

**Prospectus**  
26 August 2024

# Principal China New Energy Innovation Fund

**Manager** : Principal Asset Management Berhad (199401018399 (304078-K))

**Trustee** : HSBC (Malaysia) Trustee Berhad (193701000084 (1281-T))

This Prospectus Issue No. 1 for the Principal China New Energy Innovation Fund is dated 26 August 2024.

This Fund was constituted on 5 January 2024.

**EFFECTIVE FROM 9 MAY 2024, THE FUND IS A QUALIFIED SUSTAINABLE AND RESPONSIBLE INVESTMENT FUND UNDER THE GUIDELINES ON SUSTAINABLE AND RESPONSIBLE INVESTMENT FUNDS.**

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 4.**

**THIS FUND IS A MULTI-CLASS FUND AND IS ALLOWED TO ESTABLISH NEW CLASS(ES) FROM TIME TO TIME AS MAY BE DETERMINED BY THE MANAGER.**

# ABOUT THIS DOCUMENT

This is a Prospectus which introduces you to Principal Malaysia and the Fund. This Prospectus outlines in general the information you need to know to make an informed decision as to whether the Fund best suits your financial needs.

If you have any questions about the information in this Prospectus or would like to know more about investing in the Principal Malaysia family of unit trust funds, please contact our Customer Care Centre under the “Corporate Directory” section during business hour between 8:45 a.m. and 5:45 p.m. (Malaysian time) from Mondays to Fridays.

Unless otherwise indicated, any reference in this Prospectus to any rules, regulations, guidelines, standards, directives, notices, legislations or statutes shall be reference to those rules, regulations, guidelines, standards, directives, notices, legislations or statutes for the time being in force, as may be amended, varied, modified, updated, superseded and/or re-enacted from time to time.

Any reference to a time, day or date in this Prospectus shall be a reference to that time, day or date in Malaysia, unless otherwise stated. Reference to “days” in this Prospectus will be taken to mean calendar days unless otherwise stated.

Please note that all references to currency amounts and NAV per unit in this Prospectus are in USD unless otherwise indicated.

## PROSPECTUS DETAILS

Issue No.	1
Prospectus Date	26 August 2024

## RESPONSIBILITY STATEMENTS

This Prospectus has been reviewed and approved by the directors of Principal Malaysia and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in this Prospectus false or misleading.

## STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia has authorised the Fund and a copy of this Prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the Fund, and registration of this Prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the Manager who is responsible for the Fund and takes no responsibility for the contents in this Prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE UNABLE TO MAKE YOUR OWN EVALUATION, YOU ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.**

## ADDITIONAL STATEMENTS

You should note that you may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to the Fund.

# DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Prospectus:

Application Fee	- Preliminary charge on each investment.
AUD	- Australian Dollar.
BNM	- Bank Negara Malaysia.
Business Day	- Mondays to Fridays when Bursa Malaysia Securities Berhad is open for trading, and/or banks in Kuala Lumpur and/or Selangor are open for business. In respect of the Target Fund, it means a day on which the banks in Ireland are open for normal business. <b>Note:</b> We may declare certain Business Days to be a non-Business Day if the jurisdiction of the Target Fund declares a non-business day and/or if the Target Fund's manager declares a non-dealing day.
CIMB Group	- CIMB Group Sdn. Bhd.
CIS	- Collective investment schemes.
Class	- Any class of units representing similar interest in the assets of the Fund.
Class AUD-Hedged	- The Class issued by the Fund denominated in AUD that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and AUD.
Class D	- The Class issued by the Fund denominated in MYR and differentiated by feature such as type of eligible investors and/or transaction methods.
Class GBP-Hedged	- The Class issued by the Fund denominated in GBP that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and GBP.
Class MYR	- The Class issued by the Fund denominated in MYR.
Class MYR-Hedged	- The Class issued by the Fund denominated in MYR that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and MYR.
Class RMB-Hedged	- The Class issued by the Fund denominated in RMB that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and RMB.
Class SGD-Hedged	- The Class issued by the Fund denominated in SGD that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and SGD.
Class USD	- The Class issued by the Fund denominated in USD.
CMSA	- Capital Markets and Services Act 2007.
Commencement Date	- The next Business Day immediately following the end of the initial offer period.
Deed	- The principal deed and all supplemental deed in respect of the Fund made between us and the Trustee, in which Unit holders agree to be bound by the provisions of the Deed.
Deposit	- As per the definition of "deposit" in the Financial Services Act 2013.
Distributor	- Any relevant persons and bodies appointed by Principal Malaysia from time to time, who are responsible for selling units of the Fund, including Principal Distributors and IUTA.
e-Wallet App	- Mobile application of the e-wallet that allows an individual to make electronic transaction, which includes but not limited to Touch 'n Go e-wallet.
e-Wallet Provider	- Refers to e-money issuer approved by BNM, which includes but not limited to TNG Digital Sdn Bhd.
Eligible Market	- Means an exchange, government securities market or an OTC market that is regulated by a regulatory authority of that jurisdiction; that is open to the public or to a substantial number of market participants; and on which financial instruments are regularly traded.
EMIR	- Means Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories.
ESG	- Environmental, Social and Governance.
ESG Orientated Fund	- Means a fund of the Target Fund Manager that, in accordance with the criteria outlined in Article 8 of the European Union's Sustainable Finance Disclosure Regulations, promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics and provided that the companies that the Target Fund invests in follow good governance practices.
Fund or CNEI	- Principal China New Energy Innovation Fund.
GBP	- Great British Pound.
GUTF	- Guidelines on Unit Trust Funds issued by the SC.
HSBC Group	- HSBC Holdings plc, its subsidiaries, related bodies corporate, associated entities and undertakings and any of their branches.
IMS	- Investment Management Standards issued by the Federation of Investment Managers Malaysia.

IUTA	- Refers to Institutional Unit Trust Schemes Adviser, a corporation registered with Federation of Investment Managers Malaysia and authorised to market and distribute unit trust schemes of another party.
LPD	- Latest Practicable Date i.e. 31 December 2023, in which all information provided herein, shall remain current and relevant as at such date.
Management Fee	- A percentage of the NAV of the Class that is paid to us for managing the portfolio of the Fund.
MCR	- Multi-class ratio, being the apportionment of the NAV of each Class over the Fund's NAV based on the size of each Class. The MCR is calculated by dividing the NAV of the respective Class by the NAV of the Fund before income and expenses for the day. The apportionment is expressed as a ratio and calculated as a percentage.
MYR	- Malaysian Ringgit.
NAV	- Net Asset Value.
NAV of the Class	- The NAV of the Fund attributable to a Class at the same valuation point.
NAV of the Fund	- The value of all the Fund's assets less the value of all the Fund's liabilities, at the point of valuation. For the purpose of computing the annual Management Fee (if any) and annual Trustee Fee (if any), the NAV of the Fund should be inclusive of the Management Fee and Trustee Fee for the relevant day.
NAV per unit	- The NAV attributable to a Class divided by the number of units in circulation for that Class, at the valuation point.
OTC	- Over-the-counter.
PFG	- Principal Financial Group, Inc.
Principal Distributors	- Refers to the authorised unit trust scheme consultants registered with Principal Malaysia.
Principal Malaysia or the Manager	- Principal Asset Management Berhad.
Prospectus	- Refers to the document issued by us describing the details of the Fund.
Regulations	- European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) as amended and supplemented from time to time and includes any conditions that may from time to time be imposed there under by the Central Bank of Ireland whether by notice or otherwise affecting the Target Fund Manager.
RMB	- Chinese Yuan Renminbi.
RSP	- Regular Savings Plan.
Rule 144A Securities	- Securities (i) which are issued with an undertaking to register with the U.S. Securities and Exchange Commission within one year of issue; and (ii) are not illiquid, meaning that they may be realised by the Target Fund Manager within 7 days at the price, or approximately at the price, at which they are valued by the Target Fund Manager.
SC	- Securities Commission Malaysia.
SFDR	- Means the European Union's Sustainable Finance Disclosure Regulations.
SFT Regulations or SFTR	- Means Regulation 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 as may be amended, supplemented, consolidated, substituted in any form or otherwise modified from time to time.
SGD	- Singapore Dollar.
Special Resolution	- A resolution passed by a majority of not less than 3/4 of Unit holders voting at a meeting of Unit holders. For the purpose of terminating or winding up a fund, a Special Resolution is passed by a majority in number representing at least 3/4 of the value of the units held by Unit holders voting at the meeting.
Target Fund	- The collective investment scheme that the Fund invests predominantly in. Currently, it refers to Principal Global Investors Funds - CCB Principal China New Energy Innovation Fund.
Target Fund Company	- Principal Global Investors Funds.
Target Fund Investment Manager	- Principal Global Investors, LLC.
Target Fund Manager	- Principal Global Investors (Ireland) Limited.
Target Fund Sub Investment Manager	- CCB Principal Asset Management (Hong Kong) Co., Limited.
Target Fund Prospectus	- Refers to the prospectus in respect of the Target Fund and includes any supplemental prospectus, addendum or replacement prospectus, as the case may be. The Target Fund Prospectus is available for download at <a href="http://www.principalam.com">www.principalam.com</a>

Taxonomy Regulation	- Means the Regulation on the Establishment of a Framework to Facilitate Sustainable Investment (Regulation EU/2020/852) as may be supplemented, consolidated, substituted in any form or otherwise modified from time to time.
Trustee	- HSBC (Malaysia) Trustee Berhad.
Trustee Fee	- A percentage of the NAV of the Fund that is paid to the Trustee for its services rendered as trustee for the Fund.
UCITS	- An undertaking for collective investment in transferable securities pursuant to the UCITS Directive.
UCITS Directive	- Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws regulations and administrative provisions relating to UCITS, including the associated implementing measures contained in Directive 2010/43/EU and Directive 2010/44/EU, as amended, supplemented, consolidated or replaced from time to time.
UCITS V	- Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as regards depositary functions, remuneration and sanctions as amended from time to time and including any supplementing European Commission delegated regulations in force from time to time.
Unit holder	- The registered holder for the time being of a unit of the Fund including persons jointly so registered.
USA	- United States of America.
USD	- United States Dollar.
Withdrawal Penalty	- A penalty levied upon withdrawal under certain terms and conditions (if applicable).

**Note:**

*Unless the context otherwise requires, words importing the singular number should include the plural number and vice versa.*

# CORPORATE DIRECTORY

## **The Manager**

Principal Asset Management Berhad

### **Business/Registered address**

Level 32, Exchange 106, Lingkaran TRX  
55188 Tun Razak Exchange  
Kuala Lumpur, MALAYSIA  
Tel : (603) 8680 8000

### **Customer Care Centre**

Level 31, Exchange 106, Lingkaran TRX  
55188 Tun Razak Exchange  
Kuala Lumpur, MALAYSIA  
Tel : (603) 7723 7260  
Whatsapp : (6016) 299 9792

### **Website**

[www.principal.com.my](http://www.principal.com.my)

### **E-mail**

[myservice@principal.com](mailto:myservice@principal.com)

[mygoinvest@principal.com](mailto:mygoinvest@principal.com) (for Class D only)

## **The Trustee**

HSBC (Malaysia) Trustee Berhad

### **Business/Registered address**

Level 19, Menara IQ, Lingkaran TRX,  
55188 Tun Razak Exchange,  
Kuala Lumpur, MALAYSIA  
Tel : (603) 2075 7800  
Fax : (603) 8894 2611

### **Website**

[www.hsbc.com.my](http://www.hsbc.com.my)

### **Email**

[fs.client.services.myh@hsbc.com.my](mailto:fs.client.services.myh@hsbc.com.my)

**Note:** You may refer to our website for an updated information on our details.

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# 1. FUND INFORMATION

## 1.1. PRINCIPAL CHINA NEW ENERGY INNOVATION FUND

- Fund Category/Type** : Feeder fund / Growth & income
- Fund Objective** : The Fund aims to provide capital growth and income through investments in one collective investment scheme (“CIS”) which invests primarily in listed companies related to the new energy industry.  
*We will require your approval if there is any material change to the Fund’s objective.*
- Benchmark** : The Fund adheres to the benchmark of the Target Fund for performance comparison only. The performance comparator of the Target Fund is the CSI New Energy Index.  
*\* Any changes to the Target Fund’s benchmark will be updated in our website and/or the Fund’s Product Highlights Sheet.*
- Distribution Policy** : The distribution policy of each of the Classes may differ. Please refer to the Annexure of the respective Class for more information. You may also refer to page 39 for information on the distribution payment.

### Base Currency & Classes

The base currency of the Fund is USD.

Please note that the Fund is established as a multi-class fund where the Deed allows for the establishment of more than one (1) Class with similar interests in the assets of the Fund. You should note that the Fund is allowed to establish new Class(es) from time to time without your prior consent.

Under the Deed, Unit holders of each Class shall have the same rights and obligations. Each Class may be different in terms of currency denomination, fees and charges, and hence, will have its respective NAV per unit, denominated in its respective currency taking into account the aforementioned features. Although the Fund has multiple Classes, Unit holders should note that the assets of the Fund are pooled for investment purpose.

Currently, the Classes below are available for sale. Please refer to the Annexure for further details on the Classes. You should note that we have the discretion to decide on the offering of other Classes for sale in the future and a supplemental or replacement prospectus will be issued. This information will be communicated to you via our website at [www.principal.com.my](http://www.principal.com.my). When in doubt, you should consult professional advisers for better understanding of the multi-class structure before investing in the Fund.

Name of Class	Launch date	Initial offer period	Initial offer price
Class USD	26 August 2024	Up to 21 days	USD 1.0000
Class MYR	26 August 2024	Up to 21 days	MYR 1.0000
Class MYR-Hedged	26 August 2024	Up to 21 days	MYR 1.0000
Class AUD-Hedged	26 August 2024	Up to 21 days	AUD 1.0000
Class GBP-Hedged	26 August 2024	Up to 21 days	GBP 1.0000
Class RMB-Hedged	26 August 2024	Up to 21 days	RMB 1.0000
Class SGD-Hedged	26 August 2024	Up to 21 days	SGD 1.0000
Class D	26 August 2024	Up to 21 days	MYR 1.0000

For more details, you may contact our Customer Care Centre under the “Corporate Directory” section or Distributors; or visit our website at [www.principal.com.my](http://www.principal.com.my).

### Investment Policy and Strategy

The Fund is a feeder fund that invests into a single CIS, i.e. CCB Principal China New Energy Innovation Fund (“Target Fund”). The Fund may also invest in liquid assets for liquidity purposes.

In order to achieve its objective, the Fund will invest at least 96% of its NAV in the Target Fund, a fund established on 11 May 2023 under Principal Global Investors Funds. The Fund may also invest up to 4% of its NAV in liquid assets for liquidity purposes and derivatives for the sole purpose of hedging arrangement.

We may utilize derivative instruments for hedging purposes and in the event of a rating downgrade of a counterparty of an OTC derivative below the rating prescribed in the GUTF, we reserve the right to deal with the OTC derivative in the best interest of the Unit holders.

As the Fund is a qualified sustainable and responsible investment fund, the investments of the Fund will be subject to the Environment, Social and Governance (ESG) integration methodology in accordance to the United Nations sponsored Principles for Responsible Investment ("UNPRI"), including the selection, retention and realisation of the Fund's investments. The Target Fund Investment Manager applies sustainability criteria when selecting investments for the Target Fund. This involves an investment analysis to ensure that the investments must do no significant harm ("DNSH") to environmental or social objectives and are assessed using the indicators for adverse impacts on sustainability factors, as noted below. The investment due diligence process includes the consideration of principal adverse impacts on sustainability factors and alignment with the Organisation for Economic Co-operation and Development ("OECD") Guidelines for Multinational Enterprises and the United Nation Guiding Principles on Business and Human Rights, using available third party data. When third party data is not available, the Target Fund Sub Investment Manager utilizes alternative data sources (including social media and online data such as news articles and blogs; and publicly available government and non-government organizations ("NGO") data), as well as proprietary analysis and research to evaluate whether investee companies significantly harm any environmental or social objectives. This proprietary analysis and research includes the consideration of indicators other than the indicators for adverse impacts on sustainability factors, including industry salary level, amount of related parties' transactions, auditor's opinion, the stability of senior financial reporting department, staff turnover rate, degree of customer's satisfaction, compliance with equivalent local laws and regulations covering environmental considerations, and violations of human rights and labour relations. If an investment is assessed as doing significant harm, then it will not be considered a sustainable investment. The following indicators, prescribed by the principal adverse impacts ("PAI") on sustainability factors under SFDR, are used to measure the attainment of each of the characteristics promoted by the fund: (i) Greenhouse Gas ("GHG") emissions (PAI 1) (ii) Carbon footprint (PAI 2) (iii) GHG intensity of investee companies (PAI 3). The Target Fund Sub Investment Manager considers PAI on sustainability factors by combining internal analysis of the Target Fund's holdings and third party data against all mandatory indicators in the SFDR as mentioned in PAI 1, PAI 2 and PAI 3 above and selected optional indicators in Table 2 and 3 of SFDR Annex 1, as noted below.

- Table 2, PAI 9: Investment in companies producing chemicals, and
- Table 3, PAI 1: Investments in companies without workplace accident prevention policies.

The PAI on sustainability factors are considered as part of the Target Fund Sub Investment Manager's proprietary ESG scoring methodology, as such the indicators are reviewed at regular intervals or when newly reported information becomes available.

The Fund will be actively rebalanced from time to time to meet sales and withdrawal transactions. This is to enable a proper and efficient management of the Fund. As this is a feeder fund, it will stay invested in the Target Fund as long as the Target Fund's investment objective and strategies will enable the Fund to meet its investment objective. The Fund's investment in liquid assets comprising of Deposits or money market instruments, will be guided by the issuer's or financial institution's sustainability risk score. This score is determined using the Manager's internal sustainability risk framework, which assesses key factors including:

- (1) The issuer or financial institution's adoption and practices to mitigate sustainability risk or promote sustainability;
- (2) The sustainability disclosures undertaken by the issuer or financial institution; and
- (3) Sustainability practices of the issuer or financial institution.

Based on the above key factors, the Manager will rate an issuer or financial institutions sustainability risk rating. Upon completion of the sustainability risk rating/screening, a score of either "Low", "Medium" or "High" sustainability risk will be assigned to the issuer or financial institution. A "High" sustainability risk score suggests that the issuer or financial institution bears a higher sustainability risk, with minimal mitigation measures to address sustainability risks. In respect of investments in liquid assets, the Manager will only consider issuers or financial institutions with an overall score of "Low" or "Medium" sustainability risk.

The Target Fund Manager may take temporary defensive position when deemed necessary, provided that at least two-thirds (2/3) of the Target Fund's net asset value is maintained in investments which are aligned with environmental and/or social characteristics.

We do not employ risk management strategy on the portfolio of the Target Fund. However, the Target Fund Manager and/or the Target Fund Investment Adviser will employ a risk management process in respect of the Target Fund that enables the Target Fund Manager to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the Target Fund.

We will employ risk management strategy at the Fund level, where we will continuously monitor the objective, performance and suitability of the Target Fund to ensure that it is in line with the objective of the Fund. If we are of the opinion that the Target Fund no longer meets the Fund's objective, we may, with your approval, replace the Target Fund with another CIS that is in line with the Fund's objective and must be in compliance with Guidelines on Sustainable and Responsible Investment Funds. In such circumstances, we will redeem our investment in the Target Fund and invest in another CIS on a staggered basis for a smooth transition, if the Target Fund imposes any conditions in relation to redemption of units or if the manager of the newly identified target fund exercises its discretion to apply anti-dilution levy\* in relation to the applications for units. Thus, the time frame required to perform the transition will depend on such conditions, if any, imposed by the Target Fund as well as any conditions associated with a dilution adjustment that may be made by the newly identified target fund. Hence during the transition period, the Fund's investments may differ from the stipulated objective, investment strategies and/or investment restrictions and limits. However, we will ensure that at least 2/3 of the Fund's NAV remains in investments that meet the sustainability considerations of the Fund at all times.

Currently, the Fund invests in USD I Class Accumulation Shares of the Target Fund, which is a share class denominated in USD launched on 11 May 2023. The Fund may change its entire investment into another class of the Target Fund (which must be denominated in the same currency) if we are of the opinion that the change is in the interest of the Unit holders. If we wish to effect such change, we will seek concurrence from the Trustee and you will be notified before implementation.

The Fund adopts a liquidity risk management framework which sets out the governance standards, methodology and process for the oversight and management of liquidity risk. The framework outlines the responsibilities to assess and monitor liquidity risk of the Fund, and to ensure appropriate measures are taken to mitigate the risk. The liquidity risk management framework that we have put in place is as follows:

- Regular review by the designated fund manager on the Fund's investment portfolio to maintain healthy liquidity level.
- Periodic assessments are carried out on the Fund's liquidity profile (under both normal and stress market conditions) and on the concentration of Unit holders. These assessments allow the Fund to be proactively managed to mitigate liquidity concerns that may arise in the ordinary course of portfolio management as well as in relation to the Fund's ability to meet Unit holders' withdrawal requests.
- Suspension of withdrawal requests due to exceptional circumstances. During the suspension period, withdrawal requests will not be accepted and in the event we have earlier accepted the withdrawal requests prior to the suspension is declared, the withdrawal requests will be dealt on the next Business Day once the suspension is lifted. The action to suspend withdrawal requests from Unit holders shall be exercised only as a last resort by the Manager.

*Note: Please refer to Section 2.6 for more information.*

**Note:**

\* *Anti-dilution levy is an allowance for fiscal and other charges that is added to the NAV per unit to reflect the costs of investing application monies in underlying assets of the Target Fund or newly identified target fund.*

## 1.2. PERMITTED INVESTMENTS

Subject to the Deed, the investment policy for the Fund and the requirements of the SC and any other regulatory body, we have the absolute discretion as to how the assets of the Fund are to be invested. Under the Deed and provided always that there are no inconsistencies with the objective of the Fund, the Fund can invest in the following instruments:

- One CIS (local or foreign);
- Liquid assets comprising of Deposits and money market instruments; and
- Derivative instruments, including but not limited to options, futures contracts, forward contracts and swaps for the purpose of hedging.

The formulation of the investment policies and strategies of the Fund is based on the objective of the Fund after taking into consideration the regulatory requirements outlined in the GUTF, with such exemptions or variations (if any) as permitted by the SC.

## 1.3. INVESTMENT RESTRICTIONS AND LIMITS

The Fund is subject to the following investment restrictions and limits:

**CIS:** The Fund must invest at least 96% of its NAV in one (1) CIS provided that the CIS complies within the categories stipulated in the GUTF.

**Liquid Assets and Derivatives:** The Fund may invest up to 4% of the NAV in the following permitted investments:

- Deposits  
Placement in short-term Deposits.
- Money market instruments  
Money market instruments that are dealt in or under the rules of an Eligible Market, and whose residual maturity does not exceed 12 months. The Fund's investments in money market instruments must not exceed 10% of the instruments issued by any single issuer. This limit does not apply to money market instruments that do not have a pre-determined issue size.
- Derivatives (for hedging purposes)  
The Fund's exposure from derivatives positions for hedging purposes should not exceed the Fund's NAV. Further, the maximum exposure of the Fund to the counterparty, calculated based on the method prescribed in the GUTF, must not exceed 10% of the Fund's NAV. For the exposure to the underlying assets of the derivative must not exceed the investment restrictions or limitations applicable to such underlying assets and investments stipulated in the GUTF.

In respect of any breach of restrictions and limits as a result of an appreciation or depreciation in value of the Fund's investments; withdrawal of units or payment made out of the Fund; change in capital of a corporation in which the Fund has invested in; or

downgrade in or cessation of a credit rating, we must rectify such breach as soon as practicable, in any event within three (3) months from the date of the breach. The three-month period may be extended if it is in the best interest of Unit holders with the Trustee's consent and the extension must be subject to at least a monthly review by the Trustee.

## 1.4. APPROVALS AND CONDITIONS

On 9 May 2024, we have obtained the approval from the SC for a variation to Paragraph 9.08 of the GUTF which allow us to pay a Unit holder within five (5) Business Days from the receipt of proceeds from the Target Fund where such Unit Holder has exercised a cooling-off right pursuant to section 4.8.

On 9 May 2024, we have obtained an approval from the SC for the Fund to be qualified as a sustainable and responsible investment fund under the Guidelines on Sustainable and Responsible Investment Funds.

## 1.5. FINANCING

The Fund may not obtain cash financing or borrow other assets in connection with its activities. However, the Fund may obtain financing for the purpose of meeting withdrawal requests for units and for short-term bridging requirements, subject to the GUTF.

## 1.6. SECURITIES LENDING AND REPURCHASE TRANSACTIONS

Not applicable for the Fund.

## 1.7. RISK FACTORS

### 1.7.1. GENERAL RISKS OF INVESTING IN A FUND

Any investment carries with it an element of risk. Therefore, prior to making an investment, you should consider the following risk factors in addition to the other information set out in this Prospectus.

#### Returns and capital not guaranteed

The investment of the Fund is subject to market fluctuations and its inherent risk. There is **NO GUARANTEE** on the investment which includes your investment capital and returns, nor any assurance that the Fund's objective will be achieved. You should also note that the Fund is neither a capital guaranteed fund nor a capital protected fund. However, we reduce this risk by ensuring diligent management of the assets of the Fund based on a structured investment process.

#### Market risk

This risk refers to the possibility that an investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the Fund's NAV.

#### Inflation risk

This is the risk that your investment in the Fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce your purchasing power even though the value of the investment in monetary terms has increased.

#### Financing risk

This risk occurs when you obtain financing to finance your investment. The inherent risk of investing with money obtained from financing includes you being unable to service the financing payments. In the event units are used as collateral and if the prices of units fall below a certain level due to market conditions, you may be required to pay additional amount on top of your existing instalment. If you fail to do so within the time prescribed, your units may be sold at an unfavourable price and the proceeds thereof will be used towards the settlement of your financing.

#### Manager risk

This risk refers to the day-to-day management of the Fund by the Manager which will impact the performance of the Fund. For example, investment decisions undertaken by the Manager, as a result of any non-compliance with internal policies, investment mandate, the deed, relevant law or guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the Fund.

#### Liquidity risk

Liquidity risk refers to the ability to sell and convert the units held in the CIS into cash. This may be affected by the liquidity policy applied by the CIS (e.g. suspension of the CIS), which may negatively impact the Fund and Unit holders may experience delay in the withdrawal process.

### 1.7.2. SPECIFIC RISKS RELATED TO THE FUND

#### Currency risk

You should be aware that currency risk is applicable to Class(es) which is denominated in a different currency than the base currency of the Fund. The impact of the exchange rate movement between the base currency of the Fund and the currency denomination of the respective Class(es) may result in a depreciation of the value of your holdings as expressed in the currency denomination of the respective Class(es).

As for a hedged Class, the hedged Class itself provides mitigation to the currency risk arising from the difference between the currency denomination of the Class and the base currency of the Fund. While we aim to fully hedge the currency risk for a hedged Class, you should note that it may not entirely eliminate currency risk. In addition, you should note that, as a result of hedging, a hedged Class will not be able to enjoy the full benefits of the currency movement in the event of a favourable movement of the currency denomination of the hedged Class against the base currency of the Fund. You should also note that hedging incurs costs, in which will impact the NAV of a hedged Class.

#### Target Fund Manager's risk

Since the Fund invests into a CIS that is managed by another manager, the Target Fund Manager has absolute discretion over the Target Fund's investment technique and knowledge, operational controls and management. In the event of mismanagement of the Target Fund, the NAV of the Fund, which invests into the Target Fund, may be affected negatively. Although the probability of such occurrence is minute, should the situation arise, we reserve the right to seek for an alternative CIS that is consistent with the objective of the Fund, subject to your approval.

#### Country risk

As the Fund invests in the Target Fund, which is domiciled in Ireland, the Fund's investments in the Target Fund may be affected by risks specific to Ireland. Such risks include adverse changes in Ireland's economic fundamentals, social and political stability, laws and regulations and foreign investments policies. These factors may have an adverse impact on the price of the Target Fund and consequently the Fund.

#### Industry risk

The Fund invests predominantly in the new energy industry. Given the nature of new energy industry, it requires an extensive research coverage as well as in-depth research to identify the growth opportunities of a company. In addition, the industry may be subject to greater government regulation than other industries and, as a result, any significant changes to such government regulation may have an adverse impact on companies operating in the industry. On top of that, the investment in the industry may also be affected by the competition of new market entrants, patent considerations and product obsolescence. Investors should note that the Fund's performance may be impacted by all these industry -specific factors, and consequently impacting the performance of the Fund.

#### Sustainability risk

The Target Fund incorporates ESG considerations into its overall investment process and is managed in line with the Target Fund Company's sustainability risk policy. The Target Fund's Sub Investment Manager will define the manner in which sustainability risks are integrated into their investment decisions. The Target Fund may exclude securities of certain companies, industries or sectors and may forego certain investment opportunities, or dispose of certain holdings that do not align with the sustainability criteria. As such, the Target Fund may underperform funds that do not consider sustainability criteria in their investment strategy. This risk cannot be mitigated as it is inherent to the investment strategy of the Target Fund.

The Target Fund's Sub Investment Manager may also rely on third party data to assess sustainability risk. However, the data used could be inaccurate. Hence, the Target Fund's Sub Investment Manager may not correctly assess the impact of sustainability risk, which may negatively impact the performance and consequently, the NAV of the Target Fund. The Target Fund's Sub Investment Manager will mitigate the risk by continuously assessing, including at the time of purchase, all relevant sustainability risks that have a material negative impact on the financial return of the investment. These processes aim to identify, measure, manage and monitor sustainability risks of the Target Fund, where relevant. However, consideration of sustainability risks does not necessarily imply that the Target Fund has a sustainability-aligned investment objective, but rather describes how sustainability risk information is considered as part of the overall investment process.

### 1.7.3. RISKS ASSOCIATED WITH INVESTMENT IN CLASS D

#### Cyber security risk

This is the risk arising from cyber-attack on e-Wallet App. Should the e-Wallet App be compromised, it may result in unauthorised transactions pertaining to the Fund. Further to that, your investment-related information and personal data may be leaked. All transactions through e-Wallet App and/or the Fund may be temporarily suspended, in which you may not be able to transact through e-Wallet App or in the Fund due to cyber-attack.

#### Functionality risk

This is the risk that the e-Wallet App does not operate as intended due to factors including but not limited to connectivity and interface issues. If the e-Wallet App does not function as expected, your transaction through the e-Wallet App may not be correctly processed and/or completed.

#### **Risk associated with discontinuation risk on e-Wallet Provider**

As all the transactions are done through e-Wallet App developed by the e-Wallet Provider, the continuous operation of the e-Wallet Provider is crucial. The discontinuation of services provided by e-Wallet Provider may be due to but not limited to revocation of the license. Should such event happen, withdrawal from the Fund may be delayed.

#### **1.7.4. SPECIFIC RISKS RELATED TO THE TARGET FUND**

The following section was excerpted from the information stated in the Target Fund Prospectus. Please refer to the Target Fund Prospectus for other risk factors that may apply to the Target Fund (*Note: For more information about Target Fund Prospectus, please refer to the website at [www.principalam.com](http://www.principalam.com).*)

As the Fund invests predominantly in the Target Fund, the Fund also assumes the risks associated with the Target Fund, which include but not limited to the following:

##### **General**

There are risks associated with investment in the Target Fund.

The risks described in the Target Fund Prospectus should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in the Target Fund. Potential investors should be aware that an investment in the Target Fund may be exposed to other risks from time to time.

The investments of the Target Fund are subject to normal market fluctuations and other risks inherent in investing in equity, debt or preferred securities. There can be no guarantee against loss, nor any assurance that the Target Fund's investment objective will be attained.

The value of investments and the income from them, and therefore the value of, and income from, the units of the Target Fund can fall as well as rise and investors may not realise the same amount that they invest.

##### **Settlement risk**

Market practices in relation to the settlement of securities transactions and the custody of assets could provide increased risks. The Target Fund will be exposed to a credit risk on parties with whom it trades and may also bear the risk of settlement default. The trustee may be instructed by the Target Fund Investment Adviser to settle transactions on a delivery free of payment basis where the Target Fund Investment Adviser believes that this form of settlement is appropriate. Unit holders should be aware, however, that this may result in a loss to the Target Fund if a transaction fails to settle and the trustee will not be liable to the Target Fund or the Unit holders for such a loss, provided the trustee has acted in good faith in making any such delivery or payment.

##### **Currency risk**

Changes in exchange rates between currencies may cause the value of an investment to diminish or increase. In addition to favourable and unfavourable currency exchange rate developments, the Target Fund is subject to the possible imposition of exchange control regulations or currency blockages with respect to its investments. Additionally, investment decisions made on behalf of a Fund will not always prove to have been profitable.

Assets of the Target Fund may be denominated in a currency other than the base currency of the Target Fund and changes in the exchange rate between the base currency and the currency of the asset may lead to a depreciation of the value of the Target Fund's assets as expressed in the base currency. The Target Fund Investment Adviser may, depending on the objective of the Target Fund, seek to mitigate this exchange rate risk by using Financial Derivative Instruments ("FDI") (as defined in 2.2.5). No assurance, however, can be given that such mitigation will be successful.

##### **Currency hedging at share class level risk**

Hedging activity at share class level may expose the Target Fund to cross contamination risk as it may not be possible to ensure (contractually or otherwise) that a counterparty's recourse in any such arrangements is limited to the assets of the relevant share class. Although the costs, gains and losses of the currency hedging transactions will accrue solely to the relevant share class, investors are nonetheless exposed to the risk that currency hedging transactions undertaken in one share class may impact negatively on another share class, particularly where (pursuant to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories ("**EMIR**")) such currency hedging transactions require the Target Fund to post collateral (i.e. initial or variation margin). Any such collateral is posted by the Target Fund and at the Target Fund's risk (rather than by the share class and at the risk of the share class only because the share class does not represent a segregated portion of the Target Fund's assets) thus exposing investors in other share classes to a proportion of this risk.

##### **Valuation risk**

The Target Fund may invest some of its assets in unquoted securities. Such investment will be valued in accordance with the valuation techniques set out in Appendix B\* of the Target Fund Prospectus. The Target Fund Company may consult with the Target Fund Manager with respect to the valuation of unquoted investments. There is an inherent conflict of interest between the involvement of the Target Fund Manager in determining the valuation price of certain of the Target Fund's investments and the Target Fund Manager's other responsibilities. Estimates of the fair value of such investments are inherently difficult to establish and are subject to substantial uncertainty. The Target Fund may, for the purpose of efficient portfolio management,

use FDI in which case there can be no assurance that the valuation as determined in accordance with the provisions set out in Appendix B\* reflects the exact amount at which the instrument may be closed out.

*\*Extract of Appendix B of the Target Fund Prospectus:*

*In the event that any of the investments are not listed or traded on any stock exchange or over-the-counter market, such securities shall be valued at their probable realisation value which must be estimated in care and good faith. The asset may be valued by the Target Fund Manager or alternatively valued by a competent person appointed by the Target Fund Manager and approved for the purpose by the trustee, or alternatively to that, the asset can be valued by any other means provided that the value is approved by the trustee. Such probable realisation value will be determined;*

*(i) by using the original purchase price;*

*(ii) where there have been subsequent trades with substantial volumes, by using the last traded price provided the Target Fund Manager in consultation with the Target Fund Investment Manager considers such trades to be at arm's length;*

*(iii) where the Target Fund Manager in consultation with the Target Fund Investment Manager believes the investment has suffered a diminution in value, by using the original purchase price which shall be discounted to reflect such a diminution;*

*(iv) if the Target Fund Manager in consultation with the Target Fund Investment Manager believes a mid-quotations from a broker is reliable, by using such a mid-quotations or, if unavailable, a bid quotations.*

### **Interest rate risk**

The value of shares may be affected by substantial adverse movements in interest rates. When interest rates fall, the price of debt and preferred securities rises. During periods of falling interest rates, an issuer may also exercise its option to prepay principal earlier than scheduled, forcing the Target Fund to reinvest in lower yielding securities ('prepayment risk'). In relation to preferred securities, other circumstances, for example, a change in law may also cause an issuer to redeem securities earlier than scheduled.

When interest rates rise, the price of debt and preferred securities declines. In periods of rising interest rates, the average life of certain securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the securities duration, and reduce the securities value ('extension risk').

To the extent that the Target Fund uses hedging and other transactions to reduce its exposure to increases in interest rates, it could result in poorer overall performance of the Target Fund, as it results in costs to the Target Fund, and is dependent on the Target Fund's ability to predict correctly changes in interest rate relationships.

### **Credit risk**

In addition, the value of debt and preferred securities held by the Target Fund may be affected by factors such as the credit rating of the entity that issued the security and its maturity. Lower quality and longer maturity securities will be subject to greater credit risk and price fluctuations than higher quality and shorter maturity securities.

Fixed income securities that are not investment grade are commonly referred to as high yield securities. These securities offer a potentially higher yield than other higher rated securities, but they carry a greater degree of risk and are considered speculative by the major credit rating agencies.

In relation to preferred securities, credit risk may manifest itself not only as a decline in the security's price, or its failure, but also as a failure to make dividend payments when due. Preferred securities are subordinated borrowing to bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater credit risk than those debt instruments.

There can be no assurance that issuers of the securities or other instruments in which the Target Fund invests will not be subject to credit difficulties leading to the loss of some or all of the sums invested in such securities or instruments or payments due on such securities or instruments (as well as any appreciation of sums invested in such securities). There is no certainty in the credit worthiness of issuers of debt securities. Unstable market conditions may mean there are increased instances of default amongst issuers.

### **Credit ratings risk**

The ratings of fixed-income securities by Moody's and Standard & Poor's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint. The rating on an issuer or a security is heavily weighted by past performance and does not necessarily reflect probable future conditions. There is frequently a lag between the time the rating is assigned and the time it is updated. In addition, there may be varying degrees of difference in credit risk of securities within each rating category. In the event of a down-grading of the credit rating of a security or an issuer relating to a security, the value of the Target Fund investing in such security may be adversely affected.

### **Equity risks**

The Target Fund may invest directly or indirectly in equity securities. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. Prices of equities fluctuate daily dependent on market conditions. Markets can be influenced by a series of factors such as political and economic news, corporate earnings reports, demographic trends, catastrophic events and wider market expectations. The value of equities can fall as well as rise. Potentially the Target Fund investing in equities could incur significant losses.

Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. As a result, the market value of the equity securities that it invests in may go down and the Target Fund may suffer losses. Factors affecting the equity securities are numerous, including

but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the Target Fund to losses.

#### **Equity related securities risk**

The Target Fund may invest in instruments such as American depository receipts (“ADR”) and global depository receipts (“GDR”), which in addition to the risks of investments in foreign securities described herein, may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Ownership of unsponsored ADRs and GDRs may not entitle the Target Fund to financial or other reports from the issuer, to which they would be entitled as the owner of sponsored ADRs and GDRs.

#### **Market capitalisation risk**

The Target Fund may invest in the securities of small-to-medium-sized (by market capitalisation) companies, or FDI (as defined in 2.2.5) related to such securities. Such securities may have a more limited market than the securities of larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavourable economic reports. Additional risk factors associated with companies whose market capitalisation is small or mid-cap may include but are not limited to the following: limited or unproven operating history; weak or leveraged balance sheets, limited borrowing capacity; low or negative profit margins; high concentration of sales from limited number of customers; competition from more established companies; and key-man management risk.

#### **Unlisted securities**

The Target Fund may invest up to 10% of its Net Asset Value in unlisted securities. In general, there is less governmental regulation and supervision of transactions in the unlisted securities markets than for transactions entered into on organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with unlisted securities. Therefore, the Target Fund investing in unlisted securities will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the Target Fund will sustain losses.

#### **Restricted securities**

The Target Fund may invest in securities purchased in private placements or pursuant to U.S. Securities Act Rule 144A (if available), including Rule 144A Securities which have not been issued with an undertaking to register them with the U.S. Securities and Exchanges Commission, provided that they are eligible investments for the Target Fund. Where relevant, investment in Rule 144A Securities will be subject to the investment restrictions set out in Appendix A\*. Rule 144A Securities are securities that are not registered under the 1933 Act but can be sold to institutional investors in accordance with Rule 144A under the 1933 Act. These securities may be subject to limitations on resale or transfer as a matter of law or contract. They are normally resold only to institutional investors. There can be no assurance that the Target Fund will be able to dispose of such securities readily.

*\*Extract of Appendix A of the Target Fund Prospectus:*

*The Target Fund shall not invest any more than 10% of its Net Asset Value in securities of the type to which Regulations 68(1)(d) of the Regulations apply. This restriction will not apply in relation to investment by the Target Fund in certain U.S. securities known as Rule 144A securities provided that:*

- (a) The relevant securities have been issued with an undertaking to register the securities with the U.S. Securities and Exchanges Commission within one year of issue; and*
- (b) the securities are not illiquid securities i.e. they may be realised by the Target Fund within seven days at the price, or approximately at the price, at which they are valued by the Target Fund.*

#### **Investment in Collective Investment Schemes**

The Target Fund may invest in one or more CIS including schemes managed by the Target Fund Manager or its affiliates. There may be additional costs involved when investing into these underlying CIS. As a shareholder of another CIS, the Target Fund would bear, along with other shareholders, its pro rata portion of the expenses of the other CIS, including investment management and/or other fees. These fees would be in addition to the Target Fund Manager's fees and other expenses which the Target Fund bears directly in connection with its own operations. On the other hand, where a commission (including a rebated commission) or any quantifiable monetary benefits is received by the Target Fund Manager or Target Fund Investment Adviser in connection with an investment in the units of another CIS, this commission must be paid into the property of the Target Fund.

CIS may have different settlement cycles than that of the Target Fund. Thus, there may be mismatch between the two settlement cycles causing the Target Fund to use borrowing on a temporary basis to meet such obligations. This may result in charges being incurred by the Target Fund. Any such borrowing will comply with the regulations. Further, each CIS may not be valued at the same time or on the same day as the Target Fund and accordingly the net asset value of such CIS used in the calculation of the Net Asset Value of the Target Fund will be the latest available net asset value of such CIS.

CIS may be leveraged. This includes the use of borrowed funds and investments in FDI. Also, they may engage in short sales. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Target Fund.



To the extent that the Target Fund is invested in CIS, the success of the Target Fund shall depend upon the ability of the CIS to develop and implement investment strategies that achieve the Target Fund's investment objective. Subjective decisions made by the CIS may cause the Target Fund to incur losses or to miss profit opportunities on which it could otherwise have capitalised. In addition, the overall performance of the Target Fund will be dependent not only on the investment performance of the CIS, but also on the ability of the Target Fund Manager to select and allocate the Target Fund's assets among such CIS effectively on an ongoing basis. There can be no assurance that the allocations made by the Target Fund Manager will prove as successful as other allocations that might otherwise have been made, or as adopting a static approach in which CIS are not changed.

#### **Cyber security risk**

The Target Fund and its service providers' use of internet, technology and information systems may expose the Target Fund to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, amongst other things, could allow an unauthorized party to gain access to proprietary information, customer data, or fund assets, or cause the Target Fund and/or its service providers to suffer data corruption or lose operational functionality.

#### **Common Reporting Standard ("CRS")**

Ireland has provided for the implementation of CRS through section 891F of the Taxes Consolidation Act of Ireland ("TCA") and the enactment of the Returns of Certain Information by Reporting Financial Institutions Regulations 2015 (the "CRS Regulations"). The CRS, which has applied in Ireland since 1 January 2016, is a global OECD tax information exchange initiative which is aimed at encouraging a coordinated approach to disclosure of income earned by individuals and organisations. The Target Fund Company is a Reporting Financial Institution for CRS purposes and will be required to comply with the Irish CRS obligations. In order to satisfy its CRS obligations, the Target Fund Company will require its investors to provide certain information in respect of their tax residence and may, in some cases, require information in relation to the tax residence of the beneficial owners of the investor. The Target Fund Company, or a person appointed by the Target Fund Company, will report the information required to the Revenue Commissioners by 30 June in the year following the year of assessment for which a return is due. The Revenue Commissioners will share the appropriate information with the relevant tax authorities in participating jurisdictions.

#### **Subscriptions/redemptions account**

The Target Fund Company operates a subscriptions/redemptions account for the Target Fund. Monies in the subscriptions/redemptions account are deemed assets of the Target Fund and shall not have the protection of the Investor Money Regulations. Investors are advised to promptly comply with any subscription requirements, such as the provision of the relevant anti-money laundering documentation, as monies due to an investor as a result of redemption or dividend activity cannot otherwise be transferred to the investor. There is a risk for investors to the extent that monies are held by the Target Fund Company in the subscriptions/redemptions account for the account of the Target Fund at a point where it becomes insolvent. In respect of any claim by an investor in relation to monies held in the subscriptions/redemptions account, the investor shall rank as an unsecured creditor of the Target Fund Company.

#### **Depository risk**

The Target Fund invests in assets that are financial instruments that can be held in custody ("Custody Assets"), the trustee is required to perform full safekeeping functions and will be liable for any loss of such assets held in custody unless it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. In the event of such a loss (and the absence of proof of the loss being caused by such an external event), the trustee is required to return identical assets to those lost or a corresponding amount to the Target Fund without undue delay.

If the Target Fund invests in assets that are not financial instruments that can be held in custody ("Non-Custody Assets"), the trustee is only required to verify the Target Fund's ownership of such assets and to maintain a record of those assets which the trustee is satisfied that the Target Fund holds ownership of. In the event of any loss of such assets, the trustee will only be liable to the extent the loss has occurred due to its negligent or intentional failure to properly fulfil its obligations pursuant to the Trust Deed.

As it is likely that the Target Fund may invest in both Custody Assets and Non-Custody Assets, it should be noted that the safekeeping functions of the trustee in relation to the respective categories of assets and the corresponding standard of liability of the trustee applicable to such functions differs significantly.

The Target Fund enjoy a strong level of protection in terms of depository liability for the safekeeping of Custody Assets. However, the level of protection for Non-Custody Assets is significantly lower. Accordingly, the greater the proportion of the Target Fund invested in categories of Non-Custody Assets, the greater the risk that any loss of such assets that may occur may not be recoverable. While it will be determined on a case-by-case whether a specific investment by the Target Fund is a Custody Asset or a Non-Custody Asset, generally it should be noted that FDI traded by the Target Fund over-the-counter will be Non-Custody Assets. There may also be other asset types that the Target Fund invests in from time to time that would be treated similarly. Given the framework of depository liability under UCITS V, these Non-Custody Assets, from a safekeeping perspective, expose the Target Fund to a greater degree of risk than Custody Assets, such as publicly traded equities and bonds.

#### **Financial Derivative Instruments ("FDI") and Securities Financing Transactions Risks**

*General:* The use of FDI may result in greater returns but may entail greater risk for your investment. FDI may be used as a means of gaining indirect exposure to a specific asset, rate or index and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk. Use of FDI involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other investments. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the FDI may not correlate perfectly with the underlying asset, rate or index.

Investing in a FDI could cause the Target Fund to lose more than the principal amount invested. Also, suitable FDI transactions may not be available in all circumstances and there can be no assurance that the Target Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

The prices of FDI are highly volatile. Price movements of FDI contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, national and international political and economic events, changes in local laws and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The use of FDI also involves certain special risks, including (1) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates; (2) imperfect correlation between the hedging instruments and the securities or market sectors being hedged; (3) the fact that skills needed to use these instruments are different from those needed to select the Fund's securities; and (4) the possible absence of a liquid market for any particular instrument at any particular time.

Securities Financing Transactions create several risks for the Target Fund, including counterparty risk if the counterparty to a Securities Financing Transaction defaults on its obligation to return assets equivalent to the ones provided to it by the Target Fund and liquidity risk if the Fund is unable to liquidate collateral provided to it to cover a counterparty default.

*Absence of Regulation; Counterparty Risk:* In general, there is less government regulation and supervision of transactions in the OTC markets (in which currencies, spot and option contracts, certain options on currencies and swaps are generally traded) than of transactions entered into on recognised exchanges. OTC FDI lack transparency as they are privately negotiated contracts and any information concerning them is usually only available to the contracting parties. While measures are being introduced under EMIR that aim to mitigate risks involved in investing in OTC FDI and improve transparency, these types of investments continue to present challenges in clearly understanding the nature and level of risks involved. In addition, many of the protections afforded to participants on some recognised exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with OTC transactions.

The counterparty for an OTC FDI will be the specific firm involved in the transaction rather than a recognised exchange and accordingly the bankruptcy or default of a counterparty with which the Target Fund trades OTC FDI could result in substantial losses to the Target Fund. In addition, a counterparty may refrain from settling a transaction in accordance with its terms and conditions because the contract is not legally enforceable or because it does not accurately reflect the intention of the parties or because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Target Fund to suffer a loss. To the extent that a counterparty defaults on its obligation and the Target Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. Regardless of the measures the Target Fund may implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that the Target Fund will not sustain losses on the transactions as a result. Counterparty exposure will be in accordance with the Target Fund's investment restrictions.

*Credit Risk and Counterparty Risk:* The Target Fund will be exposed to a credit risk in relation to the counterparties with whom they transact or place margin or collateral in respect of transactions in FDI. To the extent that a counterparty defaults on its obligation and the Target Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. Regardless of the measures the Target Fund may implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that the Target Fund will not sustain losses on the transactions as a result.

*Correlation Risk:* The prices of FDI may be imperfectly correlated to the prices of the underlying securities, for example, because of transaction costs and interest rate movements.

*Collateral Risk:* Collateral or margin may be passed by the Target Fund to a counterparty or broker in respect of OTC FDI transactions or Securities Financing Transactions. Assets deposited as collateral or margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy. Where collateral is posted to a counterparty or broker by way of title transfer, the collateral may be re-used by such counterparty or broker for their own purpose, thus, exposing the Target Fund to additional risk.

*Forward Trading:* Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised. Rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated. There is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Market illiquidity or disruption could result in major losses to the Target Fund.

*Foreign Exchange Transactions:* Where the Target Fund utilises FDI which alter the currency exposure characteristics of securities held by the Target Fund the performance of the Target Fund may be strongly influenced by movements in foreign exchange rates because currency positions held by the Target Fund may not correspond with the securities positions held.

*Futures and Options Trading is Speculative and Volatile:* Substantial risks are involved in trading futures, forward and option contracts and various other instruments in which the Target Fund may trade. Certain of the instruments in which the Target Fund may invest are sensitive to interest rates and foreign exchange rates, which means that their value and, consequently, the Net Asset Value, will fluctuate as interest and/or foreign exchange rates fluctuate. The Target Fund's performance, therefore, will depend in part on its ability to anticipate and respond to such fluctuations in market interest rates and foreign exchange rates, and to utilise appropriate strategies to maximise returns to the Target Fund, while attempting to minimise the associated risks to its investment capital. Variance in the degree of volatility of the market from the Target Fund's expectations may produce significant losses to the Target Fund.

The low initial margin deposits normally required to establish a futures position permit a high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter FDI may involve additional risk as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, to assess or value a position or to assess the exposure to risk. Warrants give the Target Fund the right to subscribe to or purchase securities in which the Target Fund may invest. The underlying security may be subject to market volatility thus rendering an investment in a warrant a higher risk than an investment in an equity security.

*Legal Risk:* The use of OTC FDI, such as forward contracts, credit derivatives, swap agreements, contracts for difference and Securities Financing Transactions, will expose the Target Fund to the risk that the legal documentation of the relevant contract may not accurately reflect the intention of the parties.

*Margin Risk:* The Target Fund may be obliged to pay margin deposits and option premia to brokers in relation to futures and option contracts entered into for the Target Fund. While exchange traded contracts are generally guaranteed by the relevant exchange, the Target Fund may still be exposed to the fraud or insolvency of the broker through which the transaction is undertaken. The Target Fund will seek to minimise this risk by trading only through high quality names.

*Liquidity Risk:* Liquidity risk exists when a particular FDI is difficult to purchase or sell. If a FDI transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated FDI), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

*Liquidity of Futures Contracts:* Futures positions may be illiquid because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Target Fund from liquidating unfavourable positions.

*Necessity for Counterparty Trading Relationships:* Participants in the OTC currency market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While the Target Fund Investment Adviser believes that it will be able to establish the necessary counterparty business relationships to permit the Target Fund to effect transactions in the OTC markets, there can be no assurance that it will be able to do so. An inability to establish such relationships would limit the Target Fund's activities and could require the Target Fund to conduct a more substantial portion of such activities in the cash or exchange traded markets. Moreover, the counterparties with which the Target Fund expects to establish such relationships will not be obligated to maintain the credit lines extended to the Target Fund, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

*Index Risk:* If a FDI is linked to the performance of an index, it will be subject to the risks associated with changes to that index. If the index changes, the Target Fund could receive lower interest payments or experience a reduction in the value of the FDI below what the Target Fund paid. Certain indexed securities – including inverse securities (which move in the opposite direction to the index) – may create leverage, to the extent that the increase or decrease in value is at a rate that is a multiple of the changes in the applicable index.

*Risks Associated with Swaps:* The Target Fund may enter into swap agreements with respect to currencies, interest rates, credit defaults and financial indices. The Target Fund may use these techniques for investment purposes or for efficient portfolio management purposes to hedge against changes in interest rates, currency rates, securities prices, or as part of their overall investment strategies. Whether the Target Fund's use of swap agreements will be successful will depend on the Target Fund Manager's ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments.

Payments under a swap contract may be made at the conclusion of the contract or periodically during its term. If there is a default by the counterparty to a swap contract the Target Fund will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that swap contract counterparties will be able to meet their obligations pursuant to swap contracts or that, in the event of default, the Target Fund will succeed in pursuing contractual remedies. The Target Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to swap contracts.

## Emerging markets risks

Where the Target Fund invests in securities in emerging markets, additional risks may be encountered. These include:

*Accounting Standards:* in emerging markets there is an absence of uniform accounting, auditing and financial reporting standards and practices.

*Business Risks:* in some emerging markets, crime and corruption, including extortion and fraud, pose a risk to businesses. Property and employees of underlying investments may become targets of theft, violence and/or extortion.

*Country Risk:* the value of the Target Fund's assets may be affected by political, legal, economic and fiscal uncertainties. Existing laws and regulations may not be consistently applied.

*Currency Risk:* the currencies in which investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible.

*Custody Risk:* custodians may not be able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that the Target Fund will not be recognised as the owner of securities held on its behalf by a sub-custodian.

*Disclosure:* less complete and reliable fiscal and other information may be available to the Fund.

*Legal:* the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made may not provide the same degree of investor protection or information to the Fund as would generally apply in major securities markets. Risks associated with many emerging market legal systems include (i) the untested nature of the independence of the judiciary and its immunity from economic, political or nationalistic influences; (ii) inconsistencies among laws, presidential decrees and governmental and ministerial orders and resolutions; (iii) the lack of judicial and administrative guidance on interpreting applicable laws; (iv) a high degree of discretion on the part of government authorities; (v) conflicting local, regional and federal laws and regulations; (vi) the relative inexperience of judges and courts in interpreting new legal norms; and (vii) the unpredictability of enforcement of foreign judgements and foreign arbitration awards. There is no guarantee that further judicial reform aimed at balancing the rights of private and governmental authorities in courts and reducing grounds for re-litigation of decided cases will be implemented and succeed in building a reliable and independent judicial system.

*Market Characteristics/ Liquidity and Settlement Risks:* in general, emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and many emerging markets are not highly regulated. When seeking to sell emerging market securities, little or no market may exist for the securities. The combination of price volatility and the less liquid nature of securities markets in emerging markets may, in certain cases, affect the Target Fund's ability to acquire or dispose of securities at the price and time it wishes to do so, and consequently may have an adverse impact on the investment performance of the Target Fund. Settlement of transactions may be subject to delay and administrative uncertainties.

*Political Risk:* the risk of government intervention is particularly high in the emerging markets because of both the political climate in many of these countries and the less developed character of their markets and economies. Government actions in the future could have a significant effect on economic conditions in such countries, which could affect private sector companies and the value of securities in the Target Fund's portfolio.

*Tax:* The taxation system in some emerging market countries is subject to varying interpretations, frequent changes and inconsistent enforcement at the federal, regional and local levels. Tax laws and practices in some emerging market countries are at an initial stage of development and are not as clearly established as in more developed countries.

*Frontier Markets Risk:* Investing in the securities of issuers operating in frontier emerging markets carries a high degree of risk and special considerations not typically associated with investing in more traditional developed markets. In addition, the risks associated with investing in the securities of issuers operating in emerging market countries are magnified when investing in frontier emerging market countries. These types of investments could be affected by factors not usually associated with investments in more traditional developed markets, including risks associated with expropriation and/or nationalisation, political or social instability, pervasiveness of corruption and crime, armed conflict, the impact on the economy of civil war, religious or ethnic unrest and the withdrawal or non-renewal of any licence enabling the Target Fund to trade in securities of a particular country, confiscatory taxation, restrictions on transfers of assets, lack of uniform accounting, auditing and financial reporting standards, less publicly available financial and other information, diplomatic development which could affect investment in those countries and potential difficulties in enforcing contractual obligations. These risks and special considerations make investments in securities in frontier emerging market countries highly speculative in nature and, accordingly, an investment in the Target Fund's shares must be viewed as highly speculative in nature and may not be suitable for an investor who is not able to afford the loss of their entire investment. To the extent that the Target Fund invests a significant percentage of its assets in a single frontier emerging market country, the Target Fund will be subject to heightened risk associated with investing in frontier emerging market countries and additional risks associated with that particular country.

*Investing through Stock Connect:* If the Target Fund is permitted by its investment policy to invest on a regulated market in China, there are various means of the Target Fund creating exposure, including using American depositary receipts and H shares (which are shares of a company incorporated in the Chinese mainland that are listed on the Hong Kong Stock Exchange). The Target Fund may also invest in certain eligible securities ("Stock Connect Securities") that are listed and traded on the Shanghai Stock

Exchange ("SSE") through the Hong Kong – Shanghai Stock Connect program or the Shenzhen Stock Exchange ("SZSE") through the Hong Kong - Shenzhen Stock Connect program ("Stock Connect"). Unlike other means of foreign investment in Chinese securities, investors in Stock Connect Securities are not subject to individual investment quotas or licensing requirements. Additionally, no lock-up periods or restrictions apply to the repatriation of principal and profits.

However, a number of restrictions apply to Stock Connect trading that could affect the Target Fund's investments and returns. For example, the home market's laws and rules apply to investors in the Stock Connect program. This means that investors in Stock Connect Securities are generally subject to PRC securities regulations, disclosure requirements of the China A Shares market, and SSE or SZSE listing and trading rules as appropriate, among other restrictions. Any changes in laws, regulations, rules and policies of the China A Shares market may affect the trading of the Target Fund. Further, an investor may not dispose of its Stock Connect Securities which were purchased through the Stock Connect by any means other than through Stock Connect, in accordance with applicable rules. In addition, the following risks apply:

#### *Quota limitations*

Although individual investment quotas do not apply, Stock Connect participants are subject to daily aggregate investment quotas, which could restrict or preclude the Target Fund's ability to invest in Stock Connect Securities.

#### *Differences in trading day*

Stock Connect is generally only available on business days when both the China and Hong Kong markets are open and when banking services are available in both markets on the corresponding settlement days. As a result, the Target Fund may not be able to trade when it would be otherwise attractive to do so, and the Target Fund may not be able to dispose of its China A shares in a timely manner.

#### *Suspension Risk*

Each of the Stock Exchange of Hong Kong Limited, SSE and SZSE reserves the right to suspend trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension is effected, the Target Fund's ability to access the PRC market (and hence its ability to pursue its investment strategy) will be adversely affected.

#### *Clearing and settlement risk*

Trading in securities through the Stock Connect may be subject to clearing and settlement risk. In the unlikely event that China Securities Depository and Clearing Corporation Limited defaults on its obligation to deliver securities / make payment, the Target Fund may suffer delays in recovering its losses or may not be able to fully recover its losses.

A failure or delay by the HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of Stock Connect Securities and/or monies in connection with them and the Target Fund and its investors may suffer losses as a result. Neither the Target Fund nor the Target Fund Investment Adviser shall be responsible or liable for any such losses.

#### *Legal / Beneficial ownership risk*

Because HKSCC is only a nominee holder and not the beneficial owner of Stock Connect Shares, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong, investors should note that Stock Connect Shares will not be regarded as part of the general assets of HKSCC available for distribution to creditors even under mainland China law.

HKSCC is the "nominee holder" of the Stock Connect Securities acquired by Hong Kong and overseas investors through the Stock Connect. Foreign Investors like the Target Fund investing through the Stock Connect holding the Stock Connect Shares through HKSCC are the beneficial owners of the assets and are therefore eligible to exercise their rights through the nominee. Stock Connect Shares are uncertificated and are held by HKSCC for its account holders. Physical deposit and withdrawal of Stock Connect Shares are not available currently for the Target Fund. Hong Kong and overseas investors such as the Target Fund can only hold Stock Connect Securities through their brokers/custodians. Their ownership of such is reflected in their brokers/custodians' own records such as client statements.

#### *No protection by Hong Kong Investor Compensation Funds*

The Target Fund will not benefit from access to Hong Kong investor compensation funds, which are set up to protect against defaults of trades, when investing through Stock Connect. Investments in China A shares may not be covered by the securities investor protection programs of the exchanges and, without the protection of such programs, will be subject to the risk of default by the broker. If the depository of the SSE and the SZSE defaulted, the Target Fund may not be able to recover fully its losses from the depository or may be delayed in receiving proceeds as part of any recovery process.

According to existing mainland China practices, the Target Fund as a beneficial owner of China A Shares traded via Stock Connect cannot appoint proxies to attend Unitholders' meetings on its behalf.

*Investing through Bond Connect:* To the extent it is permitted by the investment policy of the Target Fund, it may also invest in the China Interbank Bond Market ("CIBM") via the arrangement between Hong Kong and the PRC that enables Chinese and overseas investors to trade various types of debt securities in each other's bond markets through connection between the relevant respective financial infrastructure institutions ("Bond Connect").

Investing in China is subject to the risks of investing in emerging markets and may expose investors to the following risks:

*CIBM Risk:* CIBM is an OTC market separate to the two main stock exchanges in China. On the CIBM institutional investors trade sovereign and corporate bonds on a one-to-one quote-driven basis. The CIBM accounts for more than 95% of outstanding bond

values of total trading volume in China. The CIBM is regulated and supervised by the PRC. Investors should be aware that China's bond market is still in development and trading on the CIBM may expose the Target Fund to increased:

*Liquidity risk:* The bid and offer spread of fixed income securities trading on the CIBM may be high. The Target Fund may therefore incur significant trading costs and may even suffer losses when selling such investments. In the absence of a regular and active secondary market, the Target Fund may not be able to sell their bond holdings at prices the Target Fund Investment Adviser considers advantageous and may need to hold the bonds until their maturity date.

*Settlement risk:* The transaction settlement method in the CIBM is for delivery versus payment of security by the counterparty. Where the counterparty does not perform its obligations under a transaction, the Target Fund may sustain losses.

*Bond Connect risk:* Bond Connect is a novel trading program in China. Because these laws, regulations and rules governing the Bond Connect program are recent, their interpretation and enforcement involve significant uncertainty. Any changes in laws, regulations and policies of the China bond market or rules in relation to Bond Connect may affect prices and liquidity of the relevant CIBM bonds and there is no assurance that the change will not be made in a way prejudicing the interests of the Target Fund. Moreover, Bond Connect and its technology and risk management capability have only a short operating history. There is no assurance that the systems and controls of the Bond Connect program will function as intended or whether they will be stable or adequate.

Investment in the CIBM under the Bond Connect programme is subject to different regulatory requirements and procedures from investment in the CIBM via a direct access. For example, unlike the investment via a direct access to the CIBM, the Target Fund's investment in the CIBM bonds under the Bond Connect will not involve an onshore settlement agent and will be held by the Central Money Markets Unit of the Hong Kong Monetary Authority ("CMU") as the nominee holder, opening nominee account(s) with the China Central Depository & Clearing Co., Ltd ("CCDC") and the Shanghai Clearing House ("SHCH") respectively. While the distinct concepts of "nominee holder" and "beneficial owner" are generally recognised under the relevant PRC laws and regulations, the application of such rules is untested, and there is no assurance that PRC courts will recognise such rules, e.g. in liquidation proceedings of PRC companies or other legal proceedings. In addition, CIBM bonds are uncertificated and are held by CMU for its account holders.

## **PRC-specific risks**

### *PRC Governmental, Economic and Related Considerations*

The PRC economy has been a planned economy since 1949. During the past 15 years, the PRC government has been reforming the economic systems of the PRC, and these reforms are expected to continue. Many of the reforms are unprecedented or experimental and are expected to be refined or changed. Other political, economic and social factors could also lead to further readjustments to the reform measures. The operations and financial results of the Target Fund investing in the PRC could be adversely affected by adjustments in the PRC's state plans, political, economic and social conditions, changes in the policies of the PRC government such as changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. Furthermore, a portion of the economic activity in the PRC is export-driven and, therefore, is affected by developments in the economies of the PRC's principal trading partners.

### *Corporate Disclosure, Accounting and Regulatory Standards*

PRC's disclosure and regulatory standards are in many respects less stringent than standards in certain OECD countries. There may be less publicly available information about PRC companies than is regularly published by or about companies from OECD countries. Such information as is available may be less reliable than that published by or about companies in OECD countries. PRC companies are subject to accounting standards and requirements that differ in significant respects from those applicable to companies established or listed in OECD countries. This, if combined with a weak regulatory environment, could result in lower standards of corporate governance and less protection of minority shareholder rights of the companies in which the Target Fund will invest.

The lower level of disclosure, transparency and reliability of certain material information may impact on the value of investments made by the Target Fund and may lead the Target Fund Investment Adviser or other service providers of the Target Fund to an inaccurate conclusion about the value of the investments of the Target Fund.

### *Business Conditions and General Economy*

The profitability of the issuers of the A Shares could be adversely affected by the worsening of general economic conditions globally or in certain individual markets. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of customers. For example: (a) an economic downturn or significantly higher interest rates could adversely affect the credit quality of the on-balance sheet assets; and (b) a market downturn or worsening of the economy could reduce the income of such issuers.

### *Securities Markets*

The PRC securities markets, including the SSE and the SZSE, are undergoing a period of growth and change which may lead to difficulties in the settlement and recording of transactions and interpreting and applying the relevant regulations. In addition, the regulation of, and enforcement activity in, the PRC securities markets may not be equivalent to markets in OECD countries. There may not be equivalent regulation and monitoring of the PRC securities market and activities by investors, brokers and other participants to that in certain OECD markets.

It is common for securities on PRC stock exchanges to suspend from trading or otherwise become an untradeable security as a result of routine corporate activity for a period of time. Where this occurs the affected securities may be fair value priced by the Target Fund Investment Adviser or its agent. In addition, in the case of a redemption, there may be additional delays in receiving cash proceeds in respect of any untradeable securities as at the relevant dealing day.

#### *Volatility*

The PRC stock market is still at its early stage of development and is still largely dominated by retail investors. Institutional investors contribute only a small percentage of the overall market turnover and investments. The A Share market is still very speculative where investors tend to trade frequently and have very short-term views. These factors have led to substantial price volatility in the PRC stock market and no assurance can be given that such volatility will not occur in the future. The above factors could negatively affect the Target Fund's Net Asset Value, the ability to redeem units and the price at which the units may be redeemed.

#### *RMB Currency Risk*

Renminbi is not a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC central government. If such policies or restrictions change in the future, the position of the Target Fund or its investors may be adversely affected.

#### **PRC tax risks**

The tax law and regulations of the PRC are constantly changing, and they may be changed with retrospective effect. The interpretation and applicability of the tax law and regulations by tax authorities are not as consistent and transparent as those of more developed nations, and may vary from region to region. Although the PRC has recently issued tax circulars to clarify how capital gains realised through Stock Connect should be taxed, there are still various detailed implementation issues not clarified or clarified without any published guidance. Given the uncertainty surrounding the Target Fund's potential PRC tax liabilities or reimbursement obligations, the Net Asset Value on any dealing day may not accurately reflect such liabilities. In addition, investors should be aware that under-accrual or over-accrual for PRC tax liabilities may impact on the performance of the Target Fund during the period of such under-accrual or over-accrual and following any subsequent adjustments to the Net Asset Value. Redemption proceeds or distributions may be paid to Unit holders without taking full account of tax that may be suffered by the Target Fund, which tax will subsequently be borne by the Target Fund and affect the Net Asset Value of the Target Fund and the remaining units in the Target Fund. In light of the uncertainty as to how gains or income that may be derived from investment in China will be taxed, the Target Fund Manager reserves the right to provide for withholding tax on such gains or income and withhold tax for the account of the Target Fund. Accordingly, the Net Asset Value and profitability of the Target Fund may be affected.

#### **Efficient portfolio management**

The Target Fund will utilise derivative techniques and instruments for the purposes of efficient portfolio management in accordance with the investment restrictions.

Many of the risks attendant in utilising derivatives, as disclosed in the section entitled FDI Risks in the Prospectus, will be equally relevant when employing such efficient portfolio management techniques. In addition, particular attention is drawn to the sub-sections entitled Credit Risk and Counterparty Risk and Collateral Risk. Investors should also be aware that from time to time, the Fund may engage with counterparties that are related parties to the Trustee or other service providers of the Trust. Such engagement may on occasion cause a conflict of interest with the role of the Trustee or other service provider in respect of the Trust. Please refer to the section of the Prospectus entitled Conflicts of Interest for further details on the conditions applicable to any such related party transactions. The identity of any such related parties will be specifically identified in the Fund's annual report. (**Note:** For more information on the Target Fund Prospectus and/or annual report, please refer to the website at [www.principalam.com](http://www.principalam.com))

#### **Investment through QFI regime**

<b>"QFI"</b>	qualified foreign investor(s) approved pursuant to the relevant PRC laws and regulations, as may be promulgated and/or amended from time to time, including qualified foreign institutional investors (QFII) and Renminbi (RMB) qualified foreign institutional investors (RQFII); and
<b>"QFI Regulations"</b>	the measures issued by the relevant authorities in the PRC with respect to the QFI, as may be amended.

The QFI regime, which allows qualified foreign investors to invest directly in certain securities in mainland China, is governed by rules and regulations promulgated by the relevant authorities in mainland China, including the China Securities Regulatory Commission (CSRC), the State Administration of Foreign Exchange and the People's Bank of China and/or other relevant authorities, investments through the QFI regime are required to be made through holders of a QFI licence.

In the event that the Target Fund invests via the QFI regime, investors should note that the Target Fund's ability to make such investments or to fully implement or pursue its investment objective and strategy are subject to the applicable laws, rules and regulations (including the then prevailing exchange controls and other prevailing requirements of the PRC including rules on investment restrictions and repatriation and remittance of principal and profits) in the PRC, which are subject to change and any such changes may have potential retrospective effect. Any changes to the relevant rules may have a material adverse impact on Holders' investment in the Target Fund.

In addition, there can be no assurance that the QFI Regulations will not be abolished. The Target Fund, which invests in the PRC markets through the QFI regime, may be adversely affected as a result of such changes.

Where the Target Fund invests in China A shares or other securities in the PRC through the QFI regime, such securities will be held by local custodian(s) ("QFI Custodian") appointed in accordance with QFI Regulations. The Target Fund investing via the QFI regime may incur losses where any of the key operators or parties (including QFI Custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities). In such event, the Target Fund investing via the QFI regime may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

Repatriations by QFIs are currently not subject to any lock-up periods, prior approval or other repatriation restrictions, although the repatriation process may be subject to certain requirements set out in the relevant regulations (e.g. review on authenticity, submission of certain documents in respect of the repatriation etc.). Completion of the repatriation process may be subject to delay. There is no assurance that QFI Regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation may impact on the Target Fund's ability to meet redemption requests. In extreme circumstances, the Target Fund may incur significant loss due to limited investment capabilities, or may not be able fully to implement or pursue its investment objectives or strategies, due to QFI investment restrictions, illiquidity of the PRC's securities market, and delay or disruption in execution of trades or in settlement of trades.

Further, the QFI licence of a QFI licence holder may be revoked or terminated or otherwise invalidated at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFI licence holder or for any other reasons. The Target Fund may suffer losses if the approval of the QFI licence is being revoked/terminated or otherwise invalidated as the Target Fund may be prohibited from trading the relevant securities.

There are rules and restrictions under QFI Regulations, including rules on remittance of principal, investment restrictions and repatriation of funds which will apply to the QFI licence holder as a whole and not simply apply to the investment made for the account of the Target Fund. As parties other than the Target Fund may also invest through the QFI licence holder, investors should be aware that violations of the QFI Regulations on investments arising out of activities of such other parties could result in the revocation of or other regulatory action in respect of the QFI licence holder as a whole. Hence, the Target Fund may be adversely affected by other funds or clients investing through the same QFI licence holder.

**The above summary of risks does not purport to be an exhaustive list of all the risk factors relating to investments in the Fund and are not set out in any particular order of priority. You should be aware that an investment in a unit trust fund may be exposed to other risks from time to time. Please consult professional advisers for a better understanding of the risks.**



## 2. TARGET FUND INFORMATION

### 2.1. ABOUT PRINCIPAL GLOBAL INVESTORS (IRELAND) LIMITED

Principal Global Investors Funds is an open-ended umbrella unit trust (the "Unit Trust") authorised by the Central Bank of Ireland (the "CBI") as a UCITS on 13 October 1992. The Unit Trust has created a number of sub-funds including the CCB Principal China New Energy Innovation Fund (the "Target Fund"), as set out in the Unit Trust's prospectus (the "Prospectus"). The assets of each sub-fund of the Unit Trust belong exclusively to that sub-fund and are segregated from the assets of the other sub-funds. The Target Fund is subject to the supervision of the CBI within the scope of application of the laws of Ireland.

The manager of the Unit Trust, Principal Global Investors (Ireland) Limited (the "Target Fund Manager") was incorporated in Ireland on 22nd March, 1999, is regulated by the CBI and is ultimately a wholly-owned subsidiary of Principal Financial Group Inc. The authorised share capital of the Target Fund Manager is €2,000,000. The issued and paid up share capital of the Target Fund Manager is €950,002. The Target Fund Manager has the right under the Trust Deed to retire at any time upon the appointment of a successor as provided in the Trust Deed. The Target Fund Manager is responsible for the information contained in this document. The trustee of the Target Fund is a limited liability company established in Belgium on 30 September 2008. The trustee is regulated and supervised as a significant credit institution by the European Central Bank (ECB) and the National Bank of Belgium (NBB) for prudential matters and under the supervision of the Belgian Financial Services and Markets Authority (FSMA) for conduct of business rules. It is regulated by the CBI for conduct of business rules. The Target Fund Manager may be removed by the trustee in certain circumstances, including where the unitholders of not less than 50% of the units in the Target Fund for the time being in issue so request. The company secretary is Matsack Trust Limited. The Trust Deed contains provisions governing the responsibilities of the Target Fund Manager and provides for its indemnification in certain circumstances, subject to exclusions in the case of fraud, negligence, default, breach of duty or breach of trust and subject to provisions of the Regulations.

The Target Fund Manager has appointed Principal Global Investors, LLC (the "Target Fund Investment Manager") as Investment Manager to the Target Fund pursuant to the Investment Manager Agreement dated 21 October 2019 (as amended and novated) and pursuant to which the Target Fund Investment Manager agreed to provide investment management services to the Target Fund Manager in respect of the Target Fund of the Unit Trust. This agreement may be terminated by either party on giving 6 months' written notice to the other although, in certain circumstances, the agreement may be terminated forthwith by notice in writing by either party to the other.

The Target Fund Investment Manager is a diversified asset management organization and a member of the Principal Financial Group®. Its investment capabilities encompass an extensive range of equity, fixed income and real estate investments as well as specialized overlay and advisory services.

The Target Fund Investment Manager has, in turn, appointed CCB Principal Asset Management (Hong Kong) Co., Limited to act as a Sub Investment Manager to the Target Fund (the "Target Fund Sub Investment Manager"). The Target Fund Investment Manager has delegated to them overall responsibility for the Target Fund's investments and related aspects of the management of the Target Fund.

The Target Fund Sub Investment Manager was appointed pursuant to a Sub Investment Manager Agreement dated 11 May 2023, as amended.

Pursuant to the Sub Investment Manager Agreement, the Target Fund Investment Manager may delegate to the Target Fund Sub Investment Manager responsibility for the Target Fund's investment in securities and related aspects of the management of the Target Fund, which may include (but are not limited to) security selection and/or portfolio construction responsibilities, as the parties may from time to time agree.

The Sub Investment Manager Agreement may be terminated by either party on giving 60 days' written notice to the other although, in certain circumstances, the agreement may be terminated forthwith by notice in writing by either party to the other.

The Target Fund Sub Investment Manager is regulated by Securities and Futures Commission of Hong Kong.

This Prospectus describes the features of the Target Fund. We recommend this document to be read in conjunction with the Prospectus and the Target Fund's supplemental prospectus. We have taken the necessary measures to ensure the accuracy and consistency of information disclosed in this Prospectus. In the event of any inconsistency or ambiguity in relation to any word or phrase used in this Prospectus regarding the Target Fund as compared to the Prospectus, the Prospectus shall prevail (**Note: For more information about Target Fund Prospectus, please refer to the website at [www.principalam.com](http://www.principalam.com)**).

#### **Investment Objective and Investment Policies of the Target Fund**

The objective of the Target Fund is to aim to achieve a return from investment income and capital appreciation.

The Target Fund seeks to achieve its investment objective by investing primarily in listed companies related to new energy industry and strives to achieve long-term stable appreciation of fund assets under the premise of strict risk control and good liquidity. The Target Fund will invest 80-95% of its assets in listed equities, of which the proportion of investment in "New Energy Industry Stocks" (as described below) shall not be less than 80%.

The Target Fund will invest in A-Shares through Stock Connect, which may include stocks on the ChiNext Board of the Shenzhen Stock Exchange, and/or Qualified Foreign Investor's ("QFI", as defined below) Regime.

The Target Fund will be managed on the basis of both top-down and bottom-up research and risk management investment process. As the new energy industry in China is largely influenced by macro-economic and industry policies, the top-down approach allows the Target Fund to identify sub-sectors that are in the growth phase of industry life cycle and provided with policy encouragement. The Target Fund Sub Investment Manager first analyses the macro-economic trend in China, the pertinent government policies in new energy industry and the fundamentals of the new energy itself. The Target Fund Sub Investment Manager then further delineates the government support schemes on new energy sector, the changes in demand of new energy sector and the technical developmental trends to determine the prosperity level, and analyses the life cycle of various sub-sectors, such as industry size, profitability, technological advancement and the maturity of the technology, the productivity and salary level. The Target Fund Sub Investment Manager compares the competitiveness of the investee companies, focusing on the capability of research and development, the barriers of entry, number of industry players and relative size, number of customers and relative size of the same. With the bottom-up approach, the Target Fund delineates stocks in terms of operational excellence, brand name and the reputation, creativity, corporate governance, financial performance, ESG, market competitiveness and technological leadership. These are compared with the valuation and potential performance.

The Target Fund may invest in both listed and unlisted equity securities, with a minimum of 80% of the net assets of the Target Fund being in listed securities and a maximum of 10% of the net assets of the Target Fund permitted in unlisted securities. The Target Fund's investments will (other than permitted unlisted investments) be listed in an Eligible Market globally.

The equities in which the Target Fund may invest are common stock, American depositary receipts and global depositary receipts.

New Energy Industry Stocks refers to non-conventional energy stocks. Conventional energy refers to coal, petroleum and natural gas. New Energy mainly includes solar power, nuclear energy, geothermal energy, wind power, new energy vehicles and new energy services.

The New Energy Industry Stocks in which the Target Fund will invest therefore includes solar power, photovoltaic energy, wind power, nuclear power, hydroelectricity, electricity, shale gas, green power, biofuel, natural gas, geothermal energy, building energy efficiency, photoelectric glass curtain wall, ethanol fuel, hydrogen power, lithium battery, waste electricity generation, LED lighting, energy saving and environmental protection industry, new energy vehicles and new energy vehicles electronics. The Fund may invest in the upper or lower stream new energy supply chain listed companies and the new energy services companies benefited from the new energy sector.

The Fund may invest up to 10% of its assets in UCITS eligible collective investment schemes, including money market funds and exchange traded funds ("ETFs"), the constituents of which may comprise the instruments and markets described above and therefore is an alternative means through which the Fund may gain exposure to these types of instruments and markets. The Target Fund will not invest in alternative investment funds (AIFs).

The Target Fund may hold ancillary liquid assets, that is cash and a range of instruments that can be readily converted to cash (including U.S. treasury bills; and government bonds which may be fixed or floating rate and investment grade; but shall not embed financial derivative instruments ("FDI") or leverage, commercial paper, short term money market deposits and certificates of deposit).

The Target Fund may enter into reverse repurchase agreements in accordance with normal market practice and subject to the requirements of the Regulation 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 ("SFTR") and the Central Bank of Ireland Requirements. Such reverse repurchase agreements will only be utilised for efficient portfolio management purposes.

The proportion of assets of the Target Fund that are subject to reverse repurchase agreements shall not exceed 20% of the Target Fund's assets under management but will typically be less than 5-10% and there may be times when this is significantly lower or indeed when these instruments are not used at all. The Target Fund may use reverse repurchase agreements to gain exposure to the instruments detailed in the Investment Policies above.

#### **Disclosures for the EU Sustainable Finance Disclosure Regulation ("SFDR")**

The Target Fund is classified as an ESG Orientated Fund. The purpose of this section is to provide certain disclosures for the purposes of the SFDR in relation to the Target Fund.

*(a) The Environmental and Social Characteristics Promoted by the Target Fund:*

The Target Fund promotes an environmental characteristic related to climate change mitigation. This includes but is not limited to the reduction of greenhouse gas emissions, carbon footprint and greenhouse gas intensity of investee companies.

*(b) How the Environmental and Social Characteristics Promoted by the Target Fund are met:*

In order to meet the environmental characteristic promoted, the Target Fund Sub Investment Manager incorporates a proprietary ESG rating model as part of its investment decision making process for the Target Fund.

The proprietary ESG rating model focuses on environmental factors at the industry level, and environmental and governance factors at the company level. Each investee company is rated across multiple indicators relative to environmental and governance and assigned an overall ESG rating, ranging from A-F (with A being the highest rating, and F being the lowest rating).

The following are considered the binding elements of the Target Fund's investment strategy:

- The Target Fund shall invest at least 80% of its total assets in New Energy Industry Stocks.
- The Target Fund shall invest at least 50% of its assets in sustainable investments.
- The Fund will exclude stocks with internal ESG ratings of F (except closely monitored stocks), according to its proprietary ESG rating model. Any stocks which fail to pass the negative checklist would be assigned a rating of F where future investments into these stocks will not be allowed. Closely monitored stocks refer to stocks with investable value but low ESG rating due to past events. Research analysts will continue to monitor its progress in their ongoing ESG performance. If the situation improves, the stock will be kept, if not, it will be removed from the stock pool. There is no weightage allocated to stocks with varied ESG ratings. During the initial rating process, the top 15% of companies within the A-share universe would be assigned the ESG rating of A, followed by B (25%), C (35%) and D (25%).

*(c) Good Governance Practices of Investee Companies*

The Target Fund Sub Investment Manager identifies governance considerations as integral to the investment philosophy and process. In order to ensure good governance, the Target Fund Sub Investment Manager considers and continually monitors, as part of the investment process, multiple governance-related factors including but not limited to: management remuneration, related-party transactions, shareholder returns, external auditing opinions, regulator sanctions, tax compliance, employee relations and staff remuneration.

The Target Fund Investment Manager is a signatory to the UN Principles for Responsible Investment (the "UNPRI") as part of the Principal Global Investors Group. As a signatory to the UNPRI, the good governance practices of investee companies are assessed prior to making an investment and periodically thereafter. UNPRI responsible investing reporting can be found at <https://www.principalglobal.com/eu/about-us/responsible-investing>.

*(d) Taxonomy Disclosure*

The Target Fund does not commit to any minimum level of Taxonomy alignment in its underlying investments; as such, 0% of the Net Asset Value of the Target Fund shall be invested in such investments.

The "do no significant harm" principle applies only to those investments underlying the Target Fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of the Target Fund do not take into account the EU criteria for environmentally sustainable economic activities.

*(Note: For more information about Target Fund's investment objective and investment strategies, please refer to the Target Fund's supplement available on website at [www.principalam.com](http://www.principalam.com))*

**Benchmark**

The Target Fund is actively managed. The Target Fund uses the 100% CSI New Energy Index (the "Index") for performance comparison purposes only. The Index selects 80 stocks which provide renewable energy production, energy applications, storage and interaction devices, or other new energy service as constituents. The Target Fund Investment Manager and/or the Target Fund Sub Investment Manager may reference the Index as part of the investment management process. However, the Target Fund Investment Manager and/or the Target Fund Sub Investment Manager maintain full discretion to select investments for the Target Fund in line with the above investment policy.

The Index does not take environmental characteristics into account, and considerations of the environmental characteristics, as further outlined above are recognised independently of the Index.

**Distribution Policy**

The Class I USD Accumulation of the Target Fund is an accumulation Class.

**2.2. GENERAL INVESTMENT RESTRICTIONS AND INVESTMENT GUIDELINES OF THE TARGET FUND COMPANY**

The investment restrictions below are applicable to the Target Fund Company as a whole and must be complied with by the Target Fund.

**2.2.1 PERMITTED INVESTMENTS**

Investments of the Target Fund are confined to:

1. Transferable securities and money market instruments which are either admitted to official listing on a stock exchange in a member state or non-member state or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in a member state or non-member state (and which in each case is listed in Appendix E of the Target Fund Prospectus).

2. Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
3. Money market instruments other than those dealt on a regulated market.
4. Units or shares of UCITS.
5. Units of alternative investment funds (AIFs)\*.
6. Deposits with credit institutions.
7. FDI.

*\* Despite the general permitted investments stated as above, the Target Fund will only invest in UCITS eligible collective investment schemes as per Target Fund's investment strategy stated above and additional restrictions as stated below.*

**Note:** For more information about Target Fund Prospectus and supplement, please refer to the website at [www.principalam.com](http://www.principalam.com).

### 2.2.2 INVESTMENT LIMITS

1. The Target Fund may invest no more than 10% of its NAV in transferable securities and money market instruments other than those referred to in paragraph 2.2.1 above.
2. The Target Fund shall not invest any more than 10% of its NAV in securities of the type to which Regulation 68(1)(d) of the Regulations apply. This restriction will not apply in relation to investment by the Target Fund in certain U.S. securities known as Rule 144A Securities provided that:
  - a) the relevant securities have been issued with an undertaking to register the securities with the U.S. Securities and Exchanges Commission within one year of issue; and
  - b) the securities are not illiquid securities i.e. they may be realised by the Target Fund within seven days at the price, or approximately at the price, at which they are valued by the Target Fund.

**Note:** Regulation 68(1)(d) of the Regulations sets out that a UCITS fund may invest in a recently issued transferable securities, subject to fulfilment of certain conditions.

3. The Target Fund may invest no more than 10% of its NAV in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.
4. Subject to the prior approval of the Central Bank of Ireland, the limit of 10% in paragraph 3 above is raised to 25% in the case of bonds that are issued by a credit institution which has its registered office in a member state and is subject by law to special public supervision designed to protect bond-holders. If the Target Fund invests more than 5% of its NAV in these bonds issued by one issuer, the total value of these investments may not exceed 80% of the NAV of the Target Fund.
5. The limit of 10% in paragraph 3 above is raised to 35% if the transferable securities or money market instruments are issued or guaranteed by a member state or its local authorities or by a non-member state or public international body of which one or more member states are members.
6. The transferable securities and money market instruments referred to in paragraph 4 and 5 above shall not be taken into account for the purpose of applying the limit of 40% referred to in paragraph 3 above.
7. Cash booked in accounts and held as ancillary liquidity shall not exceed 20% of the net assets of the Target Fund.
8. The risk exposure of the Target Fund to a counterparty to an OTC derivative may not exceed 5% of its NAV. This limit is raised to 10% in the case of a credit institution authorised in the European Economic Area, a credit institution authorised within a signatory state (other than an European Economic Area member state) to the Basle Capital Convergence Agreement of July 1988, or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.
9. Notwithstanding paragraphs 3, 7 and 8 above, combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20% of the NAV of the Target Fund:
  - a) investments in transferable securities or money market instruments;
  - b) deposits, and/or
  - c) counterparty risk exposures arising from OTC derivative transactions.
10. The limits referred to in paragraphs 3, 4, 5, 7, 8 and 9 above may not be combined, so that exposure to a single body shall not exceed 35% of the NAV of the Target Fund.
11. Group companies are regarded as a single issuer for the purposes of paragraph 3, 4, 5, 7, 8 and 9. However, a limit of 20% of the NAV of the Target Fund may be applied to investment in transferable securities and money market instruments within the same group.

12. The Target Fund may invest up to 100% of its NAV in different transferable securities and money market instruments issued or guaranteed by any member state, its local authorities, non-member states or public international bodies of which one or more member states are members or any of the following:

OECD Governments (provided the relevant issues are investment grade), Government of the People's Republic of China, Government of Brazil (provided the issues are of investment grade), Government of India (provided the issues are of investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development, the World Bank, The Inter-American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC and Export-Import Bank.

Where the Target Fund invests in accordance with this provision, the Target Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of its NAV.

### 2.2.3 INVESTMENT IN COLLECTIVE INVESTMENT SCHEME (CIS)

1. The Target Fund may not invest more than 20% of its Net Asset Value in any one CIS.
2. The CIS that the Target Fund invests in are prohibited from investing in more than 10% of net assets in other open-ended CIS.
3. When the Target Fund invests in the units of other CIS that are managed, directly or by delegation, by the Target Fund Manager or by any other company with which the Target Fund Manager is linked by common management or control, or by a substantial direct or indirect holding, neither the Target Fund Manager, nor that other company may charge subscription, conversion or redemption fees on account of the Target Fund's investment in the units of such other CIS.
4. Where by virtue of an investment in the units of another CIS, the Target Fund Manager or Target Fund Investment Manager receives a commission on behalf of the Target Fund (including a rebated commission) the Target Fund Manager or Target Fund Investment Manager shall ensure that the relevant commission is paid into the property of the Target Fund.

### 2.2.4 GENERAL PROVISIONS

1. The Target Fund Manager, acting in connection with all of the collective investment schemes ("CIS") it manages, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.
2. The Target Fund may acquire no more than:
  - a) 10% of the non-voting shares of any single issuing body;
  - b) 10% of the debt securities of any single issuing body;
  - c) 25% of the units of any single CIS;
  - d) 10% of the money market instruments of any single issuing body.

**Note:** The limits laid down in 2(b) to 2(d) above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated.

3. Paragraph 1 and 2 above shall not be applicable to:
  - a) transferable securities and money market instruments issued or guaranteed by a member state or its local authorities;
  - b) transferable securities and money market instruments issued or guaranteed by a non-member state;
  - c) transferable securities and money market instruments issued by public international bodies of which one or more member states are members;
  - d) shares held by the Target Fund in the capital of a company incorporated in a non-member state which invests its assets mainly in the securities of issuing bodies having their registered offices in that non-member state, where under the legislation of that non-member state such a holding represents the only way in which the Target Fund can invest in the securities of issuing bodies of that non-member state. This waiver is applicable only if in its investment policies the company from the non-member state complies with the limits laid down in paragraph 2.2.2 (3) to (12), 2.2.3 (1), 2.2.3 (2), 2.2.4. (1), (2), (4), (5) and (6) and provided that where these limits are exceeded, paragraph 2.2.4 (5) and (6) are observed;
  - e) shares held by the Target Fund in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the redemption of shares at shareholders' request exclusively on their behalf.

4. The Target Fund need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or money market instruments which form part of their assets.
5. The Central Bank of Ireland may allow the Target Fund to derogate from the provisions of 2.2.2 (3) to (12), 2.2.3 (1) and 2.2.3 (2) for six months following the date of their authorisation, provided they observe the principle of risk spreading.
6. If the limits laid down herein are exceeded for reasons beyond the control of the Target Fund, or as a result of the exercise of subscription rights, the Target Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its unitholders.
7. The Target Fund may not carry out uncovered sales of transferable securities, money market instruments, units of CIS; or FDI.
8. The Target Fund may hold ancillary liquid assets.

#### **2.2.5 FINANCIAL DERIVATIVE INSTRUMENTS (FDI)**

1. The Target Fund's global exposure relating to FDI must not exceed its total NAV.
2. Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the Central Bank of Ireland Requirements. (This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in the Central Bank of Ireland Requirements).
3. The Target Fund may invest in OTC FDI provided that the counterparties to the OTC FDI are institutions subject to prudential supervision and belonging to categories approved by the Central Bank of Ireland.
4. Investment in FDI is subject to the conditions and limits laid down by the Central Bank of Ireland.

#### **2.2.6 SECURITIES FINANCING TRANSACTIONS**

The Target Fund may use Securities Financing Transactions in accordance with normal market practice and subject to the conditions and limits of the Regulation 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 ("SFTR") and the Central Bank of Ireland Requirements where provided for in the supplement. Such Securities Financing Transactions may only be entered into for the purposes of efficient portfolio management.

Any type of assets that may be held by the Target Fund in accordance with its investment objective and policies may be subject to such Securities Financing Transactions. Where provided for in the supplement, the Target Fund may also use Total Return Swaps ("TRS"). Subject to the Target Fund's investment objective and policies, there is no limit on the proportion of assets that may be subject to Securities Financing Transactions and TRS and therefore the maximum and expected proportion of the Target Fund's assets that can be subject to Securities Financing Transactions or TRS can be as much as 100%, i.e. all of the assets of the Target Fund. In any case the most recent semi-annual and annual accounts of the Target Fund will express the amount of the Target Fund's assets subject to Securities Financing Transactions and TRS.

Securities lending means transactions by which one party transfers securities to the other party subject to a commitment that the other party will return equivalent securities on a future date or when requested to do so by the party transferring the securities, that transaction being considered as securities lending for the party transferring the securities. Repurchase agreements are a type of securities lending transaction in which one party sells a security to the other party with a simultaneous agreement to repurchase the security at a fixed future date at a stipulated price reflecting a market rate of interest unrelated to the coupon rate of the securities. A reverse repurchase agreement is a transaction whereby the Target Fund purchases securities from a counterparty and simultaneously commits to resell the securities to the counterparty at an agreed upon date and price.

The Target Fund that seeks to engage in securities lending should ensure that it is able at any time to recall any security that has been lent out or terminate any securities lending agreement into which it has entered.

The Target Fund that enters into a reverse repurchase agreement should ensure that it is able at any time to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis. When the cash is callable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement should be used for the calculation of the Net Asset Value of the Target Fund.

The Target Fund that enters into a repurchase agreement should ensure that it is able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered. Fixed-term repurchase and reverse repurchase agreements that do not exceed seven days shall be considered as arrangements on terms that allow the assets to be recalled at any time by the Target Fund. The Target Fund Manager shall ensure that

all the revenues arising from Securities Financing Transactions and any other efficient portfolio management techniques shall be returned to the Target Fund following the deduction of any direct and indirect operational costs and fees arising. Such direct and indirect operational costs and fees (which are all fully transparent), which shall not include hidden revenue, shall include fees and expenses payable to repurchase/reverse repurchase agreements counterparties and/or securities lending agents engaged by the Target Fund Manager from time to time. Such fees and expenses of any repurchase/reverse repurchase agreements counterparties and/or securities lending agents engaged by the Target Fund Manager, which will be at normal commercial rates together with VAT, if any, thereon, will be borne by the Target Fund in respect of which the relevant party has been engaged. Details of Target Fund revenues arising and attendant direct and indirect operational costs and fees as well as the identity of any specific repurchase/reverse repurchase agreements counterparties and/or securities lending agents engaged by the Target Fund Company from time to time (including whether they are related to the Target Fund Manager or the trustee) shall be included in the Target Fund's semi-annual and annual reports.

While the Target Fund Manager will conduct appropriate due diligence in the selection of counterparties, including consideration of the legal status, country of origin, credit rating and minimum credit rating (where relevant), it is noted that the Central Bank of Ireland Requirements do not prescribe any pre trade eligibility criteria for counterparties to the Target Fund's Securities Financing Transactions. Counterparties to such transactions shall: (1) be entities regulated, approved, registered or supervised in their home jurisdiction; and (2) be located in an OECD Member State, which together will constitute the Target Fund Company's criteria to select counterparties. Counterparties need not have a minimum credit rating. In accordance with the Credit Ratings Agencies Directive (2013/14/EU), the Target Fund Manager shall not solely or mechanically rely on credit ratings in determining the credit quality of an issuer or counterparty. However, where a counterparty is downgraded to A-2 or below (or comparable rating) this shall result in a new credit assessment being conducted of the counterparty without delay.

From time to time, the Target Fund may engage repurchase/reverse repurchase agreements counterparties and/or securities lending agents that are related parties to the trustee or other service providers of the Target Fund Company. Such engagement may on occasion cause a conflict of interest with the role of the trustee or other service provider in respect of the Target Fund Company. Please refer to the "Conflicts of Interest" section of the Target Fund Prospectus for further details on the conditions applicable to any such related party transactions. The identity of any such related parties will be specifically identified in the Target Fund's semi-annual and annual reports.

Repurchase/reverse repurchase agreements or securities lending do not constitute borrowing or lending.

#### **2.2.7 COLLATERAL POLICY**

In the context of efficient portfolio management techniques, including Securities Financing and/or the use of FDI for hedging or investment purposes\*, collateral may be received from a counterparty for the benefit of the Target Fund or posted to a counterparty by or on behalf of the Target Fund.

Any receipt or posting of collateral by the Target Fund will be conducted in accordance with the Central Bank of Ireland Requirements and the terms of the collateral policy for the Target Fund Company outlined below.

\* The Target Fund has additional restrictions on the use of FDIs as stated under paragraph 2.2.5 above.

##### **1. Collateral received by the Target Fund**

Collateral posted by a counterparty for the benefit of the Target Fund may be taken into account as reducing the exposure to such counterparty. The Target Fund will require receipt of the necessary level of collateral so as to ensure counterparty exposure limits are not breached. Counterparty risk may be reduced to the extent that the value of the collateral received corresponds with the value of the amount exposed to counterparty risk at any given time.

Risks linked to the management of collateral, such as operational and legal risks, shall be identified, managed and mitigated by the Target Fund Manager's risk management processes. The Target Fund receiving collateral for at least 30% of its assets will have an appropriate stress testing policy in place to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to enable the Target Fund to assess the liquidity risk attached to the collateral. The liquidity stress testing policy will at least prescribe the components set out in Regulation 24 paragraph (8) of the Central Bank of Ireland Requirements.

*Note: The components set out in Regulation 24 paragraph (8) of the Central Bank of Ireland Requirements are the following:*

- (a) the design of stress test scenario analysis including calibration, certification and sensitivity analysis;*
- (b) the empirical approach to impact assessment, including back-testing of liquidity risk estimates;*
- (c) the reporting frequency and the threshold(s) for limits and losses;*
- (d) the mitigation actions to be taken to reduce loss including haircut policy and gap risk protection.*

For the purpose of providing margin or collateral in respect of transactions in techniques and instruments, the Target Fund may transfer, mortgage, pledge, charge or encumber any assets or cash forming part of the Target Fund in accordance with normal market practice (including the transfer of daily variation margins) and the requirements outlined in the Central Bank of Ireland's Requirements.

Collateral received by the Target Fund from a counterparty on a title transfer basis shall be held by the trustee or a duly appointed sub-depository.

Collateral provided by the Target Fund on a title transfer basis shall no longer belong to the Target Fund and shall pass outside the custodial network. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the trustee or a duly appointed sub-depository.

#### Acceptable collateral

Collateral received from a counterparty for the benefit of the Target Fund may be in the form of cash or non-cash assets and non-cash assets must, at all times, meet with the specific criteria outlined in the Central Bank of Ireland's Requirements in relation to (i) liquidity; (ii) valuation; (iii) issuer credit quality; (iv) correlation; (v) diversification (asset concentration); and (vi) immediate availability.

- (i) Liquidity: Collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received should also comply with the provisions of Regulation 74 of the Regulations.
- (ii) Valuation: Collateral received should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts (as referred to below) are in place.
- (iii) Issuer credit quality: Collateral received should be of high quality.
- (iv) Correlation: Collateral received should be issued by an entity that is independent from the counterparty and is not expected to display a high correlation with the performance of the counterparty.
- (v) Diversification (asset concentration): Collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer of 20% of the Target Fund's Net Asset Value. When the Target Fund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer.
- (vi) Immediate availability: Collateral received should be capable of being fully enforced by the Target Fund at any time without reference to or approval from the counterparty.

There are no restrictions on maturity provided the collateral is sufficiently liquid.

Where appropriate, non-cash collateral held for the benefit of the Target Fund shall be valued in accordance with the valuation policies and principles applicable to the Target Fund Company. Subject to any agreement on valuation made with the counterparty, collateral posted to a recipient counterparty will be valued daily at mark-to-market value.

The Target Fund Investment Manager shall apply suitably conservative haircuts to assets received as collateral where appropriate on the basis of an assessment of the characteristics of the assets such as the credit standing, the price volatility, and, where relevant, the outcome of any stress tests, in accordance with the requirements of EMIR. EMIR does not require the application of a haircut for cash variation margin. Accordingly, any haircut applied to cover currency risk will be as agreed with the relevant counterparty. The Target Fund Investment Manager has determined that generally if issuer or issue credit quality of the collateral is not of the necessary quality or the collateral carries a significant level of price volatility with regard to residual maturity or other factors, a conservative haircut must be applied in accordance with more specific guidelines as will be maintained in writing by the Target Fund Investment Manager on an ongoing basis. To the extent that the Target Fund avails of the increased issuer exposure facility in the Central Bank of Ireland's Requirements, such increased issuer exposure may be to any of the issuers listed in section 2.2.2 (12).

Non-cash collateral cannot be sold, pledged or re-invested.

Cash collateral may not be invested other than in the following:

- (i) deposits with Relevant Institutions (means any EU credit institution, any bank authorised in a member state of the European Economic Area (Norway, Iceland, Lichtenstein) and any bank authorised by a signatory state, other than a member state, or a member state of the European Economic Area, to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan or the United States));
- (ii) high-quality government bonds;
- (iii) reverse repurchase agreements provided the transactions are with credit institutions subject to prudential supervision and the Target Fund is able to recall at any time the full amount of cash on an accrued basis;
- (iv) short-term money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds (ref CESR/10-049).

Re-invested cash collateral should be diversified in accordance with the Central Bank of Ireland diversification requirements applicable to non-cash collateral. Collateral may not be placed on deposit with the relevant counterparty or a related entity. Exposure created through the reinvestment of collateral must be taken into account in determining



risk exposures to a counterparty. Re-investment of collateral in accordance with the provisions above can still present additional risk for the Target Fund.

## 2. Collateral posted by the Target Fund

Collateral posted to a counterparty by or on behalf of the Target Fund must be taken into account when calculating counterparty risk exposure other than where it is protected by client money rules or similar arrangements. Collateral posted to a counterparty and collateral received by such counterparty may be taken into account on a net basis provided the Target Fund is able to legally enforce netting arrangements with the counterparty.

Collateral posted to a counterparty by or on behalf of the Target Fund will consist of such collateral as is agreed with the counterparty from time to time and may include any types of assets held by the Target Fund.

### 2.2.8 BORROWINGS

The Target Fund Trust Deed enables borrowings to be undertaken on a temporary basis in accordance with the Regulations for the account of the Target Fund up to a limit of 10% of the net assets of the Target Fund at the time of borrowing. The assets of the Target Fund may be charged or pledged as security for any such borrowings.

## 2.3. SPECIFIC INVESTMENT RESTRICTIONS AND INVESTMENT GUIDELINES OF THE TARGET FUND

### 2.3.1 Efficient Portfolio Management

The Target Fund will utilise derivative techniques and instruments for the purposes of currency hedging for the Hedged Unit Classes and for efficient portfolio management in accordance with the investment restrictions, conditions and limits laid down by the Central Bank of Ireland.

#### *Futures*

Traded on a regulated exchange, a future is a standardised agreement between two parties to transact in an instrument at a specific price or rate at a future date.

The Target Fund may invest in futures contracts to reduce the risks of adverse market changes in exchange rates on large cash balances.

#### *Forwards*

The Target Fund may enter into forward currency contracts which involve an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract.

A forward settled transaction delays settlement of a transaction to a forward date.

### 2.3.2 Borrowings

In accordance with the general provisions set out under section 2.2.8 above, the Target Fund may borrow up to 10% of its net assets on a temporary basis.

## 2.4. REDEMPTION POLICY

Subject to the other terms of the Target Fund Prospectus, payments of redemption proceeds in the Base Currency will normally be settled on the fourth Business Day following the relevant dealing day (T+4), but in any event within ten Business Days of the relevant dealing deadline (T+10). Payment will only be made to an account in the name of the Target Fund's registered unit holder. No payments to third parties will be made.

## 2.5. REDEMPTION OF UNITS

In certain circumstances, the Target Fund Manager has the discretion to implement measures to ensure the Target Fund is sufficiently liquid to meet redemption requests.

The Target Fund Manager is entitled, with the approval of the trustee, to limit the total number of units of the Target Fund redeemed on any dealing day (whether by sale to the Target Fund Manager or by cancellation by the trustee) to units representing 10% of the Net Asset Value of the Target Fund.

In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units of the Target Fund on that dealing day redeem the same proportion of such Units. Units not redeemed, but which would otherwise have been redeemed, will be carried forward for redemption on the next dealing day.

## 2.6. SUSPENSION OF REDEMPTION OF UNITS

The Target Fund Manager may at any time, with the approval of the trustee, temporarily suspend the right of Unitholders to require the redemption of Units of any class and/or may temporarily delay the payment of any monies in respect of any such redemption during the following periods:

- (i) any period when any market on which a substantial part of the investments or other property for the time being comprised in the Target Fund are quoted, listed or dealt in is closed otherwise than for ordinary holidays;
- (ii) any period when dealings on any such market are restricted or suspended;
- (iii) the existence of any state of affairs as a result of which disposal of some or all investments or other property for the time being comprised in the Target Fund cannot, in the opinion of the Target Fund Manager, be effected normally or without seriously prejudicing the interests of Unitholders of that class;
- (iv) any breakdown in the means of communications normally employed in determining the NAV of the Target Fund or when, for any other reason, the value of any investments or other property for the time being comprised in the Target Fund cannot be promptly and accurately ascertained;
- (v) any period when the redemption of investments or other property for the time being comprised in the Target Fund or the transfer of funds involved in such redemption cannot, in the opinion of the Target Fund Manager, be effected at normal prices or normal rates of exchange.

Unitholders who have requested redemptions of any Units will be notified of any such suspension and, unless withdrawn (but subject to the limitation referred to above), their requests will be dealt with on the first dealing day after the suspension is lifted. Any such suspension will be notified to the Central Bank of Ireland and to the competent authorities in the member states where Units of the Target Fund are marketed immediately. Where feasible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

**Note:** *In the event of the temporary suspension of redemption of the Target Fund, no shares of the Target Fund will be redeemed. The Fund will also be suspended. Please refer to section 4.11 "Temporary Suspension" for more details and the risk associated.*

## 2.7. REQUIRED REDEMPTIONS AND MARKET TIMING

The Target Fund is intended to be a long-term investment vehicle and is not designed to provide Unitholders with a means of speculating on short-term market movements. Frequent purchases and redemptions by a Unitholder can disrupt the management of the Target Fund, negatively affect the Target Fund's performance, and increase expenses for all Unitholders. In particular, frequent trading (i) can force the Target Fund to hold larger cash positions than desired instead of fully investing the funds, which can result in lost investment opportunities; (ii) can cause unplanned and inopportune portfolio turnover in order to meet redemption requests, and; (iii) can increase broker-dealer commissions and other transaction costs as well as administrative costs for the Target Fund.

If an investor intends to trade frequently or use market timing investment strategies, they should not purchase Units in the Target Fund.

The Target Fund Manager's policy is to discourage Unitholders from trading in the Target Fund's Units in an excessive manner that would be harmful to long-term Unitholders and to make reasonable efforts to detect and deter excessive trading.

Accordingly, the Target Fund Manager, whenever it deems it to be appropriate and in the interests of Unitholders, reserves the right to reject any application for exchange and/or subscription of Units from Unitholders whom it considers to be associated with market timing activity at any time for any reason without prior notice. In this connection the Target Fund Manager may combine Units which are under common ownership or control for the purposes of ascertaining whether Unitholders can be deemed to be involved in such activities. In addition, the Target Fund Manager reserves the right to require any Unitholder to redeem all Units held in the Target Fund where the Target Fund Manager is of the opinion that the Unitholder's trading in the Target Fund is designed to take advantage of short term market movements.

In circumstances where the Target Fund is primarily invested in markets which are closed for business at the time the Target Fund is valued the Target Fund Manager may allow for the NAV per Unit to be adjusted to reflect more accurately the fair value of the Target Fund's assets at the point of valuation during periods of market volatility. Investment schemes are usually valued on the basis of the last available price as at the time when the NAV of the property in the Target Fund is calculated. The time difference between the close of the market developments which could affect the value of these assets can occur between the close of the relevant markets and the point of valuation.

The Target Fund's policies for deterring frequent purchases and redemptions of Units by Unitholders are intended to be applied uniformly to all Unitholders to the extent practicable. Some financial intermediaries, however, maintain omnibus accounts in which they aggregate orders of multiple investors and forward aggregated orders. Because these are received on an aggregated basis and because these omnibus accounts may trade with numerous fund families with differing market timing policies, the

Target Fund is substantially limited in its ability to identify or deter excessive traders or other abusive traders. The Target Fund Manager will use its best efforts to obtain the cooperation of intermediaries to identify excessive traders and to prevent or limit abusive trading activity, to the extent practicable. Nonetheless, the Target Fund's ability to identify and deter frequent purchases and redemptions of the Target Fund's Units through omnibus accounts is limited, and the Target Funds' success in accomplishing the objectives of the policies concerning frequent purchases and redemptions of Target Fund units in this context depends significantly upon the cooperation of the financial intermediaries.

## 2.8. SPECIFIC RISKS OF THE TARGET FUND

Please refer to “Specific Risks Related to the Target Fund” section at page 5 for details.

## 2.9. FEES CHARGED BY THE TARGET FUND (CLASS I USD ACCUMULATION)

FEES/EXPENSES	
Initial Charge	Nil.
Management Fee	Up to 0.90% of the NAV of the Target Fund per annum  <i>Note: The management fee charged by the Target Fund will be paid out of the Management Fee charged by the Manager at the Fund level. Unitholders will incur a Management Fee at the Fund's level only and there is no double charging of management fee.</i>
Redemption Fee	Nil.
Performance Fee	Nil.
Annual Trustee Fee	Up to 0.022% per annum of the average NAV of the Target Fund.

**Note:** For more information about Target Fund Prospectus and supplement, please refer to the website at [www.principalam.com](http://www.principalam.com).

## 3. FEES, CHARGES AND EXPENSES

### 3.1. CHARGES

The following describes the charges that you may **directly** incur when you buy or withdraw units of the Classes.

#### 3.1.1. Application Fee

When applying for units of each Class, you may be charged an Application Fee based on the NAV per unit of the respective Class. Please refer to the Annexure of the respective Class for further information.

Below is an illustration on how the Application Fee is calculated:-

	Class ABC (Denominated in MYR)	Class XYZ (Denominated in USD)
Investment amount	MYR 10,000	USD 10,000
NAV per unit	MYR 1.0000	USD 1.0000
Application Fee (NAV per unit)	5.00%	5.00%
Units issued to Unit holder = $\frac{\text{Investment amount}}{\text{NAV per unit}}$	= $\frac{\text{MYR 10,000.00}}{\text{MYR 1.0000}}$ = 10,000 units	= $\frac{\text{USD 10,000.00}}{\text{USD 1.0000}}$ = 10,000 units
Total Application Fee = Units issued to Unit holder x NAV per unit x Application Fee (%)	= 10,000 units x MYR 1.0000 x 5% = MYR 500.00	= 10,000 units x USD 1.0000 x 5% = USD 500.00

**Note:** Please note that the above example is for illustration purpose only. Please refer to the Annexure of the respective Class for the Application Fee applicable to the Class. The Application Fee imposed will be rounded to two (2) decimal places.

#### 3.1.2. Withdrawal Penalty

A withdrawal penalty is chargeable if withdrawal is made within three (3) months from the Commencement Date of the respective Classes. Thereafter, no withdrawal penalty will be charged. All withdrawal penalties will be retained by the Fund. Please refer to the Annexure of the respective Class for further information.

#### 3.1.3. Switching Fee

Switching is treated as a withdrawal from a Class/Fund and an investment into another Class or Principal Malaysia's fund (or its classes). As such, you may be charged a Switching Fee equal to the difference (if any) between the Application Fees of the Class/Fund and the Application Fee of the other Class or Principal Malaysia's fund (or its classes). You will not be charged a Switching Fee, if the Class or Principal Malaysia's fund (or its classes) to be switched into has a lower Application Fee than the Application Fee of the Class. In addition to the Switching Fee, you may be charged administrative fee for every switch. Please refer to the Annexure of the respective Class for further information.

#### 3.1.4. Transfer Fee

You may be charged Transfer Fee for each transfer. Please refer to the Annexure of the respective Class for further information.

### 3.2. FEES AND EXPENSES

All expenses of the Fund will generally be apportioned to each Class currently available for sale based on the MCR except for Management Fee, and those that are related to the specific Class only, such as, the cost of Unit holders' meeting held in relation to the respective Class. If in doubt, you should consult professional advisers for better understanding.

The following describes the fees that you may **indirectly** incur when you invest in a Class.

#### 3.2.1. Management Fee

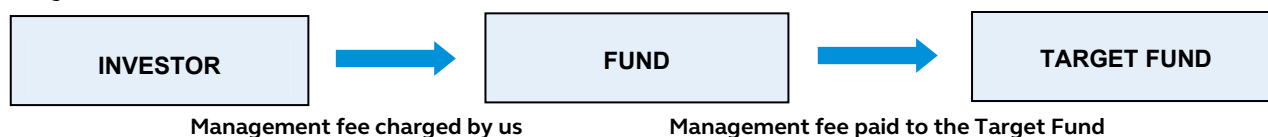
Management Fee is charged to the respective Class at the Class level, based on the NAV of the Class. Please refer to the Annexure of the respective Class for further information. The Management Fee shall be accrued daily and paid monthly.

Below is an illustration on how the Management Fee is calculated, assuming Management Fee of 1.80% per annum and USD 150 million each for both Class ABC and Class XYZ:-

	Class ABC (Denominated in MYR) (USD)	Class XYZ (Denominated in USD) (USD)
Management Fee	1.80% per annum	1.80% per annum
NAV of the Class	USD 150 million	USD 150 million
Management Fee for the day = NAV of the Class x Management Fee rate for the Class (%) /365 days	= USD 150 million x 1.80% / 365 = USD 7,397.26	= USD 150 million x 1.80% / 365 = USD 7,397.26

**Note:** In the event of a leap year, the computation will be based on 366 calendar days.

Please note that although at least 96% of the Fund's NAV will be invested in another CIS, no additional Management Fee will be charged to the investor.



**Note:** The Management Fee will only be charged once at the Fund level. The management fee charged by the Target Fund will be paid out of the Management Fee charged at the Fund level. There will not be double charging of the Management Fee. Please refer to “Fees charged by the Target Fund” section at page 27 for details on the Target Fund’s management fee.

### 3.2.2. Trustee Fee

The Trustee Fee (including local custodian fee but excluding foreign sub-custodian fees and charges) is charged to the Fund based on the Fund’s NAV. The Trustee Fee shall be accrued daily and paid monthly.

The Trustee Fee is 0.03% per annum, calculated daily based on the NAV of the Fund.

Below is an illustration on how the Trustee Fee is calculated, assuming the NAV of the Fund is USD 150 million:-

$$\begin{aligned}
 \text{Trustee Fee for the day} &= \text{NAV of the Fund} \times \text{annual Trustee Fee rate for the Fund (\%)} / 365 \text{ days} \\
 &= \text{USD 150 million} \times 0.03\% \text{ per annum} / 365 \text{ days} \\
 &= \text{USD 123.29}
 \end{aligned}$$

**Note:** In the event of a leap year, the computation will be based on 366 calendar days.

### 3.2.3. Other Expenses

The Deed also provides for payment of other expenses. The major expenses recoverable directly from the Fund include:

- expenses incurred in the sale, purchase, insurance, custody and any other dealings of investments including commissions/fees paid to brokers and costs involved with external specialists approved by the Trustee in investigating and evaluating any proposed investment;
- (where the foreign custodial function is delegated by the Trustee), charges/fees paid to the sub-custodian;
- expenses incurred in the printing of, the purchasing of stationery and postage for the annual and interim reports;
- remuneration and out of pocket expenses of the person(s) undertaking the oversight functions of the Fund and/or advisers (if any) of the Fund, unless we decide to bear the same;
- tax and other duties imposed by the government and other authorities and bank fees;
- tax agent’s and auditor’s fees and expenses in relation to the Fund;
- fees incurred for the fund valuation and accounting of the Fund performed by a fund valuation agent;
- costs incurred in modifying the Deed for your benefit;
- cost of convening and holding meetings of Unit holders (other than our benefit or the Trustee’s); and
- all costs, bank charges and expenses related to income distribution of the Fund; for example, postage and printing of all cheques, statements and notices to you.

Expenses not authorised by the Deed must be paid by us or the Trustee out of our own funds if incurred for our own benefit.

**3.2.4.** We and the Trustee are required to ensure that any fees or charges payable are reasonable and in accordance with the Deed which stipulates the maximum rate in percentage terms that can be charged. All expenses of the Fund will generally be apportioned to each Class currently available for sale based on the MCR except for Management Fee and those that are related to the specific Class only, such as, the cost of Unit holders meeting held in relation to the respective Class. If in doubt, you should consult professional advisers for a better understanding.

Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for the Trustee Fee), whether payable by the Fund or Class payable by you to the Fund or payable by any other investors to the Fund.

We may for any reason and at any time, waive or reduce: (a) any fees (except for the Trustee Fee); (b) other charges payable by you to the Fund; and/or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

### **3.3. REBATES AND SOFT COMMISSIONS**

We and the Trustee will not retain any form of rebate or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Fund. Accordingly, any rebates or shared commission will be directed to the account of the Fund.

We may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission bring direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and we or the fund manager will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.

**There are fees and charges involved and you are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by the Fund and/or you as disclosed or illustrated in this Prospectus.**

**As this is a feeder fund, you are advised that you will be subjected to higher fees arising from the layered investment structure.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees, charges and/or transaction information from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**

## 4. TRANSACTION INFORMATION

### 4.1. VALUATION OF INVESTMENTS PERMITTED BY THE FUND

We will carry out the valuation of the Fund in a fair manner in accordance with the applicable laws and guidelines. The valuation bases for the investments permitted by the Fund are as below:

- **CIS**  
The value of the unlisted CIS (i.e. the Target Fund) shall be determined by reference to the last published repurchase or redemption price for the Target Fund.
- **Deposit**  
The value of Deposit shall be determined each day by reference to the principal value of such Deposit and the accrued profit thereon for the relevant period.
- **Money market instruments**  
Investments in money market instruments such as negotiable certificate of deposits are valued each day by reference to the value of such investments and the profits accrued thereon for the relevant period. Instruments such as MYR-denominated commercial papers are valued on a daily basis using the fair value prices quoted by a BPA registered with the SC.
- **Unlisted derivative instruments**  
For unlisted derivative instruments, we shall ensure that the valuation of the investment is valued at fair value as determined in good faith by us, on methods and bases which have been verified by the auditor of the Fund and approved by the Trustee.

If the value of the Fund's assets is denominated in a currency other than USD, the assets are translated on a daily basis to USD based on the bid foreign exchange rate quoted by either Bloomberg or Refinitiv at UK time 4:00 p.m. on the same day (Malaysian time 11:00 p.m. or 12:00 a.m.), or such other time as stipulated in the IMS.

### 4.2. UNIT PRICING

We adopt a single pricing method for any transactions (i.e. applications, withdrawals, switches and/or transfers) based on forward prices. This means that we will process your transactions request based on the NAV per unit at the next valuation point after we receive the completed application from you.

If the transactions are made by 4:00 p.m. on a Business Day, we will process the transactions using the NAV per unit on the same Business Day. For transactions made after 4:00 p.m. on a Business Day, we will process the transactions using the NAV per unit on the next Business Day.

We will carry out the valuation for the Classes for each Business Day on the next Business Day (T+1) by 4:00 p.m. This is to cater for the foreign currency translation to the Fund's base currency based on the bid exchange rate quoted by Bloomberg or Refinitiv at UK time 4:00 p.m. on the same day (Malaysian time 11:00 p.m. or 12:00 a.m.), or such other time as stipulated in the IMS. The NAV per unit for a Business Day is available on our website at [www.principal.com.my](http://www.principal.com.my) after 5:30 p.m. on the following Business Day (T+1).

#### **Illustration:**

##### For transaction request received by us by 4:00 p.m. on a Business Day

At the end of the Business Day on 21 August 2023 your units will be based on the NAV per unit on 21 August 2023 which will be calculated on 22 August 2023. The NAV per unit will be made known on our website after 5:30 p.m. on 22 August 2023.

##### For transaction request received by us after 4:00 p.m. on a Business Day

At the end of the Business Day on 21 August 2023, your units will be based on the NAV per unit on 22 August 2023, which will be calculated on 23 August 2023. The NAV per unit will be made known on our website after 5:30 p.m. on 23 August 2023.

#### **For Class D**

If the transactions are made by 1:00 p.m. on a Business Day, we will process the transactions using the NAV per unit on the same Business Day. For transactions made after 1:00 p.m. on a Business Day, we will process the transactions using the NAV per unit on the next Business Day.

#### **Illustration for Class D:**

##### For transaction request received by us by 1:00 p.m. on a Business Day

At the end of the Business Day on 21 August 2023, your units will be based on the NAV per unit on 21 August 2023, which will be calculated on 22 August 2023. The NAV per unit will be made known on our website after 5:30 p.m. on 22 August 2023.

For transaction request received by us after 1:00 p.m. on a Business Day

At the end of the Business Day on 21 August 2023, your units will be based on the NAV per unit on 22 August 2023, which will be calculated on 23 August 2023. The NAV per unit will be made known on our website after 5:30 p.m. on 23 August 2023.

The Fund must be valued at least once every Business Day. The method of determining the NAV per unit of the Class is calculated as follows:

$$\text{NAV per unit of the Class} = \frac{\text{NAV of the Class}}{\text{Number of units in issue of the Class}}$$

The NAV of the Fund is the sum of the value of all investments and cash held by the Fund (calculated in accordance with the Deed) including income derived by the Fund which has not been distributed to our Unit holders, less all amounts owing or payable in respect of the Fund including any provisions that we and the Trustee consider should be made. For example, a provision may be made for possible future losses on an investment which cannot be fairly determined.

The valuation of the Fund is in the base currency i.e. USD. As such, all the assets and liabilities of each Class will be translated into USD for valuation purposes. The foreign exchange rate used for this purpose shall be the bid exchange rate quoted by Bloomberg or Refinitiv at UK time 4:00 p.m. at the same day (Malaysian time 11:00 p.m. or 12:00 a.m.), or such other time as stipulated in the IMS. The NAV per unit of each Class will be the NAV of the Fund attributable to each Class divided by the number of units in circulation of that Class, at the same valuation point.

**4.2.1. Multi-class Ratio (MCR)**

MCR is the apportionment of the NAV of each Class over the Fund's NAV based on the size of each Class. The MCR is calculated by dividing the NAV (in USD) of the respective Class by the NAV of the Fund before income and expenses for the day. The apportionment is expressed as a ratio and calculated as a percentage.

Below is an illustration on computation of the NAV of the Fund:

	Fund (USD)	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
NAV of the Fund before income and expenses	185,942,897.00	173,342,897.00	12,600,000.00
% MCR	100.00%	<sup>(1)</sup> 93.22%	<sup>(1)</sup> 6.78%
Add: Income	30,000.00	<sup>(2)</sup> 27,967.12	<sup>(2)</sup> 2,032.88
Less: Expenses	(10,000.00)	<sup>(2)</sup> (9,322.37)	<sup>(2)</sup> (677.63)
Benefits or costs of hedging (if any)	900.00	-	900.00
NAV of the Fund before management fee and trustee fee	185,963,797.00	173,361,541.75	12,602,255.25
Less: Management fee	(9,170.82)	1.80% p.a. (8,549.34)	1.80% p.a. (621.48)
Less: Trustee fee	(152.85)	0.03% p.a. (142.49)	(10.36)
NAV of the Fund	185,954,473.33	173,352,849.92	12,601,623.41
Units in circulation	200,000,000 units	170,000,000 units	30,000,000 units
<b>NAV per unit</b>		<b>1.0197</b>	<b>0.4200</b>
Currency exchange rate		N/A	(USD/MYR) 0.3000
NAV per unit		<b>USD 1.0197</b>	<b>MYR 1.4000</b>

	Fund (USD)	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
NAV of the Fund before creation of units for the day	185,954,473.33	173,352,849.92	12,601,623.41
<sup>(3)</sup> Net subscription amount	1,300,000.00	1,000,000.00	300,000.00
Closing NAV	187,254,473.33	174,352,849.92	12,901,623.41
Units in circulation	201,694,966.30 units	170,980,680.59 units	30,714,285.71 units



NAV per unit	1.0197	0.4200
Currency exchange rate	N/A	(USD/MYR) 0.3000
NAV per unit	USD 1.0197	MYR 1.4000

**Note :**

<sup>(1)</sup> MCR computation

	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
<u>NAV of the Class x 100</u>	<u>173,342,897.00 x 100</u>	<u>12,600,000.00 x 100</u>
NAV of the Fund before income and expenses	185,942,897.00	185,942,897.00
	= 93.22%	= 6.78%

<sup>(2)</sup> Apportionment based on MCR is as follows:

	(USD)	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
Add: Income	30,000.00	MCR x Income = Income for Class ABC = 93.22% x USD 30,000.00 = USD 27,967.12	MCR x Income = Income for Class XYZ = 6.78% x USD 30,000.00 = USD 2,032.88
Less: Expenses	(10,000.00)	MCR x Expenses = Expenses for Class ABC = 93.22% x USD 10,000.00 = USD 9,322.37	MCR x Expenses = Expenses for Class XYZ = 6.78% x USD 10,000.00 = USD 677.63

<sup>(3)</sup> Net subscription amount

	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
Net subscription amount	USD 1,000,000.00	MYR 1,000,000.00
NAV per unit	USD 1.0197	MYR 1.4000
Number of units	980,680.59 units	714,285.71 units
Currency exchange rate	N/A	(USD/MYR) 0.3000
Net subscription amount*	USD 1,000,000	USD 300,000

\* Subscription amount net of any withdrawal amount

**Note:** Please note that the above is for illustration purpose only. NAV per unit is truncated to four (4) decimal places.

#### 4.2.2. Calculation of investment amount and units entitlement

The calculation below is for illustration only and does not represent the actual percentage or amount that you may incur for each Class. Please refer to the Annexure of the respective Class for the actual percentage or amount of charges.

**Illustrations:**

**Calculation of number of units received, Application Fee and total amount payable by you**

**Assumptions:**

NAV per unit of Class XYZ denominated in MYR = MYR1.0000 (truncated to 4 decimal places)

Application Fee = 5.00%

You wish to invest MYR10,000 in the Fund.

Calculation of number of units that you will receive\*

---

= Investment amount / NAV per unit of Class XYZ  
= MYR10,000.00 / MYR1.0000  
= 10,000 units

Calculation of Application Fee that you will incur (payable in addition to the investment amount)

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= NAV per unit of Class XYZ x number of units received x Application Fee rate  
= MYR1.0000 x 10,000 units x 5.00%  
= MYR500.00

Calculation of total amount that you will have to pay

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= Investment amount + Application Fee paid  
= MYR10,000.00 + MYR500.00\*  
= MYR10,500.00

\* The number of units you will receive will be rounded to two (2) decimal places.

**Calculation of investment value**

Assuming you have 10,000 units of Class XYZ of the Fund and the NAV per unit of Class XYZ for the Business Day is MYR1.0240 (truncated to 4 decimal places).

Calculation of investment value

= Number of units x NAV per unit of Class XYZ  
= 10,000.00 units x MYR1.0240  
= MYR10,240.00.

**Calculation of withdrawal value and amount payable to you**

Assuming you request for a 10,000 units withdrawal on the fifth month\* from the Commencement Date. Your withdrawal request is received by us by 4:00 p.m. or 1:00 p.m. (for Class D) on a Business Day. The NAV per unit of Class XYZ for that Business Day is MYR1.0240 (truncated to 4 decimal places).

Calculation of amount payable to you

= Number of units withdrawn x NAV per unit of Class XYZ  
= 10,000 units x MYR1.0240  
= MYR10,240.00

\* The withdrawal penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no withdrawal penalty will be charged.

### 4.3. INCORRECT PRICING

We shall take immediate remedial action to rectify any incorrect valuation and/or pricing of the Class. Where such error has occurred, we shall reimburse the money in the following manner:

- (a) in the event of over valuation and/or pricing, we shall reimburse:
  - (i) the Class for any withdrawal of units; and/or
  - (ii) you, if you have purchased units of the Class at a higher price; or
- (b) in the event of under valuation and/or pricing, we shall reimburse:
  - (i) the Class for any subscription of units; and/or
  - (ii) you, if you have withdrawn units of the Class at a lower price.

Notwithstanding the above, unless the Trustee otherwise directs, we shall make the reimbursement, only where an incorrect pricing:

- (i) is equal to or more than 0.50% of the NAV per unit; and
- (ii) results in a total sum of MYR10.00 (or in the case of a foreign currency Class, less than 10.00 denominated in the foreign currency denomination of the Class) or more to be reimbursed to a Unit holder for each sale or withdrawal transaction.

We shall have the right to amend, vary or revise the abovesaid limits or threshold from time to time, subject to any regulatory or governing body's requirements.

## **4.4. INVESTING**

### **4.4.1. Who can invest?**

You are eligible to invest in the Fund if you are:

- an individual who is at least eighteen (18) years of age and you are not an undischarged bankrupt with a bank account (or foreign currency bank account, as the case may be) in the currency of the Class applied for (e.g. Class USD investors are required to have a USD bank account). As an individual investor, you may also opt to invest in joint names (i.e. as a joint Unit holder and both applicants must be at least eighteen (18) years of age).
- an institution including a company, corporation, co-operative, trust or pension fund with a bank account (or foreign currency bank account, as the case may be) in the currency of the Class applied for (e.g. Class USD investors are required to have a USD bank account).
- For Class D, you must be an individual who is at least eighteen (18) years of age and have an account in the e-Wallet App and fulfil the requirements therein.

Notwithstanding the above, we have the right to accept or reject any application in whole or in part thereof without assigning any reason in respect thereof.

Further, if we are aware of a USA person (i.e. someone who has a USA address (permanent or mailing)) or USA entity (i.e. a corporation, trust, partnership or other entity created or organised in or under the laws of the United States or any state thereof or any estate or trust the income of which is subject to United States Federal Income Tax regardless of source) holding units in the Fund, we may issue a notice to that person requiring him/her to, within thirty (30) days, either withdraw the units or transfer the units to a non-USA person or non-USA entity.

We also have the right to withdraw all units held by you in the event we are of the opinion that such withdrawal is necessary to ensure that we comply with any relevant laws, regulations and guidelines. We will first notify you before making any such compulsory withdrawal of your units.

### **4.4.2. How to invest?**

You may invest through any of our Distributors, Principal Malaysia's office, e-Wallet App or such other method as we may advise from time to time after completing the relevant application forms and attaching a copy of your identity card, passport or any other identification document (where applicable). We may request for additional supporting document(s) or information from you. Your application should indicate clearly the amount you wish to invest in the Fund. We may introduce other mode of investment from time to time, subject to the approval of the relevant authorities.

You may make a payment:

- by crossed cheque (made payable as advised by us or our Distributors as the case may be). You will have to bear the applicable bank fees and charges, if any; or
- directly from your bank account (or foreign currency bank account, as the case may be) held with our Distributors, where applicable; or
- directly with your monies in the e-Wallet App. Kindly ensure that your e-Wallet has enough balance for your investment. Please also note that there may be a limit to your e-Wallet balances; or
- directly from your bank account through wire transfer facility offered in the e-Wallet App (subject to any limit prescribed by the wire transfer facility provider); or
- by such other mode of payment that we and/or the relevant authorities may approve from time to time. Any charges, fees and expenses incurred in facilitating such mode of payment shall be borne by you. Such mode of payment is subject to further limit(s), restriction(s) and/or terms and conditions that we and/or the relevant authorities may impose from time to time.

### **4.4.3. Regular Savings Plan**

RSP may be made available for certain Classes. Please refer to the Annexure of the respective Class for further information. Where available, the RSP allows you to make regular monthly investments, direct from your account held with a bank approved by us or our Distributors. We will process the monthly investments made via the RSP when we receive your application and/or your monthly contribution. You can also arrange a standing instruction with us or our Distributors to invest a pre-determined amount in the Class/Fund each month. You can cancel your RSP at any time by providing written instructions to the relevant Distributors to cancel your standing instruction.

### **4.4.4. Can the units be registered in the name of more than one (1) Unit holder?**

We may register units in the name of more than one (1) Unit holder but we have the discretion not to allow registration of more than two (2) joint Unit holders, joint account is not available for Class D. All applicants must be at least eighteen (18) years of age.

In the event of the demise of a joint Unit holder, whether Muslim or non-Muslim, only the surviving joint Unit holder will be recognized by the Trustee and the Manager as having ownership to such unit. The Manager or Trustee may require such necessary evidence proving the death of the Unit holder. His/her Units will be dealt with in accordance with the Deed and applicable laws and regulations.

#### 4.4.5. Who is distributing this Fund?

The Fund may be distributed via the following channels:

- Principal Malaysia's offices;
- Principal Distributors;
- IUTAs; and
- such other channels as we may decide from time to time.

You may invest into the Funds via us, any of our Distributors or such other channels (where available). Please refer to the "Distributors of the Fund" chapter for further details. Please note that we have the discretion in determining the Distributors of the Fund, including its appointment and/or termination from time to time. You may contact our Customer Care Centre under the "Corporate Directory" section or refer to our website at [www.principal.com.my](http://www.principal.com.my) for more information.

**You should not make any payment directly or indirectly to any individual agent or employee of the Manager or issue a cheque in the name of an individual agent or employee of the Manager when purchasing this fund.**

- 4.4.6. Please take note that if your investments are made through an IUTA via a nominee system of ownership, you would not be deemed as a Unit holder under the Deed and as a result, you may not exercise all the rights ordinarily conferred to a Unit holder (e.g. the right to call for Unit holders' meetings and the right to vote at a Unit holders' meeting).

## 4.5. MINIMUM INVESTMENTS

The minimum initial and additional investment for each Class may differ and may be determined by us from time to time. Please refer to the Annexure of the respective Class for further information.

### 4.5.1. Processing an application

If we receive and accepted a complete application by 4:00 p.m. or 1:00 p.m. (for Class D) on a Business Day, we will process it using the NAV per unit for that Business Day. If we receive and accepted the application after 4:00 p.m. or 1:00 p.m. (for Class D) on a Business Day, we will process it using the NAV per unit for the next Business Day. We will only process complete applications, i.e. when we have received all the necessary and required information and/or documentations. The number of units you receive will be rounded to two (2) decimal places.

For transaction through e-Wallet App, the processing of your application request is subject to you providing all required information to us through the e-Wallet App and the transfer of monies into the Fund's account. Failure to complete the application process in the e-Wallet App by you or non-receipt of the application request by us will cause the application request to be cancelled automatically. We will pay back your monies on next Business Day on a best effort basis, subject to system availability. If you wish to re-apply, you will have to re-initiate the application process through the e-Wallet App.

## 4.6. MINIMUM WITHDRAWALS

The minimum withdrawal amount for each Class may differ and may be determined by us from time to time, unless you are withdrawing your entire investment. Please refer to the Annexure of the respective Class for further information. You may withdraw by completing a withdrawal application and submit to the relevant Distributor, Principal Malaysia's office, e-Wallet App or such other channel (where applicable). There is no restriction on the frequency of withdrawals. We will transfer the withdrawal proceeds to the bank account number provided by you or through e-wallet with the e-Wallet Provider (where available).

### 4.6.1. Processing a withdrawal

If we receive a complete withdrawal request by 4:00 p.m. or 1:00 p.m. (for Class D) on a Business Day, we will process it using the NAV per unit for that Business Day. If we receive the withdrawal request after 4:00 p.m. or 1:00 p.m. (for Class D) on a Business Day, we will process it using the NAV per unit for the next Business Day (T+1). The amount that you will receive is calculated by the withdrawal value less the Withdrawal Penalty, if any.

For Class D, withdrawals will be made through the e-Wallet App or such other channel (where available). For more information on Class D, you may refer to the frequently asked questions and terms and conditions which are available on the e-Wallet App. Alternatively, you may contact our Customer Care Centre under the "Corporate Directory" section or the e-Wallet Provider to understand the service and their terms and conditions.

Under normal circumstances, you will be paid in the currency of the Class (e.g. Class MYR will be paid in MYR) within eleven (11) Business Days of receipt of the complete withdrawal request. This process involves the submission of the Fund's withdrawal request to the Target Fund in which the Target Fund will process within three (3) Business Days, but in any event within ten (10) Business Days should any the following events occur:

- (i) the Target Fund's NAV is suspended during any period<sup>Note 1</sup>; or
- (ii) withdrawal proceeds from the Target Fund is deferred<sup>Note 2</sup>.

Subsequently, payment will be made to you after receipt of the withdrawal proceeds from Target Fund. Nonetheless, we may pay the withdrawal proceeds to you within five (5) Business Days from the receipt of withdrawal proceeds from the Target Fund.

**Note 1:** *The right of the Target Fund's shareholders to require the redemption of the shares of the Target Fund Company will be suspended during any period when the calculation of the NAV per share of the relevant class is suspended by the directors of the Target Fund Company (as described in section 2.6 "Suspension of Redemption of Units"). No share of the Target Fund may be issued, redeemed or switched during a period of suspension.*

**Note 2:** *This refers to situations where withdrawal proceeds from the Target Fund is deferred due to the occurrence of unexpected issues including but not limited to technical issues and/or foreign market-related issues which may affect the trading of the Target Fund. The Target Fund Company may limit the number of shares redeemed or switched on any valuation day to 10% of the total number of shares in issue of the Target Fund. In such event, any request for redemption on such dealing day shall be reduced rateably and the redemption requests shall be treated as if they were received on each subsequent dealing day until all the shares to which the original request related have been redeemed.*

Please refer to section 2.4 "Redemption Policy", section 2.5 "Redemption of Shares" and section 2.6 "Suspension of Redemption of Units" for more information. If in doubt, please consult your professional advisers.

#### 4.7. MINIMUM BALANCE

The minimum balance that must be retained in your account for each Class may differ and may be determined by us from time to time. Please refer to the Annexure of the respective Class for further information. If the balance (i.e. number of units) of an investment fall below the minimum balance stipulated, further investment will be required until the balance of the investment is restored to at least the stipulated minimum balance. Otherwise, we can withdraw the entire investment and forward the proceeds to you.

#### 4.8. COOLING-OFF PERIOD

You have six (6) Business Days after your initial investment (i.e. the date the complete application is received and accepted by us or our Distributors) to reconsider its appropriateness and suitability for your investment needs. Within this period, you may withdraw your investment at the same NAV per unit when the units were purchased or prevailing NAV per unit at the point of cooling-off (whichever is lower) ("Refund Amount"). Please note that the cooling-off right is only given to first time investor investing with us or any of our Distributors. However, Principal Malaysia's staff or a person registered with a body approved by the SC to deal in unit trusts are not entitled to the cooling-off right.

For transaction through e-Wallet App, cooling-off right is not applicable if you have withdrawn all or parts of your investment from Class D either to your e-Wallet or your bank account. Request for cooling-off can be made directly through Principal Malaysia and/or through the e-Wallet App (where available).

We will pay the Refund Amount including the Application Fee (if any) to you in the currency of the respective Class within eleven (11) Business Days from the date we receive the complete documentations. This involves the submission of the Fund's withdrawal request to the Target Fund in which the Target Fund will process within three (3) Business Days, but in any event within ten (10) Business Days should any of the following events occur:

- (i) the Target Fund's NAV suspended during any period <sup>Note 1</sup>; or
- (ii) withdrawal proceeds from the Target Fund is deferred <sup>Note 2</sup>.

Subsequently, payment will be made to you after receipt of the withdrawal proceeds from Target Fund. Nonetheless, we may pay the withdrawal proceeds to you within five (5) Business Days from the receipt of withdrawal proceeds from the Target Fund.

The Fund has obtained approval from the SC for a variation to paragraph 9.08 of the GUTF, which allows us to pay the Refund Amount to you within five (5) Business Days upon receipt of cooling-off proceeds from the Target Fund.

**Note 1:** *The right of the Target Fund's shareholders to require the redemption of the shares of the Target Fund Company will be suspended during any period when the calculation of the NAV per share of the relevant class is suspended by the directors of the Target Fund Company (as described in section 2.6 "Suspension of Redemption of Units"). No share of the Target Fund may be issued, redeemed or switched during a period of suspension.*

**Note 2:** *This refers to situations where the receipt of cooling-off proceeds from the Target Fund is delayed due to the occurrence of unexpected issues including but not limited to technical issues and/or foreign market-related issues which may affect the trading of the Target Fund. The Target Fund Company may limit the number of shares redeemed or switched on any valuation day to 10% of the total number of shares in issue of the Target Fund. In such event, any request for redemption on such dealing day shall be reduced rateably and the redemption requests shall be treated as if they were received on each subsequent dealing day until all the shares to which the original request related have been redeemed.*

Please refer to section 2.4 “Redemption Policy”, section 2.5 “Redemption of Shares” and section 2.6 “Suspension of Redemption of Units” for more information. If in doubt, please consult your professional advisers.

## **4.9. SWITCHING**

Where available, we process a switch between the Classes of the Fund or between a Class/Fund and other Principal Malaysia’s fund (or its classes) which should be denominated in the same currency. You may contact our Customer Care Centre under the “Corporate Directory” section for more information on the availability of switching. For information on the availability of switching, please refer to the Annexure of the respective Class.

To switch, simply complete a switch application and submit it to our Distributors, Principal Malaysia’s office, e-Wallet App (where available), or such other channel. Currently, there is no restriction on the frequency of switches. However, we have the discretion to allow or to reject any switching into (or out of) the Fund or Class and other Principal Malaysia’s funds (or its classes).

For more information on Class D, you may refer to the frequently asked questions and terms and conditions which are available on the e-Wallet App. Alternatively, you may contact our Customer Care Centre under the “Corporate Directory” section or the e-Wallet Provider to understand the service and their terms and conditions.

We may for any reason and at any time, waive or reduce: (a) any fees (except for the Trustee Fee); (b) other charges payable by you in respect of the Funds; and/or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

### **4.9.1. Processing a switch**

We process a switch as a withdrawal from one fund or class and an investment into another fund or class within Principal Malaysia’s fund. If we receive a complete switch request by 4:00 p.m. or 1:00 p.m. (for Class D) on a Business Day, we will process the switch-out using the NAV per unit for that Business Day. If we receive the request after 4:00 p.m. or 1:00 p.m. (for Class D), we will process the switch-out using the NAV per unit for the next Business Day (T+1).

However, you should note that switch-in may be processed at a later Business Day, generally within one (1) to four (4) Business Days.

## **4.10. TRANSFER FACILITY**

You may transfer your units to another investor subject to such terms and conditions as may be stipulated in the Deed. You may be charged a Transfer Fee for each transfer. However, we may refuse to register any transfer of a unit at our absolute discretion. Please refer to the Annexure of the respective Class for further information.

## **4.11. TEMPORARY SUSPENSION**

Subject to the requirements in the GUTF and/or the Deed, we and the Trustee may temporarily suspend the dealing in units of the Fund or Class when there is good and sufficient reason to do so.

To avoid suspension of the Fund, the Fund will hold adequate liquid assets and if the liquid assets are insufficient to meet redemption requests, we will either liquidate the investments of the Fund or seek temporary financing, considering which is in the best interests of Unit Holders. Before carrying out any suspension of the Fund after we have taken all considerations under liquidity risk management framework, we will ensure that we have exhausted all possible avenues to avoid a suspension of the Fund, and only as a last resort, and in consultation with the Trustee and having considered the interests of the Unit Holders, suspend the sale (if applicable) and repurchase of Units where it is impractical for us to calculate the NAV of the Fund when material portion of the asset of the Fund is affected due to but not limited to the following:

- (i) Suspension of redemption of the Target Fund as set out in section 2.6 above; or
- (ii) the closure of a securities exchange or trading restrictions in the securities exchange of the markets where the Target Fund has substantial investments; or
- (iii) an emergency or other state of affairs; or
- (iv) the declaration of a moratorium in a country where that Fund has assets; or
- (v) for the purpose of conversion of any currency, a closure or restrictions on trading in the relevant foreign market exchange; or
- (vi) the realisation of the assets of the Fund not being able to be effected at prices which are fair to the Fund and/or within a reasonable period as a result of an unstable or disorderly market.

Please note that during the suspension period, there will be no NAV per unit available and hence, we will not accept any transactions for the applications, withdrawals, switches and/or transfers of units. If we have earlier accepted your request for applications, withdrawals, switches, and/or transfers of units before the suspension is declared, please note that your request will only be processed on the next Business Day after the cessation of suspension of the Fund. You will be notified of the suspension and when the suspension is lifted. In such case, you will not be able to redeem your units and will be compelled to remain invested

in the Fund for a longer period of time than original timeline. Hence, your investments will continue to be subjected to the risks inherent to the Fund (please refer to the “Risk Factors” section).

**Note:** Please refer to section 4.6.1 “Processing a withdrawal” in the event that the suspension of Target Fund, we may only pay you within five (5) Business Days from the receipt of withdrawal proceeds from the Target Fund.

#### 4.12. DISTRIBUTION PAYMENT

Depending on the distribution policy of the respective Class, distribution (if any) will be made at the end of each distribution period to the Class(es) according to its distribution policy. Each unit of the Class will receive the same distribution for a distribution period regardless of when those units were purchased. The distribution amount you will receive is calculated by multiplying the total number of units held by you in the Class with the distribution amount in cent per unit. On the distribution date, the NAV per unit will adjust accordingly. For more information on the distribution policy of each Class, please see Annexure of the respective Class.

All distributions (if any) will be automatically reinvested into additional units in the Class at the NAV per unit on the distribution date (the number of units will be rounded to two (2) decimal places), unless written instructions to the contrary are communicated to us, in which you should have first furnished us with details of your bank account in the currency denomination of that Class, that all distribution payment shall be paid into (the cost and expense will be borne by you). No Application Fee is payable for the reinvestment.

If units are issued as a result of the reinvestment of a distribution or other circumstance after you have withdrawn your investment from the Class, those additional units will then be withdrawn and the proceeds will be paid to you.

You should note that distribution payments, if any, will be made in the respective currency for the Class(es). As such, the distribution amount may be different for each Class as a result of exchange rate movement between the base currency of the Fund and the denominated currency of the Class(es). The distribution will be paid into your bank account (which shall be in the respective currency of the Class(es)) in our records (at your cost and expense).

Distributions are at our discretion and are not guaranteed, and the making of any distribution does not imply that further distributions will be made and we reserve the right to vary the frequency and/or amount of distributions.

The Fund invests in the Accumulation Shares of the Target Fund and the net income earned by the Target Fund will remain in the Target Fund’s assets and will be reflected in the NAV of the Accumulation Shares of the Target Fund.

**Note:** Please note that for Class(es) that provide distribution, we have the right to make provisions for reserves in respect of distribution of the Class. If the income available is too small or insignificant, any distribution may not be of benefit to you as the total cost to be incurred in any such distribution may be higher than the amount for distribution. We have the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of the Fund’s capital, realised income and/or realised gains, as well as the performance of the Fund.

#### 4.13. UNCLAIMED MONEYS

Any moneys payable to you which remain unclaimed after twelve (12) months as prescribed by Unclaimed Moneys Act 1965 (“UMA”), will be surrendered to the Registrar of Unclaimed Moneys by us in accordance with the requirements of the UMA. Thereafter, all claims need to be made by you with the Registrar of Unclaimed Moneys.

For income distribution payout to you by cheque, if any, which remains unclaimed for six (6) months will be reinvested into the Class within thirty (30) Business Days after the expiry of the cheque’s validity period based on the prevailing NAV per unit on the day of the reinvestment provided that you still hold units of the Class. As for income distribution payout to you by bank transfer, if any which remained unsuccessful and unclaimed for six (6) months, it will be reinvested into the Class within thirty (30) Business Days after the six (6) months period based on the prevailing NAV per unit on the day of the reinvestment provided that you still hold units of the Class. No Application Fee is payable for the reinvestment. In the event that you no longer hold any unit in the Class, the distribution money would be subject to the same treatment mentioned in the above paragraph as prescribed by the UMA.

**Unit prices and distributions payable, if any, may go down as well as up.**

**We have the discretion to amend the amount, rate and/or terms and conditions of the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the transaction information.**

## 5. ADDITIONAL INFORMATION

### 5.1. FINANCIAL YEAR-END

30 September.

### 5.2. INFORMATION ON YOUR INVESTMENT

We will send you the following:

- Your Principal Malaysia investor account number;
- Confirmation on all your transactions and distributions (if any);
- Confirmation on any changes to your address if you have written to us to make the changes;
- Quarterly statement showing details of your transactions and distributions (if any);
- For Class D, monthly statement showing details of your transactions and distributions (if any); and
- Interim and audited annual report showing snapshots of the Fund and details of the portfolio for the respective period reported. Both the interim report and the audited annual report will be sent to you within two (2) months of the end of the period reported.

**The Fund's printed annual report is available upon request.**

In the case of joint Unit holders, all correspondences and payments will be made and sent to the first registered Unit holder.

Please take note that if you have invested through an IUTA via a nominee system of ownership, you would not be deemed as a Unit holder under the Deed. As such, you may obtain the above-mentioned information from that IUTA.

You may obtain up-to-date fund information from our monthly fund fact sheet and our website, [www.principal.com.my](http://www.principal.com.my).

If you have any questions about the information in this Prospectus or would like to know more about investing in the Principal Malaysia family of unit trust funds, please contact our Customer Care Centre under the "Corporate Directory" section during our business hour between 8:45 a.m. to 5:45 p.m. (Malaysian time) from Mondays to Fridays or you may email us at [myservice@principal.com](mailto:myservice@principal.com).

If you wish to write-in, please address your letter to:

**Principal Asset Management Berhad**  
**Customer Care Centre**  
Level 31, Exchange 106, Lingkaran TRX  
55188 Tun Razak Exchange  
Kuala Lumpur, MALAYSIA

### 5.3. DEED

The Fund is governed by a Deed dated 5 January 2024 including any supplemental deed(s) as may be issued from time to time.

### 5.4. DOCUMENTS AVAILABLE FOR INSPECTION

You may inspect the following documents or copies thereof in relation to the Fund (upon request) at our principal place of business and/or the business address of the Trustee (where applicable) without charge:

- The Deed;
- Current Prospectus and its supplementary or replacement prospectus, if any;
- Target Fund prospectus and supplement, if any;
- The latest annual and interim reports of the Fund, which includes the audited financial statements of the Fund (where available) for the current financial year and for the last three (3) financial years or if less than three (3) years, from the date of launch of the Fund;
- Material contracts or documents disclosed in this Prospectus and, in the case of contracts not reduced into writing, a memorandum which gives full particulars of the contracts;
- Any reports, letters or other documents, valuations and statements by any expert, any part of which is extracted or referred to in this Prospectus;
- The audited financial statements of the Manager for the current financial year and for the last three (3) financial years or if less than three (3) years, from the date of incorporation or commencement;



- Writ and relevant cause papers for all current material litigation and arbitration disclosed in this Prospectus; and
- Consent given by experts disclosed in this Prospectus, if any.

## 5.5. CONSENT

Ernst & Young Tax Consultants Sdn. Bhd., HSBC (Malaysia) Trustee Berhad and Principal Global Investors (Ireland) Limited have given their written consent to act in their respective capacity. They have also given their consent for the inclusion of their names and/or statements and/or reports in this Prospectus in the form and context in which it appears and have not subsequently withdrawn their consent to the inclusion of their names and/or statements and/or reports in the form and context in which it appears in this Prospectus.

## 5.6. POTENTIAL CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS

We (including our directors) will at all time act in your best interests and will not conduct ourselves in any manner that will result in a conflict of interest or potential conflict of interest. In the unlikely event that any conflict of interest arises, such conflict shall be resolved such that the Fund is not disadvantaged. In the unlikely event that we face conflicts in respect of our duties as the manager to the Fund and to other Principal Malaysia's funds that we manage, we are obliged to act in the best interests of all our investors and will seek to resolve any conflicts fairly and in accordance with the Deed.

We shall not act as principal in the sale and purchase of any securities or investments to and from the Fund. We shall not make any investment for the Fund in any securities, properties or assets in which we or our officer has financial interest in or from which we or our officer derives a benefit, unless with the prior approval of the Trustee. We (including our directors) who hold substantial shareholdings or directorships in public companies shall refrain from any decision making relating to that particular investment of the Fund.

The Fund may maintain Deposits with CIMB Bank Berhad, CIMB Islamic Bank Berhad and CIMB Investment Bank Berhad. We may enter into transactions with other companies within PFG and CIMB Group provided that the transactions are effected at market prices and are conducted at arm's lengths.

The Fund is investing into the Target Fund that is managed by the Target Fund Manager. The Manager and the Target Fund Manager are related parties of PFG.

We generally discourage cross trades and prohibit any transactions between client(s) accounts and fund accounts. Any cross trade activity require prior approval with the relevant supporting justification(s) to ensure the trades are executed in the best interest of both funds and such transactions were executed at arm's length. Cross trades will be reported to the person(s) or members of a committee undertaking the oversight function of the Fund to ensure compliance to the relevant regulatory requirements.

Any charges, fees and expenses incurred in facilitating such mode of payment shall be borne by you. Such mode of payment is subject to further limit(s), restriction(s) and/or terms and conditions that we and/or the relevant authorities may impose from time to time.

E-Wallet Provider and Distributor may be our related party. We will ensure that any arrangement made with the e-Wallet Provider and Distributors will be at arm's length.

### Trustee

As for the trustee and service provider for the Fund, there may be related party transactions involving or in connection with the Fund in the following events:

- (1) where the Fund invests in instrument(s) offered by the related party of the Trustee (e.g. placement of monies, transferable securities etc);
- (2) where the Fund is being distributed by the related party of the Trustee;
- (3) where the assets of the Fund are being custodised by the related party of the Trustee both as sub-custodian and/or global custodian of the Fund (i.e. Trustee's delegate); and
- (4) where the Fund obtains financing as permitted under the GUTF, from the related party of the Trustee.

The Trustee has in place policies and procedures to deal with any conflict of interest situation. The Trustee will not make improper use of its position as the owner of the Fund's assets to gain, directly or indirectly, any advantage or cause detriment to the interests of Unit holders. Any related party transaction is to be made on terms which are best available to the Fund and which are not less favourable to the Fund than an arms-length transaction between independent parties.

Subject to any local regulations, the Trustee and/or its related group of companies may deal with each other, the Fund or any Unit holder or enter into any contract or transaction with each other, the Fund or any form any such contract or transaction or act in the same or similar capacity in relation to any other scheme.

## **5.7. INTERESTS IN THE FUND**

Subject to any legal requirement, we or any of our related corporation, or any of our officers or directors, may invest in the Fund. Our directors will receive no payments from the Fund other than distributions that they may receive as a result of investment in the Fund. No fees other than the ones set out in this Prospectus have been paid to any promoter of the Fund, or the Trustee (either to become a trustee or for other services in connection with the Fund), or us for any purpose.

## **5.8. EMPLOYEES' SECURITIES DEALINGS**

We have in place a policy contained in our Personal Account Dealing Policy, which regulates our employees' securities dealings. All of our employees are required to declare their securities trading annually to ensure that there is no potential conflict of interest between the employees' securities trading and the execution of the employees' duties to us and our customers.

## 6. THE MANAGER

### 6.1. ABOUT PRINCIPAL ASSET MANAGEMENT BERHAD

Principal Malaysia was incorporated on 13 June 1994 and is a joint venture between PFG and CIMB Group. Principal Malaysia has experience operating unit trust funds since 1994.

The primary roles, duties and responsibilities of Principal Malaysia as the Manager of the Fund include:

- maintaining a register of Unit holders;
- implementing the appropriate investment strategies to achieve the Fund's objective;
- ensuring that the Fund has sufficient holdings in liquid assets;
- arranging for the sale and withdrawal of units;
- calculating the amount of income to be distributed to Unit holders, if any; and
- maintaining proper records of the Fund.

As at LPD, there is no litigation or arbitration proceeding current, pending or threatened against or initiated by Principal Malaysia nor are there any facts likely to give rise to any proceedings which might materially affect the business/financial position of Principal Malaysia.

6.1.1. The name and designation of each of the directors can be found in our website at [www.principal.com.my/en/about-us/leadership](http://www.principal.com.my/en/about-us/leadership).

#### 6.1.2. Designated person responsible for fund management function

<b>Name:</b>	Lee Chun Hong
<b>Designation:</b>	Chief Investment Officer, Equities - Malaysia
<b>Experience:</b>	Chun Hong has more than 19 years of experience in fund management and equity research. He joined Principal Asset Management Berhad in 2017 to manage unit trust funds and institutional mandates covering Malaysian and ASEAN markets. Prior to that, he was attached to Libra Invest Bhd managing and supervising Unit Trust and Research divisions that covered ASEAN and China-Hong Kong markets. He commenced his career in fund management industry at Public Mutual Bhd. He had research responsibilities for regional plantation and consumer sectors, as well as research country coverage of ASEAN markets. Subsequently, he moved on to portfolio management specialising on ASEAN markets. He started covering ASEAN markets since 2010. He was also previously with PricewaterhouseCoopers as an auditor. Chun Hong holds a Bachelor of Commerce (Accounting & Finance), Monash University, Clayton Campus. He is a Chartered Financial Analyst (CFA) charter holder.
<b>Qualifications:</b>	<ul style="list-style-type: none"><li>• Bachelor of Commerce (Accounting &amp; Finance) - Monash University, Clayton Campus.</li><li>• A CFA Charterholder.</li><li>• Ex-member of CPA Australia.</li></ul>

**Note:** For more information and/or updated information, please refer to our website at [www.principal.com.my](http://www.principal.com.my).

# 7. THE TRUSTEE

## 7.1. ABOUT HSBC (MALAYSIA) TRUSTEE BERHAD

**HSBC (Malaysia) Trustee Berhad** is a company incorporated in Malaysia since 1937 and registered as a trust company under the Trust Companies Act 1949, with its registered address at Level 19, Menara IQ, Lingkaran TRX, 55188 Tun Razak Exchange, Kuala Lumpur.

Since 1993, the Trustee has acquired experience in the administration of unit trusts and has been appointed as trustee for unit trust funds, exchange traded funds, wholesale funds and funds under private retirement scheme.

### 7.1.1. Duties and Responsibilities of the Trustee

The Trustee's main functions are to act as trustee and custodian of the assets of the Fund and to safeguard the interests of Unit holders of the Fund. In performing these functions, the Trustee has to exercise all due care, diligence and vigilance and is required to act in accordance with the provisions of the Deed, the CMSA and the GUTF. Apart from being the legal owner of the Fund's assets, the Trustee is also responsible for ensuring that the Manager performs its duties and obligations in accordance with the provisions of the Deed, the CMSA and the GUTF. In respect of monies paid by an investor for the application of units, the Trustee's responsibility arises when the monies are received in the relevant account of the Trustee for the Fund and in respect of redemption, the Trustee's responsibility is discharged once it has paid the redemption amount to the Manager.

The Trustee has in place anti-money laundering and anti-terrorism financing policies and procedures across the HSBC Group, which may exceed local regulations. Subject to any local regulations, the Trustee shall not be liable for any loss resulting from compliance of such policies, except in the case of negligence, wilful default or fraud of the Trustee.

The Trustee is not liable for doing or failing to do any act for the purpose of complying with law, regulation or court orders.

The Trustee shall be entitled to process, transfer, release and disclose from time to time any information relating to the Fund, Manager and Unit holders (including personal data of the Unit holders, where applicable) for the purposes of performing its duties and obligations in accordance to the Deed, the CMSA, the GUTF and any other legal and/or regulatory obligations such as conducting financial crime risk management, to the Trustee's parent company, subsidiaries, associate companies, affiliates, delegates, service providers, agents and any governing or regulatory authority, whether within or outside Malaysia (who may also subsequently process, transfer, release and disclose such information for any of the above mentioned purposes) on the basis that the recipients shall continue to maintain the confidentiality of information disclosed, as required by law, regulation or directive, or in relation to any legal action, or to any court, regulatory agency, government body or authority.

### 7.1.2. Trustee's Delegate

The Trustee has appointed The Hongkong and Shanghai Banking Corporation Ltd as custodian of both the local and foreign assets of the Fund. For quoted and unquoted local investments of the Fund, the assets are held through HSBC Bank Malaysia Berhad and/or HSBC Nominees (Tempatan) Sdn Bhd. The Hongkong and Shanghai Banking Corporation Ltd is a wholly owned subsidiary of HSBC Holdings Plc, the holding company of the HSBC Group. The custodian's comprehensive custody and clearing services cover traditional settlement processing and safekeeping as well as corporate related services including cash and security reporting, income collection and corporate events processing. All investments are registered in the name of the Trustee or to the order of the Trustee. The custodian acts only in accordance with instructions from the Trustee.

The Trustee shall be responsible for the acts and omissions of its delegate as though they were its own acts and omissions.

However, the Trustee is not liable for the acts, omissions or failure of third party depository including central securities depositories or clearing and/or settlement systems in any circumstances.

### 7.1.3. Trustee's Disclosure of Material Litigation

The Trustee is not engaged in any material litigation and arbitration, including those pending or threatened, and is not aware of any facts likely to give rise to any proceedings which might materially affect the business/financial position of the Trustee.

### 7.1.4. Trustee's Statement of Responsibility

The Trustee has given its willingness to assume the position as trustee of the Fund and all the obligations in accordance with the Deed, all relevant laws and rules of law. The Trustee shall be entitled to be indemnified out of the Fund against all losses, damages or expenses incurred by the Trustee in performing any of its duties or exercising any of its powers under the Deed. The right to indemnity shall not extend to loss occasioned by breach of trust, wilful default, negligence, fraud or failure to show the degree of care and diligence required of the Trustee having regard to the provisions of the Deed.

## 8. SALIENT TERMS OF DEED

Money invested by you in the Fund will purchase a number of units, which represents your interest in the Fund. Each unit held by you in a Class represents an equal undivided beneficial interest in the assets of that Class. However, the unit does not give you an interest in any particular part of the Class or a right to participate in the management or operation of the Fund (other than through Unit holders' meetings).

You will be recognised as a registered Unit holder in the Class on the Business Day your details are entered onto the register of Unit holders.

### 8.1. RIGHTS, LIABILITIES AND LIMITATION OF UNIT HOLDERS

#### 8.1.1. Rights

As a Unit holder, you have the right, among others, to:

- (i) inspect the register, free of charge, at any time at our registered office, and obtain such information pertaining to your units as permitted under the Deed and the GUTF;
- (ii) receive the distribution of the Fund (if any), participate in any increase in the capital value of the units and to other rights and privileges as set out in the Deed;
- (iii) call for Unit holders' meetings;
- (iv) vote for the removal of the Trustee or the Manager through a Special Resolution;
- (v) receive annual reports, interim reports or any other reports of the Fund; and
- (vi) exercise cooling-off for qualified investors.

Unit holders' rights may be varied by changes to the Deed, the GUTF or judicial decisions or interpretation.

#### 8.1.2. Liabilities

- (i) Your liability is limited to the purchase price per unit and the Application Fee paid or agreed to be paid for a unit. You need not indemnify the Trustee or us if there is a deficiency in the assets of the Fund to meet the claim of any creditor of the Trustee or ours in respect of the Class. The Unit holders of one Class will not be liable for any liabilities of the other Classes.
- (ii) The recourse of the Trustee, ours and any creditor is limited to the assets of the Fund.

#### 8.1.3. Limitations

You cannot:

- (i) interfere with any rights or powers of ours and/or Trustee's under the Deed;
- (ii) exercise a right in respect of an asset of the Fund or lodge a caveat or other notice affecting the asset of the Fund or otherwise claim any interest in the asset of the Fund; or
- (iii) require the asset of the Fund to be transferred to you.

**Note:** For full details of the rights of a registered Unit holder of the Fund, please refer to the Deed.

### 8.2. MAXIMUM FEES AND CHARGES AND EXPENSES PERMITTED BY THE DEED

This table describes the maximum charges permitted by the Deed and payable directly by you.

Charges	Descriptions
(1) Application Fee	Up to 7.00% is charged on the NAV per unit.
(2) Withdrawal Penalty	Up to 5.00% is charged on the NAV per unit.
(3) Switching Fee	Up to 7.00% is charged on the NAV per unit. An administrative fee (if any) in relation to switching may be charged as set out in the Prospectus.

This table describes the maximum fees permitted by the Deed and payable indirectly by you.

Fees	Descriptions
(1) Management Fee	Up to 3.00% per annum, calculated daily on the NAV of the Class.
(2) Trustee Fee	Up to 0.10% per annum, calculated daily on the NAV of the Fund (including local custodian fee but excluding foreign sub-custodian fees and charges).

A lower fee and/or charges than what is stated in the Deed may be charged, all current fees and/or charges will be disclosed in the Prospectus. Please refer to the "Fees, Charges and Expenses" chapter for further details.

Any increase of the fees and/or charges above that stated in the current Prospectus may be made provided that a supplemental prospectus is issued and the maximum stated in the Deeds shall not be breached.

Any increase of the fees and/or charges above the maximum stated in the Deeds shall require your approval.

### **8.2.1. Expenses permitted by the Deed**

The Deeds also provide for payment of other expenses. The major expenses recoverable directly from the Funds include:

- commissions/fees paid to brokers/dealers in effecting dealings in the investments of the Funds, shown on the contract notes or confirmation notes or difference accounts;
- (where the custodial function is delegated by the Trustees), charges/fees paid to the sub-custodian;
- tax and other duties charged on the Funds by the government and other authorities if any and bank fees;
- the fees and other expenses properly incurred by the auditor of the fund;
- remuneration and out of pocket expenses of the person(s) undertaking the oversight functions of the Fund or advisers (if any) of the Funds, unless we decide to bear the same;
- fees incurred for the fund valuation and accounting of the Fund performed by a fund valuation agent;
- costs incurred for the modification of the Deeds otherwise than those our benefit or the Trustees’;
- costs incurred for any meeting of Unit holders other than those convened for our benefit or the Trustees’;
- the sale, purchase, insurance, custody and any other dealings of investments including commissions/fees paid to brokers;
- costs involved with external specialists approved by the Trustees in investigating and evaluating any proposed investment;
- the engagement of valuers, advisers and contractors of all kinds;
- preparation and audit of the taxation returns and accounts of the Funds;
- termination of the Funds or Class and the retirement or removal of the Trustees or the Manager and the appointment of a new trustee or manager;
- any proceedings, arbitration or other dispute concerning the Funds or Class or any asset, including proceedings against us or the Trustees by the other of them for the benefit of the Funds or Class (except to the extent that legal costs incurred for the defense of either of them are not ordered by the court to be reimbursed out of the Funds);
- costs of obtaining experts opinion by us or the Trustees for the benefit of the Funds or Class; and
- all costs and/or expenses associated with the distributions declared pursuant to this Deed and the payment of such distribution including without limitation fees, costs and/or expenses for the revalidation or reissuance of any distribution cheque or distribution warrant or telegraphic transfer.

The Trustee and us are required to ensure that any fees or charges payable are reasonable and in accordance with the Deed.

### **8.3. RETIREMENT, REMOVAL OR REPLACEMENT OF THE MANAGER**

We must retire as the manager when required to retire by law.

We may retire upon giving twelve (12) months’ notice to the Trustee of our desire to do so, or such shorter notice as we and the Trustee may agree, in favour of another corporation.

We shall retire under the following circumstances:

- if a Special Resolution is duly passed by the Unit holders that the Manager be removed; or
- if we cease to be approved by the SC to be the management company of the Fund.

We may be removed by the Trustee under certain circumstances outlined in the Deed. These include:

- if we have gone into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or cease to carry on business or if a receiver shall be appointed in respect of the undertaking or assets of the Manager or if any encumbrances shall take possession of any of its assets; or
- if we cease to carry on business; or
- if the Trustee is of the opinion that we have, to the prejudice of the Unit holders, failed to comply with any provision or covenant under the Deed or contravened any of the provisions of the CMSA; or
- if we have failed or neglected to carry out our duties to the satisfaction of the Trustee and the Trustee considers that it would be in the interests of the Unit holders for it to do so, after the Trustee has given reasonable notice to it of that opinion and the reasons for that opinion, and has considered any representations made by us in respect of that opinion, and after consultation with the SC and with the approval of the Unit holders.
- if a petition has been presented for the winding up against us (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction, we become or is declared insolvent).

In any of the above said circumstances, we shall upon receipt of such notice by the Trustee cease to be the manager and the Trustee shall by writing under its seal appoint another corporation to be the manager of the Fund subject to such corporation entering into a deed(s) with the Trustee and thereafter act as manager during the remaining period of the Fund.

We may be replaced by another corporation appointed as manager by Special Resolution of the Unit holders at a Unit holder’s meeting convened in accordance with the Deed either by the Trustee or the Unit holders.

## 8.4. RETIREMENT, REMOVAL OR REPLACEMENT OF THE TRUSTEE

We and the Trustee may agree, and may by Deed appoint in its stead a new trustee approved by the SC.

The Trustee must retire as trustee of the Fund when required to retire by law. The Trustee may retire by giving twelve (12) months' notice to us or any shorter notice we accept.

We may remove the Trustee and the Trustee covenants that it will retire or be removed from the Fund constituted by or pursuant to the Deed if and when requested so to do by us if:

- the Trustees have gone into liquidation; or
- the Trustees are placed under receivership, ceases to exist, fails or neglects its duties; or
- the Trustees cease to be approved by the SC to be a trustee for unit trust schemes; or
- a Special Resolution is duly passed by the Unit holders that the Trustees be removed.

Additionally, we are legislatively empowered under Section 299 of the CMSA to remove the Trustee under specific circumstances set out therein.

The Trustee may be replaced by another corporation appointed as trustee by a Special Resolution of the Unit holders at a Unit holders' meeting convened in accordance with the Deed either by us or the Unit holders.

## 8.5. TERMINATION OF THE FUND OR CLASS(ES)

The Fund or any of the Classes may be terminated or wound-up upon the occurrence of any of the following events:

- (a) the SC's authorization is withdrawn under Section 256E of the CMSA;
- (b) a Special Resolution is passed at a Unit holders' meeting to terminate or wind-up the Funds or the relevant Class, following the occurrence of events stipulated under Section 301(1) of the Act and the court has confirmed the resolution, as required under Section 301(3) of the CMSA;
- (c) a Special Resolution is passed at a Unit holders' meeting to terminate or wind-up the Funds or the relevant Class;
- (d) the Fund(s) or the Class has reached the maturity date (if any); or
- (e) the effective date of an approved transfer scheme, as defined under the GUTF, has resulted in the Funds, which is the subject of the transfer scheme, being left with no asset/property.

A Class may be terminated if a Special Resolution is passed at a Unit holders' meeting of that Class to terminate or wind-up that Class provided always that such termination or winding-up of that Class does not materially prejudice the interest of any other Class in that Fund.

Notwithstanding the above, the Fund and/or any of the Class may be terminated or wound-up, without the need to seek Unit Holders' prior approval, as proposed by the Manager with the consent of the Trustee (which consent shall not be unreasonably withheld) upon the occurrence of any of the following events, by giving a notice in writing to the Unit Holders of such period not less than that specified in the GUTF as hereinafter provided (i) if any law shall be passed which renders it illegal or (ii) if in the reasonable opinion of that Manager it is impracticable or inadvisable to continue the Fund and/or the Class, and in any case the termination of the Fund and/or Class is in the best interest of the Unit Holders.

## 8.6. MEETINGS OF UNIT HOLDERS

A Unit holders' meeting may be called by us, the Trustee and/or the Unit holders.

Where we or the Trustees convenes a meeting, the notice of the time and place of the meeting and terms of resolution to be proposed shall be given to the Unit holders of the Fund or of a particular Class, as the case may be by sending by post, or where allowed by any relevant law and/or authority, digitally or electronically, a notice of the proposed meeting at least fourteen (14) days before the date of the proposed meeting, to each Unit holder of the Fund or of a particular Class, as the case may be, at the Unit holder's last known address or, in the case of joint Unit holders, to the joint Unit holder whose name stands first in our records at the joint Unit holder's last known address.

We shall within twenty-one (21) days after an application is delivered to us at our registered office, being an application by not less than fifty (50), or one-tenth (1/10) in number, whichever is less, of the Unit holders of the Fund or a Class, as the case may be, to which the Deeds relate, summon a meeting of the Unit holders:

- by sending a notice by post, or where allowed by any relevant law and/or authority, digitally or electronically, of the proposed meeting at least seven (7) days before the date of the proposed meeting to each of those Unit holders of the Fund or that Class, as the case may be at his/her last known address or in the case of joint Unit holder, to the joint Unit holder of the Fund or that Class, as the case may be, whose name stands first in our records at the joint Unit holder's last known address;
- by publishing at least fourteen (14) days before the date of the proposed meeting, an advertisement giving notice of the meeting in a national language national daily newspaper and in one other newspaper as may be approved by the SC; and
- specify in the notice, the place, time and terms of the resolutions to be proposed,

for the purpose of considering the most recent financial statements of the Funds or relevant Class, or for the purpose of requiring the retirement or removal of the Manager or the Trustee, or for the purpose of giving to the Trustee such directions as the meeting thinks proper, or for the purpose of considering any other matter in relation to the Deed.

The quorum for a meeting of Unit holders of the Fund or Class is five (5) Unit holders of the Fund (irrespective of the Class) or Class present in person or by proxy, provided that for a meeting which requires a Special Resolution the quorum for that meeting shall be five (5) Unit holders, whether present in person or by proxy, holding in aggregate at least twenty-five per centum (25%) of the units in issue for the Fund (irrespective of the Class) or Class at the time of the meeting. If the Fund (irrespective of the Class) or Class has five (5) or less Unit holders, the quorum required shall be two (2) Unit holders of the Fund (irrespective of the Class) or Class, as the case may be, whether present in person or by proxy and if the meeting requires a Special Resolution the quorum for that meeting shall be two (2) Unit holders, whether present in person or by proxy, holding in aggregate at least twenty-five per centum (25%) of the units in issue for the Fund (irrespective of the Class) or Class at the time of the meeting. For the avoidance of doubt, the same quorum requirements shall apply to a meeting of Unit Holders of a particular Class. Where a Fund or Class has only one (1) remaining Unit Holder, such Unit Holder, whether present in person or by proxy, at the meeting shall constitute a quorum.

Voting is by a show of hands, unless a poll is duly demanded or the resolution proposed is required by the Deeds or by law to be decided by a percentage of all units. Each Unit holder of the Fund or of the Class present in person or by proxy has one (1) vote on a show of hands (irrespective of the Class). On a poll of a meeting of the Fund, the votes of each Unit Holder of the Fund, present in person or by proxy, shall be proportionate to the value of Unit held in the base currency as provided in the Deed. In the case of a Class meeting, on a poll, each Unit holder of that Class present in person or by proxy has one (1) vote for each whole fully paid unit held in that Class. In the case of joint Unit holders, only the person whose name appears first in the register may vote. Units held by the Manager or its nominees shall have no voting rights in any Unit holders' meeting of the Fund. In respect of the termination or winding-up of the Fund of that Class, voting shall only be carried out by poll.

Nothing herein shall preclude us from convening any Unit Holders' meeting at more than one venue using any communication facility or technology or method available as we shall determine to enable the Unit Holders to participate and to exercise their right to speak and vote at that meeting. Where such meeting is convened, any reference to a Unit Holder being "present in person" in the Deed, meetings or resolutions shall include, where permitted by us, to that Unit Holder being present either remotely or virtually and for the avoidance of doubt it is hereby agreed that the participation by a Unit Holder in such meeting using the prescribed communication facility or technology or method shall be deemed as being present at that meeting notwithstanding that the Unit Holder is not physically present at the main venue of that meeting.



# 9. TAXATION REPORT

Ernst & Young Tax Consultants Sdn Bhd  
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50490 Kuala Lumpur

5 January 2024

The Board of Directors  
10<sup>th</sup> Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur

Dear Sirs

## Taxation of the unit trust fund and unit holders

This letter has been prepared for inclusion in this Prospectus in connection with the offer of units in the unit trust known as Principal China New Energy Innovation Fund (hereinafter referred to as “the Fund”).

The purpose of this letter is to provide prospective unit holders with an overview of the impact of taxation on the Fund and the unit holders.

## Taxation of the Fund

The taxation of the Fund is subject to the provisions of the Malaysian Income Tax Act 1967 (MITA), particularly Sections 61 and 63B.

Subject to certain exemptions, the income of the Fund comprising profits and other investment income derived from or accruing in Malaysia after deducting tax allowable expenses, is subject to Malaysian income tax at the rate of 24% with effect from the year of assessment 2016.

Tax allowable expenses would comprise expenses falling under Section 33(1) and Section 63B of the MITA. Section 33(1) permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition, Section 63B allows unit trusts a deduction for a portion of other expenses (referred to as ‘permitted expenses’) not directly related to the production of income, as explained below.

“Permitted expenses” refer to the following expenses incurred by the Fund which are not deductible under Section 33(1) of the MITA:

- the manager’s remuneration,
- maintenance of the register of unit holders,
- share registration expenses,
- secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage.

These expenses are given a partial deduction under Section 63B of the MITA, based on the following formula:

$$A \times \frac{B}{4C}$$

- where
- A is the total of the permitted expenses incurred for that basis period;
  - B is gross income consisting of dividend<sup>1</sup>, interest and rent chargeable to tax for that basis period; and
  - C is the aggregate of the gross income consisting of dividend<sup>1</sup> and interest (whether such dividend or interest is exempt or not) and rent, and gains made from the realisation of investments (whether chargeable to tax or not) for that basis period,

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<sup>1</sup> Pursuant to Section 15 of the Finance Act 2011, with effect from the year of assessment 2011, dividend income is deemed to include income distributed by a unit trust which includes distributions from Real Estate Investment Trusts.

provided that the amount of deduction to be made shall not be less than 10% of the total permitted expenses incurred for that basis period.

### Exempt income

The following income of the Fund is exempt from income tax:

- **Malaysian sourced dividends**

All Malaysian-sourced dividends should be exempt from income tax.

- **Malaysian sourced interest**

- a) interest from securities or bonds issued or guaranteed by the Government of Malaysia;
- b) interest from debentures or *sukuk*, other than convertible loan stock, approved or authorized by, or lodged with, the Securities Commission;
- c) interest from Bon Simpanan Malaysia issued by Bank Negara Malaysia;
- d) interest derived from Malaysia and paid or credited by banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013<sup>2</sup>;
- e) interest derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002<sup>2</sup>;
- f) interest from *sukuk* originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved or authorized by, or lodged with, the Securities Commission or approved by the Labuan Financial Services Authority (LFSA)<sup>3</sup>; and
- g) interest which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.

- **Discount**

Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.

### Foreign-sourced income

Pursuant to the Finance Act 2021, income derived by a resident person from sources outside Malaysia and received in Malaysia from 1 January 2022 will no longer be exempt from tax.

The Guidelines issued by the Malaysian Inland Revenue Board on 29 September 2022 (amended on 29 December 2022) define the term “received in Malaysia” to mean transferred or brought into Malaysia, either by way of cash<sup>4</sup> or electronic funds transfer<sup>5</sup>.

Foreign-sourced income (FSI) received in Malaysia during the transitional period from 1 January 2022 to 30 June 2022 will be taxed at 3% of gross. From 1 July 2022 onwards, FSI received in Malaysia will be taxed at the prevailing tax rate(s) of the taxpayer and based on applicable tax rules. Bilateral or unilateral tax credits may be allowed if the same income has suffered foreign tax, and where relevant conditions are met.

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<sup>2</sup> Effective from 1 January 2019, the income tax exemption for a unit trust fund, pursuant to Paragraph 35A, Schedule 6 of the MITA shall not apply to a wholesale fund which is a money market fund.

<sup>3</sup> Effective from the year of assessment 2017, the exemption shall not apply to interest paid or credited to a company in the same group or interest paid or credited to a bank licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; or a development financial institution prescribed under the Development Financial Institutions Act 2002.

<sup>4</sup> “Cash” in this context is defined as banknotes, coins and cheques.

<sup>5</sup> “Electronic funds transfer” means bank transfers (e.g., credit or debit transfers), payment cards (debit card, credit card and charge card), electronic money, privately-issued digital assets (e.g., crypto-assets, stablecoins) and central bank digital currency.

Income Tax (Exemption) (No. 6) Order 2022 has been issued to exempt a “qualifying person”<sup>6</sup> from the payment of income tax in respect of dividend income which is received in Malaysia from outside Malaysia, effective from 1 January 2022 to 31 December 2026. The exemption will however not apply to a person carrying on the business of banking, insurance or sea or air transport. As the definition of “qualifying person” does not include unit trust funds, it would mean that resident unit trust funds would technically not qualify for the exemption, unless there are further updates thereto.

**Gains from the realisation of investments**

Pursuant to the Finance (No. 2) Act 2023 (“Finance Act”), gains from the realisation of investments by a unit trust would no longer be exempt from tax. Pursuant to Section 61(1)(b) of the MITA, gains arising from the realisation of investments shall be treated as income of a unit trust under Section 4(aa) of MITA, provided that such gains are not related to real property as defined in the Real Property Gains Tax Act 1976. Section 4(aa) provides that gains or profits from the disposal of a capital asset<sup>7</sup> are to be treated as a class of income. Paragraph 38 of Schedule 6 of the MITA, introduced via the Finance Act, then provides an income tax exemption on gains or profits from the disposal of a capital asset situated in Malaysia, other than:

- (i) Disposal of shares of a company incorporated in Malaysia not listed on the stock exchange<sup>8</sup>; and
- (ii) Disposal of shares under Section 15C of the MITA, which was introduced via the Finance Act, Section 15C deems gains or profits from the disposal of shares in a company incorporated outside Malaysia (“foreign company”) to be derived from Malaysia and hence subject to Malaysian income tax, where the foreign company directly or indirectly owns real property in Malaysia exceeding certain thresholds, as determined based on the parameters of Section 15C

As such, capital assets that fall within the scope of charge of the MITA are as follows:

- a) Capital assets situated in Malaysia – Shares of a company incorporated in Malaysia not listed on the stock exchange and shares in foreign incorporated companies deriving value from real property in Malaysia.
- b) Capital assets situated outside Malaysia – All capital assets, not limited to shares.

Gains from disposal of capital asset situated outside Malaysia will only be subject to tax when the gains are received in Malaysia.

The Finance Act provides an effective date of 1 January 2024 for the above changes to the MITA. However, pursuant to the Income Tax (Exemption) (No. 7) Order 2023 [P.U.(A) 410], a trust body is exempted from the payment of income tax in respect of any gains or profits received from the disposal of shares of a company incorporated in Malaysia not listed on the stock exchange. This exemption applies for such disposals from 1 January to 29 February 2024.

The relevant tax rates of the gains of the disposal of capital assets are as below:

	Tax rates
A. Disposal of capital assets situated in Malaysia which was <b>acquired before 1 January 2024</b>	
<ul style="list-style-type: none"> <li>• On chargeable income of the disposal</li> <li>• On gross disposal price</li> </ul>	10% 2%
B. Disposal of capital assets situated in Malaysia which was <b>acquired after 1 January 2024</b>	
<ul style="list-style-type: none"> <li>• On chargeable income of the disposal</li> </ul>	10%
C. Disposal of capital assets situated outside Malaysia	
<ul style="list-style-type: none"> <li>• On chargeable income of the disposal</li> </ul>	24% (prevailing tax rate of a unit trust)

**Implementation of Sales and Service Tax (“SST”)**

Sales and Service Tax (“SST”) was re-introduced effective 1 September 2018. Sales Tax of 10% (most common rate) or 5% is charged by Malaysian manufacturers of taxable goods or upon importation into Malaysia of such taxable goods, unless specifically exempted under the Sales Tax (Goods Exempted From Tax) Order 2018. Service Tax is charged on certain prescribed taxable

<sup>6</sup> “Qualifying person” in this context means a person resident in Malaysia who is:  
 (a) An individual who has dividend income received in Malaysia from outside Malaysia in relation to a partnership business in Malaysia;  
 (b) A limited liability partnership which is registered under the Limited Liability Partnerships Act 2012; or  
 (c) A company which is incorporated or registered under the Companies Act 2016.

<sup>7</sup> “Capital asset” means movable or immovable property including any rights or interest thereof.

<sup>8</sup> “stock exchange” has the meaning assigned to it in the Capital Markets and Services Act 2007

services performed by taxable persons as stipulated under Service Tax Regulations 2018. The input tax recovery mechanism under the previous GST regime does not apply to SST. Therefore, any SST incurred is not recoverable and will form a cost element for businesses.

Based on the Service Tax Regulations 2018, a unit trust fund is neither regarded as a taxable person nor as providing taxable services and is therefore not liable for SST registration. Where the Fund incurs expenses such as management fees, the management services provided by asset and fund managers who are licensed or registered with Securities Commission Malaysia for carrying out the regulated activity of fund management under the Capital Markets and Services Act 2007, are specifically excluded from the scope of Service Tax. As for other fees, such as trustee fees and other administrative charges, these may be subject to service tax<sup>8F</sup> provided they fall within the scope of service tax (i.e. are provided by a “taxable person”, who exceeds the required annual threshold (in most cases RM 500,000 per annum) and the services qualify as “taxable services”).

### Taxation of unit holders

For Malaysian income tax purposes, unit holders will be taxed on their share of the distributions received from the Fund.

The income of unit holders from their investment in the Fund broadly falls under the following categories:

1. taxable distributions; and
2. non-taxable and exempt distributions.

In addition, unit holders may also realise a gain from the sale of units.

The tax implications of each of the above categories are explained below:

#### 1. Taxable distributions

Distributions received from the Fund will have to be grossed up to take into account the underlying tax paid by the Fund and the unit holder will be taxed on the grossed up amount. See however item 2 below on certain distributions which are not taxable to unit holders.

Such taxable distributions carry a tax credit, which will be available for set-off against any Malaysian income tax payable by the unit holder. Should the tax deducted at source exceed the tax liability of the unit holder, the excess is refundable to the unit holders.

Please refer to the paragraph below for the income tax rates applicable to the grossed up distributions.

#### 2. Non-taxable and exempt distributions

Tax exempt distributions made out of gains from the realisation of investments and exempt income earned by the Fund will not be subject to Malaysian income tax in the hands of the unit holders.

A retail money market fund is exempted from tax on its interest income derived from Malaysia, pursuant to Paragraph 35A of Schedule 6 of the MITA. Pursuant to the Finance Act 2021, with effect from 1 January 2022, distributions by a retail money market fund from such tax exempt interest income, to a unit holder other than an individual, will no longer be exempt from tax. The distribution to unit holders other than individuals will be subject to withholding tax at 24%. This would be a final tax for non-residents. Malaysian residents are required to include the distributions in their tax returns and claim a credit in respect of the withholding tax suffered. Individuals will continue to be exempt from tax on such distributions.

As stated above, with effect from 1 January 2024 (1 March 2024 for disposals of shares in unlisted companies incorporated in Malaysia), gains arising from the realisation of investments shall be treated as income of the Fund under Section 4(aa), pursuant to the proviso of Section 61(1)(b) of MITA. However, pursuant to Section 61(1A) of MITA, unit holders will still not be charged to tax on the gains referred to in the proviso to Section 61(1)(b).

### Rates of tax

The Malaysian income tax chargeable on the unit holders would depend on their tax residence status and whether they are individuals, corporations or trust bodies. The relevant income tax rates are as follows:

Unit holders	Malaysian income tax rates
Malaysian tax resident:	

Unit holders	Malaysian income tax rates
<ul style="list-style-type: none"> <li>• Individual and non-corporate unit holders (such as associations and societies)</li> <li>• Co-operatives<sup>9</sup></li> <li>• Trust bodies</li> <li>• Corporate unit holders <ul style="list-style-type: none"> <li>(i) A company with paid-up capital in respect of ordinary shares of not more than RM2.5 million (at the beginning of the basis period for the year of assessment) and gross income from a source or sources consisting of a business not exceeding RM50 million for the basis period for the year of assessment<sup>10 11</sup></li> <li>(ii) Companies other than (i) above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Progressive tax rates ranging from 0% to 30%</li> <li>• Progressive tax rates ranging from 0% to 24%</li> <li>• 24%</li> <li>• First RM150,000 of chargeable income @ 15%<sup>12</sup></li> <li>• Next RM450,000 of chargeable income @ 17%</li> <li>• Chargeable income in excess of RM600,000 @ 24%</li> <li>• 24%</li> </ul>
<p>Non-Malaysian tax resident (Note 1):</p> <ul style="list-style-type: none"> <li>• Individual and non-corporate unit holders</li> <li>• Corporate unit holders and trust bodies</li> </ul>	<ul style="list-style-type: none"> <li>• 30%</li> <li>• 24%</li> </ul>

**Note 1:**

Non-resident unit holders may be subject to tax in their respective countries depending on the provisions of the tax legislation in the respective countries and any existing double taxation arrangements with Malaysia.

**Gains from sale of units**

Gains arising from the sale of units will generally not be subject to income tax in the hands of unit holders unless they are insurance companies, financial institutions or traders / dealers in securities.

<sup>9</sup> Pursuant to Paragraph 12(1), Schedule 6 of the MITA, the income of any co-operative society—

- (a) in respect of a period of five years commencing from the date of registration of such co-operative society; and
- (b) thereafter where the members' funds [as defined in Paragraph 12(2)] of such co-operative society as at the first day of the basis period for the year of assessment is less than seven hundred and fifty thousand ringgit, is exempt from tax.

<sup>10</sup> A company would not be eligible for the concessionary tax rate on the first RM600,000 of chargeable income if:-

- (a) more than 50% of the paid-up capital in respect of the ordinary shares of the company is directly or indirectly owned by a related company which has paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
- (b) the company owns directly or indirectly more than 50% of the paid-up capital in respect of the ordinary shares of a related company which has paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;
- (c) more than 50% of the paid-up capital in respect of the ordinary shares of the company and a related company which has a paid-up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment is directly or indirectly owned by another company.
- (d) Pursuant to the Finance Act 2023, effective from the year of assessment 2024, in order for a company to qualify for the concessionary tax rates not more than 20% of the paid-up capital in respect of the ordinary shares of the company at the beginning of a basis period for a year of assessment can be directly or indirectly owned by one or more companies incorporated outside Malaysia or by individuals who are not citizens of Malaysia.

<sup>11</sup> The above excludes a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.

<sup>12</sup> Pursuant to the Finance Act 2023, effective from the year of assessment 2023, the concessionary tax rate is reduced from 17% to 15% for the first RM150,000 of chargeable income.

**Unit splits and reinvestment of distributions**

Unit holders may also receive new units as a result of unit splits or may choose to reinvest their distributions. The income tax implications of these are as follows:

- Unit splits – new units issued by the Fund pursuant to a unit split will not be subject to income tax in the hands of the unit holders.
- Reinvestment of distributions – unit holders may choose to reinvest their income distribution in new units by informing the Manager. In this event, the unit holder will be deemed to have received the distribution and reinvested it with the Fund.

\*\*\*\*\*

We hereby confirm that, as at the date of this letter, the statements made in this letter correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.

The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in the Fund. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in the Fund.

Yours faithfully

**Ernst & Young Tax Consultants Sdn Bhd**

Bernard Yap  
Partner

Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this Prospectus and has not withdrawn such consent before the date of issue of this Prospectus.

# 10. DISTRIBUTORS OF THE FUND

## 10.1. OUR BRANCHES

Main Branch  
Northern Branch  
Southern Branch  
Sarawak Branch  
Sabah Branch  
Ampang Branch  
Melaka Branch  
Kuantan Branch  
Kota Bharu Branch

For information and updates on our branches, please contact our Customer Care Centre under the “Corporate Directory” section during business hour between 8:45 a.m. and 5:45 p.m. (Malaysian time) from Mondays to Fridays or refer to our website at [www.principal.com.my](http://www.principal.com.my).

## 10.2. PRINCIPAL DISTRIBUTORS

### **Nsg Wealth Advisors**

No 8 Jalan BM 7/19  
Seksyen 7  
Bandar Bukit Mahkota  
Kajang 43000 Selangor  
Tel: (603) 8920 8277

### **Platinum**

E5-03 Empire Damansara  
Jalan PJU 8/8  
Damansara Perdana  
47820 Petaling Jaya  
Tel: (603) 7843 0506

### **Dynamics Wealth Advisors**

*(formerly known as Star Pesona Advisors)*  
*(secondly known as Professional 5 star wealth advisors)*  
Unit B-3A-1 Setiawangsa Business Suites  
Jalan Setiawangsa 11  
Taman Setiawangsa  
54200 Kuala Lumpur  
Tel: (603) 4256 6277

### **Megas**

2-6A Jalan PJU 8/3A  
Bandar Damansara Perdana  
47820 Petaling Jaya  
Selangor  
Tel: (603) 7725 6320

### **Amg Synergy Multiresources Sdn Bhd**

3rd Floor  
No 45 Jalan Teluk Sisek  
25000 Kuantan Pahang  
Tel: (609) 5161 430

### **Charisma Legacy**

B-1-22 & B-2-22 & B-2-21  
Block B 10 Boulevard  
Jalan Cempaka Sungai Kayu Ara  
47400 Petaling Jaya  
Selangor  
Tel: (603) 7722 3895

### **AAAAA Wealth Builders**

*(formerly known as O-tye Group Consultants)*  
Lot C-615 & Lot C-616  
Level 6 Block C Kelana Square  
17 Jalan SS7/26  
Kelana Jaya  
47301 Petaling Jaya Selangor  
Tel: (603) 7880 6893

### **My Financial Freedom Advisors**

*(formerly known as M\$G Prominent Consultants)*  
No.3A, Jalan Hentian 3  
Pusat Hentian Kajang  
43000 Kajang  
Selangor  
Tel: (603) 8741 4382

### **Preferred Wealth Advisors**

*(formerly known as Titan Empire )*  
No 12-01 D’bayu Business Center  
Jalan Serambi U8/24  
Bukit Jelutong  
40150 Shah Alam  
Selangor  
Tel: (603) 6142 8382

### **Otye Xcellence Consultants**

Lot No 35-2 2nd Floor  
Jalan Sepah Puteri 5/1B  
Pusat Dagangan Seri Utama  
PJU 5 Kota Damansara  
47410 Selangor  
Tel: (603) 6140 3046



**Elite Group Consultants**  
No 6-2 Jalan Dagang 1/1A  
Taman Dagang  
68000 Ampang  
Selangor  
Tel: (603) 4251 1129

**Success Concepts Life Planners**  
J-06-01 Level 6 Block J  
Solaris Mont' Kiara  
Jalan Solaris  
50480 Kuala Lumpur  
Tel: (603) 6204 0113

**Aces Advisors**  
Unit D5-6 Ritze Perdana 1  
Jalan PJU 8/2  
Damansara Perdana  
47820 Petaling Jaya, Selangor  
Tel: (6016) 2292 342

**GVG Solution Agency**  
No. 12-01 Jalan Setia Tropika 1/29  
Taman Setia Tropika  
Johor Bahru  
81200 Johor  
Tel: (607) 2326 976

**Tremendous Wealth Advisors**  
No 11 Level 2  
Jalan Pelabur B 23/B  
Section 23  
40300 Shah Alam  
Selangor Darul Ehsan  
Tel: (603) 5480 0296

**Soha Barakah Wealth Consultancy**  
No 55-2, 57-2, 59-2  
Jalan Tu 49A Taman Tasik Utama  
Ayer Keroh  
75450 Melaka  
Tel: (606) 2533 289

**Evoque Wealth Advisors**  
2nd Floor No 32A-2 Jalan PJU 5/20d The Strand  
Pusat Perdagangan Kota Damansara  
Kota Damansara PJU 5  
47810 Petaling Jaya  
Selangor  
Tel: (603) 6151 9512

**Premierone Wealth**  
No 527-1 Jalan Pusat Bandar Senawang  
Pusat Bandar Senawang  
70450 Senawang  
Negeri Sembilan  
Tel: (606) 6718 253

**Charisma Legacy 1**  
B-3-21 Block Bougainvillea  
10 Boulevard Lebuhraya Sprint PJU 6A  
47400 Petaling Jaya  
Selangor  
Tel: (603) 7733 5009

**Prestige Wealth Advisors**  
I-91-2 Block I  
Jalan Teknologi 3/9  
Kota Damansara  
47810 Petaling Jaya  
Selangor  
Tel: (603) 6140 7275

**Magnificent Champion Agency Office**  
47A, Tingkat 1  
Jalan Badminton 13/29  
Seksyen 13, Shah Alam  
40100 Selangor  
Tel: (603) 5523 2693

**Premier Wealth Advisors**  
No 18-1 S2 B18  
Biz Avenue Seremban 2  
70300 Seremban  
Negeri Sembilan  
Tel: (606) 6015 749

**My IFP Kemaman**  
PT 10725, Ground Floor  
Jalan Kubang Kurus  
Taman Cukai Utama Fasa 4  
24000 Kemaman  
Terengganu  
Tel: (609) 8589 911

**Wealth Resources Group Advisors**  
No 41B 3B Curve Business Park  
Medan Pusat Bandar 2D Seksyen 9  
43650 Bandar Baru Bangi  
Selangor  
Tel: (603) 8926 4155

**GVG Pasir Gudang Solution**  
No 38-01 Jalan Serangkai 18  
Taman Bukit Dahlia  
81700 Pasir Gudang  
Johor  
Tel: (6012) 7076 107

**KPG Management Resources**  
19-1 Jalan Adenium 2G/9  
Adenium Business Center  
Bukit Beruntung  
48300 Rawang  
Selangor  
Tel: (603) 6021 7385

**Victorious Agency**  
33-01 Jalan Tampoi Susur 1  
81200 Johor Bahru  
Johor  
Tel: (6011) 1211 840

**KPG Elite Billionaire**  
No 15-1 Jalan Adenium 2g/9  
Adenium Business Centre  
48300 Bukit Beruntung  
Rawang Selangor  
Tel: (603) 6021 7188

**Nrich Wealth Advisory Group**

ZP-02-12 Zest Point  
Lebuhraya Bukit Jalil  
Bandar Kinrara  
47180 Puchong  
Selangor  
Tel: (603) 8074 8485

**Synergy Wealth Entrepreneur**

98-2 Jalan Dwitasik  
Dataran Dwitasik  
Bandar Sri Permaisuri  
Cheras  
56000 Kuala Lumpur  
Tel: (603) 9226 5344

**KPG Capital Growth Solution**

No 15-1 Jalan Adenium 2G/9  
Adenium Business Centre  
48300 Bukit Beruntung  
Rawang Selangor  
Tel: (603) 6021 7188

**NZ Group**

PT 650 1st & 2nd Floor  
Jalan Sri Cemerlang  
Seksyen 27  
15300 Kota Bharu  
Kelantan  
Tel: (609) 7476 932

**Zenith Premier Wealth Advisors**

No 98 Second Floor  
Jalan Legenda 1  
Legenda Heights  
08000 Sungai Petani  
Kedah  
Tel: (604) 4246 042

**Millionaire Empire Group**

23-1 Jalan Rejang 4  
Setapak Jaya  
53300 Kuala Lumpur  
Tel: (603) 4141 6644

**Charisma Legacy 3**

B-3-17 Blok Bouganvilla 10 Boulevard  
Lebuhraya Sprint Pju 6A Kayu Ara  
Damansara Jaya  
47400 Petaling Jaya  
Selangor  
Tel: (603) 7733 4211

**Charisma Legacy Kota Bharu**

PT1671 & 1672 Tingkat 2  
Jalan Raja Perempuan Zainab 2  
Kubang Kerian  
16150 Kota Bharu  
Kelantan  
Tel: (6016) 2236 343

**Global Amazing Entrepreneur**

C-10-2 & C-11-2  
Bangi Gateway Shopping Complex  
Persiaran Pekililing Seksyen 15  
43650 Bandar Baru Bangi  
Selangor  
Tel: (603) 8920 9038

**Charisma Legacy 2**

B-3-25 Block Bougainvillea  
10 Boulevard Lebuhraya Sprint  
PJU 6A  
47400 Petaling Jaya  
Selangor  
Tel: (603) 7733 2460

**Sa@7**

No. 35B-2 (2nd Floor)  
Jalan Keluli Am 7/AM  
Pusat Perniagaan Bukit Raja Seksyen 7  
400000 Shah Alam  
Selangor  
Tel: (603) 3341 4978

**Finaims**

Suite 3a Level 4 Starling Mall  
Damansara Uptown  
47400 Petaling Jaya  
Selangor  
Tel: (6013) 3257 653

**Note:** We have the discretion in determining the Distributors of the Classes of the Funds, including its appointment and/or termination from time to time. For updated and more information on the Distributors of the Classes of the Funds, please contact our Customer Care Centre under the "Corporate Directory" section during business hour between 8:45 a.m. and 5:45 p.m. (Malaysian time) from Mondays to Fridays or refer to our website at [www.principal.com.my](http://www.principal.com.my).

# **ANNEXURE - CLASS USD**

This section is only a summary of the salient information about Class USD. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class USD		Page
Currency denomination	USD	
Distribution policy	Distributions, if any, is expected to be distributed on an incidental basis at the Manager's discretion and will vary from period to period depending on the availability of realised income and/or realised gains, market conditions and performance of the Fund.	39

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class USD	Page
Application Fee	Up to 5.00% of the NAV per unit.	28
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	28
Switching Fee	Switching is treated as a withdrawal from this Class USD and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may be charged a switching fee equal to the difference (if any) between the Application Fee of Class USD and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose USD35 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	28
Transfer Fee	A maximum of USD15 may be charged for each transfer.	28
Other charges payable directly by you when purchasing or withdrawing the units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class USD	Page
Management Fee	1.80% per annum of the NAV of the Class.	28
Trustee Fee	0.03% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	29
Expenses directly related to Fund or Class	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	29
Other fees payable indirectly by you when investing in the Fund	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/ or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

Class USD	Page
<b>Minimum initial investment</b>	36
<b>Minimum additional investment</b>	36
<b>Minimum withdrawal</b>	36
<b>Minimum balance</b>	37
<b>Regular Savings Plan</b>	35
<b>Cooling-off period</b>	37
<b>Switching</b>	38
<b>Transfer</b>	38

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Prospectus.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the fees, charges and/or the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE - CLASS MYR**

This section is only a summary of the salient information about Class MYR. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class MYR		Page
<b>Currency denomination</b>	MYR	
<b>Distribution policy</b>	Distributions, if any, is expected to be distributed on an incidental basis at the Manager's discretion and will vary from period to period depending on the availability of realised income and/or realised gains, market conditions and performance of the Fund.	39

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class MYR	Page
<b>Application Fee*</b>	Up to 5.00% of the NAV per unit.	28
<b>Withdrawal Penalty</b>	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	28
<b>Switching Fee</b>	Switching is treated as a withdrawal from this Class MYR and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may be charged a switching fee equal to the difference (if any) between the Application Fee of this Class MYR and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose a MYR100 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	28
<b>Transfer Fee</b>	A maximum of MYR50 may be charged for each transfer.	28
<b>Other charges payable directly by you when purchasing or withdrawing the units</b>	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class MYR	Page
<b>Management Fee</b>	1.80% per annum of the NAV of the Class.	28
<b>Trustee Fee</b>	0.03% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	29
<b>Expenses directly related to Fund or Class</b>	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	29
<b>Other fees payable indirectly by you when investing in the Fund</b>	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/ or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

Class MYR	Page
<b>Minimum initial investment*</b>	MYR100 or such other amount as we may decide from time to time. <span style="float: right;">36</span>
<b>Minimum additional investment</b>	MYR100 or such other amount as we may decide from time to time. <span style="float: right;">36</span>
<b>Minimum withdrawal</b>	100 units or such other number of units as we may decide from time to time. <span style="float: right;">36</span>
<b>Minimum balance</b>	100 units or such other number of units as we may decide from time to time. <span style="float: right;">37</span>
<b>Regular Savings Plan</b>	RSP is available for Class MYR. The RSP allows you to make regular monthly investments of MYR100 or more, directly from your account held with a bank approved by us or our Distributors. The minimum initial investment for the RSP is MYR100 or such other amount as we may decide from time to time. <span style="float: right;">35</span>
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or Distributors from the first time individual investor investing with us or our Distributors to exercise a cooling-off right. However, Principal Malaysia's staff or a person registered with a body approved by the SC to deal in unit trusts funds are not entitled to the cooling-off right. <span style="float: right;">37</span>
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class:               <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class:               <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the switching fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> You may negotiate to lower the amount for your switch with us or our Distributors. <span style="float: right;">38</span>
<b>Transfer</b>	We may, at our absolute discretion allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed. <span style="float: right;">38</span>

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Prospectus.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the fees, charges and/or the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**



# **ANNEXURE - CLASS MYR-Hedged**

This section is only a summary of the salient information about Class MYR-Hedged. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class MYR-Hedged		Page
Currency denomination	MYR	
Distribution policy	Distributions, if any, is expected to be distributed on an incidental basis at the Manager's discretion and will vary from period to period depending on the availability of realised income and/or realised gains, market conditions and performance of the Fund.	39

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class MYR-Hedged	Page
Application Fee*	Up to 5.00% of the NAV per unit.	28
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	28
Switching Fee	Switching is treated as a withdrawal from this Class MYR-Hedged and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may be charged a switching fee equal to the difference (if any) between the Application Fee of this Class MYR-Hedged and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose a MYR100 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	28
Transfer Fee	A maximum of MYR50 may be charged for each transfer.	28
Other charges payable directly by you when purchasing or withdrawing the units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class MYR-Hedged	Page
Management Fee	1.80% per annum of the NAV of the Class.	28
Trustee Fee	0.03% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	29
Expenses directly related to Fund or Class	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	29
Other fees payable indirectly by you when investing in the Fund	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class MYR-Hedged	Page
<b>Minimum initial investment</b>	MYR100 or such other amount as we may decide from time to time.	36
<b>Minimum additional investment</b>	MYR100 or such other amount as we may decide from time to time.	36
<b>Minimum withdrawal</b>	100 units or such other number of units as we may decide from time to time.	36
<b>Minimum balance</b>	100 units or such other number of units as we may decide from time to time.	37
<b>Regular Savings Plan</b>	RSP is available. The RSP allows you to make regular monthly investments of MYR100 or more, directly from your account held with a bank approved by us or our Distributors. The minimum initial investment for the RSP is MYR100 or such other amount as we may decide from time to time.	35
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or Distributors from the first time individual investor investing with us or our Distributors to exercise a cooling-off right. However, Principal Malaysia's staff or a person registered with a body approved by the SC to deal in unit trusts funds are not entitled to the cooling-off right.	37
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class:               <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class:               <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the switching fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> You may negotiate to lower the amount for your switch with us or our Distributors.	38
<b>Transfer</b>	We may, at our absolute discretion allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	38

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Prospectus.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the fees, charges and/or the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE - CLASS AUD-Hedged**

This section is only a summary of the salient information about Class AUD-Hedged. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class AUD-Hedged		Page
Currency denomination	AUD	
Distribution policy	Distributions, if any, is expected to be distributed on an incidental basis at the Manager's discretion and will vary from period to period depending on the availability of realised income and/or realised gains, market conditions and performance of the Fund.	39

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class AUD-Hedged	Page
Application Fee	Up to 5.00% of the NAV per unit.	28
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	28
Switching Fee	Switching is treated as a withdrawal from this Class AUD-Hedged and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may be charged a switching fee equal to the difference (if any) between the Application Fee of Class AUD-Hedged and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose AUD35 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	28
Transfer Fee	A maximum of AUD15 may be charged for each transfer.	28
Other charges payable directly by you when purchasing or withdrawing the units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class AUD-Hedged	Page
Management Fee	1.80% per annum of the NAV of the Class.	28
Trustee Fee	0.03% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	29
Expenses directly related to Fund or Class	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	29
Other fees payable indirectly by you when investing in the Fund	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/ or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class AUD-Hedged	Page
<b>Minimum initial investment</b>	AUD100 or such other amount as we may decide from time to time.	36
<b>Minimum additional investment</b>	AUD100 or such other amount as we may decide from time to time.	36
<b>Minimum withdrawal</b>	100 units or such other number of units as we may decide from time to time.	36
<b>Minimum balance</b>	100 units or such other number of units as we may decide from time to time.	37
<b>Regular Savings Plan</b>	Currently, RSP is not available.	35
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or Distributors from the first time individual investor investing with us or our Distributors to exercise a cooling-off right. However, Principal Malaysia's staff or a person registered with a body approved by the SC to deal in unit trusts funds are not entitled to the cooling-off right.	37
<b>Switching</b>	<p>Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to:</p> <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the switching fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	38
<b>Transfer</b>	We may, at our absolute discretion allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	38

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Prospectus.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the fees, charges and/or the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE - CLASS GBP-Hedged**

This section is only a summary of the salient information about Class GBP-Hedged. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class GBP-Hedged		Page
<b>Currency denomination</b>	GBP	
<b>Distribution policy</b>	Distributions, if any, is expected to be distributed on an incidental basis at the Manager's discretion and will vary from period to period depending on the availability of realised income and/or realised gains, market conditions and performance of the Fund.	39

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class GBP-Hedged	Page
<b>Application Fee</b>	Up to 5.00% of the NAV per unit.	28
<b>Withdrawal Penalty</b>	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	28
<b>Switching Fee</b>	Switching is treated as a withdrawal from this Class GBP-Hedged and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may be charged a switching fee equal to the difference (if any) between the Application Fee of Class GBP-Hedged and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose GBP35 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	28
<b>Transfer Fee</b>	A maximum of GBP15 may be charged for each transfer.	28
<b>Other charges payable directly by you when purchasing or withdrawing the units</b>	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class GBP-Hedged	Page
<b>Management Fee</b>	1.80% per annum of the NAV of the Class.	28
<b>Trustee Fee</b>	0.03% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	29
<b>Expenses directly related to Fund or Class</b>	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	29
<b>Other fees payable indirectly by you when investing in the Fund</b>	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/ or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.



## TRANSACTION INFORMATION

	Class GBP-Hedged	Page
<b>Minimum initial investment</b>	GBP100 or such other amount as we may decide from time to time.	36
<b>Minimum additional investment</b>	GBP100 or such other amount as we may decide from time to time.	36
<b>Minimum withdrawal</b>	100 units or such other number of units as we may decide from time to time.	36
<b>Minimum balance</b>	100 units or such other number of units as we may decide from time to time.	37
<b>Regular Savings Plan</b>	Currently, RSP is not available.	35
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or Distributors from the first time individual investor investing with us or our Distributors to exercise a cooling-off right. However, Principal Malaysia's staff or a person registered with a body approved by the SC to deal in unit trusts funds are not entitled to the cooling-off right.	37
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the switching fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	38
<b>Transfer</b>	We may, at our absolute discretion allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	38

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Prospectus.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the fees, charges and/or the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE - CLASS RMB-Hedged**

This section is only a summary of the salient information about Class RMB-Hedged. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class RMB-Hedged		Page
Currency denomination	RMB	
Distribution policy	Distributions, if any, is expected to be distributed on an incidental basis at the Manager's discretion and will vary from period to period depending on the availability of realised income and/or realised gains, market conditions and performance of the Fund.	39

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class RMB-Hedged	Page
Application Fee	Up to 5.00% of the NAV per unit.	28
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	28
Switching Fee	Switching is treated as a withdrawal from this Class RMB-Hedged and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may be charged a switching fee equal to the difference (if any) between the Application Fee of Class RMB-Hedged and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose RMB35 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	28
Transfer Fee	A maximum of RMB15 may be charged for each transfer.	28
Other charges payable directly by you when purchasing or withdrawing the units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class RMB-Hedged	Page
Management Fee	1.80% per annum of the NAV of the Class.	28
Trustee Fee	0.03% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	29
Expenses directly related to Fund or Class	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	29
Other fees payable indirectly by you when investing in the Fund	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/ or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class RMB-Hedged	Page
<b>Minimum initial investment</b>	RMB100 or such other amount as we may decide from time to time.	36
<b>Minimum additional investment</b>	RMB100 or such other amount as we may decide from time to time.	36
<b>Minimum withdrawal</b>	100 units or such other number of units as we may decide from time to time.	36
<b>Minimum balance</b>	100 units or such other number of units as we may decide from time to time.	37
<b>Regular Savings Plan</b>	Currently, RSP is not available.	35
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or Distributors from the first time individual investor investing with us or our Distributors to exercise a cooling-off right. However, Principal Malaysia's staff or a person registered with a body approved by the SC to deal in unit trusts funds are not entitled to the cooling-off right.	37
<b>Switching</b>	<p>Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to:</p> <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the switching fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	38
<b>Transfer</b>	We may, at our absolute discretion allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	38

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Prospectus.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the fees, charges and/or the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE - CLASS SGD-Hedged**

This section is only a summary of the salient information about Class SGD-Hedged. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class SGD-Hedged		Page
Currency denomination	SGD	
Distribution policy	Distributions, if any, is expected to be distributed on an incidental basis at the Manager's discretion and will vary from period to period depending on the availability of realised income and/or realised gains, market conditions and performance of the Fund.	39

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class SGD-Hedged	Page
Application Fee	Up to 5.00% of the NAV per unit.	28
Withdrawal Penalty	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	28
Switching Fee	Switching is treated as a withdrawal from this Class SGD-Hedged and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may be charged a switching fee equal to the difference (if any) between the Application Fee of Class SGD-Hedged and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose SGD35 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	28
Transfer Fee	A maximum of SGD15 may be charged for each transfer.	28
Other charges payable directly by you when purchasing or withdrawing the units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class SGD-Hedged	Page
Management Fee	1.80% per annum of the NAV of the Class.	28
Trustee Fee	0.03% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	29
Expenses directly related to Fund or Class	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	29
Other fees payable indirectly by you when investing in the Fund	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/ or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class SGD-Hedged	Page
<b>Minimum initial investment</b>	SGD100 or such other amount as we may decide from time to time.	36
<b>Minimum additional investment</b>	SGD100 or such other amount as we may decide from time to time.	36
<b>Minimum withdrawal</b>	100 units or such other number of units as we may decide from time to time.	36
<b>Minimum balance</b>	100 units or such other number of units as we may decide from time to time.	37
<b>Regular Savings Plan</b>	Currently, RSP is not available.	35
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or Distributors from the first time individual investor investing with us or our Distributors to exercise a cooling-off right. However, Principal Malaysia's staff or a person registered with a body approved by the SC to deal in unit trusts funds are not entitled to the cooling-off right.	37
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the switching fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	38
<b>Transfer</b>	We may, at our absolute discretion allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	38

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by you and/or the Fund as disclosed or illustrated in the Prospectus.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the fees, charges and/or the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**

# **ANNEXURE - CLASS D**



This section is only a summary of the salient information about Class D. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Malaysia, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class D		Page
<b>Currency denomination</b>	MYR	
<b>Distribution policy</b>	Distributions, if any, is expected to be distributed on an incidental basis at the Manager's discretion and will vary from period to period depending on the availability of realised income and/or realised gains, market conditions and performance of the Fund.	39
<b>Eligible investor</b>	An individual who is at least eighteen (18) years of age and have an account in the e-Wallet App and fulfil the requirements therein.  Notwithstanding the above, we have the right to accept or reject any application in whole or in part thereof without assigning any reason in respect thereof.	35

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of the Class.

Charges	Class D	Page
<b>Application Fee</b>	Up to 5.00% of the NAV per unit.	28
<b>Withdrawal Penalty</b>	Nil.	28
<b>Switching Fee</b>	When available, switching is treated as a withdrawal from this Class D and an investment into another Class or Principal Malaysia's fund (or its classes), you may be charged a switching fee equal to the difference (if any) between the Application Fees of this Class D and the Application Fee of the other Class or Principal Malaysia's fund (or its classes). You will not be charged a switching fee, if the Class or Principal Malaysia's fund (or its classes) to be switched into has a lower Application Fee than the Application Fee of the Class. In addition to the Switching Fee, you may be charged MYR100 as the administrative fee for every switch. You may negotiate to lower the Switching Fee and/or administrative fee.	28
<b>Transfer Fee</b>	When available, a maximum of MYR50 may be charged for each transfer.	28
<b>Other charges payable directly by you when purchasing or withdrawing the units</b>	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in the Class.

Fees	Class D	Page
<b>Management Fee</b>	1.80% per annum of the NAV of the Class.	28
<b>Trustee Fee</b>	0.03% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	29
<b>Expenses directly related to Fund or Class</b>	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	29
<b>Other fees payable indirectly by you when investing in the Fund</b>	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

Class D			Page
<b>Minimum initial investment</b>	<b>Non-RSP</b>	MYR10 or such other amount as we may decide from time to time.	36
	<b>RSP</b>	MYR500 or such other amount as we may decide from time to time.	36
<b>Minimum additional investment</b>	<b>Non-RSP</b>	MYR10 or such other amount as we may decide from time to time.	36
	<b>RSP</b>	MYR500 or such other amount as we may decide from time to time.	36
<b>Minimum withdrawal</b>	MYR10 or such other amount as we may decide from time to time.		36
<b>Minimum balance</b>	10 units or such other number of units as we may decide from time to time.		37
<b>Cooling-off period</b>	<p>For first time individual investor investing with us, you have six (6) Business Days after your initial investment (i.e from the date the complete application is received and accepted by us or any of our Distributors) to reconsider its appropriateness and suitability for your investment needs. Within this period, you may withdraw your investment at the same NAV per unit when the units were purchased or prevailing NAV per unit at the point of cooling-off (whichever is lower) ("Refund Amount"). We will pay the Refund Amount including the Application Fee (if any) to you in the currency of the respective Class within eleven (11) Business Days from the date we receive the complete documentations. Please note that the cooling-off right is only given to first time investor investing with us or our Distributors. However, Principal Malaysia's staff and person(s) registered with a body approved by the SC to deal in unit trust funds are not entitled to the cooling-off right.</p> <p>For transaction through e-Wallet App, cooling-off right is not applicable if you have withdrawn all or parts of your investment from Class D either to your e-Wallet or your bank account. Request for cooling-off can be made directly through Principal Malaysia and/or through the e-Wallet App (where available).</p> <p>Note: Please consult your professional advisers before investing. You may also contact our Customer Care Centre at (03) 7723 7260 or whatsapp at (6016) 299 9792 for further information.</p>		37
<b>Switching</b>	<p>Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to:</p> <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the switching fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>		38
<b>Transfer</b>	When available, transfer of unit holdings is allowed but this is subject to conditions stipulated in the Deed. However, we may refuse to register any transfer of unit at our absolute discretion.		38

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

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**We have the discretion to amend the amount, rate and/or terms and conditions for the fees, charges and/or the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**

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