

Principal Asset Management Company (Asia) Limited
Periodic Assessment for Principal Sustainable Asian
Allocation Fund
December 2022

Periodic assessment

Principal Prosperity Series – Principal Sustainable Asian Allocation Fund (“Sub-Fund”)

The Sub-Fund primarily (i.e. at least 70% of the Sub-Fund’s Net Asset Value) invests in a diversified range of assets and securities (including equities, equity related securities and debt securities) of companies and issuers in Asia Pacific (ex-Japan) which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance (“ESG”) factors (“ESG leaders”) as well as exchange traded funds (“ETF”) and collective investment schemes (“CIS”), which primarily invest in equity or debt securities and companies or issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively “ESG-focused ETF/CIS”), and provide capital growth and income over medium to long term. The Sub-Fund aims to maintain a minimum of 70% of the Sub-Fund’s Net Asset Value invested in (i) equity and equity related securities and/or (ii) debt securities issued by ESG leaders as well as ESG-focused ETF/CIS. The Sub-Fund adopts a dynamic asset allocation strategy and may invest up to 85% of its latest Net Asset Value in either equities or debt securities.

Based on the holding as of 30 December 2022, about 92.30% of the Sub-Fund’s Net Asset Value is invested in ESG leaders that are ranked in quartile 1 or 2 within their respective sectors or have at least MSCI ESG rating BBB and above, which represent 48.6% exclusion based upon the number of issuers from the investment universe perspective as a result of this screening.

	Sub-Fund	Benchmark*
ESG Overall Rating	A	BBB
MSCI ESG LEADERS	33.90%	16.90%
MSCI ESG AVERAGE	54.90%	53.70%
MSCI ESG LAGGARDS	4.30%	12.70%

* 50% MSCI AC Asia Pacific ex Japan Index + 50% ICE BofA Asian Dollar Index

Engagement with management for fixed income investors regarding ESG practices comes primarily through discussions with management regarding key ESG factors that are viewed as having the potential to meaningfully impact their business and/or credit profile. The investment team maintains a dedicated channel that tracks and logs outputs (e.g. notes, slides, other materials) obtained from company engagements. Materials are transferred to an internal structured research repository for record-keeping. A scoring methodology is applied to generate an ESG profile for each issuer (providing an overall score as well as sub factor scores), a ranking of the name relative to its peer group in the sector and to take into consideration the intended exclusions. Also, given the granularity of the data selected in assessing the ESG profile, the investment team would be able to track specific outcomes such as greenhouse gas emissions or board related information of the issuer, the portfolio as a whole and relative to a standard or benchmark.

For equities investment, the fund manager aims to engage the company and integrates ESG findings/assessment in its research at least once a year. Upon assessment, the investment team may disagree with the MSCI ratings. At which point, the investment team may include or exclude an investment based on this assessment. The fund has also appointed our proxy voting manager to vote in favor of ESG principles, where appropriate and in accordance with the investment guidelines. Due to the screening process the manager may eliminate an investment if there are no ratings from MSCI or is not aligned to any UN SDG factors.