

26 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 Trust Company (Asia) Limited (the “Trustee”, “we” 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 its knowledge and belief there are no other material facts the omission of which would make any statement misleading as at the date of issuance.**

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Dear Unitholder,

**Re: Principal Prosperity Series (the “Fund”)  
- Principal Asia Pacific High Dividend Equity Fund (the “Sub-Fund”)**

We, as trustee of the Fund, would like to inform you of the pricing errors (each, a “**Pricing Error**”, and collectively “**Pricing Errors**”) in the calculation of the net asset value (“**NAV**”) of Accumulation Class and Income Class of the Sub-Fund (the “**Affected Classes**”) during the period from 2 September 2022 to 22 February 2023 (“**Affected Period**”).

Citibank N.A., Hong Kong Branch (“**Citibank**”) has been appointed by the Trustee to provide fund accounting services for the Fund.

#### Root causes of the Pricing Errors

1. The root cause of the first Pricing Error is Citibank incorrectly booked the specific Unit class fees, such as management fee and trustee fee at particular Unit class level, as of 31 December 2022, at the Affected Classes level, instead of the Sub-Fund level, during the performance of re-classification of retained earnings for the purpose of preparing the interim financial statements for the Fund as of 31 December 2022. It resulted in the first Pricing Error for the period from 3 January 2023 to 25 January 2023.

The first Pricing Error was identified by the Trustee on 26 January 2023 as the Trustee discovered that certain accounting entries were not correctly booked during the review of the interim financial statements data. On 27 January 2023, Citibank confirmed the first Pricing Error and performed rectification by booking accounting entries adjustment in valuation as of 26 January 2023 accordingly.

2. The root cause of the second Pricing Error incident is on 2 September 2022, 3 October 2022, 1 November 2022, 1 December 2022 and 3 January 2023, Citibank incorrectly posted the income distribution of the Sub-Fund, which distributes income on a monthly basis, to the ledger of “Distribution Expenses” in their accounting system that allocates the income distribution to all Unit classes of the Sub-Fund. Instead, Citibank should have posted the relevant income distribution to the ledger of “Income Distribution” which allocates such distribution only to the Income Class Units that are entitled for the income distribution. It resulted in the second Pricing Error for the period from 2 September 2022 to 29 January 2023.

The second Pricing Error was identified by the Trustee on 29 January 2023 during a health check following the identification of the first Pricing Error. On 30 January 2023, Citibank confirmed the second Pricing Error and on 31 January 2023, Citibank performed rectification by booking accounting entries adjustment in valuation as of 30 January 2023.

3. The root cause of the third Pricing Error is human oversight on the part of Citibank as they miscalculated the brought forward amount of the distributable income from previous month during the manual calculation process. The income for the Income class Units of the Sub-Fund had been over-distributed during the period from 1 November 2022 to 22 February 2023, which resulted in the income to be paid out of capital instead of gross income.

The third Pricing Error was identified by the Trustee on 29 January 2023 together with the second Pricing Error during a health check following the identification of the first Pricing Error. On 24 February 2023, Citibank confirmed the third Pricing Error and rectification has been made by Citibank by recording back the over-distributed amounts to the Income Class Units as receivable on the valuation date as of 23 February 2023.

#### Impact of the Pricing Errors

As a result of the Pricing Error, the NAV of the Accumulation Class of the Sub-Fund was understated up to 0.29% and the NAV of the Income Class of the Sub-Fund was overstated up to 0.77% and understated up to 0.93%.

#### Compensation arrangements

The Affected Classes which had benefited as a result of the Pricing Errors will be entitled to retain any such gain (if any) in their assets. On the other hand, for Affected Classes which had been determined by the Trustee to have suffered losses due to the Pricing Errors, a compensation provision in relation to such losses has been booked to the account of such Affected Classes, resulting in the relevant NAVs to become rectified.

Unitholders who had benefited from the Pricing Errors by getting additional number of Units or value of Units in their subscription or redemption of Units of the Sub-Fund during the Affected Period will be entitled to retain such benefits. On the other hand, unitholders who had been determined by the Trustee to have suffered losses due to the Pricing Errors will be compensated by Citibank in Units or in monetary value by cheque or telegraphic transfer (as applicable) in accordance with applicable regulatory requirements.

A contract note will be issued to the aforementioned unitholders who will be receiving Units as compensation for the losses suffered from the Pricing Errors. Unitholders may also refer to the monthly statement of account for the latest balance of Unit holdings.

The adjustments to the net asset values of the Affected Classes and the compensation payable to the relevant unitholders and Affected Classes have been reviewed by the Trustee and the Manager.

#### Preventive measures

To avoid recurrence of any similar incident in the future, the Trustee, the Manager and Citibank have taken a number of remedial measures including, but not limited to, strengthening the knowledge of Citibank's staff in handling the valuation preparation for the funds managed by the Manager and reinforcing existing controls for monitoring the fund valuation process.

If you have any questions or require any further information regarding the contents of this notice, please contact the Trustee whose office is at 30/F Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon or by telephone at 2117 8383 or email to [Investors-Asia@principal.com](mailto:Investors-Asia@principal.com).

#### **Principal Trust Company (Asia) Limited**