

8 December 2021

**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 (“PAMC (Asia)”, “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.**

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Dear Unitholder,

**Re: Principal Prosperity Series (the “Fund”)**

- **Principal Asia Pacific High Dividend Equity Fund (the “Existing Sub-Fund”)**
- **Principal Sustainable Asian Income Fund**
- **Principal Sustainable Asian Allocation Fund**

Thank you for your continuous support. We would like to inform you of the following changes in respect of the Fund and the Existing Sub-Fund, as well as the establishment of the New Sub-Funds (as defined below). The Existing Sub-Fund and the New Sub-Funds (as defined below) shall each be referred to as the “Sub-Fund” and collectively be referred to as the “Sub-Funds”.

**A. Establishment of new Sub-Funds under the Fund**

The Manager has established two new sub-funds under the Fund, namely, Principal Sustainable Asian Income Fund and Principal Sustainable Asian Allocation Fund (each the “**New Sub-Fund**”, collectively the “**New Sub-Funds**”), which is targeted to be available for subscription from mid-December 2021.

The New Sub-Funds seek to incorporate environmental, social and governance (“**ESG**”) factors as their key investment focus, and will integrate ESG characteristics into the investment process of the New Sub-Funds.

The Manager intends to offer “Retail” Class Units, “Institutional” Class Units and “Retirement” Class Units, which may each be denominated in HKD, USD or RMB (hedged), with various dividend policies as indicated by “Accumulation”, “Income” or “Income Plus” in their names. The classes of Units with “Retail” in their names are offered to retail investors.

In respect of the “Income” Class Units, the Manager may at its discretion pay dividend out of gross income while paying all or part of the fees and expenses attributable to the “Income” Class Units out of the capital of such Units, resulting in an increase in distributable income for the payment of dividends by the “Income” Class Units and therefore, the New Sub-Fund may effectively pay dividend out of capital. For “Income Plus” Class Units, the Manager may in its absolute discretion pay dividends out of capital of such Units.

For details regarding the New Sub-Funds, please refer to the updated Explanatory Memorandum of the Fund and Product Key Facts Statements of the New Sub-Funds.

**B. Introduction of anti-dilution pricing adjustment (swing pricing) mechanism**

With effect from 8 January 2022, with a view to protecting the interests of Unitholders, we may effect anti-dilution pricing adjustment (swing pricing) mechanism for the Existing Sub-Fund under certain circumstances.

In order to reduce the effect of “dilution” of the Sub-Fund, we may (if in our opinion in good faith it is in the best interest of Unitholders to do so), adjust the Net Asset Value of a Unit or of any class of the Sub-Fund. Dilution occurs when the actual cost of purchasing or selling the underlying assets of the Sub-Fund, deviates significantly from the carrying value of these assets in the Sub-Fund’s valuation due to dealing and other costs, taxes and duties, market movements and any spread between the buying and selling prices of the underlying assets. Dilution may have an adverse effect on the value of the Sub-Fund and therefore impact the Unitholders. By adjusting the Net Asset Value per Unit, this effect can be reduced or mitigated and Unitholders can be protected from the impact of dilution.

Under normal market conditions, we expect that the anti-dilution pricing adjustment (swing factor) will not exceed 2 per cent. of the Net Asset Value per Unit of the Sub-Fund on the relevant Valuation Day. Under extreme market conditions (such as market crash or global financial crisis), we may increase such amount of adjustment to protect interests of the Unitholders.

In determining the Issue Price and Realisation Price of a Unit of any class of the Sub-Fund on each relevant Valuation Day, the Net Asset Value per Unit shall be increased by the aforesaid adjustment where the net subscription on the relevant Valuation Day exceeds certain pre-determined threshold(s), or decreased by the aforesaid adjustment where the net realisation on the relevant Valuation Day exceeds certain pre-determined threshold(s).

The swing pricing threshold is determined on a fund-by-fund basis considering internal analysis of the Sub-Fund and publicly available market survey and reports. In terms of internal analysis, the threshold of net subscription/realisation that triggers the swing pricing mechanism (which shall be expressed as a percentage of the Sub-Fund’s Net Asset Value) is set to commensurate with the expected cash level (also expressed in a percentage of the Sub-Fund’s Net Asset Value) to be kept within the Sub-Fund. The estimated range of cash level of the Sub-Fund is obtained from the portfolio manager, and the bottom level of the range is taken as the threshold in order to be more conservative given that if the threshold is set too high and the Sub-Fund swings so infrequently, the swing pricing mechanism may not achieve its aim in providing reasonable protection to its investors. The pre-determined threshold set is then checked against publicly available information to decide if the threshold determined is in-line with those set by other market peers. This checking mainly is to ensure the reasonableness of the pre-determined threshold and at no point will the threshold be determined only by these publicly available information. Such pre-determined threshold(s) will be determined and reviewed on a quarterly basis by us.

We will consult the Trustee prior to any adjustment and such adjustment will only be made where the Trustee has no objection to it. Any such additional amount resulting from the adjustment will be retained by the Sub-Fund and will form part of the assets of the Sub-Fund.

As a result of the above change, the Sub-Fund is subject to pricing adjustments risk. Other than the pricing adjustments risk, the above change will not result in any other changes to the features and risk profiles of the Fund and Sub-Fund. Subscriptions or realisations may dilute the Sub-Fund’s assets due to dealing and other costs associated with the trading of underlying securities. In order to counter this impact, adjustment of prices (including swing pricing) may be adopted to protect the interests of the Unitholders. Consequently, investors may subscribe (realise) at a higher Issue Price (lower Realisation Price). Investors should note that the occurrence of events which may trigger adjustment of prices is not predictable. It is not possible to accurately predict how frequent such adjustments of prices will need to be made. Adjustments may be greater than or less than the actual charges incurred. Investors should also be aware that adjustment of prices may not always, or fully, prevent the dilution of the Sub-Fund’s assets.

The risk management policy has also been updated to reflect the introduction of anti-dilution pricing adjustment (swing pricing) mechanism as a liquidity risk management tool.

For your information, we may also effect the anti-dilution pricing adjustment (swing pricing) mechanism for the New Sub-Funds under certain circumstances as detailed in the Explanatory Memorandum.

#### C. Change in the form of publication of suspension notice

Currently, whenever we declare a suspension, we shall immediately after any such declaration and at least once a month during the period of such suspension, publish a notice in the South China Morning Post and Hong Kong Economic Times.

With effect from 8 December 2021, such suspension notice will no longer be published in the abovementioned newspapers, instead we will publish the relevant suspension notice on the website [www.principal.com.hk](http://www.principal.com.hk)<sup>1</sup> and/or cause a notice to be given to Unitholders and to all those (whether Unitholders or not) whose applications to subscribe for or realise Units shall have been affected by such suspension stating that such declaration has been made.

#### D. Conversion between Unit classes

Currently, Unitholders of the Existing Sub-Fund only have the right to convert all or part of their Units in a Sub-Fund into Units of another Sub-Fund. With effect from 8 December 2021, Unitholders of the Existing Sub-Fund have the right to convert all or part of their Units in any class in the Existing Sub-Fund (“**Existing Class**”) into Units of any other class in the Existing Sub-Fund or into Units in another Sub-Fund (“**New Class**”) by giving notice in writing to the Manager prior to the Dealing Deadline of the Existing Class. Unless the Manager otherwise agrees, Units of a class can only be converted into Units of the same class of another Sub-Fund. Please refer to details under the section headed “Conversion” under the revised Explanatory Memorandum for further details.

It is also clarified that on switching of the Units by a Unitholders, the Manager is entitled to receive a conversion charge on the conversion of Units in the Sub-Fund of up to 1% of the Issue Price per Unit of the New Class.

#### E. Other miscellaneous changes

Other administrative, drafting, editorial and/or miscellaneous changes and updates have also been made to the Explanatory Memorandum, Product Key Facts Statement and/or the Trust Deed, including but not limited to the following:-

- (i) Updates on the directors of the Manager;
- (ii) Updates on the legal advisers to the Manager;
- (iii) Updates/enhancements of disclosures in the Explanatory Memorandum and Trust Deed to better reflect the requirements under the SFC’s UTMF Code and other applicable disclosure requirements;
- (iv) Updates to reflect that for subsequent purchase of Units, investors can choose to submit the subscription request to the Manager by facsimile or in original;
- (v) Amendments to the disclosures on purchase and realisation of Units and calculation of Issue and Realisation Prices for better clarity and simplification of disclosures. For the avoidance of doubt, there is no change in the dealing and pricing arrangements of the Existing Sub-Fund in practice as a result of such amendments;
- (vi) Amendments to the Trust Deed to allow payment of dividend out of capital. For the avoidance of doubt, there is no change to the distribution policy of the existing Income Class Units of the Existing Sub-Fund;
- (vii) Amendments to the Trust Deed to reflect that the Valuation Point of Sub-Funds which are established on or after 8 December 2021 (including the New Sub-Funds) shall be the close of business in the last relevant market to close on the relevant Valuation Day in respect of each Dealing Day for Units of the relevant class. For the avoidance of doubt, there is no change to the Valuation Point of the Existing Sub-Fund;
- (viii) Updates to the Explanatory Memorandum and Product Key Facts Statement of the Existing Sub-Fund that the minimum initial investment in the Income Class Units of the Existing Sub-Fund is reduced to US\$1,000;
- (ix) The disclosures under the section headed “Taxation” and the risk disclosure relating to PRC tax risk with respect to capital gains in the Explanatory Memorandum have been updated to align with the latest regulatory requirements in relation to taxation; and

<sup>1</sup> This website has not been reviewed by the SFC.

- (x) Updates/enhancements to risk disclosures in the Explanatory Memorandum.

#### **F. Implication of changes**

Save as mentioned above, there will be no other changes in the operation and/or manner in which the Fund and the Existing Sub-Fund are being managed, nor other effects on existing investors as a result of the changes as set out in section B, C, D and E above. There will be no change in the fee level or cost in managing the Fund and the Existing Sub-Fund following the implementation of the above changes. Further, we are of the view that the above changes will not materially prejudice the existing investors' rights or interests.

Existing investors who do not agree with any of the above changes may realise their Unit(s) free of redemption charge by submitting a realisation request from the date of this notice until 4:00 p.m. on 31 December 2021 in accordance with the procedures as set out in the Explanatory Memorandum.

#### **G. Costs**

All the costs and expenses incurred in connection with the changes set out in this Notice will be borne by the relevant party as follows:

- (i) all costs and expenses incurred in connection with the changes as set out in sections B and C above are estimated to be HKD 130,000 and will be borne by the Manager; and
- (ii) all costs and expenses incurred in connection with the changes as set out in sections D and E above are estimated to be HKD 96,000 and will be borne by the Existing Sub-Fund.

#### **H. Availability of documents**

The trust deed of the Fund (“**Trust Deed**”) will be amended by way of a supplemental deed and the Explanatory Memorandum will be updated to reflect the above changes.

Please note that all information provided herein is qualified in its entirety by the Explanatory Memorandum and the Trust Deed. The changes described above are in summary form only and are not meant to be an exhaustive list of the amendments made to the Explanatory Memorandum and Trust Deed. Unitholders should review the latest Explanatory Memorandum and Trust Deed for further details on the changes made.

You may access the latest Explanatory Memorandum of the Fund and Product Key Facts Statements of the Sub-Funds on our website at [www.principal.com.hk](http://www.principal.com.hk)<sup>1</sup> or request a copy of it by contacting our customer service hotline at 2117 8383. The Trust Deed (as amended from time to time) may be inspected free of charge during normal working hours at our office at 30/F Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon. You may also obtain a copy of the Trust Deed upon payment of a reasonable fee.

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

#### **I. Enquiries**

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

#### **Principal Asset Management Company (Asia) Limited**