

Principal Life Style Fund
Principal Hong Kong Bond Fund
July 2024

<ul style="list-style-type: none"> • <i>This statement provides you with key information about Principal Hong Kong Bond Fund (“Sub-Fund”).</i> • <i>This statement is a part of the Explanatory Memorandum.</i> • <i>You should not invest in the Sub-Fund based on this statement alone.</i> 							
Quick facts							
Fund Manager:	Principal Asset Management Company (Asia) Limited						
Delegate of the Fund Manager:	Principal Global Investors, LLC (internal delegation, USA)						
Sub-delegates of the Fund Manager:	Principal Global Investors (Europe) Limited (internal sub-delegation, United Kingdom) Principal Global Investors (Singapore) Limited (internal sub-delegation, Singapore)						
Trustee & Custodian:	Principal Trust Company (Asia) Limited						
Ongoing charges over a year*:	<table> <tr> <td>Retail Class Units:</td> <td>0.73%</td> </tr> <tr> <td>R2 Class Units:</td> <td>1.30%</td> </tr> <tr> <td>R6 Class Units:</td> <td>0.73%</td> </tr> </table>	Retail Class Units:	0.73%	R2 Class Units:	1.30%	R6 Class Units:	0.73%
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R2 Class Units:	1.30%						
R6 Class Units:	0.73%						
<p>* For Retail Class Units and R6 Class Units: the ongoing charges figures are based on expenses for the year ended 31 December 2023. These figures may vary from year to year.</p> <p>For R2 Class Units: the ongoing charges figure is based on the ongoing expenses and average net asset estimated by the Fund Manager for the first year of launch of such Units. The estimate of the average net asset used is HKD120 million. However, the actual ongoing expenses and average net asset may be different from the estimates, but the Fund Manager intends to ensure that the actual ongoing charges over a year of such Units will not exceed the figure above. This figure may vary from year to year.</p>							
Dealing frequency:	Every business day						
Base currency:	Hong Kong Dollar						
Dividend policy:	<p>For Retail Class Units and R2 Class Units: No dividend will be declared or distributed.</p> <p>For R6 Class Units:</p> <ol style="list-style-type: none"> 1. Subject to the Fund Manager’s discretion, the Fund Manager intends to distribute a dividend on a quarterly basis in March, June, September and December. 2. The dividend distributed in respect of the R6 Class Units of the Sub-Fund may be paid effectively out of the capital attributable to the R6 Class Units of the Sub-Fund (i.e. making the distribution from gross income while charging all or part of the fees and expenses attributable to the R6 Class Units to the capital out of such Units of the Sub-Fund), subject to the Fund Manager’s discretion, resulting in an increase in distributable income for the payment of dividend by the R6 Class Units of the Sub-Fund and may result in an immediate reduction of the net asset value per unit of the R6 Class Units of the Sub-Fund. Such payment of dividend effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment in the R6 Class Units or from any capital gains attributable to that original investment. 						

Quick facts (con't)

- Subject to prior approval from the SFC, the Fund Manager may amend the above-mentioned dividend policy in respect of the R6 Class Units in the future by giving the affected Unitholders not less than one (1) month's notice of such changes.

Financial year end of the Sub-Fund: 31 December

Min. investment: HK\$ 10,000 initial, HK\$ 5,000 additional

What is this product?

The Sub-Fund is a fund constituted in the form of a unit trust.

Objectives and Investment Strategy
Objective

To provide a return consisting of income and capital growth over medium to long term.

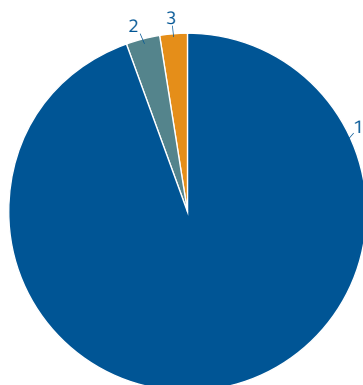
Investment Strategy

The Sub-Fund will seek to achieve its investment objective by primarily investing at least 70% of its assets in Hong Kong debt securities (rated or unrated[#]), including (but not limited to) sovereign and/or non-sovereign, floating and/or fixed, of varying maturities issued by the government or by multi-lateral agencies or by companies, and denominated in Hong Kong dollars. The types of debt securities that the Principal Hong Kong Bond Fund primarily intends to invest into are government bonds, corporate bonds/debentures, floating rate note, bills, commercial paper and certificates of deposit. In addition, the Sub-Fund will invest not more than 30% of its assets in other short-term investments such as bills and deposits or may hold cash.

The Sub-Fund may invest less than 30% of its net asset value in debt instruments with loss-absorption features, 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, in compliance with its investment policy and limits. These instruments may be subject to contingent write-down or contingent conversion to equity on the occurrence of trigger event(s).

The Sub-Fund may enter into financial futures contracts, financial option contracts and currency forward contracts for hedging purposes.

[#] Investment in unrated debt securities is only limited to those issued by the "exempt authority" within the definition of Section 7 of Schedule 1 to the MPF Regulation.

Investment Mix as at 31 December 2023


1	Hong Kong Dollar Bonds	94.7%
2	US Dollar Bonds	2.8%
3	Cash and Time Deposit	2.5%

Use of derivatives / investment in derivatives

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value.

What are the key risks?

Investment involves risks. Please refer to the Explanatory Memorandum for details including the risk factors.

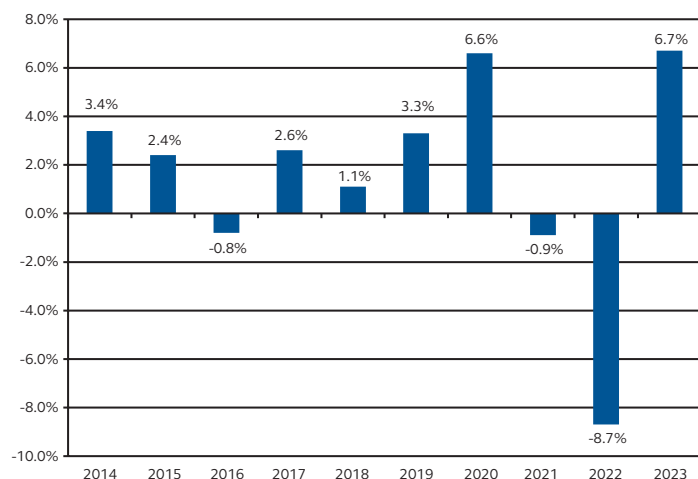
- 1. Investment risk** — The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.
- 2. Interest rate risk** — Interest rate movements have an impact on the valuation of debt securities and hence, the NAV of a Sub-Fund. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- 3. Credit/counterparty risk** — The Sub-Fund may be exposed to credit and counterparty risk of issuers of the debt securities that the Sub-Fund may invest in. If the issuer of debt securities in which the Sub-Fund invested in defaults or suffers insolvency, such securities may become worthless and the performance of the Sub-Fund will be adversely affected. Further, investments in debt securities which involve a counterparty are subject to the credit risk or default risk of the counterparty. This may adversely affect the NAV of the Sub-Fund and investors may as a result suffer loss.
- 4. Downgrading risk** — The credit rating of a debt securities or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Manager may not be able to dispose of the debt securities that are being downgraded.
- 5. Dividend paid effectively out of capital** — In respect of the R6 Class Units, the Fund Manager may at its discretion pay dividend out of gross income while paying all or part of the fees and expenses attributable to the R6 Class Units out of the capital of such Units, resulting in an increase in distributable income for the payment of dividend in respect of the R6 Class Units and therefore, the Sub-Fund may effectively pay dividend out of capital. This amounts to a return or withdrawal of part of a Unitholder's original investment in the R6 Class Units or from capital gains attributable to that original investment. Any distributions involving payment of dividend effectively out of the capital of the R6 Class Units may result in an immediate reduction of its NAV per unit.
- 6. Risk associated with debt securities rated below investment grade or unrated** — The Sub-Fund may invest in debt securities rated below investment grade (as determined by credit rating agency(ies) approved by the MPF Authority) or unrated, as may be allowed under the MPF Regulation. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities, which may adversely impact the returns of the securities and in turn the net asset value of the Sub-Fund.
- 7. Concentration risk** — The value of the Sub-Fund whose investment are concentrated in Hong Kong may be more volatile than Sub-Funds having a more diverse portfolio of investments. Additionally, the value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Hong Kong.
- 8. Risks of investing in instruments with loss-absorption features** — Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of a pre-defined trigger event(s) (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in contingent convertible debt securities, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

How has the Sub-Fund performed?



Past performance information is not indicative of future performance. Investors may not get back the full amount invested.

The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.

These figures show by how much the Retail Class Units increased or decreased in value during the calendar year being shown. Performance data has been calculated in HKD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.

Where no past performance is shown there was insufficient data available in that year to provide performance.

Fund launch date: 21 June 2011

Retail Class launch date: 13 October 2011

Retail Class is selected as the most appropriate representative unit class as it has the longest track record.

Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the full amount of the money you invest.

What are the fees and charges?

- Charges which may be payable by you**

You may have to pay the following fees when dealing in the units of the Sub-Fund.

Fee	What you pay
Subscription fee	Up to 5% of the amount you buy
Switching fee	4 free switches per year, up to 1% of the issue price of the new class of units to be issued may be levied for subsequent switches
Redemption fee	N/A

- Ongoing fees payable by the Sub-Fund**

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the Sub-Fund's net asset value)
Management fee	0.5% (maximum 2%)
Trustee fee	0.2% (maximum 1%)
Custodian fee	0.01% to 0.50%
Performance fee	N/A
Distribution fee	Retail Class Units: N/A R2 Class Units: 0.50% R6 Class Units: N/A
Valuation fee	Up to HK\$1,000 / month
Administration fee	N/A

- Other fees**

You may have to pay other fees when dealing in the units of the Sub-Fund. The Sub-Fund will bear the costs which are directly attributable to it. Please refer to the section "Charges and Expenses" of the Explanatory Memorandum for details.

Additional Information

- You generally may buy and/or redeem units at the Sub-Fund's next-determined net asset value (NAV) after the Manager receives your request in good order on a dealing day before 5:00 p.m. (Hong Kong time) being the Sub-Fund's dealing cut-off time. Before placing your subscription or redemption orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time).
- The net asset value per unit for the Sub-Fund will be calculated and published on each dealing day.
- The composition of the dividend (i.e. the relative amounts (i) paid out of net distribution income and (ii) effectively paid out of capital) for the last 12 months for the R6 Class Units is available from the Manager on request and is also available from the website <http://www.principal.com.hk>*.
- The past performance information of other unit classes offered to Hong Kong investors (if any) is available from the Fund Manager on request and from the website <http://www.principal.com.hk>*.

* *The website has not been reviewed by the SFC.*

Important

- If you are in doubt, you should seek professional advice.
- The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.