

SCHEME INFORMATION DOCUMENT

Principal Pnb Fixed Maturity Plan 30 Days - Series II

A Close-ended Debt Scheme offering Fixed Maturity Plan

Offer of Units of Rs.10/- each for cash (subject to applicable load)
during the New Fund Offer.

New Fund Offer Opens on : _____, 2008

New Fund Offer Closes on : _____, 2008

Name of Mutual Fund :		Principal Mutual Fund
Name of Asset Management Company :		Principal Pnb Asset Management Company Private Limited
Name of Trustee Company :		Principal Trustee Company Private Limited
Address, Website of the entities :		
Principal Mutual Fund	Principal Pnb Asset Management Company Private Limited	Principal Trustee Company Private Limited
Exchange Plaza, 'B' Wing, 3rd Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai-400 051.	Exchange Plaza, 'B' Wing, 2nd Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai-400 051	Registered Office:- 1209, 12th Floor, Navjivan Society, Building No. 3, Lamington Road, Mumbai - 400008 Address for Correspondence :- Exchange Plaza, 'B' Wing, 3rd Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai-400 051
Website: www.principalindia.com • email: customer@principalindia.com • Tel. No.: +91 22 2202 1111 • Fax: +91 22 2204 4466		

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date, and filed with SEBI, along with a Due Diligence Certificate from Principal Pnb Asset Management Company Pvt. Ltd. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.

The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of Principal Mutual Fund, Tax and Legal issues and general information on www.principalindia.com.

SAI is incorporated by reference and is legally a part of the Scheme Information Document. For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.

The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated July 9, 2008.



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HIGHLIGHTS/SUMMARY OF THE SCHEME

Investment Objective	The investment objective of the Scheme is to seek to build an income oriented portfolio and generate returns through investment in Debt / Money Market Instruments and Government Securities.						
Liquidity	<p>The Scheme being offered through this Scheme Information Document is a closed ended debt scheme. The Scheme will offer for Redemption / Switch-out of Units at NAV based prices on every Business Day on an ongoing basis (before the Maturity Date / Final Redemption Date), commencing not later than 15 days from the closure of New Fund Offer Period of each Plan.</p> <p>As per SEBI Regulations, the Mutual Fund shall despatch Redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% or such other rate as may be prescribed by SEBI from time to time, will be paid in case the redemption proceeds are not made within 10 Business Days of the date of Redemption request.</p> <p>However, under normal circumstances, the Mutual Fund will endeavor to despatch the Redemption proceeds within 3-4 Business Days (as applicable) from the acceptance of the duly completed Redemption request.</p>						
Benchmark	The Benchmark Index for the scheme would be 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, subject to SEBI Regulations.						
Transparency/ NAV Disclosure	<p>The AMC will calculate and disclose the first NAV of the respective Plans not later than 15 days from the closure of New Fund Offer Period of the respective Plans. Subsequently, the NAV will be calculated and disclosed at the close of every Business Day and released to the Press, News Agencies and the Association of Mutual Funds of India (AMFI) except in special circumstances. NAVs will also be displayed on the Website of the Mutual Fund. The AMC shall update the NAVs on the website of the Mutual Fund and on the website of Association of Mutual Funds in India - AMFI (www.amfiindia.com) by 9.00 p.m. every Business Day. In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of business hours on the following day due to any reasons, the Mutual Fund shall issue a press release giving reasons and explaining when the Mutual Fund would be able to publish the NAVs.</p> <p>The Mutual Fund shall disclose the full portfolio of Plans under the Scheme at least on a half-yearly basis on the website of AMC. As presently required by the SEBI Regulations, a complete statement of the respective Plans portfolio would be published by the Mutual Fund as an advertisement in one English daily Newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated within one month from the close of each half year (i.e. March 31 & September 30) or mailed to the Unit holders.</p>						
Loads (During NFO as well as ongoing basis) "Entry Load" "Exit Load" or "Redemption Load" (Load on Redemption / Switch out of Units)	No Entry Load will be charged during the New Fund Offer of the Scheme.						
	The exit load will be charged as follows:						
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Redemption</th> <th style="text-align: center;">As a % of amount redeemed/ NAV</th> </tr> </thead> <tbody> <tr> <td>From First NAV to Maturity</td> <td style="text-align: center;">0.3%</td> </tr> <tr> <td>On Maturity</td> <td style="text-align: center;">NIL</td> </tr> </tbody> </table>	Redemption	As a % of amount redeemed/ NAV	From First NAV to Maturity	0.3%	On Maturity	NIL
	Redemption	As a % of amount redeemed/ NAV					
From First NAV to Maturity	0.3%						
On Maturity	NIL						
In case if the date of redemption is a holiday / non business day, the deemed date for such redemption will be the next business day. Load on switch out will be same as exit load applicable.							
Minimum Application Amount	Minimum application amount will be Rs. 1000 under Regular Plan and Rs. 50 Lacs under Institutional Plan.						
Investment Options/Plans	The Scheme will have two Investment Plans viz. Regular Plan and Institutional Plan with Growth and Dividend Options under each Plan. The Regular Plan and Institutional Plan will share a common portfolio. Further, the Dividend Option under both Plans will have the facility of Payout and Sweep.						

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A. RISK FACTORS

Standard Risk Factors:

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- As the price / value / interest rates of the securities in which the scheme invests fluctuates, the value of your investment in the scheme may go up or down. As with any investment in stocks, shares and securities, the NAV of the Units under the Scheme can go up or down, depending on the factors and forces affecting the capital markets.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the scheme.
- Principal Pnb Fixed Maturity Plan - 30 Days - Series II is only the name of the scheme and does not in any manner indicate either the quality of the scheme or its future prospects and returns.
- The sponsor or any of its associates including co-settlers is not responsible or liable for any loss resulting from the operation of the scheme beyond the initial contribution of 25 lakhs made by it towards setting up the Fund.
- The present scheme is not a guaranteed or assured return *scheme*

Scheme Specific Risk Factors:• **Schemes investing in Bonds -**

Price-Risk or Interest-Rate Risk: Fixed income securities such as bonds, debentures and money market instruments run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.

Credit Risk: In simple terms this risk means that the issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. It must, however, be noted that where the Scheme has invested in Government Securities, there is no credit risk to that extent.

Re-investment Risk: Investments in fixed income securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

Interest rate movement (Basis Risk) : The changes in the prevailing rates of interest will likely affect the value of the Scheme's holdings until the next reset date and thus the value of the Schemes' Units. Increased rates of interest, which frequently accompany inflation and/ or a growing economy, are likely to have a negative effect on the value of the Units. The value of securities held by the Scheme generally will vary inversely with changes in prevailing interest rates. The fund could be exposed to the interest rate risk (i) to the extent of time gap in resetting of the benchmark rates, and (ii) to the extent the benchmark index fails to capture the interest rate movement.

Prepayments and Charge Offs Risk: In the event of prepayments, investors may be exposed to changes in tenor and yield. Also, any Charge Offs would result in the reduction in the tenor of the Pass Through Certificates (PTCs).

Liquidity and Settlement Risks: The liquidity of the Scheme's investments may be inherently restricted by trading volumes, transfer procedures and settlement periods. From time to time, the Scheme will invest in certain securities of certain companies, industries, sectors, etc based on certain investment parameters as adopted internally by AMC. While at all times the Trustees and the AMC will endeavor that excessive holding/ investment in certain securities of industries, sectors, etc. by the Scheme be avoided, the assets invested by the Scheme in certain securities of industries, sectors, etc. may acquire a substantial portion of the Scheme's investment portfolio and collectively may constitute a risk associated with non-diversification and thus could affect the value of investments. The Scheme may have difficulty in disposing of certain securities because the security may be unlisted, due to greater price fluctuations there may be a thin trading market, different settlement periods and transfer procedures for a particular security at any given time. Settlement if accomplished through physical delivery of stock certificates is labour and paper intensive and may affect the liquidity. It should be noted that the Fund bears the risk of purchasing fraudulent or tainted papers. The

secondary market for money market/debt securities does exist, but is generally not as liquid as the secondary market for other securities. Reduced liquidity in the secondary market may have an adverse impact on market price and the Scheme's ability to dispose of particular securities, when necessary, to meet the Scheme's liquidity needs or in response to a specific economic event, such as the deterioration in the creditworthiness of the issuer, etc. or during restructuring of the Scheme's investment portfolio. Furthermore, from time to time, the AMC, the Custodian, the Registrar, any Associate, any distributor, dealer, any company, corporate bodies, trusts, any scheme/Mutual Fund managed by the AMC or by any other AMC may invest in the Scheme. While at all times the Trustees and the AMC will endeavor that excessive holding of Units in the Scheme(s) among a few unitholders is avoided, however, the amounts invested by these aforesaid persons may acquire a substantial portion of the Scheme's outstanding Units and collectively may constitute a majority unitholder in the Scheme. Accordingly, redemption of Units held by such persons may have an adverse impact on the value of the redemption and may impact the ability of the unitholders to redeem their respective Units.

• **Risks associated with Investing in Foreign Securities -**

The Scheme will not invest in foreign debt instruments including foreign securitized debt.

• **Risks associated with Investing in Securitised Debt -**

The Fund will predominantly invest only in those securitisation issuances which have AAA rating indicating the highest level of safety from credit risk point of view at the time of making an investment. The Fund will not invest in foreign securitised debt.

The fund may invest in various type of securitisation issuances, including but not limited to Asset Backed Securitisation, Mortgage Backed Securitisation, Personal Loan Backed Securitisation, Collateralized Loan Obligation / Collateralized Bond Obligation and so on. The fund does not propose to limit its exposure to only one asset class or to have asset class based sub-limits as it will primarily look towards the AAA rating of the offering.

The fund will conduct an independent due diligence on the cash margins, collateralisation, guarantees and other credit enhancements and the portfolio characteristic of the securitisation to ensure that the issuance fits in to the overall objective of the investment in high investment grade offerings irrespective of underlying asset class.

Risk Factors specific to investments in Securitised Papers

Types of Securitised Debt vary and carry different levels and types of risks. Credit Risk on Securitised Bonds depends upon the Originator and varies depending on whether they are issued with Recourse to Originator or otherwise. Even within securitised debt, AAA rated securitised debt offers lesser risk of default than AA rated securitized debt. A structure with Recourse will have a lower Credit Risk than a structure without Recourse.

Underlying assets in Securitised Debt may assume different forms and the general types of receivables include Auto Finance, Credit Cards, Home Loans or any such receipts, Credit risks relating to these types of receivables depend upon various factors including macro economic factors of these industries and economies. Specific factors like nature and adequacy of property mortgaged against these borrowings, nature of loan agreement/ mortgage deed in case of Home Loan, adequacy of documentation in case of Auto Finance and Home Loans, capacity of borrower to meet its obligation on borrowings in case of Credit Cards and intentions of the borrower influence the risks relating to the asset borrowings underlying the securitised debt. Holders of the securitised assets may have low credit risk with diversified retail base on underlying assets especially when securitised assets are created by high credit rated tranches, risk profiles of Planned Amortisation Class tranches (PAC), Principal Only Class Tranches (PO) and Interest Only class tranches (IO) will differ depending upon the interest rate movement and speed of prepayment.

Unlike in plain vanilla instruments, in securitisation transactions, it is possible to work towards a target credit

• **Spread Risk**

In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However depending upon the market conditions the spreads may move adversely or favourably leading to fluctuation in NAV.

• **Reinvestment Risk**

Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently the proceeds may get invested at a lower rate.

B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME

The Scheme shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme. These conditions will be complied with immediately after the close of the NFO itself i.e. at the time of allotment. In case of non-fulfillment with the condition of minimum 20 investors, the Scheme shall be wound up in accordance with Regulation 39 (2) (c) of SEBI (MF) Regulations automatically without any reference from SEBI. In case of non-fulfillment with the condition of 25% holding by a single investor on the date of allotment, the application to the extent of exposure in excess of the stipulated 25% limit would be liable to be rejected and the allotment would be effective only to the extent of 25% of the corpus collected. Consequently, such exposure over 25% limits will lead to refund within 6 weeks of the date of closure of the New Fund Offer.

C. SPECIAL CONSIDERATIONS, if any

Investment in the Scheme should be viewed by an investor/unitholder as a medium to long term investment as mutual funds carry normal market risks and there can be no assurance and no guarantee that the Scheme will achieve its objective. It is recommended that an investment in the Scheme should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all, as investment decisions made by the AMC will not always be profitable or prove to have been correct. As with any investment in stocks, shares and securities, the NAV of the Units under the Scheme can go up or down, depending on the factors and forces affecting the capital markets. Past performance of the schemes of Principal Mutual Fund, the Sponsor or its Group affiliates is not indicative of and does not guarantee the future performance of the scheme. The name of the Scheme does not in any manner indicate the quality of the Scheme, its future prospects or the returns. The Scheme is not intended as a complete investment program. Investors, therefore, are urged to study the terms of this offer carefully and consult their Investment Advisor before they invest in the Scheme. Investors'/unitholders' attention is drawn to the risk factors set out in the beginning of this Scheme Information Document and also to the following specific risks:

Regulatory Risks: Neither this Scheme Information Document nor the Units have been registered in any jurisdiction. The distribution of this Scheme Information Document in certain jurisdictions may be restricted or subject to registration requirements and, accordingly, persons who come into possession of this Scheme Information Document are required to inform themselves about, and to observe, any such restrictions. No person receiving a copy of this Scheme Information Document or any accompanying application form in such jurisdiction may treat this Scheme Information Document or such application form as constituting an invitation to them to subscribe for Units, nor should they in any event use any such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance with any registration or other legal requirements. Accordingly, this Scheme Information Document does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Scheme Information Document and any persons wishing to apply for Units pursuant to this Scheme Information Document to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.

Prospective investors should review/study this Offer carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial/investment matters and are advised to consult their own professional advisor(s) as to the legal or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale, transfer, switch or redemption or conversion into money) of Units and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalization, disposal (sale, transfer, switch or redemption or conversion into money) of Units within their jurisdiction/of nationality, residence, domicile etc. or under the laws of any jurisdiction to which they or any managed Funds to be used to purchase/gift Units are subject, and (also) to determine possible legal, tax, financial or other consequences of subscribing/gifting to, purchasing or holding Units before making an application for Units.

No person has been authorized to give any information or to make any representations not confirmed in this Scheme Information Document in connection with the Offer of Units, and any information or representations not contained herein must not be relied upon as having been authorized by the Mutual Fund or the AMC or the Trustee. Statements made in this Scheme Information Document are based on the law and practice currently in force in India and are subject to change therein. Neither the delivery of this Scheme

Information Document nor any sale made hereunder shall, under any circumstances, create any impression that the information herein is correct as of any time subsequent to the date hereof.

Performance Risk: The value of (and income from) an investment in the Scheme can decrease as well as increase, depending on a variety of factors, which may affect the values and income generated by a Scheme's portfolio of securities. The returns of a Scheme's investments are based on the current yields of the securities, which may be affected generally by factors affecting capital markets such as price and volume, volatility in the stock markets, interest rates, currency exchange rates, changes in government and Reserve Bank of India policy, taxation, political, economic or other developments and closure of the stock exchanges. Investors should understand that the investment composition indicated for the Scheme(s), in line with prevailing market conditions, is only a hypothetical example as all investments involve risk and there can be no assurance that the Scheme's investment objective will be attained nor will the Scheme(s) be in a position to maintain the model percentage of investment pattern/composition particularly under exceptional circumstances such that the interest of the unitholders are protected.

The AMC will endeavor to invest in highly researched growth companies, however the growth associated with equities is generally high as also the erosion in the value of the investments/portfolio in the case of the capital markets passing through a bearish phase is a distinct possibility. Changes in the prevailing rates of interest is likely to affect the value of the Scheme's investments and thus the value of the Scheme's Units. The value of money market/debt instruments held by the Scheme generally will vary inversely with the changes in prevailing interest rates. The AMC, while investing in fixed-income instruments like debt, etc., shall consider and evaluate the risk of an issuer's ability to meet principal and interest payments (credit risk) and also the price volatility due to such factors as interest sensitivity, market perception or the creditworthiness of the issuer and general market liquidity (market risk). While it is the intent of the AMC to invest primarily in more highly rated debt securities and highly researched growth companies, the Scheme may from time to time invest in high yielding/growth, lower rated and/or privately placed/unlisted/securitised securities. Lower rated or unrated securities are more likely to react to developments affecting market and credit risk than highly rated securities. The credit risk factors pertaining to lower rated securities also apply to lower rated zero coupon, deferred interest bonds.

Techniques Risk: The Scheme may use techniques and instruments that may be permitted and/or that may become permissible under SEBI/RBI Regulations and/or Regulations and/or statutory modification or re-enactment thereof for efficient portfolio management and to attempt to hedge or reduce the risk of such fluctuation. However, these techniques and instruments, if imperfectly used have the risk of the scheme incurring losses due to mismatches particularly in a volatile market. The Fund's ability to use these techniques may be limited by market conditions, regulatory limits and tax considerations (if any). The use of these techniques is dependent on the ability to predict movements in the prices of securities being hedged and movements in interest rates. There exists an imperfect correlation between the hedging instruments and the securities or market sectors being hedged. Besides, the fact that skills needed to use these instruments are different from those needed to select the Fund's/Scheme's securities. There is a possible absence of a liquid market for any particular instrument at any particular time even though the futures and options may be bought and sold on an organized stock exchange. The use of these techniques involves possible impediments to effective portfolio management or the ability to meet repurchase/redemption requests or other short-term obligations because of the percentage of the Scheme's assets segregated to cover its obligations.

Political Risk: Whereas the Indian market was formerly restrictive, a process of deregulation has been taking place over recent years. This process has involved the removal of trade barriers and other protectionist measures, which could adversely affect the value of investments. It is possible that future changes in the Indian political situation, including political, social, or economic instability, diplomatic developments and changes in laws or regulations could have an effect on the value of investments. Expropriation, confiscatory taxation, or other relevant developments could also affect the value of investments.

D. DEFINITIONS

ABBREVIATION & DEFINITIONS

AMC/Asset Management Company/Investment Manager/Principal : Principal Pnb Asset Management Company Private Limited.

Applicable NAV:

The NAV applicable for redemption or switchout based on the time of the business day on which the application his accepted.

Switch Transactions

Valid applications for “switch out” shall be treated as redemptions and the above cut-off timings shall be applicable, accordingly.

Business Day : A day other than :

- (i) Saturday and Sunday,
- (ii) a day on which the Banks in Mumbai and/or RBI are closed for business/clearing,
- (iii) a day on which the Stock Exchange, Mumbai and/or National Stock Exchange are closed,
- (iv) a day which is a public and/or bank holiday at a collection centre where the application is received,
- (v) a day on which sale and repurchase of units is suspended by the AMC,
- (vi) a day on which normal business could not be transacted due to storms, floods, bandhs, strikes etc.

The AMC reserves the right to declare any day as a Business Day at any or all collection centres.

Calendar Year / Year: A Calendar Year shall be full English Calendar months viz. 12 months commencing from 1st January and ending on 31st December.

Collection Centre : Branches of Banks and/or AMC's service centres/Investor Service Centres authorized to receive application forms during ongoing offering and also redemption/switch requests as mentioned in this Scheme Information Document or appointed from time to time. These centres shall be regarded the “Official Points” of acceptance of transactions for subscription/redemption/switch and the Cut-Off timing for various transactions shall be reckoned at these Official Points.

Co-Settlers: Principal Financial Group (Mauritius) Limited, Punjab National Bank and Vijaya Bank, the co-settlers to the Principal Mutual Fund.

Credit Risk : Risk of default in payment of principal or interest or both.

Custodian : An entity (for the time being Citi Bank NA) appointed for holding the securities and other assets of the Fund.

CDSC : Contingent Deferred Sales Charge permitted under the Regulations to be borne by the Unit Holder upon exiting (whether by way of redemption or Inter-scheme switching) based on the amount of investment (if applicable) and period of holding of Units.

Day : Any day (including Saturday, Sunday and holiday) as per English Calendar viz 365 days in a year.

Debt Instruments : Government securities, corporate debentures, bonds, promissory notes, money market instruments, pass-through obligations, asset backed securities/securitised debt and other possible similar securities.

Depository : Depository as defined in the Depository Act, 1996 (22 of 1996).

Dividend : Income distributed by the Mutual Fund on the units.

Entry Load : Load on sale/switch in of units.

Exit Load : Load on repurchase/switch out of units.

FII(s) : Foreign Institutional Investor(s), registered with SEBI under Securities and Exchange Board of India (Foreign Institutional Investors) Regulation, 1995.

Financial Year : A Financial Year shall be full English Calendar months viz. 12 months commencing from 1st April and ending on 31st March.

Fund/Mutual Fund : Principal Mutual Fund, a trust set up under the provisions of the Indian Trust Act, 1882 and registered with SEBI bearing Registration No. MF/019/94/0 dated December 13, 1994.

Fixed Income Securities : Debt Securities created and issued by, inter alia, Central Government, State Government, Local Authorities, Municipal Corporations, PSUs, Public Companies, Private Companies, Bodies Corporate, Unincorporated SPVs and any other entities which may be recognised/permitted which yield at fixed or variable rate by way of interest, premium, discount or a combination of any of them.

Gilts/Government Securities : As defined under Section 2(b) of the Securities Contract (Regulation) Act, 1956, Government Security means a security created and issued, whether before or after the commencement of the Act, by the Central Government and/or a State Government and having one of the forms specified in clause (2) of Section 2 of the Public Debt Act, 1944 (18 of 1944) including any amendments thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued from time to time; Treasury Bills, such other instruments as may be declared by Government of India and/or SEBI and/or RBI and/or any other regulatory authority to be securities; and rights or interest in the securities.

GOI : Government of India.

Group : As defined in clause (ef) of section 2 of the Monopolies and

Restrictive Trade Practices Act, 1969 (54 of 1969).

Investor : Any resident or non-resident person whether individual or not (legal entity), who is eligible to subscribe for units under the laws of his/her/their state/country of incorporation, establishment, citizenship, residence or domicile and under the Income Tax Act, 1961 including amendments thereto from time to time and who has made an application for subscribing units under the Scheme. Under normal circumstances, a Unitholder shall be deemed to be the investor.

Investment Management Agreement/IMA : Investment Management Agreement dated 25/11/94 as amended from time to time, between the Trustee and AMC.

ISC : Investor Service Centre of the Mutual Fund.

Load : A sum of money deducted from the value received or paid to the unitholder towards Sale/Repurchase of units.

Money market instruments includes commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time;

NAV : Net Asset Value of the units of the Scheme (and Options therein) calculated in the manner provided in this Scheme Information Document by dividing the net assets by the number of outstanding units (on any valuation day) or as may be prescribed by the SEBI Regulations from time to time. The NAV will be computed upto four decimal places.

Net Assets : Net Assets of the Scheme at any time shall be the total value of the Schemes' assets, less its liabilities taking into consideration the accruals and the provision.

NFO: New Fund Offer.

Non Resident : Non resident is any person who is not a resident in India.

Scheme Information Document : This document issued by Principal Mutual Fund, inviting to subscribe to the units of Principal Pnb Fixed Maturity Plan – 30 Days – Series II.

Person of Indian Origin : A person (not being a citizen of Pakistan or Bangladesh or Sri Lanka) shall be deemed to be of Indian origin, if

- i) He (She), at any time, held an Indian Passport;
- ii) He (She) or either of his (her) parents or any of his (her) grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955);
- iii) The person is the spouse of an Indian citizen or of a person of Indian origin (not being a citizen of Pakistan or Bangladesh or Sri Lanka).

Permissible Investments or Investments : Collective or group investments made on account of the unitholders of the scheme(s) in Securities and other assets in accordance with the SEBI/RBI Regulations and amendments thereto.

Portfolio : Portfolio at any time shall include all Permissible Investments and Cash.

RBI : Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time.

Registrars/Registrar and Transfer Agent : Registrar for the time being of the Mutual Fund which, at present, is Karvy Computershare Pvt. Ltd., or such agency appointed by the AMC.

Regulations : Regulations imply SEBI Regulations and the relevant rules and provisions of the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996; Public Debt Act, 1944; The Income Tax Act, 1961; Wealth Tax Act, 1957; Gift Tax Act, 1958, the Foreign Exchange Management Act, 1999, the Indian Trusts Act, 1882 as amended from time to time and shall also include any Circulars, Press releases or Notifications that may be issued by SEBI or the Government of India or the Reserve Bank of India.

Repo/Reverse Repo : Sale/Purchase of Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase/resell them at a later date.

Repurchase/Redemption : The units of Principal Pnb Fixed Maturity Plan – 30 Days – Series II which will be bought back by the Fund on an ongoing basis subsequent to the re-opening of the Scheme for sale/repurchase.

Resident : A resident means any person resident in India under the Foreign Exchange Management Act, and under the Income Tax Act, 1961 including amendments thereto from time to time.

Scheme(s) : Different schemes offered by Principal Mutual Fund.

SEBI : Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992, as amended from time to time.

SEBI Regulations/Mutual Fund Regulations: The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, or such other Regulation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/clarification and guidelines in the form of notes or circulars etc. issued from time to time for regulating Mutual Funds in India, by SEBI.

Securities : Include Debt instruments like notes bonds, debentures, debenture stock, warrants, etc., futures, options, derivatives etc or other transferable securities of a like nature in or of any incorporated company or other body corporate, Gilts/Government securities, Mutual Fund units, Money Market Instruments like Call Deposit, Commercial Paper, Treasury Bills etc. such other instruments as may be declared by GOI and/or SEBI and/or RBI and/or any other regulatory authority to be securities; and rights or interest in securities, mortgage/Asset backed securities, securitised receivable auto loans, etc.

Sponsor : Principal Financial Services Inc., USA acting through its wholly owned subsidiary Principal Financial Group (Mauritius) Limited

Switch : Transfer of units of one Scheme of Principal Mutual Fund to another Scheme of Principal Mutual Fund.

Tax Act : Income Tax Act, 1961, Wealth Tax Act 1957 and Gift Act, 1958, or such other legislation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/rules, regulations any clarification and guidelines issued from time to time by the GOI.

This Scheme/Plan : Shall mean Principal Pnb Fixed Maturity Plan – 30 Days – Series II and the Plans and options thereunder being offered by Principal Mutual Fund.

Total Assets : Total Assets of the Scheme at any time shall be the total value of the Scheme's assets, taking into consideration the accruals.

Trust Deed : The Trust Deed of the Mutual Fund dated November 25,1994 made by and between the Sponsor and the Trustee as amended from time to time or any replacement or substitution thereof.

Trustee : Principal Trustee Company Private Limited incorporated under the Companies Act, 1956.

Unitholder : A unitholder means any resident or non-resident person whether individual or not (legal entity), who being eligible to subscribe in the scheme has been allotted units under the Scheme based on a valid application and thus hold units in the Scheme.

Units : Undivided Share of a unitholder in the assets of the Scheme (and of the option(s),if any) as evidenced by any letter/advice or any other statement/certificate/instrument.

Interpretation

For all purposes of this Scheme Information Document, except as otherwise expressly provided or unless the context otherwise requires:

- ◆ The terms defined in this Scheme Information Document include the plural as well as the singular.
- ◆ Pronouns having a masculine or feminine gender shall be deemed to include the other.

In this Scheme Information Document, all references to “dollars” or “\$” refers to United States dollars, and “Rs” refers to Indian Rupees. A “crore” means “ten million” and a “lakh” means a “hundred thousand”.

E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

It is confirmed that:

- (i) the draft Scheme Information Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
- (ii) all legal requirements connected with the launching of the scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.
- (iii) the disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme.
- (iv) the intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

For **Principal Pnb Asset Management Company Pvt. Ltd.**

Place: Mumbai
Date : July 9, 2008

Sd/-
Sujata Punjabi
Head - Legal & Compliance

Note: The Due Diligence Certificate as stated above was submitted to Securities and Exchange Board of India on July 9, 2008.

II. INFORMATION ABOUT THE SCHEME

A. TYPE OF THE SCHEME

A close-ended debt scheme offering Fixed Maturity Plan.

B. WHAT IS THE INVESTMENT OBJECTIVE OF THE SCHEME?

The investment objective of the Scheme is to seek to build an income oriented portfolio and generate returns through investment in Debt / Money Market Instruments and Government Securities.

The Scheme will invest in a diversified portfolio of debt, money market securities and Government Securities from time to time. The Scheme will predominantly invest in a distinct portfolio of debt securities maturing generally in line with the time profile of the Scheme. The Scheme does not guarantee any returns and there is no assurance that the investment objectives of the Scheme will be achieved.

C. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

Under normal circumstances, the asset allocation pattern of the Scheme would be as follows:

Instrument	Indicative allocations (% of total assets)		Risk Profile
	Min.	Max.	
Debt securities (including securitized debt*) and Money Market Instruments.	0%	100%	Low to Medium
Government Securities	0%	100%	Low

4 * Investment in Securitised Debt may be up to 100% of the net assets of the Scheme.

14 Subject to the SEBI Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute. These proportions can vary substantially depending upon the perception of the Investment Manager; the intention being at all times to seek to protect the interests of the Unitholders. Such changes in the investment pattern will be for short term and for defensive considerations only. The portfolio would be reviewed periodically to address any deviations from the aforementioned allocations due to market changes.

Overview of Debt Market in India

12 Indian debt markets have witnessed a rapid growth in last couple of years aided by increased government borrowing and initiatives by Reserve Bank of India to implement structural changes in the market place. The debt market is primarily divided into four segments - government securities market, corporate debt market, short-term placement market and derivatives market. While government securities market is highly liquid and accounts for almost 90% of daily market turnover, corporate debt and derivatives markets are developing rapidly. The volumes in the government securities market range between Rs.1,500 to Rs.6,000 crores. The main participants in debt market are banks, primary dealers, mutual funds, insurance companies, provident funds and corporates. The government securities are issued in the form of Treasury Bills (91 and 364 days) and long-term bonds. The corporate debt issuance is in the form of short-term commercial papers (upto 1yr) and short and long-term debentures. Of late, securitized asset issuance has gone up sharply with several financial intermediaries issuing asset-backed securities on their assets like commercial loans, personal loans, housing loans etc. The short-term placement market comprises call money, bank deposits and very short maturity corporate debentures. The kinds of risk associated with fixed-income investment are interest rate risk, credit risk and liquidity risk.

Following table exhibits various debt instruments along with indicative yields as on the date of the Scheme Information Document.

Instrument and Maturity Profile	Indicative Yield (p.a)	Liquidity Profile	Risk
Treasury bills 3 months - 1 year	7.00% - 7.75%	High	Low
Government of India Securities - 1 yr - 3 yrs	7.25% - 8.00%	High	Moderate
Government of India Securities - 3 yrs - 7 yrs	7.25% - 8.00%	High	Moderate
Government of India Securities - 7-20 years	7.50% - 8.50%	High	High
Money Market Instruments	6.75% - 9.00%	High	Low
Corporate Bonds 1 yr - 3 yr maturity	8.75% - 9.75%	Moderate to High	Low to moderate
Corporate Bonds AAA rated 3 yrs - 5 yrs maturity	9.25% - 9.75%	Moderate to High	Moderate to High
Corporate Bonds below AAA rated but of investment grade 3 yrs - 5yrs	9.00% - 10.50%	Low to Moderate	Moderate to High

INVESTMENT PROCESS

There is separate team for investment in fixed income instruments & equities. The team works under the supervision of Chief Investment Officer (CIO). CIO is overall in charge for the Fund's investment.

Debt – Decision making process :

The debt team comprises of the Fund Manager, Credit Analyst & Dealer. The Fund Manager holds charge of the schemes under his management. He is responsible for the performance of the schemes under him. Role of Credit Analysts is to study all companies in which the fund is investing for credit quality. The dealer executes the trading mandates that are passed onto him with a view to getting the best execution in terms of price and quantity.

A Credit Committee (CC) comprising of Executive Director, Chief Investment Officer and the Debt Fund Manager has been constituted to approve the investment in Securities having credit risks. The decision making in the committee is by majority vote. The investment proposals in specified format are put up before the committee for their approval. The fund manager can invest only in those credits that have been approved by the committee. Such approvals are kept to record the decision taken at the credit committee meeting. In case of unrated papers, same are circulated to AMC board and Board of Trustees for their approval before making an investment. No specific approval is required for investment in government securities and Treasury Bills.

The AMC has been recording investment decisions since the receipt of instructions from SEBI.

Review by Board of AMC and Trustees

A detailed review of the schemes of the Fund including its performance vis-à-vis benchmark index, assets size, rankings/ratings received, if any is placed before the Board of Directors of AMC and to the Trustee on a quarterly basis.

D. WHERE WILL THE SCHEME INVEST?

15 Predominantly, investments would be in money market instruments and short dated debt instruments, including securitisation and government securities. Select exposure may be undertaken in debt instruments including securitisation and government securities of maturities different from that of the portfolio.

The Scheme will not invest in foreign debt instruments including foreign securitized debt.

INVESTMENT LIMITATIONS

Pursuant to SEBI Regulations, the following investment limitations are applicable :

1. A Mutual Fund scheme shall not invest more than 15% of its NAV in debt instruments (of any residual maturity period) issued by a single issuer which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the Act. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of the AMC.

Provided that such limit shall not be applicable for investments in government securities and money market instruments (other than debentures).

Provided further that the debentures irrespective of any residual maturity period (above or below one year), shall attract restriction as applicable under clause 1 and 1A of Seventh Schedule to the SEBI (Mutual Funds) Regulations, 1996

Provided further that the restrictions for investments made in securitised debt (mortgage backed securities/asset backed securities) would be applicable as per the clarification made by SEBI vide circular no. SEBIIMD/CIR No.6/63715/06, dated March 29, 2006.

2. A Mutual Fund scheme shall not invest more than 10% of its NAV in unrated debt instruments (of any residual maturity period) issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of the AMC.
3. No Mutual Fund under all its schemes taken together should own more than ten per cent of any company's paid up capital carrying voting rights.
4. Transfers of investments from one scheme to another scheme in the same Mutual Fund shall be allowed only if:

- Such transfers are done at the prevailing market price for quoted instruments on spot basis.

Explanation - "Spot basis" shall have same meaning as specified by stock exchange for spot transactions.

- The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

5. A scheme may invest in another scheme under the same AMC or any other Mutual Fund without charging any fees, provided that aggregate interscheme investment made by all schemes under the same management or in schemes under the management of any other AMC shall not exceed 5% of the NAV of the Mutual Fund.

Provided that this clause shall not apply to any fund of funds scheme.

6. The sales, marketing & such other expenses connected with sales & distribution of schemes shall be met from the entry load.
7. Every Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities. Provided that a Mutual Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI.
8. Every Mutual Fund shall get the securities purchased or transferred in the name of the Mutual Fund on account of the concerned scheme, wherever investments are intended to be of long-term nature.
9. Pending deployment of Funds of a scheme in securities in terms of investment objective of the scheme, a Mutual Fund can invest the Funds of the scheme in short term deposits of scheduled commercial banks.
- No mutual fund scheme shall park more than 15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
 - No mutual fund scheme shall park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.”
 - Short Term for such parking of fund by Mutual Fund shall be treated ad a period not exceeding 91 day.
10. No Mutual Fund scheme shall make any investment in:
- any unlisted security of an associate or group company of the sponsor; or
 - any security issued by way of private placement by an associate or group company of the sponsor; or
 - the listed securities of group companies of the sponsor which is in excess of 25% of the net assets
11. No scheme of mutual fund shall make any investment in any fund of funds scheme.
12. No Mutual Fund scheme shall invest more than 10% of its NAV in the equity shares or equity related instruments of any company.
Provided that the limit of 10% shall not be applicable for investments in index scheme or sector or industry specific scheme.
13. A Mutual Fund scheme shall not invest more than 5% of its NAV in the unlisted equity shares or equity related instruments of any company in case of open ended scheme and 10% of its NAV in case of close ended scheme.
14. Aggregate value of “Illiquid Securities” of the Scheme, which are defined as non-traded, thinly traded and unlisted equity share, shall not exceed 15% of the total assets of the Scheme.

These investment limitations/parameters (as expressed/linked to the net asset/NAV/capital) shall in the ordinary course apply as of the date of the most recent transaction or commitment to invest, and changes do not have to be effected merely because, owing to appreciation or depreciation in value, or by reason of the receipt of any rights, bonuses or benefits in the nature of capital, or of any scheme of arrangement, or for amalgamation, reconstruction or exchange, or at any repayment or repurchase or other reason outside the control of the Fund, any such limits would thereby be breached. If these limits are exceeded for reasons beyond its control, the AMC shall adopt as a priority objective the remedying of that situation, taking due account of the interests of the unitholders.

In addition, certain investment parameters (like limits on exposure to sectors, industries, issuers, etc.) may be adopted internally by the AMC, as amended from time to time, to ensure appropriate diversification/security for the Fund. The AMC may alter these above stated limitations from time to time, and also to the extent the SEBI Regulations change, so as to permit the Fund to make its investments in the full spectrum of permitted investments for Mutual Funds to achieve its investment objective. As such all investments of the Fund will be made in accordance with SEBI Regulations including Schedule VII thereof.

Depository

Securities of the Scheme will be held in dematerialised form. In case the securities are held in dematerialized (electronic) mode, the rules of the

Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, would apply. The service charges payable to the Depository Participant will form a part of the annual recurring expenses.

E. WHAT ARE THE INVESTMENT STRATEGIES?

Predominantly, investments would be in money market instruments and short dated debt instruments, including securitisation and government securities. Select exposure may be undertaken in debt instruments including securitisation and government securities of maturities different from that of the portfolio. The scheme will have a portfolio generally in line with the maturity of the Scheme i.e. 30 Days. The Investment Plans within the said Scheme namely, Regular Plan and Institutional Plan will share a common portfolio.

As a risk control measure the Fund while investing in fixed-income instruments like debt, etc., considers and evaluates the risk of an issuer's ability to meet principal and interest payments (credit risk) and also the price volatility due to such factors as interest sensitivity, market perception or the creditworthiness of the issuer and general market liquidity (market risk).

Portfolio Turnover Rate

“Portfolio Turnover” is the term used by any Mutual Fund for measuring the amount of trading that occurs in a Scheme's portfolio during the year.

Portfolio turnover in the Schemes will be a function of market opportunities. The economic environment changes on a continuous basis and exposes debt portfolio to systematic as well as non-systematic risk. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio. The Investment Manager will endeavour to optimise portfolio turnover to optimise risk adjusted return keeping in mind the cost associated with it. A high portfolio turnover rate is not necessarily a drag on portfolio performance and may be representative of arbitrage opportunities that exist for scrips / securities held in the portfolio rather than an indication of a change in AMC's view on a scrip, etc.

F FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the scheme, in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:

(i) Type of a scheme

- Open ended/Close ended/Interval scheme
- Sectoral Fund/Equity Fund/Balance Fund/Income Fund/Index Fund/ Any other type of Fund

(ii) Investment Objective

- Main Objective - Growth/Income/Both.
- Investment pattern - The tentative Equity/Debt/Money Market portfolio break-up with minimum and maximum asset allocation, while retaining the option to alter the asset allocation for a short term period on defensive considerations.

(iii) Terms of Issue

- Liquidity provisions such as listing, repurchase, redemption.
- Aggregate fees and expenses charged to the scheme.
- Any safety net or guarantee provided.

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- A written communication about the proposed change is sent to each Unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The Unitholders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

G. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE ?

The Scheme would benchmark the performance to CRISIL Liquid Fund Index. The proposed portfolio would be having an exposure to short term assets and money market instruments. The plan's characteristics closely resembles the liquid fund, hence the plan would be benchmarked against the Crisil Liquid Fund Index to measure its performance.

The Fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme, subject to SEBI Regulations.

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H. WHO MANAGES THE SCHEME?

Mr. Ritesh Jain is the Fund Manager of the Scheme whose details are as follows:

Name & Designation: Mr. Ritesh Jain, Head - Fixed Income

Age & Qualification: 34 years / M.B.A. (Finance)

Brief Experience: Ritesh Jain is Head – Fixed Income at Principal Pnb Asset Management Company. Ritesh Jain has over 10 years of experience in areas of Investment, Broking, Sales and Marketing in fixed income and financial products. In his previous assignment with Mata Securities India Pvt Ltd., he carried out the broking business for financial products.

Name of other schemes under his management:

1. Principal Income Fund
2. Principal Floating Rate Fund - Short Maturity Plan
3. Principal Floating Rate Fund - Flexible Maturity Plan
4. Principal Cash Management Fund - Liquid Option

I. WHAT ARE THE INVESTMENT RESTRICTIONS?

Following Investment limitations/restrictions are specific to this Scheme :-

- A Mutual Fund scheme shall not invest more than 15% of its NAV in debt instruments (of any residual maturity period) issued by a single issuer which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the Act. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of the AMC.

Provided that such limit shall not be applicable for investments in government securities and money market instruments (other than debentures).

Provided further that the debentures irrespective of any residual maturity period (above or below one year), shall attract restriction as applicable under clause 1 and 1A of Seventh Schedule to the SEBI (Mutual Funds) Regulations, 1996

Provided further that the restrictions for investments made in securitised debt (mortgage backed securities/asset backed securities) would be applicable as per the clarification made by SEBI vide circular no. SEBI/IMD/CIR No.6/63715/06, dated March 29, 2006.

- A Mutual Fund scheme shall not invest more than 10% of its NAV in unrated debt instruments (of any residual maturity period) issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of the AMC.
- Transfers of investments from one scheme to another scheme in the same Mutual Fund shall be allowed only if:
 - Such transfers are done at the prevailing market price for quoted instruments on spot basis.
Explanation - "Spot basis" shall have same meaning as specified by stock exchange for spot transactions.
 - The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
- A scheme may invest in another scheme under the same AMC or any other Mutual Fund without charging any fees, provided that aggregate interscheme investment made by all schemes under the same management or in schemes under the management of any other AMC shall not exceed 5% of the NAV of the Mutual Fund. Provided that this clause shall not apply to any fund of funds scheme
- Every Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities. Provided that a Mutual Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI.
- Every Mutual Fund shall get the securities purchased or transferred in the name of the Mutual Fund on account of the concerned scheme, wherever investments are intended to be of long-term nature.

- Pending deployment of Funds of a scheme in securities in terms of investment objective of the scheme, a Mutual Fund can invest the Funds of the scheme in short term deposits of scheduled commercial banks.
- No mutual fund scheme shall park more than 15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
- No mutual fund scheme shall park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries."
- Short Term for such parking of fund by Mutual Fund shall be treated as a period not exceeding 91 day.
- No Mutual Fund scheme shall make any investment in:
 - any unlisted security of an associate or group company of the sponsor; or
 - any security issued by way of private placement by an associate or group company of the sponsor; or
 - the listed securities of group companies of the sponsor which is in excess of 25% of the net assets
- No scheme of a mutual fund shall make any investment in any fund of funds scheme.
- The scheme will not invest in foreign debt instrument including foreign securitised debt.

These investment limitations/parameters (as expressed/linked to the net asset/NAV/capital) shall in the ordinary course apply as of the date of the most recent transaction or commitment to invest, and changes do not have to be effected merely because, owing to appreciation or depreciation in value, or by reason of the receipt of any rights, bonuses or benefits in the nature of capital, or of any scheme of arrangement, or for amalgamation, reconstruction or exchange, or at any repayment or repurchase or other reason outside the control of the Fund, any such limits would thereby be breached. If these limits are exceeded for reasons beyond its control, the AMC shall adopt as a priority objective the remedying of that situation, taking due account of the interests of the unitholders.

In addition, certain investment parameters (like limits on exposure to sectors, industries, issuers, etc.) may be adopted internally by the AMC, as amended from time to time, to ensure appropriate diversification/security for the Fund. The AMC may alter these above stated limitations from time to time, and also to the extent the SEBI Regulations change, so as to permit the Fund to make its investments in the full spectrum of permitted investments for Mutual Funds to achieve its investment objective. As such all investments of the Fund will be made in accordance with SEBI Regulations including Schedule VII thereof.

J. HOW HAS THE SCHEME PERFORMED?

This scheme is a new scheme and does not have any performance track record.

K. INVESTMENT BY AMC

The AMC, and investment companies managed by the Sponsor, its affiliates, its associate companies and subsidiaries may invest either directly or indirectly in the Scheme. The money managed by these affiliates, associates, the Sponsor, subsidiaries of the Sponsor and/or the AMC may acquire a substantial portion of the Scheme's units and collectively constitute a major investment in the Scheme. Accordingly, repurchase of units held by such affiliates/associates and Sponsor may have an adverse impact on the units of the Scheme, because the timing of such repurchase may impact the ability of other unitholders to repurchase their units. The AMC reserves the right to invest its own funds in the Scheme as may be decided by the AMC from time to time and in accordance with SEBI Circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003 and SEBI/IMB/CIR No. 1/42529/05 dated June 14, 2005 regarding minimum number of investors in the Scheme/Plan. The AMC shall not charge any fees on investment by the AMC in the units of the Scheme in accordance with Sub Regulation 3 of Regulation 24 of the Regulations and shall charge fees on such amounts in future only if the SEBI Regulations so permit.

III. UNITS AND OFFER

This section provides details you need to know for investing in the scheme.

A. (NFO)

<p>New Fund Offer Period</p> <p>This is the period during which a new scheme sells its units to the investors.</p>	<p>NFO opens on: _____ NFO closes on: _____</p> <p>The AMC reserve the right to extend the closing date, subject, however, to the condition that the subscription shall not be kept open for more than 45 days.</p>
<p>New Fund Offer Price:</p> <p>This is the price per unit that the investors have to pay to invest during the NFO.</p>	<p>Rs.10/- per unit</p>
<p>Minimum Amount for Application in the NFO</p>	<p>Minimum application amount will be Rs. 1000 under Regular Plan and Rs. 50 Lacs under Institutional Plan for Dividend Option and Growth Options under both the Plans and any amount thereafter under each Plan:</p>
<p>Minimum Target amount</p> <p>This is the minimum amount required to operate the scheme and if this is not collected during the NFO period, then all the investors would be refunded the amount invested without any return. However, if AMC fails to refund the amount within 6 weeks, interest as specified by SEBI (currently 15% p.a.) will be paid to the investors from the expiry of six weeks from the date of closure of the subscription period.</p>	<p>Rs. 10 lakhs</p>
<p>Maximum Amount to be raised (if any)</p> <p>This is the maximum amount which can be collected during the NFO period, as decided by the AMC.</p>	<p>There is no maximum amount.</p>
<p>Plans / Option offered</p>	<p>The Scheme offers two Investment Plans viz. Regular Plan and Institutional Plan with Growth and Dividend Options under each Plan. The Regular Plan and Institutional Plan will share a common portfolio. Further, the Dividend Option under both Plans will have the facility of Payout and Sweep. Applicants should indicate the Plan/Option/Facility for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the Application Form. Applicants can allocate the investment in both the Options subject to a minimum investment amount of the Scheme.</p> <p>Default Option: Investors should indicate the Option for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the application form. In case of valid applications received without indicating any choice of Regular Plan or Institutional Plan, it will be considered as option for Regular Plan and processed accordingly. In case of valid applications received without indicating any choice of Option, it will be considered as option for Growth and processed accordingly. In case of valid application received without indicating any choice of Dividend Payout Facility or Dividend Sweep Facility, it will be considered as option for Dividend Payout Option and processed accordingly.</p> <p>Dividend Payout Facility</p> <p>Under this Facility, the unitholders would receive payout of their dividend in the Option.</p> <p>Dividend Sweep Facility</p> <p>Under this facility, the unitholders may reinvest their dividend in any other open ended scheme of the Fund at the applicable NAV based prices, subject to the minimum investment and eligibility requirements of the scheme in which the dividend is being invested.</p> <p>Growth Option</p> <p>Under this Option, ordinarily no dividend shall be declared. All income earned and profits realized in respect of a Unit issued under the Option will continue to remain invested until repurchased and shall be deemed to have remained invested in the Option itself, which will be reflected in the NAV. However, the Trustees reserve the right to pay out dividends either based on a change in market conditions, tax regulations or any other situation that would make it more beneficial for Unitholders to receive dividends.</p> <p>In the interest of the Scheme and the unitholders the AMC may consider providing returns to the unitholders at appropriate times by way of periodic declaration of dividend and /or bonus units under the Scheme after providing for all necessary recurring and other expenses.</p>
<p>Dividend Policy</p>	<p>Under Dividend Option, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Option and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Option having adequate distributable profits.</p> <p>The Dividend Option will have facilities – Payout and Sweep. 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.</p> <p>In the interest of the Scheme and the unitholders the AMC may consider providing returns to the unitholders at appropriate times by way of periodic declaration of dividend and /or bonus units under the Scheme after providing for all necessary recurring and other expenses.</p> <p>Only those unitholders whose names appear in the register of unitholders as on the record date will be entitled for dividend and/or bonus units. This date will be fixed by the AMC/Trustees appropriately.</p>

	<p>The dividend warrants and/or fresh Account Statement with the bonus units shall be despatched/credited to the unitholders within 30 days or such stipulated period of the declaration of dividend/bonus units</p> <p>In case of Dividend Sweep Option, the appropriate number of units shall be credited to unitholders account at the applicable NAV on the same date when the NAV is ex-dividend</p> <p>All benefits accruing/earned/received under the Scheme(s) in respect of income (not included in NAV), capital reserves and surpluses, if any, at the time of its/their declaration or otherwise under the Scheme(s) shall be available only to the unitholders who hold the units at the time of its/their declaration.</p>
<p>Allotment</p>	<p>Allotment :</p> <p>Allotment of units will be made not later than 30 days from the closure of the New Fund Offer. The allotment will be made to all applicants provided the applications received are complete in all respects. An offer to purchase units is not binding on, and may be rejected by AMC, until it has been confirmed through an Account/Transaction Statement and payment has been received.</p> <p>Account Number:</p> <p>Each unitholder will have an account number. The number of units allotted to a unitholder or repurchased by a unitholder will be reflected in his or her account and a statement/advice to this effect will be issued to the unitholder.</p> <p>Common Account Number:</p> <p>As a unitholder friendly measure, (unless otherwise requested by the unitholder), one Common Account Number will be assigned for one entity investing in different schemes of the Fund. In such a case, one consolidated account statement will be provided. The AMC reserves the right to assign the existing Common Account Number against multiple applications and/or subsequent purchases under a new application form by an existing unitholder, with identical mode of holding and address.</p> <p>Account Statement</p> <p>An Account or Transaction Statement reflecting the unit balance of the unitholder will be mailed to the unitholder by ordinary post, after every financial transaction is effected. The Account Statement shall not be construed as a proof of title and is only a computer-printed statement indicating the details of transactions under the scheme and is a non-transferable document. The Account Statement shall normally be dispatched within three business days on an ongoing basis.</p> <p>After the completion of New Fund Offer Period, the process of allotment of units and mailing of account statement will be completed within thirty days from the date of closure of the New Fund Offer period.</p> <p>Unit Certificates</p> <p>Normally no unit certificates will be issued under the Scheme. However, if the unitholder so desires, the AMC shall issue a non-transferable unit certificate to the unitholder within 6 weeks of the receipt of request for the certificate. The cost of stamp duty paid for issuing the unit certificate will form part of the annual ongoing expenses and/or may be recovered from the unitholder.</p>
<p>Refund</p>	<p>If application is rejected, full amount will be refunded within 6 weeks of closure of NFO. If refunded later than 6 weeks, interest @ 15% p.a. for delay period will be paid and charged to the AMC.</p> <p>If the Scheme fails to collect the minimum subscription amount, the Fund shall be liable to refund the money to the applicants.</p>
<p>Who can invest</p> <p>This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile.</p>	<p>The following persons (subject wherever relevant to, purchase of Units being permitted under their respective constitutions and relevant State Regulations) are eligible to apply for purchase of units under the Scheme:</p> <p>i) Resident Indian Nationals who are:</p> <ul style="list-style-type: none"> - Adult individuals as sole holder, - Adult individuals not exceeding three jointly or on an either/anyone or survivor basis. - Parents/Lawful guardians on behalf of Minors. - Partnership Firms - Hindu Undivided Families(HUF), through their Karta - Institutions, Companies, Bodies Corporate, Public Sector Undertakings, Societies registered under the Societies Registration Act 1860, or Co-operative Societies, subject to their bye-laws permitting them to invest in the units of the mutual fund, - Banks (including Co-operative Banks and Regional Rural Banks), Funds, Financial and Investment Institutions - Religious and Charitable Trusts, drafts or endowments and Private Trusts, under the provisions of Section 11(5) of Income tax Act, 1961 read with Rule 17(C) of Income tax Rules 1962 registered under the Societies Registration Act/Indian Trusts Act, Trustees of Private Trusts authorized to invest in mutual fund schemes under their trust deeds - Scientific and Industrial Research Organizations - Association of Persons/Body of Individuals, whether incorporated or not - Army/Air Force/Navy, other paramilitary units and bodies created by such institutions besides other eligible institutions - Mutual Funds registered with SEBI <p>ii) Multilateral Funding Agencies/Bodies Corporate incorporated outside India with the permission of Government of India/Reserve Bank of India.</p> <p>iii) Overseas Financial Organizations which have entered into an arrangement for investment in India, inter-alia with a Mutual Fund registered with SEBI and which arrangement is approved by the Central Government.</p>

	<p>iv) Non-Resident Indians (NRIs)/ Persons of Indian origin residing abroad, on a full repatriation basis or non-repatriation basis. Presently OCBs cannot invest in domestic mutual funds pursuant to RBI A.P.(DIR Series) Circular No.14 dated September 16, 2003.</p> <p>v) Foreign Institutional Investors (FIIs).</p> <p>vi) Such other individuals/institutions/body corporate, etc. as may be decided by the Fund from time to time, so long as wherever applicable they are in conformity with regulations.</p> <p>vii) Other Schemes of Principal Mutual Fund subject to the conditions and limits prescribed by applicable SEBI Regulations.</p> <p>viii) The Trustees/Trust, AMC or Sponsor or its affiliates, its associate companies and subsidiaries may also subscribe to the units under this Fund.</p> <p>viii) Provident/Pension/Gratuity/Superannuation and such other retirement and employee benefit and other similar Funds.</p> <p>The Trustees may accept an application from an unincorporated body of persons/trusts. The Trustees may from time to time add and review the persons eligible for making application for purchase of units under the Scheme.</p> <p>If a person who is a resident of India at the time of subscription becomes a resident outside India subsequently, he/she shall have the option to either be paid repurchase value of Units, or continue into the Scheme if he/she so desires and is otherwise eligible. However, the person who desires to continue in the Scheme shall not be entitled to any interest or any compensation during the period it takes for the Fund to record the change in Address and the Residential Status. Notwithstanding the aforesaid, the Trustees reserve the right to close such a unitholder's account and to pay the repurchase value of Units, subsequent to his becoming a person resident outside India, should the reasons of expediency, cost, interest of unitholders and other circumstances make it necessary for the Fund to do so. In such an event, no resident unitholders who have subsequently become residents outside India shall have a right to claim the growth in capital and/or income distribution.</p> <p>The Scheme has not been and will not be registered in any country outside India. To ensure compliance with any Laws, Acts, Enactment, etc. including by way of Circulars, Press Releases, or Notifications of Government of India, the Fund may require/give verification of identity/any special/additional subscription-related information from/ of the unitholders (which may result in delay in dealing with the applications, Units, benefits, distribution, etc./giving subscription details, etc.). Each unitholder must represent and warrant to the Trustees/AMC that, among other things, he is able to acquire Units without violating applicable laws. The Trustees will not knowingly offer or sell Units to any person to whom such offer or sale would be unlawful, or might result in the Fund incurring any liability or suffering any other pecuniary disadvantages which the Fund might not otherwise incur or suffer. Units may not be held by any person in breach of the law or requirements of any governmental, statutory authority including, without limitation, exchange control regulations. The Trustees may compulsorily redeem any Units held directly or beneficially in contravention of these prohibitions. In view of the individual nature of investment portfolio and its consequence, each unitholder is advised to consult his/her own professional advisor concerning possible consequences of purchasing, holding, selling, converting or otherwise disposing of the Units under the laws of his/her state/country of incorporation, establishment, citizenship, residence or domicile.</p> <p>Kindly note that neither the Statement of Additional Information; nor this Scheme Information Document, Nor the Application for the Units, nor the Units ("these Documents") have been registered in any jurisdiction. The distribution of these Documents in certain jurisdictions may be prohibited or restricted or subject to registration requirements and accordingly, persons who come into possession of any of these Documents are required to inform themselves about and to observe, any such restrictions. No person receiving a copy of any of these Documents in such jurisdiction may act or treat these Document or any part/portion thereof as constituting an invitation to him to subscribe for Units, nor should he in any event use any such Documents, unless in the relevant jurisdiction such an invitation could lawfully be made to him and such Documents could lawfully be used without compliance with any registration or other legal requirements. Accordingly, none of these Documents (including or any part/portion thereof) constitute an offer or solicitation by any one in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to any one to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of any of these Documents and any persons wishing to apply for Units pursuant to these Documents to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction.</p>
Where can you submit the filled up applications.	<p>Karvy Computershare Private Limited (Karvy), 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034, India have been appointed as Registrar for the Scheme.</p> <p>Details of official points of acceptance of Karvy, Branches of AMC and collecting banker details are provided on back cover page</p> <p>Investors can also subscribe and redeem units from the official website of AMC i.e. www.principalindia.com</p>
How to Apply	Please refer to the SAI and Application form for the instructions.
Listing	The units under the scheme, after their respective new fund offer, on a continuous basis will offer redemption of units on every business day. Therefore, it is not necessary/intended to list the units of the plan on any exchange even though the scheme is a closed ended scheme.
The policy regarding reissue of repurchased units, including the maximum extent, the manner of reissue, the entity (the scheme or the AMC) involved in the same.	Presently the AMC does not intend to reissue the repurchased units. The trustee reserves the right to reissue the repurchased units at a later date after issuing adequate public notices and taking approvals, if any, from SEBI.
Restrictions, if any, on the right to freely retain or dispose of units being offered.	The Units of the Scheme are not transferable. In view of the same, additions/ deletion of names will not be allowed under any folio of the Scheme. The above provisions in respect of deletion of names will not be applicable in case of death of unitholder (in respect of joint holdings) as this is treated as transmission of units and not transfer.

	<p>RIGHT TO LIMIT REPURCHASES</p> <p>The AMC may, in the general interest of the unitholders of the Scheme, keeping in view the unforeseen circumstances/unsure conditions, limit the total number of units which may be repurchased on any Business Day to 5% of the total number of units of the Scheme (or such higher percentage as the AMC may decide in any particular case). Any units which by virtue of these limitations are not repurchased on a particular Business Day will be carried forward for repurchase to the next Business Day, in order of receipt. Repurchases so carried forward will be priced on the basis of the Repurchase Price of the Business Day on which repurchase is made. Under such circumstances, to the extent multiple repurchase requests are received at the same time on a single Business Day, repurchase will be made on pro-rata basis, based on the size of each repurchase request, the balance amount being carried forward for repurchase to the next Business Day(s).</p> <p>POSSIBLE DEFERRAL OF REDEMPTION/ REPURCHASE REQUESTS</p> <p>Whilst every effort will be made to ensure that the Scheme will have sufficient liquidity to enable the repurchase cheques to be collected/despached within the deadline stated in the foregoing clause, unitholders should note that where the Scheme is obliged to arrange for the disposal of the underlying securities/borrow, in order to satisfy redemption/repurchase requests, unitholders may experience some delays in receiving repurchase cheques, reflecting the time involved in settling the underlying sales of securities/borrowing. However in any case, the Fund will ensure that the collection/despatch of repurchase cheques is not delayed beyond ten working days (when Principal is open for business) from the date of receipt of the repurchase request in accordance with Regulation 53(b) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.</p> <p>SUSPENSION OF REPURCHASE/SWITCH OPTIONS OF THE UNITS</p> <p>The Fund at its sole discretion reserves the right to withdraw repurchase and/or switch of the units under the scheme, temporarily or indefinitely, if in the opinion of the AMC the general market conditions are not favourable. However, the suspension of repurchase/switch either temporarily or indefinitely will be made applicable only after the approval of the Board of Directors of the AMC and Trustee. The approval from the AMC Board and the Trustees giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.</p> <p>The repurchase and switch of the units may be temporarily suspended under any or all of the following conditions :</p> <ul style="list-style-type: none"> - If the stock/money markets stop functioning or trading is restricted - Under uncertain conditions when the market (capital/stock/money etc become extremely volatile and the AMC so decides in the best interest of the unitholders) - Declaration of war or occurrence of insurrection, civil commotion or any other serious or sustained financial, political or industrial emergency or disturbance or any natural calamity - In extreme cases or complete breakdown or dislocation of business in the financial markets. - Breakdown in the means of communication used for the valuation of investments in the Scheme(s), without which the value of the securities held in the Scheme(s) cannot be accurately calculated. - In the event of any force majeure or disaster that affects the normal functioning of the AMC or the ISC - SEBI by order so permits - During the period of Book Closure/Record Date - On a requisition made by three-fourth's of the unitholders. <p>The AMC reserves the right in its sole discretion to withdraw the facility of sale and switch option of units out of the scheme, temporarily or indefinitely, if AMC views that changing the size of the corpus further may prove detrimental to the existing unitholders of the Scheme.</p>
<p>Roll Over</p>	<p>The Trustee may at its discretion, roll over the Scheme upon maturity. The Scheme may be allowed to be rolled over if the purpose, period and other terms of the roll over and all other material details of the Scheme including the likely composition of asset immediately before the roll over, the net assets and net asset value of the scheme, are disclosed to the unitholders and a copy of the same has been filed with SEBI.</p> <p>Provided further that such roll over will be permitted only in case of those unitholders who express their consent in writing and the unitholders who do not opt for the roll over or have not given written consent shall be allowed to redeem their holdings in full at NAV based price.</p>

B. ONGOING OFFER DETAILS

<p>Ongoing Offer Period This is the date from which the scheme will reopen for subscriptions/redemptions after the closure of the NFO period.</p>	<p>Being a close-ended Scheme, investors can subscribe to the Units of the Scheme during the New Fund Offer Period only and the scheme will not reopen for subscriptions after the closure of NFO.</p> <p>To provide liquidity to the investors, the Scheme will offer for Redemption / Switch-out of Units at NAV based prices on every Business Day on an ongoing basis (before the Maturity Date / Final Redemption Date), commencing not later than 15 days from the closure of New Fund Offer Period.</p>
<p>Ongoing price for subscription (purchase)/ switch-in (from other schemes/plans of the mutual fund) by investors. This is the price you need to pay for purchase/switch-in. <i>Example: If the applicable NAV is Rs. 10, entry load is 2% then sales price will be: Rs. 10* (1+0.02) = Rs. 10.20</i></p>	<p>Units cannot be subscribed after the closure of NFO.</p>

<p>Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors.</p> <p>This is the price you will receive for redemptions/switch outs.</p> <p><i>Example: If the applicable NAV is Rs. 10, exit load is 2% then redemption price will be: Rs. 10* (1-0.02) = Rs. 9.80</i></p>	<p>At the applicable NAV subject to prevailing exit load.</p>
<p>Cut off timing for redemptions/ switches This is the time before which your application (complete in all respects) should reach the official points of acceptance.</p>	<p>Cut Off Time For Redemptions / Switch-out :</p> <p>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</p> <p>In respect of valid applications received after 3.00 p.m. at the Official Points of Acceptance of Transactions, the closing NAV of the next business day shall be applicable.</p> <p>Cut off time as mentioned above shall be reckoned at the COLLECTION CENTRES which are the official points of acceptance of transactions as disclosed in this Scheme Information Document and the web-site, www.principalindia.com</p> <p>Switch Transactions</p> <p>Valid applications for “switch out” shall be treated as redemptions and the above cut-off timings shall be applicable, accordingly.</p>
<p>Where can the applications for purchase/ redemption switches be submitted?</p>	<p>Purchase/Redemption switch requests may be submitted at any of the Collection Centres nearest to you. Please refer the back cover page of this Scheme Information Document for name, address and contact no. of our Registrar and Transfer Agent (R&T), and for the email i.d/, website address of the R&T. Also provided along with are the contact details of the official points of acceptance, collecting banker details etc.</p>
<p>Minimum amount for purchase/redemption/swiches</p>	<p>Minimum application amount will be Rs. 1000 under Regular Plan and Rs. 50 Lacs under Institutional Plan for Dividend Option and Growth Options under both the Plans and any amount thereafter under each Plan:</p> <p>Minimum Redemption / Sale Amount</p> <p>Minimum Redemption / Sale amount will be Rs. 500 or 50 units.</p> <p>Switching Option</p> <p>Switching from any other existing schemes into this Scheme would be available only at the time of NFO. However, switching from the Scheme into other existing schemes would be available on a continuous basis, subject to the loads, as may be applicable.</p> <p>However, Unit holder(s) will not be permitted to switch between the Options of the Scheme.</p>
<p>Minimum balance to be maintained and consequences of non maintenance</p>	<p>Nil</p>
<p>Accounts Statements</p>	<p>For normal transactions during ongoing sales and repurchase:</p> <ul style="list-style-type: none"> • The AMC shall issue to the investor whose application has been accepted, an account statement specifying the number of units allotted. The Account Statement shall normally be dispatched within three business days on an ongoing basis. • For those unitholders who have provided an e-mail address, the AMC will send the account statement by e-mail. • The unitholder may request for a physical account statement by writing and submitting it to Collection Centres. <p>Accordingly, on receipt of such request Account Statement shall be provided to the investors within five working days from date of such receipt. Such Account Statement shall reflect the latest closing balance and value of units prior to the date of generation of Account Statement. Further in case of physical copy a soft copy of account statement shall be e-mailed to such investor whose e-mail id is provided.</p> <p>Annual Account Statement:</p> <ul style="list-style-type: none"> • The Mutual Funds shall provide the Account Statement to the Unitholders who have not transacted during the last six months prior to the date of generation of account statements. The Account Statement shall reflect the latest closing balance and value of the Units prior to the date of generation of the account statement, • The account statements in such cases may be generated and issued along with the Portfolio Statement or Annual Report of the Scheme. • Alternately, soft copy of the account statements shall be mailed to the investors’ e-mail address, instead of physical statement, if so mandated.
<p>Dividend</p>	<p>The dividend warrants shall be dispatched to the unitholders within 30 days of the date of declaration of the dividend.</p>
<p>Redemption</p>	<p>Repurchase Procedure</p> <p>The units of the Scheme can be repurchased (sold back to the Fund) on any business day. The repurchase request can be made on Application Form/Common Transaction form or by using the relevant tear off section of the Transaction Slip that may be enclosed with the Account Statement, which should be submitted at any of the Collection Centres or at the office of the AMC.</p> <p>In case the units are standing in the names of more than one unitholder, where mode of holding is specified as “jointly”, repurchase requests will have to be signed by all the joint holders. However, in cases of holding specified as ‘either/anyone or survivor’, any one of the jointholders (in case of either/ anyone or survivor) will have the power to make repurchase request. However, in all cases, the repurchase proceeds will be paid to the first named holder only, unless otherwise stated in case of percentage allocation of investment where the repurchase proceeds will be paid separately to each of the joint holders.</p>

In case a unitholder has subscribed to units on more than one Business Day (either through continuation in case of existing unitholder, or through subsequent subscriptions), the units subscribed to prior in time (that is those units which have been held for the longest period of time), will be deemed to have been repurchased first, that is on a First -In -First-Out basis. However, an unitholder may request the Fund to repurchase units subscribed by him/her at different dates, by indicating the specific date of subscription of the units, which is offered for repurchase.

Minimum repurchase/redemption amount/units:

The repurchase would be permitted to the extent of credit balance in the unitholder's account. The repurchase request can be made by specifying the Rupee amount or by specifying the number of units to be repurchased. If a repurchase request is for both a specified Rupee amount and a specified number of units, the specified rupee amount will be considered the definitive request. If only the repurchase amount is specified by the unitholder, the AMC will divide the repurchase amount so specified by the applicable NAV based price to arrive at the number of units. The request for repurchase of units could also be in fractions, up to three decimal places.

The minimum repurchase/redemption is Rs. 500 or 50 units. The AMC reserves the right to change the same on a prospective basis subject to SEBI Regulations. Unitholders may also request for repurchase of their entire holding and close the account by indicating the same at the appropriate place in the Transaction Slip/Repurchase form.

Repurchase Price

The repurchase price will be calculated using the following formula:

Repurchase Price = Applicable NAV*(1 – Exit Load, if any).

Example for calculation of Repurchase Price

If the Applicable NAV is Rs. 11.25 and a 0.3% exit load is charged the repurchase price will be calculated as follows:

Repurchase Price = Rs. 11.25 x (1-0.3% of Rs. 11.25)
= Rs. 11.25 - Re. 0.0337
= Rs. 11.2163 per unit

The repurchase price shall not be lower than 95% of the NAV.

The AMC reserves the right to modify the exit load or levy a different exit load for any individual(s) or group of investors. However, any such change in the load structure shall be only on a prospective basis. The unitholder is requested to confirm the applicable exit load at the time of investment from the AMC/ collection centre.

Repurchase by NRI's/FIIs

Credit balances in the account of an NRI/FII will be subject to any procedures laid down by the RBI. Such repurchase proceeds will be paid by means of a rupee cheque payable to the designated NRE/ NRO account of the unitholder or by a US dollar (or any other currency) draft drawn at the exchange rates prevailing at that time and subject to RBI procedures and approvals and subject to deduction of tax at source, as applicable. All bank charges in connection with such payment will have to be borne by the unitholder and/or the Scheme by way of ongoing expenses.

The Fund will not be liable for any delays or for any loss on account of exchange fluctuations, while converting the rupee amount in US Dollar or any other currency.

Payment of Repurchase Proceeds

The time limit set for dispatch of repurchase proceeds will be from the Business Day when the request is accepted at the collection centres or the AMC's office. As per the SEBI Regulations, the Fund shall mail the repurchase proceeds within ten Business Days from the date of acceptance of valid request at any of the collection centres or the office of the AMC, in case of a repurchase request being sent by post. The Fund will endeavor to dispatch the repurchase warrant within 3 (Three) business days from the date of acceptance of a valid repurchase request.

In the event of failure to dispatch the repurchase or repurchase proceeds within the statutory period specified above as per the SEBI Regulations, the AMC shall be liable to pay interest to the unitholders at such rate (currently 15% per annum) as may be specified by SEBI for the period of such delay.

Electronic Credit Clearing Services (ECS) Identified Banks

ECS is a facility offered by RBI for facilitating better customer service by direct credit of dividend or repurchase amount to a unitholder's bank account through electronic credit. This helps in avoiding loss of dividend or repurchase warrant in transit or fraudulent encashment. The Fund will endeavour to arrange such facility for payment of dividend/repurchase proceeds to the unitholders. However, this facility is optional for the unitholders.

Repurchase proceeds may be released through the ECS facility to unitholders residing in any of the cities where such a facility is available. In order to avail the above facility, the unitholder will have to give a written request to the Registrar. If the unitholder has opted for the ECS facility his/her bank branch will directly credit the amount due to them in their account whenever the payment is through ECS. The Registrar will send a separate advice to the unitholder informing them of the direct credit.

It may be noted that there is no commitment from the Fund that this facility will be made available to the unitholders for payment of dividend/repurchase proceeds. While the Fund will endeavour in arranging the facility it will be dependent on various factors including sufficient demand for the facility from unitholders at any centre, as required by the authorities. In places where such a facility is not available or if the facility is discontinued by the Fund for any reason the repurchase warrants will be mailed to the unitholder.

Unitholder's Bank Account Details

Unitholders are on a mandatory basis required to mention their bank account details in their applications/ requests for redemption. Redemption Cheques and/or any other instruments will then be made out in favour of the Bank for crediting the respective unitholder's account so specified.

	<p>The normal processing time may not be applicable in situations where such details are not provided by unitholders. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and delay/loss in transit.</p> <p>Closure of Unitholder's Account</p> <p>Unitholders may note that the AMC at its sole discretion may close a unitholder's account after giving notice of 45 days, if at the time of any part repurchase, the value of units (represented by the units in the unitholder's account if such repurchase were to take place, valued at the applicable NAV related price), falls below the minimum investment/balance required for each scheme (or such other amount as the AMC may decide from time to time) or where the units are held by a unitholder in breach of any Regulation.</p>
Delay in payment of redemption / repurchase proceeds	The Asset Management Company shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay (presently @ 15% per annum).

C. PERIODIC DISCLOSURES

<p>Net Asset Value</p> <p>This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.</p>	<p>The Mutual Fund shall declare the Net asset value of the scheme on every business day on AMFI's website www.amfiindia.com by around 9.00 p.m. (<i>time limit for uploading NAV as per applicable guidelines</i>) and also on <u>their website</u>.</p> <p>In case of delay, the reasons for such delay would be explained to AMFI in writing. NAVs would however be endeavoured to be made available before commencement of business hours the following business day, failing which a press release explaining the material reasons for non-availability would be released. In the event NAV cannot be calculated and/or published because of suspension of trading on the BSE/NSE/RBI, during the existence of a state of emergency and/or a breakdown in communications, the AMC may suspend calculation and/or publication of NAV, etc of the units.</p>
<p>Half yearly Disclosures: Portfolio / Financial Results</p> <p>This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in portfolio disclosures.</p>	<p>The mutual fund shall publish a complete statement of the scheme portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the mutual fund is located.</p> <p>The mutual fund may opt to send the portfolio to all unit holders in lieu of the advertisement (if applicable).</p>
Half Yearly Results	<i>The mutual fund and Asset Management Company shall before the expiry of one month from the close of each half year that is on 31st March and on 30th September, publish its unaudited financial results in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the mutual fund is situated.</i>
Annual Report	<i>Scheme wise Annual Report or an abridged summary thereof shall be mailed to all unitholders within six months from the date of closure of the relevant accounts year i.e. 31st March each year.</i>
Associate Transactions	Please refer to Statement of Additional Information (SAI).
<p>Taxation</p> <p>The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes.</p>	For details on taxation please refer to the clause on Taxation in the Statement of Additional Information.
Investor services	<p>For any enquiries and/or queries or complains in respect of any terms and conditions of/investments in this scheme, the investors are advised to address a suitable communication to AMC and marked to the attention of Head Investor Service - Ms. Kashmira Kalwachwala at customer@principalindia.com. Written communications may also be forwarded to Principal Mutual Fund at Exchange Plaza, 'B' Wing, 3rd Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai-400 051 India alternatively faxed at +91 22 2204 4466.</p> <p>Our customer service executives can also be reached at the following contact numbers :- +91 22 2202 1111.</p>

D. COMPUTATION OF NAV

The NAV of the Scheme for each option at any time shall be determined by dividing the net assets of the Scheme by the number of outstanding units on the valuation date

The NAV of the Scheme will be calculated on a daily basis as shown below:

$$\text{NAV per unit} = \frac{\text{Market / Fair Value of Securities} + \text{Accrued Income} + \text{Receivables} + \text{other assets} + \text{unamortised issue expenses} - \text{Accrued Expenses} - \text{payables} - \text{other liabilities}}{\text{No. of units outstanding of the scheme / option}}$$

The NAV will be calculated up to four decimals. The NAVs will be declared as of the close of every Business Day.

The computation of Net Asset Value, valuation of assets, computation of applicable Net Asset Value (related price) for repurchase, switch and their frequency of disclosure shall be based upon a formula in accordance with the Regulations and as amended from time to time including by way of Circulars,

Press Releases, or Notifications issued by SEBI or the Government of India to regulate the activities and growth of Mutual Funds.

The dividend paid on units under the Dividend Option of the Fund shall be deducted in computing the NAV of the units under the Dividend Option, each time a dividend is declared and till it is distributed. Consequently, once the dividend is distributed, the NAV of the units will always remain lower than the NAV of the units under the Growth Option. The income earned and profits realized attributable to the units under the Growth Option shall remain invested and shall be deemed to have remained invested in the Growth Option (exclusive of the units under the Dividend Option) and would be reflected in the NAV of the units under the Growth Option.

The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

The first NAV will be calculated and announced within a period of 15 days after the close of the NFO Period. Subsequently, the NAV shall be calculated on all Business Days.

IV. FEES AND EXPENSES

This section outlines the expenses that will be charged to the schemes.

A. NEW FUND OFFER (NFO) EXPENSES

These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationary, bank charges etc. The entire new fund offer expenses of the said scheme shall be borne by the AMC.

B. ANNUAL SCHEME RECURRING EXPENSES

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:

The AMC has estimated the following percentage of the weekly average net assets of the scheme will be charged to the scheme as expenses. For the actual current expenses being charged, the investor should refer to the website of the mutual fund. The mutual fund would update the current expense ratios on the website within two working days mentioning the effective date of the change.

Nature of Expenses	% of Daily average net assets	
	Institutional Plan	Retail Plan
Investment Management and Advisory Fees	1.25	1.25
Trustee Fees	0.01	0.01
Custodian Fees/Depository Charges	0.10	0.10
Registrar and Transfer Agent Fees	0.13	0.13
Costs related to investor communications, Costs of Fund transfer from one location to another, Cost of providing account statements and dividend repurchase cheques and warrants, costs of statutory advertisements	0.15	0.15
Marketing and Selling Expenses	0.55	0.60
Audit Fees	0.01	0.01
Total Annual Recurring Expenses	2.20	2.25

The total annual recurring expenses of Institutional Plan will be restricted to 2.20% of the Daily Average Net Assets. However same management fees shall be charged for Regular Plan & Institutional Plan.

These estimates have been made in good faith by the AMC and are subject to change inter-se. The expenses may be more than as specified in the table above, but the total recurring expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI Regulations. Expenses over and above the permissible limits will be borne by the AMC and/or the Trust and/ or the sponsor. Any expense other than those specified in the SEBI Regulations shall be borne by the AMC and/ or the Sponsors and/or Trust. The purpose of the above table is to assist the unitholder in understanding the various costs and expenses that a unitholder in the Scheme will bear directly or indirectly.

The AMC shall charge the Mutual Fund with investment and advisory fees subject to the following:

Average Daily Net Assets	Fees
On first Rs.100 crores	1.25%
On the balance of Assets	1.00%

SEBI has prescribed the following limits for total annual recurring expenses, which can be charged to the Scheme:

Average Daily Net Assets	%
On the first Rs. 100 Crores	2.25
On the next Rs. 300 Crores	2.00
On the next Rs. 300 Crores	1.75
On the balance of assets	1.50

Any expenditure in excess of the limits specified in the SEBI Regulations shall be borne by the AMC and /or by the Sponsor and/or Trust.

The Fund shall strive to reduce the level of these expenses so as to keep them well within the maximum limits currently allowed by SEBI and any revision in the said expenses limits by SEBI would be applicable.

C. LOAD STRUCTURE

Load is an amount which is paid by the investor to subscribe to the units or to redeem the units from the scheme. This amount is used by the AMC to pay commissions to the distributor and to take care of other marketing and selling expenses. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please refer to the website of the AMC www.principalindia.com or may call at (toll free no.) or your distributor.

Type of Load: Load chargeable (as %age of NAV)

Entry Load: Nil.

Exit Load*:

Redemption	As a % of amount redeemed/ NAV
From First NAV to Maturity	0.3%
On Maturity	NIL

In case if the date of redemption is a holiday / non business day, the deemed date will be the next business day.

Load on switch will be same as entry/exit load applicable for the respective Scheme.

E.g. Repurchase Price = Applicable NAV*(1-Exit Load, if any). Therefore, the Repurchase Price would be Rs. 11.25 x (1-0.3% of Rs. 11.25) = Rs. 11.2163.

The same load structure will be applicable to Regular and Institutional Plan

In case if an investor exits before the maturity of the scheme he shall have to bear an exit load.

The repurchase price shall not be lower than 95% of the NAV and the sale price shall not be higher than 107% of the NAV. However, the difference between the repurchase price and sale price shall not exceed 7% on the sale price, without any discrimination to any specific group of unit holders. However, any change at a later stage shall not affect the existing unit holders adversely.

The AMC reserves the right to change/modify entry/exit/switchover load (including zero load), depending upon the circumstances prevailing at any given time. A load structure when introduced by the AMC may comprise of an entry load and/or exit load and/or switchover load as may be permissible under the SEBI Regulations. The AMC may charge an entry/exit load for switch of units between Dividend Option and Growth Option of the Scheme and/or switch over load depending upon the circumstances prevailing at any given time. The load may also be changed from time to time and in the case of an exit load this may be linked to the period of holding, while in case of entry load this may be linked to the amount of investment. The switchover load may be different for different plans/options and the switchover load may be different from the entry and/or exit load charged for sale and/or repurchase units. The load charged could also be different as regards the amount/tenor of investment, etc. However, any imposition/enhancement or change in load structure shall be applicable on prospective investment only.

The addendum shall be circulated to all the distributors/brokers so that the same can be attached to all Scheme Information Documents and abridged Scheme Information Documents already in stock. The addendum will be circulated to unitholders along with/included in the newsletter sent to unitholders. Further arrangement will be made to make available the changes in the load structure in the form of a notice/any other manner in/at all the investor service centers/distributors/brokers office. Applicable load will be disclosed in the account statement/transaction confirmation statement. The introduction of the exit load/ CDSC alongwith the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load/CDSC

The Load, if levied, will be retained in the Scheme in a separate account and used by the Fund/AMC to cover the cost of raising/redeeming units on a continuous basis by way of providing redemption/distribution related services to the Fund relating to the Sale, promotion, advertising and marketing of the units of the Scheme and costs associated with liquidating the Fund's investment Securities, including payments for postage and also payments to brokers for their services in connection with the redemption/distribution of the units. Any surplus in this account may be credited to the scheme, whenever felt appropriate by the AMC

In case of switch between Schemes, the applicable entry load, if any, will be reduced by any entry and/or exit load already paid by the unitholder in the Scheme he is switching out from. No load (entry or exit) shall be charged on bonus units or on units allotted on reinvestment of dividend.

No load (entry or exit) shall be chargeable on any transaction/s made by any "Fund of Funds Scheme/s" managed by Principal Pnb Asset Management Company Pvt. Ltd. or managed by any other Asset Management Company, in any of the existing schemes (or any scheme/s launched from time to time unless specified otherwise) of Principal Mutual Fund.

All loads including Contingent Deferred Sales Charge (CDSC) for the Scheme shall be maintained in a separate account and may be utilised towards meeting the selling and distribution expenses. Any surplus in this account may be credited to the scheme, whenever felt appropriate by the AMC.

The investor is requested to check the prevailing load structure of the scheme before investing.

For any change in load structure AMC will issue an addendum detailing the changes and will display it on the website. A public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated.

The AMC may also:

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- (i) Attach the Addendum to Scheme Information Documents and key information memorandum, or circulate the same to distributors/brokers so that the same can be attached to all Scheme Information Documents and key information memoranda already in stock.
- (ii) Arrange to display the addendum in the Scheme Information Document in the form of a notice in all the investor service centres and distributors/brokers office.
- (iii) Stamp Introduction of exit load/ CDSC alongwith the details in the acknowledgement slip issued to the investors on submission of the application form and may disclose it in the statement of accounts issued after the introduction of such load/CDSC.
- (iv) take other measures which it may feel necessary.

VI. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY

This section shall contain the details of penalties, pending litigation, and action taken by SEBI and other regulatory and Govt. Agencies.

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1.	Penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed.	Nil
2.	In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to share holders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed.	Nil
3.	Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed.	Nil
4.	Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately.	^ As mentioned below
5.	Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed.	Nil

^ There is a legal case pending against Mr. Rajat Jain, Chief Investment Officer of Principal Pnb Asset Management Company Pvt. Ltd. in the "Court of Sessions of Greater Bombay". The case was filed at the instance of CBI, Economic Offences Wing, Mumbai pertaining to a matter alleged during Mr Jain's previous employment with SBI Mutual Fund, prior to his joining Principal Pnb Asset Management Company Pvt. Ltd. The case pertains to the purchase of certain shares at SBI Mutual Fund where Mr. Rajat Jain was, at that time, Chief Investment Officer.

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Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.

Please refer to Statement of Additional Information for details.