

FIRST SUPPLEMENTAL INFORMATION MEMORANDUM FOR PRINCIPAL INSTITUTIONAL BOND FUND 4

Manager : **Principal Asset Management Berhad** (199401018399 (304078-K))

Trustee : **PB Trustee Services Berhad** (196801000374 (7968-T))

This First Supplemental Information Memorandum is dated 7 September 2021 and is to be read in conjunction with the Replacement Information Memorandum for the Principal Institutional Bond Fund 4 dated 19 December 2019 (“Information Memorandum”).

SOPHISTICATED INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE INFORMATION MEMORANDUM AND THIS FIRST SUPPLEMENTAL INFORMATION MEMORANDUM. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THIS IS A FIRST SUPPLEMENTAL INFORMATION MEMORANDUM WHICH HAS TO BE READ IN CONJUNCTION WITH THE INFORMATION MEMORANDUM

1.0 GENERAL

- 1.1 This First Supplemental Information Memorandum is issued to reflect the amendments made to the Information Memorandum as stated under paragraph 2 below.
- 1.2 All terms used in this First Supplemental Information Memorandum shall have the same meanings as those defined in the Definitions Chapter of the Information Memorandum unless where the context otherwise requires.
- 1.3 All information provided herein is practicable as at 31 July 2021 and shall remain current and relevant as at such date.

2.0 FUND INFORMATION

- 2.1 The information under the section of “**Investment policy and principal investment strategy**” at page 1 has been replaced and read as below:

With effect from 15 September 2021

The investment strategy and policy of the Fund is to invest in a diversified portfolio of RM denominated fixed income securities consisting primarily of corporate bonds, aimed to provide income as well as capital appreciation. The Fund seeks to achieve its objective by investing at least 70% of its NAV in corporate bonds with a minimum credit rating of “A1” or “A+” by RAM or MARC. The remaining of the Fund’s NAV will be invested in Deposits, money market instruments (including treasury bills and certificate of deposits) and liquid assets.

The investment in corporate bonds includes conventional bonds and Sukuk issued in Malaysia. The corporate bonds shall have the maturity period of not more than 10.50 years at the point of purchase. The maturity period for placement of Deposits shall not exceed one (1) year. The average portfolio duration of the Fund shall not exceed five (5) years.

The asset allocation for the Fund is as follows:

- at least 70% of its NAV in corporate bonds; and
- up to 30% of its NAV in Deposits, money market instruments and liquid assets.

The asset allocation will be reviewed periodically depending on the country’s economic and bond market outlook. We will adopt an active trading strategy with frequency that will depend on the market conditions and market outlook. We will be selective in the buying and selling of securities for the Fund.

We formulate an interest rate outlook through examining factors such as the Malaysian inflation rate, monetary policy and economic growth. With an interest rate outlook and yield curve analysis, we identify the weighting of the investment tenor and credit for the Fund.

In the unlikely event of a credit rating downgrade, we reserve the right to deal with the security in your best interest. As active fund managers, we have place flexible tolerance limits to cater to such situations. We can for example, continue to hold the downgraded security if the immediate disposal of the security would not be in your best interest.

As part of its risk management strategy, the Fund is constructed and managed within pre-determined guidelines. Essentially, we monitor the bond portfolio according to three (3) parameters: tenor, credit ratings and sector. The duration of the bond portfolio is also monitored and modified according to our interest rate outlook (i.e. the sensitivity of the portfolio to interest rate changes).

In response to adverse conditions and as part of its risk management strategy, we may reduce holdings in longer tenured assets and channel these monies into shorter-term interest bearing deposits. We may also from time to time invest in liquid assets to safeguard the investment portfolio of the Fund provided that such investments are within the investment objective of the Fund.

- 2.2 The first to sixth paragraph under the section of “**Potential Conflicts of Interest and Related-Party Transactions**” at page 11 has been replaced and read as below:

We (including our directors) will at all times act in your best interests and will not conduct ourselves in any manner that will result in a conflict of interest or potential conflict of interest. In the unlikely event that any conflict of interest arises, such conflict shall be resolved such that the Fund is not disadvantaged. In the unlikely event that we face conflicts in respect of our duties as the Manager to the Fund and to other Principal Malaysia’s funds that we manage, we are obliged to act in the best interests of all our investors and will seek to resolve any conflicts fairly and in accordance with the Deed.

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We shall not act as principal in the sale and purchase of any securities or investments to and from the Fund. We shall not make any investment for the Fund in any securities, properties or assets in which we or our officer has financial interest in or from which we or our officer derives a benefit, unless with the prior approval of the Trustee. We (including our directors) who hold substantial shareholdings or directorships in public companies shall refrain from any decision making relating to that particular investment of the Fund.

As at LPD, none of our directors and substantial shareholders has either direct or indirect interest in other Malaysian corporations that carry on a similar business with Principal Malaysia, except for the following:

Director / Substantial Shareholder	Position	Shareholding (Direct / Indirect)	Name of corporation
CIMB Group Sdn Bhd	Shareholder	Direct	Principal Islamic Asset Management Sdn Bhd
		Indirect	CIMB-Mapletree Management Sdn Bhd *
Principal Financial Services, Inc.	Shareholder#	Direct	Principal Islamic Asset Management Sdn Bhd

Principal Financial Services, Inc. has indirect interest in the Manager.

*As at LPD, CIMB-Mapletree Management Sdn. Bhd. has passed a special resolution on 9 May 2019 of which CIMB-Mapletree Management Sdn. Bhd. be wound up as a members' voluntary liquidation and a liquidator be appointed.

The substantial shareholders of the Manager may have direct or indirect interest in other non-Malaysian corporations carrying on similar business as the Manager.

The Fund may maintain Deposits with CIMB Bank Berhad and CIMB Investment Bank Berhad. We may enter into transactions with other companies within the CIMB Group and the PFG provided that the transactions are effected at market prices and are conducted at arm's lengths.

We generally discourage cross trades and prohibit any transactions between client(s) accounts and fund accounts. Any cross trade activity require prior approval with the relevant supporting justification(s) to ensure the trades are executed in the best interest of both funds and such transactions were executed at arm's length. Cross trades will be reported to the Investment Committee to ensure compliance to the relevant regulatory requirements.

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