

# KEY INFORMATION MEMORANDUM AND APPLICATION FORMS



[Offer of units at applicable NAV based price]

PRINCIPAL GROWTH FUND  
PRINCIPAL DIVIDEND YIELD FUND  
PRINCIPAL GLOBAL OPPORTUNITIES FUND  
PRINCIPAL JUNIOR CAP FUND  
PRINCIPAL FOCUSED ADVANTAGE FUND  
PRINCIPAL INDEX FUND  
PRINCIPAL RESURGENT INDIA EQUITY FUND  
PRINCIPAL EQUITY FUND  
PRINCIPAL BALANCED FUND  
PRINCIPAL INCOME FUND  
PRINCIPAL FLOATING RATE FUND  
PRINCIPAL MONTHLY INCOME PLAN  
PRINCIPAL CASH MANAGEMENT FUND  
PRINCIPAL GOVERNMENT SECURITIES FUND  
PRINCIPAL TRUST BENEFIT FUND  
PRINCIPAL TAX SAVINGS FUND  
PRINCIPAL PERSONAL TAX SAVER FUND  
PRINCIPAL CHILD BENEFIT FUND  
PRINCIPAL DEPOSIT FUND  
PRINCIPAL MONEY VALUE BOND FUND  
PRINCIPAL PNB DEBT FUND

#### INVESTMENT MANAGER:

##### **Principal Pnb Asset Management Company Private Limited**

Apeejay House, 5<sup>th</sup> floor, 3 Dinshaw Vachha Road, Churchgate, Mumbai-400 020, India.  
Tel.: 022-2204 4988. Fax: 022-2204 4990.

##### **Principal Mutual Fund**

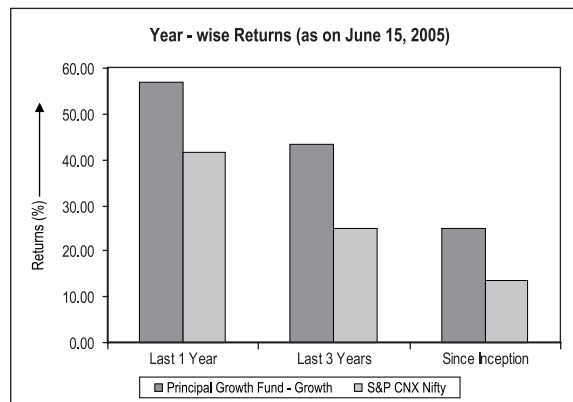
Apeejay House, 5<sup>th</sup> floor, 3 Dinshaw Vachha Road, Churchgate, Mumbai-400 020, India.

This Key Information Memorandum (KIM) sets forth the information, which a prospective investor ought to know before investing. For further details of the scheme/Mutual Fund, due diligence certificate by the AMC, Key Personnel, investors' rights & services, risk factors, penalties & pending litigations, associate transactions etc. investors should, before investment, refer to the Offer Documents of the respective schemes available free of cost at any of the Investor Service Centres or distributors or from the website [www.principalindia.com](http://www.principalindia.com). The aforesaid offer documents are to be read with the addendums, if any issued by the Fund from time to time.

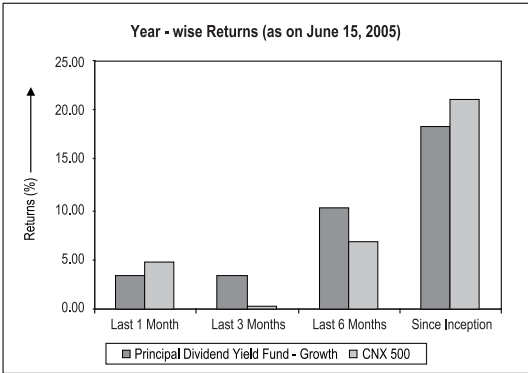
The Scheme particulars have been prepared in accordance with Securities and Exchange Board of India (Mutual Funds) Regulations 1996, as amended till date, and filed with Securities and Exchange Board of India (SEBI). The units being offered for public subscription have not been approved or disapproved by SEBI, nor has SEBI certified the accuracy or adequacy of this KIM.

## Principal Growth Fund *(An open ended Equity Scheme)*

<b>Investment Objective</b>	To achieve long term capital appreciation.													
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>												
	Equity and Equity Linked Instruments	Upto 100%												
	Debt (Including Securitised Debt) and Money market instruments	Upto 10%												
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.													
<b>Investment Plans</b>	Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.													
<b>Applicable NAV</b>	Please Refer to Page No. 24													
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25													
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.													
<b>Benchmark Index</b>	S&P CNX Nifty													
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.													
<b>Name of the Fund Manager</b>	Mr. Shyam Bhat													
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited													
<b>Performance of the scheme :</b>	<p>Returns (%) of Growth Option as at June 15, 2005.</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>S&amp;P CNX Nifty (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 year</td> <td>56.87</td> <td>41.82</td> </tr> <tr> <td>Last 3 years</td> <td>43.43</td> <td>25.11</td> </tr> <tr> <td>Since inception*</td> <td>25.15</td> <td>13.47</td> </tr> </tbody> </table> <p>The past performance may or may not be sustained in the future.  <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more</b> than a year and <b>absolute basis</b> for a period <b>less</b> than (or <b>equal</b> to) a year, with reinvestment of dividends (if any).  *October 25, 2000.  Offer Document Updated on December 13, 2004.</p>		Period	Returns (%)	S&P CNX Nifty (%)	Last 1 year	56.87	41.82	Last 3 years	43.43	25.11	Since inception*	25.15	13.47
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<b>Expenses of the Scheme</b>	<b>(i) Load Structure</b>													
	<b>Entry Load</b>	For investments upto and equal to Rs. 1 lac - Nil. For investments above Rs.1 lac and upto Rs. 3 crore - 2.25%. For investments of Rs. 3 crore and above - Nil.												
	<b>Exit Load</b>	For investments upto and equal to Rs. 1 lac - if redeemed within 180 days - 2%, if redeemed beyond 180 days - Nil. For investments above Rs.1 lac - Nil.												
	<b>(ii) Recurring expenses as a percentage of average daily Net Assets</b>													
	<table border="1"> <tbody> <tr> <td>First Rs. 100 crores</td> <td>2.50</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Balance</td> <td>1.75</td> </tr> </tbody> </table>	First Rs. 100 crores	2.50	Next Rs. 300 crores	2.25	Next Rs. 300 crores	2.00	Balance	1.75	Actual expenses for the previous financial year 2004-2005: 2.35%				
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<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23													
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.													
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26													
<b>Unitholders' Information</b>	<ol style="list-style-type: none"> <li>Accounts statement will be provided on each transaction.</li> <li>Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism.</li> <li>The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 March and 30 September in an English national daily and a Marathi daily.</li> <li>The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31<sup>st</sup> March and 30<sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.</li> </ol>													



## Principal Dividend Yield Fund *(An open ended Equity Scheme)*

<b>Investment Objective</b>	The Investment Objective of the scheme would be to provide capital appreciation and / or dividend distribution by investing predominantly in a well-diversified portfolio of companies that have a relatively high dividend yield.															
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>														
	Equity and Equity Related Instruments of high dividend-yield companies*	65 to 100%														
	Other equity and equity-related instruments	0 to 35%														
	Cash and Money Market Instruments	0 to 20%														
	* High dividend-yield companies are defined as those having a dividend-yield (last declared dividend as a percentage of the market price at the time of investment) higher than 1.5 times that of the NSE Nifty on the earlier trading day.															
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.															
<b>Investment Plans</b>	The Scheme will offer Growth Plan and Dividend Plan. Dividend Plan will have the facility of Payout and Reinvestment.															
<b>Applicable NAV</b>	Please Refer to Page No. 24															
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25															
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.															
<b>Benchmark Index</b>	S&P CNX 500 index.															
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.															
<b>Name of the Fund Manager</b>	Mr. Shyam Bhat															
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited															
<b>Performance of the Scheme:</b>																
Returns (%) of Growth Option as at June 15, 2005.																
<table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>S&amp;P CNX 500 Index (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 Month</td> <td>3.79</td> <td>5.36</td> </tr> <tr> <td>Last 3 Months</td> <td>3.79</td> <td>0.13</td> </tr> <tr> <td>Last 6 Months</td> <td>11.28</td> <td>7.70</td> </tr> <tr> <td>Since Inception*</td> <td>20.40</td> <td>23.50</td> </tr> </tbody> </table>	Period	Returns (%)	S&P CNX 500 Index (%)	Last 1 Month	3.79	5.36	Last 3 Months	3.79	0.13	Last 6 Months	11.28	7.70	Since Inception*	20.40	23.50	
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The past performance may or may not be sustained in the future. <b>Note:</b> Returns are calculated on <b>compounded annualised</b> basis for a period of <b>more than a year</b> and <b>absolute basis</b> for a period less than (or equal to) a year, with reinvestment of dividends (if any). *October 15, 2004. Offer Document Dated August 30, 2004.																
<b>Expenses of the Scheme:</b>	<p><b>(i) Load Structure</b></p> <table border="1"> <tr> <td><b>Entry Load</b></td> <td>For investments upto and equal to Rs.1 lakh - Nil; For investments above Rs.1 lakh - 2.25%.</td> </tr> <tr> <td><b>Exit Load</b></td> <td>For investments upto and equal to Rs.1 lakh - if redeemed within 180 days - 2%; if redeemed beyond 180 days - Nil. For investments above Rs.1 lakh - Nil</td> </tr> </table> <p><b>(ii) Recurring expenses as a percentage of average daily Net Assets</b></p> <table border="1"> <tr> <td>First Rs. 100 crores</td> <td>2.50</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Balance</td> <td>1.75</td> </tr> </table> <p>Actual expenses for the previous financial year 2004-2005: 2.23%</p>		<b>Entry Load</b>	For investments upto and equal to Rs.1 lakh - Nil; For investments above Rs.1 lakh - 2.25%.	<b>Exit Load</b>	For investments upto and equal to Rs.1 lakh - if redeemed within 180 days - 2%; if redeemed beyond 180 days - Nil. For investments above Rs.1 lakh - Nil	First Rs. 100 crores	2.50	Next Rs. 300 crores	2.25	Next Rs. 300 crores	2.00	Balance	1.75		
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<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.															
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<b>Unitholders' Information</b>	<ol style="list-style-type: none"> <li>Accounts statement will be provided on each transaction.</li> <li>Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism.</li> <li>The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 March and 30 September in an English national daily and a Marathi daily.</li> <li>The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31<sup>st</sup> March and 30<sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.</li> </ol>															

## Principal Global Opportunities Fund *(An open ended Growth Fund)*

<b>Investment Objective</b>	To build a high quality International Equity portfolio out of the Permissible Investments as defined and permitted under the regulations from time to time, and provide returns and/or capital appreciation along with regular liquidity to the investors.													
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>												
	Equity and Equity Linked Instruments	Up to 100 % in permitted listed Foreign Equities.												
	Pending deployment of the funds in terms of investment objectives of the Scheme, upto 100% of the scheme's assets may be invested in Indian or overseas money market instruments (as permitted by the Regulations).													
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.													
<b>Investment Plans</b>	Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.													
<b>Applicable NAV</b>	Please Refer to Page No. 24													
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25													
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 5 business days, subject to redemption request being complete in all respects.													
<b>Benchmark Index</b>	Morgan Stanley Capital Internationalis - MSCI World Index													
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.													
<b>Name of the Fund Manager</b>	Mr. Rajat Jain													
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited													
<b>Performance of the scheme :</b> Returns (%) of Growth Option as at June 15, 2005.	<table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>MSCI World Index (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 Year</td> <td>2.27</td> <td>9.63</td> </tr> <tr> <td>Since inception*</td> <td>4.06</td> <td>7.52</td> </tr> </tbody> </table> <p>The past performance may or may not be sustained in the future.  <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more than a year</b> and <b>absolute basis</b> for a period <b>less than (or equal to) a year</b>, with reinvestment of dividends (if any).  *March 29, 2004.  Offer Document Dated February 17, 2004.</p>		Period	Returns (%)	MSCI World Index (%)	Last 1 Year	2.27	9.63	Since inception*	4.06	7.52			
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<b>Unitholders' Information</b>	<ol style="list-style-type: none"> <li>Accounts statement will be provided on each transaction.</li> <li>Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism.</li> <li>The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 March and 30 September in an English national daily and a Marathi daily.</li> <li>The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31<sup>st</sup> March and 30<sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.</li> </ol>													

## Principal Junior Cap Fund *(An open ended Equity Scheme)*

<b>Investment Objective</b>	The investment objective of the scheme is to provide capital appreciation and/ or income in the form of dividend by investing predominantly (at least 65% of net assets) in the equity and equity related instruments of the companies within the market capitalization range of the companies comprising CNX Nifty Junior Index. Of this, at least 51% will be invested in the equity and equity related instruments of the companies that comprise the CNX Nifty Junior Index. Upto 35% of net assets will be invested in the stocks of companies with the market capitalization below Rs. 2000 crore as on the date of investment.																																		
<b>Asset Allocation Pattern of the scheme</b>	<p><b>Investment Pattern:</b> Under normal circumstances, the asset allocation would be as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th rowspan="2">Type of Instrument</th> <th colspan="2">% of Net Assets</th> <th rowspan="2">Risk Profile</th> </tr> <tr> <th>Min.</th> <th>Max.</th> </tr> </thead> <tbody> <tr> <td>a)</td> <td>Equity and equity related instruments of the companies within the market capitalization range of the companies comprising CNX Nifty Junior Index. *</td> <td>65%</td> <td>100%</td> <td>High</td> </tr> <tr> <td>b)</td> <td>Out of the above (a), equity and equity related instruments of companies that comprise CNX Nifty Junior Index.</td> <td>51%</td> <td>100%</td> <td>High</td> </tr> <tr> <td>c)</td> <td>Equity and equity related instruments of the companies with the market capitalization below Rs. 2000 crore as on the date of investment.</td> <td>0%</td> <td>35%</td> <td>High</td> </tr> <tr> <td>d)</td> <td>Money Market Instruments.</td> <td>0%</td> <td>30%</td> <td>Low to Medium</td> </tr> </tbody> </table> <p>* Based on the market capitalization of the companies as of the last trading day of immediately preceding month as available on the website of National Stock Exchange i.e. <a href="http://www.nseindia.com">www.nseindia.com</a>. The market capitalization range of the companies comprising CNX Nifty Junior Index as of March 31, 2005 is between Rs. 849 crore to Rs. 8200 crore.</p>			Type of Instrument	% of Net Assets		Risk Profile	Min.	Max.	a)	Equity and equity related instruments of the companies within the market capitalization range of the companies comprising CNX Nifty Junior Index. *	65%	100%	High	b)	Out of the above (a), equity and equity related instruments of companies that comprise CNX Nifty Junior Index.	51%	100%	High	c)	Equity and equity related instruments of the companies with the market capitalization below Rs. 2000 crore as on the date of investment.	0%	35%	High	d)	Money Market Instruments.	0%	30%	Low to Medium	<p>The Fund would not invest in ADR/ GDR and foreign securities. The Asset Management Company reserves the right to invest in derivatives as follows:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>% of Net Assets</th> </tr> </thead> <tbody> <tr> <td>Equity Derivatives</td> <td>Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.</td> </tr> </tbody> </table> <p>For details on scenarios/ circumstances when the Fund would invest in derivatives, please refer to section Investment Policies and Strategy and for details on Investment in derivatives and related risk factors, please refer to the section titled iPolicy and Special Consideration on Investment in Derivatives and Hedging Products, in the offer document.</p>		Particulars	% of Net Assets	Equity Derivatives	Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.
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<b>Benchmark Index</b>	The Fund would benchmark its performance to the CNX Nifty Junior Index. The fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme.																																		
<b>Dividend Policy</b>	<p>Under Dividend Option, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Dividend Option and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the option having adequate distributable profits.</p> <p>The Dividend Option will have two facilities - the Payout and the Reinvestment. Under the Reinvestment facility, the dividend will be automatically reinvested in the units of the Scheme. Under the Payout facility, the dividends so declared/distributed would be paid out to the unitholders. However, the Trustees reserve the right to introduce new dividend distribution options on a prospective basis.</p>																																		
<b>Name of the Fund Manager</b>	Mr. Shyam Bhat																																		
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited																																		
<b>Performance of the similar Schemes launched by the Fund in the Past</b>	For performance of Principal Growth Fund, Principal Dividend Yield Fund, Principal Global Opportunities Fund, Principal Index Fund, Principal Resurgent India Equity Fund, Principal Equity Fund, Principal Tax Savings Fund, Principal Personal Tax Saver Fund, Principal Child Benefit Fund - Career Builder Plan, Principal Child Benefit Fund - Future Guard Plan please refer to page nos. 2, 3, 4, 7, 8, 9, 17, 18, 19 respectively.																																		
<b>Expenses of the Scheme:</b>	<p><b>(i) Load Structure</b></p> <table border="1"> <tbody> <tr> <td><b>Entry Load</b></td> <td>For applications below Rs. 3 crores ₹ 2.25%. For applications of Rs. 3 crores and above ₹ Nil</td> </tr> <tr> <td><b>Exit Load</b></td> <td>Nil</td> </tr> </tbody> </table> <p>Actual expenses for the previous financial year 2004-2005: <b>Not Applicable as the scheme was launched on May 12, 2005.</b></p> <p><b>(ii) Annual Recurring expenses as a percentage of average daily Net Assets</b></p> <table border="1"> <tbody> <tr> <td>First Rs. 100 crores</td> <td>2.50</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Balance</td> <td>1.75</td> </tr> </tbody> </table> <p style="text-align: right;">Offer Document Dated May 6, 2005.</p>				<b>Entry Load</b>	For applications below Rs. 3 crores ₹ 2.25%. For applications of Rs. 3 crores and above ₹ Nil	<b>Exit Load</b>	Nil	First Rs. 100 crores	2.50	Next Rs. 300 crores	2.25	Next Rs. 300 crores	2.00	Balance	1.75																			
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<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26																																		
<b>Unitholders' Information</b>	1. Accounts statement will be provided on each transaction. 2. Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism. 3. The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 <sup>st</sup> March and 30 <sup>th</sup> September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31 <sup>st</sup> March and 30 <sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.																																		

## Principal Focussed Advantage Fund *(An open ended Equity Scheme)*

<b>Investment Objective</b>	The Investment Objective of the scheme would be to provide capital appreciation and /or dividend distribution by investing in companies from a maximum of six sectors, depending upon their growth prospects and valuation at any given point in time.														
<b>Asset Allocation Pattern of the scheme</b>	<b>Investment Pattern:</b> Under normal circumstances, the asset allocation would be as follows:		The Asset Management Company reserves the right to invest in derivatives as follows:												
	<b>Types of Instruments</b>	<b>% of Net Assets</b>	<b>Risk Profile</b>												
		<b>Minimum</b> <b>Maximum</b>													
	Equities & Equity Related Instruments	70%    100%	High												
	Money Market Instruments	0%    30%	Low to Medium												
			<table border="1"> <thead> <tr> <th>Particulars</th> <th>% of Net Assets</th> </tr> </thead> <tbody> <tr> <td>Equity Derivatives</td> <td>Not exceeding 35% of the Net assets subject to limits as specified by SEBI from time to time.</td> </tr> </tbody> </table>	Particulars	% of Net Assets	Equity Derivatives	Not exceeding 35% of the Net assets subject to limits as specified by SEBI from time to time.								
Particulars	% of Net Assets														
Equity Derivatives	Not exceeding 35% of the Net assets subject to limits as specified by SEBI from time to time.														
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.														
<b>Investment Plans</b>	The Scheme will offer Growth Plan and Dividend Plan. Dividend Plan will have the facility of Pay-out and Re-investment.														
<b>Applicable NAV</b>	Please Refer to Page No. 24														
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25														
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.														
<b>Benchmark Index</b>	The Fund would benchmark its performance to the S&P CNX Nifty. The fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme.														
<b>Dividend Policy</b>	<p>Under this Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.</p> <p>The Dividend Plan will have two facilities - the Payout and the Reinvestment. Under the Reinvestment facility, the dividend will be automatically reinvested in the units of the Scheme. Under the Payout facility, the dividends so declared/distributed would be paid out to the unitholders. However, the Trustees reserve the right to introduce new dividend distribution options.</p>														
<b>Name of the Fund Manager</b>	Mr. Shyam Bhat														
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited														
<b>Performance of the scheme :</b>	<p>Returns (%) of Growth Option as at June 15, 2005.</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>S&amp;P CNX Nifty (%)</th> </tr> </thead> <tbody> <tr> <td>Since inception*</td> <td>-1.10</td> <td>-0.01</td> </tr> </tbody> </table> <p>The past performance may or may not be sustained in the future.  <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more</b> than a year and <b>absolute basis</b> for a period <b>less</b> than (or <b>equal</b> to) a year, with reinvestment of dividends (if any).  *March 15, 2005.  Offer Document Dated January 20, 2005.</p>			Period	Returns (%)	S&P CNX Nifty (%)	Since inception*	-1.10	-0.01						
Period	Returns (%)	S&P CNX Nifty (%)													
Since inception*	-1.10	-0.01													
	<p><b>Year - wise Returns (as on June 15, 2005)</b></p>														
<b>Expenses of the Scheme:</b>	<p><b>(i) Load Structure</b></p> <table border="1"> <tbody> <tr> <td><b>Entry Load</b></td> <td>2.25%.</td> </tr> <tr> <td><b>Exit Load</b></td> <td>Nil</td> </tr> </tbody> </table> <p><b>(ii) Annual Recurring expenses as a percentage of average daily Net Assets</b></p> <table border="1"> <tbody> <tr> <td>First Rs. 100 crores</td> <td>2.50</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Balance</td> <td>1.75</td> </tr> </tbody> </table> <p>Actual expenses for the previous financial year 2004-2005: 2.37%</p>			<b>Entry Load</b>	2.25%.	<b>Exit Load</b>	Nil	First Rs. 100 crores	2.50	Next Rs. 300 crores	2.25	Next Rs. 300 crores	2.00	Balance	1.75
<b>Entry Load</b>	2.25%.														
<b>Exit Load</b>	Nil														
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<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23														
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<b>Unitholders' Information</b>	<ol style="list-style-type: none"> <li>Accounts statement will be provided on each transaction.</li> <li>Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism.</li> <li>The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 March and 30 September in an English national daily and a Marathi daily.</li> <li>The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31<sup>st</sup> March and 30<sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.</li> </ol>														

## Principal Index Fund *(An open ended Index Scheme)*

<b>Investment Objective</b>	To invest principally in securities that comprise S&P CNX Nifty (NSE) and subject to tracking errors endeavour to attain results commensurate with the Nifty.																
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>															
	S&P CNX Nifty stocks	Upto 100%															
	Money market instruments	Upto 10%															
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.																
<b>Investment Plans</b>	Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.																
<b>Applicable NAV</b>	Please Refer to Page No. 24																
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25																
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.																
<b>Benchmark Index</b>	S&P CNX Nifty																
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.																
<b>Name of the Fund Manager</b>	Mr. Deepak Joshi																
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited																
<b>Performance of the scheme :</b> Returns (%) of Growth Option as at June 15, 2005.																	
	<table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>S&amp;P CNX Nifty (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 year</td> <td>37.98</td> <td>41.82</td> </tr> <tr> <td>Last 3 years</td> <td>23.67</td> <td>25.11</td> </tr> <tr> <td>Last 5 years</td> <td>7.39</td> <td>8.19</td> </tr> <tr> <td>Since inception*</td> <td>7.97</td> <td>8.36</td> </tr> </tbody> </table>	Period	Returns (%)	S&P CNX Nifty (%)	Last 1 year	37.98	41.82	Last 3 years	23.67	25.11	Last 5 years	7.39	8.19	Since inception*	7.97	8.36	
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<p>The past performance may or may not be sustained in the future.  <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more</b> than a year and <b>absolute basis</b> for a period less than (or equal to) a year, with reinvestment of dividends (if any).  *July 26, 1999.  Offer Document Updated on December 13, 2004.</p>																	
<b>Expenses of the Scheme</b>	<b>(i) Load Structure</b>																
	<b>Entry Load</b>	1% for subscription of Rs. 10 lacs or less. Nil for subscription of above Rs. 10 lacs.															
	<b>Exit Load</b>	Nil															
<b>(ii) Recurring expenses as a percentage of average daily Net Assets</b>																	
	<table border="1"> <tbody> <tr> <td>First Rs. 100 crores</td> <td>2.50</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Balance</td> <td>1.75</td> </tr> </tbody> </table>	First Rs. 100 crores	2.50	Next Rs. 300 crores	2.25	Next Rs. 300 crores	2.00	Balance	1.75	Actual expenses for the previous financial year 2004-2005: 1.60%							
First Rs. 100 crores	2.50																
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<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23																
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.																
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## Principal Resurgent India Equity Fund *(An open ended Equity Scheme)*

<b>Investment Objective</b>	To generate long term capital appreciation by investing in equity and equity related securities of Indian Companies that are perceived to be potential growth stories.													
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>												
	Equity and Equity Linked Instruments	Upto 100%												
	Debt Securities and Money Market Instruments	Upto 35%												
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.													
<b>Investment Plans</b>	Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.													
<b>Applicable NAV</b>	Please Refer to Page No. 24													
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25													
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.													
<b>Benchmark Index</b>	S&P CNX Nifty													
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.													
<b>Name of the Fund Manager</b>	Mr. Shyam Bhat													
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited													
<p><b>Performance of the scheme :</b> Returns (%) of Growth Option as at June 15, 2005.</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>S&amp;P Nifty (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 year</td> <td>59.95</td> <td>41.82</td> </tr> <tr> <td>Last 3 years</td> <td>46.95</td> <td>25.11</td> </tr> <tr> <td>Since inception*</td> <td>32.85</td> <td>7.73</td> </tr> </tbody> </table> <p>The past performance may or may not be sustained in the future. <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more</b> than a year and <b>absolute basis</b> for a period <b>less</b> than (or <b>equal</b> to) a year, with reinvestment of dividends (if any). *June 30, 2000. Offer Document Updated on December 13, 2004.</p>			Period	Returns (%)	S&P Nifty (%)	Last 1 year	59.95	41.82	Last 3 years	46.95	25.11	Since inception*	32.85	7.73
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Last 1 Year	59.95	41.82												
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Since Inception	32.85	7.73												
<b>Expenses of the Scheme</b>	<b>(i) Load Structure</b>													
	<b>Entry Load</b>	For investments upto Rs. 2 crores - 2.25%. For investments of Rs. 2 crores and above - Nil.												
	<b>Exit Load</b>	Nil												
<b>(ii) Recurring expenses</b>														
	First Rs. 100 crores	2.50												
	Next Rs. 300 crores	2.25												
	Next Rs. 300 crores	2.00												
	Balance	1.75												
		Actual expenses for the previous financial year 2004-2005: 2.46%												
<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23													
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.													
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26													
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## Principal Equity Fund *(An open ended Equity Scheme)*

<b>Investment Objective</b>	To provide investors long term capital appreciation.	
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>
	Equity and Equity Linked Instruments	Upto 100%
	Debt Instruments (Including Securitised Debt) and Money Market Instruments	Upto 10%
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.	
<b>Investment Plans</b>	Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.	
<b>Applicable NAV</b>	Please Refer to Page No. 24	
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25	
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.	
<b>Benchmark Index</b>	S&P CNX Nifty	
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.	
<b>Name of the Fund Manager</b>	Mr. Rajat Jain	
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited	

### Performance of the scheme :

Returns (%) of Growth Option as at June 15, 2005.

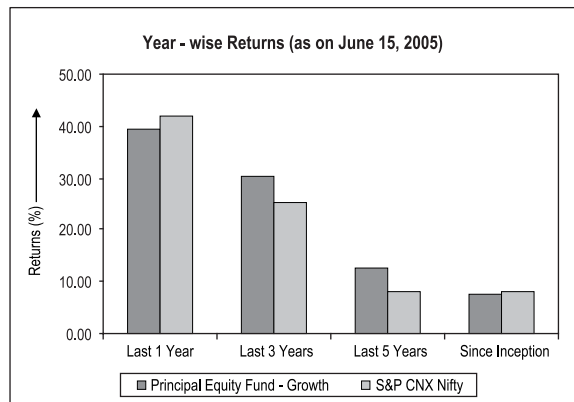
Period	Returns (%)	S&P CNX Nifty (%)
Last 1 year	39.24	41.82
Last 3 years	30.54	25.11
Last 5 years	12.75	8.19
Since inception*	7.77	7.93

The past performance may or may not be sustained in the future.

**Note:** Returns are calculated on **compounded annualised basis** for a period of **more** than a year and **absolute basis** for a period **less** than (or **equal** to) a year, with reinvestment of dividends (if any).

\*June 14, 1995.

Offer Document Updated on December 13, 2004.



### Expenses of the Scheme

#### (i) Load Structure

<b>Entry Load</b>	For investments upto Rs.2 cr - 2.25%. For investments of Rs.2 cr and above - Nil
<b>Exit Load</b>	Nil

#### (ii) Recurring expenses as a percentage of average daily Net Assets

First Rs. 100 crores	2.50
Next Rs. 300 crores	2.25
Next Rs. 300 crores	2.00
Balance	1.75

Actual expenses for the previous financial year 2004-2005: 2.48%

### Tax Treatment for the Investors (Unitholders)

Please Refer to Page No. 23

### Daily Net Asset Value (NAV) Publication

The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on [www.principalindia.com](http://www.principalindia.com) and [www.amfiindia.com](http://www.amfiindia.com). You can also telephone us at 022-2202 1111.

### For Investor Grievances please contact

Please Refer to Page No. 26

### Unitholders Information

- Accounts statement will be provided on each transaction.
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## Principal Balanced Fund *(An open ended Balanced Scheme)*

<b>Investment Objective</b>	To provide long term appreciation and current income by investing in a portfolio of equity, equity related securities and fixed income securities.													
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>												
	Equity and Equity Linked Instruments	Normally 70% with a maximum limit of 75%												
	Debt (Including Securitised Debt) and Money Market Instruments (Including upto 20% in Securitised Debt)	Normally 30% with a maximum limit of 49%												
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.													
<b>Investment Plans</b>	Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.													
<b>Applicable NAV</b>	Please Refer to Page No. 24													
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25													
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.													
<b>Benchmark Index</b>	Crisil Balanced Fund Index													
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.													
<b>Name of the Fund Manager</b>	Mr. Rajat Jain													
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited													
<b>Performance of the scheme :</b> Returns (%) of Growth Option as at June 15, 2005.														
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<p>The past performance may or may not be sustained in the future.  <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more</b> than a year and <b>absolute basis</b> for a period <b>less</b> than (or <b>equal</b> to) a year, with reinvestment of dividends (if any).  *January 14, 2000.  Offer Document Updated December 13, 2004.</p>														
<b>Expenses of the Scheme</b>	<b>(i) Load Structure</b>													
	<b>Entry Load</b>	For applications below Rs. 3 crores: 2.25%; For applications of Rs. 3 crores and above : Nil.												
	<b>Exit Load</b>	Nil												
<b>(ii) Recurring expenses as a percentage of average daily Net Assets</b>														
	<table border="1"> <tbody> <tr> <td>First Rs. 100 crores</td> <td>2.50</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Balance</td> <td>1.75</td> </tr> </tbody> </table>	First Rs. 100 crores	2.50	Next Rs. 300 crores	2.25	Next Rs. 300 crores	2.00	Balance	1.75	Actual expenses for the previous financial year 2004-2005: 2.49%				
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Balance	1.75													
<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23													
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.													
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26													
<b>Unitholders' Information</b>	<ol style="list-style-type: none"> <li>Accounts statement will be provided on each transaction.</li> <li>Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism.</li> <li>The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 March and 30 September in an English national daily and a Marathi daily.</li> <li>The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31<sup>st</sup> March and 30<sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.</li> </ol>													

## Principal Income Fund (An open ended Income Scheme)

<b>Investment Objective</b>	To generate regular income and capital appreciation/accretion through investment in debt instruments and related securities besides preservation of capital. The investment objective of the Short Term Plan (STP) under Income Fund is the same as that of the Principal Income Fund. However, the STP has been designed to achieve stable returns over shorter-term investment horizons.			
<b>Asset Allocation Pattern of the scheme</b>	<b>Income Fund and Income Fund - Institutional Plan</b>		<b>Short Term Plan and Short Term Plan - Institutional Plan</b>	
	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>
	Debt Securities	Upto 100%	Debt securities	Upto 100%
	Money Market Instruments	Upto 100%	Money Market Instruments	Upto 100%
	Securitized Debt	Upto 50%	Securitized Debt	Upto 50%
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.			
<b>Investment Plans</b>	Income Fund and Short Term Plan under Income Fund will have separate portfolios. Both these plans offer Dividend and Growth Plans and an Institutional Plan. The Institutional Plan has both Dividend and Growth Options. The Dividend Plan/Option offers Payout, Reinvestment and Sweep as Options. The Growth Plan/Option offers Accumulation and Auto Earning Payout as Options.			
<b>Applicable NAV</b>	Please Refer to Page No. 24			
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25			
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within: Principal Income Fund and Principal Income Fund - Short Term Plan - 3 business days; Principal Income Fund - Institutional Plan - Will be despatched within 1 business day at Mumbai, New Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad, Pune and within 2 business days at other locations; Principal Income Fund - Short Term Plan - Institutional Plan - Within 1 business day from the receipt of redemption request, subject to it being complete in all respects.			
<b>Benchmark Index</b>	Crisil Composite Bond Fund Index for Income Fund. Crisil Short Term Bond Fund Index for Short Term Plan			
<b>Dividend Policy</b>	Subject to the Dividend Plan generating adequate distributable profit, at this time the Trustees propose to distribute dividend as under: Principal Income Fund - Dividend Plan : Quarterly, Half Yearly and Annual; Principal Income Fund - Institutional Plan - Dividend Option : Quarterly, Half Yearly; Short Term Plan - Dividend Option : Monthly; Short Term Plan - Institutional Option : Weekly, Fortnightly, Monthly.			
<b>Name of the Fund Manager</b>	Mr. Binay Chandgothia			
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited			
<b>Performance of the scheme :</b>				
Returns (%) of Growth Option as at June 15, 2005.				
<b>Period</b>	<b>Returns (%)</b>	<b>Crisil Composite Bond Fund Index (%)</b>		
<b>Principal Income Fund</b>				
Last 1 year	2.98	2.13		
Last 3 years	7.83	6.47		
Since inception*	10.55	N.A.		
<b>Institutional Plan</b>				
Last 1 year	3.71	2.13		
Since inception**	5.31	3.63		
<b>Period</b>	<b>Returns (%)</b>	<b>Crisil Short Term Bond Fund Index (%)</b>		
<b>Principal Income Fund - Short Term Plan</b>				
Last 1 year	5.52	3.97		
Last 3 years	6.25	5.33		
Since inception*	6.32	5.41		
<b>Institutional Plan</b>				
Last 1 year	5.73	3.97		
Since inception**	5.70	4.23		
The past performance may or may not be sustained in the future. <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of more than a year and <b>absolute basis</b> for a period less than (or equal to) a year, with reinvestment of dividends (if any). *October 25, 2000. **May 9, 2003 ^April 24, 2002 Offer Document Updated on December 13, 2004.				
<b>Expenses of the Scheme</b>	<b>(i) Load Structure : Entry Load - Nil</b>			
	<b>Income Fund</b>	<b>Income Fund - Institutional Plan</b>	<b>Short Term Plan</b>	<b>Short Term Plan Institutional Plan</b>
<b>Exit Load -</b>	For investments of above Rs.10 lakhs-Nil. For investments of Rs.10 lakhs or less - 0.5% if redeemed on or before 180 days. Nil if redeemed after 180 days	Nil	For investments above Rs.10 lakhs - Nil. For investments of Rs.10 lakhs or less : 0.25% if redeemed on or before 7 days. Nil if redeemed after 7 days	Nil
	<b>(ii) Recurring expenses as a percentage of average daily Net Assets</b>			
	First Rs. 100 crores	2.25	Actual expenses for the previous financial year 2004-2005:	
	Next Rs. 300 crores	2.00	Income Fund : 1.80%	
	Next Rs. 300 crores	1.75	Income Fund - Institutional Plan : 1.10%	
	Balance	1.50	Income Fund - Short Term Plan : 1.00%	
			Income Fund - Short Term Plan - Institutional Plan: 0.80%	
<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23			
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.			
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26			
<b>Unitholders Information</b>	1. Accounts statement will be provided on each transaction. 2. Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism. 3. The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 <sup>st</sup> March and 30 <sup>th</sup> September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31 <sup>st</sup> March and 30 <sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.			

# Principal Floating Rate Fund (An open-ended Income Scheme)

<b>Investment Objective</b>	The primary investment objective of the Floating Rate Fund will be to generate income consistent with the prudent risk from a portfolio comprising substantially of floating rate debt instruments, fixed rate debt instruments swapped for floating rate return, and also fixed rate instruments and money market instruments.																		
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>		<b>Normal Allocation (% of Net Assets)</b>																
	Floating Rate Debt Instruments*		65 to 100%																
	Fixed Rate Debt Instruments		0 to 35%																
	* Floating rate instruments include fixed rate instruments swapped for floating rate returns. Broadly, investments will be made in money market instruments and other debt instruments including bank deposits, repos, call/notice money & other permissible instruments. Under normal circumstances, at least 65% of the assets will be Floating Rate assets or fixed rate assets swapped into floating using swaps/derivatives.																		
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.																		
<b>Investment Plans</b>	Floating Rate Fund offers two investment Plans i Short Maturity Plan (SMP) and Flexible Maturity Plan (FMP), with separate Portfolios.																		
	<b>Short Maturity Plan</b>		<b>Flexible Maturity Plan</b>																
	<i>Regular Option</i>	<i>Institutional Option</i>	<i>Regular Option</i>	<i>Institutional Option</i>															
Growth Option Dividend Option - Daily, Weekly, Monthly	Growth Option Dividend Option - Daily, Weekly, Monthly	Growth Option Dividend Option - Weekly, Monthly	Growth Option Dividend Option - Weekly, Monthly																
<b>Applicable NAV</b>	Please Refer to Page No. 24																		
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25																		
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.																		
<b>Benchmark Index</b>	CRISIL Liquid Fund Index.																		
<b>Dividend Policy</b>	The income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. Subject to the Plan having adequate distributable profits, the Trustees propose to distribute dividend on a daily / weekly / monthly basis under the Short Maturity Plan and on a weekly / monthly basis in the Flexible Maturity Plan.																		
<b>Name of the Fund Manager</b>	Mr. Binay Chandgothia																		
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited																		
<b>Performance of the scheme :</b> Returns (%) of Growth Option as at June 15, 2005.	<table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>Crissil Liquid Fund Index (%)</th> </tr> </thead> <tbody> <tr> <td><b>Short Maturity Plan - Regular Option</b> Since inception*</td> <td>3.90</td> <td>3.34</td> </tr> <tr> <td><b>- Institutional Option</b> Since inception*</td> <td>4.05</td> <td>3.34</td> </tr> <tr> <td><b>Flexible Maturity Plan - Regular Option</b> Since inception*</td> <td>4.16</td> <td>3.34</td> </tr> <tr> <td><b>- Institutional Option</b> Since inception*</td> <td>4.29</td> <td>3.34</td> </tr> </tbody> </table> <p>The past performance may or may not be sustained in the future.  <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more than a year and absolute basis</b> for a period <b>less than (or equal to) a year</b>, with reinvestment of dividends (if any). *September 14, 2004.  Offer Document Dated August 16, 2004.</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p><b>Year-wise Returns (as on June 15, 2005)</b></p> <p>Principal Floating Rate Fund - SMP: 3.90% Crissil Liquid Fund Index: 3.34%</p> </div> <div style="text-align: center;"> <p><b>Year-wise Returns (as on June 15, 2005)</b></p> <p>Principal Floating Rate Fund - SMP - IP: 4.05% Crissil Liquid Fund Index: 3.34%</p> </div> <div style="text-align: center;"> <p><b>Year-wise Returns (as on June 15, 2005)</b></p> <p>Principal Floating Rate Fund - FMP: 4.16% Crissil Liquid Fund Index: 3.34%</p> </div> <div style="text-align: center;"> <p><b>Year-wise Returns (as on June 15, 2005)</b></p> <p>Principal Floating Rate Fund - FMP - IP: 4.29% Crissil Liquid Fund Index: 3.34%</p> </div> </div>				Period	Returns (%)	Crissil Liquid Fund Index (%)	<b>Short Maturity Plan - Regular Option</b> Since inception*	3.90	3.34	<b>- Institutional Option</b> Since inception*	4.05	3.34	<b>Flexible Maturity Plan - Regular Option</b> Since inception*	4.16	3.34	<b>- Institutional Option</b> Since inception*	4.29	3.34
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	<i>Exit Load - Nil</i>		<i>Exit Load -</i> <i>Regular Option -</i> For subscription amounts greater than Rs 10 lakhs - Nil For subscription amounts upto or less than Rs. 10 lacs - 0.25% if redeemed within 3 months. <i>Institutional Option - Nil</i>																
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First Rs. 100 crores	2.25	Short Maturity Plan - Regular Option : 0.73%																	
Next Rs. 300 crores	2.00	Short Maturity Plan - Institutional Option : 0.54%																	
Next Rs. 300 crores	1.75	Flexible Maturity Plan - Regular Option : 0.84%																	
Balance	1.50	Short Maturity Plan - Institutional Option : 0.64%																	
<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23																		
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.																		
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## Principal Monthly Income Plan *(An open ended fund. Monthly income is not assured and is subject to the availability of distributable surplus.)*

<b>Investment Objective</b>	To generate regular income through investments in fixed income securities so as to make periodical income distribution to the Unitholders and also to generate long-term capital appreciation by investing a portion of the Scheme's assets in equity and equity related instruments. The investment objective of MIP Plus is the same as that of the Principal Monthly Income Plan. However, MIP Plus has been designed to cater to investors seeking a slightly more aggressive exposure to equity markets.																																														
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<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.																																														
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26																																														
<b>Unitholders' Information</b>	<ol style="list-style-type: none"> <li>Accounts statement will be provided on each transaction.</li> <li>Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism.</li> <li>The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 March and 30 September in an English national daily and a Marathi daily.</li> <li>The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31<sup>st</sup> March and 30<sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.</li> </ol>																																														

# Principal Cash Management Fund *(An open ended Liquid Scheme)*

<b>Investment Objective</b>	To provide investors with as high a level of income available from short-term investments as is considered consistent with preservation of capital and maintenance of liquidity, by investing in a portfolio of money market and investment grade debt instruments.															
<b>Asset Allocation Pattern of the scheme</b>	<b>Money at Call and Money at Call - Institutional Plan*</b>		<b>Liquid Option and Liquid Option - Institutional Plan</b>													
	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>												
	Call / Term Money / Repos / Reverse Repos / Bank Deposits	Upto 100%	Call / Term Money / Repos / Reverse Repos / Bank Deposits	Upto 100%												
	Bill Re-discounting	Upto 50%	Bill Re-discounting	Upto 50%												
	Like Liquid Money Market Instruments	Upto 100%	Like Liquid Money Market Instruments	Upto 100%												
		Debt (including Securitised Debt) instruments other than those above	Upto 50%													
	The eMark-to-Market component, excluding money market instruments, of the Plans/Options under Principal Cash Management Fund on a weekly average basis will be less than 10%.															
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.															
<b>Investment Plans</b>	Money at Call and Liquid Options Available. Within these, Dividend, Growth Options are available. The Liquid Option also has a separate Institutional Plan and Institutional Premium Plan. The Dividend Option offers Payout, Reinvestment and Sweep as Sub-Options.															
<b>Applicable NAV</b>	Please Refer to Page No. 24															
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 26															
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although endeavour will be made to despatch within One business day.															
<b>Benchmark Index</b>	Crisil Liquid Fund Index															
<b>Dividend Policy</b>	Subject to the Dividend Plan generating adequate distributable profit, at this time the Trustees propose to distribute dividend in the dividend options as under: i Money at Call - Daily i Liquid, Liquid - Institutional Plan and Liquid - Institutional Premium Plan - Daily, Weekly, Monthly															
<b>Name of the Fund Manager</b>	Mr. Binay Chandgothia															
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited															
<b>Performance of the scheme :</b>	Returns (%) of Growth Option as at June 15, 2005.															
<b>Period</b>	<b>Returns (%)</b>	<b>Crisil Liquid Fund Index (%)</b>														
<b>Principal Cash Management Fund Liquid Option</b>																
Last 1 year	4.73	4.30														
Last 3 years	5.21	4.68														
Since inception*	6.20	N.A.														
<b>Institutional Plan</b>																
Last 1 year	4.97	4.30														
Since inception**	4.96	4.20														
<b>Institutional Premium Plan</b>																
Since inception*	4.14	3.49														
<p>The past performance may or may not be sustained in the future.</p> <p><b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more than a year</b> and <b>absolute basis</b> for a period less than (or equal to) a year, with reinvestment of dividends (if any).</p> <p>*October 25, 2000. **May 9, 2003 ^August 30, 2004</p> <p>Offer Document Updated on December 13, 2004.</p>																
<b>Expenses of the Scheme</b>	<p><b>(i) Load Structure</b></p> <table border="1"> <tr> <td><b>Entry Load</b></td> <td>Nil</td> </tr> <tr> <td><b>Exit Load</b></td> <td>Nil</td> </tr> </table> <p><b>(ii) Recurring expenses as a percentage of average daily Net Assets</b></p> <table border="1"> <tr> <td>First Rs. 100 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>1.75</td> </tr> <tr> <td>Balance</td> <td>1.50</td> </tr> </table> <p>Actual expenses for the previous financial year 2004-2005:  Liquid Option : 0.87%  Liquid Option - Institutional Plan : 0.60%  Liquid Option - Institutional Premium Plan : 0.44%</p> <p>Expenses will be limited to 1.50% for the Money at Call Option - Institutional Plan and Liquid Option - Institutional Plan.</p>				<b>Entry Load</b>	Nil	<b>Exit Load</b>	Nil	First Rs. 100 crores	2.25	Next Rs. 300 crores	2.00	Next Rs. 300 crores	1.75	Balance	1.50
<b>Entry Load</b>	Nil															
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Balance	1.50															
<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23															
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.															
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26															
<b>Unitholders' Information</b>	1. Accounts statement will be provided on each transaction. 2. Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism. 3. The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 <sup>st</sup> March and 30 <sup>th</sup> September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31 <sup>st</sup> March and 30 <sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.															

\*Principal Cash Management Fund - Money at Call Option - Institutional Plan was wound up w.e.f. December 30, 2004 and Principal Cash Management Fund - Money at Call Option was wound up w.e.f. April 1, 2005 pursuant to SEBI Circular No. SEBI/IMD/CIRNO.10/22701/03 dated December 12, 2003

# Principal Government Securities Fund *(An open-ended dedicated Gilt Scheme)*

<b>Investment Objective</b>	To generate risk-free return through investment in sovereign securities and thus provide medium to long term capital gains and income distribution to its Unitholders, while at all times emphasizing the importance of capital preservation.													
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>												
	Government Securities	Upto 100%												
	Pending investment in Government Securities (for a short term period on defensive consideration) investment upto 100% of the funds available could be in overnight inter-bank call/notice money and/or repos													
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.													
<b>Investment Plans</b>	Savings Plan, Investment Plan and Provident Fund Plan. All these Plans offer Dividend and Growth Options. The Provident Plan, besides the Dividend and Growth Options, offers the Annual NAV Rebalancing option. The Dividend Option has Payout, Reinvestment and Sweep as Sub-Options. The Growth Option further offers either Accumulation or Auto Earning Payout as Sub-Options.													
<b>Applicable NAV</b>	Please Refer to Page No. 24													
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25													
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.													
<b>Benchmark Index</b>	Savings Plan : I-Sec Si-Bex. Investment and Provident Fund Plans: I-Sec Li-Bex													
<b>Dividend Policy</b>	Subject to the Dividend Plan generating adequate distributable profit, at this time the Trustees propose to distribute dividend as under in the Dividend Option: Savings Plan: Quarterly; Investment Plan: Quarterly, Half Yearly and Annual; Provident Fund Plan: Half Yearly, Annual.													
<b>Name of the Fund Manager</b>	Mr. Binay Chandgothia													
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited													
<b>Performance of the scheme :</b>	Returns (%) of Growth Option as at June 15, 2005.													
<b>Period</b>	<b>Returns (%)</b>	<b>I-Sec Li-Bex (%)</b>												
<b>Principal Government Securities Fund Investment Plan</b>														
Last 1 year	2.91	0.63												
Last 3 years	9.27	10.54												
Since inception*	11.15	N.A.												
<b>Provident Fund Plan</b>														
Last 1 year	2.03	0.63												
Since inception**	1.27	0.91												
<b>Period</b>	<b>Returns (%)</b>	<b>I-Sec Si-Bex (%)</b>												
<b>Principal Government Securities Fund Savings Plan</b>														
Last 1 year	3.47	3.70												
Last 3 years	5.43	6.30												
Since inception*	6.82	N.A.												
<p>The past performance may or may not be sustained in the future.</p> <p>Note: Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more than a year</b> and <b>absolute basis</b> for a period <b>less than (or equal to) a year</b>, with reinvestment of dividends (if any).</p> <p>*August 23, 2001. **February 13, 2004</p> <p>Offer Document Updated on December 13, 2004.</p>														
<b>Expenses of the Scheme</b>	<p><b>(i) Load Structure</b></p> <table border="1"> <tr> <td><b>Entry Load</b></td> <td>Nil</td> </tr> <tr> <td><b>Exit Load</b></td> <td><i>Savings Plan</i> - Nil; <i>Investment Plan</i> - 0.5% if redeemed on or before 365 days from the date of allotment; <i>Provident Fund Plan</i> - 1% if redeemed within 6 months; 0.5% if redeemed between 6 months &amp; 1 year.</td> </tr> </table> <p><b>(ii) Recurring expenses as a percentage of average daily Net Assets</b></p> <table border="1"> <tr> <td>First Rs. 100 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>1.75</td> </tr> <tr> <td>Balance</td> <td>1.50</td> </tr> </table> <p>Actual expenses for the previous financial year 2004-2005:  Government Securities Fund - Investment Plan : 1.25%  Government Securities Fund - Savings Plan : 1.00%  Government Securities Fund - Provident Fund Plan : 1.10%</p>		<b>Entry Load</b>	Nil	<b>Exit Load</b>	<i>Savings Plan</i> - Nil; <i>Investment Plan</i> - 0.5% if redeemed on or before 365 days from the date of allotment; <i>Provident Fund Plan</i> - 1% if redeemed within 6 months; 0.5% if redeemed between 6 months & 1 year.	First Rs. 100 crores	2.25	Next Rs. 300 crores	2.00	Next Rs. 300 crores	1.75	Balance	1.50
<b>Entry Load</b>	Nil													
<b>Exit Load</b>	<i>Savings Plan</i> - Nil; <i>Investment Plan</i> - 0.5% if redeemed on or before 365 days from the date of allotment; <i>Provident Fund Plan</i> - 1% if redeemed within 6 months; 0.5% if redeemed between 6 months & 1 year.													
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Balance	1.50													
<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23													
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.													
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26													
<b>Unitholders' Information</b>	1. Accounts statement will be provided on each transaction. 2. Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism. 3. The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 <sup>st</sup> March and 30 <sup>th</sup> September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31 <sup>st</sup> March and 30 <sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.													

## Principal Trust Benefit Fund *(An open-ended Income Scheme)*

<b>Investment Objective</b>	To build a high-quality income oriented portfolio and provide returns and/or capital appreciation along with regular liquidity to a distinct class of investors who have special needs who are presently eligible to invest in the Scheme as given below: i Charitable, Religious Trusts and other Trusts registered under Indian Trust Act. ii Educational Trusts, Schools, Colleges & Universities and other similar educational institutions. iii Societies registered under Societies Registration Act, 1980 and Co-operative Societies subject to their bye-laws permitting them to invest in the units of the Fund iv Provident/Pension/Gratuity/Superannuation and such other retirement and employee benefit and other similar Funds. v Other non-profit making bodies, NGOs and Association of Person (AOPs). vi Trusts/Societies/other non profit making organizations incorporated/registered out side India as and when permitted by Reserve Bank of India.													
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>												
	Top Rated (AAA / P1+ or equivalent) Corporate Debt Instruments, Money Market Instruments and Government Securities	Upto 100%												
	Securitized Debt	Upto 50%												
	Other Long Term Debt Instruments	Upto 20%												
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.													
<b>Investment Plans</b>	Dividend and Growth Plans in the Debt Plan. The Dividend Plan offers Payout, Reinvestment and Sweep Options.													
<b>Applicable NAV</b>	Please Refer to Page No. 24													
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25													
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.													
<b>Benchmark Index</b>	Crisil Composite Bond Fund Index													
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.													
<b>Name of the Fund Manager</b>	Mr. Binay Chandgothia													
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited													
<b>Performance of the scheme :</b>	<p>Returns (%) of Growth Option as at June 15, 2005.</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>Crisil Composite Bond Fund Index (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 year</td> <td>2.37</td> <td>2.13</td> </tr> <tr> <td>Since inception*</td> <td>6.58</td> <td>5.62</td> </tr> </tbody> </table> <p>The past performance may or may not be sustained in the future.  <b>Note:</b> Returns are calculated on <b>compounded annualised</b> basis for a period of <b>more</b> than a year and <b>absolute</b> basis for a period less than (or <b>equal</b> to) a year, with reinvestment of dividends (if any).  *September 30, 2002.  Offer Document Updated on December 13, 2004.</p>		Period	Returns (%)	Crisil Composite Bond Fund Index (%)	Last 1 year	2.37	2.13	Since inception*	6.58	5.62			
Period	Returns (%)	Crisil Composite Bond Fund Index (%)												
Last 1 year	2.37	2.13												
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<b>Expenses of the Scheme</b>	<p><b>(i) Load Structure</b></p> <table border="1"> <tr> <td><b>Entry Load</b></td> <td>Nil</td> </tr> <tr> <td><b>Exit Load</b></td> <td>Aggregate redemption amount less than (or equal to) 10% of the amount invested - Nil. Aggregate redemption amount greater than 10% of the amount invested: <b>1.0%</b> of applicable NAV in case of redemption on or before the expiry of one year from the date of allotment. <b>0.5%</b> of applicable NAV in case of redemption on or before the expiry of two years from the date of allotment. <b>Nil</b> in case of redemption after expiry of two years from the date of allotment.</td> </tr> </table> <p><b>(ii) Recurring expenses as a percentage of average daily Net Assets</b></p> <table border="1"> <tr> <td>First Rs. 100 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>1.75</td> </tr> <tr> <td>Balance</td> <td>1.50</td> </tr> </table> <p>Actual expenses for the previous financial year 2004-2005: 1.25%</p> <p><i>Under normal circumstances, the Fund will endeavor to restrict the annual recurring expenses upto 1.25% of the daily average net assets.</i></p>		<b>Entry Load</b>	Nil	<b>Exit Load</b>	Aggregate redemption amount less than (or equal to) 10% of the amount invested - Nil. Aggregate redemption amount greater than 10% of the amount invested: <b>1.0%</b> of applicable NAV in case of redemption on or before the expiry of one year from the date of allotment. <b>0.5%</b> of applicable NAV in case of redemption on or before the expiry of two years from the date of allotment. <b>Nil</b> in case of redemption after expiry of two years from the date of allotment.	First Rs. 100 crores	2.25	Next Rs. 300 crores	2.00	Next Rs. 300 crores	1.75	Balance	1.50
<b>Entry Load</b>	Nil													
<b>Exit Load</b>	Aggregate redemption amount less than (or equal to) 10% of the amount invested - Nil. Aggregate redemption amount greater than 10% of the amount invested: <b>1.0%</b> of applicable NAV in case of redemption on or before the expiry of one year from the date of allotment. <b>0.5%</b> of applicable NAV in case of redemption on or before the expiry of two years from the date of allotment. <b>Nil</b> in case of redemption after expiry of two years from the date of allotment.													
First Rs. 100 crores	2.25													
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<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23													
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.													
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26													
<b>Unitholders' Information</b>	1. Accounts statement will be provided on each transaction. 2. Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism. 3. The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 <sup>st</sup> March and 30 <sup>th</sup> September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31 <sup>st</sup> March and 30 <sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.													

# Principal Tax Savings Fund (An open ended Equity Linked Savings Scheme)

**Free Personal Accident Insurance upto Rs. 5 lacs.**  
(Details in the Offer Document)

<b>Investment Objective</b>	To build a high quality growth-oriented portfolio to provide long-term capital gains to the investors. The scheme aims at providing returns through capital appreciation. <i>Investment in the Scheme is subject to a lock-in period of 3 years from the date of allotment.</i>																
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>															
	Equity and Equity Linked Instruments	Not less than 80%															
	Debt securities & Money market instruments	Upto 20%															
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.																
<b>Investment Plans</b>	No Plans or Options at present																
<b>Applicable NAV</b>	Please Refer to Page No. 24																
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25																
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.																
<b>Benchmark Index</b>	S&P CNX Nifty																
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.																
<b>Name of the Fund Manager</b>	Mr. Shyam Bhat																
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited																
<p><b>Performance of the scheme :</b> Returns (%) of Growth Option as at June 15, 2005.</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>S&amp;P Nifty (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 year</td> <td>59.82</td> <td>41.82</td> </tr> <tr> <td>Last 3 years</td> <td>44.32</td> <td>25.11</td> </tr> <tr> <td>Last 5 years</td> <td>20.27</td> <td>8.19</td> </tr> <tr> <td>Since Inception*</td> <td>19.79</td> <td>8.71</td> </tr> </tbody> </table> <p>The past performance may or may not be sustained in the future. <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more</b> than a year and <b>absolute basis</b> for a period <b>less</b> than (or <b>equal</b> to) a year, with reinvestment of dividends (if any). *March 31, 1996. Offer Document Updated on December 13, 2004.</p>			Period	Returns (%)	S&P Nifty (%)	Last 1 year	59.82	41.82	Last 3 years	44.32	25.11	Last 5 years	20.27	8.19	Since Inception*	19.79	8.71
Period	Returns (%)	S&P Nifty (%)															
Last 1 year	59.82	41.82															
Last 3 years	44.32	25.11															
Last 5 years	20.27	8.19															
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	First Rs. 100 crores	2.50															
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<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.																
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## Principal Personal Tax Saver Fund (An open ended Equity Linked Savings Scheme)

<b>Investment Objective</b>	The investment objective of the scheme is to provide long term growth of capital. The Investment Manager will aim to achieve a return on assets in excess of the performance of BSE 100 Index. <i>Investment in the Scheme is subject to a lock-in period of 3 years from the date of allotment.</i>																															
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>																														
	Equity and Equity Linked Instruments	Not less than 80%																														
	Debt Securities (Including Securitised Debt) and Money Market Instruments	Upto 20%																														
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.																															
<b>Investment Plans</b>	No Plans or Options at present																															
<b>Applicable NAV</b>	Please Refer to Page No. 24																															
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25																															
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.																															
<b>Benchmark Index</b>	BSE 100 Index																															
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.																															
<b>Name of the Fund Manager</b>	Mr. Shyam Bhat																															
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited																															
<b>Performance of the scheme :</b>	<p>Returns (%) of Growth Option as at June 15, 2005.</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>BSE 100 (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 year</td> <td>58.08</td> <td>44.43</td> </tr> <tr> <td>Last 3 years</td> <td>33.50</td> <td>29.69</td> </tr> <tr> <td>Last 5 years</td> <td>17.57</td> <td>9.64</td> </tr> <tr> <td>Since Inception*</td> <td>30.51</td> <td>9.90</td> </tr> </tbody> </table> <p>The past performance may or may not be sustained in the future.  <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more</b> than a year and <b>absolute basis</b> for a period <b>less</b> than (or <b>equal</b> to) a year, with reinvestment of dividends (if any).  *April 12, 1996.  Offer Document Updated on December 13, 2004.</p> <table border="1"> <caption>Year-wise Returns (as on June 15, 2005)</caption> <thead> <tr> <th>Period</th> <th>Principal Personal Tax Saver Fund - Growth (%)</th> <th>BSE 100 (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 Year</td> <td>58.08</td> <td>44.43</td> </tr> <tr> <td>Last 3 Years</td> <td>33.50</td> <td>29.69</td> </tr> <tr> <td>Last 5 Years</td> <td>17.57</td> <td>9.64</td> </tr> <tr> <td>Since Inception</td> <td>30.51</td> <td>9.90</td> </tr> </tbody> </table>		Period	Returns (%)	BSE 100 (%)	Last 1 year	58.08	44.43	Last 3 years	33.50	29.69	Last 5 years	17.57	9.64	Since Inception*	30.51	9.90	Period	Principal Personal Tax Saver Fund - Growth (%)	BSE 100 (%)	Last 1 Year	58.08	44.43	Last 3 Years	33.50	29.69	Last 5 Years	17.57	9.64	Since Inception	30.51	9.90
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# Principal Child Benefit Fund *(An open ended Growth Scheme)*

**Life Insurance Cover to first applicant under Future Guard Plan**  
*(Details in the Offer Document)*

<b>Investment Objective</b>	To generate regular returns and / or capital appreciation / accretion with the aim of giving lumpsum capital growth at the end of the chosen target period or otherwise to the Beneficiary.		
<b>Asset Allocation Pattern of the scheme</b>	<b>Super Saver Plan:</b>		
	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>	
	Equity and Equity Linked Instruments	40 to 60%	
	Debt securities and Money Market Instruments	60 to 40%	
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.		
<b>Investment Plans</b>	<p><b>(a) Future Guard Plan:</b> Under this plan investment has to be made on a recurring basis, annually for the entire chosen target period of 7 or 10 or 15 years. Investor may note that the maximum age limit of the applicant for investing for 7 and/or 10 year target period is 45 years and for 15 year target period is 40 years. The applicant (first applicant) under this plan will also be covered by a Life Insurance Policy.</p> <p><b>(b) Career Builder Plan:</b> Under this plan investor is not required to make recurring annual subscription but can make investment at any point of time for the chosen target period of 7,10 or 15 years. Applicant under this plan will not be covered under the Life Insurance Cover.</p> <p><b>Target Period :</b> 7, 10 or 15 years from the date of allotment under both Options/Plans</p>		
<b>Applicable NAV</b>	Please Refer to Page No. 24		
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25		
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.		
<b>Benchmark Index</b>	Crisil Balanced Fund Index		
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.		
<b>Name of the Fund Manager</b>	Mr. Rajat Jain		
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited		
<b>Performance of the scheme :</b>			
Returns (%) of Growth Option as at June 15, 2005.			
<b>Period</b>	<b>Returns (%)</b>		<b>Crisil Balanced Fund Index (%)</b>
	<b>Career Builder</b>	<b>Future Guard</b>	
Last 1 year	32.27	32.36	22.63
Last 3 years	25.27	25.31	18.21
Last 5 years	20.02	20.02	N.A.
Since Inception*	16.83	16.63	N.A.
<p>The past performance may or may not be sustained in the future.</p> <p>Note: Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more than a year</b> and <b>absolute basis</b> for a period <b>less than (or equal to)</b> a year, with reinvestment of dividends (if any).</p> <p>*January 7, 1998.</p> <p>Offer Document Updated on December 13, 2004.</p>			
<b>Expenses of the Scheme</b>	<b>(i) Load Structure</b>		
	<b>Entry Load</b>	2.25%	
	<b>Exit Load</b>	On redemption before expiry of target period : 3% if redeemed on or before expiry of 3 years from the date of opening of account. 2% if redeemed after expiry of 3 years from the date of opening of account but on or before the expiry of 5 years from the date of opening of account. 0% if redeemed after the expiry of 5 years from the date of opening of account. Exit Load on redemption or after expiry of the target period - NIL	
	<b>(ii) Recurring expenses as a percentage of average daily Net Assets</b>		
	First Rs. 100 crores	2.50	
	Next Rs. 300 crores	2.25	
	Next Rs. 300 crores	2.00	
	Balance	1.75	
	Actual expenses for the previous financial year 2004-2005: 2.50%		
<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23		
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.		
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26		
<b>Unitholders' Information</b>	1. Accounts statement will be provided on each transaction. 2. Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism. 3. The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 <sup>st</sup> March and 30 <sup>th</sup> September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31 <sup>st</sup> March and 30 <sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.		

## Principal Deposit Fund *(An open ended Debt Scheme)*

<b>Investment Objective</b>	To build a high quality income oriented portfolio and provide returns along with regular liquidity to investors.	
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>
	Money market instruments	0 to 100%
	Government of India Securities including treasury bills	0 to 100%
	Other Debt securities(including securitised debt upto 50%)	0 to 100%
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.	
<b>Investment Plans</b>	91 Days, 182 Days, 371 Days, 735 Days Fixed Maturity Plans are currently being offered. Within these there are Dividend and Growth Options. The Dividend Plan offers Payout, Reinvestment and Sweep Option.	
<b>Applicable NAV</b>	Please Refer to Page No. 24	
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 26	
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.	
<b>Benchmark Index</b>	ñ	
<b>Dividend Policy</b>	Subject to the Plan(s) generating adequate distributable profit, dividend will be distributed from time to time. Under normal circumstances, dividend will be declared once during tenure of the plan.	
<b>Name of the Fund Manager</b>	Mr. Binay Chandgothia	
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited	

### Performance of the scheme :

Returns (%) of Growth Option as at June 15, 2005.

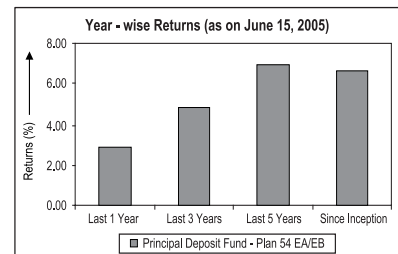
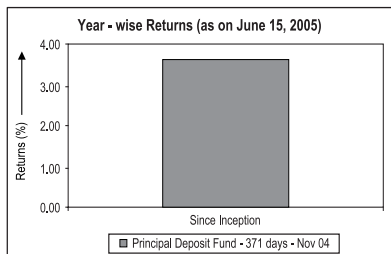
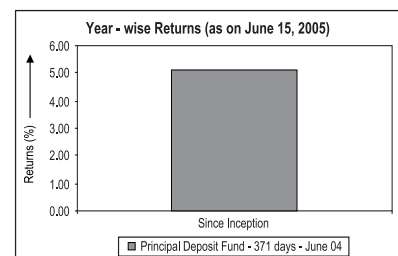
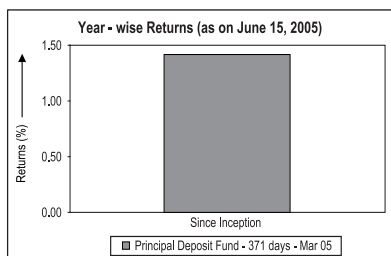
Period	Returns (%)			
	Plan 54 EA/EB	371 days - June 04 -	371 days - Nov 04	371 days - Mar 05
Last 1 year	2.82	N.A.	N.A.	N.A.
Last 3 years	4.77	N.A.	N.A.	N.A.
Last 5 year	6.95	N.A.	N.A.	N.A.
Since inception*	6.66	5.15	3.62	1.42

The past performance may or may not be sustained in the future.

**Note:** Returns are calculated on **compounded annualised basis** for a period of more than a year and **absolute basis** for a period less than (or equal to) a year, with reinvestment of dividends (if any).

\*September 16, 1997, June 29, 2004; November 11, 2004; March 28, 2005.

Offer Document Updated on December 13, 2004.



<b>Expenses of the Scheme</b>	<b>(i) Load Structure</b> (Please refer pg no. 26)																				
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## Principal Money Value Bond Fund *(An open ended Income Scheme)*

<b>Investment Objective</b>	To generate an attractive return for its investors consistent with capital preservation and liquidity by investing in a portfolio of high quality, income providing debt securities and money market instruments.																
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>															
	Debt Securities and Money Market Instruments	Upto 100%															
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.																
<b>Investment Plans</b>	Dividend and Growth Plans The Dividend Plan/Option offers Payout and Reinvestment as Options. The Growth Plan/Option offers Accumulation and Auto Earning Payout as Options.																
<b>Applicable NAV</b>	Please Refer to Page No. 24																
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25																
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.																
<b>Benchmark Index</b>	Crisil Composite Bond Fund Index																
<b>Dividend Policy</b>	Under the Dividend Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits.																
<b>Name of the Fund Manager</b>	Mr. Riteshkumar Jain																
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited																
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Since inception*	10.19	N.A.															
<b>Expenses of the Scheme</b>	<p><b>(i) Load Structure</b></p> <table border="1"> <tr> <td><b>Entry Load</b></td> <td>Nil</td> </tr> <tr> <td><b>Exit Load</b></td> <td>For investments less than Rs.5 lacs - 0.5% if redeemed within 3 months of allotment, For investments of Rs.5 lacs and above but less than Rs.1 crore - 0.25% if redeemed within 3 months of allotment, Nil for subscriptions of Rs.1 crore and above</td> </tr> </table> <p><b>(ii) Recurring expenses as a percentage of average daily Net Assets</b></p> <table border="1"> <tr> <td>First Rs. 100 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>1.75</td> </tr> <tr> <td>Balance</td> <td>1.50</td> </tr> </table> <p>Actual expenses for the previous financial year 2004-2005: 1.88%</p>		<b>Entry Load</b>	Nil	<b>Exit Load</b>	For investments less than Rs.5 lacs - 0.5% if redeemed within 3 months of allotment, For investments of Rs.5 lacs and above but less than Rs.1 crore - 0.25% if redeemed within 3 months of allotment, Nil for subscriptions of Rs.1 crore and above	First Rs. 100 crores	2.25	Next Rs. 300 crores	2.00	Next Rs. 300 crores	1.75	Balance	1.50			
<b>Entry Load</b>	Nil																
<b>Exit Load</b>	For investments less than Rs.5 lacs - 0.5% if redeemed within 3 months of allotment, For investments of Rs.5 lacs and above but less than Rs.1 crore - 0.25% if redeemed within 3 months of allotment, Nil for subscriptions of Rs.1 crore and above																
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<b>Tax Treatment for the Investors (Unitholders)</b>	Please Refer to Page No. 23																
<b>Daily Net Asset Value (NAV) Publication</b>	The NAV will be declared on all business days and will be published in 2 newspapers. NAV can also be viewed on <a href="http://www.principalindia.com">www.principalindia.com</a> and <a href="http://www.amfiindia.com">www.amfiindia.com</a> . You can also telephone us at 022-2202 1111.																
<b>For Investor Grievances please contact</b>	Please Refer to Page No. 26																
<b>Unitholders' Information</b>	<ol style="list-style-type: none"> <li>Accounts statement will be provided on each transaction.</li> <li>Annual financial results shall be provided to investors by post or email to the unitholders who have specifically opted for the alternative mechanism.</li> <li>The Fund will publish the half yearly unaudited financial results of the Scheme for the periods ended 31 March and 30 September in an English national daily and a Marathi daily.</li> <li>The Fund will send to all unitholders a half yearly statement of the scheme's portfolio as on 31<sup>st</sup> March and 30<sup>th</sup> Sept., either by post or through email (to the unitholders who have specifically opted for the alternative mechanism) or publish it by way of an advertisement in one English national daily and a Marathi daily.</li> </ol>																

## Principal PNB Debt Fund *(An open ended Debt Scheme)*

<b>Investment Objective</b>	To generate steady stream of income over a long term period consistent with prudent risk, through investment in Debt and Money Market securities and such other instruments categorised as Debt / Money Market Investment Opportunity by RBI/SEBI from time to time																
<b>Asset Allocation Pattern of the scheme</b>	<b>Types of Instruments</b>	<b>Normal Allocation (% of Net Assets)</b>															
	Debt Securities (including Securitised Debt upto 20%)	Upto 100%															
	Money Market Instruments	Upto 50%															
<b>Risk Profile of the Scheme</b>	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.																
<b>Investment Plans*</b>	Growth Plan. The Growth Plan/Option offers Accumulation and Auto Earning Payout as Options.																
<b>Applicable NAV</b>	Please Refer to Page No. 24																
<b>Minimum Application Amount / Number of Units</b>	Please Refer to Page No. 25																
<b>Despatch of Repurchase (Redemption) Request</b>	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund. Although the fund will endeavour to despatch the redemption proceeds within 3 business days, subject to redemption request being complete in all respects.																
<b>Benchmark Index</b>	Crisil Composite Bond Fund Index																
<b>Dividend Policy</b>	N. A.																
<b>Name of the Fund Manager</b>	Mr. Riteshkumar Jain																
<b>Name of the Trustee Company</b>	Principal Trustee Company Private Limited																
<b>Performance of the scheme :</b> Returns (%) of Growth Option as at June 15, 2005.																	
	<table border="1"> <thead> <tr> <th>Period</th> <th>Returns (%)</th> <th>Crisil Composite Bond Fund Index (%)</th> </tr> </thead> <tbody> <tr> <td>Last 1 year</td> <td>2.14</td> <td>2.13</td> </tr> <tr> <td>Last 3 years</td> <td>6.90</td> <td>6.49</td> </tr> <tr> <td>Last 5 years</td> <td>10.48</td> <td>N.A.</td> </tr> <tr> <td>Since inception*</td> <td>11.41</td> <td>N.A.</td> </tr> </tbody> </table>	Period	Returns (%)	Crisil Composite Bond Fund Index (%)	Last 1 year	2.14	2.13	Last 3 years	6.90	6.49	Last 5 years	10.48	N.A.	Since inception*	11.41	N.A.	
Period	Returns (%)	Crisil Composite Bond Fund Index (%)															
Last 1 year	2.14	2.13															
Last 3 years	6.90	6.49															
Last 5 years	10.48	N.A.															
Since inception*	11.41	N.A.															
<p>The past performance may or may not be sustained in the future.  <b>Note:</b> Returns are calculated on <b>compounded annualised basis</b> for a period of <b>more</b> than a year and <b>absolute basis</b> for a period <b>less</b> than (or <b>equal</b> to) a year, with reinvestment of dividends (if any).  *May 28, 1999.  Offer Document Updated on December 13, 2004.</p>																	
<b>Expenses of the Scheme</b>	<b>(i) Load Structure</b>																
	<b>Entry Load</b>	Nil															
	<b>Exit Load</b>	For investments upto and including Rs.25 lakhs - 0.5% if redeemed within 6 months. For investments above Rs.25 lakhs- Nil															
<b>(ii) Recurring expenses as a percentage of average daily Net Assets</b>																	
	<table border="1"> <tbody> <tr> <td>First Rs. 100 crores</td> <td>2.25</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>2.00</td> </tr> <tr> <td>Next Rs. 300 crores</td> <td>1.75</td> </tr> <tr> <td>Balance</td> <td>1.50</td> </tr> </tbody> </table>	First Rs. 100 crores	2.25	Next Rs. 300 crores	2.00	Next Rs. 300 crores	1.75	Balance	1.50	Actual expenses for the previous financial year 2004-2005: 2.14%							
First Rs. 100 crores	2.25																
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\*Principal PNB Debt Fund - Dividend Plan was wound up w.e.f. April 1, 2005 pursuant to SEBI Circular No. SEBI/IMD/CIRNO.10/22701/03 dated December 12, 2003

## TAX TREATMENT OF INVESTMENTS IN MUTUAL FUNDS

### Tax implication for the Fund and the unitholders pursuant to Finance Bill 2005:

#### I. PRINCIPAL MUTUAL FUND

The entire income of Fund registered under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made thereunder will be exempt from income tax in accordance with the provisions of section 10(23D) of the Income-tax Act, 1961. Consequently, income received by the Scheme is not liable for deduction of tax at source.

#### SECURITIES TRANSACTION TAX

Principal Mutual Fund, is liable to pay a securities transaction tax as follows :

Taxable Securities Transaction	Rate (percent)	
	Till May 31, 2005:	W.e.f. 1 <sup>st</sup> June, 2005 (pursuant to Finance Bill 2005)
Purchase of an equity share in a company or unit of an equity oriented fund, where		
(a) the transaction of such purchase is entered into in a recognized stock exchange; and		
(b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit	0.075	0.10
Sale of an equity share in a company or a unit of an equity oriented fund, where-		
(a) the transaction of such sale is entered into in a recognized stock exchange; and		
(b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit	0.075	0.10
Sale of a derivative, where the transaction of such sale is entered in to a recognized stock exchange	0.01	0.0133
Sale of unit of an equity oriented fund to the Mutual Fund	0.15	0.20

The value of a taxable securities transaction will be as follows.

- In the case of a taxable securities transaction relating to ioption in securities<sup>i</sup>, the aggregate of the strike price and the option premium of such ioption in securities<sup>i</sup>;
- In the case of a taxable securities transaction relating to ifutures<sup>i</sup>, the price at which such ifutures<sup>i</sup> are traded; and
- In the case of any other taxable securities transaction, the price at which such securities are purchased or sold.

<sup>i</sup>Taxable securities transaction<sup>i</sup> has been defined as a purchase or sale of an equity shares in a company or a derivative or a unit of an equity oriented fund, entered into a recognized stock exchange; or sale of a unit of an equity oriented fund to the Mutual Fund.

#### Dividend Distribution Tax

With effect from 1<sup>st</sup> April, 2005, under section 115R of the Income tax Act, 1961 tax on Income Distributed will be payable as under on the income distributed:

**For individuals and HUFs:** @ 12.50% plus surcharge @ 10% and education cess @ 2% of the Tax and Surcharge aggregating to 14.025%.

**For others:** @ 20% plus surcharge @ 10% and education cess @ 2% of the Tax and Surcharge aggregating to 22.44%.

Open-ended Equity oriented mutual funds are exempted from paying Dividend Distribution Tax.

As per the Explanation to Section 115T of the Income Tax Act 1961, iequity oriented funds<sup>i</sup> means i such fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty percent of the total proceeds of such fund<sup>i</sup>. The percentage of Equity share holding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

#### II. TO THE UNITHOLDERS

##### A. DEDUCTION FROM INCOME UNDER SECTION 80C IN RESPECT OF EQUITY LINKED SAVINGS SCHEMES (ELSS SCHEMES):

An investment by an Individual or a Hindu Undivided Family<sup>i</sup> in the ELSS<sup>i</sup> scheme will entitle the investor to a deduction from their Gross Total Income as provided under clause (xiii) of section 80C(2) of the Income Tax Act, 1961. The maximum deduction permissible under this section is Rs. 100,000/- in a year, subject to availability of gross total income of the assessee. The deduction is available only if the investment is made out of income chargeable to tax.

##### B. IN RESPECT OF INCOME DISTRIBUTION:

Under the provisions of section 10(35) of the Income-tax Act, 1961, income received by all categories of unitholders from the Scheme is exempt from income tax in their hands. In view of this position, no tax needs be deducted at source from such distribution by the scheme. However, income from the transfer of Units of a mutual fund is not exempt from taxation under this section.

##### C. IN RESPECT OF LONG TERM CAPITAL GAINS

###### i. Equity Oriented Schemes

Long term capital gains arising on or after October 01, 2004 from the transfer of

units of an Equity Oriented scheme (as defined u/s. 115T of the Income Tax Act, 1961) is exempt from Income-Tax as per section 10(38) of the Income-Tax Act, 1961. The mutual fund would recover STT @ 0.20% from the unitholder when units are re-purchased by the mutual fund/ redeemed by the investor

###### ii. Mutual Fund units other than those of Equity Oriented Schemes

Long term capital gains arising from the transfer of units other than Equity Oriented Schemes would be chargeable to tax as under:

###### a) For Individuals and HUFs (including Non Resident Indians)

Long-term Capital Gains in respect of Units held for a period of more than 12 months are chargeable under section 112 of the Income-Tax Act, 1961 at the rate of 20% plus surcharge as applicable and education cess @ 2% of the Tax and surcharge. Capital gains would be computed after taking into account cost of acquisition, as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer. In a case, where taxable income, as reduced by long term capital gains, is below the exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 20% plus surcharge and education cess, as may be applicable.

It is further provided that an assessee will have an option to seek concessional rate of tax of 10%, plus surcharge as applicable plus education cess, provided the long term capital gains are computed without substituting indexed cost in place of actual cost of acquisition.

###### b) For Partnership Firms, Indian Companies/Foreign Companies

Long-term Capital Gains in respect of units held for a period of more than 12 months will be chargeable under section 112 of the Income-Tax Act, 1961, at the rate of 20% plus surcharge @ 10% and education cess @ 2% of the Tax and surcharge. Capital gains would be computed after taking into account cost of acquisition, as adjusted by Cost Inflation Index notified by the Central Government, and expenditure incurred wholly and exclusively in connection with such transfer.

It is further provided that an assessee will have an option to avail of the concessional rate of tax of 10%, plus surcharge @ 10% and education cess @ 2% of the Tax and surcharge on long term capital gains computed without adjusting cost for indexation.

###### c) For Overseas Financial Organisations, and Foreign Institutional Investors fulfilling conditions laid down under section 115AB and 115AD respectively

Under section 115AB/115AD of the Income-Tax Act, 1961, long term capital gains in respect of units held for a period of more than 12 months will be chargeable at the rate of 10%, plus surcharge and education cess, as may be applicable. Such gains would be calculated without indexation of cost of acquisition.

###### d) Setting Off Previous Year's Brought Forward Losses

Loss arising on transfer of a long-term capital asset can be set off only against other long-term capital gains and not against any other income. If there is nil or inadequate long-term capital gains in any year, the loss remaining will be allowed to be carried forward to the next year upto a maximum of 8 years.

#### D. SHORT TERM CAPITAL GAINS:

##### i. Equity Oriented Schemes

Short term capital gains arising on or after October 01, 2004 from the transfer of units of an equity oriented scheme (as defined under Section 115T of the Income Tax Act, 1961) are charged to tax u/s. 111-A of the Income Tax Act, 1961 @ 10% plus surcharge as applicable plus education cess as applicable on the tax and surcharge. The mutual fund would recover STT @ 0.20% from the unitholder when units are re-purchased by the mutual fund/ redeemed by the investor

##### Computation of STT:

For better clarity, some examples are listed below:

Redemption without Exit load (wherever applicable):		Redemption with Exit load:	
Investment Amount:	Rs. 10,000.00	Investment Amount:	Rs. 10,000.00
Purchase NAV:	Rs. 10.00	Purchase NAV:	Rs. 10.00
Units Allotted:	1000.000	Units Allotted:	1000.000
Redemption NAV:	Rs. 15	Redemption NAV:	Rs.15.00
Gross redemption amount:	Rs. 15,000.00	Exit load:	0.25%
STT Rate:	0.20%	Exit Price:	Rs. 14.9625
Net redemption Amount:	Rs.14,970	Gross redemption amount:	Rs.14,962.50
STT:	Rs. 30/-	STT Rate:	0.20%
		Net redemption Amount :	Rs. 14,932.50
		STT:	Rs. 30/-

##### ii. Mutual Fund units other than Equity Oriented Schemes

Short term capital gains arising from the transfer of units other than Equity Oriented Schemes would be chargeable to tax as under:

###### a. Capital Gains/Losses

Short term capital gains are taxed at the normal rates applicable to each unitholder. Loss arising on transfer of a short term capital asset can be set off only against other short term capital gains or long term capital gains. If there is nil or inadequate capital gains in any year, the loss remaining will be allowed to be carried forward to the next year upto a maximum of 8 years.

As per section 94(7), if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend, or distribution of income, and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale to the extent of dividend or income received or receivable on such units will be ignored for the purpose of computing his income chargeable to tax.

Similarly, as per section 94(8), if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of bonus units and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale will be ignored for the purpose of computing his income chargeable to tax and the loss so ignored shall be deemed to be the cost of the bonus units.

#### b. Income Tax Rates

Short term Capital Gains in respect of Units held for a period of not more than 12 months is added to the total income. Total income including short-term capital gains is chargeable to tax as per the relevant slab rates. The maximum tax rates applicable to different categories of assessee are as follows:

Resident individuals and HUF	30% plus surcharge plus education cess
Partnership Firms	30% plus surcharge plus education cess
Indian Companies	30% plus surcharge plus education cess
Non Resident Indians	30% plus surcharge plus education cess
Foreign Companies	40% plus surcharge plus education cess

#### E. TAX DEDUCTION AT SOURCE

- (i) Under section 195/196B/196D of the Income Tax Act, 1961, tax shall be deducted at source in respect of capital gains as under:
- a. In case of non resident other than a company -
    - i Long term capital gains (other than Equity oriented schemes) 20% plus surcharge plus education cess
    - ii Short term capital gains 30% plus surcharge plus education cess
  - b. In case of foreign company -
    - i Long term capital gains (other than Equity oriented schemes) 20% plus surcharge plus education cess
    - ii Short term capital gains 40% plus surcharge plus education cess
  - c. In case of Offshore Fund as defined in 115AB
    - i Long term capital gains 10% plus surcharge plus education cess
  - d. In case of an FII as defined in 115AB
    - i Long term and Short term capital gains NIL (in view of Section 196D2)

As per circular no. 728 dated October 1995 by CBDT, in the case of a remittance to a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA between India and that country whichever is more beneficial to the tax payer.

#### 1. EXEMPTION FROM TAX ON CAPITAL GAINS ARISING ON TRANSFER OF UNITS HELD FOR MORE THAN 12 MONTHS (WHEREVER APPLICABLE)

##### U/S. 54EC of the Income Tax Act, 1961

Under section 54EC of the Income Tax Act, 1961, where a tax payer has made long term capital gains from the transfer of units held in the Mutual Fund for a period exceeding 12 months and the assessee has any time within a period of 6 months after the date of such transfer, invested the whole of the capital gains in any of the specified assets i.e., in bonds redeemable after 3 years issued by the National Bank for Agriculture and Rural Development, or by the National Highways Authority of India or by the Rural Electrification Corporation Limited or by The National Housing Bank or by the Small Industries Development Bank of India, such capital gains shall be exempted from tax on capital gains under section 54EC of the Income Tax Act, 1961. However, if the assessee has invested only a part of the capital gains, he will be eligible for proportionate exemption.

##### U/S 54ED of the Income Tax Act, 1961

Under Section 54ED, whereby the capital gains arising from the transfer of units held in the mutual fund for a period exceeding 12 months will be exempt, if the assessee has, any time within a period of 6 months after the date of such transfer, invested the whole of the capital gains in acquiring equity shares forming part of an eligible issue of capital. However, if the assessee has invested only a part of the capital gains, he will be eligible for proportionate exemption. An eligible issue of capital means an issue of equity shares offered for subscription to the public by a public company formed and registered in India.

##### Indirect Tax impact on investors due to tax impact on the scheme:

The scheme may be impacted by the rates of taxation on capital gains, interest and other corporate actions on investment by non resident mutual funds, in different countries of investment, in line with the prevailing tax laws in those countries of investment, as also in line with the respective tax treaties in existence with India

#### F. INVESTMENTS BY CHARITABLE AND RELIGIOUS TRUSTS IN THE SCHEME

Units of the Scheme constitute an eligible avenue for investment by charitable or religious trusts per rule 17C of the Income Tax Rules, 1962, read with clause (xii) of sub-section (5) of section 11 of the Income Tax Act, 1961.

#### G. WEALTH TAX

Units held under the Scheme are not treated as assets within the meaning of section 2(EA) of the Wealth Tax Act, 1957 and are, therefore, not liable to Wealth-Tax.

#### H. GIFT TAX

Units of the Scheme may be given as a Gift and no Gift tax will be payable either by the donor or the donee, as the Gift Tax Act has been abolished with effect from 1st October, 1998.

#### Applicable NAV for all schemes except Principal Floating Rate Fund and Principal Cash Management Fund

**For Subscriptions / Switch-in:** In respect of valid applications received upto 3 p.m. by the Fund along with a local cheque or a demand draft payable at par at the place where the application is received, the closing NAV of the day on which application is received shall be applicable. In respect of valid applications received after 3 p.m. by the Fund along with a local cheque or a demand draft payable at par at the place where the application is received, the closing NAV of the next business day shall be applicable. However, in respect of valid applications with outstation cheques/ demand drafts not payable at par at the place where the application is received, closing NAV of the day on which cheque/demand draft is credited shall be applicable.

**For Redemptions/Switch-out:** In respect of valid applications received upto 3 p.m. by the Mutual Fund, same day's closing NAV shall be applicable. In respect of valid applications received after 3 p.m. by the Mutual Fund, the closing NAV of the next business day shall be applicable. Cut off time as mentioned above shall be reckoned at the Investor Service Centres which are the official points of acceptance of transactions as disclosed in the offer document and the web-site, [www.principalindia.com](http://www.principalindia.com)

#### Applicable NAV for Principal Cash Management Fund

**For Subscriptions/Switch-in:** In respect of valid applications, closing NAV of the day immediately previous to the day on which funds are available for utilization by the fund shall be applicable. However, in respect of any application received after 1 p.m. by the Fund and the funds are available for utilisation by the fund on the same day, closing NAV of the day immediately previous to the next business day will be applicable.

**For Redemptions/Switch-out:** In respect of valid applications received upto 10:00 a.m., by the Fund, previous day's closing NAV shall be applicable. In respect of valid applications received after 10:00 a.m. by the Fund, closing NAV of the day immediately preceding the next business day will be applicable.

The Fund shall calculate NAVs for every calendar day in respect of Principal Cash Management Fund. Cut off time as mentioned above shall be reckoned at the Investor Service Centres which are the official points of acceptance of transactions as disclosed in the offer document and the web-site, [www.principalindia.com](http://www.principalindia.com)

#### Applicable NAV for Principal Floating Rate Fund

##### For Subscription/ Switch-in:

**Short Maturity Plan (SMP):** The SMP is proposed to be managed as a liquid plan and accordingly the NAV will be computed on all calendar days and the provisions of applicable NAV, cut-off timings and such other provisions as specified in the SEBI circular dated March 19, 2004 will apply accordingly. The Applicable NAV for transactions under SMP will be as follows: In respect of valid applications, closing NAV of the day immediately previous to the day on which funds are available for utilization by the fund shall be applicable. However, in respect of any application received after 1 p.m. by the Mutual Fund and the funds are available for utilisation by the fund on the same day, closing NAV of the day immediately previous to the next business day will be applicable.

**Flexible Maturity Plan (FMP):** In respect of valid applications received upto 3 p.m. by the Mutual Fund alongwith a local cheque or a demand draft payable at par at the place where the application is received, the closing NAV of the day on which application is received shall be applicable. In respect of valid applications received after 3 p.m. by the Mutual Fund alongwith a local cheque or a demand draft payable at par at the place where the application is received, the closing NAV of the next business day shall be applicable. However, in respect of valid applications with outstation cheques/ demand drafts not payable at par at the place where the application is received, closing NAV of the day on which cheque/demand draft is credited shall be applicable.

##### For Redemptions / Switch-out:

**Short Maturity Plan (SMP):** In respect of valid applications received upto 10.00 a.m., by the Mutual Fund, previous day's closing NAV shall be applicable. In respect of valid applications received after 10.00 a.m. by the Mutual Fund, closing NAV of the day immediately previous to the next business day will be applicable.

**Flexible Maturity Plan (FMP):** In respect of valid applications received upto 3 p.m. by the Mutual Fund, same day's closing NAV shall be applicable. In respect of valid applications received after 3 p.m. by the Mutual Fund, the closing NAV of the next business day shall be applicable.

##### Notes:

1. Valid applications for iswitch out shall be treated as redemptions and for iswitch in shall be treated as purchases and the above cut-off timings shall be applicable, accordingly.
2. The above cut off timings shall also be applicable to investments made through eSweepif mode available in the Dividend Option.
3. Cut off time as mentioned above shall be reckoned at the Investor Service Centres which are the official points of acceptance of transactions as disclosed in this offer document and the web-site, [www.principalindia.com](http://www.principalindia.com)

**Minimum Application Amount / Number of Units for Principal Growth Fund, Principal Dividend Yield Fund, Principal Junior Cap Fund, Principal Focussed Advantage Fund, Principal Index Fund, Principal Resurgent India Equity Fund, Principal Equity Fund, Principal Balanced Fund, Principal Income Fund, Principal Government Securities Fund, Principal Child Benefit Fund, Principal Money Value Bond Fund & Principal PNB Debt Fund**

Purchase	Additional Purchase	Repurchase
Rs. 15000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

**Minimum Application Amount / Number of Units for Principal Cash Management Fund - Liquid Option - Institutional Plan**

Purchase	Additional Purchase	Repurchase
Rs. 1 crore and any amount thereafter under the plan, with a minimum of Rs.1 lakh in each option.	Subsequent investment of Rs 1 lakh and any amount thereafter under each plan	Rs 1,000 or 100 units

**Minimum Application Amount / Number of Units for Principal Cash Management Fund - Liquid Option - Premium Institutional Plan**

Purchase	Additional Purchase	Repurchase
Rs. 110 crore and any amount thereafter under the plan, with a minimum of Rs.1 lakh in each option.	Subsequent investment of Rs 1 lakh and any amount thereafter under each plan	Rs 1,000 or 100 units

**Minimum Application Amount / Number of Units for Principal Monthly Income Plan and Principal Monthly Income Plan - MIP Plus**

Purchase	Additional Purchase	Repurchase
<i>Dividend Plan / Auto Earnings Payout</i> Rs. 10,000 and any amount thereafter under each option <i>Growth Accumulation Plan</i> Rs. 15,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

**Minimum Application Amount / Number of Units for Principal Tax Savings Fund and Principal Personal Tax Saver Fund**

Purchase	Additional Purchase	Repurchase
Rs. 1500 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

**Minimum Application Amount / Number of Units for Principal Trust Benefit Fund**

Purchase	Additional Purchase	Repurchase
Rs. 150,000 and any amount thereafter under each option	Subsequent investment of Rs 10,000 and any amount thereafter under each option	Rs 500 or 50 units

**Minimum Application Amount / Number of Units for Principal Global Opportunities Fund**

Purchase	Additional Purchase	Repurchase
Rs. 10,000 and any amount thereafter under each option	Subsequent investment of Rs 5,000 and any amount thereafter under each option	Rs 1,000 or 100 units

**Minimum Application Amount / Number of Units for Principal Income Fund - Institutional Plan**

Purchase	Additional Purchase	Repurchase
Rs. 11 lakh and any amount thereafter under each option	Subsequent investment of Rs 1 lakh and any amount thereafter under each option	Rs 1,000 or 100 units

**Minimum Application Amount / Number of Units for Principal Income Fund - Short Term Plan - Institutional Plan**

Purchase	Additional Purchase	Repurchase
Rs. 10 lakhs and any amount thereafter under the plan, with a minimum of Rs.1 lakh in each option.	Subsequent investment of Rs 1 lakh and any amount thereafter under each plan	Rs 1,000 or 100 units

**Minimum Application Amount / Number of Units for Principal Floating Rate Fund**

Purchase	Additional Purchase	Repurchase
<i>Short Maturity Plan - Regular Option and Flexible Maturity Plan - Regular Option</i> Rs. 15,000 and any amount thereafter under each option	<i>Short Maturity Plan - Regular Option and Flexible Maturity Plan - Regular Option</i> Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units
<i>Short Maturity Plan - Institutional Option and Flexible Maturity Plan - Institutional Option</i> Rs. 1 crore and any amount thereafter under the plan, with a minimum of Rs.1 lakh in each option.	<i>Short Maturity Plan - Institutional Option and Flexible Maturity Plan - Institutional Option</i> Subsequent investment of Rs 1 lakh and any amount thereafter under each plan	Rs 500 or 50 units

**Minimum Application Amount / Number of Units for Principal Cash Management Fund - Liquid Option**

Purchase	Additional Purchase	Repurchase
Rs. ₹10,000 and any amount thereafter under each option	Subsequent investment of Rs 1,000 and any amount thereafter under each option	Rs 1,000 or 100 units

**Minimum Application Amount / Number of Units for Principal Deposit Fund**

Purchase	Additional Purchase	Repurchase
Rs. ₹1,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

**For Investor Grievances please contact:**

Name and Address of Registrar	Name, address, telephone number, fax number, e-mail i.d of
<b>Karvy Computershare Pvt. Ltd.</b> 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034.	<b>Principal Mutual Fund</b> 5 <sup>th</sup> Floor, Apeejay House, 3 Dinshaw Vachha Road, Mumbai 400 020. Phone: +91 22 2202 1111. Fax: +91 22 2204 4466 E-mail: customer@principalindia.com

**Load Structure for Principal Deposit Fund**

	% of NAV			
	91-Day	182-Day	371-Day	735-Day
<b>Entry Load</b>				
During IPO	Nil	Nil	Nil	Nil
Post-IPO	4%	4%	4%	4%
<b>Exit Load</b>				
If redeemed before maturity	1%	1.60%		
If redeemed on or before 182 days			1.90%	
If redeemed after 182 days but before maturity			1.60%	
If redeemed on or before 365 days				2.50%
If redeemed after 365 days but before maturity				1.90%

**Note:** There shall be no exit load in respect of repurchase of units on or after expiry of relevant target/maturity period of respective plans.

**For Systematic Investment Plan / Systematic Transfer Plans / Switches:****Systematic Investment Plans**

Scheme	
Principal Growth Fund, Principal Index Fund Principal Balanced Fund, Principal Income Fund Principal Government Securities Fund Principal Monthly Income Plan Principal Monthly Income Plan - MIP Plus Principal Dividend Yield Fund Principal Focussed Advantage Fund Principal Junior Cap Fund	The investor has to give a minimum of 6 or more post-dated cheques for an SIP per scheme. For existing investors the minimum amount per cheque will be Rs 500/-. New investors can enrol for the SIP facility on opening an account with an initial minimum amount of Rs 500/- per scheme. All SIPs will have no entry load, for Principal Growth Fund, Principal Index Fund, Principal Balanced Fund, Principal Dividend Yield Fund, Principal Focussed Advantage Fund an exit load of 2.00% will be applicable for redemptions upto and equal to 365 days from the date of investment. For all other schemes, the applicable exit loads will apply. SIPs can also be activated without PDCs by giving standing instructions directly to the banks or through online service providers. The Investors can also invest by opting for iSIP Auto Debit Facility (refer pg. no. 29).
Principal Resurgent India Equity Fund Principal Personal Tax Saver Fund Principal Money Value Bond Fund	The investor has to give a minimum of 6 or more post-dated cheques for an SIP per scheme. For existing investors the minimum amount per cheque will be Rs 500/-. New investors can enrol for the SIP facility on opening an account with an initial minimum amount of Rs 500/- per scheme. All SIPs will have no entry load, for Principal Resurgent India Equity Fund, an exit load of 2.00% will be applicable for redemptions upto and equal to 365 days from the date of investment. For all other schemes, the applicable exit loads will apply. SIPs can also be activated without PDCs by giving standing instructions directly to the banks or through online service providers. The Investors can also invest by opting for iSIP Auto Debit Facility (refer pg. no. 29).
Principal Equity Fund Principal Tax Savings Fund	The investor has to give a minimum of 6 or more post-dated cheques for an SIP per scheme. For existing investors the minimum amount per cheque will be Rs 500/-. New investors can enrol for the SIP facility on opening an account with an initial minimum amount of Rs 500/- per scheme. All SIPs will have no entry load, for Principal Equity Fund, an exit load of 2.00% will be applicable for redemptions upto and equal to 365 days from the date of investment. For all other schemes, the applicable exit loads will apply. SIPs can also be activated without PDCs by giving standing instructions directly to the banks or through online service providers. The Investors can also invest by opting for iSIP Auto Debit Facility (refer pg. no. 29).
Principal Global Opportunities Fund	The investor has to give a minimum of 6 or more post-dated cheques for an SIP per scheme. For existing investors the minimum amount per cheque will be Rs 1000/-. New investors can enrol for the SIP facility on opening an account with an initial minimum amount of Rs 1000/- per scheme. All SIPs will have no entry load, for Principal Global Opportunities Fund, an exit load of 2.00% will be applicable for redemptions upto and equal to 365 days from the date of investment. SIPs can also be activated without PDCs by giving standing instructions directly to the banks or through online service providers. The Investors can also invest by opting for iSIP Auto Debit Facility (refer pg. no. 29).

<b>Systematic Transfer Plans</b>	All switches which are made under the systematic transfer plan will be free of any entry load but for all equity and balanced schemes (Principal Growth Fund, Principal Equity Fund, Principal Resurgent India Equity Fund, Principal Index Fund, Principal Tax Savings Fund, Principal Tax Saver Fund, Principal Global Opportunities Fund, Principal Balanced Fund) will have an exit load of 2.00% if the investment is redeemed within 365 days from the date of investment. For all other schemes the applicable exit loads will apply.
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<b>Switches</b>	No load on switches between all Equity and Balanced schemes excluding Principal Child Benefit Fund. This will also be applicable on all equity schemes launched in future unless specified otherwise
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## SIP AUTO DEBIT FACILITY : TERMS & CONDITIONS

### SIP payment through Electronic Clearing Service (Debit Clearing) of the Reserve Bank of India (RBI)

#### List of Cities for SIP Auto Debit Facility via ECS (Debit Clearing)

Ahmedabad, Bangalore, Baroda, Bhopal, Bhubaneshwar, Chandigarh, Chennai, Coimbatore, Hyderabad, Indore, Jaipur, Kolkata, Lucknow, Mumbai, New Delhi, Pune, Surat.

1. This facility is offered to investors having bank accounts in **select cities mentioned above**.
2. **Completed application form, SIP Auto Debit form and the first cheque should be submitted at least SEVEN days before the first transaction date.**
3. Investors should mandatorily give a cheque for the first transaction drawn on the same bank account for auto debit.
4. The cities in the list may be modified/updated/change/removed at any time in future entirely at the discretion of Principal Pnb Asset Management Co. Pvt. Ltd. without assigning any reasons or prior notice. If any city is removed, SIP instructions for investors in such cities via ECS (Debit) route will be discontinued without prior notice.
5. The bank account provided for ECS (Debit) should participate in local MICR clearing.
6. SIP auto debit facility is available only on specific dates of the month viz. 1st / 5th / 15th / 25th.
7. The cheque should be drawn on the same bank account which is to be registered for ECS (Debit)
8. The investor agrees to abide by the terms and conditions of ECS facility of Reserve Bank of India (RBI).
9. Investors will not hold Principal Pnb Asset Management Co. Pvt. Ltd., its registrars and other service providers responsible if the transaction is delayed or not effected or the investor bank account is debited in advance or after the specific SIP date due to various clearing cycles of ECS.
10. Principal Pnb Asset Management Co. Pvt. Ltd., its registrars and other service providers shall not be responsible and liable for any damages/compensation for any loss, damage etc. incurred by the investor. The investor assumes the entire risk of using this facility and takes full responsibility.
11. Principal Pnb Asset Management Co. Pvt. Ltd. reserves the right to reject any application without assigning any reason thereof.
12. SIP is available in certain schemes as mentioned in the Offer Document(s).
13. Each SIP date should have a Minimum Investment Amount of Rs. 500 and a minimum of 6 instalments.
14. Please refer to the Key information Memorandum and Combined Standard Offer Document for Applicable NAV, Risk Factors, Load and other information on the respective Scheme / Plan before investing.
15. Existing Investors are required to submit only the SIP Form indicating the existing Account Number and investment details in the SIP section of this Form.

## FREQUENTLY ASKED QUESTIONS

1. **Is there any limitation on the bank/account/branch?**  
No there is no limitation on the bank account. Any investor maintaining a bank account in any of the cities mentioned below can opt for Auto Debit Facility.  
The bank account can be with any bank branch in the cities mentioned below and participating in MICR clearing. Hence, this facility is not restricted to select banks.
2. **When should the forms be submitted to start SIP via auto debit facility?**  
The first SIP cheque and auto debit form should be submitted atleast SEVEN days before the first SIP cheque date (i.e. the cheque date). The form can be submitted at any of Principal Mutual Fund branch office.
3. **Does the investor need to verify the form from his bank prior to submitting the same?**  
No. The investor need not take the form to his banker and get the bank details verified prior to the submission to Principal Mutual Fund. For the convenience of the investors, the same will be handled by Principal Mutual Fund.
4. **What if the investor wants to have SIPs in different schemes?**  
To avail of SIP in separate schemes via auto debit facility, an investor will have to fill separate forms for each of the scheme(s). The same form cannot be used for different schemes.
5. **How does an investor modify/change the SIP amount?**  
To modify the SIP amount, the investor needs to give the following documents atleast fifteen days in advance.
  - New SIP Auto Debit Form with revised SIP amount.
  - Letter to discontinue the existing SIP amount.
 The investor should fill the existing folio number on the form and all other details.
6. **Can an investor change the bank account for SIP auto debit at a later stage?**  
Yes. A investor can change the bank account for SIP Auto debit at any time by giving fifteen days prior notice and submitting the following document:
  - New SIP Auto Debit Form with revised bank mandate and ticking on "Change in Bank Account" option on the form.
 The investor should fill the existing folio number on the form and all other details.
7. **How can an existing investor who has provided post dated cheques move to this facility?**  
Investors with existing post dated cheque can also move to this facility at any time by giving fifteen days prior notice and submitting the following documents:
  - SIP Auto Debit Facility Form, and
  - Letter to discontinue and return the existing post dated cheques.
8. **What about Applicable NAV and other terms and conditions?**  
There is no difference as compared to normal SIP in terms of Applicable NAV, entry/exit load, CDSC and other terms & conditions. The same terms and conditions of normal SIP is applicable to SIP via auto debit facility. The only difference is in the SIP dates and the availability in select cities.

## INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

This application form is for Resident Investors/NRIs etc., and should be completed in English in BLOCK LETTERS & BLACK INK only. Please tick (✓) in the appropriate box provided.

Please read the terms of the Offer Document(s) of the Scheme(s) carefully before filling in the application form. All applicants are deemed to have accepted the terms subject to which this offer is being made and bind themselves to the terms upon signing the Application Form / Common Transaction Form and tendering the payment. Application should be for a minimum amount specified for each Scheme/Plan/Option. There is no maximum limit.

### (A) HOW TO APPLY

Applicants can invest in one or more of the Plan(s) by filling the investment amount against each Plan and providing the details of the individual investments under the respective Plan(s). Applicants should submit a single cheque under one Application Form for all investments.

Applications will be accepted at the offices of the AMC.

#### Payment Procedure

##### *Resident Investor*

Resident Investors may submit payment for units by cheque/demand draft, payable locally and drawn on any bank which is a member of the Bankers Clearing House located at the place where the application form is submitted. All cheques/demand drafts should be drawn in favour of **Principal Mutual Fund**.

#### Payment Procedures for NRIs

##### *Repatriation Basis*

Payments may be made through Indian Currency Cheques/Demand Drafts. NRI applications can also be made by submitting payments through demand drafts purchased from FCNR bank accounts or cheques drawn on NRE accounts. All cheques/drafts should be locally payable at any of the AMC locations. All applications must be accompanied with a FIRC.

##### *Non-Repatriation Basis*

In case of NRIs seeking to apply for units on a non-repatriation basis, payments shall be made by cheques/demand drafts drawn out of NRO (Non-Resident Ordinary) accounts.

##### *Payment Procedure - FIIs*

FIIs may pay their subscription amounts by direct remittance from abroad or out of their special Non-Resident Rupee Accounts maintained with a designated bank branch in India or as may be permitted under Law. All cheques/drafts should be payable in Mumbai. Applications by FIIs should be submitted only to the office of the Asset Management Company, Mumbai.

All cheques and bank drafts must be drawn in favor of **Principal Mutual Fund**.

#### Payment Procedure - General

- The Asset Management Company will not accept cash for subscriptions. Cash if accepted would be as per Section 269SS of the Income Tax Act, 1961.
- Stockinvests and outstation cheques will not be accepted.
- Bank charges for outstation demand drafts will be borne by the Asset Management Company and debited to the Scheme and will be limited to those stipulated by the Indian Banks Association. The Mutual Fund will not entertain any request for refund of demand draft charges.
- In case an applicant is located in a place where there is no designated collection centre, the completed application with a Bank Draft/Pay Order for the investment amount (net of Demand Draft charges) may be forwarded to Principal Pnb Asset Management Company Private Limited office in Mumbai

### (B) APPLICATION DETAILS

- Please write application serial number and name on the reverse of the cheque/demand draft.
- The applicant's name and address including PIN Code number must be given in full (post box number alone is not sufficient).
- In case the investor is a NRI/FII, an overseas address should also be provided, along with the local address. However, all correspondence shall be at the local address.
- If the account has more than one (upto three) Unitholder, the account will be registered either as joint or either/anyone or survivor basis, as specified. Please refer to the clause 'Mode of Holdings'.
- The minimum amounts for investments apply for each Plan.
- It is expressly understood that the investor/Unitholder has the express authority from the relevant constitution to invest in units of the Fund and the AMC/Trustee/Fund would not be responsible if the investment is ultravires the relevant constitution.
- All communications and payments will be made to the first applicant or to the Karta in case of HUF.
- Signatures should be in English or in any Indian language as specified in the Eighth Schedule of the Constitution of India. Thumb impressions must be attested by a Magistrate/Notary Public under his/her official seal. In case of HUF, the Karta should sign on behalf of the HUF. In case of Partnership firms, the Partner will sign on behalf of the firm. Similarly, for the Association of Persons (AOP), the application must be signed by the Authorised Signatory.
- Applications on behalf of minors should be signed by their guardian.
- In case of an application under a Power of Attorney or by a limited company, body corporate, registered society, Trust or partnership, the relevant power of attorney or the relevant resolution of authority to make the application or the Trust Deed or Partnership Deed as the case may be, or duly certified copy thereof, alongwith a certified copy of the Memorandum and Articles of Association and/or bye-laws must be lodged at the AMC's office so as to reach within seven days from the date of lodging of the Application Form alongwith with the details of application made.

### (C) BANK DETAILS

This requirement is mandatory now and applications without complete bank details are liable to be rejected. The Mutual Fund/Asset Management Company will not be responsible for any loss arising out of fraudulent encashment of cheques and delay/loss in transit.

### (D) PAN & UIN DETAILS

1. PAN of Sole/ First Applicant, Second Applicant and Third Applicant must be mentioned in the document pertaining to the transaction if the amount of purchase of the units of Mutual Fund is Rs. 50,000 or more. Where the person making an application is minor and who does not have any income chargeable to income-tax, he shall quote the PAN of his/her father or guardian, as the case may be. In case PAN is not available, please provide Form 60/ Form 61, as the case may be. The investor shall submit the necessary supporting documents required in Form 60/Form 61.
2. SEBI vide its circular no. MRD/DOP/MAPIN/CIR-26/2004 dated August 16, 2004 has specified that with effect from January 1, 2005, no specified investor being a body corporate shall, buy, sell or deal in units of Mutual Fund unless such specified investor, its promoters and directors have been allotted UIN. Further, SEBI vide its circular no. MAPIN/CIR-37/2004 dated October 27, 2004 and subsequent amendments thereto has specified that all resident investors not being body corporate who enter into any transaction in units of Mutual Fund of Rs. 100,000 or more are required to obtain UIN before December 31, 2005. Foreign Institutional Investors, sub-accounts and foreign venture capital investors are also required to obtain UIN before December 31, 2005.



For details, please contact your financial advisor or call the Principal Customer Relations Team.

### Principal Pnb Asset Management Company Private Limited

- Mumbai:** Apeejay House, 5th Floor, 3 Dinshaw Vachha Road, Churchgate, Mumbai-400 020. Tel.: (022) 5659 0333 / 2204 4988.
- Ahmedabad:** 401, Broadway Business Centre, Opp. Samartheshwar Mahadev Temple, Law Garden Cross Road, Ellisbridge, Ahmedabad - 380 006. Tel.: (079) 2640 7933-36.
- Bangalore:** Prestige Meridien 1, No. 29, M.G. Road, Bangalore-560 001. Tel: (080) 2509 5567-69.
- Chandigarh:** SCO 455-56, 1st Floor, Sector-35 C, Chandigarh-160 022. Tel: (0172) 508 9514 / 507 5068.
- Chennai:** Challamal, No. 401, 11, Thiyagaraya Road, Chennai-600 017. Tel: (044) 2431 4678-79 / 2435 3887.
- Coimbatore:** No. 9, Gowtham Center Annexe, 1054, Avinashi Road, Coimbatore-641018. Tel.: (0422) 5393 561 / 62 / 63.
- Hyderabad:** White House, 503, 5th Floor, Block 1B, Begumpet, Hyderabad-500 016. Tel: (040) 5562 0812 / 5566 9548.
- Indore:** G 8 & 9, Ground floor, City Center, 570, Mahatma Gandhi Marg, Indore-452 001. Tel: (0731) 506 7596 / 506 7345.
- Jaipur:** 105-B, 1st Floor, Shyam Anukampa Complex, Opp. HDFC Bank Ltd., Ashok Marg, C-Scheme, Jaipur-302 001. Tel.: (0141) 511 8240.
- Kolkata:** Block No. 503, SHUBHAM, 5th Floor, 1, Sarojini Naidu Sarani, Kolkata-700 017. Tel: (033) 2281 7268 / 2281 7247.
- Lucknow:** 210-B, 2nd Floor, Saran Chambers-2, 5, Park Road, Lucknow-226 001. Tel: (0522) 223 9770 / 223 8816.
- Ludhiana:** 302, SCO-18, Opp. Ludhiana Stock Exchange, Feroze Gandhi Market, Ludhiana-141001. Tel.: (0161) 277 4209/508 6682.
- New Delhi:** 310-311, Ansal Bhawan, 16, K.G. Marg, New Delhi-110 001. Tel: (011) 5511 5120 - 29.
- Pune:** 1st Floor, Shreenath Plaza, Dnyaneshwar Paduka Chowk, F.C. Road, Shivajinagar, Pune-411 005. Tel.: (020) 2553 8737/35.
- Raipur:** 248-249, Lalganga Shopping Mall, G.E. Road, Raipur-492001 (Chattisgarh). Tel.: (0771) 5042115 / 5042116.
- Surat:** 206 Jolly Plaza, Athwagate, Surat-395001. Tel: (0261) 246 0123 / 557 7964. Telefax: (0261) 246 3256.
- Vadodara:** 103, Paradise Complex, Sayajigunj, Vadodara-390 005. Tel.: (0265) 558 6212.

For more information call our **toll-free number 1600-22-5600**.

Visit us at [www.principalindia.com](http://www.principalindia.com) or e-mail us at [customer@principalindia.com](mailto:customer@principalindia.com)