PRINCIPAL MUTUAL FUND

Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

PRINCIPAL LARGE CAP FUND – ABRIDGED ANNUAL REPORT FOR 2015-16

INDEPENDENT AUDITORS' REPORT

TO THE TRUSTEE OF PRINCIPAL MUTUAL FUND

Report on the Financial Statements

We have audited the accompanying financial statements of the 30 Schemes as mentioned in 'Annexure A' (Collectively "the Schemes") of the Principal Mutual Fund, which comprises the Balance Sheets as at March 31, 2016, the Revenue Accounts, the Cash Flow Statements for the year/period then ended and a summary of significant accounting policies and other explanatory information.

Annexure - A: • Principal Growth Fund • Principal Index Fund - Nifty • Principal Large Cap Fund • Principal Dividend Yield Fund • Principal Emerging Bluechip Fund • Principal Personal Tax Saver Fund • Principal Smart Equity Fund • Principal Tax Savings Fund • Principal Global Opportunities Fund • Principal Debt Opportunities Fund - Conservative Plan • Principal Debt Opportunities Fund - Corporate Bond Plan • Principal Government Securities Fund • Principal Dynamic Bond Fund (formerly known as Principal Income Fund Long Term Plan) • Principal Bank CD Fund • Principal Income Fund - Short Term Plan • Principal Debt Savings Fund - MIP • Principal Debt Savings Fund - Retail Plan • Principal Balanced Fund • Principal Cash Management Fund • Principal Retail Money Manager Fund • Principal PNB Fixed Maturity Plan - Series B5 • Principal PNB Fixed Maturity Plan - Series B10 • Principal PNB Fixed Maturity Plan - Series B13 • Principal PNB Fixed Maturity Plan - Series B14 • Principal PNB Fixed Maturity Plan - Series B16 • Principal Index Fund - Midcap • Principal PNB Fixed Maturity Plan - Series B17 • Principal Asset Allocation FOF - Moderate Plan • Principal Asset Allocation FOF - Conservative Plan • Principal Asset Allocation FOF - Aggressive Plan.

Management's Responsibility for the Financial Statements

The Trustee of Principal Mutual Fund and Principal Pnb Asset Management Company Private Limited, the Schemes Investment Manager are responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flow of the Schemes in accordance with the accounting principles generally accepted in India, including the accounting policies as specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto ("the Regulations"). This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements of the Schemes that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Schemes internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion: In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Regulations as applicable in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) In the case of balance sheets, of the state of affairs of the respective Schemes as at March 31, 2016;
b) In the case of revenue accounts of the surplus / deficit as applicable of the respective Schemes, for the year/period ended on that date; and
c) In the case of the cash flow statements, of the cash flows of the respective Schemes for the year/ period ended on that date.

Report on Other Legal and Regulatory Requirements

As required under the Regulations, we report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. The Balance Sheets, Revenue Accounts and Cash Flow Statements dealt with by this Report are in agreement with the books of account of the respective Schemes;
3. In our opinion, the Balance Sheets, Revenue Accounts and Cash Flow Statements dealt with by this report have been prepared in accordance with the accounting policies and standards as specified in the Ninth Schedule of the Regulations;
4. The methods used to value non traded securities, as determined by Principal Pnb Asset Management Company Private Limited and as approved by the Trustee of Principal Mutual Fund are in good faith and in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule of the Regulations issued by the Securities and Exchange Board of India, and are fair and reasonable.

For Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No. 103523W
Sd/-
Chetan Desai
Partner
Membership No. 017000

Place : Mumbai
Date : July 13, 2016

TRUSTEE REPORT

To the Unitholders,

Directors of Principal Trustee Company Private Limited have the pleasure in presenting the Twenty Second Annual Report along with the audited financial statements of the Schemes of Principal Mutual Fund for the Financial Year 2015-2016.

1. Scheme Performance, Future Outlook and Operations of the Scheme :

Performance as on March 31, 2016:

Principal Large Cap Fund (*An Open Ended Equity Scheme)*

Period	Date	Regular Plan^		Direct Plan^#	
		Returns (%)	S&P BSE 100 Index (%)	Returns (%)	S&P BSE 100 Index (%)
Last 1 Year	31-Mar- 15	-7.70	-8.94	-7.05	-8.94
Last 3 Years	28-Mar-13	15.29	11.28	16.01	11.28
Last 5 Years	31-Mar-11	8.35	5.99	N.A.	N.A.
Since Inception	11-Nov-05	15.15	11.23	11.31	8.17

Direct Plan - Since Inception - January 2, 2013. ^ Growth Option

Past performance may or may not be sustained in the future

Note: Returns less than one year are calculated on absolute basis and returns for more than one year are calculated on Compounded Annualised basis.

During the Financial Year 2015-16, the Scheme outperformed its benchmark due to the outperformance of stocks bought in Energy, Pharmaceuticals, Cement and Financials sectors with the returns from some of these stocks being significantly higher compared to the benchmark.

The net assets of the Scheme amounted to ₹ 278.03Crs as at March 31, 2016 as compared to ₹ 314.38 Crs as at March 31, 2015

Outlook and Operations of the Scheme:

a. Equity Market: While the economy through FY16 generally remained weak, there are some signs of a pick up. The sales of Commercial Vehicles, esp. Heavy CVs has shown an uptick in the past few months. Cement demand has shown signs of improvement and consumer durables sales have generally been good. While stressed assets of banks is an issue, but most corporates seems to be making efforts to sell assets and improve the Balance Sheet. The rate cycle seems to have tail winds as inflation is likely to be steady for most of the year. Initial monsson forecasts from the weather forecaster are for a normal monsoon which should help in rural demand.

After weak earnings for the past 2 years, earning should revive in FY 17. However, valuations are fair in line with long term averages. Global events like stability in commodity prices, geopolitical developments and the macroeconomic situation in advanced economies will drive flows in Emerging Markets (EMs). India is placed in a relatively better position compared to most Ems in attracting these flows.

b. Debt Market: The key drivers for debt market in FY 2016-17 would be RBI's open market operations, liquidity conditions in the banking system and demand supply dynamics for Government Securities (G-Secs). Given's RBI's stated stance to bring banking system liquidity deficit to a "neutral" level we expect higher OMO purchases of dated gilts and lower deficit levels as compared to FY 16.

Issuance of UDAY bonds and States' SDL could put intermittent upward pressure on bond yields as the total supply remains high. Foreign inflows to debt market are expected to pick up in the backdrop of stable global conditions and benign interest rates across US, Eurozone and Japan. Inflation is expected to average close to 5% for the financial year in line with RBI's targeted trajectory path for CPI inflation and thus we expect RBI to remain in an accommodative policy stance during the year, though further rate cuts maybe limited.

Global crude oil prices would continue to remain an important indicator in terms of fuel inflation, oil import growth and subsidy bill of government. Any sharp rise in oil prices can be negative for the markets in terms of higher subsidy bill which can impact fiscal deficit negatively and higher inflation. We expect the government to broadly meet its fiscal deficit target of 3.5% for FY 17.

The broad range for 10 year benchmark for financial year 2015-16 is likely to be 7.00%-7.70%. Given the cuts in key rates by RBI, change to MCLR regime by banks and alignment of small savings instruments rates to market yields by the government, we expect greater transmission of policy rates to short end of the curve and thus short to medium tenor corporate bonds and CP/ CD yields should remain benign broadly with downward bias.

Operations: Principal Mutual Fund (PMF) as at March 31, 2016 offers twenty Eight Schemes. These include nine Equity Schemes (including two Equity Linked Savings Schemes), one Balanced Scheme, one Hybrid Scheme, one Fund of Fund Scheme (Overseas), one Fund of Fund (Domestic), eight Debt Schemes/Plans including one Liquid Scheme, and six Fixed Maturity Plans. The total assets under management across all these Schemes as on March 31, 2016 was ₹ 4073.84 Crore.

The AMC operates out of 11 branches, including Mumbai. Increased use of technology coupled with optimum allocation and utilization of resources has helped us to enhance operational efficiency at PMF. During the year, SEBI has introduced significant changes to the MF regulations which has impacted the industry as a whole. PMF has continued to modify its processes, wherever required, to remain compliant with the said regulations at all times.

Brief background of Sponsors, Trust, Trustee Co. and AMC Co.

A. Sponsor and Constitution of the Mutual Fund:

Principal Mutual Fund is sponsored by Principal Financial Services Inc., USA [acting through its wholly owned subsidiary Principal Financial Group (Mauritius) Ltd.]. The Sponsor is the Settlor of the Mutual Fund Trust with Punjab National Bank as co-settlor. The Sponsor and co-settlor have entrusted a sum of ₹ 25 lakhs to the Trustee as the initial contribution towards the corpus of the Mutual Fund. Principal Financial Services Inc. is a member of the Principal Financial Group - a leading provider of financial products and services globally to businesses and individuals including retirement and investment services, Mutual Funds, life and health insurance, annuities and mortgage banking. Established in 1879, the Principal Financial Group has more than $516.2 billion in assets under management and serves over 20.6 million customers worldwide through operations in the United States, Asia, Australia, Europe, Latin America and North America (as on December 31, 2015). The business of Principal Financial Group (Mauritius) Limited, is to carry out business activities which are not prohibited under the Laws of Mauritius and the laws of the countries where the Company is transacting business and to do all such things as are incidental or conducive to the attainment of the above objects.

The present share holding pattern of the AMC is as follows:

Name of the Shareholder	% of equity capital
Principal Financial Group (Mauritius) Limited	78.62
Punjab National Bank	21.38

B. Principal Trustee Company Private Limited ("the Trustee"):

The Trustee is the exclusive The Trustee is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the Unitholders.

Principal Trustee Company Private Limited (formerly IDBI-PRINCIPAL Trustee Company Limited), a company incorporated under the Companies Act, 1956 is the Trustee to the Fund with effect from October 18, 2002. Prior to October 18, 2002, Board of Trustees discharged the Trusteeship function of the Fund. The Trustee has the exclusive ownership of the Trust Fund and is vested with the general powers of superintendence, direction and management of the affairs of the Trust.

The Trustee has been discharging its duties and carrying out its responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed. The Trustee seeks to ensure that the Fund and the Schemes floated there under are managed by the AMC in accordance with the Trust Deed, the Regulations, directions and guidelines issued by the SEBI, the Association of Mutual Funds in India and other regulatory agencies.

Principal Financial Group (Mauritius) Limited and Punjab National Bank hold 70% and 30% respectively of the paid up equity capital of the Trustee Company.

C. Asset Management Company (AMC): Principal Pnb Asset Management Company Private Limited (AMC) is a private limited company incorporated under the Companies Act, 1956 on November 20, 1991 having its Registered Office at Exchange Plaza, 'B' Wing, Ground Floor, NSE Building, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051, India. Principal Pnb Asset Management Company Private Limited has been appointed as the Asset Management Company of the Principal Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated November 25, 1994 executed between Trustee and AMC. The AMC has also been registered as a Portfolio Manager under the provisions of SEBI (Portfolio Manager) Regulations, 1993 vide SEBI Registration no. INP000000951. Further, the AMC has obtained No Objection from SEBI for undertaking activities which are in the nature of advisory services to offshore funds, venture capital funds, financial consultancy and exchange of research pertaining to securities.

2. Liabilities and Responsibilities of Trustee and Settlor:

The key responsibility of the Trustee is to safeguard the interest of the Unit holders and inter-alia ensure that Principal Pnb Asset Management Company Private Limited functions in the interest of investors and as laid down under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the provisions of the Investment Management Agreement, Statement of Additional Information and Scheme Information Document of the respective Schemes. From the information provided to the Trustees and the reviews the Trustee has undertaken, the Trustee believes Principal AMC has operated in the interests of the Unit holders.

The Sponsor and any of its associates including co-settlors is not responsible or liable for any loss resulting from the operations of the Mutual Fund beyond the initial contribution of an amount of R25 lakhs towards setting up of Principal Mutual Fund.

3. Investment Objective:

The investment objective of the Scheme is to provide capital appreciation and /or dividend distribution by predominantly investing in companies having a large market capitalization.

The Scheme would invest at least 65% of its assets in companies having a market capitalization greater than ₹ 750 crores as on the date of investment (or any such amount as may be specified by India Index Services and Products Ltd. (IISL) from time to time) being the upper limit of market capitalisation as a criteria for inclusion of a company in Nifty Midcap 200 Index. The scheme may also invest in companies other than large cap upto the permissible limits.

4. Significant Accounting Policies: The Significant Accounting Policies form part of the Notes to the Accounts annexed to the Balance Sheet of the Scheme. Accounting policies are in accordance with Securities Exchange Board of India (Mutual Funds) Regulations, 1996.

5. Unclaimed Dividends & Redemptions for the financial year 2015-2016:

Scheme	Unclaimed Dividends		Unclaimed Redemptions	
	Amount (₹ in Lacs)	No. of Investors	Amount (₹ in Lacs)	No. of Investors
Principal Large Cap Fund	90.17	3667	67.91	337

6. Investor Grievances:

The data on Investor Grievance as per the SEBI prescribed is enclosed herewith as Annexure I (Refer page 4).

7. General Policies & Procedures for exercising the voting rights & Exercise of Proxy Votes:

a. As per the requirements of the SEBI Circular No. SEBI/IMD/CIR No.18/198647/2010 dated March 15, 2010 and SEBI Circular No. CIR/IMD/DF/05/2014 dated March 24, 2014 the General policies and procedures for exercising voting rights (along with the relevant disclosures) in respect of the shares held by the Schemes of Principal Mutual Fund; has been hosted on our website - www.principalindia.com.

b. During the FY 2015-16, the proxy voting was exercised by Principal Pnb Asset Management Company Private Limited for and on behalf of Principal Mutual Fund ("the Fund"). The summary of proxy votes cast by Principal Mutual Fund/AMC across all the investee companies is as follows:

Summary of Votes cast during the F.Y. 2015-2016					
F.Y.	Quarter	Total no. of Resolutions	Break-up of Vote decision		
			For	Against	Abstained
2015-2016	April-June	245	215	20	10
2015-2016	July-September	1514	1272	234	8
2015-2016	October - December	114	97	13	4
2015-2016	Jaunary- March	80	74	5	1

For complete voting details for the period of 2015-16, unit holders can log on to the website (www.principalindia.com) of the Fund. Further the said Details are also available in the Annual Report for the period 2015-16. A copy thereof is available on the said website of the fund and shall be sent / emailed to the unit holders free of cost on demand.

8. Statutory Information:

i. The Sponsors/Co- Settlors are not responsible or liable for any loss resulting from the operations of the Schemes of Principal Mutual Fund beyond their initial contribution of an amount of R25 lakhs towards setting up Principal Mutual Fund, and such other accretions/ additions to the same;

ii. The price and redemption value of the units, and income from them, can go up as well down with fluctuations in the market value of its underlying investment;

iii. Full Annual Report shall be disclosed on the website www.principalindia.com and shall also be available for inspection at the Head Office of Principal Mutual Fund. Present and prospective unitholder can obtain copy of the trust deed, the full Annual Report of the Fund / AMC at a price.

Acknowledgement:

The Trustee wish to thank Securities and Exchange Board of India, Reserve Bank of India and Association of Mutual Funds in India for their support and direction. The Trustees also wish to thank all the Unitholders, distributors, key partners and service providers for their commitment and strong support.

For Principal Trustee Company Private Limited

Sd/-

Date : July 13, 2016 V. S. Mathur

Place : Mumbai Chairman

ABRIDGED BALANCE SHEET AS AT MARCH 31, 2016

(₹ In Lacs)

	As at March 31, 2016	As at March 31, 2015
LIABILITIES		
Unit Capital	7,423.54	7,878.38
Reserves & Surplus		
Unit Premium Reserves	(6,590.99)	(6,402.48)
Unrealised Appreciation Reserve	4,459.58	9,358.89
Other Reserves	22,509.54	20,602.10
Loans & Borrowings	–	–
Current Liabilities & Provisions		
Provision for doubtful Income/Deposits	–	–
Other Current Liabilities & Provisions	332.26	242.81
TOTAL	28,133.93	31,679.70
ASSETS		
Investments		
Listed Securities:		
Equity Shares	25,111.15	29,929.52
Preference Shares	–	–
Equity Linked Debentures	–	–
Other Debentures & Bonds	–	–
Securitised Debt securities	–	–
Securities Awaited Listing:	–	
Equity Shares	–	–
Preference Shares	–	–
Equity Linked Debentures	–	–
Other Debentures & Bonds	–	–
Securitised Debt securities	–	–
Unlisted Securities		
Equity Shares	–	–
Preference Shares	–	–
Equity Linked Debentures	–	–
Other Debentures & Bonds	–	–
Securitised Debt securities	–	–
Government Securities	–	–
Treasury Bills	–	–
Commercial Paper	–	–
Certificate of Deposits	–	–
Bill Rediscounting	–	–
Units of Domestic Mutual Fund	2,652.03	1,601.14
Foreign Securities	–	–
Total Investments	27,763.18	31,530.66
Deposits	14.35	14.35
Other Current Assets		
Cash & Bank Balance	8.28	111.84
CBLO/ Reverse Repo Lending	34.64	13.37
Others	313.48	9.48
Deferred Revenue Expenditure (to the extent not written off)	–	–
TOTAL	28,133.93	31,679.70

Notes to Accounts – Annexure I

ABRIDGED REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2016

(₹ In Lacs)

	Current Year ended March 31, 2016	Previous Year ended March 31, 2015
INCOME		
Dividend	357.37	366.57
Interest	107.49	64.52
Realised Gain / (Loss) on Foreign Exchange Transactions	–	–
Realised Gains / (Losses) on Interscheme sale of investments	–	–
Realised Gains / (Losses) on External sale / redemption of investments	2,860.38	7,633.23
Realised Gains / (Losses) on Derivative Transactions	–	–
Other Income (Refer Note 5 of Notes to Accounts)	13.39	13.18
(A)	3,338.64	8,077.50
EXPENSES		
Management fees	471.06	473.86
Service tax on Management fees	65.46	58.57
Transfer agents fees and expenses	38.38	59.15
Custodian fees	8.14	9.16
Trusteeship fees	2.97	3.13
Commission to Agents	183.90	188.34
Marketing & Distribution expenses	3.62	19.69
Audit fees	2.50	2.34
Other operating expenses (Refer note 4 of Notes to Accounts)	49.33	29.49
(B)	825.37	843.73
NET REALISED GAINS / (LOSSES) FOR THE YEAR (A - B = C)	2,513.26	7,233.77
Change in Unrealised Depreciation in value of investments (D)	4,899.31	3.07
NET GAINS / (LOSSES) FOR THE YEAR (E=(C-D))	(2,386.04)	7,230.70
Change in unrealised appreciation in the value of investments (F)	-	2,123.09
NET SURPLUS / (DEFICIT) FOR THE YEAR (E + F = G)	(2,386.04)	9,353.80
Opening Balance	20,602.09	17,223.55
Add: Balance transfer from Unrealised Appreciation Reserve	9,358.89	7,238.86
Less: Balance transfer to Unrealised Appreciation Reserve	4,459.58	9,358.89
Add / (Less): Equalisation	(605.13)	(2,769.13)
Total (Including G)	22,510.22	21,688.19
Dividend appropriation		
Income Distributed during the year	0.69	1,086.10
Tax on income distributed during the year	–	–
Retained Surplus / (Deficit) carried forward to Balance sheet	22,509.54	20,602.09

Notes to Accounts – Annexure I

NOTES TO ACCOUNTS

Annexure I to the Abridged Balance Sheet and Revenue Account for the Year Ended 31 March, 2016

1 Investments : –

1.1 Except Government Securities, CBLO's and Treasury Bills (which are held in the name of the Mutual Fund) all other investments of the scheme are registered in the name of Principal Trustee Company Pvt. Ltd. - Trustee to Principal Mutual Fund for the benefit of the Schemes unitholders.

1.2 Disclosure for investments in derivative instruments

For the financial year 2015-16

There was no exposure to derivative products during the year ended March 31, 2016.

For the financial year 2014-15

Hedging Positions through Futures as on 31st March 2015 : Nil

For the period 01st April 2014 to 31st March 2015, following hedging transactions through futures have been squared off/expired : Nil

Other than Hedging Positions through Futures as on 31st March 2015 : Nil

For the period 01st April 2014 to 31st March 2015, following non-hedging transactions through futures have been squared off/expired :

Scheme	Total Number of contracts where futures were bought (opening balance)	Total Number of contracts where futures were bought	Total Number of contracts where futures were sold	Gross Notional Value of contracts where futures were bought (opening balance)	Gross Notional Value of contracts where futures were bought	Gross Notional Value of contracts where futures were sold	Net Profit/ Loss value on all contracts combined
Principal Large Cap Fund	32	–	32	7,392,198	–	8,260,800	868,602

Hedging Position through Put Option as on 31st March 2015 : Nil

For the period 01st April 2014 to 31st March 2015, hedging transactions through options which have been squared off/expired : Nil

Other than Hedging Positions through Options as on 31st March 2015 : Nil

For the period 01st April 2014 to 31st March 2015, non-hedging transactions through options have been squared off/expired : Nil

Note : In case of derivative transactions end of the day position on the date of such transaction is considered as the basis to assess the nature of transaction as hedge / non-hedge.

1.3 During the year ended March 31, 2016 the scheme has made investments in securities of the Associate / Group Companies of the Sponsor. Details of Aggregate Value of Investments made by the schemes of Principal Mutual Fund during the year ended March 31, 2016 is given in Annexure II.

The above investments were considered sound before making investment. The AMC evaluated the same on merits and on arm's length basis and in accordance with the investment objectives of the respective Schemes.

1.4 There are no open position of securities borrowed and / or lent by the scheme as at March 31, 2016 and as at March 31, 2015.

1.5 Non Performing Assets as at March 31, 2016 cost is ₹ Nil (as at March 31, 2015 cost is ₹ Nil).

1.6 Aggregate value of Unrealised Gain / Loss as at the end of the Financial Year, expressed as a percentage to Net Assets.

(₹ in Lacs)

Scheme	Year ended 31-March-2016		Year ended 31-March-2015	
	Unrealised Gain / (Loss)	% to Avg. Net Assets	Unrealised Gain / (Loss)	% to Avg. Net Assets
Principal Large Cap Fund	4,459.58	14.99	9,358.89	29.77

1.7 Aggregate Value of Purchase and Sale made during the year, expressed as a percentage of Average Daily Net Asset Value :

(₹ in Lacs)

	Purchases		Sales*	
	Amount	% of Avg. Net Assets	Amount	% of Avg. Net Assets
March 31, 2016	92,163.17	309.83	93,891.71	315.64
March 31, 2015	50,824.80	162.62	58,446.15	187.01

* Sales includes redemptions / maturities

1.8 The Aggregate book value of Non-Traded / Thinly traded Debt Investments, which have been valued in good faith in accordance with the guidelines for valuation of securities of Mutual Fund issued by SEBI, expressed as percentage to Net Assets is ₹ Nil

2 As per the requirements of Regulation 25 (8) of SEBI Regulation 1996, the details of Payments made to Associates during the year is given in Annexure III.

3 As per the SEBI disclosure wide circular No. MFD/CIR No.3/211/2001 dated April 30, 2001; Scheme does not have a single unit holder holding more than 25% of the NAV at the end as on March 31, 2015 and March 31, 2016.

4 Expenses other than management fees are inclusive of service tax wherever applicable.

5 Other income includes switch Compensation paid / received, Compensation received from AMC and exit load collected, net of service tax from the investors at the time of redemption.

6 Details of movements in Unit Capital during the year is given in Annexure IV.

7 Borrowing cost has been charged to the schemes and adjusted against interest income during the year and is not considered for the purpose of limit calculation for total expenses.

8 Previous year's figures have been regrouped and reclassified, wherever necessary, to make them comparable.

9 There was no Contingent Liability for the current financial year & previous financial year.

Annexure – II

Details of Investments made in Associates / Group Companies (₹ In Lacs)

LARSEN & TOUBRO LTD	Equity Shares	
	2015-2016	2014-2015
Schemes		
GROWTH	–	–
INDEX	84.04	34.14
LCAP	33.16	612.81
PTSF	–	701.17
SMART	105.46	121.86
TAX96	–	25.32
PBF	8.43	–
Aggregate Investments by all Schemes	231.09	1,495.30

(₹ In Lacs)

PUNJAB NATIONAL BANK	Equity Shares	
	2015-2016	2014-2015
Scheme		
INDEX	6.70	3.58
Aggregate Investments by all Schemes	6.70	3.58

ATUL LTD.	Equity Shares	
	2015-2016	2014-2015
Scheme		
PEBF	114.85	830.08
Aggregate Investments by all Schemes	114.85	830.08

SCHEME CODE LIST: • GROWTH - Principal Growth Fund • INDEX - Principal Index Fund - Nifty • LCAP - Principal Large Cap Fund • PBF - Principal Balanced Fund • PEBF - Principal Emerging Bluechip Fund • PTSF - Principal Personal Tax Saver Fund • SMART - Principal Smart Equity Fund • TAX96 - Principal Tax Savings Fund

Annexure III : Brokerage/Commission paid to associates/related parties/group companies of Sponsor/ Asset Management Company (AMC)

i) Brokerage paid to associates/related parties/group companies of Sponsor/Asset Management Company (AMC) for securities transaction

Name of associate/related parties/ group companies of Sponsor/AMC	Nature of Association / Nature of Relation	April 01, 2015/ Launch date to March 31,2016/Maturity date		April 01, 2014/ Launch date to March 31,2015/Maturity date	
		Value of transaction (₹ In lacs & % of total value of transaction of the fund)	Brokerage (₹ In lacs & % of total brokerage paid by the fund)	Value of transaction (₹ In lacs & % of total value of transaction of the fund)	Brokerage (₹ In lacs & % of total brokerage paid by the fund)
NIL					

ii) Commission paid to associates/related parties/group companies of Sponsor/ Asset Management Company (AMC) for Distribution of units

Name of associate/related parties/ group companies of Sponsor/AMC	Nature of Association / Nature of Relation	April 01, 2015/ Launch date to March 31,2016/Maturity date		April 01, 2014/ Launch date to March 31,2015/Maturity date	
		Business given (₹ In lacs & % of total business received by the fund)	Commission paid (₹ In lacs & % of total commission paid by the fund)	Business given (₹ In lacs & % of total business received by the fund)	Commission paid (₹ In lacs & % of total commission paid by the fund)
Punjab National Bank	Company Holding 21.38% stake in the Investment Manager of the Schemes of the Fund	3,34,458.78(4.21%)	302.16(18.79%)	2,59,668.84(4.18%)	265.42(14.62%)
Principal Retirement Advisors Pvt. Ltd.	Associate of Investment Manager	3,263.17(0.04%)	12.96(0.81%)	2558.45(0.04%)	8.46(0.47%)
Principal Consulting India Pvt. Ltd.	Associate of Investment Manager	NIL	NIL	0.00(0.00%)	0.36(0.02%)

Note: Commission paid to associates has been disclosed on payment basis and business given indicates Gross Mobilisation (net of rejections, if any) during the corresponding period for which the commission paid has been disclosed.

Annexure – IV

Details of Movement in Unit Capital for the year ended 31 March, 2016

Scheme	Opening Balance *	Subscription *	Redemption *	Closing Balance *
Principal Large Cap Fund - Growth Option	466,624,664	62,802,117	78,529,221	450,897,560
Principal Large Cap Fund - Half Yearly Dividend Option	297,744,690	16,200,252	59,883,303	254,061,639
Principal Large Cap Fund - Direct Growth Option	21,667,751	40,932,110	27,298,400	35,301,461
Principal Large Cap Fund - Direct Half Yearly Dividend Option	1,801,029	1,032,735	740,616	2,093,148

– : indicates Nil * Face Value is ₹ 10 per unit

KEY STATISTICS FOR THE YEAR ENDED 31 MARCH, 2016

PRINCIPAL LARGE CAP FUND

Particulars	Regular Plan				Direct Plan			
	Half Yearly Dividend Option		Growth Option		Half Yearly Dividend Option		Growth Option	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
1. NAV per unit (₹):								
Open	28.42	23.80	46.92	34.75	28.71	23.97	47.55	35.01
High	29.46	31.83	48.64	49.50	29.84	32.18	49.41	50.14
Low	23.56	23.57	38.89	34.42	23.67	23.75	39.67	34.69
End	26.23	28.42	43.30	46.92	26.37	28.71	44.19	47.55
2. Closing Assets Under Management (₹ in Lakhs)								
End	6,663.93	8,461.81	19,531.31	21,893.12	55.20	51.72	1,560.07	1,030.24
	March 31, 2016				March 31, 2015			
Average (AAuM) - Regular Plan (₹ in Lakhs)	28,339.83				30,367.82			
Direct Plan (₹ in Lakhs)	1,406.74				885.92			
3. Gross income as % of AAuM[1]	11.22%				32.63%			
4. Expense Ratio:								
a. Total Expense as % of AAuM (plan wise)[@] - Regular plan	2.80%				2.72%			
Direct Plan	2.10%				2.13%			
b. Management Fee as % of AAuM (plan wise) - Regular plan	1.58%				1.52%			
Direct Plan	1.58%				1.51%			
5. Net Income as a percentage of AAuM[2]	8.45%				29.93%			
6. Portfolio turnover ratio[3]	0.77				0.72			
7. Total Net Dividend per unit distributed during the year / period (plan wise)	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Corporates	–	3.57	–	–	0.33	3.69	–	–
Non-Corporates	–	3.57	–	–	0.33	3.69	–	–
8. Returns (%)*	March 31, 2016		March 31, 2015		March 31, 2016		March 31, 2015	
a. Last One Year	(7.70)		35.02		(7.05)		35.82	
Benchmark	(8.94)		28.32		(8.94)		28.32	
b. Since Inception	15.15		17.90		11.31		20.65	
Benchmark	11.23		13.63		8.17		16.83	
Benchmark	S&P BSE 100 INDEX							

Past performance may or may not be sustained in the future.

* Calculated after considering that all dividend payouts / bonus have been reinvested in the Scheme at the then prevailing NAV. Returns are calculated only in respect of Growth Plan/Option, on compounded annualised basis for a period of more than one year and on an absolute basis for a period less than one year.

@ Pursuant to SEBI Circular No. CIR/IMD/DF/21/ 2012, dated September 13, 2012, w.e.f. October 01, 2012, service tax on management fee is charged over and above Total Expense Ratio.

'–' Indicates NIL.

[1] Gross income = amount against (A) in the Revenue account i.e. Income.

[2] Net income = amount against (C) in the Revenue account i.e. NET REALISED GAINS / (LOSSES) FOR THE YEAR / PERIOD

[3] Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year/period.

AAuM=Average daily net assets

Annexure – I to the Trustee Report:

Redressal of Complaints received against Principal Mutual Fund during 2015-2016:

Principal Mutual Fund - Total number of folios as on March 31, 2016 – 4,31,753

Complaint Code	Type of Complaint #	(a) No. of complaints pending at the beginning of the year Total	(b) No. of complaints received during the year Total	Action on (a) and (b)								
				Resolved				Non Actionable*	Pending			
				Within 30 days	30-60 days	60-180 days	Beyond 180 days		0-3 months	3-6 months	6-9 months	9-12 months
I A	Non receipt of Dividend on Units	–	6	6	–	–	–	–	–	–	–	–
I B	Interest on delay payment of dividend	–	–	–	–	–	–	–	–	–	–	–
I C	Non receipt of Redemption Proceeds	1	48	49	–	–	–	–	–	–	–	–
I D	Interest on delay payment of redemption	–	–	–	–	–	–	–	–	–	–	–
II A	Non receipt of Statement of Account/Unit Certificate	–	–	–	–	–	–	–	–	–	–	–
II B	Discrepancy in Statement of Account	–	341	341	–	–	–	–	–	–	–	–
II C	Non receipt of Annual Report/Abridged Summary	–	–	–	–	–	–	–	–	–	–	–
III A	Wrong switch between Schemes	–	2	2	–	–	–	–	–	–	–	–
III B	Unauthorized switch between Schemes	–	–	–	–	–	–	–	–	–	–	–
III C	Deviation from Schemes attributes	–	–	–	–	–	–	–	–	–	–	–
III D	Wrong or excess charges/load	–	1	1	–	–	–	–	–	–	–	–
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	–	152	152	–	–	–	–	–	–	–	–
IV	Others	6	106	111	–	–	–	–	1	–	–	–
	Total	7	656	662	0	0	0	0	1	0	0	0

Notes: # Including against its authorized persons/distributors/employees etc. * Non actionable means the complaints that are incomplete / outside the scope of Mutual Fund.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.