarter 2017 was at 3.2% in the latest release.

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

Our strategy is positioned to harvest equity risk premia across several areas.

For and on behalf of

**Principal Asset Management Company (Asia) Limited**

Hong Kong

2 February 2018



# INVESTMENT REPORT

## Performance table

### Investment record as at 31 December 2017

	Net asset value per unit						Total net asset value HK\$
	Pension Class	Retail Class	Investment Class	I6 Class	R6 Class	#R2 Class	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Principal Asian Equity Fund	59.2705	47.6537	24.7265	10.0000	-	-	5,409,380,252
Principal China Equity Fund	19.6400	16.3296	16.1927	-	11.1620	-	4,092,081,765
Principal European Equity Fund	16.0230	-	14.3219	13.1985	-	-	1,321,105,810
Principal Hong Kong Bond Fund	11.5538	10.8340	-	-	9.6457	-	4,259,820,998
Principal Hong Kong Dollar Savings Fund	13.0146	11.7582	-	-	-	-	2,701,618,068
Principal Hong Kong Equity Fund	44.9600	37.6336	38.1411	14.3568	11.9596	12.9845	9,074,817,752
Principal International Bond Fund	17.3594	12.2416	13.7793	-	-	-	4,366,884,254
Principal International Equity Fund	34.6279	27.6172	-	10.0000	-	-	3,835,896,945
Principal Pension Bond Fund	17.3701	-	-	-	-	-	2,434,145,149
Principal U.S. Equity Fund	33.4544	19.0886	-	-	-	-	1,611,569,582

# R2 Class was launched on 1 February 2017.

### Investment record as at 31 December 2016

	Net asset value per unit					Total net asset value HK\$
	Pension Class	Retail Class	Investment Class	#I6 Class	R6 Class	
	HK\$	HK\$	HK\$	HK\$	HK\$	
Principal Asian Equity Fund	41.2791	33.6725	17.4074	10.0000	-	3,801,078,952
Principal China Equity Fund	13.8601	11.7184	11.5622	-	8.3482	2,968,781,860
Principal European Equity Fund	12.3797	-	11.1974	10.2989	-	933,876,118
Principal Hong Kong Bond Fund	11.1806	10.5583	-	-	9.6226	3,159,445,151
Principal Hong Kong Dollar Savings Fund	12.8237	11.6385	-	-	-	2,113,487,974
Principal Hong Kong Equity Fund	31.3348	26.5930	26.8968	10.1046	8.7038	4,997,209,098
Principal International Bond Fund	16.0200	11.4544	12.8431	-	-	3,493,698,892
Principal International Equity Fund	27.7836	22.4695	-	10.0000	-	3,168,920,539
Principal Pension Bond Fund	16.5399	-	-	-	-	2,352,300,108
Principal U.S. Equity Fund	27.5594	15.9622	-	-	-	1,271,499,169

# I6 Class of Principal Asian Equity Fund and Principal International Equity Fund was launched on 31 December 2015 with initial price of HK\$10. During the year, there was no trade of unit.

### 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	#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

# R6 Class was launched on 2 January 2015.

# INVESTMENT REPORT *(continued)*

Performance table *(continued)*

Performance record for the year ended 31 December 2017				
	Fund expense ratio (%)	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
<b>Principal Asian Equity Fund</b>				
Pension Class	0.04%	59.2705	41.6117	43.58%
Retail Class	-	47.7098	33.9385	41.52%
Investment Class	1.14%	24.7471	17.5456	42.05%
I6 Class	0.00%	10.0000	10.0000	0.00%
<b>Principal China Equity Fund</b>				
Pension Class	0.03%	20.0432	13.8851	41.70%
Retail Class	-	16.6938	11.7373	39.35%
Investment Class	1.22%	16.5453	11.5815	40.05%
R6 Class	-	11.4156	8.3616	33.71%
<b>Principal European Equity Fund</b>				
Pension Class	0.02%	16.0467	12.4050	29.43%
Investment Class	1.21%	14.3435	11.2184	27.90%
I6 Class	1.01%	13.2184	10.3185	28.15%
<b>Principal Hong Kong Bond Fund</b>				
Pension Class	0.01%	11.7051	11.1868	3.34%
Retail Class	-	10.9998	10.5634	2.61%
R6 Class	-	9.9112	9.6272	0.24%
<b>Principal Hong Kong Dollar Savings Fund</b>				
Pension Class	0.01%	13.0183	12.8261	1.49%
Retail Class	-	11.7629	11.6402	1.03%
<b>Principal Hong Kong Equity Fund</b>				
Pension Class	0.03%	45.2360	31.5072	43.48%
Retail Class	-	37.9185	26.7352	41.52%
Investment Class	1.23%	38.4218	27.0412	41.81%
I6 Class	1.03%	14.4603	10.1599	42.08%
R6 Class	-	12.0795	8.7504	37.41%
R2 Class <sup>#</sup>	-	13.0897	10.0000	29.85%
<b>Principal International Bond Fund</b>				
Pension Class	0.01%	17.4624	15.9408	8.36%
Retail Class	-	12.3621	11.3965	6.87%
Investment Class	1.00%	13.9038	12.7779	7.29%
<b>Principal International Equity Fund</b>				
Pension Class	0.01%	34.7316	27.9495	24.63%
Retail Class	-	27.7010	22.6002	22.91%
I6 Class	0.00%	10.0000	10.0000	0.00%
<b>Principal Pension Bond Fund</b>				
Pension Class	0.00%	17.4007	16.5378	5.02%
<b>Principal U.S. Equity Fund</b>				
Pension Class	0.00%	33.6584	27.5810	21.39%
Retail Class	-	19.2057	15.9616	19.59%

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 (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)

<sup>#</sup> R2 Class was launched on 1 February 2017.

# INVESTMENT REPORT *(continued)*

Performance table *(continued)*

Performance record for the year ended 31 December 2016				
	Fund expense ratio (%)	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
<b>Principal Asian Equity Fund</b>				
Pension Class	0.05%	44.9150	34.3849	6.11%
Retail Class	-	36.8028	28.4113	4.57%
Investment Class	1.14%	19.0058	14.6401	4.96%
I6 Class	0.00%	10.0000	10.0000	0.00%
<b>Principal China Equity Fund</b>				
Pension Class	0.04%	15.2357	11.1501	2.30%
Retail Class	-	12.9494	9.5679	0.57%
Investment Class	1.23%	12.7572	9.3991	1.08%
R6 Class	-	9.2919	7.0270	(2.45)%
<b>Principal European Equity Fund</b>				
Pension Class	0.02%	12.9602	11.1366	(4.00)%
Investment Class	1.22%	11.8026	10.1345	(5.14)%
I6 Class	0.92%	10.8433	9.3118	2.99%
<b>Principal Hong Kong Bond Fund</b>				
Pension Class	0.01%	11.5685	11.0583	(0.08)%
Retail Class	-	10.9537	10.5118	(0.78)%
R6 Class	-	10.0996	9.6392	(3.10)%
<b>Principal Hong Kong Dollar Savings Fund</b>				
Pension Class	0.01%	12.8396	12.6558	1.12%
Retail Class	-	11.6518	11.5361	0.65%
<b>Principal Hong Kong Equity Fund</b>				
Pension Class	0.03%	34.6391	25.7981	1.92%
Retail Class	-	29.5239	22.1626	0.50%
Investment Class	1.23%	29.8439	22.3767	0.71%
I6 Class	1.03%	11.2057	8.3931	0.91%
R6 Class	-	9.7688	7.4968	(2.79)%
<b>Principal International Bond Fund</b>				
Pension Class	0.01%	16.9941	15.6431	2.50%
Retail Class	-	12.1999	11.3296	1.16%
Investment Class	1.00%	13.6744	12.6645	1.48%
<b>Principal International Equity Fund</b>				
Pension Class	0.01%	28.1664	24.1612	2.84%
Retail Class	-	22.7941	19.7828	1.40%
I6 Class	0.00%	10.0000	10.0000	0.00%
<b>Principal Pension Bond Fund</b>				
Pension Class	0.00%	16.9161	16.0247	3.36%
<b>Principal U.S. Equity Fund</b>				
Pension Class	0.00%	28.0476	23.0338	6.55%
Retail Class	-	16.2513	13.5186	4.98%

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 2015				
	Fund expense ratio (%)	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
<b>Principal Asian Equity Fund</b>				
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)%
<b>Principal China Equity Fund</b>				
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 <sup>#</sup>	-	11.9736	8.0266	(14.42)%
<b>Principal European Equity Fund</b>				
Pension Class	0.02%	13.7081	11.7471	5.48%
Investment Class	1.22%	12.6429	10.8800	4.22%
<b>Principal Hong Kong Bond Fund</b>				
Pension Class	0.01%	11.2318	10.8365	3.16%
Retail Class	-	10.6957	10.3798	2.43%
R6 Class <sup>#</sup>	-	10.0579	9.9215	-
<b>Principal Hong Kong Dollar Savings Fund</b>				
Pension Class	0.01%	12.6955	12.5535	0.99%
Retail Class	-	11.5878	11.5068	0.45%
<b>Principal Hong Kong Equity Fund</b>				
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 <sup>#</sup>	-	11.7680	8.4735	(10.47)%
<b>Principal International Bond Fund</b>				
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)%
<b>Principal International Equity Fund</b>				
Pension Class	0.01%	29.2400	25.3916	(1.93)%
Retail Class	-	24.2024	20.9023	(3.37)%
<b>Principal Pension Bond Fund</b>				
Pension Class	0.00%	16.2046	15.8321	1.08%
<b>Principal U.S. Equity Fund</b>				
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)

<sup>#</sup> R6 Class was launched on 2 January 2015.

# INVESTMENT REPORT *(continued)*

Performance table *(continued)*

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

\* 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 2013			
	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
<b>Principal Asian Equity Fund</b>			
Pension Class	42.9624	36.5621	4.06%
Retail Class	36.9482	31.3806	2.57%
Investment Class	18.8591	16.0256	2.91%
<b>Principal China Equity Fund</b>			
Pension Class	13.7351	10.7442	7.29%
Retail Class	12.2398	9.6456	5.45%
Investment Class	11.8883	9.3478	6.00%
<b>Principal European Equity Fund</b>			
Pension Class	12.7056	10.0101	28.91%
Investment Class	11.9017	9.4867	27.39%
<b>Principal Hong Kong Bond Fund</b>			
Pension Class	10.6697	10.2489	(1.61)%
Retail Class	10.3436	9.9207	(2.32)%
<b>Principal Hong Kong Dollar Savings Fund</b>			
Pension Class	12.4066	12.1890	1.81%
Retail Class	11.4634	11.3138	1.34%
<b>Principal Hong Kong Equity Fund</b>			
Pension Class	31.1707	25.9009	11.81%
Retail Class	27.6523	23.0959	10.22%
Investment Class	27.7607	23.1877	10.47%
<b>Principal International Bond Fund</b>			
Pension Class	16.4072	15.5437	(1.97)%
Retail Class	13.0101	12.1194	(5.61)%
Investment Class	13.6900	12.9027	(2.94)%
<b>Principal International Equity Fund</b>			
Pension Class	26.9279	21.5599	26.99%
Retail Class	22.7457	18.4748	25.14%
<b>Principal Pension Bond Fund</b>			
Pension Class	15.4237	14.7326	0.15%
<b>Principal U.S. Equity Fund</b>			
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 (%)*
<b>Principal Asian Equity Fund</b>			
Pension Class	40.1961	31.8699	26.18%
Retail Class	34.7460	27.9430	24.37%
Investment Class	17.7135	14.2365	24.45%
<b>Principal China Equity Fund</b>			
Pension Class	12.3849	10.0269	22.40%
Retail Class	11.2144	9.1687	20.28%
Investment Class	10.8396	8.8361	20.93%
<b>Principal European Equity Fund</b>			
Pension Class	9.9864	7.7494	21.52%
Investment Class	9.4702	7.3963	20.07%
<b>Principal Hong Kong Bond Fund</b>			
Pension Class	10.5868	10.1479	4.05%
Retail Class	10.2937	9.9368	3.25%
<b>Principal Hong Kong Dollar Savings Fund</b>			
Pension Class	12.1865	12.0074	1.51%
Retail Class	11.3121	11.1972	1.03%
<b>Principal Hong Kong Equity Fund</b>			
Pension Class	27.5059	21.7538	27.22%
Retail Class	24.7020	19.8079	25.42%
Investment Class	24.7721	19.8215	25.70%
<b>Principal International Bond Fund</b>			
Pension Class	16.5451	15.4453	6.07%
Retail Class	13.2027	12.6070	3.01%
Investment Class	13.8157	13.0151	5.01%
<b>Principal International Equity Fund</b>			
Pension Class	21.3675	17.6144	19.98%
Retail Class	18.3237	15.2271	18.20%
<b>Principal Pension Bond Fund</b>			
Pension Class	15.1525	13.9185	8.59%
<b>Principal U.S. Equity Fund</b>			
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 (%)*
<b>Principal Asian Equity Fund</b>			
Pension Class	39.5841	28.1735	(12.99)%
Retail Class	34.9490	24.8008	(14.30)%
Investment Class	17.7787	12.6241	(14.05)%
<b>Principal China Equity Fund</b>			
Pension Class	13.5052	8.6427	(19.68)%
Retail Class	12.6026	7.9972	(21.11)%
Investment Class	12.0674	7.6781	(20.66)%
<b>Principal European Equity Fund</b>			
Pension Class	10.4019	7.2190	(11.25)%
Investment Class	10.0627	6.9456	(12.32)%
<b>Principal Hong Kong Bond Fund</b>			
Pension Class	10.3246	9.9093	1.75%
Retail Class	10.0593	9.9407	(0.35)%
<b>Principal Hong Kong Dollar Savings Fund</b>			
Pension Class	12.0054	11.8960	0.93%
Retail Class	11.1957	11.1459	0.46%
<b>Principal Hong Kong Equity Fund</b>			
Pension Class	27.3774	18.8273	(16.90)%
Retail Class	25.2937	17.2095	(18.13)%
Investment Class	25.2429	17.2073	(17.91)%
<b>Principal International Bond Fund</b>			
Pension Class	16.1826	14.6565	4.28%
Retail Class	13.3620	12.3324	1.12%
Investment Class	13.6895	12.4729	3.25%
<b>Principal International Equity Fund</b>			
Pension Class	20.6090	15.9606	(6.04)%
Retail Class	18.1187	13.9373	(7.46)%
<b>Principal Pension Bond Fund</b>			
Pension Class	14.0219	13.0976	5.85%
<b>Principal U.S. Equity Fund</b>			
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.

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# 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 (%)*
<b>Principal Asian Equity Fund</b>			
Pension Class	36.7996	26.4916	20.47%
Retail Class	32.8366	23.7896	18.72%
Investment Class	16.6776	12.0946	18.98%
<b>Principal China Equity Fund</b>			
Pension Class	13.7799	10.0672	10.61%
Retail Class	12.9631	9.5439	8.65%
Investment Class	12.3808	9.0935	9.27%
<b>Principal European Equity Fund</b>			
Pension Class	9.3362	6.7096	10.23%
Investment Class	9.0835	6.5624	8.91%
<b>Principal Hong Kong Bond Fund</b>			
Pension Class	-	-	-
Retail Class	-	-	-
<b>Principal Hong Kong Dollar Savings Fund</b>			
Pension Class	11.8945	11.7990	0.81%
Retail Class	11.1450	11.1090	0.31%
<b>Principal Hong Kong Equity Fund</b>			
Pension Class	27.8591	19.4904	18.96%
Retail Class	25.8123	18.1733	17.25%
Investment Class	25.7493	18.1103	17.54%
<b>Principal International Bond Fund</b>			
Pension Class	15.4542	13.6497	6.35%
Retail Class	13.0956	11.6944	3.29%
Investment Class	13.1759	11.6852	5.29%
<b>Principal International Equity Fund</b>			
Pension Class	18.8253	14.9896	13.60%
Retail Class	16.6318	13.3307	11.92%
<b>Principal Pension Bond Fund</b>			
Pension Class	13.5110	12.1737	8.44%
<b>Principal U.S. Equity Fund</b>			
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 (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 2009

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
<b>Principal Asian Equity Fund</b>			
Pension Class	30.2166	15.9318	64.19%
Retail Class	27.3033	14.5686	61.78%
Investment Class	13.8745	7.4305	62.43%
<b>Principal China Equity Fund</b>			
Pension Class	11.7168	5.8649	69.89%
Retail Class	11.2048	5.6816	66.93%
Investment Class	10.6461	5.3762	67.89%
<b>Principal European Equity Fund</b>			
Pension Class	8.5772	5.0216	27.78%
Investment Class	8.4432	4.9828	26.27%
<b>Principal Hong Kong Bond Fund</b>			
Pension Class	-	-	-
Retail Class	-	-	-
<b>Principal Hong Kong Dollar Savings Fund</b>			
Pension Class	11.8004	11.6548	1.29%
Retail Class	11.1149	11.0502	0.59%
<b>Principal Hong Kong Equity Fund</b>			
Pension Class	22.3492	11.1836	66.81%
Retail Class	20.9905	10.6153	64.40%
Investment Class	20.8887	10.5427	64.84%
<b>Principal International Bond Fund</b>			
Pension Class	14.4969	12.0515	7.95%
Retail Class	12.6082	10.7415	4.37%
Investment Class	12.4751	10.4475	6.92%
<b>Principal International Equity Fund</b>			
Pension Class	16.7275	10.0981	26.04%
Retail Class	15.0469	9.1690	24.05%
<b>Principal Pension Bond Fund</b>			
Pension Class	12.2746	10.1086	16.34%
<b>Principal U.S. Equity Fund</b>			
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 (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 2008			
	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
<b>Principal Asian Equity Fund</b>			
Pension Class	36.6600	14.6631	(50.55)%
Retail Class	34.1609	13.4838	(51.34)%
Investment Class	17.3038	6.8891	(51.16)%
<b>Principal China Equity Fund</b>			
Pension Class	13.5119	4.6240	(50.63)%
Retail Class	13.3892	4.5087	(51.58)%
Investment Class	10.0065	4.2567	(38.48)%
<b>Principal European Equity Fund</b>			
Pension Class	10.0644	5.5164	(35.12)%
Investment Class	10.0611	5.4937	(35.47)%
<b>Principal Hong Kong Bond Fund</b>			
Pension Class	-	-	-
Retail Class	-	-	-
<b>Principal Hong Kong Dollar Savings Fund</b>			
Pension Class	11.6527	11.3031	3.10%
Retail Class	11.0488	10.8178	2.26%
<b>Principal Hong Kong Equity Fund</b>			
Pension Class	26.3303	9.8116	(50.48)%
Retail Class	25.4614	9.3677	(51.26)%
Investment Class	25.2221	9.2915	(51.11)%
<b>Principal International Bond Fund</b>			
Pension Class	13.5628	11.9486	1.26%
Retail Class	12.4097	10.7596	(1.31)%
Investment Class	11.8731	10.3890	0.23%
<b>Principal International Equity Fund</b>			
Pension Class	23.2866	10.9795	(43.93)%
Retail Class	21.5682	10.0195	(44.83)%
<b>Principal Pension Bond Fund</b>			
Pension Class	10.4806	9.9610	4.36%
<b>Principal U.S. Equity Fund</b>			
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 (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)*

Portfolio statement as at 31 December 2017

Principal Asian Equity Fund			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares</b>			
<i>Australia</i>			
Alumina Ltd	291,164	4,309,231	0.08
Appen Ltd	195,704	9,905,047	0.18
Australia and New Zealand Banking Group Ltd	128,651	22,519,344	0.42
BHP Billiton Ltd	96,578	17,393,434	0.32
Boral Ltd	188,022	8,920,762	0.16
Challenger Ltd	66,981	5,723,545	0.11
Collins Foods Ltd	221,954	7,353,899	0.14
Commonwealth Bank of Australia	68,792	33,660,888	0.62
CSL Ltd	17,384	14,960,554	0.28
Downer EDI Ltd	226,007	9,539,178	0.18
Macquarie Group Ltd	18,132	11,002,507	0.20
Mineral Resources Ltd	122,931	15,827,860	0.29
National Australia Bank Ltd	108,410	19,524,345	0.36
Origin Energy Ltd	220,673	12,660,647	0.23
Rio Tinto Ltd	18,285	8,442,621	0.16
Service Stream Ltd	1,566,379	12,736,026	0.24
Seven Group Holdings Ltd	117,124	10,921,364	0.20
SunCorp Group Ltd	99,000	8,357,074	0.15
Wesfarmers Ltd	68,729	18,594,067	0.34
Westpac Banking Corp	126,942	24,238,107	0.45
Woodside Petroleum Ltd	31,427	6,331,757	0.12
Woolworths Group Ltd	52,934	8,801,429	0.16
		291,723,686	5.39
<i>China</i>			
Air China Ltd-H	1,044,000	9,897,120	0.18
Bank of China Ltd-H	29,291,000	112,477,440	2.08
Brilliance China Automotive Holdings Ltd	1,375,250	28,742,725	0.53
China Aoyuan Property Group Ltd	1,412,000	6,057,480	0.11
China Communications Services Corp Ltd-H	8,148,000	42,695,520	0.79
China Construction Bank Corp-H	24,377,010	175,514,472	3.24
China Huarong Asset Management Co Ltd-H	1,293,000	4,771,170	0.09
China Machinery Engineering Corp-H	1,698,000	8,608,860	0.16
China Merchants Bank Co Ltd-H	377,000	11,724,700	0.22
China Mobile Ltd	177,500	14,066,875	0.26
China National Building Material Co Ltd-H	3,102,000	21,682,980	0.40
China Pacific Insurance (Group) Co Ltd-H	112,200	4,213,110	0.08
China Petroleum & Chemical Corp-H	12,062,000	69,115,260	1.28
China Resources Cement Holdings Ltd	1,966,000	10,105,240	0.19
China Resources Land Ltd	24,000	552,000	0.01
China Resources Power Holdings Co Ltd	532,000	7,745,920	0.14
China Shenhua Energy Co Ltd-H	2,569,500	52,032,375	0.96
China Telecom Corp Ltd-H	8,734,000	32,490,480	0.60
CIFI Holdings (Group) Co Ltd	802,000	3,777,420	0.07
CNOOC Ltd	8,071,000	90,556,620	1.67
ENN Energy Holdings Ltd	893,000	49,784,750	0.92
Geely Automobile Holdings Ltd	283,000	7,669,300	0.14
Guangzhou Automobile Group Co Ltd-H	2,216,000	41,040,320	0.76
Industrial and Commercial Bank of China Ltd-H	3,760,000	23,650,400	0.44
Jiangxi Copper Co Ltd-H	1,851,000	22,952,400	0.42
Kingboard Chemical Holdings Ltd	920,000	38,870,000	0.72
Longfor Properties Co Ltd	934,500	18,297,510	0.34
Ping An Insurance (Group) Co of China Ltd-H	1,461,500	118,893,025	2.20
Shimao Property Holdings Ltd	282,500	4,802,500	0.09
Sihuan Pharmaceutical Holdings Group Ltd	1,393,000	3,914,330	0.07
SINA Corp	39,197	30,730,954	0.57
Sunny Optical Technology (Group) Co Ltd	199,000	19,880,100	0.37
Tencent Holdings Ltd	979,900	397,839,401	7.34
The People's Insurance Co (Group) of China Ltd-H	7,501,000	28,878,850	0.53
Times Property Holdings Ltd	2,082,000	16,010,580	0.30

Principal Asian Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>China <i>(continued)</i></i>			
Uni-President China Holdings Ltd	87,000	568,980	0.01
Weichai Power Co Ltd-H	353,000	3,021,680	0.06
		1,533,632,847	28.34
<i>Hong Kong</i>			
AIA Group Ltd	2,018,400	134,526,360	2.49
ASM Pacific Technology Ltd	146,000	15,899,400	0.29
BOC Hong Kong (Holdings) Ltd	1,668,000	66,052,800	1.22
CK Asset Holdings Ltd	636,500	43,472,950	0.80
CK Hutchison Holdings Ltd	448,992	44,046,115	0.81
CLP Holdings Ltd	149,500	11,952,525	0.22
Galaxy Entertainment Group Ltd	904,000	56,680,800	1.05
Haitong International Securities Group Ltd	1,044,000	4,656,240	0.09
Hong Kong Exchanges and Clearing Ltd	60,800	14,579,840	0.27
Kerry Properties Ltd	1,022,500	35,940,875	0.66
Luk Fook Holdings (International) Ltd	429,000	14,392,950	0.27
Man Wah Holdings Ltd	2,223,200	16,518,376	0.31
Melco International Development Ltd	1,348,000	31,004,000	0.57
New World Development Co Ltd	713,000	8,370,620	0.15
NWS Holdings Ltd	548,000	7,726,800	0.14
Sands China Ltd	101,200	4,083,420	0.08
SITC International Holdings Co Ltd	1,966,000	15,177,520	0.28
Sun Hung Kai Properties Ltd	493,000	64,287,200	1.19
The Link REIT	56,500	4,093,425	0.08
WH Group Ltd	9,617,000	84,821,940	1.57
Wynn Macau Ltd	1,148,000	28,413,000	0.53
Xinyi Glass Holdings Ltd	2,434,000	24,778,120	0.46
		731,475,276	13.53
<i>India</i>			
Adani Ports and Special Economic Zone Ltd	379,232	18,813,754	0.35
Ashok Leyland Ltd	569,683	8,297,820	0.15
HDFC Bank Ltd	214,226	49,055,739	0.91
Hero MotoCorp Ltd	8,048	3,725,547	0.07
Hindalco Industries Ltd	2,062,224	68,990,861	1.28
Hindustan Petroleum Corp Ltd	139,276	7,130,082	0.13
Hindustan Zinc Ltd	127,829	4,828,320	0.09
ICICI Bank Ltd-ADR	73,365	5,579,313	0.10
Indiabulls Housing Finance Ltd	353,654	51,754,317	0.96
Indian Bank	164,925	7,598,032	0.14
Indraprastha Gas Ltd	833,040	34,210,983	0.63
KEC International Ltd	86,902	4,074,749	0.08
Mahindra & Mahindra Ltd	303,246	27,855,557	0.51
Manappuram Finance Ltd	648,239	9,782,939	0.18
Maruti Suzuki India Ltd	77,588	92,322,238	1.71
Motherson Sumi Systems Ltd	834,059	38,684,891	0.72
Petronet LNG Ltd	1,166,851	36,353,699	0.67
Power Grid Corp of India Ltd	187,696	4,599,000	0.09
Reliance Industries Ltd	562,382	63,348,105	1.17
YES BANK Ltd	1,196,339	46,109,518	0.85
		583,115,464	10.79
<i>Indonesia</i>			
PT Adaro Energy Tbk	19,459,200	20,860,524	0.39
PT Bank Negara Indonesia (Persero) Tbk	7,940,300	45,306,382	0.84

# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal Asian Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Indonesia (continued)</i>			
<i>Indonesia (continued)</i>			
PT Bank Rakyat Indonesia (Persero) Tbk	6,729,600	14,118,154	0.26
PT United Tractors Tbk	1,624,100	33,136,246	0.61
		113,421,306	2.10
<i>Malaysia</i>			
CIMB Group Holdings Bhd	4,028,200	50,784,416	0.94
Malaysia Airports Holdings Bhd	903,700	15,312,808	0.28
		66,097,224	1.22
<i>Singapore</i>			
DBS Group Holdings Ltd	885,100	128,587,515	2.38
Oversea-Chinese Banking Corp Ltd	692,800	50,183,304	0.93
Singapore Telecommunications Ltd	175,800	3,669,164	0.07
United Overseas Bank Ltd	98,100	15,169,622	0.28
UOL Group Ltd	790,300	40,982,238	0.76
Venture Corp Ltd	127,200	15,222,466	0.28
Wheelock Properties (Singapore) Ltd	505,500	5,615,066	0.10
Yangzijiang Shipbuilding (Holdings) Ltd	668,500	5,745,116	0.11
		265,174,491	4.91
<i>South Korea</i>			
Hana Financial Group Inc	122,967	44,838,324	0.83
Hanwha Chemical Corp	162,474	37,592,604	0.69
Hanwha Life Insurance Co Ltd	472,949	23,928,959	0.44
Hyundai Engineering & Construction Co Ltd	9,506	2,526,596	0.05
Hyundai Marine & Fire Insurance Co Ltd	119,502	41,124,865	0.76
Hyundai Motor Co	659	752,734	0.01
KB Financial Group Inc	116,104	53,897,410	1.00
Korea Electric Power Corp	68,537	19,144,811	0.35
LG Chem Ltd	24,022	71,235,362	1.32
LG Uplus Corp	242,473	24,855,521	0.46
Mando Corp	65	146,825	0.00
NCSOFT Corp	7,680	25,164,350	0.47
POSCO	30,992	75,452,339	1.39
Samsung Electronics Co Ltd	20,851	389,007,313	7.18
Silicon Works Co Ltd	17,789	6,890,308	0.13
SK Hynix Inc	96,122	53,841,318	1.00
SK Innovation Co Ltd	24,351	36,462,091	0.67
SK Telecom Co Ltd	30,225	59,089,324	1.09
		965,951,054	17.84
<i>Taiwan</i>			
Accton Technology Corp	436,000	12,149,596	0.22
Basso Industry Corp	260,000	4,558,990	0.08
Cathay Financial Holding Co Ltd	3,331,000	46,848,737	0.87
China General Plastics Corp	1,898,500	16,170,561	0.30
CTBC Financial Holding Co Ltd	1,658,000	8,935,274	0.17
Elite Material Co Ltd	552,000	14,729,045	0.27
Hon Hai Precision Industry Co Ltd	606,000	15,166,279	0.28
ITEQ Corp	556,000	9,544,594	0.18
King Yuan ELECTRONICS Co Ltd	2,274,000	18,083,618	0.33
Kung Long Batteries Industrial Co Ltd	152,000	5,734,096	0.11
Largan Precision Co Ltd	3,000	3,170,420	0.06
Nanya Technology Corp	1,314,000	26,322,056	0.49
Powertech Technology Inc	1,999,000	46,245,017	0.85

Principal Asian Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Taiwan (continued)</i>			
Taiwan Semiconductor Manufacturing Co Ltd	1,031,000	62,202,929	1.15
Taiwan Semiconductor Manufacturing Co Ltd- ADR	648,840	201,075,797	3.72
Tripod Technology Corp	828,000	20,243,368	0.37
Uni-President Enterprises Corp	2,791,000	48,425,404	0.90
		559,605,781	10.35
<i>Thailand</i>			
IRPC Pcl-Foreign	18,725,400	31,637,959	0.58
Kiatnakin Bank Pcl-Foreign	2,217,100	42,108,793	0.78
PTT Pcl-Foreign	574,200	60,273,380	1.11
The Siam Cement Pcl-Foreign	183,300	21,525,180	0.40
Tisco Financial Group Pcl-Foreign	1,371,900	29,097,386	0.54
		184,642,698	3.41
<b>Total listed shares</b>		5,294,839,827	97.88
<b>Delisted Shares</b>			
<i>Hong Kong</i>			
Peace Mark (Holdings) Ltd	2,010,000	-	-
<b>Total delisted shares</b>		-	-
<b>Total investments</b>		5,294,839,827	97.88
<b>Other net assets</b>		114,540,425	2.12
<b>Total net asset value</b>		5,409,380,252	100.00
<b>Total cost of investments</b>		3,941,078,939	

\* 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 2017

Principal China Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b>			
<i>China</i>			
Agricultural Bank of China Ltd-H	23,431,000	85,288,840	2.08
Bank of China Ltd-H	51,192,100	196,577,664	4.80
Beijing Jingneng Clean Energy Co Ltd-H	816,000	1,713,600	0.04
Brilliance China Automotive Holdings Ltd	1,012,000	21,150,800	0.52
China Communications Services Corp Ltd-H	11,850,000	62,094,000	1.52
China Construction Bank Corp-H	51,032,620	367,434,864	8.98
China Everbright Ltd	1,966,000	34,365,680	0.84
China Lesso Group Holdings Ltd	3,125,000	15,812,500	0.39
China Life Insurance Co Ltd-H	2,698,000	66,235,900	1.62
China Mobile Ltd	2,378,000	188,456,500	4.61
China National Building Material Co Ltd-H	5,176,000	36,180,240	0.88
China Petroleum & Chemical Corp-H	21,976,800	125,927,064	3.08
China Railway Construction Corp Ltd-H	4,956,000	44,901,360	1.10
China Resources Land Ltd	3,702,000	85,146,000	2.08
China Shenhua Energy Co Ltd-H	4,080,500	82,630,125	2.02
China Taiping Insurance Holdings Co Ltd	1,112,000	32,581,600	0.80
China Yongda Automobiles Services Holdings Ltd	2,400,000	21,576,000	0.53
CNOOC Ltd	13,483,000	151,279,260	3.70
ENN Energy Holdings Ltd	1,752,000	97,674,000	2.39
Far East Horizon Ltd	4,176,000	27,853,920	0.68
Geely Automobile Holdings Ltd	2,906,000	78,752,600	1.92
Guangzhou Automobile Group Co Ltd-H	3,080,000	57,041,600	1.39
Industrial and Commercial Bank of China Ltd-H	42,947,850	270,141,977	6.60
Jiangxi Copper Co Ltd-H	1,844,000	22,865,600	0.56
Kingboard Chemical Holdings Ltd	1,783,000	75,331,750	1.84
Longfor Properties Co Ltd	3,299,000	64,594,420	1.58
Nexteer Automotive Group Ltd	2,448,000	45,581,760	1.11
PetroChina Co Ltd-H	5,396,000	29,408,200	0.72
Ping An Insurance (Group) Co of China Ltd-H	3,964,500	322,512,075	7.88
Shimao Property Holdings Ltd	3,036,000	51,612,000	1.26
SINA Corp	57,973	45,451,581	1.11
Sinopec Shanghai Petrochemical Co Ltd-H	4,062,000	18,075,900	0.44
Sinotrans Ltd-H	17,617,000	67,473,110	1.65
SSY Group Ltd	10,348,000	49,773,880	1.22
Sunny Optical Technology (Group) Co Ltd	784,000	78,321,600	1.91
Tencent Holdings Ltd	921,200	374,007,200	9.13
The People's Insurance Co (Group) of China Ltd-H	24,054,000	92,607,900	2.26
Times Property Holdings Ltd	7,020,000	53,983,800	1.32
Uni-President China Holdings Ltd	3,538,900	23,144,406	0.57
Weichai Power Co Ltd-H	4,316,000	36,944,960	0.90
West China Cement Ltd	32,430,000	37,943,100	0.93
Yum China Holdings Inc	251,508	78,669,769	1.92
		3,719,119,105	90.88
<i>Hong Kong</i>			
Galaxy Entertainment Group Ltd	647,000	40,566,900	0.99
Kerry Properties Ltd	1,197,500	42,092,125	1.03
Man Wah Holdings Ltd	964,400	7,165,492	0.18
Melco International Development Ltd	1,509,000	34,707,000	0.85
WH Group Ltd	8,400,500	74,092,410	1.81

Principal China Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Hong Kong <i>(continued)</i></i>			
Wynn Macau Ltd	856,400	21,195,900	0.52
Xinyi Glass Holdings Ltd	3,070,000	31,252,600	0.76
		251,072,427	6.14
<b>Total listed shares</b>		3,970,191,532	97.02
<b>Total investments</b>		3,970,191,532	97.02
<b>Other net assets</b>		121,890,233	2.98
<b>Total net asset value</b>		4,092,081,765	100.00
<b>Total cost of investments</b>		3,076,283,373	
* 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 2017

Principal European Equity Fund			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares</b>			
<i>Austria</i>			
Erste Group Bank AG	24,571	8,287,931	0.63
OMV AG	31,089	15,344,166	1.16
Raiffeisen Bank International AG	26,140	7,375,109	0.56
		31,007,206	2.35
<i>Belgium</i>			
KBC Group NV	10,802	7,176,138	0.54
<i>Denmark</i>			
A/S Schouw & Co	10,984	8,014,591	0.61
Danske Bank A/S	41,205	12,491,597	0.95
Genmab A/S	5,299	6,841,958	0.52
H Lundbeck A/S	11,565	4,571,169	0.35
Novo Nordisk A/S-B	58,203	24,429,389	1.84
Pandora A/S	4,651	3,942,238	0.30
Royal Unibrew A/S	10,930	5,099,184	0.39
Vestas Wind Systems A/S	10,140	5,455,868	0.41
William Demant Holding A/S	23,239	5,059,272	0.38
		75,905,266	5.75
<i>Finland</i>			
Elisa Oyj	14,072	4,301,551	0.33
Neste Corp	13,232	6,595,016	0.50
Stora Enso Oyj-R	55,748	6,885,202	0.52
UPM-Kymmene Oyj	36,722	8,888,934	0.67
		26,670,703	2.02
<i>France</i>			
Amundi SA	7,108	4,691,541	0.36
Atos SE	7,736	8,770,254	0.66
AXA SA	59,368	13,718,931	1.04
bioMerieux	6,774	4,726,760	0.36
Credit Agricole SA	85,567	11,031,671	0.84
Eurofins Scientific SE	1,024	4,855,987	0.37
Euronext NV	11,601	5,615,196	0.43
Ipsen SA	7,863	7,314,299	0.55
Kering SA	3,929	14,425,488	1.09
LVMH Moet Hennessy Louis Vuitton SE	11,569	26,523,224	2.00
Natixis SA	123,717	7,623,703	0.58
Orange SA	70,079	9,476,815	0.72
SEB SA	4,054	5,849,619	0.44
STMicroelectronics NV	65,861	11,201,468	0.85
Teleperformance SE	9,045	10,093,706	0.76
Thales SA	5,295	4,446,159	0.34
Total SA	41,055	17,660,560	1.34
Ubisoft Entertainment SA	20,647	12,372,055	0.94
Valeo	13,372	7,779,132	0.59
Vinci SA	21,218	16,878,934	1.28
		205,055,502	15.54

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Germany</i>			
Adidas AG	4,583	7,156,689	0.54
Bayer AG	18,083	17,569,514	1.33
Covestro AG	15,311	12,305,787	0.93
Deutsche Telekom AG	78,199	10,808,666	0.82
Duerr AG	4,899	4,876,596	0.37
Evotec AG	36,269	4,574,307	0.35
Hannover Rueck SE	8,526	8,355,583	0.63
Infineon Technologies AG	88,788	18,941,363	1.43
Jenoptik AG	32,930	8,474,039	0.64
KION Group AG	10,672	7,176,515	0.54
LEONI AG	13,382	7,799,952	0.59
OSRAM Licht AG	7,490	5,243,164	0.40
SAP SE	20,740	18,106,895	1.37
Vonovia SE	24,750	9,570,322	0.72
Wirecard AG	6,386	5,552,577	0.42
		146,511,969	11.08
<i>Ireland</i>			
CRH Plc	23,835	6,670,224	0.50
KingSpan Group Plc	24,230	8,240,819	0.62
		14,911,043	1.12
<i>Italy</i>			
ENEL Spa	280,045	13,421,502	1.02
Ferrari NV	10,934	8,932,948	0.68
Fiat Chrysler Automobiles NV	72,644	10,118,900	0.77
Mediobanca Banca di Credito Finanziario Spa	76,379	6,750,268	0.51
Moncler Spa	20,036	4,881,739	0.37
Prysmian Spa	29,607	7,520,722	0.57
Recordati Spa	19,724	6,828,988	0.52
		58,455,067	4.44
<i>Netherlands</i>			
ASML Holding NV	10,656	14,449,978	1.09
ASR Nederland NV	21,778	6,979,613	0.53
BE Semiconductor Industries NV	18,938	12,368,851	0.94
Corbion NV	15,509	3,912,042	0.30
ING Groep NV	120,159	17,203,338	1.30
Koninklijke Ahold Delhaize NV	45,760	7,838,318	0.59
NN Group NV	36,211	12,219,240	0.92
Philips Lighting NV	20,788	5,942,786	0.45
Unilever NV	31,149	13,664,127	1.03
		94,578,293	7.15
<i>Norway</i>			
Aker BP ASA	16,020	3,067,594	0.23
DnB ASA	50,787	7,326,235	0.55
Marine Harvest ASA	39,464	5,202,535	0.39
Norsk Hydro ASA	89,723	5,305,659	0.40
Telenor ASA	37,233	6,211,449	0.47
		27,113,472	2.04

# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Portugal</i>			
Galp Energia SGPS SA	38,945	5,575,812	0.42
<i>Spain</i>			
ACS Actividades de Construccion y Servicios SA	20,286	6,182,104	0.47
Aena SME SA	3,807	6,010,706	0.45
CaixaBank SA	255,756	9,292,225	0.70
Iberdrola SA	199,796	12,057,999	0.91
MAPFRE SA	199,598	4,993,703	0.38
Repsol SA	90,753	12,501,488	0.95
		51,038,225	3.86
<i>Sweden</i>			
AB Volvo-B	98,464	14,247,423	1.08
Investor AB-B	22,420	7,947,730	0.60
Swedbank AB-A	37,768	7,082,549	0.54
		29,277,702	2.22
<i>Switzerland</i>			
ABB Ltd	57,282	11,967,044	0.91
Adecco Group AG	9,647	5,752,220	0.44
Barry Callebaut AG	383	6,227,757	0.47
dormakaba Holding AG	530	3,846,963	0.29
Logitech International SA	28,963	7,621,404	0.58
Lonza Group Ltd	6,948	14,632,084	1.11
Nestle SA	61,228	41,038,324	3.10
Novartis AG	16,058	10,583,132	0.80
Roche Holding Ltd	15,329	30,222,214	2.28
Straumann Holding AG	1,167	6,426,438	0.49
Swiss Life Holding AG	4,166	11,495,659	0.87
		149,813,239	11.34
<i>United Kingdom</i>			
3i Group Plc	180,386	17,347,699	1.31
Ashtead Group Plc	82,835	17,371,355	1.31
Associated British Foods Plc	24,144	7,167,848	0.54
Bellway Plc	36,037	13,517,455	1.02
BHP Billiton Plc	42,605	6,828,862	0.52
BTG Plc	63,883	5,128,090	0.39
Centamin Plc	205,831	3,430,222	0.26
Coca-Cola HBC AG	38,497	9,807,826	0.74
Compass Group Plc	43,362	7,303,983	0.55
Diageo Plc	76,877	22,054,307	1.66
Electrocomponents Plc	151,342	9,981,850	0.76
Ferguson Plc	17,314	9,715,275	0.74
Glencore Plc	432,239	17,746,758	1.34
Indivior Plc	219,845	9,447,569	0.72
Intermediate Capital Group Plc	86,627	10,451,253	0.79
Intertek Group Plc	10,483	5,727,742	0.43
JD Sports Fashion Plc	137,008	4,849,245	0.37
Legal & General Group Plc	354,204	10,191,159	0.77
Lloyds Banking Group Plc	2,251,443	16,131,821	1.22
Mondi Plc	22,831	4,641,279	0.35
OneSavings Bank Plc	130,914	5,686,510	0.43
Paragon Banking Group Plc	155,426	8,029,162	0.61
Persimmon Plc	46,858	13,506,651	1.02

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United Kingdom <i>(continued)</i></i>			
Redrow Plc	123,010	8,475,797	0.64
Rio Tinto Plc	39,701	16,475,877	1.25
Royal Dutch Shell Plc-A	77,773	20,305,375	1.54
Royal Dutch Shell Plc-B	77,816	20,550,079	1.56
Shire Plc	29,896	12,274,623	0.93
Smiths Group Plc	42,188	6,617,679	0.50
Spectris Plc	19,625	5,138,258	0.39
SSP Group Plc	82,134	5,905,738	0.45
Taylor Wimpey Plc	426,821	9,274,403	0.70
Tesco Plc	303,047	6,675,840	0.51
Unilever Plc	41,891	18,193,984	1.38
Vesuvius Plc	103,060	6,336,267	0.48
		372,287,841	28.18
<b>Total listed shares</b>		1,295,377,478	98.05
<b>Total investments</b>		1,295,377,478	98.05
<b>Other net assets</b>		25,728,332	1.95
<b>Total net asset value</b>		1,321,105,810	100.00
<b>Total cost of investments</b>		1,003,058,550	

\* 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 2017

Principal Hong Kong Bond Fund				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b>				
<b>Certificates of deposit</b>				
<i>Denominated in Hong Kong Dollar</i>				
Agricultural Bank of China Ltd-0%	12/12/2018	25,000,000	24,547,000	0.58
Agricultural Bank of China Ltd-1.25%	23/5/2018	25,000,000	24,939,675	0.59
Agricultural Bank of China Ltd-1.3%	12/6/2018	10,000,000	9,973,790	0.23
Bank of China Ltd-1.55%	16/11/2018	20,000,000	19,921,780	0.47
Bank of China Ltd-1.97%	12/4/2019	13,000,000	12,979,889	0.30
Bank of China Ltd-2%	29/6/2020	20,000,000	19,857,960	0.47
Bank of China Ltd-2.02%	26/4/2019	11,500,000	11,488,006	0.27
Bank of China Ltd-2.59%	25/7/2022	12,000,000	11,928,684	0.28
Bank of China Ltd-2.59%	17/10/2022	40,000,000	39,748,320	0.93
Bank of China Ltd-3.75%	27/7/2020	15,000,000	15,505,050	0.36
Bank of China Ltd-Floating	11/1/2018	10,000,000	10,000,330	0.23
Bank of China Macau Branch-2.34%	15/10/2020	20,000,000	19,885,600	0.47
Bank of Communications Co Ltd Hong Kong Branch-2%	17/8/2020	25,000,000	24,772,575	0.58
Bank of Communications Co Ltd Hong Kong Branch-2.13%	26/10/2020	13,000,000	12,905,191	0.30
China Construction Bank Corp-4.05%	15/1/2020	14,000,000	14,487,102	0.34
China Development Bank Corp-2.535%	17/9/2020	10,000,000	10,025,200	0.24
China Development Bank Corp-3.145%	26/9/2018	15,000,000	15,124,440	0.36
China Development Bank Corp-3.91%	18/5/2020	32,000,000	33,144,512	0.78
China Development Bank Corp-3.98%	28/4/2020	30,000,000	30,977,460	0.73
China Development Bank Corp-4.25%	15/6/2026	5,000,000	5,340,730	0.13
China Development Bank Corp-4.27%	3/3/2025	15,000,000	16,088,295	0.38
China Development Bank Corp-3.75%	26/1/2022	20,000,000	20,742,920	0.49
DBS Bank (Hong Kong) Ltd-3.86%	20/1/2020	25,000,000	25,821,975	0.61
DBS Bank (Hong Kong) Ltd-3.95%	20/1/2020	15,000,000	15,520,140	0.36
DBS Bank (Hong Kong) Ltd-3.98%	4/9/2018	25,000,000	25,362,700	0.60
DBS Bank (Hong Kong) Ltd-4.07%	27/8/2018	18,000,000	18,259,254	0.43
Fubon Bank (Hong Kong) Ltd-1.6%	6/9/2019	5,000,000	4,940,775	0.12
Fubon Bank (Hong Kong) Ltd-1.8%	16/9/2019	18,000,000	17,837,622	0.42
Fubon Bank (Hong Kong) Ltd-2.4%	3/4/2020	15,000,000	14,902,605	0.35
Hang Seng Bank Ltd-2.25%	11/5/2020	16,000,000	16,056,160	0.38
Industrial and Commercial Bank of China Ltd-1.85%	28/12/2018	30,000,000	29,976,450	0.70
Mizuho Bank Ltd-2.3%	16/2/2020	15,000,000	14,975,955	0.35
OCBC Wing Hang Bank Ltd-2.6%	16/7/2018	19,000,000	19,073,131	0.45
OCBC Wing Hang Bank Ltd-3.2%	9/6/2021	15,000,000	15,195,885	0.36
Sumitomo Mitsui Banking Corp-1.98%	3/12/018	15,000,000	14,956,560	0.35
Sumitomo Mitsui Banking Corp-2.11%	9/8/2022	15,000,000	14,550,225	0.34
Sumitomo Mitsui Banking Corp-2.24%	11/3/2019	25,000,000	24,921,925	0.59
Sumitomo Mitsui Banking Corp-2.7%	21/2/2022	22,000,000	22,079,464	0.52
The Bank of Tokyo-Mitsubishi UFJ Ltd-1.64%	2/7/2018	55,500,000	55,469,975	1.30
The Bank of Tokyo-Mitsubishi UFJ Ltd-2.1%	28/1/2019	20,000,000	20,020,380	0.47
The Bank of Tokyo-Mitsubishi UFJ Ltd-2.1%	13/3/2019	11,000,000	11,008,151	0.26
The Bank of Tokyo-Mitsubishi UFJ Ltd-2.18%	6/4/2020	10,000,000	9,963,420	0.23
The Bank of Tokyo-Mitsubishi UFJ Ltd-2.42%	9/5/2022	10,000,000	9,838,790	0.23
The Bank of Tokyo-Mitsubishi UFJ Ltd-2.76%	28/3/2022	50,000,000	49,935,300	1.17
<b>Total certificates of deposit</b>			855,051,351	20.10
<b>Non-certificates of deposit</b>				
<i>Denominated in Hong Kong Dollar</i>				
Airport Authority Hong Kong -2.25%	5/9/2022	17,000,000	16,720,979	0.39
Airport Authority Hong Kong -4.85%	15/3/2021	24,000,000	25,865,496	0.61
Airport Authority Hong Kong -3.85%	3/7/2019	30,000,000	30,868,800	0.72
Ausnet Services Holdings Pty Ltd-4.125%	16/3/2020	18,000,000	18,488,232	0.43
Australia and New Zealand Banking Group Ltd-3.37%	14/11/2018	1,500,000	1,520,124	0.04
Australia and New Zealand Banking Group Ltd-4.5%	10/2/2020	8,000,000	8,368,648	0.20

Principal Hong Kong Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in Hong Kong Dollar <i>(continued)</i></i>				
BG Energy Capital Plc-3.94%	2/10/2019	10,000,000	10,176,480	0.24
BMW Finance NV-2.18%	19/4/2021	5,000,000	4,946,215	0.12
BNZ International Funding Ltd-2.35%	31/3/2021	20,000,000	19,816,780	0.47
CIMB Bank Bhd-2.7%	14/5/2019	20,000,000	20,140,920	0.47
CK Property Finance (MTN) Ltd-2.25%	25/8/2022	50,000,000	48,223,850	1.13
CLP Power Hong Kong Financing Ltd-2.83%	20/9/2022	24,000,000	23,954,808	0.56
CLP Power Hong Kong Financing Ltd-3.22%	20/3/2030	10,000,000	10,064,170	0.24
CLP Power Hong Kong Financing Ltd-3.45%	1/3/2027	5,000,000	5,193,670	0.12
CLP Power Hong Kong Financing Ltd-3.93%	20/9/2021	4,000,000	4,156,312	0.10
CLP Power Hong Kong Financing Ltd-3.97%	23/3/2026	7,000,000	7,542,262	0.18
Commonwealth Bank of Australia-1.88%	28/4/2019	55,000,000	54,843,635	1.29
Commonwealth Bank of Australia-2.15%	27/9/2022	40,000,000	38,835,720	0.91
DBS Group Holdings Ltd-2.8%	13/1/2022	15,000,000	14,923,530	0.35
Eastern Creation II Investment Holdings Ltd-2.8%	13/2/2020	9,000,000	8,921,826	0.21
HKCG (Finance) Ltd-2.8%	25/2/2025	6,000,000	5,955,516	0.14
HKCG (Finance) Ltd-2.84%	17/11/2027	69,000,000	67,608,821	1.58
HKCG (Finance) Ltd-2.85%	10/11/2025	20,000,000	19,906,660	0.47
HKCG (Finance) Ltd-3.3%	16/5/2022	10,000,000	10,183,640	0.24
HKCG (Finance) Ltd-3.4%	7/2/2022	26,000,000	26,568,620	0.62
HKCG (Finance) Ltd-3.55%	13/12/2023	20,000,000	20,715,400	0.49
HKCG (Finance) Ltd-3.9%	3/6/2019	31,000,000	31,645,358	0.74
Hong Kong Government-0.8%	27/8/2027	40,000,000	36,471,960	0.86
Hong Kong Government-0.91%	5/11/2020	25,000,000	24,533,350	0.58
Hong Kong Government-1.09%	5/6/2023	20,000,000	19,352,000	0.45
Hong Kong Government-1.1%	17/1/2023	103,900,000	100,600,966	2.35
Hong Kong Government-1.68%	21/1/2026	55,000,000	54,364,805	1.28
Hong Kong Government-1.73%	20/2/2024	19,000,000	18,994,376	0.45
Hong Kong Government-1.89%	2/3/2032	10,000,000	9,833,940	0.23
Hong Kong Government-1.94%	4/12/2023	15,000,000	15,176,790	0.36
Hong Kong Government-2.13%	16/7/2030	10,000,000	10,199,160	0.24
Hong Kong Government-2.16%	9/12/2019	13,000,000	13,206,648	0.31
Hong Kong Government-2.22%	7/8/2024	61,000,000	62,633,763	1.46
Hong Kong Government-2.31%	21/6/2021	25,000,000	25,628,950	0.60
Hong Kong Government-2.46%	4/8/2021	60,000,000	61,679,940	1.45
Hong Kong Government-2.53%	22/6/2020	40,000,000	41,061,600	0.96
Hong Kong Government-5.125%	23/7/2019	50,000,000	52,803,800	1.24
Hong Kong Science & Technology Parks Corp-2.12%	11/7/2019	49,500,000	49,659,440	1.17
Hong Kong Science & Technology Parks Corp-3.2%	11/7/2024	60,000,000	63,159,540	1.47
Hongkong Land Notes Co Ltd-2.9%	7/12/2022	20,000,000	19,912,640	0.47
Hongkong Land Notes Co Ltd-3%	26/10/2022	5,000,000	5,004,775	0.12
Hongkong Land Notes Co Ltd-3.15%	10/5/2028	10,000,000	9,782,010	0.23
Hongkong Land Notes Co Ltd-3.95%	8/6/2020	10,000,000	10,307,200	0.24
Hongkong Land Notes Co Ltd-3.95%	6/11/2023	10,000,000	10,492,770	0.25
IFC Development (Corporate Treasury) Ltd-3.4%	4/6/2020	11,000,000	11,173,965	0.26
Korea Expressway Corp-4%	2/3/2022	6,000,000	6,233,616	0.15
Korea National Oil Corp-2.18%	29/1/2020	20,000,000	19,792,840	0.46
Korea National Oil Corp-4.5%	4/3/2021	10,000,000	10,470,940	0.25
Kowloon-Canton Railway Corp-3.5%	29/4/2019	66,000,000	67,410,419	1.57
Kowloon-Canton Railway Corp-3.64%	24/7/2019	40,500,000	41,566,244	0.98
Kowloon-Canton Railway Corp-3.82%	9/7/2021	34,000,000	35,932,594	0.84
Kowloon-Canton Railway Corp-3.88%	15/6/2021	44,000,000	46,186,448	1.08
Lloyds Bank Plc-3.046%	2/10/2025	5,000,000	4,940,830	0.12
MTR Corp (C.I.) Ltd-1.9%	25/10/2020	57,500,000	56,904,473	1.34
MTR Corp (C.I.) Ltd-1.92%	26/10/2022	50,000,000	48,804,400	1.15
MTR Corp (C.I.) Ltd-2.25%	12/10/2022	23,500,000	23,289,370	0.55
MTR Corp (C.I.) Ltd-2.25%	28/12/2024	55,000,000	54,543,610	1.28
MTR Corp (C.I.) Ltd-2.25%	4/12/2025	10,000,000	9,638,710	0.23

# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal Hong Kong Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in Hong Kong Dollar <i>(continued)</i></i>				
MTR Corp (C.I.) Ltd-2.83%	6/9/2047	10,000,000	8,904,580	0.21
MTR Corp (C.I.) Ltd-3%	9/11/2045	10,000,000	9,055,000	0.21
MTR Corp (C.I.) Ltd-4.75%	11/5/2020	25,500,000	27,022,503	0.63
MTR Corp (C.I.) Ltd-4.95%	21/10/2019	21,000,000	22,096,620	0.52
MTR Corp (C.I.) Ltd-5.2%	18/7/2018	29,000,000	29,559,033	0.69
National Australia Bank Ltd-2.05%	25/3/2019	25,000,000	24,994,825	0.59
Nordea Bank AB-2.5%	22/1/2019	30,000,000	30,085,500	0.71
Royal Bank of Canada-1.83%	14/4/2020	13,000,000	12,782,575	0.30
Royal Bank of Canada-1.95%	24/3/2019	10,000,000	9,976,960	0.23
SP PowerAssets Ltd-4.01%	20/5/2019	15,000,000	15,225,825	0.36
Standard Chartered Bank-4.1%	29/6/2020	13,000,000	13,388,778	0.31
Sun Hung Kai Properties (Capital Market) Ltd-2.28%	25/8/2026	15,000,000	13,931,670	0.33
Sun Hung Kai Properties (Capital Market) Ltd-2.32%	26/7/2026	6,000,000	5,593,344	0.13
Sun Hung Kai Properties (Capital Market) Ltd-2.5%	5/9/2024	20,000,000	19,305,880	0.45
Sun Hung Kai Properties (Capital Market) Ltd-2.55%	16/8/2024	40,000,000	38,738,400	0.91
Sun Hung Kai Properties (Capital Market) Ltd-2.95%	8/5/2023	9,000,000	8,958,123	0.21
Sun Hung Kai Properties (Capital Market) Ltd-3.23%	10/1/2023	10,000,000	10,089,590	0.24
Sun Hung Kai Properties (Capital Market) Ltd-3.25%	5/12/2022	6,000,000	6,068,100	0.14
Sun Hung Kai Properties (Capital Market) Ltd-3.45%	20/10/2020	20,000,000	20,396,960	0.48
Sun Hung Kai Properties (Capital Market) Ltd-3.65%	20/7/2020	9,000,000	9,223,884	0.22
Sun Hung Kai Properties (Capital Market) Ltd-4.05%	24/2/2021	6,000,000	6,232,332	0.15
Sun Hung Kai Properties (Capital Market) Ltd-4.1%	20/4/2021	6,000,000	6,246,192	0.15
Sun Hung Kai Properties (Capital Market) Ltd-5.05%	14/8/2018	3,000,000	3,052,194	0.07
Swire Pacific MTN Financing Ltd-2.9%	24/1/2023	10,000,000	9,983,810	0.23
Swire Pacific MTN Financing Ltd-3.35%	31/7/2025	10,000,000	10,234,010	0.24
Swire Pacific MTN Financing Ltd-3.78%	28/2/2022	14,000,000	14,524,090	0.34
Swire Pacific MTN Financing Ltd-3.9%	5/11/2030	10,000,000	10,306,840	0.24
Swire Pacific MTN Financing Ltd-4.2%	18/12/2018	6,000,000	6,107,130	0.14
Swire Properties MTN Financing Ltd-1.8%	17/8/2021	30,000,000	29,099,280	0.68
Swire Properties MTN Financing Ltd-2.25%	21/6/2023	25,000,000	24,113,700	0.57
Swire Properties MTN Financing Ltd-2.65%	3/6/2026	13,000,000	12,664,106	0.30
Swire Properties MTN Financing Ltd-2.95%	22/2/2024	17,500,000	17,480,995	0.41
Swire Properties MTN Financing Ltd-3%	7/4/2027	28,000,000	27,970,544	0.66
Swire Properties MTN Financing Ltd-3.55%	17/7/2024	5,000,000	5,168,525	0.12
Telstra Corp Ltd-4.02%	10/7/2020	10,000,000	10,233,560	0.24
The Bank of East Asia Ltd-2.97%	24/6/2019	15,000,000	15,217,065	0.36
The Export-Import Bank of Korea-1.5%	2/8/2019	10,000,000	9,874,170	0.23
The Export-Import Bank of Korea-1.93%	24/6/2021	25,000,000	24,346,075	0.57
The Export-Import Bank of Korea-2.525%	13/2/2019	2,000,000	2,007,104	0.05
The Hong Kong Mortgage Corp Ltd-1.4%	29/4/2019	25,000,000	24,861,650	0.58
The Hong Kong Mortgage Corp Ltd-1.6%	4/3/2020	42,500,000	42,131,525	0.99
The Hong Kong Mortgage Corp Ltd-1.96%	16/3/2020	17,000,000	16,974,772	0.40
The Hong Kong Mortgage Corp Ltd-2.4%	27/9/2021	56,000,000	56,234,304	1.32
The Hong Kong Mortgage Corp Ltd-3.475%	17/9/2019	25,000,000	25,642,075	0.60
The Hong Kong Mortgage Corp Ltd-3.84%	9/3/2020	41,000,000	42,624,502	1.00
The Hong Kong Mortgage Corp Ltd-4.525%	2/9/2020	57,000,000	60,459,615	1.42
The Hong Kong Mortgage Corp Ltd-4.85%	9/7/2018	10,500,000	10,677,051	0.25
The Hong Kong Mortgage Corp Ltd-4.91%	7/12/2020	20,000,000	21,518,320	0.51
The Hong Kong Mortgage Corp Ltd-5.056%	5/10/2022	7,000,000	8,017,730	0.19

Principal Hong Kong Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in Hong Kong Dollar <i>(continued)</i></i>				
The Hongkong Land Treasury Services (Singapore) Pte Ltd-4.1875%	23/10/2019	4,000,000	4,121,220	0.10
The Korea Development Bank-3.6%	16/9/2021	9,000,000	9,253,035	0.22
The Link Finance (Cayman) 2009 Ltd-3.15%	22/7/2020	10,000,000	10,105,990	0.24
The Link Finance (Cayman) 2009 Ltd-3.2%	6/9/2021	4,000,000	4,037,952	0.09
The Link Finance (Cayman) 2009 Ltd-4.75%	20/5/2019	11,000,000	11,344,597	0.27
Urban Renewal Authority-1.64%	11/5/2020	3,000,000	2,965,197	0.07
Urban Renewal Authority-1.65%	17/1/2020	22,000,000	21,821,800	0.51
Urban Renewal Authority-1.75%	2/8/2019	30,000,000	29,928,000	0.70
Urban Renewal Authority-2.15%	10/5/2023	28,000,000	27,312,236	0.64
Urban Renewal Authority-2.92%	27/1/2021	62,000,000	63,152,270	1.47
Westpac Banking Corp-2.18%	15/7/2022	17,000,000	16,714,332	0.39
Westpac Banking Corp-4.55%	22/1/2020	38,000,000	39,741,388	0.93
			2,837,804,787	66.60
<i>Denominated in United States Dollar</i>				
Alibaba Group Holding Ltd-3.4%	6/12/2027	2,000,000	15,627,861	0.37
Alibaba Group Holding Ltd-3.6%	28/11/2024	4,000,000	32,431,670	0.76
Burlington Northern Santa Fe Llc-6.875%	1/12/2027	170,000	1,730,927	0.04
CNOOC Nexen Finance (2014) ULC-4.25%	30/4/2024	3,000,000	24,719,128	0.58
HSBC Holdings Plc-3.9%	25/5/2026	7,000,000	56,743,222	1.33
JPMorgan Chase & Co-Floating	1/2/2028	5,000,000	40,496,131	0.95
Sinopec Group Overseas Development 2017 Ltd-3.25%	13/9/2027	5,000,000	38,162,187	0.90
State Grid Overseas Investment 2016 Ltd-3.5%	4/5/2027	6,000,000	47,078,292	1.11
The Korea Development Bank-4.625%	16/11/2021	3,000,000	24,829,778	0.58
The Link Finance (Cayman) 2009 Ltd-2.875%	21/7/2026	1,000,000	7,573,208	0.18
United States Treasury Note/Bond-1.5%	15/8/2026	5,000,000	36,359,215	0.85
United States Treasury Note/Bond-1.625%	15/2/2026	7,000,000	51,667,983	1.21
United States Treasury Note/Bond-1.625%	15/5/2026	6,000,000	44,169,604	1.04
United States Treasury Note/Bond-2.25%	15/2/2027	3,000,000	23,139,949	0.54
United States Treasury Note/Bond-2.25%	15/11/2027	3,000,000	23,117,040	0.54
United States Treasury Note/Bond-2.5%	15/5/2046	2,000,000	14,869,750	0.35
United States Treasury Note/Bond-3%	15/5/2047	1,000,000	8,217,379	0.19
			490,933,324	11.52
<b>Total non-certificates of deposit</b>			3,328,738,111	78.12
<b>Total listed/quoted debt instruments</b>			4,183,789,462	98.22
<b>Total investments</b>			4,183,789,462	98.22
<b>Other net assets</b>			76,031,536	1.78
<b>Total net asset value</b>			4,259,820,998	100.00
<b>Total cost of investments</b>			4,248,281,981	
* 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 2017

Principal Hong Kong Dollar Savings Fund				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b>				
<b>Certificates of deposit</b>				
<i>Denominated in Hong Kong Dollar</i>				
Agricultural Bank of China Ltd Sydney Branch-0%	12/12/2018	94,000,000	92,296,720	3.41
Agricultural Bank of China Ltd-1.25%	23/5/2018	10,000,000	9,975,870	0.37
Agricultural Bank of China Ltd-1.6%	20/2/2018	21,000,000	20,999,895	0.78
Agricultural Bank of China Ltd-1.75%	22/1/2018	33,000,000	33,002,442	1.22
Bank of China Ltd-1.35%	29/6/2018	24,000,000	23,935,968	0.89
Bank of China Ltd-1.55%	15/11/2018	16,000,000	15,932,416	0.59
Bank of China Ltd-1.55%	16/11/2018	10,000,000	9,960,890	0.37
Bank of China Ltd-1.85%	25/6/2018	7,000,000	6,998,530	0.26
Bank of China Ltd-2%	26/3/2018	29,000,000	29,013,688	1.07
Bank of China Macau Branch-1.45%	16/10/2018	39,000,000	38,854,218	1.44
Bank of China Macau Branch-1.85%	7/12/2018	20,000,000	19,983,000	0.74
Bank of China Macau Branch-2.34%	15/10/2020	10,000,000	9,942,800	0.37
Bank of Communications Co Ltd Sydney Branch-1.6%	9/3/2018	20,000,000	19,996,940	0.74
Bank of Communications Co Ltd Sydney Branch-1.75%	12/2/2018	25,000,000	25,001,325	0.93
China Construction Bank Corp Hong Kong Branch-1.25%	19/3/2018	12,000,000	11,992,920	0.44
China Construction Bank Corp Sydney Branch-1.95%	17/12/2018	57,000,000	56,956,110	2.11
China Development Bank Corp-1.8%	2/7/2018	14,000,000	13,990,900	0.52
China Development Bank Corp-1.9%	10/1/2018	20,000,000	20,000,320	0.74
China Development Bank Corp-2.08%	5/3/2018	25,000,000	25,011,700	0.93
China Development Bank Corp-2.14%	3/2/2018	20,000,000	20,005,740	0.74
China Development Bank Corp-3%	30/7/2018	25,000,000	25,145,000	0.93
China Development Bank Corp-3.91%	18/5/2020	25,000,000	25,894,150	0.96
China Merchants Bank Co Ltd-1.5%	20/7/2018	45,000,000	44,897,850	1.66
Dah Sing Bank Ltd-1.41%	8/8/2018	18,000,000	17,942,904	0.66
Dah Sing Bank Ltd-1.67%	23/3/2018	66,000,000	65,987,988	2.44
Dah Sing Bank Ltd-1.86%	2/2/2018	10,000,000	10,000,810	0.37
Dah Sing Bank Ltd-1.86%	5/2/2018	10,000,000	10,000,890	0.37
Dah Sing Bank Ltd-Floating	16/1/2019	45,000,000	44,946,000	1.66
DBS Bank (Hong Kong) Ltd-3.98%	4/9/2018	15,000,000	15,217,620	0.56
Fubon Bank (Hong Kong) Ltd-2.4%	3/4/2020	29,000,000	28,811,703	1.07
Industrial and Commercial Bank of China Ltd Sydney Branch-1.77%	4/12/2018	125,000,000	124,701,625	4.61
The Bank of Tokyo-Mitsubishi UFJ Ltd-2.1%	13/3/2019	10,000,000	10,007,410	0.37
<b>Total certificates of deposit</b>			927,406,342	34.32
<b>Non-certificates of deposit</b>				
<i>Denominated in Hong Kong Dollar</i>				
BMW Finance NV-1.61%	3/7/2018	55,000,000	54,897,535	2.03
BMW US Capital Llc-2%	17/5/2019	10,000,000	9,995,330	0.37
Commonwealth Bank of Australia-1.88%	28/4/2019	25,000,000	24,928,925	0.92
Commonwealth Bank of Australia-2%	18/3/2019	41,000,000	40,967,897	1.52
Commonwealth Bank of Australia-2.04%	24/2/2019	25,000,000	24,991,550	0.93
Cooperative Rabobank U.A.-1.65%	31/3/2018	56,000,000	55,978,440	2.07
Eastern Creation II Investment Holdings Ltd-2.8%	13/2/2020	20,000,000	19,826,280	0.73
IFC Development (Corporate Treasury) Ltd-3.4%	26/3/2020	10,000,000	10,154,200	0.38
Korea Expressway Corp-1.65%	18/10/2019	20,000,000	19,650,660	0.73
Korea National Oil Corp-1.8%	22/1/2018	45,000,000	44,999,010	1.67
MTR Corp (C.I.) Ltd-4.9%	25/6/2018	20,000,000	20,314,360	0.75
MTR Corp (C.I.) Ltd-4.95%	21/10/2019	22,000,000	23,148,840	0.86
National Australia Bank Ltd-2.05%	25/3/2019	12,000,000	11,997,516	0.44
National Australia Bank Ltd-2.14%	25/2/2019	10,000,000	10,009,900	0.37

Principal Hong Kong Dollar Savings Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in Hong Kong Dollar <i>(continued)</i></i>				
Nordea Bank AB-2.5%	22/1/2019	26,000,000	26,074,100	0.97
Royal Bank of Canada-1.95%	24/3/2019	76,000,000	75,824,896	2.81
Standard Chartered Bank-1.7%	17/5/2018	15,000,000	14,976,585	0.55
The Bank of Nova Scotia-2%	29/4/2019	60,000,000	59,655,000	2.21
The Export-Import Bank of Korea-1.5%	2/8/2019	40,000,000	39,496,680	1.46
The Export-Import Bank of Korea-1.57%	11/5/2018	40,000,000	39,952,400	1.48
The Export-Import Bank of Korea-2.2%	15/2/2019	34,000,000	34,005,542	1.26
The Hong Kong Mortgage Corp Ltd-1%	12/2/2018	18,000,000	17,992,134	0.67
The Hong Kong Mortgage Corp Ltd-5.2%	16/7/2018	15,500,000	15,795,275	0.58
The Korea Development Bank-1.82%	26/4/2018	9,000,000	8,999,901	0.33
The Korea Development Bank-1.965%	25/2/2018	60,000,000	60,015,120	2.22
The Link Finance (Cayman) 2009 Ltd-3.12%	28/5/2018	37,000,000	37,160,913	1.38
Westpac Banking Corp-1.95%	15/4/2019	13,000,000	12,985,063	0.48
<b>Total non-certificates of deposit</b>			814,794,052	30.17
<b>Total listed/quoted debt instruments</b>			1,742,200,394	64.49
<b>Total investments</b>			1,742,200,394	64.49
<b>Other net assets</b>			959,417,674	35.51
<b>Total net asset value</b>			2,701,618,068	100.00
<b>Total cost of investments</b>			1,752,300,853	
* 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 2017

Principal Hong Kong Equity Fund				Principal Hong Kong Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV	Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b>				<b>Listed shares <i>(continued)</i></b>			
<i>China</i>				<i>Hong Kong <i>(continued)</i></i>			
Agricultural Bank of China Ltd-H	31,278,000	113,851,920	1.25	Man Wah Holdings Ltd	6,149,600	45,691,528	0.50
Bank of China Ltd-H	39,889,000	153,173,760	1.69	Melco International Development Ltd	4,812,000	110,676,000	1.22
Beijing Jingneng Clean Energy Co Ltd-H	532,000	1,117,200	0.01	New World Development Co Ltd	11,754,000	137,991,960	1.52
Brilliance China Automotive Holdings Ltd	986,000	20,607,400	0.23	Power Assets Holdings Ltd	884,500	58,332,775	0.64
China Communications Services Corp Ltd-H	14,692,000	76,986,080	0.85	Sands China Ltd	961,200	38,784,420	0.43
China Construction Bank Corp-H	55,485,570	399,496,104	4.40	SmarTone Telecommunications Holdings Ltd	2,926,500	27,567,630	0.30
China Everbright Ltd	2,138,000	37,372,240	0.41	Sun Hung Kai Properties Ltd	1,956,359	255,109,214	2.81
China Lesso Group Holdings Ltd	2,588,000	13,095,280	0.14	The Link REIT	2,711,000	196,411,950	2.16
China Literature Ltd	25	2,084	0.00	WH Group Ltd	22,892,500	201,911,850	2.22
China Mobile Ltd	1,396,993	110,711,695	1.22	Wynn Macau Ltd	6,951,200	172,042,200	1.90
China National Building Material Co Ltd-H	6,602,000	46,147,980	0.51	Xinyi Glass Holdings Ltd	6,848,000	69,712,640	0.77
China Petroleum & Chemical Corp-H	17,127,200	98,138,856	1.08			4,729,479,180	52.12
China Railway Construction Corp Ltd-H	2,020,000	18,301,200	0.20				
China Resources Land Ltd	1,646,000	37,858,000	0.42	<b>Total listed shares</b>		8,848,764,123	97.51
China Shenhua Energy Co Ltd-H	4,998,500	101,219,625	1.12				
China Yongda Automobiles Services Holdings Ltd	3,675,500	33,042,745	0.36	<b>Delisted shares</b>			
CNOOC Ltd	10,323,000	115,824,060	1.28	<i>Hong Kong</i>			
ENN Energy Holdings Ltd	2,410,000	134,357,500	1.48	Moulin Global Eyecare Holdings Ltd	514,000	-	-
Far East Horizon Ltd	5,927,000	39,533,090	0.44				
Geely Automobile Holdings Ltd	2,922,000	79,186,200	0.87	<b>Total delisted shares</b>		-	-
Guangzhou Automobile Group Co Ltd-H	4,550,000	84,266,000	0.93				
Industrial and Commercial Bank of China Ltd-H	33,878,460	213,095,513	2.35	<b>Total investments</b>		8,848,764,123	97.51
Jiangxi Copper Co Ltd-H	1,988,000	24,651,200	0.27	<b>Other net assets</b>		226,053,629	2.49
Kingboard Chemical Holdings Ltd	3,354,000	141,706,500	1.56				
Longfor Properties Co Ltd	3,255,000	63,732,900	0.70	<b>Total net asset value</b>		9,074,817,752	100.00
Nexteer Automotive Group Ltd	4,930,000	91,796,600	1.01				
Ping An Insurance (Group) Co of China Ltd-H	3,724,000	302,947,400	3.34	<b>Total cost of investments</b>		7,149,852,182	
Shimao Property Holdings Ltd	2,838,000	48,246,000	0.53				
SINA Corp	76,281	59,805,290	0.66				
Sinopec Shanghai Petrochemical Co Ltd-H	8,226,000	36,605,700	0.40				
Sinotrans Ltd-H	23,830,000	91,268,900	1.01				
SSY Group Ltd	9,526,000	45,820,060	0.50				
Sunny Optical Technology (Group) Co Ltd	1,284,000	128,271,600	1.41				
Tencent Holdings Ltd	2,024,435	821,920,609	9.07				
The People's Insurance Co (Group) of China Ltd-H	24,777,000	95,391,450	1.05				
Times Property Holdings Ltd	6,361,000	48,916,090	0.54				
Uni-President China Holdings Ltd	3,801,800	24,863,772	0.27				
Weichai Power Co Ltd-H	3,622,000	31,004,320	0.34				
West China Cement Ltd	45,754,000	53,532,180	0.59				
Yum China Holdings Inc	260,300	81,419,840	0.90				
		4,119,284,943	45.39				
<i>Hong Kong</i>							
AIA Group Ltd	10,443,600	696,065,940	7.67				
BOC Hong Kong (Holdings) Ltd	4,435,500	175,645,800	1.94				
CK Asset Holdings Ltd	3,888,829	265,607,021	2.93				
CK Hutchison Holdings Ltd	2,039,829	200,107,225	2.21				
CK Infrastructure Holdings Ltd	1,611,500	108,212,225	1.19				
Galaxy Entertainment Group Ltd	4,505,000	282,463,500	3.11				
Haitong International Securities Group Ltd	17,525,000	78,161,500	0.86				
Hang Seng Bank Ltd	279,800	54,281,200	0.60				
Hong Kong Exchanges and Clearing Ltd	798,500	191,480,300	2.11				
Hongkong Land Holdings Ltd	2,024,153	111,376,864	1.23				
HSBC Holdings Plc	9,837,300	786,492,135	8.67				
Jardine Matheson Holdings Ltd	398,993	189,448,228	2.09				
Kerry Properties Ltd	4,470,500	157,138,075	1.73				
Luk Fook Holdings (International) Ltd	3,540,000	118,767,000	1.31				

\* 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 2017

Principal International Bond Fund				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b>				
<b>Non-certificates of deposit</b>				
<i>Denominated in Australian Dollar</i>				
Australia Government-3.25%	21/4/2029	875,000	5,600,427	0.13
Australia Government-4.5%	15/4/2020	2,225,000	14,287,065	0.33
Morgan Stanley-4.75%	16/11/2018	500,000	3,108,335	0.07
			22,995,827	0.53
<i>Denominated in British Pound</i>				
American International Group Inc-5%	26/4/2023	1,000,000	12,129,637	0.28
BNP Paribas SA-1.125%	16/8/2022	1,000,000	10,399,021	0.24
Cooperatieve Rabobank U.A.-2.25%	23/3/2022	1,000,000	10,935,551	0.25
HSBC Finance Corp-6.25%	19/8/2019	250,000	2,855,887	0.07
ING Bank NV-5.375%	15/4/2021	500,000	5,976,544	0.14
Lloyds Bank Plc-2.5%	1/6/2022	500,000	5,523,214	0.13
Nationwide Building Society-5.625%	9/9/2019	500,000	5,673,501	0.13
Northern Rock (Asset Management) Plc-6.375%	2/12/2019	400,000	4,586,516	0.11
NV Bank Nederlandse Gemeenten-5.2%	7/12/2028	200,000	2,819,604	0.06
The Goldman Sachs Group Inc-5.5%	12/10/2021	500,000	5,990,904	0.14
The Royal Bank of Scotland Plc-6.625%	17/9/2018	1,000,000	10,945,216	0.25
The United Kingdom-1.5%	22/7/2026	2,000,000	21,747,971	0.50
The United Kingdom-3.25%	22/1/2044	3,300,000	45,243,423	1.04
The United Kingdom-4.25%	7/12/2027	950,000	12,858,901	0.29
The United Kingdom-4.25%	7/6/2032	1,100,000	15,687,930	0.36
The United Kingdom-4.25%	7/3/2036	240,000	3,551,369	0.08
The United Kingdom-4.25%	7/12/2040	1,750,000	27,102,586	0.62
			204,027,775	4.69
<i>Denominated in Canadian Dollar</i>				
Bell Canada-3.35%	22/3/2023	750,000	4,776,617	0.11
Ontario Electricity Financial Corp-10%	6/2/2020	500,000	3,624,635	0.08
Province Of British Columbia-5.7%	18/6/2029	275,000	2,218,947	0.05
Province of Ontario-2.1%	8/9/2019	1,850,000	11,575,479	0.27
Province of Ontario-2.9%	2/12/2046	2,600,000	16,025,453	0.37
Province of Quebec Canada-3.5%	1/12/2045	750,000	5,165,264	0.12
Province of Quebec Canada-4.5%	1/12/2020	1,000,000	6,664,401	0.15
Rogers Communications Inc-6.11%	25/8/2040	800,000	6,286,835	0.14
Royal Bank of Canada-Floating	6/12/2024	1,000,000	6,307,939	0.14
TransCanada PipeLines Ltd-3.69%	19/7/2023	500,000	3,282,771	0.08
Wells Fargo & Co-3.874%	21/5/2025	750,000	4,770,734	0.11
Winnipeg City of-5.9%	2/2/2029	125,000	982,450	0.02
			71,681,525	1.64
<i>Denominated in Danish Krone</i>				
Denmark Government-1.75%	15/11/2025	5,525,000	7,763,949	0.18
Denmark Government-4.5%	15/11/2039	500,000	1,059,219	0.02
			8,823,168	0.20
<i>Denominated in Euro</i>				
ABB Finance BV-2.625%	26/3/2019	400,000	3,858,676	0.09
AbbVie Inc-2.125%	17/11/2028	1,000,000	9,683,509	0.22
ABN AMRO Bank NV-4.125%	28/3/2022	500,000	5,421,358	0.12
Aegon NV-Floating	25/4/2044	500,000	5,245,251	0.12
Anheuser-Busch InBev SA/NV-1.5%	18/4/2030	4,500,000	41,861,883	0.96
Anheuser-Busch InBev SA/NV-2.875%	25/9/2024	250,000	2,666,481	0.06
AT&T Inc-2.75%	19/5/2023	500,000	5,164,327	0.12

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in Euro <i>(continued)</i></i>				
Autoroutes du Sud de la France-7.375%	20/3/2019	500,000	5,090,266	0.12
Belgium Government-0.8%	22/6/2025	2,250,000	21,744,741	0.50
Belgium Government-3.75%	28/9/2020	50,000	521,008	0.01
Belgium Government-4.25%	28/9/2022	975,000	11,010,019	0.25
BNP Paribas SA-2.375%	17/2/2025	500,000	4,996,207	0.11
BNP Paribas SA-2.875%	26/9/2023	500,000	5,279,719	0.12
BRED-Banque Populaire-6.437%	18/6/2018	400,000	3,838,269	0.09
Bundesrepublik Deutschland-1%	15/8/2024	3,275,000	32,534,144	0.75
Bundesrepublik Deutschland-1.5%	15/5/2024	1,575,000	16,105,127	0.37
Bundesrepublik Deutschland-2.5%	15/8/2046	375,000	4,596,364	0.11
Bundesrepublik Deutschland-4%	4/1/2037	630,000	9,000,955	0.21
Bundesrepublik Deutschland-4.75%	4/7/2034	250,000	3,738,143	0.09
Cloverie Plc for Zurich Insurance Co Ltd-Floating	24/7/2039	500,000	5,192,354	0.12
Cooperatieve Rabobank U.A.-4.125%	14/7/2025	900,000	10,472,815	0.24
Cooperatieve Rabobank U.A.-5.875%	20/5/2019	450,000	4,542,112	0.10
CRH Finance Ltd-3.125%	3/4/2023	500,000	5,265,309	0.12
Daimler AG-2.375%	8/3/2023	500,000	5,155,938	0.12
EDF-4%	12/11/2025	250,000	2,843,506	0.07
EDF-4.125%	25/3/2027	1,000,000	11,533,294	0.26
Electricite de France-4.625%	11/9/2024	700,000	8,138,951	0.19
FedEx Corp-1%	11/1/2023	3,500,000	33,266,930	0.76
France Government OAT-1.75%	25/11/2024	2,500,000	25,837,191	0.59
France Government OAT-4.5%	25/4/2041	1,000,000	14,910,402	0.34
GE Capital European Funding Unlisted Co-4.35%	3/11/2021	250,000	2,699,884	0.06
HSBC France-1.875%	16/1/2020	500,000	4,852,316	0.11
Imperial Brands Finance Plc-2.25%	26/2/2021	500,000	4,942,390	0.11
Ireland Government-2%	18/2/2045	150,000	1,468,636	0.03
Ireland Government-3.4%	18/3/2024	2,375,000	26,471,256	0.61
Ireland Government-4.5%	18/4/2020	900,000	9,378,340	0.21
Italy Buoni Poliennali Del Tesoro-0.25%	15/5/2018	2,000,000	18,732,748	0.43
Italy Buoni Poliennali Del Tesoro-2.15%	15/12/2021	2,025,000	20,136,793	0.46
Italy Buoni Poliennali Del Tesoro-3.25%	1/9/2046	250,000	2,378,351	0.05
Italy Buoni Poliennali Del Tesoro-3.75%	1/8/2021	795,000	8,317,979	0.19
Italy Buoni Poliennali Del Tesoro-5%	1/8/2034	500,000	6,130,260	0.14
Italy Buoni Poliennali Del Tesoro-5.25%	1/11/2029	600,000	7,346,593	0.17
Italy Buoni Poliennali Del Tesoro-5.5%	1/11/2022	2,500,000	28,576,040	0.65
JPMorgan Chase & Co-1.375%	16/9/2021	500,000	4,866,404	0.11
MasterCard Inc-1.1%	1/12/2022	500,000	4,815,250	0.11
Molson Coors Brewing Co-1.25%	15/7/2024	1,000,000	9,412,011	0.22
Morgan Stanley-1.75%	11/3/2024	3,500,000	34,316,575	0.79
Morgan Stanley-2.25%	12/3/2018	500,000	4,692,333	0.11
Morgan Stanley-2.375%	31/3/2021	500,000	4,992,054	0.11
Nationwide Building Society-1.25%	3/3/2025	500,000	4,775,022	0.11
Netherlands Government-2.25%	15/7/2022	1,175,000	12,208,652	0.28
Netherlands Government-2.5%	15/1/2033	150,000	1,718,898	0.04
Netherlands Government-2.75%	15/1/2047	150,000	1,906,606	0.04
Netherlands Government-5.5%	15/1/2028	1,125,000	15,622,270	0.36
Oracle Corp-3.125%	10/7/2025	500,000	5,456,612	0.12
Orange SA-2.5%	1/3/2023	500,000	5,156,125	0.12
Philip Morris International Inc-2.875%	30/5/2024	300,000	3,159,208	0.07
Santander Consumer Finance SA-0.9%	18/2/2020	500,000	4,748,934	0.11
Santander UK Plc-1.75%	15/1/2018	500,000	4,674,340	0.11
Southern Power Co-1.85%	20/6/2026	1,000,000	9,710,742	0.22
Spain Government-1.15%	30/7/2020	4,000,000	38,601,152	0.88
Spain Government-3.8%	30/4/2024	750,000	8,336,495	0.19
Spain Government-4.4%	31/10/2023	3,000,000	34,104,279	0.78
Spain Government-5.15%	31/10/2044	250,000	3,387,105	0.08
Spain Government-6%	31/1/2029	2,325,000	31,086,507	0.71
Svenska Handelsbanken AB-4.375%	20/10/2021	750,000	8,124,842	0.19



# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in Euro <i>(continued)</i></i>				
The Goldman Sachs Group Inc-2.625%	19/8/2020	1,000,000	9,950,943	0.23
The Goldman Sachs Group Inc-3.25%	1/2/2023	500,000	5,246,241	0.12
The Procter & Gamble Co-2%	16/8/2022	500,000	5,035,113	0.12
The Royal Bank of Scotland Plc-5.375%	30/9/2019	110,000	1,124,418	0.03
The Royal Bank of Scotland Plc-5.5%	23/3/2020	750,000	7,842,413	0.18
Time Warner Inc-1.95%	15/9/2023	500,000	4,926,971	0.11
Tyco Electronics Group SA-1.1%	1/3/2023	500,000	4,774,289	0.11
Zimmer Biomet Holdings Inc-2.425%	13/12/2026	1,000,000	9,766,525	0.22
			765,486,164	17.53
<i>Denominated in Japanese Yen</i>				
BPCE-0.793%	13/12/2018	300,000,000	20,874,540	0.48
BPCE-1.8%	13/7/2026	300,000,000	21,933,782	0.50
Citigroup Inc-2.24%	9/12/2022	100,000,000	7,536,535	0.17
Citigroup Inc-2.36%	16/9/2025	100,000,000	7,764,758	0.18
Citigroup Inc-2.4%	31/10/2025	290,000,000	22,610,403	0.52
Cooperatieve Rabobank U.A.-0.38%	22/5/2020	100,000,000	6,982,919	0.16
Cooperatieve Rabobank U.A.-1.362%	2/11/2022	100,000,000	7,198,648	0.16
Credit Agricole SA-0.435%	26/6/2020	100,000,000	6,987,483	0.16
Credit Agricole SA-0.839%	9/6/2027	400,000,000	27,765,013	0.64
Credit Suisse AG-0.337%	17/7/2018	100,000,000	6,943,418	0.16
Deutsche Bank AG-0.47%	14/11/2019	200,000,000	13,967,821	0.32
DnB Bank ASA-0.593%	24/1/2019	100,000,000	6,969,023	0.16
HSBC Holdings Plc-1.207%	25/9/2026	200,000,000	14,507,917	0.33
Japan Government 20 Year Bond-1.4%	20/9/2034	965,000,000	77,771,192	1.78
Japan Government 20 Year Bond-1.5%	20/3/2034	1,065,000,000	86,965,951	1.99
Nordea Bank AB-0.312%	4/6/2020	100,000,000	6,967,157	0.16
Santander International Debt SAU-0.543%	9/12/2020	300,000,000	21,043,512	0.48
The Korea Development Bank-0.69%	29/1/2019	100,000,000	6,972,721	0.16
			371,762,793	8.51
<i>Denominated in Malaysian Ringgit</i>				
Malaysia Government-3.654%	31/10/2019	2,200,000	4,281,268	0.10
Malaysia Government-3.795%	30/9/2022	10,750,000	20,770,151	0.48
Malaysia Government-3.889%	31/7/2020	6,200,000	12,131,688	0.28
Malaysia Government-4.498%	15/4/2030	500,000	964,879	0.02
			38,147,986	0.88
<i>Denominated in Mexican Peso</i>				
Mexican Bonos-4.75%	14/6/2018	6,000,000	2,347,113	0.05
Mexican Bonos-5%	11/12/2019	6,000,000	2,263,939	0.05
Mexican Bonos-5.75%	5/3/2026	95,000,000	33,288,680	0.76
			37,899,732	0.86
<i>Denominated in New Zealand Dollar</i>				
New Zealand Government-3%	15/4/2020	200,000	1,137,276	0.03
<i>Denominated in Norwegian Krone</i>				
Norway Government-4.5%	22/5/2019	2,075,000	2,077,497	0.05

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in Polish Zloty</i>				
Poland Government-2.5%	25/7/2018	1,400,000	3,149,280	0.07
Poland Government-5.25%	25/10/2020	825,000	2,006,921	0.05
Poland Government-5.5%	25/10/2019	800,000	1,906,579	0.04
			7,062,780	0.16
<i>Denominated in Singapore Dollar</i>				
Singapore Government-1.625%	1/10/2019	300,000	1,753,184	0.04
Singapore Government-3%	1/9/2024	400,000	2,494,026	0.06
SP PowerAssets Ltd-4.665%	18/8/2020	250,000	1,567,740	0.04
			5,814,950	0.14
<i>Denominated in Swedish Krona</i>				
Sweden Government-1.5%	13/11/2023	5,700,000	5,819,117	0.13
Sweden Government-4.25%	12/3/2019	3,475,000	3,492,089	0.08
			9,311,206	0.21
<i>Denominated in Swiss Franc</i>				
Switzerland Government-2.5%	8/3/2036	1,225,000	13,695,461	0.31
<i>Denominated in Thai Baht</i>				
Thailand Government-5.67%	13/3/2028	10,000,000	3,063,127	0.07
<i>Denominated in United States Dollar</i>				
21st Century Fox America Inc-3%	15/9/2022	45,000	356,857	0.01
21st Century Fox America Inc-4.75%	15/9/2044	30,000	268,220	0.01
21st Century Fox America Inc-5.4%	1/10/2043	165,000	1,595,067	0.04
21st Century Fox America Inc-6.15%	15/2/2041	70,000	726,314	0.02
21st Century Fox America Inc-6.4%	15/12/2035	220,000	2,285,134	0.05
Abbott Laboratories-2.9%	30/11/2021	800,000	6,325,108	0.14
Abbott Laboratories-4.9%	30/11/2046	405,000	3,629,167	0.08
AbbVie Inc-4.45%	14/5/2046	330,000	2,803,641	0.06
Actavis Funding SCS-4.85%	15/6/2044	395,000	3,304,702	0.08
Activision Blizzard Inc-6.125%	15/9/2023	290,000	2,402,905	0.06
Alabama Power Co-3.85%	1/12/2042	40,000	322,813	0.01
Alibaba Group Holding Ltd-3.4%	6/12/2027	580,000	4,532,080	0.10
Alibaba Group Holding Ltd-4.2%	6/12/2047	250,000	2,034,451	0.05
Allergan Funding SCS-3.45%	15/3/2022	620,000	4,923,653	0.11
Allergan Funding SCS-3.85%	15/6/2024	315,000	2,522,926	0.06
Allergan Funding SCS-4.55%	15/3/2035	240,000	1,984,925	0.05
Altria Group Inc-4%	31/1/2024	555,000	4,601,916	0.11
Altria Group Inc-4.5%	2/5/2043	385,000	3,269,651	0.07
Altria Group Inc-5.375%	31/1/2044	785,000	7,463,629	0.17
Amazon.com Inc-2.8%	22/8/2024	390,000	3,038,934	0.07
American Express Co-3%	30/10/2024	935,000	7,295,743	0.17
American International Group Inc-3.3%	1/3/2021	350,000	2,788,703	0.06
American International Group Inc-3.75%	10/7/2025	275,000	2,216,055	0.05
American International Group Inc-3.875%	15/1/2035	680,000	5,334,859	0.12
American International Group Inc-4.5%	16/7/2044	415,000	3,493,686	0.08
Amgen Inc-4.663%	15/6/2051	220,000	1,923,267	0.04
Anadarko Petroleum Corp-4.5%	15/7/2044	135,000	1,051,468	0.02

# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in United States Dollar (continued)</i>				
Andeavor Logistics LP / Tesoro Logistics Finance Corp-3.5%	1/12/2022	90,000	702,097	0.02
Andeavor Logistics LP / Tesoro Logistics Finance Corp-4.25%	1/12/2027	55,000	433,564	0.01
Anheuser-Busch Inbev Finance Inc-3.65%	1/2/2026	1,015,000	8,186,824	0.19
Anheuser-Busch Inbev Finance Inc-4.7%	1/2/2036	965,000	8,433,464	0.19
Anheuser-Busch Inbev Finance Inc-4.9%	1/2/2046	295,000	2,672,270	0.06
Anheuser-Busch InBev Worldwide Inc-8.2%	15/1/2039	145,000	1,802,383	0.04
Apache Corp-3.25%	15/4/2022	413,000	3,252,348	0.07
Apache Corp-4.25%	15/1/2044	80,000	605,747	0.01
Apple Inc-1.7%	22/2/2019	25,000	194,938	0.00
Apple Inc-2.75%	13/1/2025	575,000	4,455,052	0.10
Apple Inc-2.85%	6/5/2021	425,000	3,375,048	0.08
Apple Inc-3%	9/2/2024	790,000	6,252,935	0.14
Apple Inc-3.2%	11/5/2027	625,000	4,946,976	0.11
Apple Inc-3.85%	4/8/2046	320,000	2,606,556	0.06
Apple Inc-4.25%	9/2/2047	165,000	1,433,068	0.03
Apple Inc-4.65%	23/2/2046	80,000	732,215	0.02
Arch Capital Finance Llc-4.011%	15/12/2026	485,000	3,946,601	0.09
AstraZeneca Plc-4.375%	16/11/2045	100,000	850,246	0.02
AT&T Inc-3.4%	15/5/2025	1,050,000	8,068,412	0.18
AT&T Inc-3.9%	14/8/2027	105,000	826,153	0.02
AT&T Inc-4.3%	15/2/2030	608,000	4,738,785	0.11
AT&T Inc-4.75%	15/5/2046	335,000	2,560,846	0.06
AT&T Inc-4.9%	14/8/2037	690,000	5,460,895	0.13
AT&T Inc-5.15%	14/2/2050	50,000	395,666	0.01
AT&T Inc-5.45%	1/3/2047	680,000	5,680,322	0.13
AT&T Inc-6.375%	1/3/2041	55,000	507,078	0.01
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-2.773%	15/12/2022	285,000	2,224,736	0.05
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-3.337%	15/12/2027	230,000	1,794,639	0.04
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-4.08%	15/12/2047	95,000	755,181	0.02
Baltimore Gas and Electric Co-3.35%	1/7/2023	390,000	3,124,845	0.07
Bank of America Corp-4.2%	26/8/2024	580,000	4,773,805	0.11
Bank of America Corp-4.25%	22/10/2026	1,250,000	10,295,826	0.24
Bank of America Corp-Floating	21/7/2021	3,485,000	27,367,848	0.63
Bank of America Corp-Floating	21/7/2028	1,315,000	10,447,021	0.24
Bank of America Corp-Floating	20/1/2048	250,000	2,202,046	0.05
BAT Capital Corp-3.222%	15/8/2024	765,000	5,978,924	0.14
BAT Capital Corp-3.557%	15/8/2027	135,000	1,056,515	0.02
BAT Capital Corp-4.39%	15/8/2037	50,000	410,375	0.01
BAT Capital Corp-4.54%	15/8/2047	610,000	5,019,948	0.11
B.A.T. International Finance Plc-2.75%	15/6/2020	525,000	4,123,417	0.09
Becton Dickinson and Co-3.125%	8/11/2021	470,000	3,704,448	0.08
Becton Dickinson and Co-3.7%	6/6/2027	340,000	2,677,895	0.06
Becton Dickinson and Co-4.669%	6/6/2047	520,000	4,400,415	0.10
BHP Billiton Finance (USA) Ltd-5%	30/9/2043	40,000	383,306	0.01
Boston Gas Co-3.15%	1/8/2027	170,000	1,324,430	0.03
BP Capital Markets Plc-2.241%	26/9/2018	75,000	587,271	0.01
BPCE-2.75%	2/12/2021	750,000	5,877,213	0.13
BPCE-4.5%	15/3/2025	325,000	2,654,983	0.06
BPCE-4.875%	1/4/2026	485,000	4,059,913	0.09
BPCE-5.7%	22/10/2023	1,625,000	14,072,350	0.32
Brighthouse Financial Inc-3.7%	22/6/2027	1,275,000	9,800,537	0.22
Brighthouse Financial Inc-4.7%	22/6/2047	645,000	5,142,756	0.12
Brookfield Finance Inc-4.7%	20/9/2047	605,000	4,955,485	0.11
Brookfield Finance Llc-4%	1/4/2024	735,000	5,947,055	0.14
Burlington Northern Santa Fe Llc-3.45%	15/9/2021	250,000	2,018,888	0.05
Burlington Northern Santa Fe Llc-5.4%	1/6/2041	175,000	1,721,575	0.04

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in United States Dollar (continued)</i>				
Canadian Natural Resources Ltd-4.95%	1/6/2047	80,000	699,764	0.02
Capital One Bank (USA) National Association-2.15%	21/11/2018	420,000	3,282,763	0.08
Celgene Corp-2.875%	15/8/2020	300,000	2,366,623	0.05
Celgene Corp-3.45%	15/11/2027	125,000	976,260	0.02
Celgene Corp-4.35%	15/11/2047	255,000	2,070,244	0.05
Celgene Corp-5%	15/8/2045	260,000	2,305,639	0.05
Celgene Corp-5.25%	15/8/2043	15,000	135,357	0.00
Chevron Corp-2.355%	5/12/2022	80,000	620,316	0.01
Cisco Systems Inc-5.5%	15/1/2040	60,000	620,520	0.01
Citigroup Inc-3.5%	15/5/2023	475,000	3,778,963	0.09
Citigroup Inc-4.45%	29/9/2027	150,000	1,241,208	0.03
Citigroup Inc-Floating	24/7/2023	655,000	5,161,168	0.12
Citigroup Inc-Floating	27/10/2028	625,000	4,907,985	0.11
Citigroup Inc-Floating	24/4/2048	350,000	2,970,011	0.07
CMS Energy Corp-4.875%	1/3/2044	325,000	2,967,977	0.07
Colombia Government-4%	26/6/2024	19,200,000	155,617,696	3.56
Colombia Government-4.375%	12/7/2021	15,000,000	123,627,997	2.83
Comcast Corp-2.75%	1/3/2023	280,000	2,198,946	0.05
Comcast Corp-3.15%	1/3/2026	450,000	3,543,270	0.08
Comcast Corp-4.6%	15/8/2045	95,000	832,847	0.02
Comcast Corp-5.7%	1/7/2019	600,000	4,936,350	0.11
Comcast Corp-6.5%	15/11/2035	25,000	264,166	0.01
Concho Resources Inc-3.75%	1/10/2027	340,000	2,692,104	0.06
ConocoPhillips Co-4.3%	15/11/2044	250,000	2,136,826	0.05
Cooperatieve Rabobank U.A.-4.375%	4/8/2025	2,080,000	17,161,046	0.39
Cooperatieve Rabobank U.A.-5.25%	4/8/2045	250,000	2,351,650	0.05
Cox Communications Inc-3.15%	15/8/2024	185,000	1,424,085	0.03
Credit Suisse Group AG-Floating	14/12/2023	400,000	3,155,982	0.07
Credit Suisse Group AG-Floating	14/12/2023	835,000	6,449,625	0.15
CSX Corp-3.7%	30/10/2020	195,000	1,574,414	0.04
CVS Health Corp-2.25%	5/12/2018	420,000	3,287,028	0.08
CVS Health Corp-4.875%	20/7/2035	65,000	562,378	0.01
CVS Health Corp-5%	1/12/2024	520,000	4,420,912	0.10
CVS Health Corp-5.125%	20/7/2045	320,000	2,866,482	0.07
Daimler Finance North America Llc-2.375%	1/8/2018	190,000	1,488,154	0.03
Daimler Finance North America Llc-2.7%	3/8/2020	500,000	3,926,825	0.09
Deutsche Telekom International Finance BV-6.75%	20/8/2018	250,000	2,011,043	0.05
Devon Energy Corp-3.25%	15/5/2022	245,000	1,947,822	0.04
Discover Bank-3.1%	4/6/2020	250,000	1,977,165	0.05
Discovery Communications Llc-3.95%	20/3/2028	530,000	4,120,290	0.09
Discovery Communications Llc-5%	20/9/2037	80,000	647,840	0.01
Discovery Communications Llc-5.2%	20/9/2047	510,000	4,160,378	0.10
Dominion Energy Gas Holdings Llc-4.8%	1/11/2043	25,000	218,925	0.01
Domtar Corp-6.25%	1/9/2042	75,000	643,106	0.01
DTE Energy Co-6.375%	15/4/2033	110,000	1,113,056	0.03
Duke Energy Corp-2.65%	1/9/2026	200,000	1,497,789	0.03
Eastman Chemical Co-3.8%	15/3/2025	378,000	3,080,233	0.07
Eastman Chemical Co-4.65%	15/10/2044	45,000	383,661	0.01
Electricite de France SA-2.35%	13/10/2020	1,000,000	7,806,068	0.18
Encana Corp-5.15%	15/11/2041	25,000	212,927	0.00
Energy Transfer LP-5.15%	15/3/2045	385,000	2,925,910	0.07
Enterprise Products Operating Llc-4.85%	15/3/2044	480,000	4,083,805	0.09
Exxon Mobil Corp-2.222%	1/3/2021	525,000	4,094,164	0.09
FedEx Corp-5.1%	15/1/2044	215,000	1,955,570	0.04
First Republic Bank-4.625%	13/2/2047	250,000	2,089,712	0.05
Florida Power & Light Co-5.96%	1/4/2039	200,000	2,109,449	0.05
Ford Motor Credit Co Llc-2.597%	4/11/2019	425,000	3,323,930	0.08
Fortis Inc-2.1%	4/10/2021	500,000	3,814,640	0.09

# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
GE Capital International Funding Co Unlisted Co-4.418%	15/11/2035	1,022,000	8,644,906	0.20
General Electric Co-4.5%	11/3/2044	20,000	173,164	0.00
General Electric Co-5.3%	11/2/2021	26,000	219,428	0.01
General Electric Co-6.875%	10/1/2039	300,000	3,378,793	0.08
Georgia Power Co-4.3%	24/2/2019	65,000	540,958	0.01
Georgia Power Co-4.3%	15/3/2042	190,000	1,578,957	0.04
Gilead Sciences Inc-4.15%	1/3/2047	95,000	789,791	0.02
Gilead Sciences Inc-4.8%	1/4/2044	105,000	952,243	0.02
Glencore Funding Llc-3%	27/10/2022	430,000	3,328,069	0.08
GNMA AE2153-3.5%	20/5/2043	343,083	2,793,776	0.06
GNMA AE9880-3%	15/5/2043	1,500,479	11,902,630	0.27
GNMA AV5049-3.5%	20/10/2046	3,751,668	30,402,377	0.70
GNMA AV7468-3.5%	20/9/2046	4,678,905	38,026,872	0.87
Halliburton Co-4.75%	1/8/2043	155,000	1,322,708	0.03
Hewlett Packard Enterprise Co-2.85%	5/10/2018	750,000	5,890,174	0.13
HSBC Holdings Plc-3.6%	25/5/2023	1,335,000	10,735,337	0.25
HSBC Holdings Plc-4.375%	23/11/2026	700,000	5,711,958	0.13
Humana Inc-3.85%	1/10/2024	285,000	2,316,786	0.05
Humana Inc-3.95%	15/3/2027	585,000	4,734,092	0.11
Humana Inc-4.95%	1/10/2044	269,000	2,421,566	0.06
Imperial Brands Finance Plc-4.25%	21/7/2025	1,090,000	8,932,851	0.20
Ingersoll-Rand Global Holding Co Ltd-2.875%	15/1/2019	95,000	746,313	0.02
Ingersoll-Rand Luxembourg Finance SA-2.625%	1/5/2020	325,000	2,539,482	0.06
International Paper Co-3%	15/2/2027	170,000	1,288,241	0.03
International Paper Co-4.35%	15/8/2048	160,000	1,305,614	0.03
International Paper Co-4.4%	15/8/2047	110,000	898,404	0.02
Intesa Sanpaolo Spa-3.125%	14/7/2022	2,190,000	16,993,391	0.39
Intesa Sanpaolo Spa-3.875%	14/7/2027	3,065,000	23,944,522	0.55
Johnson Controls International Plc-5.125%	14/9/2045	350,000	3,211,200	0.07
JPMorgan Chase & Co-4.95%	1/6/2045	185,000	1,680,556	0.04
JPMorgan Chase & Co-5.625%	16/8/2043	265,000	2,571,521	0.06
JPMorgan Chase & Co-Floating	10/1/2025	530,000	4,158,910	0.10
JPMorgan Chase & Co-Floating	1/3/2025	1,490,000	11,736,492	0.27
JPMorgan Chase & Co-Floating	24/7/2038	325,000	2,611,211	0.06
Kinder Morgan Inc-5.625%	15/11/2023	650,000	5,609,223	0.13
KLA-Tencor Corp-4.125%	1/11/2021	225,000	1,834,513	0.04
Kraft Heinz Foods Co-4.375%	1/6/2046	165,000	1,277,437	0.03
Kraft Heinz Foods Co-5.2%	15/7/2045	225,000	1,934,467	0.04
Lloyds Banking Group Plc-4.582%	10/12/2025	1,625,000	13,317,476	0.30
Lloyds Banking Group Plc-4.65%	24/3/2026	710,000	5,859,522	0.13
Lockheed Martin Corp-2.5%	23/11/2020	475,000	3,736,268	0.09
Lowe's Cos Inc-3.12%	15/4/2022	385,000	3,070,152	0.07
Lowe's Cos Inc-4.05%	3/5/2047	195,000	1,622,432	0.04
Marathon Oil Corp-6.6%	1/10/2037	210,000	2,056,484	0.05
Marathon Petroleum Corp-4.75%	15/9/2044	61,000	498,143	0.01
Markel Corp-3.5%	1/11/2027	310,000	2,410,623	0.06
Markel Corp-4.3%	1/11/2047	225,000	1,806,235	0.04
Markel Corp-5%	5/4/2046	410,000	3,623,952	0.08
McCormick & Co Inc-3.4%	15/8/2027	600,000	4,750,954	0.11
McDonald's Corp-2.75%	9/12/2020	575,000	4,540,769	0.10
McDonald's Corp-3.7%	30/1/2026	290,000	2,362,684	0.05
Medtronic Inc-3.5%	15/3/2025	545,000	4,418,751	0.10
Medtronic Inc-4.375%	15/3/2035	334,000	2,942,865	0.07
Merck & Co Inc-1.3%	18/5/2018	195,000	1,521,319	0.03
Mexico Government-4.125%	21/1/2026	8,000,000	65,184,605	1.49
Microsoft Corp-2%	3/11/2020	350,000	2,724,915	0.06
Microsoft Corp-3.7%	8/8/2046	555,000	4,522,230	0.10
Microsoft Corp-4.5%	6/2/2057	190,000	1,758,449	0.04

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
Monsanto Co-3.375%	15/7/2024	500,000	3,966,511	0.09
Monsanto Co-3.95%	15/4/2045	90,000	688,305	0.02
Monsanto Co-4.4%	15/7/2044	25,000	208,205	0.00
Morgan Stanley-5%	24/11/2025	590,000	5,045,967	0.12
Morgan Stanley-Floating	8/5/2024	790,000	6,304,406	0.14
Morgan Stanley-Floating	22/7/2038	310,000	2,508,928	0.06
MPLX LP-4.5%	15/7/2023	240,000	1,981,837	0.05
Nationwide Building Society-Floating	18/10/2032	1,965,000	15,363,434	0.35
NBCUniversal Media Llc-4.45%	15/1/2043	275,000	2,345,432	0.05
Newell Brands Inc-5%	15/11/2023	330,000	2,722,189	0.06
Newmont Mining Corp-4.875%	15/3/2042	100,000	867,334	0.02
Newmont Mining Corp-6.25%	1/10/2039	95,000	949,475	0.02
Noble Energy Inc-5.05%	15/11/2044	150,000	1,255,799	0.03
Oracle Corp-2.375%	15/1/2019	235,000	1,844,403	0.04
Oracle Corp-2.5%	15/10/2022	505,000	3,941,618	0.09
Oracle Corp-4%	15/11/2047	360,000	2,996,287	0.07
Oracle Corp-4.375%	15/5/2055	260,000	2,271,359	0.05
Owens Corning-7%	1/12/2036	40,000	412,738	0.01
Pacific Gas and Electric Co-3.3%	1/12/2027	400,000	3,097,116	0.07
PacifiCorp-5.5%	15/1/2019	500,000	4,041,872	0.09
Packaging Corp of America-3.4%	15/12/2027	125,000	979,421	0.02
Packaging Corp of America-4.5%	1/11/2023	365,000	3,068,983	0.07
PepsiCo Inc-3%	15/10/2027	20,000	155,766	0.00
Petroleos Mexicanos-4.875%	24/1/2022	3,000,000	24,438,365	0.56
Philip Morris International Inc-4.25%	10/11/2044	80,000	659,074	0.02
Philip Morris International Inc-4.375%	15/11/2041	20,000	168,213	0.00
Phillips 66 Partners LP-4.9%	1/10/2046	45,000	372,096	0.01
Phillips 66-4.65%	15/11/2034	150,000	1,284,524	0.03
Plains All American Pipeline LP and PAA Finance Corp-4.5%	15/12/2026	165,000	1,307,291	0.03
PPL WEM Ltd / Western Power Distribution Ltd-5.375%	1/5/2021	800,000	6,701,221	0.15
QUALCOMM Inc-4.3%	20/5/2047	340,000	2,677,087	0.06
Reckitt Benckiser Treasury Services Plc-2.75%	26/6/2024	200,000	1,529,304	0.04
Reynolds American Inc-5.85%	15/8/2045	185,000	1,805,648	0.04
Reynolds American Inc-6.875%	1/5/2020	240,000	2,056,633	0.05
Reynolds American Inc-7%	4/8/2041	150,000	1,586,453	0.04
Santander UK Plc-5%	7/11/2023	1,435,000	11,984,762	0.27
Saudi Government-2.375%	26/10/2021	10,000,000	76,240,977	1.75
Saudi Government-3.25%	26/10/2026	10,000,000	76,630,209	1.75
Schlumberger Investment SA-3.3%	14/9/2021	55,000	440,392	0.01
Sempra Energy-2.875%	1/10/2022	160,000	1,248,902	0.03
Shell International Finance BV-3.625%	21/8/2042	220,000	1,697,693	0.04
Shell International Finance BV-4.375%	11/5/2045	85,000	746,979	0.02
Shire Acquisitions Investments Ireland Designated Activity Co-3.2%	23/9/2026	570,000	4,355,951	0.10
Siemens Financieringsmaatschappij NV-2.35%	15/10/2026	845,000	6,238,272	0.14
Siemens Financieringsmaatschappij NV-2.7%	16/3/2022	500,000	3,930,901	0.09
Skandinaviska Enskilda Banken AB-2.375%	25/3/2019	1,500,000	11,750,158	0.27
Skandinaviska Enskilda Banken AB-2.45%	27/5/2020	1,160,000	9,072,065	0.21
Spectra Energy Partners LP-4.75%	15/3/2024	130,000	1,104,645	0.03
Suncor Energy Inc-4%	15/11/2047	190,000	1,519,827	0.03
Synchrony Bank-3%	15/6/2022	1,550,000	12,065,314	0.28
Synchrony Financial-2.6%	15/1/2019	1,080,000	8,457,143	0.19
Synchrony Financial-3.95%	1/12/2027	375,000	2,918,632	0.07
Telefonica Emisiones SAU-5.462%	16/2/2021	410,000	3,466,367	0.08
The Dow Chemical Co-7.375%	1/11/2029	85,000	885,987	0.02



# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
The Goldman Sachs Group Inc-6.25%	1/2/2041	285,000	3,001,817	0.07
The Goldman Sachs Group Inc-6.75%	1/10/2037	1,360,000	14,229,272	0.33
The Goldman Sachs Group Inc-Floating	5/6/2023	1,845,000	14,324,455	0.33
The Goldman Sachs Group Inc-Floating	24/7/2023	790,000	6,227,576	0.14
The Home Depot Inc-2.25%	10/9/2018	120,000	940,592	0.02
The Home Depot Inc-3.35%	15/9/2025	615,000	4,967,676	0.11
The Royal Bank Of Scotland Group Plc-3.875%	12/9/2023	1,565,000	12,439,128	0.28
The Royal Bank Of Scotland Group Plc-5.125%	28/5/2024	1,845,000	15,295,203	0.35
The Royal Bank Of Scotland Group Plc-Floating	15/5/2023	1,080,000	8,533,637	0.20
The Sherwin-Williams Co-4.5%	1/6/2047	40,000	341,819	0.01
The Southern Co-4.4%	1/7/2046	380,000	3,163,015	0.07
Time Warner Inc-3.6%	15/7/2025	450,000	3,525,023	0.08
Time Warner Inc-3.875%	15/1/2026	210,000	1,656,992	0.04
Time Warner Inc-4.05%	15/12/2023	105,000	858,428	0.02
Time Warner Inc-4.875%	15/3/2020	275,000	2,261,686	0.05
TransCanada PipeLines Ltd-4.625%	1/3/2034	355,000	3,098,101	0.07
TransCanada PipeLines Ltd-5%	16/10/2043	55,000	509,167	0.01
TransCanada PipeLines Ltd-7.125%	15/1/2019	380,000	3,115,090	0.07
Tyco Electronics Group SA-2.375%	17/12/2018	190,000	1,488,361	0.03
UBS Group Funding (Switzerland) AG-4.253%	23/3/2028	725,000	5,970,758	0.14
UBS Group Funding (Switzerland) AG-Floating	15/8/2023	770,000	6,043,495	0.14
Union Pacific Corp-3.75%	15/3/2024	690,000	5,699,890	0.13
United States Treasury Note/Bond-0.875%	15/7/2018	1,000,000	7,787,810	0.18
United States Treasury Note/Bond-0.875%	15/4/2019	20,000,000	154,382,313	3.54
United States Treasury Note/Bond-1.125%	15/1/2019	14,500,000	112,507,089	2.58
United States Treasury Note/Bond-1.125%	28/2/2021	7,600,000	57,765,000	1.32
United States Treasury Note/Bond-1.25%	31/3/2021	16,000,000	121,967,181	2.79
United States Treasury Note/Bond-1.25%	31/7/2023	7,000,000	51,849,625	1.19
United States Treasury Note/Bond-1.5%	28/2/2023	26,000,000	196,093,005	4.49
United States Treasury Note/Bond-1.625%	30/4/2023	2,000,000	15,154,905	0.35
United States Treasury Note/Bond-1.875%	30/11/2021	8,000,000	62,019,166	1.42
United States Treasury Note/Bond-2%	31/12/2021	10,000,000	77,762,108	1.78
United States Treasury Note/Bond-2.25%	15/8/2027	5,000,000	38,529,964	0.88
United Technologies Corp-4.15%	15/5/2045	245,000	2,039,867	0.05
United Technologies Corp-5.4%	1/5/2035	45,000	425,976	0.01
UnitedHealth Group Inc-4.625%	15/7/2035	765,000	6,963,220	0.16
Vale Overseas Ltd-4.375%	11/1/2022	540,000	4,364,086	0.10
Verizon Communications Inc-4.522%	15/9/2048	87,000	669,544	0.02
Verizon Communications Inc-5.012%	21/8/2054	678,000	5,426,302	0.12
Verizon Communications Inc-5.25%	16/3/2037	465,000	3,996,677	0.09
Viacom Inc-4.375%	15/3/2043	130,000	879,595	0.02
Virginia Electric and Power Co-4%	15/1/2043	570,000	4,725,940	0.11
Virginia Electric and Power Co-4.45%	15/2/2044	535,000	4,717,663	0.11
Virginia Electric and Power Co-4.65%	15/8/2043	75,000	682,826	0.02
Visa Inc-2.2%	14/12/2020	650,000	5,076,332	0.12
Vodafone Group Plc-1.5%	19/2/2018	255,000	1,991,564	0.05
Wal-Mart Stores Inc-3.25%	25/10/2020	175,000	1,409,155	0.03
Wells Fargo & Co-4.4%	14/6/2046	85,000	700,652	0.02
Wells Fargo & Co-4.75%	7/12/2046	585,000	5,110,182	0.12
Wells Fargo & Co-Floating	31/10/2023	510,000	4,092,092	0.09
Wm. Wrigley Jr. Co-2.4%	21/10/2018	145,000	1,136,524	0.03
Wm. Wrigley Jr. Co-3.375%	21/10/2020	440,000	3,521,989	0.08
Xerox Corp-4.07%	17/3/2022	420,000	3,314,270	0.08
Xilinx Inc-2.95%	1/6/2024	725,000	5,631,146	0.13

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
Zimmer Biomet Holdings Inc-2%	1/4/2018	460,000	3,596,619	0.08
Zimmer Biomet Holdings Inc-3.15%	1/4/2022	355,000	2,781,440	0.06
			2,542,350,312	58.19
<b>Total non-certificates of deposit</b>			4,105,337,579	94.00
<b>Total listed/quoted debt instruments</b>			4,105,337,579	94.00
<b>Total investments</b>			4,105,337,579	94.00
<b>Forward contract</b>				
<i>Denominated in United States Dollar</i>				
BUY USD/sell AUD Forward Rate 0.7593093	5/3/2018	2,581,000	(604,495)	(0.01)
BUY USD/sell CHF Forward Rate 0.977	5/3/2018	1,158,000	(66,180)	0.00
BUY USD/sell CZK Forward Rate 21.348283	5/3/2018	190,000	(10,534)	0.00
BUY USD/sell DKK Forward Rate 6.2325	5/3/2018	607,000	(44,436)	0.00
BUY USD/sell EUR Forward Rate 1.19348	5/3/2018	14,728,000	(1,162,686)	(0.03)
BUY USD/sell GBP Forward Rate 1.3535	5/3/2018	9,888,000	(122,730)	0.00
BUY USD/sell NOK Forward Rate 8.2766633	5/3/2018	228,000	(24,584)	0.00
BUY USD/sell NZD Forward Rate 0.6856287	5/3/2018	246,000	(70,041)	0.00
BUY USD/sell PLN Forward Rate 3.5402	5/3/2018	420,000	(62,564)	0.00
BUY USD/sell SEK Forward Rate 8.3141	5/3/2018	855,000	(130,555)	0.00
BUY USD/sell SGD Forward Rate 1.3457	5/3/2018	342,000	(21,295)	0.00
BUY USD/sell ZAR Forward Rate 13.9681	5/3/2018	400,000	(365,991)	(0.01)
			(2,686,091)	(0.05)
<b>Total forward contracts</b>			(2,686,091)	(0.05)
<b>Other net assets</b>			264,232,766	6.05
<b>Total net asset value</b>			4,366,884,254	100.00
<b>Total cost of investments</b>			4,048,411,400	
* 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 2017

Principal International Equity Fund			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares</b>			
<i>Australia</i>			
Downer EDI Ltd	154,688	6,528,985	0.17
Macquarie Group Ltd	31,161	18,908,511	0.49
Mineral Resources Ltd	52,316	6,735,895	0.18
Rio Tinto Ltd	17,019	7,858,078	0.20
		40,031,469	1.04
<i>Austria</i>			
BUWOG AG	43,165	11,593,792	0.30
Erste Group Bank AG	42,931	14,480,858	0.38
OMV AG	18,360	9,061,690	0.24
Raiffeisen Bank International AG	38,920	10,980,844	0.29
		46,117,184	1.21
<i>Brazil</i>			
Hypermarcas SA	75,900	6,446,950	0.17
Itaúsa-Investimentos Itaú SA	445,300	11,368,154	0.30
Lojas Renner SA	111,200	9,311,524	0.24
QualiCorp SA	75,900	5,551,540	0.14
Smiles Fidelidade SA	94,700	16,959,059	0.44
Vale SA	77,600	7,371,324	0.19
		57,008,551	1.48
<i>Canada</i>			
Alimentation Couche-Tard Inc-B	18,100	7,390,579	0.19
Canadian National Railway Co	19,600	12,647,004	0.33
Cascades Inc	63,300	5,367,142	0.14
CES Energy Solutions Corp	68,440	2,782,182	0.07
Encana Corp	132,700	13,853,716	0.36
Enerplus Corp	73,500	5,632,584	0.15
Kirkland Lake Gold Ltd	97,700	11,720,295	0.31
Manulife Financial Corp	81,200	13,254,123	0.35
New Flyer Industries Inc	38,100	12,807,991	0.33
Open Text Corp	28,400	7,904,698	0.21
Pembina Pipeline Corp	46,100	13,060,808	0.34
Teck Resources Ltd-B	47,800	9,781,149	0.25
TransCanada Corp	20,900	7,960,091	0.21
		124,162,362	3.24
<i>China</i>			
Agricultural Bank of China Ltd-H	3,889,000	14,155,960	0.37
China Construction Bank Corp-H	2,677,000	19,274,400	0.50
China Petroleum & Chemical Corp-H	1,184,000	6,784,320	0.18
China Shenhua Energy Co Ltd-H	608,000	12,312,000	0.32
ENN Energy Holdings Ltd	123,000	6,857,250	0.18
Kingboard Chemical Holdings Ltd	182,000	7,689,500	0.20
Nexteer Automotive Group Ltd	473,000	8,807,260	0.23
Ping An Insurance (Group) Co of China Ltd-H	237,000	19,279,950	0.50
Tencent Holdings Ltd	53,400	21,680,400	0.57
Texhong Textile Group Ltd	583,000	5,911,620	0.15
Times Property Holdings Ltd	832,000	6,398,080	0.17
Yanzhou Coal Mining Co Ltd-H	892,000	8,152,880	0.21
		137,303,620	3.58

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Denmark</i>			
Danske Bank A/S	52,096	15,793,283	0.41
<i>Finland</i>			
Valmet Corp	53,940	8,284,545	0.22
<i>France</i>			
Amundi SA	16,417	10,835,823	0.28
Atos SE	9,376	10,629,512	0.28
AXA SA	54,481	12,589,629	0.33
Eiffage SA	9,432	8,048,607	0.21
Eurofins Scientific SE	2,358	11,182,048	0.29
Kering SA	3,736	13,716,880	0.36
LVMH Moët Hennessy Louis Vuitton SE	7,263	16,651,238	0.43
Nexans SA	15,566	7,432,567	0.19
Orange SA	88,823	12,011,575	0.31
Orpea SA	11,182	10,269,018	0.27
Rubis SCA	23,307	12,842,426	0.33
Sopra Steria Group SACS	4,172	6,074,451	0.16
Total SA	16,681	7,175,638	0.19
Ubisoft Entertainment SA	14,907	8,932,543	0.23
		148,391,955	3.86
<i>Germany</i>			
Bayer AG	9,286	9,022,314	0.24
Carl Zeiss Meditec AG	17,479	8,452,142	0.22
Covestro AG	14,333	11,519,747	0.30
DEUTZ AG	122,806	8,695,357	0.23
Duerr AG	8,505	8,466,106	0.22
OSRAM Licht AG	16,603	11,622,465	0.30
Rheinmetall AG	11,047	10,924,238	0.28
Siltronic AG	9,473	10,735,055	0.28
Vonovia SE	34,810	13,460,320	0.35
		92,897,744	2.42
<i>Hong Kong</i>			
Hysan Development Co Ltd	203,000	8,414,350	0.22
Sun Hung Kai Properties Ltd	60,000	7,824,000	0.20
The Wharf (Holdings) Ltd	96,000	2,592,000	0.07
WH Group Ltd	1,326,500	11,699,730	0.31
Wharf Real Estate Investment Co Ltd	96,000	4,992,000	0.13
Xinyi Glass Holdings Ltd	894,000	9,100,920	0.24
		44,623,000	1.17
<i>India</i>			
Hindalco Industries Ltd	171,900	5,750,844	0.15
Indiabulls Housing Finance Ltd	34,179	5,001,812	0.13
		10,752,656	0.28
<i>Indonesia</i>			
PT United Tractors Tbk	371,100	7,571,492	0.20

# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Ireland</i>			
ICON Plc	5,841	5,119,947	0.13
<i>Israel</i>			
Mizrahi Tefahot Bank Ltd	60,435	8,727,392	0.23
Wix.com Ltd	14,651	6,590,094	0.17
		15,317,486	0.40
<i>Italy</i>			
Amplifon Spa	84,316	10,114,186	0.26
ANIMA Holding Spa	120,189	6,692,169	0.17
Buzzi Unicem Spa	42,881	9,013,705	0.23
ENEL Spa	299,885	14,372,358	0.37
Ferrari NV	14,106	11,524,434	0.30
Fiat Chrysler Automobiles NV	81,979	11,419,213	0.30
Mediobanca Banca di Credito Finanziario Spa	107,093	9,464,728	0.25
Recordati Spa	51,554	17,849,404	0.47
		90,450,197	2.35
<i>Japan</i>			
Aisin Seiki Co Ltd	17,100	7,509,133	0.20
ANA Holdings Inc	30,600	9,989,950	0.26
Coca-Cola Bottlers Japan Holdings Inc	39,100	11,161,860	0.29
DIC Corp	22,800	6,738,053	0.18
Fujitsu Ltd	145,000	8,074,418	0.21
Haseko Corp	156,500	19,010,365	0.50
Hitachi Ltd	253,000	15,408,329	0.40
Honda Motor Co Ltd	41,300	11,065,022	0.29
Mebuki Financial Group Inc	252,100	8,342,212	0.22
Mitsubishi Corp	69,000	14,901,095	0.39
Mitsubishi UFJ Financial Group Inc	279,300	16,012,208	0.42
Nichihara Corp	28,800	9,440,267	0.25
Nichirei Corp	42,300	9,140,888	0.24
Nintendo Co Ltd	6,000	17,144,823	0.45
Nippon Telegraph and Telephone Corp	44,700	16,438,239	0.43
ORIX Corp	84,600	11,177,413	0.29
Rohm Co Ltd	17,900	15,497,355	0.40
Sekisui House Ltd	99,600	14,064,374	0.37
Sogo Medical Co Ltd	19,100	7,870,635	0.21
Sumida Corp	34,600	4,637,385	0.12
Sumitomo Corp	85,100	11,305,462	0.29
Sumitomo Forestry Co Ltd	49,500	6,922,862	0.18
Sumitomo Heavy Industries Ltd	25,700	8,504,357	0.22
Suzuki Motor Corp	27,200	12,329,288	0.32
Toda Corp	206,000	12,918,903	0.34
Tosoh Corp	78,300	13,873,072	0.36
Toyo Tire & Rubber Co Ltd	50,300	8,123,458	0.21
ZENKOKU HOSHO Co Ltd	23,600	7,932,238	0.21
		315,533,664	8.25
<i>Mexico</i>			
Grupo Financiero Banorte SAB de CV-O	187,300	8,006,040	0.21

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Netherlands</i>			
ASR Nederland NV	64,939	20,812,246	0.54
ING Groep NV	73,123	10,469,126	0.27
Koninklijke Ahold NV	60,779	10,410,951	0.27
NN Group NV	30,254	10,209,077	0.27
		51,901,400	1.35
<i>Norway</i>			
Aker BP ASA	53,030	10,154,465	0.26
Entra ASA	56,548	6,542,989	0.17
		16,697,454	0.43
<i>Singapore</i>			
BOC Aviation Ltd	143,600	5,980,940	0.16
UOL Group Ltd	148,100	7,679,956	0.20
		13,660,896	0.36
<i>South Korea</i>			
Hanwha Chemical Corp	24,497	5,668,021	0.15
Hyosung Corp	6,000	6,128,538	0.16
Hyundai Marine & Fire Insurance Co Ltd	20,814	7,162,834	0.19
KT Corp	23,875	5,288,107	0.14
LG Uplus Corp	63,415	6,500,571	0.17
Samsung Electronics Co Ltd	1,625	30,316,863	0.78
		61,064,934	1.59
<i>Spain</i>			
ACS Actividades de Construccion y Servicios SA	33,514	10,213,301	0.27
Ebro Foods SA	35,232	6,424,999	0.17
Iberdrola SA	149,407	9,016,944	0.24
Repsol SA	68,962	9,499,715	0.25
		35,154,959	0.93
<i>Sweden</i>			
AB Volvo-B	78,875	11,412,958	0.30
Castellum AB	78,661	10,316,096	0.27
Hemfosa Fastigheter AB	85,681	8,922,818	0.23
Scandic Hotels Group AB	64,378	7,183,204	0.19
		37,835,076	0.99
<i>Switzerland</i>			
Compagnie Financiere Richemont SA	17,956	12,681,360	0.33
Logitech International SA	29,469	7,754,554	0.20
Lonza Group Ltd	6,924	14,581,542	0.38
Nestle SA	23,115	15,492,926	0.40
Roche Holding Ltd	6,777	13,361,338	0.35
Swiss Life Holding AG	5,777	15,941,053	0.42
Valora Holding AG	2,670	6,940,490	0.18
		86,753,263	2.26

# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Taiwan</i>			
Elite Material Co Ltd	215,000	5,736,856	0.15
Hon Hai Precision Industry Co Ltd	282,000	7,057,576	0.18
King Yuan ELECTRONICS Co Ltd	920,000	7,316,151	0.19
Powertech Technology Inc	704,000	16,286,389	0.42
Taiwan Semiconductor Manufacturing Co Ltd	384,000	23,167,725	0.60
		59,564,697	1.54
<i>United Kingdom</i>			
3i Group Plc	80,885	7,778,700	0.20
Anglo American Plc	55,581	9,066,683	0.24
Ashtead Group Plc	58,073	12,178,508	0.32
Bellway Plc	28,742	10,781,105	0.28
Boohoo.Com Plc	410,122	8,138,697	0.21
British American Tobacco Plc	15,744	8,317,182	0.22
Conviviality Plc	153,761	6,535,656	0.17
Diageo Plc	58,234	16,706,044	0.44
Glencore Plc	380,580	15,625,756	0.41
KAZ Minerals Plc	91,701	8,635,449	0.23
Legal & General Group Plc	442,245	12,724,275	0.33
Lloyds Banking Group Plc	1,965,658	14,084,142	0.37
National Express Group Plc	223,318	8,954,991	0.23
Rentokil Initial Plc	296,994	9,942,722	0.26
Royal Dutch Shell Plc-A	62,935	16,431,394	0.43
Royal Dutch Shell Plc-B	32,069	8,468,959	0.22
UDG Healthcare Plc	95,531	8,498,289	0.22
Unilever Plc	28,644	12,440,583	0.32
		195,309,135	5.10
<i>United States</i>			
AbbVie Inc	30,380	22,963,503	0.60
Accelaron Pharma Inc	12,624	4,187,467	0.11
Accenture Plc-A	13,953	16,695,268	0.44
Adobe Systems Inc	8,740	11,970,814	0.31
Advanced Energy Industries Inc	16,694	8,804,698	0.23
Aetna Inc	10,341	14,579,881	0.38
Agilent Technologies Inc	16,250	8,505,751	0.22
Alphabet Inc-A	4,092	33,690,538	0.87
Alphabet Inc-C	1,835	15,007,653	0.39
Alteryx Inc-A	16,861	3,330,179	0.09
Amazon.com Inc	2,908	26,580,459	0.69
American Electric Power Co Inc	22,303	12,824,576	0.33
American Financial Group Inc	25,170	21,352,662	0.56
American Tower Corp	11,931	13,304,192	0.35
Amgen Inc	5,314	7,222,709	0.19
AMN Healthcare Services Inc	23,613	9,089,425	0.24
Andeavor	15,547	13,893,887	0.36
Anthem Inc	8,372	14,723,465	0.38
Apple Inc	39,777	52,612,432	1.36
Apptio Inc-A	21,808	4,008,964	0.10
Aramark	32,316	10,795,210	0.28
Aspen Technology Inc	20,736	10,729,067	0.28
AT&T Inc	29,145	8,856,646	0.23
Avista Corp	25,060	10,085,164	0.26
Bank of America Corp	130,502	30,110,123	0.77
Baxter International Inc	28,387	14,341,674	0.37
Berkshire Hathaway Inc-B	5,428	8,409,425	0.22
Best Buy Co Inc	18,774	10,046,994	0.26
BGC Partners Inc-A	67,733	7,999,149	0.21
Blackbaud Inc	12,886	9,516,625	0.25

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United States <i>(continued)</i></i>			
Bluebird Bio Inc	3,246	4,518,470	0.12
CACI International Inc-A	11,164	11,548,425	0.30
Caleres Inc	23,506	6,150,964	0.16
Carrizo Oil & Gas Inc	26,832	4,462,761	0.12
Carvana Co	23,201	3,467,158	0.09
Casella Waste Systems Inc-A	48,338	8,697,070	0.23
CBRE Group Inc-A	25,234	8,541,876	0.22
Celgene Corp	11,432	9,324,709	0.24
Centene Corp	11,546	9,103,651	0.24
CenterPoint Energy Inc	45,469	10,078,610	0.26
CenterState Banks Corp	42,391	8,524,962	0.22
Central Garden & Pet Co-A	31,598	9,313,118	0.24
Central Pacific Financial Corp	36,193	8,438,336	0.22
Chevron Corp	17,322	16,949,101	0.44
CIGNA Corp	8,866	14,073,278	0.37
Cisco Systems Inc	100,611	30,117,800	0.78
Citigroup Inc	10,988	6,390,413	0.17
Citizens Financial Group Inc	30,772	10,096,646	0.26
Citrix Systems Inc	11,622	7,993,602	0.21
Colgate-Palmolive Co	24,425	14,403,658	0.38
Comcast Corp-A	68,513	21,446,405	0.56
Comerica Inc	24,772	16,807,759	0.44
ConocoPhillips	22,040	9,455,485	0.25
Copa Holdings SA-A	10,754	11,268,036	0.29
Crane Co	10,239	7,140,009	0.19
Cummins Inc	9,143	12,622,831	0.33
Delek US Holdings Inc	19,625	5,359,343	0.14
DowDuPont Inc	17,137	9,539,283	0.25
DXC Technology Co	19,089	14,158,863	0.37
East West Bancorp Inc	19,851	9,437,983	0.25
eBay Inc	23,059	6,801,761	0.18
Entergy Corp	16,065	10,219,526	0.27
EOG Resources Inc	17,415	14,688,051	0.38
ExService Holdings Inc	19,711	9,297,473	0.24
Exxon Mobil Corp	20,051	13,107,777	0.34
Facebook Inc-A	18,155	25,039,262	0.65
FibroGen Inc	11,698	4,333,801	0.11
First American Financial Corp	37,773	16,544,689	0.43
First Busey Corp	36,266	8,486,536	0.22
First Industrial Realty Trust Inc	38,035	9,355,331	0.24
First Merchants Corp	26,423	8,686,211	0.23
Freemont-McMoRan Inc	61,317	9,086,533	0.24
General Electric Co	28,554	3,894,407	0.10
Gilead Sciences Inc	27,462	15,376,827	0.40
Graphic Packaging Holding Co	66,090	7,980,741	0.21
HealthSouth Corp	24,897	9,614,813	0.25
Highwoods Properties Inc	20,560	8,180,977	0.21
Hillenbrand Inc	24,114	8,424,726	0.22
Honeywell International Inc	9,077	10,880,113	0.28
HP Inc	95,374	15,661,561	0.41
Huntington Ingalls Industries Inc	5,996	11,045,877	0.29
Huntsman Corp	91,065	23,694,321	0.62
II-VI Inc	32,917	12,079,107	0.31
Ingersoll-Rand Plc	15,376	10,718,611	0.28
Insperty Inc	25,146	11,271,490	0.29
Intel Corp	19,843	7,158,996	0.19
Johnson & Johnson	20,693	22,597,533	0.59
JPMorgan Chase & Co	44,833	37,472,872	0.97
K12 Inc	39,381	4,893,987	0.13
K2M Group Holdings Inc	30,209	4,249,989	0.11
KMG Chemicals Inc	17,085	8,823,970	0.23
L3 Technologies Inc	9,532	14,740,054	0.38
Las Vegas Sands Corp	21,702	11,786,940	0.31

# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United States (continued)</i>			
Lear Corp	10,000	13,807,569	0.36
Liberty Property Trust	26,520	8,915,012	0.23
Live Nation Entertainment Inc	18,583	6,182,989	0.16
Lockheed Martin Corp	5,125	12,860,135	0.34
Lowe's Cos Inc	21,721	15,778,346	0.41
Mammoth Energy Services Inc	39,894	6,120,781	0.16
Marathon Petroleum Corp	22,697	11,704,686	0.31
MasTec Inc	23,258	8,898,239	0.23
MasterCard Inc-A	13,219	15,638,270	0.41
Medifast Inc	12,021	6,558,994	0.17
Merck & Co Inc	21,077	9,269,679	0.24
Michael Kors Holdings Ltd	32,233	15,858,987	0.41
Microsoft Corp	77,831	52,035,634	1.35
Moelis & Co-A	23,138	8,770,948	0.23
MongoDB Inc	9,190	2,131,859	0.06
Monmouth Real Estate Investment Corp	75,546	10,510,188	0.27
NCS Multistage Holdings Inc	20,435	2,354,242	0.06
Neurocrine Biosciences Inc	8,170	4,954,579	0.13
Nevro Corp	13,413	7,237,785	0.19
NextEra Energy Inc	8,806	10,750,060	0.28
Norfolk Southern Corp	18,515	20,968,680	0.55
On Assignment Inc	18,233	9,158,944	0.24
Oracle Corp	37,481	13,850,569	0.36
Owens Corning	13,810	9,923,781	0.26
PepsiCo Inc	7,860	7,367,042	0.19
Pfizer Inc	36,601	10,361,446	0.27
Philip Morris International Inc	22,497	18,576,894	0.48
Planet Fitness Inc-A	48,973	13,255,258	0.35
Plantronics Inc	23,973	9,439,729	0.25
PPL Corp	28,685	6,938,962	0.18
PRA Health Sciences Inc	29,274	20,837,058	0.54
Preferred Apartment Communities Inc-A	46,154	7,304,885	0.19
Prestige Brands Holdings Inc	19,954	6,926,116	0.18
ProLogis Inc	30,031	15,141,741	0.39
Prudential Financial Inc	16,682	14,991,649	0.39
Raytheon Co	8,444	12,397,623	0.32
Regal Beloit Corp	11,145	6,672,488	0.17
Reinsurance Group of America Inc	9,991	12,176,364	0.32
Resolute Energy Corp	13,458	3,310,215	0.09
Revanche Therapeutics Inc	13,707	3,829,988	0.10
Rexnord Corp	39,840	8,102,249	0.21
Ring Energy Inc	32,010	3,477,599	0.09
Royal Caribbean Cruises Ltd	11,496	10,717,497	0.28
Ruth's Hospitality Group Inc	33,424	5,655,817	0.15
SailPoint Technologies Holdings Inc	24,590	2,786,798	0.07
Sandy Spring Bancorp Inc	18,655	5,689,335	0.15
Seattle Genetics Inc	8,359	3,495,321	0.09
SendGrid Inc	9,816	1,838,999	0.05
Southwest Airlines Co	21,949	11,228,025	0.29
Southwest Gas Corp	14,956	9,407,677	0.25
SP Plus Corp	28,516	8,268,781	0.22
Steel Dynamics Inc	23,669	7,978,814	0.21
Summit Hotel Properties Inc	68,021	8,096,958	0.21
Switch Inc-A	17,533	2,492,688	0.06
Syneos Health Inc	15,474	5,273,125	0.14
SYNNEX Corp	9,370	9,956,296	0.26
Synopsys Inc	19,345	12,888,167	0.34
Taylor Morrison Home Corp-A	41,773	7,989,298	0.21
The Allstate Corp	21,607	17,683,231	0.46
The Boeing Co	6,780	15,627,812	0.41
The Coca-Cola Co	17,070	6,121,191	0.16
The Hartford Financial Services Group Inc	42,447	18,671,537	0.49

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United States (continued)</i>			
The Home Depot Inc	11,894	17,619,147	0.46
The Procter & Gamble Co	13,471	9,673,860	0.25
Tier REIT Inc	47,061	7,499,933	0.20
Time Warner Inc	6,411	4,583,354	0.12
Trinseo SA	35,104	19,919,215	0.52
Tutor Perini Corp	26,407	5,232,100	0.14
Union Bankshares Corp	29,398	8,310,847	0.22
UnitedHealth Group Inc	16,621	28,639,534	0.75
Univar Inc	29,820	7,215,851	0.19
Unum Group	24,318	10,432,781	0.27
Vail Resorts Inc	5,351	8,886,107	0.23
VeriSign Inc	10,720	9,588,521	0.25
Verizon Communications Inc	29,296	12,119,626	0.32
Vishay Intertechnology Inc	44,629	7,237,928	0.19
Visteon Corp	11,071	10,828,343	0.28
Wal-Mart Stores Inc	25,760	19,882,086	0.52
Waste Management Inc	20,130	13,577,930	0.35
Wells Fargo & Co	30,006	14,228,565	0.37
WestRock Co	24,578	12,142,590	0.32
Xerox Corp	50,237	11,445,671	0.30
		2,028,143,686	52.85
<b>Total listed shares</b>		3,753,450,695	97.85
<b>Total investments</b>		3,753,450,695	97.85
<b>Other net assets</b>		82,446,250	2.15
<b>Total net asset value</b>		3,835,896,945	100.00
<b>Total cost of investments</b>		2,990,933,710	
* 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 2017

Principal Pension Bond Fund				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b>				
<b>Fixed coupon rate debt instruments</b>				
<i>Denominated in United States Dollar</i>				
21st Century Fox America Inc-3%	15/9/2022	2,630,000	20,856,281	0.86
Abbott Laboratories-2.9%	30/11/2021	3,155,000	24,944,643	1.02
Abu Dhabi National Energy Co PJSC-4.375%	22/6/2026	300,000	2,412,304	0.10
Activision Blizzard Inc-6.125%	15/9/2023	845,000	7,001,567	0.29
Alibaba Group Holding Ltd-2.5%	28/11/2019	500,000	3,919,342	0.16
Alibaba Group Holding Ltd-3.4%	6/12/2027	1,170,000	9,142,298	0.38
Alibaba Group Holding Ltd-3.6%	28/11/2024	500,000	4,053,959	0.17
Allergan Funding SCS-3.45%	15/3/2022	2,610,000	20,726,992	0.85
Allergan Funding SCS-3.85%	15/6/2024	2,180,000	17,460,249	0.72
Altria Group Inc-2.85%	9/8/2022	2,425,000	19,077,931	0.78
Altria Group Inc-4%	31/1/2024	1,310,000	10,862,179	0.45
Amazon.com Inc-2.8%	22/8/2024	1,740,000	13,558,323	0.56
America Movil SAB de CV-5%	30/3/2020	1,000,000	8,237,490	0.34
American Express Co-3%	30/10/2024	1,755,000	13,694,148	0.56
American International Group Inc-3.3%	1/3/2021	3,295,000	26,253,650	1.08
American International Group Inc-3.75%	10/7/2025	610,000	4,915,612	0.20
American International Group Inc-3.9%	1/4/2026	2,000,000	16,210,301	0.67
Andeavor Logistics LP / Tesoro Logistics Finance Corp-3.5%	1/12/2022	235,000	1,833,252	0.08
Anheuser-Busch Inbev Finance Inc-3.65%	1/2/2026	2,910,000	23,471,585	0.96
Apache Corp-2.625%	15/1/2023	1,000,000	7,664,561	0.31
Apache Corp-3.25%	15/4/2022	1,170,000	9,213,672	0.38
Apple Inc-1.7%	22/2/2019	905,000	7,056,767	0.29
Apple Inc-2.75%	13/1/2025	560,000	4,338,834	0.18
Apple Inc-2.85%	6/5/2021	3,360,000	26,682,736	1.10
Apple Inc-3%	9/2/2024	1,475,000	11,674,783	0.48
Apple Inc-3.2%	11/5/2027	1,290,000	10,210,559	0.42
Apple Inc-4.65%	23/2/2046	185,000	1,693,248	0.07
Arch Capital Finance Llc-4.011%	15/12/2026	2,245,000	18,268,286	0.75
AT&T Inc-2.45%	30/6/2020	1,245,000	9,720,150	0.40
AT&T Inc-3.4%	15/5/2025	1,735,000	13,332,090	0.55
AT&T Inc-3.6%	17/2/2023	920,000	7,355,797	0.30
AT&T Inc-3.8%	15/3/2022	3,030,000	24,475,175	1.01
AT&T Inc-3.9%	14/8/2027	245,000	1,927,691	0.08
AT&T Inc-4.75%	15/5/2046	100,000	764,432	0.03
Baidu Inc-3%	30/6/2020	500,000	3,923,285	0.16
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-2.773%	15/12/2022	875,000	6,830,330	0.28
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-3.337%	15/12/2027	700,000	5,461,944	0.22
Baltimore Gas and Electric Co-3.35%	1/7/2023	565,000	4,527,019	0.19
Bank of America Corp-4.2%	26/8/2024	595,000	4,897,265	0.20
BAT Capital Corp-3.222%	15/8/2024	3,500,000	27,354,555	1.12
Bayer US Finance Llc-3%	8/10/2021	1,135,000	8,962,108	0.37
Becton Dickinson & Co-3.125%	8/11/2021	980,000	7,724,168	0.32
Becton Dickinson & Co-3.7%	6/6/2027	2,120,000	16,697,460	0.69
BHP Billiton Finance (USA) Ltd-3.85%	30/9/2023	2,000,000	16,654,213	0.68
Boston Gas Co-3.15%	1/8/2027	525,000	4,090,151	0.17
BP Capital Markets Plc-2.241%	26/9/2018	1,650,000	12,919,951	0.53
BPCE-4.5%	15/3/2025	1,915,000	15,643,977	0.64
BPCE-4.875%	1/4/2026	1,750,000	14,649,169	0.60
BPCE-5.7%	22/10/2023	2,435,000	21,086,875	0.87
Brighthouse Financial Inc-3.7%	22/6/2027	4,200,000	32,284,120	1.33
Brookfield Finance Llc-4%	1/4/2024	1,605,000	12,986,425	0.53
Buckeye Partners LP-3.95%	1/12/2026	1,250,000	9,602,908	0.39
Burlington Northern Santa Fe Llc-3.45%	15/9/2021	1,040,000	8,398,574	0.35
Capital One Bank (USA) National Association-2.15%	21/11/2018	1,385,000	10,825,303	0.44
Celgene Corp-2.875%	15/8/2020	1,025,000	8,085,963	0.33
Celgene Corp-3.45%	15/11/2027	1,085,000	8,473,934	0.35
Chevron Corp-2.355%	5/12/2022	1,250,000	9,692,439	0.40

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Fixed coupon rate debt instruments <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
Cisco Systems Inc-2.2%	28/2/2021	1,125,000	8,764,996	0.36
Citigroup Inc-3.5%	15/5/2023	960,000	7,637,482	0.31
Citigroup Inc-4.45%	29/9/2027	330,000	2,730,657	0.11
Coca-Cola FEMSA SAB de CV-3.875%	26/11/2023	850,000	6,949,416	0.29
Colombia Government-5%	15/6/2045	200,000	1,653,063	0.07
Comcast Corp-2.75%	1/3/2023	3,500,000	27,486,820	1.13
Comcast Corp-3.15%	1/3/2026	990,000	7,795,194	0.32
Comcast Corp-3.375%	15/2/2025	300,000	2,407,486	0.10
Concho Resources Inc-3.75%	1/10/2027	1,050,000	8,313,850	0.34
ConocoPhillips Co-3.35%	15/11/2024	750,000	6,035,116	0.25
Cooperatieve Rabobank U.A.-4.375%	4/8/2025	3,125,000	25,782,822	1.06
Corporacion Nacional del Cobre de Chile-4.5%	16/9/2025	800,000	6,693,843	0.27
CSX Corp-3.7%	30/10/2020	800,000	6,459,135	0.27
CSX Transportation Inc-6.251%	15/1/2023	353,377	3,115,771	0.13
CVS Health Corp-2.25%	5/12/2018	820,000	6,417,530	0.26
CVS Health Corp-4.125%	15/5/2021	2,160,000	17,540,147	0.72
CVS Health Corp-5%	1/12/2024	1,135,000	9,649,490	0.40
Daimler Finance North America Llc-2.375%	1/8/2018	2,005,000	15,703,945	0.65
Daimler Finance North America Llc-2.7%	3/8/2020	855,000	6,714,871	0.28
Devon Energy Corp-3.25%	15/5/2022	2,645,000	21,028,529	0.86
Discover Bank-3.1%	4/6/2020	255,000	2,016,708	0.08
Discovery Communications Llc-2.95%	20/3/2023	2,200,000	17,017,476	0.70
Discovery Communications Llc-3.95%	20/3/2028	700,000	5,441,892	0.22
Dominion Energy Inc-3.9%	1/10/2025	3,000,000	24,470,277	1.01
DTE Energy Co-6.375%	15/4/2033	935,000	9,460,976	0.39
Duke Energy Corp-2.65%	1/9/2026	600,000	4,493,367	0.18
Enable Midstream Partners LP-4.4%	15/3/2027	1,000,000	7,947,723	0.33
EnLink Midstream Partners LP-4.4%	1/4/2024	1,500,000	12,109,553	0.50
Equate Petrochemical BV-3%	3/3/2022	250,000	1,924,110	0.08
Exxon Mobil Corp-2.222%	1/3/2021	1,975,000	15,401,856	0.63
Ford Motor Credit Co Llc-2.597%	4/11/2019	1,250,000	9,776,264	0.40
GE Capital International Funding Co Unlisted Co-2.342%	15/11/2020	1,659,000	12,906,789	0.53
GE Capital International Funding Co Unlisted Co-4.418%	15/11/2035	515,000	4,356,288	0.18
General Electric Co-2.7%	9/10/2022	985,000	7,686,875	0.32
General Electric Co-5.3%	11/2/2021	262,000	2,211,159	0.09
Genzyme Corp-5%	15/6/2020	980,000	8,136,023	0.33
Georgia-Pacific Llc-3.734%	15/7/2023	1,815,000	14,778,515	0.61
Georgia-Pacific Llc-5.4%	1/11/2020	460,000	3,877,611	0.16
Gilead Sciences Inc-2.55%	1/9/2020	1,000,000	7,885,352	0.32
Glencore Funding Llc-3%	27/10/2022	1,180,000	9,132,840	0.38
Gruma SAB de CV-4.875%	1/12/2024	300,000	2,508,904	0.10
Grupo Bimbo SAB de CV-4.875%	27/6/2044	500,000	4,050,012	0.17
HSBC Holdings Plc-3.6%	25/5/2023	2,760,000	22,194,405	0.91
HSBC Holdings Plc-4.375%	23/11/2026	420,000	3,427,175	0.14
Humana Inc-3.85%	1/10/2024	655,000	5,324,544	0.22
Humana Inc-3.95%	15/3/2027	1,570,000	12,705,171	0.52
Hungary Government-5.375%	21/2/2023	600,000	5,217,113	0.21
Hyundai Capital America-2.5%	18/3/2019	1,000,000	7,796,876	0.32
Imperial Brands Finance Plc-4.25%	21/7/2025	1,980,000	16,226,646	0.67
Ingersoll-Rand Global Holding Co Ltd-2.875%	15/1/2019	525,000	4,124,361	0.17
Ingersoll-Rand Luxembourg Finance SA-2.625%	1/5/2020	1,355,000	10,587,685	0.43
Intesa Sanpaolo Spa-3.125%	14/7/2022	4,740,000	36,780,217	1.50
Intesa Sanpaolo Spa-3.875%	14/7/2027	2,715,000	21,210,237	0.87
Kinder Morgan Inc-5.625%	15/11/2023	2,200,000	18,985,063	0.78
KLA-Tencor Corp-4.125%	1/11/2021	540,000	4,402,831	0.18
Lloyds Banking Group Plc-4.582%	10/12/2025	2,580,000	21,144,054	0.87



# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Fixed coupon rate debt instruments <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
Lloyds Banking Group Plc-4.65%	24/3/2026	1,340,000	11,058,816	0.45
Lockheed Martin Corp-2.5%	23/11/2020	550,000	4,326,205	0.18
Lowe's Cos Inc-3.1%	3/5/2027	1,440,000	11,294,682	0.46
Markel Corp-3.5%	1/11/2027	1,285,000	9,992,421	0.41
McCormick & Co Inc-3.4%	15/8/2027	645,000	5,107,276	0.21
McDonald's Corp-2.75%	9/12/2020	775,000	6,120,167	0.25
McDonald's Corp-3.7%	30/1/2026	525,000	4,277,272	0.18
Medtronic Inc-3.5%	15/3/2025	2,980,000	24,161,245	0.99
Mexico Government-4%	2/10/2023	650,000	5,316,571	0.22
Microsoft Corp-2.4%	8/8/2026	2,000,000	15,074,761	0.62
Monsanto Co-3.375%	15/7/2024	1,675,000	13,287,811	0.55
Monsanto Co-3.95%	15/4/2045	495,000	3,785,678	0.16
Morgan Stanley-4.1%	22/5/2023	4,050,000	32,978,846	1.34
Morgan Stanley-5%	24/11/2025	540,000	4,618,342	0.19
MPLX LP-4.5%	15/7/2023	815,000	6,729,988	0.28
Newell Brands Inc-5%	15/11/2023	390,000	3,217,132	0.13
Newmont Mining Corp-6.25%	1/10/2039	165,000	1,649,088	0.07
Nuveen Finance Llc-4.125%	1/11/2024	1,510,000	12,455,344	0.51
Oracle Corp-2.375%	15/1/2019	670,000	5,258,511	0.22
Oracle Corp-2.5%	15/10/2022	2,485,000	19,395,883	0.80
Pacific Gas & Electric Co-3.3%	1/12/2027	540,000	4,181,107	0.17
Pacific Gas & Electric Co-3.85%	15/11/2023	650,000	5,298,078	0.22
PacificCorp-3.85%	15/6/2021	1,710,000	13,963,548	0.57
Packaging Corp of America-2.45%	15/12/2020	750,000	5,870,149	0.24
Packaging Corp of America-3.4%	15/12/2027	75,000	587,653	0.02
Packaging Corp of America-4.5%	1/11/2023	1,500,000	12,612,260	0.52
Panama Government-3.875%	17/3/2028	600,000	4,900,569	0.20
Peruvian Government-5.625%	18/11/2050	550,000	5,515,290	0.23
Petroleos Mexicanos-6.5%	13/3/2027	100,000	854,278	0.04
Petroleos Mexicanos-6.875%	4/8/2026	800,000	7,089,021	0.29
Philip Morris International Inc-1.875%	25/2/2021	735,000	5,639,645	0.23
Philip Morris International Inc-2.375%	17/8/2022	365,000	2,810,924	0.12
Plains All American Pipeline LP & PAA Finance Corp-4.5%	15/12/2026	540,000	4,278,408	0.18
Poland Government-3.25%	6/4/2026	400,000	3,192,407	0.13
Progress Energy Inc-4.4%	15/1/2021	2,930,000	24,005,471	0.99
Qatar Government-2.375%	2/6/2021	500,000	3,835,653	0.16
QUALCOMM Inc-2.9%	20/5/2024	1,335,000	10,180,289	0.42
Reckitt Benckiser Treasury Services Plc-2.75%	26/6/2024	870,000	6,652,474	0.27
Reynolds American Inc-6.875%	1/5/2020	1,315,000	11,268,637	0.46
Romania-4.875%	22/1/2024	130,000	1,117,674	0.05
Santander UK Plc-5%	7/11/2023	2,270,000	18,958,473	0.78
Saudi Government-4.5%	26/10/2046	200,000	1,560,054	0.06
Schlumberger Investment SA-3.3%	14/9/2021	200,000	1,601,426	0.07
Sempra Energy-2.875%	1/10/2022	555,000	4,332,129	0.18
Shire Acquisitions Investments Ireland Designated Activity Co-3.2%	23/9/2026	1,955,000	14,940,148	0.61
Siemens Financieringsmaatschappij NV-2.35%	15/10/2026	1,400,000	10,335,599	0.42
Sigma Alimentos SA de CV-4.125%	2/5/2026	200,000	1,576,858	0.06
Skandinaviska Enskilda Banken AB-2.375%	25/3/2019	4,000,000	31,333,755	1.29
Southern Copper Corp-6.75%	16/4/2040	125,000	1,273,730	0.05
Spectra Energy Partners LP-4.75%	15/3/2024	870,000	7,392,622	0.30
Statoil ASA-2.25%	8/11/2019	2,000,000	15,630,581	0.64
Synchrony Bank-3%	15/6/2022	3,940,000	30,669,250	1.26
Synchrony Financial-2.6%	15/1/2019	1,145,000	8,966,137	0.37
Synchrony Financial-3%	15/8/2019	1,735,000	13,654,887	0.56
Synchrony Financial-3.95%	1/12/2027	700,000	5,448,113	0.22
Telefonica Emisiones SAU-5.462%	16/2/2021	1,840,000	15,556,377	0.64
The Home Depot Inc-2.25%	10/9/2018	510,000	3,997,517	0.16
The Home Depot Inc-3.35%	15/9/2025	1,420,000	11,470,081	0.47

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Fixed coupon rate debt instruments <i>(continued)</i></b>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
The Royal Bank Of Scotland Group Plc-3.875%	12/9/2023	2,290,000	18,201,664	0.75
The Royal Bank Of Scotland Group Plc-5.125%	28/5/2024	3,120,000	25,865,058	1.06
Time Warner Inc-3.6%	15/7/2025	260,000	2,036,680	0.08
Time Warner Inc-3.875%	15/1/2026	510,000	4,024,124	0.17
Time Warner Inc-4.05%	15/12/2023	535,000	4,373,898	0.18
Time Warner Inc-4.875%	15/3/2020	1,000,000	8,224,312	0.34
Total Capital SA-2.125%	10/8/2018	1,675,000	13,124,361	0.54
TransCanada Pipelines Ltd-7.125%	15/1/2019	1,210,000	9,919,102	0.41
Tyco Electronics Group SA-2.375%	17/12/2018	785,000	6,149,280	0.25
Union Pacific Corp-3.75%	15/3/2024	1,385,000	11,441,084	0.47
United Technologies Corp-5.4%	1/5/2035	115,000	1,088,606	0.04
Uruguay Government-5.1%	18/6/2050	150,000	1,301,347	0.05
Verizon Communications Inc-5.25%	16/3/2037	1,180,000	10,142,105	0.42
Viacom Inc-3.875%	15/12/2021	2,155,000	17,180,197	0.71
Vodafone Group Plc-1.5%	19/2/2018	1,170,000	9,137,763	0.38
Western Gas Partners LP-4%	1/7/2022	2,000,000	15,947,203	0.66
Wm. Wrigley Jr. Co-2.4%	21/10/2018	610,000	4,781,239	0.20
Wm. Wrigley Jr. Co-3.375%	21/10/2020	1,355,000	10,846,126	0.45
Xerox Corp-4.07%	17/3/2022	1,000,000	7,891,120	0.32
Xilinx Inc-2.95%	1/6/2024	1,120,000	8,699,149	0.36
Zimmer Biomet Holdings Inc-2%	1/4/2018	790,000	6,176,802	0.25
<b>Total fixed coupon rate debt instruments</b>			1,980,588,665	81.38
<b>Floating coupon rate debt instruments</b>				
<i>Denominated in United States Dollar</i>				
Bank of America Corp-Floating	21/7/2021	7,110,000	55,835,121	2.28
Bank of America Corp-Floating	21/7/2028	3,670,000	29,156,325	1.20
Citigroup Inc-Floating	24/7/2023	2,560,000	20,171,895	0.83
Citigroup Inc-Floating	27/10/2028	945,000	7,420,873	0.30
Credit Suisse Group AG-Floating	14/12/2023	850,000	6,706,462	0.28
Credit Suisse Group AG-Floating	14/12/2023	3,335,000	25,759,881	1.06
JPMorgan Chase & Co-Floating	10/1/2025	1,870,000	14,673,889	0.60
JPMorgan Chase & Co-Floating	1/3/2025	3,160,000	24,890,816	1.02
Morgan Stanley-Floating	8/5/2024	1,340,000	10,693,549	0.44
Nationwide Building Society-Floating	18/10/2032	3,875,000	30,296,849	1.24
The Goldman Sachs Group Inc-Floating	5/6/2023	7,165,000	55,628,573	2.28
The Goldman Sachs Group Inc-Floating	24/7/2023	1,785,000	14,071,168	0.58
The Royal Bank Of Scotland Group Plc- Floating	15/5/2023	1,190,000	9,402,803	0.39
UBS Group Funding Switzerland AG- Floating	15/8/2023	2,655,000	20,838,286	0.86
Wells Fargo & Co-Floating	31/10/2023	2,735,000	21,944,844	0.90
<b>Total floating coupon rate debt instruments</b>			347,491,334	14.26
<b>Total listed/quoted debt instruments</b>			2,328,079,999	95.64
<b>Total investments</b>			2,328,079,999	95.64
<b>Other net assets</b>			106,065,150	4.36
<b>Total net asset value</b>			2,434,145,149	100.00
<b>Total cost of investments</b>			2,317,908,724	
* 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 2017

Principal U.S. Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b>			
<i>United States</i>			
3M Co	7,386	13,587,495	0.84
AbbVie Inc	17,135	12,951,930	0.80
Accenture Plc-A	8,627	10,322,517	0.64
Activision Blizzard Inc	15,753	7,796,204	0.48
Adobe Systems Inc	8,238	11,283,245	0.70
Advanced Energy Industries Inc	7,000	3,691,918	0.23
Aetna Inc	5,804	8,183,119	0.51
Aflac Inc	9,041	6,202,847	0.38
Agilent Technologies Inc	9,977	5,222,269	0.32
Allegion Plc	3,176	1,974,942	0.12
Allergan Plc	1,219	1,558,522	0.10
Alphabet Inc-A	2,342	19,282,316	1.20
Alphabet Inc-C	2,492	20,380,966	1.26
Altria Group Inc	6,419	3,582,658	0.22
Amazon.com Inc	2,602	23,783,477	1.48
American Financial Group Inc	12,300	10,434,555	0.65
Ameriprise Financial Inc	3,158	4,182,962	0.26
AMETEK Inc	13,482	7,636,451	0.47
Amgen Inc	5,581	7,585,611	0.47
AMN Healthcare Services Inc	11,500	4,426,730	0.27
Andeavor	6,356	5,680,167	0.35
Anthem Inc	6,128	10,777,042	0.67
Apple Inc	35,620	47,114,030	2.93
Applied Materials Inc	19,760	7,895,084	0.49
Archer-Daniels-Midland Co	2,310	723,634	0.04
Artisan Partners Asset Management Inc-A	13,000	4,013,465	0.25
AT&T Inc	17,165	5,216,138	0.32
Avery Dennison Corp	3,649	3,275,832	0.20
Bank of America Corp	75,425	17,402,461	1.08
Baxter International Inc	13,021	6,578,467	0.41
BB&T Corp	10,915	4,241,640	0.26
Berkshire Hathaway Inc-B	14,912	23,102,679	1.43
Best Buy Co Inc	9,802	5,245,586	0.33
BGC Partners Inc-A	92,500	10,924,088	0.68
Biogen Inc	991	2,467,502	0.15
Blackbaud Inc	16,000	11,816,390	0.73
Brandywine Realty Trust	79,300	11,274,178	0.70
Brighthouse Financial Inc	112	51,332	0.00
Bristol-Myers Squibb Co	3,702	1,773,104	0.11
Broadcom Ltd	844	1,694,672	0.11
Caleres Inc	16,400	4,291,492	0.27
Camden Property Trust	12,300	8,850,240	0.55
Campbell Soup Co	4,347	1,634,572	0.10
Carrizo Oil & Gas Inc	44,200	7,351,448	0.46
Carvana Co	34,700	5,185,568	0.32
Cathay General Bancorp	34,600	11,404,039	0.71
CBRE Group Inc-A	17,909	6,062,315	0.38
Celgene Corp	456	371,944	0.02
Centene Corp	5,732	4,519,498	0.28
CenterPoint Energy Inc	20,858	4,623,362	0.29
Central Garden & Pet Co-A	19,700	5,806,330	0.36
Chevron Corp	11,169	10,928,559	0.68
Chubb Ltd	3,799	4,338,980	0.27
CIGNA Corp	5,126	8,136,659	0.50
Cisco Systems Inc	11,569	3,463,168	0.21
Citigroup Inc	11,827	6,878,360	0.43
Cognizant Technology Solutions Corp-A	7,456	4,138,715	0.26
Comcast Corp-A	44,636	13,972,264	0.87
Comerica Inc	8,202	5,565,043	0.35
Crane Co	14,500	10,111,352	0.63
Cummins Inc	4,115	5,681,171	0.35
CVS Health Corp	18,753	10,626,439	0.66

Principal U.S. Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United States <i>(continued)</i></i>			
Danaher Corp	9,502	6,893,433	0.43
Darden Restaurants Inc	7,344	5,511,545	0.34
Darling Ingredients Inc	52,761	7,476,353	0.46
Delek US Holdings Inc	20,000	5,461,751	0.34
Discover Financial Services	8,608	5,175,121	0.32
DowDuPont Inc	6,802	3,786,322	0.23
DR Horton Inc	13,319	5,316,386	0.33
DXC Technology Co	4,815	3,571,425	0.22
East West Bancorp Inc	23,600	11,220,412	0.70
Eastman Chemical Co	6,088	4,408,108	0.27
Eldorado Resorts Inc	12,700	3,290,533	0.20
Eli Lilly & Co	1,003	662,111	0.04
Entegris Inc	39,700	9,448,368	0.59
Entergy Corp	3,809	2,423,042	0.15
Esterline Technologies Corp	11,400	6,655,864	0.41
Everest Re Group Ltd	425	734,972	0.05
Exelon Corp	13,784	4,245,811	0.26
Exxon Mobil Corp	28,400	18,565,701	1.15
Facebook Inc-A	17,622	24,304,150	1.51
Fifth Third Bancorp	21,379	5,069,696	0.31
First American Financial Corp	16,900	7,402,251	0.46
Foot Locker Inc	2,035	745,643	0.05
Fortive Corp	8,307	4,697,445	0.29
Freeport-McMoRan Inc	37,737	5,592,226	0.35
General Dynamics Corp	5,951	9,462,952	0.59
General Electric Co	8,024	1,094,373	0.07
HealthSouth Corp	33,500	12,937,151	0.80
Honeywell International Inc	9,526	11,418,306	0.71
Horizon Pharma Plc	19,198	2,190,725	0.14
Humana Inc	3,218	6,239,349	0.39
Huntsman Corp	21,800	5,672,171	0.35
II-VI Inc	25,400	9,320,695	0.58
Illinois Tool Works Inc	7,826	10,205,753	0.63
Insperty Inc	24,400	10,937,101	0.68
Installed Building Products Inc	14,600	8,666,817	0.54
Intel Corp	38,688	13,957,932	0.87
International Business Machines Corp	572	685,894	0.04
International Paper Co	1,036	469,156	0.03
Johnson & Johnson	23,803	25,993,768	1.61
JPMorgan Chase & Co	29,560	24,707,203	1.53
K12 Inc	18,700	2,323,902	0.14
Kimberly-Clark Corp	8,253	7,783,128	0.48
KMG Chemicals Inc	11,300	5,836,164	0.36
Korn/Ferry International	27,500	8,894,103	0.55
L3 Technologies Inc	3,112	4,812,321	0.30
Leidos Holdings Inc	22,700	11,456,069	0.71
Lincoln National Corp	7,840	4,710,337	0.29
Live Nation Entertainment Inc	35,600	11,844,934	0.73
Lockheed Martin Corp	3,841	9,638,201	0.60
Lowe's Cos Inc	11,889	8,636,285	0.54
LyondellBasell Industries NV-A	8,718	7,517,096	0.47
Marathon Petroleum Corp	14,063	7,252,192	0.45
Marriott International Inc-A	8,891	9,432,036	0.59
MasTec Inc	21,300	8,149,131	0.51
MasterCard Inc-A	10,303	12,188,600	0.76
McDonald's Corp	9,745	13,109,682	0.81
Medifast Inc	3,400	1,855,135	0.12
Medtronic Plc	876	552,873	0.03
MetLife Inc	1,237	488,828	0.03
Mettler-Toledo International Inc	927	4,488,633	0.28
Microsoft Corp	55,311	36,979,389	2.30
MongoDB Inc	11,200	2,598,130	0.16
Monmouth Real Estate Investment Corp	33,000	4,591,060	0.28



# INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2017

Principal U.S. Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United States (continued)</i>			
Morgan Stanley	5,099	2,091,101	0.13
NCS Multistage Holdings Inc	17,900	2,062,194	0.13
Nektar Therapeutics	9,100	4,247,566	0.26
Netflix Inc	4,701	7,053,099	0.44
NETGEAR Inc	10,900	5,005,107	0.31
Nevro Corp	5,500	2,967,854	0.18
Northrop Grumman Corp	3,215	7,712,071	0.48
Nucor Corp	7,798	3,875,098	0.24
NVIDIA Corp	6,966	10,535,216	0.65
OGE Energy Corp	33,500	8,616,912	0.53
Old National Bancorp	46,239	6,306,419	0.39
On Assignment Inc	12,000	6,027,935	0.37
ONEOK Inc	10,254	4,283,710	0.27
Oracle Corp	3,526	1,302,983	0.08
Owens Corning	17,900	12,862,830	0.80
Parker-Hannifin Corp	3,533	5,511,117	0.34
Patterson-UTI Energy Inc	21,400	3,848,659	0.24
PayPal Holdings Inc	15,385	8,852,630	0.55
PepsiCo Inc	7,690	7,207,704	0.45
Pfizer Inc	44,219	12,518,041	0.78
Philip Morris International Inc	5,555	4,587,040	0.28
Phillips 66	10,039	7,936,615	0.49
Piper Jaffray Cos	6,700	4,516,613	0.28
Planet Fitness Inc-A	30,200	8,174,071	0.51
Ply Gem Holdings Inc	17,500	2,530,398	0.16
Preferred Apartment Communities Inc-A	28,834	4,563,614	0.28
ProLogis Inc	10,024	5,054,138	0.31
Prudential Financial Inc	8,636	7,760,933	0.48
QUALCOMM Inc	1,651	826,117	0.05
Quest Diagnostics Inc	6,190	4,764,988	0.30
Raytheon Co	5,405	7,935,712	0.49
Red Hat Inc	5,536	5,196,586	0.32
Regions Financial Corp	39,328	5,311,591	0.33
Reliance Steel & Aluminum Co	5,100	3,419,683	0.21
Rexnord Corp	60,900	12,385,216	0.77
Rockwell Automation Inc	4,655	7,143,805	0.44
Ross Stores Inc	11,246	7,053,783	0.44
Royal Caribbean Cruises Ltd	4,437	4,136,529	0.26
Ruth's Hospitality Group Inc	26,700	4,518,020	0.28
SailPoint Technologies Holdings Inc	19,773	2,240,885	0.14
SendGrid Inc	7,886	1,477,419	0.09
Southwest Gas Corp	19,400	12,203,058	0.76
Stanley Black & Decker Inc	4,435	5,882,052	0.36
Starbucks Corp	297	133,314	0.01
Steel Dynamics Inc	9,400	3,168,738	0.20
Summit Hotel Properties Inc	61,700	7,344,531	0.46
SunTrust Banks Inc	10,895	5,500,112	0.34
Switch Inc-A	12,800	1,819,792	0.11
Syneos Health Inc	20,900	7,122,161	0.44
Synopsys Inc	9,968	6,640,954	0.41
T. Rowe Price Group Inc	7,019	5,756,439	0.36
Take-Two Interactive Software Inc	5,900	5,062,374	0.31
Taylor Morrison Home Corp-A	12,000	2,295,061	0.14
TechnipFMC Plc	12,582	3,079,015	0.19
Texas Instruments Inc	9,408	7,679,681	0.48
The Allstate Corp	7,091	5,803,295	0.36
The Boeing Co	6,717	15,482,598	0.96
The Coca-Cola Co	11,043	3,959,948	0.25
The Goldman Sachs Group Inc	3,470	6,909,390	0.43
The Hartford Financial Services Group Inc	10,882	4,786,762	0.30
The Home Depot Inc	13,492	19,986,341	1.24
The PNC Financial Services Group Inc	7,804	8,801,009	0.55
The Priceline Group Inc	491	6,668,763	0.41

Principal U.S. Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>United States (continued)</i>			
The Procter & Gamble Co	11,627	8,349,638	0.52
The TJX Cos Inc	7,435	4,443,184	0.28
The Travelers Cos Inc	5,292	5,610,307	0.35
The Walt Disney Co	5,870	4,932,487	0.31
Time Warner Inc	10,054	7,187,809	0.45
Total System Services Inc	5,691	3,517,946	0.22
Trinseo SA	15,700	8,908,719	0.55
Union Bankshares Corp	6,000	1,696,207	0.11
Union Pacific Corp	1,066	1,117,288	0.07
UnitedHealth Group Inc	9,595	16,533,080	1.03
Unum Group	10,890	4,671,971	0.29
US Bancorp	21,408	8,965,155	0.56
US Concrete Inc	8,300	5,426,540	0.34
V.F. Corp	8,282	4,790,115	0.30
Valero Energy Corp	10,819	7,771,930	0.48
Valley National Bancorp	125,700	11,023,186	0.68
Verizon Communications Inc	11,075	4,581,679	0.28
Visa Inc-A	17,637	15,717,546	0.98
Vishay Intertechnology Inc	66,800	10,833,619	0.67
Visteon Corp	11,200	10,954,515	0.68
Walgreens Boots Alliance Inc	17,200	9,762,559	0.61
Wal-Mart Stores Inc	17,387	13,419,636	0.83
Waste Management Inc	9,229	6,225,073	0.39
Wellcare Health Plans Inc	6,300	9,902,690	0.61
Wells Fargo & Co	17,144	8,129,524	0.50
Wyndham Worldwide Corp	4,186	3,790,960	0.24
Xcel Energy Inc	2,435	915,616	0.06
Xerox Corp	34,600	7,883,039	0.49
<b>Total listed shares</b>		1,588,605,395	98.58
<b>Total investments</b>		1,588,605,395	98.58
<b>Other net assets</b>		22,964,187	1.42
<b>Total net asset value</b>		1,611,569,582	100.00
<b>Total cost of investments</b>		1,299,330,581	
* 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			Principal China Equity Fund		
	% of net assets as at 31 December 2017	% of net assets as at 31 December 2016		% of net assets as at 31 December 2017	% of net assets as at 31 December 2016
<b>Listed shares (by country/by region)</b>			<b>Listed shares (by industry sector)</b>		
Australia	5.39	6.81	Consumer discretionary	10.69	6.71
China	28.34	23.64	Consumer staples	2.38	4.37
Hong Kong	13.53	12.30	Energy	9.52	10.52
India	10.79	10.71	Financials	43.81	37.52
Indonesia	2.10	1.28	Health care	1.22	3.22
Malaysia	1.22	1.61	Industrials	4.04	6.42
New Zealand	-	0.28	Information technology	13.99	12.89
Singapore	4.91	2.06	Materials	2.81	2.54
South Korea	17.84	18.32	Telecommunication services	6.13	10.17
Taiwan	10.35	16.70	Utilities	2.43	3.29
Thailand	3.41	3.54			
The Philippines	-	0.05			
	97.88	97.30	Other net assets	2.98	2.35
Other net assets	2.12	2.70			
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>	<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

# INVESTMENT REPORT *(continued)*

## Statement of movements in portfolio holdings

Principal European Equity Fund			Principal Hong Kong Bond Fund		
	% of net assets as at 31 December 2017	% of net assets as at 31 December 2016		% of net assets as at 31 December 2017	% of net assets as at 31 December 2016
<b>Listed shares (by country/by region)</b>			<b>Listed/quoted debt instruments</b>		
Austria	2.35	1.77	Certificates of deposit	20.10	17.25
Belgium	0.54	0.51	Non-certificates of deposit	78.12	80.70
Denmark	5.75	7.35			
Finland	2.02	2.33		98.22	97.95
France	15.54	16.16	Other net assets	1.78	2.05
Germany	11.08	13.12			
Ireland	1.12	2.41	Total net assets	100.00	100.00
Italy	4.44	1.85			
Netherlands	7.15	4.19			
Norway	2.04	2.09			
Portugal	0.42	1.17			
Spain	3.86	2.09			
Sweden	2.22	4.09			
Switzerland	11.34	10.68			
United Kingdom	28.18	26.49			
	98.05	96.30			
Other net assets	1.95	3.70			
Total net assets	100.00	100.00			

# INVESTMENT REPORT *(continued)*

## Statement of movements in portfolio holdings

Principal Hong Kong Dollar Savings Fund			Principal Hong Kong Equity Fund		
	% of net assets as at 31 December 2017	% of net assets as at 31 December 2016		% of net assets as at 31 December 2017	% of net assets as at 31 December 2016
<b>Listed/quoted debt instruments</b>			<b>Listed shares (by industry sector)</b>		
Certificates of deposit	34.32	23.74	Consumer discretionary	13.54	8.85
Non-certificates of deposit	30.17	41.59	Consumer staples	2.49	3.23
			Energy	3.48	4.70
	64.49	65.33	Financials	51.35	45.53
Other net assets	35.51	34.67	Health care	0.50	1.86
			Industrials	5.99	8.41
Total net assets	100.00	100.00	Information technology	12.70	11.50
			Materials	1.77	1.83
			Telecommunication services	2.37	5.26
			Utilities	3.32	6.69
				97.51	97.86
			Other net assets	2.49	2.14
			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 2017	% of net assets as at 31 December 2016	Principal International Equity Fund	% of net assets as at 31 December 2017	% of net assets as at 31 December 2016
<b>Listed/quoted debt instruments (by currency)</b>			<b>Listed shares (by country/by region)</b>		
<b>Certificates of deposit (by currency)</b>			Australia	1.04	1.98
Canadian Dollar	-	0.16	Austria	1.21	0.50
<b>Non-certificates of deposit (by currency)</b>			Brazil	1.48	1.15
Australian Dollar	0.53	0.68	Canada	3.24	4.33
British Pound	4.69	3.66	China	3.58	1.61
Canadian Dollar	1.64	1.68	Denmark	0.41	0.39
Czech Koruna	-	0.05	Finland	0.22	0.42
Danish Krone	0.20	0.21	France	3.86	4.03
Euro	17.53	18.33	Germany	2.42	1.06
Japanese Yen	8.51	5.37	Hong Kong	1.17	0.43
Malaysian Ringgit	0.88	0.96	India	0.28	-
Mexican Peso	0.86	9.78	Indonesia	0.20	-
New Zealand Dollar	0.03	0.07	Ireland	0.13	0.20
Norwegian Krone	0.05	0.06	Israel	0.40	0.19
Polish Zloty	0.16	0.22	Italy	2.35	1.44
Singapore Dollar	0.14	0.15	Japan	8.25	8.90
South African Rand	-	0.07	Mexico	0.21	0.21
Swedish Krona	0.21	0.18	Netherlands	1.35	0.80
Swiss Franc	0.31	0.38	Norway	0.43	0.18
Thai Baht	0.07	0.08	Portugal	-	0.30
United States Dollar	58.19	54.19	Russia	-	0.34
	94.00	96.28	Singapore	0.36	0.17
<b>Forward contracts (by currency)</b>			South Africa	-	0.20
United States Dollar	(0.05)	0.07	South Korea	1.59	1.50
Other net assets	6.05	3.65	Spain	0.93	0.66
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>	Sweden	0.99	0.25
			Switzerland	2.26	2.51
			Taiwan	1.54	1.71
			Thailand	-	0.18
			United Kingdom	5.10	6.04
			United States	52.85	56.18
			<b>Total net assets</b>	<b>97.85</b>	<b>97.86</b>
			Other net assets	2.15	2.14
			<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

# INVESTMENT REPORT *(continued)*

## Statement of movements in portfolio holdings

Principal Pension Bond Fund		
	% of net assets as at 31 December 2017	% of net assets as at 31 December 2016
<b>Listed/quoted debt instruments</b>		
Fixed coupon rate debt instruments	81.38	88.47
Floating coupon rate debt instruments	14.26	2.99
	95.64	91.46
Other net assets	4.36	8.54
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

Principal U.S. Equity Fund		
	% of net assets as at 31 December 2017	% of net assets as at 31 December 2016
<b>Listed shares (by industry sector)</b>		
Consumer discretionary	13.21	11.24
Consumer staples	5.38	7.49
Energy	5.23	5.96
Financials	20.16	19.59
Health care	11.50	12.54
Industrials	14.01	12.96
Information technology	22.84	20.46
Materials	3.60	3.93
Telecommunication services	0.60	0.87
Utilities	2.05	2.86
	98.58	97.90
Other net assets	1.42	2.10
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

# INVESTMENT REPORT *(continued)*

## Investment income and performance

Year ended 31 December 2017										
	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\$
<b>Investment performance</b>										
Net gains of investments - realised	421,783,217	331,850,587	40,845,993	93,466,531	18,256,257	637,794,406	55,240,730	185,825,837	80,611,939	91,873,135
Net gains of investments - unrealised	1,149,049,831	775,127,429	223,383,595	15,085,600	5,633,199	1,609,632,316	250,341,596	526,582,284	34,687,662	172,867,758
Year ended 31 December 2016										
	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\$
<b>Investment performance</b>										
Net gains/(losses) of investments - realised	(65,392,212)	(168,055,524)	(10,298,600)	70,643,113	14,807,825	(246,247,320)	114,577,706	62,648,403	65,793,919	57,001,677
Net gains/(losses) of investments - unrealised	244,374,366	164,547,939	(23,963,720)	(82,084,403)	(529,784)	203,960,610	(51,907,724)	(14,055,308)	4,695,164	1,998,206
Year ended 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\$
<b>Investment performance</b>										
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)

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

	Year ended 31 December 2017									
	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\$
<b>Income derived from investments</b>										
Dividend income	140,817,139	119,527,290	30,662,573	-	-	228,255,587	-	78,171,930	-	25,178,176
Fixed deposit interest	-	-	-	-	10,202,721	-	-	-	-	-
Bank interest	56,712	303	19,615	145	301	-	60,973	32,930	67,618	11,434
Other income	-	-	359,993	-	-	-	-	304,255	-	63,704
	Year ended 31 December 2016									
	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\$
<b>Income derived from investments</b>										
Dividend income	102,510,672	96,955,769	23,172,405	-	-	167,674,581	-	81,659,424	-	24,577,401
Fixed deposit interest	-	-	-	-	8,808,540	-	-	-	-	-
Bank interest	25,958	301	4,485	343	210	-	25,906	18,301	58,458	4,163
Other income	-	151	372,545	-	-	-	-	315,592	4,730	-
	Year ended 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\$
<b>Income derived from investments</b>										
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



## 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.

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.

## INVESTMENT REPORT *(continued)*

### Investment objectives and policies *(continued)*

#### **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.

For and on behalf of

**Principal Trust Company (Asia) Limited**

Hong Kong

27 April 2018

## 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 2017;
- (2) during the year ended 31 December 2017, 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 2017 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 2017; and
- (5) in our opinion, there are no material changes which have not been reported to the Authority during the year ended 31 December 2017.

We declare that, during the year ended 31 December 2017, we have supervised and exercised proper controls over all persons appointed or engaged for the purposes of the Fund.

For and on behalf of  
**Principal Trust Company (Asia) Limited**  
Hong Kong  
27 April 2018

# INDEPENDENT AUDITOR'S 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)

## Report on the Audit of the Financial Statements

### Opinion

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 (each a separate sub-fund of Principal Life Style Fund and referred to individually or collectively as the "Sub-funds") set out on pages 54 to 94, which comprise the statements of net assets attributable to unitholders as at 31 December 2017, and the statements of profit or loss and other 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 2017 for Principal China Equity Fund, Principal Hong Kong Bond Fund and Principal Hong Kong Equity Fund, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial positions of the Sub-funds as at 31 December 2017, and of their financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Sub-funds in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information included in the Annual Report

The Trustee and the Manager of the Sub-funds are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Trustee and Manager for the Financial Statements

The Trustee and the Manager of the Sub-funds are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Trustee and the Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee and the Manager of the Sub-funds are responsible for assessing the Sub-funds' abilities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee and the Manager either intend to liquidate the Sub-funds or to cease operations, or have no realistic alternative but to do so.

In addition, the Trustee and the Manager of the Sub-funds are required to ensure 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 "Trust Deed"), 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").

## INDEPENDENT AUDITOR'S 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)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. 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, the Ordinance, the General Regulation, the MPF Code and Guidelines II.5 issued by the Authority, and the disclosure requirements specified in the Appendix E to the UT Code issued by the SFC.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee and the Manager.
- Conclude on the appropriateness of the Trustee's and the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-funds' abilities to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on matters under the relevant disclosure provisions of the Trust Deed, the Ordinance, the General Regulation, the MPF Code and Guidelines II.5 issued by the Authority, and the disclosure requirements specified in the Appendix E to the UT Code issued by the SFC**

- (a) In our opinion, the financial statements have been properly prepared, in all material respect, in accordance with the relevant disclosure provisions of the Trust Deed, the Ordinance, the General Regulation, the MPF Code and Guidelines 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  
27 April 2018

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017										
	Notes	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\$
<b>Income</b>											
Gross dividend income		140,817,139	119,527,290	30,662,573	-	-	228,255,587	-	78,171,930	-	25,178,176
Fixed deposit interest income		-	-	-	-	10,202,721	-	-	-	-	-
Bank interest income		56,712	303	19,615	145	301	-	60,973	32,930	67,618	11,434
Other income		-	-	359,993	-	-	-	-	304,255	-	63,704
		140,873,851	119,527,593	31,042,181	145	10,203,022	228,255,587	60,973	78,509,115	67,618	25,253,314
<b>Expenses</b>											
Investment transaction costs		(23,338,604)	(11,449,874)	(1,812,660)	(21,448)	(14,389)	(27,564,112)	(36,305)	(6,173,582)	(13,747)	(1,316,130)
Investment management fees	10(a)	(438,117)	(11,827,551)	(2,800,909)	(8,752,593)	(314,265)	(27,616,438)	(5,045,439)	(4,706,786)	-	(83,181)
Sub-custodian fees		(1,713,479)	(870,998)	(148,552)	(432,135)	(202,889)	(2,160,699)	(155,193)	(324,104)	(21,450)	(18,418)
Auditor's remuneration		(62,050)	(60,246)	(20,642)	(79,600)	(37,071)	(108,794)	(59,445)	(56,225)	(40,610)	(23,508)
Operating expenses		(27,002)	(69,742)	(1,322)	(373,668)	(7,126)	(118,613)	(4,849)	(64,496)	(6,793)	(9,160)
Trustee fees	10(b)	(78,493)	(1,877,937)	(698,040)	(3,501,037)	(251,412)	(5,634,950)	(1,260,390)	(784,464)	-	(13,864)
Legal and other professional fees		(264,662)	(4,934)	(6,479)	(9,490)	(8,214)	(8,171)	(9,957)	(46,876)	(3,809)	(7,021)
Bank charges		(28,624)	(17,921)	(1,589)	(10,640)	(6,475)	(76,335)	(23)	(9,282)	-	(300)
Distribution fees		-	-	-	-	-	(3,052)	-	-	-	-
		(25,951,031)	(26,179,203)	(5,490,193)	(13,180,611)	(841,841)	(63,291,164)	(6,571,601)	(12,165,815)	(86,409)	(1,471,582)
<b>Gains/(losses) on investments and exchange difference</b>											
Gains on investments	3	1,748,577,414	1,238,234,491	303,740,111	144,768,695	47,708,112	2,405,179,810	400,636,451	947,187,617	147,894,661	378,174,726
Losses on investments	3	(177,744,366)	(131,256,475)	(39,510,523)	(36,216,564)	(23,818,656)	(157,753,088)	(95,054,125)	(234,779,496)	(32,595,060)	(113,433,833)
Exchange gain/(loss)		(4,757,019)	(37,099)	(62,756)	(146,040)	5,236	(62,467)	3,891,393	(1,788,320)	598,787	37,357
		1,566,076,029	1,106,940,917	264,166,832	108,406,091	23,894,692	2,247,364,255	309,473,719	710,619,801	115,898,388	264,778,250
<b>Net income for the year</b>		1,680,998,849	1,200,289,307	289,718,820	95,225,625	33,255,873	2,412,328,678	302,963,091	776,963,101	115,879,597	288,559,982
Taxation	7	(18,757,100)	(10,009,530)	(4,233,687)	-	-	(14,969,936)	(319,577)	(15,211,049)	-	(7,096,139)
<b>Net income for the year before distribution to unitholders</b>		1,662,241,749	1,190,279,777	285,485,133	95,225,625	33,255,873	2,397,358,742	302,643,514	761,752,052	115,879,597	281,463,843
Distributions to unitholders		-	(495,247)	-	(10,968,438)	-	(1,499,364)	-	-	-	-
<b>Increase in net assets attributable to unitholders</b>		1,662,241,749	1,189,784,530	285,485,133	84,257,187	33,255,873	2,395,859,378	302,643,514	761,752,052	115,879,597	281,463,843

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

Year ended 31 December 2017

		2016									
Notes	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\$	
<b>Income</b>											
Gross dividend income	102,510,672	96,955,769	23,172,405	-	-	167,674,581	-	81,659,424	-	24,577,401	
Fixed deposit interest income	-	-	-	-	8,808,540	-	-	-	-	-	
Bank interest income	25,958	301	4,485	343	210	-	25,906	18,301	58,458	4,163	
Other income	-	151	372,545	-	-	-	-	315,592	4,730	-	
	102,536,630	96,956,221	23,549,435	343	8,808,750	167,674,581	25,906	81,993,317	63,188	24,581,564	
<b>Expenses</b>											
Investment transaction costs	(26,431,081)	(13,458,670)	(2,182,242)	(15,265)	(11,581)	(23,408,166)	(24,485)	(11,372,269)	(6,319)	(765,110)	
Investment management fees	10(a) (447,350)	(9,997,907)	(1,048,450)	(6,422,082)	(294,225)	(21,356,600)	(3,546,235)	(4,032,609)	-	(65,534)	
Sub-custodian fees	(988,437)	(406,239)	(53,276)	(300,664)	(163,271)	(548,331)	(162,994)	(178,415)	(18,777)	(7,194)	
Auditor's remuneration	(68,025)	(55,156)	(13,005)	(97,743)	(37,251)	(91,111)	(64,670)	(58,913)	(40,200)	(22,007)	
Operating expenses	(31,163)	(51,743)	(5,953)	(104,341)	(29,278)	(72,755)	(8,881)	(38,895)	(7,115)	(13,976)	
Trustee fees	10(b) (78,590)	(1,565,693)	(260,620)	(2,568,833)	(235,380)	(4,174,363)	(885,989)	(672,101)	-	(10,922)	
Legal and other professional fees	(297,977)	(8,651)	-	-	-	(14,749)	-	-	-	-	
Bank charges	(414,034)	(527,814)	(80,334)	(58,537)	(30,508)	(917,344)	(1,977)	(67,084)	(230)	(630)	
	(28,756,657)	(26,071,873)	(3,643,880)	(9,567,465)	(801,494)	(50,583,419)	(4,695,231)	(16,420,286)	(72,641)	(885,373)	
<b>Gains/(losses) on investments and exchange difference</b>											
Gains on investments	3 799,707,473	484,950,317	96,669,830	84,475,885	43,459,458	793,616,197	274,518,641	585,286,654	116,048,306	226,469,289	
Losses on investments	3 (620,725,319)	(488,457,902)	(130,932,150)	(95,917,175)	(29,181,417)	(835,902,907)	(211,848,659)	(536,693,559)	(45,559,223)	(167,469,406)	
Exchange gain/(loss)	(8,452,777)	-	235,892	(32,863)	(131,294)	(647)	(1,079,304)	(1,685,124)	(71,741)	(20,221)	
	170,529,377	(3,507,585)	(34,026,428)	(11,474,153)	14,146,747	(42,287,357)	61,590,678	46,907,971	70,417,342	58,979,662	
<b>Net income/(loss) for the year</b>											
	244,309,350	67,376,763	(14,120,873)	(21,041,275)	22,154,003	74,803,805	56,921,353	112,481,002	70,407,889	82,675,853	
Taxation	7 (14,147,107)	(7,587,286)	(3,355,809)	-	-	(6,631,363)	(467,588)	(16,548,004)	-	(6,883,015)	
<b>Net income/(loss) for the year before distribution to unitholders</b>											
	230,162,243	59,789,477	(17,476,682)	(21,041,275)	22,154,003	68,172,442	56,453,765	95,932,998	70,407,889	75,792,838	
Distributions to unitholders	-	(647,784)	-	(4,355,080)	-	(1,416,845)	-	-	-	-	
<b>Increase/ (decrease) in net assets attributable to unitholders</b>											
	230,162,243	59,141,693	(17,476,682)	(25,396,355)	22,154,003	66,755,597	56,453,765	95,932,998	70,407,889	75,792,838	



# STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

31 December 2017

		2017									
		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\$
Notes											
<b>Assets</b>											
Investments	4	5,294,839,827	3,970,191,532	1,295,377,478	4,183,789,462	1,742,200,394	8,848,764,123	4,105,337,579	3,753,450,695	2,328,079,999	1,588,605,395
Derivative financial instruments		-	-	-	-	-	-	-	-	-	-
Interest and dividend receivables	5	1,018,241	779,366	931,363	36,157,805	21,811,114	4,963,191	36,162,529	3,210,314	18,343,712	1,123,537
Amounts receivable from brokers		18,920,723	5,310,276	1,265,073	-	-	342,993,178	-	-	-	-
Amounts receivable on subscriptions		6,984,693	10,348,790	8,116	1,873,727	3,869,601	15,777,312	12,997,155	5,823,247	289,056	2,511,894
Cash at banks	6	123,927,191	114,785,513	24,800,160	55,661,346	937,658,105	238,112,107	220,257,735	80,935,388	95,846,146	21,019,979
Other receivables		-	-	-	-	-	-	13,973	-	-	4,751
		5,445,690,675	4,101,415,477	1,322,382,190	4,277,482,340	2,705,539,214	9,450,609,911	4,374,768,971	3,843,419,644	2,442,558,913	1,613,265,556
<b>Liabilities</b>											
Derivative financial instruments		-	-	-	-	-	-	2,686,091	-	-	-
Amounts payable to brokers		27,843,918	-	1,099,284	10,157,652	-	-	-	-	7,877,317	-
Amounts payable on redemptions		8,035,458	8,683,849	19,091	2,625,587	3,825,038	374,348,313	4,940,371	7,229,752	490,617	1,665,805
Accrual and other payables		431,047	649,863	158,005	4,878,103	96,108	1,443,846	258,255	292,947	45,830	30,169
		36,310,423	9,333,712	1,276,380	17,661,342	3,921,146	375,792,159	7,884,717	7,522,699	8,413,764	1,695,974
<b>Net assets attributable to unitholders</b>		<b>5,409,380,252</b>	<b>4,092,081,765</b>	<b>1,321,105,810</b>	<b>4,259,820,998</b>	<b>2,701,618,068</b>	<b>9,074,817,752</b>	<b>4,366,884,254</b>	<b>3,835,896,945</b>	<b>2,434,145,149</b>	<b>1,611,569,582</b>
<b>Number of units in issue</b>											
- Pension class	8	90,526,715.0520	154,048,429.2624	58,417,396.5281	187,673,398.0268	191,874,369.5288	146,320,201.0856	212,680,435.0144	98,655,332.5742	140,133,947.6908	47,937,717.3589
- Retail class		657,192.6439	31,109,337.3669	-	129,945,953.8470	17,387,157.3603	27,076,324.4288	253,507.1652	15,195,963.9169	-	410,778.0658
- Investment class		505,421.2020	32,184,170.9295	360,969.3146	-	-	13,091,735.0879	48,753,282.9062	-	-	-
- I6 class		-	-	28,783,545.6167	-	-	62,409,417.5891	-	-	-	-
- R6 class		-	3,351,680.7962	-	70,874,628.8542	-	6,775,814.2863	-	-	-	-
- R2 class <sup>#</sup>		-	-	-	-	-	69,434.4344	-	-	-	-
<b>Net asset value per unit</b>											
- Pension class		59.2705	19.6400	16.0230	11.5538	13.0146	44.9600	17.3594	34.6279	17.3701	33.4544
- Retail class		47.6537	16.3296	-	10.8340	11.7582	37.6336	12.2416	27.6172	-	19.0886
- Investment class		24.7265	16.1927	14.3219	-	-	38.1411	13.7793	-	-	-
- I6 class		10.0000	-	13.1985	-	-	14.3568	-	10.0000	-	-
- R6 class		-	11.1620	-	9.6457	-	11.9596	-	-	-	-
- R2 class <sup>#</sup>		-	-	-	-	-	12.9845	-	-	-	-

<sup>#</sup> R2 class launched on 1 February 2017

## Principal Trust Company (Asia) Limited

## Principal Asset Management Company (Asia) Limited

Hong Kong  
27 April 2018

# STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS *(continued)*

31 December 2017

		2016									
Notes	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\$	
<b>Assets</b>											
Investments	4	3,698,375,020	2,898,991,076	899,337,325	3,094,748,889	1,380,822,735	4,890,463,553	3,363,312,447	3,101,010,387	2,151,389,045	1,244,830,788
Derivative financial instruments		-	-	-	-	-	-	2,805,460	-	-	-
Interest and dividend receivables	5	1,405,995	252,800	1,033,721	26,155,060	18,124,607	2,741,050	33,975,175	3,879,713	18,738,676	826,397
Amounts receivable from brokers		19,009,466	-	-	-	-	-	-	16,129,792	-	-
Amounts receivable on subscriptions		904,616	1,114,699	798	656,405	1,004,534	3,429,340	427,847	316,320	-	1,133,192
Cash at banks	6	126,503,191	82,609,249	33,642,821	42,907,879	715,318,177	111,561,127	93,681,319	50,640,703	182,375,523	24,955,885
Other receivables		-	-	-	-	-	-	15,136	-	-	6,641
		3,846,198,288	2,982,967,824	934,014,665	3,164,468,233	2,115,270,053	5,008,195,070	3,494,217,384	3,171,976,915	2,352,503,244	1,271,752,903
<b>Liabilities</b>											
Derivative financial instruments		-	-	-	-	-	-	98,379	-	-	-
Amounts payable to brokers		42,611,667	10,419,397	-	-	-	7,863,362	-	2,249,083	-	-
Amounts payable on redemptions		2,158,475	3,247,346	10,548	2,988,108	1,694,309	1,981,624	191,535	569,796	158,218	226,855
Accrual and other payables		349,194	519,221	127,999	2,034,974	87,770	1,140,986	228,578	237,497	44,918	26,879
		45,119,336	14,185,964	138,547	5,023,082	1,782,079	10,985,972	518,492	3,056,376	203,136	253,734
<b>Net assets attributable to unitholders</b>		3,801,078,952	2,968,781,860	933,876,118	3,159,445,151	2,113,487,974	4,997,209,098	3,493,698,892	3,168,920,539	2,352,300,108	1,271,499,169
<b>Number of units in issue</b>											
- Pension class	8	91,319,775.7493	155,214,759.7191	51,238,204.1976	157,893,390.5058	156,085,491.6875	86,468,592.0876	182,474,731.0837	100,856,254.6183	142,219,657.4956	45,908,190.4472
- Retail class		678,151.8165	36,620,097.8481	-	108,079,179.3588	9,613,652.7886	35,078,486.2175	111,896.9045	16,322,686.6636	-	394,323.0876
- Investment class		496,177.6358	31,992,763.6746	278,678.5065	-	-	12,705,987.8950	44,316,774.6529	-	-	-
- I6 class		-	-	28,783,545.6167	-	-	95,970,009.4639	-	-	-	-
- R6 class		-	2,209,237.1764	-	26,288,481.9468	-	4,984,898.0298	-	-	-	-
<b>Net asset value per unit</b>											
- Pension class		41.2791	13.8601	12.3797	11.1806	12.8237	31.3348	16.0200	27.7836	16.5399	27.5594
- Retail class		33.6725	11.7184	-	10.5583	11.6385	26.5930	11.4544	22.4695	-	15.9622
- Investment class		17.4074	11.5622	11.1974	-	-	26.8968	12.8431	-	-	-
- I6 class		10.0000	-	10.2989	-	-	10.1046	-	10.0000	-	-
- R6 class		-	8.3482	-	9.6226	-	8.7038	-	-	-	-

# STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2017

	2017									
	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\$
<b>Balance brought forward</b>	3,801,078,952	2,968,781,860	933,876,118	3,159,445,151	2,113,487,974	4,997,209,098	3,493,698,892	3,168,920,539	2,352,300,108	1,271,499,169
Amounts received and receivable on issue of units	1,001,685,599	1,124,295,743	144,000,760	1,585,874,117	1,600,030,219	4,168,294,167	944,247,620	514,377,803	247,002,170	570,795,811
Amounts paid and payable on redemptions of units	(1,055,626,048)	(1,190,780,368)	(42,256,201)	(569,755,457)	(1,045,155,998)	(2,486,544,891)	(373,705,772)	(609,153,449)	(281,036,726)	(512,189,241)
Increase in net asset attributable to unitholders	1,662,241,749	1,189,784,530	285,485,133	84,257,187	33,255,873	2,395,859,378	302,643,514	761,752,052	115,879,597	281,463,843
<b>Net assets carried forward</b>	5,409,380,252	4,092,081,765	1,321,105,810	4,259,820,998	2,701,618,068	9,074,817,752	4,366,884,254	3,835,896,945	2,434,145,149	1,611,569,582
	2016									
	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\$
<b>Balance brought forward</b>	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
Amounts received and receivable on issue of units	770,023,414	753,062,025	383,219,987	923,317,966	945,243,704	1,185,269,155	858,894,231	530,126,110	323,976,864	481,478,911
Amounts paid and payable on redemptions of units	(686,401,339)	(718,573,016)	(133,600,871)	(446,118,428)	(680,698,645)	(1,088,432,592)	(313,541,349)	(376,440,028)	(176,514,539)	(350,603,402)
Increase/(decrease) in net asset attributable to unitholders	230,162,243	59,141,693	(17,476,682)	(25,396,355)	22,154,003	66,755,597	56,453,765	95,932,998	70,407,889	75,792,838
<b>Net assets carried forward</b>	3,801,078,952	2,968,781,860	933,876,118	3,159,445,151	2,113,487,974	4,997,209,098	3,493,698,892	3,168,920,539	2,352,300,108	1,271,499,169

# STATEMENT OF DISTRIBUTION

For the year ended 31 December 2017

	2017			
	Note	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 for the year		1,190,279,777	95,225,625	2,397,358,742
Distribution to Unitholders of R6 class for Q1 2017	17	(687)	(1,752,022)	(203,544)
Distribution to Unitholders of R6 class for Q2 2017	17	(279,517)	(2,149,824)	(647,257)
Distribution to Unitholders of R6 class for Q3 2017	17	(200,966)	(3,040,913)	(452,064)
Distribution to Unitholders of R6 class for Q4 2017	17	(14,077)	(4,025,679)	(196,499)
Transfer (to)/from capital		(1,189,784,530)	(84,257,187)	(2,395,859,378)
Undistributed income carried forward		-	-	-
<b>2016</b>				
	Note	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		59,789,477	(21,041,275)	68,172,442
Distribution to Unitholders of R6 class for Q1 2016	17	(9,015)	(742,602)	(181,370)
Distribution to Unitholders of R6 class for Q2 2016	17	(499,255)	(852,023)	(801,397)
Distribution to Unitholders of R6 class for Q3 2016	17	(132,444)	(1,148,971)	(315,437)
Distribution to Unitholders of R6 class for Q4 2016	17	(7,070)	(1,611,484)	(118,641)
Transfer to/(from) capital		(59,141,693)	25,396,355	(66,755,597)
Undistributed income carried forward		-	-	-

# STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017									
	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\$
<b>Cash flows from operating activities</b>										
Dividend received, net of withholding tax	123,421,682	108,991,194	26,531,244	-	-	211,063,510	-	63,630,280	-	17,784,897
Interest received, net of withholding tax	56,712	303	19,615	92,143,565	31,754,173	-	101,892,028	32,930	75,559,850	11,434
Other income received	-	-	359,993	-	-	-	-	304,255	-	63,704
Operating expenses paid	(25,869,178)	(26,055,568)	(5,460,187)	(12,751,677)	(833,503)	(63,066,162)	(6,540,761)	(12,110,365)	(85,497)	(1,466,402)
Capital gain tax paid	(973,889)	-	-	-	-	-	-	-	-	-
Exchange gain/(loss)	(4,757,019)	(37,099)	(62,756)	(146,040)	5,236	(62,467)	3,891,393	(1,788,320)	598,787	37,357
Net deposits with maturity over 3 months placed at banks	-	-	-	-	(167,361,999)	-	-	-	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>91,878,308</b>	<b>82,898,830</b>	<b>21,387,909</b>	<b>79,245,848</b>	<b>(136,436,093)</b>	<b>147,934,881</b>	<b>99,242,660</b>	<b>50,068,780</b>	<b>76,073,140</b>	<b>16,430,990</b>
<b>Cash flows from investing activities</b>										
Purchase of investment securities	(4,240,305,983)	(2,249,804,806)	(608,259,439)	(2,365,959,426)	(1,800,404,847)	(6,422,767,174)	(2,055,773,405)	(2,882,194,247)	(2,265,915,319)	(1,601,945,048)
Proceeds from sale of investment securities	4,199,995,218	2,269,852,693	476,283,085	1,293,482,471	1,437,678,986	4,361,036,786	1,520,385,785	2,956,042,769	2,137,304,015	1,522,911,334
<b>Net cash flows from/(used in) investing activities</b>	<b>(40,310,765)</b>	<b>20,047,887</b>	<b>(131,976,354)</b>	<b>(1,072,476,955)</b>	<b>(362,725,861)</b>	<b>(2,061,730,388)</b>	<b>(535,387,620)</b>	<b>73,848,522</b>	<b>(128,611,304)</b>	<b>(79,033,714)</b>
<b>Cash flows from financing activities</b>										
Subscriptions received	995,605,522	1,115,061,652	143,993,442	1,584,656,795	1,597,165,152	4,155,946,195	931,678,312	508,870,876	246,713,114	569,417,109
Redemptions paid	(1,049,749,065)	(1,185,343,865)	(42,247,658)	(570,117,978)	(1,043,025,269)	(2,114,178,202)	(368,956,936)	(602,493,493)	(280,704,327)	(510,750,291)
Distribution paid	-	(488,240)	-	(8,554,243)	-	(1,421,506)	-	-	-	-
<b>Net cash flows from/(used in) financing activities</b>	<b>(54,143,543)</b>	<b>(70,770,453)</b>	<b>101,745,784</b>	<b>1,005,984,574</b>	<b>554,139,883</b>	<b>2,040,346,487</b>	<b>562,721,376</b>	<b>(93,622,617)</b>	<b>(33,991,213)</b>	<b>58,666,818</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,576,000)</b>	<b>32,176,264</b>	<b>(8,842,661)</b>	<b>12,753,467</b>	<b>54,977,929</b>	<b>126,550,980</b>	<b>126,576,416</b>	<b>30,294,685</b>	<b>(86,529,377)</b>	<b>(3,935,906)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>126,503,191</b>	<b>82,609,249</b>	<b>33,642,821</b>	<b>42,907,879</b>	<b>17,927,440</b>	<b>111,561,127</b>	<b>93,681,319</b>	<b>50,640,703</b>	<b>182,375,523</b>	<b>24,955,885</b>
<b>Cash and cash equivalents at end of year</b>	<b>123,927,191</b>	<b>114,785,513</b>	<b>24,800,160</b>	<b>55,661,346</b>	<b>72,905,369</b>	<b>238,112,107</b>	<b>220,257,735</b>	<b>80,935,388</b>	<b>95,846,146</b>	<b>21,019,979</b>
<b>Analysis of balances of cash and cash equivalents:</b>										
Cash at banks	123,927,191	114,785,513	24,800,160	55,661,346	937,658,105	238,112,107	220,257,735	80,935,388	95,846,146	21,019,979
Less: Bank deposits with maturity over 3 months	-	-	-	-	(864,752,736)	-	-	-	-	-
	<b>123,927,191</b>	<b>114,785,513</b>	<b>24,800,160</b>	<b>55,661,346</b>	<b>72,905,369</b>	<b>238,112,107</b>	<b>220,257,735</b>	<b>80,935,388</b>	<b>95,846,146</b>	<b>21,019,979</b>

# STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2017

	2016									
	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\$
<b>Cash flows from operating activities</b>										
Dividend received, net of withholding tax	89,258,134	89,519,459	19,502,779	-	-	158,967,448	-	63,980,401	-	17,145,371
Interest received, net of withholding tax	25,958	301	4,485	70,676,432	28,473,127	-	101,910,162	18,301	72,437,708	4,163
Other income received	-	151	372,545	-	-	-	-	315,592	4,730	-
Operating expenses paid	(28,747,641)	(26,061,462)	(3,568,300)	(9,462,687)	(770,633)	(50,530,451)	(4,581,682)	(16,357,435)	(77,150)	(886,661)
Capital gain tax paid	(2,300,564)	-	-	-	-	-	-	-	-	-
Exchange gain/(loss)	(8,452,777)	-	235,892	(32,863)	(131,294)	(647)	(1,079,304)	(1,685,124)	(71,741)	(20,221)
Net deposits with maturity over 3 months placed at banks	-	-	-	-	3,794,183	-	-	-	-	-
<b>Net cash flows from operating activities</b>	49,783,110	63,458,449	16,547,401	61,180,882	31,365,383	108,436,350	96,249,176	46,271,735	72,293,547	16,242,652
<b>Cash flows from investing activities</b>										
Purchase of investment securities	(5,526,002,613)	(2,608,582,191)	(710,679,065)	(1,491,334,892)	(1,444,245,163)	(4,571,304,047)	(2,525,197,707)	(5,498,346,098)	(924,845,474)	(1,540,541,977)
Proceeds from sale of investment securities	5,434,284,251	2,523,448,585	463,620,191	928,813,672	1,153,818,782	4,386,126,608	1,857,631,862	5,289,621,003	755,106,778	1,394,188,722
<b>Net cash flows used in investing activities</b>	(91,718,362)	(85,133,606)	(247,058,874)	(562,521,220)	(290,426,381)	(185,177,439)	(667,565,845)	(208,725,095)	(169,738,696)	(146,353,255)
<b>Cash flows from financing activities</b>										
Subscriptions received	770,242,589	753,077,779	383,293,246	924,483,658	945,054,470	1,183,341,637	859,219,127	530,480,325	324,257,905	480,564,486
Redemptions paid	(685,245,425)	(716,191,818)	(133,658,096)	(443,216,324)	(679,633,226)	(1,088,412,745)	(314,008,227)	(376,324,214)	(176,410,801)	(350,606,380)
Distribution paid	-	(649,252)	-	(3,397,214)	-	(1,397,059)	-	-	-	-
<b>Net cash flows from financing activities</b>	84,997,164	36,236,709	249,635,150	477,870,120	265,421,244	93,531,833	545,210,900	154,156,111	147,847,104	129,958,106
<b>Net increase/(decrease) in cash and cash equivalents</b>	43,061,912	14,561,552	19,123,677	(23,470,218)	6,360,246	16,790,744	(26,105,769)	(8,297,249)	50,401,955	(152,497)
<b>Cash and cash equivalents at beginning of year</b>	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
<b>Cash and cash equivalents at end of year</b>	126,503,191	82,609,249	33,642,821	42,907,879	17,927,440	111,561,127	93,681,319	50,640,703	182,375,523	24,955,885
<b>Analysis of balances of cash and cash equivalents:</b>										
Cash at banks	126,503,191	82,609,249	33,642,821	42,907,879	715,318,177	111,561,127	93,681,319	50,640,703	182,375,523	24,955,885
Less: Bank deposits with maturity over 3 months	-	-	-	-	(697,390,737)	-	-	-	-	-
	126,503,191	82,609,249	33,642,821	42,907,879	17,927,440	111,561,127	93,681,319	50,640,703	182,375,523	24,955,885

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

## 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 (the “Trust Deed”) with Principal Trust Company (Asia) Limited as trustee (the “Trustee”). There are ten sub-funds (each a separate sub-fund of the Fund and referred to 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	R2 class
Principal Asian Equity Fund	3 July 2003	3 July 2003	20 January 2006	31 December 2015	-	-
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	31 December 2015	-	-
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	27 May 2014	26 January 2015	10 February 2017
Principal International Bond Fund	3 July 2003	3 July 2003	18 January 2006	-	-	-
Principal International Equity Fund	3 July 2003	3 July 2003	-	31 December 2015	-	-
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 six different classes of units, namely, Investment, I6, Pension, Retail, R6 Class and R2 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 (the “Manager”). Retail, R6 and R2 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, the Ordinance, the General Regulation, the MPF Code, the MPF Guidelines, and the relevant disclosure requirements of the UT Code.

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 the Trustee and the Manager of the Sub-funds 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7 *Disclosure Initiative*

The nature and impact of the amendments are described below:

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments have had no impact on the financial position or performance of the Sub-funds as the Sub-funds have no changes in liabilities arising from financing activities that are in the scope of the amendments.

## 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> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

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 will adopt HKFRS 9 from 1 January 2018. The Sub-funds will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. The Sub-funds are currently assessing the impact of the standard upon adoption and expect that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Sub-funds' financial assets. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Sub-funds do not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of their financial assets. They expect to continue measuring at fair value all financial assets currently held at fair value through profit or loss.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Sub-funds will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of their trade receivables. Furthermore, the Sub-funds will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on their other receivables within the next twelve months. The Sub-funds will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on their trade and other receivables upon the adoption of HKFRS 9.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Sub-funds expect to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Sub-funds' financial statements.



# NOTES TO FINANCIAL STATEMENTS

31 December 2017

## 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.

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.

# NOTES TO FINANCIAL STATEMENTS

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **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 their 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 their 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.

#### *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 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Financial liabilities** (continued)

#### *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.

### **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 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 2017

## 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.

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.

# NOTES TO FINANCIAL STATEMENTS

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## 3. GAINS AND LOSSES ON INVESTMENTS

	2017									
	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	518,448,015	419,695,951	51,100,031	100,950,315	34,178,043	740,311,603	135,741,661	284,639,857	100,946,610	143,113,152
Unrealised gains	1,230,129,399	818,538,540	252,640,080	43,818,380	13,530,069	1,664,868,207	264,894,790	662,547,760	46,948,051	235,061,574
<b>Total gains on investments</b>	<b>1,748,577,414</b>	<b>1,238,234,491</b>	<b>303,740,111</b>	<b>144,768,695</b>	<b>47,708,112</b>	<b>2,405,179,810</b>	<b>400,636,451</b>	<b>947,187,617</b>	<b>147,894,661</b>	<b>378,174,726</b>
Realised losses	(96,664,798)	(87,845,364)	(10,254,038)	(7,483,784)	(15,921,786)	(102,517,197)	(80,500,931)	(98,814,020)	(20,334,671)	(51,240,017)
Unrealised losses	(81,079,568)	(43,411,111)	(29,256,485)	(28,732,780)	(7,896,870)	(55,235,891)	(14,553,194)	(135,965,476)	(12,260,389)	(62,193,816)
<b>Total losses on investments</b>	<b>(177,744,366)</b>	<b>(131,256,475)</b>	<b>(39,510,523)</b>	<b>(36,216,564)</b>	<b>(23,818,656)</b>	<b>(157,753,088)</b>	<b>(95,054,125)</b>	<b>(234,779,496)</b>	<b>(32,595,060)</b>	<b>(113,433,833)</b>

  

	2016									
	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	364,874,779	168,286,464	32,673,106	78,971,055	29,448,909	275,845,734	184,912,537	333,491,525	81,867,622	117,513,043
Unrealised gains	434,832,694	316,663,853	63,996,724	5,504,830	14,010,549	517,770,463	89,606,104	251,795,129	34,180,684	108,956,246
<b>Total gains on investments</b>	<b>799,707,473</b>	<b>484,950,317</b>	<b>96,669,830</b>	<b>84,475,885</b>	<b>43,459,458</b>	<b>793,616,197</b>	<b>274,518,641</b>	<b>585,286,654</b>	<b>116,048,306</b>	<b>226,469,289</b>
Realised losses	(430,266,991)	(336,341,988)	(42,971,706)	(8,327,942)	(14,641,084)	(522,093,054)	(70,334,831)	(270,843,122)	(16,073,703)	(60,511,366)
Unrealised losses	(190,458,328)	(152,115,914)	(87,960,444)	(87,589,233)	(14,540,333)	(313,809,853)	(141,513,828)	(265,850,437)	(29,485,520)	(106,958,040)
<b>Total losses on investments</b>	<b>(620,725,319)</b>	<b>(488,457,902)</b>	<b>(130,932,150)</b>	<b>(95,917,175)</b>	<b>(29,181,417)</b>	<b>(835,902,907)</b>	<b>(211,848,659)</b>	<b>(536,693,559)</b>	<b>(45,559,223)</b>	<b>(167,469,406)</b>

## 4. INVESTMENTS

	2017									
	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\$
<b>(a) Equities</b>										
Listed shares	5,294,839,827	3,970,191,532	1,295,377,478	-	-	8,848,764,123	-	3,753,450,695	-	1,588,605,395
<b>(b) Debt securities</b>										
Listed/quoted debt instruments	-	-	-	3,328,738,112	814,794,052	-	4,105,337,579	-	2,328,079,999	-
Certificates of deposit	-	-	-	855,051,350	927,406,342	-	-	-	-	-
	-	-	-	4,183,789,462	1,742,200,394	-	4,105,337,579	-	2,328,079,999	-
	5,294,839,827	3,970,191,532	1,295,377,478	4,183,789,462	1,742,200,394	8,848,764,123	4,105,337,579	3,753,450,695	2,328,079,999	1,588,605,395

  

	2016									
	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\$
<b>(a) Equities</b>										
Listed shares	3,698,375,020	2,898,991,076	899,337,325	-	-	4,890,463,553	-	3,101,010,387	-	1,244,830,788
<b>(b) Debt securities</b>										
Listed/quoted debt instruments	-	-	-	2,549,628,057	878,654,857	-	3,357,468,038	-	2,151,389,045	-
Certificates of deposit	-	-	-	545,120,832	502,167,878	-	5,844,409	-	-	-
	-	-	-	3,094,748,889	1,380,822,735	-	3,363,312,447	-	2,151,389,045	-
	3,698,375,020	2,898,991,076	899,337,325	3,094,748,889	1,380,822,735	4,890,463,553	3,363,312,447	3,101,010,387	2,151,389,045	1,244,830,788

# NOTES TO FINANCIAL STATEMENTS

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## 5. INTEREST AND DIVIDEND RECEIVABLES

	2017									
	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	-	-	-	36,157,805	21,811,114	-	36,162,529	-	18,343,712	-
Dividend receivables	1,018,241	779,366	931,363	-	-	4,963,191	-	3,210,314	-	1,123,537
	1,018,241	779,366	931,363	36,157,805	21,811,114	4,963,191	36,162,529	3,210,314	18,343,712	1,123,537

  

	2016									
	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	-	-	-	26,155,060	18,124,607	-	33,975,175	-	18,738,676	-
Dividend receivables	1,405,995	252,800	1,033,721	-	-	2,741,050	-	3,879,713	-	826,397
	1,405,995	252,800	1,033,721	26,155,060	18,124,607	2,741,050	33,975,175	3,879,713	18,738,676	826,397

## 6. CASH AT BANKS

	2017									
	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	-	-	-	-	919,752,736	-	-	-	-	-
Cash at banks	123,927,191	114,785,513	24,800,160	55,661,346	17,905,369	238,112,107	220,257,735	80,935,388	95,846,146	21,019,979
	123,927,191	114,785,513	24,800,160	55,661,346	937,658,105	238,112,107	220,257,735	80,935,388	95,846,146	21,019,979

  

	2016									
	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	-	-	-	-	697,390,737	-	-	-	-	-
Cash at banks	126,503,191	82,609,249	33,642,821	42,907,879	17,927,440	111,561,127	93,681,319	50,640,703	182,375,523	24,955,885
	126,503,191	82,609,249	33,642,821	42,907,879	715,318,177	111,561,127	93,681,319	50,640,703	182,375,523	24,955,885

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

## 7. TAXATION

Taxation in the statement of profit or loss and other comprehensive income represents:

	2017									
	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	973,889	-	-	-	-	-	-	-	-	-
Overseas withholding tax	17,783,211	10,009,530	4,233,687	-	-	14,969,936	319,577	15,211,049	-	7,096,139
	18,757,100	10,009,530	4,233,687	-	-	14,969,936	319,577	15,211,049	-	7,096,139

  

	2016									
	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	2,300,564	-	-	-	-	-	-	-	-	-
Overseas withholding tax	11,846,543	7,587,286	3,355,809	-	-	6,631,363	467,588	16,548,004	-	6,883,015
	14,147,107	7,587,286	3,355,809	-	-	6,631,363	467,588	16,548,004	-	6,883,015

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

## 8. UNITS IN ISSUE

	2017									
	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
<b>Pension Class</b>										
Balance brought forward	91,319,775.7493	155,214,759.7191	51,238,204.1976	157,893,390.5058	156,085,491.6875	86,468,592.0876	182,474,731.0837	100,856,254.6183	142,219,657.4956	45,908,190.4472
Issued during the year	19,088,083.0937	53,920,155.2991	10,093,968.3348	52,320,499.5621	113,857,260.6591	87,980,402.0065	46,954,616.3737	14,792,207.0018	14,469,522.1537	18,924,401.3876
Redeemed during the year	(19,881,143.7910)	(55,086,485.7558)	(2,914,776.0043)	(22,540,492.0411)	(78,068,382.8178)	(28,128,793.0085)	(16,748,912.4430)	(16,993,129.0459)	(16,555,231.9585)	(16,894,874.4759)
Balance as at 31 December 2017	90,526,715.0520	154,048,429.2624	58,417,396.5281	187,673,398.0268	191,874,369.5288	146,320,201.0856	212,680,435.0144	98,655,332.5742	140,133,947.6908	47,937,717.3589
<b>Retail Class</b>										
Balance brought forward	678,151.8165	36,620,097.8481	-	108,079,179.3588	9,613,652.7886	35,078,486.2175	111,896.9045	16,322,686.6636	-	394,323.0876
Issued during the year	125,445.8842	7,245,305.0386	-	44,367,433.6101	10,704,857.2707	4,492,799.3128	166,494.5488	1,916,391.3380	-	75,558.8330
Redeemed during the year	(146,405.0568)	(12,756,065.5198)	-	(22,500,659.1219)	(2,931,352.6990)	(12,494,961.1015)	(24,884.2881)	(3,043,114.0847)	-	(59,103.8548)
Balance as at 31 December 2017	657,192.6439	31,109,337.3669	-	129,945,953.8470	17,387,157.3603	27,076,324.4288	253,507.1652	15,195,963.9169	-	410,778.0658
<b>Investment Class</b>										
Balance brought forward	496,177.6358	31,992,763.6746	278,678.5065	-	-	12,705,987.8950	44,316,774.6529	-	-	-
Issued during the year	62,015.8190	3,371,073.0466	92,855.1724	-	-	1,665,185.4481	11,015,174.8503	-	-	-
Redeemed during the year	(52,772.2528)	(3,179,665.7917)	(10,564.3643)	-	-	(1,279,438.2552)	(6,578,666.5970)	-	-	-
Balance as at 31 December 2017	505,421.2020	32,184,170.9295	360,969.3146	-	-	13,091,735.0879	48,753,282.9062	-	-	-
<b>I6 Class</b>										
Balance brought forward	-	-	28,783,545.6167	-	-	95,970,009.4639	-	-	-	-
Issued during the year	-	-	-	-	-	29,435,791.7328	-	-	-	-
Redeemed during the year	-	-	-	-	-	(62,996,383.6076)	-	-	-	-
Balance as at 31 December 2017	-	-	28,783,545.6167	-	-	62,409,417.5891	-	-	-	-
<b>R6 Class</b>										
Balance brought forward	-	2,209,237.1764	-	26,288,481.9468	-	4,984,898.0298	-	-	-	-
Issued during the year	-	2,721,816.1374	-	51,359,044.5209	-	4,534,750.9525	-	-	-	-
Redeemed during the year	-	(1,579,372.5176)	-	(6,772,897.6135)	-	(2,743,834.6960)	-	-	-	-
Balance as at 31 December 2017	-	3,351,680.7962	-	70,874,628.8542	-	6,775,814.2863	-	-	-	-
<b>R2 Class</b>										
Balance brought forward	-	-	-	-	-	-	-	-	-	-
Issued during the year	-	-	-	-	-	101,883.6066	-	-	-	-
Redeemed during the year	-	-	-	-	-	(32,449.1722)	-	-	-	-
Balance as at 31 December 2017	-	-	-	-	-	69,434.4344	-	-	-	-



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## 8. UNITS IN ISSUE (continued)

	2016									
	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
<b>Pension Class</b>										
Balance brought forward	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
Issued during the year	19,409,775.0742	48,807,012.0756	7,771,894.6833	26,295,897.1301	58,195,057.7099	20,763,003.8221	20,217,509.5659	12,187,809.0322	19,543,633.6270	18,509,814.8656
Redeemed during the year	(16,704,985.7994)	(45,530,713.4458)	(10,705,619.4416)	(16,802,155.1747)	(46,016,563.9553)	(23,131,272.8301)	(16,035,597.5297)	(12,891,573.5512)	(10,712,217.7917)	(13,589,996.0509)
Balance as at 31 December 2016	91,319,775.7493	155,214,759.7191	51,238,204.1976	157,893,390.5058	156,085,491.6875	86,468,592.0876	182,474,731.0837	100,856,254.6183	142,219,657.4956	45,908,190.4472
<b>Retail Class</b>										
Balance brought forward	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
Issued during the year	20,799.3273	4,631,422.2810	-	38,627,186.5581	17,453,692.0290	6,080,800.3160	29,627.5207	9,895,338.5808	-	119,042.9973
Redeemed during the year	(365,378.6062)	(6,846,672.5000)	-	(18,556,587.2854)	(7,995,491.1059)	(9,610,930.5244)	(671.9132)	(1,491,196.0370)	-	(29,841.3624)
Balance as at 31 December 2016	678,151.8165	36,620,097.8481	-	108,079,179.3588	9,613,652.7886	35,078,486.2175	111,896.9045	16,322,686.6636	-	394,323.0876
<b>Investment Class</b>										
Balance brought forward	430,030.2075	30,051,136.1043	267,663.0238	-	-	12,023,742.8359	8,243,269.1889	-	-	-
Issued during the year	99,132.8015	4,220,311.8389	51,227.2553	-	-	2,150,931.3236	40,026,264.5135	-	-	-
Redeemed during the year	(32,985.3732)	(2,278,684.2686)	(40,211.7726)	-	-	(1,468,686.2645)	(3,952,759.0495)	-	-	-
Balance as at 31 December 2016	496,177.6358	31,992,763.6746	278,678.5065	-	-	12,705,987.8950	44,316,774.6529	-	-	-
<b>I6 Class</b>										
Balance brought forward	-	-	-	-	-	71,865,873.7546	-	-	-	-
Issued during the year	-	-	28,783,545.6167	-	-	31,558,399.6001	-	-	-	-
Redeemed during the year	-	-	-	-	-	(7,454,263.8908)	-	-	-	-
Balance as at 31 December 2016	-	-	28,783,545.6167	-	-	95,970,009.4639	-	-	-	-
<b>R6 Class</b>										
Balance brought forward	-	2,371,503.4492	-	11,134,893.6839	-	4,452,949.6562	-	-	-	-
Issued during the year	-	558,154.8968	-	20,640,342.0192	-	1,728,812.3504	-	-	-	-
Redeemed during the year	-	(720,421.1696)	-	(5,486,753.7563)	-	(1,196,863.9768)	-	-	-	-
Balance as at 31 December 2016	-	2,209,237.1764	-	26,288,481.9468	-	4,984,898.0298	-	-	-	-

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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 2017 and 2016 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 2017 and 2016:

2017										
	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 2017	5,409,380,252	4,092,081,765	1,321,105,810	4,259,820,998	2,701,618,068	9,074,817,752	4,366,884,254	3,835,896,945	2,434,145,149	1,611,569,582
Formation cost	-	-	(7,091)	-	-	49,510	-	-	-	-
Dealing NAV as at 31 December 2017	5,409,380,252	4,092,081,765	1,321,098,719	4,259,820,998	2,701,618,068	9,074,867,262	4,366,884,254	3,835,896,945	2,434,145,149	1,611,569,582
2016										
	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 2016	3,801,078,952	2,968,781,860	933,876,118	3,159,445,151	2,113,487,974	4,997,209,098	3,493,698,892	3,168,920,539	2,352,300,108	1,271,499,169
Formation cost	-	-	-	-	-	72,700	-	-	-	-
Dealing NAV as at 31 December 2016	3,801,078,952	2,968,781,860	933,876,118	3,159,445,151	2,113,487,974	4,997,281,798	3,493,698,892	3,168,920,539	2,352,300,108	1,271,499,169

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## 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	R2 Class
Principal Asian Equity Fund	Nil	1.20%	0.90%	0.80%	1.20%	1.20%
Principal China Equity Fund	Nil	1.50%	1.00%	0.80%	1.50%	1.50%
Principal European Equity Fund	Nil	1.50%	1.00%	0.80%	1.50%	1.50%
Principal Hong Kong Bond Fund	Nil	0.50%	N/A	0.80%	0.50%	0.50%
Principal Hong Kong Dollar Savings Fund	Nil	0.25%	0.60%	0.80%	0.25%	0.25%
Principal Hong Kong Equity Fund	Nil	1.20%	1.00%	0.80%	1.20%	1.20%
Principal International Bond Fund	Nil	1.00%	0.80%	0.80%	1.00%	1.00%
Principal International Equity Fund	Nil	1.20%	1.00%	0.80%	1.20%	1.20%
Principal Pension Bond Fund	Nil	1.00%	0.80%	0.80%	1.00%	1.00%
Principal U.S. Equity Fund	Nil	1.20%	1.00%	0.80%	1.20%	1.20%

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

- (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	R2 Class
Principal Asian Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%	0.20%
Principal China Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%	0.20%
Principal European Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%	0.20%
Principal Hong Kong Bond Fund	Nil	0.20%	N/A	0.20%	0.20%	0.20%
Principal Hong Kong Dollar Savings Fund	Nil	0.20%	0.20%	0.20%	0.20%	0.20%
Principal Hong Kong Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%	0.20%
Principal International Bond Fund	Nil	0.20%	0.20%	0.20%	0.20%	0.20%
Principal International Equity Fund	Nil	0.20%	0.20%	0.20%	0.20%	0.20%
Principal Pension Bond Fund	Nil	0.20%	0.20%	0.20%	0.20%	0.20%
Principal U.S. Equity Fund	Nil	0.20%	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.

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## 10. RELATED PARTY TRANSACTIONS (continued)

(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 profit or loss and other comprehensive income.

	2017									
	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	11,910	327,586	76,023	257,957	12,523	682,787	132,568	125,031	-	2,328
Trustee fee payable	2,138	52,196	18,942	103,183	10,018	137,758	33,104	20,838	-	388
	14,048	379,782	94,965	361,140	22,541	820,545	165,672	145,869	-	2,716

  

	2016									
	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	8,617	252,400	58,783	171,459	6,859	556,306	111,604	108,231	-	1,868
Trustee fee payable	1,542	39,630	14,657	68,584	5,487	111,194	27,885	18,038	-	311
	10,159	292,030	73,440	240,043	12,346	667,500	139,489	126,269	-	2,179

## 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 2017 (2016: Nil).

## 13. SECURITY LENDING ARRANGEMENTS

During the year ended 31 December 2017, the Sub-funds did not enter into any security lending arrangements (2016: Nil).

## 14. NEGOTIABILITY OF ASSETS

At 31 December 2017, there was no statutory or contractual requirement restricting the negotiability of the assets of the Sub-funds (2016: Nil).

## 15. COMMITMENTS

The Sub-funds had no commitments as at 31 December 2017 (2016: Nil).

## 16. CONTINGENT LIABILITIES

The Sub-funds had no contingent liabilities as at 31 December 2017 (2016: Nil).

# NOTES TO FINANCIAL STATEMENTS

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## 17. DISTRIBUTION

The Manager currently does not intend to make distributions in respect of the Investment Class Units, I6 Class Units, Pension Class Units, Retail Class Units and R2 Class Unit 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.

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 2017 and 2016 are as follows:

	2017								
	Principal China Equity Fund - R6 Class			Principal Hong Kong Bond Fund - R6 Class			Principal Hong Kong Equity Fund - R6 Class		
	Unit	HK\$/Unit	HK\$	Unit	HK\$/Unit	HK\$	Unit	HK\$/Unit	HK\$
Distribution for Q1 2017 (paid at 13 April 2017)	1,717,788.7500	0.0004	687	31,854,943.3371	0.0550	1,752,022	4,778,038.5616	0.0426	203,544
Distribution for Q2 2017 (paid at 13 July 2017)	1,775,841.1481	0.1574	279,517	40,486,334.4993	0.0531	2,149,824	4,551,737.6250	0.1422	647,257
Distribution for Q3 2017 (paid at 13 October 2017)	746,255.0521	0.2693	200,966	52,429,534.9926	0.0580	3,040,913	4,305,371.1128	0.1050	452,064
Distribution for Q4 2017 (paid at 15 January 2018)	3,351,680.7962	0.0042	14,077	70,874,628.8542	0.0568	4,025,679	6,775,814.2863	0.0290	196,499
			495,247			10,968,438			1,499,364
	2016								
	Principal China Equity Fund - R6 Class			Principal Hong Kong Bond Fund - R6 Class			Principal Hong Kong Equity Fund - R6 Class		
	Unit	HK\$/Unit	HK\$	Unit	HK\$/Unit	HK\$	Unit	HK\$/Unit	HK\$
Distribution for Q1 2016 (paid at 11 April 2016)	2,372,456.7547	0.0038	9,015	11,824,876.8023	0.0628	742,602	4,823,669.2388	0.0376	181,370
Distribution for Q2 2016 (paid at 11 July 2016)	2,703,060.0675	0.1847	499,255	15,133,623.9543	0.0563	852,023	5,321,365.5755	0.1506	801,397
Distribution for Q3 2016 (paid at 11 October 2016)	2,196,415.2691	0.0603	132,444	22,138,160.1577	0.0519	1,148,971	4,145,030.1053	0.0761	315,437
Distribution for Q4 2016 (paid at 9 January 2017)	2,209,237.1764	0.0032	7,070	26,288,481.9468	0.0613	1,611,484	4,984,898.0298	0.0238	118,641
			647,784			4,355,080			1,416,845

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## 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

	2017			2016		
	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	5,294,839,827	-	5,294,839,827	3,698,375,020	-	3,698,375,020
Interest and dividend receivables	-	1,018,241	1,018,241	-	1,405,995	1,405,995
Amounts receivable from brokers	-	18,920,723	18,920,723	-	19,009,466	19,009,466
Amounts receivable on subscriptions	-	6,984,693	6,984,693	-	904,616	904,616
Cash at banks	-	123,927,191	123,927,191	-	126,503,191	126,503,191
	5,294,839,827	150,850,848	5,445,690,675	3,698,375,020	147,823,268	3,846,198,288

#### Financial liabilities

	2017	2016
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable to brokers	27,843,918	42,611,667
Amounts payable on redemptions	8,035,458	2,158,475
Accrual and other payables	431,047	349,194
	36,310,423	45,119,336
Net assets attributable to unitholders	5,409,380,252	3,801,078,952
	5,445,690,675	3,846,198,288

### Principal China Equity Fund

#### Financial assets

	2017			2016		
	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	3,970,191,532	-	3,970,191,532	2,898,991,076	-	2,898,991,076
Interest and dividend receivables	-	779,366	779,366	-	252,800	252,800
Amounts receivable from brokers	-	5,310,276	5,310,276	-	-	-
Amounts receivable on subscriptions	-	10,348,790	10,348,790	-	1,114,699	1,114,699
Cash at banks	-	114,785,513	114,785,513	-	82,609,249	82,609,249
	3,970,191,532	131,223,945	4,101,415,477	2,898,991,076	83,976,748	2,982,967,824

#### Financial liabilities

	2017	2016
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable to brokers	-	10,419,397
Amounts payable on redemptions	8,683,849	3,247,346
Accrual and other payables	649,863	519,221
	9,333,712	14,185,964
Net assets attributable to unitholders	4,092,081,765	2,968,781,860
	4,101,415,477	2,982,967,824

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## 18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Principal European Equity Fund

#### Financial assets

	2017			2016		
	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	1,295,377,478	-	1,295,377,478	899,337,325	-	899,337,325
Interest and dividend receivables	-	931,363	931,363	-	1,033,721	1,033,721
Amounts receivable from brokers	-	1,265,073	1,265,073	-	-	-
Amounts receivable on subscriptions	-	8,116	8,116	-	798	798
Cash at banks	-	24,800,160	24,800,160	-	33,642,821	33,642,821
	1,295,377,478	27,004,712	1,322,382,190	899,337,325	34,677,340	934,014,665

#### Financial liabilities

	2017 At amortised cost HK\$	2016 At amortised cost HK\$
Amounts payable to brokers	1,099,284	-
Amounts payable on redemptions	19,091	10,548
Accrual and other payables	158,005	127,999
	1,276,380	138,547
Net assets attributable to unitholders	1,321,105,810	933,876,118
	1,322,382,190	934,014,665

### Principal Hong Kong Bond Fund

#### Financial assets

	2017			2016		
	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	4,183,789,462	-	4,183,789,462	3,094,748,889	-	3,094,748,889
Interest and dividend receivables	-	36,157,805	36,157,805	-	26,155,060	26,155,060
Amounts receivable on subscriptions	-	1,873,727	1,873,727	-	656,405	656,405
Cash at banks	-	55,661,346	55,661,346	-	42,907,879	42,907,879
	4,183,789,462	93,692,878	4,277,482,340	3,094,748,889	69,719,344	3,164,468,233

#### Financial liabilities

	2017 At amortised cost HK\$	2016 At amortised cost HK\$
Amounts payable to brokers	10,157,652	-
Amounts payable on redemptions	2,625,587	2,988,108
Accrual and other payables	4,878,103	2,034,974
	17,661,342	5,023,082
Net assets attributable to unitholders	4,259,820,998	3,159,445,151
	4,277,482,340	3,164,468,233

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## 18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Principal Hong Kong Dollar Savings Fund

### Financial assets

	2017			2016		
	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	1,742,200,394	-	1,742,200,394	1,380,822,735	-	1,380,822,735
Interest and dividend receivables	-	21,811,114	21,811,114	-	18,124,607	18,124,607
Amounts receivable on subscriptions	-	3,869,601	3,869,601	-	1,004,534	1,004,534
Cash at banks	-	937,658,105	937,658,105	-	715,318,177	715,318,177
Other receivables	-	-	-	-	-	-
	1,742,200,394	963,338,820	2,705,539,214	1,380,822,735	734,447,318	2,115,270,053

### Financial liabilities

	2017	2016
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable on redemptions	3,825,038	1,694,309
Accrual and other payables	96,108	87,770
	3,921,146	1,782,079
Net assets attributable to unitholders	2,701,618,068	2,113,487,974
	2,705,539,214	2,115,270,053

Principal Hong Kong Equity Fund

### Financial assets

	2017			2016		
	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	8,848,764,123	-	8,848,764,123	4,890,463,553	-	4,890,463,553
Interest and dividend receivables	-	4,963,191	4,963,191	-	2,741,050	2,741,050
Amounts receivable from brokers	-	342,993,178	342,993,178	-	-	-
Amounts receivable on subscriptions	-	15,777,312	15,777,312	-	3,429,340	3,429,340
Cash at banks	-	238,112,107	238,112,107	-	111,561,127	111,561,127
	8,848,764,123	601,845,788	9,450,609,911	4,890,463,553	117,731,517	5,008,195,070

### Financial liabilities

	2017	2016
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable to brokers	-	7,863,362
Amounts payable on redemptions	374,348,313	1,981,624
Accrual and other payables	1,443,846	1,140,986
	375,792,159	10,985,972
Net assets attributable to unitholders	9,074,817,752	4,997,209,098
	9,450,609,911	5,008,195,070



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## 18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Principal International Bond Fund

#### Financial assets

	2017			2016		
	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	4,105,337,579	-	4,105,337,579	3,363,312,447	-	3,363,312,447
Derivative financial instruments	-	-	-	2,805,460	-	2,805,460
Interest and dividend receivables	-	36,162,529	36,162,529	-	33,975,175	33,975,175
Amounts receivable on subscriptions	-	12,997,155	12,997,155	-	427,847	427,847
Cash at banks	-	220,257,735	220,257,735	-	93,681,319	93,681,319
Other receivables	-	13,973	13,973	-	15,136	15,136
	4,105,337,579	269,431,392	4,374,768,971	3,366,117,907	128,099,477	3,494,217,384

#### Financial liabilities

	2017			2016		
	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	2,686,091	-	2,686,091	98,379	-	98,379
Amounts payable on redemptions	-	4,940,371	4,940,371	-	191,535	191,535
Accrual and other payables	-	258,255	258,255	-	228,578	228,578
	2,686,091	5,198,626	7,884,717	98,379	420,113	518,492
Net assets attributable to unitholders	-	4,366,884,254	4,366,884,254	-	3,493,698,892	3,493,698,892
	-	-	4,374,768,971	98,379	3,494,119,005	3,494,217,384

### Principal International Equity Fund

#### Financial assets

	2017			2016		
	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	3,753,450,695	-	3,753,450,695	3,101,010,387	-	3,101,010,387
Interest and dividend receivables	-	3,210,314	3,210,314	-	3,879,713	3,879,713
Amounts receivable from brokers	-	-	-	-	16,129,792	16,129,792
Amounts receivable on subscriptions	-	5,823,247	5,823,247	-	316,320	316,320
Cash at banks	-	80,935,388	80,935,388	-	50,640,703	50,640,703
	3,753,450,695	89,968,949	3,843,419,644	3,101,010,387	70,966,528	3,171,976,915

#### Financial liabilities

	2017 At amortised cost HK\$	2016 At amortised cost HK\$
Amounts payable to brokers	-	2,249,083
Amounts payable on redemptions	7,229,752	569,796
Accrual and other payables	292,947	237,497
	7,522,699	3,056,376
Net assets attributable to unitholders	3,835,896,945	3,168,920,539
	3,843,419,644	3,171,976,915

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## 18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Principal Pension Bond Fund

#### Financial assets

	2017			2016		
	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	2,328,079,999	-	2,328,079,999	2,151,389,045	-	2,151,389,045
Interest and dividend receivables	-	18,343,712	18,343,712	-	18,738,676	18,738,676
Amounts receivable on subscriptions	-	289,056	289,056	-	-	-
Cash at banks	-	95,846,146	95,846,146	-	182,375,523	182,375,523
	2,328,079,999	114,478,914	2,442,558,913	2,151,389,045	201,114,199	2,352,503,244

#### Financial liabilities

	2017	2016
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable to brokers	7,877,317	-
Amounts payable on redemptions	490,617	158,218
Accrual and other payables	45,830	44,918
	8,413,764	203,136
Net assets attributable to unitholders	2,434,145,149	2,352,300,108
	2,442,558,913	2,352,503,244

### Principal U.S. Equity Fund

#### Financial assets

	2017			2016		
	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	1,588,605,395	-	1,588,605,395	1,244,830,788	-	1,244,830,788
Interest and dividend receivables	-	1,123,537	1,123,537	-	826,397	826,397
Amounts receivable on subscriptions	-	2,511,894	2,511,894	-	1,133,192	1,133,192
Cash at banks	-	21,019,979	21,019,979	-	24,955,885	24,955,885
Other receivables	-	4,751	4,751	-	6,641	6,641
	1,588,605,395	24,660,161	1,613,265,556	1,244,830,788	26,922,115	1,271,752,903

#### Financial liabilities

	2017	2016
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable on redemptions	1,665,805	226,855
Accrual and other payables	30,169	26,879
	1,695,974	253,734
Net assets attributable to unitholders	1,611,569,582	1,271,499,169
	1,613,265,556	1,271,752,903

# NOTES TO FINANCIAL STATEMENTS

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## 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 2017

	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\$	
	<b>Assets</b>								
	Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	5,294,839,827	-	-	5,294,839,827	3,970,191,532	-	-	3,970,191,532	
	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\$	
<b>Assets</b>									
Financial assets at fair value through profit or loss:									
- Investments at fair value through profit or loss	1,295,377,478	-	-	1,295,377,478	4,183,789,462	-	-	4,183,789,462	
	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\$	
<b>Assets</b>									
Financial assets at fair value through profit or loss:									
- Investments at fair value through profit or loss	1,742,200,394	-	-	1,742,200,394	8,848,764,123	-	-	8,848,764,123	
	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\$	
<b>Assets</b>									
Financial assets at fair value through profit or loss:									
- Investments at fair value through profit or loss	4,105,337,579	-	-	4,105,337,579	3,753,450,695	-	-	3,753,450,695	
<b>Liabilities</b>									
Financial liabilities at fair value through profit or loss:									
- Derivatives	-	2,686,091	-	2,686,091	-	-	-	-	

# NOTES TO FINANCIAL STATEMENTS

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

As at 31 December 2017 (continued)

	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\$
<b>Assets</b>								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	2,328,079,999	-	-	2,328,079,999	1,588,605,395	-	-	1,588,605,395

As at 31 December 2016

	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\$
<b>Assets</b>								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	3,698,375,020	-	-	3,698,375,020	2,898,991,076	-	-	2,898,991,076

	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\$
<b>Assets</b>								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	899,337,325	-	-	899,337,325	3,094,748,889	-	-	3,094,748,889

	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\$
<b>Assets</b>								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	1,380,822,735	-	-	1,380,822,735	4,890,463,553	-	-	4,890,463,553

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

As at 31 December 2016

	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\$	
	<b>Assets</b>								
	Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	3,363,312,447	-	-	3,363,312,447	3,101,010,387	-	-	3,101,010,387	
- Derivatives	-	2,805,460	-	2,805,460	-	-	-	-	
<b>Liabilities</b>									
Financial liabilities at fair value through profit or loss:									
- Derivatives	-	98,379	-	98,379	-	-	-	-	
	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\$	
	<b>Assets</b>								
	Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	2,151,389,045	-	-	2,151,389,045	1,244,830,788	-	-	1,244,830,788	

# 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

## 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 2017

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	286,573,923	5.30	-	-	-	-	-	-	-	-
Brazilian Real	-	-	-	-	-	-	-	-	-	-
British Pounds	75	0.00	-	-	376,279,669	28.48	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-	-
Czech Koruna	-	-	-	-	-	-	-	-	-	-
Danish Krone	-	-	-	-	77,066,619	5.83	-	-	-	-
Euro	-	-	-	-	641,376,379	48.55	-	-	-	-
India Rupee	579,583,651	10.71	-	-	-	-	-	-	-	-
Indonesia Rupiah	113,328,180	2.10	-	-	-	-	-	-	-	-
Israeli New Sheqel	-	-	-	-	-	-	-	-	-	-
Japanese Yen	-	-	-	-	-	-	-	-	-	-
Malaysian Ringgit	65,841,581	1.22	-	-	-	-	-	-	-	-
Mexican Peso	-	-	-	-	-	-	-	-	-	-
New Zealand Dollar	-	-	-	-	-	-	-	-	-	-
Norwegian Kroner	-	-	-	-	27,113,472	2.05	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	-	-
Philippines Peso	-	-	-	-	-	-	-	-	-	-
Poland Zlotych	-	-	-	-	-	-	-	-	-	-
Singapore Dollar	265,424,491	4.91	-	-	-	-	-	-	-	-
South African Rand	-	-	-	-	-	-	-	-	-	-
South Korean Won	967,843,701	17.89	-	-	-	-	-	-	-	-
Swedish Krona	-	-	-	-	29,277,703	2.22	-	-	-	-
Swiss Franc	-	-	-	-	148,436,852	11.24	-	-	-	-
Taiwan Dollar	354,490,610	6.55	-	-	-	-	-	-	-	-
Thai Baht	184,171,269	3.40	-	-	-	-	-	-	-	-
United States Dollar	315,915,683	5.84	124,121,633	3.03	8,386,364	0.63	494,026,981	11.60	-	-
Total value	3,133,173,164	57.92	124,121,633	3.03	1,307,937,058	99.00	494,026,981	11.60	-	-

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	-	-	27,669,262	0.63	40,031,469	1.04	-	-	-	-
Brazilian Real	-	-	-	-	58,775,045	1.53	-	-	-	-
British Pound	-	-	210,172,280	4.81	195,705,206	5.10	-	-	-	-
Canadian Dollar	-	-	74,449,170	1.70	124,526,191	3.25	-	-	-	-
Czech Koruna	-	-	2,432,519	0.06	-	-	-	-	-	-
Danish Krone	-	-	16,896,568	0.39	15,793,283	0.41	-	-	-	-
Euro	-	-	800,114,420	18.33	473,487,423	12.33	-	-	-	-
India Rupee	-	-	-	-	10,752,656	0.28	-	-	-	-
Indonesia Rupiah	-	-	-	-	7,571,492	0.20	-	-	-	-
Israeli New Sheqel	-	-	-	-	8,727,392	0.23	-	-	-	-
Japanese Yen	-	-	390,336,104	8.94	315,826,147	8.23	-	-	-	-
Malaysian Ringgit	-	-	38,571,316	0.88	-	-	-	-	-	-
Mexican Peso	-	-	49,150,816	1.13	8,006,040	0.21	-	-	-	-
New Zealand Dollar	-	-	4,504,230	0.10	-	-	-	-	-	-
Norwegian Kroner	-	-	2,733,762	0.06	16,697,453	0.44	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	-	-
Philippines Peso	-	-	-	-	-	-	-	-	-	-
Poland Zlotych	-	-	9,748,682	0.22	-	-	-	-	-	-
Singapore Dollar	-	-	6,540,826	0.15	7,679,956	0.20	-	-	-	-
South African Rand	-	-	3,721,337	0.09	24	-	-	-	-	-
South Korean Won	-	-	-	-	61,201,286	1.60	-	-	-	-
Swedish Krona	-	-	9,551,293	0.22	37,835,076	0.99	-	-	-	-
Swiss Franc	-	-	15,489,333	0.35	86,753,262	2.26	-	-	-	-
Taiwan Dollar	-	-	-	-	59,564,698	1.55	-	-	-	-
Thai Baht	-	-	3,103,334	0.07	-	-	-	-	-	-
United States Dollar	464,271,677	5.12	2,663,311,102	60.99	2,089,252,756	54.47	2,418,021,495	99.34	1,594,420,096	98.94
Total value	464,271,677	5.12	4,328,496,354	99.12	3,618,186,855	94.32	2,418,021,495	99.34	1,594,420,096	98.94

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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 2016

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	242,060,785	6.37	-	-	-	-	-	-	-	-
Brazilian Real	-	-	-	-	-	-	-	-	-	-
British Pound	68	0.00	-	-	250,460,619	26.82	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-	-
Czech Koruna	-	-	-	-	-	-	-	-	-	-
Danish Krone	-	-	-	-	67,968,399	7.28	-	-	-	-
Euro	-	-	-	-	420,392,028	45.02	-	-	-	-
India Rupee	367,709,745	9.67	-	-	-	-	-	-	-	-
Indonesia Rupiah	47,726,468	1.26	-	-	-	-	-	-	-	-
Israeli New Sheqel	-	-	-	-	-	-	-	-	-	-
Japanese Yen	-	-	-	-	-	-	-	-	-	-
Malaysian Ringgit	62,323,879	1.64	-	-	-	-	-	-	-	-
Mexican Peso	-	-	-	-	-	-	-	-	-	-
New Zealand Dollar	9,838,446	0.26	-	-	-	-	-	-	-	-
Norwegian Kroner	-	-	-	-	19,554,798	2.09	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	369,892	0.02
Philippines Peso	3,157,276	0.08	-	-	-	-	-	-	-	-
Poland Zlotych	-	-	-	-	-	-	-	-	-	-
Singapore Dollar	76,933,132	2.02	-	-	-	-	-	-	-	-
South African Rand	-	-	-	-	-	-	-	-	-	-
South Korean Won	701,176,264	18.45	-	-	-	-	-	-	-	-
Swedish Krona	-	-	-	-	38,196,608	4.09	-	-	-	-
Swiss Franc	-	-	-	-	98,933,741	10.59	-	-	-	-
Taiwan Dollar	479,951,863	12.63	-	-	-	-	-	-	-	-
Thai Baht	133,254,490	3.51	-	-	-	-	-	-	-	-
United States Dollar	296,980,035	7.81	280	0.00	26,515,415	2.84	185,343,268	5.87	-	-
Total value	2,421,112,451	63.70	280	0.00	922,021,608	98.73	185,343,268	5.87	369,892	0.02

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	-	-	24,756,102	0.71	62,831,103	1.98	-	-	-	-
Brazilian Real	-	-	-	-	37,740,826	1.19	-	-	-	-
British Pound	-	-	132,505,595	3.79	192,009,586	6.06	-	-	-	-
Canadian Dollar	-	-	66,438,320	1.90	137,880,131	4.35	-	-	-	-
Czech Koruna	-	-	2,012,771	0.06	-	-	-	-	-	-
Danish Krone	-	-	7,814,244	0.22	12,232,925	0.39	-	-	-	-
Euro	-	-	650,413,418	18.62	298,116,813	9.41	-	-	-	-
India Rupee	-	-	-	-	-	-	-	-	-	-
Indonesia Rupiah	-	-	-	-	-	-	-	-	-	-
Israeli New Sheqel	-	-	-	-	-	-	-	-	-	-
Japanese Yen	-	-	188,648,529	5.40	298,646,537	9.42	-	-	-	-
Malaysian Ringgit	-	-	34,110,287	0.98	-	-	-	-	-	-
Mexican Peso	-	-	354,156,713	10.14	6,521,999	0.21	-	-	-	-
New Zealand Dollar	-	-	4,304,294	0.12	-	-	-	-	-	-
Norwegian Kroner	-	-	2,562,455	0.07	5,681,402	0.18	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	-	-
Philippines Peso	-	-	-	-	-	-	-	-	-	-
Poland Zlotych	-	-	7,894,737	0.23	-	-	-	-	-	-
Singapore Dollar	-	-	5,793,391	0.17	-	-	-	-	-	-
South African Rand	-	-	3,216,132	0.09	6,282,410	0.20	-	-	-	-
South Korean Won	-	-	-	-	47,265,702	1.49	-	-	-	-
Swedish Krona	-	-	8,593,231	0.25	7,801,315	0.25	-	-	-	-
Swiss Franc	-	-	14,826,260	0.42	79,255,142	2.50	-	-	-	-
Taiwan Dollar	-	-	-	-	53,929,546	1.70	-	-	-	-
Thai Baht	-	-	2,747,465	0.08	5,784,950	0.18	-	-	-	-
United States Dollar	35,794,359	0.72	1,956,713,222	56.01	1,831,242,078	57.79	2,328,779,472	99.00	1,252,763,782	98.53
Total value	35,794,359	0.72	3,467,507,166	99.26	3,083,222,465	97.30	2,328,779,472	99.00	1,252,763,782	98.53



# NOTES TO FINANCIAL STATEMENTS

31 December 2017

## 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% (2016: 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.

Currency	Percentage change	As at 31 December 2017									
		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%	14,328,696	-	-	-	-	-	1,383,463	2,001,573	-	-
Brazilian Real	5%	-	-	-	-	-	-	-	2,938,752	-	-
British Pound	5%	4	-	18,813,983	-	-	-	10,508,614	9,785,260	-	-
Canadian Dollar	5%	-	-	-	-	-	-	3,722,459	6,226,310	-	-
Czech Koruna	5%	-	-	-	-	-	-	121,626	-	-	-
Danish Krone	5%	-	-	3,853,331	-	-	-	844,828	789,664	-	-
Euro	5%	-	-	32,068,819	-	-	-	40,005,721	23,674,371	-	-
Hungarian Forints	5%	-	-	-	-	-	-	-	-	-	-
India Rupee	5%	28,979,183	-	-	-	-	-	-	537,633	-	-
Indonesia Rupiah	5%	5,666,409	-	-	-	-	-	-	378,575	-	-
Israeli New Sheqel	5%	-	-	-	-	-	-	-	436,370	-	-
Japanese Yen	5%	-	-	-	-	-	-	19,516,805	15,791,307	-	-
Malaysian Ringgit	5%	3,292,079	-	-	-	-	-	1,928,566	-	-	-
Mexican Peso	5%	-	-	-	-	-	-	2,457,541	400,302	-	-
New Zealand Dollar	5%	-	-	-	-	-	-	225,212	-	-	-
Norwegian Kroner	5%	-	-	1,355,674	-	-	-	136,688	834,873	-	-
Offshore Renminbi	5%	-	-	-	-	-	-	-	-	-	-
Philippines Peso	5%	-	-	-	-	-	-	-	-	-	-
Poland Zlotych	5%	-	-	-	-	-	-	487,434	-	-	-
Singapore Dollar	5%	13,271,225	-	-	-	-	-	327,041	383,998	-	-
South African Rand	5%	-	-	-	-	-	-	186,067	1	-	-
South Korean Won	5%	48,392,185	-	-	-	-	-	-	3,060,064	-	-
Spanish Peseta	5%	-	-	-	-	-	-	-	-	-	-
Swedish Krona	5%	-	-	1,463,885	-	-	-	477,565	1,891,754	-	-
Swiss Franc	5%	-	-	7,421,843	-	-	-	774,467	4,337,663	-	-
Taiwan Dollar	5%	17,724,531	-	-	-	-	-	-	2,978,235	-	-
Thai Baht	5%	9,208,563	-	-	-	-	-	155,167	-	-	-
<b>Total</b>		<b>140,862,875</b>	<b>-</b>	<b>64,977,535</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,259,264</b>	<b>76,446,705</b>	<b>-</b>	<b>-</b>
Increase/decrease in net assets value		2.6040%	-	4.9184%	-	-	-	1.9066%	1.9929%	-	-

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

# NOTES TO FINANCIAL STATEMENTS

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

### (a) Market risk (continued)

Currency risk sensitivity analysis (continued)

Currency	Percentage change	As at 31 December 2016									
		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%	12,103,039	-	-	-	-	-	1,237,805	3,141,555	-	-
Brazilian Real	5%	-	-	-	-	-	-	-	1,887,041	-	-
British Pound	5%	3	-	12,523,031	-	-	-	6,625,280	9,600,479	-	-
Canadian Dollar	5%	-	-	-	-	-	-	3,321,916	6,894,007	-	-
Czech Koruna	5%	-	-	-	-	-	-	100,639	-	-	-
Danish Krone	5%	-	-	3,398,420	-	-	-	390,712	611,646	-	-
Euro	5%	-	-	21,019,601	-	-	-	32,520,671	14,905,841	-	-
India Rupee	5%	18,385,487	-	-	-	-	-	-	-	-	-
Indonesia Rupiah	5%	2,386,323	-	-	-	-	-	-	-	-	-
Israeli New Sheqel	5%	-	-	-	-	-	-	-	-	-	-
Japanese Yen	5%	-	-	-	-	-	-	9,432,426	14,932,327	-	-
Malaysian Ringgit	5%	3,116,194	-	-	-	-	-	1,705,514	-	-	-
Mexican Peso	5%	-	-	-	-	-	-	17,707,836	326,100	-	-
New Zealand Dollar	5%	491,922	-	-	-	-	-	215,215	-	-	-
Norwegian Kroner	5%	-	-	977,740	-	-	-	128,123	284,070	-	-
Offshore Renminbi	5%	-	-	-	-	18,495	-	-	-	-	-
Philippines Peso	5%	157,864	-	-	-	-	-	-	-	-	-
Poland Zlotych	5%	-	-	-	-	-	-	394,737	-	-	-
Singapore Dollar	5%	3,846,657	-	-	-	-	-	289,670	-	-	-
South African Rand	5%	-	-	-	-	-	-	160,807	314,121	-	-
South Korean Won	5%	35,058,813	-	-	-	-	-	-	2,363,285	-	-
Swedish Krona	5%	-	-	1,909,830	-	-	-	429,662	390,066	-	-
Swiss Franc	5%	-	-	4,946,687	-	-	-	741,313	3,962,757	-	-
Taiwan Dollar	5%	23,997,593	-	-	-	-	-	-	2,696,477	-	-
Thai Baht	5%	6,662,725	-	-	-	-	-	137,373	289,248	-	-
<b>Total</b>		<b>106,206,620</b>	<b>-</b>	<b>44,775,309</b>	<b>-</b>	<b>18,495</b>	<b>-</b>	<b>75,539,699</b>	<b>62,599,020</b>	<b>-</b>	<b>-</b>
Increase/decrease in net assets value		2.7941%	-	4.7946%	-	0.0009%	-	2.1622%	1.9754%	-	-

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

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## 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 2017

	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\$
<b>Assets</b>										
Cash at banks	123,927,191	114,785,513	24,800,160	55,661,346	17,905,369	238,112,107	220,257,735	80,935,388	95,846,146	21,019,979
Time deposit - 1 year or less	-	-	-	-	919,752,736	-	-	-	-	-
	123,927,191	114,785,513	24,800,160	55,661,346	937,658,105	238,112,107	220,257,735	80,935,388	95,846,146	21,019,979
Financial assets designated at fair value through profit or loss										
- 1 year or less	-	-	-	359,016,748	1,223,831,952	-	311,179,297	-	436,725,027	-
- over 1 year to 5 years	-	-	-	2,500,753,190	518,368,442	-	1,457,601,553	-	766,797,908	-
- over 5 years to 10 years	-	-	-	1,232,786,695	-	-	1,496,129,389	-	1,065,920,685	-
- over 10 years	-	-	-	91,232,829	-	-	840,427,340	-	58,636,379	-
- non-interest-bearing Investments	5,294,839,827	3,970,191,532	1,295,377,478	-	-	8,848,764,123	-	3,753,450,695	-	1,588,605,395
Subtotal	5,294,839,827	3,970,191,532	1,295,377,478	4,183,789,462	1,742,200,394	8,848,764,123	4,105,337,579	3,753,450,695	2,328,079,999	1,588,605,395
Other non-interest-bearing assets	26,923,657	16,438,432	2,204,552	38,031,532	25,680,715	363,733,681	49,173,657	9,033,561	18,632,768	3,640,182
	5,445,690,675	4,101,415,477	1,322,382,190	4,277,482,340	2,705,539,214	9,450,609,911	4,374,768,971	3,843,419,644	2,442,558,913	1,613,265,556
<b>Liabilities</b>										
Non-interest-bearing liabilities	36,310,423	9,333,712	1,276,380	17,661,342	3,921,146	375,792,159	7,884,717	7,522,699	8,413,764	1,695,974
	36,310,423	9,333,712	1,276,380	17,661,342	3,921,146	375,792,159	7,884,717	7,522,699	8,413,764	1,695,974
<b>Non-interest-bearing net assets attributable to unitholders</b>	5,409,380,252	4,092,081,765	1,321,105,810	4,259,820,998	2,701,618,068	9,074,817,752	4,366,884,254	3,835,896,945	2,434,145,149	1,611,569,582

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

### (a) Market risk (continued)

#### Interest rate risk (continued)

#### As at 31 December 2016

	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\$
<b>Assets</b>										
Cash at banks	126,503,191	82,609,249	33,642,821	42,907,879	17,927,440	111,561,127	93,681,319	50,640,703	182,375,523	24,955,885
Time deposit - 1 year or less	-	-	-	-	697,390,737	-	-	-	-	-
	126,503,191	82,609,249	33,642,821	42,907,879	715,318,177	111,561,127	93,681,319	50,640,703	182,375,523	24,955,885
Financial assets designated at fair value through profit or loss										
- 1 year or less	-	-	-	297,534,775	1,056,508,174	-	347,047,891	-	164,669,575	-
- over 1 year to 5 years	-	-	-	1,820,837,366	324,314,561	-	1,352,588,956	-	1,009,709,247	-
- over 5 years to 10 years	-	-	-	868,414,857	-	-	1,136,556,366	-	908,700,039	-
- over 10 years	-	-	-	107,961,891	-	-	527,119,234	-	68,310,184	-
- non-interest-bearing Investments	3,698,375,020	2,898,991,076	899,337,325	-	-	4,890,463,553	-	3,101,010,387	-	1,244,830,788
Subtotal	3,698,375,020	2,898,991,076	899,337,325	3,094,748,889	1,380,822,735	4,890,463,553	3,363,312,447	3,101,010,387	2,151,389,045	1,244,830,788
Other non-interest-bearing assets	21,320,077	1,367,499	1,034,519	26,811,465	19,129,141	6,170,390	37,223,618	20,325,825	18,738,676	1,966,230
	3,846,198,288	2,982,967,824	934,014,665	3,164,468,233	2,115,270,053	5,008,195,070	3,494,217,384	3,171,976,915	2,352,503,244	1,271,752,903
<b>Liabilities</b>										
Non-interest-bearing liabilities	45,119,336	14,185,964	138,547	5,023,082	1,782,079	10,985,972	518,492	3,056,376	203,136	253,734
	45,119,336	14,185,964	138,547	5,023,082	1,782,079	10,985,972	518,492	3,056,376	203,136	253,734
<b>Non-interest-bearing net assets attributable to unitholders</b>	<b>3,801,078,952</b>	<b>2,968,781,860</b>	<b>933,876,118</b>	<b>3,159,445,151</b>	<b>2,113,487,974</b>	<b>4,997,209,098</b>	<b>3,493,698,892</b>	<b>3,168,920,539</b>	<b>2,352,300,108</b>	<b>1,271,499,169</b>

#### 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 2016.

	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
<b>As at 31 December 2017</b>										
Increase 100 basis points in interest rate	-	-	-	(2.49)%	(0.44)%	-	(4.65)%	-	(4.36)%	-
Decrease 100 basis points in interest rate	-	-	-	2.64%	0.44%	-	4.59%	-	4.69%	-
<b>As at 31 December 2016</b>										
Increase 100 basis points in interest rate	-	-	-	(2.60)%	(0.41)%	-	(4.36)%	-	(3.32)%	-
Decrease 100 basis points in interest rate	-	-	-	2.75%	0.41%	-	4.87%	-	3.57%	-

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

## 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 2016 was performed by applying the same percentage change in prices of all the underlying investments as at year end.

#### As at 31 December 2017

	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	5,294,839,827	3,970,191,532	1,295,377,478	4,183,789,462	1,742,200,394	8,848,764,123	4,105,337,579	3,753,450,695	2,328,079,999	1,588,605,395
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV	529,483,983	397,019,153	129,537,748	418,378,946	174,220,039	884,876,412	410,533,758	375,345,070	232,808,000	158,860,540

#### As at 31 December 2016

	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	3,698,375,020	2,898,991,076	899,337,325	3,094,748,889	1,380,822,735	4,890,463,553	3,363,312,447	3,101,010,387	2,151,389,045	1,244,830,788
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV	369,837,502	289,899,108	89,933,733	309,474,889	138,082,274	489,046,355	336,331,245	310,101,039	215,138,905	124,483,079

### (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.

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). Additionally, there is a risk of downgrading of securities i.e. securities ratings getting downgraded by rating agencies which may cause the value of the securities to drop significantly. 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

### (b) Credit risk (continued)

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 2017

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	4.73	-	26.42	1.25
Aa1/AA+	21.29	0.86	0.55	2.53
Aa2/AA	20.87	13.22	6.26	0.40
Aa3/AA-	5.27	5.62	2.59	2.75
A1/A+	14.33	7.97	8.91	4.49
A2/A	8.20	2.49	3.88	6.19
A3/A-	3.46	-	13.63	22.40
Baa1/BBB+	-	-	7.90	19.25
Baa2/BBB	-	-	18.43	17.69
Baa3/BBB-	-	-	5.44	18.69
Certificates of deposits without credit rating	20.07	34.33	-	-
Total	98.22	64.49	94.01	95.64

#### As at 31 December 2016

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	28.16	9.29	19.90	0.65
Aa1/AA+	22.22	11.93	2.63	1.43
Aa2/AA	10.55	15.08	3.79	2.64
Aa3/AA-	2.93	1.67	2.42	3.35
A1/A+	6.47	-	10.37	11.58
A2/A	7.19	3.60	6.07	5.34
A3/A-	3.18	-	21.58	22.93
Baa1/BBB+	-	-	7.15	20.57
Baa2/BBB	-	-	21.28	20.43
Baa3/BBB-	-	-	0.21	2.54
Certificates of deposits without credit rating	17.25	23.76	0.87	-
Total	97.95	65.33	96.27	91.46

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

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 sub-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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

### (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 2017

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 2018	Buy USD/sell AUD	2,581,000	(604,495)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell CHF	1,158,000	(66,180)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell CZK	190,000	(10,534)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell DKK	607,000	(44,436)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell EUR	14,728,000	(1,162,686)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell GBP	9,888,000	(122,730)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell NOK	228,000	(24,584)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell NZD	246,000	(70,041)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell PLN	420,000	(62,564)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell SEK	855,000	(130,555)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell SGD	342,000	(21,295)
Principal International Bond Fund	Currency forward	March 2018	Buy USD/sell ZAR	400,000	(365,991)

#### As at 31 December 2016

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 2017	Buy USD/sell AUD	2,113,000	520,890
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell CHF	1,065,000	57,311
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell CZK	141,000	12,485
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell DKK	454,000	35,142
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell EUR	15,639,000	1,315,631
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell GBP	8,000,000	776,255
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell NOK	175,000	12,293
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell NZD	235,000	38,408
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell PLN	315,000	3,998
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell SEK	689,000	(44,423)
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell SGD	298,000	33,047
Principal International Bond Fund	Currency forward	March 2017	Buy USD/sell ZAR	329,000	(53,956)

## 21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and Manager on 27 April 2018.

# INDEPENDENT AUDITOR'S ASSURANCE 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 (each a separate sub-fund of Principal Life Style Fund and referred to individually or collectively as the "Sub-funds") for the year ended 31 December 2017 in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* ("PN 860.1") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unqualified auditor's report thereon dated 20 April 2018.

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 and the Manager's Responsibility**

The General Regulation requires the trustee and the manager 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;
- (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.

Our 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.

## **Auditor's 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.

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 PN 860.1 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, 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.



## INDEPENDENT AUDITOR'S ASSURANCE 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**

Based on the foregoing:

1. in our opinion:
  - (a) proper accounting and other records have been kept during the year ended 31 December 2017 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 2017, 31 August 2017, and 31 March 2017;
2. as at 31 December 2017, the assets of the Sub-funds were not subject to any encumbrance, otherwise than as permitted by section 65 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 trustee and the manager 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

27 April 2018



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