KEY INFORMATION MEMORANDUM
&
APPLICATION FORMS

Principal
pnb
Asset Management
in association with Vijaya Bank

[Offer of units at applicable NAV based price]

PRINCIPAL GROWTH FUND
PRINCIPAL DIVIDEND YIELD FUND
PRINCIPAL GLOBAL OPPORTUNITIES FUND
PRINCIPAL JUNIOR CAP FUND
PRINCIPAL LARGE CAP FUND
PRINCIPAL INFRASTRUCTURE & SERVICES INDUSTRIES FUND
PRINCIPAL FOCUSSED ADVANTAGE FUND
PRINCIPAL INDEX FUND
PRINCIPAL RESURGENT INDIA 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 TAX SAVINGS FUND
PRINCIPAL PERSONAL TAX SAVER FUND
PRINCIPAL CHILD BENEFIT FUND

INVESTMENT MANAGER:
Principal Pnb Asset Management Company Private Limited
Apeejay House, 5th floor, 3 Dinshaw Vachha Road, Churchgate, Mumbai-400 020, India.
Tel.: 022-2204 4988. Fax: 022-2204 4990.

Principal Mutual Fund
Apeejay House, 5th 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. 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)*

Investment Objective

To achieve long term capital appreciation.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
Equity and Equity Linked Instruments	Upto 100%
Debt (Including Securitised Debt) and Money market instruments	Upto 10%

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Rs. 5,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

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.

Dividend Policy

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.

Name of the Fund Manager

Mr. Shyam Bhat

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the scheme :

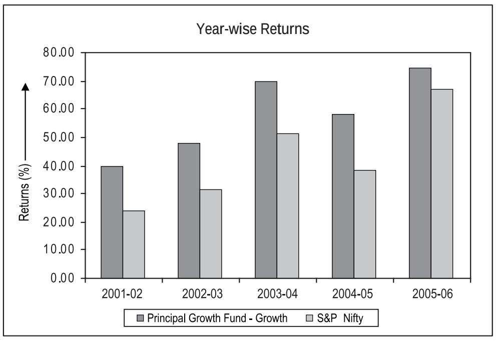
Returns (%) of Growth Option as at December 29, 2006.

Period	Returns (%)	S&P Nifty (%)
Last 1 year	32.42	40.56
Last 3 years	36.90	28.36
Last 5 years	43.60	30.82
Since inception*	29.74	21.61

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.

*October 25, 2000.



Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	For investments less than Rs. 3 crores - 2.25%. For investments of Rs. 3 crores and above - Nil.
Exit Load	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

(iii) Actual expenses for the previous financial year 2005-2006: 2.32%

Tax Treatment for the Investors (Unitholders)

Please Refer to Page No. 20

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 and www.amfiindia.com. You can also telephone us at 022-2202 1111.

For Investor Grievances please contact

Name and Address of Registrar	*Name, address, telephone number, fax number, e-mail i.d of*
Karvy Computershare Pvt. Ltd. 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034.	**Principal Mutual Fund** 5th 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

Unitholders' Information

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 31st March and 30th September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders unaudited half yearly statement of the scheme's portfolio as on 31st March and 30th 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 Dividend Yield Fund *(An open ended Equity Scheme)*

Investment Objective

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.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
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.

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

The Scheme will offer Growth Plan and Dividend Plan. Dividend Plan will have the facility of Payout and Reinvestment.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Rs. 5,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

S&P CNX 500 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.

Dividend Policy

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.

Name of the Fund Manager

Mr. Shyam Bhat

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the Scheme:

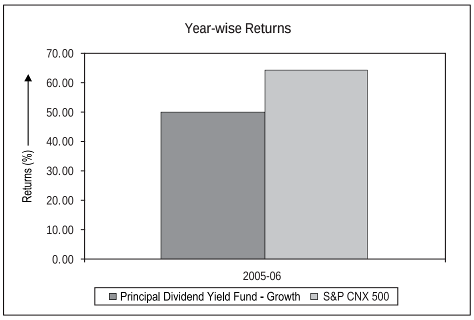
Returns (%) of Growth Option as at December 29, 2006.

Period	Returns (%)	S&P CNX 500 (%)
Last 1 Year	4.63	35.03
Since Inception*	22.30	42.51

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).

*October 15, 2004.



Expenses of the Scheme:

(i) Load Structure: *(Continuous Offer)*

Entry Load	For investments less than Rs. 3 crores - 2.25%. For investments of Rs. 3 crores and above - Nil.
Exit Load	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

(iii) Actual expenses for the previous financial year 2005-2006: 2.24%

Tax Treatment for the Investors (Unitholders)

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Daily Net Asset Value (NAV) Publication

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Karvy Computershare Pvt. Ltd. 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034.	**Principal Mutual Fund** 5th 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

Unitholders' Information

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 31st March and 30th September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders unaudited half yearly statement of the scheme's portfolio as on 31st March and 30th 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 Global Opportunities Fund *(An open ended Growth Fund)*

Investment Objective

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.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
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).

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

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

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

Morgan Stanley Capital International's - MSCI World 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.

Dividend Policy

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.

Name of the Fund Manager

Mr. Rajat Jain

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the scheme :

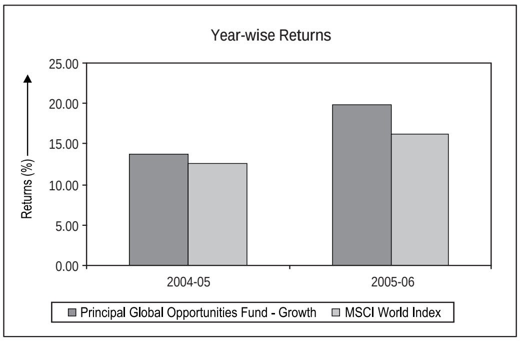
Returns (%) of Growth Option as at December 29, 2006.

Period	Returns (%)	MSCI World Index (%)
Last 1 Year	15.80	17.14
Since inception*	14.83	13.27

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.

*March 29, 2004.



Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	For investments less than Rs.5 crores - 2.50% For investments of Rs. 5 crores and above - Nil
Exit Load	If redeemed before 180 days - 1% If redeemed between 181-365 days - 0.50% If redeemed after 365 days - 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

(iii) Actual expenses for the previous financial year 2005-2006: 0.11%

Tax Treatment for the Investors (Unitholders)

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Daily Net Asset Value (NAV) Publication

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It may be noted that since this fund invests predominantly in the overseas market, the NAV of the scheme shall be dependent on the closing prices of the securities in the respective markets. Hence due to the differences in time zones the fund will declare the NAV on the next business day by 7.30 p.m. based on receipt of pricing information.

For Investor Grievances please contact

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Unitholders' Information

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 31st March and 30th 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 31st March and 30th 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 Junior Cap Fund *(An open ended Equity Scheme)*

Investment Objective

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.

Asset Allocation Pattern of the scheme

Please Refer to Page No. 22

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

The Scheme will offer Growth Option and Dividend Option. Dividend Option will have the facility of Pay-out and Re-investment.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Rs. 5,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

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.

Dividend Policy

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.

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 an a prospective basis.

Name of the Fund Manager

Mr. R. Srinivasan

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the scheme :

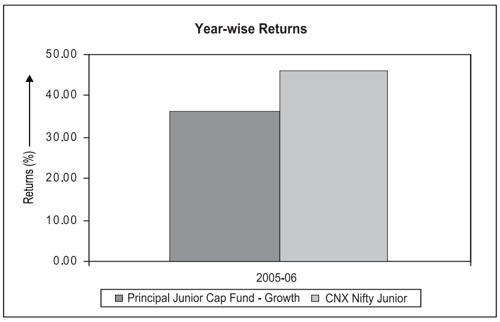
Returns (%) of Growth Option as at December 29, 2006.

Period	Returns (%)	CNX Nifty Junior (%)
Last 1 Year	28.75	30.46
Since inception*	27.67	37.84

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.

*June 30, 2005.



Expenses of the Scheme:

(i) Load Structure *(Continuous Offer)*

Entry Load	For investments upto Rs. 3 crores – 2.25%. For investments of Rs. 3 crores and above – Nil.
Exit Load	Nil

(ii) Annual 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

(iii) Actual expenses for the previous financial year 2005-2006: 1.80%

Tax Treatment for the Investors (Unitholders)

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Unitholders' Information

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 31st March and 30th September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders unaudited half yearly statement of the scheme's portfolio as on 31st March and 30th 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 Large Cap Fund *(An open ended Equity Scheme)*

Investment Objective

The Investment Objective of the scheme would be to provide capital appreciation and /or dividend distribution by predominantly investing in companies having a large market capitalization.

For the purpose of this Fund, Large Cap Companies are defined as those having market capitalization greater than Rs.750 crore as on the date of investment (or any such amount as may be specified by India Index Services Ltd (IISL) from time to time) being the upper limit of market capitalisation as a criteria for inclusion of a company in CNX Midcap 200 Index. However, should IISL come out with a definition of 'Large Cap companies', the same will be utilized.

Asset Allocation Pattern of the scheme

Please Refer to Page No. 22

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

The Scheme will offer Growth Option and Dividend Option. Dividend Option will have the facility of Payout, Re-investment and Sweep.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Rs. 5,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

Despatch of Repurchase (Redemption) Request

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 the redemption proceeds within 3 business days from the receipt of redemption request, subject to it being complete in all respects.

Benchmark Index

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.

Dividend Policy

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.

The Dividend Option will have facilities - Payout, Re-investment and Sweep. Under the Re-investment 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. Under the sweep facility unitholders can choose to reinvest their dividend in any other open-ended schemes of the Fund, at Applicable NAV based prices.

Name of the Fund Manager

Mr. R. Srinivasan

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the scheme :

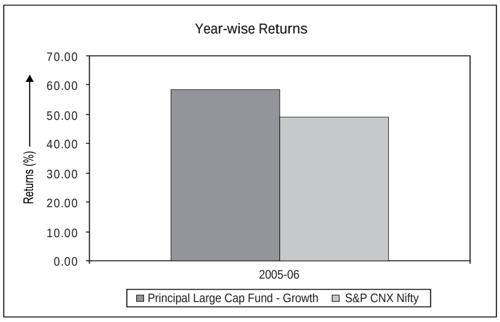
Returns (%) of Growth Option as at December 29, 2006.

Period	Returns (%)	S&P CNX Nifty (%)
Last 1 Year	49.56	40.56
Since inception*	60.25	47.83

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.

*November 11, 2005.



Expenses of the Scheme:

(i) Load Structure *(Continuous Offer)*

Entry Load	For investments less than Rs. 3 crores - 2.25%. For investments of Rs. 3 crores and above - Nil.
Exit Load	Nil.

(ii) Annual 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

(iii) Actual expenses for the previous financial year 2005-2006: 2.47%

Tax Treatment for the Investors (Unitholders)

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Principal Infrastructure & Services Industries Fund *(An open ended Equity Scheme)*

Investment Objective

The Investment Objective of the scheme is to provide capital appreciation and income distribution to the unit holders by investing predominantly in equity/equity related securities of the companies belonging to the infrastructure and service industries and the balance in debt securities and money market instruments including call money.

Asset Allocation Pattern of the scheme

Please Refer to Page No. 22

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Options

The Scheme will offer Growth Option and Dividend Option. Dividend Option will have the facility of Payout, Re-investment and Sweep.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Rs. 5,000 for Dividend Option and Growth Option and any amount thereafter for both the Options.	Subsequent investment amount shall be Rs 500 and any amount thereafter for the options.	Rs 500 or 50 units and in multiples of Re 1 or 1 unit thereafter.

Despatch of Repurchase (Redemption) Request

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 the redemption proceeds within 3 business days from the receipt of redemption request, subject to it being complete in all respects.

Benchmark Index

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.

Dividend Policy

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.

The Dividend Option will have facilities - Payout, Re-investment and Sweep. 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 an a prospective basis.

Name of the Fund Manager

Mr. Shyam Bhat

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the similar schemes launched by Principal Mutual Fund in the past:

[N.B. For a new scheme and a scheme which is in existence for less than 1 year, the compounded annualised returns of similar schemes launched by the MF in the past shall be given as per the table.]

Compounded Annualised Returns	Principal Growth Fund		Principal Resurgent India Equity Fund		Principal Dividend Yield Fund		Principal Equity Fund (Refer Note 1)		Principal Focussed Advantage Fund		Principal Junior Cap Fund		Principal Large Cap Fund	
	NAV (%)	S&P Nifty (%)	NAV (%)	S&P Nifty (%)	NAV (%)	S&P CNX 500 Index(%)	NAV (%)	S&P Nifty (%)	NAV (%)	S&P Nifty (%)	NAV (%)	CNX Nifty Junior (%)	NAV (%)	S&P CNX Nifty (%)
Last 1 year	32.42	40.56	37.78	40.56	4.63	35.03	8.22	35.01	24.68	40.56	28.75	30.46	49.56	40.56
Last 3 years	36.9	28.36	30.81	28.36	N.A.	N.A.	26.6	28.91	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Last 5 years	43.6	30.82	50.01	30.82	N.A.	N.A.	33.2	29.13	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Since Inception	29.74@	21.61@	35.66#	16.48#	22.30$	42.51$	10.28$$	12.40$$	31.66^	41.52^	27.67+	37.84+	60.25~	47.83~

Year-wise returns for the last 5 financial years: Not Applicable since the scheme is in existance for less than 1 year as of December 29, 2006.
(The above returns are calculated for Growth Option of the respective schemes, as of December 29, 2006.)
Inception Date - @ 25/10/2000 # 30/06/2000 $ 15/10/2004 $$ 14/06/1995 ^15/03/2005 + 30/06/2005 ~11/11/2005
The past performance may or may not be sustained in the future.
Note 1: Principal Equity Fund was merged with Principal Dividend Yield Fund w.e.f. August 4, 2006 therefore the returns provided are as on August 4, 2006.

Expenses of the Scheme:

(i) Load Structure *(Continuous Offer)*

Entry Load	For investments less than Rs. 3 crores - 2.25%. For investments of Rs. 3 crores and above - Nil.
Exit Load	Nil.

(ii) Annual 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

(iii) Actual expenses for the previous financial year 2005-2006: 1.86%

Tax Treatment for the Investors (Unitholders)

Please Refer to Page No. 20

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Unitholders' Information

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 31st March and 30th September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders unaudited half yearly statement of the scheme's portfolio as on 31st March and 30th 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)*

Investment Objective

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.

Asset Allocation Pattern of the scheme

Investment Patttern: Under normal circumstances, the asset allocation would be as follows:

Types of Instruments	% of Net Assets		Risk Profile
	Minimum	Maximum	
Equities & Equity Related Instruments	70%	100%	High
Money Market Instruments	0%	30%	Low to Medium

The Asset Management Company reserves the right to invest in derivatives as follows:

Particulars	% of Net Assets
Equity Derivatives	Not exceeding 35% of the Net assets subject to limits as specified by SEBI from time to time.

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

The Scheme will offer Growth Plan and Dividend Plan. Dividend Plan will have the facility of Pay-out and Re-investment.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Rs. 5,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

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.

Dividend Policy

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.

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.

Name of the Fund Manager

Mr. Shyam Bhat

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the scheme :

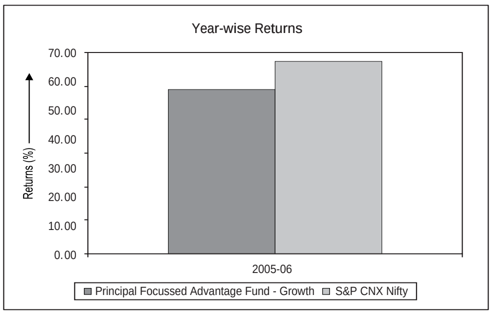
Returns (%) of Growth Option as at December 29, 2006.

Period	Returns (%)	S&P Nifty (%)
Last 1 Year	24.68	40.56
Since inception*	31.66	41.52

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.

*March 15, 2005.



Expenses of the Scheme:

(i) Load Structure *(Continuous Offer)*

Entry Load	2.25%
Exit Load	Nil

(ii) Annual 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

(iii) Actual expenses for the previous financial year 2005-2006: 2.36%

Tax Treatment for the Investors (Unitholders)

Please Refer to Page No. 20

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Unitholders' Information

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^{st} March and 30^{th} September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders unaudited half yearly statement of the scheme's portfolio as on 31^{st} March and 30^{th} 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 Index Fund *(An open ended Index Scheme)*

Investment Objective	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.
Asset Allocation Pattern of the scheme	**Types of Instruments** — **Normal Allocation (% of Net Assets)**: S&P CNX Nifty stocks — Upto 100%; Money market instruments — Upto 10%
Risk Profile of the Scheme	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.
Investment Plans & Options	Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.
Applicable NAV	Please Refer to Page No. 23
Minimum Application Amounts / Number of Units	**Purchase**: Rs. 5,000 and any amount thereafter under each option; **Additional Purchase**: Subsequent investment of Rs 500 and any amount thereafter under each option; **Repurchase**: Rs 500 or 50 units
Despatch of Repurchase (Redemption) Request	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.
Benchmark Index	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.
Dividend Policy	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.
Name of the Fund Manager	Mr. Shyam Bhat
Name of the Trustee Company	Principal Trustee Company Private Limited

Performance of the scheme :

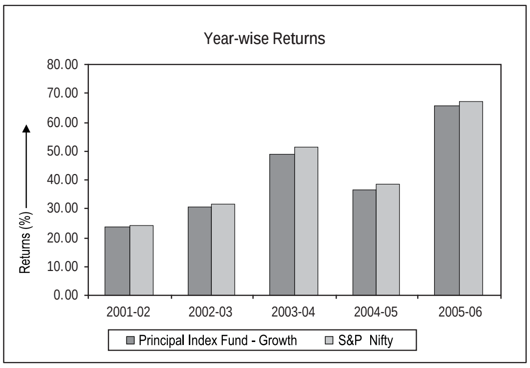
Returns (%) of Growth Option as at December 29, 2006.

Period	Returns (%)	S&P Nifty (%)
Last 1 year	36.75	40.56
Last 3 years	25.23	28.36
Last 5 years	29.08	30.82
Since inception*	15.13	16.08

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.

*July 27, 1999.



Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	1% for subscription of Rs. 10 lacs or less. Nil for subscription of above Rs. 10 lacs.
Exit Load	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

(iii) Actual expenses for the previous financial year 2005-2006: 0.58%

Tax Treatment for the Investors (Unitholders)	Please Refer to Page No. 20
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 and www.amfiindia.com. You can also telephone us at 022-2202 1111.

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Principal Resurgent India Equity Fund *(An open ended Equity Scheme)*

Investment Objective

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.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
Equity and Equity Linked Instruments	Upto 100%
Debt Securities and Money Market Instruments	Upto 35%

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Rs. 5,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

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.

Dividend Policy

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.

Name of the Fund Manager

Mr. R. Srinivasan

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the scheme :

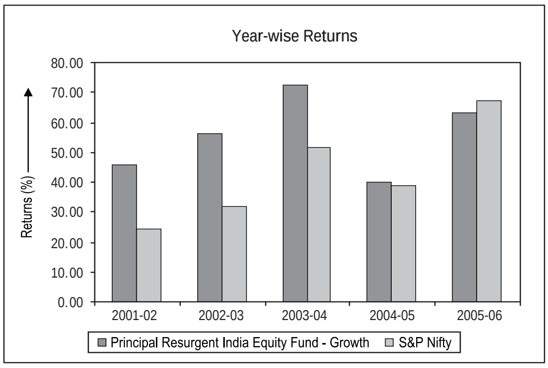
Returns (%) of Growth Option as at December 29, 2006.

Period	Returns (%)	S&P Nifty (%)
Last 1 year	37.78	40.56
Last 3 years	30.81	28.36
Last 5 years	50.01	30.82
Since inception*	35.66	16.48

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.

*June 30, 2000.



Expenses of the Scheme

(i) Load Structure *(Continuous Offer):* (w.ef. November 1, 2006)

Entry Load	For investments upto Rs. 2 crores - 2.25%. For investments of Rs. 2 crores and above - Nil.
Exit Load	0.5% if redeemed on or before 180 Days from the date of investment.

(ii) Recurring expenses

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

(iii) Actual expenses for the previous financial year 2005-2006: 2.29%

Tax Treatment for the Investors (Unitholders)

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Unitholders' Information

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Principal Balanced Fund *(An open ended Balanced Scheme)*

Investment Objective

To provide long term appreciation and current income by investing in a portfolio of equity, equity related securities and fixed income securities.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
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%

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

Dividend and Growth Plans. The Dividend Plan offers Payout, Reinvestment and Sweep Option.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Rs. 5,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

Crisil Balanced Fund 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.

Dividend Policy

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.

Name of the Fund Manager

Mr. Shyam Bhat

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the scheme :

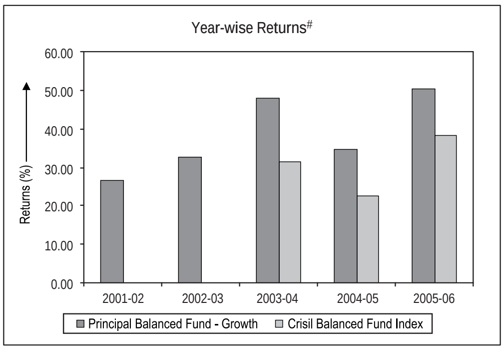
Returns (%) of Growth Option as at December 29, 2006.

Period	Returns (%)	Crisil Balanced Fund Index (%)
Last 1 year	20.87	25.60
Last 3 years	23.20	18.70
Last 5 years	27.93	N.A.
Since inception*	11.91	N.A.

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.

*January 14, 2000.



Note: Index values were not available for the FY 2001-02 & 2002-03.
Hence, comparison against benchmark index is not provided for the respective years.

Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	For applications below Rs. 3 crores: 2.25%; For applications of Rs. 3 crores and above : Nil.
Exit Load	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

(iii) Actual expenses for the previous financial year 2005-2006: 2.46%

Tax Treatment for the Investors (Unitholders)

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Unitholders' Information

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

Investment Objective

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.

Asset Allocation Pattern of the scheme

Income Fund and Income Fund - Institutional Plan		Short Term Plan and Short Term Plan - Institutional Plan	
Types of Instruments	**Normal Allocation (% of Net Assets)**	**Types of Instruments**	**Normal Allocation (% of Net Assets)**
Debt Securities	Upto 100%	Debt securities	Upto 100%
Money Market Instruments	Upto 100%	Money Market Instruments	Upto 100%
Securitised Debt	Upto 50%	Securitised Debt	Upto 50%

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

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 Instituional 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.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Please Refer to Page No. 24

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

Crisil Composite Bond Fund Index for Income Fund. Crisil Short Term Bond Fund Index for Short Term Plan
The fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme.

Dividend Policy

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.

Name of the Fund Manager

Mr. Sandeep Bagla

Name of the Trustee Company

Principal Trustee Company Private Limited

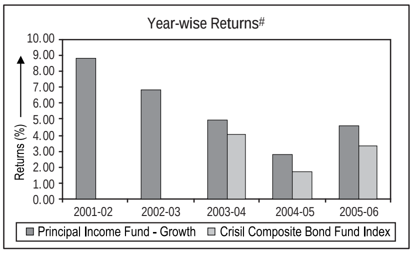
Performance of the scheme :

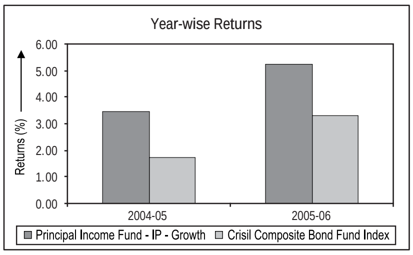
Returns (%) of Growth Option as at December 29, 2006.

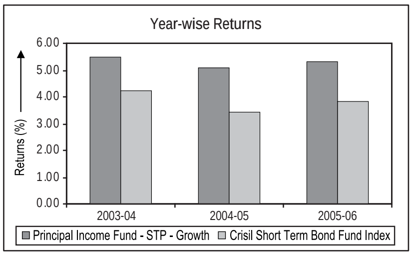
Period	Returns (%)	Crisil Composite Bond Fund Index (%)
Principal Income Fund		
Last 1 year	6.74	3.95
Last 3 years	4.12	2.75
Last 5 years	7.52	N.A.
Since inception*	9.34	N.A.
Institutional Plan		
Last 1 year	7.26	3.95
Last 3 years	4.75	2.75
Since inception**	5.73	3.76

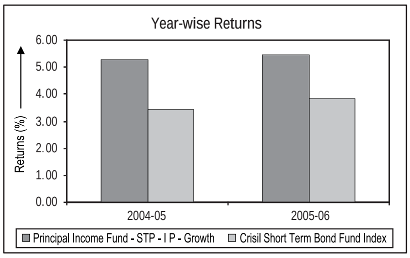
Period	Returns (%)	Crisil Short Term Bond Fund Index (%)
Principal Income Fund - Short Term Plan		
Last 1 year	6.86	5.49
Last 3 years	5.72	4.24
Since inception^	6.29	5.24
Institutional Plan		
Last 1 year	6.97	5.49
Last 3 year	5.90	4.24
Since inception**	5.98	4.51

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.
*October 25, 2000. **May 9, 2003 ^April 24, 2002









#**Note:** Index values were not available for the FY 2001-02 & 2002-03. Hence, comparison against benchmark index is not provided for the respective years.

Expenses of the Scheme

(i) Load Structure *(Continuous Offer)* **:** *Entry Load* - Nil

	Income Fund	*Income Fund - Institutional Plan*	*Short Term Plan*	*Short Term Plan Institutional Plan*
Exit Load -	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

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

First Rs. 100 crores	2.25
Next Rs. 300 crores	2.00
Next Rs. 300 crores	1.75
Balance	1.50

(iii) Actual expenses for the previous financial year 2005-2006:

Income Fund :	1.74%
Income Fund - Institutional Plan :	1.06%
Income Fund - Short Term Plan :	0.92%
Income Fund - Short Term Plan - Institutional Plan:	0.80%

Tax Treatment for the Investors (Unitholders)

Please Refer to Page No. 20

Daily Net Asset Value (NAV) Publication

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For Investor Grievances please contact

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Unitholders' Information

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 31st March and 30th September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders unaudited half yearly statement of the scheme's portfolio as on 31st March and 30th 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)*

Investment Objective

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.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
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.

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

Floating Rate Fund offers two investment Plans – Short Maturity Plan (SMP) and Flexible Maturity Plan (FMP), with separate Portfolios.

Short Maturity Plan		Flexible Maturity Plan	
Regular Option	*Institutional Option*	*Regular Option*	*Institutional Option*
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

The Dividend Option Offers - Payout & Reinvestment Option

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Please Refer to Page No. 24

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

CRISIL Liquid Fund 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.

Dividend Policy

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.

Name of the Fund Manager

Mr. Ritesh Jain

Name of the Trustee Company

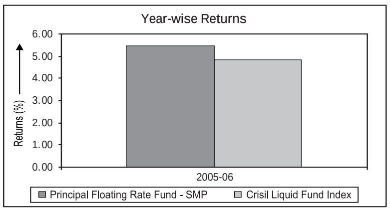
Principal Trustee Company Private Limited

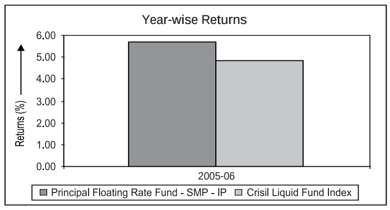
Performance of the scheme :

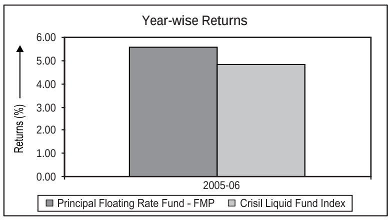
Returns (%) of Short Maturity Plan - Growth Option as at December 29, 2006.
Returns (%) of Flexible Maturity Plan - Growth Option as at December 29, 2006.

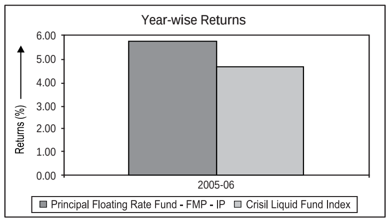
Period	Returns (%)	Crisil Liquid Fund Index (%)
Short Maturity Plan		
- Regular Option		
Last 1 year	6.70	5.95
Since inception*	5.90	5.15
- Institutional Option		
Last 1 year	6.81	5.95
Since inception*	6.06	5.15
Flexible Maturity Plan		
- Regular Option		
Last 1 year	6.80	5.95
Since inception*	6.07	5.15
- Institutional Option		
Last 1 year	6.89	5.95
Since inception*	6.22	5.15

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.
*September 14, 2004.









Expenses of the Scheme

(i) Load Structure *(Continuous Offer)* **:** *Entry Load* - Nil

Short Maturity Plan	Flexible Maturity Plan:
Exit Load - Nil	*Exit Load -* *Regular Option* - 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. *Institutional Option* - Nil

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

First Rs. 100 crores	2.25
Next Rs. 300 crores	2.00
Next Rs. 300 crores	1.75
Balance	1.50

(iii) Actual expenses for the previous financial year 2005-2006:

Short Maturity Plan - Regular Option :	0.76%
Short Maturity Plan - Institutional Option :	0.54%
Flexible Maturity Plan - Regular Option :	0.84%
Short Maturity Plan - Institutional Option :	0.64%

Tax Treatment for the Investors (Unitholders)

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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.)*

Investment Objective

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.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
Monthly Income Plan	
Debt and Money Market Instruments	Upto 100%
Equity and Equity Related Instruments	Upto 15%
Monthly Income Plan - MIP Plus	
Debt Securities (Including Securitised Debt Upto 50%)	Upto 100%
Equity and Equity Related Instruments	Upto 25%

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

Monthly Income Plan and MIP Plus are the two Investment Plans. Within these Dividend and Growth Plans are available. The Dividend Plan offers Payout, Reinvestment and Sweep Options. Growth Plan offers Accumulation and Auto Earnings Payout Options.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Dividend Plan / Auto Earnings Payout Rs. 10,000 and any amount thereafter under each option *Growth Accumulation Plan* Rs. 5,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

Crisil MIP Blended 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.

Dividend Policy

Subject to the Dividend Plan generating adequate distributable profit. The Trustees propose to distribute dividend Monthly and Quarterly.

Name of the Fund Manager

Mr. Sandeep Bagla & Mr.Shyam Bhat

Name of the Trustee Company

Principal Trustee Company Private Limited

Performance of the scheme :

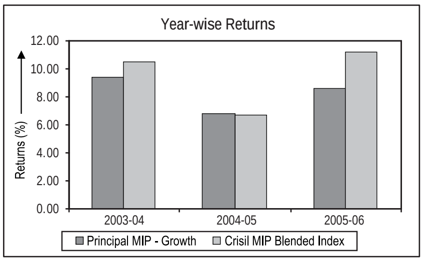
Returns (%) of Growth Option as at December 29, 2006.

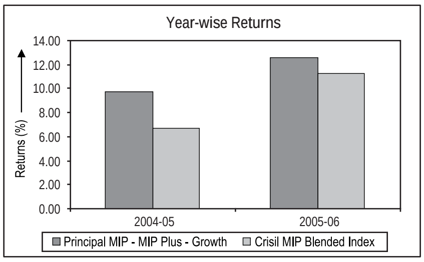
Period	Returns (%)	Crisil MIP Blended Index (%)
Principal Monthly Income Plan		
Last 1 year	6.40	9.23
Last 3 year	6.19	6.74
Since inception*	9.31	9.92
MIP - MIP Plus		
Last 1 year	8.26	9.23
Since inception**	8.25	6.72

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.

*May 23, 2002. **December 30, 2003.





Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	Nil.
Exit Load	For investment of Rs.5 crore and above - Nil. For investment of over Rs.10 lakhs and upto Rs.5 crore - 0.25% (if redeemed on or before 30 days from the date of allotment). For investments of Rs.10 lakhs or below - 0.5% (if redeemed on or before 180 days from the date of allotment).

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

First Rs. 100 crores	2.25
Next Rs. 300 crores	2.00
Next Rs. 300 crores	1.75
Balance	1.50

(iii) Actual expenses for the previous financial year 2005-2006:

Monthly Income Plan : 2.00%. Monthly Income Plan - MIP Plus : 2.00%

Tax Treatment for the Investors (Unitholders)

Please Refer to Page No. 20

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

Investment Objective	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.
Asset Allocation Pattern of the scheme	See table below. The 'Mark-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%.

Liquid Option and Liquid Option - Institutional Plan	
Types of Instruments	**Normal Allocation (% of Net Assets)**
Call / Term Money / Repos / Reverse Repos / Bank Deposits	Upto 100%
Bill Re-discounting	Upto 50%
Like Liquid Money Market Instruments	Upto 100%
Debt (including Securitised Debt) instruments other than those above	Upto 50%

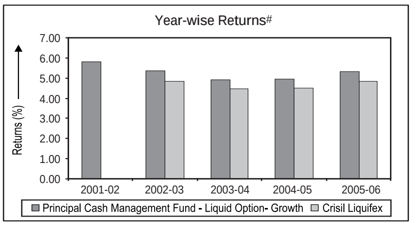
Risk Profile of the Scheme	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.
Investment Plans & Options	Dividend and Growth Options are available. The Liquid Option also has a separate Institutional Plan and Institutional Premium Plan. The Dividend Option offers Payout, Reinvestment and Sweep as Sub-Options.
Applicable NAV	Please Refer to Page No. 23
Minimum Application Amount / Number of Units	Please Refer to Page No. 24
Despatch of Repurchase (Redemption) Request	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.
Benchmark Index	Crisil Liquid Fund 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.
Dividend Policy	Subject to the Dividend Plan generating adequate distributable profit, at this time the Trustees propose to distribute dividend in the dividend options as under: Regular Plan, Institutional Plan and Institutional Premium Plan - Daily, Weekly, Monthly
Name of the Fund Manager	Mr. Ritesh Jain
Name of the Trustee Company	Principal Trustee Company Private Limited

Performance of the scheme :

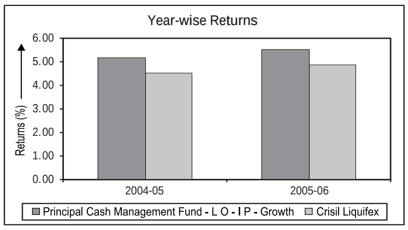
Returns (%) of Growth Option as at December 29, 2006.

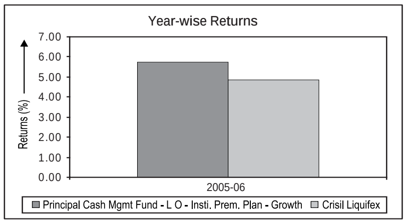
Period	Returns (%)	Crisil Liquid Fund Index (%)
Principal Cash Management Fund Liquid Option		
Last 1 year	6.36	5.95
Last 3 years	5.28	4.86
Last 5 years	5.63	N.A.
Since inception*	6.13	N.A.
Institutional Plan		
Last 1 year	6.56	5.95
Last 3 years	5.51	4.86
Since inception**	5.46	4.73
Institutional Premium Plan		
Last 1 year	6.84	5.95
Since inception^	6.01	5.12

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.
*October 25, 2000. **May 9, 2003 ^August 30, 2004



#**Note:** Index values were not available for the FY 2001-02. Hence, comparison against benchmark index is not provided for the respective years.





Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	Nil
Exit Load	Nil

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

First Rs. 100 crores	2.25
Next Rs. 300 crores	2.00
Next Rs. 300 crores	1.75
Balance	1.50

(iii) Actual expenses for the previous financial year 2005-2006:
Liquid Option : 0.80%
Liquid Option - Institutional Plan : 0.62%
Liquid Option - Institutional Premium Plan : 0.32%

Expenses will be limited to 1.50% for the Money at Call Option - Institutional Plan and Liquid Option - Institutional Plan.

Tax Treatment for the Investors (Unitholders)	Please Refer to Page No. 20
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 and www.amfiindia.com. You can also telephone us at 022-2202 1111.
For Investor Grievances please contact	Please Refer to Page No. 24
Unitholders' Information	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 31st March and 30th September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders unaudited half yearly statement of the scheme's portfolio as on 31st March and 30th 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 Government Securities Fund *(An open-ended dedicated Gilt Scheme)*

Investment Objective

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.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
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

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

Savings Plan, Investment Plan and Provident Fund Plan. All these Plans offer Dividend and Growth Options. 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.

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Please Refer to Page No. 24

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

Savings Plan : I-Sec Si-Bex. Investment Plan and Provident Fund Plans: I-Sec Composite 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.

Dividend Policy

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.

Name of the Fund Manager

Mr. Sandeep Bagla

Name of the Trustee Company

Principal Trustee Company Private Limited

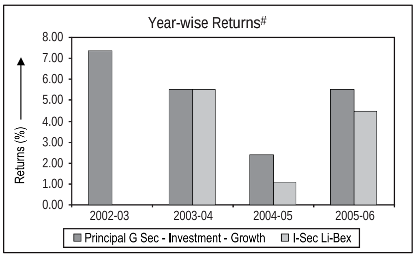
Performance of the scheme :

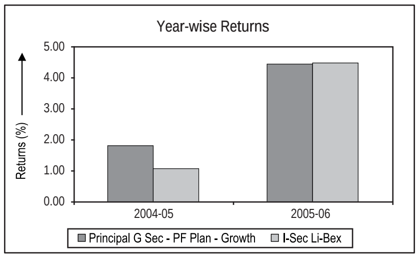
Returns (%) of Growth Option as at December 29, 2006.

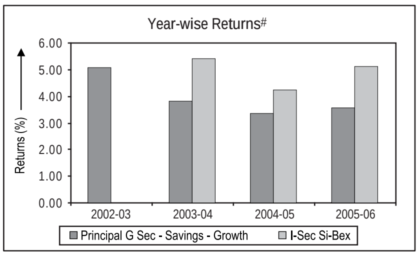
Period	Returns (%)	I-Sec Composite Index^ (%)
Principal Government Securities Fund Investment Plan		
Last 1 year	5.85	5.42
Last 3 years	3.93	3.74
Last 5 years	8.44	N.A.
Since inception*	9.56	N.A.
Provident Fund Plan		
Last 1 year	4.73	5.42
Since inception**	3.14	3.98

Period	Returns (%)	I-Sec Si-Bex (%)
Principal Government Securities Fund Savings Plan		
Last 1 year	6.41	6.12
Last 3 years	4.34	4.86
Last 5 years	5.84	N.A.
Since inception*	6.41	N.A.

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.
*August 23, 2001. **February 13, 2004
^The Benchmark Index for the aforesaid scheme has been changed w.e.f. May 2, 2006.







#**Note:** Index values were not available for the FY 2002-03. Hence, comparison against benchmark index is not provided for the respective years.

Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	Nil
Exit Load	*Savings Plan* - Nil; *Investment Plan* - Nil; *Provident Fund Plan* - 1% if redeemed within 6 months; 0.5% if redeemed between 6 months & 1 year.

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

First Rs. 100 crores	2.25
Next Rs. 300 crores	2.00
Next Rs. 300 crores	1.75
Balance	1.50

(iii) Actual expenses for the previous financial year 2005-2006:
Government Securities Fund - Investment Plan : 1.25%
Government Securities Fund - Savings Plan : 1.00%
Government Securities Fund - Provident Fund Plan : 1.10%

Tax Treatment for the Investors (Unitholders)

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

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

Investment Objective

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.

Investment in the Scheme is subject to a lock-in period of 3 years from the date of allotment.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
Equity and Equity Linked Instruments	Not less than 80%
Debt securities & Money market instruments	Upto 20%

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

No Plans or Options at present

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

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

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

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.

Dividend Policy

The income and profits realized may be distributed by way of dividend. The undistributed portion of the income will remain 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.

Name of the Fund Manager

Mr. R. Srinivasan

Name of the Trustee Company

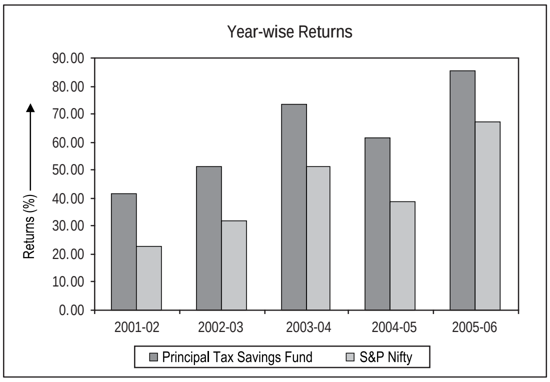
Principal Trustee Company Private Limited

Performance of the scheme :

Returns (%) as at December 29, 2006.

Period	Returns (%)	S&P Nifty (%)
Last 1 year	44.49	40.56
Last 3 years	41.83	28.36
Last 5 years	49.85	30.82
Since Inception*	24.34	13.82

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).
*March 31, 1996.



Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	2.25%
Exit Load	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

(iii) Actual expenses for the previous financial year 2005-2006: 2.46%

Tax Treatment for the Investors (Unitholders)

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Name and Address of Registrar	*Name, address, telephone number, fax number, e-mail i.d of*
Karvy Computershare Pvt. Ltd. 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034.	**Principal Mutual Fund** 5th 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

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* Conditions Apply.

Principal Personal Tax Saver Fund *(An open ended Equity Linked Savings Scheme)*

Free Accidental Death Insurance 150 times the No. of Units^
(Details in the Offer Document)

Investment Objective	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. *Investment in the Scheme is subject to a lock-in period of 3 years from the date of allotment.*
Asset Allocation Pattern of the scheme	**Types of Instruments** — **Normal Allocation (% of Net Assets)** Equity and Equity Linked Instruments — Not less than 80% Debt Securities (Including Securitised Debt) and Money Market Instruments — Upto 20%
Risk Profile of the Scheme	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.
Investment Plans & Options	No Plans or Options at present
Applicable NAV	Please Refer to Page No. 23
Minimum Application Amount / Number of Units	**Purchase**: Rs. 500 and any amount thereafter under each option **Additional Purchase**: Subsequent investment of Rs 500 and any amount thereafter under each option **Repurchase**: Rs 500 or 50 units
Despatch of Repurchase (Redemption) Request	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.
Benchmark Index	BSE 100 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.
Dividend Policy	N.A.
Name of the Fund Manager	Mr. R. Srinivasan
Name of the Trustee Company	Principal Trustee Company Private Limited

Performance of the scheme :

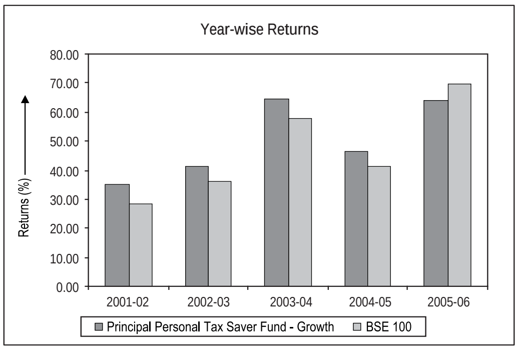
Returns (%) as at December 29, 2006.

Period	Returns (%)	BSE 100 (%)
Last 1 year	40.35	42.29
Last 3 years	31.63	31.98
Last 5 years	38.50	35.57
Since Inception*	33.07	14.74

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).

*April 12, 1996.



Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	2.25%
Exit Load	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

(iii) Actual expenses for the previous financial year 2005-2006: 2.50%

Tax Treatment for the Investors (Unitholders)	Please Refer to Page No. 20
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 and www.amfiindia.com. You can also telephone us at 022-2202 1111.
For Investor Grievances please contact	*Name and Address of Registrar*: **Karvy Computershare Pvt. Ltd.** 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034. *Name, address, telephone number, fax number, e-mail i.d of*: **Principal Mutual Fund** 5th 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
Unitholders' Information	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 31st March and 30th September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders unaudited half yearly statement of the scheme's portfolio as on 31st March and 30th 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.

^ Conditions Apply. Also subject to a maximum of Rs. 1 lakh.

Principal Child Benefit Fund *(An open ended Growth Scheme)*

Life Insurance Cover upto Rs. 50,000/-*
(Details in the Offer Document)

Investment Objective

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.

Asset Allocation Pattern of the scheme

Types of Instruments	Normal Allocation (% of Net Assets)
Equity and Equity Linked Instruments	40 to 60%
Debt securities and Money Market Instruments	60 to 40%

Risk Profile of the Scheme

Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.

Investment Plans & Options

(a) **Future Guard Plan:** 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.

(b) **Career Builder Plan:** 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.

Target Period : 7, 10 or 15 years from the date of allotment under both Options/Plans

Applicable NAV

Please Refer to Page No. 23

Minimum Application Amount / Number of Units

Purchase	Additional Purchase	Repurchase
Rs. 5,000 and any amount thereafter under each option	Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units

Despatch of Repurchase (Redemption) Request

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.

Benchmark Index

Crisil Balanced Fund 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.

Dividend Policy

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.

Name of the Fund Manager

Mr. R. Srinivasan

Name of the Trustee Company

Principal Trustee Company Private Limited

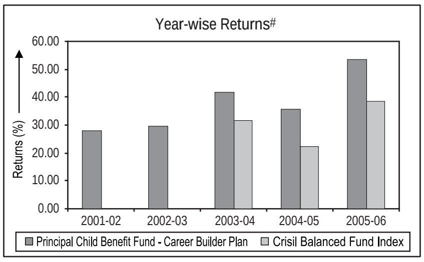
Performance of the scheme :

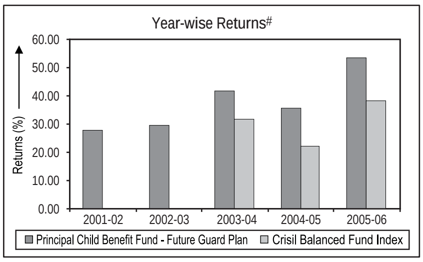
Returns (%) of Growth Option as at December 20, 2006.

Period	Returns (%)		Crisil Balanced Fund Index (%)
	Career Builder	Future Guard	
Last 1 year	41.47	41.41	25.60
Last 3 years	29.45	29.45	18.70
Last 5 years	30.38	30.37	N.A.
Since Inception*	20.99	20.81	N.A.

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. *January 7, 1998.





Note: Index values were not available for the FY 2001-02 & 2002-03. Hence, comparison against benchmark index is not provided for the respective years.

Expenses of the Scheme

(i) Load Structure *(Continuous Offer)*

Entry Load	2.25%
Exit Load	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

(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

(iii) Actual expenses for the previous financial year 2005-2006: 2.50%

Tax Treatment for the Investors (Unitholders)

Please Refer to Page No. 20

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 and www.amfiindia.com. You can also telephone us at 022-2202 1111.

For Investor Grievances please contact

Name and Address of Registrar	*Name, address, telephone number, fax number, e-mail i.d of*
Karvy Computershare Pvt. Ltd. 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034.	**Principal Mutual Fund** 5th 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

Unitholders' Information

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 31st March and 30th September in an English national daily and a Marathi daily. 4. The Fund will send to all unitholders unaudited half yearly statement of the scheme's portfolio as on 31st March and 30th 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.

* For the Future Guard Plan only.

TAX TREATMENT FOR THE INVESTORS (UNITHOLDERS):

TAX TREATMENT OF INVESTMENTS IN MUTUAL FUNDS

Tax implication for the Fund and the unitholders pursuant to Finance Act 2006:

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 (STT)

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

Taxable Securities Transaction	Till May 31, 2006	w.e.f. June 1, 2006 pursuant to Finance Bill, 2006
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	0.10	0.125
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	0.10	0.125
Sale of a derivative, where the transaction of such sale is entered in to a recognized stock exchange	0.0133	0.017
Sale of unit of an equity oriented fund to the Mutual Fund	0.20	0.25

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

- In the case of a taxable securities transaction relating to "option in securities", the aggregate of the strike price and the option premium of such "option in securities";
- In the case of a taxable securities transaction relating to "futures", the price at which such "futures" are traded; and
- In the case of any other taxable securities transaction, the price at which such securities are purchased or sold.

"Taxable securities transaction" 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 1st 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 have been exempted from paying Dividend Distribution Tax.

As per the Explanation to Section 115Tof the Income Tax Act 1961, "equity oriented funds" means "such fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than Sixty five percent of the total proceeds of such fund". 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 in the ELSS 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 will be 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.

C. IN RESPECT OF LONG TERM CAPITAL GAINS

i. Equity Oriented Schemes

Long term capital gains arising on or after October 01, 2004 (i.e. after the date on which the STT comes into force) from the transfer of units of an Equity Oriented scheme (as defined u/s. 115T of the Income Tax Act, 1961) would be exempt from Income-Tax as per section 10(38) of the Income-Tax Act, 1961. The mutual fund would recover STT @ 0.20% (0.25% w.e.f 1st June 2006) 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 (i.e. after the date on which the STT comes into force) from the transfer of units of an equity oriented scheme (as defined under Section 115T of the Income Tax Act, 1961) would be 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:	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 Orinted 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 assessees are as follows:

Resident individuals and HUF	30% plus surcharge plus education cess
Partnership Firms	35% plus surcharge plus education cess
Indian Companies	35% 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 -

- ➢ Long term capital gains (other than Equity oriented schemes) — 20% plus surcharge plus education cess
- ➢ Short term capital gains — 30% plus surcharge plus education cess

b. In case of foreign company -

- ➢ Long term capital gains (other than Equity oriented schemes) — 20% plus surcharge plus education cess
- ➢ Short term capital gains — 40% plus surcharge plus education cess

c. In case of Offshore Fund and FIIs as defined in 115AB

- ➢ Long term capital gains — 10% plus surcharge plus education cess

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.

F. 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 (before the 1st day of April 2006) 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

G. 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.

H. 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.

I. 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.

Asset Allocation Pattern of the scheme for Principal Large Cap Fund

Investment Patttern: Under normal circumstances, the asset allocation would be as follows:

Types of Instruments	% of Net Assets		Risk Profile
	Minimum	Maximum	
Large Cap Equity and Equity Related Instruments*	65%	100%	High
Equity and Equity Related instruments (Other than in (1) above)	0%	35%	High
Money Market Instruments	0%	30%	Low to Medium

* For the purpose of this Fund, Large Cap Companies are defined as those having market capitalization greater than Rs.750 crore as on the date of investment (or any such amount as may be specified by India Index Services Ltd (IISL) from time to time) being the upper limit of market capitalisation as a criteria for inclusion of a company in CNX Midcap 200 Index. However, should IISL come out with a definition of 'Large Cap companies', the same will be utilized.

The Asset Management Company reserves the right to invest in foreign securities and derivatives as follows:

Particulars	% of Net Assets
Investment in ADR/ GDR and foreign securities (equity and equity related instruments)	Not exceeding 30% of the Net Assets of the scheme (subject to limits specified by SEBI from time to time)
Equity Derivatives	Not exceeding 50% of the Net Assets subject to limits as specified by SEBI from time to time.

For details on scenarios/ circumstances when the Fund would invest in derivatives, ADR/GDR, Foreign Securities 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 "Policy and Special Consideration On Investment In Derivatives and Hedging Products of the Offer Document of Principal Large Cap Fund".

Asset Allocation Pattern of the scheme for Principal Junior Cap Fund

Investment Patttern: Under normal circumstances, the asset allocation would be as follows:

Types of Instruments	% of Net Assets		Risk Profile
	Minimum	Maximum	
Equity and equity related instruments of the companies within the market capitalization range of the companies comprising CNX Nifty Junior Index.*	65%	100%	High
Out of the above (a), equity and equity related instruments of companies that comprise CNX Nifty Junior Index.	51%	100%	High
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
Money Market Instruments.	0%	30%	Low to Medium

* 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. www.nseindia.com. 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.

The Fund would not invest in ADR/ GDR and foreign securities.

The Asset Management Company reserves the right to invest in derivatives as follows:

Particulars	% of Net Assets
Equity Derivatives	Not exceeding 50% of the Net assets subject to limits as specified by SEBI from time to time.

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 "Policy and Special Consideration on Investment in Derivatives and Hedging Products", in the offer document.

Asset Allocation Pattern of the scheme for Principal Infrastructure & Services Industries Fund

Investment Patttern: Under normal circumstances, the asset allocation would be as follows:

Types of Instruments	% of Net Assets		Risk Profile
	Minimum	Maximum	
Equity and Equity related instruments of the companies in the infrastructure Industries	25%	75%	High
Equity and Equity related instruments of the companies in the Services Industries	25%	75%	High
Total Equity	**70%**	**100%**	
Debt (including securitised debt) & Money Market Instruments	0%	30%	Low to Medium

Applicable NAV for all Scheme(s) / Plan(s) of Principal Mutual Fund except Principal Cash Management Fund and Principal Floating Rate Fund - Short Maturity Plan

For Subscription / Switch –in / Sweep:

a. In respect of valid applications received upto 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the day of receipt of application shall be applicable;

b. In respect of valid applications received after 3.00 pm with a local cheque or demand draft payable at par at the Official Points of Acceptance of Transactions where it is received, the closing NAV of the next business day shall be applicable; and

c. In respect of the valid applications received with an outstation cheque or demand draft not payable on par at the Official Points of Acceptance of Transactions where the application is received, the closing NAV of day on which the cheque or demand draft is credited shall be applicable.

For Redemptions / Switch – out / Reverse Sweep:

a. In respect of valid applications received upto 3.00 p.m. at the Official Points of Acceptance of Transactions, the closing NAV of the day of receipt of application shall be applicable; and

b. In respect of valid applications received after 3.00 p.m. at the Official Points of Acceptance of Transactions, the closing NAV the next business day shall be applicable.

Applicable NAV for Principal Cash Management Fund and Principal Floating Rate Fund - Short Maturity Plan

For Subscription / Switch –in / Sweep:

a. In respect of valid applications received upto 12.00 noon on a day at the Official Points of Acceptance of Transactions and the funds are available for utilization on the same day, the closing NAV of the day immediately preceding the day of receipt of application shall be applicable;

b. In respect of valid applications received after 12.00 noon on a day at the Official Points of Acceptance of Transactions and the funds are available for utilization on the same day, the closing NAV of the day immediately preceding the next business day shall be applicable; and

c. Irrespective of the time of receipt of application at the Official Points of Acceptance of Transaction , where the funds are not available for utilization on the day of the application, the closing NAV of the day immediately preceding the day on which the funds are available for utilization shall be applicable.

For Redemptions / Switch – out / Reverse Sweep:

a. In respect of valid applications received upto 3.00 pm at the Official Points of Acceptance of Transactions, the closing NAV of the day immediately preceding the next business day shall be applicable; and

b. In respect of valid applications received after 3.00 pm at the Official Points of Acceptance of Transactions, the closing NAV of the next business day shall be applicable.

In case of 'switch' transactions from one scheme to another, the allocation shall be in line with redemption payouts.

For Systematic Investment Plan / Systematic Transfer Plans / Switches:

Systematic Investment Plans

Scheme	
All Equity, Balanced and ELSS except Principal Child Benefit Fund	*Entry Load* - 2.25%. *Exit Load* - Nil.
Principal Child Benefit Fund	*Entry Load* - 2.25 %. *Exit Load* - 3.00% if redeemed within 3 years, 2.00% if redeemed within 3 years to 5 years. NIL if redeemed after 5 years.
Principal Income Fund	*Entry Load* - Nil. *Exit Load* - 0.50% for investment </= Rs. 10 Lac, if redeemed on or before 180 days.
Principal Monthly Income Plan Principal Monthly Income Plan - MIP Plus	*Entry Load* - Nil. Exit Load - 0.50% for Investments of </= Rs.10 Lacs if redeemed on or before 180 days, 0.25% for Investments > Rs.10 Lacs & < Rs. 5 crore if redeemed on or before 30 days, NIL for Investments of Rs. 5 crores and above.
Principal Floating Rate Fund - Flexible Maturity Plan	*Entry Load* - Nil. *Exit Load* - 0.25% if redeemed on or before 90 days for subscription </=Rs.10 Lacs.

Systematic Transfer Plans

Scheme	
All Equity & Balanced Schemes except Principal Child Benefit Fund	*Entry Load* - 2.25%. *Exit Load* - Nil.
Principal Income Fund	*Entry Load* - Nil. *Exit Load* - 0.50% for invstments </= Rs. 10 Lac, if redeemed on or before 180 days.
Principal Monthly Income Plan Principal Monthly Income Plan - MIP Plus	*Entry Load* - Nil. *Exit Load* - 0.50% for Investments of </= Rs.10 Lacs if redeemed on or before 180 days, 0.25% for Investments >Rs.10 Lacs & < Rs. 5 crore if redeemed on or before 30 days, NIL for Investments of Rs. 5 crores and above.
Principal Floating Rate Fund - Flexible Maturity Plan	*Entry Load* - Nil. *Exit Load* - 0.25% if redeemed on or before 90 days for subscription </= Rs.10 Lakhs.

Switches	No Entry Load on switches between all Equity and Balanced schemes excluding Principal Child Benefit Fund. For switches from Principal Index Fund to any other equity or balanced fund the differential entry load between the one paid for while entering Principal Index fund and the entry load applicable for the switch into the new scheme would be charged.

Minimum Application Amount / Number of Units for Principal Income Fund, Principal Income Fund - Short Term Plan and Principal Government Securities Fund

Purchase	Additional Purchase	Repurchase
Rs. 5000 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 Income Fund - Institutional Plan

Purchase	Additional Purchase	Repurchase
Rs. 1 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 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 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. 10 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 Floating Rate Fund

Purchase	Additional Purchase	Repurchase
Short Maturity Plan - Regular Option and Flexible Maturity Plan - Regular Option Rs. 5,000 and any amount thereafter under each option	*Short Maturity Plan - Regular Option and Flexible Maturity Plan - Regular Option* Subsequent investment of Rs 500 and any amount thereafter under each option	Rs 500 or 50 units
Short Maturity Plan - Institutional Option and Flexible Maturity Plan - Institutional Option Rs. 1 crore and any amount thereafter under the plan, with a minimum of Rs.1 lakh in each option.	*Short Maturity Plan - Institutional Option and Flexible Maturity Plan - Institutional Option* Subsequent investment of Rs 1 lakh and any amount thereafter under each plan	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*
Karvy Computershare Pvt. Ltd. 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034.	**Principal Mutual Fund** 5th 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

Key Information Memorandum dated January 18, 2007.