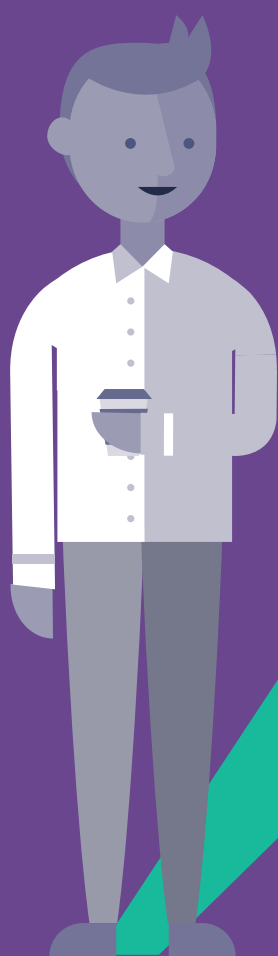


Principal Asset Management Company (Asia) Limited

Annual Audited Report
For The Year Ended 30 June 2020



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ADMINISTRATION

Manager

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

Manager's responsibility delegated to:

Principal Global Investors (Hong Kong) Limited
Unit 1001-2, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Trustee and Registrar

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

Directors of Principal Asset Management Company (Asia) Limited

Binay Chandgothia
Cheong Wee Yee

Auditor

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Legal Advisors to the Manager

Baker & McKenzie
14/F One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

MANAGER'S REPORT

Principal Prosperity Series - Principal Asia Pacific High Dividend Equity Fund (the "Sub-Fund")

Market Review

Equity markets pivoted from one of their worst quarterly returns on record to posting gains in the second quarter not seen in decades. A reopening in many parts of the world and further implementation of unprecedented monetary measures by global central banks and governments spurred a risk-on rally across many risk assets with growth stocks accelerating already wide dispersions versus their value-oriented peers.

Strategy and Outlook

Our analysts remain focused on companies with more leverage and scrutinizing the balance sheet to ensure the company will be able to withstand the current environment. We remain willing to pay a higher valuation on earnings certainty, but visibility has deteriorated. Each week brings new information that presents challenges and opportunities. We have confidence in our process and know that overtime fundamentals will drive stock prices, thus we continue to make sure the fundamentals are solid and certain and that we do not overpay for this fundamental change.

Principal Asset Management Company (Asia) Limited

15 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF PRINCIPAL PROSPERITY SERIES - PRINCIPAL ASIA PACIFIC HIGH DIVIDEND EQUITY FUND

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Principal Prosperity Series – Principal Asia Pacific High Dividend Equity Fund (the “Sub-Fund”) set out on pages 6 to 25, which comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in net assets attributable to unitholders, the cash flow statement and the distribution statement for the year then ended 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 position of the Sub-Fund as at 30 June 2020 and of its financial performance and its 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 Accounts (“HKICPA”).

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) 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-Fund 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.

Information Other than the Financial Statements and Auditor’s Report Thereon

The Manager and the Trustee of the Sub-Fund are responsible for the other information. The other information comprises all 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 the Manager and the Trustee of the Sub-Fund for the Financial Statements

The Manager and the Trustee of the Sub-Fund 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 Manager and the Trustee of the Sub-Fund 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 Manager and the Trustee of the Sub-Fund are responsible for assessing the Sub-Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee of the Sub-Fund either intend to liquidate the Sub-Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the “SFC Code”) issued by the Hong Kong Securities and Futures Commission.

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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
PRINCIPAL PROSPERITY SERIES -
PRINCIPAL ASIA PACIFIC HIGH DIVIDEND EQUITY FUND (continued)**

Report on the Audit of Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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-Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism 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-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee of the Sub-Fund.
- Conclude on the appropriateness of the Manager's and the Trustee'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-Fund's ability 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-Fund 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 the Manager and the Trustee of the Sub-Fund 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 provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

28 October 2020

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2020
(Expressed in United States dollars)

Principal Asia Pacific High Dividend Equity Fund	Notes	2020	2019
Income			
Dividend income		\$ 3,631,624	\$ 4,761,109
Interest income		1,264	5,540
		\$ 3,632,888	\$ 4,766,649
Expenses			
Auditor's remuneration		\$ (29,341)	\$ (27,848)
Bank charges and safe custody fees		(46,384)	(50,216)
Legal and professional fees		(28,926)	(32,041)
Manager's fee	5(a)	(1,569,205)	(1,605,204)
Miscellaneous expenses		(21,461)	(13,495)
Net foreign exchange loss		(211,171)	(239,641)
Transaction fees		(505,227)	(953,034)
Trustee's fee	5(b)	(123,637)	(125,603)
Valuation fee	5(b)	(12,450)	(12,200)
		\$ (2,547,802)	\$ (3,059,282)
Income before gain/(loss) on investments		\$ 1,085,086	\$ 1,707,367
Gain/(loss) on investments			
Net realised (loss)/gain on sale of investments		\$ (4,743,649)	\$ 391,866
Net change in unrealised gain/(loss) on investments		8,640,429	(5,424,240)
		\$ 3,896,780	\$ (5,032,374)
Profit/(loss) for the year before taxation		\$ 4,981,866	\$ (3,325,007)
Taxation	6	(617,580)	(779,616)
Profit/(loss) for the year		\$ 4,364,286	\$ (4,104,623)
Distributions to unitholders	7	(479,105)	(684,894)
Profit/(loss) and total comprehensive income for the year		\$ 3,885,181	\$ (4,789,517)

The notes on pages 11 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020
(Expressed in United States dollars)

Principal Asia Pacific High Dividend Equity Fund	Notes	2020	2019
Assets			
Investments measured at fair value through profit or loss	10(e)	\$ 139,396,729	\$ 131,300,539
Dividend and other receivables		373,413	464,049
Amounts receivable from brokers		1,620,522	433,047
Amounts receivable on subscription of units		616	382,346
Cash and cash equivalents	4	1,786,928	2,878,054
Total assets		\$ 143,178,208	\$ 135,458,035
Liabilities			
Amounts payable on redemption of units		\$ 55,457	\$ 60,733
Amounts payable to brokers		2,105,892	662,058
Distributions payable	7	73,981	71,510
Accrued expenses and other payables	5(a), 5(b)	117,156	90,172
Total liabilities (excluding net assets attributable to unitholders classified as financial liabilities)		\$ 2,352,486	\$ 884,473
Net assets attributable to unitholders		\$ 140,825,722	\$ 134,573,562
Total number of units in issue			
Income Class Units	8	672,551.27	715,100.59
Accumulation Class Units - Institutional	8	8,808,498.03	8,452,807.72
Net asset value per unit			
Income Class Units		\$ 30.98	\$ 31.03
Accumulation Class Units - Institutional		13.62	13.30
Approved and authorised for issue by the Trustee and the Manager on 28 October 2020.			
For and on behalf of Principal Trust Company (Asia) Limited			
For and on behalf of Principal Asset Management Company (Asia) Limited			
The notes on pages 11 to 25 form part of these financial statements.			

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 30 June 2020
(Expressed in United States dollars)

Principal Asia Pacific High Dividend Equity Fund	2020	2019
Balance at the beginning of the year	\$ 134,573,562	\$ 143,107,687
Subscriptions by unitholders		
– Income Class Units	873,491	1,335,058
– Accumulation Class Units - Institutional	20,513,983	16,402,787
Redemptions by unitholders		
– Income Class Units	(2,174,115)	(3,245,482)
– Accumulation Class Units - Institutional	(16,846,380)	(18,236,971)
	\$ 136,940,541	\$ 139,363,079
Profit/(loss) and total comprehensive income for the year	3,885,181	(4,789,517)
Balance at the end of the year	\$ 140,825,722	\$ 134,573,562

The notes on pages 11 to 25 form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 30 June 2020
(Expressed in United States dollars)

Principal Asia Pacific High Dividend Equity Fund	Note	2020	2019
Operating activities			
Dividends received		\$ 3,779,035	\$ 5,261,068
Withholding tax paid		(583,187)	(842,105)
Capital gains tax paid		(83,800)	(20,006)
Interest received		1,264	5,540
Operating expenses paid		(2,528,186)	(3,055,850)
Proceeds from sale of investments		141,251,667	253,309,240
Payments on purchase of investments		(145,194,718)	(253,916,397)
Net cash (used in)/generated from operating activities		\$ (3,357,925)	\$ 741,490
Financing activities			
Proceeds from issuance of units		\$ 21,769,204	\$ 17,756,545
Payments on redemption of units		(19,025,771)	(21,748,921)
Payments on distributions		(476,634)	(714,750)
Net cash generated from/(used in) financing activities		\$ 2,266,799	\$ (4,707,126)
Net decrease in cash and cash equivalents		\$ (1,091,126)	\$ (3,965,636)
Cash and cash equivalents at the beginning of the year		2,878,054	6,843,690
Cash and cash equivalents at the end of the year	4	\$ 1,786,928	\$ 2,878,054

The notes on pages 11 to 25 form part of these financial statements.

DISTRIBUTION STATEMENT

for the year ended 30 June 2020
(Expressed in United States dollars)

Principal Asia Pacific High Dividend Equity Fund			
	Note	2020	2019
Amount available for distribution brought forward		\$ -	\$ -
Profit for the year available for distribution [#]		482,425	691,187
Distributions to unitholders	7	(479,105)	(684,894)
Transfer to capital		(3,320)	(6,293)
Amount available for distribution carried forward		\$ -	\$ -

[#] Profit for the year available for distribution is the adjusted total comprehensive income for the year, for which the calculation basis is in accordance with the relevant clauses of the Trust Deed.

The notes on pages 11 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 BACKGROUND

Principal Prosperity Series (the “Fund”) is an open-ended umbrella unit trust established under the laws of the Cayman Islands by a trust deed dated 24 October 2002, as amended (the “Trust Deed”). The Fund is an umbrella fund which currently consists of one sub-fund, namely the Principal Asia Pacific High Dividend Equity Fund (the “Sub-Fund”). The Fund was registered under the Mutual Funds Law of the Cayman Islands on 30 October 2002.

The Fund and the Sub-Fund are authorised by the Hong Kong Securities and Futures Commission (the “SFC”) under section 104 of the Hong Kong Securities and Futures Ordinance.

Taking into account various factors including the market outlook in Hong Kong and in the Cayman Islands, the potential effect of reducing the operating costs of a fund domiciled overseas, and the ease of administration of the Fund and the Sub-Fund if they are domiciled in the place where Principal Trust Company (Asia) Limited (the “Trustee”) was incorporated, the Trustee has decided that it would be beneficial to the Fund and the Sub-Fund and in the interests of the unitholders of the Fund and the Sub-Fund to change the domicile of the Fund from the Cayman Islands to Hong Kong (the “Change”). As a result, the Trustee has applied to the Cayman Islands Monetary Authority for the de-registration of the Fund as an administered mutual fund. The SFC approved the Change on 30 October 2015. The Change took effect on 30 November 2015 (date of redomiciliation) and the costs associated with the Change were borne by Principal Asset Management Company (Asia) Limited (the “Manager”).

The primary investment objective of the Sub-Fund is to provide investors with high current income through investing in a diversified portfolio of listed securities in the Asia Pacific region. The Sub-Fund will also seek to achieve capital appreciation with relatively moderate to high volatility commensurate with investing in equities.

The Sub-Fund does not have any externally imposed capital requirements.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual 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 and the relevant provisions of the Code on Unit Trusts and Mutual Funds (the “SFC Code”) issued by the SFC. A summary of the significant accounting policies adopted by the Sub-Fund is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Sub-Fund. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Sub-Fund for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost basis except that investments are stated at their fair value as explained in the accounting policies set out below.

The functional and presentation currency of the Sub-Fund is the United States dollar (“USD”) reflecting the fact that the units of the Sub-Fund are issued and redeemed in the United States dollar.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Change in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Sub-Fund. None of these standards or amendments impact on the accounting policies of the Sub-Fund.

The Sub-Fund has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 12).

(d) Financial instruments

(i) Classification

On initial recognition, the Sub-Fund classifies financial assets as measured at amortised cost or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets 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 ("SPPI").

All other financial assets of the Sub-Fund are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Sub-Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sales of the assets;
- how the performance of the portfolio is evaluated and reported to the Sub-Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Sub-Fund's continuing recognition of the assets.

The Sub-Fund has determined that they have two business models.

- Held-to-collect business model: this includes dividend and other receivables, amounts receivable from brokers, amounts receivable on subscription of units and cash and cash equivalents. These financial assets are held to collect contractual cash flow.
- Other business model: this includes equity instruments. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

(i) Classification *(continued)*

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Sub-Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Sub-Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Sub-Fund’s claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration for of the time value of money (e.g. periodical reset of interest rates).

The Sub-Fund classifies their investments based on the business model and contractual cash flows assessment. Accordingly, the Sub-Fund classifies all their equity instruments into financial assets at FVTPL category. Financial assets measured at amortised cost include dividend and other receivables, amounts receivable from brokers, amounts receivable on subscription of units and cash and cash equivalents.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Sub-Fund was to change their business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Financial liabilities

Financial liabilities measured at amortised cost

The Sub-Fund includes in this category short-term payables including amounts payable on redemption of units, amounts payable to the brokers, distributions payable and accrued expenses and other payables.

(ii) Recognition

The Sub-Fund recognises financial assets and financial liabilities on the date they become a party to the contractual provisions of the instrument.

Purchases of financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs of financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all financial instruments are measured at fair value with changes in fair value recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

(iii) Measurement *(continued)*

Financial assets, other than those measured at fair value through profit or loss, are carried at amortised cost using the effective interest rate method, less allowance for expected credit losses (“ECLs”), if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) Fair value measurement principles

“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 in the principal or, in its absence, the most advantageous market to which the Sub-Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Sub-Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Sub-Fund measures instruments quoted in an active market at last traded price because the price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Sub-Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Sub-Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(v) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Impairment

The Sub-Fund recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Sub-Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Sub-Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Sub-Fund's historical experience and informed credit assessment and including forward-looking information.

The Sub-Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Sub-Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Sub-Fund in full, without recourse by the Sub-Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

(vi) Impairment *(continued)*

The Sub-Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Sub-Fund considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Sub-Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Sub-Fund expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Sub-Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Sub-Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(vii) Derecognition

The Sub-Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Sub-Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Sub-Fund is recognised as a separate asset or liability.

The Sub-Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

(viii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Sub-Fund has a legally enforceable right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(f) Income recognition

Revenue is recognised in the statement of comprehensive income as follows:

- Dividend income from equity investments is recognised in the statement of comprehensive income on the ex-dividend date.
- Interest income is recognised as it accrues using the effective interest rate method.

(g) Translation of foreign currencies

Foreign currency transactions during the year are translated into the United States dollar at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into the United States dollar at the closing exchange rates ruling at the reporting date. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in fair value. Foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss are dealt with in the statement of comprehensive income.

(h) Related parties

- (a) A person, or a close member of that person's family, is related to the Sub-Fund if that person:
- (i) has control or joint control over the Sub-Fund;
 - (ii) has significant influence over the Sub-Fund; or
 - (iii) is a member of the key management personnel of the Sub-Fund.
- (b) An entity is related to the Sub-Fund if any of the following conditions applies:
- (i) The entity and the Sub-Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities 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-Fund or an entity related to the Sub-Fund;
 - (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); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Sub-Fund or to the Sub-Fund's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Units in issue

The Sub-Fund classifies financial instruments 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-Fund to repurchase or redeem that instrument for cash or another financial assets is classified as equity instruments if it has all of the following conditions:

- it entitles the holder to a pro rata share of the Sub-Fund's net assets in the event of the Sub-Fund's 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-Fund 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-Fund over the life of the instrument.

The Sub-Fund has two classes of redeemable units in issue. All the classes belong to the most subordinate classes of financial instruments in the Sub-Fund and rank *pari passu* in all material respects but with different management fee rates and distribution policies, etc. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Sub-Fund's net assets at each daily redemption date, and also in the event of the Sub-Fund's liquidation. The redeemable units of the Sub-Fund are classified as financial liabilities as at 30 June 2020 and 30 June 2019 and are measured at the present value of the redemption amounts.

(j) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as Principal Asset Management Company (Asia) Limited.

(k) Distribution to holders of redeemable units

Distributions to holders of redeemable units classified as financial liabilities are recognised in profit or loss as finance costs when they are authorised and no longer at the discretion of the Sub-Fund.

(l) Subscriptions and redemptions

The Sub-Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of valid redemption application.

3 INCOME TAX

No provision for Hong Kong profits tax has been made in the financial statements as the income of the Sub-Fund is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Dividend income, interest and any capital gains received by the Sub-Fund may be subject to non-recoverable withholding tax in the countries of origin. The income and related withholding taxes are shown gross in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

4 CASH AND CASH EQUIVALENTS

	2020	2019
Cash at banks	\$ 1,786,928	\$ 2,878,054

5 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions or transactions entered into during the year between the Trust and the Trustee, the Manager and their Connected Persons. Connected Persons are those as defined in the SFC Code issued by the SFC. All transactions during the year between the Trust and the Manager and its Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Trust did not have any other transactions with Connected Persons except for those disclosed below.

(a) Manager

The Sub-Fund is managed by Principal Asset Management Company (Asia) Limited.

In respect of the Income Class Units, the Manager is entitled to receive in arrears a monthly management fee in relation to the Sub-Fund, accrued on and calculated as at each dealing day, at the rate of 1.4% per annum of the net asset value ("NAV") of such class of units in the Sub-Fund.

In respect of the Accumulation Class Units - Institutional, the Manager is entitled to receive in arrears a monthly management fee in relation to the Sub-Fund, accrued on and calculated as at each dealing day, at the rate of 1.15% per annum of the NAV of such class of units in the Sub-Fund.

The Manager is incorporated in Hong Kong and is a related party of the Trustee as they share the same ultimate parent company, Principal Financial Group, Inc.

The Manager's fee for the year amounted to \$1,569,205 (2019: \$1,605,204). The Manager's fee payable as at 30 June 2020 amounted to \$32,040 (2019: \$30,512).

(b) Trustee

Principal Trust Company (Asia) Limited acts as the trustee and registrar of the Sub-Fund. The Trustee receives a trustee's fee equivalent to 0.125% per annum of the NAV of the Sub-Fund on the first \$40 million and 0.08% per annum on the excess above \$40 million.

The Trustee is entitled to receive a valuation fee and an annual registrar fee of \$2,000 payable on a pro-rate basis at the end of each month. No register fee was charged for the year ended 30 June 2020 (2019: \$Nil).

The total Trustee's fee and valuation fee for the year amounted to \$136,087 (2019: \$137,803). The total fees payable to the Trustee as at 30 June 2020 amounted to \$3,753 (2019: \$2,644).

6 TAXATION

	2020	2019
Capital gains tax	\$ 91,168	\$ 20,006
Overseas taxation withheld	526,412	759,610
	\$ 617,580	\$ 779,616

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

7 DISTRIBUTIONS

	2020	2019
Income Class Units		
First distribution		
- USD0.07 on 711,987.20 units declared on 31 July 2019 and paid on 13 August 2019 (2019: USD0.09 on 790,465.72 units declared on 31 July 2018 and paid on 1 August 2018)	\$ 49,839	\$ 71,142
Second distribution		
- USD0.07 on 711,047.13 units declared on 30 August 2019 and paid on 13 September 2019 (2019: USD0.09 on 789,078.31 units declared on 31 August 2018 and paid on 3 September 2018)	49,773	71,017
Third distribution		
- USD0.05 on 712,358.28 units declared on 30 September 2019 and paid on 14 October 2019 (2019: USD0.09 on 779,746.91 units declared on 28 September 2018 and paid on 2 October 2018)	35,618	70,177
Fourth distribution		
- USD0.05 on 712,227.17 units declared on 31 October 2019 and paid on 13 November 2019 (2019: USD0.05 on 776,147.98 units declared on 31 October 2018 and paid on 1 November 2018)	35,611	38,807
Fifth distribution		
- USD0.05 on 706,042.15 units declared on 29 November 2019 and paid on 13 December 2019 (2019: USD0.05 on 753,431.27 units declared on 30 November 2018 and paid on 3 December 2018)	35,302	37,672
Sixth distribution		
- USD0.04 on 696,285.73 units declared on 31 December 2019 and paid on 13 January 2020 (2019: USD0.05 on 743,811.92 units declared on 31 December 2018 and paid on 2 January 2019)	27,852	37,191
Seventh distribution		
- USD0.04 on 693,624.46 units declared on 31 January 2020 and paid on 13 February 2020 (2019: USD0.06 on 743,935.15 units declared on 31 January 2019 and paid on 1 February 2019)	27,745	44,636
Eighth distribution		
- USD0.04 on 687,509.38 units declared on 28 February 2020 and paid on 13 March 2020 (2019: USD0.05 on 743,657.72 units declared on 28 February 2019 and paid on 1 March 2019)	27,500	37,183
Ninth distribution		
- USD0.06 on 684,595.99 units declared on 31 March 2020 and paid on 14 April 2020 (2019: USD0.06 on 735,496.64 units declared on 29 March 2019 and paid on 1 April 2019)	41,076	44,130

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

7 DISTRIBUTIONS *(continued)*

	2020	2019
Income Class Units <i>(continued)</i>		
Tenth distribution		
- USD0.05 on 685,463.66 units declared on 29 April 2020 and paid on 13 May 2020 (2019: USD0.06 on 735,086.29 units declared on 30 April 2019 and paid on 2 May 2019)	\$ 34,273	\$ 44,105
Eleventh distribution		
- USD0.06 on 675,581.20 units declared on 29 May 2020 and paid on 15 June 2020 (2019: USD0.16 on 733,276.49 units declared on 31 May 2019 and paid on 3 June 2019)	40,535	117,324
Twelfth distribution		
- USD0.11 on 672,551.27 units declared on 30 June 2020 and paid on 13 July 2020 (2019: USD0.10 on 715,100.59 units declared on 28 June 2019 and paid on 2 July 2019)	73,981	71,510
	\$ 479,105	\$ 684,894

During the year, no distributions were made to the unitholders of Accumulation Class Units - Institutional.

According to Clause 15.3 of the Trust Deed, the amount available for distribution includes any interest, dividend or other receipts deemed by the Manager and after making such provisions, if any, for taxation or otherwise attributable to the Sub-Fund. The resulting figure may be adjusted at the discretion of the Manager after consulting the Trustee. With effect from 30 October 2015, the distribution frequency has been changed from a semi-annual basis to a monthly basis. However, this is not a guarantee that such distributions will be made or that there will be a target level of income distribution for the Sub-Fund. The level and frequency of the income distributed by the Sub-Fund does not necessarily indicate the total return and income of the Sub-Fund. All distributable income earned during the years ended 30 June 2020 and 2019 has been distributed as above.

8 TOTAL NUMBER OF UNITS IN ISSUE

	2020	2019
Income Class Units		
Number of units in issue brought forward	\$ 715,100.59	\$ 779,739.87
Units issued during the year	29,288.38	42,636.02
Units redeemed during the year	(71,837.70)	(107,275.30)
Number of units in issue carried forward	\$ 672,551.27	\$ 715,100.59
Accumulation Class Units - Institutional		
Number of units in issue brought forward	\$ 8,452,807.72	\$ 8,566,963.66
Units issued during the year	1,643,734.43	1,288,632.33
Units redeemed during the year	(1,288,044.12)	(1,402,788.27)
Number of units in issue carried forward	\$ 8,808,498.03	\$ 8,452,807.72

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

8 TOTAL NUMBER OF UNITS IN ISSUE *(continued)*

On 1 October 2015, the Accumulation Class Units - Institutional were issued by the Sub-Fund. According to the Explanatory Memorandum of the Sub-Fund, such class of units will be available for subscription by institutional investors only. The minimum initial investment in the Sub-Fund is \$1,000,000 (inclusive of the preliminary charge).

9 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-Fund and commission is paid on these transactions.

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

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

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Sub-Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Sub-Fund is exposed are market risk, credit risk and liquidity risk.

Asset allocation is determined by the Manager who manages the distribution of the assets to achieve the investment objective and policy of the Sub-Fund, as stated on page 34.

Divergence from target asset allocations and the composition of the portfolio is monitored by the Manager. In instances where the Sub-Fund has diverged from the target asset allocations, the Manager will arrange to rebalance the portfolio 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 objective and policy of the Sub-Fund so that unwarranted deviations (risks) are controlled.

The Sub-Fund is 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.

(i) Currency risk

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

Currency exposures are generally left unhedged even though the investment guidelines may allow hedging of such exposures. A part of the reason for such is that the portfolio designates the various investment markets in their geographical allocations (contained in the Explanatory Memorandum of the Sub-Fund) and currency risk is considered to be a part of the overall risk taken by investing into these geographical regions.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS *(continued)*

(a) Market risk *(continued)*

(i) Currency risk *(continued)*

At the reporting date the Sub-Fund had the following currency exposures (in United States dollar equivalent):

Currency	United States dollar	
	2020	2019
Australian dollar	\$ 21,997,477	\$ 28,367,105
Chinese yuan	875,474	-
Indian rupee	10,639,228	8,692,871
Indonesian rupiah	1,200,119	2,170,487
Malaysian ringgit	1,376,666	1,597,971
New Taiwan dollar	18,047,710	16,161,829
New Zealand dollar	836,600	425,359
Philippines peso	829,002	521,629
Singapore dollar	5,900,987	5,796,321
South Korean won	15,202,781	16,247,282
Thai baht	2,180,460	1,305,756
Total	\$ 79,086,504	\$ 81,286,610

Currency risk sensitivity analysis

As at 30 June 2020, had the USD strengthened (or weakened) by 5% in relation to all currencies, with all other variables held constant, the NAV of the Sub-Fund and the profit and total comprehensive income for the year as recorded in the statement of comprehensive income would have decreased (or increased) by the amounts shown below. The analysis was performed on the same basis for 2019.

Currency	United States dollar	
	2020	2019
Australian dollar	\$ 1,099,874	\$ 1,418,355
Chinese yuan	43,774	-
Indian rupee	531,961	434,644
Indonesian rupiah	60,006	108,524
Malaysian ringgit	68,833	79,899
New Taiwan dollar	902,386	808,091
New Zealand dollar	41,830	21,268
Philippines peso	41,450	26,081
Singapore dollar	295,049	289,816
South Korean won	760,139	812,364
Thai baht	109,023	65,288
Total	\$ 3,954,325	\$ 4,064,330

As the Hong Kong dollar (“HKD”) is pegged to the USD, the risk of movement in exchange rates between HKD and USD is considered to be insignificant.

(ii) Interest rate risk

The Sub-Fund did not hold any debt or interest-bearing securities. The Sub-Fund’s only direct exposure to interest rate is via its bank accounts. Therefore, the Sub-Fund has negligible interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS *(continued)*

(a) Market risk *(continued)*

(iii) 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 across different issuers, different sectors or traded on different markets.

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 the Sub-Fund's 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+/-z% and to the country at y+/-z%. Other risks relating to liquidity, sector exposures etc. are also managed in a similar manner.

An analysis of the investments held by the Sub-Fund is shown in the investment portfolio and statement of movements in portfolio holdings enclosed with these financial statements.

Other price risk sensitivity analysis

As at 30 June 2020, a 10% (2019: 10%) decrease in prices of all the investments as at the reporting date would have decreased the NAV of the Sub-Fund and decreased the profit and total comprehensive income for the year by \$13,939,673 (2019: \$13,130,054). An equal change in the opposite direction would have increased the NAV by an equal but opposite amount.

(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 dues in time. The 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-Fund's credit risk is also mitigated through diversification and control on exposure to any single issuer in the Sub-Fund.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. At the reporting date, the Sub-Fund's financial assets exposed to credit risk have been shown on the statement of financial position in which the figures are based on the carrying value of each financial asset item.

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 financing positions of the brokers used to further mitigate this risk.

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

(c) Liquidity risk

The Sub-Fund is 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 etc. The Sub-Fund's financial instruments include mainly investments in listed equity securities. They are mainly traded on stock exchanges and are generally liquid. As a result, for most cases, the Sub-Fund should be able to liquidate its investments quickly in these instruments at close to their fair value in order to meet its liquidity requirements. Under extreme market conditions, liquidation of instruments may have to be done at lower prices.

The Sub-Fund is not exposed to other activities which will give rise to significant liquidity risk.

Amounts payable on redemption of units, amounts payable to brokers and distributions payable of the Sub-Fund mature within one month while its accrued expenses and other payables mature within one year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS *(continued)*

(d) Specific instruments

Derivatives

Under normal circumstances, the Sub-Fund would not hedge against its currency exposure to investing markets. The Sub-Fund may use options, futures or other derivatives instruments in order to optimise portfolio performance.

The Manager did not undertake any derivative transactions during the years ended 30 June 2020 and 2019.

(e) Fair value information

(i) Valuation of financial instruments

The Sub-Fund's accounting policy on fair value measurements is discussed in note 2(d)(iv).

The Sub-Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(ii) Fair value hierarchy – Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2020			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through profit or loss:				
- Equities	\$ 139,396,729	\$ -	\$ -	\$ 139,396,729
	\$ 139,396,729	\$ -	\$ -	\$ 139,396,729

	2019			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through profit or loss:				
- Equities	\$ 131,300,539	\$ -	\$ -	\$ 131,300,539
	\$ 131,300,539	\$ -	\$ -	\$ 131,300,539

During the year ended 30 June 2020 and 2019, there were no transfers between instruments in Level 1, Level 2 and Level 3. The Sub-Fund's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(Expressed in United States dollars unless otherwise indicated)

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS *(continued)*

(e) Fair value information *(continued)*

(iii) Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

The financial assets and liabilities not measured at fair value through profit or loss include:

- i Cash and cash equivalents, dividend and other receivables, amounts receivable from brokers, amounts receivable on subscription of units, amounts payable on redemption of units, amounts payable to brokers, distributions payable and accrued expenses and other payables. These are short-term financial assets and liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties. They are categorised into Level 2 of fair value hierarchy; and
- ii Net assets attributable to unitholders. The Sub-Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Sub-Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to the unitholders approximately their fair value. They are categorised into Level 2 of the fair value hierarchy.

11 SEGMENT REPORTING

The Manager makes strategic resource allocation and assesses performance on behalf of the Sub-Fund and has determined the operating segments based on the internal reporting which is used to make strategic decisions.

The Manager considers that the Sub-Fund has a single operating segment which is investing in a diversified portfolio of listed equities in accordance with the investment objective and policy of the Sub-Fund.

All gains and losses generated from investments of the Sub-Fund are disclosed in the statement of comprehensive income. The segment information provided to the Manager is the same as that disclosed in the statement of comprehensive income and statement of financial position.

12 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 30 June 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Sub-Fund.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 1, <i>Presentation of financial statements</i> and HKAS 8, <i>Accounting policies, changes in accounting estimates and errors "Definition of material"</i>	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, <i>Interest Rate Benchmark Reform</i>	1 January 2020

The Sub-Fund is in the process of making an assessment of what the impact of these amendments, new standard and interpretations is expected to be in the period of initial application. So far the Sub-Fund has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of Principal Prosperity Series (“the Fund”) - Principal Asia Pacific High Dividend Equity Fund (“the Sub-Fund”) has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 24 October 2002, as subsequently amended from time to time for the year ended 30 June 2020.

For and on behalf of
Principal Trust Company (Asia) Limited

Hong Kong, 28 October 2020

INVESTMENT PORTFOLIO AS AT 30 JUNE 2020

Principal Asia Pacific High Dividend Equity Fund			
	Holdings	Fair value <i>USD/ USD equivalent</i>	% of net assets
Listed investments (cost: USD116,778,934)			
Equities			
<i>Australia</i>			
Appen Ltd	23,789	\$ 553,347	0.39
Aristocrat Leisure Ltd	5,650	98,799	0.07
Australia & New Zealand Banking Group Ltd	86,525	1,105,995	0.79
Beach Energy Ltd	625,957	652,460	0.46
BHP Group Ltd	61,618	1,513,558	1.07
Centuria Industrial Reit	6,158	13,386	0.01
Charter Hall Group	62,414	414,736	0.29
Coca-Cola Amatil Ltd	47,950	284,756	0.20
Coles Group Ltd	88,003	1,036,176	0.74
Commonwealth Bank of Australia	38,295	1,823,024	1.29
CSL Ltd	12,534	2,466,820	1.75
Fortescue Metals Group Ltd	19,116	181,557	0.13
Goodman Group	78,405	798,429	0.57
IGO Ltd	64,594	215,718	0.15
Kogan.com Ltd	29,308	295,842	0.21
Macquarie Group Ltd	15,486	1,259,476	0.89
Megaport Ltd	67,643	560,345	0.40
National Australia Bank Ltd	87,515	1,093,444	0.78
NRW Holdings Ltd	277,761	355,235	0.25
Omni Bridgeway Ltd	176,812	578,357	0.41
OZ Minerals Ltd	103,772	779,932	0.55
QBE Insurance Group Ltd	20,363	123,720	0.09
Santos Ltd	253,014	919,573	0.65
Saracen Mineral Holdings Ltd	351,674	1,307,090	0.93
Seven Group Holdings Ltd	12,017	141,575	0.10
Silver Lake Resources Ltd	374,560	547,100	0.39
Sydney Airport Holdings Pty Ltd	161,373	627,451	0.45
Transurban Group	42,557	412,362	0.29
Westpac Banking Corp	78,607	967,590	0.69
Woolworths Group Ltd	18,130	463,489	0.33
		\$ 21,591,342	15.32
<i>China</i>			
Alibaba Group Holding Ltd	46,429	\$ 10,014,736	7.12
A-Living Services Co Ltd	165,250	832,615	0.59
Anhui Conch Cement Co Ltd	108,000	727,404	0.52
ANTA Sports Products Ltd	72,000	635,433	0.45
China Aoyuan Group Ltd	211,000	255,096	0.18
China Communications Services Corp Ltd	312,000	194,036	0.14
China Construction Bank Corp	2,146,620	1,736,618	1.23
China Feihe Ltd	546,000	1,093,367	0.78

INVESTMENT PORTFOLIO AS AT 30 JUNE 2020 (continued)

Principal Asia Pacific High Dividend Equity Fund			
	Holdings	Fair value USD/ USD equivalent	% of net assets
<i>China (continued)</i>			
China Lesso Group Holdings Ltd	459,000	\$ 596,973	0.42
China Life Insurance Co Ltd	199,000	400,552	0.28
China MeiDong Auto Holdings Ltd	182,000	446,176	0.32
China Mobile Ltd	89,500	603,957	0.43
China Yongda Automobiles Services Holdings Ltd	262,000	314,726	0.22
CNOOC Ltd	297,000	330,328	0.23
Ever Sunshine Lifestyle Services Group Ltd	482,000	745,050	0.53
Industrial & Commercial Bank of China Ltd	1,402,000	850,212	0.60
Innovent Biologics Inc	39,500	293,053	0.21
JD.com Inc	50,725	3,052,631	2.17
KWG Group Holdings Ltd	358,000	601,417	0.43
Lens Technology Co Ltd	220,698	875,474	0.62
Li Ning Co Ltd	201,000	637,988	0.45
Meituan Dianping - B	101,400	2,249,030	1.60
NetEase Inc	5,049	2,167,940	1.54
New Oriental Education & Technology Group Inc	10,647	1,386,559	0.98
Pharmaron Beijing Co Ltd	29,900	308,633	0.22
Ping An Insurance Group Co of China Ltd	182,000	1,819,930	1.29
Semiconductor Manufacturing International Corp	203,000	707,198	0.50
Shimao Group Holdings Ltd	129,500	548,056	0.39
Sunac China Holdings Ltd	95,000	397,759	0.28
Sunny Optical Technology Group Co Ltd	26,700	427,183	0.30
TAL Education Group	7,843	536,304	0.38
Tencent Holdings Ltd	140,900	9,064,519	6.44
Times China Holdings Ltd	191,000	352,905	0.25
Vipshop Holdings Ltd	115,924	2,308,047	1.64
Weichai Power Co Ltd	291,000	542,178	0.38
WuXi AppTec Co Ltd	58,800	763,991	0.54
WuXi Biologics (Cayman) Inc	43,500	795,879	0.57
Zhongsheng Group Holdings Ltd	217,000	1,201,153	0.85
Zoomlion Heavy Industry Science & Technology Co Ltd	244,400	188,260	0.13
		\$ 51,003,366	36.20
<i>Hong Kong</i>			
AIA Group Ltd	299,200	\$ 2,791,138	1.98
BOC Hong Kong Holdings Ltd	142,000	451,634	0.32
CK Asset Holdings Ltd	36,500	217,579	0.15
CK Hutchison Holdings Ltd	71,500	459,427	0.33
Hongkong Land Holdings Ltd	112,458	464,452	0.33
Melco International Development Ltd	160,000	309,665	0.22
Nagacorp Ltd	268,000	310,176	0.22
New World Development Co Ltd	81,750	388,166	0.28
SITC International Holdings Co Ltd	641,000	683,983	0.49
Sun Hung Kai Properties Ltd	60,500	772,418	0.55
Swire Pacific Ltd	53,500	283,712	0.20

INVESTMENT PORTFOLIO AS AT 30 JUNE 2020 (continued)

Principal Asia Pacific High Dividend Equity Fund			
	Holdings	Fair value USD/ USD equivalent	% of net assets
<i>Hong Kong (continued)</i>			
Techtronic Industries Co Ltd	178,500	\$ 1,745,778	1.24
Xinyi Glass Holdings Ltd	208,000	254,958	0.18
		\$ 9,133,086	6.49
<i>India</i>			
Asian Paints Ltd	23,391	\$ 522,433	0.37
HDFC Bank Ltd	51,010	719,618	0.51
Hindustan Unilever Ltd	36,037	1,039,814	0.74
Housing Development Finance Corporation Ltd	59,937	1,391,990	0.99
ICICI Bank Ltd	152,957	711,514	0.51
ICICI Bank Ltd	73,521	683,010	0.49
ICICI Lombard General Insurance Company Ltd	27,944	468,467	0.33
IPCA Laboratories Ltd	31,116	689,594	0.49
Maruti Suzuki India Ltd	8,838	682,953	0.48
Muthoot Finance Ltd	48,361	695,177	0.49
Nestle India Ltd	2,785	633,080	0.45
Pidilite Industries Ltd	24,484	444,650	0.32
Reliance Industries Ltd	107,276	2,419,626	1.72
UltraTech Cement Ltd	6,894	355,277	0.25
WNS (Holdings) Ltd	13,265	729,310	0.52
		\$ 12,186,513	8.66
<i>Indonesia</i>			
Bank Central Asia Tbk PT	381,700	\$ 761,910	0.54
Bank Rakyat Indonesia (Persero) Tbk PT	2,063,100	438,209	0.31
		\$ 1,200,119	0.85
<i>Malaysia</i>			
CIMB Group Holdings Bhd	659,400	\$ 548,268	0.39
Frontken Corporation Bhd	765,600	452,394	0.32
Pentamaster Corporation Bhd	312,200	375,521	0.27
RHB Bank Bhd	125,100	139,954	0.10
		\$ 1,516,137	1.08
<i>New Zealand</i>			
Auckland International Airport Ltd	146,370	\$ 616,659	0.44
A2 Milk Company Ltd	16,988	219,941	0.16
		\$ 836,600	0.60

INVESTMENT PORTFOLIO AS AT 30 JUNE 2020 (continued)

Principal Asia Pacific High Dividend Equity Fund			
	Holdings	Fair value USD/ USD equivalent	% of net assets
<i>Singapore</i>			
BOC Aviation Ltd	27,000	\$ 172,445	0.12
DBS Group Holdings Ltd	82,200	1,225,107	0.87
Frasers Logistics & Commercial Trust	337,000	287,353	0.20
Keppel DC REIT	434,295	790,419	0.56
Mapletree Industrial Trust	306,100	629,483	0.45
Mapletree Logistics Trust	473,500	658,204	0.47
SATS Ltd	230,900	473,183	0.34
United Overseas Bank Ltd	29,500	427,619	0.30
UOL Group Ltd	245,000	1,191,996	0.85
		\$ 5,855,809	4.16
<i>South Korea</i>			
AfreecaTV Co Ltd	1,468	\$ 77,143	0.05
Celltrion Inc	1,800	457,979	0.33
Hana Financial Group Inc	26,036	584,507	0.42
Hyundai Mobis Co Ltd	1,738	277,462	0.20
Hyundai Motor Co	3,430	278,638	0.20
Kakao Corp	1,264	281,140	0.20
KB Financial Group Inc	16,328	460,919	0.33
Kia Motors Corp	14,002	373,138	0.26
LG Chem Ltd	1,437	586,067	0.42
Naver Corp	5,351	1,187,950	0.84
NCSoft Corp	1,074	795,671	0.57
Nice Information Service Co Ltd	16,425	249,241	0.18
Posco	1,115	161,315	0.11
Samsung Biologics Co Ltd	882	568,358	0.40
Samsung Electronics Co Ltd	148,828	6,533,868	4.64
SK Hynix Inc	32,920	2,329,385	1.65
		\$ 15,202,781	10.80
<i>Taiwan</i>			
Accton Technology Corp	195,000	\$ 1,504,518	1.07
Aspeed Technology Inc	12,000	503,536	0.36
CTBC Financial Holding Co Ltd	792,000	545,403	0.39
E.SUN Financial Holding Co Ltd	824,523	775,667	0.55
Feng Tay Enterprises Co Ltd	18,000	101,418	0.07
Flexium Interconnect Inc	138,000	567,392	0.40
Giant Manufacturing Co Ltd	30,000	268,011	0.19
Hon Hai Precision Industry Co Ltd	166,320	485,717	0.34
ITEQ Corp	120,140	599,663	0.43
MediaTek Inc	71,000	1,391,120	0.99
Powertech Technology Inc	141,000	510,541	0.36

INVESTMENT PORTFOLIO AS AT 30 JUNE 2020 (continued)

Principal Asia Pacific High Dividend Equity Fund			
	Holdings	Fair value USD/ USD equivalent	% of net assets
<i>Taiwan (continued)</i>			
Realtek Semiconductor Corp	74,000	\$ 748,739	0.53
Taiwan Semiconductor Manufacturing Co Ltd	684,169	7,246,621	5.15
Taiwan Union Technology Corp	89,000	432,185	0.31
Wiwynn Corp	51,910	1,408,812	1.00
Yageo Corp	52,000	670,434	0.48
		\$ 17,759,777	12.62
<i>Thailand</i>			
Airports of Thailand PCL	92,300	\$ 180,805	0.13
Bangkok Bank PCL	99,300	344,021	0.24
Bangkok Expressway & Metro PCL	861,400	264,960	0.19
PTT Exploration & Production PCL	327,100	971,715	0.69
Thai Beverage PCL	371,700	179,778	0.13
TISCO Financial Group PCL	151,500	340,918	0.24
		\$ 2,282,197	1.62
<i>The Philippines</i>			
BDO Unibank Inc	207,790	\$ 408,732	0.29
Wilcon Depot Inc	1,352,600	420,270	0.30
		\$ 829,002	0.59
Total equities		\$ 139,396,729	98.99
Total listed investments		\$ 139,396,729	98.99
Other net assets		1,428,993	1.01
Total net assets		\$ 140,825,722	100.00

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS
for the year ended 30 June 2020

	<i>% of net assets</i>	
	2020	2019
Principal Asia Pacific High Dividend Equity Fund		
Listed investments		
<i>Equities</i>		
Australia	15.32	21.10
China	36.20	26.47
Hong Kong	6.49	8.98
India	8.66	8.25
Indonesia	0.85	1.58
Malaysia	1.08	1.17
New Zealand	0.60	0.32
Singapore	4.16	3.78
South Korea	10.80	11.84
Taiwan	12.62	12.20
Thailand	1.62	1.49
The Philippines	0.59	0.39
Total listed investments	98.99	97.57
Other net assets	1.01	2.43
Total net assets	100.00	100.00

PERFORMANCE TABLE
for the year ended 30 June 2020
(Expressed in United States dollars)

Principal Asia Pacific High Dividend Equity Fund

(a) Net asset value:

	Income Class Units		Accumulation Class Units - Institutional	
	Total net asset value	Net asset value per unit	Total net asset value	Net asset value per unit
30 June 2018	\$ 25,750,975	\$ 33.03	\$ 117,356,712	\$ 13.70
30 June 2019	22,187,962	31.03	112,385,600	13.30
30 June 2020	20,837,636	30.98	119,988,086	13.62

(b) Performance record:

For the year ended	Income Class Units		Accumulation Class Units - Institutional	
	Highest issue price during the year	Lowest bid price during the year	Highest issue price during the year	Lowest bid price during the year
30 June 2011	\$ 31.05	\$ 21.21	\$ -	\$ -
30 June 2012	29.15	21.49	-	-
30 June 2013	30.25	24.19	-	-
30 June 2014	29.48	25.57	-	-
30 June 2015	32.46	27.55	-	-
30 June 2016	29.37	21.98	10.00	8.43
30 June 2017	30.67	24.98	12.28	9.77
30 June 2018	37.20	30.12	15.16	12.12
30 June 2019	33.35	27.26	13.84	11.48
30 June 2020	33.42	22.19	14.50	9.66

INVESTMENT OBJECTIVE AND POLICY OF PRINCIPAL ASIA PACIFIC HIGH DIVIDEND EQUITY FUND

The primary investment objective of Principal Asia Pacific High Dividend Equity Fund is to achieve high current income through investing in a diversified portfolio of listed securities in the Asia Pacific region, including but not limited to the following countries and regions: Australia, China, Hong Kong, India, Indonesia, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand and The Philippines. The Manager does not currently intend to invest in Japan but may do so in the future if suitable investment opportunities arise. The Manager will focus on companies which demonstrate strong corporate fundamentals and offer the potential for superior dividend yields. The Principal Asia Pacific High Dividend Equity Fund will also seek to achieve capital appreciation with relatively moderate to high volatility commensurate with investing in equities.

The Principal Asia Pacific High Dividend Equity Fund may also on an ancillary basis from time to time hold cash, deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.



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