

Principal Life Style Fund

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
For The Year Ended 31 December 2018



CONTENTS

	Pages
MANAGEMENT AND ADMINISTRATION.....	2
MANAGER'S REPORT.....	3 - 7
INVESTMENT REPORT	8 - 51
REPORT OF THE TRUSTEE	52
INDEPENDENT AUDITOR'S REPORT.....	53 - 54
AUDITED FINANCIAL STATEMENTS	
Statement of profit or loss and other comprehensive income.....	55 - 56
Statement of net assets attributable to unitholders.....	57 - 58
Statement of changes in net assets attributable to unitholders.....	59
Statement of distribution.....	60
Statement of cash flows	61 - 62
Notes to financial statements	63 - 100
INDEPENDENT AUDITOR'S ASSURANCE REPORT.....	101 - 102

MANAGEMENT AND ADMINISTRATION

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Delegate of the Manager

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Sub-Delegate of the Manager

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

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MANAGER'S REPORT

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 2018.

Principal Asian Equity Fund

Market Review

Global equity markets had a sharp decline in December, dragging nearly every market into negative territory for the year. Using the MSCI All Country World Index (US dollar) as a proxy, global equities fell 7.0% during the month, which ended the year down 8.9%, the worst year since the global financial crisis.

Emerging market regional performance was disparate during the fourth quarter 2018 and the Asia region was the worst performer, declining 9.3% in US dollar terms.

The decline in crude oil prices helped the Indian market outperform the emerging markets benchmark, despite the sudden resignation of the Reserve Bank of India governor, Urjit Patel, likely due to differences with the government.

Portfolio Strategy and Outlook

China's economic activities softened in December. Official Manufacturing Purchasing Managers' Index (PMI) continued to weaken to 49.4 in December from 50.0 in November, declining for the fifth consecutive month. Earnings revisions remain under pressure and were negative in December. Facing the trade tension and economic downturn, President Xi has called for defensive easing policies in several meetings in December.

The Korean benchmark fell 1.9% in US dollar terms in December, capping a year which saw the biggest annual decline since 2008. As an export-oriented economy with a significant presence in the technology sector, the Korean economy is facing headwinds from global trade tensions.

Principal China Equity Fund

Market Review

In 2018, utilities and energy sectors relatively outperformed during the year, while consumer discretionary, IT, and healthcare sectors underperformed.

China's economic activities softened in December. Official Manufacturing Purchasing Managers' Index (PMI) continued to weaken to 49.4 in December from 50.0 in November, declining for the fifth consecutive month. Industrial production growth in November slowed down to 5.4% from 5.9% in October. Export growth decelerated to 10.2% in November from 20.1% in October. Aggregate financing rebounded to RMB1,519 billion in November from RMB728 billion in October. Retail sales growth slowed down to 8.1% year-over-year (yoy) in November from 8.6% yoy in October.

Portfolio Strategy and Outlook

In December, China and the United States announced a 90-day truce on trade war escalation at the end of G20 summit on 1st December. However, a few days later, the news of Canada arresting the CFO of Chinese tech giant Huawei, who was sought for extradition by the United States, brought the market back to another round of China-US trade tension uncertainty. Also, earnings revision was still negative in November. Facing the trade tension and economy downturn, President Xi has called for defensive easing policies in several meetings in December. Thus, given the uncertainty of the resolution of the trade war and economy, we remain cautious and focus on stocks with positive fundamental changes.

MANAGER'S REPORT *(continued)*

Principal European Equity Fund

Market Review

European equity markets traded in a tight range for the first nine months of the year, and then followed other international markets weaker in the final quarter as investors worried about the likely trend in US interest rates, and the growing trade frictions between the United States and China.

Portfolio Strategy and Outlook

Earnings growth remains solid and without further deterioration, markets should react positively and continue to go up with some multiple expansion. Resolution to macro risks would be a catalyst for European equity markets heading into 2019. Key risks, as always, include geopolitical uncertainty and potential policy missteps, whether monetary, fiscal, and/or regulatory in nature. As always, we find bottom-up analysis of credit conditions and earnings trends to be much more reliable guides than top-down attempts to forecast macro variables. The ongoing impasse on Brexit and now the “yellow vest” protests in France are weighing on sentiment while bringing doubt to the Europe’s growth outlook. From a relative standpoint, valuations coupled with earnings growth and less corporate leverage are particularly enticing, especially in comparison to the United States. Regardless of the region, sector, or general market conditions, our bottom up focus on sustainable earnings trends and valuations relative to expectations remain a constant across the portfolio and helps rise above the fray of short-term bouts of volatility and the “risk on/risk off” tendencies of many investors.

Principal Hong Kong Bond Fund

Market Review

Markit’s HK Bond Index returned 2.9% in the fourth quarter (4Q) 2018 bringing last 12 month returns to 1.8%. The HKD/US dollar finished at 7.8319 as HKD gave back some of the gains seen at the end of the third quarter. The Chinese yuan renminbi (CNH) and Chinese yuan (CNY) finished quarter flattish against the US dollar to 6.87 and 6.878 respectively on trade hopes. The Hang Seng index dropped (ex-dividend) 7% bringing 12-month losses to 13.6% (ex-dividend). HK home prices, as measured by the Centaline Property Price Index, decreased by 5.9% (up 5.7% in the last 12 months) during the quarter.

Portfolio Strategy and Outlook

Risk markets remain in a transition phase from the days of historic monetary accommodation to an environment of less accommodation. In addition to the removal of central bank accommodation, markets are faced with the likely slowing of global economic growth in 2019. Key uncertainties heading into the New Year include the path of future Fed rate hikes, trade wars, and Brexit.

Fundamentals within investment grade corporate bonds remain stable and all sectors are reporting earnings growth. In addition, profit margins remain at 15-year highs. Technicals are currently challenged due to tepid foreign demand and an expected increase in supply in the first quarter of 2019. Foreign demand is weak due to currency hedging costs and macro uncertainty. After the spread widening that occurred during the fourth quarter market volatility, valuations are attractive.

MANAGER'S REPORT *(continued)*

Principal Hong Kong Dollar Savings Fund

Market Review

Overall monetary conditions were stable during the quarter despite heightened volatility. Monetary base increased by HK\$21 billion to HK\$1,633 billion while Aggregate balance declined HK\$18 billion to HK\$78 billion. 3-month HIBOR finished the quarter at 2.33% (+4bps) and 1-year HIBOR at 2.75% (+5bps) as seasonal factors pushed short term money market rates a bit higher despite longer rates falling on risk off market sentiments.

Hong Kong's economic data was mixed as trade tensions and slowing global growth pose risks to the economy. Hong Kong 3Q GDP grew 2.9% over-year-ago weaker than expected on drag from net exports while consumption and investments remained solid. December PMI remained in contractionary zone (<50) at 48.0 from 47.9 in September. November export growth was at -0.8% yoy while imports grew at 0.5% yoy both behind of consensus estimates after good prints in October. November retail sales growth decelerated in both value and volume. CPI inflation in November slowed down to 2.6% from 2.7% yoy in September while the unemployment rate remained at 2.8%.

Portfolio Strategy and Outlook

Due to low interest rates, gross fund returns remain low. Our strategy of generating returns in excess of 3-month HIBOR continues to do well. As expected Fed delivered 4th hike for 2018 in December 2018 but policy path for 2019 remained highly uncertain with markets not pricing any hike for 2019. European Central Bank guided to keep interest rates at current levels at least through summer of 2019. In case Hong Kong rates move lower on flush liquidity or slower global growth it may weigh on incremental return from reinvestments.

Principal Hong Kong Equity Fund

Market Review

In 2018, the Hang Seng Index was down 10.5%. Utilities and communication services sectors outperformed, while healthcare, materials, and IT sectors lagged during 2018. The BMI Hong Kong Index was down 8.9% and the BMI China Index was down 18.8%.

Hong Kong's Purchasing Managers' Index (PMI) edged up to 48.0 in December from 47.1 in November. Retail sales growth slowed down to 1.4% in term of value and 1.2% in term of volume, both below expectation. China's economic activities softened in December. Official Manufacturing PMI continued to weaken to 49.4 in December from 50.0 in November, declining for the fifth consecutive month. Industrial production growth in November slowed down to 5.4% from 5.9% in October. Trade activities turned weak in November in both China and Hong Kong.

Portfolio Strategy and Outlook

In December, China and the United States announced a 90-day truce on trade war escalation at the end of G20 summit on 1st December. However, a few days later, the news of Canada arresting the CFO of Chinese tech giant Huawei, who was sought for extradition by the United States, brought the market back to another round of China-US trade tension uncertainty. Also, earnings revision was still negative in November. Facing the trade tension and economy downturn, President Xi has called for defensive easing policies in several meetings in December. Thus, given the uncertainty of the resolution of the trade war and economy, we remain cautious and focus on stocks with positive fundamental changes.

MANAGER'S REPORT *(continued)*

Principal International Bond Fund

Market Review

Risk markets started the year on a positive tone due to a combination of strong global economic growth, solid quarterly corporate earnings, and the impact of tax reform. However, by mid-quarter, the fear of monetary tightening led to a sell-off in Treasury yields, higher volatility, and wider credit spreads. In addition, the proposed tariffs on US steel and aluminum imports further weighed on markets and raised concerns of a trade war. As expected, the Federal Reserve (Fed) raised rates at the March meeting. Notably for a market concerned about a brisk pace of Fed rate hikes, new Federal Reserve Chairman Jerome Powell de-emphasized the dot plots while emphasizing the data dependent nature of any future hikes.

Portfolio Strategy and Outlook

Risk markets remain in a transition phase from the days of historic monetary accommodation to an environment of less accommodation. In addition to the removal of central bank accommodation, markets are faced with the likely slowing of global economic growth in 2019. Key uncertainties heading into the new year include the path of future Fed rate hikes, trade wars, and Brexit.

Principal International Equity Fund

Market Review

A tumultuous fourth quarter capped one of the worst years for equity markets since 2008 as no area was left unscathed. Investor sentiment turned from optimistic to pessimistic as the global growth outlook came under fire amid trade disputes, tighter monetary conditions, US government shutdown, and Brexit concerns spurring significant bouts of volatility and was exacerbated by substantial technical trading.

The abrupt swings in investor sentiment and volume of technical trading brought meaningful decoupling from earnings trends. Markets posted double digit contractions of valuation multiples despite generally resilient earnings performance. This provided for a tough quarter for earnings focused investing.

Portfolio Strategy and Outlook

Stock selection opportunities ring in the new year. After significant de-ratings with no consideration of earnings growth profiles, there are attractive opportunities to take advantage of at the stock level. Earnings growth may have peaked out but remain solid. If earnings growth doesn't deteriorate further, markets should react positively and continue to go up with some multiple expansion.

Normalization to more customary levels should take hold in 2019, particularly with regards to earnings growth given the historically high levels and volatility trends which was absent until this year. Furthermore, should the European region get past its many political impasses, equity performance will see stabilization and provide relief to the divergency embedded within the global market.

MANAGER'S REPORT *(continued)*

Principal Pension Bond Fund

Market Review

Rates on the US Treasury yield curve flattened during the year, as front-end rates increased due to the Federal Reserve (Fed) raising the Federal Funds rate four times during 2018. The two-year US Treasury rate rose 0.60% to 2.49% and the five-year US Treasury rate rose 0.30% to 2.51%. The ten-year rate increased 0.28% to 2.69% while the thirty-year rate also increased 0.28% to 3.02%. The slope of the two- to ten-year Treasury curve fell from 0.52% to 0.20%.

Portfolio Strategy and Outlook

Fundamentals within investment grade corporate bonds remain stable and all sectors are reporting earnings growth. In addition, profit margins remain at 15-year highs. Technicals are currently challenged due to tepid foreign demand and an expected increase in supply in the first quarter of 2019. Foreign demand is weak due to currency hedging costs and macro uncertainty. After the spread widening that occurred during the fourth quarter market volatility, valuations are attractive.

Principal U.S. Equity Fund

Market Review

Equity markets posted losses during the last 12 months as the MSCI World returned -8.71% with MSCI Emerging Markets down -14.58%. Developed markets were led by Finland and New Zealand, while Austria lagged. Emerging Markets were led by Qatar and Russia, with Greece lagging in local terms.

November U.S. nonfarm payrolls were 155K, while the latest initial jobless claims were 216K. U.S. GDP for third quarter 2018 was at 3.40% 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

26 April 2019

INVESTMENT REPORT

Performance table

Investment record as at 31 December 2018

	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	48.3291	38.3149	19.9382	10.0000	-	-	4,509,460,430
Principal China Equity Fund	17.3054	14.1448	14.0965	-	9.4254	-	3,941,799,782
Principal European Equity Fund	13.8721	-	12.2496	-	-	-	728,615,606
Principal Hong Kong Bond Fund	11.7590	10.9492	-	-	9.4874	-	5,743,201,605
Principal Hong Kong Dollar Savings Fund	13.2667	11.9321	-	-	-	-	3,343,151,196
Principal Hong Kong Equity Fund	39.1216	32.2887	32.7890	-	9.9643	11.0846	11,218,100,152
Principal International Bond Fund	17.1933	11.9794	13.5109	-	-	-	4,533,677,764
Principal International Equity Fund	30.2665	23.8000	-	10.0000	-	-	3,259,503,566
Principal Pension Bond Fund	17.1755	-	-	-	-	-	2,421,560,436
Principal U.S. Equity Fund	31.7537	17.8627	-	-	-	-	1,679,050,468

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 REPORT *(continued)*

Performance table *(continued)*

Performance record for the year ended 31 December 2018				
	Fund expense ratio (%)	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund				
Pension Class	0.04%	64.3084	47.4909	(18.46)%
Retail Class	-	51.6447	37.6985	(19.60)%
Investment Class	1.15%	26.8044	19.6293	(19.37)%
I6 Class	0.00%	10.0000	10.0000	0.00%
Principal China Equity Fund				
Pension Class	0.03%	22.7278	16.8733	(11.89)%
Retail Class	-	18.8746	13.8307	(13.38)%
Investment Class	1.23%	18.7228	13.7729	(12.95)%
R6 Class	-	12.9014	9.2181	(15.56)%
Principal European Equity Fund				
Pension Class	0.02%	17.2819	13.4822	(13.42)%
Investment Class	1.22%	15.4335	11.9068	(14.47)%
I6 Class	1.03%	14.2251	12.7961	0.86%
Principal Hong Kong Bond Fund				
Pension Class	0.01%	11.7590	11.3913	1.78%
Retail Class	-	10.9492	10.6528	1.06%
R6 Class	-	9.6513	9.3121	(1.64)%
Principal Hong Kong Dollar Savings Fund				
Pension Class	0.01%	13.2667	13.0182	1.94%
Retail Class	-	11.9321	11.7607	1.48%
Principal Hong Kong Equity Fund				
Pension Class	0.03%	49.7805	37.0094	(12.99)%
Retail Class	-	41.6267	30.6141	(14.20)%
Investment Class	1.23%	42.1941	31.0817	(14.03)%
I6 Class	1.03%	15.8859	12.7003	(7.10)%
R6 Class	-	13.2295	9.4734	(16.68)%
R2 Class	-	14.3492	10.5178	(14.63)%
Principal International Bond Fund				
Pension Class	0.01%	17.5619	16.9036	(0.96)%
Retail Class	-	12.3411	11.7826	(2.14)%
Investment Class	1.01%	13.8986	13.2952	(1.95)%
Principal International Equity Fund				
Pension Class	0.01%	37.2375	29.0219	(12.59)%
Retail Class	-	29.6681	22.8235	(13.82)%
I6 Class	0.00%	10.0000	10.0000	0.00%
Principal Pension Bond Fund				
Pension Class	0.00%	17.3514	16.9776	(1.12)%
Principal U.S. Equity Fund				
Pension Class	0.00%	38.1442	29.7586	(5.08)%
Retail Class	-	21.5518	16.7305	(6.42)%

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 2017				
	Fund expense ratio (%)	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund				
Pension Class	0.04%	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%
Principal China Equity Fund				
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%
Principal European Equity Fund				
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%
Principal Hong Kong Bond Fund				
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%
Principal Hong Kong Dollar Savings Fund				
Pension Class	0.01%	13.0183	12.8261	1.49%
Retail Class	-	11.7629	11.6402	1.03%
Principal Hong Kong Equity Fund				
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 [#]	-	13.0897	10.0000	29.85%
Principal International Bond Fund				
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%
Principal International Equity Fund				
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%
Principal Pension Bond Fund				
Pension Class	0.00%	17.4007	16.5378	5.02%
Principal U.S. Equity Fund				
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)

[#] 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 (%)*
Principal Asian Equity Fund				
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%
Principal China Equity Fund				
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)%
Principal European Equity Fund				
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%
Principal Hong Kong Bond Fund				
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)%
Principal Hong Kong Dollar Savings Fund				
Pension Class	0.01%	12.8396	12.6558	1.12%
Retail Class	-	11.6518	11.5361	0.65%
Principal Hong Kong Equity Fund				
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)%
Principal International Bond Fund				
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%
Principal International Equity Fund				
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%
Principal Pension Bond Fund				
Pension Class	0.00%	16.9161	16.0247	3.36%
Principal U.S. Equity Fund				
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.

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INVESTMENT REPORT *(continued)*

Performance table *(continued)*

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

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[#] 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 (%)*
Principal Asian Equity Fund			
Pension Class	45.7393	38.2642	1.55%
Retail Class	38.5938	32.5538	0.10%
Investment Class	19.7870	16.6577	0.44%
Principal China Equity Fund			
Pension Class	15.0947	12.1942	9.71%
Retail Class	13.2768	10.8183	7.85%
Investment Class	12.9456	10.5235	8.40%
Principal European Equity Fund			
Pension Class	13.5898	11.3051	(3.78)%
Investment Class	12.6751	10.4991	(4.84)%
Principal Hong Kong Bond Fund			
Pension Class	10.9169	10.4003	4.12%
Retail Class	10.4634	10.0319	3.38%
Principal Hong Kong Dollar Savings Fund			
Pension Class	12.5619	12.4109	1.22%
Retail Class	11.5236	11.4503	0.42%
Principal Hong Kong Equity Fund			
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%
Principal International Bond Fund			
Pension Class	16.8485	16.0287	(0.12)%
Retail Class	12.6015	11.7749	(4.01)%
Investment Class	13.8467	13.1180	(1.11)%
Principal International Equity Fund			
Pension Class	28.6356	25.5374	2.30%
Retail Class	24.0104	21.5021	0.81%
Principal Pension Bond Fund			
Pension Class	15.9195	15.1706	4.45%
Principal U.S. Equity Fund			
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.

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INVESTMENT REPORT *(continued)*

Performance table *(continued)*

Performance record for the year ended 31 December 2013

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

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INVESTMENT REPORT *(continued)*

Performance table *(continued)*

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

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

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INVESTMENT REPORT *(continued)*

Performance table *(continued)*

Performance record for the year ended 31 December 2011

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	39.5841	28.1735	(12.99)%
Retail Class	34.9490	24.8008	(14.30)%
Investment Class	17.7787	12.6241	(14.05)%
Principal China Equity Fund			
Pension Class	13.5052	8.6427	(19.68)%
Retail Class	12.6026	7.9972	(21.11)%
Investment Class	12.0674	7.6781	(20.66)%
Principal European Equity Fund			
Pension Class	10.4019	7.2190	(11.25)%
Investment Class	10.0627	6.9456	(12.32)%
Principal Hong Kong Bond Fund			
Pension Class	10.3246	9.9093	1.75%
Retail Class	10.0593	9.9407	(0.35)%
Principal Hong Kong Dollar Savings Fund			
Pension Class	12.0054	11.8960	0.93%
Retail Class	11.1957	11.1459	0.46%
Principal Hong Kong Equity Fund			
Pension Class	27.3774	18.8273	(16.90)%
Retail Class	25.2937	17.2095	(18.13)%
Investment Class	25.2429	17.2073	(17.91)%
Principal International Bond Fund			
Pension Class	16.1826	14.6565	4.28%
Retail Class	13.3620	12.3324	1.12%
Investment Class	13.6895	12.4729	3.25%
Principal International Equity Fund			
Pension Class	20.6090	15.9606	(6.04)%
Retail Class	18.1187	13.9373	(7.46)%
Principal Pension Bond Fund			
Pension Class	14.0219	13.0976	5.85%
Principal U.S. Equity Fund			
Pension Class	15.9740	12.9435	2.08%
Retail Class	10.9768	8.6451	(4.59)%

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

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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 (%)*
Principal Asian Equity Fund			
Pension Class	36.7996	26.4916	20.47%
Retail Class	32.8366	23.7896	18.72%
Investment Class	16.6776	12.0946	18.98%
Principal China Equity Fund			
Pension Class	13.7799	10.0672	10.61%
Retail Class	12.9631	9.5439	8.65%
Investment Class	12.3808	9.0935	9.27%
Principal European Equity Fund			
Pension Class	9.3362	6.7096	10.23%
Investment Class	9.0835	6.5624	8.91%
Principal Hong Kong Bond Fund			
Pension Class	-	-	-
Retail Class	-	-	-
Principal Hong Kong Dollar Savings Fund			
Pension Class	11.8945	11.7990	0.81%
Retail Class	11.1450	11.1090	0.31%
Principal Hong Kong Equity Fund			
Pension Class	27.8591	19.4904	18.96%
Retail Class	25.8123	18.1733	17.25%
Investment Class	25.7493	18.1103	17.54%
Principal International Bond Fund			
Pension Class	15.4542	13.6497	6.35%
Retail Class	13.0956	11.6944	3.29%
Investment Class	13.1759	11.6852	5.29%
Principal International Equity Fund			
Pension Class	18.8253	14.9896	13.60%
Retail Class	16.6318	13.3307	11.92%
Principal Pension Bond Fund			
Pension Class	13.5110	12.1737	8.44%
Principal U.S. Equity Fund			
Pension Class	14.6050	11.7781	12.94%
Retail Class	10.5330	8.5838	4.44%

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INVESTMENT REPORT *(continued)*

Performance table *(continued)*

Performance record for the year ended 31 December 2009			
	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
Principal Asian Equity Fund			
Pension Class	30.2166	15.9318	64.19%
Retail Class	27.3033	14.5686	61.78%
Investment Class	13.8745	7.4305	62.43%
Principal China Equity Fund			
Pension Class	11.7168	5.8649	69.89%
Retail Class	11.2048	5.6816	66.93%
Investment Class	10.6461	5.3762	67.89%
Principal European Equity Fund			
Pension Class	8.5772	5.0216	27.78%
Investment Class	8.4432	4.9828	26.27%
Principal Hong Kong Bond Fund			
Pension Class	-	-	-
Retail Class	-	-	-
Principal Hong Kong Dollar Savings Fund			
Pension Class	11.8004	11.6548	1.29%
Retail Class	11.1149	11.0502	0.59%
Principal Hong Kong Equity Fund			
Pension Class	22.3492	11.1836	66.81%
Retail Class	20.9905	10.6153	64.40%
Investment Class	20.8887	10.5427	64.84%
Principal International Bond Fund			
Pension Class	14.4969	12.0515	7.95%
Retail Class	12.6082	10.7415	4.37%
Investment Class	12.4751	10.4475	6.92%
Principal International Equity Fund			
Pension Class	16.7275	10.0981	26.04%
Retail Class	15.0469	9.1690	24.05%
Principal Pension Bond Fund			
Pension Class	12.2746	10.1086	16.34%
Principal U.S. Equity Fund			
Pension Class	13.0661	8.2272	21.54%
Retail Class	9.9385	6.6791	11.30%
Investment Class	8.3297	5.5097	16.88%

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INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal Asian Equity Fund				Principal Asian Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV	Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed shares				Listed shares <i>(continued)</i>			
<i>Australia</i>				<i>China <i>(continued)</i></i>			
Appen Ltd	204,501	14,520,531	0.32	Haier Electronics Group Co Ltd	661,000	12,730,860	0.28
Australia & New Zealand Banking Group Ltd	184,869	25,025,395	0.55	Haitong Securities Co Ltd-H	3,426,500	25,698,750	0.57
Beach Energy Ltd	1,555,673	11,579,799	0.26	Industrial & Commercial Bank of China Ltd-H	5,061,000	28,290,990	0.63
BHP Billiton Ltd	205,930	39,010,985	0.87	JD.com Inc-ADR	24,777	4,061,383	0.09
Collins Foods Ltd	442,842	15,145,991	0.34	Jiangsu Yanghe Brewery Joint-Stock Co Ltd-A	120,893	13,038,583	0.29
Commonwealth Bank of Australia	96,561	38,684,834	0.86	KunLun Energy Co Ltd	4,576,000	37,980,800	0.84
CSL Ltd	27,613	28,295,747	0.63	Longfor Group Holdings Ltd	631,500	14,777,100	0.33
Insurance Australia Group Ltd	121,096	4,691,246	0.10	Maanshan Iron & Steel Co Ltd-H	2,896,000	9,991,200	0.22
Macquarie Group Ltd	20,380	12,254,464	0.27	NetEase Inc-ADR	4,459	8,219,485	0.18
National Australia Bank Ltd	154,027	20,517,921	0.45	New Oriental Education & Technology Group Inc-ADR	11,635	4,994,387	0.11
Northern Star Resources Ltd	558,904	28,580,485	0.63	PetroChina Co Ltd-H	1,328,000	6,480,640	0.14
OZ Minerals Ltd	128,133	6,240,280	0.14	Ping An Insurance (Group) Co of China Ltd-H	807,000	55,804,050	1.24
QBE Insurance Group Ltd	86,509	4,835,519	0.11	Postal Savings Bank of China Co Ltd-H	5,655,000	23,355,150	0.52
Rio Tinto Ltd	23,510	10,209,787	0.23	Shenzhen International Holdings Ltd	671,000	10,118,680	0.22
Saracen Mineral Holdings Ltd	496,742	8,054,877	0.18	Shimao Property Holdings Ltd	1,208,500	25,257,650	0.56
Service Stream Ltd	4,146,284	40,386,119	0.90	Sinopharm Group Co Ltd-H	458,400	15,081,360	0.33
Seven Group Holdings Ltd	30,997	2,432,519	0.05	Sunac China Holdings Ltd	571,000	14,560,500	0.32
South32 Ltd	335,652	6,222,923	0.14	Sunny Optical Technology (Group) Co Ltd	119,300	8,303,280	0.18
SunCorp Group Ltd	65,141	4,553,215	0.10	TAL Education Group-ADR	24,297	5,076,852	0.11
Telstra Corp Ltd	147,656	2,328,930	0.05	Tencent Holdings Ltd	815,200	255,972,801	5.69
Wesfarmers Ltd	52,527	9,366,310	0.21	Tianneng Power International Ltd	1,734,000	11,323,020	0.25
Westpac Banking Corp	174,550	24,188,814	0.54	Times China Holdings Ltd	2,138,000	18,600,600	0.41
Woodside Petroleum Ltd	47,500	8,233,335	0.18	Weibo Corp-ADR	26,939	12,327,454	0.27
Woolworths Group Ltd	83,655	13,620,560	0.30	Weichai Power Co Ltd-H	4,155,000	37,187,250	0.82
		378,980,586	8.41	Zhongsheng Group Holdings Ltd	627,000	9,731,040	0.22
						1,509,125,468	33.46
<i>China</i>				<i>Hong Kong</i>			
Agricultural Bank of China Ltd-H	7,669,000	26,304,670	0.58	AIA Group Ltd	2,052,600	133,419,000	2.96
Air China Ltd-H	336,000	2,291,520	0.05	ASM Pacific Technology Ltd	33,300	2,512,485	0.06
Alibaba Group Holding Ltd-ADR	175,823	188,744,427	4.19	Health & Happiness (H&H) International Holdings Ltd	311,000	13,901,700	0.31
Anhui Conch Cement Co Ltd-A	552,028	18,404,318	0.41	BOC Hong Kong (Holdings) Ltd	418,000	12,163,800	0.27
Anhui Conch Cement Co Ltd-H	83,000	3,154,000	0.07	CITIC Telecom International Holdings Ltd	1,629,000	4,479,750	0.10
Baidu Inc-ADR	44,354	55,092,441	1.22	CK Asset Holdings Ltd	619,500	35,497,350	0.79
Bank of China Ltd-H	5,637,000	19,053,060	0.42	CK Hutchison Holdings Ltd	171,000	12,859,200	0.29
Beijing Enterprises Holdings Ltd	72,000	2,988,000	0.07	CLP Holdings Ltd	149,500	13,230,750	0.29
China Communications Services Corp Ltd-H	4,744,000	30,741,120	0.68	Galaxy Entertainment Group Ltd	106,000	5,278,800	0.12
China Conch Venture Holdings Ltd	207,500	4,834,750	0.11	Hang Seng Bank Ltd	200,600	35,265,480	0.78
China Construction Bank Corp-H	13,581,010	87,733,325	1.95	HKT Trust & HKT Ltd	702,000	7,918,560	0.18
China Everbright Ltd	934,000	12,963,920	0.29	Hong Kong Exchanges & Clearing Ltd	237,200	53,749,520	1.19
China Gas Holdings Ltd	147,400	4,112,460	0.09	Kerry Properties Ltd	78,500	2,099,875	0.05
China Life Insurance Co Ltd-H	472,900	7,869,056	0.17	NagaCorp Ltd	1,484,000	12,495,280	0.28
China Longyuan Power Group Corp Ltd-H	4,606,000	24,549,980	0.54	New World Development Co Ltd	656,000	6,796,160	0.15
China Merchants Bank Co Ltd-H	449,500	12,900,650	0.29	Pacific Textiles Holdings Ltd	670,000	4,663,200	0.10
China Mobile Ltd	982,500	74,031,375	1.64	Sands China Ltd	857,200	29,401,960	0.65
China National Building Material Co Ltd-H	3,004,000	16,101,440	0.36	SITC International Holdings Co Ltd	1,691,000	12,479,580	0.28
China Overseas Land & Investment Ltd	330,000	8,877,000	0.20	Sun Hung Kai Properties Ltd	421,500	47,039,400	1.04
China Petroleum & Chemical Corp-H	5,754,000	32,164,860	0.71	Swire Pacific Ltd-A	145,500	12,032,850	0.27
China Railway Construction Corp Ltd-H	3,948,500	42,880,710	0.95	The Link REIT	195,000	15,463,500	0.34
China Railway Group Ltd-H	772,740	5,509,636	0.12	WH Group Ltd	2,574,500	15,524,235	0.34
China Resources Cement Holdings Ltd	860,000	6,063,000	0.13	Xinyi Glass Holdings Ltd	2,428,000	21,026,480	0.47
China Resources Land Ltd	1,114,000	33,531,400	0.74			509,298,915	11.31
China Resources Power Holdings Co Ltd	1,636,000	24,638,160	0.55				
China Shenhua Energy Co Ltd-H	646,000	11,085,360	0.25	<i>India</i>			
China Telecom Corp Ltd-H	3,326,000	13,304,000	0.30	GAIL (India) Ltd	365,503	14,775,244	0.33
China Water Affairs Group Ltd	544,000	4,558,720	0.10	HDFC Bank Ltd	125,597	29,898,039	0.66
CNOOC Ltd	3,411,000	41,273,100	0.92	Hero MotoCorp Ltd	12,404	4,320,141	0.10
Ctrip.com International Ltd-ADR	29,684	6,290,805	0.14	Hindalco Industries Ltd	911,126	23,123,337	0.51
ENN Energy Holdings Ltd	57,200	3,972,540	0.09				
Geely Automobile Holdings Ltd	323,000	4,457,400	0.10				
Guangzhou Automobile Group Co Ltd-H	1,240,000	9,684,400	0.21				

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal Asian Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed shares <i>(continued)</i>			
<i>India (continued)</i>			
Hindustan Zinc Ltd	124,411	3,889,532	0.09
Housing Development Finance Corp Ltd	276,430	61,047,371	1.35
ICICI Bank Ltd-ADR	101,975	8,217,981	0.18
Indiabulls Housing Finance Ltd	66,954	6,414,127	0.14
Infosys Ltd	797,077	58,929,425	1.31
JSW Steel Ltd	83,601	2,877,236	0.06
KEC International Ltd	95,742	3,238,152	0.07
Kotak Mahindra Bank Ltd	168,142	23,703,811	0.53
Larsen & Toubro Ltd	167,720	27,051,246	0.60
Mahindra & Mahindra Ltd	555,158	50,069,250	1.11
Power Grid Corp of India Ltd	315,333	7,028,092	0.16
Reliance Industries Ltd	598,635	75,308,505	1.67
Tata Consultancy Services Ltd	140,696	29,882,939	0.66
Tech Mahindra Ltd	433,828	35,198,604	0.78
		464,973,032	10.31
<i>Indonesia</i>			
PT Bank Mandiri (Persero) Tbk	1,212,800	4,848,412	0.11
PT Bank Negara Indonesia (Persero) Tbk	2,114,200	10,085,027	0.22
PT Bank Rakyat Indonesia (Persero) Tbk	9,728,000	19,299,807	0.43
PT United Tractors Tbk	920,500	13,646,756	0.30
		47,880,002	1.06
<i>Malaysia</i>			
CIMB Group Holdings Bhd	1,810,600	19,566,051	0.43
Malayan Banking Bhd	2,420,300	43,514,838	0.96
Tenaga Nasional Bhd	673,700	17,340,037	0.38
		80,420,926	1.77
<i>Singapore</i>			
DBS Group Holdings Ltd	494,900	67,361,358	1.49
Singapore Telecommunications Ltd	592,800	9,979,393	0.22
United Overseas Bank Ltd	393,200	55,506,901	1.23
UOL Group Ltd	307,900	10,950,367	0.24
Valuetronics Holdings Ltd	1,164,200	4,414,686	0.10
Venture Corp Ltd	32,800	2,628,914	0.06
		150,841,619	3.34
<i>South Korea</i>			
Doosan Infracore Co Ltd	259,519	13,884,475	0.31
Fila Korea Ltd	52,899	19,948,938	0.44
GS Engineering & Construction Corp	17,975	5,543,263	0.12
Hana Financial Group Inc	71,118	18,172,140	0.40
Hyundai Engineering & Construction Co Ltd	11,648	4,482,936	0.10
Hyundai Glovis Co Ltd	6,906	6,279,641	0.14
Hyundai Marine & Fire Insurance Co Ltd	29,295	8,476,668	0.19
Hyundai Mobis Co Ltd	4,296	5,753,557	0.13
Hyundai Motor Co	41,723	34,850,772	0.77
KB Financial Group Inc	27,163	8,903,263	0.20

Principal Asian Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed shares <i>(continued)</i>			
<i>South Korea (continued)</i>			
KIA Motors Corp	151,012	35,872,355	0.80
LG Chem Ltd	9,191	22,480,749	0.50
LG Electronics Inc	47,108	20,687,178	0.46
Meritz Securities Co Ltd	200,457	6,047,607	0.13
POSCO	18,361	31,450,035	0.70
Samsung Electronics Co Ltd	916,186	249,926,983	5.54
Samsung SDI Co Ltd	4,024	6,211,845	0.14
SK Hynix Inc	89,396	38,123,432	0.85
SK Innovation Co Ltd	17,042	21,562,720	0.48
SK Telecom Co Ltd	5,675	10,780,606	0.24
Woori Bank	168,681	18,548,521	0.41
		587,987,684	13.05
<i>Taiwan</i>			
Cathay Financial Holding Co Ltd	1,678,000	20,214,526	0.45
CTBC Financial Holding Co Ltd	8,132,000	42,103,916	0.93
Delta Electronics Inc	1,160,000	38,503,616	0.85
Eclat Textile Co Ltd	153,000	13,647,227	0.30
Hon Hai Precision Industry Co Ltd	537,800	9,759,505	0.22
Kung Long Batteries Industrial Co Ltd	304,000	11,298,358	0.25
Largan Precision Co Ltd	15,000	12,360,783	0.27
Nanya Technology Corp	816,000	11,503,410	0.26
Novatek Microelectronics Corp	686,000	24,968,141	0.55
Realtek Semiconductor Corp	426,000	15,614,188	0.35
Shin Kong Financial Holding Co Ltd	5,318,436	12,227,851	0.27
Taiwan Semiconductor Manufacturing Co Ltd	3,591,000	207,556,198	4.60
Taiwan Semiconductor Manufacturing Co Ltd-ADR	129,134	37,328,513	0.83
Uni-President Enterprises Corp	1,212,000	21,683,620	0.48
		478,769,852	10.61
<i>Thailand</i>			
Bangkok Bank Pcl-Foreign	900,370	44,955,051	1.00
Bangkok Dusit Medical Services Pcl-Foreign	3,279,200	19,299,447	0.43
Kiatnakin Bank Pcl-Foreign	639,100	10,212,730	0.23
PTT Exploration & Production Pcl-Foreign	169,200	4,632,158	0.10
PTT Pcl-Foreign	2,117,000	23,489,070	0.52
		102,588,456	2.28
<i>The Philippines</i>			
Vista Land & Lifescapes Inc	11,176,500	9,013,680	0.20
<i>United States</i>			
Entergy Corp	19,601	13,212,533	0.29
FirstEnergy Corp	54,348	15,982,678	0.35
Motorola Solutions Inc	13,380	12,054,828	0.27
US Concrete Inc	45,798	12,654,096	0.28
		53,904,135	1.19
Total listed shares		4,373,784,355	96.99

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal Asian Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Delisted Shares			
<i>Hong Kong</i>			
Peace Mark (Holdings) Ltd	2,010,000	-	-
Total delisted shares		-	-
Total investments		4,373,784,355	96.99
Other net assets		135,676,075	3.01
Total net asset value		4,509,460,430	100.00
Total cost of investments		4,311,948,926	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.			

Principal China Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares			
<i>China</i>			
Agricultural Bank of China Ltd-H	31,362,000	107,571,660	2.73
Alibaba Group Holding Ltd-ADR	131,347	140,999,836	3.58
Anhui Conch Cement Co Ltd-H	894,000	33,972,000	0.86
Baidu Inc-ADR	42,060	52,243,046	1.33
Bank of China Ltd-H	30,624,100	103,509,458	2.63
China Cinda Asset Management Co Ltd-H	11,840,000	22,496,000	0.57
China Communications Services Corp Ltd-H	6,608,000	42,819,840	1.09
China Construction Bank Corp-H	42,777,620	276,343,425	7.02
China Everbright Ltd	2,766,000	38,392,080	0.97
China Lesso Group Holdings Ltd	3,125,000	12,250,000	0.31
China Longyuan Power Group Corp Ltd-H	14,658,000	78,127,140	1.98
China Mobile Ltd	2,204,000	166,071,400	4.21
China National Building Material Co Ltd-H	10,514,000	56,355,040	1.43
China Petroleum & Chemical Corp-H	17,228,800	96,308,992	2.44
China Railway Construction Corp Ltd-H	9,286,000	100,845,960	2.56
China Resources Land Ltd	3,540,000	106,554,000	2.70
China Resources Power Holdings Co Ltd	3,530,000	53,161,800	1.35
China Shenhua Energy Co Ltd-H	2,763,000	47,413,080	1.20
China Taiping Insurance Holdings Co Ltd	1,896,600	40,776,900	1.03
China Telecom Corp Ltd-H	10,294,000	41,176,000	1.04
CNOOC Ltd	8,021,000	97,054,100	2.46
CSPC Pharmaceutical Group Ltd	3,504,000	39,595,200	1.00
Far East Horizon Ltd	5,014,000	39,610,600	1.00
Geely Automobile Holdings Ltd	1,197,000	16,518,600	0.42
Haier Electronics Group Co Ltd	1,765,000	33,993,900	0.86
Haitong Securities Co Ltd-H	12,569,200	94,269,000	2.39
Hua Hong Semiconductor Ltd	2,286,000	33,147,000	0.84
Industrial & Commercial Bank of China Ltd-H	26,664,850	149,056,512	3.78
Jiangsu Yanghe Brewery Joint-Stock Co Ltd-A	195,197	21,052,437	0.53
KunLun Energy Co Ltd	6,098,000	50,613,400	1.28
Longfor Group Holdings Ltd	2,445,500	57,224,700	1.45
PetroChina Co Ltd-H	3,036,000	14,815,680	0.38
Pinduoduo Inc-ADR	108,383	19,047,591	0.48
Ping An Bank Co Ltd-A	2,758,778	29,465,048	0.75
Ping An Insurance (Group) Co of China Ltd-H	3,343,500	231,203,025	5.88
Postal Savings Bank of China Co Ltd-H	16,565,000	68,413,450	1.74
Sany Heavy Industry Co Ltd-A	2,003,079	19,021,803	0.48
Shenzhen International Holdings Ltd	3,787,500	57,115,500	1.45
Shimao Property Holdings Ltd	4,962,500	103,716,250	2.63
Sinopec Shanghai Petrochemical Co Ltd-H	4,062,000	13,932,660	0.35
Sinopharm Group Co Ltd-H	1,000,000	32,900,000	0.83
Sinotrans Ltd-H	19,637,000	66,765,800	1.69
Sunac China Holdings Ltd	1,944,000	49,572,000	1.26
Sunny Optical Technology (Group) Co Ltd	367,200	25,557,120	0.65
Tencent Holdings Ltd	1,037,900	325,900,600	8.28
Tianneng Power International Ltd	5,076,000	33,146,280	0.84
Times China Holdings Ltd	2,924,000	25,438,800	0.65
Weichai Power Co Ltd-H	10,779,000	96,472,050	2.45
West China Cement Ltd	19,944,000	21,140,640	0.54
Yangtze Optical Fibre & Cable Joint Stock Ltd Co-H	1,597,000	34,175,800	0.87
Zhongsheng Group Holdings Ltd	2,887,500	44,814,000	1.14
		3,562,137,203	90.38

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal China Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>Hong Kong</i>			
AIA Group Ltd	513,600	33,384,000	0.85
Health & Happiness (H&H) International Holdings Ltd	892,500	39,894,750	1.01
NagaCorp Ltd	2,030,000	17,092,600	0.43
Sands China Ltd	378,400	12,979,120	0.33
WH Group Ltd	7,149,500	43,111,485	1.09
Wynn Macau Ltd	4,362,400	74,509,792	1.89
Xinyi Glass Holdings Ltd	2,434,000	21,078,440	0.53
		242,050,187	6.13
Total listed shares		3,804,187,390	96.51
Total investments		3,804,187,390	96.51
Other net assets		137,612,392	3.49
Total net asset value		3,941,799,782	100.00
Total cost of investments		3,820,831,489	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.			

Principal European Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares			
<i>Austria</i>			
Erste Group Bank AG	20,784	5,409,976	0.74
Raiffeisen Bank International AG	21,920	4,360,272	0.60
		9,770,248	1.34
<i>Denmark</i>			
Carlsberg A/S-B	4,609	3,830,818	0.53
Novo Nordisk A/S-B	37,423	13,378,623	1.84
ROCKWOOL International A/S-B	2,269	4,628,985	0.64
Royal Unibrew A/S	11,495	6,193,807	0.85
William Demant Holding A/S	20,196	4,481,306	0.62
		32,513,539	4.48
<i>Finland</i>			
Elisa Oyj	13,688	4,425,135	0.61
Neste Corp	10,872	6,561,930	0.90
Stora Enso Oyj-R	29,853	2,697,640	0.37
UPM-Kymmene Oyj	5,868	1,164,619	0.16
Valmet Oyj	21,571	3,469,403	0.48
		18,318,727	2.52
<i>France</i>			
AXA SA	36,454	6,159,719	0.85
Casino Guichard-Perrachon	8,399	2,734,844	0.38
Dassault Systemes	6,263	5,819,440	0.80
Eurofins Scientific SE	763	2,228,754	0.31
Euronext NV	7,890	3,556,027	0.49
Ipsen SA	5,548	5,609,938	0.77
Kering	2,523	9,304,920	1.28
LVMH Moet Hennessy Louis Vuitton SE	6,237	14,429,525	1.98
Natixis SA	59,719	2,204,065	0.30
Orange SA	57,799	7,330,781	1.01
Safran SA	8,372	7,906,602	1.09
Sartorius Stedim Biotech SA	3,004	2,351,164	0.32
Teleperformance SE	5,624	7,034,784	0.97
Ubisoft Entertainment SA	12,277	7,753,150	1.06
Vinci SA	12,332	7,958,050	1.09
		92,381,763	12.70
<i>Germany</i>			
Carl Zeiss Meditec AG	6,526	3,993,814	0.55
Deutsche Telekom AG	72,732	9,658,146	1.33
Evotec AG	23,984	3,731,784	0.51
Hannover Rueck SE	5,832	6,150,551	0.84
Infineon Technologies AG	28,387	4,416,867	0.61
Jenoptik AG	24,507	5,002,233	0.69
LEG Immobilien AG	3,622	2,957,210	0.41
PUMA SE	943	3,607,943	0.50
Salzgitter AG	7,479	1,713,540	0.24
TAG Immobilien AG	24,500	4,370,764	0.60
Vonovia SE	23,372	8,290,895	1.14
Wirecard AG	6,051	7,200,212	0.99
		61,093,959	8.41

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>Ireland</i>			
Glanbia Plc	22,361	3,285,906	0.45
KingSpan Group Plc	15,189	5,087,314	0.70
		8,373,220	1.15
<i>Italy</i>			
Amplifon Spa	15,478	1,948,548	0.27
ENEL Spa	220,982	9,987,390	1.37
EXOR NV	7,640	3,235,245	0.44
Ferrari NV	6,325	4,918,132	0.67
Fiat Chrysler Automobiles NV	38,536	4,378,995	0.60
Mediobanca Banca di Credito Finanziario Spa	67,206	4,441,698	0.61
Moncler Spa	18,112	4,694,992	0.64
Poste Italiane Spa	64,670	4,046,943	0.56
		37,651,943	5.16
<i>Netherlands</i>			
ASML Holding NV	6,919	8,503,366	1.17
ASR Nederland NV	15,756	4,881,924	0.67
BE Semiconductor Industries NV	21,530	3,564,668	0.49
Corbion NV	11,935	2,615,766	0.36
Heineken Holding NV	7,014	4,634,980	0.64
Koninklijke Ahold Delhaize NV	38,428	7,600,962	1.04
Koninklijke Philips NV	18,804	5,211,350	0.72
NN Group NV	24,970	7,786,062	1.07
Unilever NV	21,843	9,280,981	1.27
		54,080,059	7.43
<i>Norway</i>			
Aker BP ASA	15,747	3,094,928	0.42
DnB ASA	46,026	5,732,583	0.79
Marine Harvest ASA	21,521	3,544,845	0.49
Telenor ASA	33,184	5,011,177	0.69
		17,383,533	2.39
<i>Portugal</i>			
Banco Comercial Portugues SA-R	204,590	420,714	0.06
Galp Energia SGPS SA	28,856	3,566,793	0.49
		3,987,507	0.55
<i>Spain</i>			
ACS Actividades de Construccion y Servicios SA	19,986	6,058,260	0.83
Amadeus IT Holding SA	13,830	7,539,307	1.03
Grifols SA	14,954	3,068,407	0.42
Iberdrola SA	150,527	9,465,593	1.30
Repsol SA	56,577	7,137,771	0.98
		33,269,338	4.56

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>Sweden</i>			
Investor AB-B	18,422	6,049,939	0.83
Sandvik AB	38,360	4,237,820	0.58
Swedbank AB-A	33,586	5,807,155	0.80
Swedish Match AB	7,841	2,393,370	0.33
Swedish Orphan Biovitrum AB (publ)	23,070	3,893,082	0.53
Telefonaktiebolaget LM Ericsson-B	87,867	5,986,367	0.82
		28,367,733	3.89
<i>Switzerland</i>			
ABB Ltd	30,826	4,578,592	0.63
Barry Callebaut AG	374	4,549,211	0.62
Logitech International SA	23,369	5,740,753	0.79
Lonza Group AG	4,524	9,154,630	1.26
Nestle SA	46,130	29,246,614	4.00
Novartis AG	32,681	21,820,798	2.98
Roche Holding AG	12,254	23,696,690	3.24
Straumann Holding AG	665	3,265,122	0.45
Swiss Life Holding AG	3,291	9,899,146	1.36
		111,951,556	15.33
<i>United Kingdom</i>			
3i Group Plc	103,912	8,014,764	1.10
Ashtead Group Plc	26,645	4,349,960	0.60
BHP Billiton Plc	52,661	8,673,909	1.19
BP Plc	330,100	16,326,922	2.23
Burford Capital Ltd	18,399	3,038,613	0.42
Coca-Cola HBC AG	23,021	5,629,444	0.77
Compass Group Plc	32,073	5,277,697	0.72
Dechra Pharmaceuticals Plc	11,137	2,299,108	0.32
Diageo Plc	52,668	14,680,793	2.00
Electrocomponents Plc	84,052	4,246,529	0.58
Ferguson Plc	11,656	5,831,960	0.80
GlaxoSmithKline Plc	73,703	10,960,792	1.50
Glencore Plc	243,498	7,075,079	0.97
GVC Holdings Plc	54,272	3,648,015	0.50
Howden Joinery Group Plc	98,044	4,259,217	0.58
Intermediate Capital Group Plc	50,572	4,715,662	0.65
Intertek Group Plc	5,333	2,552,899	0.35
JD Sports Fashion Plc	101,446	3,528,843	0.48
Legal & General Group Plc	213,781	4,924,952	0.68
Lloyds Banking Group Plc	1,138,496	5,887,096	0.81
Mondi Plc	29,622	4,825,634	0.66
National Express Group Plc	98,370	3,669,063	0.50
OneSavings Bank Plc	95,936	3,348,656	0.46
Paragon Banking Group Plc	105,888	4,076,195	0.56
Persimmon Plc	25,219	4,854,070	0.67
QinetiQ Group Plc	126,318	3,607,939	0.50
Rio Tinto Plc	22,006	8,185,983	1.12
Royal Dutch Shell Plc-A	46,743	10,756,703	1.48
Royal Dutch Shell Plc-B	38,886	9,074,653	1.25
SSP Group Plc	72,948	4,709,849	0.65
Taylor Wimpey Plc	238,184	3,236,458	0.44

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United Kingdom <i>(continued)</i></i>			
Tesco Plc	323,007	6,123,715	0.84
Unilever Plc	21,742	8,908,481	1.22
Vesuvius Plc	72,377	3,655,956	0.50
		204,955,609	28.10
Total listed shares		714,098,734	98.01
Total investments		714,098,734	98.01
Other net assets		14,516,872	1.99
Total net asset value		728,615,606	100.00
Total cost of investments		667,959,858	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.			

Principal Hong Kong Bond Fund				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed/quoted debt instruments				
Certificates of deposit				
<i>Denominated in Hong Kong Dollar</i>				
Agricultural Bank of China Ltd Hong Kong Branch-2.7%	18/12/2019	70,000,000	69,938,680	1.22
Bank of China Ltd-2%	29/6/2020	20,000,000	19,732,220	0.34
Bank of China Ltd-2.02%	26/4/2019	11,500,000	11,490,812	0.20
Bank of China Ltd-2.59%	25/7/2022	12,000,000	11,774,220	0.21
Bank of China Ltd-2.59%	17/10/2022	40,000,000	39,183,080	0.68
Bank of China Ltd-3.75%	27/7/2020	31,000,000	31,313,658	0.55
Bank of China Ltd-3.9%	31/5/2021	10,000,000	10,167,680	0.18
Bank of China Macau Branch-2.34%	15/10/2020	20,000,000	19,705,380	0.34
Bank of Communications Co Ltd Hong Kong Branch-2%	17/8/2020	25,000,000	24,570,375	0.43
Bank of Communications Co Ltd Hong Kong Branch-2.13%	26/10/2020	13,000,000	12,785,825	0.22
Bank of Communications Co Ltd Hong Kong Branch-2.68%	9/2/2021	40,000,000	39,612,440	0.69
Bank of Communications Co Ltd Hong Kong Branch-2.8%	15/3/2021	40,000,000	39,693,880	0.69
Bank of Communications Co Ltd Hong Kong Branch-3.07%	3/8/2021	18,500,000	18,452,677	0.32
Bank of Communications Co Ltd Hong Kong Branch-3.2%	11/5/2021	50,000,000	50,031,900	0.87
China Construction Bank Corp Hong Kong Branch-4.05%	15/1/2020	26,000,000	26,278,460	0.46
China Development Bank Corp-2.535%	17/9/2020	10,000,000	9,926,720	0.17
China Development Bank Corp-2.95%	19/4/2023	20,000,000	19,825,480	0.35
China Development Bank Corp-3.3%	9/11/2022	10,000,000	10,061,990	0.18
China Development Bank Corp-3.91%	18/5/2020	32,000,000	32,379,072	0.56
China Development Bank Corp-3.98%	28/4/2020	30,000,000	30,492,000	0.53
China Development Bank Corp-4.25%	15/6/2026	5,000,000	5,322,695	0.09
China Development Bank Corp-4.27%	3/3/2025	15,000,000	15,869,370	0.28
China Development Bank Corp-3.75%	26/1/2022	20,000,000	20,389,940	0.36
China Merchants Bank Co Ltd-Floating	11/1/2021	20,000,000	20,000,000	0.35
DBS Bank (Hong Kong) Ltd-3.86%	20/1/2020	29,000,000	29,346,579	0.51
DBS Bank (Hong Kong) Ltd-3.95%	20/1/2020	15,000,000	15,193,125	0.26
Fubon Bank (Hong Kong) Ltd-1.6%	6/9/2019	5,000,000	4,956,105	0.09
Fubon Bank (Hong Kong) Ltd-1.8%	16/9/2019	18,000,000	17,860,266	0.31
Fubon Bank (Hong Kong) Ltd-2.4%	3/4/2020	15,000,000	14,894,715	0.26
Fubon Bank (Hong Kong) Ltd-2.55%	22/2/2021	25,000,000	24,682,375	0.43
Hang Seng Bank Ltd-2.25%	11/5/2020	16,000,000	15,847,312	0.28
Hang Seng Bank Ltd-3%	28/5/2021	68,000,000	68,009,588	1.18
Mizuho Bank Ltd-2.3%	16/2/2020	15,000,000	14,939,340	0.26
Mizuho Bank Ltd-3.2%	22/10/2021	25,000,000	25,292,550	0.44
OCBC Wing Hang Bank Ltd-3.2%	9/6/2021	15,000,000	15,098,355	0.26
Sumitomo Mitsui Banking Corp-2.11%	9/8/2022	25,000,000	24,115,675	0.42
Sumitomo Mitsui Banking Corp-2.2%	11/6/2020	15,000,000	14,874,915	0.26
Sumitomo Mitsui Banking Corp-2.7%	21/2/2022	22,000,000	21,579,536	0.38
Sumitomo Mitsui Banking Corp-2.93%	9/8/2021	40,000,000	39,663,720	0.69
Sumitomo Mitsui Banking Corp-3.18%	30/5/2022	10,000,000	9,981,910	0.17
The Bank of Tokyo-Mitsubishi UFJ Ltd- 2.18%	6/4/2020	10,000,000	9,953,480	0.17
The Bank of Tokyo-Mitsubishi UFJ Ltd- 2.76%	28/3/2022	19,000,000	18,952,728	0.33
The Bank of Tokyo-Mitsubishi UFJ Ltd- 3.01%	14/3/2023	117,000,000	117,321,749	2.03
United Overseas Bank Ltd-2.315%	3/4/2020	90,000,000	89,767,171	1.55
Total certificates of deposit			1,181,329,748	20.55

INVESTMENT REPORT (continued)

Portfolio statement as at 31 December 2018

Principal Hong Kong Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments (continued)				
Non-certificates of deposit				
<i>Denominated in Hong Kong Dollar</i>				
Airport Authority Hong Kong -2.25%	5/9/2022	34,000,000	33,781,040	0.59
Airport Authority Hong Kong -4.85%	15/3/2021	24,000,000	25,215,816	0.44
Airport Authority Hong Kong -3.85%	3/7/2019	30,000,000	30,200,310	0.53
Ausnet Services Holdings Pty Ltd-4.125%	16/3/2020	18,000,000	18,246,240	0.32
Australia & New Zealand Banking Group Ltd-2.065%	26/9/2022	12,000,000	11,713,620	0.20
Australia & New Zealand Banking Group Ltd-4.5%	10/2/2020	8,000,000	8,175,152	0.14
Bank of China Ltd-3.3%	20/11/2020	28,000,000	28,073,752	0.49
Bank of Communications Co Ltd Hong Kong Branch-4%	24/2/2021	10,000,000	10,169,940	0.18
BG Energy Capital Plc-3.94%	2/10/2019	10,000,000	10,043,850	0.17
BMW Finance NV-2.18%	19/4/2021	5,000,000	4,932,610	0.09
BNP Paribas SA-3.05%	6/4/2022	30,000,000	29,833,590	0.52
BNZ International Funding Ltd-2.06%	22/6/2021	30,000,000	29,418,900	0.51
BNZ International Funding Ltd-2.32%	31/3/2021	15,000,000	14,832,105	0.26
BNZ International Funding Ltd-2.35%	31/3/2021	20,000,000	19,789,100	0.34
CIMB Bank Bhd-2.7%	14/5/2019	20,000,000	19,981,580	0.35
CK Property Finance (MTN) Ltd-2.25%	25/8/2022	61,000,000	59,496,472	1.04
CK Property Finance (MTN) Ltd-3.57%	5/9/2028	20,000,000	20,411,380	0.36
CLP Power Hong Kong Financing Ltd- 2.83%	20/9/2022	24,000,000	23,893,536	0.42
CLP Power Hong Kong Financing Ltd- 3.22%	20/3/2030	10,000,000	9,761,760	0.17
CLP Power Hong Kong Financing Ltd- 3.45%	1/3/2027	5,000,000	5,054,140	0.09
CLP Power Hong Kong Financing Ltd- 3.93%	20/9/2021	4,000,000	4,100,596	0.07
CLP Power Hong Kong Financing Ltd- 3.97%	23/3/2026	7,000,000	7,327,131	0.13
Commonwealth Bank of Australia-2.15%	27/9/2022	57,000,000	55,745,544	0.97
DBS Group Holdings Ltd-2.8%	13/1/2022	25,000,000	24,892,600	0.43
Eastern Creation II Investment Holdings Ltd-2.8%	13/2/2020	9,000,000	8,953,056	0.16
HKCG (Finance) Ltd-2.8%	25/2/2025	6,000,000	5,886,786	0.10
HKCG (Finance) Ltd-2.84%	17/11/2027	87,000,000	83,776,302	1.45
HKCG (Finance) Ltd-2.85%	10/11/2025	43,000,000	42,082,380	0.73
HKCG (Finance) Ltd-3.3%	16/5/2022	10,000,000	10,122,660	0.18
HKCG (Finance) Ltd-3.4%	7/2/2022	28,000,000	28,415,128	0.49
HKCG (Finance) Ltd-3.55%	13/12/2023	20,000,000	20,485,100	0.36
HKCG (Finance) Ltd-3.8%	5/4/2027	6,000,000	6,225,588	0.11
HKCG (Finance) Ltd-3.9%	3/6/2019	31,000,000	31,153,605	0.54
Hong Kong Government-0.8%	27/8/2027	40,000,000	36,307,960	0.63
Hong Kong Government-0.91%	5/11/2020	25,000,000	24,588,800	0.43
Hong Kong Government-1.09%	5/6/2023	20,000,000	19,378,800	0.34
Hong Kong Government-1.1%	17/1/2023	183,900,000	178,095,196	3.09
Hong Kong Government-1.25%	29/6/2027	80,000,000	74,816,720	1.30
Hong Kong Government-1.49%	22/2/2028	20,000,000	19,185,500	0.33
Hong Kong Government-1.68%	21/1/2026	55,000,000	53,701,175	0.94
Hong Kong Government-1.73%	20/2/2024	19,000,000	18,884,822	0.33
Hong Kong Government-1.89%	2/3/2032	40,000,000	38,742,360	0.67
Hong Kong Government-1.94%	4/12/2023	15,000,000	15,072,000	0.26
Hong Kong Government-2.13%	16/7/2030	10,000,000	9,990,850	0.17
Hong Kong Government-2.16%	9/12/2019	13,000,000	13,049,140	0.23
Hong Kong Government-2.22%	7/8/2024	61,000,000	61,694,546	1.07
Hong Kong Government-2.31%	21/6/2021	25,000,000	25,339,150	0.44
Hong Kong Government-2.46%	4/8/2021	70,000,000	71,092,560	1.24
Hong Kong Government-2.53%	22/6/2020	40,000,000	40,456,320	0.70
Hong Kong Government-5.125%	23/7/2019	50,000,000	50,850,000	0.89

Principal Hong Kong Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments (continued)				
Non-certificates of deposit (continued)				
<i>Denominated in Hong Kong Dollar (continued)</i>				
Hong Kong Science & Technology Parks Corp-2.12%	11/7/2019	49,500,000	49,442,778	0.86
Hong Kong Science & Technology Parks Corp-3.2%	11/7/2024	69,000,000	71,310,948	1.24
Hong Kong Treasury Bill-0%	13/2/2019	50,000,000	49,899,100	0.87
Hongkong Land Notes Co Ltd-0%	27/2/2019	30,000,000	29,918,850	0.52
Hongkong Land Notes Co Ltd-2.9%	7/12/2022	20,000,000	20,016,240	0.35
Hongkong Land Notes Co Ltd-3%	26/10/2022	5,000,000	5,023,720	0.09
Hongkong Land Notes Co Ltd-3.15%	10/5/2028	10,000,000	9,713,790	0.17
Hongkong Land Notes Co Ltd-3.83%	5/11/2028	30,000,000	30,783,150	0.54
Hongkong Land Notes Co Ltd-3.95%	8/6/2020	10,000,000	10,177,620	0.18
Hongkong Land Notes Co Ltd-3.95%	6/11/2023	10,000,000	10,425,020	0.18
IFC Development (Corporate Treasury) Ltd-3.4%	4/6/2020	21,000,000	21,201,621	0.37
Korea Expressway Corp-3.02%	5/3/2023	13,000,000	12,973,766	0.23
Korea Expressway Corp-4%	2/3/2022	6,000,000	6,179,592	0.11
Korea Hydro & Nuclear Power Co Ltd-3.35%	13/3/2028	40,000,000	40,112,280	0.70
Korea National Oil Corp-2.18%	29/1/2020	20,000,000	19,874,560	0.35
Korea National Oil Corp-4.5%	4/3/2021	10,000,000	10,334,760	0.18
Korea Railroad Corp-3.375%	7/6/2023	10,000,000	10,063,120	0.18
Kowloon-Canton Railway Corp-3.5%	29/4/2019	91,000,000	91,304,849	1.58
Kowloon-Canton Railway Corp-3.64%	24/7/2019	55,000,000	55,358,270	0.96
Kowloon-Canton Railway Corp-3.82%	9/7/2021	34,000,000	34,955,366	0.61
Kowloon-Canton Railway Corp-3.88%	15/6/2021	45,000,000	46,303,335	0.81
Lloyds Bank Plc-3.046%	2/10/2025	5,000,000	4,893,560	0.09
MTR Corp (C.I.) Ltd-1.9%	25/10/2020	57,500,000	56,965,710	0.99
MTR Corp (C.I.) Ltd-1.92%	26/10/2022	70,000,000	68,707,380	1.20
MTR Corp (C.I.) Ltd-2.25%	12/10/2022	23,500,000	23,346,193	0.41
MTR Corp (C.I.) Ltd-2.25%	28/12/2024	55,000,000	54,101,960	0.94
MTR Corp (C.I.) Ltd-2.25%	4/12/2025	10,000,000	9,777,640	0.17
MTR Corp (C.I.) Ltd-2.83%	6/9/2047	10,000,000	8,672,960	0.15
MTR Corp (C.I.) Ltd-3%	9/11/2045	10,000,000	9,164,700	0.16
MTR Corp (C.I.) Ltd-4.75%	11/5/2020	25,500,000	26,288,154	0.46
MTR Corp (C.I.) Ltd-4.95%	21/10/2019	21,000,000	21,420,945	0.37
MTR Corp (C.I.) Ltd-2.65%	9/4/2025	111,000,000	111,581,195	1.93
National Australia Bank Ltd-2.07%	20/9/2022	25,000,000	24,448,175	0.43
National Australia Bank Ltd-2.55%	14/3/2021	17,000,000	16,952,740	0.30
National Australia Bank Ltd-3.185%	16/3/2028	50,000,000	50,414,550	0.88
Royal Bank of Canada-1.83%	14/4/2020	13,000,000	12,872,795	0.22
Sinopec Century Bright Capital Investment Ltd-3.15%	31/10/2020	39,000,000	39,320,346	0.68
Standard Chartered Bank-4.1%	29/6/2020	13,000,000	13,191,295	0.23
Sumitomo Mitsui Banking Corp-2.92%	30/4/2025	18,000,000	17,518,986	0.31
Sun Hung Kai Properties (Capital Market) Ltd-2.28%	25/8/2026	15,000,000	13,905,885	0.24
Sun Hung Kai Properties (Capital Market) Ltd-2.32%	26/7/2026	9,000,000	8,379,162	0.15
Sun Hung Kai Properties (Capital Market) Ltd-2.5%	5/9/2024	31,500,000	30,454,295	0.53
Sun Hung Kai Properties (Capital Market) Ltd-2.55%	24/7/2024	10,000,000	9,704,490	0.17
Sun Hung Kai Properties (Capital Market) Ltd-2.55%	16/8/2024	40,000,000	38,784,880	0.68
Sun Hung Kai Properties (Capital Market) Ltd-3.23%	10/1/2023	7,000,000	7,059,409	0.12
Sun Hung Kai Properties (Capital Market) Ltd-3.25%	30/7/2023	49,000,000	49,451,045	0.86

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal Hong Kong Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in Hong Kong Dollar <i>(continued)</i></i>				
Sun Hung Kai Properties (Capital Market) Ltd-3.45%	20/10/2020	25,500,000	25,893,644	0.45
Sun Hung Kai Properties (Capital Market) Ltd-3.65%	20/7/2020	9,000,000	9,156,150	0.16
Sun Hung Kai Properties (Capital Market) Ltd-3.88%	22/11/2028	30,000,000	30,274,530	0.53
Sun Hung Kai Properties (Capital Market) Ltd-4.05%	24/2/2021	8,000,000	8,231,176	0.14
Sun Hung Kai Properties (Capital Market) Ltd-4.1%	20/4/2021	9,000,000	9,280,071	0.16
Swire Pacific MTN Financing Ltd-2.9%	24/1/2023	10,000,000	9,981,980	0.17
Swire Pacific MTN Financing Ltd-3.35%	31/7/2025	10,000,000	10,104,360	0.18
Swire Pacific MTN Financing Ltd-3.78%	28/2/2022	15,000,000	15,426,375	0.27
Swire Pacific MTN Financing Ltd-3.9%	5/11/2030	10,000,000	10,237,740	0.18
Swire Properties MTN Financing Ltd-1.8%	17/8/2021	32,000,000	31,127,072	0.54
Swire Properties MTN Financing Ltd-2.25%	21/6/2023	25,000,000	24,182,600	0.42
Swire Properties MTN Financing Ltd-2.65%	3/6/2026	13,000,000	12,528,893	0.22
Swire Properties MTN Financing Ltd-2.95%	22/2/2024	17,500,000	17,410,313	0.30
Swire Properties MTN Financing Ltd-3%	7/4/2027	28,000,000	27,476,260	0.48
Swire Properties MTN Financing Ltd-3.55%	17/7/2024	5,000,000	5,119,350	0.09
Telstra Corp Ltd-4.02%	10/7/2020	10,000,000	10,152,300	0.18
The Bank of East Asia Ltd-2.97%	24/6/2019	15,000,000	15,005,805	0.26
The Export-Import Bank of Korea-1.5%	2/8/2019	10,000,000	9,940,830	0.17
The Export-Import Bank of Korea-1.93%	24/6/2021	25,000,000	24,427,200	0.43
The Hong Kong Mortgage Corp Ltd-1.6%	4/3/2020	42,500,000	42,124,215	0.73
The Hong Kong Mortgage Corp Ltd-1.96%	16/3/2020	62,500,000	62,194,313	1.08
The Hong Kong Mortgage Corp Ltd-2.05%	15/2/2021	15,000,000	14,905,590	0.26
The Hong Kong Mortgage Corp Ltd-2.29%	9/2/2022	40,000,000	39,857,080	0.69
The Hong Kong Mortgage Corp Ltd-2.4%	27/9/2021	36,000,000	36,037,332	0.63
The Hong Kong Mortgage Corp Ltd-3.2%	16/10/2028	60,000,000	62,427,480	1.09
The Hong Kong Mortgage Corp Ltd-3.84%	9/3/2020	41,000,000	41,723,855	0.73
The Hong Kong Mortgage Corp Ltd-4.525%	2/9/2020	57,000,000	59,004,120	1.03
The Hong Kong Mortgage Corp Ltd-4.91%	7/12/2020	20,000,000	20,949,420	0.36
The Hong Kong Mortgage Corp Ltd-5.056%	5/10/2022	7,000,000	7,651,532	0.13
The Hongkong Land Treasury Services (Singapore) Pte Ltd-4.1875%	23/10/2019	4,000,000	4,049,072	0.07
The Korea Development Bank-3.6%	16/9/2021	9,000,000	9,160,227	0.16
The Link Finance (Cayman) 2009 Ltd-3.15%	22/7/2020	10,000,000	10,059,840	0.18
The Link Finance (Cayman) 2009 Ltd-3.2%	6/9/2021	4,000,000	4,026,620	0.07
Urban Renewal Authority-1.64%	11/5/2020	3,000,000	2,968,329	0.05
Urban Renewal Authority-1.65%	17/1/2020	22,000,000	21,821,976	0.38
Urban Renewal Authority-1.75%	2/8/2019	30,000,000	29,878,680	0.52
Urban Renewal Authority-2.15%	10/5/2023	28,000,000	27,532,792	0.48
Urban Renewal Authority-2.92%	27/1/2021	62,000,000	62,585,714	1.09
Westpac Banking Corp-2.18%	15/7/2022	17,000,000	16,661,717	0.29
Westpac Banking Corp-4.55%	22/1/2020	38,000,000	38,799,634	0.68
			3,776,564,640	65.77

Principal Hong Kong Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in United States Dollar</i>				
AIA Group Ltd-3.125%	13/3/2023	5,000,000	38,403,289	0.67
Alibaba Group Holding Ltd-3.4%	6/12/2027	2,000,000	14,483,304	0.25
Alibaba Group Holding Ltd-3.6%	28/11/2024	4,000,000	30,643,687	0.53
Australia & New Zealand Banking Group Ltd-2.625%	9/11/2022	2,000,000	15,210,994	0.26
Burlington Northern Santa Fe Llc-6.875%	1/12/2027	170,000	1,649,829	0.03
CLP Power Hong Kong Financing Ltd-2.875%	26/4/2023	955,000	7,300,803	0.13
CNOOC Nexen Finance (2014) ULC-4.25%	30/4/2024	3,000,000	23,818,557	0.41
HSBC Holdings Plc-3.9%	25/5/2026	7,000,000	52,530,618	0.91
JPMorgan Chase & Co-Floating	1/2/2028	5,000,000	38,011,939	0.66
Sinopec Group Overseas Development 2017 Ltd-3.25%	13/9/2027	5,000,000	36,412,510	0.63
State Grid Overseas Investment 2016 Ltd-3.5%	4/5/2027	6,000,000	45,265,001	0.79
Tencent Holdings Ltd-2.985%	19/1/2023	4,000,000	30,444,668	0.53
The Korea Development Bank-4.625%	16/11/2021	3,000,000	24,361,435	0.42
The Link Finance (Cayman) 2009 Ltd-2.875%	21/7/2026	1,000,000	7,304,587	0.13
United States Treasury Note/Bond-1.5%	15/8/2026	5,000,000	36,123,716	0.63
United States Treasury Note/Bond-1.625%	15/2/2026	7,000,000	51,318,451	0.89
United States Treasury Note/Bond-1.625%	15/5/2026	6,000,000	43,880,764	0.76
United States Treasury Note/Bond-2.25%	15/2/2027	3,000,000	22,814,118	0.40
United States Treasury Note/Bond-2.25%	15/11/2027	3,000,000	22,695,726	0.40
United States Treasury Note/Bond-2.5%	15/5/2046	2,000,000	14,125,818	0.25
United States Treasury Note/Bond-2.625%	28/2/2023	1,000,000	7,871,469	0.14
United States Treasury Note/Bond-2.875%	31/10/2023	2,000,000	15,924,054	0.28
United States Treasury Note/Bond-3%	15/5/2047	1,000,000	7,798,047	0.14
United States Treasury Note/Bond-3%	15/2/2048	1,000,000	7,789,785	0.14
United States Treasury Note/Bond-3.125%	15/11/2028	4,000,000	32,494,224	0.57
United States Treasury Note/Bond-3.375%	15/11/2048	3,000,000	25,125,071	0.44
			653,802,464	11.39
Total non-certificates of deposit			4,430,367,104	77.16
Total listed/quoted debt instruments			5,611,696,852	97.71
Total investments			5,611,696,852	97.71
Other net assets			131,504,753	2.29
Total net asset value			5,743,201,605	100.00
Total cost of investments			5,695,282,877	

* 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 2018

Principal Hong Kong Dollar Savings Fund					Principal Hong Kong Dollar Savings Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV	Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments					Listed/quoted debt instruments <i>(continued)</i>				
Certificates of deposit					Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in Hong Kong Dollar</i>					<i>Denominated in Hong Kong Dollar <i>(continued)</i></i>				
Agricultural Bank of China Ltd Hong Kong Branch-2.7%	18/12/2019	94,000,000	93,917,656	2.80	General Electric Co-5.5%	3/10/2019	25,000,000	25,425,950	0.76
Agricultural Bank of China Ltd Hong Kong Branch-1%	18/1/2019	91,000,000	90,975,976	2.71	IFC Development (Corporate Treasury) Ltd-3.4%	26/3/2020	10,000,000	10,086,830	0.30
Bank of China Macau Branch-1.95%	16/1/2019	18,000,000	17,997,138	0.54	Industrial & Commercial Bank of China (Asia) Ltd-3%	21/6/2020	11,000,000	10,991,332	0.33
Bank of China Macau Branch-2.3%	8/2/2019	39,000,000	38,982,840	1.17	Korea Expressway Corp-1.65%	18/10/2019	20,000,000	19,712,620	0.59
Bank of China Macau Branch-2.5%	26/4/2019	24,000,000	23,981,136	0.72	Korea National Oil Corp-2.18%	29/1/2020	5,000,000	4,968,640	0.15
Bank of China Ltd-2.2%	8/10/2019	39,000,000	38,924,457	1.16	MTR Corp (C.I.) Ltd-4.95%	21/10/2019	22,000,000	22,440,990	0.67
Bank of China Ltd-2.85%	15/4/2019	15,000,000	14,995,980	0.45	National Australia Bank Ltd-2.05%	23/3/2019	12,000,000	11,985,240	0.36
Bank of China Macau Branch-2.34%	20/12/2019	57,000,000	57,000,000	1.70	Nordea Bank AB-2.5%	25/2/2019	10,000,000	9,993,950	0.30
Bank of Communications Co Ltd Hong Kong Branch-2.8%	15/10/2020	10,000,000	9,852,690	0.29	Royal Bank of Canada-1.95%	22/1/2019	26,000,000	25,995,918	0.78
China Construction Bank Corp Hong Kong Branch-0%	24/3/2019	101,000,000	100,846,884	3.01	Sinopec Century Bright Capital Investment Ltd-3.15%	31/10/2020	25,000,000	25,205,350	0.75
China Construction Bank Corp Hong Kong Branch-1.75%	11/1/2019	33,000,000	32,984,589	0.99	Sun Hung Kai Properties (Capital Market) Ltd-3.875%	17/9/2019	65,000,000	65,633,295	1.96
China Construction Bank Corp Sydney Branch-1.95%	11/1/2019	10,000,000	9,998,830	0.30	Swedbank AB-2.25%	19/11/2019	14,000,000	13,948,410	0.42
China Construction Bank Corp Macau Branch-2.45%	12/2/2019	80,000,000	79,965,040	2.39	Tencent Holdings Ltd-2.9%	21/4/2020	7,000,000	6,980,043	0.21
China Development Bank Corp-1.75%	16/8/2019	15,000,000	14,983,500	0.45	The Bank of Nova Scotia-2%	29/4/2019	60,000,000	59,791,860	1.79
China Development Bank Corp-1.8%	16/8/2019	15,000,000	14,983,500	0.45	The Export-Import Bank of Korea-1.5%	2/8/2019	40,000,000	39,763,320	1.19
China Development Bank Corp-2.4%	18/3/2019	13,000,000	12,979,161	0.39	The Export-Import Bank of Korea-2.2%	15/2/2019	34,000,000	33,984,768	1.02
China Development Bank Corp-3.91%	18/1/2019	29,000,000	28,993,881	0.87	The Hong Kong Mortgage Corp Ltd-1.83%	14/2/2020	5,000,000	4,970,100	0.15
China Merchants Bank Co Ltd-Floating	29/5/2019	90,000,000	89,927,640	2.68	The Hong Kong Mortgage Corp Ltd-1.96%	16/3/2020	20,000,000	19,902,180	0.60
CMB Wing Lung Bank Ltd-2.5%	18/5/2020	25,000,000	25,296,150	0.76	The Hong Kong Mortgage Corp Ltd-2.31%	12/4/2021	15,000,000	14,983,575	0.45
Credit Suisse AG Sydney Branch-0%	11/1/2021	20,000,000	20,000,000	0.60	The Hong Kong Mortgage Corp Ltd-2.4%	27/9/2021	4,000,000	4,004,148	0.12
Dah Sing Bank Ltd-1.86%	1/8/2019	84,500,000	84,486,142	2.53	The Hong Kong Mortgage Corp Ltd-5.4%	31/5/2021	6,000,000	6,419,328	0.19
Dah Sing Bank Ltd-1.95%	2/4/2019	63,000,000	61,731,810	1.85	UBS AG-3.15%	13/8/2021	8,000,000	8,004,232	0.24
Dah Sing Bank Ltd-Floating	17/1/2019	55,000,000	54,989,495	1.64	Westpac Banking Corp-1.95%	15/4/2019	13,000,000	12,980,955	0.39
Fubon Bank (Hong Kong) Ltd-2.4%	11/2/2019	55,000,000	54,978,550	1.64	Westpac Banking Corp-4.08%	10/12/2019	60,500,000	61,384,329	1.84
Hang Seng Bank Ltd-2.25%	16/1/2019	45,000,000	45,045,000	1.35					
Hang Seng Bank Ltd-3%	3/4/2020	29,000,000	28,796,449	0.86	Total non-certificates of deposit			820,439,043	24.56
Hang Seng Bank Ltd-3%	11/5/2020	3,000,000	2,971,371	0.09	Total listed/quoted debt instruments			2,204,202,177	65.93
Industrial & Commercial Bank of China Ltd Luxembourg Branch-0%	28/5/2021	28,000,000	28,003,948	0.84	Total investments			2,204,202,177	65.93
Industrial & Commercial Bank of China Ltd-1.9%	5/12/2019	116,000,000	113,003,952	3.37	Other net assets			1,138,949,019	34.07
Mizuho Bank Ltd-2.3%	17/1/2019	47,000,000	46,990,647	1.41	Total net asset value			3,343,151,196	100.00
Sumitomo Mitsui Banking Corp-2.2%	16/2/2020	3,500,000	3,485,846	0.10	Total cost of investments			2,209,972,393	
The Bank of East Asia Ltd-2.45%	11/6/2020	10,000,000	9,916,610	0.30					
The Bank of East Asia Ltd-2.5%	13/6/2019	27,000,000	26,951,724	0.81					
The Bank of Tokyo-Mitsubishi UFJ Ltd-2.1%	29/7/2019	87,000,000	86,776,584	2.59					
United Overseas Bank Ltd-2.315%	3/3/2019	10,000,000	9,991,090	0.30					
	3/4/2020	14,000,000	13,963,782	0.42					
Total certificates of deposit			1,383,763,134	41.37					
Non-certificates of deposit					* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.				
<i>Denominated in Hong Kong Dollar</i>									
Bank of China Ltd-3.3%	20/11/2020	12,500,000	12,532,925	0.37					
Bank of Communications Co Ltd Hong Kong Branch-2.95%	18/5/2020	7,000,000	6,981,604	0.21					
BMW US Capital Llc-2%	17/5/2019	10,000,000	9,977,770	0.30					
BNP Paribas SA-1.95%	29/4/2019	50,000,000	49,802,350	1.49					
Commonwealth Bank of Australia-1.88%	29/4/2019	25,000,000	24,953,650	0.75					
Commonwealth Bank of Australia-2%	18/3/2019	41,000,000	40,956,827	1.23					
Commonwealth Bank of Australia-2.04%	24/2/2019	25,000,000	24,986,150	0.75					
Eastern Creation II Investment Holdings Ltd-2.8%	13/2/2020	30,000,000	29,843,520	0.89					

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

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
Listed shares				Listed shares			
<i>China</i>				<i>Hong Kong</i>			
Agricultural Bank of China Ltd-H	49,751,000	170,645,930	1.52	AIA Group Ltd	16,193,600	1,052,584,000	9.38
China Cinda Asset Management Co Ltd-H	16,506,000	31,361,400	0.28	Health & Happiness (H&H) International Holdings Ltd	2,680,500	119,818,350	1.07
China Communications Services Corp Ltd-H	17,344,000	112,389,120	1.00	BOC Hong Kong (Holdings) Ltd	1,488,500	43,315,350	0.39
China Construction Bank Corp-H	52,126,570	336,737,642	3.00	CK Asset Holdings Ltd	7,066,329	404,900,652	3.61
China Everbright Ltd	3,472,000	48,191,360	0.43	CK Hutchison Holdings Ltd	2,998,329	225,474,341	2.01
China Lesso Group Holdings Ltd	4,028,000	15,789,760	0.14	CK Infrastructure Holdings Ltd	4,250,500	252,054,650	2.25
China Longyuan Power Group Corp Ltd-H	29,185,000	155,556,050	1.39	CLP Holdings Ltd	1,963,000	173,725,500	1.55
China Mobile Ltd	1,986,993	149,719,923	1.33	Hang Seng Bank Ltd	1,485,700	261,186,060	2.33
China National Building Material Co Ltd-H	16,338,000	87,571,680	0.78	HKBN Ltd	8,251,000	98,021,880	0.87
China Petroleum & Chemical Corp-H	20,091,200	112,309,808	1.00	Hong Kong Exchanges & Clearing Ltd	1,963,200	444,861,120	3.97
China Railway Construction Corp Ltd-H	11,041,500	119,910,690	1.07	HSBC Holdings Plc	13,566,900	879,135,120	7.84
China Resources Land Ltd	3,910,000	117,691,000	1.05	Jardine Matheson Holdings Ltd	363,988	198,347,864	1.77
China Resources Power Holdings Co Ltd	6,608,000	99,516,480	0.89	Kerry Properties Ltd	1,695,000	45,341,250	0.40
China Shenhua Energy Co Ltd-H	3,551,000	60,935,160	0.54	Luk Fook Holdings (International) Ltd	1,588,000	35,491,800	0.32
China Telecom Corp Ltd-H	25,436,000	101,744,000	0.91	NagaCorp Ltd	6,166,000	51,917,720	0.46
CNOOC Ltd	12,705,000	153,730,500	1.37	New World Development Co Ltd	12,739,000	131,976,040	1.18
CSPC Pharmaceutical Group Ltd	4,682,000	52,906,600	0.47	Sands China Ltd	5,502,400	188,732,320	1.68
Far East Horizon Ltd	6,991,000	55,228,900	0.49	Sun Hung Kai Properties Ltd	3,492,859	389,803,064	3.47
Geely Automobile Holdings Ltd	1,311,000	18,091,800	0.16	WH Group Ltd	32,642,000	196,831,260	1.75
Haier Electronics Group Co Ltd	1,272,000	24,498,720	0.22	Wynn Macau Ltd	12,063,200	206,039,456	1.84
Haitong Securities Co Ltd-H	26,414,400	198,108,000	1.77	Xinyi Glass Holdings Ltd	8,882,000	76,918,120	0.69
Hua Hong Semiconductor Ltd	3,838,000	55,651,000	0.50			5,476,475,917	48.83
Jiangsu Yanghe Brewery Joint-Stock Co Ltd-A	545,991	58,886,363	0.52				
KunLun Energy Co Ltd	10,834,000	89,922,200	0.80	Total listed shares		10,885,211,738	97.03
Longfor Group Holdings Ltd	2,517,000	58,897,800	0.53	Delisted shares			
Pinduoduo Inc-ADR	308,166	54,158,124	0.48	<i>Hong Kong</i>			
Ping An Bank Co Ltd-A	7,844,038	83,778,019	0.75	Moulin Global Eyecare Holdings Ltd	514,000	-	-
Ping An Insurance (Group) Co of China Ltd-H	4,473,500	309,342,525	2.76	Total delisted shares		-	-
Postal Savings Bank of China Co Ltd-H	46,191,000	190,768,830	1.70	Total investments		10,885,211,738	97.03
Sany Heavy Industry Co Ltd-A	5,697,341	54,103,558	0.48	Other net assets		332,888,414	2.97
Shenzhen International Holdings Ltd	9,148,000	137,951,840	1.23	Total net asset value		11,218,100,152	100.00
Shimao Property Holdings Ltd	13,526,000	282,693,400	2.52	Total cost of investments		11,210,746,707	
Sinopec Shanghai Petrochemical Co Ltd-H	12,802,000	43,910,860	0.39				
Sinopharm Group Co Ltd-H	1,844,000	60,667,600	0.54				
Sinotrans Ltd-H	16,320,000	55,488,000	0.49				
Sunac China Holdings Ltd	5,538,000	141,219,000	1.26				
Sunny Optical Technology (Group) Co Ltd	642,000	44,683,200	0.40				
Tencent Holdings Ltd	3,386,635	1,063,403,389	9.47				
Tianneng Power International Ltd	11,370,000	74,246,100	0.66				
Times China Holdings Ltd	2,238,000	19,470,600	0.17				
Weichai Power Co Ltd-H	23,443,000	209,814,850	1.87				
West China Cement Ltd	28,136,000	29,824,160	0.27				
Yangtze Optical Fibre & Cable Joint Stock Ltd Co-H	1,501,000	32,121,400	0.29				
Zhongsheng Group Holdings Ltd	2,261,500	35,098,480	0.31				
		5,408,735,821	48.20				

* 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 2018

Principal International Bond Fund				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments				
Non-certificates of deposit				
<i>Denominated in Australian Dollar</i>				
Australia Government-3.25%	21/4/2029	1,475,000	8,846,860	0.20
Australia Government-4.5%	15/4/2020	2,225,000	12,713,149	0.28
			21,560,009	0.48
<i>Denominated in British Pound</i>				
American International Group Inc-5%	26/4/2023	1,000,000	11,009,409	0.24
Anheuser-Busch InBev SA/NV-4%	24/9/2025	1,750,000	18,924,395	0.42
Apple Inc-3.05%	31/7/2029	1,750,000	18,658,209	0.41
Bank Nederlandse Gemeenten NV-5.2%	7/12/2028	200,000	2,583,456	0.06
BAT International Finance Plc-6%	24/11/2034	1,500,000	18,602,226	0.41
BNP Paribas SA-1.125%	16/8/2022	1,000,000	9,697,745	0.21
BPCE-5.25%	16/4/2029	1,700,000	19,057,820	0.42
Cooperatieve Rabobank U.A.-2.25%	23/3/2022	1,000,000	10,122,340	0.22
ING Bank NV-5.375%	15/4/2021	500,000	5,407,913	0.12
Lloyds Bank Plc-2.5%	1/6/2022	500,000	5,097,681	0.11
Northern Rock (Asset Management) Plc-6.375%	2/12/2019	400,000	4,145,362	0.09
The Goldman Sachs Group Inc-5.5%	12/10/2021	500,000	5,406,641	0.12
The United Kingdom-1.5%	22/7/2026	1,000,000	10,271,734	0.23
The United Kingdom-3.25%	22/1/2044	3,550,000	45,252,362	1.00
The United Kingdom-4.25%	7/6/2032	1,100,000	14,597,420	0.32
The United Kingdom-4.25%	7/3/2036	240,000	3,304,090	0.07
			202,138,803	4.45
<i>Denominated in Canadian Dollar</i>				
AT&T Inc-2.85%	25/5/2024	1,900,000	10,323,095	0.23
Bell Canada-3.35%	22/3/2023	750,000	4,315,690	0.10
Manulife Financial Corp-Floating	20/8/2029	1,800,000	10,079,121	0.22
Ontario Electricity Financial Corp-10%	6/2/2020	500,000	3,121,578	0.07
Province Of British Columbia-5.7%	18/6/2029	275,000	1,987,710	0.04
Province of Ontario-2.1%	8/9/2019	1,850,000	10,655,372	0.24
Province of Ontario-2.6%	2/6/2025	4,000,000	22,951,435	0.51
Province of Ontario-2.9%	2/12/2046	2,600,000	14,110,337	0.31
Province of Quebec Canada-3.5%	1/12/2045	750,000	4,576,234	0.10
Province of Quebec Canada-4.25%	1/12/2021	3,700,000	22,496,271	0.50
Province of Quebec Canada-4.5%	1/12/2020	1,000,000	6,011,619	0.13
Rogers Communications Inc-6.11%	25/8/2040	800,000	5,387,947	0.12
Royal Bank of Canada-Floating	6/12/2024	1,000,000	5,764,320	0.13
The Toronto-Dominion Bank-Floating	4/3/2031	1,750,000	10,654,423	0.24
TransCanada PipeLines Ltd-3.3%	17/7/2025	1,850,000	10,508,618	0.23
TransCanada PipeLines Ltd-3.69%	19/7/2023	500,000	2,939,570	0.06
Wells Fargo & Co-3.874%	21/5/2025	750,000	4,265,643	0.09
Winnipeg City of-5.9%	2/2/2029	125,000	883,098	0.02
			151,032,081	3.34
<i>Denominated in Czech Koruna</i>				
Czech Republic Government-2.4%	17/9/2025	6,000,000	2,154,396	0.05
<i>Denominated in Danish Krone</i>				
Denmark Government-0.5%	15/11/2027	6,250,000	7,684,888	0.17
Denmark Government-1.75%	15/11/2025	5,525,000	7,434,222	0.16
Denmark Government-4.5%	15/11/2039	500,000	1,043,560	0.02
			16,162,670	0.35

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in Euro</i>				
ABB Finance BV-2.625%	26/3/2019	400,000	3,606,629	0.08
AbbVie Inc-2.125%	17/11/2028	1,100,000	10,033,006	0.22
Aegon NV-Floating	25/4/2044	500,000	4,519,325	0.10
Allergan Funding SCS-1.25%	1/6/2024	1,200,000	10,501,554	0.23
Anheuser-Busch InBev SA/NV-1.5%	17/3/2025	700,000	6,378,337	0.14
Anheuser-Busch InBev SA/NV-1.5%	18/4/2030	5,300,000	44,514,870	0.98
Anheuser-Busch InBev SA/NV-2.875%	25/9/2024	250,000	2,459,145	0.05
Apple Inc-1.375%	17/1/2024	800,000	7,481,033	0.17
AT&T Inc-2.75%	19/5/2023	500,000	4,804,602	0.11
AT&T Inc-3.15%	4/9/2036	1,000,000	8,538,203	0.19
Autoroutes du Sud de la France-7.375%	20/3/2019	500,000	4,551,224	0.10
Bank of America Corp-Floating	4/5/2027	1,000,000	9,036,258	0.20
BAT International Finance Plc-0.875%	13/10/2023	1,700,000	14,801,741	0.33
Becton Dickinson & Co-1%	15/12/2022	800,000	7,182,105	0.16
Belgium Government-0.8%	22/6/2025	4,000,000	37,026,398	0.82
Belgium Government-3.75%	28/9/2020	50,000	481,743	0.01
Belgium Government-4.25%	28/9/2022	2,725,000	28,577,596	0.63
Bundesrepublik Deutschland-2.5%	15/8/2046	375,000	4,730,245	0.10
Bundesrepublik Deutschland-4%	4/1/2037	630,000	8,897,552	0.20
Bundesrepublik Deutschland-4.75%	4/7/2034	2,250,000	32,866,952	0.72
Cloverie Plc for Zurich Insurance Co Ltd-Floating	24/7/2039	500,000	4,648,156	0.10
Cooperatieve Rabobank U.A.-4.125%	14/7/2025	900,000	9,767,339	0.22
Cooperatieve Rabobank U.A.-5.875%	20/5/2019	450,000	4,119,117	0.09
CRH Finance Ltd-3.125%	3/4/2023	500,000	4,937,787	0.11
Daimler AG-2.375%	8/3/2023	500,000	4,774,648	0.11
Discovery Communications Llc-2.375%	7/3/2022	700,000	6,596,370	0.15
EDF-4%	12/11/2025	250,000	2,636,195	0.06
EDF-4.125%	25/3/2027	1,000,000	10,708,357	0.24
Electricite de France-4.625%	11/9/2024	700,000	7,495,448	0.17
FedEx Corp-1%	11/1/2023	3,500,000	31,621,352	0.70
France Government OAT-1.75%	25/11/2024	6,500,000	63,841,952	1.41
France Government OAT-4.5%	25/4/2041	1,000,000	14,336,998	0.32
GE Capital European Funding Unlimited Co-4.35%	3/11/2021	250,000	2,414,928	0.05
HSBC France-1.875%	16/1/2020	500,000	4,571,868	0.10
Imperial Brands Finance Plc-2.25%	26/2/2021	500,000	4,625,670	0.10
Imperial Brands Finance Plc-3.375%	26/2/2026	1,000,000	9,478,859	0.21
Ireland Government-2%	18/2/2045	150,000	1,417,946	0.03
Ireland Government-3.4%	18/3/2024	4,875,000	51,006,375	1.13
Ireland Government-4.5%	18/4/2020	900,000	8,582,350	0.19
Italy Buoni Poliennali Del Tesoro-2.15%	15/12/2021	3,025,000	27,974,597	0.62
Italy Buoni Poliennali Del Tesoro-3.25%	1/9/2046	250,000	2,180,257	0.05
Italy Buoni Poliennali Del Tesoro-3.75%	1/8/2021	795,000	7,623,032	0.17
Italy Buoni Poliennali Del Tesoro-5%	1/8/2034	500,000	5,477,919	0.12
Italy Buoni Poliennali Del Tesoro-5.25%	1/11/2029	600,000	6,583,546	0.15
Italy Buoni Poliennali Del Tesoro-5.5%	1/11/2022	3,500,000	35,967,530	0.79
JPMorgan Chase & Co-1.375%	16/9/2021	500,000	4,602,790	0.10
MasterCard Inc-1.1%	1/12/2022	500,000	4,608,887	0.10
Molson Coors Brewing Co-1.25%	15/7/2024	1,100,000	9,712,687	0.21
Morgan Stanley-1.75%	11/3/2024	3,500,000	32,064,325	0.71
Morgan Stanley-2.375%	31/3/2021	500,000	4,679,131	0.10
Nationwide Building Society-Floating	8/3/2026	2,200,000	18,706,812	0.41
Natwest Markets Plc-5.375%	30/9/2019	110,000	1,022,413	0.02
Natwest Markets Plc-5.5%	23/3/2020	750,000	7,132,315	0.16
Netherlands Government-2.25%	15/7/2022	1,175,000	11,538,187	0.25
Netherlands Government-2.5%	15/1/2033	150,000	1,680,114	0.04
Netherlands Government-2.75%	15/1/2047	150,000	1,954,789	0.04
Netherlands Government-5.5%	15/1/2028	1,125,000	14,799,161	0.33
Oracle Corp-3.125%	10/7/2025	600,000	6,180,410	0.14

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in Euro <i>(continued)</i></i>				
Orange SA-2.5%	1/3/2023	500,000	4,842,521	0.11
Philip Morris International Inc-2.875%	30/5/2024	300,000	2,926,923	0.06
Santander Consumer Finance SA-0.9%	18/2/2020	500,000	4,520,275	0.10
Southern Power Co-1.85%	20/6/2026	1,000,000	9,144,471	0.20
Spain Government-1.15%	30/7/2020	4,000,000	36,677,665	0.81
Spain Government-3.8%	30/4/2024	750,000	7,858,774	0.17
Spain Government-4.4%	31/10/2023	3,000,000	31,989,027	0.71
Spain Government-5.15%	31/10/2044	250,000	3,381,486	0.07
Spain Government-6%	31/1/2029	2,325,000	29,726,005	0.66
The Goldman Sachs Group Inc-2.625%	19/8/2020	1,000,000	9,287,091	0.20
The Goldman Sachs Group Inc-3.25%	1/2/2023	500,000	4,848,269	0.11
The Procter & Gamble Co-2%	16/8/2022	500,000	4,767,721	0.11
Tyco Electronics Group SA-1.1%	1/3/2023	500,000	4,546,045	0.10
Warner Media Llc-1.95%	15/9/2023	1,200,000	11,170,261	0.25
Zimmer Biomet Holdings Inc-2.425%	13/12/2026	1,000,000	9,174,138	0.20
			877,919,807	19.40
<i>Denominated in Japanese Yen</i>				
Banco Santander SA-0.543%	9/12/2020	300,000,000	21,306,749	0.47
BNP Paribas SA-1.087%	2/3/2027	200,000,000	14,438,573	0.32
BPCE-0.64%	27/1/2022	100,000,000	7,122,404	0.16
BPCE-1.8%	13/7/2026	300,000,000	21,812,945	0.48
Citigroup Inc-2.24%	9/12/2022	100,000,000	7,615,287	0.17
Citigroup Inc-2.36%	16/9/2025	100,000,000	7,952,495	0.18
Citigroup Inc-2.4%	31/10/2025	290,000,000	22,915,080	0.51
Cooperatieve Rabobank U.A.-0.38%	22/5/2020	100,000,000	7,103,202	0.16
Cooperatieve Rabobank U.A.-1.362%	2/11/2022	100,000,000	7,344,557	0.16
Corning Inc-0.698%	9/8/2024	400,000,000	28,401,128	0.63
Credit Agricole SA-0.435%	26/6/2020	100,000,000	7,130,701	0.16
Credit Agricole SA-0.443%	9/6/2022	400,000,000	28,272,661	0.62
Credit Agricole SA-0.839%	9/6/2027	400,000,000	28,176,616	0.62
Deutsche Bank AG-0.47%	14/11/2019	200,000,000	14,158,409	0.31
DnB Bank ASA-0.593%	24/1/2019	100,000,000	7,105,567	0.16
General Electric Co-1.244%	20/9/2023	100,000,000	6,909,045	0.15
HSBC Holdings Plc-1.207%	25/9/2026	200,000,000	14,719,803	0.32
Japan Government 20 Year Bond-1.4%	20/9/2034	1,280,000,000	105,960,708	2.34
Japan Government 20 Year Bond-1.5%	20/3/2034	930,100,000	77,905,186	1.72
Japan Government 30 Year Bond-0.9%	20/9/2048	895,000,000	66,483,009	1.47
Japan Government 40 Year Bond-0.8%	20/3/2058	300,000,000	20,999,924	0.46
Lloyds Banking Group Plc-0.482%	14/12/2023	100,000,000	6,857,804	0.15
Nordea Bank AB-0.312%	4/6/2020	100,000,000	7,126,510	0.16
The Korea Development Bank-0.69%	29/1/2019	100,000,000	7,107,372	0.16
			544,925,735	12.04
<i>Denominated in Mexican Peso</i>				
Mexican Bonos-5%	11/12/2019	6,000,000	2,313,185	0.05
Mexican Bonos-5.75%	5/3/2026	95,000,000	31,973,482	0.71
			34,286,667	0.76
<i>Denominated in New Zealand Dollar</i>				
New Zealand Government-2.75%	15/4/2025	575,000	3,150,970	0.07
New Zealand Government-3%	15/4/2020	200,000	1,069,369	0.02
			4,220,339	0.09

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in Norwegian Krone</i>				
Norway Government-1.5%	19/2/2026	600,000	536,022	0.01
Norway Government-4.5%	22/5/2019	2,075,000	1,896,373	0.04
			2,432,395	0.05
<i>Denominated in Polish Zloty</i>				
Poland Government-5.25%	25/10/2020	825,000	1,835,112	0.04
Poland Government-5.5%	25/10/2019	800,000	1,724,639	0.04
Poland Government-3.25%	25/7/2025	1,000,000	2,176,605	0.05
			5,736,356	0.13
<i>Denominated in Singapore Dollar</i>				
Singapore Government-1.625%	1/10/2019	300,000	1,720,208	0.04
Singapore Government-3%	1/9/2024	400,000	2,431,967	0.05
SP PowerAssets Ltd-4.665%	18/8/2020	250,000	1,490,499	0.03
			5,642,674	0.12
<i>Denominated in Swedish Krona</i>				
Sweden Government-1.5%	13/11/2023	5,700,000	5,353,823	0.12
Sweden Government-4.25%	12/3/2019	3,475,000	3,066,525	0.07
			8,420,348	0.19
<i>Denominated in Swiss Franc</i>				
Switzerland Government-3.5%	8/4/2033	125,000	1,470,802	0.03
Switzerland Government-2.5%	8/3/2036	1,225,000	13,475,648	0.30
			14,946,450	0.33
<i>Denominated in Thai Baht</i>				
Thailand Government-5.67%	13/3/2028	10,000,000	3,044,285	0.07
<i>Denominated in United States Dollar</i>				
21st Century Fox America Inc-3%	15/9/2022	250,000	1,934,618	0.04
21st Century Fox America Inc-4.75%	15/9/2044	30,000	250,202	0.01
21st Century Fox America Inc-5.4%	1/10/2043	165,000	1,491,314	0.03
21st Century Fox America Inc-6.15%	15/2/2041	70,000	680,795	0.02
21st Century Fox America Inc-6.2%	15/12/2034	90,000	856,972	0.02
21st Century Fox America Inc-6.4%	15/12/2035	455,000	4,445,560	0.10
Abbott Laboratories-2.9%	30/11/2021	800,000	6,210,933	0.14
Abbott Laboratories-3.75%	30/11/2026	200,000	1,546,911	0.03
Abbott Laboratories-4.9%	30/11/2046	260,000	2,137,492	0.05
AbbVie Inc-4.25%	14/11/2028	110,000	836,329	0.02
AbbVie Inc-4.875%	14/11/2048	150,000	1,096,041	0.02
AIA Group Ltd-3.2%	11/3/2025	815,000	6,147,539	0.14
AIA Group Ltd-3.9%	6/4/2028	600,000	4,702,342	0.10
Allergan Funding SCS-4.55%	15/3/2035	20,000	148,583	0.00
Altria Group Inc-4%	31/1/2024	1,405,000	10,813,683	0.24
Altria Group Inc-4.5%	2/5/2043	545,000	3,552,337	0.08
Altria Group Inc-5.375%	31/1/2044	890,000	6,499,494	0.14
American International Group Inc-3.3%	1/3/2021	350,000	2,731,800	0.06
American International Group Inc-3.875%	15/1/2035	680,000	4,573,950	0.10
American International Group Inc-3.9%	1/4/2026	1,080,000	8,137,398	0.18

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
American International Group Inc-4.5%	16/7/2044	355,000	2,481,179	0.05
Andeavor Logistics LP / Tesoro Logistics Finance Corp-3.5%	1/12/2022	60,000	457,080	0.01
Andeavor Logistics LP / Tesoro Logistics Finance Corp-4.25%	1/12/2027	305,000	2,254,915	0.05
Anheuser-Busch Cos Llc / Anheuser-Busch InBev Worldwide Inc-3.65%	1/2/2026	495,000	3,665,598	0.08
Anheuser-Busch Cos Llc / Anheuser-Busch InBev Worldwide Inc-4.7%	1/2/2036	980,000	7,117,841	0.16
Anheuser-Busch Cos Llc / Anheuser-Busch InBev Worldwide Inc-4.9%	1/2/2046	780,000	5,665,141	0.12
Anheuser-Busch InBev Worldwide Inc-4.375%	15/4/2038	185,000	1,292,673	0.03
Anheuser-Busch InBev Worldwide Inc-4.75%	15/4/2058	90,000	613,384	0.01
Apple Inc-1.7%	22/2/2019	25,000	195,433	0.00
Apple Inc-2.75%	13/1/2025	575,000	4,342,278	0.10
Apple Inc-3%	9/2/2024	790,000	6,110,119	0.13
Apple Inc-3.2%	13/5/2025	60,000	462,137	0.01
Apple Inc-3.35%	9/2/2027	1,245,000	9,500,767	0.21
Apple Inc-4.25%	9/2/2047	120,000	936,526	0.02
Arch Capital Finance Llc-4.011%	15/12/2026	590,000	4,614,012	0.10
AT&T Inc-4.3%	15/2/2030	803,000	5,942,880	0.13
AT&T Inc-4.75%	15/5/2046	60,000	417,223	0.01
AT&T Inc-4.9%	15/8/2037	405,000	2,957,387	0.07
AT&T Inc-5.45%	1/3/2047	330,000	2,524,235	0.06
AT&T Inc-6.375%	1/3/2041	55,000	466,460	0.01
AXA Equitable Holdings Inc-5%	20/4/2048	580,000	4,029,242	0.09
Bacardi Ltd-4.7%	15/5/2028	170,000	1,279,445	0.03
Bacardi Ltd-5.3%	15/5/2048	150,000	1,060,529	0.02
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-2.773%	15/12/2022	115,000	864,077	0.02
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-3.337%	15/12/2027	160,000	1,152,943	0.03
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-4.08%	15/12/2047	255,000	1,645,701	0.04
Bank of America Corp-4.2%	26/8/2024	670,000	5,204,212	0.11
Bank of America Corp-4.25%	22/10/2026	1,525,000	11,616,083	0.26
Bank of America Corp-Floating	17/5/2022	1,875,000	14,686,640	0.32
BAT. Capital Corp-2.764%	15/8/2022	525,000	3,883,529	0.09
BAT. Capital Corp-3.222%	15/8/2024	190,000	1,370,609	0.03
BAT. Capital Corp-4.54%	15/8/2047	320,000	1,995,016	0.04
Bayer US Finance II Llc-3.875%	15/12/2023	225,000	1,730,164	0.04
Bayer US Finance II Llc-4.375%	15/12/2028	840,000	6,280,958	0.14
Becton Dickinson & Co-2.894%	6/6/2022	470,000	3,565,024	0.08
Brookfield Finance Inc-3.9%	25/1/2028	520,000	3,844,478	0.08
Brookfield Finance Inc-4.7%	20/9/2047	875,000	6,301,195	0.14
Brookfield Finance Llc-4%	1/4/2024	1,350,000	10,452,339	0.23
Burlington Northern Santa Fe Llc-4.375%	1/9/2042	90,000	703,311	0.02
Burlington Northern Santa Fe Llc-5.4%	1/6/2041	175,000	1,550,955	0.03
Canadian National Railway Co-4.45%	20/1/2049	390,000	3,233,712	0.07
Canadian Natural Resources Ltd-3.85%	1/6/2027	135,000	997,353	0.02
Canadian Natural Resources Ltd-4.95%	1/6/2047	90,000	679,368	0.01
Celgene Corp-2.875%	15/8/2020	300,000	2,333,094	0.05
Celgene Corp-3.45%	15/11/2027	125,000	890,850	0.02
Celgene Corp-5%	15/8/2045	260,000	1,882,878	0.04
Celgene Corp-5.25%	15/8/2043	15,000	113,009	0.00
Cigna Corp-3.75%	15/7/2023	540,000	4,215,035	0.09
Cigna Corp-4.125%	15/11/2025	405,000	3,167,373	0.07
Cigna Corp-4.375%	15/10/2028	1,235,000	9,726,130	0.21

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Citigroup Inc-4.125%	25/7/2028	1,590,000	11,685,908	0.26
Citigroup Inc-4.65%	23/7/2048	570,000	4,362,806	0.10
Citigroup Inc-4.75%	18/5/2046	350,000	2,534,030	0.06
Citigroup Inc-Floating	24/7/2023	480,000	3,670,570	0.08
Citigroup Inc-Floating	27/10/2028	630,000	4,601,377	0.10
CMS Energy Corp-4.875%	1/3/2044	230,000	1,880,261	0.04
Colombia Government-4%	26/2/2024	19,200,000	148,864,951	3.27
Colombia Government-4.375%	12/7/2021	15,000,000	119,237,630	2.63
Comcast Corp-3.15%	1/3/2026	450,000	3,372,066	0.07
Comcast Corp-3.95%	15/10/2025	115,000	911,306	0.02
Comcast Corp-4.15%	15/10/2028	260,000	2,067,667	0.05
Comcast Corp-4.2%	15/8/2034	230,000	1,736,801	0.04
Comcast Corp-4.6%	15/10/2038	190,000	1,502,573	0.03
Comcast Corp-4.7%	15/10/2048	205,000	1,622,968	0.04
Comcast Corp-5.7%	1/7/2019	600,000	4,754,384	0.10
Concho Resources Inc-4.375%	15/1/2025	270,000	2,088,556	0.05
Consolidated Edison Co of New York Inc-4%	1/12/2028	85,000	682,220	0.02
Constellation Brands Inc-4.4%	15/11/2025	270,000	2,118,744	0.05
Continental Resources Inc-3.8%	1/6/2024	540,000	4,003,575	0.09
Continental Resources Inc-4.375%	15/1/2028	590,000	4,346,982	0.10
Continental Resources Inc-4.9%	1/6/2044	195,000	1,351,664	0.03
Credit Suisse Group AG-Floating	14/12/2023	1,235,000	9,616,738	0.21
CSX Corp-4.75%	15/11/2048	210,000	1,662,505	0.04
CVS Health Corp-4.3%	25/3/2028	590,000	4,517,241	0.10
CVS Health Corp-4.78%	25/3/2038	155,000	1,163,240	0.03
CVS Health Corp-4.875%	20/7/2035	65,000	491,983	0.01
CVS Health Corp-5%	1/12/2024	520,000	4,268,028	0.09
CVS Health Corp-5.05%	25/3/2048	140,000	1,066,407	0.02
Daimler Finance North America Llc-2.25%	2/3/2020	1,130,000	8,730,685	0.19
DBS Group Holdings Ltd-Floating	11/12/2028	1,865,000	14,923,818	0.33
Discover Bank-3.1%	4/6/2020	985,000	7,661,397	0.17
Discovery Communications Llc-5%	20/9/2037	165,000	1,198,638	0.03
Discovery Communications Llc-5.2%	20/9/2047	5,000	35,988	0.00
Dominion Energy Gas Holdings Llc-4.8%	1/11/2043	15,000	118,158	0.00
Dominion Energy Inc-4.25%	1/6/2028	130,000	1,021,533	0.02
Domtar Corp-6.25%	1/9/2042	75,000	574,957	0.01
DowDuPont Inc-5.319%	15/11/2038	150,000	1,209,626	0.03
DowDuPont Inc-5.419%	15/11/2048	95,000	772,986	0.02
DTE Energy Co-6.375%	15/4/2033	75,000	700,925	0.02
Encana Corp-5.15%	15/11/2041	80,000	619,512	0.01
Energy Transfer Operating LP-5.15%	15/3/2045	260,000	1,761,555	0.04
EnLink Midstream Partners LP-5.45%	1/6/2047	70,000	443,359	0.01
Exxon Mobil Corp-2.222%	1/3/2021	370,000	2,856,007	0.06
FedEx Corp-5.1%	15/1/2044	215,000	1,657,651	0.04
Ferguson Finance Plc-4.5%	24/10/2028	400,000	3,129,538	0.07
First Republic Bank-2.5%	6/6/2022	750,000	5,692,193	0.13
First Republic Bank-4.625%	13/2/2047	500,000	3,771,426	0.08
Ford Motor Credit Co Llc-2.597%	4/11/2019	425,000	3,291,739	0.07
Fortis Inc-2.1%	4/10/2021	350,000	2,635,196	0.06
General Electric Co-4.5%	11/3/2044	105,000	670,674	0.01
General Electric Co-5.3%	11/2/2021	26,000	203,877	0.00
General Electric Co-5.55%	5/1/2026	230,000	1,761,863	0.04
General Electric Co-6.875%	10/1/2039	180,000	1,473,853	0.03
General Mills Inc-4.55%	17/4/2038	290,000	2,107,188	0.05
General Mills Inc-4.7%	17/4/2048	410,000	2,938,666	0.06
General Motors Corp-6.6%	1/4/2036	310,000	2,363,497	0.05
General Motors Financial Co Inc-3.85%	5/1/2028	185,000	1,261,607	0.03
General Motors Financial Co Inc-Floating	5/1/2023	520,000	3,863,362	0.09
Georgia Power Co-4.3%	15/3/2042	190,000	1,370,731	0.03
Glencore Finance (Canada) Ltd-5.55%	25/10/2042	155,000	1,092,668	0.02

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
Glencore Funding Llc-3%	27/10/2022	300,000	2,230,625	0.05
GNMA AE2153-3.5%	20/5/2043	297,964	2,355,797	0.05
GNMA AE9880-3%	15/5/2043	1,350,061	10,489,515	0.23
GNMA AV5049-3.5%	20/10/2046	3,266,322	25,761,042	0.57
GNMA AV7468-3.5%	20/9/2046	4,210,844	33,281,133	0.73
Halliburton Co-3.8%	15/11/2025	75,000	569,162	0.01
Halliburton Co-4.75%	1/8/2043	75,000	560,120	0.01
HSBC Holdings Plc-4.25%	14/3/2024	1,075,000	8,355,185	0.18
International Paper Co-4.35%	15/8/2048	250,000	1,675,148	0.04
JPMorgan Chase & Co-5.625%	16/8/2043	505,000	4,347,713	0.10
JPMorgan Chase & Co-Floating	10/1/2025	915,000	6,861,422	0.15
Keurig Dr Pepper Inc-3.551%	25/5/2021	480,000	3,753,521	0.08
Keurig Dr Pepper Inc-4.057%	25/5/2023	505,000	3,941,320	0.09
Keurig Dr Pepper Inc-4.417%	25/5/2025	200,000	1,559,093	0.03
Kinder Morgan Energy Partners LP-4.7%	1/11/2042	250,000	1,704,074	0.04
Kinder Morgan Inc-5.625%	15/11/2023	455,000	3,767,045	0.08
Marathon Oil Corp-4.4%	15/7/2027	145,000	1,079,046	0.02
Marathon Oil Corp-5.2%	1/6/2045	100,000	723,677	0.02
Marathon Oil Corp-6.6%	1/10/2037	335,000	2,940,542	0.06
Marathon Petroleum Corp-4.75%	15/9/2044	41,000	283,164	0.01
Markel Corp-3.5%	1/11/2027	310,000	2,291,038	0.05
Markel Corp-4.3%	1/11/2047	225,000	1,529,834	0.03
Markel Corp-5%	5/4/2046	410,000	3,185,492	0.07
McCormick & Co Inc-3.15%	15/8/2024	410,000	3,095,266	0.07
McCormick & Co Inc-3.4%	15/8/2027	600,000	4,439,014	0.10
McDonald's Corp-2.75%	9/12/2020	575,000	4,471,980	0.10
McDonald's Corp-4.45%	1/9/2048	130,000	968,521	0.02
McDonald's Corp-4.875%	9/12/2045	95,000	748,955	0.02
Medtronic Inc-4.375%	15/3/2035	334,000	2,678,148	0.06
Mexico Government-4.125%	21/1/2026	8,000,000	61,243,893	1.35
Microsoft Corp-2.4%	8/8/2026	425,000	3,103,291	0.07
Microsoft Corp-3.7%	8/8/2046	555,000	4,163,963	0.09
Microsoft Corp-4.5%	6/2/2057	190,000	1,585,435	0.03
MidAmerican Energy Co-4.25%	1/5/2046	200,000	1,590,745	0.04
Morgan Stanley-3.95%	23/4/2027	285,000	2,104,349	0.05
Morgan Stanley-5%	24/11/2025	485,000	3,873,077	0.09
Morgan Stanley-6.375%	24/7/2042	630,000	6,038,179	0.13
MPLX LP-4%	15/3/2028	140,000	1,027,638	0.02
MPLX LP-4.5%	15/7/2023	170,000	1,344,718	0.03
MPLX LP-4.8%	15/2/2029	45,000	351,559	0.01
Nationwide Building Society-Floating	18/10/2032	990,000	6,861,581	0.15
NBCUniversal Media Llc-4.45%	15/1/2043	150,000	1,132,382	0.02
Nestle Holdings Inc-3.35%	24/9/2023	640,000	5,061,910	0.11
Nestle Holdings Inc-3.5%	24/9/2025	630,000	4,956,055	0.11
Newfield Exploration Co-5.375%	1/1/2026	75,000	575,630	0.01
Newfield Exploration Co-5.625%	1/7/2024	95,000	753,312	0.02
Noble Energy Inc-5.05%	15/11/2044	40,000	269,839	0.01
Nuveen Llc-4.125%	1/11/2024	1,135,000	9,054,261	0.20
Nuveen Llc-4%	1/11/2028	685,000	5,527,947	0.12
Oracle Corp-2.5%	15/10/2022	505,000	3,849,232	0.08
Oracle Corp-3.8%	15/11/2037	330,000	2,416,890	0.05
Oracle Corp-4%	15/11/2047	420,000	3,064,654	0.07
Oracle Corp-6.125%	8/7/2039	220,000	2,068,122	0.05
Owens Corning-7%	1/12/2036	40,000	346,463	0.01
Pacific Gas & Electric Co-3.3%	15/3/2027	40,000	257,885	0.01
Pacific Gas & Electric Co-3.3%	1/12/2027	725,000	4,633,512	0.10
PackCorp-5.5%	15/1/2019	500,000	3,918,990	0.09
Packaging Corp of America-4.5%	1/11/2023	255,000	2,047,148	0.05
Petroleos Mexicanos-4.875%	24/1/2022	3,000,000	22,872,480	0.50
Philip Morris International Inc-4.375%	15/11/2041	20,000	142,447	0.00

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
Phillips 66-4.65%	15/11/2034	105,000	800,958	0.02
Plains All American Pipeline LP & PAA Finance Corp-4.5%	15/12/2026	55,000	414,893	0.01
PPL WEM Ltd / Western Power Distribution Ltd-5.375%	1/5/2021	800,000	6,469,398	0.14
Reynolds American Inc-5.85%	15/8/2045	100,000	727,588	0.02
Reynolds American Inc-6.875%	1/5/2020	240,000	1,955,867	0.04
Reynolds American Inc-7%	4/8/2041	150,000	1,262,106	0.03
Rockwell Collins Inc-3.5%	15/3/2027	365,000	2,683,303	0.06
Royal Bank of Canada-3.7%	5/10/2023	815,000	6,408,437	0.14
Sabine Pass Liquefaction Llc-5%	15/3/2027	55,000	432,182	0.01
Santander UK Plc-5%	7/11/2023	1,485,000	11,356,651	0.25
Saudi Government-2.375%	26/10/2021	10,000,000	75,384,340	1.66
Saudi Government-3.25%	26/10/2026	10,000,000	73,221,381	1.62
Schlumberger Investment SA-3.3%	14/9/2021	35,000	274,773	0.01
Siemens Financieringsmaatschappij NV-2.7%	16/3/2022	500,000	3,841,950	0.08
State Street Corp-Floating	3/12/2029	580,000	4,688,605	0.10
Suncor Energy Inc-4%	15/11/2047	45,000	314,556	0.01
SunTrust Bank-4.05%	3/11/2025	340,000	2,707,755	0.06
Svenska Handelsbanken AB-3.9%	20/11/2023	1,515,000	11,973,258	0.26
Synchrony Bank-3%	15/6/2022	1,800,000	13,172,702	0.29
Syngenta Finance NV-5.182%	24/4/2028	275,000	1,997,248	0.04
Telefonica Emisiones SAU-5.213%	8/3/2047	260,000	1,863,972	0.04
Telefonica Emisiones SAU-5.462%	16/2/2021	410,000	3,327,714	0.07
Texas Instruments Inc-4.15%	15/5/2048	280,000	2,188,117	0.05
The Dow Chemical Co-5.55%	30/11/2048	40,000	317,638	0.01
The Goldman Sachs Group Inc-3.85%	26/1/2027	1,385,000	10,203,108	0.23
The Goldman Sachs Group Inc-5.95%	15/1/2027	305,000	2,515,273	0.06
The Goldman Sachs Group Inc-6.75%	1/10/2037	825,000	7,296,476	0.16
The Goldman Sachs Group Inc-Floating	5/6/2023	520,000	3,909,544	0.09
The Goldman Sachs Group Inc-Floating	24/7/2023	705,000	5,365,028	0.12
The Home Depot Inc-3.35%	15/9/2025	615,000	4,755,283	0.10
The Home Depot Inc-3.9%	6/12/2028	155,000	1,243,358	0.03
The Home Depot Inc-5.875%	16/12/2036	280,000	2,634,635	0.06
The Royal Bank Of Scotland Group Plc-5.125%	28/5/2024	2,860,000	21,716,981	0.48
The Royal Bank Of Scotland Group Plc-Floating	15/5/2023	1,080,000	8,204,946	0.18
The Walt Disney Co-3.15%	17/9/2025	495,000	3,782,992	0.08
The Williams Cos Inc-5.75%	24/6/2044	420,000	3,305,856	0.07
TransCanada Pipelines Ltd-4.625%	1/3/2034	205,000	1,534,672	0.03
TransCanada Pipelines Ltd-5%	16/10/2043	55,000	425,634	0.01
Tucson Electric Power Co-4.85%	1/12/2048	40,000	325,841	0.01
UBS AG-4.5%	26/6/2048	200,000	1,618,101	0.04
UBS Group Funding (Switzerland) AG-4.253%	23/3/2028	725,000	5,598,712	0.12
UBS Group Funding (Switzerland) AG-Floating	15/8/2023	970,000	7,436,404	0.16
Union Pacific Corp-3.5%	8/6/2023	250,000	1,961,645	0.04
Union Pacific Corp-3.75%	15/3/2024	690,000	5,450,611	0.12
United States Treasury Note/Bond-0.875%	15/4/2019	24,500,000	191,033,541	4.20
United States Treasury Note/Bond-1.125%	15/1/2019	3,500,000	27,399,656	0.60
United States Treasury Note/Bond-1.125%	28/2/2021	7,600,000	57,802,729	1.27
United States Treasury Note/Bond-1.25%	31/3/2021	16,000,000	121,978,788	2.69
United States Treasury Note/Bond-1.25%	31/7/2023	7,000,000	51,847,373	1.14
United States Treasury Note/Bond-1.5%	28/2/2023	17,000,000	127,912,130	2.81
United States Treasury Note/Bond-1.625%	30/4/2023	9,500,000	71,741,902	1.58
United States Treasury Note/Bond-1.875%	30/11/2021	8,000,000	61,625,704	1.36
United States Treasury Note/Bond-2%	31/12/2021	10,000,000	77,246,248	1.70

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Non-certificates of deposit <i>(continued)</i>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
United States Treasury Note/Bond-2.25%	15/8/2027	5,000,000	37,896,539	0.84
United States Treasury Note/Bond-2.75%	15/8/2047	13,000,000	96,423,183	2.13
United States Treasury Note/Bond-5%	15/5/2037	2,000,000	20,558,212	0.45
United Technologies Corp-3.1%	1/6/2022	255,000	1,955,632	0.04
United Technologies Corp-3.95%	16/8/2025	455,000	3,535,825	0.08
United Technologies Corp-4.125%	16/11/2028	850,000	6,595,042	0.15
United Technologies Corp-4.45%	16/11/2038	140,000	1,067,869	0.02
United Technologies Corp-4.625%	16/11/2048	120,000	907,556	0.02
United Technologies Corp-5.4%	1/5/2035	45,000	372,694	0.01
Unitedhealth Group Inc-3.875%	15/12/2028	695,000	5,513,470	0.12
Vale Overseas Ltd-4.375%	11/1/2022	49,000	390,469	0.01
Valero Energy Corp-4.35%	1/6/2028	60,000	465,514	0.01
Verizon Communications Inc-4.5%	10/8/2033	325,000	2,512,432	0.06
Verizon Communications Inc-5.012%	21/8/2054	328,000	2,482,175	0.05
Verizon Communications Inc-5.25%	16/3/2037	365,000	2,977,679	0.07
Viacom Inc-4.25%	1/9/2023	135,000	1,053,153	0.02
Viacom Inc-4.375%	15/3/2043	300,000	1,855,088	0.04
Virginia Electric & Power Co-3.8%	1/4/2028	130,000	1,022,407	0.02
Virginia Electric & Power Co-4.45%	15/2/2044	535,000	4,213,306	0.09
Virginia Electric & Power Co-4.6%	1/12/2048	75,000	612,637	0.01
Walmart Inc-3.4%	26/6/2023	270,000	2,136,350	0.05
Walmart Inc-3.95%	28/6/2038	190,000	1,474,248	0.03
Walmart Inc-4.05%	29/6/2048	20,000	155,854	0.00
Warner Media LLC-3.6%	15/7/2025	970,000	7,195,048	0.16
Warner Media LLC-4.05%	15/12/2023	105,000	821,332	0.02
Warner Media LLC-5.375%	15/10/2041	360,000	2,715,446	0.06
Waste Connections Inc-4.25%	1/12/2028	265,000	2,120,812	0.05
Wells Fargo & Co-4.4%	14/6/2046	535,000	3,843,500	0.08
Western Gas Partners LP-4.5%	1/3/2028	165,000	1,207,879	0.03
Western Gas Partners LP-4.65%	1/7/2026	395,000	2,991,630	0.07
Western Gas Partners LP-5.3%	1/3/2048	30,000	202,743	0.00
Western Gas Partners LP-5.45%	1/4/2044	160,000	1,122,976	0.02
Wm. Wrigley Jr. Co-3.375%	21/10/2020	440,000	3,455,607	0.08
Xilinx Inc-2.95%	1/6/2024	950,000	7,101,456	0.16
XLIT Ltd-4.45%	31/3/2025	330,000	2,568,365	0.06
XLIT Ltd-5.5%	31/3/2045	620,000	5,020,960	0.11
Zions Bancorp NA-3.5%	27/8/2021	855,000	6,675,346	0.15
Zoetis Inc-3.9%	20/8/2028	395,000	3,030,760	0.07
Zoetis Inc-4.45%	20/8/2048	115,000	882,564	0.02
			2,342,041,367	51.59
Total non-certificates of deposit			4,236,664,382	93.44
Total listed/quoted debt instruments			4,236,664,382	93.44
Total investments			4,236,664,382	93.44

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Forward contract				
<i>Denominated in United States Dollar</i>				
BUY US SELL SGD FWD RATE 1.3646	7/3/2019	382,000	(7,993)	0.00
BUY US SELL SEK FWD RATE 8.919063	7/3/2019	882,000	(78,485)	0.00
BUY US SELL PLN FWD RATE 3.77184	7/3/2019	440,000	(19,064)	0.00
BUY US SELL CHF FWD RATE 0.990505	7/3/2019	1,170,000	(100,643)	0.00
BUY US SELL GBP FWD RATE 1.278844	7/3/2019	9,594,000	66,388	0.00
BUY US SELL EUR FWD RATE 1.142073	7/3/2019	34,364,000	(1,752,185)	(0.04)
BUY US SELL NZD FWD RATE 0.691532	7/3/2019	241,000	55,138	0.00
BUY US SELL CZK FWD RATE 22.7428	7/3/2019	172,000	(16,181)	0.00
BUY US SELL DKK FWD RATE 6.530076	7/3/2019	475,000	(23,093)	0.00
BUY US SELL NOK FWD RATE 8.481203	7/3/2019	207,000	28,596	0.00
BUY US SELL AUD FWD RATE 0.728356	7/3/2019	2,693,000	681,036	0.02
			(1,166,486)	(0.02)
Total forward contracts			(1,166,486)	(0.02)
Other net assets			298,179,868	6.58
Total net asset value			4,533,677,764	100.00
Total cost of investments			4,352,910,559	

* 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 2018

Principal International Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares			
<i>Australia</i>			
Alumina Ltd	383,489	4,881,364	0.15
Appen Ltd	57,474	4,080,924	0.13
CSL Ltd	15,487	15,869,925	0.49
Downer EDI Ltd	157,338	5,886,277	0.18
Nine Entertainment Co Holdings Ltd	466,192	3,560,445	0.11
		34,278,935	1.06
<i>Austria</i>			
CA Immobilien Anlagen AG	22,617	5,597,302	0.17
Erste Group Bank AG	101,073	26,308,818	0.81
Raiffeisen Bank International AG	129,815	25,822,477	0.79
		57,728,597	1.77
<i>Belgium</i>			
Proximus SA	29,324	6,206,163	0.19
<i>Brazil</i>			
Hypermarcas SA	71,500	4,362,888	0.13
Itausa-Investimentos Itau SA	957,700	23,375,316	0.72
Vale SA	195,800	20,176,412	0.62
		47,914,616	1.47
<i>Canada</i>			
Alimentation Couche-Tard Inc-B	90,400	35,314,781	1.08
ATS Automation Tooling Systems Inc	42,200	3,493,233	0.11
Badger Daylighting Ltd	32,900	6,103,514	0.19
Brookfield Asset Management Inc-A	85,100	25,612,481	0.79
Colliers International Group Inc	11,500	4,980,690	0.15
Empire Co Ltd-A	37,900	6,285,477	0.19
Fairfax Financial Holdings Ltd	6,200	21,434,140	0.66
Husky Energy Inc	317,700	25,786,867	0.79
Kirkland Lake Gold Ltd	36,000	7,372,365	0.23
Nutrien Ltd	73,900	27,257,895	0.84
Open Text Corp	28,800	7,372,366	0.23
Parex Resources Inc	35,100	3,301,256	0.10
Suncor Energy Inc	125,200	27,461,578	0.84
Tamarack Valley Energy Ltd	151,200	2,052,665	0.06
		203,829,308	6.26
<i>China</i>			
Anhui Conch Cement Co Ltd-H	365,000	13,870,000	0.43
ENN Energy Holdings Ltd	89,000	6,181,050	0.19
Kingboard Chemical Holdings Ltd	185,500	3,876,950	0.12
Nexteer Automotive Group Ltd	482,000	5,379,120	0.17
Texhong Textile Group Ltd	513,000	4,591,350	0.14
Times China Holdings Ltd	534,000	4,645,800	0.14
		38,544,270	1.19
<i>Denmark</i>			
ROCKWOOL International A/S-B	2,307	4,706,508	0.14

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>France</i>			
JCDecaux SA	19,451	4,273,488	0.13
Korian	20,086	5,593,640	0.17
Nexity SA	13,314	4,700,292	0.14
Rubis SA	16,695	7,012,842	0.22
Safran SA	21,608	20,406,815	0.63
Vinci SA	30,284	19,542,783	0.60
		61,529,860	1.89
<i>Germany</i>			
Aurubis AG	8,526	3,301,795	0.10
Carl Zeiss Meditec AG	8,574	5,247,159	0.16
DEUTZ AG	117,540	5,418,650	0.17
PUMA SE	1,516	5,800,255	0.18
Rheinmetall AG	9,117	6,303,245	0.19
TLG Immobilien AG	20,806	4,515,260	0.14
		30,586,364	0.94
<i>Hong Kong</i>			
Hysan Development Co Ltd	165,000	6,146,250	0.19
WH Group Ltd	2,070,500	12,485,115	0.38
Xinyi Glass Holdings Ltd	546,000	4,728,360	0.15
		23,359,725	0.72
<i>India</i>			
Ashok Leyland Ltd	328,667	3,779,718	0.12
Hindalco Industries Ltd	191,500	4,860,051	0.15
Infosys Ltd - Sp ADR	419,167	31,252,162	0.96
		39,891,931	1.23
<i>Indonesia</i>			
United Tractors Tbk	1,288,100	19,096,563	0.59
<i>Ireland</i>			
Glanbia Plc	40,373	5,932,735	0.18
ICON Plc	28,262	28,599,277	0.88
		34,532,012	1.06
<i>Israel</i>			
Mizrahi Tefahot Bank Ltd	45,169	5,926,182	0.18
NICE Ltd-ADR	31,021	26,289,312	0.81
Wix.com Ltd	8,277	5,856,108	0.18
		38,071,602	1.17
<i>Italy</i>			
Amplifon Spa	42,758	5,382,868	0.17
Mediobanca Banca Di Credito Finanziario Spa	56,734	3,749,595	0.12
Moncler Spa	68,438	17,740,497	0.54
		26,872,960	0.83

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>Japan</i>			
Capcom Co Ltd	117,100	18,068,157	0.55
Cosmo Energy Holdings Co Ltd	11,000	1,769,156	0.05
Honda Motor Co Ltd	41,300	8,492,210	0.26
Hoya Corp	51,900	24,389,020	0.75
Konica Minolta Holdings Inc	85,100	6,003,105	0.18
K's Holdings Corp	63,500	4,871,858	0.15
Lintec Corp	28,900	4,855,412	0.15
Makino Milling Machine Co	20,100	5,554,472	0.17
Matsumotokiyoshi Holdings Co Ltd	23,700	5,665,400	0.17
Mebuki Financial Group Inc	280,500	5,818,524	0.18
Mitsubishi Corp	109,200	23,427,542	0.72
Nichirei Corp	39,300	8,445,300	0.26
Nintendo Co Ltd	8,400	17,475,180	0.54
Nishio Rent All Co Ltd	19,900	4,658,066	0.14
Open House Co Ltd	20,500	5,402,875	0.17
Sawai Pharmaceutical Co Ltd	13,000	4,829,945	0.15
SBI Holdings Inc	34,200	5,245,367	0.16
SoftBank Corp	48,300	25,064,814	0.77
Sony Corp	62,800	23,760,630	0.73
Sumitomo Corp	85,100	9,439,928	0.29
Sumitomo Forestry Co Ltd	50,400	5,155,730	0.16
Sumitomo Heavy Industries Ltd	26,100	6,072,240	0.19
Suzuki Motor Corp	27,200	10,756,903	0.33
TIS Inc	14,700	4,516,485	0.14
Toda Corp	131,200	6,393,742	0.20
Towa Pharmaceutical Co Ltd	9,500	5,176,260	0.16
Toyoda Gosei Co Ltd	29,600	4,573,494	0.14
Toyota Motor Corp	41,900	19,067,691	0.58
		274,949,506	8.44
<i>Malaysia</i>			
Sime Darby Bhd	1,034,800	4,700,155	0.14
<i>Netherlands</i>			
ASR Nederland NV	27,995	8,674,122	0.27
NN Group NV	58,793	18,332,636	0.56
		27,006,758	0.83
<i>New Zealand</i>			
Spark New Zealand Ltd	428,088	9,349,194	0.29
<i>Norway</i>			
Entra ASA	47,231	4,905,416	0.15
<i>Singapore</i>			
BOC Aviation Ltd	146,100	8,466,495	0.26
ComfortDelGro Corp Ltd	473,900	5,854,010	0.18
UOL Group Ltd	146,100	5,196,000	0.16
		19,516,505	0.60
<i>South Korea</i>			
Doosan Infracore Co Ltd	74,386	3,979,711	0.12
Hanwha Chemical Corp	24,916	3,547,711	0.11

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>South Korea <i>(continued)</i></i>			
Hyundai Marine & Fire Insurance Co Ltd	21,170	6,125,655	0.19
KIA Motors Corp	82,792	19,666,941	0.60
LG Electronics Inc	37,036	16,264,123	0.50
LG Uplus Corp	64,501	8,024,716	0.25
POSCO	8,729	14,951,656	0.46
Samsung Electronics Co Ltd	102,854	28,057,610	0.86
		100,618,123	3.09
<i>Spain</i>			
ACS Actividades de Construccion y Servicios SA	77,289	23,428,244	0.72
Ence Energia y Celulosa SA	66,586	3,272,500	0.10
		26,700,744	0.82
<i>Sweden</i>			
AB Volvo-B	198,021	20,075,697	0.62
Castellum AB	59,452	8,491,301	0.26
Swedish Match AB	46,588	14,220,424	0.44
		42,787,422	1.32
<i>Switzerland</i>			
Lonza Group AG	5,398	10,923,230	0.34
Nestle SA	37,223	23,599,539	0.72
Roche Holding AG	20,008	38,691,317	1.19
Valora Holding AG	2,715	4,637,646	0.14
		77,851,732	2.39
<i>Taiwan</i>			
King Yuan Electronics Co Ltd	920,000	5,482,574	0.17
Powertech Technology Inc	283,000	4,794,702	0.15
Shin Kong Financial Holding Co Ltd	1,715,774	3,944,812	0.12
Taiwan Semiconductor Manufacturing Co Ltd	439,000	25,373,760	0.78
Uni-President Enterprises Corp	652,000	11,664,786	0.36
		51,260,634	1.58
<i>United Kingdom</i>			
Boohoo.com PLC	350,302	5,642,038	0.17
BP Plc	851,313	42,106,395	1.28
Burford Capital Ltd	37,361	6,170,207	0.19
Coca-Cola HBC AG	97,530	23,849,516	0.73
Diageo Plc	58,234	16,232,272	0.50
DS Smith Plc	101,567	3,031,658	0.09
GVC Holdings Plc	182,013	12,234,415	0.38
Ibstock Plc	188,038	3,726,185	0.11
Intermediate Capital Group Plc	60,388	5,630,969	0.17
Keywords Studios Plc	37,464	3,997,779	0.12
Legal & General Group Plc	948,058	21,840,761	0.67
Lloyds Banking Group Plc	4,187,284	21,652,202	0.66
Meggitt Plc	116,927	5,492,330	0.17
Mondi Plc	74,030	12,060,013	0.37
National Express Group Plc	199,508	7,441,368	0.23
NMC Health Plc	35,373	9,651,812	0.30
Premier Oil Plc	312,785	2,075,940	0.06

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United Kingdom (continued)</i>			
Rentokil Initial Plc	209,528	7,046,128	0.22
RHI Magnesita NV	14,484	5,720,113	0.18
SSP Group Plc	71,948	4,645,284	0.14
Tesco Plc	1,146,185	21,729,900	0.67
William Hill Plc	236,177	3,650,818	0.11
		245,628,103	7.52
<i>United States</i>			
Accelaron Pharma Inc	5,700	1,944,102	0.06
Addus HomeCare Corp	13,000	6,911,005	0.21
Advanced Disposal Services Inc	55,200	10,349,497	0.32
Agree Realty Corp	28,800	13,334,691	0.41
Alcoa Corp	13,000	2,706,166	0.08
Alphabet Inc-A	4,804	39,315,038	1.21
Alphabet Inc-C	1,835	14,882,927	0.46
Altra Industrial Motion Corp	56,100	11,049,863	0.34
Amazon.com Inc	2,510	29,525,076	0.91
Ametek Inc	46,760	24,792,436	0.76
Anaplan Inc	9,200	1,912,251	0.06
Apple Inc	28,438	35,131,519	1.08
Array BioPharma Inc	9,500	1,060,216	0.03
ASGN Inc	12,500	5,335,346	0.16
Aspen Technology Inc	18,300	11,778,047	0.36
Athene Holding Ltd-A	75,716	23,618,592	0.72
Biogen Inc	10,857	25,586,856	0.78
BJ's Wholesale Club Holdings Inc	62,300	10,812,194	0.33
Bluebird Bio Inc	2,400	1,864,571	0.06
Boeing Co / The	9,108	23,004,287	0.71
Brandywine Realty Trust	112,200	11,309,084	0.35
Cabot Corp	21,300	7,163,045	0.22
CACI International Inc-A	8,900	10,039,198	0.31
Carrizo Oil & Gas Inc	46,570	4,117,714	0.13
Carvana Co	34,700	8,889,269	0.27
Cathay General Bancorp	36,000	9,453,488	0.29
CBS Corp-B	55,637	19,050,216	0.58
CenterState Bank Inc	45,200	7,448,009	0.23
Central Garden & Pet Co-A	31,300	7,660,381	0.24
Ceridian HCM Holding Inc	9,300	2,512,073	0.08
Cisco Systems Inc	154,563	52,450,577	1.60
Cognizant Technology Solutions Corp-A	45,454	22,597,743	0.69
Comcast Corp-A	116,053	30,947,782	0.95
ConocoPhillips	62,831	30,680,785	0.94
Coors (Adolph) -B	60,662	26,680,862	0.82
Delek US Holdings Inc	11,802	3,004,890	0.09
Dick's Sporting Goods Inc	101,738	24,859,582	0.76
Eldorado Resorts Inc	45,800	12,988,232	0.40
Encompass Health Corp	26,100	12,611,934	0.39
Entegris Inc	55,400	12,102,976	0.37
EOG Resources Inc	20,679	14,123,810	0.43
Eventbrite Inc-A	25,800	5,619,229	0.17
Exact Sciences Corp	6,800	3,360,426	0.10
Exelon Corp	72,513	25,612,292	0.79
FibroGen Inc	4,400	1,594,785	0.05
First Industrial Realty Trust Inc	52,300	11,820,996	0.36
First Merchants Corp	16,900	4,535,831	0.14
FirstEnergy Corp	78,450	23,070,602	0.71
General Mills Inc	97,548	29,748,862	0.91
GMS Inc	58,200	6,773,261	0.21
Graphic Packaging Holding Co	80,500	6,708,008	0.21
H&R Block Inc	49,987	9,931,928	0.30

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United States (continued)</i>			
Honeywell International Inc	12,574	13,010,622	0.40
Horizon Pharma Plc	23,500	3,596,238	0.11
Intersect ENT Inc	9,000	1,986,276	0.06
Intuit Inc	12,952	19,967,711	0.61
Johnson & Johnson	33,239	33,594,022	1.03
K12 Inc	30,614	5,943,642	0.18
KAR Auction Services Inc	52,735	19,708,584	0.60
Kemper Corp	11,000	5,718,551	0.18
Las Vegas Sands Corp	42,871	17,475,934	0.54
Lowe's Cos Inc	25,901	18,735,121	0.57
LPL Financial Holdings Inc	17,200	8,227,796	0.25
Mammoth Energy Services Inc	26,786	3,771,843	0.12
Marathon Petroleum Corp	41,821	19,327,517	0.59
MasTec Inc	29,800	9,466,082	0.29
MasterCard Inc-A	27,778	41,040,612	1.25
Medifast Inc	5,500	5,385,155	0.17
Merck & Co Inc	16,421	9,826,658	0.30
MGIC Investment Corp	66,500	5,447,652	0.17
Michael Kors Holdings Ltd	60,192	17,875,703	0.55
Microsoft Corp	67,661	53,822,010	1.64
Modine Manufacturing Co	39,800	3,369,495	0.10
Natera Inc	11,800	1,290,100	0.04
National General Holdings Corp	45,500	8,627,048	0.26
Neurocrine Biosciences Inc	3,709	2,074,302	0.06
Nevro Corp	7,600	2,314,769	0.07
Nordstrom Inc	62,964	22,984,097	0.71
Norfolk Southern Corp	23,808	27,882,796	0.86
Pebblebrook Hotel Trust	38,200	8,469,529	0.26
Pfizer Inc	110,482	37,768,681	1.16
Philip Morris International Inc	59,329	31,019,829	0.95
Piper Jaffray Co	12,300	6,342,361	0.19
Planet Fitness Inc-A	32,300	13,563,925	0.42
Plantronics Inc	19,121	4,956,723	0.15
Pluralsight Inc-A	12,000	2,213,238	0.07
Popular Inc	16,100	5,953,987	0.18
Portland General Electric Co	18,900	6,786,677	0.21
Prestige Brands Holdings Inc	20,695	5,004,939	0.15
Prudential Financial Inc	39,839	25,444,178	0.78
Ra Medical Systems Inc	14,200	884,121	0.03
Raytheon Co	14,764	17,731,434	0.55
Regions Financial Corp	221,351	23,194,961	0.72
Reliance Steel & Aluminum Co	6,353	3,541,048	0.11
Rexnord Corp	61,000	10,963,988	0.34
Ring Energy Inc	110,400	4,392,268	0.13
Ruth's Hospitality Group Inc	21,200	3,773,908	0.12
Sage Therapeutics Inc	1,400	1,050,278	0.03
Seattle Genetics Inc	5,100	2,263,095	0.07
Select Energy Services Inc-A	30,100	1,489,840	0.05
Smartsheet Inc-A	12,300	2,394,762	0.07
SolarWinds Corp	73,200	7,928,468	0.24
Southwest Gas Corp	16,500	9,885,563	0.30
STAAR Surgical Co	14,400	3,598,697	0.11
Syneos Health Inc	99,687	30,721,280	0.94
SynnexCorp	9,700	6,141,212	0.19
TCF Financial Corp	17,600	2,686,461	0.08
Teladoc Inc	10,600	4,115,104	0.13
Tenable Holdings Inc	8,600	1,494,555	0.05
The Allstate Corp	39,231	25,387,689	0.78
The Brink's Co	18,300	9,265,645	0.28
The Hanover Insurance Group Inc	11,000	10,059,584	0.31
Tier REIT Inc	38,200	6,171,896	0.19
Tutor Perini Corp	44,900	5,615,744	0.16

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United States <i>(continued)</i></i>			
Union Bankshares Corp	8,000	1,768,711	0.05
United Community Banks Inc	30,700	5,159,696	0.16
UnitedHealth Group Inc	20,822	40,624,411	1.25
Vail Resorts Inc	3,236	5,342,892	0.16
Verisign Inc	17,483	20,304,105	0.62
Verizon Communications Inc	69,437	30,572,984	0.94
Viacom Inc-B	115,444	23,235,954	0.70
Vishay Intertechnology Inc	57,700	8,138,523	0.25
William Lyon Homes-A	35,200	2,946,976	0.09
Zoetis Inc	35,226	23,598,729	0.72
		1,640,821,535	50.29
Total listed shares		3,193,245,241	97.97
Delisted Shares			
<i>United Kingdom</i>			
Conviviality Plc	153,761	-	-
Total delisted shares		-	-
Total investments		3,193,245,241	97.97
Other net assets		66,258,325	2.03
Total net asset value		3,259,503,566	100.00
Total cost of investments		3,278,479,829	

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

Principal Pension Bond Fund				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed/quoted debt instruments				
Fixed coupon rate debt instruments				
<i>Denominated in United States Dollar</i>				
21st Century Fox America Inc-3%	15/9/2022	3,580,000	27,703,727	1.14
Abbott Laboratories-2.9%	30/11/2021	3,155,000	24,494,366	1.01
Abbott Laboratories-3.75%	30/11/2026	495,000	3,828,605	0.16
Abu Dhabi National Energy Co PJSC-4.375%	22/6/2026	300,000	2,314,267	0.10
AIA Group Ltd-3.2%	11/3/2025	1,860,000	14,029,965	0.58
AIA Group Ltd-3.9%	6/4/2028	1,590,000	12,461,207	0.51
Alibaba Group Holding Ltd-3.6%	28/11/2024	1,000,000	7,660,922	0.32
Allergan Funding SCS-3.85%	15/6/2024	1,645,000	12,706,583	0.52
Altria Group Inc-2.85%	9/8/2022	2,425,000	18,231,742	0.75
Altria Group Inc-4%	31/1/2024	2,710,000	20,857,709	0.86
America Movil SAB de CV-5%	30/3/2020	1,000,000	7,967,619	0.33
American International Group Inc-3.3%	1/3/2021	3,295,000	25,717,945	1.06
American International Group Inc-3.9%	1/4/2026	4,605,000	34,696,961	1.43
Andeavor Logistics LP / Tesoro Logistics Finance Corp-3.5%	1/12/2022	1,090,000	8,303,616	0.34
Andeavor Logistics LP / Tesoro Logistics Finance Corp-4.25%	1/12/2027	980,000	7,245,301	0.30
Anheuser-Busch Cos LLC / Anheuser-Busch InBev Worldwide Inc-3.65%	1/2/2026	3,715,000	27,510,497	1.14
Apple Inc-1.7%	22/2/2019	905,000	7,074,683	0.29
Apple Inc-2.75%	13/1/2025	560,000	4,229,001	0.17
Apple Inc-2.85%	6/5/2021	3,360,000	26,346,668	1.09
Apple Inc-3%	9/2/2024	1,475,000	11,408,134	0.47
Apple Inc-3.2%	13/5/2025	340,000	2,618,778	0.11
Apple Inc-3.35%	9/2/2027	780,000	5,952,288	0.25
Apple Inc-4.65%	23/2/2046	185,000	1,533,678	0.06
Arch Capital Finance Llc-4.011%	15/12/2026	2,715,000	21,232,276	0.88
AT&T Inc-2.45%	30/6/2020	1,245,000	9,623,584	0.40
AT&T Inc-3.8%	15/3/2022	3,030,000	23,833,514	0.98
AT&T Inc-4.3%	15/2/2030	755,000	5,587,639	0.23
Bacardi Ltd-4.7%	15/5/2028	425,000	3,198,612	0.13
Baidu Inc-3.875%	29/9/2023	525,000	4,093,025	0.17
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-2.773%	15/12/2022	510,000	3,831,992	0.16
Baker Hughes a GE Co Llc / Baker Hughes Co-Obligor Inc-3.337%	15/12/2027	1,240,000	8,935,306	0.37
Baltimore Gas & Electric Co-3.35%	1/7/2023	565,000	4,429,627	0.18
Bank of America Corp-4.2%	26/8/2024	2,030,000	15,767,984	0.65
Bank of America Corp-4.25%	22/10/2026	675,000	5,141,545	0.21
BAT Capital Corp-3.222%	15/8/2024	2,900,000	20,919,822	0.86
Bayer US Finance II Llc-3.875%	15/12/2023	1,075,000	8,266,338	0.34
Bayer US Finance II Llc-4.375%	15/12/2028	1,410,000	10,543,037	0.44
Becton Dickinson & Co-2.894%	6/6/2022	980,000	7,433,455	0.31
BHP Billiton Finance (USA) Ltd-3.85%	30/9/2023	2,000,000	16,044,177	0.66
Boston Gas Co-3.15%	1/8/2027	525,000	3,922,314	0.16
Brookfield Finance Inc-3.9%	25/1/2028	1,475,000	10,905,009	0.45
Brookfield Finance Llc-4%	1/4/2024	3,055,000	23,653,256	0.98
Burlington Northern Santa Fe Llc-3.45%	15/9/2021	1,040,000	8,227,762	0.34
Canadian Natural Resources Ltd-3.85%	1/6/2027	310,000	2,290,218	0.09
Celgene Corp-2.875%	15/8/2020	1,025,000	7,971,404	0.33
Celgene Corp-3.45%	15/11/2027	1,085,000	7,732,578	0.32
Chevron Corp-2.355%	5/12/2022	1,250,000	9,480,165	0.39
Chile Government-3.24%	6/2/2028	400,000	3,005,806	0.12
Cigna Corp-3.75%	15/7/2023	1,280,000	9,991,194	0.41
Cigna Corp-4.125%	15/11/2025	960,000	7,507,846	0.31
Cigna Corp-4.375%	15/10/2028	2,930,000	23,074,947	0.95
Citigroup Inc-4.125%	25/7/2028	3,760,000	27,634,599	1.14
Coca-Cola FEMSA SAB de CV-3.875%	26/11/2023	850,000	6,710,187	0.28
Colombia Government-5%	15/6/2045	200,000	1,491,156	0.06
Comcast Corp-3.15%	1/3/2026	1,315,000	9,853,926	0.41
Comcast Corp-3.375%	15/2/2025	300,000	2,301,178	0.10

INVESTMENT REPORT (continued)

Portfolio statement as at 31 December 2018

Principal Pension Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments (continued)				
Fixed coupon rate debt instruments (continued)				
Denominated in United States Dollar (continued)				
Comcast Corp-3.95%	15/10/2025	850,000	6,735,743	0.28
Comcast Corp-4.15%	15/10/2028	580,000	4,612,489	0.19
Comcast Corp-4.2%	15/8/2034	510,000	3,851,168	0.16
Concho Resources Inc-3.75%	1/10/2027	1,050,000	7,741,104	0.32
Consolidated Edison Co of New York Inc-4%	1/12/2028	385,000	3,090,057	0.13
Constellation Brands Inc-4.4%	15/11/2025	675,000	5,296,859	0.22
Continental Resources Inc-3.8%	1/6/2024	4,010,000	29,730,250	1.23
Continental Resources Inc-4.375%	15/1/2028	950,000	6,999,377	0.29
Continental Resources Inc-5%	15/9/2022	655,000	5,093,368	0.21
Corporacion Nacional del Cobre de Chile-4.5%	16/9/2025	800,000	6,344,798	0.26
CVS Health Corp-3.7%	9/3/2023	1,250,000	9,684,827	0.40
CVS Health Corp-4.125%	15/5/2021	2,160,000	17,116,746	0.71
CVS Health Corp-4.3%	25/3/2028	3,690,000	28,251,896	1.17
CVS Health Corp-5%	1/12/2024	1,135,000	9,315,793	0.38
Daimler Finance North America Llc-2.25%	2/3/2020	1,995,000	15,413,908	0.64
Discover Bank-3.1%	4/6/2020	2,005,000	15,595,027	0.64
Discovery Communications Llc-2.95%	20/3/2023	2,200,000	16,484,416	0.68
Dominion Energy Inc-3.9%	1/10/2025	3,000,000	23,408,238	0.97
Dominion Energy Inc-4.25%	1/6/2028	575,000	4,518,318	0.19
DowDuPont Inc-4.205%	15/11/2023	1,750,000	14,009,051	0.58
DTE Energy Co-6.375%	15/4/2033	935,000	8,738,193	0.36
Enable Midstream Partners LP-4.4%	15/3/2027	1,000,000	7,312,771	0.30
Equate Petrochemical BV-3%	3/3/2022	250,000	1,889,398	0.08
Equinor ASA-2.25%	8/11/2019	2,000,000	15,543,152	0.64
Exxon Mobil Corp-2.222%	1/3/2021	1,975,000	15,244,905	0.63
First Republic Bank-2.5%	6/6/2022	5,640,000	42,805,293	1.78
Ford Motor Credit Co Llc-2.597%	4/11/2019	1,250,000	9,681,587	0.40
GE Capital International Funding Co Unlimited Co-2.342%	15/11/2020	759,000	5,736,538	0.24
GE Capital International Funding Co Unlimited Co-3.373%	15/11/2025	500,000	3,478,477	0.14
General Electric Co-2.2%	9/1/2020	3,000,000	23,152,964	0.96
General Electric Co-2.7%	9/10/2022	1,650,000	11,990,943	0.50
General Electric Co-5.3%	11/2/2021	262,000	2,054,450	0.08
General Mills Inc-4.55%	17/4/2038	385,000	2,797,474	0.12
General Motors Co-6.6%	1/4/2036	495,000	3,773,971	0.16
General Motors Financial Co Inc-3.85%	5/1/2028	410,000	2,795,995	0.12
Georgia-Pacific Llc-5.4%	1/11/2020	460,000	3,732,902	0.15
Gilead Sciences Inc-2.55%	1/9/2020	1,000,000	7,768,357	0.32
Glencore Funding Llc-3%	27/10/2022	1,180,000	8,773,791	0.36
Gruma SAB de CV-4.875%	1/12/2024	300,000	2,355,384	0.10
Halliburton Co-3.8%	15/11/2025	1,000,000	7,588,831	0.31
HSBC Holdings Plc-4.25%	14/3/2024	2,415,000	18,770,020	0.78
Hungary Government-5.375%	21/2/2023	600,000	4,975,087	0.21
Hyundai Capital America-2.5%	18/3/2019	1,000,000	7,818,668	0.32
Keurig Dr Pepper Inc-3.551%	25/5/2021	1,185,000	9,266,504	0.38
Keurig Dr Pepper Inc-4.057%	25/5/2023	1,280,000	9,989,881	0.41
Keurig Dr Pepper Inc-4.417%	25/5/2025	490,000	3,819,777	0.16
Kinder Morgan Inc-5.625%	15/11/2023	2,200,000	18,214,282	0.75
Marathon Oil Corp-4.4%	15/7/2027	2,520,000	18,753,076	0.77
Markel Corp-3.5%	1/11/2027	1,285,000	9,496,723	0.39
McCormick & Co Inc-3.4%	15/8/2027	1,275,000	9,432,904	0.39
McDonald's Corp-2.75%	9/12/2020	775,000	6,027,451	0.25
McDonald's Corp-3.8%	1/4/2028	740,000	5,689,859	0.23
Medtronic Inc-3.5%	15/3/2025	1,300,000	10,140,984	0.42
Mexichem SAB de CV-4%	4/10/2027	200,000	1,423,411	0.06
Mexico Government-4.15%	28/3/2027	300,000	2,271,765	0.09
Microsoft Corp-2.4%	8/8/2026	2,850,000	20,810,306	0.86
Morgan Stanley-3.95%	23/4/2027	675,000	4,983,984	0.21
Morgan Stanley-5%	24/11/2025	3,780,000	30,186,044	1.25

Principal Pension Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
Listed/quoted debt instruments (continued)				
Fixed coupon rate debt instruments (continued)				
Denominated in United States Dollar (continued)				
MPLX LP-4%	15/3/2028	620,000	4,550,967	0.19
MPLX LP-4.5%	15/7/2023	815,000	6,446,734	0.27
MPLX LP-4.8%	15/2/2029	195,000	1,523,420	0.06
Nestle Holdings Inc-3.35%	24/9/2023	1,810,000	14,315,713	0.59
Nestle Holdings Inc-3.5%	24/9/2025	1,580,000	12,429,472	0.51
Newfield Exploration Co-5.375%	1/1/2026	340,000	2,609,522	0.11
Newfield Exploration Co-5.625%	1/7/2024	500,000	3,964,798	0.16
Nuveen Finance Llc-4.125%	1/11/2024	2,670,000	21,299,451	0.88
Nuveen Llc-4%	1/11/2028	1,590,000	12,831,292	0.53
Oracle Corp-2.375%	15/1/2019	670,000	5,246,001	0.22
Oracle Corp-2.5%	15/10/2022	2,485,000	18,941,269	0.78
Oracle Corp-3.25%	15/11/2027	1,830,000	13,822,995	0.57
Pacific Gas & Electric Co-3.3%	15/3/2027	1,030,000	6,640,540	0.27
Pacific Gas & Electric Co-3.3%	1/12/2027	360,000	2,300,778	0.10
Pacific Gas & Electric Co-3.85%	15/11/2023	650,000	4,555,908	0.19
PacificCorp-3.85%	15/6/2021	1,710,000	13,599,960	0.56
Packaging Corp of America-2.45%	15/12/2020	750,000	5,767,201	0.24
Packaging Corp of America-4.5%	1/11/2023	1,500,000	12,042,049	0.50
Panama Government-3.875%	17/3/2028	600,000	4,628,535	0.19
Peruvian Government-5.625%	18/11/2050	550,000	5,056,929	0.21
Petroleos Mexicanos-6.5%	13/3/2027	100,000	736,180	0.03
Petroleos Mexicanos-6.5%	23/1/2029	430,000	3,140,316	0.13
Philip Morris International Inc-1.875%	25/2/2021	735,000	5,593,275	0.23
Philip Morris International Inc-2.375%	17/8/2022	365,000	2,747,186	0.11
Philippines Government-3%	1/2/2028	400,000	2,964,117	0.12
Plains All American Pipeline LP / PAA Finance Corp-3.6%	1/11/2024	1,385,000	10,322,576	0.43
Plains All American Pipeline LP / PAA Finance Corp-4.5%	15/12/2026	260,000	1,961,310	0.08
Poland Government-3.25%	6/4/2026	400,000	3,066,931	0.13
Progress Energy Inc-4.4%	15/1/2021	2,930,000	23,384,753	0.97
Qatar Government-3.875%	23/4/2023	500,000	3,960,217	0.16
Reynolds American Inc-6.875%	1/5/2020	1,315,000	10,716,524	0.44
Romania-4.875%	22/1/2024	130,000	1,044,847	0.04
Royal Bank of Canada-3.7%	5/10/2023	1,910,000	15,018,546	0.62
SABIC Capital II BV-4%	10/10/2023	500,000	3,896,271	0.16
Sabine Pass Liquefaction Llc-5%	15/3/2027	2,300,000	18,073,073	0.75
Santander UK Plc-5%	7/11/2023	2,890,000	22,101,496	0.91
Saudi Government-4%	17/4/2025	400,000	3,105,031	0.13
Saudi Government-5%	17/4/2049	200,000	1,507,781	0.06
Schlumberger Investment SA-3.3%	14/9/2021	200,000	1,570,131	0.06
Sempra Energy-2.875%	1/10/2022	555,000	4,191,976	0.17
Sigma Alimentos SA de CV-4.125%	2/5/2026	200,000	1,462,586	0.06
Southern Copper Corp-6.75%	16/4/2040	125,000	1,080,978	0.04
SunTrust Bank-4.05%	3/11/2025	795,000	6,331,368	0.26
Svenska Handelsbanken AB-3.9%	20/11/2023	3,710,000	29,320,652	1.21
Synchrony Bank-3%	15/6/2022	5,385,000	39,408,332	1.64
Syngenta Finance NV-5.182%	24/4/2028	975,000	7,081,151	0.29
Telefonica Emisiones SAU-5.462%	16/2/2021	1,840,000	14,934,129	0.62
The Goldman Sachs Group Inc-3.85%	26/1/2027	2,590,000	19,080,180	0.79
The Goldman Sachs Group Inc-5.95%	15/1/2027	720,000	5,937,693	0.25
The Royal Bank Of Scotland Group Plc-5.125%	28/5/2024	6,385,000	48,483,540	2.01
The Walt Disney Co-3.15%	17/9/2025	1,230,000	9,400,161	0.39
The Williams Cos Inc-4.3%	4/3/2024	1,050,000	8,194,619	0.34
Toyota Motor Credit Corp-2.95%	13/4/2021	365,000	2,858,999	0.12
TransCanada Pipelines Ltd-7.125%	15/1/2019	1,210,000	9,488,638	0.39
Union Pacific Corp-3.5%	8/6/2023	1,675,000	13,143,022	0.54
Union Pacific Corp-3.75%	15/3/2024	1,385,000	10,940,719	0.45
United Technologies Corp-3.1%	1/6/2022	645,000	4,946,599	0.20
United Technologies Corp-3.95%	16/8/2025	1,155,000	8,975,555	0.37

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed/quoted debt instruments <i>(continued)</i>				
Fixed coupon rate debt instruments <i>(continued)</i>				
<i>Denominated in United States Dollar <i>(continued)</i></i>				
United Technologies Corp-4.125%	16/11/2028	2,880,000	22,345,554	0.92
United Technologies Corp-5.4%	1/5/2035	115,000	952,439	0.04
Unitedhealth Group Inc-3.875%	15/12/2028	1,625,000	12,891,206	0.53
Uruguay Government-5.1%	18/6/2050	150,000	1,153,022	0.05
Vale Overseas Ltd-4.375%	11/1/2022	157,000	1,251,094	0.05
Valero Energy Corp-4.35%	1/6/2028	250,000	1,939,642	0.08
Verizon Communications Inc-5.25%	16/3/2037	930,000	7,586,962	0.31
Viacom Inc-3.875%	15/12/2021	2,155,000	16,978,358	0.70
Viacom Inc-4.25%	1/9/2023	305,000	2,379,346	0.10
Walmart Inc-3.125%	23/6/2021	1,250,000	9,859,180	0.41
Walmart Inc-3.4%	26/6/2023	1,645,000	13,015,907	0.54
Warner Media Llc-3.6%	15/7/2025	1,055,000	7,825,542	0.32
Warner Media Llc-4.05%	15/12/2023	535,000	4,184,881	0.17
Waste Connections Inc-4.25%	1/12/2028	655,000	5,242,008	0.22
Wells Fargo & Co-2.1%	26/7/2021	2,020,000	15,326,117	0.63
Western Gas Partners LP-4%	1/7/2022	2,000,000	15,529,258	0.64
Western Gas Partners LP-4.5%	1/3/2028	1,180,000	8,638,164	0.36
Wm. Wrigley Jr. Co-3.375%	21/10/2020	1,355,000	10,641,699	0.44
Xilinx Inc-2.95%	1/6/2024	1,460,000	10,913,816	0.45
XLIT Ltd-4.45%	31/3/2025	770,000	5,992,852	0.25
Zions BanCorp NA-3.5%	27/8/2021	1,710,000	13,350,691	0.55
Zoetis Inc-3.9%	20/8/2028	1,985,000	15,230,529	0.63
Total fixed coupon rate debt instruments			2,018,082,534	83.35
Floating coupon rate debt instruments				
<i>Denominated in United States Dollar</i>				
Bank of America Corp-Floating	17/5/2022	5,000,000	39,164,373	1.62
Citigroup Inc-Floating	24/7/2023	1,875,000	14,338,164	0.59
Citigroup Inc-Floating	27/10/2028	3,155,000	23,043,403	0.95
Credit Suisse Group AG-Floating	14/12/2023	2,775,000	21,608,459	0.89
DBS Group Holdings Ltd-Floating	11/12/2028	3,365,000	26,926,889	1.11
General Motors Financial Co Inc-Floating	5/1/2023	1,090,000	8,098,201	0.33
JPMorgan Chase & Co-Floating	10/1/2025	2,820,000	21,146,676	0.87
Nationwide Building Society-Floating	18/10/2032	2,890,000	20,030,272	0.83
State Street Corp-Floating	3/12/2029	1,355,000	10,953,552	0.45
The Goldman Sachs Group Inc-Floating	5/6/2023	3,990,000	29,998,231	1.24
The Goldman Sachs Group Inc-Floating	24/7/2023	2,265,000	17,236,579	0.71
The Royal Bank Of Scotland Group Plc-Floating	15/5/2023	1,190,000	9,040,634	0.37
UBS Group Funding (Switzerland) AG-Floating	15/8/2023	3,655,000	28,020,678	1.16
Total floating coupon rate debt instruments			269,606,111	11.12
Total listed/quoted debt instruments			2,287,688,645	94.47
Total investments			2,287,688,645	94.47
Other net assets			133,871,791	5.53
Total net asset value			2,421,560,436	100.00
Total cost of investments			2,348,787,389	

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

Principal U.S. Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares			
<i>United States</i>			
Accenture Plc-A	11,816	13,048,976	0.78
Addus HomeCare Corp	12,900	6,857,844	0.41
Adobe Systems Inc	9,822	17,403,050	1.04
Advanced Disposal Services Inc	64,600	12,111,912	0.72
Advanced Energy Industries Inc	7,700	2,588,855	0.15
Aflac Inc	24,187	8,630,218	0.51
Agree Realty Corp	28,200	13,056,885	0.78
Alcoa Corp	8,400	1,748,599	0.10
Alphabet Inc-A	2,320	18,986,446	1.13
Alphabet Inc-C	3,107	25,199,593	1.50
Altra Industrial Motion Corp	48,600	9,572,608	0.57
Amazon.com Inc	3,000	35,288,936	2.09
Ameriprise Financial Inc	15,161	12,392,518	0.74
AMETEK Inc	17,003	9,015,094	0.54
Amgen Inc	5,525	8,423,399	0.50
AMN Healthcare Services Inc	12,600	5,591,176	0.33
Anaplan Inc	8,512	1,769,247	0.11
Anthem Inc	6,383	13,128,806	0.78
Apple Inc	39,851	49,230,824	2.92
ASGN Inc	13,100	5,591,442	0.33
AT&T Inc	16,514	3,691,155	0.22
Athene Holding Ltd-A	23,600	7,361,704	0.44
Automatic Data Processing Inc	5,281	5,423,019	0.32
AvalonBay Communities Inc	2,592	3,533,174	0.21
AXA Equitable Holdings Inc	62,700	8,166,121	0.49
Bank of America Corp	79,122	15,268,416	0.91
Baxter International Inc	15,141	7,804,920	0.46
BB&T Corp	16,363	5,551,463	0.33
Berkshire Hathaway Inc-B	21,075	33,700,538	2.01
Best Buy Co Inc	10,738	4,453,766	0.27
BJ's Wholesale Club Holdings Inc	47,395	8,225,425	0.49
Booking Holdings Inc	58	782,390	0.05
BorgWarner Inc	7,870	2,141,217	0.13
Brandywine Realty Trust	107,600	10,845,432	0.65
Broadcom Inc	835	1,662,856	0.10
Broadridge Financial Solutions Inc	8,251	6,219,613	0.37
Cabot Corp	17,700	5,952,390	0.35
Cadence Design Systems Inc	5,412	1,842,907	0.11
Caleres Inc	18,000	3,923,212	0.23
Camden Property Trust	13,400	9,240,388	0.55
Carrizo Oil & Gas Inc	45,900	4,058,473	0.24
Carvana Co	33,500	8,581,859	0.51
Cathay General Bancorp	47,800	12,552,132	0.75
Centene Corp	7,165	6,469,959	0.39
CenterPoint Energy Inc	44,865	9,919,153	0.59
Central Garden & Pet Co-A	21,500	5,261,923	0.31
Ceridian HCM Holding Inc	38,100	10,291,394	0.61
Chevron Corp	12,479	10,632,241	0.63
CIGNA Corp	10,597	15,761,940	0.94
Cintas Corp	3,222	4,239,015	0.25
Cisco Systems Inc	43,329	14,703,590	0.88
Citigroup Inc	7,184	2,929,048	0.17
Citrix Systems Inc	7,043	5,651,557	0.34
Comcast Corp-A	9,839	2,623,760	0.16
Comerica Inc	5,026	2,703,784	0.16
Coors (Adolph)-CL B	6,663	2,930,576	0.17
CSX Corp	15,558	7,570,266	0.45
CVS Health Corp	32,911	16,887,719	1.01
Danaher Corp	9,371	7,568,065	0.45
Darling Ingredients Inc	55,100	8,302,573	0.49
Delek US Holdings Inc	21,900	5,575,928	0.33
Delta Air Lines Inc	8,178	3,195,977	0.19
Discover Financial Services	17,843	8,241,925	0.49

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal U.S. Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United States (continued)</i>			
East West Bancorp Inc	25,700	8,761,487	0.52
Eastman Chemical Co	7,627	4,367,034	0.26
Eldorado Resorts Inc	13,900	3,941,843	0.23
Encompass Health Corp	26,300	12,708,578	0.76
Entegris Inc	43,400	9,481,393	0.56
Entergy Corp	13,302	8,966,538	0.53
Eventbrite Inc-A	13,500	2,940,294	0.18
Exelon Corp	38,187	13,488,018	0.80
Expeditors International of Washington Inc	3,506	1,869,611	0.11
Exxon Mobil Corp	34,126	18,224,772	1.09
F5 Networks Inc	2,482	3,149,584	0.19
Facebook Inc-A	13,053	13,400,961	0.80
Fifth Third Bancorp	19,878	3,663,116	0.22
FirstEnergy Corp	15,288	4,495,900	0.27
Foot Locker Inc	9,611	4,004,389	0.24
Fortinet Inc	3,134	1,728,672	0.10
Gates Industrial Corp Plc	50,400	5,226,062	0.31
Genuine Parts Co	3,358	2,525,215	0.15
GMS Inc	30,300	3,526,286	0.21
Graphic Packaging Holding Co	90,900	7,574,632	0.45
HCA Holdings Inc	6,558	6,391,788	0.38
Hewlett Packard Enterprise Co	37,553	3,885,112	0.23
HollyFrontier Corp	5,243	2,099,069	0.13
Honeywell International Inc	13,631	14,104,325	0.84
Horizon Pharma Plc	31,000	4,743,974	0.28
HP Inc	21,123	3,384,677	0.20
Humana Inc	3,954	8,871,295	0.53
ICF International Inc	14,500	7,356,394	0.44
II-VI Inc	19,400	4,931,809	0.29
Intel Corp	23,715	8,716,251	0.52
Intersect ENT Inc	11,400	2,515,949	0.15
Intuit Inc	4,508	6,949,849	0.41
Johnson & Johnson	29,015	29,324,907	1.75
JPMorgan Chase & Co	36,135	27,626,311	1.65
K12 Inc	20,500	3,980,031	0.24
Kemper Corp	9,350	4,860,768	0.29
Kimberly-Clark Corp	12,028	10,733,112	0.64
Kohl's Corp	18,201	9,456,420	0.56
Korn/Ferry International	30,100	9,320,929	0.56
Liberty Property Trust	28,500	9,347,760	0.56
Lincoln National Corp	4,208	1,690,962	0.10
Live Nation Entertainment Inc	32,000	12,342,759	0.74
Lowe's Cos Inc	14,870	10,756,003	0.64
LyondellBasell Industries NV-A	17,811	11,600,022	0.69
Macy's Inc	32,433	7,564,284	0.45
Mammoth Energy Services Inc	38,300	5,393,175	0.32
Marathon Petroleum Corp	17,115	7,909,673	0.47
MasTec Inc	23,300	7,401,332	0.44
MasterCard Inc-A	13,842	20,450,865	1.22
McDonald's Corp	815	1,133,400	0.07
McKesson Corp	2,656	2,297,886	0.14
Medifast Inc	3,700	3,622,741	0.22
Merck & Co Inc	28,134	16,835,954	1.00
Michael Kors Holdings Ltd	6,686	1,985,595	0.12
Microsoft Corp	67,945	54,047,922	3.21
Morgan Stanley	27,254	8,463,100	0.50
Netflix Inc	1,758	3,685,177	0.22
NETGEAR Inc	11,800	4,808,303	0.29
Nevro Corp	6,000	1,827,449	0.11
Nordstrom Inc	4,027	1,469,998	0.09
Norfolk Southern Corp	2,874	3,365,892	0.20
OGE Energy Corp	36,700	11,264,123	0.67
PepsiCo Inc	5,046	4,366,032	0.26

Principal U.S. Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United States (continued)</i>			
Perspecta Inc	84,867	11,445,323	0.68
Pfizer Inc	73,456	25,111,205	1.50
Phillips 66	12,467	8,411,497	0.50
Piper Jaffray Co	16,200	8,353,354	0.50
Planet Fitness Inc-A	31,500	13,227,976	0.79
PlayAGS Inc	26,576	4,787,111	0.29
Pluralsight Inc-A	10,510	1,938,428	0.12
Polo Ralph Lauren Corp	9,117	7,387,210	0.44
Popular Inc	32,700	12,092,881	0.72
Prudential Financial Inc	12,973	8,285,532	0.49
Public Storage	2,450	3,883,775	0.23
PulteGroup Inc	7,340	1,494,027	0.09
Ra Medical Systems Inc	21,700	1,351,086	0.08
Regions Financial Corp	57,788	6,055,497	0.36
Reliance Steel & Aluminum Co	5,500	3,065,601	0.18
Republic Services Inc	3,678	2,076,552	0.12
Rexnord Corp	61,600	11,071,831	0.66
Ring Energy Inc	108,500	4,316,676	0.26
Roper Technologies Inc	2,829	5,904,985	0.35
Ross Stores Inc	578	376,623	0.02
Ruth's Hospitality Group Inc	29,200	5,198,025	0.31
Salesforce.com Inc	4,479	4,804,659	0.29
Seagate Technology Plc	5,706	1,724,498	0.10
Simon Property Group Inc	7,239	9,523,971	0.57
Smartsheet Inc-A	10,829	2,108,364	0.13
Snap-on Inc	1,408	1,602,118	0.10
SolarWinds Corp	78,282	8,478,912	0.50
Southwest Gas Corp	21,100	12,641,538	0.75
Steel Dynamics Inc	10,300	2,423,222	0.14
SunTrust Banks Inc	10,732	4,239,472	0.25
Syneos Health Inc	24,200	7,457,893	0.44
Target Corp	22,162	11,470,986	0.68
Tenable Holdings Inc	8,500	1,477,176	0.09
The Boeing Co	7,841	19,804,196	1.18
The Gap Inc	17,310	3,492,199	0.21
The Goldman Sachs Group Inc	4,183	5,472,558	0.33
The Hanover Insurance Group Inc	9,500	8,687,822	0.52
The Home Depot Inc	16,831	22,648,512	1.35
The Kroger Co	16,082	3,463,608	0.21
The PNC Financial Services Group Inc	6,443	5,899,237	0.35
The Procter & Gamble Co	32,877	23,667,819	1.41
The TJX Cos Inc	21,622	7,576,138	0.45
The Walt Disney Co	14,675	12,602,096	0.75
Total System Services Inc	6,438	4,098,681	0.24
Tyson Foods Inc-A	9,929	4,152,435	0.25
Union Bankshares Corp	16,200	3,581,640	0.21
Union Pacific Corp	12,699	13,747,631	0.82
United Continental Holdings Inc	3,287	2,155,444	0.13
UnitedHealth Group Inc	12,209	23,820,163	1.42
Univar Inc	28,800	4,001,309	0.24
Valero Energy Corp	12,717	7,466,692	0.44
VeriSign Inc	1,785	2,073,033	0.12
Verizon Communications Inc	52,881	23,283,407	1.39
Viacom Inc-B	17,135	3,448,842	0.21
Visa Inc-A	24,219	25,025,844	1.49
Vishay Intertechnology Inc	73,000	10,296,571	0.61
Visteon Corp	11,300	5,334,672	0.32
Walgreens Boots Alliance Inc	24,863	13,305,187	0.79
Wal-Mart Stores Inc	20,900	15,247,027	0.91
Waste Management Inc	18,966	13,218,220	0.79
Wellcare Health Plans Inc	5,600	10,354,322	0.62
Wells Fargo & Co	14,869	5,365,995	0.32
Westrock Co	14,130	4,178,594	0.25

INVESTMENT REPORT *(continued)*

Portfolio statement as at 31 December 2018

Principal U.S. Equity Fund *(continued)*

Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
Listed shares <i>(continued)</i>			
<i>United States (continued)</i>			
William Lyon Homes-A	61,300	5,132,089	0.31
Xerox Corp	37,900	5,865,191	0.35
Total listed shares		1,641,262,331	97.75
Total investments		1,641,262,331	97.75
Other net assets		37,788,137	2.25
Total net asset value		1,679,050,468	100.00
Total cost of investments		1,560,704,159	

* 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 2018	% of net assets as at 31 December 2017		% of net assets as at 31 December 2018	% of net assets as at 31 December 2017
Listed shares (by country/by region)			Listed shares (by industry sector)		
Australia	8.41	5.39	Consumer discretionary	10.50	10.69
China	33.46	28.34	Consumer staples	2.63	2.38
Hong Kong	11.31	13.53	Energy	7.76	9.52
India	10.31	10.79	Financials	40.03	43.81
Indonesia	1.06	2.10	Health care	1.83	1.22
Malaysia	1.77	1.22	Industrials	8.94	4.04
Singapore	3.34	4.91	Information technology	11.97	13.99
South Korea	13.05	17.84	Materials	3.18	2.81
Taiwan	10.61	10.35	Telecommunication services	6.34	6.13
Thailand	2.28	3.41	Utilities	3.33	2.43
The Philippines	0.20	-			
United States	1.19	-			
	96.99	97.88		96.51	97.02
Other net assets	3.01	2.12	Other net assets	3.49	2.98
Total net assets	100.00	100.00	Total net assets	100.00	100.00

INVESTMENT REPORT *(continued)*

Statement of movements in portfolio holdings

Principal European Equity Fund	% of net assets as at 31 December 2018	% of net assets as at 31 December 2017	Principal Hong Kong Bond Fund	% of net assets as at 31 December 2018	% of net assets as at 31 December 2017
Listed shares (by country/by region)			Listed/quoted debt instruments		
Austria	1.34	2.35	Certificates of deposit	20.55	20.10
Belgium	-	0.54	Non-certificates of deposit	77.16	78.12
Denmark	4.48	5.75			
Finland	2.52	2.02		97.71	98.22
France	12.70	15.54	Other net assets	2.29	1.78
Germany	8.41	11.08			
Ireland	1.15	1.12	Total net assets	100.00	100.00
Italy	5.16	4.44			
Netherlands	7.43	7.15			
Norway	2.39	2.04			
Portugal	0.55	0.42			
Spain	4.56	3.86			
Sweden	3.89	2.22			
Switzerland	15.33	11.34			
United Kingdom	28.10	28.18			
	98.01	98.05			
Other net assets	1.99	1.95			
Total net assets	100.00	100.00			

INVESTMENT REPORT *(continued)*

Statement of movements in portfolio holdings

Principal Hong Kong Dollar Savings Fund	% of net assets as at 31 December 2018	% of net assets as at 31 December 2017	Principal Hong Kong Equity Fund	% of net assets as at 31 December 2018	% of net assets as at 31 December 2017
Listed/quoted debt instruments			Listed shares (by industry sector)		
Certificates of deposit	41.37	34.32	Consumer discretionary	6.82	13.54
Non-certificates of deposit	24.56	30.17	Consumer staples	3.34	2.49
	65.93	64.49	Energy	3.71	3.48
Other net assets	34.07	35.51	Financials	50.80	51.35
	100.00	100.00	Health care	1.01	0.50
			Industrials	9.06	5.99
			Information technology	10.66	12.70
			Materials	1.44	1.77
			Telecommunication services	4.11	2.37
			Utilities	6.08	3.32
				97.03	97.51
			Other net assets	2.97	2.49
				100.00	100.00
			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 2018	% of net assets as at 31 December 2017	Principal International Equity Fund	% of net assets as at 31 December 2018	% of net assets as at 31 December 2017
Listed/quoted debt instruments (by currency)			Listed shares (by country/by region)		
Non-certificates of deposit (by currency)			Australia	1.06	1.04
Australian Dollar	0.48	0.53	Austria	1.77	1.21
British Pound	4.45	4.69	Belgium	0.19	-
Canadian Dollar	3.34	1.64	Brazil	1.47	1.48
Czech Koruna	0.05	-	Canada	6.26	3.24
Danish Krone	0.35	0.20	China	1.19	3.58
Euro	19.40	17.53	Denmark	0.14	0.41
Japanese Yen	12.04	8.51	Finland	-	0.22
Malaysian Ringgit	-	0.88	France	1.89	3.86
Mexican Peso	0.76	0.86	Germany	0.94	2.42
New Zealand Dollar	0.09	0.03	Hong Kong	0.72	1.17
Norwegian Krone	0.05	0.05	India	1.23	0.28
Polish Zloty	0.13	0.16	Indonesia	0.59	0.20
Singapore Dollar	0.12	0.14	Ireland	1.06	0.13
Swedish Krona	0.19	0.21	Israel	1.17	0.40
Swiss Franc	0.33	0.31	Italy	0.83	2.35
Thai Baht	0.07	0.07	Japan	8.44	8.25
United States Dollar	51.59	58.19	Malaysia	0.14	-
	93.44	94.00	Mexico	-	0.21
Forward contracts (by currency)			Netherlands	0.83	1.35
United States Dollar	(0.02)	(0.05)	New Zealand	0.29	-
			Norway	0.15	0.43
Other net assets	6.58	6.05	Singapore	0.60	0.36
			South Korea	3.09	1.59
Total net assets	100.00	100.00	Spain	0.82	0.93
			Sweden	1.32	0.99
			Switzerland	2.39	2.26
			Taiwan	1.58	1.54
			United Kingdom	7.52	5.10
			United States	50.29	52.85
				97.97	97.85
			Other net assets	2.03	2.15
			Total net assets	100.00	100.00

INVESTMENT REPORT *(continued)*

Statement of movements in portfolio holdings

Principal Pension Bond Fund	% of net assets as at 31 December 2018	% of net assets as at 31 December 2017
Listed/quoted debt instruments		
Fixed coupon rate debt instruments	83.35	81.38
Floating coupon rate debt instruments	11.12	14.26
	94.47	95.64
Other net assets	5.53	4.36
Total net assets	100.00	100.00

Principal U.S. Equity Fund	% of net assets as at 31 December 2018	% of net assets as at 31 December 2017
Listed shares (by industry sector)		
Consumer discretionary	13.12	13.21
Consumer staples	6.15	5.38
Energy	4.41	5.23
Financials	17.88	20.16
Health care	14.43	11.50
Industrials	10.55	14.01
Information technology	23.10	22.84
Materials	2.42	3.60
Telecommunication services	2.08	0.60
Utilities	3.61	2.05
	97.75	98.58
Other net assets	2.25	1.42
Total net assets	100.00	100.00

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

Year ended 31 December 2018										
	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\$
Investment performance										
Net gains of investments - realised	175,166,365	249,784,384	110,389,931	121,098,971	36,705,997	36,362,223	126,046,649	278,497,591	43,143,341	87,508,361
Net gains/(losses) of investments - unrealised	(1,291,925,459)	(910,552,258)	(246,180,052)	(19,093,505)	4,330,243	(2,024,446,910)	(171,652,751)	(799,492,241)	(71,270,019)	(208,716,643)
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\$
Investment performance										
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\$
Investment performance										
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

INVESTMENT REPORT *(continued)*

Investment income and performance

	Year ended 31 December 2018									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Income derived from investments										
Dividend income	166,520,951	138,181,972	36,865,068	-	-	312,380,678	-	92,713,491	-	28,453,182
Fixed deposit interest	-	-	-	-	18,895,602	-	-	-	-	-
Bank interest	101,866	881	22,567	1,050	361	-	88,396	57,326	89,757	16,510
Other income	-	-	241,143	-	-	-	-	379,295	15,421	48,237
	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\$
Income derived from investments										
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\$
Income derived from investments										
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	-

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.

The Principal China Equity Fund will invest at least 70% of its assets in equities issued by companies with exposure to different sectors of the economy in the People’s Republic of China (Mainland China) or in collective investment schemes as permitted under the MPF Regulation which primarily invest in such equity securities. Equity securities include but are not limited to equity shares, preference shares and depositary receipts.

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 Sub-Fund may invest in eligible China A-Shares and China B-Shares listed on the Shanghai or Shenzhen stock exchanges. As the Shanghai and Shenzhen stock exchanges are not ‘approved stock exchanges’ in the MPFA Guideline III.4, exposure to China A-Shares and China B-Shares will therefore, in aggregate, be subject to a cap of not more than 10% of the Sub-Fund’s net asset value.

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 Principal Hong Kong Equity Fund will invest at least 70% of its assets in listed equities issued by companies established in Hong Kong or by companies whose shares are listed (including but not limited to H shares and shares of red-chip companies) on the Hong Kong Stock Exchange.

The Sub-Fund may hold up to 30% of its assets in cash and time deposits on a temporary basis or for such longer period as the circumstances require to maintain liquidity.

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

The Sub-Fund may invest in eligible China A-Shares and China B-Shares listed on the Shanghai or Shenzhen stock exchanges. As the Shanghai and Shenzhen stock exchanges are not 'approved stock exchanges' in the MPFA Guideline III.4, exposure to China A-Shares and China B-Shares will therefore, in aggregate, be subject to a cap of not more than 10% of the Sub-Fund's net asset value.

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

26 April 2019

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 2018;
- (2) during the year ended 31 December 2018, 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, except for the Nordea Bank Abp, being a sub-delegate appointed by the Custodian, which has not been approved as approved overseas bank during the period from 1 to 31 October 2018;
- (3) we are not aware of any events of a significant nature relating to the Fund that occurred during the year ended 31 December 2018 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 2018; and
- (5) in our opinion, there are no material changes which have not been reported to the Authority during the year ended 31 December 2018.

We declare that, during the year ended 31 December 2018, 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
26 April 2019

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 55 to 100, which comprise the statements of net assets attributable to unitholders as at 31 December 2018, 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 2018 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 2018, 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
26 April 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

		2018									
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\$	
Income											
Gross dividend income	166,520,951	138,181,972	36,865,068	-	-	312,380,678	-	92,713,491	-	28,453,182	
Fixed deposit interest income	-	-	-	-	18,895,602	-	-	-	-	-	
Bank interest income	101,866	881	22,567	1,050	361	-	88,396	57,326	89,757	16,510	
Other income	-	-	241,143	-	-	-	-	379,295	15,421	48,237	
	166,622,817	138,182,853	37,128,778	1,050	18,895,963	312,380,678	88,396	93,150,112	105,178	28,517,929	
Expenses											
Investment transaction costs	(30,239,508)	(18,276,400)	(1,268,938)	(18,147)	(14,182)	(48,924,643)	(119,837)	(8,727,778)	(59,498)	(1,478,101)	
Investment management fees	10(a) (452,730)	(15,754,034)	(2,040,059)	(12,361,559)	(632,529)	(20,281,484)	(4,945,530)	(4,525,485)	-	(109,331)	
Sub-custodian fees	(1,737,214)	(1,098,155)	(154,432)	(594,985)	(273,607)	(2,478,961)	(223,460)	(284,088)	(74,439)	(20,335)	
Auditor's remuneration	(55,865)	(55,223)	(9,449)	(97,823)	(35,807)	(169,492)	(48,840)	(34,916)	(18,528)	(19,108)	
Operating expenses	(9,641)	3,265	(9,649)	308,493	(8,787)	40,326	(12,831)	(99,212)	(6,194)	(15,314)	
Trustee fees	10(b) (81,301)	(2,458,092)	(507,327)	(4,944,624)	(506,024)	(3,795,133)	(1,234,855)	(754,247)	-	(18,222)	
Legal and other professional fees	(393,212)	(19,219)	(18,866)	(19,224)	(19,034)	(19,732)	(19,213)	(89,756)	(18,983)	(18,897)	
Bank charges	(100)	-	-	-	(2,190)	(60)	-	(450)	-	(200)	
Distribution fees	-	-	-	-	-	(9,491)	-	-	-	-	
	(32,969,571)	(37,657,858)	(4,008,720)	(17,727,869)	(1,492,160)	(75,638,670)	(6,604,566)	(14,515,932)	(177,642)	(1,679,508)	
Gains/(losses) on investments and exchange difference											
Gains on investments	3 690,476,709	591,727,864	139,545,411	169,141,391	51,559,204	805,924,473	210,643,053	592,115,809	99,012,565	197,807,978	
Losses on investments	3 (1,807,235,803)	(1,252,495,738)	(275,335,532)	(67,135,925)	(10,522,964)	(2,794,009,160)	(256,249,155)	(1,113,110,459)	(127,139,243)	(319,016,260)	
Exchange gain/(loss)	(11,202,383)	(13,313)	1,342,635	(117,055)	-	(15,924)	(535,613)	(979,360)	218,876	(44,981)	
	(1,127,961,477)	(660,781,187)	(134,447,486)	101,888,411	41,036,240	(1,988,100,611)	(46,141,715)	(521,974,010)	(27,907,802)	(121,253,263)	
Net income/(loss) for the year											
	(994,308,231)	(560,256,192)	(101,327,428)	84,161,592	58,440,043	(1,751,358,603)	(52,657,885)	(443,339,830)	(27,980,266)	(94,414,842)	
Taxation	7 (24,281,193)	(10,068,020)	(5,712,713)	-	-	(3,522,827)	(172,986)	(31,581,365)	(4,627)	(8,278,910)	
Net income/(loss) for the year before distribution to unitholders											
	(1,018,589,424)	(570,324,212)	(107,040,141)	84,161,592	58,440,043	(1,754,881,430)	(52,830,871)	(474,921,195)	(27,984,893)	(102,693,752)	
Distributions to unitholders	-	(1,169,161)	-	(19,451,643)	-	(2,634,607)	-	-	-	-	
Increase/(decrease) in net assets attributable to unitholders											
	(1,018,589,424)	(571,493,373)	(107,040,141)	64,709,949	58,440,043	(1,757,516,037)	(52,830,871)	(474,921,195)	(27,984,893)	(102,693,752)	

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

Year ended 31 December 2018

		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\$	
Income											
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	
Expenses											
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)	
Gains/(losses) on investments and exchange difference											
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	
Net income for the year											
Taxation	7 (18,757,100)	(10,009,530)	(4,233,687)	-	-	(14,969,936)	(319,577)	(15,211,049)	-	(7,096,139)	
Net income for the year before distribution to unitholders											
Distributions to unitholders	-	(495,247)	-	(10,968,438)	-	(1,499,364)	-	-	-	-	
Increase in net assets 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	

STATEMENT OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

31 December 2018

		2018										
		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												
Assets												
	Investments measured at fair value											
	through profit or loss	4	4,373,784,355	3,804,187,390	714,098,734	5,611,696,852	2,204,202,177	10,885,211,738	4,236,664,382	3,193,245,241	2,287,688,645	1,641,262,331
	Derivative financial instruments		-	-	-	-	-	-	831,157	-	-	-
	Interest and dividend receivables	5	396,062	-	392,695	51,797,607	34,120,928	2,475,300	38,310,315	2,257,503	19,382,000	1,247,588
	Amounts receivable from brokers		29,292,364	13,698,162	-	-	-	21,756,216	3,725,491	-	10,400,328	9,768,100
	Amounts receivable on subscriptions		3,691,691	5,157,971	80,776	15,181,226	6,123,435	24,765,274	2,346,859	2,653,056	1,699,962	12,656,364
	Cash at banks	6	256,996,068	123,129,634	14,141,369	74,900,241	1,103,231,370	329,518,862	259,253,183	106,228,119	119,962,542	57,028,563
	Other receivables		-	-	-	-	-	-	13,937	-	-	4,640
			4,664,160,540	3,946,173,157	728,713,574	5,753,575,926	3,347,677,910	11,263,727,390	4,541,145,324	3,304,383,919	2,439,133,477	1,721,967,586
Liabilities												
	Derivative financial instruments		-	-	-	-	-	-	1,997,643	-	-	-
	Amounts payable to brokers		151,654,598	413,455	-	-	-	26,844,418	4,676,236	43,184,237	16,921,634	40,618,229
	Amounts payable on redemptions		2,491,298	3,181,177	31,373	4,752,959	4,414,751	17,368,079	530,654	1,402,798	616,167	2,264,866
	Accrual and other payables		554,214	778,743	66,595	5,621,362	111,963	1,414,741	263,027	293,318	35,240	34,023
			154,700,110	4,373,375	97,968	10,374,321	4,526,714	45,627,238	7,467,560	44,880,353	17,573,041	42,917,118
	Net assets attributable to unitholders		4,509,460,430	3,941,799,782	728,615,606	5,743,201,605	3,343,151,196	11,218,100,152	4,533,677,764	3,259,503,566	2,421,560,436	1,679,050,468
Number of units in issue												
	- Pension class	8	92,598,750.4415	163,611,640.4680	52,170,874.1839	268,657,785.1407	233,768,484.8405	252,311,544.4052	232,465,565.9312	97,990,433.2594	140,988,866.7733	52,610,384.0223
	- Retail class	8	610,025.3885	38,319,999.9383	-	173,280,636.2832	20,264,725.9880	25,306,941.6499	250,336.0223	12,339,072.2195	-	474,233.6450
	- Investment class	8	544,943.7755	36,268,374.6566	398,418.5568	-	-	12,962,063.6887	39,510,836.6168	-	-	-
	- I6 class	8	-	-	-	-	-	-	-	-	-	-
	- R6 class	8	-	6,062,255.1416	-	72,386,346.7797	-	10,306,466.9721	-	-	-	-
	- R2 class	8	-	-	-	-	-	219,071.9659	-	-	-	-
Net asset value per unit												
	- Pension class		48.3291	17.3054	13.8721	11.7590	13.2667	39.1216	17.1933	30.2665	17.1755	31.7537
	- Retail class		38.3149	14.1448	-	10.9492	11.9321	32.2887	11.9794	23.8000	-	17.8627
	- Investment class		19.9382	14.0965	12.2496	-	-	32.7890	13.5109	-	-	-
	- I6 class		10.0000	-	-	-	-	-	-	10.0000	-	-
	- R6 class		-	9.4254	-	9.4874	-	9.9643	-	-	-	-
	- R2 class		-	-	-	-	-	11.0846	-	-	-	-
Principal Trust Company (Asia) Limited												
Principal Asset Management Company (Asia) Limited												
Hong Kong												
26 April 2019												

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

31 December 2018

		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\$	
Assets											
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
Liabilities											
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
Net assets attributable to unitholders		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
Number of units in issue											
- 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	8	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	8	505,421.2020	32,184,170.9295	360,969.3146	-	-	13,091,735.0879	48,753,282.9062	-	-	-
- I6 class	8	-	-	28,783,545.6167	-	-	62,409,417.5891	-	-	-	-
- R6 class	8	-	3,351,680.7962	-	70,874,628.8542	-	6,775,814.2863	-	-	-	-
- R2 class [#]	8	-	-	-	-	-	69,434.4344	-	-	-	-
Net asset value per unit											
- 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 [#]		-	-	-	-	-	12.9845	-	-	-	-

[#] R2 class launched on 1 February 2017

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2018

	2018									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Balance brought forward	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
Amounts received and receivable on issue of units	1,252,804,587	1,938,649,276	33,557,559	2,695,264,120	1,752,697,510	8,338,312,735	889,202,585	564,741,650	309,672,038	836,377,253
Amounts paid and payable on redemptions of units	(1,134,134,985)	(1,517,437,886)	(519,007,622)	(1,276,593,462)	(1,169,604,425)	(4,437,514,298)	(669,578,204)	(666,213,834)	(294,271,858)	(666,202,615)
Increase/(decrease) in net asset attributable to unitholders	(1,018,589,424)	(571,493,373)	(107,040,141)	64,709,949	58,440,043	(1,757,516,037)	(52,830,871)	(474,921,195)	(27,984,893)	(102,693,752)
Net assets carried forward	4,509,460,430	3,941,799,782	728,615,606	5,743,201,605	3,343,151,196	11,218,100,152	4,533,677,764	3,259,503,566	2,421,560,436	1,679,050,468
	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\$
Balance brought forward	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
Net assets carried forward	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

STATEMENT OF DISTRIBUTION

For the year ended 31 December 2018

	2018			
	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		(570,324,212)	84,161,592	(1,754,881,430)
Distribution to Unitholders of R6 class for Q1 2018	17	(910)	(4,827,324)	(312,679)
Distribution to Unitholders of R6 class for Q2 2018	17	(514,308)	(5,046,916)	(1,053,832)
Distribution to Unitholders of R6 class for Q3 2018	17	(629,694)	(4,727,518)	(944,473)
Distribution to Unitholders of R6 class for Q4 2018	17	(24,249)	(4,849,885)	(323,623)
Transfer (to)/from capital		571,493,373	(64,709,949)	1,757,516,037
Undistributed income carried forward		-	-	-
	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 capital		(1,189,784,530)	(84,257,187)	(2,395,859,378)
Undistributed income carried forward		-	-	-

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	2018									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Cash flows from operating activities										
Dividend received, net of withholding tax	146,382,202	128,893,318	31,691,023	-	-	311,345,742	-	62,084,937	-	20,050,221
Interest received, net of withholding tax	101,866	881	22,567	118,230,920	45,681,062	-	117,202,180	57,326	79,315,051	16,510
Other income received	-	-	241,143	-	-	-	-	379,295	15,421	48,237
Operating expenses paid	(32,846,404)	(37,539,152)	(4,100,130)	(17,808,814)	(1,476,305)	(75,794,898)	(6,599,758)	(14,515,561)	(188,232)	(1,675,543)
Capital gain tax paid	(3,520,265)	-	-	-	-	-	-	-	-	-
Exchange gain/(loss)	(11,202,383)	(13,313)	1,342,635	(117,055)	-	(15,924)	(535,613)	(979,360)	218,876	(44,981)
Net deposits with maturity over 3 months placed at banks	-	-	-	-	(193,086,711)	-	-	-	-	-
Net cash flows from/(used in) operating activities	98,915,016	91,341,734	29,197,238	100,305,051	(148,881,954)	235,534,920	110,066,809	47,026,637	79,361,116	18,394,444
Cash flows from investing activities										
Purchase of investment securities	(6,975,985,351)	(4,049,709,551)	(418,376,805)	(2,510,426,819)	(1,687,477,034)	(12,218,063,883)	(2,049,274,984)	(4,250,349,924)	(1,896,176,365)	(1,098,991,559)
Proceeds from sale of investment securities	6,893,720,768	3,546,971,390	864,031,217	1,040,497,569	1,227,416,578	8,541,612,960	1,752,338,663	4,332,744,965	1,826,816,821	955,976,470
Net cash flows from/(used in) investing activities	(82,264,583)	(502,738,161)	445,654,412	(1,469,929,250)	(460,060,456)	(3,676,450,923)	(296,936,321)	82,395,041	(69,359,544)	(143,015,089)
Cash flows from financing activities										
Subscriptions received	1,256,097,589	1,943,840,095	33,484,899	2,681,956,621	1,750,443,676	8,329,324,773	899,852,881	567,911,841	308,261,132	826,232,783
Redemptions paid	(1,139,679,145)	(1,522,940,558)	(518,995,340)	(1,274,466,090)	(1,169,014,712)	(4,794,494,532)	(673,987,921)	(672,040,788)	(294,146,308)	(665,603,554)
Distribution paid	-	(1,158,989)	-	(18,627,437)	-	(2,507,483)	-	-	-	-
Net cash flows from/(used in) financing activities	116,418,444	419,740,548	(485,510,441)	1,388,863,094	581,428,964	3,532,322,758	225,864,960	(104,128,947)	14,114,824	160,629,229
Net increase/(decrease) in cash and cash equivalents	133,068,877	8,344,121	(10,658,791)	19,238,895	(27,513,446)	91,406,755	38,995,448	25,292,731	24,116,396	36,008,584
Cash and cash equivalents at beginning of year	123,927,191	114,785,513	24,800,160	55,661,346	72,905,369	238,112,107	220,257,735	80,935,388	95,846,146	21,019,979
Cash and cash equivalents at end of year	256,996,068	123,129,634	14,141,369	74,900,241	45,391,923	329,518,862	259,253,183	106,228,119	119,962,542	57,028,563
Analysis of balances of cash and cash equivalents:										
Cash at banks	256,996,068	123,129,634	14,141,369	74,900,241	1,103,231,370	329,518,862	259,253,183	106,228,119	119,962,542	57,028,563
Less: Bank deposits with maturity over 3 months	-	-	-	-	(1,057,839,447)	-	-	-	-	-
	256,996,068	123,129,634	14,141,369	74,900,241	45,391,923	329,518,862	259,253,183	106,228,119	119,962,542	57,028,563

STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2018

	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\$
Cash flows from operating activities										
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)	-	-	-	-	-
Net cash flows from/(used in) operating activities	91,878,308	82,898,830	21,387,909	79,245,848	(136,436,093)	147,934,881	99,242,660	50,068,780	76,073,140	16,430,990
Cash flows from investing activities										
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
Net cash flows from/(used in) investing activities	(40,310,765)	20,047,887	(131,976,354)	(1,072,476,955)	(362,725,861)	(2,061,730,388)	(535,387,620)	73,848,522	(128,611,304)	(79,033,714)
Cash flows from financing activities										
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)	-	-	-	-
Net cash flows from/(used in) financing activities	(54,143,543)	(70,770,453)	101,745,784	1,005,984,574	554,139,883	2,040,346,487	562,721,376	(93,622,617)	(33,991,213)	58,666,818
Net increase/(decrease) in cash and cash equivalents	(2,576,000)	32,176,264	(8,842,661)	12,753,467	54,977,929	126,550,980	126,576,416	30,294,685	(86,529,377)	(3,935,906)
Cash and cash equivalents at beginning of year	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
Cash and cash equivalents at end of year	123,927,191	114,785,513	24,800,160	55,661,346	72,905,369	238,112,107	220,257,735	80,935,388	95,846,146	21,019,979
Analysis of balances of cash and cash equivalents:										
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)	-	-	-	-	-
	123,927,191	114,785,513	24,800,160	55,661,346	72,905,369	238,112,107	220,257,735	80,935,388	95,846,146	21,019,979

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 held at fair values through profit or loss (“FVPL”). 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 2018

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.

- HKFRS 9, "Financial Instruments": The Sub-funds adopted HKFRS 9 Financial Instruments on its effective date of 1 January 2018. HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. HKFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

(a) Classification and measurement

The Sub-funds have assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- All financial assets previously held at fair value continued to be measured at fair value.
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principals and interest. Thus, such instruments continue to be measured at amortised cost at HKFRS 9.
- The classification of financial liabilities under HKFRS 9 remains broadly the same as under HKAS 39.

(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. Given the limited exposure of the Sub-funds to credit risk, this amendment has not had a material impact on the financial statements. The Sub-funds hold trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore adopted an approach similar to the simplified approach to ECLs for 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 cash at banks and other receivables within the next twelve months.

(c) Hedge accounting

The Sub-funds have not applied hedge accounting under HKAS 39 nor will it apply hedge accounting under HKFRS 9.

Impact of adoption of HKFRS 9

The classification and measurement requirements of HKFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the Sub-funds have chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under HKAS 39. The following table shows the original measurement categories in accordance with HKAS 39 and the new measurement categories under HKFRS 9 for the Sub-funds' financial assets and financial liabilities as at 1 January 2018.

Financial assets as at 1 January 2018	HKAS 39 classification	HKAS 39 measurement HK\$	HKFRS 9 Classification	HKFRS 9 measurement HK\$
Investments	Held for trading at FVPL	37,110,636,484	FVPL	37,110,636,484
Interest and dividend receivables	Loans and receivables	124,501,172	Amortised cost	124,501,172
Amounts receivable from brokers	Loans and receivables	368,489,250	Amortised cost	368,489,250
Amounts receivable on subscriptions	Loans and receivables	60,483,591	Amortised cost	60,483,591
Cash at banks	Loans and receivables	1,913,003,670	Amortised cost	1,913,003,670
Other receivables	Loans and receivables	18,724	Amortised cost	18,724

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Impact of adoption of HKFRS 9 (continued)

Financial liabilities as at 1 January 2018	HKAS 39 classification	HKAS 39 measurement HK\$	HKFRS 9 Classification	HKFRS 9 measurement HK\$
Derivatives financial instruments	Held for trading at FVPL	2,686,091	FVPL	2,686,091
Amounts payable to brokers	Other financial liabilities	46,978,171	Amortised cost	46,978,171
Amounts payable on redemptions	Other financial liabilities	411,863,881	Amortised cost	411,863,881
Accrual and other payables	Other financial liabilities	8,284,173	Amortised cost	8,284,173

In line with the characteristics of the Sub-funds' financial instruments as well as its approach to their management, the Sub-funds neither revoked nor made any new designations on the date of initial application. HKFRS 9 has not resulted in changes in the carrying amount of the Sub-funds' financial instruments due to changes in measurement categories. All financial assets that were classified as FVPL under HKAS 39 are still classified as FVPL under HKFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

In addition, the application of the ECL mode under HKFRS 9 has not changed the carrying amounts of the Sub-funds' amortised cost financial assets.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to HKFRS 9.

- HKFRS 15, "Revenue from Contracts with Customers". The Sub-funds adopted HKFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. HKFRS 15 replaces HKAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from HKAS 18 to HKFRS 9 without significant changes to requirements. Therefore, there was no impact of adopting HKFRS 15 for the sub-funds.

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.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

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

Amendments to HKFRS 9, issued in December 2017, allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of the contract to be measured at amortised cost or at fair value through other comprehensive income, instead of at fair value through profit or loss. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. Any difference between the previous carrying amount and the adjusted carrying amount will be recognised in the opening balance of equity. The amendments do not apply to the Sub-funds as the Sub-funds do not have any debt instruments with prepayment features along with compensation for early termination.

In addition, as clarified in the amendments to the basis for conclusions on HKFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognised in profit or loss. As there is no specific relief on this clarification, this requirement shall be applied retrospectively. The amendments are not expected to have any significant impact on the Sub-funds' financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Sub-funds expect to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Sub-funds' financial statements.

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 (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Sub-funds' business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Sub-funds have applied the practical expedient of not adjusting the effect of a significant financing component, the Sub-funds initially measure a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Sub-funds' business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

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 designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if (a) they are acquired for the purpose of selling or repurchasing in the near term, (b) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together for which, there is evidence of a recent actual pattern of short-term profit-taking, or (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designed and effective hedging instruments). Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 recognised in the statement of profit or loss.

This category includes derivative financial instruments and investments which the Sub-funds had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as gross dividend income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Sub-funds and the amount of the dividend can be measured reliably.

Financial assets at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Sub-funds include in this category interest and dividend receivables, amount receivable from brokers, amount receivable on subscription, cash at banks and other receivables.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Sub-funds recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Sub-funds expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Sub-funds assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Sub-funds compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Sub-funds consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Sub-funds may also consider a financial asset to be in default when internal or external information indicates that the Sub-funds are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Sub-funds. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Simplified approach

The Sub-funds hold the trade receivables with no significant financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under HKFRS 9 to all its trade receivables. Therefore the Sub-funds do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Sub-funds' approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about the past events, current conditions and forecasts of future economic conditions.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Simplified approach (continued)

The Sub-funds use provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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 risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

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

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

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

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

Subsequent measurement

Borrowings

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

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Revenue recognition

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

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

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

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

Expenses

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

Formation costs

Formation costs of the Sub-funds are charged to 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.

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).

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

31 December 2018

3. GAINS AND LOSSES ON INVESTMENTS

	2018									
	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	631,142,013	504,506,199	132,858,026	136,405,833	43,054,551	640,495,087	178,206,871	523,232,718	91,289,762	127,139,300
Unrealised gains	59,334,696	87,221,665	6,687,385	32,735,558	8,504,653	165,429,386	32,436,182	68,883,091	7,722,803	70,668,678
Total gains on investments	690,476,709	591,727,864	139,545,411	169,141,391	51,559,204	805,924,473	210,643,053	592,115,809	99,012,565	197,807,978
Realised losses	(455,975,648)	(254,721,815)	(22,468,095)	(15,306,862)	(6,348,554)	(604,132,864)	(52,160,222)	(244,735,127)	(48,146,421)	(39,630,939)
Unrealised losses	(1,351,260,155)	(997,773,923)	(252,867,437)	(51,829,063)	(4,174,410)	(2,189,876,296)	(204,088,933)	(868,375,332)	(78,992,822)	(279,385,321)
Total losses on investments	(1,807,235,803)	(1,252,495,738)	(275,335,532)	(67,135,925)	(10,522,964)	(2,794,009,160)	(256,249,155)	(1,113,110,459)	(127,139,243)	(319,016,260)

	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
Total gains on investments	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
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)
Total losses on investments	(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)

4. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
(a) Equities										
Listed shares	4,373,784,355	3,804,187,390	714,098,734	-	-	10,885,211,738	-	3,193,245,241	-	1,641,262,331
(b) Debt securities										
Listed/quoted debt instruments	-	-	-	4,430,367,104	820,439,043	-	4,236,664,382	-	2,287,688,645	-
Certificates of deposit	-	-	-	1,181,329,748	1,383,763,134	-	-	-	-	-
	-	-	-	5,611,696,852	2,204,202,177	-	4,236,664,382	-	2,287,688,645	-
	4,373,784,355	3,804,187,390	714,098,734	5,611,696,852	2,204,202,177	10,885,211,738	4,236,664,382	3,193,245,241	2,287,688,645	1,641,262,331

	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\$
(a) Equities										
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) Debt securities										
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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

5. INTEREST AND DIVIDEND RECEIVABLES

	2018									
	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	-	-	-	51,797,607	34,120,928	-	38,310,315	-	19,382,000	-
Dividend receivables	396,062	-	392,695	-	-	2,475,300	-	2,257,503	-	1,247,588
	396,062	-	392,695	51,797,607	34,120,928	2,475,300	38,310,315	2,257,503	19,382,000	1,247,588

	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

6. CASH AT BANKS

	2018									
	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	-	-	-	-	1,057,839,447	-	-	-	-	-
Cash at banks	256,996,068	123,129,634	14,141,369	74,900,241	45,391,923	329,518,862	259,253,183	106,228,119	119,962,542	57,028,563
	256,996,068	123,129,634	14,141,369	74,900,241	1,103,231,370	329,518,862	259,253,183	106,228,119	119,962,542	57,028,563

	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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

7. TAXATION

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

	2018									
	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	3,520,265	-	-	-	-	-	-	-	-	-
Overseas withholding tax	20,760,928	10,068,020	5,712,713	-	-	3,522,827	172,986	31,581,365	4,627	8,278,910
	24,281,193	10,068,020	5,712,713	-	-	3,522,827	172,986	31,581,365	4,627	8,278,910

	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

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 2018

8. UNITS IN ISSUE

	2018									
	Principal Asian Equity Fund	Principal China Equity Fund	Principal European Equity Fund	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Pension Bond Fund	Principal U.S. Equity Fund
Pension Class										
Balance brought forward	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
Issued during the year	21,875,926.6206	67,521,549.1832	1,643,788.7829	130,296,182.4136	124,859,023.8366	178,319,111.8920	44,832,573.8264	14,851,472.1264	18,038,366.1825	23,611,798.5439
Redeemed during the year	(19,803,891.2311)	(57,958,337.9776)	(7,890,311.1271)	(49,311,795.2997)	(82,964,908.5249)	(72,327,768.5724)	(25,047,442.9096)	(15,516,371.4412)	(17,183,447.1000)	(18,939,131.8805)
Balance as at 31 December 2018	92,598,750.4415	163,611,640.4680	52,170,874.1839	268,657,785.1407	233,768,484.8405	252,311,544.4052	232,465,565.9312	97,990,433.2594	140,988,866.7733	52,610,384.0223
Retail Class										
Balance brought forward	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
Issued during the year	65,246.2697	22,496,271.5832	-	83,823,169.3583	9,707,983.6885	5,526,298.7934	5,218.5713	1,686,985.8092	-	155,369.1723
Redeemed during the year	(112,413.5251)	(15,285,609.0118)	-	(40,488,486.9221)	(6,830,415.0608)	(7,295,681.5723)	(8,389.7142)	(4,543,877.5066)	-	(91,913.5931)
Balance as at 31 December 2018	610,025.3885	38,319,999.9383	-	173,280,636.2832	20,264,725.9880	25,306,941.6499	250,336.0223	12,339,072.2195	-	474,233.6450
Investment Class										
Balance brought forward	505,421.2020	32,184,170.9295	360,969.3146	-	-	13,091,735.0879	48,753,282.9062	-	-	-
Issued during the year	95,466.2877	7,831,316.9624	41,254.2067	-	-	1,487,080.6922	8,364,109.2045	-	-	-
Redeemed during the year	(55,943.7142)	(3,747,113.2353)	(3,804.9645)	-	-	(1,616,752.0914)	(17,606,555.4939)	-	-	-
Balance as at 31 December 2018	544,943.7755	36,268,374.6566	398,418.5568	-	-	12,962,063.6887	39,510,836.6168	-	-	-
I6 Class										
Balance brought forward	-	-	28,783,545.6167	-	-	62,409,417.5891	-	-	-	-
Issued during the year	-	-	470,990.7721	-	-	6,804,334.8685	-	-	-	-
Redeemed during the year	-	-	(29,254,536.3888)	-	-	(69,213,752.4576)	-	-	-	-
Balance as at 31 December 2018	-	-	-	-	-	-	-	-	-	-
R6 Class										
Balance brought forward	-	3,351,680.7962	-	70,874,628.8542	-	6,775,814.2863	-	-	-	-
Issued during the year	-	5,839,505.7306	-	30,342,941.8467	-	6,307,384.4776	-	-	-	-
Redeemed during the year	-	(3,128,931.3852)	-	(28,831,223.9212)	-	(2,776,731.7918)	-	-	-	-
Balance as at 31 December 2018	-	6,062,255.1416	-	72,386,346.7797	-	10,306,466.9721	-	-	-	-
R2 Class										
Balance brought forward	-	-	-	-	-	69,434.4344	-	-	-	-
Issued during the year	-	-	-	-	-	248,681.1515	-	-	-	-
Redeemed during the year	-	-	-	-	-	(99,043.6200)	-	-	-	-
Balance as at 31 December 2018	-	-	-	-	-	219,071.9659	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

31 December 2018

8. UNITS IN ISSUE (continued)

	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
Pension Class										
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
Retail Class										
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
Investment Class										
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	-	-	-
I6 Class										
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	-	-	-	-
R6 Class										
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	-	-	-	-
R2 Class										
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	-	-	-	-

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 2018 and 2017 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 2018 and 2017:

	2018									
	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 2018	4,509,460,430	3,941,799,782	728,615,606	5,743,201,605	3,343,151,196	11,218,100,152	4,533,677,764	3,259,503,566	2,421,560,436	1,679,050,468
Formation cost	-	-	(12,128)	-	-	32,768	-	-	-	-
Dealing NAV as at 31 December 2018	4,509,460,430	3,941,799,782	728,603,478	5,743,201,605	3,343,151,196	11,218,132,920	4,533,677,764	3,259,503,566	2,421,560,436	1,679,050,468
	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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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.

	2018									
	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	12,332	459,921	1,585	423,678	19,849	520,360	140,761	113,637	-	3,262
Trustee fee payable	2,232	72,415	317	169,471	15,879	90,369	35,141	18,940	-	544
	14,564	532,336	1,902	593,149	35,728	610,729	175,902	132,577	-	3,806

	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

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 2018 (2017: Nil).

13. SECURITY LENDING ARRANGEMENTS

During the year ended 31 December 2018, the Sub-funds did not enter into any security lending arrangements (2017: Nil).

14. NEGOTIABILITY OF ASSETS

At 31 December 2018, there was no statutory or contractual requirement restricting the negotiability of the assets of the Sub-funds (2017: Nil).

15. COMMITMENTS

The Sub-funds had no commitments as at 31 December 2018 (2017: Nil).

16. CONTINGENT LIABILITIES

The Sub-funds had no contingent liabilities as at 31 December 2018 (2017: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 2018 and 2017 are as follows:

	2018								
	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 2018 (paid at 9 April 2018)	3,031,872.5689	0.0003	910	79,266,402.8280	0.0609	4,827,324	7,996,910.0170	0.0391	312,679
Distribution for Q2 2018 (paid at 9 July 2018)	3,132,206.9719	0.1642	514,308	75,779,520.0261	0.0666	5,046,916	6,992,913.2281	0.1507	1,053,832
Distribution for Q3 2018 (paid at 9 October 2018)	6,259,394.6410	0.1006	629,694	71,304,947.8527	0.0663	4,727,518	9,160,743.8321	0.1031	944,473
Distribution for Q4 2018 (paid at 9 January 2019)	6,062,255.1416	0.004	24,249	72,386,346.7792	0.0670	4,849,885	10,306,466.9721	0.0314	323,623
			1,169,161			19,451,643			2,634,607
	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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	4,373,784,355	-	4,373,784,355	5,294,839,827	-	5,294,839,827
Interest and dividend receivables	-	396,062	396,062	-	1,018,241	1,018,241
Amounts receivable from brokers	-	29,292,364	29,292,364	-	18,920,723	18,920,723
Amounts receivable on subscriptions	-	3,691,691	3,691,691	-	6,984,693	6,984,693
Cash at banks	-	256,996,068	256,996,068	-	123,927,191	123,927,191
	4,373,784,355	290,376,185	4,664,160,540	5,294,839,827	150,850,848	5,445,690,675

Financial liabilities

	2018 At amortised cost HK\$	2017 At amortised cost HK\$
Amounts payable to brokers	151,654,598	27,843,918
Amounts payable on redemptions	2,491,298	8,035,458
Accrual and other payables	554,214	431,047
	154,700,110	36,310,423

Principal China Equity Fund

Financial assets

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	3,804,187,390	-	3,804,187,390	3,970,191,532	-	3,970,191,532
Interest and dividend receivables	-	-	-	-	779,366	779,366
Amounts receivable from brokers	-	13,698,162	13,698,162	-	5,310,276	5,310,276
Amounts receivable on subscriptions	-	5,157,971	5,157,971	-	10,348,790	10,348,790
Cash at banks	-	123,129,634	123,129,634	-	114,785,513	114,785,513
	3,804,187,390	141,985,767	3,946,173,157	3,970,191,532	131,223,945	4,101,415,477

Financial liabilities

	2018 At amortised cost HK\$	2017 At amortised cost HK\$
Amounts payable to brokers	413,455	-
Amounts payable on redemptions	3,181,177	8,683,849
Accrual and other payables	778,743	649,863
	4,373,375	9,333,712

NOTES TO FINANCIAL STATEMENTS

31 December 2018

18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Principal European Equity Fund

Financial assets

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	714,098,734	-	714,098,734	1,295,377,478	-	1,295,377,478
Interest and dividend receivables	-	392,695	392,695	-	931,363	931,363
Amounts receivable from brokers	-	-	-	-	1,265,073	1,265,073
Amounts receivable on subscriptions	-	80,776	80,776	-	8,116	8,116
Cash at banks	-	14,141,369	14,141,369	-	24,800,160	24,800,160
	714,098,734	14,614,840	728,713,574	1,295,377,478	27,004,712	1,322,382,190

Financial liabilities

	2018 At amortised cost HK\$	2017 At amortised cost HK\$
Amounts payable to brokers	-	1,099,284
Amounts payable on redemptions	31,373	19,091
Accrual and other payables	66,595	158,005
	97,968	1,276,380

Principal Hong Kong Bond Fund

Financial assets

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	5,611,696,852	-	5,611,696,852	4,183,789,462	-	4,183,789,462
Interest and dividend receivables	-	51,797,607	51,797,607	-	36,157,805	36,157,805
Amounts receivable on subscriptions	-	15,181,226	15,181,226	-	1,873,727	1,873,727
Cash at banks	-	74,900,241	74,900,241	-	55,661,346	55,661,346
	5,611,696,852	141,879,074	5,753,575,926	4,183,789,462	93,692,878	4,277,482,340

Financial liabilities

	2018 At amortised cost HK\$	2017 At amortised cost HK\$
Amounts payable to brokers	-	10,157,652
Amounts payable on redemptions	4,752,959	2,625,587
Accrual and other payables	5,621,362	4,878,103
	10,374,321	17,661,342

NOTES TO FINANCIAL STATEMENTS

31 December 2018

18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Principal Hong Kong Dollar Savings Fund

Financial assets

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	2,204,202,177	-	2,204,202,177	1,742,200,394	-	1,742,200,394
Interest and dividend receivables	-	34,120,928	34,120,928	-	21,811,114	21,811,114
Amounts receivable on subscriptions	-	6,123,435	6,123,435	-	3,869,601	3,869,601
Cash at banks	-	1,103,231,370	1,103,231,370	-	937,658,105	937,658,105
Other receivables	-	-	-	-	-	-
	2,204,202,177	1,143,475,733	3,347,677,910	1,742,200,394	963,338,820	2,705,539,214

Financial liabilities

	2018 At amortised cost HK\$	2017 At amortised cost HK\$
Amounts payable on redemptions	4,414,751	3,825,038
Accrual and other payables	111,963	96,108
	4,526,714	3,921,146

Principal Hong Kong Equity Fund

Financial assets

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	10,885,211,738	-	10,885,211,738	8,848,764,123	-	8,848,764,123
Interest and dividend receivables	-	2,475,300	2,475,300	-	4,963,191	4,963,191
Amounts receivable from brokers	-	21,756,216	21,756,216	-	342,993,178	342,993,178
Amounts receivable on subscriptions	-	24,765,274	24,765,274	-	15,777,312	15,777,312
Cash at banks	-	329,518,862	329,518,862	-	238,112,107	238,112,107
	10,885,211,738	378,515,652	11,263,727,390	8,848,764,123	601,845,788	9,450,609,911

Financial liabilities

	2018 At amortised cost HK\$	2017 At amortised cost HK\$
Amounts payable to brokers	26,844,418	-
Amounts payable on redemptions	17,368,079	374,348,313
Accrual and other payables	1,414,741	1,443,846
	45,627,238	375,792,159

NOTES TO FINANCIAL STATEMENTS

31 December 2018

18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Principal International Bond Fund

Financial assets

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	4,236,664,382	-	4,236,664,382	4,105,337,579	-	4,105,337,579
Derivative financial instruments	831,157	-	831,157	-	-	-
Interest and dividend receivables	-	38,310,315	38,310,315	-	36,162,529	36,162,529
Amounts receivable from brokers	-	3,725,491	3,725,491	-	-	-
Amounts receivable on subscriptions	-	2,346,859	2,346,859	-	12,997,155	12,997,155
Cash at banks	-	259,253,183	259,253,183	-	220,257,735	220,257,735
Other receivables	-	13,937	13,937	-	13,973	13,973
	4,237,495,539	303,649,785	4,541,145,324	4,105,337,579	269,431,392	4,374,768,971

Financial liabilities

	2018			2017		
	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	1,997,643	-	1,997,643	2,686,091	-	2,686,091
Amounts payable to brokers	-	4,676,236	4,676,236	-	-	-
Amounts payable on redemptions	-	530,654	530,654	-	4,940,371	4,940,371
Accrual and other payables	-	263,027	263,027	-	258,255	258,255
	1,997,643	5,469,917	7,467,560	2,686,091	5,198,626	7,884,717

Principal International Equity Fund

Financial assets

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	3,193,245,241	-	3,193,245,241	3,753,450,695	-	3,753,450,695
Interest and dividend receivables	-	2,257,503	2,257,503	-	3,210,314	3,210,314
Amounts receivable from brokers	-	-	-	-	-	-
Amounts receivable on subscriptions	-	2,653,056	2,653,056	-	5,823,247	5,823,247
Cash at banks	-	106,228,119	106,228,119	-	80,935,388	80,935,388
	3,193,245,241	111,138,678	3,304,383,919	3,753,450,695	89,968,949	3,843,419,644

Financial liabilities

	2018	2017
	At amortised cost HK\$	At amortised cost HK\$
Amounts payable to brokers	43,184,237	-
Amounts payable on redemptions	1,402,798	7,229,752
Accrual and other payables	293,318	292,947
	44,880,353	7,522,699

NOTES TO FINANCIAL STATEMENTS

31 December 2018

18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Principal Pension Bond Fund

Financial assets

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	2,287,688,645	-	2,287,688,645	2,328,079,999	-	2,328,079,999
Interest and dividend receivables	-	19,382,000	19,382,000	-	18,343,712	18,343,712
Amounts receivable from brokers	-	10,400,328	10,400,328	-	-	-
Amounts receivable on subscriptions	-	1,699,962	1,699,962	-	289,056	289,056
Cash at banks	-	119,962,542	119,962,542	-	95,846,146	95,846,146
	2,287,688,645	151,444,832	2,439,133,477	2,328,079,999	114,478,914	2,442,558,913

Financial liabilities

	2018 At amortised cost HK\$	2017 At amortised cost HK\$
Amounts payable to brokers	16,921,634	7,877,317
Amounts payable on redemptions	616,167	490,617
Accrual and other payables	35,240	45,830
	17,573,041	8,413,764

Principal U.S. Equity Fund

Financial assets

	2018			2017		
	At fair value through profit or loss HK\$	At amortised cost 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	1,641,262,331	-	1,641,262,331	1,588,605,395	-	1,588,605,395
Interest and dividend receivables	-	1,247,588	1,247,588	-	1,123,537	1,123,537
Amounts receivable from brokers	-	9,768,100	9,768,100	-	-	-
Amounts receivable on subscriptions	-	12,656,364	12,656,364	-	2,511,894	2,511,894
Cash at banks	-	57,028,563	57,028,563	-	21,019,979	21,019,979
Other receivables	-	4,640	4,640	-	4,751	4,751
	1,641,262,331	80,705,255	1,721,967,586	1,588,605,395	24,660,161	1,613,265,556

Financial liabilities

	2018 At amortised cost HK\$	2017 At amortised cost HK\$
Amounts payable to brokers	40,618,229	-
Amounts payable on redemptions	2,264,866	1,665,805
Accrual and other payables	34,023	30,169
	42,917,118	1,695,974

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 2018

	Principal Asian Equity Fund				Principal China Equity Fund				
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	
	Assets								
	Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	4,373,784,355	-	-	4,373,784,355	3,804,187,390	-	-	3,804,187,390	
	Principal European Equity Fund				Principal Hong Kong Bond Fund				
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	
Assets									
Financial assets at fair value through profit or loss:									
- Investments at fair value through profit or loss	714,098,734	-	-	714,098,734	5,611,696,852	-	-	5,611,696,852	
	Principal Hong Kong Dollar Savings Fund				Principal Hong Kong Equity Fund				
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	
Assets									
Financial assets at fair value through profit or loss:									
- Investments at fair value through profit or loss	2,204,202,177	-	-	2,204,202,177	10,885,211,738	-	-	10,885,211,738	
	Principal International Bond Fund				Principal International Equity Fund				
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$	
Assets									
Financial assets at fair value through profit or loss:									
- Investments at fair value through profit or loss	4,236,664,382	-	-	4,236,664,382	3,193,245,241	-	-	3,193,245,241	
Liabilities									
Financial liabilities at fair value through profit or loss:									
- Derivatives	-	1,997,643	-	1,997,643	-	-	-	-	

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

As at 31 December 2018 (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\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	2,287,688,645	-	-	2,287,688,645	1,641,262,331	-	-	1,641,262,331

As at 31 December 2017

	Principal Asian Equity Fund				Principal China Equity Fund			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	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)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	1,295,377,478	-	-	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)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Assets								
Financial assets at fair value through profit or loss:								
- Investments at fair value through profit or loss	1,742,200,394	-	-	1,742,200,394	8,848,764,123	-	-	8,848,764,123

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

As at 31 December 2017 (continued)

	Principal International Bond Fund				Principal International Equity Fund			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK\$	HK\$	HK\$		HK\$	HK\$	HK\$	
Assets								
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
Liabilities								
Financial liabilities at fair value through profit or loss:								
- Derivatives	-	2,686,091	-	2,686,091	-	-	-	-
	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\$	
Assets								
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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 2018

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 2018

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	347,770,901	7.71	-	-	-	-	-	-	-	-
Brazilian Real	-	-	-	-	-	-	-	-	-	-
British Pounds	71	-	-	-	205,348,305	28.19	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-	-
Chinese Yuan	31,442,902	0.70	69,539,289	1.76	-	-	-	-	-	-
Czech Koruna	-	-	-	-	-	-	-	-	-	-
Danish Krone	-	-	-	-	32,513,538	4.46	-	-	-	-
Euro	-	-	-	-	319,095,529	43.80	-	-	-	-
India Rupee	448,343,842	9.94	-	-	-	-	-	-	-	-
Indonesia Rupiah	46,492,860	1.03	-	-	-	-	-	-	-	-
Israeli New Sheqel	-	-	-	-	-	-	109,710	-	-	-
Japanese Yen	-	-	-	-	-	-	-	-	-	-
Malaysian Ringgit	77,017,453	1.71	-	-	-	-	-	-	-	-
Mexican Peso	-	-	-	-	-	-	-	-	-	-
New Zealand Dollar	-	-	-	-	-	-	-	-	-	-
Norwegian Kroner	-	-	-	-	17,383,533	2.39	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	-	-
Philippines Peso	8,493,940	0.19	-	-	-	-	-	-	-	-
Poland Zlotych	-	-	-	-	-	-	-	-	-	-
Singapore Dollar	143,876,157	3.19	-	-	-	-	-	-	-	-
South African Rand	-	-	-	-	-	-	-	-	-	-
South Korean Won	571,006,061	12.66	-	-	-	-	-	-	-	-
Swedish Krona	-	-	-	-	28,367,733	3.89	-	-	-	-
Swiss Franc	-	-	-	-	111,951,558	15.36	-	-	-	-
Taiwan Dollar	436,354,537	9.68	-	-	-	-	-	-	-	-
Thai Baht	108,019,265	2.39	-	-	-	-	-	-	-	-
United States Dollar	595,249,867	13.20	212,290,755	5.39	7,585,397	1.04	658,187,687	11.46	-	-
Total value	2,814,067,856	62.40	281,830,044	7.15	722,245,593	99.13	658,297,397	11.46	-	-

NOTES TO FINANCIAL STATEMENTS

31 December 2018

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Currency risk (continued)

As at 31 December 2018 (continued)

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	-	-	25,999,468	0.57	39,808,709	1.22	-	-	-	-
Brazilian Real	-	-	-	-	49,417,583	1.52	-	-	-	-
British Pound	-	-	219,110,242	4.83	245,628,103	7.54	-	-	-	-
Canadian Dollar	-	-	202,172,355	4.46	199,981,965	6.14	-	-	-	-
Chinese Yuan	196,767,939	1.75	-	-	-	-	-	-	-	-
Czech Koruna	-	-	2,266,569	0.05	-	-	-	-	-	-
Danish Krone	-	-	16,565,037	0.37	4,706,508	0.14	-	-	-	-
Euro	-	-	906,765,024	20.01	242,564,180	7.43	-	-	-	-
India Rupee	-	-	-	-	8,639,770	0.27	-	-	-	-
Indonesia Rupiah	-	-	-	-	19,096,563	0.59	-	-	-	-
Israeli New Sheqel	-	-	-	-	5,926,182	0.18	-	-	-	-
Japanese Yen	-	-	579,494,364	12.78	261,764,761	8.03	-	-	-	-
Malaysian Ringgit	-	-	-	-	4,700,155	0.14	-	-	-	-
Mexican Peso	-	-	90,864,109	2.00	-	-	-	-	-	-
New Zealand Dollar	-	-	4,453,377	0.10	9,349,194	0.29	-	-	-	-
Norwegian Kroner	-	-	2,613,186	0.06	4,905,416	0.15	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	-	-
Philippines Peso	-	-	-	-	-	-	-	-	-	-
Poland Zlotych	-	-	9,203,631	0.20	-	-	-	-	-	-
Singapore Dollar	-	-	6,520,903	0.14	11,050,011	0.34	-	-	-	-
South African Rand	-	-	3,201,857	0.07	22	-	-	-	-	-
South Korean Won	-	-	-	-	70,985,676	2.18	-	-	-	-
Swedish Krona	-	-	8,846,336	0.20	42,787,421	1.31	-	-	-	-
Swiss Franc	-	-	15,449,448	0.34	77,851,732	2.39	-	-	-	-
Taiwan Dollar	-	-	-	-	51,260,634	1.57	-	-	-	-
Thai Baht	-	-	3,085,501	0.07	-	-	-	-	-	-
United States Dollar	262,159,598	2.34	2,417,538,163	53.32	1,801,486,601	55.27	2,406,268,284	99.37	1,618,416,410	96.39
Total value	458,927,537	4.09	4,514,149,570	99.57	3,151,911,186	96.70	2,406,268,284	99.37	1,618,416,410	96.39

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Currency risk sensitivity analysis

At 31 December 2018, had the Hong Kong dollar strengthened / (weakened) by the following % in relation to all currencies, with all other variables held constant, the net asset value of the Sub-Funds and the change in net assets attributable to unitholders per the Revenue Statement would have decreased / (increased) by the amounts shown below.

Currency	Percentage change	As at 31 December 2018									
		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%	17,388,545	-	-	-	-	-	1,299,973	1,990,435	-	-
Brazilian Real	5%	-	-	-	-	-	-	-	2,470,879	-	-
British Pound	5%	4	-	10,267,415	-	-	-	10,955,512	12,281,405	-	-
Canadian Dollar	5%	-	-	-	-	-	-	10,108,618	9,999,098	-	-
Chinese Yuan	5%	1,572,145	3,476,964	-	-	-	9,838,397	-	-	-	-
Czech Koruna	5%	-	-	-	-	-	-	113,328	-	-	-
Danish Krone	5%	-	-	1,625,677	-	-	-	828,252	235,325	-	-
Euro	5%	-	-	15,954,776	-	-	-	45,338,251	12,128,209	-	-
India Rupee	5%	22,417,192	-	-	-	-	-	-	431,989	-	-
Indonesia Rupiah	5%	2,324,643	-	-	-	-	-	-	954,828	-	-
Israeli New Sheqel	5%	-	-	-	5,486	-	-	-	296,309	-	-
Japanese Yen	5%	-	-	-	-	-	-	28,974,718	13,088,238	-	-
Malaysian Ringgit	5%	3,850,873	-	-	-	-	-	-	235,008	-	-
Mexican Peso	5%	-	-	-	-	-	-	4,543,205	-	-	-
New Zealand Dollar	5%	-	-	-	-	-	-	222,669	467,460	-	-
Norwegian Kroner	5%	-	-	869,177	-	-	-	130,659	245,271	-	-
Offshore Renminbi	5%	-	-	-	-	-	-	-	-	-	-
Philippines Peso	5%	424,697	-	-	-	-	-	-	-	-	-
Poland Zlotych	5%	-	-	-	-	-	-	460,182	-	-	-
Singapore Dollar	5%	7,193,808	-	-	-	-	-	326,045	552,501	-	-
South African Rand	5%	-	-	-	-	-	-	160,093	1	-	-
South Korean Won	5%	28,550,303	-	-	-	-	-	-	3,549,284	-	-
Swedish Krona	5%	-	-	1,418,387	-	-	-	442,317	2,139,371	-	-
Swiss Franc	5%	-	-	5,597,578	-	-	-	772,472	3,892,587	-	-
Taiwan Dollar	5%	21,817,727	-	-	-	-	-	-	2,563,032	-	-
Thai Baht	5%	5,400,963	-	-	-	-	-	154,275	-	-	-
Total		110,940,900	3,476,964	35,733,010	5,486	-	9,838,397	104,830,569	67,521,230	-	-
Increase/decrease in net assets value		2.4602%	0.0882%	4.9042%	0.0001%	-	0.0877%	2.3123%	2.0715%	-	-

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Currency risk sensitivity analysis (continued)

		As at 31 December 2017									
Currency	Percentage change	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Australian Dollar	5%	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	-	-	-
Total		140,862,875	-	64,977,535	-	-	-	83,259,264	76,446,705	-	-
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.

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 Bloomberg Barclays Bond Index) and keeping deviations within certain limits is an important way of controlling relative interest rate risk. For example, if a benchmark has a duration of 5 years, the Manager may keep the portfolio duration in a range of 5 +/- 2 years to control interest rate risk relative to the benchmark. The Manager is also aware of the running yield of the portfolio, in absolute and relative terms, based on which he adjusts portfolio holdings with the objective of optimizing total portfolio returns from the two sources i.e. running yield and expected price changes.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 2018

	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Assets										
Cash at banks	256,996,068	123,129,634	14,141,369	74,900,241	45,391,923	329,518,862	259,253,183	106,228,119	119,962,542	57,028,563
Time deposit - 1 year or less	-	-	-	-	1,057,839,447	-	-	-	-	-
	256,996,068	123,129,634	14,141,369	74,900,241	1,103,231,370	329,518,862	259,253,183	106,228,119	119,962,542	57,028,563
Financial assets designated at fair value through profit or loss										
- 1 year or less	-	-	-	615,743,528	1,886,118,054	-	297,786,138	-	54,852,728	-
- over 1 year to 5 years	-	-	-	3,271,772,749	318,084,123	-	1,563,430,477	-	1,067,204,985	-
- over 5 years to 10 years	-	-	-	1,582,771,483	-	-	1,311,085,812	-	1,084,871,983	-
- over 10 years	-	-	-	141,409,092	-	-	1,064,361,955	-	80,758,949	-
- non-interest-bearing Investments	4,373,784,355	3,804,187,390	714,098,734	-	-	10,885,211,738	-	3,193,245,241	-	1,641,262,331
Subtotal	4,373,784,355	3,804,187,390	714,098,734	5,611,696,852	2,204,202,177	10,885,211,738	4,236,664,382	3,193,245,241	2,287,688,645	1,641,262,331
Other non-interest-bearing assets	33,380,117	18,856,133	473,471	66,978,833	40,244,363	48,996,790	45,227,759	4,910,559	31,482,290	23,676,692
	4,664,160,540	3,946,173,157	728,713,574	5,753,575,926	3,347,677,910	11,263,727,390	4,541,145,324	3,304,383,919	2,439,133,477	1,721,967,586
Liabilities										
Non-interest-bearing liabilities	154,700,110	4,373,375	97,968	10,374,321	4,526,714	45,627,238	7,467,560	44,880,353	17,573,041	42,917,118
	154,700,110	4,373,375	97,968	10,374,321	4,526,714	45,627,238	7,467,560	44,880,353	17,573,041	42,917,118
Net assets attributable to unitholders										
	4,509,460,430	3,941,799,782	728,615,606	5,743,201,605	3,343,151,196	11,218,100,152	4,533,677,764	3,259,503,566	2,421,560,436	1,679,050,468

NOTES TO FINANCIAL STATEMENTS

31 December 2018

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

Interest rate risk (continued)

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\$
Assets										
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
Liabilities										
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
Net assets attributable to unitholders	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

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 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
As at 31 December 2018										
Increase 100 basis points in interest rate	-	-	-	(3.66)%	(0.35)%	-	(6.13)%	-	(4.32)%	-
Decrease 100 basis points in interest rate	-	-	-	3.94%	0.35%	-	6.13%	-	4.32%	-

	Principal Asian Equity Fund	Principal China Equity Fund	Principal European Equity Fund	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Pension Bond Fund	Principal U.S. Equity Fund
As at 31 December 2017										
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%	-

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 2017 was performed by applying the same percentage change in prices of all the underlying investments as at year end.

As at 31 December 2018

	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	4,373,784,355	3,804,187,390	714,098,734	5,611,696,852	2,204,202,177	10,885,211,738	4,236,664,382	3,193,245,241	2,287,688,645	1,641,262,331
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV	437,378,436	380,418,739	71,409,873	561,169,685	220,420,218	1,088,521,174	423,666,438	319,324,524	228,768,865	164,126,233

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

(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 2018

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 2018

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	5.01	0.00	26.04	1.49
Aa1/AA+	17.57	0.19	1.05	2.44
Aa2/AA	23.99	10.15	5.16	4.82
Aa3/AA-	4.31	6.38	4.16	0.28
A1/A+	15.48	5.66	10.28	3.88
A2/A	8.33	1.40	4.78	6.77
A3/A-	2.45	0.00	7.84	13.80
Baa1/BBB+	0.00	0.76	12.51	23.31
Baa2/BBB	0.00	0.00	15.42	22.54
Baa3/BBB-	0.00	0.00	6.20	15.14
Certificates of deposits without credit rating	20.57	41.39	0.00	0.00
Total	97.71	65.93	93.44	94.47

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

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 2018

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

(b) Credit risk *(continued)*

Financial assets subject to HKFRS 9's impairment requirements

The Sub-funds' financial assets subject to the expected credit loss model within HKFRS 9 are only short-term trade receivables, other receivables and cash at banks. At 31 December 2018, the total of short-term trade receivables, other receivables and cash at banks was HK\$2,757,785,801 on which no loss allowance had been provided (31 December 2017: total of HK\$2,466,496,407 on which no loss had been incurred). There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

All trade receivables are expected to be received in three months or less. An amount is considered to be in default if it has not been received 30 days after it is due.

As trade receivables are impacted by the HKFRS 9 ECL model, the Sub-funds have adopted the simplified approach. The loss allowance is therefore based on lifetime ECLs.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: interest and dividend receivables; amounts receivable from brokers; amounts receivable on subscriptions.

Financial assets not subject to HKFRS 9's impairment requirements

The Sub-funds are exposed to credit risk on debt instruments, money market funds and similar securities and derivative assets. These classes of financial assets are not subject to HKFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under both HKAS 39 (2017) and HKFRS 9 (2018) represents the Sub-funds' maximum exposure to credit risk on financial instruments not subject to the HKFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

(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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 2018

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 2019	Buy USD/sell AUD	2,693,000	681,036
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell CHF	1,170,000	(100,643)
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell CZK	172,000	(16,181)
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell DKK	475,000	(23,093)
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell EUR	34,364,000	(1,752,185)
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell GBP	9,594,000	66,388
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell NOK	207,000	28,596
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell NZD	241,000	55,138
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell PLN	440,000	(19,064)
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell SEK	882,000	(78,485)
Principal International Bond Fund	Currency forward	March 2019	Buy USD/sell SGD	382,000	(7,993)

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)

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and Manager on 26 April 2019.

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 2018 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 26 April 2019.

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 Trustee 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 2018 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 2018, 31 August 2018, and 31 March 2018;
2. as at 31 December 2018, 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

26 April 2019



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