30 June 2023

This Notice is important and requires your immediate attention. If you are in any doubt about the contents of this Notice, you should seek independent professional advice.

Principal Asset Management Company (Asia) Limited ("Manager", "we", "us" or "our") accepts full responsibility for the accuracy of the information contained in this Notice and confirms, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other material facts the omission of which would make any statement herein misleading as at the date of issuance.

Dear Unitholder,

Re: Principal Prosperity Series (the "Fund")
- **Principal Asia Pacific High Dividend Equity Fund**
- **Principal Sustainable Asian Income Fund**
- **Principal Sustainable Asian Allocation Fund**
  (each a "Sub-Fund"; collectively the "Sub-Funds")

Thank you for your continuous support of the Fund. We would like to inform you of the following changes in respect of the Fund and the Sub-Funds, which shall take effect on 31 July 2023 (the "**Effective Date**") unless otherwise specified.

A. Changes to the investment objectives and/or policies of the Principal Asia Pacific High Dividend Equity Fund

(i) Re-classification as ESG fund

With a view to more accurately reflect the sustainable position of the Principal Asia Pacific High Dividend Equity Fund in light of the latest incorporation of the sustainable investing framework of the Manager, the Sub-Fund will seek to incorporate environmental, social and governance ("**ESG**") factors as its key investment focus, and will integrate ESG characteristics into its investment process with effect from the Effective Date. The Principal Asia Pacific High Dividend Equity Fund will therefore be re-classified as an ESG fund. Concomitantly, the Principal Asia Pacific High Dividend Equity Fund will be renamed as "Principal Sustainable Asia Equity Income Fund" on the Effective Date.

As a result of the ESG investment focus of the Principal Asia Pacific High Dividend Equity Fund, it may be subject to "*ESG investment policy risk*".

(ii) Increased investment limit on China A-Shares

The Principal Asia Pacific High Dividend Equity Fund currently invests less than 30% of its Net Asset Value in China A-Shares. In order to provide flexibility and tap into the opportunities of investment in the PRC with effect from the Effective Date, the Principal Asia Pacific High Dividend Equity Fund may from time to time invest up to 50% of its net asset value in equity securities issued in the PRC (including China A-shares) directly via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or the Qualified Foreign Investor ("**QFI**") regime, and/or indirectly through access products or other collective investment schemes.

As a result, the Principal Asia Pacific High Dividend Equity Fund may be subject to increased "*Risks associated with investments/exposure to RMB currency and/or Mainland China*" and "*Risks associated with investment in China A-Shares through Stock Connect programmes*", as currently set out in Appendix I to the Explanatory Memorandum. In addition, the Principal Asia Pacific High Dividend Equity Fund may be subject to "*Risks associated with investment in ChiNext market and/or STAR board*" and "*Risks associated with investment made through the QFI regime*".

(iii) Clarification on geographical focus

The Principal Asia Pacific High Dividend Equity Fund invests primarily in the Asia Pacific region. The Manager does not currently intend to invest in Japan.

As the Manager does not intend to invest in Japan, the investment objectives and policies of the Principal Asia Pacific High Dividend Equity Fund will be updated to replace the reference to "Asia Pacific region" with reference to "Asia Pacific (ex Japan) region" to provide a more accurate description of the geographical focus of the Sub-Fund.

(iv) Implications on Unitholders

Please refer to Annex A to this Notice for the revised investment objectives and policies of the Principal Asia Pacific High Dividend Equity Fund.

All the costs and expenses incurred in connection with the changes to the investment objectives and policies of the Principal Asia Pacific High Dividend Equity Fund set out in this Section A will be borne by the Manager.

Save as disclosed above, the changes to the investment objectives and policies of the Principal Asia Pacific High Dividend Equity Fund set out in this Section A will not result in any other change to the features or any increase in risk level of the Sub-Fund and there will be no change in the operation and/or manner in which the Sub-Fund is being managed in practice. Also, the fee levels and fees and charges structure of the Sub-Fund will remain unchanged. Based on the above, we are of the view that the above changes will not materially prejudice the existing investors' rights or interests.

Unitholders of the Principal Asia Pacific High Dividend Equity Fund who do not agree with the changes to the investment objectives and policies of the Sub-Fund set out in this Section A may submit a realisation request and/or conversion request (as the case may be), free of realisation and conversion charge, by 4:00 p.m. on the business day immediately before the Effective Date to: (i) realise their investment in the Principal Asia Pacific High Dividend Equity Fund in accordance with the section headed "*Realisation of Units*" of the Explanatory Memorandum, and/or (ii) convert their existing investment in the Principal Asia Pacific High Dividend Equity Fund to other Sub-Fund(s) in accordance with the section headed "*Conversion*" of the Explanatory Memorandum.

B. Updates to the investment objectives and policies of the Principal Sustainable Asian Income Fund and Principal Sustainable Asian Allocation Fund

Currently, both Principal Sustainable Asian Income Fund and Principal Sustainable Asian Allocation Fund are classified as ESG funds and incorporate ESG factors as their key investment focus.

With effect from the Effective Date, the investment objectives and policies of the Principal Sustainable Asian Income Fund and Principal Sustainable Asian Allocation Fund will be updated in order to more accurately reflect the sustainable position of these Sub-Funds and the sustainable investing framework of the Manager. The updates are mainly in relation to the Manager's internal screening process for all investable securities (including exchange traded funds ("**ETFs**") and collective investment schemes ("**CISs**")), exclusion policy and the ancillary investments of these Sub-Funds. For the avoidance of doubt, the aggregate investment of each Sub-Fund's investment in ETFs and CISs will remain to be less than 30% of the Sub-Fund's net asset value.

Please refer to Annex B to this Notice for the revised investment objectives and policies of the Principal Sustainable Asian Income Fund and Principal Sustainable Asian Allocation Fund.

Save as disclosed above, the updates to the investment objectives and policies of the Principal Sustainable Asian Income Fund and Principal Sustainable Asian Allocation Fund set out in this Section B will not result in any other change to the features or any increase in risk level of the Sub-Funds and there will be no change in the operation and/or manner in which these Sub-Funds are being managed in practice. Also, the fee levels and fees and charges structure of these Sub-Funds will remain unchanged. Based on the above, we are of the view that the above changes will not materially prejudice the existing investors' rights or interests.

C. Increased investment limit on debt instruments with loss-absorption features ("LAP") of Principal Sustainable Asian Income Fund

The Principal Sustainable Asian Income Fund's investment limit on LAP, which may include instruments classified as Additional Tier 1/Tier 2 capital instruments, contingent convertible bonds ("**CoCos**"), non-preferred senior bonds which may also be known as Tier 3 bonds and other instruments eligible to count as loss-absorbing capacity under the resolution regime for financial institution, will be increased from up to 10% of its net asset value to less than 30% of its net asset value.

D. Establishment of new classes of Units and redesignation of existing classes of Units of the Principal Asia Pacific High Dividend Equity Fund

The Principal Asia Pacific High Dividend Equity Fund currently offers two classes of Units only, namely:-

- Income Class Units; and
- Accumulation Class Units – Institutional.

With effect from the Effective Date, "Retail" Class Units and "Institutional" Class Units of the Principal Asia Pacific High Dividend Equity Fund will be offered, which may each be denominated in HKD, USD or RMB (hedged), with various dividend policies as indicated by "Accumulation", "Income" or "Income Plus" in their names. The classes of Units with "Retail" in their names are offered to retail investors.

In respect of the "Income" Class Units, the Manager may at its discretion pay dividend out of gross income while paying all or part of the fees and expenses attributable to the "Income" Class Units out of the capital of such Units, resulting in an increase in distributable income for the payment of dividends by the "Income" Class Units and therefore, the Principal Asia Pacific High Dividend Equity Fund may effectively pay dividend out of capital. For "Income Plus" Class Units, the Manager may in its absolute discretion pay dividends out of capital of such Units.

The existing "Income Class Units" and "Accumulation Class Units – Institutional" will be redesignated as follows:-

- "Income Class Units" redesignated as "Income (monthly) Class Units – Retail – USD"; and
- "Accumulation Class Units – Institutional" redesignated as "Accumulation Class Units – Institutional – USD".

E. **Regular savings plan**

The Manager has decided to offer regular savings plan to investors who invest in "Retail" Class Units of any of the Sub-Funds. Under the regular savings plan, investors should make monthly contributions to his regular savings plan account on the 10th day of each month and the amount of each such contribution shall not be less than HK$1,000 (inclusive of any preliminary charge). Investors may also decide the period during which they want to participate in the regular savings plan in accordance with their own need and financial planning and there is no minimum participating period prescribed for the plan. No fees will be levied on the opening and closure of the regular savings plan account.

F. **Other miscellaneous or administrative updates**

Other miscellaneous or administrative updates to the Explanatory Memorandum include:

- General updates to HK tax disclosures in the sub-section headed "*Hong Kong*" under the section headed "*TAXATION*" in the Explanatory Memorandum;
- Enhancement of PRC tax disclosures in the sub-section headed "*People's Republic of China ("PRC")*" under the section headed "*TAXATION*" in the Explanatory Memorandum;
- Enhancement of risk disclosures of the Principal Asia Pacific High Dividend Equity Fund in Appendix I of the Explanatory Memorandum; and
- Removal of obsolete information.

G. **Availability of documents**

The Explanatory Memorandum will be amended by way of a second addendum (the "**Second Addendum**") and the Product Key Facts Statements of the Sub-Funds (the "**KFS**") will be revised to reflect the changes and/or updates set out in this Notice and other miscellaneous changes and updates. The Second Addendum should be read in conjunction with and forms part of the Explanatory Memorandum. Changes set out in this Notice are in summary form only. Please read the Explanatory Memorandum (together with all addenda supplemental to it including the Second Addendum) carefully.

No amendment is required to be made to the trust deed of the Fund in respect of the changes set out above in this Notice. However, copy of the trust deed of the Fund can be inspected free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon.

You may access the latest version of the Explanatory Memorandum (together with all addenda supplemental to it) and the KFS on our website at www.principal.com.hk[1] or request a copy of it by contacting our customer service hotline at 2117 8383.

Terms used in this Notice have the same meanings as in the latest version of the Explanatory Memorandum, unless otherwise specified in this Notice.

If you have any queries relating to the above, please contact our customer service hotline above.

Principal Asset Management Company (Asia) Limited

[1] This website has not been reviewed by the SFC.

Annex A

Principal Asia Pacific High Dividend Equity Fund
(to be renamed as Principal Sustainable Asia Equity Income Fund)
-
Revised investment objectives and policies
(changes are shown in mark-ups)

Objective

~~To achieve high current income and capital appreciation through investing in a diversified portfolio of listed securities in the Asia Pacific region.~~
The Sub-Fund will primarily (i.e. at least 70% of the Sub-Fund's net asset value) invest in a diversified portfolio of listed securities of companies and issuers in the Asia Pacific (ex-Japan) region which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance ("**ESG**") factors ("**ESG achievers**") as well as exchange traded funds ("**ETFs**") and collective investment schemes ("**CISs**"), which primarily invest in equity securities of companies and issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively "**ESG achiever ETFs/CISs**"). The Sub-Fund will also seek to achieve high current income and capital appreciation with a focus on high dividend yielding stocks.

Investment Strategy

The Sub-Fund will invest in a diversified portfolio of listed securities in the Asia Pacific (ex-Japan) region, including but not limited to the following~~ countries~~: Australia, Greater China (including PRC, Hong Kong, Macau and Taiwan), Indonesia, India, Malaysia, New Zealand, the Philippines, Singapore, South Korea~~, Taiwan~~ and Thailand. The Sub-Fund will focus on ~~companies~~ESG achievers which demonstrate strong corporate fundamentals and offer the potential for superior dividend yields. The Sub-Fund will also seek to achieve capital appreciation with relatively moderate to high volatility commensurate with investing in equities. The Sub-Fund ~~may also on an ancillary basis from time to time hold cash, deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.~~aims to maintain a minimum of 70% of the Sub-Fund's net asset value invested in listed securities issued by ESG achievers as well as ESG achiever ETFs/CISs. The aggregate investment of the Sub-Fund's investment in ETFs and CISs (including ESG achiever ETFs/CISs) will be less than 30% of the Sub-Fund's net asset value.

The Fund Manager adopts a best-in-class strategy under which the Fund Manager will screen all securities investable by the Sub-Fund (including ETFs and CISs) with the aim of identifying ESG achievers and ESG achiever ETFs/CISs.

The Fund Manager will assign ESG scorings on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within Asia Pacific (ex-Japan) region, or within their respective sectors of sub-regions (i.e. Greater China, Asia developed markets and Asia emerging markets (ex-Greater China)) based on ESG scores as ranked by the Fund Manager's internal rating system will be considered to be ESG achievers. The ESG scores are measured through the use of proprietary research and ESG data from third-party providers (including but not limited to MSCI). The ESG scores from the Fund Manager's internal rating system represent the Fund Manager's ESG view based on key sustainability risks (i.e. climate change, human capital, corporate governance on ESG matters, etc.) associated with the specific companies/issuers. In order to calculate the ESG score of a potential company/issuer, the Fund Manager will first identify the material risks and opportunities factors of the potential company/issuer based on its industry or sector which are spread across Environmental, Social and Governance categories ("**ESG risks/opportunities factor(s)**").

<u>The weights assigned to each sector-specific ESG risks/opportunities factor will vary based on its contribution to making positive ESG impact. Governance is an important consideration for all institutions, and it is the one category that is universally applicable across all sectors. A potential company/issuer's exposure to each of the identified ESG risks/opportunities factor will be ranked against its peers and such level of exposure is translated into an underlying score. For each potential company/issuer, a weighted average score will be calculated based on the underlying scores and weights of the ESG risks/opportunities factors identified. The higher the scores a potential company/issuer receives for each of the ESG risks/opportunities factors, the higher the overall ESG score of a potential company/issuer will be.</u>

<u>The Fund Manager supplements the ESG scores with qualitative assessment. In the event that ESG data are not available or comprehensive, the Fund Manager would provide a subjective qualification of the company's/issuer's ESG outlook, based on case studies, publicly available information, company visits and relevant assessment reports. Companies/issuers demonstrating strong or improving ESG fundamentals or a propensity to address ESG issues, e.g. whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, would be favoured over companies/issuers with deteriorating ESG outlook. As a result of all of the above ESG criteria for screening, except for ETFs and CISs, it is expected that the size of the investment universe of the Sub-Fund will be reduced by at least 20% in terms of number of companies/issuers. The Fund Manager will then apply its own internal analysis based on fundamental analysis and valuation approach to select securities from the eligible investment universe. The Sub-Fund will exclude companies that (i) are classified by the GICS Industry Sector classification to fall within the tobacco, casinos and gaming sub-industries; (ii) have more than 10% of the revenue derived from direct manufacturing and production of controversial weapons (including but not limited to landmines, cluster munition, bio-weapons and nuclear weapons) or their key component, based on the data from third-party providers (including but not limited to MSCI); and (iii) are deemed to have governance concerns through discovery during engagement process and company research.</u>

<u>ESG achiever ETFs/CISs will be identified by using the Fund Manager's internal screening process. Only ETFs/CISs with available information on full holdings of underlying securities will be eligible for the internal screening process. The Fund Manager will first distinguish whether the eligible ETFs/CISs track an index with ESG focus or feature ESG related theme or focus, and select ETFs/CISs that incorporate the key ESG focus or feature ESG related theme or focus of the Sub-Fund and also adopt investment objectives or strategies that are consistent with the Sub-Fund's best-in-class approach. The Fund Manager will then assess the ESG profiles of the selected ETFs/CISs and choose the ESG achiever ETFs/CISs with more than 70% of the underlying securities qualified as ESG achievers (as described above).</u>

<u>Up to 30% of the Sub-Fund's net asset value may be invested in (a) equity securities of companies and issuers (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ESG achievers (as described above) but demonstrate improving sustainability attributes (e.g. companies/issuers which demonstrate the potential for improvement in sustainability practices and performance through the implementation and execution of a formal engagement plan), or whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, or green/sustainable financing instruments, or securities issued by companies in the green sector such as renewable companies, and/or (b) ETFs/CISs (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ESG achiever ETFs/CISs (as described above) but demonstrate attributes consistent with a minimum ESG fund rating of BBB or its equivalent based on: (1) ESG fund rating from third-party providers (including but not limited to MSCI) or, (2) only in the circumstances when ESG fund rating from third-party providers is not available, the Fund Manager's internal ESG fund quality scores which are calculated by using the ESG rating data of the relevant underlying investments derived from third-party providers (including but not limited to MSCI) and the Fund Manager's factor adjustments based on</u>

the ESG rating trend and rating distribution of the underlying investments, and/or (c) cash and cash equivalents, such as deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.

The Sub-Fund may from time to time invest up to 50% of its net asset value in equity securities issued in the PRC (including China A-shares) directly via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or the Qualified Foreign Investor ("**QFI**") regime, and/or indirectly through access products or other ETFs/CISs.

The Sub-Fund may enter into financial futures contracts, financial option contracts and currency forward contracts for hedging purposes.

<u>**Annex B**</u>

Principal Sustainable Asian Income Fund
Principal Sustainable Asian Allocation Fund
-
Revised investment objectives and policies
(changes are shown in mark-ups)

Principal Sustainable Asian Income Fund

Objective
The Sub-Fund will primarily (i.e. at least 70% of the Sub-Fund’s net asset value) invest in a diversified portfolio of fixed income securities and fixed income-related securities of companies and issuers in Asia which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance (“**ESG**”) factors (“**ESG ~~leaders~~achievers**”) as well as ~~ESG-focused~~ exchange traded funds (“**ETFs**”) and other collective investment schemes (“**CISs**”) which primarily invest in debt securities ~~and~~of companies or issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively “**ESG~~-focused ETF/CIS~~ achiever ETFs/CISs**”), and provide a return consisting of income and capital growth over medium to long term.

Investment Strategy
The Sub-Fund aims to maintain a minimum of 70% of the Sub-Fund’s net asset value invested in fixed income securities and fixed income-related securities issued by ESG ~~leaders~~achievers as well as ESG~~-focused ETF/CIS~~ achiever ETFs/CISs. The aggregate investment of the Sub-Fund’s investment in ETFs and CISs (including ESG~~-focused ETF/CIS~~ achiever ETFs/CISs) will be less than 30% of the Sub-Fund’s net asset value.

The Fund Manager adopts a best-in-class strategy under which the Fund Manager will screen all securities investable by the Sub-Fund (including ETFs and CISs) with the aim of identifying ESG ~~leaders~~achievers and ESG~~-focused ETF/CIS~~ achiever ETFs/CISs.

The Fund Manager will assign ESG scorings on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within Asia, or within their respective sectors of sub-regions (i.e. Greater China, Asia developed markets and Asia emerging markets (ex-Greater China)) based on ESG scores as ranked by the Fund Manager’s internal rating system~~, or have a minimum MSCI ESG rating of BBB~~ will be considered to be ESG ~~leaders~~achievers. The ESG scores are measured through the use of proprietary research and ESG data from third-party providers (including but not limited to MSCI). The ESG scores from the Fund Manager’s internal rating system represent the Fund Manager’s ESG view based on key sustainability risks (i.e. climate change, human capital, corporate governance on ESG matters, etc.) associated with the specific companies/issuers. In order to calculate the ESG score of a potential company/issuer, the Fund Manager will first identify the material risks and opportunities factors of the potential company/issuer based on its industry or sector which are spread across Environmental, Social and Governance categories (“**ESG risks/opportunities factor(s)**”). The weights assigned to each sector-specific ESG risks/opportunities factor will vary based on its contribution to making positive ESG impact. Governance is an important consideration for all institutions, and it is the one category that is universally applicable across all sectors. A potential company/issuer’s exposure to each of the identified ESG risks/opportunities factor will be ranked against its peers and such level of exposure is translated into an underlying score. For each potential company/issuer, a weighted average score will be calculated based on the underlying scores and weights of the ESG risks/opportunities factors identified. The higher the scores a potential company/issuer receives for each of the ESG risks/opportunities factors, the higher the overall ESG score of a potential company/issuer will be.

The Fund Manager supplements the ESG scores with qualitative assessment. In the event that ESG data are not available or comprehensive, the Fund Manager would provide a subjective qualification of the company's/issuer's ESG outlook, based on case studies, publicly available information, company visits and relevant assessment reports. Companies/issuers demonstrating strong or improving ESG fundamentals or a propensity to address ESG issues, e.g. whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, would be favoured over companies/issuers with deteriorating ESG outlook. As a result of all of the above ESG criteria for screening, except for ETFs and CISs, it is expected that the size of the investment universe of the Sub-Fund will be reduced by ~~about~~at least 20% in terms of number of companies/issuers. The Fund Manager will then apply its own internal analysis based on fundamental analysis and valuation approach to select securities from the eligible investment universe. ~~The Sub-Fund will not invest in companies involved in “sin sectors” that include nuclear power, tobacco and military weapons and will also exclude companies deemed to have governance concerns.~~ The Sub-Fund will exclude companies that (i) are classified by GICS Industry Sector classification to fall within the tobacco, aerospace and defense sub-industries; (ii) have more than 10% of the revenue derived from nuclear sources based on the data from third-party providers (including but not limited to MSCI); and (iii) are deemed to have governance concerns through discovery during engagement process and company research.

ESG~~-focused ETF/CIS~~ achiever ETFs/CISs will be identified by using the Fund Manager's internal screening process~~ based upon the stated objective of the ETFs or CIS. For examples, ESG-focused ETFs will be the ones which track ESG-oriented indices; and ESG-focused CIS would be the ones which are benchmarked against ESG indices. The Fund Manager will also utilize an internal screening process to evaluate ETFs and CIS to determine if their investment approach is consistent with the Fund Manager's ESG principles and demonstrates assessment or consideration of certain qualities which the Fund Manager considers are aligned with the best-in-class strategy which aims to select ESG leaders.~~ Only ETFs/CISs with available information on full holdings of underlying securities will be eligible for the internal screening process. The Fund Manager will first distinguish whether the eligible ETFs/CISs track an index with ESG focus or feature ESG related theme or focus, and select ETFs/CISs that incorporate the key ESG focus or feature ESG related theme or focus of the Sub-Fund and also adopt investment objectives or strategies that are consistent with the Sub-Fund's best-in-class approach. The Fund Manager will then assess the ESG profiles of the selected ETFs/CISs and choose the ESG achiever ETFs/CISs with more than 70% of the underlying securities qualified as ESG achievers (as described above).

The Sub-Fund will primarily invest in a portfolio of fixed income and fixed income-related securities of companies domiciled in, traded in and/or with substantial business interests in Asia and/or governments and government-related issuers located in Asia, including but not limited to sovereign, quasi-sovereign, agency, such investments may include corporate bonds/debentures, floating rate notes, bills, commercial papers, certificates of deposit, and debt instruments with loss-absorption features, which may be denominated in USD or other currencies. The Sub-Fund may invest 30% or more of its net asset value in fixed income and fixed income-related securities relating to emerging markets.

Up to 30% of the Sub-Fund's net asset value may be invested in (a) debt securities of companies and issuers ~~and ETF/CIS~~ (i) outside Asia and/or (ii) not considered to be ~~ESG leaders (e.g. companies/issuers not ranked in Quartile 1 or 2 or a minimum of MSCI ESG Rating of BBB but, demonstrating improving sustainability attributes~~ ESG achievers (as described above) but demonstrate improving sustainability attributes (e.g. companies/issuers which demonstrate the potential for improvement in sustainability practices and performance through the implementation and execution of a formal engagement plan), or whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, or green/sustainable financing instruments such as green bonds or sustainability linked bonds, or securities issued by companies in the green sector such as renewable companies, and/or (b) ~~ETF/CIS which may not track an ESG~~

~~index or have an ESG approach but demonstrates a minimum MSCI ESG Rating of BBB equivalent attributes upon Fund Manager's internal assessment based on the relevant underlying investments~~ETFs/CISs (i) outside Asia and/or (ii) not considered to be ESG achiever ETFs/CISs (as described above) but demonstrate attributes consistent with a minimum ESG fund rating of BBB or its equivalent based on: (1) ESG fund rating from third-party providers (including but not limited to MSCI) or, (2) only in the circumstances when ESG fund rating from third-party providers is not available, the Fund Manager's internal ESG fund quality scores which are calculated by using the ESG rating data of the relevant underlying investments derived from third-party providers (including but not limited to MSCI) and the Fund Manager's factor adjustments based on the ESG rating trend and rating distribution of the underlying investments, and/or (c) cash and cash equivalents.

The target ranges of asset allocation and geographic allocation of the Sub-Fund are as follows:

Asset Type	**Range (of the Sub-Fund's net asset value)**
Debt Securities and ETFs/CISs	70% to 100% but, the aggregate investment in ETFs/CISs will be less than 30% of the Sub-Fund's net asset value
Cash & Time Deposits	0% to 30%

Country/Region	**Range (of the Sub-Fund's net asset value)**
Asia	70% to 100%
Others	0% to 30%

The Sub-Fund may invest up to 40% of its net asset value in debt securities rated below investment grade (i.e. rated BB+ or below by Standard & Poor's or comparable ratings by Moody's Investors Services or Fitch Ratings) or in the case the credit rating is designated/assigned by a PRC[1] credit rating agency, A+ and below, or unrated. For the purpose of the Sub-Fund, "unrated debt securities" is defined as debt securities which neither the debt securities nor their issuers have a credit rating. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Sub-Delegate of the Fund Manager will conduct its own assessment on the credit quality based on various factors, such as leverage level, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, competitive position in the market and corporate governance.

The Sub-Fund may also invest up to 10% of its net asset value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

The Sub-Fund may from time to time invest less than 30% of its net asset value in RMB-denominated debt securities issued in the PRC, including through the Qualified Foreign Investor ("**QFI**") regime, the China interbank bond market direct access program and/or ~~China Hong Kong~~ Bond Connect, as well as urban investment bonds which are debt instruments issued by local government financing vehicles ("**LGFVs**"). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

The Sub-Fund may invest up to 10% of its net asset value in collateralized and/or securitized products such as asset-backed securities and mortgage-backed securities.

[1] "PRC" means the People's Republic of China excluding Hong Kong, Macau and Taiwan for the purpose of this Notice.

The Sub-Fund may also invest ~~up to 10~~less than 30% of its net asset value in debt instruments with loss absorption features, which may include instruments classified as Additional Tier 1/Tier 2 capital instruments, contingent convertible bonds ("**CoCos**"), non-preferred senior bonds which may also be known as Tier 3 bonds and other instruments eligible to count as loss-absorbing capacity under the resolution regime for financial institution, in compliance with its investment policy and limits. These instruments may be subject to contingent write-down or contingent conversion to equity on the occurrence of trigger event(s).

The Sub-Fund may use financial derivative instruments for hedging and investment purposes.

The Sub-Fund may employ currency management and hedging techniques which includes active management of currency hedging decisions on the Sub-Fund's portfolio.

Principal Sustainable Asian Allocation Fund

Objective

The Sub-Fund will primarily (i.e. at least 70% of the Sub-Fund's net asset value) invest in a diversified range of assets and securities (including equities, equity related securities and debt securities) of companies and issuers in Asia Pacific (ex-Japan) region which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance ("**ESG**") factors ("**ESG ~~leaders~~achievers**") as well as exchange traded funds ("**ETFs**") and collective investment schemes ("**CISs**"), which primarily invest in equity or debt securities ~~and~~of companies or issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively "**ESG~~-focused ETF/CIS~~ achiever ETFs/CISs**"), and provide capital growth and income over medium to long term.

Investment Strategy

The Sub-Fund aims to maintain a minimum of 70% of the Sub-Fund's net asset value invested in (i) equity and equity related securities and/or (ii) debt securities issued by ESG ~~leaders~~achievers as well as ESG~~-focused ETF/CIS~~ achiever ETFs/CISs. The Sub-Fund adopts a dynamic asset allocation strategy, and may invest up to 85% of its latest net asset value in either equities or debt securities. The aggregate investment of the Sub-Fund's investment in ETFs and CISs (including ESG~~-focused ETF/CIS~~ achiever ETFs/CISs) will be less than 30% of the Sub-Fund's net asset value.

The Fund Manager adopts a best-in-class strategy under which the Fund Manager will screen all securities investable by the Sub-Fund (including ETFs and CISs) with the aim of identifying ESG ~~leaders~~achievers and ESG~~-focused ETF/CIS~~ achiever ETFs/CISs.

The Fund Manager will assign ESG scorings on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within Asia Pacific (ex-Japan) region, or within their respective sectors of sub-regions (i.e. Greater China, Asia developed markets and Asia emerging markets (ex-Greater China)) based on ESG scores as ranked by the Fund Manager's internal rating system~~, or have a minimum MSCI ESG rating of BBB~~ will be considered to be ESG ~~leaders~~achievers. The ESG scores are measured through the use of proprietary research and ESG data from third-party providers (including but not limited to MSCI). The ESG scores from the Fund Manager's internal rating system represent the Fund Manager's ESG view based on key sustainability risks (i.e. climate change, human capital, corporate governance on ESG matters, etc.) associated with the specific companies/issuers. In order to calculate the ESG score of a potential company/issuer, the Fund Manager will first identify the material risks and opportunities factors of the potential company/issuer based on its industry or sector which are spread across Environmental, Social and Governance categories ("**ESG risks/opportunities factor(s)**"). The weights assigned to each sector-specific ESG risks/opportunities factor will vary based on its contribution to making positive ESG impact. Governance is an important consideration for all institutions, and it is the one category that is universally applicable across all sectors. A potential company/issuer's exposure to each of the identified ESG risks/opportunities factor will be ranked against its peers and such level of exposure is translated into an underlying score. For each potential company/issuer, a weighted average score will be calculated based on the underlying scores and weights of the ESG risks/opportunities factors identified. The higher the scores a potential company/issuer receives for each of the ESG risks/opportunities factors, the higher the overall ESG score of a potential company/issuer will be.

The Fund Manager supplements the ESG scores with qualitative assessment. In the event that ESG data are not available or comprehensive, the Fund Manager would provide a subjective qualification of the company's/issuer's ESG outlook, based on case studies, publicly available information, company visits and relevant assessment reports. Companies/issuers demonstrating strong or improving ESG fundamentals or a propensity to address

ESG issues, e.g. whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, would be favoured over companies/issuers with deteriorating ESG outlook. As a result of all of the above ESG criteria for screening, except for ETFs and CISs, it is expected that the size of the investment universe of the Sub-Fund will be reduced by ~~about~~at least 20% ~~to 50%~~ in terms of number of companies/issuers. The Fund Manager will then apply its own internal analysis based on fundamental analysis and valuation approach to select securities from the eligible investment universe. ~~The Sub-Fund will not invest in companies driving majority of its revenue from "sin sectors" that include tobacco and military weapons and will also exclude companies deemed to have governance concerns.~~ The Sub-Fund will exclude companies that (i) are classified by the GICS Industry Sector classification to fall within the tobacco sub-industry; (ii) have more than 10% of the revenue derived from direct manufacturing and production of controversial weapons (including but not limited to landmines, cluster munition, bio-weapons and nuclear weapons) or their key component, based on the data from third-party providers (including but not limited to MSCI); and (iii) are deemed to have governance concerns through discovery during engagement process and company research.

ESG~~-focused ETF/CIS~~ achiever ETFs/CISs will be identified by using the Fund Manager's internal screening process~~ based upon the stated objective of the ETFs or CIS~~. ~~For examples, ESG-focused ETFs will be the ones which track ESG-oriented indices; and ESG-focused CIS would be the ones which are benchmarked against ESG indices. The Fund Manager will also utilize an internal screening process to evaluate ETFs and CIS to determine if their investment approach is consistent with the Fund Manager's ESG principles and demonstrates assessment or consideration of certain qualities which the Fund Manager considers are aligned with the best-in-class strategy which aims to select ESG leaders.~~ Only ETFs/CISs with available information on full holdings of underlying securities will be eligible for the internal screening process. The Fund Manager will first distinguish whether the eligible ETFs/CISs track an index with ESG focus or feature ESG related theme or focus, and select ETFs/CISs that incorporate the key ESG focus or feature ESG related theme or focus of the Sub-Fund and also adopt investment objectives or strategies that are consistent with the Sub-Fund's best-in-class approach. The Fund Manager will then assess the ESG profiles of the selected ETFs/CISs and choose the ESG achiever ETFs/CISs with more than 70% of the underlying securities qualified as ESG achievers (as described above).

Up to 30% of the Sub-Fund's net asset value may be invested in (a) equities and debt securities of companies and issuers ~~and ETF/CIS~~ (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ~~ESG leaders (e.g. companies/issuers not ranked in Quartile 1 or 2 or a minimum of MSCI ESG Rating of BBB but, demonstrating improving sustainability attributes~~ESG achievers (as described above) but demonstrate improving sustainability attributes (e.g. companies/issuers which demonstrate the potential for improvement in sustainability practices and performance through the implementation and execution of a formal engagement plan), or whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, or green/sustainable financing instruments such as green bonds or sustainability linked bonds, or securities issued by companies in the green sector such as renewable companies~~)~~, and/or (b) ~~ETF/CIS which may not track an ESG index or have an ESG approach but demonstrates a minimum MSCI ESG Rating of BBB equivalent attributes upon Fund Manager's internal assessment based on the relevant underlying investments~~ETFs/CISs (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ESG achiever ETFs/CISs (as described above) but demonstrate attributes consistent with a minimum ESG fund rating of BBB or its equivalent based on: (1) ESG fund rating from third-party providers (including but not limited to MSCI) or, (2) only in the circumstances when ESG fund rating from third-party providers is not available, the Fund Manager's internal ESG fund quality scores which are calculated by using the ESG rating data of the relevant underlying investments derived from third-party providers (including but not limited to MSCI) and the Fund Manager's factor adjustments based on the ESG rating trend and rating distribution of the underlying investments, and/or (c) cash and cash equivalents.

The target ranges of asset allocation of the Sub-Fund are as follows:-

Asset Type	Range (of the Sub-Fund's net asset value)
Asia Pacific (ex-Japan) equities (including ETFs/CISs which invest primarily in equities)	Up to 85% but, the aggregate investment in ETFs/CISs will be less than 30% of the Sub-Fund's net asset value
Asia Pacific (ex-Japan) debt securities (including, but not limited to, sovereign, quasi-sovereign, agency, corporate bonds, floating rate notes, bills, commercial papers, certificate of deposit, and debt instruments with loss-absorption features, which may be denominated in USD and/or other currencies; as well as ETFs/CISs which invest primarily in debt securities)	Up to 85% but, the aggregate investment in ETFs/CISs will be less than 30% of the Sub-Fund's net asset value
Cash and cash equivalents	Up to 30%

The asset allocation of the Sub-Fund will change according to the Sub-Delegate of the Fund Manager's views of fundamental economic and market conditions and investment trends across the globe, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of asset classes, securities available in the market and development across the ESG landscape.

The Sub-Fund may invest up to 40% of its net asset value in debt securities rated below investment grade (i.e. rated BB+ or below by Standard & Poor's or comparable ratings by Moody's Investors Services or Fitch Ratings) or in the case the credit rating is designated/assigned by a PRC[1] credit rating agency, A+ and below, or unrated. For the purpose of the Sub-Fund, "unrated debt securities" is defined as debt securities which neither the debt securities nor their issuers have a credit rating. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Sub-Delegate of the Fund Manager will conduct its own assessment on the credit quality based on various factors, such as leverage level, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, competitive position in the market and corporate governance.

The Sub-Fund may also invest up to 10% of its net asset value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

These investments may be denominated in various currencies. The Sub-Fund will not aim to focus its investments on any single country or market capitalisation. However, investments in any country~~, the Asia Pacific region~~ or market capitalisation may be concentrated, depending on the Fund Manager's Sub-Delegate's assessment of the market conditions at different times.

The Sub-Fund may from time to time invest less than 30% of its net asset value in RMB-denominated debt securities and equity securities issued in the PRC~~,~~ (including China A-shares) directly via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect ~~or indirectly through all eligible instruments~~, the Qualified Foreign Investor ("**QFI**") regime, the China interbank bond market direct access program and/or ~~China Hong Kong~~ Bond Connect, or indirectly through access products or other ETFs/CISs, as well as urban investment bonds which are debt instruments issued by local government financing vehicles ("**LGFVs**"). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

[1] "PRC" means the People's Republic of China excluding Hong Kong, Macau and Taiwan for the purpose of this Notice.

The Sub-Fund may invest less than 30% of its net asset value in listed real estate investment trusts (“**REITs**”).

The Sub-Fund may invest up to 10% of its net asset value in collateralized and/or securitized products such as asset-backed securities and mortgage-backed securities.

The Sub-Fund may also invest up to 10% of its net asset value in debt instruments with loss absorption features, which may include instruments classified as Additional Tier 1/Tier 2 capital instruments, contingent convertible bonds (“**CoCos**”), non-preferred senior bonds which may also be known as Tier 3 bonds and other instruments eligible to count as loss-absorbing capacity under the resolution regime for financial institution, in compliance with its investment policy and limits. These instruments may be subject to contingent write-down or contingent conversion to equity on the occurrence of trigger event(s).

The Sub-Fund may use financial derivative instruments for hedging and investment purposes.

The Sub-Fund may employ currency management and hedging techniques which includes active management of currency hedging decisions on the Sub-Fund’s portfolio.