

# Principal Life Style Fund

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
For The Year Ended 31 December 2019



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# MANAGEMENT AND ADMINISTRATION

## **Manager**

Principal Asset Management Company (Asia) Limited  
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Hong Kong

## **Trustee, Custodian and Registrar**

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Kwun Tong, Kowloon  
Hong Kong

## **Delegate of the Manager**

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IA 50392, USA

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

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

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

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

Principal Global Investors (Hong Kong) Limited  
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Hong Kong

## **Legal Advisor to the Manager**

Baker & McKenzie  
14/F One Taikoo Place  
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Hong Kong

## **Auditor**

Ernst & Young  
22/F CITIC Tower  
1 Tim Mei Avenue  
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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 2019.

## **Principal Asian Equity Fund**

### ***Market Review***

Global equity markets surged into the end of the year as year-long uncertainties began to find clarity. An agreed upon phase one trade deal between the U.S. and China was cheered by the market while the never-ending Brexit dynamics found reprieve following the latest elections as a Conservatives majority lessens the likelihood of a Hard Brexit. The two catalysts spurred a risk-on rally to close out the year inducing a shift into market laggards, namely emerging markets and smaller companies, while bond-proxy sectors that previously could do no wrong were significant laggards amid profit taking.

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

The Asia Pacific ex-Japan markets returned a healthy 10.5% during the quarter, but still behind the overall emerging markets return of 11.9%. Of the largest markets, Taiwan, China, and South Korea outperformed while Australia and India failed to keep pace with the fierce fourth quarter rally. Our Asia Pacific ex-Japan Opportunities strategy underperformed by approximately 60 bps during the fourth quarter but outperformed by over 50 bps for the full 2019 calendar year.

The overall Australian market does not look cheap, but we continue to find solid idiosyncratic stock ideas. Specifically, the software industry continues to provide much needed diversification into the Asia region where tech hardware has been dominating. Also, we like companies who generate offshore earnings relative to domestic Australian companies.

## **Principal China Equity Fund**

### ***Market Review***

In 2019, Materials, information technology, and consumer discretionary sectors outperformed, while utilities, energy, and communication service sectors lagged during the quarter.

China's economics activities continued to show some positive signs in December. Official Manufacturing Purchasing Managers' Index (PMI) remained at 50.2 in December, and Caixin manufacturing PMI edged down to 51.3 from 51.8 in November. Exports growth slightly edge down to -1.1% year-over-year (yoy) in November from -0.9% in October, and imports growth recover from -3.5% to 2.5%. Industrial production year-to-date (YTD) remained at 5.6%. Retail sales growth accelerated to 8.0% in November from 7.2% in October, above expectation. Total social financing was US\$1,750 billion, above expectation which was US\$1,485 billion.

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

On December 13, the United States and China announced that an agreement on Phase 1 trade negotiations had been reached. On the domestic front, November data points came in above expectations and reinforced our view of a cyclical bottoming-out. For policy, interest rate reform took another solid step as the People's Bank of China guided commercial banks to convert old index lending rates into loan prime rates (LPR) for the existing and new loan books, along with the well expected 50 basis points reserve requirement ratio (RRR) cut. Overall earnings revision remained positive in December. Therefore, we turned more positive with a focus on domestic consumption opportunities.

## MANAGER'S REPORT *(continued)*

### **Principal European Equity Fund**

#### **Market Review**

Global equity markets surged as uncertainties that brewed throughout the year began to find clarity. An agreed upon phase one trade deal between the U.S. and China was cheered by the market while the never-ending Brexit dynamics found reprieve following the latest elections as a Conservatives majority lessens the likelihood of a hard Brexit.

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

After nearly a decade of U.S. leadership, international markets now present comparable earnings growth with much cheaper valuations and lower debt levels. Global yields have moved in a synchronized fashion lower leading to select European 10-years and Japanese government bonds posting negative returns. As yields remain at historical low levels in real terms, the comparisons of earnings and cash flow yields on equities continues to remain quite attractive relative to government and corporate bond yields. The gravitational pull of low and negative yields abroad is consistent with our longstanding view that long horizon accumulation and liability funding objectives still have minimal opportunities to be met without meaningful equity exposure. Central banks maintain easier monetary conditions to help stave off any near-term recession fears and help act as a safety net. A close eye will be kept on the U.S. dollar which has begun to come off its highs and should help stave off further stagnation in earnings while continued strength of the consumer and resilience in the housing market paves the way for better earnings growth in 2020.

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

#### **Market Review**

Markit's HK Bond Index delivered 3.8% returns in 2019. The HKD/USD finished at 7.791 from 7.831 at end of 2018 touching weaker end of convertibility range in 1Q19 but HKD strengthened in December. CNH weakened 1.3% against USD to 6.96 as US-China trade tensions eased in the beginning of the year while escalating again in 2H but they finally agreed on a mini phase 1 deal. The Hang Seng index rose 9.1% (ex-dividend) in 2019. Home prices, as measured by the Centaline Property Price Index, increased 2.1% during the year but were off from the peaks.

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

Hong Kong's economy faltered as protests, trade tensions and slower global growth continue to weigh on economic activity. 3Q19 GDP growth contracted sharply by 2.9% yoy well below expectations on broad based weakness after growth slowed to 0.4% yoy in 2Q19 and 0.6% yoy in 1Q19. Trade tensions have decreased recently as US-China agreed on mini deal, but recent escalation between US-Iran have pushed up the geopolitical risk. Any escalation in trade wars, US-Iran flare up and political uncertainty in Europe may drag on business investments. In HK, with HK extradition protest continue to take toll on the sentiments despite the government announcement of formal withdrawal of the bill; the risk of outflows from HK has risen. Any substantial outflows may push HKD rates higher on tightening liquidity.

Overall, portfolio maintains slight duration underweight at current levels, but will look to add back duration on yield sell offs as any recovery in growth sentiments may push yields higher. Portfolio continues to maintain allocation to USD bonds for carry and liquidity.

## MANAGER'S REPORT *(continued)*

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

#### **Market Review**

Overall monetary conditions were stable; monetary base increased by HK\$30 billion to HK\$1,663 billion while aggregate balance decreased by HK\$11 billion to HK\$67 billion. 3-month HIBOR finished at 2.43% (+10 bps) and 1-year HIBOR at 2.43% (-31 bps) as HK liquidity tightened on IPOs and seasonal factors.

HK yields were higher at the longer end and underperformed US yields. 1-year HK Government bond yield ended at 1.79%, 5-year at 1.74% and 10-year at 1.79%. Part of HK yield curve remain inverted and curve steepened. 5-year Hong Kong Dollar Interest Rate Swaps and 10-year Hong Kong Dollar Interest Rate Swaps were up by 33 bps and 41 bps respectively to 1.97% and 2.05%. Markit's HK Bond Index last 12 months returned to 3.8%.

#### **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. FED cut rates in Oct and market is looking for 1 more cut in next 12 months. Both ECB and BOJ continue to pursue accommodative policies with ECB embarking on QE. US-China agreed on phase 1 deal but any further escalation in trade tensions may drag on sentiments and global growth. In case HK rates move lower on further FED cuts it may weigh on incremental return from reinvestments. However, with HK protests continue to take toll on the sentiments the risk of outflows from HK has risen. Any substantial outflows may push HKD rates higher on tightening liquidity.

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

#### **Market Review**

In 2019, the Hang Seng Index was up 13.6%. The Principal Hong Kong Index, the index of the Hong Kong equity portfolio, returned 13.4% this quarter. Materials, information technology, and consumer discretionary sectors outperformed, while utilities, energy, and consumer staples sectors lagged during the quarter. Hong Kong Markit PMI increase from 38.5 in November to 42.1 in December. Export growth recover a little to -1.4% in November versus -9.2% in October, and import growth was -5.8% in November versus -11.5% in October. Official CPI was at 3.0% in November, below estimates. Retail sales growth was -23.6% in terms of value and -25.4% in November, the third consecutive month we saw a -20% decrease.

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

Hong Kong SAR's trade activities remained subdued in December. In the near term, the external trading environment is likely to remain challenging. Retail sales will continue to be impacted severely due to the prolonged protests. On China side, on December 13, the United States and China announced that an agreement on Phase 1 trade negotiations had been reached. On the domestic front, November data points came in above expectations and reinforced our view of a cyclical bottoming-out. Overall earnings revision remained positive in December. Therefore, we turned slightly more positive on China with a focus on domestic consumption opportunities.

## MANAGER'S REPORT *(continued)*

### **Principal International Bond Fund**

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

Risk assets posted strong returns in the final quarter of 2019 due to easing trade tensions and continued accommodation from global central banks. The trade dispute between the United States and China, which has been a primary source of volatility over the last few quarters, entered a new phase of de-escalation during the fourth quarter. Growing optimism that the U.S. and China would reach a partial trade agreement eventually culminated with a December announcement that an agreement had been reached for a Phase 1 trade deal.

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

Sovereign yields increased, and curves steepened due to a reduction in geopolitical risks, some recovery in growth, and slightly higher inflation expectations due to an increase in commodity prices. Negative yielding global debt declined to US\$11 trillion, well below the August peak of US\$17 trillion. In Europe, German 10-year bunds closed the quarter at -0.19%, up from -0.57% at the start of the quarter. Peripheral spreads over German bunds dropped to 97 basis points, staying close to the lows since the 2011 Euro-Area crisis. In the U.S., the Treasury curve steepened in reaction to the easing geopolitical tensions and the Fed rate cut.

Overall, the portfolio is positioned with spread and yield levels similar to its index. In terms of duration positioning, the portfolio is short duration compared to the index. However, within the U.S. dollar allocation the portfolio is overweight duration to capture the higher yield offered within the U.S. dollar market.

### **Principal International Equity Fund**

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

Global equity markets surged into the end of the year as year-long uncertainties began to find clarity. An agreed upon phase one trade deal between the US and China was cheered by the market while the never-ending Brexit dynamics found reprieve following the latest elections as a Conservatives majority lessens the likelihood of a Hard Brexit scenario. The two catalysts spurred a risk-on rally to close out the year inducing a shift into market laggards, namely emerging markets and smaller companies, while bond-proxy sectors that previously could do no wrong were significant laggards amid profit taking.

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

Strength in IT technology shares and weakness in energy proved a constant in the quarterly and yearly performance while the rest of sectoral performance migrated between risk on and off periods amid the volatile geopolitical backdrop. Information technology's significant and ongoing advancement carried growth style's outperformance over its value peers by almost 3% in quarter based upon the MSCI ACWI style indices, and 12% for the full-year.

Modest underperformance in the fourth quarter was led once again by the United States as large cap growth maintained its leadership over its smaller company and particularly those with value characteristics. The strategy maintained its valuation discount to the index while positioning more to these opportunities outside of the United States given its long-standing return leadership.

## MANAGER'S REPORT *(continued)*

### **Principal Pension Bond Fund**

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

Rates on the United States Treasury yield curve steepened during the year, as front-end rates decreased due to the Federal Reserve (Fed) cutting the Federal Funds rate three times during 2019. The 2-year U.S. Treasury rate declined 0.92% to 1.57% and the 5-year U.S. Treasury rate declined 0.82% to 1.69%. The 10-year rate declined 0.77% to 1.92%, while the 30-year rate declined 0.63% to 2.39%. The slope of the 2- to 10-year Treasury curve rose from 0.20% to 0.35%.

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

Fundamentals within investment-grade corporate bonds remain stable, and profit margins remain near record highs. Technicals remain healthy with strong flows from retail and institutional investors. Spreads are likely to remain range-bound with the downside limited by the accommodative stance of central banks globally.

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

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

US equities continued to ascend in Q4, bringing year-to-date performance to more than 30% for S&P 500 and S&P 1500. The North America Fund posted a return of 8.65% in Q4, representing 11 bps of underperformance versus the S&P 1500. The Large Cap Segment portfolio delivered 8.58%, 0.33% lower than the S&P 500. Our proprietary factor data suggested broad-based outperformance of value factors in the US. An increased value bias in the portfolios enhanced performance over the quarter.

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

Our strategy is to continue avoiding small cap factor exposures, with a negative bias in the US large portfolio and a neutral bias in the S&P 1500 portfolio.

For and on behalf of

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

Hong Kong  
20 April 2020



# INVESTMENT REPORT

## Performance table

Investment record as at 31 December 2019							
	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	55.8194	43.6398	22.7779	10.0000	-	-	5,235,365,713
Principal China Equity Fund	20.4079	16.4007	16.4268	-	10.6131	-	4,261,880,091
Principal European Equity Fund	17.4307	-	15.2106	-	-	-	981,275,888
Principal Hong Kong Bond Fund	12.2375	11.3150	-	-	9.5502	-	6,387,600,511
Principal Hong Kong Dollar Savings Fund	13.5880	12.1656	-	-	-	-	3,461,792,218
Principal Hong Kong Equity Fund	44.4887	36.2091	36.8450	-	10.8571	12.3654	11,140,250,234
Principal International Bond Fund	18.4856	12.7183	14.3823	-	-	-	5,269,171,769
Principal International Equity Fund	36.6826	28.4474	-	10.0000	-	-	3,662,302,047
Principal Pension Bond Fund	18.8065	-	-	-	-	-	2,629,861,170
Principal U.S. Equity Fund	40.2047	22.2928	-	-	-	-	2,620,246,468
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 REPORT *(continued)*

Performance table *(continued)*

Performance record for the year ended 31 December 2019				
	Fund expense ratio (%) <sup>#</sup>	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
<b>Principal Asian Equity Fund</b>				
Pension Class	0.04%	56.1293	46.7657	15.50%
Retail Class	-	44.3208	37.0705	13.90%
Investment Class	1.14%	23.0836	19.2912	14.24%
I6 Class	0.00%	10.0000	10.0000	0.00%
<b>Principal China Equity Fund</b>				
Pension Class	0.03%	20.4881	16.7132	17.93%
Retail Class	-	16.6542	13.6586	15.95%
Investment Class	1.23%	16.6193	13.6126	16.53%
R6 Class	-	11.0926	9.1012	12.60%
<b>Principal European Equity Fund</b>				
Pension Class	0.01%	17.5011	13.6739	25.65%
Investment Class	1.21%	15.2741	12.0733	24.17%
I6 Class	0.00%	13.3118	13.3118	0.00%
<b>Principal Hong Kong Bond Fund</b>				
Pension Class	0.01%	12.4117	11.7604	4.07%
Retail Class	-	11.5021	10.9468	3.34%
R6 Class	-	9.8362	9.4850	0.66%
<b>Principal Hong Kong Dollar Savings Fund</b>				
Pension Class	0.01%	13.5880	13.2705	2.42%
Retail Class	-	12.1656	11.9352	1.96%
<b>Principal Hong Kong Equity Fund</b>				
Pension Class	0.02%	46.2187	37.8706	13.72%
Retail Class	-	38.0056	31.2521	12.14%
Investment Class	1.22%	38.6151	31.7369	12.37%
I6 Class	0.00%	13.3368	13.3368	0.00%
R6 Class	-	11.6874	9.6434	8.96%
R2 Class	-	14.3492	10.5178	11.55%
<b>Principal International Bond Fund</b>				
Pension Class	0.01%	18.8276	17.2653	7.52%
Retail Class	-	13.0089	12.0277	6.17%
Investment Class	1.01%	14.6989	13.5660	6.45%
<b>Principal International Equity Fund</b>				
Pension Class	0.02%	36.7588	29.8621	21.20%
Retail Class	-	28.5110	23.4791	19.53%
I6 Class	0.00%	10.0000	10.0000	0.00%
<b>Principal Pension Bond Fund</b>				
Pension Class	0.01%	18.8855	17.1789	9.50%
<b>Principal U.S. Equity Fund</b>				
Pension Class	0.00%	40.2688	31.0745	26.61%
Retail Class	-	22.3319	17.4783	24.80%

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

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

<sup>#</sup> The fee and charges of an investment in a listed REIT are not regarded as the underlying fund costs as defined under E3.9 of the Disclosure Code of an APIF for the purposes of calculating FER.

# 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 (%)*
<b>Principal Asian Equity Fund</b>				
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%
<b>Principal China Equity Fund</b>				
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)%
<b>Principal European Equity Fund</b>				
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%
<b>Principal Hong Kong Bond Fund</b>				
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)%
<b>Principal Hong Kong Dollar Savings Fund</b>				
Pension Class	0.01%	13.2667	13.0182	1.94%
Retail Class	-	11.9321	11.7607	1.48%
<b>Principal Hong Kong Equity Fund</b>				
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)%
<b>Principal International Bond Fund</b>				
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)%
<b>Principal International Equity Fund</b>				
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%
<b>Principal Pension Bond Fund</b>				
Pension Class	0.00%	17.3514	16.9776	(1.12)%
<b>Principal U.S. Equity Fund</b>				
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			
	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$	Net annualised investment return (%)*
<b>Principal Asian Equity Fund</b>			
Pension Class	59.2705	41.6117	43.58%
Retail Class	47.7098	33.9385	41.52%
Investment Class	24.7471	17.5456	42.05%
I6 Class	10.0000	10.0000	0.00%
<b>Principal China Equity Fund</b>			
Pension Class	20.0432	13.8851	41.70%
Retail Class	16.6938	11.7373	39.35%
Investment Class	16.5453	11.5815	40.05%
R6 Class	11.4156	8.3616	33.71%
<b>Principal European Equity Fund</b>			
Pension Class	16.0467	12.4050	29.43%
Investment Class	14.3435	11.2184	27.90%
I6 Class	13.2184	10.3185	28.15%
<b>Principal Hong Kong Bond Fund</b>			
Pension Class	11.7051	11.1868	3.34%
Retail Class	10.9998	10.5634	2.61%
R6 Class	9.9112	9.6272	0.24%
<b>Principal Hong Kong Dollar Savings Fund</b>			
Pension Class	13.0183	12.8261	1.49%
Retail Class	11.7629	11.6402	1.03%
<b>Principal Hong Kong Equity Fund</b>			
Pension Class	45.2360	31.5072	43.48%
Retail Class	37.9185	26.7352	41.52%
Investment Class	38.4218	27.0412	41.81%
I6 Class	14.4603	10.1599	42.08%
R6 Class	12.0795	8.7504	37.41%
R2 Class <sup>#</sup>	13.0897	10.0000	29.85%
<b>Principal International Bond Fund</b>			
Pension Class	17.4624	15.9408	8.36%
Retail Class	12.3621	11.3965	6.87%
Investment Class	13.9038	12.7779	7.29%
<b>Principal International Equity Fund</b>			
Pension Class	34.7316	27.9495	24.63%
Retail Class	27.7010	22.6002	22.91%
I6 Class	10.0000	10.0000	0.00%
<b>Principal Pension Bond Fund</b>			
Pension Class	17.4007	16.5378	5.02%
<b>Principal U.S. Equity Fund</b>			
Pension Class	33.6584	27.5810	21.39%
Retail Class	19.2057	15.9616	19.59%

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

# INVESTMENT REPORT *(continued)*

Performance table *(continued)*

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

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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 (%)*
<b>Principal Asian Equity Fund</b>			
Pension Class	48.9112	37.0683	(7.71)%
Retail Class	40.8928	30.8392	(9.04)%
Investment Class	21.0112	15.8643	(8.72)%
<b>Principal China Equity Fund</b>			
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 <sup>#</sup>	11.9736	8.0266	(14.42)%
<b>Principal European Equity Fund</b>			
Pension Class	13.7081	11.7471	5.48%
Investment Class	12.6429	10.8800	4.22%
<b>Principal Hong Kong Bond Fund</b>			
Pension Class	11.2318	10.8365	3.16%
Retail Class	10.6957	10.3798	2.43%
R6 Class <sup>#</sup>	10.0579	9.9215	-
<b>Principal Hong Kong Dollar Savings Fund</b>			
Pension Class	12.6955	12.5535	0.99%
Retail Class	11.5878	11.5068	0.45%
<b>Principal Hong Kong Equity Fund</b>			
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 <sup>#</sup>	11.7680	8.4735	(10.47)%
<b>Principal International Bond Fund</b>			
Pension Class	16.1440	15.4279	(2.91)%
Retail Class	11.8404	11.2362	(4.15)%
Investment Class	13.1986	12.5484	(3.87)%
<b>Principal International Equity Fund</b>			
Pension Class	29.2400	25.3916	(1.93)%
Retail Class	24.2024	20.9023	(3.37)%
<b>Principal Pension Bond Fund</b>			
Pension Class	16.2046	15.8321	1.08%
<b>Principal U.S. Equity Fund</b>			
Pension Class	27.2545	23.8684	0.38%
Retail Class	16.1296	14.1046	(1.10)%

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

# INVESTMENT REPORT *(continued)*

Performance table *(continued)*

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

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

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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 (%)*
<b>Principal Asian Equity Fund</b>			
Pension Class	40.1961	31.8699	26.18%
Retail Class	34.7460	27.9430	24.37%
Investment Class	17.7135	14.2365	24.45%
<b>Principal China Equity Fund</b>			
Pension Class	12.3849	10.0269	22.40%
Retail Class	11.2144	9.1687	20.28%
Investment Class	10.8396	8.8361	20.93%
<b>Principal European Equity Fund</b>			
Pension Class	9.9864	7.7494	21.52%
Investment Class	9.4702	7.3963	20.07%
<b>Principal Hong Kong Bond Fund</b>			
Pension Class	10.5868	10.1479	4.05%
Retail Class	10.2937	9.9368	3.25%
<b>Principal Hong Kong Dollar Savings Fund</b>			
Pension Class	12.1865	12.0074	1.51%
Retail Class	11.3121	11.1972	1.03%
<b>Principal Hong Kong Equity Fund</b>			
Pension Class	27.5059	21.7538	27.22%
Retail Class	24.7020	19.8079	25.42%
Investment Class	24.7721	19.8215	25.70%
<b>Principal International Bond Fund</b>			
Pension Class	16.5451	15.4453	6.07%
Retail Class	13.2027	12.6070	3.01%
Investment Class	13.8157	13.0151	5.01%
<b>Principal International Equity Fund</b>			
Pension Class	21.3675	17.6144	19.98%
Retail Class	18.3237	15.2271	18.20%
<b>Principal Pension Bond Fund</b>			
Pension Class	15.1525	13.9185	8.59%
<b>Principal U.S. Equity Fund</b>			
Pension Class	17.8579	15.1407	15.53%
Retail Class	11.1854	9.6662	9.38%

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

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# INVESTMENT REPORT *(continued)*

Performance table *(continued)*

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

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# INVESTMENT REPORT *(continued)*

Portfolio Statement as at 31 December 2019

Principal Asian Equity Fund				Principal Asian Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV	Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b>				<b>Listed shares <i>(continued)</i></b>			
<i>Australia</i>				<i>China <i>(continued)</i></i>			
Appen Ltd	214,506	26,294,612	0.50	Vipshop Holdings Ltd-ADR	255,700	28,215,846	0.54
Aristocrat Leisure Ltd	217,713	40,007,835	0.76	Weichai Power Co Ltd-H	946,000	15,552,240	0.30
Australia & New Zealand Banking Group Ltd	216,671	29,126,129	0.56	WuXi AppTec Co Ltd-H	112,600	10,882,790	0.21
Beach Energy Ltd	2,114,638	28,968,588	0.55	Wuxi Biologics (Cayman) Inc	194,000	19,138,100	0.37
BHP Group Ltd	328,397	69,757,287	1.33	Xiaomi Corp-B	1,131,800	12,200,804	0.23
Commonwealth Bank of Australia	221,411	96,552,504	1.84	Zhongsheng Group Holdings Ltd	997,500	31,820,250	0.61
CSL Ltd	66,263	99,728,648	1.89	Zoomlion Heavy Industry Science & Technology Co Ltd-H	2,420,000	15,802,600	0.30
Downer EDI Ltd	461,119	20,561,398	0.39			1,351,742,912	25.87
Fortescue Metals Group Ltd	452,868	26,422,074	0.50	<i>Hong Kong</i>			
Kogan.com Ltd	1,113,829	46,140,029	0.88	AIA Group Ltd	1,578,200	129,096,760	2.46
Macquarie Group Ltd	76,941	57,887,150	1.11	BOC Hong Kong (Holdings) Ltd	1,487,000	40,223,350	0.77
Megaport Ltd	500,460	29,335,346	0.56	CITIC Telecom International Holdings Ltd	7,518,000	21,351,120	0.41
National Australia Bank Ltd	405,988	54,575,180	1.04	CK Asset Holdings Ltd	236,500	13,303,125	0.25
OZ Minerals Ltd	299,457	17,242,669	0.33	CK Hutchison Holdings Ltd	574,000	42,648,200	0.81
Perenti Global Ltd	1,893,149	16,738,532	0.32	CLP Holdings Ltd	192,500	15,765,750	0.30
QBE Insurance Group Ltd	166,783	11,724,254	0.22	Hong Kong Exchanges & Clearing Ltd	94,000	23,782,000	0.45
Santos Ltd	793,124	35,408,862	0.68	Hongkong Land Holdings Ltd	502,260	22,489,973	0.43
Saracen Mineral Holdings Ltd	1,367,531	24,704,880	0.47	Melco International Development Ltd	955,000	20,914,500	0.40
Select Harvests Ltd	453,687	20,774,753	0.40	NagaCorp Ltd	4,018,000	54,644,800	1.04
Service Stream Ltd	983,614	14,279,859	0.27	New World Development Co Ltd	1,615,000	17,248,200	0.33
Seven Group Holdings Ltd	307,364	32,661,530	0.62	SITC International Holdings Co Ltd	4,620,000	43,890,000	0.84
Telstra Corp Ltd	876,182	16,928,371	0.32	Sun Hung Kai Properties Ltd	268,000	31,972,400	0.61
Wesfarmers Ltd	84,591	19,113,581	0.37	Techronic Industries Co Ltd	532,500	33,840,375	0.65
Westpac Banking Corp	315,621	41,738,504	0.80	WH Group Ltd	2,321,000	18,684,050	0.36
Woolworths Group Ltd	195,265	38,536,334	0.74	Wheelock & Co Ltd	432,000	22,442,400	0.43
		915,208,909	17.45	Xinyi Glass Holdings Ltd	3,788,000	39,092,160	0.75
<i>China</i>						591,389,163	11.29
Anhui Conch Cement Co Ltd-H	432,000	24,537,600	0.47	<i>India</i>			
ANTA Sports Products Ltd	583,000	40,664,250	0.78	Axis Bank Ltd	265,692	21,882,686	0.42
Asia Cement (China) Holdings Co	1,958,500	22,796,940	0.44	Bajaj Finance Ltd	74,134	34,287,705	0.65
Bosideng International Holdings Ltd	9,564,000	26,874,840	0.51	HDFC Bank Ltd	253,544	35,226,362	0.67
China Aoyuan Group Ltd	2,391,000	30,365,700	0.58	Hindustan Unilever Ltd	63,689	13,376,328	0.26
China Construction Bank Corp-H	14,512,010	97,665,827	1.87	Housing Development Finance Corp Ltd	180,519	47,565,542	0.91
China Lesso Group Holdings Ltd	4,012,000	40,079,880	0.77	ICICI Bank Ltd	522,995	30,782,148	0.59
China Life Insurance Co Ltd-H	1,219,000	26,391,350	0.50	Ipca Laboratories Ltd	124,134	15,404,863	0.29
China Medical System Holdings Ltd	4,650,000	52,173,000	1.00	Larsen & Toubro Ltd	143,972	20,413,283	0.39
China Mobile Ltd	876,500	57,410,750	1.10	Mahindra & Mahindra Ltd	258,053	14,981,188	0.29
China Petroleum & Chemical Corp-H	3,110,000	14,585,900	0.28	Maruti Suzuki India Ltd	27,986	22,522,626	0.43
China Shenhua Energy Co Ltd-H	1,071,000	17,435,880	0.33	Muthoot Finance Ltd	441,418	36,710,021	0.70
CNOOC Ltd	1,680,000	21,772,800	0.42	Nestle India Ltd	6,252	10,095,871	0.19
Guangdong Investment Ltd	1,336,000	21,776,800	0.42	Petronet LNG Ltd	610,981	17,880,295	0.34
Guangzhou Automobile Group Co Ltd-H	2,024,000	19,632,800	0.38	Reliance Industries Ltd	536,775	88,761,719	1.70
Huatai Securities Co Ltd-H	1,035,200	14,265,056	0.27	Tech Mahindra Ltd	239,814	19,966,119	0.38
Industrial & Commercial Bank of China Ltd-H	13,219,000	79,314,000	1.51	UPL Ltd	167,239	10,676,165	0.20
JD.com Inc-ADR	92,645	25,417,166	0.49	WNS (Holdings) Ltd-ADR	68,121	35,091,615	0.67
Kweichow Moutai Co Ltd-A	11,800	15,605,207	0.30			475,624,536	9.08
Logan Property Holdings Co Ltd	1,582,000	20,692,560	0.40	<i>Indonesia</i>			
Meituan Dianping-B	419,900	42,787,810	0.82	PT Bank Rakyat Indonesia (Persero) Tbk	12,233,100	30,227,287	0.58
NetEase Inc-ADR	10,853	25,916,187	0.50	PT Telkom Indonesia (Persero) Tbk	3,621,000	8,072,889	0.15
New Oriental Education & Technology Group Inc-ADR	8,327	7,862,539	0.15			38,300,176	0.73
Ping An Bank Co Ltd-A	846,262	15,562,291	0.30				
Ping An Insurance (Group) Co of China Ltd-H	1,040,000	95,784,000	1.83				
Semiconductor Manufacturing International Corp	1,042,000	12,441,480	0.24				
Sunac China Holdings Ltd	628,000	29,233,400	0.56				
Sunny Optical Technology (Group) Co Ltd	155,600	20,990,440	0.40				
TAL Education Group-ADR	22,454	8,428,169	0.16				
Tencent Holdings Ltd	700,500	263,107,800	5.02				
Times China Holdings Ltd	1,709,000	26,557,860	0.51				

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

<b>Principal Asian Equity Fund</b> <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>Malaysia</i>			
CIMB Group Holdings Bhd	5,701,800	55,866,147	1.07
Econpile Holdings Bhd	11,747,300	16,873,863	0.32
Frontken Corp Bhd	6,525,000	28,427,948	0.54
Gamuda Bhd	3,235,500	24,006,869	0.46
Pentamaster Corp Bhd	2,580,500	22,288,931	0.43
		147,463,758	2.82
<i>Singapore</i>			
DBS Group Holdings Ltd	406,800	60,901,519	1.16
Singapore Telecommunications Ltd	528,300	10,298,961	0.20
United Overseas Bank Ltd	187,900	28,706,357	0.55
UOL Group Ltd	1,150,600	55,377,150	1.06
		155,283,987	2.97
<i>South Korea</i>			
AfreecaTV Co Ltd	52,992	24,599,388	0.47
Fila Holdings Corp	49,909	17,821,715	0.34
Hana Financial Group Inc	133,179	33,109,824	0.63
Hyundai Glovis Co Ltd	18,553	17,874,954	0.34
Hyundai Mobis Co Ltd	18,638	32,146,525	0.61
Hyundai Motor Co	10,997	8,928,038	0.17
KIA Motors Corp	136,269	40,672,003	0.78
Korea Electric Power Corp	115,506	21,634,363	0.41
LG Chem Ltd	6,852	14,657,363	0.28
Mando Corp	75,158	17,824,306	0.34
POSCO	10,472	16,686,127	0.32
Samsung Electronics Co Ltd	727,855	273,636,377	5.22
SFA Engineering Corp	36,547	11,388,283	0.22
Shinhan Financial Group Co Ltd	45,897	13,405,042	0.26
SK Hynix Inc	144,748	91,769,203	1.75
		636,153,511	12.14
<i>Taiwan</i>			
Accton Technology Corp	1,119,000	48,811,980	0.93
Cathay Financial Holding Co Ltd	2,181,000	24,095,852	0.46
Chicony Electronics Co Ltd	739,000	17,077,390	0.33
CTBC Financial Holding Co Ltd	3,905,000	22,712,038	0.43
E.SUN Financial Holding Co Ltd	4,975,445	36,043,187	0.69
Fubon Financial Holding Co Ltd	1,313,000	15,818,663	0.30
Giant Manufacturing Co Ltd	328,000	18,140,134	0.35
Hon Hai Precision Industry Co Ltd	1,738,800	40,994,211	0.78
ITEQ Corp	1,493,000	49,426,180	0.94
Kung Long Batteries Industrial Co Ltd	39,000	1,508,822	0.03
Largan Precision Co Ltd	20,000	25,964,924	0.50
MediaTek Inc	298,570	34,381,660	0.66
Realtek Semiconductor Corp	266,000	16,230,674	0.31
Taiwan Semiconductor Manufacturing Co Ltd	3,481,000	299,170,710	5.70
Wiwynn Corp	143,030	23,582,396	0.45
Yageo Corp	349,000	39,599,884	0.76
		713,558,705	13.62

<b>Principal Asian Equity Fund</b> <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>Thailand</i>			
Advanced Info Service Pcl	280,700	15,607,456	0.30
Bangkok Bank Pcl	614,300	25,577,101	0.49
PTT Exploration & Production Pcl	561,200	18,238,836	0.35
Thai Beverage Pcl	6,072,000	31,261,130	0.60
		90,684,523	1.74
<i>The Philippines</i>			
Vista Land & Lifescapes Inc	15,167,000	18,016,455	0.34
Wilcon Depot Inc	6,986,200	19,324,297	0.37
		37,340,752	0.71
<b>Total listed shares</b>		5,152,750,932	98.42
<b>Delisted Shares</b>			
<i>Hong Kong</i>			
Peace Mark (Holdings) Ltd	2,010,000	-	-
<b>Total delisted shares</b>		-	-
<b>Total investments</b>		5,152,750,932	98.42
<b>Other net assets</b>		82,614,781	1.58
<b>Total net asset value</b>		5,235,365,713	100.00
<b>Total cost of investments</b>		4,510,212,341	

\* 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 2019 *(continued)*

<b>Principal China Equity Fund</b>			
<b>Investments</b>	<b>* Portfolio holdings</b>	<b>Fair value</b> <i>HK\$/HK\$ equivalent</i>	<b>% of NAV</b>
<b>Listed shares</b>			
<i>China</i>			
Air China Ltd-H	1,132,000	8,954,120	0.21
Alibaba Group Holding Ltd	739,500	153,224,400	3.60
Alibaba Group Holding Ltd-ADR	70,648	116,689,838	2.74
ANTA Sports Products Ltd	868,000	60,543,000	1.42
Bank of China Ltd-H	6,487,100	21,602,043	0.51
China Aoyuan Group Ltd	5,006,000	63,576,200	1.49
China Construction Bank Corp-H	48,135,620	323,952,723	7.59
China Hongqiao Group Ltd	12,404,500	58,301,150	1.37
China Lesso Group Holdings Ltd	6,641,000	66,343,590	1.56
China Life Insurance Co Ltd-H	4,492,000	97,251,800	2.28
China Medical System Holdings Ltd	4,812,000	53,990,640	1.27
China Merchants Bank Co Ltd-H	1,655,500	66,302,775	1.56
China Mobile Ltd	2,225,000	145,737,500	3.42
China National Accord Medicines Corp Ltd-A	128,299	6,505,776	0.15
China Petroleum & Chemical Corp-H	12,870,800	60,364,052	1.42
China Railway Construction Corp Ltd-H	9,280,500	79,162,665	1.86
China Resources Cement Holdings Ltd	4,987,000	49,471,040	1.16
China Resources Land Ltd	1,864,000	72,323,200	1.70
China Resources Power Holdings Co Ltd	4,176,000	45,685,440	1.07
China Shenhua Energy Co Ltd-H	1,700,500	27,684,140	0.65
China Unicom (Hong Kong) Ltd	2,000,000	14,680,000	0.34
China Yongda Automobiles Services Holdings Ltd	1,758,000	12,481,800	0.29
CNOOC Ltd	9,489,000	122,977,440	2.89
CRRC Corp Ltd-H	8,135,000	46,206,800	1.08
CSPC Pharmaceutical Group Ltd	4,948,000	91,933,840	2.16
ENN Energy Holdings Ltd	503,200	42,847,480	1.01
Ever Sunshine Lifestyle Services Group Ltd	4,552,000	24,034,560	0.56
Far East Horizon Ltd	4,109,000	29,995,700	0.70
Fujian Star-net Communication Co Ltd-A	248,280	9,869,753	0.23
Gree Electric Appliances Inc of Zhuhai-A	325,470	23,860,808	0.56
Hua Hong Semiconductor Ltd	3,277,000	58,068,440	1.36
Huatai Securities Co Ltd-H	3,272,000	45,088,160	1.06
Industrial & Commercial Bank of China Ltd-H	34,838,850	209,033,100	4.90
JD.com Inc-ADR	82,600	22,661,319	0.53
Jiangxi Copper Co Ltd-H	1,295,000	13,882,400	0.33
KWG Group Holdings Ltd	2,905,500	31,728,060	0.74
Lens Technology Co Ltd-A	913,100	14,106,821	0.33
Meituan Dianping	1,369,600	139,562,240	3.27
NetEase Inc-ADR	6,259	14,946,044	0.35
New Oriental Education & Technology Group Inc-ADR	24,997	23,602,724	0.55
Nine Dragons Paper (Holdings) Ltd	1,510,000	12,231,000	0.29
PICC Property & Casualty Co Ltd-H	8,096,000	76,021,440	1.78
Ping An Insurance (Group) Co of China Ltd-H	2,645,000	243,604,500	5.72
Postal Savings Bank of China Co Ltd-H	13,213,000	70,028,900	1.64
Shenzhen International Holdings Ltd	1,633,000	27,956,960	0.66
Shenzhen Mindray Bio-Medical Electronics Co Ltd-A	109,373	22,240,554	0.52
Shenzhen Overseas Chinese Town Co Ltd-A	991,900	8,637,899	0.20
Shimao Property Holdings Ltd	3,278,000	98,995,600	2.32
Sunac China Holdings Ltd	3,123,000	145,375,650	3.41
Sunny Optical Technology (Group) Co Ltd	517,200	69,770,280	1.64
TCL Electronics Holdings Ltd	2,209,000	8,084,940	0.19
Tencent Holdings Ltd	883,800	331,955,280	7.78
Tencent Music Entertainment Group-ADR	82,062	7,502,443	0.18
Tianneng Power International Ltd	5,076,000	30,100,680	0.71
Times China Holdings Ltd	1,142,000	17,746,680	0.42
Times Neighborhood Holdings Ltd	1,538,025	7,459,421	0.18
Tingyi (Cayman Islands) Holding Corp	1,012,000	13,459,600	0.32
Tongcheng-Elong Holdings Ltd	1,608,400	22,485,432	0.53
Vipshop Holdings Ltd-ADR	625,766	69,051,689	1.62
Yanzhou Coal Mining Co Ltd-H	878,000	6,146,000	0.14
Zoomlion Heavy Industry Science & Technology Co Ltd-H	3,626,000	23,677,780	0.56
		3,881,766,309	91.08

<b>Principal China Equity Fund</b> <i>(continued)</i>			
<b>Investments</b>	<b>* Portfolio holdings</b>	<b>Fair value</b> <i>HK\$/HK\$ equivalent</i>	<b>% of NAV</b>
<b>Listed shares</b> <i>(continued)</i>			
<i>Hong Kong</i>			
ASM Pacific Technology Ltd	404,800	43,758,880	1.03
CITIC Telecom International Holdings Ltd	13,657,000	38,785,880	0.91
Melco International Development Ltd	1,492,000	32,674,800	0.77
NagaCorp Ltd	3,956,000	53,801,600	1.26
Pacific Basin Shipping Ltd	33,029,000	54,167,560	1.27
Venus MedTech (Hangzhou) Inc-H	1,500	56,250	0.00
WH Group Ltd	9,788,000	78,793,400	1.85
		302,038,370	7.09
<i>Singapore</i>			
BOC Aviation Ltd	176,600	13,995,551	0.33
<b>Total listed shares</b>		4,197,800,230	98.50
<b>Total investments</b>		4,197,800,230	98.50
<b>Other net assets</b>		64,079,861	1.50
<b>Total net asset value</b>		4,261,880,091	100.00
<b>Total cost of investments</b>		3,710,407,412	
* 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 2019 *(continued)*

Principal European Equity Fund			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b>			
<i>Austria</i>			
Erste Group Bank AG	14,463	4,235,494	0.43
<i>Denmark</i>			
Carlsberg A/S-B	6,991	8,116,073	0.83
Coloplast A/S-B	5,353	5,167,675	0.53
Novo Nordisk A/S-B	42,176	19,049,827	1.94
Royal Unibrew A/S	7,227	5,149,861	0.52
SimCorp A/S	4,298	3,803,266	0.39
Vestas Wind Systems A/S	14,949	11,756,116	1.20
		53,042,818	5.41
<i>Finland</i>			
Elisa Oyj	15,843	6,808,750	0.69
Neste Corp	44,518	12,050,392	1.23
		18,859,142	1.92
<i>France</i>			
Airbus SE	11,184	12,733,999	1.30
AXA SA	45,265	9,918,202	1.01
BNP Paribas SA	26,951	12,424,508	1.27
Dassault Systemes SE	5,809	7,428,667	0.76
Euronext NV	9,518	6,033,996	0.61
Hermes International	1,065	6,191,245	0.63
Kering	2,937	14,997,953	1.53
LVMH Moet Hennessy Louis Vuitton SE	6,613	23,901,895	2.43
Orange SA	48,028	5,498,599	0.56
Safran	9,511	11,424,208	1.16
Sartorius Stedim Biotech SA	3,783	4,875,740	0.50
Teleperformance SE	5,915	11,221,167	1.14
Vinci SA	14,583	12,598,121	1.28
		139,248,300	14.18
<i>Germany</i>			
Adidas AG	5,470	13,832,779	1.41
Carl Zeiss Meditec AG	6,526	6,474,873	0.66
CompuGroup Medical SE	5,343	2,972,276	0.30
Deutsche Post AG	31,396	9,317,613	0.95
Deutsche Telekom AG	88,776	11,287,008	1.15
Evotec SE	20,506	4,124,541	0.42
Hannover Rueck SE	7,195	10,817,821	1.10
Merck Kgaa	4,399	4,044,010	0.41
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen	3,812	8,748,475	0.89
Nemetschek SE	5,691	2,920,046	0.30
PUMA	13,502	8,053,049	0.82
TAG Immobilien AG	29,191	5,644,721	0.57
Volkswagen AG	1,583	2,434,496	0.25
Vonovia SE	15,447	6,470,072	0.66
		97,141,780	9.89
<i>Ireland</i>			
KingSpan Group Plc	16,336	7,761,887	0.79

Principal European Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Italy</i>			
Amplifon Spa	13,529	3,026,965	0.31
ENEL Spa	285,001	17,587,834	1.79
Ferrari NV	6,115	7,892,023	0.80
Mediobanca Banca di Credito Finanziario Spa	49,384	4,229,179	0.43
Moncler Spa	15,500	5,419,694	0.55
Poste Italiane Spa	94,496	8,344,833	0.85
Snam Spa	119,519	4,887,232	0.50
		51,387,760	5.23
<i>Netherlands</i>			
ASM International NV	4,108	3,590,088	0.37
ASML Holding NV	8,957	20,610,875	2.10
ASR Nederland NV	7,633	2,222,005	0.23
BE Semiconductor Industries NV	20,598	6,193,898	0.63
Koninklijke Ahold Delhaize NV	46,922	9,128,674	0.93
Koninklijke DSM NV	8,844	8,959,931	0.91
Koninklijke Philips NV	27,953	10,615,514	1.08
Koninklijke Vopak NV	7,099	2,993,903	0.31
NXP Semiconductors NV	7,995	7,923,241	0.81
Unilever NV	21,843	9,764,733	1.00
		82,002,862	8.37
<i>Norway</i>			
DnB ASA	34,049	4,934,930	0.50
Mowi ASA	17,999	3,629,918	0.37
Telenor ASA	33,184	4,617,471	0.47
		13,182,319	1.34
<i>Spain</i>			
Amadeus IT Holding SA	9,211	5,851,428	0.60
Iberdrola SA	200,550	16,065,308	1.64
		21,916,736	2.24
<i>Sweden</i>			
AAK AB	23,118	3,425,387	0.35
AB SKF	36,264	5,717,354	0.58
Atlas Copco AB-A	28,923	8,994,761	0.92
H & M Hennes & Mauritz AB-B	39,896	6,325,839	0.64
Indutrade AB	10,921	3,047,234	0.31
Investor AB-B	18,746	7,976,987	0.81
Skanska AB-B	38,184	6,728,863	0.69
Telefonaktiebolaget LM Ericsson-B	110,173	7,479,831	0.76
		49,696,256	5.06
<i>Switzerland</i>			
Barry Callebaut AG	244	4,191,136	0.43
Logitech International SA	21,433	7,891,637	0.80
Lonza Group AG	3,863	10,961,744	1.12
Nestle SA	51,875	43,668,752	4.45
Novartis AG	41,867	30,911,610	3.15
PSP Swiss Property AG	3,236	3,473,355	0.35
Roche Holding	13,927	35,133,507	3.58

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

<b>Principal European Equity Fund</b> <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>Switzerland</i> <i>(continued)</i>			
Sonova Holding AG	2,581	4,592,995	0.47
Straumann Holding AG	744	5,680,854	0.58
Swiss Life Holding AG	2,750	10,733,083	1.09
		157,238,673	16.02
<i>United Kingdom</i>			
3i Group Plc	112,248	12,604,361	1.28
Anglo American Plc	41,338	9,186,479	0.94
Ashtead Group Plc	34,735	8,575,204	0.87
Avast Plc	64,765	2,999,070	0.31
BHP Group Plc	55,189	10,028,384	1.02
BP Plc	338,306	16,316,364	1.66
Centamin Plc	255,805	3,322,405	0.34
Compass Group Plc	60,724	11,737,134	1.20
Dechra Pharmaceuticals Plc	14,107	4,183,816	0.43
Diageo Plc	49,447	16,184,440	1.65
Electrocomponents Plc	58,095	4,025,798	0.41
Ferguson Plc	9,339	6,542,306	0.67
GlaxoSmithKline Plc	91,626	16,669,960	1.70
Halma Plc	48,294	10,450,780	1.07
Howden Joinery Group Plc	96,621	6,646,121	0.68
Intermediate Capital Group Plc	42,442	6,988,140	0.71
JD Sports Fashion Plc	120,304	10,302,744	1.05
Legal & General Group Plc	263,107	8,152,953	0.83
National Express Group Plc	145,878	7,005,801	0.71
NEXT Plc	9,548	6,852,762	0.70
OneSavings Bank Plc	86,029	3,813,060	0.39
Paragon Banking Group Plc	83,886	4,624,003	0.47
Persimmon Plc	15,684	4,322,704	0.44
QinetiQ Group Plc	180,227	6,594,776	0.67
Rio Tinto Plc	27,337	12,589,042	1.28
Royal Dutch Shell Plc-A	54,764	12,517,355	1.28
Royal Dutch Shell Plc-B	27,871	6,383,274	0.65
Smith & Nephew Plc	42,206	7,909,665	0.81
Taylor Wimpey Plc	369,750	7,313,151	0.75
Unilever Plc	26,460	11,772,505	1.20
WH Smith Plc	18,782	4,994,076	0.51
		261,608,633	26.68
<b>Total listed shares</b>		957,322,660	97.56
<b>Total investments</b>		957,322,660	97.56
<b>Other net assets</b>		23,953,228	2.44
<b>Total net asset value</b>		981,275,888	100.00
<b>Total cost of investments</b>		743,900,724	
* The value of each holding as a percentage of the total net asset value is accounted for on the trade day.			

<b>Principal Hong Kong Bond Fund</b>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed/quoted debt instruments</b>				
<b>Certificates of deposit</b>				
<i>Denominated in Hong Kong Dollar</i>				
Bank of China Ltd-2%	29/06/2020	20,000,000	19,937,960	0.31
Bank of China Ltd-2.59%	25/07/2022	12,000,000	11,981,064	0.19
Bank of China Ltd-2.59%	17/10/2022	41,000,000	40,889,587	0.64
Bank of China Ltd-3.75%	27/07/2020	31,000,000	31,196,602	0.49
Bank of China Ltd-3.9%	31/05/2021	60,000,000	61,073,040	0.96
Bank of China Macau Branch-2.34%	15/10/2020	20,000,000	19,953,280	0.31
Bank of Communications Co Ltd Hong Kong Branch-2%	17/08/2020	25,000,000	24,899,900	0.39
Bank of Communications Co Ltd Hong Kong Branch-2.13%	26/10/2020	13,000,000	12,947,506	0.20
Bank of Communications Co Ltd Hong Kong Branch-2.68%	09/02/2021	40,000,000	40,027,800	0.63
Bank of Communications Co Ltd Hong Kong Branch-2.8%	15/03/2021	40,000,000	40,079,480	0.63
Bank of Communications Co Ltd Hong Kong Branch-3.07%	03/08/2021	30,500,000	30,695,017	0.48
Bank of Communications Co Ltd Hong Kong Branch-3.2%	11/05/2021	50,000,000	50,367,050	0.79
China Development Bank Corp-2.535%	17/09/2020	10,000,000	9,996,890	0.16
China Development Bank Corp-2.95%	19/04/2023	105,000,000	105,804,510	1.66
China Development Bank Corp-3.2%	05/12/2022	50,000,000	50,678,600	0.79
China Development Bank Corp-3.3%	09/11/2022	10,000,000	10,163,350	0.16
China Development Bank Corp-3.75%	26/01/2022	20,000,000	20,435,720	0.32
China Development Bank Corp-3.91%	18/05/2020	32,000,000	32,147,712	0.50
China Development Bank Corp-3.98%	28/04/2020	10,000,000	10,032,000	0.16
China Development Bank Corp-4.25%	15/06/2026	5,000,000	5,496,080	0.09
China Development Bank Corp-4.27%	03/03/2025	15,000,000	16,163,625	0.25
China Development Bank Corp-4.47%	14/01/2026	7,000,000	7,733,201	0.12
China Merchants Bank Co Ltd-Floating	11/01/2021	20,000,000	20,000,000	0.31
Fubon Bank (Hong Kong) Ltd-2.55%	22/02/2021	25,000,000	24,929,950	0.39
Hang Seng Bank Ltd-2.25%	11/05/2020	16,000,000	15,985,440	0.25
Hang Seng Bank Ltd-2.35%	06/05/2022	100,000,000	99,542,400	1.56
Hang Seng Bank Ltd-3%	28/05/2021	106,000,000	106,835,492	1.67
Mizuho Bank Ltd-3.2%	22/10/2021	25,000,000	25,330,000	0.40
MUFG Bank Ltd-2.18%	06/04/2020	10,000,000	9,992,230	0.16
MUFG Bank Ltd-2.76%	28/03/2022	19,000,000	19,130,530	0.30
MUFG Bank Ltd-3.01%	14/03/2023	117,000,000	118,957,761	1.86
OCBC Wing Hang Bank Ltd-3.2%	09/06/2021	23,000,000	23,280,531	0.36
Sumitomo Mitsui Banking Corp-2%	19/08/2024	50,000,000	48,561,000	0.76
Sumitomo Mitsui Banking Corp-2.11%	09/08/2022	25,000,000	24,823,150	0.39
Sumitomo Mitsui Banking Corp-2.2%	11/06/2020	15,000,000	14,978,925	0.23
Sumitomo Mitsui Banking Corp-2.4%	10/03/2021	30,000,000	29,983,890	0.47
Sumitomo Mitsui Banking Corp-2.7%	21/02/2022	22,000,000	22,022,968	0.34
Sumitomo Mitsui Banking Corp-2.93%	09/08/2021	40,000,000	40,321,520	0.63
Sumitomo Mitsui Banking Corp-3.18%	30/05/2022	10,000,000	10,180,700	0.16
United Overseas Bank Ltd-2.315%	03/04/2020	70,000,000	69,929,370	1.09
<b>Total certificates of deposit</b>			1,377,485,831	21.56



**INVESTMENT REPORT (continued)**  
Portfolio Statement as at 31 December 2019 (continued)

Principal Hong Kong Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments (continued)</b>				
<b>Non-certificates of deposit</b>				
<i>Denominated in Hong Kong Dollar</i>				
AIA Group Ltd-2.95%	16/07/2022	47,000,000	47,327,261	0.74
AIA Group Ltd-3.68%	16/01/2031	68,500,000	72,709,873	1.14
Airport Authority Hong Kong-2.25%	05/09/2022	34,000,000	34,013,804	0.53
Airport Authority Hong Kong-4.85%	15/03/2021	24,000,000	24,706,968	0.39
Australia & New Zealand Banking Group Ltd-2.065%	26/09/2022	12,000,000	11,794,596	0.18
Australia & New Zealand Banking Group Ltd-3.47%	27/09/2023	43,000,000	43,975,713	0.69
Bank of China Ltd-3.3%	20/11/2020	28,000,000	28,175,840	0.44
Bank of Communications Co Ltd Hong Kong Branch-4%	24/02/2021	10,000,000	10,153,030	0.16
BMW Finance NV-2.18%	19/04/2021	5,000,000	4,967,075	0.08
BNP Paribas SA-3.05%	06/04/2022	30,000,000	30,084,720	0.47
BNZ International Funding Ltd-2.06%	22/06/2021	30,000,000	29,668,350	0.46
BNZ International Funding Ltd-2.32%	31/03/2021	15,000,000	14,904,810	0.23
BNZ International Funding Ltd-2.35%	31/03/2021	20,000,000	19,880,360	0.31
CK Property Finance (MTN) Ltd-2.25%	25/08/2022	61,000,000	60,319,179	0.94
CK Property Finance (MTN) Ltd-3.57%	05/09/2028	20,000,000	20,921,400	0.33
CLP Power Hong Kong Financing Ltd-2.83%	20/09/2022	24,000,000	24,179,040	0.38
CLP Power Hong Kong Financing Ltd-3.22%	20/03/2030	15,000,000	15,556,260	0.24
CLP Power Hong Kong Financing Ltd-3.45%	01/03/2027	5,000,000	5,237,610	0.08
CLP Power Hong Kong Financing Ltd-3.93%	20/09/2021	4,000,000	4,094,064	0.06
CLP Power Hong Kong Financing Ltd-3.97%	23/03/2026	7,000,000	7,507,514	0.12
Commonwealth Bank of Australia-2.15%	27/09/2022	27,000,000	26,618,652	0.42
Commonwealth Bank of Australia-2.75%	20/02/2024	38,000,000	37,946,496	0.59
Commonwealth Bank of Australia-2.83%	20/02/2024	45,000,000	45,075,240	0.71
DBS Group Holdings Ltd-2.8%	13/01/2022	25,000,000	25,303,675	0.40
HKCG (Finance) Ltd-2.25%	22/07/2026	10,000,000	9,717,530	0.15
HKCG (Finance) Ltd-2.8%	25/02/2025	6,000,000	6,045,690	0.09
HKCG (Finance) Ltd-2.84%	17/11/2027	95,000,000	95,633,650	1.50
HKCG (Finance) Ltd-2.85%	10/11/2025	43,000,000	43,359,738	0.68
HKCG (Finance) Ltd-3.3%	16/05/2022	10,000,000	10,183,710	0.16
HKCG (Finance) Ltd-3.4%	07/02/2022	28,000,000	28,518,056	0.45
HKCG (Finance) Ltd-3.55%	13/12/2023	33,000,000	34,187,274	0.53
HKCG (Finance) Ltd-3.6%	02/11/2026	10,000,000	10,539,790	0.16
HKCG (Finance) Ltd-3.8%	05/04/2027	6,000,000	6,417,588	0.10
Hong Kong Government-0.8%	27/08/2027	40,000,000	37,141,000	0.58
Hong Kong Government-1.09%	05/06/2023	20,000,000	19,577,360	0.31
Hong Kong Government-1.1%	17/01/2023	183,900,000	180,504,654	2.82
Hong Kong Government-1.16%	18/05/2022	70,000,000	69,012,370	1.08
Hong Kong Government-1.25%	29/06/2027	95,000,000	91,441,965	1.43
Hong Kong Government-1.49%	22/02/2028	20,000,000	19,514,160	0.31
Hong Kong Government-1.68%	21/01/2026	125,000,000	124,255,500	1.94
Hong Kong Government-1.73%	20/02/2024	19,000,000	18,981,171	0.30
Hong Kong Government-1.89%	02/03/2032	40,000,000	40,045,840	0.63
Hong Kong Government-1.94%	04/12/2023	15,000,000	15,109,620	0.24
Hong Kong Government-1.97%	17/01/2029	210,000,000	212,088,449	3.31
Hong Kong Government-2.02%	07/03/2034	100,000,000	101,758,300	1.59
Hong Kong Government-2.13%	16/07/2030	40,000,000	41,073,880	0.64
Hong Kong Government-2.22%	07/08/2024	126,000,000	128,371,068	2.01
Hong Kong Government-2.46%	04/08/2021	45,000,000	45,438,120	0.71
Hong Kong Science & Technology Parks Corp-3.2%	11/07/2024	120,000,000	125,284,560	1.96
Hongkong Land Notes Co Ltd-2.9%	07/12/2022	20,000,000	20,168,960	0.32

Principal Hong Kong Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments (continued)</b>				
<b>Non-certificates of deposit (continued)</b>				
<i>Denominated in Hong Kong Dollar (continued)</i>				
Hongkong Land Notes Co Ltd-3%	26/10/2022	5,000,000	5,056,900	0.08
Hongkong Land Notes Co Ltd-3.15%	10/05/2028	10,000,000	10,206,700	0.16
Hongkong Land Notes Co Ltd-3.83%	05/11/2028	30,000,000	32,098,290	0.50
Hongkong Land Notes Co Ltd-3.95%	06/11/2023	10,000,000	10,486,690	0.16
Korea Development Bank-3.6%	16/09/2021	9,000,000	9,162,945	0.14
Korea Expressway Corp-3.02%	05/03/2023	13,000,000	13,053,664	0.20
Korea Expressway Corp-4%	02/03/2022	6,000,000	6,140,994	0.10
Korea Hydro & Nuclear Power Co Ltd-3.35%	13/03/2028	40,000,000	41,230,120	0.64
Korea National Oil Corp-4.5%	04/03/2021	10,000,000	10,195,520	0.16
Korea Railroad Corp-3.375%	07/06/2023	10,000,000	10,151,890	0.16
Kowloon-Canton Railway Corp-3.82%	09/07/2021	34,000,000	34,670,174	0.54
Kowloon-Canton Railway Corp-3.88%	15/06/2021	45,000,000	45,886,230	0.72
Lloyds Bank Plc-3.046%	02/10/2025	5,000,000	5,010,510	0.08
Malayan Banking Bhd-3.66%	10/10/2023	32,000,000	33,208,320	0.52
MTR Corp (C.I.) Ltd-1.9%	25/10/2020	57,500,000	57,310,998	0.90
MTR Corp (C.I.) Ltd-1.92%	26/10/2022	70,000,000	69,402,760	1.09
MTR Corp (C.I.) Ltd-2.25%	12/10/2022	67,500,000	67,527,878	1.06
MTR Corp (C.I.) Ltd-2.25%	28/12/2024	55,000,000	54,979,485	0.86
MTR Corp (C.I.) Ltd-2.25%	04/12/2025	20,000,000	19,965,040	0.31
MTR Corp (C.I.) Ltd-2.56%	02/05/2021	30,000,000	30,114,720	0.47
MTR Corp (C.I.) Ltd-2.65%	09/04/2025	111,000,000	113,140,080	1.77
MTR Corp (C.I.) Ltd-2.83%	06/09/2047	10,000,000	9,502,820	0.16
MTR Corp (C.I.) Ltd-3%	09/11/2045	10,000,000	9,907,100	0.16
National Australia Bank Ltd-2.07%	20/09/2022	25,000,000	24,555,975	0.38
National Australia Bank Ltd-2.55%	14/03/2021	17,000,000	16,955,222	0.27
National Australia Bank Ltd-3.185%	16/03/2028	50,000,000	50,829,600	0.80
Sinopec Century Bright Capital Investment Ltd-3.15%	31/10/2020	39,000,000	39,177,762	0.61
State Grid Overseas Investment (2016) Ltd-2.7%	17/04/2024	50,000,000	50,253,850	0.79
State Grid Overseas Investment (2016) Ltd-2.85%	17/04/2029	33,000,000	33,272,976	0.52
Sumitomo Mitsui Banking Corp-2.92%	30/04/2025	18,000,000	18,171,144	0.28
Sun Hung Kai Properties (Capital Market) Ltd-2.5%	05/09/2024	31,500,000	31,044,573	0.49
Sun Hung Kai Properties (Capital Market) Ltd-2.55%	24/07/2024	10,000,000	9,893,820	0.15
Sun Hung Kai Properties (Capital Market) Ltd-2.55%	16/08/2024	40,000,000	39,566,880	0.62
Sun Hung Kai Properties (Capital Market) Ltd-3.12%	15/02/2026	55,000,000	55,819,885	0.87
Sun Hung Kai Properties (Capital Market) Ltd-3.21%	27/03/2029	40,000,000	40,431,160	0.63
Sun Hung Kai Properties (Capital Market) Ltd-3.23%	10/01/2023	7,000,000	7,117,110	0.11
Sun Hung Kai Properties (Capital Market) Ltd-3.25%	30/07/2023	49,000,000	49,853,041	0.78
Sun Hung Kai Properties (Capital Market) Ltd-3.39%	24/01/2029	30,000,000	30,742,110	0.48
Sun Hung Kai Properties (Capital Market) Ltd-3.88%	22/11/2028	40,000,000	42,589,960	0.67
Swire Pacific MTN Financing Ltd-2.7%	30/06/2027	10,000,000	9,814,310	0.15
Swire Pacific MTN Financing Ltd-2.9%	24/01/2023	10,000,000	10,059,900	0.16
Swire Pacific MTN Financing Ltd-3.35%	31/07/2025	11,000,000	11,258,368	0.18
Swire Pacific MTN Financing Ltd-3.78%	28/02/2022	15,000,000	15,344,205	0.24
Swire Pacific MTN Financing Ltd-3.9%	05/11/2030	10,000,000	10,605,590	0.17
Swire Properties MTN Financing Ltd-1.8%	17/08/2021	32,000,000	31,632,064	0.50
Swire Properties MTN Financing Ltd-2.25%	21/06/2023	25,000,000	24,748,500	0.39

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

Principal Hong Kong Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Non-certificates of deposit</b> <i>(continued)</i>				
<i>Denominated in Hong Kong Dollar</i> <i>(continued)</i>				
Swire Properties MTN Financing Ltd-2.65%	03/06/2026	13,000,000	12,860,107	0.20
Swire Properties MTN Financing Ltd-2.95%	22/02/2024	17,500,000	17,716,580	0.28
Swire Properties MTN Financing Ltd-3%	07/04/2027	28,000,000	28,179,480	0.44
Swire Properties MTN Financing Ltd-3.55%	17/07/2024	5,000,000	5,189,180	0.08
The Export-Import Bank of Korea-1.93%	24/06/2021	25,000,000	24,771,000	0.39
The Export-Import Bank of Korea-3.13%	26/04/2023	9,000,000	9,182,601	0.14
The Hong Kong Mortgage Corp Ltd-1.92%	10/05/2022	9,000,000	8,935,641	0.14
The Hong Kong Mortgage Corp Ltd-2.05%	15/02/2021	15,000,000	14,967,675	0.23
The Hong Kong Mortgage Corp Ltd-2.29%	09/02/2022	40,000,000	40,037,040	0.63
The Hong Kong Mortgage Corp Ltd-2.4%	27/09/2021	36,000,000	36,111,168	0.57
The Hong Kong Mortgage Corp Ltd-2.45%	01/03/2029	70,000,000	70,598,220	1.11
The Hong Kong Mortgage Corp Ltd-2.47%	15/03/2029	65,000,000	65,620,165	1.03
The Hong Kong Mortgage Corp Ltd-3.2%	16/10/2028	60,000,000	64,027,020	1.00
The Hong Kong Mortgage Corp Ltd-4.525%	02/09/2020	57,000,000	57,837,216	0.91
The Hong Kong Mortgage Corp Ltd-4.91%	07/12/2020	20,000,000	20,480,640	0.32
The Hong Kong Mortgage Corp Ltd-5.056%	05/10/2022	7,000,000	7,523,320	0.12
The Link Finance (Cayman) 2009 Ltd-3.2%	06/09/2021	4,000,000	4,034,832	0.06
Toyota Motor Finance (Netherlands) BV-2.64%	21/02/2024	50,000,000	49,892,100	0.78
Urban Renewal Authority-1.64%	11/05/2020	3,000,000	2,992,296	0.05
Urban Renewal Authority-2.15%	10/05/2023	28,000,000	27,878,592	0.44
Urban Renewal Authority-2.92%	27/01/2021	62,000,000	62,384,958	0.98
Wells Fargo & Co-3%	05/06/2025	30,500,000	30,653,629	0.48
Westpac Banking Corp-2.18%	15/07/2022	17,000,000	16,931,116	0.26
Westpac Banking Corp-2.31%	13/10/2022	30,000,000	29,975,640	0.47
Westpac Banking Corp-2.84%	20/02/2024	20,000,000	20,394,000	0.32
Westpac Banking Corp-3.52%	11/10/2023	26,000,000	27,133,054	0.42
			4,287,946,636	67.12

Principal Hong Kong Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Non-certificates of deposit</b> <i>(continued)</i>				
<i>Denominated in United States Dollar</i>				
AIA Group Ltd-3.125%	13/03/2023	5,000,000	39,663,955	0.62
Alibaba Group Holding Ltd-3.4%	06/12/2027	2,000,000	16,227,572	0.25
Alibaba Group Holding Ltd-3.6%	28/11/2024	4,000,000	32,811,899	0.51
Burlington Northern Santa Fe Llc-6.875%	01/12/2027	170,000	1,706,773	0.03
CLP Power Hong Kong Financing Ltd-2.875%	26/04/2023	955,000	7,517,889	0.12
CNOOC Nexen Finance (2014) ULC-4.25%	30/04/2024	3,000,000	24,961,413	0.39
HSBC Holdings Plc-3.9%	25/05/2026	7,000,000	58,148,993	0.91
JPMorgan Chase & Co-Floating	01/02/2028	5,000,000	41,989,078	0.66
Sinopec Group Overseas Development 2017 Ltd-3.25%	13/09/2027	5,000,000	39,928,415	0.63
State Grid Overseas Investment 2016 Ltd-3.5%	04/05/2027	6,000,000	48,919,981	0.77
Tencent Holdings Ltd-2.985%	19/01/2023	4,000,000	31,630,146	0.50
The Link Finance (Cayman) 2009 Ltd-2.875%	21/07/2026	1,000,000	7,753,089	0.12
United States Treasury Note/Bond-1.5%	15/08/2026	5,000,000	38,184,115	0.60
United States Treasury Note/Bond-1.625%	15/02/2026	7,000,000	54,032,697	0.85
United States Treasury Note/Bond-1.625%	15/05/2026	6,000,000	46,251,691	0.72
United States Treasury Note/Bond-2.25%	15/11/2027	3,000,000	24,026,575	0.38
United States Treasury Note/Bond-2.25%	15/08/2049	4,000,000	30,302,737	0.47
United States Treasury Note/Bond-2.375%	15/11/2049	9,000,000	70,050,998	1.10
United States Treasury Note/Bond-2.5%	15/05/2046	2,000,000	15,940,450	0.25
			630,048,466	9.88
<b>Total non-certificates of deposit</b>			4,917,995,102	77.00
<b>Total listed/quoted debt instruments</b>			6,295,480,933	98.56
<b>Total investments</b>			6,295,480,933	98.56
<b>Other net assets</b>			92,119,578	1.44
<b>Total net asset value</b>			6,387,600,511	100.00
<b>Total cost of investments</b>			6,268,242,222	
* 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 2019 *(continued)*

Principal Hong Kong Dollar Savings Fund				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b>				
<b>Certificates of deposit</b>				
<i>Denominated in Hong Kong Dollar</i>				
Agricultural Bank of China Ltd Hong Kong Branch-2.1%	28/02/2020	10,000,000	9,990,950	0.29
Agricultural Bank of China Ltd Hong Kong Branch-2.23%	28/05/2020	90,000,000	89,864,190	2.60
Agricultural Bank of China Ltd Hong Kong Branch-2.35%	16/12/2020	94,000,000	93,954,128	2.71
Agricultural Bank of China Ltd-2%	04/03/2020	22,000,000	21,974,810	0.63
Agricultural Bank of China Ltd-2.52%	19/01/2021	15,000,000	14,977,545	0.43
Bank of China Macau Branch-2%	05/06/2020	19,000,000	18,943,817	0.55
Bank of China Macau Branch-2.34%	15/10/2020	69,000,000	68,838,816	1.99
Bank of China Ltd-3.75%	27/07/2020	16,000,000	16,101,472	0.47
Bank of China Ltd-3.9%	31/05/2021	28,000,000	28,500,752	0.82
Bank of Communications Co Ltd Hong Kong Branch-2.58%	29/01/2021	5,500,000	5,498,515	0.16
Bank of Communications Co Ltd Hong Kong Branch-2.8%	15/03/2021	10,000,000	10,019,870	0.29
Bank of Communications Co Ltd Sydney Branch-2%	29/05/2020	4,000,000	3,989,176	0.12
China Construction Bank Corp Singapore Branch-2.2%	13/01/2020	93,500,000	93,486,630	2.70
China Development Bank Corp-1.85%	05/07/2020	40,000,000	39,847,880	1.15
China Development Bank Corp-3.91%	18/05/2020	25,000,000	25,115,400	0.73
China Merchants Bank Co Ltd-Floating	11/01/2021	20,000,000	20,000,000	0.58
CMB Wing Lung Bank Ltd-2%	23/07/2020	117,500,000	117,092,274	3.37
Dah Sing Bank Ltd-2.04%	27/02/2020	9,000,000	8,991,117	0.26
Dah Sing Bank Ltd-2.18%	18/05/2020	10,000,000	9,982,020	0.29
Dah Sing Bank Ltd-2.35%	09/01/2020	75,000,000	74,995,500	2.17
DBS Bank (Hong Kong) Ltd-3.92%	21/01/2020	7,000,000	7,004,788	0.20
Fubon Bank (Hong Kong) Ltd-2.4%	03/04/2020	29,000,000	28,965,693	0.84
Hang Seng Bank Ltd-2.105%	07/05/2020	123,000,000	122,821,649	3.54
Hang Seng Bank Ltd-2.25%	11/05/2020	3,000,000	2,997,270	0.09
Hang Seng Bank Ltd-3%	28/05/2021	38,000,000	38,299,516	1.11
Industrial & Commercial Bank of China Ltd Sydney Branch-2.5%	24/01/2020	115,000,000	114,982,865	3.31
Mizuho Bank Ltd-2.3%	16/02/2020	3,500,000	3,498,404	0.10
Mizuho Bank Ltd-3.2%	22/10/2021	13,000,000	13,171,600	0.38
MUFG Bank Ltd-2.76%	28/03/2022	20,000,000	20,137,400	0.58
OCBC Wing Hang Bank Ltd-3.2%	09/06/2021	26,000,000	26,317,122	0.76
The Bank of East Asia Ltd-2.28%	04/06/2020	27,000,000	26,963,875	0.78
United Overseas Bank Ltd-2.315%	03/04/2020	14,000,000	13,985,875	0.40
<b>Total certificates of deposit</b>		1,191,310,919		34.40
<b>Non-certificates of deposit</b>				
<i>Denominated in Hong Kong Dollar</i>				
Australia & New Zealand Banking Group Ltd-2.16%	17/12/2020	30,000,000	29,860,290	0.86
Bank of China Ltd-2.45%	17/04/2021	19,000,000	18,980,392	0.55
Bank of China Ltd-2.85%	07/06/2020	29,000,000	29,023,461	0.84
Bank of China Ltd-3.3%	20/11/2020	51,500,000	51,823,420	1.50
Bank of Communications Co Ltd Hong Kong Branch-2.95%	18/05/2020	65,000,000	65,062,530	1.88
BNZ International Funding Ltd-2.06%	22/06/2021	34,000,000	33,624,130	0.97
BNZ International Funding Ltd-2.32%	31/03/2021	57,000,000	56,638,278	1.64
CLP Power Hong Kong Financing Ltd-3.93%	20/09/2021	16,000,000	16,376,256	0.47

Principal Hong Kong Dollar Savings Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments <i>(continued)</i></b>				
<b>Non-certificates of deposit <i>(continued)</i></b>				
<i>Denominated in Hong Kong Dollar <i>(continued)</i></i>				
Commonwealth Bank of Australia-1.74%	30/10/2020	20,000,000	19,850,780	0.57
Eastern Creation II Investment Holdings Ltd-2.8%	13/02/2020	30,000,000	29,967,750	0.87
HKCG (Finance) Ltd-3.3%	16/05/2022	35,000,000	35,642,985	1.03
Hongkong Land Notes Co Ltd-4.24%	19/03/2020	8,000,000	8,028,280	0.23
IFC Development (Corporate Treasury) Ltd-3.4%	26/03/2020	14,000,000	14,022,526	0.41
Industrial & Commercial Bank of China (Asia) Ltd-3%	21/06/2020	16,500,000	16,530,410	0.48
Industrial and Commercial Bank of China Ltd-2.2%	16/09/2021	5,000,000	4,955,105	0.14
Korea Development Bank-2.17%	25/10/2020	8,000,000	7,976,464	0.23
Korea National Oil Corp-2.18%	29/01/2020	5,000,000	4,997,510	0.14
Korea National Oil Corp-3.95%	10/02/2022	35,000,000	35,867,930	1.04
Kowloon-Canton Railway Corp-3.82%	09/07/2021	7,000,000	7,137,977	0.21
Mizuho Bank Ltd-3.174%	25/06/2021	45,000,000	45,445,005	1.31
MTR Corp (C.I.) Ltd-2.56%	02/05/2021	11,000,000	11,042,064	0.32
MTR Corp (C.I.) Ltd-4.28%	06/07/2020	28,000,000	28,279,552	0.82
MTR Corp (C.I.) Ltd-4.75%	11/05/2020	5,000,000	5,042,195	0.15
National Australia Bank Ltd-1.72%	24/08/2020	17,000,000	16,885,029	0.49
Royal Bank of Canada-2.555%	18/03/2022	39,000,000	39,050,349	1.13
Sinopec Century Bright Capital Investment Ltd-3.15%	31/10/2020	59,100,000	59,369,378	1.71
Sun Hung Kai Properties (Capital Market) Ltd-3.65%	20/07/2020	37,000,000	37,200,873	1.07
Sun Hung Kai Properties (Capital Market) Ltd-3.9%	18/03/2021	20,000,000	20,321,220	0.59
Sun Hung Kai Properties (Capital Market) Ltd-4.05%	24/02/2021	51,000,000	51,856,953	1.50
Tencent Holdings Ltd-2.9%	21/04/2020	7,000,000	6,999,041	0.20
The Export-Import Bank of Korea-2.405%	26/10/2022	6,000,000	5,993,112	0.17
The Hong Kong Mortgage Corp Ltd-1.83%	14/02/2020	13,000,000	12,990,978	0.38
The Hong Kong Mortgage Corp Ltd-1.96%	16/03/2020	21,000,000	20,980,848	0.61
The Hong Kong Mortgage Corp Ltd-2.04%	24/09/2020	15,500,000	15,473,526	0.45
The Hong Kong Mortgage Corp Ltd-2.05%	15/02/2021	25,000,000	24,946,125	0.72
The Hong Kong Mortgage Corp Ltd-2.31%	12/04/2021	15,000,000	15,011,490	0.43
The Hong Kong Mortgage Corp Ltd-2.4%	27/09/2021	4,000,000	4,012,352	0.12
The Hong Kong Mortgage Corp Ltd-5.4%	31/05/2021	6,000,000	6,252,234	0.18
The Link Finance (Cayman) 2009 Ltd-4.15%	11/03/2020	28,000,000	28,073,724	0.81
Toyota Finance Australia Ltd-2.13%	20/10/2022	10,000,000	9,853,960	0.28
UBS AG-3.15%	13/08/2021	8,000,000	8,057,712	0.23
Urban Renewal Authority-1.65%	17/01/2020	1,000,000	999,648	0.03
Westpac Banking Corp-1.98%	28/05/2020	6,000,000	5,987,609	0.17
<b>Total non-certificates of deposit</b>			966,491,451	27.93
<b>Total listed/quoted debt instruments</b>			2,157,802,370	62.33
<b>Total investments</b>			2,157,802,370	62.33
<b>Other net assets</b>			1,303,989,848	37.67
<b>Total net asset value</b>			3,461,792,218	100.00
<b>Total cost of investments</b>			2,165,068,747	
* 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 2019 *(continued)*

Principal Hong Kong Equity Fund			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares</b>			
<i>China</i>			
Air China Ltd-H	2,770,000	21,910,700	0.20
Alibaba Group Holding Ltd	330,200	68,417,440	0.61
ANTA Sports Products Ltd	1,307,000	91,163,250	0.82
Bank of China Ltd-H	17,337,000	57,732,210	0.52
China Aoyuan Group Ltd	6,460,000	82,042,000	0.74
China Construction Bank Corp-H	94,261,570	634,380,366	5.69
China Hongqiao Group Ltd	24,351,500	114,452,050	1.03
China Lesso Group Holdings Ltd	8,899,000	88,901,010	0.80
China Life Insurance Co Ltd-H	10,001,000	216,521,650	1.94
China Medical System Holdings Ltd	11,610,000	130,264,200	1.17
China Merchants Bank Co Ltd-H	2,461,000	98,563,050	0.88
China Mobile Ltd	1,853,493	121,403,792	1.09
China National Accord Medicines Corp Ltd-A	311,398	15,790,346	0.14
China Petroleum & Chemical Corp-H	9,443,200	44,288,608	0.40
China Railway Construction Corp Ltd-H	19,922,500	169,938,925	1.53
China Resources Cement Holdings Ltd	7,258,000	71,999,360	0.65
China Resources Power Holdings Co Ltd	8,140,000	89,051,600	0.80
China Shenhua Energy Co Ltd-H	1,757,500	28,612,100	0.26
China Unicom (Hong Kong) Ltd	4,160,000	30,534,400	0.27
China Yongda Automobiles Services Holdings Ltd	4,613,000	32,752,300	0.29
CNOOC Ltd	18,226,000	236,208,960	2.12
CRRC Corp Ltd-H	20,952,000	119,007,360	1.07
CSPC Pharmaceutical Group Ltd	6,638,000	123,334,040	1.11
ENN Energy Holdings Ltd	1,200,000	102,180,000	0.92
Far East Horizon Ltd	6,630,000	48,399,000	0.43
Fujian Star-net Communication Co Ltd-A	1,005,338	39,964,707	0.36
Gree Electric Appliances Inc of Zhuhai-A	816,822	59,882,734	0.54
Hua Hong Semiconductor Ltd	4,655,000	82,486,600	0.74
Haitong Securities Co Ltd-H	5,182,800	71,418,984	0.64
Industrial & Commercial Bank of China Ltd-H	68,747,000	412,482,000	3.70
JD.com Inc-ADR	204,095	55,993,486	0.50
Jiangxi Copper Co Ltd-H	3,198,000	34,282,560	0.31
KWG Group Holdings Ltd	7,266,500	79,350,180	0.71
Lens Technology Co Ltd-A	2,213,900	34,203,364	0.31
Meituan Dianping-B	4,608,600	469,616,340	4.22
Metallurgical Corp of China Ltd-A	7,744,414	24,240,935	0.22
NetEase Inc-ADR	17,110	40,857,455	0.37
New Oriental Education & Technology Group Inc-ADR	69,942	66,040,795	0.59
Nine Dragons Paper (Holdings) Ltd	3,700,000	29,970,000	0.27
PICC Property & Casualty Co Ltd-H	17,256,000	162,033,840	1.45
Ping An Insurance (Group) Co of China Ltd-H	4,234,000	389,951,400	3.50
Postal Savings Bank of China Co Ltd-H	26,230,000	139,019,000	1.25
Shenzhen International Holdings Ltd	2,205,000	37,749,600	0.34
Shenzhen Mindray Bio-Medical Electronics Co Ltd-A	270,033	54,910,111	0.49
Shenzhen Overseas Chinese Town Co Ltd-A	2,743,400	23,890,727	0.21
Shimao Property Holdings Ltd	7,484,500	226,031,900	2.03
Sunac China Holdings Ltd	6,679,000	310,907,450	2.79
Sunny Optical Technology (Group) Co Ltd	901,200	121,571,880	1.09
Tencent Holdings Ltd	2,764,235	1,038,246,665	9.32
Tencent Music Entertainment Group-ADR	279,776	25,578,263	0.23
Tianneng Power International Ltd	11,004,000	65,253,720	0.59
Times China Holdings Ltd	2,434,000	37,824,360	0.34
Times Neighborhood Holdings Ltd	3,535,156	17,145,507	0.15
Tingyi (Cayman Islands) Holding Corp	2,478,000	32,957,400	0.30
Tongcheng-Elong Holdings Ltd	4,371,600	61,114,968	0.55
Vipshop Holdings Ltd-ADR	1,014,205	111,914,947	1.00
Yanzhou Coal Mining Co Ltd-H	2,336,000	16,352,000	0.15
Zoomlion Heavy Industry Science & Technology Co Ltd-H	5,336,000	34,844,080	0.31
		7,245,936,675	65.05

Principal Hong Kong Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares <i>(continued)</i></b>			
<i>Hong Kong</i>			
AIA Group Ltd	7,732,800	632,543,040	5.68
ASM Pacific Technology Ltd	982,700	106,229,870	0.95
BOC Hong Kong (Holdings) Ltd	8,871,500	239,974,075	2.15
CITIC Telecom International Holdings Ltd	51,423,000	146,041,320	1.31
CK Asset Holdings Ltd	2,486,829	139,884,131	1.26
CK Infrastructure Holdings Ltd	393,500	21,819,575	0.20
CLP Holdings Ltd	1,938,500	158,763,150	1.43
Hong Kong Exchanges & Clearing Ltd	995,300	251,810,900	2.26
Hongkong Land Holdings Ltd	938,400	42,019,254	0.38
HSBC Holdings Plc	11,266,500	685,566,524	6.15
Jardine Matheson Holdings Ltd	120,878	52,337,690	0.47
Link REIT	1,208,000	99,660,000	0.89
Melco International Development Ltd	3,620,000	79,278,000	0.71
NagaCorp Ltd	13,912,000	189,203,200	1.70
New World Development Co Ltd	10,475,000	111,873,000	1.00
Pacific Basin Shipping Ltd	85,847,000	140,789,080	1.26
Sun Hung Kai Properties Ltd	1,593,859	190,147,379	1.71
The Hong Kong & China Gas Co Ltd	4,236,000	64,471,920	0.58
Venus MedTech (Hangzhou) Inc-H	4,000	150,000	0.00
WH Group Ltd	18,525,000	149,126,250	1.34
Wheelock & Co Ltd	1,439,000	74,756,051	0.67
		3,576,444,409	32.10
<b>Total listed shares</b>		10,822,381,084	97.15
<b>Delisted shares</b>			
<i>Hong Kong</i>			
Moulin Global Eyecare Holdings Ltd	514,000	-	-
<b>Total delisted shares</b>		-	-
<b>Total investments</b>		10,822,381,084	97.15
<b>Other net assets</b>		317,869,150	2.85
<b>Total net asset value</b>		11,140,250,234	100.00
<b>Total cost of investments</b>		9,981,511,816	

\* 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 2019 (continued)

Principal International Bond Fund				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b>				
<b>Non-certificates of deposit</b>				
<i>Denominated in Australian Dollar</i>				
Australia Government-3.25%	21/04/2029	1,475,000	9,368,837	0.18
Australia Government-4.5%	15/04/2020	2,225,000	12,266,096	0.23
			21,634,933	0.41
<i>Denominated in British Pound</i>				
American International Group Inc-5%	26/04/2023	1,000,000	11,400,063	0.22
Anheuser-Busch InBev SA/NV-4%	24/09/2025	1,750,000	20,344,378	0.39
Apple Inc-3.05%	31/07/2029	1,750,000	20,457,773	0.39
BAT. International Finance Plc-6%	24/11/2034	1,500,000	19,858,554	0.38
BNG Bank NV-5.2%	07/12/2028	200,000	2,723,631	0.05
BNP Paribas SA-1.125%	16/08/2022	1,000,000	10,264,397	0.19
BPCE-5.25%	16/04/2029	1,700,000	21,407,089	0.41
Cooperatieve Rabobank U.A.-2.25%	23/03/2022	1,000,000	10,515,935	0.20
ING Bank NV-5.375%	15/04/2021	500,000	5,399,169	0.10
Lloyds Bank Plc-2.5%	01/06/2022	500,000	5,285,089	0.10
The Goldman Sachs Group Inc-5.5%	12/10/2021	500,000	5,493,757	0.10
The United Kingdom-1.5%	22/07/2026	1,000,000	10,796,968	0.20
The United Kingdom-1.625%	22/10/2028	2,400,000	26,379,285	0.50
The United Kingdom-3.25%	22/01/2044	3,550,000	50,491,025	0.96
The United Kingdom-4.25%	07/06/2032	1,100,000	15,546,831	0.29
The United Kingdom-4.25%	07/03/2036	240,000	3,570,478	0.07
			239,934,422	4.55
<i>Denominated in Canadian Dollar</i>				
AT&T Inc-2.85%	25/05/2024	1,900,000	11,368,315	0.22
Bell Canada-3.35%	22/03/2023	750,000	4,599,061	0.09
Manulife Financial Corp-Floating	22/08/2029	1,800,000	10,939,215	0.21
Ontario Electricity Financial Corp-10%	06/02/2020	500,000	3,005,929	0.06
Province Of British Columbia-5.7%	18/06/2029	275,000	2,114,859	0.04
Province of Ontario-2.6%	02/06/2025	4,000,000	24,484,868	0.46
Province of Ontario-2.9%	02/12/2046	2,600,000	16,648,352	0.32
Province of Quebec Canada-3.5%	01/12/2045	750,000	5,326,852	0.10
Province of Quebec Canada-4.25%	01/12/2021	3,700,000	23,085,822	0.44
Province of Quebec Canada-4.5%	01/12/2020	1,000,000	6,114,472	0.12
Rogers Communications Inc-6.11%	25/08/2040	800,000	6,324,619	0.12
The Toronto-Dominion Bank-Floating	04/03/2031	1,750,000	11,569,159	0.22
TransCanada PipeLines Ltd-3.3%	17/07/2025	1,850,000	11,428,501	0.22
TransCanada PipeLines Ltd-3.69%	19/07/2023	500,000	3,107,916	0.06
Wells Fargo & Co-3.874%	21/05/2025	750,000	4,649,697	0.09
Winnipeg City of-5.9%	02/02/2029	125,000	947,555	0.02
			145,715,192	2.79
<i>Denominated in Czech Koruna</i>				
Czech Republic Government-2.4%	17/09/2025	6,000,000	2,151,372	0.04
<i>Denominated in Danish Krone</i>				
Denmark Government-0.5%	15/11/2027	6,250,000	7,759,919	0.15
Denmark Government-1.75%	15/11/2025	5,525,000	7,276,468	0.14
Denmark Government-4.5%	15/11/2039	500,000	1,089,672	0.02
			16,126,059	0.31

Principal International Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments (continued)</b>				
<b>Non-certificates of deposit (continued)</b>				
<i>Denominated in Euro</i>				
Anheuser-Busch InBev SA/NV-1.5%	17/03/2025	700,000	6,538,138	0.12
Anheuser-Busch InBev SA/NV-1.5%	18/04/2030	5,300,000	49,603,033	0.94
Anheuser-Busch InBev SA/NV-2.875%	25/09/2024	250,000	2,474,712	0.05
Apple Inc-1.375%	17/01/2024	800,000	7,373,950	0.14
AT&T Inc-1.95%	15/09/2023	1,200,000	11,081,050	0.21
AT&T Inc-2.75%	19/05/2023	500,000	4,727,839	0.09
AT&T Inc-3.15%	04/09/2036	1,000,000	10,199,777	0.19
Bank of America Corp-Floating	04/05/2027	1,000,000	9,406,202	0.18
BAT. International Finance Plc-0.875%	13/10/2023	1,700,000	15,106,852	0.29
Becton Dickinson & Co-1%	15/12/2022	800,000	7,132,270	0.14
Bundesrepublik Deutschland Bundesanleihe-1.25%	15/08/2048	4,500,000	49,292,046	0.94
Bundesrepublik Deutschland Bundesanleihe-2.5%	15/08/2046	375,000	5,128,371	0.10
Bundesrepublik Deutschland Bundesanleihe-4%	04/01/2037	630,000	9,164,356	0.17
Bundesrepublik Deutschland Bundesanleihe-4.75%	04/07/2034	2,250,000	33,339,455	0.63
Cooperatieve Rabobank U.A.-4.125%	14/07/2025	900,000	9,573,239	0.18
Daimler AG-2.375%	08/03/2023	500,000	4,675,465	0.09
Electricite de France SA-4%	12/11/2025	250,000	2,667,529	0.05
Electricite de France SA-4.125%	25/03/2027	1,000,000	11,063,816	0.21
Electricite de France-4.625%	11/09/2024	700,000	7,387,579	0.14
France Government OAT-1.75%	25/11/2024	6,500,000	62,620,308	1.19
France Government OAT-4.5%	25/04/2041	1,000,000	15,421,343	0.29
HSBC France-1.875%	16/01/2020	500,000	4,366,576	0.08
Imperial Brands Finance Plc-2.25%	26/02/2021	500,000	4,453,332	0.08
Imperial Brands Finance Plc-3.375%	26/02/2026	1,000,000	9,839,979	0.19
Ireland Government-2%	18/02/2045	150,000	1,670,807	0.03
Ireland Government-3.4%	18/03/2024	4,875,000	49,218,409	0.93
Ireland Government-4.5%	18/04/2040	900,000	7,966,252	0.15
Italy Buoni Poliennali Del Tesoro-2.15%	15/12/2020	3,025,000	27,515,648	0.52
Italy Buoni Poliennali Del Tesoro-3.25%	01/09/2046	250,000	2,575,582	0.05
Italy Buoni Poliennali Del Tesoro-3.75%	01/08/2021	795,000	7,358,400	0.14
Italy Buoni Poliennali Del Tesoro-5%	01/08/2034	500,000	6,127,779	0.12
Italy Buoni Poliennali Del Tesoro-5.25%	01/11/2029	600,000	7,105,362	0.13
Italy Buoni Poliennali Del Tesoro-5.5%	01/11/2022	3,500,000	35,130,413	0.67
JPMorgan Chase & Co-1.375%	16/09/2021	500,000	4,478,184	0.08
Kingdom of Belgium Government-0.8%	22/06/2025	4,000,000	36,942,769	0.70
Kingdom of Belgium Government-3.75%	28/09/2020	50,000	450,393	0.01
Kingdom of Belgium Government-4.25%	28/09/2022	2,725,000	26,941,208	0.51
Molson Coors Brewing Co-1.25%	15/07/2024	1,100,000	9,850,468	0.19
Morgan Stanley-2.375%	31/03/2021	500,000	4,500,252	0.09
Nationwide Building Society-Floating	08/03/2026	2,200,000	20,085,560	0.38
Natwest Markets Plc-5.5%	23/03/2020	750,000	6,626,632	0.13
Netherlands Government-2.25%	15/07/2022	1,175,000	10,999,298	0.21
Netherlands Government-2.5%	15/01/2033	150,000	1,720,299	0.03
Netherlands Government-2.75%	15/01/2047	150,000	2,122,136	0.04
Netherlands Government-5.5%	15/01/2028	1,125,000	14,314,084	0.27
Orange SA-2.5%	01/03/2023	500,000	4,707,176	0.09
Southern Power Co-1.85%	20/06/2026	1,000,000	9,467,267	0.18
Spain Government-3.8%	30/04/2024	750,000	7,647,974	0.15
Spain Government-4.4%	31/10/2023	3,000,000	30,766,297	0.58
Spain Government-5.15%	31/10/2044	250,000	4,032,163	0.08
Spain Government-6%	31/01/2029	2,325,000	30,443,031	0.58
The Goldman Sachs Group Inc-2.625%	19/08/2020	1,000,000	8,885,249	0.17
The Goldman Sachs Group Inc-3.25%	01/02/2023	500,000	4,776,488	0.09
The Procter & Gamble Co-2%	16/08/2022	500,000	4,613,178	0.09
Tyco Electronics Group SA-1.1%	01/03/2023	500,000	4,480,889	0.09
Zimmer Biomet Holdings Inc-2.425%	13/12/2026	1,000,000	9,577,828	0.18
			755,734,692	14.35



**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Non-certificates of deposit</b> <i>(continued)</i>				
<i>Denominated in Japanese Yen</i>				
Banco Santander SA-0.543%	09/12/2020	300,000,000	21,493,912	0.41
BNP Paribas SA-1.087%	02/03/2027	200,000,000	14,450,588	0.27
BPCE-0.64%	27/01/2022	100,000,000	7,184,725	0.14
BPCE-1.8%	13/07/2026	300,000,000	21,991,749	0.42
Citigroup Inc-2.24%	09/12/2022	100,000,000	7,550,270	0.14
Citigroup Inc-2.36%	16/09/2025	100,000,000	7,908,312	0.15
Citigroup Inc-2.4%	31/10/2025	290,000,000	22,776,718	0.43
Cooperatieve Rabobank U.A.-0.38%	22/05/2020	100,000,000	7,170,478	0.14
Cooperatieve Rabobank U.A.-1.362%	02/11/2022	100,000,000	7,364,638	0.14
Corning Inc-0.698%	09/08/2024	400,000,000	28,478,557	0.54
Credit Agricole SA-0.435%	26/06/2020	100,000,000	7,174,785	0.14
Credit Agricole SA-0.443%	09/06/2022	400,000,000	28,633,725	0.54
Credit Agricole SA-0.839%	09/06/2027	400,000,000	28,676,981	0.54
General Electric Co-1.244%	20/09/2023	100,000,000	7,012,394	0.13
HSBC Holdings Plc-1.207%	25/09/2026	200,000,000	14,810,228	0.28
Japan Government 20 Year Bond-1.4%	20/09/2034	1,280,000,000	108,572,889	2.06
Japan Government 20 Year Bond-1.5%	20/03/2034	930,100,000	79,590,016	1.51
Japan Government 30 Year Bond-0.9%	20/09/2048	1,295,000,000	105,201,253	2.00
Japan Government 40 Year Bond-0.8%	20/03/2058	300,000,000	24,200,457	0.46
Lloyds Banking Group Plc-0.482%	14/12/2023	100,000,000	7,106,582	0.13
Nordea Bank AB-0.312%	04/06/2020	100,000,000	7,170,098	0.14
			564,519,355	10.71
<i>Denominated in New Zealand Dollar</i>				
New Zealand Government-2.75%	15/04/2025	575,000	3,227,148	0.06
New Zealand Government-3%	15/04/2020	200,000	1,054,314	0.02
			4,281,462	0.08
<i>Denominated in Norwegian Krone</i>				
Norway Government-1.5%	19/02/2026	600,000	533,170	0.01
Norway Government-1.75%	06/09/2029	27,800,000	24,993,081	0.47
			25,526,251	0.48
<i>Denominated in Polish Zloty</i>				
Poland Government-3.25%	25/07/2025	1,000,000	2,191,331	0.04
Poland Government-5.25%	25/10/2020	825,000	1,748,470	0.03
			3,939,801	0.07
<i>Denominated in Singapore Dollar</i>				
Singapore Government-3%	01/09/2024	400,000	2,463,137	0.05
SP PowerAssets Ltd-4.665%	18/08/2020	250,000	1,471,405	0.03
			3,934,542	0.08
<i>Denominated in Swedish Krona</i>				
Sweden Government-1.5%	13/11/2023	5,700,000	5,066,303	0.10
<i>Denominated in Swiss Franc</i>				
Switzerland Government-2.5%	08/03/2036	1,225,000	14,234,846	0.27
Switzerland Government-3.5%	08/04/2033	125,000	1,520,845	0.03
			15,755,691	0.30

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Non-certificates of deposit</b> <i>(continued)</i>				
<i>Denominated in Thai Baht</i>				
Thailand Government-5.67%	13/03/2028	10,000,000	3,461,926	0.07
<i>Denominated in United States Dollar</i>				
Abbott Laboratories-3.75%	30/11/2026	200,000	1,701,784	0.03
Abbott Laboratories-4.9%	30/11/2046	265,000	2,712,185	0.05
AbbVie Inc-4.875%	14/11/2048	45,000	404,868	0.01
AEP Texas Inc-4.15%	01/05/2049	110,000	950,788	0.02
Altria Group Inc-4%	31/01/2024	700,000	5,784,334	0.11
Altria Group Inc-5.8%	14/02/2039	110,000	1,007,819	0.02
American International Group Inc-3.9%	01/04/2026	1,080,000	9,033,998	0.17
American International Group Inc-4.5%	16/07/2044	355,000	3,188,962	0.06
Anheuser-Busch Cos LLC / Anheuser-Busch InBev Worldwide Inc-3.65%	01/02/2026	120,000	996,690	0.02
Anheuser-Busch Cos LLC / Anheuser-Busch InBev Worldwide Inc-4.9%	01/02/2046	270,000	2,493,940	0.05
Anheuser-Busch InBev Finance Inc-3.7%	01/02/2024	160,000	1,321,238	0.03
Anheuser-Busch InBev Worldwide Inc- 4.375%	15/04/2038	185,000	1,618,422	0.03
Anheuser-Busch InBev Worldwide Inc- 5.45%	23/01/2039	270,000	2,645,977	0.05
Anheuser-Busch InBev Worldwide Inc- 5.55%	23/01/2049	410,000	4,148,500	0.08
Apple Inc-2.75%	13/01/2025	575,000	4,627,075	0.09
Apple Inc-3%	09/02/2024	790,000	6,389,257	0.12
Apple Inc-3.2%	13/05/2025	60,000	493,732	0.01
Apple Inc-3.35%	09/02/2027	525,000	4,354,891	0.08
Apple Inc-4.25%	09/02/2047	120,000	1,118,927	0.02
Arch Capital Finance Llc-4.011%	15/12/2026	590,000	5,046,809	0.10
Arch Capital Finance Llc-5.031%	15/12/2046	115,000	1,120,003	0.02
AT&T Inc-4.05%	15/12/2023	105,000	876,210	0.02
AT&T Inc-4.3%	15/02/2030	803,000	6,948,591	0.13
AT&T Inc-4.35%	01/03/2029	270,000	2,339,168	0.04
AT&T Inc-4.9%	15/08/2037	405,000	3,631,473	0.07
AT&T Inc-5.375%	15/10/2041	360,000	3,335,948	0.06
AT&T Inc-5.7%	01/03/2057	190,000	1,910,577	0.04
Baidu Inc-3.875%	29/09/2023	1,100,000	8,926,038	0.17
Bank of America Corp-4.1%	24/07/2023	215,000	1,785,955	0.03
Bank of America Corp-4.2%	26/08/2024	415,000	3,470,321	0.07
Bank of America Corp-4.25%	22/10/2026	170,000	1,444,078	0.03
Bank of America Corp-Floating	17/05/2022	850,000	6,752,278	0.13
Bank of America Corp-Floating	15/03/2025	410,000	3,334,232	0.06
Bank of America Corp-Floating	23/07/2029	255,000	2,207,232	0.04
Bank of America Corp-Floating	07/02/2030	415,000	3,548,058	0.07
BAT Capital Corp-3.222%	15/08/2024	190,000	1,513,456	0.03
BAT Capital Corp-4.54%	15/08/2047	125,000	978,996	0.02
Becton Dickinson & Co-2.894%	06/06/2022	470,000	3,721,029	0.07
Becton Dickinson & Co-3.363%	06/06/2024	245,000	1,987,170	0.04
Becton Dickinson & Co-3.7%	06/06/2027	180,000	1,491,723	0.03
Becton Dickinson & Co-4.685%	15/12/2044	212,000	1,932,097	0.04
Bell Canada Inc-4.3%	29/07/2049	195,000	1,720,178	0.03
Boston Scientific Corp-4%	01/03/2029	270,000	2,327,019	0.04
Boston Scientific Corp-4.7%	01/03/2049	200,000	1,895,349	0.04
BP Capital Markets America Inc-3.41%	11/02/2026	210,000	1,742,470	0.03
BP Capital Markets America Inc-4.234%	06/11/2028	100,000	880,796	0.02
Bristol-Myers Squibb Co-2.6%	16/05/2022	180,000	1,425,084	0.03
Bristol-Myers Squibb Co-2.875%	15/08/2020	300,000	2,349,310	0.04
Bristol-Myers Squibb Co-2.9%	26/07/2024	185,000	1,487,632	0.03
Bristol-Myers Squibb Co-3.4%	26/07/2029	375,000	3,125,348	0.06
Bristol-Myers Squibb Co-4.125%	15/06/2039	270,000	2,426,915	0.05
Bristol-Myers Squibb Co-4.25%	26/10/2049	340,000	3,143,567	0.06
Bristol-Myers Squibb Co-5.25%	15/08/2043	15,000	151,581	0.00

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Non-certificates of deposit</b> <i>(continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Brookfield Finance Inc-3.9%	25/01/2028	520,000	4,343,329	0.08
Brookfield Finance Inc-4%	01/04/2024	775,000	6,473,254	0.12
Brookfield Finance Inc-4.7%	20/09/2047	400,000	3,582,858	0.07
Burlington Northern Santa Fe Llc-5.4%	01/06/2041	175,000	1,763,410	0.03
Canadian Natural Resources Ltd-3.85%	01/06/2027	115,000	953,818	0.02
Cigna Corp-3.75%	15/07/2023	440,000	3,593,653	0.07
Cigna Corp-4.125%	15/11/2025	405,000	3,422,748	0.06
Cigna Corp-4.375%	15/10/2028	200,000	1,725,513	0.03
Cigna Corp-4.9%	15/12/2048	150,000	1,395,303	0.03
Citigroup Inc-4.65%	23/07/2048	150,000	1,461,107	0.03
Citigroup Inc-Floating	24/07/2028	200,000	1,660,495	0.03
Citigroup Inc-Floating	27/10/2028	110,000	901,926	0.02
CMS Energy Corp-3%	15/05/2026	155,000	1,240,584	0.02
CMS Energy Corp-4.875%	01/03/2044	375,000	3,488,003	0.07
Colombia Government-4%	26/02/2024	19,200,000	157,568,137	2.99
Colombia Government-4.375%	12/07/2021	15,000,000	120,462,516	2.29
Comcast Corp-3.15%	01/03/2026	450,000	3,673,943	0.07
Comcast Corp-3.95%	15/10/2025	115,000	977,416	0.02
Comcast Corp-4.15%	15/10/2028	890,000	7,806,449	0.15
Comcast Corp-4.2%	15/08/2034	230,000	2,044,165	0.04
Comcast Corp-4.6%	15/10/2038	580,000	5,385,103	0.10
Comcast Corp-4.7%	15/10/2048	190,000	1,826,967	0.03
Concho Resources Inc-4.375%	15/01/2025	165,000	1,328,312	0.03
Constellation Brands Inc-2.65%	07/11/2022	220,000	1,737,342	0.03
Constellation Brands Inc-4.4%	15/11/2025	250,000	2,127,471	0.04
Constellation Brands Inc-5.25%	15/11/2048	150,000	1,420,883	0.03
Continental Resources Inc-3.8%	01/06/2024	690,000	5,557,541	0.11
Continental Resources Inc-4.375%	15/01/2028	465,000	3,850,649	0.07
Continental Resources Inc-4.5%	15/04/2023	165,000	1,342,543	0.03
Continental Resources Inc-4.9%	01/06/2044	130,000	1,074,881	0.02
CSX Corp-4.75%	15/11/2048	100,000	945,023	0.02
CVS Health Corp-4.78%	25/03/2038	155,000	1,372,254	0.03
CVS Health Corp-4.875%	20/07/2035	65,000	582,214	0.01
CVS Health Corp-5.05%	25/03/2048	200,000	1,845,654	0.04
Dominion Energy Inc-4.25%	01/06/2028	435,000	3,748,151	0.07
DTE Energy Co-3.4%	15/06/2029	380,000	3,051,140	0.06
DTE Energy Co-6.375%	15/04/2033	120,000	1,223,752	0.02
Duke Energy Corp-2.65%	01/09/2026	1,200,000	9,390,381	0.18
DuPont de Nemours Inc-5.319%	15/11/2038	245,000	2,277,421	0.04
DuPont de Nemours Inc-5.419%	15/11/2048	80,000	768,697	0.01
Eli Lilly & Co-3.375%	15/03/2029	105,000	880,735	0.02
Enterprise Products Operating Llc-3.125%	31/07/2029	345,000	2,764,577	0.05
Enterprise Products Operating Llc-4.2%	31/01/2050	230,000	1,922,623	0.04
EQM Midstream Partners LP-4.75%	15/07/2023	2,000,000	15,624,500	0.30
Equinix Inc-5.375%	15/05/2027	1,100,000	9,303,085	0.18
Exelon Corp-3.497%	01/06/2022	100,000	799,802	0.02
Exxon Mobil Corp-2.222%	01/03/2021	605,000	4,739,188	0.09
First Republic Bank-2.5%	06/06/2022	750,000	5,898,120	0.11
First Republic Bank-4.625%	13/02/2047	250,000	2,221,909	0.04
Fox Corp-5.476%	25/01/2039	115,000	1,095,790	0.02
General Mills Inc-4.55%	17/04/2038	145,000	1,308,639	0.02
GNMA AE2153-3.5%	20/05/2043	286,826	2,365,888	0.04
GNMA AE9880-3%	15/05/2043	1,078,216	8,661,460	0.16
GNMA AV5049-3.5%	20/10/2046	2,858,545	23,268,638	0.44
GNMA AV7468-3.5%	20/09/2046	3,410,324	27,750,845	0.53
HSBC Holdings Plc-Floating	11/03/2025	1,800,000	14,715,467	0.28
Ingersoll-Rand Luxembourg Finance SA-3.8%	21/03/2029	220,000	1,839,935	0.03
International Paper Co-4.35%	15/08/2048	190,000	1,575,403	0.03
Johnson & Johnson-3.7%	01/03/2046	325,000	2,860,900	0.05

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Non-certificates of deposit</b> <i>(continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
JPMorgan Chase & Co-5.5%	15/10/2040	250,000	2,619,530	0.05
JPMorgan Chase & Co-Floating	01/04/2023	205,000	1,634,487	0.03
JPMorgan Chase & Co-Floating	06/05/2030	225,000	1,887,751	0.04
JPMorgan Chase & Co-Floating	15/11/2048	115,000	1,014,761	0.02
Keurig Dr Pepper Inc-3.551%	25/05/2021	480,000	3,817,791	0.07
KeyBank National Association-3.3%	01/02/2022	570,000	4,560,149	0.09
Kinder Morgan Energy Partners LP-4.7%	01/11/2042	410,000	3,411,278	0.06
Kinder Morgan Inc-5.55%	01/06/2045	350,000	3,243,684	0.06
Lam Research Corp-4.875%	15/03/2049	140,000	1,365,308	0.03
Lloyds Banking Group Plc-Floating	07/11/2023	2,420,000	19,129,586	0.36
Lockheed Martin Corp-2.9%	01/03/2025	290,000	2,348,899	0.04
Lockheed Martin Corp-4.09%	15/09/2052	130,000	1,187,898	0.02
Marathon Oil Corp-4.4%	15/07/2027	110,000	931,661	0.02
Marathon Oil Corp-6.6%	01/10/2037	370,000	3,676,291	0.07
Marathon Petroleum Corp-4.75%	15/09/2044	141,000	1,207,140	0.02
Markel Corp-3.5%	01/11/2027	310,000	2,500,948	0.05
Markel Corp-5%	05/04/2046	410,000	3,664,192	0.07
Markel Corp-5%	20/05/2049	150,000	1,376,588	0.03
McCormick & Co Inc-3.15%	15/08/2024	410,000	3,315,640	0.06
McDonald's Corp-2.75%	09/12/2020	575,000	4,508,392	0.09
Medtronic Inc-4.625%	15/03/2045	11,000	107,895	0.00
Mexico Government-4.125%	21/01/2026	8,000,000	66,535,548	1.26
Microsoft Corp-2.4%	08/08/2026	425,000	3,348,848	0.06
Microsoft Corp-3.7%	08/08/2046	545,000	4,799,071	0.09
Microsoft Corp-4.5%	06/02/2057	190,000	1,919,209	0.04
Morgan Stanley-5%	24/11/2025	485,000	4,254,307	0.08
Morgan Stanley-6.375%	24/07/2042	205,000	2,353,518	0.04
MPLX LP-3.5%	01/12/2022	190,000	1,523,408	0.03
MPLX LP-4%	15/03/2028	230,000	1,855,175	0.04
MPLX LP-4.25%	01/12/2027	110,000	901,940	0.02
MPLX LP-4.5%	15/07/2023	280,000	2,317,445	0.04
MPLX LP-5.5%	15/02/2049	135,000	1,194,365	0.02
NBCUniversal Media Llc-4.45%	15/01/2043	150,000	1,362,327	0.03
Nestle Holdings Inc-3.35%	24/09/2023	290,000	2,362,465	0.04
NextEra Energy Capital Holdings Inc-3.5%	01/04/2029	300,000	2,487,044	0.05
Nutrien Ltd-4.2%	01/04/2029	365,000	3,132,011	0.06
Nuveen Finance Llc-4.125%	01/11/2024	575,000	4,866,182	0.09
Nuveen Llc-4%	01/11/2028	335,000	2,905,314	0.06
Oracle Corp-2.5%	15/10/2022	505,000	4,005,595	0.08
Oracle Corp-6.125%	08/07/2039	220,000	2,416,829	0.05
Packaging Corp of America-4.5%	01/11/2023	155,000	1,296,960	0.02
Parker-Hannifin Corp-2.7%	14/06/2024	85,000	676,260	0.01
Parker-Hannifin Corp-3.25%	14/06/2029	250,000	2,033,983	0.04
Parker-Hannifin Corp-4%	14/06/2049	135,000	1,137,078	0.02
PartnerRe Finance B Llc-3.7%	02/07/2029	255,000	2,064,297	0.04
Petroleos Mexicanos-6.49%	23/01/2027	3,112,000	25,785,390	0.49
Philip Morris International Inc-4.375%	15/11/2041	20,000	172,632	0.00
Prudential Financial Inc-3.7%	13/03/2051	500,000	4,098,641	0.08
Public Service Enterprise Group Inc-2.875%	15/06/2024	190,000	1,512,629	0.03
Reynolds American Inc-5.85%	15/08/2045	300,000	2,681,263	0.05
Reynolds American Inc-7%	04/08/2041	150,000	1,429,349	0.03
Rockwell Collins Inc-3.5%	15/03/2027	365,000	3,019,042	0.06
Rogers Communications Inc-4.35%	01/05/2049	230,000	2,005,304	0.04
Royal Bank of Canada-3.7%	05/10/2023	455,000	3,746,048	0.07
Saudi Government-2.375%	26/10/2021	10,000,000	78,123,199	1.48
Saudi Government-3.25%	26/10/2026	10,000,000	80,655,662	1.53
Skandinaviska Enskilda Banken AB-2.625%	15/03/2021	500,000	3,918,246	0.07
State Street Corp-Floating	03/12/2029	150,000	1,303,746	0.02
Suncor Energy Inc-4%	15/11/2047	75,000	637,538	0.01
Synchrony Bank-3%	15/06/2022	1,550,000	12,307,245	0.23

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Non-certificates of deposit</b> <i>(continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Teck Resources Ltd-5.4%	01/02/2043	165,000	1,358,628	0.03
Teck Resources Ltd-6.125%	01/10/2035	180,000	1,648,410	0.03
Teck Resources Ltd-6.25%	15/07/2041	200,000	1,785,565	0.03
Telefonica Emisiones SA-5.213%	08/03/2047	260,000	2,403,157	0.05
TELUS Corp-4.3%	15/06/2049	250,000	2,146,537	0.04
The Boeing Co-3.2%	01/03/2029	220,000	1,786,762	0.03
The Boeing Co-3.5%	01/03/2039	75,000	603,063	0.01
The Boeing Co-3.625%	01/03/2048	155,000	1,246,842	0.02
The Goldman Sachs Group Inc-3.625%	20/02/2024	275,000	2,248,074	0.04
The Goldman Sachs Group Inc-3.85%	26/01/2027	480,000	3,979,229	0.08
The Goldman Sachs Group Inc-5.75%	24/01/2022	305,000	2,549,767	0.05
The Goldman Sachs Group Inc-6.75%	01/10/2037	355,000	3,840,285	0.07
The Home Depot Inc-5.875%	16/12/2036	130,000	1,397,548	0.03
The Walt Disney Co-3%	15/09/2022	250,000	2,005,536	0.04
The Walt Disney Co-4.75%	15/09/2044	30,000	291,854	0.01
The Walt Disney Co-6.2%	15/12/2034	20,000	218,747	0.00
The Williams Cos Inc-5.75%	24/06/2044	685,000	6,322,001	0.12
TransCanada PipeLines Ltd-5%	16/10/2043	90,000	812,663	0.02
Truist Bank-4.05%	03/11/2025	340,000	2,908,940	0.06
Tucson Electric Power Co-4.85%	01/12/2048	215,000	2,043,757	0.04
TWDC Enterprises 18 Corp-3.15%	17/09/2025	495,000	4,097,093	0.08
Union Pacific Corp-3.5%	08/06/2023	250,000	2,040,900	0.04
United States Treasury Note/Bond-1.125%	28/02/2021	7,600,000	58,837,481	1.12
United States Treasury Note/Bond-1.25%	31/03/2021	21,400,000	165,888,772	3.14
United States Treasury Note/Bond-1.25%	31/07/2023	14,000,000	107,562,905	2.04
United States Treasury Note/Bond-1.375%	30/09/2020	2,500,000	19,428,960	0.37
United States Treasury Note/Bond-1.5%	31/05/2020	4,400,000	34,245,647	0.65
United States Treasury Note/Bond-1.5%	28/02/2023	23,500,000	182,367,600	3.45
United States Treasury Note/Bond-1.625%	15/10/2020	7,000,000	54,505,424	1.03
United States Treasury Note/Bond-1.625%	30/04/2023	15,500,000	120,695,289	2.29
United States Treasury Note/Bond-1.625%	15/08/2029	11,250,000	85,414,630	1.62
United States Treasury Note/Bond-1.875%	30/11/2021	15,700,000	122,973,750	2.33
United States Treasury Note/Bond-2%	31/12/2021	16,000,000	125,596,187	2.38
United States Treasury Note/Bond-2%	15/08/2025	27,000,000	213,142,678	4.05
United States Treasury Note/Bond-2.25%	15/08/2027	24,250,000	194,236,908	3.68
United States Treasury Note/Bond-2.625%	15/02/2029	21,000,000	173,436,982	3.28
United States Treasury Note/Bond-2.75%	15/08/2047	23,375,000	195,704,063	3.71
United States Treasury Note/Bond-5%	15/05/2037	6,500,000	71,741,288	1.36
United Technologies Corp-3.1%	01/06/2022	255,000	2,037,495	0.04
United Technologies Corp-3.95%	16/08/2025	455,000	3,864,209	0.07
United Technologies Corp-4.125%	16/11/2028	615,000	5,388,358	0.10
United Technologies Corp-4.45%	16/11/2038	140,000	1,290,148	0.02
United Technologies Corp-4.625%	16/11/2048	100,000	975,901	0.02
United Technologies Corp-5.4%	01/05/2035	45,000	450,339	0.01
Unitedhealth Group Inc-3.875%	15/12/2028	325,000	2,802,416	0.05
US Bancorp-2.375%	22/07/2026	1,120,000	8,749,127	0.17
Verizon Communications Inc-4.5%	10/08/2033	420,000	3,817,930	0.07
Verizon Communications Inc-5.25%	16/03/2037	365,000	3,569,854	0.07
Viacom Inc-4.25%	01/09/2023	135,000	1,119,711	0.02
Viacom Inc-4.375%	15/03/2043	115,000	949,518	0.02
Virginia Electric & Power Co-3.8%	01/04/2028	210,000	1,779,571	0.03
Virginia Electric & Power Co-4.45%	15/02/2044	770,000	6,966,709	0.13
Virginia Electric & Power Co-4.6%	01/12/2048	125,000	1,193,580	0.02
Vodafone Group Plc-4.125%	30/05/2025	220,000	1,861,033	0.04
Vodafone Group Plc-5.25%	30/05/2048	300,000	2,806,319	0.05
W.W. Grainger Inc-4.6%	15/06/2045	400,000	3,724,542	0.07
Walmart Inc-2.85%	08/07/2024	120,000	969,574	0.02
Walmart Inc-3.05%	08/07/2026	265,000	2,176,938	0.04
Walmart Inc-4.05%	29/06/2048	20,000	184,615	0.00
Waste Connections Inc-4.25%	01/12/2028	310,000	2,692,203	0.05

Principal International Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Non-certificates of deposit</b> <i>(continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Waste Management Inc-3.2%	15/06/2026	450,000	3,671,424	0.07
Wells Fargo & Co-3.75%	24/01/2024	775,000	6,381,211	0.12
Wells Fargo & Co-4.15%	24/01/2029	275,000	2,385,593	0.05
Wells Fargo & Co-4.4%	14/06/2046	90,000	799,420	0.02
Xilinx Inc-2.95%	01/06/2024	455,000	3,642,007	0.07
XLIT Ltd-4.45%	31/03/2025	975,000	8,273,091	0.16
XLIT Ltd-5.5%	31/03/2045	620,000	6,141,967	0.12
Zions BanCorp NA-3.5%	27/08/2021	1,005,000	8,009,661	0.15
Zoetis Inc-3.9%	20/08/2028	395,000	3,337,913	0.06
Zoetis Inc-4.45%	20/08/2048	115,000	1,041,993	0.02
			3,142,185,862	59.60
<b>Total non-certificates of deposit</b>			4,949,967,863	93.94
<b>Total listed/quoted debt instruments</b>			4,949,967,863	93.94
<b>Total investment</b>			4,949,967,863	93.94
<b>Forward contract</b>				
<i>Denominated in Euro</i>				
Buy USD Sell EUR FWD Rate 1.11575	09/03/2020	6,000,000	541,129	0.01
<i>Denominated in United States Dollar</i>				
Buy USD Sell CAD FWD Rate 1.31775	09/03/2020	1,517,739	(194,414)	0.00
Buy USD Sell GBP FWD Rate 1.31799	09/03/2020	5,140,161	(281,794)	(0.01)
Buy USD Sell EUR FWD Rate 1.11597	09/03/2020	8,648,768	(686,896)	(0.01)
Buy USD Sell CAD FWD Rate 1.31791	09/03/2020	1,517,554	(195,849)	0.00
Buy USD Sell DKK FWD Rate 6.69067	09/03/2020	597,847	(45,843)	0.00
Buy USD Sell EUR FWD Rate 1.11597	09/03/2020	8,648,768	(686,896)	(0.01)
Buy USD Sell GBP FWD Rate 1.31813	09/03/2020	5,140,707	(277,543)	(0.01)
			(2,369,235)	(0.04)
<b>Total forward contracts</b>			(1,828,106)	(0.03)
<b>Other net assets</b>			321,032,012	6.09
<b>Total net asset value</b>			5,269,171,769	100.00
<b>Total cost of investments</b>			4,849,487,931	
* 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 2019 *(continued)*

<b>Principal International Equity Fund</b>			
<b>Investments</b>	<b>* Portfolio holdings</b>	<b>Fair value</b> <i>HK\$/HK\$ equivalent</i>	<b>% of NAV</b>
<b>Listed shares</b>			
<i>Australia</i>			
Appen Ltd	43,213	5,297,144	0.14
Beach Energy Ltd	221,766	3,037,989	0.08
Downer EDI Ltd	149,070	6,647,064	0.18
Nine Entertainment Co Holdings Ltd	441,696	4,315,132	0.12
Saracen Mineral Holdings Ltd	293,087	5,294,709	0.14
		24,592,038	0.66
<i>Austria</i>			
CA Immobilien Anlagen AG	25,604	8,367,262	0.23
Immofinanz AG	22,010	4,590,306	0.13
		12,957,568	0.36
<i>Belgium</i>			
Proximus SA	16,574	3,690,895	0.10
<i>Brazil</i>			
Hypera SA	70,700	4,884,247	0.13
IRB Brasil Resseguros SA	67,300	5,074,043	0.14
Petrobras Distribuidora SA	322,700	18,782,961	0.51
Petroleo Brasileiro SA	446,000	27,625,903	0.75
		56,367,154	1.53
<i>Bahamas</i>			
OneSpaWorld Holdings Ltd	64,400	8,445,404	0.23
<i>Canada</i>			
Alacer Gold Corp	132,000	5,436,943	0.15
Alimentation Couche-Tard Inc-B	126,900	31,217,347	0.85
ATS Automation Tooling Systems Inc	39,900	5,104,190	0.14
Brookfield Asset Management Inc-A	77,000	34,487,160	0.94
Capital Power Corp	27,100	5,563,309	0.15
Empire Co Ltd-A	31,000	5,636,680	0.15
Keyera Corp	15,300	3,107,116	0.08
Lundin Mining Corp	139,200	6,448,114	0.18
Parex Resources Inc	33,200	4,786,157	0.13
TC Energy Corp	78,700	32,490,880	0.89
Whitecap Resources Inc	551,000	18,254,769	0.50
		152,532,665	4.16
<i>China</i>			
Nexteer Automotive Group Ltd	591,000	4,172,460	0.11
Ping An Insurance (Group) Co of China Ltd-H	312,500	28,781,250	0.79
Tencent Holdings Ltd	89,500	33,616,200	0.92
Times China Holdings Ltd	320,000	4,972,800	0.14
Times Neighborhood Holdings Ltd	138,115	669,858	0.02
		72,212,568	1.98
<i>Denmark</i>			
Vestas Wind Systems A/S	36,752	28,902,321	0.79

<b>Principal International Equity Fund</b> <i>(continued)</i>			
<b>Investments</b>	<b>* Portfolio holdings</b>	<b>Fair value</b> <i>HK\$/HK\$ equivalent</i>	<b>% of NAV</b>
<b>Listed shares</b> <i>(continued)</i>			
<i>France</i>			
Arkema SA	6,547	5,410,234	0.15
AXA SA	136,367	29,879,940	0.82
Korian	20,372	7,452,100	0.20
Rubis SCA	11,338	5,416,819	0.15
VINCI SA	27,333	23,612,731	0.64
		71,771,824	1.96
<i>Germany</i>			
CECONOMY AG	79,085	3,730,731	0.10
DEUTZ AG	111,364	5,412,822	0.15
LEG Immobilien AG	7,719	7,109,564	0.19
ProSiebenSat.1 Media SE	55,468	6,732,763	0.18
Rheinmetall AG	7,023	6,275,471	0.17
		29,261,351	0.79
<i>Hong Kong</i>			
BOC Hong Kong (Holdings) Ltd	795,500	21,518,275	0.59
Hysan Development Co Ltd	156,000	4,765,800	0.13
WH Group Ltd	3,460,500	27,857,025	0.76
Yue Yuen Industrial (Holdings) Ltd	1,083,000	24,909,000	0.68
		79,050,100	2.16
<i>India</i>			
Hindalco Industries Ltd	189,226	4,467,137	0.12
ICICI Bank Ltd-ADR	316,731	37,219,652	1.02
Muthoot Finance Ltd	73,521	6,114,290	0.17
Petronet LNG Ltd	156,359	4,575,830	0.12
REC Ltd	324,594	5,073,099	0.14
		57,450,008	1.57
<i>Indonesia</i>			
PT Indofood Sukses Makmur Tbk	1,053,700	4,689,497	0.13
<i>Ireland</i>			
ICON Plc	28,278	37,927,131	1.04
<i>Israel</i>			
CyberArk Software Ltd	27,489	24,956,029	0.68
Leumi Bank Inc	440,689	24,949,680	0.68
Mizrahi Tefahot Bank Ltd	35,147	7,281,881	0.20
NICE Ltd-ADR	24,334	29,400,707	0.80
		86,588,297	2.36
<i>Italy</i>			
Amplifon Spa	35,173	7,869,573	0.21
Buzzi Unicem Spa-Senza Vincoli Di Rappresentazione Grafica	28,169	5,518,379	0.15
Ferrari NV	21,028	27,138,751	0.74
Mediobanca Banca di Credito Finanziario SPA	61,788	5,291,440	0.14
		45,818,143	1.24

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>Japan</i>			
Anritsu Corp	34,000	5,282,518	0.14
DIC Corp	19,200	4,176,021	0.11
Hitachi High-Tech Corp	10,200	5,657,752	0.15
ITOCHU Corp	149,200	27,099,665	0.74
JSR Corp	138,700	19,998,952	0.55
Kajima Corp	55,300	5,778,105	0.16
Kamigumi Co Ltd	30,600	5,260,832	0.14
KOMERI Co Ltd	25,900	4,356,279	0.12
Lintec Corp	28,900	5,061,763	0.14
Makino Milling Machine Co Ltd	19,100	6,871,315	0.19
Mebuki Financial Group Inc	265,700	5,331,536	0.15
Morinaga Milk Industry Co Ltd	17,800	5,676,528	0.15
NH Foods Ltd	20,100	6,496,439	0.18
Nintendo Co Ltd	10,500	33,086,327	0.90
Nishio Rent All Co Ltd	18,900	4,219,128	0.12
Saizeriya Co Ltd	34,800	6,641,302	0.18
Sawai Pharmaceutical Co Ltd	14,600	7,240,386	0.20
SoftBank Corp	54,800	18,677,778	0.51
Sony Corp	41,200	21,851,961	0.60
Sumitomo Forestry Co Ltd	47,700	5,520,694	0.15
Sumitomo Heavy Industries Ltd	17,700	3,970,273	0.11
Sushiro Global Holdings Ltd	8,000	5,371,955	0.15
TIS Inc	12,700	5,852,178	0.16
Tokyo Broadcasting System Holdings Inc	30,700	4,105,375	0.11
Towa Pharmaceutical Co Ltd	28,800	5,873,949	0.16
Toyota Motor Corp	73,800	40,797,993	1.11
		270,257,004	7.38
<i>Malaysia</i>			
Sime Darby Bhd	1,090,800	4,607,100	0.13
<i>Netherlands</i>			
AerCap Holdings NV	64,264	30,762,630	0.84
ASM International NV	9,625	8,411,538	0.23
ASML Holding NV	10,363	23,846,209	0.65
ASR Nederland NV	24,479	7,125,961	0.19
NN Group NV	77,378	22,835,726	0.62
		92,982,064	2.53
<i>Norway</i>			
Entra ASA	63,514	8,138,985	0.22
<i>Portugal</i>			
Banco Comercial Portugues SA-R	11,138,676	19,711,753	0.54
Sonae SGPS SA	536,564	4,260,756	0.12
		23,972,509	0.66
<i>Singapore</i>			
BOC Aviation Ltd	70,900	5,618,825	0.15
ComfortDelGro Corp Ltd	408,700	5,626,839	0.15
UOL Group Ltd	169,300	8,148,228	0.22
		19,393,892	0.52

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>South Africa</i>			
Exxaro Resources Ltd	65,106	4,722,218	0.13
<i>South Korea</i>			
AfreecaTV Co Ltd	10,047	4,663,912	0.13
Daelim Industrial Co Ltd	8,154	4,971,805	0.14
Fila Holdings Corp	66,111	23,607,193	0.64
Hanwha Solutions Corp	35,634	4,525,543	0.12
Kia Motors Corp	76,835	22,932,826	0.63
Samsung Electronics Co Ltd	126,908	47,710,939	1.30
		108,412,218	2.96
<i>Spain</i>			
ACS Actividades de Construccion y Servicios SA	82,653	25,712,356	0.70
Iberdrola SA	292,091	23,398,315	0.64
Indra Sistemas SA	68,792	6,110,960	0.17
		55,221,631	1.51
<i>Sweden</i>			
Castellum AB	56,328	10,315,408	0.28
H & M Hennes & Mauritz AB-B	144,358	22,889,149	0.62
Husqvarna AB-B	71,770	4,481,872	0.12
Loomis AB-B	19,036	6,145,014	0.17
Telefonaktiebolaget LM Ericsson-B	365,240	24,796,761	0.68
		68,628,204	1.87
<i>Switzerland</i>			
Lonza Group AG	9,305	26,404,098	0.72
Nestle SA	47,662	40,122,217	1.10
Novartis AG	41,996	31,006,854	0.85
PSP Swiss Property AG	7,492	8,041,526	0.22
Roche Holding AG	18,530	46,745,449	1.28
Valora Holding AG	2,574	5,583,501	0.15
		157,903,645	4.32
<i>Taiwan</i>			
Accton Technology Corp	133,000	5,801,603	0.16
Delta Electronics Inc	630,000	24,782,222	0.68
Feng Tay Enterprises Co Ltd	100,200	5,073,286	0.14
Powertech Technology Inc	224,000	5,804,511	0.16
Realtek Semiconductor Corp	392,000	23,918,888	0.65
Taiwan Semiconductor Manufacturing Co Ltd	406,000	34,893,223	0.95
		100,273,733	2.74
<i>Thailand</i>			
TISCO Financial Group Pcl	205,700	5,329,358	0.15
<i>United Kingdom</i>			
3i Group Plc	262,377	29,462,391	0.80
BP Plc	751,832	36,260,558	0.99
Computacenter Plc	35,096	6,363,649	0.17
DS Smith Plc	101,567	3,990,707	0.11

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>United Kingdom</i> <i>(continued)</i>			
GVC Holdings Plc	84,863	7,673,770	0.21
Intermediate Capital Group Plc	52,215	8,597,279	0.23
Keywords Studios Plc	24,996	3,829,325	0.10
Legal & General Group Plc	1,008,029	31,236,009	0.85
Man Group Plc	328,188	5,302,976	0.14
Meggitt Plc	110,783	7,441,254	0.20
National Express Group Plc	160,184	7,692,847	0.21
Premier Oil Plc	457,074	4,590,266	0.13
QinetiQ Group Plc	171,548	6,277,199	0.17
SSP Group Plc	64,920	4,315,506	0.12
		163,033,736	4.43
<i>United States</i>			
Accelaron Pharma Inc	2,100	867,065	0.02
Adaptive Biotechnologies Corp	4,800	1,118,395	0.03
Addus HomeCare Corp	10,200	7,722,329	0.21
Adobe Inc	14,465	37,151,363	1.01
Aerojet Rocketdyne Holdings Inc	18,700	6,649,209	0.18
Agree Realty Corp	21,400	11,693,856	0.32
Alcoa Corp	10,000	1,675,070	0.05
Alphabet Inc-A	7,039	73,419,346	2.00
Altice USA Inc-A	112,889	24,034,917	0.66
Amazon.com Inc	1,619	23,297,199	0.64
Ameriprise Financial Inc	24,107	31,272,206	0.85
Ametek Inc	44,661	34,688,882	0.95
AMN Healthcare Services Inc	14,100	6,841,784	0.19
Aspen Technology Inc	12,300	11,583,283	0.32
Athene Holding Ltd-A	83,943	30,743,405	0.84
Bill.com Holdings Inc	3,415	1,011,901	0.03
BJ's Wholesale Club Holdings Inc	54,500	9,651,159	0.26
Bluebird Bio Inc	2,100	1,435,023	0.04
Brandywine Realty Trust	92,100	11,296,208	0.31
BrightView Holdings Inc	42,600	5,596,509	0.15
Cabot Corp	17,600	6,513,008	0.18
CACI International Inc-A	7,700	14,990,146	0.41
Callon Petroleum Co	138,300	5,201,898	0.14
Capri Holdings Ltd	88,353	26,248,733	0.72
Carvana Co	10,500	7,526,717	0.21
Cathay General Bancorp	32,100	9,511,570	0.26
Central Garden & Pet Co-A	28,400	6,493,321	0.18
Ceridian HCM Holding Inc	8,900	4,704,618	0.13
Cleveland-Cliffs Inc	23,600	1,543,774	0.04
Cloudflare Inc-A	24,500	3,254,900	0.09
Colgate-Palmolive Co	60,936	32,666,853	0.89
ConocoPhillips	82,305	41,680,457	1.14
Cousins Properties Inc	43,100	13,828,242	0.38
Danaher Corp	32,478	38,818,036	1.06
Delek US Holdings Inc	13,600	3,551,117	0.10
Dover Corp	27,769	24,924,781	0.68
Dynatrace Inc	14,500	2,856,808	0.08
eBay Inc	75,183	21,141,687	0.58
Eldorado Resorts Inc	35,900	16,673,416	0.46
Encompass Health Corp	19,700	10,626,834	0.29
EnerSys	11,300	6,584,862	0.18
Entegris Inc	33,500	13,067,374	0.36
Eventbrite Inc-A	58,900	9,251,533	0.25
Facebook Inc-A	40,055	64,022,466	1.75
FibroGen Inc	3,700	1,235,806	0.03
Fidelity National Financial Inc	65,467	23,120,234	0.63
First American Financial Corp	13,800	6,267,424	0.17

Principal International Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>United States</i> <i>(continued)</i>			
First Industrial Realty Trust Inc	38,000	12,283,689	0.34
First Merchants Corp	15,200	4,922,945	0.13
First Midwest Bancorp Inc	22,793	4,093,109	0.11
FTI Consulting Inc	13,400	11,547,500	0.32
Graphic Packaging Holding Co	78,100	10,126,463	0.28
Great Lakes Dredge & Dock Corp	67,600	5,964,432	0.16
Honeywell International Inc	25,131	34,639,812	0.95
Horizon Therapeutics Plc	52,900	14,912,716	0.41
IBERIABANK Corp	73,662	42,925,143	1.17
Invance Biotherapeutics Inc	2,300	495,777	0.01
K12 Inc	29,400	4,659,124	0.13
Kemper Corp	11,200	6,759,463	0.18
Lindblad Expeditions Holdings Inc	23,400	2,979,381	0.08
LPL Financial Holdings Inc	40,402	29,024,299	0.79
MacroGenics Inc	7,700	652,397	0.02
Marathon Petroleum Corp	43,292	20,312,211	0.55
MasTec Inc	21,300	10,642,323	0.29
Mastercard Inc	22,882	53,206,138	1.45
Medifast Inc	3,500	2,986,702	0.08
Merck & Co Inc	50,735	35,933,777	0.98
MGIC Investment Corp	52,400	5,782,207	0.16
Microsoft Corp	70,114	86,105,112	2.36
Modine Manufacturing Co	33,100	1,984,775	0.05
Natera Inc	9,800	2,571,104	0.07
National General Holdings Corp	38,100	6,557,069	0.18
Nesco Holdings Inc	91,200	2,918,967	0.08
Nevro Corp	3,900	3,569,791	0.10
O'Reilly Automotive Inc	9,328	31,835,587	0.87
P. H. Glatfelter Co	11,400	1,624,607	0.04
Parsons Corp	35,600	11,444,114	0.31
PayPal Holdings Inc	35,950	30,282,953	0.83
Pebblebrook Hotel Trust	32,500	6,785,357	0.19
Performance Food Group Co	15,500	6,213,878	0.17
Perspecta Inc	114,832	23,643,778	0.65
Philip Morris International Inc	47,572	31,522,629	0.86
Ping Identity Holding Corp	43,200	8,174,901	0.22
Piper Jaffray Cos	10,400	6,474,258	0.18
Planet Fitness Inc-A	26,300	15,295,108	0.42
Portland General Electric Co	14,300	6,212,765	0.17
Prudential Financial Inc	37,574	27,428,678	0.75
Ra Medical Systems Inc	32,100	282,472	0.01
Revance Therapeutics Inc	13,400	1,693,619	0.05
Revolve Group Inc	18,560	2,653,647	0.07
Rexnord Corp	37,700	9,576,742	0.26
Ring Energy Inc	140,000	2,878,223	0.08
Seattle Genetics Inc	1,700	1,512,640	0.04
Select Energy Services Inc-A	36,700	2,652,202	0.07
SolarWinds Corp	63,000	9,100,745	0.25
Southwest Gas Corp	12,600	7,454,271	0.20
Sprout Social Inc	42,600	5,324,479	0.15
STAAR Surgical Co	19,600	5,368,104	0.15
Steel Dynamics Inc	56,072	14,863,740	0.41
Stifel Financial Corp	21,953	10,368,530	0.28
Syneos Health Inc	87,648	40,594,665	1.11
SynnexCorp	8,300	8,325,042	0.23
Synovus Financial Corp	73,351	22,391,573	0.61
TE Connectivity Ltd	35,432	26,444,476	0.72
Teladoc Health Inc	9,200	5,998,043	0.16
The Brink's Co	12,300	8,685,786	0.24
The Hanover Insurance Group Inc	7,900	8,408,002	0.23
The TJX Cos Inc	62,474	29,706,303	0.81
Thermo Fisher Scientific Inc	16,574	41,930,442	1.14

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

<b>Principal International Equity Fund</b> <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>United States</i> <i>(continued)</i>			
Tutor Perini Corp	38,500	3,855,620	0.11
Uber Technologies Inc	71,968	16,667,593	0.46
United Community Banks Inc	45,100	10,845,419	0.30
Vail Resorts Inc	1,900	3,548,539	0.10
Waste Management Inc	25,173	22,339,832	0.61
Western Digital Corp	49,158	24,297,142	0.66
Whiting Petroleum Corp	39,400	2,252,085	0.06
William Lyon Homes-A	30,200	4,698,887	0.13
		1,728,269,626	47.24
<b>Total listed shares</b>		3,583,402,887	97.85
<b>Delisted Shares</b>			
<i>United Kingdom</i>			
Conviviality Plc	153,761	-	-
<b>Total delisted shares</b>		-	-
<b>Total investments</b>		3,583,402,887	97.85
<b>Other net assets</b>		78,899,160	2.15
<b>Total net asset value</b>		3,662,302,047	100.00
<b>Total cost of investments</b>		3,111,994,112	

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

<b>Principal Pension Bond Fund</b>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed/quoted debt instruments</b>				
<b>Fixed coupon rate debt instruments</b>				
<i>Denominated in United States Dollar</i>				
Abbott Laboratories-3.75%	30/11/2026	495,000	4,211,915	0.16
AbbVie Inc-2.3%	21/11/2022	1,250,000	9,783,457	0.37
AbbVie Inc-2.6%	21/11/2024	1,000,000	7,850,416	0.30
AbbVie Inc-2.95%	21/11/2026	750,000	5,946,638	0.23
Abu Dhabi National Energy Co PJSC-4.375%	22/06/2026	300,000	2,537,719	0.10
AIA Group Ltd-3.2%	11/03/2025	1,860,000	14,862,756	0.57
AIA Group Ltd-3.6%	09/04/2029	885,000	7,233,271	0.28
Alibaba Group Holding Ltd-3.6%	28/11/2024	1,000,000	8,202,975	0.31
Altria Group Inc-2.85%	09/08/2022	1,710,000	13,573,608	0.52
Altria Group Inc-4%	31/01/2024	1,960,000	16,196,137	0.62
America Movil SAB de CV-3.625%	22/04/2029	700,000	5,738,566	0.22
America Movil SAB de CV-5%	30/03/2020	1,000,000	7,835,215	0.30
American International Group Inc-3.3%	01/03/2021	3,295,000	26,032,932	0.99
American International Group Inc-3.9%	01/04/2026	4,605,000	38,519,962	1.46
Anheuser-Busch Cos LLC / Anheuser-Busch InBev Worldwide Inc-3.65%	01/02/2026	390,000	3,239,244	0.12
Anheuser-Busch Cos LLC / Anheuser-Busch InBev Worldwide Inc-4.9%	01/02/2046	125,000	1,154,602	0.04
Anheuser-Busch InBev Finance Inc-3.7%	01/02/2024	1,135,000	9,372,530	0.36
Anheuser-Busch InBev Worldwide Inc-4.15%	23/01/2025	1,600,000	13,579,594	0.52
Anheuser-Busch InBev Worldwide Inc-4.75%	23/01/2029	825,000	7,447,210	0.28
Apple Inc-2.05%	11/09/2026	1,000,000	7,732,258	0.29
Apple Inc-2.75%	13/01/2025	560,000	4,506,369	0.17
Apple Inc-3%	09/02/2024	925,000	7,481,092	0.28
Apple Inc-3.2%	13/05/2025	340,000	2,797,812	0.11
Apple Inc-3.35%	09/02/2027	460,000	3,815,714	0.15
Apple Inc-4.65%	23/02/2046	185,000	1,807,684	0.07
Arch Capital Finance LLC-4.011%	15/12/2026	2,715,000	23,223,877	0.88
AT&T Inc-2.45%	30/06/2020	1,245,000	9,728,306	0.37
AT&T Inc-3.4%	15/05/2025	650,000	5,301,092	0.20
AT&T Inc-3.6%	15/07/2025	1,865,000	15,373,896	0.58
AT&T Inc-3.8%	15/03/2022	3,030,000	24,492,629	0.93
AT&T Inc-4.05%	15/12/2023	535,000	4,464,501	0.17
AT&T Inc-4.3%	15/02/2030	755,000	6,533,233	0.25
Baidu Inc-3.875%	29/09/2023	525,000	4,260,155	0.16
Baker Hughes a GE Co LLC / Baker Hughes Co-Obligor Inc-2.773%	15/12/2022	245,000	1,946,220	0.07
Baker Hughes a GE Co LLC / Baker Hughes Co-Obligor Inc-3.337%	15/12/2027	240,000	1,951,097	0.07
Baltimore Gas & Electric Co-3.35%	01/07/2023	565,000	4,562,800	0.17
Bank of America Corp-4.2%	26/08/2024	1,460,000	12,208,840	0.46
Bank of America Corp-4.25%	22/10/2026	645,000	5,479,000	0.21
BAT Capital Corp-3.215%	06/09/2026	1,000,000	7,847,114	0.30
BAT Capital Corp-3.222%	15/08/2024	2,900,000	23,100,125	0.88
Bayer US Finance II LLC-3.875%	15/12/2023	1,075,000	8,788,186	0.33
Becton Dickinson & Co-2.894%	06/06/2022	1,715,000	13,577,799	0.52
Becton Dickinson & Co-3.363%	06/06/2024	605,000	4,907,093	0.19
Becton Dickinson & Co-3.7%	06/06/2027	1,720,000	14,254,244	0.54
Berkshire Hathaway Energy Co-3.25%	15/04/2028	2,000,000	16,467,392	0.63
Boston Gas Co-3.15%	01/08/2027	525,000	4,227,946	0.16
Boston Scientific Corp-3.45%	01/03/2024	2,000,000	16,296,708	0.62
BP Capital Markets America Inc-3.41%	11/02/2026	825,000	6,845,417	0.26
BP Capital Markets America Inc-4.234%	06/11/2028	275,000	2,422,190	0.09
Bristol-Myers Squibb Co-2.6%	16/05/2022	565,000	4,473,179	0.17
Bristol-Myers Squibb Co-2.875%	15/08/2020	1,025,000	8,026,809	0.31
Bristol-Myers Squibb Co-2.9%	26/07/2024	1,515,000	12,182,500	0.46
Bristol-Myers Squibb Co-3.4%	26/07/2029	1,555,000	12,959,778	0.49

**INVESTMENT REPORT (continued)**  
Portfolio Statement as at 31 December 2019 (continued)

Principal Pension Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments (continued)</b>				
<b>Fixed coupon rate debt instruments (continued)</b>				
<i>Denominated in United States Dollar (continued)</i>				
Brookfield Finance Inc-3.9%	25/01/2028	1,475,000	12,320,019	0.47
Brookfield Finance Llc-4%	01/04/2024	3,055,000	25,517,151	0.97
Burlington Northern Santa Fe Llc-3.45%	15/09/2021	1,040,000	8,283,511	0.31
Chevron Corp-2.355%	05/12/2022	1,250,000	9,870,578	0.38
Chile Government-3.24%	06/02/2028	400,000	3,276,938	0.12
Cigna Corp-3.4%	17/09/2021	1,405,000	11,200,179	0.43
Cigna Corp-3.75%	15/07/2023	1,280,000	10,454,265	0.40
Cigna Corp-4.125%	15/11/2025	960,000	8,113,180	0.31
Cigna Corp-4.375%	15/10/2028	915,000	7,894,224	0.30
CMS Energy Corp-3%	15/05/2026	500,000	4,001,883	0.15
Coca-Cola FEMSA SAB de CV-3.875%	26/11/2023	850,000	6,993,816	0.27
Colombia Government-5%	15/06/2045	200,000	1,809,013	0.07
Comcast Corp-2.65%	01/02/2030	500,000	3,910,381	0.15
Comcast Corp-3.15%	01/03/2026	1,315,000	10,736,078	0.41
Comcast Corp-3.375%	15/02/2025	300,000	2,465,306	0.09
Comcast Corp-3.95%	15/10/2025	850,000	7,224,379	0.27
Comcast Corp-4.15%	15/10/2028	580,000	5,087,349	0.19
Comcast Corp-4.2%	15/08/2034	510,000	4,532,714	0.17
Constellation Brands Inc-2.65%	07/11/2022	750,000	5,922,756	0.23
Constellation Brands Inc-3.7%	06/12/2026	780,000	6,450,309	0.25
Constellation Brands Inc-4.4%	15/11/2025	995,000	8,467,335	0.32
Continental Resources Inc-3.8%	01/06/2024	2,745,000	22,109,347	0.84
Continental Resources Inc-4.5%	15/04/2023	570,000	4,637,877	0.18
CVS Health Corp-3.7%	09/03/2023	1,250,000	10,146,360	0.39
CVS Health Corp-4.3%	25/03/2028	1,290,000	10,974,385	0.42
CVS Health Corp-5%	01/12/2024	1,135,000	9,767,885	0.37
Daimler Finance North America Llc-2.25%	02/03/2020	1,995,000	15,539,716	0.59
Discover Bank-3.1%	04/06/2020	2,005,000	15,671,852	0.60
Discovery Communications Llc-2.95%	20/03/2023	2,200,000	17,461,255	0.66
Dominion Energy Gas Holdings Llc-2.5%	15/11/2024	500,000	3,911,946	0.15
Dominion Energy Gas Holdings Llc-3%	15/11/2029	2,500,000	19,402,950	0.74
Dominion Energy Inc-3.9%	01/10/2025	3,930,000	32,882,987	1.25
Dominion Energy Inc-4.25%	01/06/2028	1,325,000	11,416,782	0.43
DTE Energy Co-6.375%	15/04/2033	935,000	9,535,070	0.36
DuPont de Nemours Inc-4.205%	15/11/2023	4,270,000	35,578,124	1.35
Eli Lilly & Co-3.375%	15/03/2029	1,365,000	11,449,550	0.44
Enel Chile SA-4.875%	12/06/2028	275,000	2,366,396	0.09
Energy Transfer Operating LP-5.25%	15/04/2029	450,000	3,937,851	0.15
Enterprise Products Operating Llc-3.125%	31/07/2029	1,485,000	11,899,700	0.45
Equate Petrochemical BV-3%	03/03/2022	250,000	1,954,521	0.07
Evergy Inc-2.9%	15/09/2029	750,000	5,813,111	0.22
Exelon Corp-3.497%	01/06/2022	1,500,000	11,997,027	0.46
Exxon Mobil Corp-2.019%	16/08/2024	550,000	4,298,579	0.16
Exxon Mobil Corp-2.44%	16/08/2029	850,000	6,683,742	0.25
Fifth Third Bancorp-2.375%	28/01/2025	1,150,000	8,971,227	0.34
First Republic Bank-2.5%	06/06/2022	5,640,000	44,353,866	1.69
GE Capital International Funding Co Unlimited Co-2.342%	15/11/2020	759,000	5,915,407	0.22
GE Capital International Funding Co Unlimited Co-3.373%	15/11/2025	500,000	4,057,193	0.15
General Electric Co-2.7%	09/10/2022	1,650,000	13,026,902	0.50
General Electric Co-5.3%	11/02/2021	262,000	2,105,036	0.08
General Motors Co-6.6%	01/04/2036	495,000	4,549,777	0.17
General Motors Financial Co Inc-3.85%	05/01/2028	410,000	3,257,850	0.12
Gilead Sciences Inc-2.55%	01/09/2020	1,000,000	7,820,582	0.30
Glencore Funding Llc-3%	27/10/2022	1,180,000	9,215,468	0.35
Gruma SAB de CV-4.875%	01/12/2024	300,000	2,528,982	0.10
HSBC Holdings Plc-4.25%	14/03/2024	2,415,000	19,956,556	0.76
Hungary Government-5.375%	21/02/2023	600,000	5,124,732	0.19
JPMorgan Chase & Co-4.35%	15/08/2021	2,885,000	23,332,088	0.89

Principal Pension Bond Fund (continued)				
Investments	Maturity	* Portfolio holdings	Fair value HK\$/HK\$ equivalent	% of NAV
<b>Listed/quoted debt instruments (continued)</b>				
<b>Fixed coupon rate debt instruments (continued)</b>				
<i>Denominated in United States Dollar (continued)</i>				
Keurig Dr Pepper Inc-3.551%	25/05/2021	1,185,000	9,425,172	0.36
KeyBank National Association-3.3%	01/02/2022	1,905,000	15,240,497	0.58
Kinder Morgan Inc-5.625%	15/11/2023	2,200,000	18,941,484	0.72
Kraft Heinz Foods Co-3%	01/06/2026	950,000	7,400,183	0.28
Lockheed Martin Corp-2.9%	01/03/2025	1,105,000	8,950,115	0.34
Marathon Oil Corp-4.4%	15/07/2027	1,460,000	12,365,684	0.47
Markel Corp-3.5%	01/11/2027	1,285,000	10,366,834	0.39
McDonald's Corp-2.75%	09/12/2020	775,000	6,076,528	0.23
Merck & Co Inc-2.9%	07/03/2024	500,000	4,050,628	0.15
Mexico Government-4.15%	28/03/2027	300,000	2,503,260	0.10
Microsoft Corp-2.4%	08/08/2026	2,990,000	23,560,130	0.90
Morgan Stanley-3.125%	23/01/2023	1,295,000	10,367,922	0.39
Morgan Stanley-5%	24/11/2025	3,780,000	33,157,278	1.26
MPLX LP-4%	15/03/2028	905,000	7,299,711	0.28
MPLX LP-4.25%	01/12/2027	640,000	5,247,651	0.20
MPLX LP-4.875%	01/12/2024	525,000	4,444,864	0.17
MUFG Union Bank N.A.-3.15%	01/04/2022	1,250,000	9,962,713	0.38
Nestle Holdings Inc-3.35%	24/09/2023	1,810,000	14,745,039	0.56
Nestle Holdings Inc-3.5%	24/09/2025	1,580,000	13,202,439	0.50
NextEra Energy Capital Holdings Inc-2.75%	01/11/2029	2,500,000	19,572,346	0.74
NextEra Energy Capital Holdings Inc-3.15%	01/04/2024	2,000,000	16,152,330	0.61
NSTAR Electric Co-3.25%	15/05/2029	960,000	7,894,495	0.30
Nuveen Finance Llc-4.125%	01/11/2024	2,670,000	22,596,013	0.86
Nuveen Llc-4%	01/11/2028	1,590,000	13,789,400	0.52
Occidental Petroleum Corp-2.9%	15/08/2024	1,500,000	11,871,958	0.45
Occidental Petroleum Corp-3.2%	15/08/2026	1,380,000	10,875,690	0.41
Oracle Corp-2.5%	15/10/2022	2,485,000	19,710,702	0.75
Oracle Corp-3.25%	15/11/2027	1,830,000	15,104,203	0.57
Orbia Advance Corp SAB de CV-4%	04/10/2027	200,000	1,589,105	0.06
PacifiCorp-3.85%	15/06/2021	1,710,000	13,644,479	0.52
Packaging Corp of America-4.5%	01/11/2023	930,000	7,781,760	0.30
Panama Government-3.875%	17/03/2028	600,000	5,092,960	0.19
Parker-Hannifin Corp-2.7%	14/06/2024	290,000	2,307,239	0.09
Parker-Hannifin Corp-3.25%	16/06/2029	705,000	5,735,833	0.22
PartnerRe Finance B Llc-3.7%	02/07/2029	910,000	7,366,707	0.28
Peruvian Government-5.625%	18/11/2050	550,000	6,258,679	0.24
Petroleos Mexicanos-6.5%	23/01/2029	210,000	1,720,392	0.07
Philipp Morris International Inc-2.375%	17/08/2022	365,000	2,872,963	0.11
Philippines Government-3.75%	14/01/2029	500,000	4,294,467	0.16
Plains All American Pipeline LP / PAA Finance Corp-3.6%	01/11/2024	1,385,000	11,100,843	0.42
Progress Energy Inc-4.4%	15/01/2021	2,930,000	23,263,179	0.88
Public Service Enterprise Group Inc-2.875%	15/06/2024	750,000	5,970,905	0.23
Qatar Government-3.875%	23/04/2023	500,000	4,110,431	0.16
Republic of Poland Government-3.25%	06/04/2026	400,000	3,301,858	0.13
Republic Services Inc-2.5%	15/08/2024	1,500,000	11,814,872	0.45
Reynolds American Inc-6.875%	01/05/2020	1,315,000	10,404,084	0.40
Rogers Communications Inc-3.625%	15/12/2025	950,000	7,891,116	0.30
Romanian Government-4.875%	22/01/2024	130,000	1,111,363	0.04
Royal Bank of Canada-3.7%	05/10/2023	1,415,000	11,649,799	0.44
SABIC Capital II BV-4%	10/10/2023	500,000	4,098,119	0.16
Sabine Pass Liquefaction Llc-5%	15/03/2027	2,300,000	19,716,254	0.75
Santander UK Plc-5%	07/11/2023	2,890,000	24,199,447	0.92
Saudi Government-4%	17/04/2025	400,000	3,357,927	0.13
Saudi Government-4.375%	16/04/2029	500,000	4,365,578	0.17
Sempra Energy-2.875%	01/10/2022	555,000	4,404,043	0.17
Skandinaviska Enskilda Banken AB-2.625%	15/03/2021	1,000,000	7,836,492	0.30
Southern Copper Corp-6.75%	16/04/2040	125,000	1,299,946	0.05

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Fixed coupon rate debt instruments</b> <i>(continued)</i>				
<i>Denominated in United States Dollar (continued)</i>				
Steel Dynamics Inc-2.8%	15/12/2024	250,000	1,959,333	0.07
Svenska Handelsbanken AB-3.9%	20/11/2023	3,035,000	25,317,247	0.96
Synchrony Bank-3%	15/06/2022	5,385,000	42,757,750	1.63
Telefonica Emisiones SAU-5.462%	16/02/2021	1,840,000	14,871,850	0.57
Tencent Holdings Ltd-3.975%	11/04/2029	250,000	2,102,514	0.08
Texas Instruments Inc-2.25%	04/09/2029	500,000	3,844,675	0.15
The Boeing Co-2.7%	01/02/2027	3,655,000	28,858,839	1.10
The Boeing Co-2.8%	01/03/2024	1,000,000	7,965,412	0.30
The Boeing Co-3.2%	01/03/2029	715,000	5,806,975	0.22
The Goldman Sachs Group Inc-3.625%	20/02/2024	1,735,000	14,183,305	0.54
The Goldman Sachs Group Inc-3.85%	26/01/2027	1,270,000	10,528,378	0.40
The Goldman Sachs Group Inc-5.75%	24/01/2022	720,000	6,019,121	0.23
The Royal Bank Of Scotland Group Plc-5.125%	28/05/2024	3,915,000	33,033,484	1.26
The Walt Disney Co-3%	15/09/2022	830,000	6,658,379	0.25
Total Capital International-2.829%	10/01/2030	830,000	6,644,327	0.25
Truist Bank-4.05%	03/11/2025	795,000	6,801,786	0.26
TWDC Enterprises 18 Corp-3.15%	17/09/2025	730,000	6,042,177	0.23
Union Pacific Corp-3.5%	08/06/2023	1,675,000	13,674,033	0.52
Union Pacific Corp-3.75%	15/03/2024	1,385,000	11,443,500	0.44
United Technologies Corp-3.1%	01/06/2022	205,000	1,637,986	0.06
United Technologies Corp-3.65%	16/08/2023	580,000	4,762,432	0.18
United Technologies Corp-3.95%	16/08/2025	1,155,000	9,809,146	0.37
United Technologies Corp-4.125%	16/11/2028	2,190,000	19,187,810	0.73
United Technologies Corp-5.4%	01/05/2035	115,000	1,150,865	0.04
Unitedhealth Group Inc-2.375%	15/08/2024	1,500,000	11,836,097	0.45
Uruguay Government-5.1%	18/06/2050	150,000	1,401,382	0.05
US Bancorp-3%	30/07/2029	900,000	7,239,757	0.28
Verizon Communications Inc-4.5%	10/08/2033	430,000	3,908,833	0.15
Verizon Communications Inc-5.25%	16/03/2037	930,000	9,095,792	0.35
ViacomCBS Inc-3.875%	15/12/2021	2,155,000	17,362,667	0.66
ViacomCBS Inc-4.25%	01/09/2023	305,000	2,529,718	0.10
Vodafone Group Plc-4.125%	30/05/2025	690,000	5,836,877	0.22
Walmart Inc-3.05%	08/07/2026	1,500,000	12,322,288	0.47
Waste Connections Inc-3.5%	01/05/2029	1,825,000	15,058,416	0.57
Waste Connections Inc-4.25%	01/12/2028	950,000	8,250,298	0.31
Waste Management Inc-3.2%	15/06/2026	1,415,000	11,544,587	0.44
Wells Fargo & Co-2.1%	26/07/2021	2,020,000	15,753,657	0.60
Wells Fargo & Co-3.75%	24/01/2024	3,585,000	29,518,247	1.12
Western Midstream Operating LP-4%	01/07/2022	2,000,000	15,965,152	0.61
WM. Wrigley Jr. Co-3.375%	21/10/2020	1,355,000	10,654,830	0.41
Xcel Energy Inc-2.6%	01/12/2029	1,000,000	7,718,077	0.29
Xilinx Inc-2.95%	01/06/2024	965,000	7,724,257	0.29
XLIT Ltd-4.45%	31/03/2025	6,100,000	51,759,851	1.98
Zions Bancorp NA-3.5%	27/08/2021	4,650,000	37,059,627	1.41
Zoetis Inc-3.9%	20/08/2028	3,770,000	31,858,052	1.21
<b>Total fixed coupon rate debt instruments</b>			2,278,441,740	86.65

Principal Pension Bond Fund <i>(continued)</i>				
Investments	Maturity	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed/quoted debt instruments</b> <i>(continued)</i>				
<b>Floating coupon rate debt instruments</b>				
<i>Denominated in United States Dollar</i>				
Bank of America Corp-Floating	17/05/2022	5,000,000	39,719,284	1.51
Bank of America Corp-Floating	15/03/2025	1,455,000	11,832,457	0.45
Bank of America Corp-Floating	23/07/2029	905,000	7,833,510	0.30
Bank of America Corp-Floating	07/02/2030	610,000	5,215,218	0.20
Bank of America Corp-Floating	23/07/2030	1,500,000	12,085,080	0.46
Citigroup Inc-Floating	27/10/2028	1,585,000	12,995,939	0.49
DBS Group Holdings Ltd-Floating	11/12/2028	1,865,000	15,445,584	0.59
General Motors Financial Co Inc-Floating	05/01/2023	1,090,000	8,437,515	0.32
HSBC Holdings Plc-Floating	11/03/2025	1,200,000	9,810,311	0.37
HSBC Holdings Plc-Floating	07/11/2025	2,300,000	17,982,468	0.68
JPMorgan Chase & Co-Floating	01/04/2023	1,460,000	11,640,735	0.44
JPMorgan Chase Bank National Association-Floating	01/02/2021	3,930,000	30,620,642	1.16
The Goldman Sachs Group Inc-Floating	05/06/2023	3,990,000	31,584,007	1.20
The Royal Bank Of Scotland Group Plc-Floating	22/03/2025	1,800,000	14,892,745	0.57
<b>Total floating coupon rate debt instruments</b>			230,095,495	8.74
<b>Total listed/quoted debt instruments</b>			2,508,537,235	95.39
<b>Total investments</b>			2,508,537,235	95.39
<b>Other net assets</b>			121,323,935	4.61
<b>Total net asset value</b>			2,629,861,170	100.00
<b>Total cost of investments</b>			2,431,565,025	
* 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 2019** *(continued)*

<b>Principal U.S. Equity Fund</b>			
<b>Investments</b>	<b>* Portfolio holdings</b>	<b>Fair value</b> <i>HK\$/HK\$ equivalent</i>	<b>% of NAV</b>
<b>Listed shares</b>			
<i>Bahamas</i>			
OneSpaWorld Holdings Ltd	77,300	10,137,108	0.39
<i>United States</i>			
Accenture Plc-A	16,430	26,941,797	1.03
Addus HomeCare Corp	14,500	10,977,820	0.42
Advanced Disposal Services Inc	38,336	11,595,207	0.44
Advanced Energy Industries Inc	33,700	18,685,400	0.71
Aerojet Rocketdyne Holdings Inc	21,300	7,573,698	0.29
Aflac Inc	39,442	16,248,269	0.62
Agree Realty Corp	22,800	12,458,875	0.48
Akamai Technologies Inc	6,568	4,418,134	0.17
Alcoa Corp	21,800	3,651,652	0.14
Allergan Plc	997	1,484,251	0.06
Alliant Energy Corp	4,360	1,857,912	0.07
Alphabet Inc-A	3,642	37,987,393	1.45
Alphabet Inc-C	2,673	27,831,035	1.06
Altria Group Inc	21,583	8,388,646	0.32
Amazon.com Inc	3,686	53,041,060	2.02
AmerisourceBergen Corp	18,919	12,525,982	0.48
AMETEK Inc	24,641	19,139,042	0.73
Amgen Inc	10,379	19,484,586	0.74
AMN Healthcare Services Inc	30,000	14,556,987	0.56
Anaplan Inc	8,286	19,488,908	0.74
Apple Inc	44,570	101,921,341	3.90
AT&T Inc	87,735	26,700,533	1.02
Athene Holding Ltd-A	26,700	9,778,646	0.37
Automatic Data Processing Inc	6,860	9,108,377	0.35
AutoZone Inc	703	6,521,877	0.25
Baker Hughes Co	15,744	3,142,362	0.12
Bank of America Corp	85,736	23,515,004	0.90
Baxter International Inc	16,892	10,999,773	0.42
Berkshire Hathaway Inc-B	18,831	33,214,987	1.27
Bill.Com Holdings Inc	4,180	1,238,578	0.05
BJ's Wholesale Club Holdings Inc	54,600	9,668,867	0.37
Bristol-Myers Squibb Co	4,907	2,452,878	0.09
Cabot Corp	19,500	7,216,117	0.28
Cadence Design Systems Inc	25,971	14,027,822	0.54
Callon Petroleum Co	135,700	5,104,104	0.19
Camden Property Trust	14,800	12,228,399	0.47
Capital One Financial Corp	8,706	6,977,000	0.27
Cardinal Health Inc	9,324	3,672,600	0.14
Cathay General Bancorp	52,400	15,526,674	0.59
Central Garden & Pet Co-A	23,500	5,372,995	0.21
Ceridian HCM Holding Inc	30,800	16,281,149	0.62
Chevron Corp	24,521	23,011,968	0.88
CIGNA Corp	14,733	23,461,499	0.90
Cisco Systems Inc	78,562	29,341,628	1.12
Citigroup Inc	30,978	19,272,511	0.74
Citizens Financial Group Inc	3,066	969,611	0.04
Cloudflare Inc-A	31,900	4,238,012	0.16
CMS Energy Corp	3,428	1,677,527	0.06
Comcast Corp-A	58,639	20,535,342	0.78
Comerica Inc	6,522	3,644,141	0.14
ConocoPhillips	13,557	6,865,463	0.26
Cousins Properties Inc	61,500	19,731,715	0.75
CSX Corp	20,190	11,376,990	0.43
CVS Health Corp	19,067	11,030,755	0.42
D.R. Horton Inc	14,576	5,987,607	0.23
Danaher Corp	9,958	11,901,903	0.45
Darden Restaurants Inc	11,824	10,037,447	0.38
Darling Ingredients Inc	56,200	12,289,265	0.47

<b>Principal U.S. Equity Fund</b> <i>(continued)</i>			
<b>Investments</b>	<b>* Portfolio holdings</b>	<b>Fair value</b> <i>HK\$/HK\$ equivalent</i>	<b>% of NAV</b>
<b>Listed shares</b> <i>(continued)</i>			
<i>United States</i> <i>(continued)</i>			
Delek US Holdings Inc	11,300	2,950,560	0.11
Devon Energy Corp	12,287	2,484,908	0.09
Discover Financial Services	11,658	7,700,427	0.29
Dynatrace Inc	20,600	4,058,637	0.15
East West Bancorp Inc	40,200	15,245,705	0.58
Eldorado Resorts Inc	26,200	12,168,342	0.46
Encompass Health Corp	29,200	15,751,450	0.60
EnerSys	21,200	12,353,901	0.47
Entegris Inc	11,500	4,485,815	0.17
Entergy Corp	11,959	11,156,916	0.43
EOG Resources Inc	14,117	9,208,133	0.35
Equitable Holdings Inc	71,700	13,836,076	0.53
Eventbrite Inc-A	24,500	3,848,261	0.15
Exact Sciences Corp	4,800	3,456,858	0.13
Exxon Mobil Corp	22,149	12,035,873	0.46
F5 Networks Inc	2,123	2,308,785	0.09
Facebook Inc-A	16,670	26,644,726	1.02
Fifth Third Bancorp	32,385	7,752,473	0.30
First American Financial Corp	21,900	9,946,130	0.38
First Midwest Bancorp Inc	26,612	4,778,915	0.18
FirstEnergy Corp	9,034	3,419,077	0.13
FTI Consulting Inc	22,700	19,561,809	0.75
General Dynamics Corp	4,532	6,223,832	0.24
General Mills Inc	33,153	13,827,889	0.53
Graphic Packaging Holding Co	100,100	12,978,987	0.50
HCA Holdings Inc	4,722	5,435,285	0.21
HollyFrontier Corp	6,807	2,688,078	0.10
Honeywell International Inc	16,654	22,955,371	0.88
Horizon Therapeutics Plc Ltd Co	44,700	12,601,104	0.48
Hormel Foods Corp	3,775	1,326,118	0.05
IBERIABANK Corp	30,161	17,575,755	0.67
ICF International Inc	11,400	8,133,690	0.31
IDEX Corp	1,596	2,137,735	0.08
HIS Markit Ltd	15,828	9,287,563	0.35
Illinois Tool Works Inc	3,994	5,587,010	0.21
Intel Corp	17,313	8,069,172	0.31
Intuit Inc	6,702	13,670,430	0.52
Johnson & Johnson	35,373	40,181,891	1.53
JPMorgan Chase & Co	28,614	31,062,317	1.19
K12 Inc	45,800	7,258,091	0.28
Kemper Corp	10,450	6,306,821	0.24
KeyCorp	27,603	4,350,702	0.17
Korn Ferry	32,700	10,797,075	0.41
L3Harris Technologies Inc	4,030	6,209,798	0.24
Lam Research Corp	3,177	7,234,143	0.28
Leidos Holdings Inc	15,518	11,829,505	0.45
Lennar Corp-A	6,252	2,716,238	0.10
Liberty Property Trust	31,100	14,543,398	0.56
Lockheed Martin Corp	3,603	10,925,225	0.42
Lowe's Cos Inc	11,805	11,009,568	0.42
LyondellBasell Industries NV-A	22,561	16,599,336	0.63
Manhattan Associates Inc	16,400	10,185,141	0.39
Marathon Petroleum Corp	22,208	10,419,791	0.40
MasTec Inc	30,800	15,388,900	0.59
MasterCard Inc	15,330	35,645,927	1.36
Matrix Service Co	27,000	4,810,744	0.18
Maxim Integrated Products Inc	10,596	5,075,516	0.19
McKesson Corp	11,604	12,499,286	0.48
Medifast Inc	2,800	2,389,361	0.09
Merck & Co Inc	47,337	33,527,095	1.28
MetLife Inc	21,712	8,618,009	0.33
MGIC Investment Corp	53,900	5,947,728	0.23

**INVESTMENT REPORT** *(continued)*  
Portfolio Statement as at 31 December 2019 *(continued)*

Principal U.S. Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>United States</i> <i>(continued)</i>			
MGM Resorts International	4,107	1,064,070	0.04
Micron Technology Inc	15,003	6,283,352	0.24
Microsoft Corp	80,119	98,391,981	3.76
Mondelez International Inc-A	6,757	2,898,280	0.11
Morgan Stanley	18,417	7,331,659	0.28
Nesco Holdings Inc	115,800	3,706,320	0.14
Nevro Corp	5,200	4,759,721	0.18
NIKE Inc-B	33,318	26,285,953	1.00
NiSource Inc	5,824	1,262,650	0.05
Northrop Grumman Corp	3,255	8,718,947	0.33
Nucor Corp	6,643	2,911,460	0.11
NVR Inc	69	2,046,375	0.08
OGE Energy Corp	37,900	13,124,986	0.50
Old Dominion Freight Line Inc	1,033	1,526,663	0.06
ONEOK Inc	6,498	3,829,093	0.15
Oracle Corp	28,682	11,833,518	0.45
P. H. Glatfelter Co	23,400	3,334,721	0.13
Packaging Corp of America	2,858	2,492,493	0.10
Parsons Corp	45,400	14,594,460	0.56
PayPal Holdings Inc	2,114	1,780,756	0.07
Pebblebrook Hotel Trust	28,900	6,033,748	0.23
People's United Financial Inc	7,567	995,871	0.04
PepsiCo Inc	6,594	7,018,021	0.27
Performance Food Group Co	31,300	12,548,025	0.48
Perspecta Inc	79,300	16,327,780	0.62
Pfizer Inc	23,170	7,069,407	0.27
Philip Morris International Inc	3,457	2,290,712	0.09
Phillips 66	16,174	14,032,470	0.54
Ping Identity Holding Corp	55,000	10,407,860	0.40
Piper Jaffray Co	7,600	4,731,188	0.18
Planet Fitness Inc-A	26,800	15,585,890	0.59
PPL Corp	10,715	2,993,899	0.11
Prudential Financial Inc	5,449	3,977,720	0.15
Public Service Enterprise Group Inc	5,825	2,678,603	0.10
PulteGroup Inc	8,202	2,478,244	0.09
Qualcomm Inc	18,024	12,383,972	0.47
Ra Medical Systems Inc	41,700	366,950	0.01
Raytheon Co	4,484	7,673,036	0.29
Regions Financial Corp	83,215	11,120,169	0.42
Revolve Group Inc	18,848	2,694,824	0.10
Rexnord Corp	60,000	15,241,500	0.58
Roper Technologies Inc	3,673	10,132,084	0.39
Ruth's Hospitality Group Inc	32,600	5,525,465	0.21
Seagate Technology Plc	11,029	5,110,291	0.20
Seattle Genetics Inc	3,000	2,669,365	0.10
SolarWinds Corp	86,082	12,435,085	0.47
Southwest Airlines Co	21,712	9,126,940	0.35
Southwest Gas Holdings Inc	18,000	10,648,958	0.41
Sprout Social Inc-A	53,400	6,674,347	0.25
Starbucks Corp	36,402	24,923,293	0.95
Steel Dynamics Inc	36,800	9,755,058	0.37
Stifel Financial Corp	14,700	6,942,896	0.26
Synchrony Financial	25,049	7,024,348	0.27
Syneos Health Inc	26,100	12,088,362	0.46
Target Corp	17,694	17,666,089	0.67
Teladoc Health Inc	6,700	4,368,140	0.17
The Allstate Corp	4,842	4,240,106	0.16
The Bank of New York Mellon Corp	2,657	1,041,384	0.04
The Coca-Cola Co	7,458	3,214,641	0.12
The Goldman Sachs Group Inc	981	1,756,536	0.07
The Hanover Insurance Group Inc	10,600	11,281,622	0.43
The Hartford Financial Services Group Inc	6,910	3,270,091	0.12

Principal U.S. Equity Fund <i>(continued)</i>			
Investments	* Portfolio holdings	Fair value <i>HK\$/HK\$ equivalent</i>	% of NAV
<b>Listed shares</b> <i>(continued)</i>			
<i>United States</i> <i>(continued)</i>			
The Home Depot Inc	18,154	30,872,919	1.18
The Interpublic Group of Co Inc	6,033	1,085,270	0.04
The Kroger Co	61,805	13,952,895	0.53
The Procter & Gamble Co	14,556	14,157,839	0.54
The Southern Co	36,109	17,912,136	0.68
The TJX Cos Inc	48,285	22,959,453	0.88
The Travelers Co Inc	3,862	4,118,763	0.16
The Walt Disney Co	7,613	8,574,459	0.33
The Western Union Co	13,881	2,894,835	0.11
Thermo Fisher Scientific Inc	6,730	17,026,178	0.65
Tyson Foods Inc-A	5,272	3,737,663	0.14
Union Pacific Corp	3,345	4,709,372	0.18
UnitedHealth Group Inc	15,878	36,350,139	1.39
Universal Health Services Inc-B	2,225	2,485,726	0.09
US Bancorp	2,410	1,112,733	0.04
Valero Energy Corp	16,503	12,035,473	0.46
Verisk Analytics Inc	6,389	7,430,218	0.28
Verizon Communications Inc	74,496	35,619,992	1.36
Visa Inc	27,050	39,580,980	1.51
Vishay Intertechnology Inc	82,600	13,694,564	0.52
Visteon Corp	12,900	8,698,612	0.33
Walgreens Boots Alliance Inc	19,932	9,151,680	0.35
Walmart Inc	31,217	28,889,918	1.10
Waste Management Inc	10,248	9,094,609	0.35
Wellcare Health Plans Inc	2,100	5,400,103	0.21
Wells Fargo & Co	42,889	17,968,867	0.69
Whiting Petroleum Corp	71,800	4,104,053	0.16
William Lyon Homes-A	67,500	10,502,477	0.40
World Wrestling Entertainment Inc-A	27,600	13,942,655	0.53
Xcel Energy Inc	12,428	6,144,677	0.23
Xerox Holdings Corp	41,600	11,944,252	0.46
YUM! Brands Inc	13,119	10,290,869	0.39
		2,514,730,350	95.97
<b>Total listed shares</b>		2,524,867,458	96.36
<b>Total investments</b>		2,524,867,458	96.36
<b>Other net assets</b>		95,379,010	3.64
<b>Total net asset value</b>		2,620,246,468	100.00
<b>Total cost of investments</b>		2,089,621,611	
* 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

<b>Principal Asian Equity Fund</b>	<b>% of net assets as at 31 December 2019</b>	<b>% of net assets as at 31 December 2018</b>	<b>Principal China Equity Fund</b>	<b>% of net assets as at 31 December 2019</b>	<b>% of net assets as at 31 December 2018</b>
<b>Listed shares (by country/by region)</b>			<b>Listed shares (by industry sector)</b>		
Australia	17.45	8.41	Consumer discretionary	18.24	10.50
China	25.87	33.46	Consumer staples	2.17	2.63
Hong Kong	11.29	11.31	Energy	5.10	7.76
India	9.08	10.31	Financials	37.82	40.03
Indonesia	0.73	1.06	Health care	4.10	1.83
Malaysia	2.82	1.77	Industrials	8.27	8.94
Singapore	2.97	3.34	Information technology	4.59	11.97
South Korea	12.14	13.05	Materials	3.15	3.18
Taiwan	13.62	10.61	Telecommunication services	12.98	6.34
Thailand	1.74	2.28	Utilities	2.08	3.33
The Philippines	0.71	0.20			
United States	-	1.19			
	98.42	96.99	Other net assets	1.50	3.49
Other net assets	1.58	3.01			
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>	<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

<b>Principal European Equity Fund</b>		
	% of net assets as at 31 December 2019	% of net assets as at 31 December 2018
<b>Listed shares (by country/by region)</b>		
Austria	0.43	1.34
Denmark	5.41	4.48
Finland	1.92	2.52
France	14.18	12.70
Germany	9.89	8.41
Ireland	0.79	1.15
Italy	5.23	5.16
Netherlands	8.37	7.43
Norway	1.34	2.39
Portugal	-	0.55
Spain	2.24	4.56
Sweden	5.06	3.89
Switzerland	16.02	15.33
United Kingdom	26.68	28.10
	97.56	98.01
Other net assets	2.44	1.99
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

<b>Principal Hong Kong Bond Fund</b>		
	% of net assets as at 31 December 2019	% of net assets as at 31 December 2018
<b>Listed/quoted debt instruments</b>		
Certificates of deposit	21.56	20.55
Non-certificates of deposit	77.00	77.16
	98.56	97.71
Other net assets	1.44	2.29
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

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

Principal Hong Kong Dollar Savings Fund			Principal Hong Kong Equity Fund		
	% of net assets as at 31 December 2019	% of net assets as at 31 December 2018		% of net assets as at 31 December 2019	% of net assets as at 31 December 2018
<b>Listed/quoted debt instruments</b>			<b>Listed shares (by industry sector)</b>		
Certificates of deposit	34.40	41.37	Consumer discretionary	12.33	6.82
Non-certificates of deposit	27.93	24.56	Consumer staples	1.64	3.34
			Energy	2.93	3.71
			Financials	48.76	50.80
Other net assets	62.33	65.93	Health care	2.91	1.01
	37.67	34.07	Industrials	6.35	9.06
Total net assets	100.00	100.00	Information technology	3.45	10.66
			Materials	2.26	1.44
			Telecommunication services	12.59	4.11
			Utilities	3.93	6.08
				97.15	97.03
			Other net assets	2.85	2.97
			Total net assets	100.00	100.00



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

<b>Principal Pension Bond Fund</b>		
	% of net assets as at 31 December 2019	% of net assets as at 31 December 2018
<b>Listed/quoted debt instruments</b>		
Fixed coupon rate debt instruments	86.65	83.35
Floating coupon rate debt instruments	8.74	11.12
	95.39	94.47
Other net assets	4.61	5.53
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

<b>Principal U.S. Equity Fund</b>		
	% of net assets as at 31 December 2019	% of net assets as at 31 December 2018
<b>Listed shares (by industry sector)</b>		
Consumer discretionary	11.48	13.12
Consumer staples	5.77	6.15
Energy	4.45	4.41
Financials	15.83	17.88
Health care	13.66	14.43
Industrials	10.35	10.55
Information technology	22.09	23.10
Materials	2.26	2.42
Telecommunication services	7.70	2.08
Utilities	2.77	3.61
	96.36	97.75
Other net assets	3.64	2.25
<b>Total net assets</b>	<b>100.00</b>	<b>100.00</b>

# INVESTMENT REPORT *(continued)*

## Investment income and performance

Year ended 31 December 2019										
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
<b>Investment performance</b>										
Net gains/(losses) of investments - realised	43,295,528	92,005,809	415,815	130,757,267	54,434,415	(43,467,428)	130,581,250	120,631,831	92,006,277	97,282,124
Net gains/(losses) of investments - unrealised	580,703,162	504,036,917	167,283,061	110,824,737	(1,496,161)	1,166,404,238	216,064,489	508,384,032	138,070,953	354,687,677
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\$
<b>Investment performance</b>										
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\$
<b>Investment performance</b>										
Net gains of investments - realised	421,783,217	331,850,587	40,845,993	93,466,531	18,256,257	637,794,406	55,240,730	185,825,837	80,611,939	91,873,135
Net gains of investments - unrealised	1,149,049,831	775,127,429	223,383,595	15,085,600	5,633,199	1,609,632,316	250,341,596	526,582,284	34,687,662	172,867,758

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

	Year ended 31 December 2019									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
<b>Income derived from investments</b>										
Dividend income	145,167,418	130,770,858	25,131,138	-	-	363,150,295	-	80,588,632	-	35,986,219
Fixed deposit interest	-	-	-	-	30,368,569	-	-	-	-	-
Bank interest	159,918	625	22,565	579	527	-	55,356	84,446	95,727	28,301
Other income	-	-	440,876	-	-	-	-	426,388	-	218,044
	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\$
<b>Income derived from investments</b>										
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\$
<b>Income derived from investments</b>										
Dividend income	140,817,139	119,527,290	30,662,573	-	-	228,255,587	-	78,171,930	-	25,178,176
Fixed deposit interest	-	-	-	-	10,202,721	-	-	-	-	-
Bank interest	56,712	303	19,615	145	301	-	60,973	32,930	67,618	11,434
Other income	-	-	359,993	-	-	-	-	304,255	-	63,704



## 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

20 April 2020

## 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 2019;
- (2) during the year ended 31 December 2019, subject to (3) below, we have not become aware of any failures by the Custodian, the Manager, or their delegates to comply with the obligations imposed on them;
- (3) we are not aware of any events of a significant nature relating to the Fund that occurred during the year ended 31 December 2019 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 2019; and
- (5) in our opinion, there are no material changes which have not been reported to the Authority during the year ended 31 December 2019.

We declare that, during the year ended 31 December 2019, 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

20 April 2020

# 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 53 to 98, which comprise the statements of net assets attributable to unitholders as at 31 December 2019, 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 2019 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 2019, 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  
20 April 2020

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

		2019									
Notes	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$	
<b>Income</b>											
Gross dividend income	145,167,418	130,770,858	25,131,138	-	-	363,150,295	-	80,588,632	-	35,986,219	
Fixed deposit interest income	-	-	-	-	30,368,569	-	-	-	-	-	
Bank interest income	159,918	625	22,565	579	527	-	55,356	84,446	95,727	28,301	
Other income	-	-	440,876	-	-	-	-	426,388	-	218,044	
	145,327,336	130,771,483	25,594,579	579	30,369,096	363,150,295	55,356	81,099,466	95,727	36,232,564	
<b>Expenses</b>											
Investment transaction costs	(34,652,014)	(21,448,356)	(1,107,203)	(15,525)	(14,369)	(56,101,342)	(112,899)	(7,265,288)	(44,523)	(1,167,777)	
Investment management fees	10(a) (409,606)	(14,466,641)	(75,940)	(13,506,936)	(626,772)	(16,057,397)	(4,532,609)	(4,032,750)	-	(137,357)	
Sub-custodian fees	(1,511,493)	(1,228,512)	(108,144)	(733,790)	(318,482)	(2,240,371)	(423,101)	(481,281)	(240,953)	(17,815)	
Auditor's remuneration	(54,649)	(57,033)	(8,827)	(109,488)	(40,499)	(150,148)	(54,926)	(39,503)	(29,346)	(20,349)	
Operating expenses	(1,371)	(49,945)	(61)	(477,147)	(13,605)	(88,227)	(7,699)	(20,171)	-	(14,009)	
Trustee fees	10(b) (74,430)	(2,292,841)	(15,188)	(5,402,774)	(501,417)	(2,830,300)	(1,131,498)	(672,125)	-	(22,893)	
Legal and other professional fees	(297,510)	-	-	-	-	-	-	(53,510)	-	-	
Bank charges	(300)	(300)	(300)	(300)	(4,710)	(300)	(300)	(700)	(300)	(500)	
Distribution fees	-	-	-	-	-	(14,583)	-	-	-	-	
	(37,001,373)	(39,543,628)	(1,315,663)	(20,245,960)	(1,519,854)	(77,482,668)	(6,263,032)	(12,565,328)	(315,122)	(1,380,700)	
<b>Gains/(losses) on investments and exchange difference</b>											
Gains on investments	3 1,241,259,189	1,182,883,591	217,264,671	299,515,595	68,216,970	2,522,934,905	410,254,199	976,863,317	248,119,026	598,432,801	
Losses on investments	3 (617,260,499)	(586,840,865)	(49,565,795)	(57,933,591)	(15,278,716)	(1,399,998,095)	(63,608,460)	(347,847,454)	(18,041,796)	(146,463,000)	
Exchange gain/(loss)	(11,898,954)	(698,032)	251,451	(320,296)	-	(1,426,167)	7,136,877	(1,443,161)	(261,834)	(330,060)	
	612,099,736	595,344,694	167,950,327	241,261,708	52,938,254	1,121,510,643	353,782,616	627,572,702	229,815,396	451,639,741	
<b>Net income for the year</b>											
	720,425,699	686,572,549	192,229,243	221,016,327	81,787,496	1,407,178,270	347,574,940	696,106,840	229,596,001	486,491,605	
Taxation	7 (22,689,323)	(7,874,678)	(3,098,157)	-	-	(10,235,053)	(161,708)	(14,537,282)	-	(10,312,357)	
<b>Net income for the year before distribution to unitholders</b>											
	697,736,376	678,697,871	189,131,086	221,016,327	81,787,496	1,396,943,217	347,413,232	681,569,558	229,596,001	476,179,248	
Distributions to unitholders	-	(1,592,195)	-	(18,583,872)	-	(2,903,070)	-	-	-	-	
<b>Increase in net assets attributable to unitholders</b>											
	697,736,376	677,105,676	189,131,086	202,432,455	81,787,496	1,394,040,147	347,413,232	681,569,558	229,596,001	476,179,248	



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

Year ended 31 December 2019

		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\$	
<b>Income</b>											
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	
<b>Expenses</b>											
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)	
<b>Gains/(losses) on investments and exchange difference</b>											
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)	
<b>Net income/(loss) for the year</b>											
	(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)	
<b>Net income/(loss) for the year before distribution to unitholders</b>											
	(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)	-	-	-	-	
<b>Increase/(decrease) in net assets attributable to unitholders</b>											
	(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 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

31 December 2019

	Notes	2019									
		Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
<b>Assets</b>											
Investments measured at fair value through profit or loss	4	5,152,750,932	4,197,800,230	957,322,660	6,295,480,933	2,157,802,370	10,822,381,084	4,949,967,863	3,583,402,887	2,508,537,235	2,524,867,458
Derivative financial instruments		-	-	-	-	-	-	541,129	-	-	-
Interest and dividend receivables	5	2,831,110	-	569,577	56,993,612	41,618,706	-	40,167,394	3,347,021	21,111,484	1,590,982
Amounts receivable from brokers		139,248,757	22,979,679	-	-	-	96,363,126	-	5,052,482	-	-
Amounts receivable on subscriptions		1,247,311	2,068,997	3,403	10,136,326	4,058,835	6,107,731	1,820,098	1,572,107	639,713	3,682,626
Cash at banks	6	113,895,604	62,542,941	32,317,410	38,349,251	1,268,520,560	408,538,303	281,487,940	70,552,669	100,155,039	93,869,310
Other receivables		-	-	-	-	-	-	-	-	-	-
		5,409,973,714	4,285,391,847	990,213,050	6,400,960,122	3,472,000,471	11,333,390,244	5,273,984,424	3,663,927,166	2,630,443,471	2,624,010,376
<b>Liabilities</b>											
Derivative financial instruments		-	-	-	-	-	-	2,369,235	-	-	-
Amounts payable to brokers		171,935,955	16,760,677	8,837,493	-	-	180,599,660	-	78,636	-	3,288,441
Amounts payable on redemptions		2,082,825	4,737,798	26,848	5,949,483	10,005,529	9,834,664	1,789,040	887,338	547,060	421,466
Accrual and other payables		589,221	2,013,281	72,821	7,410,128	202,724	2,705,686	654,380	659,145	35,241	54,001
		174,608,001	23,511,756	8,937,162	13,359,611	10,208,253	193,140,010	4,812,655	1,625,119	582,301	3,763,908
<b>Net assets attributable to unitholders</b>		<b>5,235,365,713</b>	<b>4,261,880,091</b>	<b>981,275,888</b>	<b>6,387,600,511</b>	<b>3,461,792,218</b>	<b>11,140,250,234</b>	<b>5,269,171,769</b>	<b>3,662,302,047</b>	<b>2,629,861,170</b>	<b>2,620,246,468</b>
<b>Number of units in issue</b>											
- Pension class	8	93,119,876.0051	150,340,891.7258	55,897,635.1800	299,345,173.2330	237,118,657.4542	218,659,593.1751	254,251,583.4139	90,092,652.8786	139,837,484.4354	64,880,494.3149
- Retail class	8	547,817.6701	33,452,745.9285	-	174,531,861.5300	19,712,379.7354	23,232,199.1533	278,684.0958	12,565,803.1966	-	526,813.6674
- Investment class	8	595,211.0522	35,262,772.9124	455,189.0583	-	-	12,995,904.0672	39,328,395.8633	-	-	-
- I6 class	8	-	-	-	-	-	-	-	-	-	-
- R6 class	8	-	6,202,516.6915	-	78,481,367.2245	-	8,243,373.1203	-	-	-	-
- R2 class	8	-	-	-	-	-	228,094.0397	-	-	-	-
<b>Net asset value per unit</b>											
- Pension class		55.8194	20.4079	17.4307	12.2375	13.5880	44.4887	18.4856	36.6826	18.8065	40.2047
- Retail class		43.6398	16.4007	-	11.3150	12.1656	36.2091	12.7183	28.4474	-	22.2928
- Investment class		22.7779	16.4268	15.2106	-	-	36.8450	14.3823	-	-	-
- I6 class		10.0000	-	-	-	-	-	-	10.0000	-	-
- R6 class		-	10.6131	-	9.5502	-	10.8571	-	-	-	-
- R2 class		-	-	-	-	-	12.3654	-	-	-	-

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

31 December 2019

		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\$	
<b>Assets</b>											
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
<b>Liabilities</b>											
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
<b>Net assets attributable to unitholders</b>		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
<b>Number of units in issue</b>											
- 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	-	-	-	-
<b>Net asset value per unit</b>											
- 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	-	-	-	-

# STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Year ended 31 December 2019

	2019									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
<b>Balance brought forward</b>	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
Amounts received and receivable on issue of units	875,005,905	1,165,839,729	86,047,878	1,717,374,707	1,413,411,282	3,121,808,531	933,570,834	525,648,988	227,126,611	1,028,565,436
Amounts paid and payable on redemptions of units	(846,836,998)	(1,522,865,096)	(22,518,682)	(1,275,408,256)	(1,376,557,756)	(4,593,698,596)	(545,490,061)	(804,420,065)	(248,421,878)	(563,548,684)
Increase in net asset attributable to unitholders	697,736,376	677,105,676	189,131,086	202,432,455	81,787,496	1,394,040,147	347,413,232	681,569,558	229,596,001	476,179,248
<b>Net assets carried forward</b>	5,235,365,713	4,261,880,091	981,275,888	6,387,600,511	3,461,792,218	11,140,250,234	5,269,171,769	3,662,302,047	2,629,861,170	2,620,246,468
	<b>2018</b>									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
<b>Balance brought forward</b>	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)
<b>Net assets carried forward</b>	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

# STATEMENT OF DISTRIBUTION

For the year ended 31 December 2019

	2019			
	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		678,697,871	221,016,327	1,396,943,217
Distribution to Unitholders of R6 class for Q1 2019	17	(21,288)	(4,442,046)	(374,441)
Distribution to Unitholders of R6 class for Q2 2019	17	(923,784)	(4,516,892)	(1,350,631)
Distribution to Unitholders of R6 class for Q3 2019	17	(585,718)	(4,766,937)	(893,602)
Distribution to Unitholders of R6 class for Q4 2019	17	(61,405)	(4,857,997)	(284,396)
Transfer to capital		(677,105,676)	(202,432,455)	(1,394,040,147)
Undistributed income carried forward		-	-	-
<b>2018</b>				
	Note	Principal China Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Equity Fund HK\$
Amount brought forward at the beginning of the year		-	-	-
Net profit/(loss) for the year		(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		-	-	-

# STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	2019									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
<b>Cash flows from operating activities</b>										
Dividend received, net of withholding tax	122,451,341	122,896,180	21,856,099	-	-	355,390,542	-	64,964,364	-	25,330,468
Interest received, net of withholding tax	159,918	625	22,565	152,168,477	64,592,953	-	119,648,398	84,446	81,686,764	28,301
Other income received	-	-	440,876	-	-	-	-	426,388	-	218,044
Operating expenses paid	(36,966,366)	(38,346,246)	(1,309,437)	(18,465,307)	(1,429,093)	(76,152,500)	(5,857,744)	(12,199,503)	(315,124)	(1,356,085)
Capital gain tax paid	(2,408,294)	-	-	-	-	-	-	(2,532)	-	-
Exchange gain/(loss)	(11,898,954)	(698,032)	251,451	(320,296)	-	(1,426,167)	7,136,877	(1,443,161)	(261,834)	(330,060)
Net deposits with maturity over 3 months placed at banks	-	-	-	-	(175,489,955)	-	-	-	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>71,337,645</b>	<b>83,852,527</b>	<b>21,261,554</b>	<b>133,382,874</b>	<b>(112,326,095)</b>	<b>277,811,875</b>	<b>120,927,531</b>	<b>51,830,002</b>	<b>81,109,806</b>	<b>23,890,668</b>
<b>Cash flows from investing activities</b>										
Purchase of investment securities	(9,564,669,464)	(5,054,707,930)	(389,835,726)	(2,421,382,274)	(1,927,261,710)	(13,009,030,354)	(1,997,642,200)	(3,722,292,560)	(1,287,907,392)	(1,675,235,226)
Proceeds from sale of investment securities	9,320,026,541	5,264,203,522	323,148,169	1,821,816,292	1,984,878,136	14,273,946,151	1,509,083,504	3,912,992,694	1,207,294,205	1,216,038,211
<b>Net cash flows from/(used in) investing activities</b>	<b>(244,642,923)</b>	<b>209,495,592</b>	<b>(66,687,557)</b>	<b>(599,565,982)</b>	<b>57,616,426</b>	<b>1,264,915,797</b>	<b>(488,558,696)</b>	<b>190,700,134</b>	<b>(80,613,187)</b>	<b>(459,197,015)</b>
<b>Cash flows from financing activities</b>										
Subscriptions received	877,450,285	1,168,928,702	86,125,251	1,722,419,609	1,415,475,882	3,140,466,076	934,097,597	526,729,939	228,186,862	1,037,539,176
Redemptions paid	(847,245,471)	(1,521,308,475)	(22,523,207)	(1,274,211,731)	(1,370,966,978)	(4,601,232,010)	(544,231,675)	(804,935,525)	(248,490,984)	(565,392,082)
Distribution paid	-	(1,555,039)	-	(18,575,760)	-	(2,942,297)	-	-	-	-
<b>Net cash flows from/(used in) financing activities</b>	<b>30,204,814</b>	<b>(353,934,812)</b>	<b>63,602,044</b>	<b>429,632,118</b>	<b>44,508,904</b>	<b>(1,463,708,231)</b>	<b>389,865,922</b>	<b>(278,205,586)</b>	<b>(20,304,122)</b>	<b>472,147,094</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(143,100,464)</b>	<b>(60,586,693)</b>	<b>18,176,041</b>	<b>(36,550,990)</b>	<b>(10,200,765)</b>	<b>79,019,441</b>	<b>22,234,757</b>	<b>(35,675,450)</b>	<b>(19,807,503)</b>	<b>36,840,747</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>256,996,068</b>	<b>123,129,634</b>	<b>14,141,369</b>	<b>74,900,241</b>	<b>45,391,923</b>	<b>329,518,862</b>	<b>259,253,183</b>	<b>106,228,119</b>	<b>119,962,542</b>	<b>57,028,563</b>
<b>Cash and cash equivalents at end of year</b>	<b>113,895,604</b>	<b>62,542,941</b>	<b>32,317,410</b>	<b>38,349,251</b>	<b>35,191,158</b>	<b>408,538,303</b>	<b>281,487,940</b>	<b>70,552,669</b>	<b>100,155,039</b>	<b>93,869,310</b>
<b>Analysis of balances of cash and cash equivalents:</b>										
Cash at banks	113,895,604	62,542,941	32,317,410	38,349,251	1,268,520,560	408,538,303	281,487,940	70,552,669	100,155,039	93,869,310
Less: Bank deposits with maturity over 3 months	-	-	-	-	(1,233,329,402)	-	-	-	-	-
	<b>113,895,604</b>	<b>62,542,941</b>	<b>32,317,410</b>	<b>38,349,251</b>	<b>35,191,158</b>	<b>408,538,303</b>	<b>281,487,940</b>	<b>70,552,669</b>	<b>100,155,039</b>	<b>93,869,310</b>

# STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2019

	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\$
<b>Cash flows from operating activities</b>										
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)	-	-	-	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>98,915,016</b>	<b>91,341,734</b>	<b>29,197,238</b>	<b>100,305,051</b>	<b>(148,881,954)</b>	<b>235,534,920</b>	<b>110,066,809</b>	<b>47,026,637</b>	<b>79,361,116</b>	<b>18,394,444</b>
<b>Cash flows from investing activities</b>										
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
<b>Net cash flows from/(used in) investing activities</b>	<b>(82,264,583)</b>	<b>(502,738,161)</b>	<b>445,654,412</b>	<b>(1,469,929,250)</b>	<b>(460,060,456)</b>	<b>(3,676,450,923)</b>	<b>(296,936,321)</b>	<b>82,395,041</b>	<b>(69,359,544)</b>	<b>(143,015,089)</b>
<b>Cash flows from financing activities</b>										
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)	-	-	-	-
<b>Net cash flows from/(used in) financing activities</b>	<b>116,418,444</b>	<b>419,740,548</b>	<b>(485,510,441)</b>	<b>1,388,863,094</b>	<b>581,428,964</b>	<b>3,532,322,758</b>	<b>225,864,960</b>	<b>(104,128,947)</b>	<b>14,114,824</b>	<b>160,629,229</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>133,068,877</b>	<b>8,344,121</b>	<b>(10,658,791)</b>	<b>19,238,895</b>	<b>(27,513,446)</b>	<b>91,406,755</b>	<b>38,995,448</b>	<b>25,292,731</b>	<b>24,116,396</b>	<b>36,008,584</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>123,927,191</b>	<b>114,785,513</b>	<b>24,800,160</b>	<b>55,661,346</b>	<b>72,905,369</b>	<b>238,112,107</b>	<b>220,257,735</b>	<b>80,935,388</b>	<b>95,846,146</b>	<b>21,019,979</b>
<b>Cash and cash equivalents at end of year</b>	<b>256,996,068</b>	<b>123,129,634</b>	<b>14,141,369</b>	<b>74,900,241</b>	<b>45,391,923</b>	<b>329,518,862</b>	<b>259,253,183</b>	<b>106,228,119</b>	<b>119,962,542</b>	<b>57,028,563</b>
<b>Analysis of balances of cash and cash equivalents:</b>										
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)	-	-	-	-	-
	<b>256,996,068</b>	<b>123,129,634</b>	<b>14,141,369</b>	<b>74,900,241</b>	<b>45,391,923</b>	<b>329,518,862</b>	<b>259,253,183</b>	<b>106,228,119</b>	<b>119,962,542</b>	<b>57,028,563</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

## 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 2019

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in preparation of these financial statements are consistent with those of the previous financial period. Adoption of new and revised HKFRSs in the current year has had no significant effect on these financial statements.

## 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, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> <sup>1</sup>

<sup>1</sup> 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 described below.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Sub-funds' financial statements.

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 the 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-fund's 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

### **Investments and other financial assets**

#### *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. Financial assets with cashflows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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.

#### *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 (debt instruments)*

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

### **Impairment of financial assets**

The Sub-funds recognise an allowance for expected credit losses (“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 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.

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.

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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*

##### *Financial liabilities at amortised cost (Loans and borrowings)*

After initial recognition, interest-bearing loans and 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 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 finance costs in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

### **Derecognition of financial liabilities**

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

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

### **Offsetting of financial instruments**

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

### **Cash and cash equivalents**

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

For the purpose of the statement of financial position, cash and cash equivalents 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

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## 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

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## 3. GAINS AND LOSSES ON INVESTMENTS

2019										
	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	528,417,524	497,612,936	28,772,549	171,561,320	61,195,696	999,356,925	165,939,074	326,920,841	106,547,290	168,498,124
Unrealised gains	712,841,665	685,270,655	188,492,122	127,954,275	7,021,274	1,523,577,980	244,315,125	649,942,476	141,571,736	429,934,677
Total gains on investments	1,241,259,189	1,182,883,591	217,264,671	299,515,595	68,216,970	2,522,934,905	410,254,199	976,863,317	248,119,026	598,432,801
Realised losses	(485,121,996)	(405,607,127)	(28,356,734)	(40,804,053)	(6,761,281)	(1,042,824,353)	(35,357,824)	(206,289,010)	(14,541,013)	(71,216,000)
Unrealised losses	(132,138,503)	(181,233,738)	(21,209,061)	(17,129,538)	(8,517,435)	(357,173,742)	(28,250,636)	(141,558,444)	(3,500,783)	(75,247,000)
Total losses on investments	(617,260,499)	(586,840,865)	(49,565,795)	(57,933,591)	(15,278,716)	(1,399,998,095)	(63,608,460)	(347,847,454)	(18,041,796)	(146,463,000)

  

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)

## 4. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

2019										
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
<b>(a) Equities</b>										
Listed shares	5,152,750,932	4,197,800,230	957,322,660	-	-	10,822,381,084	-	3,583,402,887	-	2,524,867,458
<b>(b) Debt securities</b>										
Listed/quoted debt instruments	-	-	-	4,917,995,102	966,491,451	-	4,949,967,863	-	2,508,537,235	-
Certificates of deposit	-	-	-	1,377,485,831	1,191,310,919	-	-	-	-	-
	-	-	-	6,295,480,933	2,157,802,370	-	4,949,967,863	-	2,508,537,235	-
	5,152,750,932	4,197,800,230	957,322,660	6,295,480,933	2,157,802,370	10,822,381,084	4,949,967,863	3,583,402,887	2,508,537,235	2,524,867,458

  

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\$
<b>(a) Equities</b>										
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>(b) Debt securities</b>										
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

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## 5. INTEREST AND DIVIDEND RECEIVABLES

	2019									
	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	-	-	-	56,993,612	41,618,706	-	40,167,394	-	21,111,484	-
Dividend receivables	2,831,110	-	569,577	-	-	-	-	3,347,021	-	1,590,982
	2,831,110	-	569,577	56,993,612	41,618,706	-	40,167,394	3,347,021	21,111,484	1,590,982

	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

## 6. CASH AT BANKS

	2019									
	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	-	-	-	-	1,233,329,402	-	-	-	-	-
Cash at banks	113,895,604	62,542,941	32,317,410	38,349,251	35,191,158	408,538,303	281,487,940	70,552,669	100,155,039	93,869,310
	113,895,604	62,542,941	32,317,410	38,349,251	1,268,520,560	408,538,303	281,487,940	70,552,669	100,155,039	93,869,310

	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

# NOTES TO FINANCIAL STATEMENTS

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## 7. TAXATION

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

	2019									
	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
Overseas capital gain tax	2,408,294	-	-	-	-	-	-	2,532	-	-
Overseas withholding tax	20,281,029	7,874,678	3,098,157	-	-	10,235,053	161,708	14,534,750	-	10,312,357
	22,689,323	7,874,678	3,098,157	-	-	10,235,053	161,708	14,537,282	-	10,312,357

	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

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



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## 8. UNITS IN ISSUE

	2019									
	Principal Asian Equity Fund	Principal China Equity Fund	Principal European Equity Fund	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Pension Bond Fund	Principal U.S. Equity Fund
<b>Pension Class</b>										
Balance brought forward	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
Issued during the year	16,557,644.7530	53,047,449.7723	4,870,316.1640	94,981,704.6459	101,974,606.7178	67,587,286.0841	46,732,554.7412	13,953,236.9049	12,435,256.7981	27,262,354.4632
Redeemed during the year	(16,036,519.1894)	(66,318,198.5145)	(1,143,555.1679)	(64,294,316.5536)	(98,624,434.1041)	(101,239,237.3142)	(24,946,537.2585)	(21,851,017.2857)	(13,586,639.1360)	(14,992,244.1706)
Balance as at 31 December 2019	93,119,876.0051	150,340,891.7258	55,897,635.1800	299,345,173.2330	237,118,657.4542	218,659,593.1751	254,251,583.4139	90,092,652.8786	139,837,484.4354	64,880,494.3149
<b>Retail Class</b>										
Balance brought forward	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
Issued during the year	24,910.0898	5,018,995.5823	-	29,197,054.3538	3,619,353.3994	3,076,416.3442	49,280.1832	1,771,960.8593	-	611,141.1516
Redeemed during the year	(87,117.8082)	(9,886,249.5921)	-	(27,945,829.1070)	(4,171,699.6520)	(5,151,158.8408)	(20,932.1097)	(1,545,229.8822)	-	(558,561.1292)
Balance as at 31 December 2019	547,817.6701	33,452,745.9285	-	174,531,861.5300	19,712,379.7354	23,232,199.1533	278,684.0958	12,565,803.1966	-	526,813.6674
<b>Investment Class</b>										
Balance brought forward	544,943.7755	36,268,374.6566	398,418.5568	-	-	12,962,063.6887	39,510,836.6168	-	-	-
Issued during the year	77,848.7573	3,615,349.7133	319,725.2511	-	-	1,469,001.1382	6,122,926.2706	-	-	-
Redeemed during the year	(27,581.4806)	(4,620,951.4575)	(262,954.7496)	-	-	(1,435,160.7597)	(6,305,367.0241)	-	-	-
Balance as at 31 December 2019	595,211.0522	35,262,772.9124	455,189.0583	-	-	12,995,904.0672	39,328,395.8633	-	-	-
<b>I6 Class</b>										
Balance brought forward	-	-	-	-	-	-	-	-	-	-
Issued during the year	-	-	-	-	-	-	-	-	-	-
Redeemed during the year	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	-	-	-	-	-	-	-	-	-	-
<b>R6 Class</b>										
Balance brought forward	-	6,062,255.1416	-	72,386,346.7797	-	10,306,466.9721	-	-	-	-
Issued during the year	-	3,048,448.3919	-	24,857,435.9426	-	4,843,083.3908	-	-	-	-
Redeemed during the year	-	(2,908,186.8420)	-	(18,762,415.4978)	-	(6,906,177.2426)	-	-	-	-
Balance as at 31 December 2019	-	6,202,516.6915	-	78,481,367.2245	-	8,243,373.1203	-	-	-	-
<b>R2 Class</b>										
Balance brought forward	-	-	-	-	-	219,071.9659	-	-	-	-
Issued during the year	-	-	-	-	-	104,366.6580	-	-	-	-
Redeemed during the year	-	-	-	-	-	(95,344.5842)	-	-	-	-
Balance as at 31 December 2019	-	-	-	-	-	228,094.0397	-	-	-	-

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## 8. UNITS IN ISSUE (continued)

	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
<b>Pension Class</b>										
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
<b>Retail Class</b>										
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
<b>Investment Class</b>										
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	-	-	-
<b>I6 Class</b>										
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	-	-	-	-	-	-	-	-	-	-
<b>R6 Class</b>										
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	-	-	-	-
<b>R2 Class</b>										
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	-	-	-	-

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## 9. NET ASSET VALUE FOR THE SUB-FUNDS

The Trustee and the Manager would like to highlight that the net asset value (“NAV”) presented in the financial statements and that quoted for pricing purposes at the year end (“Dealing NAV”) are the same since the adoption of HKFRS 13 in 2013. Difference noted in 2019 and 2018 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 2019 and 2018:

	2019									
	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 2019	5,235,365,713	4,261,880,091	981,275,888	6,387,600,511	3,461,792,218	11,140,250,234	5,269,171,769	3,662,302,047	2,629,861,170	2,620,246,468
Formation cost	-	-	(12,128)	-	-	32,620	-	-	-	-
Dealing NAV as at 31 December 2019	5,235,365,713	4,261,880,091	981,263,760	6,387,600,511	3,461,792,218	11,140,282,854	5,269,171,769	3,662,302,047	2,629,861,170	2,620,246,468
	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

# NOTES TO FINANCIAL STATEMENTS

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## 10. RELATED PARTY TRANSACTIONS

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

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

	<b>Management fee (p.a.)</b>					
	<b>Pension Class</b>	<b>Retail Class</b>	<b>Investment Class</b>	<b>I6 Class</b>	<b>R6 Class</b>	<b>R2 Class</b>
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.

	<b>Trustee fee (p.a.)</b>					
	<b>Pension Class</b>	<b>Retail Class</b>	<b>Investment Class</b>	<b>I6 Class</b>	<b>R6 Class</b>	<b>R2 Class</b>
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 2019

## 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.

	2019									
	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	40,752	1,449,237	6,723	1,354,755	62,713	1,570,634	447,739	415,391	-	13,716
Trustee fee payable	7,447	230,149	1,345	541,902	50,171	276,115	111,760	69,232	-	2,286
	48,199	1,679,386	8,068	1,896,657	112,884	1,846,749	559,499	484,623	-	16,002

  

	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

## 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 2019 (2018: Nil).

## 13. SECURITY LENDING ARRANGEMENTS

During the year ended 31 December 2019, the Sub-funds did not enter into any security lending arrangements (2018: Nil).

## 14. NEGOTIABILITY OF ASSETS

At 31 December 2019, there was no statutory or contractual requirement restricting the negotiability of the assets of the Sub-funds (2018: Nil).

## 15. COMMITMENTS

The Sub-funds had no commitments as at 31 December 2019 (2018: Nil).

## 16. CONTINGENT LIABILITIES

The Sub-funds had no contingent liabilities as at 31 December 2019 (2018: Nil).

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## 17. DISTRIBUTION

The Manager currently does not intend to make distributions in respect of the Investment Class Units, I6 Class Units, Pension Class Units, Retail Class Units and R2 Class Unit of any Sub-fund and any income earned by such classes of a Sub-fund will be reinvested in the relevant class or classes of that Sub-fund and reflected in the value of units of the relevant class or classes of that Sub-fund.

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

The distributions made by Principal China Equity Fund, Principal Hong Kong Bond Fund and Principal Hong Kong Equity Fund for the year ended 31 December 2019 and 2018 are as follows:

	2019								
	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 2019 (paid at 9 April 2019)	5,602,182.1828	0.0038	21,288	72,464,060.6928	0.0613	4,442,046	9,200,034.4062	0.0407	374,441
Distribution for Q2 2019 (paid at 9 July 2019)	5,216,168.9030	0.1771	923,784	73,326,172.3919	0.0616	4,516,892	9,478,107.7955	0.1425	1,350,631
Distribution for Q3 2019 (paid at 9 October 2019)	6,178,464.3391	0.0948	585,718	74,716,873.3619	0.0638	4,766,937	10,342,614.9603	0.0864	893,602
Distribution for Q4 2019 (paid at 9 January 2020)	6,202,516.6915	0.0099	61,405	78,481,367.2245	0.0619	4,857,997	8,243,373.1203	0.0345	284,396
			1,592,195			18,583,872			2,903,070

	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

# NOTES TO FINANCIAL STATEMENTS

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## 18. FINANCIAL INSTRUMENTS BY CATEGORY

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

### Principal Asian Equity Fund

#### Financial assets

	2019			2018		
	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\$
Investments at fair value through profit or loss	5,152,750,932	-	5,152,750,932	4,373,784,355	-	4,373,784,355
Interest and dividend receivables	-	2,831,110	2,831,110	-	396,062	396,062
Amounts receivable from brokers	-	139,248,757	139,248,757	-	29,292,364	29,292,364
Amounts receivable on subscriptions	-	1,247,311	1,247,311	-	3,691,691	3,691,691
Cash at banks	-	113,895,604	113,895,604	-	256,996,068	256,996,068
	5,152,750,932	257,222,782	5,409,973,714	4,373,784,355	290,376,185	4,664,160,540

#### Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts payable to brokers	171,935,955	151,654,598
Amounts payable on redemptions	2,082,825	2,491,298
Accrual and other payables	589,221	554,214
	174,608,001	154,700,110

### Principal China Equity Fund

#### Financial assets

	2019			2018		
	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\$
Investments at fair value through profit or loss	4,197,800,230	-	4,197,800,230	3,804,187,390	-	3,804,187,390
Interest and dividend receivables	-	-	-	-	-	-
Amounts receivable from brokers	-	22,979,679	22,979,679	-	13,698,162	13,698,162
Amounts receivable on subscriptions	-	2,068,997	2,068,997	-	5,157,971	5,157,971
Cash at banks	-	62,542,941	62,542,941	-	123,129,634	123,129,634
	4,197,800,230	87,591,617	4,285,391,847	3,804,187,390	141,985,767	3,946,173,157

#### Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts payable to brokers	16,760,677	413,455
Amounts payable on redemptions	4,737,798	3,181,177
Accrual and other payables	2,013,281	778,743
	23,511,756	4,373,375

# NOTES TO FINANCIAL STATEMENTS

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## 18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Principal European Equity Fund

#### Financial assets

	2019			2018		
	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\$
Investments at fair value						
through profit or loss	957,322,660	-	957,322,660	714,098,734	-	714,098,734
Interest and dividend receivables	-	569,577	569,577	-	392,695	392,695
Amounts receivable on subscriptions	-	3,403	3,403	-	80,776	80,776
Cash at banks	-	32,317,410	32,317,410	-	14,141,369	14,141,369
	957,322,660	32,890,390	990,213,050	714,098,734	14,614,840	728,713,574

#### Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts payable to brokers	8,837,493	-
Amounts payable on redemptions	26,848	31,373
Accrual and other payables	72,821	66,595
	8,937,162	97,968

### Principal Hong Kong Bond Fund

#### Financial assets

	2019			2018		
	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\$
Investments at fair value						
through profit or loss	6,295,480,933	-	6,295,480,933	5,611,696,852	-	5,611,696,852
Interest and dividend receivables	-	56,993,612	56,993,612	-	51,797,607	51,797,607
Amounts receivable on subscriptions	-	10,136,326	10,136,326	-	15,181,226	15,181,226
Cash at banks	-	38,349,251	38,349,251	-	74,900,241	74,900,241
	6,295,480,933	105,479,189	6,400,960,122	5,611,696,852	141,879,074	5,753,575,926

#### Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts payable on redemptions	5,949,483	4,752,959
Accrual and other payables	7,410,128	5,621,362
	13,359,611	10,374,321



# NOTES TO FINANCIAL STATEMENTS

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## 18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

*Principal Hong Kong Dollar Savings Fund*

### Financial assets

	2019			2018		
	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\$
Investments at fair value						
through profit or loss	2,157,802,370	-	2,157,802,370	2,204,202,177	-	2,204,202,177
Interest and dividend receivables	-	41,618,706	41,618,706	-	34,120,928	34,120,928
Amounts receivable on subscriptions	-	4,058,835	4,058,835	-	6,123,435	6,123,435
Cash at banks	-	1,268,520,560	1,268,520,560	-	1,103,231,370	1,103,231,370
	2,157,802,370	1,314,198,101	3,472,000,471	2,204,202,177	1,143,475,733	3,347,677,910

### Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts payable on redemptions	10,005,529	4,414,751
Accrual and other payables	202,724	111,963
	10,208,253	4,526,714

*Principal Hong Kong Equity Fund*

### Financial assets

	2019			2018		
	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\$
Investments at fair value						
through profit or loss	10,822,381,084	-	10,822,381,084	10,885,211,738	-	10,885,211,738
Interest and dividend receivables	-	-	-	-	2,475,300	2,475,300
Amounts receivable from brokers	-	96,363,126	96,363,126	-	21,756,216	21,756,216
Amounts receivable on subscriptions	-	6,107,731	6,107,731	-	24,765,274	24,765,274
Cash at banks	-	408,538,303	408,538,303	-	329,518,862	329,518,862
	10,822,381,084	511,009,160	11,333,390,244	10,885,211,738	378,515,652	11,263,727,390

### Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts payable to brokers	180,599,660	26,844,418
Amounts payable on redemptions	9,834,664	17,368,079
Accrual and other payables	2,705,686	1,414,741
	193,140,010	45,627,238

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

## 18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Principal International Bond Fund

#### Financial assets

	2019			2018		
	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\$
Investments at fair value						
through profit or loss	4,949,967,863	-	4,949,967,863	4,236,664,382	-	4,236,664,382
Derivative financial instruments	541,129	-	541,129	831,157	-	831,157
Interest and dividend receivables	-	40,167,394	40,167,394	-	38,310,315	38,310,315
Amounts receivable from brokers	-	-	-	-	3,725,491	3,725,491
Amounts receivable on subscriptions	-	1,820,098	1,820,098	-	2,346,859	2,346,859
Cash at banks	-	281,487,940	281,487,940	-	259,253,183	259,253,183
Other receivables	-	-	-	-	13,937	13,937
	4,950,508,992	323,475,432	5,273,984,424	4,237,495,539	303,649,785	4,541,145,324

#### Financial liabilities

	2019			2018		
	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$	At fair value through profit or loss HK\$	At amortised cost HK\$	Total HK\$
Derivative financial instruments	2,369,235	-	2,369,235	1,997,643	-	1,997,643
Amounts payable to brokers	-	-	-	-	4,676,236	4,676,236
Amounts payable on redemptions	-	1,789,040	1,789,040	-	530,654	530,654
Accrual and other payables	-	654,380	654,380	-	263,027	263,027
	2,369,235	2,443,420	4,812,655	1,997,643	5,469,917	7,467,560

### Principal International Equity Fund

#### Financial assets

	2019			2018		
	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\$
Investments at fair value						
through profit or loss	3,583,402,887	-	3,583,402,887	3,193,245,241	-	3,193,245,241
Interest and dividend receivables	-	3,347,021	3,347,021	-	2,257,503	2,257,503
Amounts receivable from brokers	-	5,052,482	5,052,482	-	-	-
Amounts receivable on subscriptions	-	1,572,107	1,572,107	-	2,653,056	2,653,056
Cash at banks	-	70,552,669	70,552,669	-	106,228,119	106,228,119
	3,583,402,887	80,524,279	3,663,927,166	3,193,245,241	111,138,678	3,304,383,919

#### Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts payable to brokers	78,636	43,184,237
Amounts payable on redemptions	887,338	1,402,798
Accrual and other payables	659,145	293,318
	1,625,119	44,880,353

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

## 18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Principal Pension Bond Fund

#### Financial assets

	2019			2018		
	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\$
Investments at fair value						
through profit or loss	2,508,537,235	-	2,508,537,235	2,287,688,645	-	2,287,688,645
Interest and dividend receivables	-	21,111,484	21,111,484	-	19,382,000	19,382,000
Amounts receivable from brokers	-	-	-	-	10,400,328	10,400,328
Amounts receivable on subscriptions	-	639,713	639,713	-	1,699,962	1,699,962
Cash at banks	-	100,155,039	100,155,039	-	119,962,542	119,962,542
	2,508,537,235	121,906,236	2,630,443,471	2,287,688,645	151,444,832	2,439,133,477

#### Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts payable to brokers	-	16,921,634
Amounts payable on redemptions	547,060	616,167
Accrual and other payables	35,241	35,240
	582,301	17,573,041

### Principal U.S. Equity Fund

#### Financial assets

	2019			2018		
	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\$
Investments at fair value						
through profit or loss	2,524,867,458	-	2,524,867,458	1,641,262,331	-	1,641,262,331
Interest and dividend receivables	-	1,590,982	1,590,982	-	1,247,588	1,247,588
Amounts receivable from brokers	-	-	-	-	9,768,100	9,768,100
Amounts receivable on subscriptions	-	3,682,626	3,682,626	-	12,656,364	12,656,364
Cash at banks	-	93,869,310	93,869,310	-	57,028,563	57,028,563
Other receivables	-	-	-	-	4,640	4,640
	2,524,867,458	99,142,918	2,624,010,376	1,641,262,331	80,705,255	1,721,967,586

#### Financial liabilities

	2019 At amortised cost HK\$	2018 At amortised cost HK\$
Amounts payable to brokers	3,288,441	40,618,229
Amounts payable on redemptions	421,466	2,264,866
Accrual and other payables	54,001	34,023
	3,763,908	42,917,118

# NOTES TO FINANCIAL STATEMENTS

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## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The following tables illustrate the fair value measurement hierarchy of the fund's financial statements:

	2019			Total HK\$
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Investments at fair value through profit or loss	27,238,525,251	15,911,788,401	-	43,150,313,652
- Derivative financial instruments	-	541,129	-	541,129
	27,238,525,251	15,912,329,530	-	43,150,854,781
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
- Derivative financial instruments	-	2,369,235	-	2,369,235
<b>2018</b>				
	Quoted price in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Investments at fair value through profit or loss	38,952,041,845	-	-	38,952,041,845
- Derivative financial instruments	-	831,157	-	831,157
	38,952,041,845	831,157	-	38,952,873,002
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
- Derivative financial instruments	-	1,997,643	-	1,997,643

During the year ended 31 December 2019, debt instruments with a carrying amount of HK\$15,911,788,401 were transferred from level 1 to level 2 because the fair values of these instruments were based on proprietary pricing models using observable inputs.

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## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### (a) Market risk

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

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

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

#### *Currency risk*

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

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

# NOTES TO FINANCIAL STATEMENTS

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

### (a) Market risk (continued)

#### Currency risk (continued)

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

#### As at 31 December 2019

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	915,681,228	17.48	-	-	-	-	-	-	-	-
Brazilian Real	-	-	-	-	-	-	-	-	-	-
British Pound	73	0.00	-	-	258,863,324	26.38	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-	-
Chinese Yuan	20,740,397	0.40	85,221,612	2.00	-	-	-	-	-	-
Czech Koruna	-	-	-	-	-	-	-	-	-	-
Danish Krone	-	-	-	-	52,283,081	5.33	-	-	-	-
Euro	-	-	-	-	412,564,381	42.04	-	-	-	-
India Rupee	453,575,810	8.66	-	-	-	-	-	-	-	-
Indonesia Rupiah	38,300,176	0.73	-	-	-	-	-	-	-	-
Israeli New Sheqel	-	-	-	-	-	-	-	-	-	-
Japanese Yen	-	-	-	-	-	-	-	-	-	-
Malaysian Ringgit	153,779,422	2.94	-	-	-	-	-	-	-	-
Mexican Peso	-	-	-	-	-	-	-	-	-	-
New Zealand Dollar	-	-	-	-	-	-	-	-	-	-
Norwegian Kroner	-	-	-	-	13,182,319	1.34	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	-	-
Philippines Peso	37,340,751	0.71	-	-	-	-	-	-	-	-
Poland Zlotych	-	-	-	-	-	-	-	-	-	-
Singapore Dollar	186,423,875	3.56	-	-	-	-	-	-	-	-
South African Rand	-	-	-	-	-	-	-	-	-	-
South Korean Won	650,631,544	12.43	-	-	-	-	-	-	-	-
Swedish Krona	-	-	-	-	47,500,092	4.84	-	-	-	-
Swiss Franc	-	-	-	-	157,238,670	16.02	-	-	-	-
Taiwan Dollar	724,036,225	13.83	-	-	-	-	-	-	-	-
Thai Baht	59,423,393	1.14	-	-	-	-	-	-	-	-
United States Dollar	167,920,937	3.21	254,455,529	5.97	28,741,475	2.93	634,110,296	9.93	-	-
Total value	3,407,853,831	65.09	339,677,141	7.97	970,373,342	98.88	634,110,296	9.93	-	-

# NOTES TO FINANCIAL STATEMENTS

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

### (a) Market risk (continued)

#### Currency risk (continued)

#### As at 31 December 2019 (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	-	-	41,556,281	0.79	24,592,038	0.67	-	-	-	-
Brazilian Real	-	-	-	-	56,969,056	1.56	-	-	-	-
British Pound	-	-	268,761,671	5.10	168,686,154	4.61	-	-	-	-
Canadian Dollar	-	-	166,501,482	3.16	153,082,026	4.18	-	-	-	-
Chinese Yuan	252,882,923	2.27	-	-	-	-	-	-	-	-
Czech Koruna	-	-	2,311,374	0.04	-	-	-	-	-	-
Danish Krone	-	-	16,693,412	0.32	28,902,321	0.79	-	-	-	-
Euro	-	-	773,777,328	14.68	304,913,354	8.33	-	-	-	-
India Rupee	-	-	-	-	20,230,355	0.55	-	-	-	-
Indonesia Rupiah	-	-	-	-	4,689,497	0.13	-	-	-	-
Israeli New Sheqel	-	-	-	-	32,231,561	0.88	-	-	-	-
Japanese Yen	-	-	627,246,424	11.90	270,306,541	7.38	-	-	-	-
Malaysian Ringgit	-	-	-	-	4,607,100	0.13	-	-	-	-
Mexican Peso	-	-	62,297,089	1.18	-	-	-	-	-	-
New Zealand Dollar	-	-	4,627,857	0.09	-	-	-	-	-	-
Norwegian Kroner	-	-	29,738,747	0.56	8,138,985	0.22	-	-	-	-
Offshore Renminbi	-	-	-	-	-	-	-	-	-	-
Philippines Peso	-	-	-	-	-	-	-	-	-	-
Poland Zlotych	-	-	9,169,119	0.17	-	-	-	-	-	-
Singapore Dollar	-	-	6,709,107	0.13	13,775,067	0.38	-	-	-	-
South African Rand	-	-	3,250,880	0.06	4,722,218	0.13	-	-	-	-
South Korean Won	-	-	-	-	108,412,219	2.96	-	-	-	-
Swedish Krona	-	-	8,459,912	0.16	68,628,204	1.87	-	-	-	-
Swiss Franc	-	-	16,447,105	0.32	157,903,644	4.31	-	-	-	-
Taiwan Dollar	-	-	-	-	100,481,932	2.74	-	-	-	-
Thai Baht	-	-	3,506,532	0.07	5,329,358	0.15	-	-	-	-
United States Dollar	397,158,481	3.57	3,191,261,696	60.56	1,943,367,909	53.06	2,607,184,683	99.14	2,568,965,738	98.04
Total value	650,041,404	5.84	5,232,316,016	99.29	3,479,969,539	95.03	2,607,184,683	99.14	2,568,965,738	98.04

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

### (a) Market risk (continued)

#### Currency risk (continued)

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

#### As at 31 December 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

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## 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 2019

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

### (a) Market risk (continued)

#### Currency risk sensitivity analysis

At 31 December 2019, 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 2019									
		Principal Asian Equity Fund	Principal China Equity Fund	Principal European Equity Fund	Principal Hong Kong Bond Fund	Principal Hong Kong Dollar Savings Fund	Principal Hong Kong Equity Fund	Principal International Bond Fund	Principal International Equity Fund	Principal Pension Bond Fund	Principal U.S. Equity Fund
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Australian Dollar	5%	45,784,061	-	-	-	-	-	2,077,814	1,229,602	-	-
Brazilian Real	5%	-	-	-	-	-	-	-	2,848,453	-	-
British Pound	5%	4	-	12,943,166	-	-	-	13,438,084	8,434,308	-	-
Canadian Dollar	5%	-	-	-	-	-	-	8,325,074	7,654,101	-	-
Chinese Yuan	5%	1,037,020	4,261,081	-	-	-	12,644,146	-	-	-	-
Czech Koruna	5%	-	-	-	-	-	-	115,569	-	-	-
Danish Krone	5%	-	-	2,614,154	-	-	-	834,671	1,445,116	-	-
Euro	5%	-	-	20,628,219	-	-	-	38,688,866	15,245,668	-	-
India Rupee	5%	22,678,790	-	-	-	-	-	-	1,011,518	-	-
Indonesia Rupiah	5%	1,915,009	-	-	-	-	-	-	234,475	-	-
Israeli New Sheqel	5%	-	-	-	-	-	-	-	1,611,578	-	-
Japanese Yen	5%	-	-	-	-	-	-	31,362,321	13,515,327	-	-
Malaysian Ringgit	5%	7,688,971	-	-	-	-	-	-	230,355	-	-
Mexican Peso	5%	-	-	-	-	-	-	3,114,854	-	-	-
New Zealand Dollar	5%	-	-	-	-	-	-	231,393	-	-	-
Norwegian Kroner	5%	-	-	659,116	-	-	-	1,486,937	406,949	-	-
Offshore Renminbi	5%	-	-	-	-	-	-	-	-	-	-
Philippines Peso	5%	1,867,038	-	-	-	-	-	-	-	-	-
Poland Zlotych	5%	-	-	-	-	-	-	458,456	-	-	-
Singapore Dollar	5%	9,321,194	-	-	-	-	-	335,455	688,753	-	-
South African Rand	5%	-	-	-	-	-	-	162,544	236,111	-	-
South Korean Won	5%	32,531,577	-	-	-	-	-	-	5,420,611	-	-
Swedish Krona	5%	-	-	2,375,005	-	-	-	422,996	3,431,410	-	-
Swiss Franc	5%	-	-	7,861,934	-	-	-	822,355	7,895,182	-	-
Taiwan Dollar	5%	36,201,811	-	-	-	-	-	-	5,024,097	-	-
Thai Baht	5%	2,971,170	-	-	-	-	-	175,327	266,468	-	-
<b>Total</b>		<b>161,996,645</b>	<b>4,261,081</b>	<b>47,081,594</b>	<b>-</b>	<b>-</b>	<b>12,644,146</b>	<b>102,052,716</b>	<b>76,830,082</b>	<b>-</b>	<b>-</b>
Increase in net assets value		3.0943%	0.1000%	4.7980%	-	-	0.1135%	1.9368%	2.0979%	-	-

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

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

### (a) Market risk (continued)

#### Currency risk sensitivity analysis (continued)

As at 31 December 2018											
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%	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	-	-	-
<b>Total</b>		<b>110,940,900</b>	<b>3,476,964</b>	<b>35,733,010</b>	<b>5,486</b>	<b>-</b>	<b>9,838,397</b>	<b>104,830,569</b>	<b>67,521,230</b>	<b>-</b>	<b>-</b>
Increase 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.

#### 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 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 2019

## 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 2019

	Principal Asian Equity Fund HK\$	Principal China Equity Fund HK\$	Principal European Equity Fund HK\$	Principal Hong Kong Bond Fund HK\$	Principal Hong Kong Dollar Savings Fund HK\$	Principal Hong Kong Equity Fund HK\$	Principal International Bond Fund HK\$	Principal International Equity Fund HK\$	Principal Pension Bond Fund HK\$	Principal U.S. Equity Fund HK\$
<b>Assets</b>										
Cash at banks	113,895,604	62,542,941	32,317,410	38,349,251	35,191,158	408,538,303	281,487,940	70,552,669	100,155,039	93,869,310
Time deposit - 1 year or less	-	-	-	-	1,233,329,402	-	-	-	-	-
	113,895,604	62,542,941	32,317,410	38,349,251	1,268,520,560	408,538,303	281,487,940	70,552,669	100,155,039	93,869,310
Financial assets measured at fair value through profit or loss										
- 1 year or less	-	-	-	477,972,567	1,529,814,421	-	212,002,794	-	97,673,329	-
- over 1 year to 5 years	-	-	-	3,517,152,175	627,987,949	-	1,984,673,352	-	1,291,213,383	-
- over 5 years to 10 years	-	-	-	1,882,902,343	-	-	1,562,178,534	-	1,038,757,927	-
- over 10 years	-	-	-	417,453,848	-	-	1,191,113,183	-	80,892,596	-
- non-interest bearing investments	5,152,750,932	4,197,800,230	957,322,660	-	-	10,822,381,084	-	3,583,402,887	-	2,524,867,458
Subtotal	5,152,750,932	4,197,800,230	957,322,660	6,295,480,933	2,157,802,370	10,822,381,084	4,949,967,863	3,583,402,887	2,508,537,235	2,524,867,458
Other non-interest-bearing assets	143,327,178	25,048,676	572,980	67,129,938	45,677,541	102,470,857	42,528,621	9,971,610	21,751,197	5,273,608
	5,409,973,714	4,285,391,847	990,213,050	6,400,960,122	3,472,000,471	11,333,390,244	5,273,984,424	3,663,927,166	2,630,443,471	2,624,010,376
<b>Liabilities</b>										
Non-interest-bearing liabilities	174,608,001	23,511,756	8,937,162	13,359,611	10,208,253	193,140,010	4,812,655	1,625,119	582,301	3,763,908
	174,608,001	23,511,756	8,937,162	13,359,611	10,208,253	193,140,010	4,812,655	1,625,119	582,301	3,763,908
<b>Net assets attributable to unitholders</b>										
	5,235,365,713	4,261,880,091	981,275,888	6,387,600,511	3,461,792,218	11,140,250,234	5,269,171,769	3,662,302,047	2,629,861,170	2,620,246,468

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

### (a) Market risk (continued)

#### Interest rate risk (continued)

#### 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\$
<b>Assets</b>										
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 measured 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
<b>Liabilities</b>										
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
<b>Net assets attributable to unitholders</b>	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 2019

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

### (a) Market risk (continued)

#### 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 was performed on the same basis for 2018.

#### As at 31 December 2019

	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
Increase 100 basis points in interest rate	-	-	-	(4.25)%	(0.36)%	-	(6.63)%	-	(4.21)%	-
Decrease 100 basis points in interest rate	-	-	-	4.64 %	0.36 %	-	6.63 %	-	4.21 %	-

#### As at 31 December 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
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 %	-

#### 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

### (a) Market risk (continued)

#### 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 2018 was performed by applying the same percentage change in prices of all the underlying investments as at year end.

#### As at 31 December 2019

	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	5,152,750,932	4,197,800,230	957,322,660	6,295,480,933	2,157,802,370	10,822,381,084	4,949,967,863	3,583,402,887	2,508,537,235	2,524,867,458
% change in prices	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Change in NAV	515,275,093	419,780,023	95,732,266	629,548,093	215,780,237	1,082,238,108	494,996,786	358,340,289	250,853,724	252,486,746

#### 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

# NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

### (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.

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 2019

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	4.36	0.00	42.27	1.31
Aa1/AA+	15.18	0.98	0.85	1.07
Aa2/AA	23.33	5.00	4.40	3.79
Aa3/AA-	6.44	2.38	3.58	1.47
A1/A+	16.50	14.24	9.46	4.44
A2/A	9.11	5.32	4.03	12.38
A3/A-	2.07	0.00	5.51	13.58
Baa1/BBB+	0.00	0.00	9.95	26.81
Baa2/BBB	0.00	0.00	9.94	21.17
Baa3/BBB-	0.00	0.00	3.94	9.35
Certificates of deposits without credit rating	21.56	34.41	0.00	0.00
<b>Total</b>	<b>98.55</b>	<b>62.33</b>	<b>93.93</b>	<b>95.37</b>



# NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

### (b) Credit risk *(continued)*

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

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 2019

## 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 2019, the total of short-term trade receivables, other receivables and cash at banks was HK\$2,933,440,104 on which no loss allowance had been provided (31 December 2018: total of HK\$2,757,785,801 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 HKFRS 9 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 2019

## 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 2019

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 2020	Buy USD/sell EUR	6,000,000	541,129
Principal International Bond Fund	Currency forward	March 2020	Buy USD/sell CAD	1,517,739	(194,414)
Principal International Bond Fund	Currency forward	March 2020	Buy USD/sell CAD	1,517,554	(195,849)
Principal International Bond Fund	Currency forward	March 2020	Buy USD/sell DKK	597,847	(45,843)
Principal International Bond Fund	Currency forward	March 2020	Buy USD/sell EUR	8,648,768	(686,896)
Principal International Bond Fund	Currency forward	March 2020	Buy USD/sell EUR	8,648,768	(686,896)
Principal International Bond Fund	Currency forward	March 2020	Buy USD/sell GBP	5,140,161	(281,794)
Principal International Bond Fund	Currency forward	March 2020	Buy USD/sell GBP	5,140,707	(277,543)

#### 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)

## 21. EVENTS AFTER REPORTING PERIOD

The novel coronavirus outbreak since early 2020 has brought additional uncertainties in the Trustee's and the Investment Manager's operating environment. It has had impacts on the operation of businesses in some industries and the overall market economic environment, which may have adversely affected the quality of investment assets and the investment return of the Unitholders. The level of impact will depend on how the situation will evolve, the duration and the effectiveness of the control measures taken. The Trustee and the Investment Manager will keep its contingency measures and risk management under review as the situation evolves. While the circumstances of the outbreak are evolving rapidly, an estimate of its financial impact to the Unitholders at the current stage may not be appropriate as it will be subject to material change.

## 22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and Manager on 20 April 2020.

# 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 2019 in accordance with Hong Kong Standards on Auditing and with reference to Practice Note 860.1 (Revised), *The Audit of Retirement Schemes* ("PN 860.1") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unqualified auditor's report thereon dated 20 April 2020.

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 2019 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 2019, 30 August 2019, and 29 March 2019;
2. as at 31 December 2019, 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

20 April 2020



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