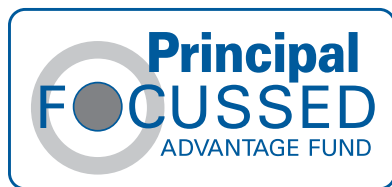


No.

Initial Offer Opens on : 31 Jan. '05
Initial Offer Closes on : 22 Feb. '05

Key Information Memorandum & Application Form



(An Open-Ended Equity Scheme)

[Offer of units at at Rs. 10 face value during initial offer period and at NAV based prices on continuous basis]

Initial Offer Opens on : 31 Jan. '05
Initial Offer Closes on : 22 Feb. '05

Investment Manager

Principal Pnb Asset Management Company Private Ltd.
Apeejay House, 5th floor, 3 Dinshaw Vachha Road,
Churchgate, Mumbai-400 020, India.

Principal Mutual Fund

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

This Key Information Memorandum (KIM) sets forth the information, which a prospective investor ought to know before investing. For further details of the scheme/Mutual Fund, due diligence certificate by the AMC, Key Personnel, investors' rights & services, risk factors, penalties & pending litigations, associate transactions etc. investors should, before investment, refer to the Offer Document dated January 20, 2005 available free of cost at any of the Investor Service Centres or distributors or from the website www.principalindia.com

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

INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

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

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

(A) HOW TO APPLY

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

Applications will be accepted at the IPO collection centres and the AMC offices during the IPO and at the offices of the AMC post IPO.

Payment Procedure

Resident Investor

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

Payment Procedures for NRIs

Repatriation Basis

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

Non-Repatriation Basis

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

Payment Procedure - FIIs

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

All cheques and bank drafts must be drawn in favor of the "Principal Focussed Advantage Fund".

Payment Procedure - General

- The Asset Management Company will not accept cash for subscriptions. Cash if accepted would be as per Section 269SS of the Income Tax Act, 1961.
- Stockinvests and outstation cheques will not be accepted.
- Bank charges for outstation demand drafts will be borne by the Asset Management Company and debited to the Scheme and will be limited to those stipulated by the Indian Banks Association. The Mutual Fund will not entertain any request for refund of demand draft charges.
- In case an applicant is located in a place where there is no designated collection centre, the completed application with a Bank Draft/Pay Order for the investment amount (net of Demand Draft charges) may be forwarded to Principal Pnb Asset Management Company Private Limited office in Mumbai, so as to reach the AMC office on or before February 22, 2005 during Business Hours.

(B) APPLICATION DETAILS

- Please write application serial number and name on the reverse of the cheque/demand draft.
- The applicant's name and address including PIN Code number must be given in full (post box number alone is not sufficient).
- In case the investor is a NRI/PIO/FII, an overseas address should also be provided, along with the local address. However, all correspondence shall be at the local address.

1 BROKER INFORMATION & APPLICATION RECEIPT DATE (Not to be filled in by the Applicant)

Broker Name & Code ARN 46196 DANI SHARES & STOCKS PVT LTD	Sub-Broker Code	Registrar Serial No.	Date & Time Receipt
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2 EXISTING UNITHOLDERS (Please fill in your Common Account Number & First Unitholder's Name & go to Section 8)

Please note that applicant details and mode of holding will be as per existing Account Number.

Common Account Number	First Unitholders Name (All Capital letters) (First Name) (Middle Name) (Last Name)
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3 NEW APPLICANT INFORMATION (FILL-UP ENTIRE FORM IN CAPITAL LETTERS & BLACK INK)

Name of Sole/First Applicant/Donor (All Capital letters) (First Name) (Middle Name) (Last Name)	Mr/Ms/Mrs	Date of Birth DD / MM / YYYY
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Address of Sole/First Applicant: [(P.O. Box Address is not sufficient) (Indian Address in case of NRIs/FIIs)]

City	Pin	State
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Communication: Off. Tel. Res. Tel. Fax

E-mail

PAN No. (Mandatory for investments of Rs. 50,000 and above)*	Circle/Ward/District	MAPIN / UIN No.^	Enclosed: <input type="checkbox"/> PAN Card Copy <input type="checkbox"/> Form 60
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Status (Please ✓) <input type="checkbox"/> Individual <input type="checkbox"/> Body Corporate	<input type="checkbox"/> HUF <input type="checkbox"/> BOI	<input type="checkbox"/> Company <input type="checkbox"/> Minor	<input type="checkbox"/> Trust <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> Society/Club <input type="checkbox"/> Partnership <input type="checkbox"/> AOP	<input type="checkbox"/> NRI <input type="checkbox"/> Repatriable	<input type="checkbox"/> FII <input type="checkbox"/> Non Repatriable
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Name of Guardian & Relationship (in case of Minor)/Contact Person (In case of Institutional Investors) (All Capital letters) (First Name) (Middle Name) (Last Name)

Name of Second Applicant/Joint Holder (All Capital letters) (First Name) (Middle Name) (Last Name)	Mr/Ms/Mrs	Date of Birth DD / MM / YYYY
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PAN No. (Mandatory for investments of Rs. 50,000 and above)*	Circle/Ward/District	MAPIN / UIN No.^	Enclosed: <input type="checkbox"/> PAN Card Copy <input type="checkbox"/> Form 60
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Name of Third Applicant/Joint Holder (All Capital letters) (First Name) (Middle Name) (Last Name)	Mr/Ms/Mrs	Date of Birth DD / MM / YYYY
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PAN No. (Mandatory for investments of Rs. 50,000 and above)*	Circle/Ward/District	MAPIN / UIN No.^	Enclosed: <input type="checkbox"/> PAN Card Copy <input type="checkbox"/> Form 60
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Mode of Holding (✓): Single Joint Either/Anyone or Survivor Send me a PIN for Internet enabled services (Please ✓): Yes No

In case of NRIs/FIIs, Please fill-up section 5 also

* Please enclose a copy of PAN card/ PAN letter/Copy of IT Notice/ Copy of IT Assessment Order or such other correspondence from the Income Tax Department, which evidences the PAN quoted by the applicant/s. In case PAN is not available, please provide Form 60/ Form 61, as the case may be, with necessary proof as specified therein. Please refer Instruction no. 'D (1)' for more details.

^ Mandatory for Body Corporates w.e.f. January 1, 2005 and for other investors w.e.f. April 1, 2005. Please refer Instruction no. 'D (2)' for more details.

It is expressly understood that the investor/unitholder has the express authority from the relevant constitution to invest in the units of the Fund and the AMC/Trustees/Fund would not be responsible if the investment is ultravires the relevant constitution such as the Memorandum and Articles of Association and/or bylaws and/or Trust Deed and/or Partnership Deed and certificate of registration. The investor should not make any investments contrary to the relevant constitution.

4 ACKNOWLEDGEMENT SLIP (To be filled in by the investor)



Principal Pnb Asset Management Company Private Ltd.
Investment Managers for Principal Mutual Fund
Apeejay House, 5th Floor, 3 Dinshaw Vaccha Road, Churchgate, Mumbai 400 020. Tel: (91-22) 2202 1111.
Fax: (91-22) 2204 4990. Website: www.principalindia.com E-mail: customer@principalindia.com

Principal Focussed Advantage Fund

APPLICATION FORM

No.

Received from : _____
Cheque/DD No. _____ Dated: DD / MM / YYYY
Drawn on Bank & Branch : _____

Signature, Stamp & Date

- If the account has more than one (upto three) Unitholder, the account will be registered either as "joint" or "either/anyone or survivor" basis, as specified. Please refer to the clause "Mode of Holdings".
- The minimum amounts for investments apply for each Plan.
- In case of valid applications received, without indicating any choice of Plan, it will be considered as application for Growth Option and processed accordingly.
- It is expressly understood that the investor/Unitholder has the express authority from the relevant constitution to invest in units of the Fund and the AMC/Trustee/Fund would not be responsible if the investment is ultravires the relevant constitution.
- All communications and payments will be made to the first applicant or to the Karta in case of HUF.
- Signatures should be in English or in any Indian language as specified in the Eighth Schedule of the Constitution of India. Thumb impressions must be attested by a Magistrate/Notary Public under his/her official seal. In case of HUF, the Karta should sign on behalf of the HUF. In case of Partnership firms, the Partner will sign on behalf of the firm. Similarly, for the Association of Persons (AOP), the application must be signed by the Authorised Signatory.
- Applications on behalf of minors should be signed by their guardian.
- In case of an application under a Power of Attorney or by a limited company, body corporate, registered society, Trust or partnership, the relevant power of attorney or the relevant resolution of authority to make the application or the Trust Deed or Partnership Deed as the case may be, or duly certified copy thereof, alongwith a certified copy of the Memorandum and Articles of Association and/or bye-laws must be lodged at the AMC's office so as to reach within seven days from the date of lodging of the Application Form alongwith with the details of application made.

(C) BANK DETAILS

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

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

5 OVERSEAS ADDRESS

Overseas Address in case of NRI/IIIs

Form fields for Overseas Address including City, State, Country, Communication, Res. Tel, Fax, and Pin.

6 BANK ACCOUNT DETAILS (As per Directives of SEBI, it is mandatory) - Details of Sole/First Holder for Redemption/Dividend Warrant

Form fields for Bank Account Details including Name of the Bank, Branch Address, Account Type, Account No., Bank Code, and City.

7 NOMINATION FACILITY

Name of Nominee

Form fields for Nomination Facility including Name, Address of Nominee, Date of Birth, and City.

8 YOUR INVESTMENT & PAYMENT DETAILS

Table with columns for Scheme, Option (Please check any 1), and Amount (Rs). Includes rows for Principal Focussed Advantage Fund, Gross Amount, Less Bank Charges, and Net Amount.

Payment Details: Please (check) Cheque/DD, NRE, FCNR, NRO, NRSR, Direct Remittance

Cheque/ Bank Draft/ Pay Order Number

Drawn on Bank Bank Branch

Rupees in words

All Cheques/DDs to be drawn in favour of "Principal Focussed Advantage Fund"

9 DECLARATION AND SIGNATURES

I/We have read and understood the contents of Principal Focussed Advantage Fund, for which units are subscribed or exchanged into. I/We agree to abide by the terms, conditions, regulations of the Schemes under Principal Focussed Advantage Fund.

I/We confirm that I am/We are Non-Residents of Indian Nationality/Origin and that I/We hereby confirm that the funds are remitted from abroad through approved banking channels or from my/our funds in my/our Non-Resident External Account/FCNR/NRO/NRSR Account.

I/We understand that the Fund reserves the right to refuse/reject the allotment of units in case of incomplete/incorrect information provided by me/us.

I/We have understood the details of the scheme and I/We have not received nor been induced by any rebate or gifts, directly or indirectly, in making this investment.

Signature and Date fields for Sole/First Applicant/Holder, Second Applicant/Holder, and Third Applicant/Holder.

ACKNOWLEDGEMENT SLIP (To be filled in by the investor)

Principal Focussed Advantage Fund

Form fields for Principal Focussed Advantage Fund including Dividend Plan, Payout, Reinvestment, and Growth Plan.

Gross Investment Amount Rs.

TOTAL GROSS AMOUNT

LESS BANK CHARGES

TOTAL NET AMOUNT

Note: All future communications in connection with this application should be addressed to Investor Services Mumbai, quoting full name of the first applicant, the application serial number, the name of the scheme/plan/option, the amount invested under individual schemes or asset allocation, optional feature details, date and place of the Investor Service Centre where application was lodged.

PUNJAB NATIONAL BANK COLLECTION CENTRES

List of Punjab National Bank Collection Centres across various cities including Agra, Ahmedabad, Amritsar, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Dehradun, Gwalior, Jaipur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Raipur, Ranchi, Surat, and Varanasi.

VIJAYA BANK COLLECTION CENTRES

List of Vijaya Bank Collection Centres across various cities including Agra, Ahmedabad, Amritsar, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Dehradun, Gwalior, Jaipur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Raipur, Ranchi, Surat, and Varanasi.

IDBI BANK LTD. COLLECTION CENTRES

List of IDBI Bank Ltd. Collection Centres across various cities including Agra, Ahmedabad, Amritsar, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Dehradun, Gwalior, Jaipur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Raipur, Ranchi, Surat, and Varanasi.

HDFC BANK LTD. COLLECTION CENTRES

List of HDFC Bank Ltd. Collection Centres across various cities including Agra, Ahmedabad, Amritsar, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Dehradun, Gwalior, Jaipur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Raipur, Ranchi, Surat, and Varanasi.

CITI BANK N.A. COLLECTION CENTRES

List of Citibank N.A. Collection Centres across various cities including Ahmedabad, Bangalore, Chennai, Dehradun, Gwalior, Jaipur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Raipur, Ranchi, Surat, and Varanasi.

KOTAK MAHINDRA BANK LTD. COLLECTION CENTRES

List of Kotak Mahindra Bank Ltd. Collection Centres across various cities including Ahmedabad, Bangalore, Chennai, Dehradun, Gwalior, Jaipur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Raipur, Ranchi, Surat, and Varanasi.

Investment Objective	The Investment Objective of the scheme would be to provide capital appreciation and/or dividend distribution by investing in companies from a maximum of six sectors, depending upon their growth prospects and valuation at any given point in time.												
Asset Allocation Pattern of the scheme	Investment Pattern: Under normal circumstances, the asset allocation would be as follows:		The Asset Management Company reserves the right to invest in derivatives as follows:										
	Types of Instruments	% of Net Assets	Particulars										
		Minimum Maximum	% of Net Assets										
	Equities & Equity Related Instruments	70% 100%	High										
	Money Market Instruments	0% 30%	Low to Medium										
Equity Derivatives	Not exceeding 35% of the Net assets subject to limits as specified by SEBI from time to time.												
Risk Profile of the Scheme	Mutual Fund investments are subject to market risks. Please read the offer document carefully for details on risk factors before investment.												
Investment Plans and Options	The Scheme will offer Growth Plan and Dividend Plan. Dividend Plan will have the facility of Pay-out and Re-investment.												
Applicable NAV	<p>For Subscription/ Switch in</p> <p>In respect of valid applications received upto 3 p.m. by the Mutual Fund alongwith a local cheque or a demand draft payable at par at the place where the application is received, the closing NAV of the day on which application is received shall be applicable. In respect of valid applications received after 3 p.m. by the Mutual Fund alongwith a local cheque or a demand draft payable at par at the place where the application is received, the closing NAV of the next business day shall be applicable.</p> <p>However, in respect of valid applications with outstation cheques/ demand drafts not payable at par at the place where the application is received, closing NAV of the day on which cheque/demand draft is credited shall be applicable.</p> <p>For Redemptions / Switch out</p> <p>In respect of valid applications received upto 3 p.m. by the Mutual Fund, same day's closing NAV shall be applicable. In respect of valid applications received after 3 p.m. by the Mutual Fund, the closing NAV of the next business day shall be applicable.</p> <p>Note:</p> <ol style="list-style-type: none"> Valid applications for "switch out" shall be treated as redemptions and for "switch in" shall be treated as purchases and the above cut-off timings shall be applicable, accordingly. The above cut off timings shall also be applicable to investments made through "Sweep" mode available in the Dividend Option. 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 the offer document and the web-site, www.principalindia.com 												
Minimum Application Amount/ Number of Units	Purchase	Additional Purchase	Repurchase										
	Minimum application amount will be Rs. 5000 for Dividend Plan and Growth Plan and any amount thereafter for both the Plans.	Subsequent investment amount shall be Rs 500 and any amount thereafter for the Plans.	Rs 500 or 50 units and in multiples of Re 1 or 1 unit thereafter.										
Despatch of Repurchase (Redemption) Request	Within 10 business days of the receipt of the redemption request at the authorised Collection centre of the Principal Mutual Fund although endeavour will be made to despatch the redemption proceeds within 3 business days from the receipt of redemption request, subject to it being complete in all respects.												
Benchmark Index	The Fund would benchmark its performance to the S&P CNX Nifty. The fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme.												
Dividend Policy	Under this Plan, the income and profits realized will be distributed by way of dividend. The undistributed portion of the income will remain in the Plan and be reflected in the NAV, on an ongoing basis. The Trustee reserves the right to declare the dividend subject to the Plan having adequate distributable profits. The Dividend Plan will have two facilities - the Payout and the Reinvestment. Under the Reinvestment facility, the dividend will be automatically reinvested in the units of the Scheme. Under the Payout facility, the dividends so declared/distributed would be paid out to the unitholders. However, the Trustees reserve the right to introduce new dividend distribution options.												
Name of the Fund Manager	Mr. Shyam Bhatt												
Name of the Trustee Company	Principal Trustee Company Private Limited												
Performance of the Scheme :	[N.B. For a new scheme and a scheme which is in existence for less than 1 year, the compounded annualised returns of similar schemes launched by the MF in the past shall be given as per the table.]												
	Compounded Annualised Returns	Scheme Returns (%) (Growth Options as on Dec. 31, 2004)	Benchmark Returns (%) (as on Dec. 31, 2004)										
	Returns for the last 1 year	Principal Equity Fund : 20.54% Principal Growth Fund : 41.14% Principal Resurgent India Equity Fund : 22.17% Principal Dividend Yield Fund : N.A.	S&P Nifty : 10.65% S&P Nifty : 10.65% S&P Nifty : 10.65% S&P CNX 500 Index : N.A.										
	Returns for the last 3 years	Principal Equity Fund : 36.71% Principal Growth Fund : 48.07% Principal Resurgent India Equity Fund : 58.27% Principal Dividend Yield Fund : N.A.	S&P Nifty : 25.22% S&P Nifty : 25.22% S&P Nifty : 25.22% S&P CNX 500 Index : N.A.										
	Returns for the last 5 years	Principal Equity Fund : 8.17% Principal Growth Fund : N.A. Principal Resurgent India Equity Fund : N.A. Principal Dividend Yield Fund : N.A.	S&P Nifty : 7.09% S&P Nifty : N.A. S&P Nifty : N.A. S&P CNX 500 Index : N.A.										
	Returns since inception	Principal Equity Fund : 7.60% Principal Growth Fund : 27.23% Principal Resurgent India Equity Fund : 35.51% Principal Dividend Yield Fund : 11.40%	S&P Nifty : 8.06% (Inception dt - 14/06/1995) S&P Nifty : 14.42% (Inception dt - 25/10/2000) S&P Nifty : 7.99% (Inception dt - 30/06/2000) S&P CNX 500 Index : 19.64 (Inception dt - 15/10/2004)										
	Year-wise returns for the last 5 financial years: Not Applicable being a new scheme.												
Expenses of the Scheme	(i) Load Structure		(ii) Annual Recurring expenses										
	Load Structure during Initial Public Offer	Load Structure on ongoing basis	Nature of Expenses										
	Entry Load - For Applications below Rs. 3 Crores - 2.25% For Applications of Rs. 3 Crores and above - Nil	Entry Load - 2.25%	% of Daily average net assets										
	Exit Load - Nil	Exit Load - Nil	Investment Management and Advisory Fees										
	Actual expenses for the previous financial year: Not Applicable being a new scheme.		Trustee Fees										
			Custodian Fees/Depository Charges										
			Registrar and Transfer Agent Fees										
			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										
			Marketing and Selling Expenses										
			Audit Fees										
			Total Annual Recurring Expenses										
			1.25										
			0.01										
			0.06										
			0.08										
			0.81										
			0.28										
			0.01										
			2.50										
Tax Treatment for the Investors (Unitholders)	<p>TAX TREATMENT OF INVESTMENTS IN MUTUAL FUNDS</p> <p>Certain tax benefits described below are available, under present taxation laws, to the unitholders (on attaining majority or otherwise) of Mutual Funds including "The Fund" and applies only to persons holding Units as an investment, and does not constitute legal or tax advice. Such benefits will be available only to the sole unitholder or the first named holder, in case the units are held in the names of more than one person or to the respective joint holder (to the extent of allocation of investment) in case percentage is specified by joint holders. The information set forth below is included for general information purposes only and is based on advice received by the Trustees regarding the law and practice in force in India and Investors/Unitholders should be aware that the relevant fiscal rules on their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time of an investment in the Fund will ensure indefinitely. In view of the individual nature of tax consequences, each Investor/Unitholder is advised to consult his/her State/Country of incorporation, establishment, citizenship, residence or domicile.</p> <p>Tax implication for the Fund and the unitholders pursuant to Finance Act 2004:</p> <p>I. PRINCIPAL MUTUAL FUND</p> <p>The entire income of Fund registered under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made thereunder will be exempt from income tax in accordance with the provisions of section 10(23D) of the Income-tax Act, 1961. Consequently, income received by the Scheme is not liable for deduction of tax at source.</p> <p>The tax provisions in the following paragraphs are updated as per the Finance (No. 2) Act 2004. The Securities Transaction Tax (STT) and the consequent Capital gains provisions shall come into force from October 01, 2004.</p> <p>SECURITIES TRANSACTION TAX</p> <p>Principal Mutual Fund, is liable to pay a securities transaction tax as follows :</p> <table border="1"> <thead> <tr> <th>Taxable securities transaction</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Purchase of an equity share in a company or unit of an equity oriented fund, where (a) the transaction of such purchase is entered into in a recognized stock exchange; and (b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit</td> <td>0.075</td> </tr> <tr> <td>Sale of an equity share in a company or a unit of an equity oriented fund, where - (a) the transaction of such sale is entered into in a recognized stock exchange; and (b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit</td> <td>0.075</td> </tr> <tr> <td>Sale of a derivative, where the transaction of such sale is entered in to a recognized stock exchange</td> <td>0.01</td> </tr> <tr> <td>Sale of unit of an equity oriented fund to the Mutual Fund</td> <td>0.15</td> </tr> </tbody> </table> <p>The value of a taxable securities transaction will be as follows.</p> <ul style="list-style-type: none"> In the case of a taxable securities transaction relating to "option in securities", the aggregate of the strike price and the option premium of such "option in securities"; In the case of a taxable securities transaction relating to "futures", the price at which such "futures" are traded; and In the case of any other taxable securities transaction, the price at which such securities are purchased or sold. <p>"Taxable securities transaction" has been defined as a purchase or sale of an equity shares in a company or a derivative or a unit of an equity oriented fund, entered into a recognized stock exchange; or sale of a unit of an equity oriented fund to the Mutual Fund</p> <p>Dividend Distribution Tax</p> <p>With effect from 9th July, 2004, under section 115R of the Income tax Act, 1961 tax on Income Distributed will be payable as under on the income distributed:</p> <p>For individuals and HUFs: @ 12.50% plus surcharge @ 2.5% and education cess @ 2% of the Tax and Surcharge.</p> <p>For others: @ 20% plus surcharge @ 2.5% and education cess @ 2% of the Tax and Surcharge.</p> <p>Open-ended Equity oriented mutual funds have been exempted from paying Dividend Distribution Tax.</p> <p>As per the Explanation to Section 115T of the Income Tax Act 1961, "equity oriented funds" means "such fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty percent of the total proceeds of such fund". The percentage of Equity share holding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.</p> <p>II. TO THE UNITHOLDERS</p> <p>A. IN RESPECT OF INCOME DISTRIBUTION:</p> <p>Under the provisions of section 10(35) of the Income-tax Act, 1961, income received by all categories of unitholders from the Scheme will be exempt from income tax in their hands. In view of this position, no tax needs be deducted at source from such distribution by the scheme. However, income from the transfer of Units of a mutual fund is not exempt from taxation.</p> <p>B. IN RESPECT OF LONG TERM CAPITAL GAINS</p> <p>i. Equity Oriented Schemes</p> <p>Long term capital gains arising on or after October 01, 2004 (i.e. after the date on which the STT comes into force) from the transfer of units of an Equity Oriented scheme (as defined u/s. 115T of the Income Tax Act, 1961) would be exempt from Income-Tax as per section 10(38) of the Income-Tax Act, 1961. The mutual fund would recover STT @ 0.15% from the unitholder when units are re-purchased by the mutual fund/ redeemed by the investor</p> <p>ii. Mutual Fund units other than those of Equity Oriented Schemes</p> <p>Long term capital gains arising from the transfer of units other than Equity Oriented Schemes would be chargeable to tax as under:</p>			Taxable securities transaction	Rate (%)	Purchase of an equity share in a company or unit of an equity oriented fund, where (a) the transaction of such purchase is entered into in a recognized stock exchange; and (b) the contract for the purchase of such share or unit is settled by the actual delivery or transfer of such share or unit	0.075	Sale of an equity share in a company or a unit of an equity oriented fund, where - (a) the transaction of such sale is entered into in a recognized stock exchange; and (b) the contract for the sale of such share or unit is settled by the actual delivery or transfer of such share or unit	0.075	Sale of a derivative, where the transaction of such sale is entered in to a recognized stock exchange	0.01	Sale of unit of an equity oriented fund to the Mutual Fund	0.15
Taxable securities transaction	Rate (%)												
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Sale of a derivative, where the transaction of such sale is entered in to a recognized stock exchange	0.01												
Sale of unit of an equity oriented fund to the Mutual Fund	0.15												

	<p>a) For Individuals and HUFs (including Non Resident Indians) Long-term Capital Gains in respect of Units held for a period of more than 12 months are chargeable under section 112 of the Income-Tax Act, 1961 at the rate of 20% plus surcharge as applicable and education cess @ 2% of the Tax and surcharge. Capital gains would be computed after taking into account cost of acquisition, as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer. In a case, where taxable income, as reduced by long term capital gains, is below the exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 20% plus surcharge and education cess, as may be applicable. It is further provided that an assessee will have an option to seek concessional rate of tax of 10%, plus surcharge as applicable plus education cess, provided the long term capital gains are computed without substituting indexed cost in place of actual cost of acquisition.</p> <p>b) For Partnership Firms, Indian Companies/Foreign Companies Long-term Capital Gains in respect of units held for a period of more than 12 months will be chargeable under section 112 of the Income-Tax Act, 1961, at the rate of 20% plus surcharge @ 2.5% and education cess @ 2% of the Tax and surcharge. Capital gains would be computed after taking into account cost of acquisition, as adjusted by Cost Inflation Index notified by the Central Government, and expenditure incurred wholly and exclusively in connection with such transfer. It is further provided that an assessee will have an option to avail of the concessional rate of tax of 10%, plus surcharge @ 2.5% and education cess @ 2% of the Tax and surcharge on long term capital gains computed without adjusting cost for indexation.</p> <p>c) For Overseas Financial Organisations, and Foreign Institutional Investors fulfilling conditions laid down under section 115AB and 115AD respectively Under section 115AB/115AD of the Income-Tax Act, 1961, long term capital gains in respect of units held for a period of more than 12 months will be chargeable at the rate of 10%, plus surcharge and education cess, as may be applicable. Such gains would be calculated without indexation of cost of acquisition.</p> <p>d) Setting Off Previous Year's Brought Forward Losses Loss arising on transfer of a long term capital asset can be set off only against other long term capital gains and not against any other income. If there is nil or inadequate long term capital gains in any year, the loss remaining will be allowed to be carried forward to the next year upto a maximum of 8 years.</p> <p>C. SHORT TERM CAPITAL GAINS:</p> <p>i. Equity Oriented Schemes Short term capital gains arising on or after October 01, 2004 (i.e. after the date on which the STT comes into force) from the transfer of units of an equity oriented scheme (as defined under Section 115T of the Income Tax Act, 1961) would be charged to tax u/s. 111-A of the Income Tax Act, 1961 @ 10% plus surcharge as applicable plus education cess as applicable on the tax and surcharge, The mutual fund would recover STT @ 0.15% from the unitholder when units are re-purchased by the mutual fund/ redeemed by the investor</p> <p>Computation of STT: For better clarity, some examples are listed below:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Redemption without Exit load:</td> <td style="width: 50%;">Redemption with Exit load (wherever applicable):</td> </tr> <tr> <td>Investment Amount: Rs. 10,000.00</td> <td>Investment Amount: Rs. 10,000.00</td> </tr> <tr> <td>Purchase NAV: Rs. 10.00</td> <td>Purchase NAV: Rs. 10.00</td> </tr> <tr> <td>Units Allotted: 1000.000</td> <td>Units Allotted: 1000.000</td> </tr> <tr> <td>Redemption NAV: Rs.15</td> <td>Redemption NAV: Rs.15.00</td> </tr> <tr> <td>Gross redemption Amount: Rs.15,000.00</td> <td>Exit load : 0.25%</td> </tr> <tr> <td>STT Rate: 0.15%</td> <td>Exit Price: 14.9625</td> </tr> <tr> <td>Net redemption Amount : Rs.14,977</td> <td>Gross redemption Amount: Rs.14,962.50</td> </tr> <tr> <td>STT: Rs.23/-</td> <td>STT Rate: 0.15%</td> </tr> <tr> <td></td> <td>Net redemption Amount : Rs.14,940.50</td> </tr> <tr> <td></td> <td>STT: Rs.22/-</td> </tr> </table> <p>ii. Mutual Fund units other than Equity Oriented Schemes Short term capital gains arising from the transfer of units other than Equity Oriented Schemes would be chargeable to tax as under:</p> <p>a. Capital Gains/Losses Short term capital gains are taxed at the normal rates applicable to each unitholder. Loss arising on transfer of a short term capital asset can be set off only against other short term capital gains or long term capital gains. If there is nil or inadequate capital gains in any year, the loss remaining will be allowed to be carried forward to the next year upto a maximum of 8 years. As per section 94(7), if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend, or distribution of income, and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale to the extent of dividend or income received or receivable on such units will be ignored for the purpose of computing his income chargeable to tax. Similarly, as per section 94(8), if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of bonus units and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale will be ignored for the purpose of computing his income chargeable to tax and the loss so ignored shall be deemed to be the cost of the bonus units.</p> <p>b. Income Tax Rates Short term Capital Gains in respect of Units held for a period of not more than 12 months is added to the total income. Total income including short-term capital gains is chargeable to tax as per the relevant slab rates. The maximum tax rates applicable to different categories of assesseees are as follows:</p> <table border="0" style="width: 100%;"> <tr> <td>Resident individuals and HUF</td> <td>30% plus surcharge plus education cess</td> </tr> <tr> <td>Partnership Firms</td> <td>35% plus surcharge plus education cess</td> </tr> <tr> <td>Indian Companies</td> <td>35% plus surcharge plus education cess</td> </tr> <tr> <td>Non Resident Indians</td> <td>30% plus surcharge plus education cess</td> </tr> <tr> <td>Foreign Companies</td> <td>40% plus surcharge plus education cess</td> </tr> </table> <p>1. TAX DEDUCTION AT SOURCE (i) Under section 195/196B/196D of the Income Tax Act, 1961, tax shall be deducted at source in respect of capital gains as under:</p> <p>a. In case of non resident other than a company -</p> <table border="0" style="width: 100%;"> <tr> <td>➤ Long term capital gains (other than Equity oriented schemes)</td> <td>20% plus surcharge plus education cess</td> </tr> <tr> <td>➤ Short term capital gains</td> <td>30% plus surcharge plus education cess</td> </tr> </table> <p>b. In case of foreign company -</p> <table border="0" style="width: 100%;"> <tr> <td>➤ Long term capital gains (other than Equity oriented schemes)</td> <td>20% plus surcharge plus education cess</td> </tr> <tr> <td>➤ Short term capital gains</td> <td>40% plus surcharge plus education cess</td> </tr> </table> <p>c. In case of Offshore Fund and FIs as defined in 115AB</p> <table border="0" style="width: 100%;"> <tr> <td>➤ Long term capital gains</td> <td>10% plus surcharge plus education cess</td> </tr> </table> <p>As per circular no. 728 dated October 1995 by CBDT, in the case of a remittance to a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA between India and that country whichever is more beneficial to the tax payer.</p> <p>2. EXEMPTION FROM TAX ON CAPITAL GAINS ARISING ON TRANSFER OF UNITS HELD FOR MORE THAN 12 MONTHS (WHEREVER APPLICABLE)</p> <p>U/S. 54EC of the Income Tax Act, 1961 Under section 54EC of the Income Tax Act, 1961, where a tax payer has made long term capital gains from the transfer of units held in the Mutual Fund for a period exceeding 12 months and the assessee has any time within a period of 6 months after the date of such transfer, invested the whole of the capital gains in any of the specified assets i.e., in bonds redeemable after 3 years issued by the National Bank for Agriculture and Rural Development, or by the National Highways Authority of India or by the Rural Electrification Corporation Limited or by The National Housing Bank or by the Small Industries Development Bank of India, such capital gains shall be exempted from tax on capital gains under section 54EC of the Income Tax Act, 1961. However, if the assessee has invested only a part of the capital gains, he will be eligible for proportionate exemption.</p> <p>U/S 54ED of the Income Tax Act, 1961 Under Section 54ED, whereby the capital gains arising from the transfer of units held in the mutual fund for a period exceeding 12 months will be exempt, if the assessee has, any time within a period of 6 months after the date of such transfer, invested the whole of the capital gains in acquiring equity shares forming part of an eligible issue of capital. However, if the assessee has invested only a part of the capital gains, he will be eligible for proportionate exemption. An eligible issue of capital means an issue of equity shares offered for subscription to the public by a public company formed and registered in India.</p> <p>Indirect Tax impact on investors due to tax impact on the scheme: The scheme may be impacted by the rates of taxation on capital gains, interest and other corporate actions on investment by non resident mutual funds, in different countries of investment, in line with the prevailing tax laws in those countries of investment, as also in line with the respective tax treaties in existence with India</p> <p>F. INVESTMENTS BY CHARITABLE AND RELIGIOUS TRUSTS IN THE SCHEME Units of the Scheme constitute an eligible avenue for investment by charitable or religious trusts per rule 17C of the Income Tax Rules, 1962, read with clause (xii) of sub-section (5) of section 11 of the Income Tax Act, 1961.</p> <p>G. WEALTH TAX Units held under the Scheme are not treated as assets within the meaning of section 2(ea) of the Wealth Tax Act, 1957 and are, therefore, not liable to Wealth-Tax.</p> <p>H. GIFT TAX Units of the Scheme may be given as a Gift and no Gift tax will be payable either by the donor or the donee, as the Gift Tax Act has been abolished with effect from 1st October, 1998.</p>	Redemption without Exit load:	Redemption with Exit load (wherever applicable):	Investment Amount: Rs. 10,000.00	Investment Amount: Rs. 10,000.00	Purchase NAV: Rs. 10.00	Purchase NAV: Rs. 10.00	Units Allotted: 1000.000	Units Allotted: 1000.000	Redemption NAV: Rs.15	Redemption NAV: Rs.15.00	Gross redemption Amount: Rs.15,000.00	Exit load : 0.25%	STT Rate: 0.15%	Exit Price: 14.9625	Net redemption Amount : Rs.14,977	Gross redemption Amount: Rs.14,962.50	STT: Rs.23/-	STT Rate: 0.15%		Net redemption Amount : Rs.14,940.50		STT: Rs.22/-	Resident individuals and HUF	30% plus surcharge plus education cess	Partnership Firms	35% plus surcharge plus education cess	Indian Companies	35% plus surcharge plus education cess	Non Resident Indians	30% plus surcharge plus education cess	Foreign Companies	40% plus surcharge plus education cess	➤ Long term capital gains (other than Equity oriented schemes)	20% plus surcharge plus education cess	➤ Short term capital gains	30% plus surcharge plus education cess	➤ Long term capital gains (other than Equity oriented schemes)	20% plus surcharge plus education cess	➤ Short term capital gains	40% plus surcharge plus education cess	➤ Long term capital gains	10% plus surcharge plus education cess
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Daily Net Asset Value (NAV) Publication	The NAV of the Fund will be calculated on all Business Days. The NAV will be published in 2 daily newspapers having nationwide circulation and will also be updated on the AMFI website i.e. www.amfindia.com by 8.00 P.M. on all business days. The NAV can also be viewed on the website of the Mutual Fund i.e. www.principalindia.com																																										
For Investor Grievances please contact	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Name and Address of Registrar Karvy Computershare Pvt. Ltd. 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034.</td> <td style="width: 50%;">Name, Address, Telephone Number, Fax Number, E-mail i.d of Principal Mutual Fund 5th Floor, Apeejay House, 3 Dinshaw Vachha Road, Mumbai 400 020. Phone: +91 22 2202 1111 Fax: +91 22 2204 4466 E-mail: customer@principalindia.com</td> </tr> </table>	Name and Address of Registrar Karvy Computershare Pvt. Ltd. 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad-500 034.	Name, Address, Telephone Number, Fax Number, E-mail i.d of Principal Mutual Fund 5 th Floor, Apeejay House, 3 Dinshaw Vachha Road, Mumbai 400 020. Phone: +91 22 2202 1111 Fax: +91 22 2204 4466 E-mail: customer@principalindia.com																																								
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Unitholders' Information	<ol style="list-style-type: none"> 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 or after clearance of Cheque, whichever is later on an ongoing basis. After the completion of Initial 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 initial offer period. The Fund will mail to all unitholders an annual report of the Scheme, not later than six months from 31st March, containing details as specified in the SEBI Regulations. The will also be hosted on the website of the Mutual Fund i.e. www.principalindia.com Further, the full text of the annual report will be available for inspection at the office of the Fund The Fund will publish, before the expiry of one month from the close of each half-year, as on 31st March and 30th September, the Fund's unaudited financial results 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 Fund is situated. The Fund shall also display half yearly results on its web site and web-site of AMFI. The Fund will send to all unitholders a complete statement of its portfolio before the expiry of one month from the close of each half year (i.e. 31st March and 30th September) or the Fund may publish statement of scheme portfolio by way of an advertisement, in one national English daily and in a newspaper published in the language of the region where the head office of the Mutual Fund is situated. <p>Date: January 20, 2005</p>																																										

Offices of Principal Pnb Asset Management Company Private Limited (IPO Collection)

Ahmedabad: 401, Broadway Business Centre, Opp. Samarsheshwar Mahadev Temple, Law Garden Cross Road, Ellisbridge, Ahmedabad - 380 006. Tel.: (079) 2640 7933-36. • **Bangalore:** Prestige Meridien 1, No. 29, M.G. Road, Bangalore-560 001. Tel: (080) 2509 5567-69. • **Chandigarh:** SCO 455-56, 1st Floor, Sector-35 C, Chandigarh-160 022. Tel: (0172) 508 9514 / 507 5068. • **Chennai:** Challamal, No. 401, 11, Thiyagaraya Road, Chennai-600 017. Tel: (044) 2431 4678-79 / 2435 3887. • **Coimbatore:** No. 9, Gowtham Center Annexe, 1954, Avinash Road, Coimbatore-641 018. Tel: (0422) 5393561 / 5393562. • **Hyderabad:** White House, 503, 5th Floor, Block 1B, Begumpet, Hyderabad-500 016. Tel: (040) 5562 0812 / 5566 9548. • **Indore:** G 8 & 9, Ground floor, City Center, 570, Mahatma Gandhi Marg, Indore-452 001. Tel: (0731) 506 7596 / 506 7345. • **Jaipur:** 105-B, 1st Floor, Shyam Anukampa Complex, Opp. HDFC Bank Ltd., Ashok Marg, C-Scheme, Jaipur-302 001. Tel.: (0141) 511 8240. • **Kolkata:** Block No. 503, SHUBHAM, 5th Floor, 1, Sarojini Naidu Sarani, Kolkata-700 017. Tel: (033) 2281 7030 / 2281 7268. • **Lucknow:** 210-B, 2nd Floor, Saran Chambers-2, 5, Park Road, Lucknow-226 001. Tel: (0522) 223 9770 / 223 8816. • **Ludhiana:** 302, SCO-18, Opp. Ludhiana Stock Exchange, Feroze Gandhi Market, Ludhiana-141 001. Tel.: (0161) 277 4209/508 6682. • **Mumbai:** Apeejay House, 5th Floor, 3 Dinshaw Vachha Road, Churchgate, Mumbai-400 020. Tel.: (022) 2202 1111 / 5659 0333. • **New Delhi:** 310-311, Ansal Bhawan, 16, K.G. Marg, New Delhi-110 001. Tel: (011) 2331 6990 / 91. • **Pune:** Office No.101, "Shrinath Plaza", "A" Wing, 1st Floor, Fergusson College Road, Dnyaneshwar Paduka Chowk, Shivajinagar, Pune-411 004. Tel.: (020) 2553 8737 / 38, 401 5055. • **Surat:** 206 Jolly Plaza, Athwagate, Surat-395001. Tel: (0261) 557 7964. • **Vadodara:** 103, Paradise Complex, Sayajigunj, Vadodara-390 005. Tel.: (0265) 558 6212.