

Principal Asset Management Company (Asia) Limited
Periodic Assessment for Principal Sustainable Asian
Income Fund
December 2023

Periodic assessment

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

The Sub-Fund primarily (i.e. at least 70% of the Sub-Fund’s net asset value) invest in a diversified portfolio of fixed income securities and fixed income-related securities of companies and issuers in Asia which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance (“ESG”) factors (“ESG achievers”) as well as exchange traded funds (“ETFs”) and other collective investment schemes (“CISs”) which primarily invest in debt securities of companies or issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively “ESG achiever ETFs/CISs”), and provide a return consisting of income and capital growth 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 fixed income securities and fixed income-related securities issued by ESG achievers as well as ESG achiever ETFs/CISs. The aggregate investment of the Sub-Fund’s investment in ETFs and CISs (including ESG achiever ETFs/CISs) will be less than 30% of the Sub-Fund’s net asset value.

The Fund Manager adopts a best-in-class strategy under which the Fund Manager will screen all securities investable by the Sub-Fund (including ETFs and CISs) with the aim of identifying ESG achievers and ESG achiever ETFs/CISs. The Fund Manager will assign ESG scorings on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within Asia, or within their respective sectors of sub-regions (i.e. Greater China, Asia developed markets and Asia emerging markets (ex-Greater China)) based on ESG scores as ranked by the Fund Manager’s internal rating system will be considered to be ESG achievers.

Based on holdings data as of 31 December 2023, about 96.3% of the Sub-Fund’s net asset value is invested in fixed income securities and fixed income-related securities issued by ESG achievers and no holdings in ESG achiever ETFs/CISs, which represents 47.6% exclusion based upon the number of issuers from the investment universe perspective as a result of this screening.

| | Sub - Fund |
|---|-------------------|
| Fixed income securities and fixed income-related securities issued by ESG achievers | 96.3% |
| ESG achiever ETFs/CISs | 0% |
| Sub-total | 96.3% |

| | 31 December 2023 | | 31 December 2022 | |
|--------------------|-------------------------|-------------------|-------------------------|-------------------|
| | Sub - Fund | Benchmark* | Sub - Fund | Benchmark* |
| ESG Overall Rating | A | BBB | A | BBB |
| MSCI ESG LEADERS | 30.19% | 13.29% | 24.86% | 7.97% |
| MSCI ESG AVERAGE | 60.80% | 58.71% | 61.86% | 63.35% |
| MSCI ESG LAGGARDS | 4.64% | 15.15% | 5.41% | 14.17% |

* ICE BofA Merrill Lynch Asian Dollar Index

Engagement with management for fixed income investors regarding ESG practices is primarily conducted through discussion with management regarding key ESG factors that are viewed as having a meaningful impact on their business / credit profile. The investment team maintains a

dedicated channel that tracks and logs outputs (e.g. notes, slides, other materials) obtained from company engagements, and materials will be transferred to the 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 the sub factors), 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.

Integration of sustainability considerations and/or environmental, social and governance (ESG) factors is qualitative and subjective by nature. There is no guarantee that the criteria used, or judgment exercised, will reflect the beliefs or values of any particular investor. Investment teams have a high degree of investment process autonomy and may consider or weight sustainability and/or ESG criteria or factors differently (or not at all). For those teams that consider sustainability and/or ESG factors as part of the investment process in strategies that are not explicitly sustainability and/or ESG-oriented, those sustainability considerations and/or ESG factors are generally no more significant than other factors in the investment selection process, such that sustainability considerations and/or ESG factors may not be determinative in deciding to include or exclude any particular investment in the portfolio. Information regarding responsible practices or other sustainability metrics, including ESG data, differs by source and may not be accurate or complete. Integration of sustainability considerations and/or ESG factors may present additional advantages or risks, may not protect against market risk or volatility, and under certain circumstances may detract from investment performance. You should not make any investment assumptions based solely on the information contained herein. Information is provided as additional insight into the relevant investment processes and should not be viewed as a change in an investment team's underlying investment objectives, strategies, risk parameters, or portfolio construction guidelines. There is no assurance that any strategy or integration of sustainability considerations and/or ESG factors will be successful or profitable.