

Principal Life Style Fund

Hong Kong Equity Fund

As of 30 June 2008

Fund Objective

Principal Life Style Fund – Principal Hong Kong Equity Fund aims to achieve capital growth over the long-term by investing mainly in Hong Kong equity markets. The Fund will invest primarily in listed equities issued by companies established in Hong Kong or by companies whose shares are listed in Hong Kong (including but not limited to H shares and shares of red-chip companies listed on the Hong Kong Stock Exchange). The Fund may also invest in listed equities issued by companies which have business in Hong Kong. The Fund may hold cash and short-term investments. The risk profile of the Principal Hong Kong Equity Fund is generally regarded as high.

Fund Commentary

Market Review

For the second quarter, the Hang Seng Index was down 2.2%. The energy and information technology sectors performed the best over this period. The consumer discretionary sector lagged, returning -13.2%.

Fund Performance

The fund posted a negative return during the quarter. Stock selection positively affected performance in the materials, consumer staples and information technology sectors. Stock selection in the industrials and telecommunication services negatively affected performance.

Portfolio Strategy & Outlook

Concerns about inflation, high oil prices and a weak A-share market continue to weigh on returns for equity investors. Amidst all negatives, there are growing arguments for macro policy easing to mitigate significant downside risks to the Chinese economy. Financial stress of property developers and manufacturers in China could pose threats to asset quality of the banking system. Together the sectors represent over 50% of loans outstanding of listed China banks.

QUICK FUND FACTS

Fund Manager	Principal Asset Management Company (Asia) Limited
Launch Date	1 November 2005
Fund Domicile	Hong Kong
Base Currency	Hong Kong Dollar
Fund Size (million)	HK\$1,185.7
Risk Profile	High

MINIMUM SUBSCRIPTION

Retail Class

- Initial Subscription (inclusive of initial charges) HK\$10,000 / class
- Each Subsequent Subscription (inclusive of initial charges) HK\$ 5,000 / class
- Regular Savings Plan HK\$ 2,000 per month / class

Investment Class

Please contact us for more information.

FEE STRUCTURE

Retail Class

- Initial Charge Up to 5%
- Management Fee 1.20% p.a.
- Trustee Fee 0.20% p.a.
- Switching Fee 4 free switches / year[#]

For other charges and expenses, please refer to the Explanatory Memorandum.

Investment Class

Please contact us for more information.

[#] Switching fee of up to 1% of the issue price of the new class of units to be issued may be levied for subsequent switches.

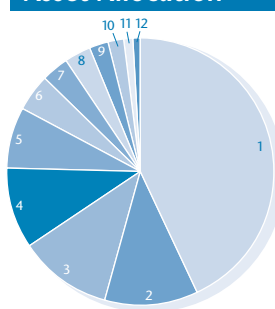
Accumulative Performance(%)¹

	Fund	Index ²
1 month	-10.76	-9.56
1 year	-0.92	4.60
Since Inception	96.12	65.54

¹ The performance information reflects performance of the retail class units, income re-invested. It is denominated in HK dollar and calculated on NAV to NAV basis. The source of the performance is from Lipper and Principal Asset Management Company (Asia) Limited. Outperforming the Hang Seng Index is not specifically included in the objective of the Fund and the figures shown in the table are provided as a comparison only. The two methods of calculation of performance may not be identical.

² Hang Seng Total, dividend re-invested

Asset Allocation



1	Financials	43.0%
2	Energy	11.3%
3	Industrials	11.3%
4	Telecommunication Services	9.8%
5	Consumer Discretionary	7.4%
6	Utilities	4.5%
7	Materials	3.3%
8	Information Technology	3.2%
9	Others	2.3%
10	Cash	1.9%
11	Time Deposit	1.1%
12	Consumer Staples	0.9%

TOP TEN HOLDINGS

Stock	%
CHINA MOBILE HONG KONG LTD	8.63%
HSBC HOLDINGS PLC	7.45%
INDUSTRIAL & COMMERCIAL BANK OF CHINA	4.08%
CNOOC LTD	3.50%
HUTCHISON WHAMPOA LTD	2.84%
PETROCHINA CO LTD-H	2.76%
CHINA CONSTRUCTION BANK-H	2.46%
BOC HONG KONG HOLDINGS LTD	2.12%
CHINA LIFE INSURANCE CO-H	1.97%
CHINA PETROLEUM & CHEMICAL-H	1.74%

* Investors should be aware that the exposure of the Fund can change significantly on a daily basis.

This flyer is to be read in conjunction with the Explanatory Memorandum. Future performance and the capital value of the Fund are not guaranteed. Past performance figures are not indicative of future performance.

Investment involves risks. The value of units may rise as well as fall. Investors are reminded that in certain circumstances their right to redeem may be suspended. Full details of the risks of investing in the Fund are contained in the Explanatory Memorandum. We recommend investors obtain and read a copy of the Explanatory Memorandum before investing.