

19 June 2024

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

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

Dear Unitholder,

Re: Principal Life Style Fund (信安豐裕人生基金) (the “Fund”)

Thank you for your continuous support of the Fund. We would like to inform you of the following changes (the “Changes”) in respect of the Fund and its Sub-Funds, which shall take effect on 19 July 2024 (the “Effective Date”), unless otherwise specified.

Summary of the Changes

This table summarises the Changes that will be made to the Fund and the Sub-Funds with effect from the Effective Date.

1. Investment objective and policy of Principal Asian Equity Fund – Expansion of geographical focus

The investment objective and policy of the Principal Asian Equity Fund will be updated to reflect the expansion of its geographical focus from “Asia (ex-Japan)” to “Asia Pacific (ex-Japan)”.

2. Investment policy of Principal China Equity Fund – Update to investment limit on China A-Shares and B-Shares

The investment policy of the Principal China Equity Fund will be amended to provide that the Sub-Fund may invest less than 70% (currently less than 30%) of its net asset value in eligible China A-Shares and B-Shares listed on the Shanghai and Shenzhen stock exchanges (including the ChiNext market and the Science and Technology Innovation Board (“**STAR Board**”)). The Principal China Equity Fund may be subject to increased “risks associated with investments/exposure to RMB currency and/or Mainland China”, “risks associated with investment in China A-Shares through Stock Connect programmes” and “specific risks associated with investment in ChiNext market and/or STAR Board”.

3. Investment policies of Principal China Equity Fund, Principal Asian Equity Fund and Principal Hong Kong Equity Fund – Investment through the qualified foreign investor (“QFI”) regime

The respective investment policies of the relevant Sub-Funds will be amended to provide that in addition to Stock Connect, the relevant Sub-Funds may invest in eligible China A-Shares and B-Shares listed on Shanghai and Shenzhen stock exchanges via the QFI regime. The relevant Sub-Funds may be subject to “risks associated with investment made through the QFI regime”.

4. Investment policies of Principal International Bond Fund, Principal Hong Kong Dollar Savings Fund, Principal Pension Bond Fund, Principal Hong Kong Bond Fund and Principal Asian Bond Fund¹ – Enhancement on investment in debt instruments with loss-absorption features (“LAP”)

The respective investment policies of the relevant Sub-Funds will be enhanced to disclose that each of the relevant Sub-Funds may invest less than 30% of its net asset value in LAP. The relevant Sub-Funds may be subject to “risks of investing in debt instruments with loss-absorption features”.

5. Investment policy of Principal Hong Kong Bond Fund – Use of financial derivative instruments for hedging purposes

The investment policy of the Principal Hong Kong Bond Fund will be updated such that it may enter into financial futures contracts, financial option contracts and currency forward contracts for hedging purposes. The net derivative exposure of the Principal Hong Kong Bond Fund will be up to 50% of its net asset value.

6. Other miscellaneous or administrative updates

The Explanatory Memorandum and/or the Trust Deed will be amended to streamline notification arrangements in relation to prolonged suspension of the calculation of net asset value and publication of financial reports. Other amendments will be made to the Explanatory Memorandum including administrative updates to the address and biography of the Manager and general updates and enhancement of risk and tax disclosures.

The Changes above are elaborated in the main body of this Notice. The Changes will not have any adverse impact on Unitholders.

Queries

If you have any questions or concerns about the Changes set out in this Notice, please contact our customer service hotline at (852) 2117 8383.

1. Investment objective and policy of Principal Asian Equity Fund – Expansion of geographical focus

Currently, the investment objective of the Principal Asian Equity Fund is to seek capital growth over the long term by investing in Asian equity markets and the Principal Asian Equity Fund will invest primarily in equity securities of companies in the Asian region. With effect from the Effective Date, the investment objective and policy of the Principal Asian Equity Fund will be updated to reflect the expansion of its geographical focus from “Asia (ex-Japan)” to “Asia Pacific (ex-Japan)”. Consequently, the investment objective of the Principal Asian Equity Fund will be amended as follows:

“The investment objective of the Principal Asian Equity Fund is to seek capital growth over the long term by investing primarily in Asia Pacific (ex-Japan) equities ~~Asian equity markets~~.”

¹ The Principal Asian Bond Fund is not authorised by the SFC under the UTMF Code and therefore cannot be offered to and is not available for investment by the retail public in Hong Kong. This Sub-Fund is only available for investment by trustees of retirement schemes registered under the MPFS Ordinance, certain institutional or professional investors and accounts managed by the Manager or its associates.

The Manager believes that expanding the Principal Asian Equity Fund's investment universe to some of the largest markets in the Asia Pacific (ex-Japan) region, such as Australia and New Zealand, may allow the Sub-Fund to gain exposure to such markets and diversify its investments and achieve better performance outcomes for the Sub-Fund.

2. Investment policy of Principal China Equity Fund – Update to investment limit on China A-Shares and B-Shares

Currently, the Principal China Equity Fund will invest less than 30% of its net asset value in eligible China A-Shares and B-Shares listed on the Shanghai and Shenzhen stock exchanges. As weighting of China A-Shares in benchmark indexes formulated by international index providers continue to increase, in order to provide for flexibility in portfolio management and tap into the opportunities of investment in Mainland China, the investment policy of the Principal China Equity Fund will be amended with effect from the Effective Date such that the Sub-Fund may invest less than 70% of its net asset value in eligible China A-Shares and B-Shares listed on the Shanghai and Shenzhen stock exchanges (including the ChiNext market and the STAR Board).

As a result, the Principal China Equity Fund may be subject to increased “risks associated with investments/exposure to RMB currency and/or Mainland China” and “risks associated with investment in China A-Shares through Stock Connect programmes”, as currently set out in the Explanatory Memorandum. In addition, the Principal China Equity Fund may be subject to “specific risks associated with investment in ChiNext market and/or STAR Board”. The risk disclosures in the Explanatory Memorandum will be enhanced to include the “specific risks associated with investment in ChiNext market and/or STAR Board”.

3. Investment policies of Principal China Equity Fund, Principal Asian Equity Fund and Principal Hong Kong Equity Fund (collectively the “Relevant Equity Sub-Funds”) – Investment through the QFI regime

In order to expand the scope and means of investment in Mainland China, the Manager intends to utilise the QFI regime in addition to the Stock Connect in respect of the Relevant Equity Sub-Funds. With effect from the Effective Date, the respective investment policies of the Relevant Equity Sub-Funds will be amended to provide that the Relevant Equity Sub-Funds may invest in eligible China A-Shares and B-Shares listed on Shanghai and Shenzhen stock exchanges via the Stock Connect and/or the QFI regime.

For the avoidance of doubt, the investment limit on China A-Shares and B-Shares for the Principal Asian Equity Fund and Principal Hong Kong Equity Fund will remain the same at less than 30% of the Sub-Fund's net asset value, whilst the investment limit on China A-Shares and B-Shares for the Principal China Equity Fund will be updated as set out in Section 2 above.

Consequently, as the Relevant Equity Sub-Funds may invest via the QFI regime, they may be subject to “risks associated with investment made through the QFI regime”. The risk disclosures in the Explanatory Memorandum will be enhanced to include the “risks associated with investment made through the QFI regime”.

4. **Investment policies of Principal International Bond Fund, Principal Hong Kong Dollar Savings Fund, Principal Pension Bond Fund, Principal Hong Kong Bond Fund and Principal Asian Bond Fund² (collectively the “Relevant Sub-Funds”) – Enhancement on investment in LAP**

With effect from the Effective Date, the investment policies of the Relevant Sub-Funds will be enhanced to disclose that each of the Relevant Sub-Funds may invest less than 30% of its net asset value in LAP, which may include instruments classified as Additional Tier 1/Tier 2 capital instruments, contingent convertible bonds, non-preferred senior bonds which may also be known as Tier 3 bonds and other instruments eligible to count as loss-absorbing capacity under the resolution regime for financial institution.

LAP may be subject to contingent write-down or contingent conversion to equity on the occurrence of trigger event(s). The Relevant Sub-Funds may be subject to *“risks of investing in debt instruments with loss-absorption features”*.

For the avoidance of doubt, the update is for enhancement of disclosures only and there is no actual change to the current practice of the Relevant Sub-Funds.

5. **Investment policy of Principal Hong Kong Bond Fund – Use of financial derivative instruments for hedging purposes**

Currently, the Principal Hong Kong Bond Fund will not enter into any financial derivative instruments, including financial futures contracts or any financial option contracts. In order to provide flexibility to the Manager to use financial derivative instruments for hedging purposes, the investment policy of the Principal Hong Kong Bond Fund will be updated such that it may enter into financial futures contracts, financial option contracts and currency forward contracts for hedging purposes. The net derivative exposure of the Principal Hong Kong Bond Fund will be up to 50% of its net asset value.

6. **Other miscellaneous or administrative updates**

Apart from the Changes set out in Sections 1 – 5 above, the Explanatory Memorandum and the Trust Deed will be amended to streamline notification arrangements in the case of a prolonged suspension of the calculation of net asset value of a Sub-Fund, notice(s) will be published and/or prominent message(s) will be displayed on our website at www.principal.com.hk³ or in such other appropriate manner at least once a month during the period of such suspension.

In addition, the Explanatory Memorandum will be amended to reflect that no separate notification will be sent to Unitholders upon the publication of audited annual reports and half-yearly unaudited interim reports, but these financial reports will continue to be made available to investors by the means and within the timeframe as currently disclosed in the Explanatory Memorandum.

² The Principal Asian Bond Fund is not authorised by the SFC under the UTMF Code and therefore cannot be offered to and is not available for investment by the retail public in Hong Kong. This Sub-Fund is only available for investment by trustees of retirement schemes registered under the MPFS Ordinance, certain institutional or professional investors and accounts managed by the Manager or its associates.

³ This website has not been reviewed by the SFC.

Other amendments will also be made to the Explanatory Memorandum, including but not limited to:-

- (i) Administrative updates to the address and biography of the Manager;
- (ii) General updates and enhancement of risk disclosures in the section headed “*Risk Factors*” in the Explanatory Memorandum;
- (iii) General updates to Hong Kong tax disclosures in the sub-section titled “*Hong Kong*” under the section headed “*Taxation*” in the Explanatory Memorandum;
- (iv) Enhancement of PRC tax disclosures in the sub-section titled “*China*” under the section headed “*Taxation*” in the Explanatory Memorandum; and
- (v) Other editorial amendments and administrative updates.

7. Impact on the Fund and Unitholders

Save as disclosed above, there will be (i) no material change to the other features of the relevant Sub-Funds and the operation and/or manner in which the relevant Sub-Funds are being managed in practice; (ii) no increase in the overall risk profiles of the relevant Sub-Funds; (iii) no change in the fee levels and fees and charges structure of the Sub-Funds. Based on the above, the Manager is of the view that the Changes to the relevant Sub-Funds would not have any adverse impact on Unitholders’ rights or interests.

The fees and costs incurred in connection with the Changes will be borne by the Manager and will not be borne by the Sub-Funds or the Unitholders.

8. Actions required by Unitholders

No action is required of the Unitholders to effect the Changes.

However, in connection with the Changes set out in Sections 1 – 5 above, Unitholders of the relevant Sub-Fund(s) who do not wish to remain invested in the relevant Sub-Fund(s) after the Effective Date may by 5:00 p.m. on the business day immediately before the Effective Date (i) realise their investment in the relevant Sub-Fund(s) in accordance with the section titled “*Redemption of Units*” of the Explanatory Memorandum, and/or (ii) switch their existing investment in the relevant Sub-Fund(s) to other eligible Sub-Fund(s) under the Fund in accordance with the section titled “*Switching between Sub-Funds*” of the Explanatory Memorandum. There will be no fees or penalties, bid/offer spreads, redemption charges or switching fees imposed on any such redemption or switching.

9. Availability of documents

The Explanatory Memorandum will be amended by means of a first addendum (the “**First Addendum**”) to reflect the Changes and/or other consequential, administrative and miscellaneous updates and changes. The First Addendum should be read in conjunction with and forms part of the Explanatory Memorandum. The Product Key Facts Statements (“**KFS**”) of the relevant Sub-Funds will also be amended to reflect the Changes. Changes set out in this Notice are in summary form only. Please read the Explanatory Memorandum (including the First Addendum) and the revised KFS carefully.

You may access the latest version of the Explanatory Memorandum and KFS on our website at www.principal.com.hk⁴ or request a copy of it by contacting our customer service hotline at 2117 8383.

⁴ This website has not been reviewed by the SFC.

Copy of the Trust Deed (as amended) can be inspected free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager at 29/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

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

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

Principal Asset Management Company (Asia) Limited