

**Prospectus**  
15 January 2020

# Principal Islamic ASEAN Equity Fund

**Manager** : **Principal Asset Management Berhad** (304078-K)  
*(formerly known as CIMB-Principal Asset Management Berhad)*

**Trustee** : **HSBC (Malaysia) Trustee Berhad** (193701000084 (1281-T))

This Prospectus Issue No. 1 for the Principal Islamic ASEAN Equity Fund is dated 15 January 2020.

This Fund was constituted on 25 October 2019.

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 5.**

**THIS FUND IS A MULTI-CLASS FUND AND IS ALLOWED TO ESTABLISH NEW CLASS(ES) FROM TIME TO TIME AS MAY BE DETERMINED BY THE MANAGER.**

# ABOUT THIS DOCUMENT

This is a Prospectus which introduces you to Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*) (“Principal Malaysia”) and the Principal Islamic ASEAN Equity Fund (“Fund”). This Prospectus outlines in general the information you need to know to make an informed decision as to whether the Fund best suits your financial needs.

If you have any questions about the information in this Prospectus or would like to know more about investing in the Principal Malaysia family of unit trust funds, please call our Customer Care Centre at (603) 7718 3000 between 8:45 a.m. and 5:45 p.m. (Malaysian time) on Mondays to Thursdays and between 8:45 a.m. and 4:45 p.m. (Malaysian time) on Fridays (except on Selangor public holidays).

Unless otherwise indicated, any reference in this Prospectus to any rules, regulations, guidelines, standards, directives, notices, legislations or statutes shall be reference to those rules, regulations, guidelines, standards, directives, notices, legislations or statutes for the time being in force, as may be amended, varied, modified, updated, superseded and/or re-enacted from time to time.

Any reference to a time, day or date in this Prospectus shall be a reference to that time, day or date in Malaysia, unless otherwise stated. Reference to “days” in this Prospectus will be taken to mean calendar days unless otherwise stated.

Please note that all references to currency amounts and NAV per unit in this Prospectus are in USD unless otherwise indicated.

## PROSPECTUS DETAILS

Issue No.	1
Prospectus Date	15 January 2020

## RESPONSIBILITY STATEMENTS

This Prospectus has been reviewed and approved by the directors of Principal Malaysia and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in this Prospectus false or misleading.

## STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia has authorised the Fund and a copy of this Prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the Fund, and registration of this Prospectus, should not be taken to indicate that Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the Manager who is responsible for the Fund and takes no responsibility for the contents in this Prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE UNABLE TO MAKE YOUR OWN EVALUATION, YOU ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.**

## ADDITIONAL STATEMENTS

You should note that you may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to the Fund.

The Fund has been certified as being Shariah-compliant by the Shariah Adviser appointed for this Fund.

# DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Prospectus:

Application Fee	- Preliminary charge on each investment.
ASEAN	- Association of Southeast Asian Nations
Business Day	- Mondays to Fridays when Bursa Malaysia Securities Berhad is open for trading, and/or banks in Kuala Lumpur and/or Selangor are open for business. In respect of the Target Fund, it means a day on which the stock exchange in Ireland is open for business. <b>Note:</b> We may declare certain Business Days to be a non-Business Day if the jurisdiction of the Target Fund declares a non-business day and/or if the Target Fund's manager declares a non-dealing day. This information will be communicated to you via our website at <a href="http://www.principal.com.my">http://www.principal.com.my</a> . Alternatively, you may contact our Customer Care Centre at 603-7718 3000.
CIMB Group	- CIMB Group Sdn. Bhd.
CIS	- Refers to collective investment schemes as defined under the SC Guidelines.
Class	- Any class of units representing similar interest in the assets of the Fund.
Class MYR	- The Class of units issued by the Fund denominated in MYR.
Class SGD	- The Class of units issued by the Fund denominated in SGD.
Class USD	- The Class of units issued by the Fund denominated in USD.
CMSA	- Capital Markets and Services Act 2007.
Commencement Date	- The next Business Day immediately following the end of the initial offer period.
Deed	- The principal deed and all supplemental deed in respect of the Fund made between us and the Trustee, in which Unit holders agree to be bound by the provisions of the Deed.
Distributor	- Any relevant persons and bodies appointed by Principal Malaysia from time to time, who are responsible for selling units of the Fund, including Principal Distributors and IUTAs.
Eligible Market	- A market which is regulated by a regulatory authority, operates regularly, is open to the public and has adequate liquidity for the purposes of the Fund.
EPF	- Employees Provident Fund.
EPF-MIS	- EPF's Members Investment Scheme.
EPM	- Effective portfolio management.
FDI	- Financial derivative instruments.
Fund or IAEF	- Principal Islamic ASEAN Equity Fund.
IMS	- Investment Management Standards issued by the Federation of Investment Managers Malaysia.
IOSCO	- International Organization of Securities Commissions; for further details, please refer to <a href="http://www.iosco.org">http://www.iosco.org</a> .
Islamic Deposits	- As per the definition of "Islamic deposit" in the Islamic Financial Services Act 2013. <b>Note:</b> Exclude Islamic structured deposits.
IUTAs	- Institutional Unit Trust Scheme Advisers.
LPD	- Latest Practicable Date i.e. 30 September 2019, in which all information provided herein, shall remain current and relevant as at such date.
Management Fee	- A percentage of the NAV of the Class that is paid to us for managing the portfolio of the Fund.
MCR	- Multi-class ratio, being the apportionment of the NAV of each Class over the Fund's NAV based on the size of each Class. The MCR is calculated by dividing the NAV of the respective Class by the NAV of the Fund before income and expenses for the day. The apportionment is expressed as a ratio and calculated as a percentage.
NAV	- Net Asset Value.
NAV of the Fund	- The NAV of the Fund is the value of all the Fund's assets less the value of all the Fund's liabilities, at the point of valuation. For the purpose of computing the annual Management Fee (if any) and annual Trustee Fee (if any), the NAV of the Fund should be inclusive of the Management Fee and Trustee Fee for the relevant day. The NAV of a Class is the NAV of the Fund attributable to a Class at the same valuation point.
NAV per unit	- The NAV attributable to a Class of units divided by the number of units in circulation for that Class, at the valuation point.
OTC	- Over-the-counter.
PIA	- Principal International (Asia) Ltd.

PFG	- Principal Financial Group and its affiliates.
Principal Distributors	- Refers to the unit trust scheme consultants of Principal Malaysia (authorised Principal Malaysia distributors).
Principal Malaysia or the Manager	- Principal Asset Management Berhad ( <i>formerly known as CIMB-Principal Asset Management Berhad</i> ).
Prospectus	- Refers to the disclosure document issued by us describing the details of the Fund.
Regulations	- European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) as amended and supplemented from time to time and includes any conditions that may from time to time be imposed there under by the Central Bank whether by notice or otherwise affecting the Target Fund Company.
RM or MYR	- Malaysian Ringgit.
RSP	- Regular Savings Plan.
Rule 144A Securities	- securities (i) which are issued with an undertaking to register with the U.S. Securities and Exchange Commission within one year of issue; and (ii) are not illiquid, meaning that they may be realised by the Target Fund Company within 7 days at the price, or approximately at the price, at which they are valued by the Company.
SAC	- Shariah Advisory Council.
SC	- Securities Commission Malaysia.
SC Guidelines	- Guidelines on Unit Trust Funds issued by the SC.
SGD	- Singapore Dollar.
Shariah	- Islamic law originating from the Qur'an (the holy book of Islam), and its practices and explanations rendered by the Prophet Muhammad (pbuh) and ijthad of ulamak (personal effort by qualified Shariah scholars to determine the true ruling of the divine law on matters whose revelations are not explicit).
Shariah Adviser or Amanie	- Amanie Advisors Sdn Bhd.
Special Resolution	- A resolution passed by a majority of not less than $\frac{3}{4}$ of Unit holders voting at a meeting of Unit holders. For the purpose of terminating or winding up a fund, a Special Resolution is passed by a majority in number representing at least $\frac{3}{4}$ of the value of the units held by Unit holders voting at the meeting.
Sukuk	- Refers to certificates of equal value which evidence undivided ownership or investment in the assets using Shariah principles and concepts. <b>Note:</b> For local Sukuk, it must also comply with Shariah principles and concepts endorsed by the SAC of SC.
Switching Fee	- A charge that may be levied when switching is done from one (1) fund or class to another.
Target Fund	- The Islamic collective investment scheme that the Fund invests predominantly in. Currently, it refers to Islamic ASEAN Equity Fund.
Target Fund Company	Principal Islamic Asset Management (Ireland) plc ( <i>formerly known as CIMB-Principal Islamic Asset Management (Ireland) plc</i> ).
Target Fund Investor	- Refers to registered holder of the Target Fund. In this context, it refers to the Fund.
Target Fund Investment Manager	- Principal Islamic Asset Management Sdn Bhd ( <i>formerly known as CIMB-Principal Islamic Asset Management Sdn Bhd</i> ).
Transfer Fee	- A nominal fee levied for each transfer of units from one (1) Unit holder to another.
Transferable Securities	- Refers to equities and debentures.
Trustee	- HSBC (Malaysia) Trustee Berhad.
Trustee Fee	- A percentage of the NAV of the Fund that is paid to the Trustee for its services rendered as trustee for the Fund.
UK	- United Kingdom.
Unit holder	- The registered holder for the time being of a unit of the Fund including persons jointly so registered.
US or USA	- United States of America.
USD	- United States Dollar.
Withdrawal Penalty	- A charge levied upon withdrawal under certain terms and conditions (if applicable).

**Note:** Unless the context otherwise requires, words importing the singular number should include the plural number and vice versa.

# CORPORATE DIRECTORY

## The Manager

Principal Asset Management Berhad  
(formerly known as CIMB-Principal Asset Management Berhad)

### Business address

10th Floor Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur MALAYSIA  
Tel : (603) 2084 8888

### Registered address

8th Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur MALAYSIA  
Tel : (603) 2084 8888

### Postal address

Principal Asset Management Berhad  
PO Box 10571  
50718 Kuala Lumpur MALAYSIA

### Customer Care Centre

50, 52 & 54 Jalan SS 21/39  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan MALAYSIA  
Tel : (603) 7718 3000  
Fax : (603) 7718 3003

### Website

<http://www.principal.com.my>

### E-mail

[service@principal.com.my](mailto:service@principal.com.my)

## The Trustee

HSBC (Malaysia) Trustee Berhad

### Business/Registered address

13th Floor, Bangunan HSBC, South Tower  
No. 2, Leboh Ampang  
50100 Kuala Lumpur MALAYSIA  
Tel : (603) 2075 7800  
Fax : (603) 2179 6511

## Shariah Adviser of the Fund

Amanie Advisors Sdn Bhd

### Business address

Level 13A-2, Menara Tokio Marine Life,  
189 Jalan Tun Razak,  
50400 Kuala Lumpur  
Tel : (03) 2161 0260  
Fax : (03) 2161 0262

<http://www.amanieadvisors.com>

### Registered address

Unit 11-3A,  
3<sup>rd</sup> Mile Square, No. 151,  
Jalan Klang Lama Batu 3 ½,  
58100 Kuala Lumpur

**Note:** You may contact our **Customer Care Centre** at **(03) 7718 3000** for more information.

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# 1. FUND INFORMATION

## 1.1. PRINCIPAL ISLAMIC ASEAN EQUITY FUND

- Fund Category/Type** : Feeder fund (Islamic) / Growth.
- Investment Objective** : The Fund seeks capital growth over the medium to long term through investment in one Islamic collective investment scheme, which invests primarily in the ASEAN region.  
*We will require your approval if there is any material change to the Fund's investment objective.*
- Benchmark** : The Fund adheres to the performance comparator of the Target Fund for performance comparison. The performance comparator of the Target Fund may be found in the fund factsheet of the Target Fund available on [www.principalislamic.com](http://www.principalislamic.com). Alternatively, kindly refer to the product highlights sheet for the current performance comparator of the Target Fund. Currently, the performance comparator of the Target Fund is Dow Jones Islamic Market Index\*.  
*\* Should there be a change in the performance comparator of the Target Fund, a supplemental prospectus will be issued and you will be notified accordingly.*
- Distribution Policy** : The distribution policy of each of the Class may differ. Please refer to the Annexure of the respective Class for more information. You may also refer to page 30 for information on the distribution payment.

### Base Currency & Classes

The base currency of the Fund is USD.

Please note that the Fund is established with a multi-class structure where the Deed allows for the establishment of more than one (1) Class with similar interests in the assets of the Fund. You should note that the Fund is allowed to establish new Class(es) from time to time without your prior consent.

Under the Deed, Unit holders of each Class have materially the same rights and obligations. Each Class may be different in terms of currency denomination, fees and charges, and hence, will have its respective NAV per unit, denominated in its respective currency taking into account the aforementioned features. Although the Fund has multiple Classes, Unit holders should note that the assets of the Fund are pooled for investment purpose.

Currently, the Classes below are available for sale. Please refer to the Annexure for further details on the Classes. You should note that we have the discretion to decide on the offering of other Classes for sale in the future. This information will be communicated to you via our website at <http://www.principal.com.my>. When in doubt, you should consult professional advisers for better understanding of the multi-class structure before investing in the Fund.

Name of Class	Launch date	Initial offer period	Initial offer price per unit
Class MYR	15 January 2020	Up to 21 days	MYR 0.2500
Class SGD	15 January 2020	Up to 21 days	SGD 0.2500
Class USD	15 January 2020	Up to 21 days	USD 0.2500

### Investment Policy and Principal Investment Strategy

The Fund is a feeder fund and it invests in a single Islamic collective investment scheme, i.e. Islamic ASEAN Equity Fund managed by Principal Islamic Asset Management (Ireland) plc. The Fund may also invest in Islamic liquid asset for liquidity purpose.

In order to achieve its investment objective, the Fund will invest at least 95% of its NAV in the Target Fund; a portfolio established on 13 April 2012 under Principal Islamic Asset Management (Ireland) plc. The Fund will also maintain up to 5% of its NAV in Islamic liquid assets for liquidity purposes. When deemed necessary, the Fund may utilize derivative instruments such as forward contracts, options, futures contracts and/or swap agreements for hedging purpose. In the event of a downgrade of a counter-party of an OTC derivative below the minimum long-term rating as per the SC Guidelines, we reserve the right to deal with the OTC derivative in the best interest of the Unit holders.

The Fund will be actively rebalanced from time to time to meet sales and withdrawal transactions. This is to enable a proper and efficient management of the Fund. As this is a feeder fund that invests predominantly in the Target Fund, we do not intend to take temporary defensive position for the Fund during adverse market, economic and/or any other conditions. This is to allow the Fund to mirror the performance of the Target Fund in either bullish or bearish market conditions. However, the Target Fund Investment Manager may take temporary defensive position when deemed necessary.

We do not employ risk management strategy on the portfolio of the Target Fund. However, the Target Fund Company and/or the Target Fund Investment Manager will employ a risk management process in respect of the Target Fund that enables the Target Fund Company to monitor and measure at any time the risk of the positions and their contribution to the overall risk



profile of the Target Fund. Please refer to page 11 under the “Investment objective and investment strategies of the Target Fund” for more information.

We will employ risk management strategy at the Fund level, where we will continuously monitor the investment objective, performance and suitability of the Target Fund to ensure that it is in line with the investment objective of the Fund. If we are of the opinion that the Target Fund no longer meets the Fund’s investment objective, we may, with your approval, replace the Target Fund with another Islamic CIS that is in line with the Fund’s objective. In such circumstances, we will redeem our investment in the Target Fund and invest in another Islamic CIS on a staggered basis for a smooth transition, if the Target Fund imposes any conditions in relation to redemption of units or if the manager of the newly identified target fund exercises its discretion to apply anti-dilution levy\* in relation to the applications for units. Thus, the time frame required to perform the transition will depend on such conditions, if any, imposed by the Target Fund as well as any conditions associated with a dilution adjustment that may be made by the newly identified target fund. Hence during the transition period, the Fund’s Shariah-compliant investments may differ from the stipulated investment objective, investment strategies and/or investment restrictions and limits. The Fund also may, with the concurrence of the Trustee, hold more than 5% of Islamic liquid assets on a temporary basis to meet withdrawal requests and to manage expenses of the Fund.

Currently, the Fund invests in Class I USD Accumulation of the Target Fund, which is an institutional share class denominated in USD launched on 13 April 2012. The Fund may change its entire investment into another class of the Target Fund (which must be denominated in the same currency) if we are of the opinion that the change is in the interest of the Unit holders. If we wish to effect such change, we will seek concurrence from the Trustee and you will be notified before implementation.

If the Fund is eligible to be invested via the EPF-MIS, investments made by the Fund will be subject to the EPF’s requirements. Please note that there may be changes to the status of the eligibility of the Fund under the EPF-MIS from time to time. Please refer to our website at <http://www.principal.com.my> or <http://www.kwsp.gov.my> for updated information.

**Note:**

\* *Anti-dilution levy is an allowance for fiscal and other charges that is added to the NAV per unit to reflect the costs of investing application monies in underlying assets of the Target Fund or newly identified target fund.*

## 1.2. PERMITTED INVESTMENTS

Subject to the Deed, the investment policy for the Fund and the requirements of the SC and any other regulatory body, we have the absolute discretion as to how the assets of the Fund are to be invested. Under the Deed and provided always that there are no inconsistencies with the objective of the Fund, the Fund can invest in the following instruments:

- One Islamic collective investment scheme (local or foreign);
- Islamic liquid assets such as Islamic Deposits;
- Derivative instruments, including but not limited to options, futures contracts, forward contracts and swaps for hedging purposes; and
- Any other form of Shariah-compliant investments as may be determined by us from time to time that is in line with the Fund’s objective.

The formulation of the investment policies and strategies of the Fund is based on the objectives of the Fund after taking into consideration the regulatory requirements outlined in the SC Guidelines, with such exemptions or variations (if any) as permitted by the SC.

## 1.3. INVESTMENT RESTRICTIONS AND LIMITS

The Fund is subject to the following investment restrictions and limits:

**Islamic collective investment scheme:** The Fund must invest in one (1) Islamic CIS. The target fund must not be a fund-of-funds or a feeder fund or any sub-fund of an umbrella fund which is a fund-of-funds or a feeder fund.

**Islamic liquid assets:** The Fund may invest up to 5% of the NAV of the Fund in Islamic liquid assets. The Fund may, with the concurrence of the Trustee, hold more than 5% of Islamic liquid assets on a temporary basis to meet withdrawal requests and to manage expenses of the Fund.

**For Shariah-compliant investments in derivatives (for hedging purpose only):**

- the exposure of the underlying assets must not exceed the investment spread limits stipulated in the SC Guidelines;
- the value of the Fund’s OTC derivative transaction with any single counter-party must not exceed 10% of the Fund’s NAV;
- the Fund’s exposure from derivatives position should not exceed the Fund’s NAV at all times; and
- the counter-party of an OTC derivative is a financial institution with a minimum long-term rating provided by any domestic or global rating agency that indicates strong capacity for timely payment of financial obligations.

In respect of any restrictions and limits, the SC Guidelines provides for an allowance of 5% from the restrictions and limits due to appreciation or depreciation of the NAV of the Fund (whether as a result of an appreciation or depreciation in value of the Fund’s Shariah-compliant investments or as a result of repurchase of units or payment made out of the Fund). If the Fund is not within the investments restrictions and limits, we should not make any further acquisitions in relation to the relevant restrictions and limits and we must rectify as soon as practicable (maximum three (3) months from the date of occurrence).

## 1.4. APPROVALS AND CONDITIONS

On XX XX 2019, we have obtained the approval from the SC for a variation to Paragraph 10.16(a) of the SC Guidelines to vary the payment of repurchase proceeds to Unit holder from within ten (10) calendar days to within fifteen (15) Business Days of receiving the repurchase request, if the following event are triggered:

- (a) Withdrawal request of the Target Fund is deferred; or
- (b) determination of the NAV of the shares of the Target Fund is suspended.

## 1.5. BORROWING / FINANCING

The Fund may not obtain cash financing or borrow other assets in connection with its activities. However, the Fund may obtain cash financing for the purpose of meeting withdrawal requests for units and for short-term bridging requirements, subject to the SC Guidelines.

## 1.6. SECURITIES LENDING

Not applicable for the Fund.

## 1.7. SHARIAH INVESTMENT GUIDELINES

At all times, the Fund shall invest in activities and instruments that are permissible under Shariah principles and shall not invest in activities and instruments that are prohibited under Shariah principles based on Shariah Adviser's established parameters as below, where applicable:

### 1.7.1. Screening process

1. For Shariah-compliant instruments listed on Bursa Malaysia, the Fund shall invest in Shariah-compliant instruments listed under the List of Shariah-compliant Instruments by the SAC of the SC
2. For initial public offering, the Fund shall invest in Shariah-compliant instruments that are classified as Shariah-compliant by SAC of the SC and/or Shariah Adviser.
3. For foreign Shariah-compliant instruments, the Fund shall invest in Shariah-compliant instruments which are listed under the List of Shariah-compliant Instruments by index providers or service providers subject to approval from Shariah Adviser.
4. For Islamic fixed income, the Fund shall invest in Malaysian's fixed income approved by SC whereas for foreign Islamic fixed income or Islamic fixed income that do not require SC approval, those must be approved by the Shariah Adviser upon review of the Islamic fixed income's offering documents and/or relevant documents of the said Islamic fixed income, e.g. Shariah pronouncement/approval of the said Islamic fixed income.
5. The Fund shall invest in domestic and foreign Islamic collective investments schemes;
6. Islamic Deposits shall be placed with financial institutions licensed under the Islamic Financial Services Act 2013 and/or Financial Services Act 2013, whichever is appropriate. For the avoidance of doubt, only Islamic account is permitted for placement of Islamic Deposit with institutions licensed under the Financial Services Act 2013. The Fund are also prohibited from investing in interest-bearing Islamic Deposits and recognising any interest income.
7. Islamic Money market instruments issued in Malaysia must be approved by SAC of BNM. Islamic money market instruments that are endorsed by other Shariah adviser or committee must be approved by the Shariah Adviser upon review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements or approvals.
8. Any other Shariah-compliant instruments or Shariah-compliant instruments that are not being mentioned in items 1 to 7 above, the Fund should seek approval from Shariah Adviser pre-investment being made.

### 1.7.2. Rules on divestment of Shariah non-compliant instruments

In the event the following investment instances occur in the Fund, the rules below shall be executed by Manager or its fund management delegate:

1. **"Shariah-compliant "instruments" which are subsequently classified as "Shariah non-compliant".**

These refer to Shariah-compliant instruments which were earlier classified as Shariah-compliant but due to certain factors, such as changes in the companies' business operations and financial positions, are subsequently reclassified as Shariah non-compliant. In this regard, if on the date the Shariah-compliant instruments turned Shariah non-compliant, the respective market price of Shariah non-compliant instruments exceeds or is equal to the investment cost, Fund that hold such Shariah non-compliant instruments must dispose them off. Any dividends received up to the date of the announcement/review and capital

gains arising from the disposal of the Shariah non-compliant instruments on the date of the announcement/review can be kept by the Fund.

However, any dividends received and excess capital gain from the disposal of Shariah non-compliant instruments after the date of the announcement/review at a market price that is higher than the closing price on the date of the announcement/review should be channeled to baitulmal and/or charitable bodies approved by the Shariah Adviser.

On the other hand, Fund are allowed to hold their investment in the Shariah non-compliant instruments if the market price of the said securities is below the Funds' investment costs. It is also permissible for the Fund to keep the dividends received during the holding period until such time when the total amount of dividends received and the market value of the Shariah non-compliant instruments held equal the investment cost. At this stage, they are advised to dispose of their holding.

In addition, during the holding period, Fund are allowed to subscribe to:

- (a) any issue of new Shariah-compliant instruments by a company whose Shariah non-compliant instruments are held by the Fund, for example rights issues, bonus issues, special issues and warrants (excluding Shariah-compliant instruments whose nature is Shariah non-compliant e.g. loan stocks); and
- (b) Shariah-compliant instruments of other companies offered by the company whose Shariah non-compliant instruments are held by the Fund.

on condition that they expedite the disposal of the Shariah non-compliant instruments.

Where the Fund invest in Shariah-compliant instruments (save for money market instruments, deposit and equities or equities related i.e. warrants, right issue etc) earlier classified as Shariah-compliant but considered to have become non-compliant (by the Shariah adviser appointed by the issuer of that security) then guidance from the Shariah Adviser should be obtained.

Where the Fund invest in money market instruments or deposits earlier classified as Shariah-compliant that are subsequently determined, regarded or deemed to be Shariah non-compliant as a result of a new or previously unknown fatwa/ruling and/or upon advice by the Shariah Adviser, the Manager would be required to sell such money market instruments or withdraw such deposits, as soon as practicable of having notice, knowledge or advice of the status of the money market instruments or deposits. Any profit received from such money market instruments or such deposits prior to the occurrence of the aforesaid event shall be retained by the Fund. Any profit received subsequent to the occurrence of the aforesaid event shall be channelled to baitulmal and/or charitable bodies, as endorsed by the Shariah Adviser.

## **2. Shariah non-compliant instruments.**

If the Manager or its fund management delegate mistakenly invests in Shariah non-compliant instruments or fixed income or money market or mistakenly made placement in deposit, the Manager or its fund management delegate needs to dispose of any Shariah non-compliant instruments or mentioned instruments, within a month of becoming aware of the status of the Shariah-compliant instruments. Any gain, dividend and/or return received before or after the disposal of the Shariah-compliant instruments or mentioned instruments has to be channeled to baitulmal and/or charitable bodies, approved by the Shariah Adviser. The Fund has a right to retain only the investment cost, which may include brokerage fees and other related transaction costs. If the disposal of the Shariah non-compliant instruments or mentioned instruments causes losses to the Fund, the Manager must bear the losses by ensuring the loss portion be restored and returned to the Fund.

### **1.7.3. Cleansing process**

Under the Shariah principles, any income or distribution received by the Fund from Shariah-compliant investments in their portfolios which relates to income from Shariah non-compliant investments as set out above are considered impure income. This impure income is subject to an income purification process as determined by the Shariah Adviser, from time to time and without limitation, where the impure income will be distributed to baitulmal and/or charitable bodies approved by the Shariah Adviser.

### **1.7.4. Periodic review**

The Shariah Adviser will review the Fund twice a year to ensure the Funds' operating procedures and investments comply with the Shariah principles. Upon completion of each review, the Shariah Adviser will deliver its opinion on the Shariah compliancy.

## **1.8. THE FUND'S COMPLIANCE TO SHARIAH PRINCIPLES**

The Shariah Adviser is of the view that, given the prevailing circumstances, the Fund and its respective investments as disclosed and presented are acceptable and within the principles of Shariah, subject to proper execution of the legal documents and other transactions related to the Fund.

**The investment portfolio of the Fund comprises instruments which have been classified as Shariah-compliant by the SAC of the SC and, where applicable the SAC of Bank Negara Malaysia ("BNM"). For instruments that are not classified as Shariah-compliant by the SAC of the SC and, where applicable the SAC of BNM, the status of the instruments has been determined in accordance with the rulings of the Shariah Adviser and Shariah Investment Guidelines.**

## 1.9. RISK FACTORS

### 1.9.1. GENERAL RISKS OF INVESTING IN A UNIT TRUST FUND

Any Shariah-compliant investment carries with it an element of risk. Therefore, prior to making an Shariah-compliant investment, you should consider the following risk factors in addition to the other information set out in this Prospectus.

#### Returns not guaranteed

The Shariah-compliant investment of the fund is subject to market fluctuations and its inherent risk. There is **NO GUARANTEE** on the investment returns, nor any assurance that the Fund's investment objective will be achieved.

#### General market environment risk

Market risk refers to the possibility that a Shariah-compliant investment will lose value because of a general decline in financial markets, due to economic, political and/or other factors, which will result in a decline in the fund's NAV.

#### Inflation risk

This is the risk that your investment in the unit trust fund may not grow or generate income at a rate that keeps pace with inflation. This would reduce your purchasing power even though the value of the investment in monetary terms has increased.

#### Financing risk

This risk occurs when you obtain financing to finance your investment. The inherent risk of investing with money from financing includes you being unable to service the financing payments. In the event units are used as collateral, you may be required to top-up your existing installment if the price of units fall below a certain level due to market conditions. Failing which, the units may be sold at a lower NAV per unit as compared to the NAV per unit at the point of purchase towards settling the financing.

### 1.9.2. SPECIFIC RISKS RELATED TO THE FUND

#### Currency risk

You should also be aware that currency risk is applicable to Class(es) which is in a different currency than the base currency of the Fund. The impact of the exchange rate movement between the base currency of the Fund and the currency denomination of the respective Class(es) may result in a depreciation of the value of your holdings as expressed in the currency denomination of the respective Class(es) of the Fund.

As for a hedged Class (if any), the Class itself provides mitigation to the currency risk arising from the difference between the currency of the Fund and the currency denomination of the Class. While we aim to fully hedge the currency risk for a hedged Class, you should note that it may not entirely eliminate currency risk. In addition, you should note that, as a result of hedging, a hedged Class will not be able to enjoy the full benefits of the currency movement in the event of a favourable movement of the currency denomination of the hedged Class against the base currency of the Fund. You should also note that hedging incurs costs, in which will impact the NAV of a hedged Class.

#### Fund manager's risk

Since the Fund invests into an Islamic CIS managed by another manager, the Target Fund Company has absolute discretion over the Target Fund's investment technique and knowledge, operational controls and management. In the event of mismanagement of the Target Fund, the NAV of the Fund, which invests into the Target Fund, would be affected negatively. Although the probability of such occurrence is minute, should the situation arise, we reserve the right to seek for an alternative Islamic CIS that is consistent with the objective of this Fund, subject to your approval.

#### Country risk

As the Fund invests in the Target Fund which is domiciled in Ireland, the Fund's investments in the Target Fund may be affected by risks specific to Ireland. Changes to laws and regulations of Ireland may have an adverse impact on the Target Fund, and consequently the Fund.

### 1.9.3. SPECIFIC RISKS RELATED TO THE TARGET FUND

As the Fund invests predominantly in the Target Fund, the Fund also assumes the risks associated with the Target Fund, which include but not limited to the following:

#### General

The investments of the Target Fund Company in Shariah-compliant securities are subject to normal market fluctuations and other risks inherent in investing in Shariah-compliant securities. The value of Shariah-compliant investments and the income from them, and therefore the value of, and income from, Shariah-compliant shares relating to the Target Fund can go down as well as up and an investor may not get back the amount he invests. Changes in exchange rates between currencies or the conversion from one currency to another may also cause the value of Shariah-compliant investments to diminish or increase.

While the provisions of the Companies Acts 2014 that regulate companies under the Irish law provide for segregated liability between the funds under Target Fund Company, these provisions have yet to be tested in foreign courts, in particular, in satisfying local creditors' claims. Accordingly, it is not free from doubt that the assets of the Target Fund Company or a fund may not be exposed to the liabilities of another fund. As at the date of this Prospectus, the directors are not aware of any existing or contingent liability of the Target Fund Company.

The Target Fund Company and the Target Fund Investment Manager will not have control over the activities of any company or Islamic collective investment scheme invested in by the Target Fund. Managers of Islamic collective investment schemes and companies in which the Target Fund Company may invest may take undesirable tax positions, employ excessive leverage or otherwise manage the collective investment schemes or be managed in a manner not anticipated by the Target Fund Investment Manager.

There is no assurance that the Target Funds will achieve their investment objectives.

#### **Settlement risk**

The Target Fund will be exposed to credit risk on parties with which it trades and will bear the risk of settlement default. Market practices in relation to the settlement of Shariah-compliant securities transactions and the custody of assets could provide additional risks. The Target Fund will be exposed to a credit risk on parties with whom it trades and may also bear the risk of settlement default. The depositary may be instructed by the Target Fund Investment Manager to settle transactions on a delivery free of payment basis where the Target Fund Investment Manager believes that this form of settlement is appropriate. Prospective investors should be aware, however, that this may result in a loss to the Target Fund if a transaction fails to settle and the depositary will not be liable to the Target Fund or the prospective investors for such a loss, provided the depositary has acted in good faith in making any such delivery or payment, and is not liable for such loss due to its negligent or intentional failure to perform its duties.

#### **Currency risk**

Changes in exchange rates between currencies may cause the value of an investment to diminish or increase. In addition to favourable and unfavourable currency exchange rate developments, the Target Fund are subject to the possible imposition of exchange control regulations or currency blockages with respect to their Shariah-compliant investments. Additionally, investment decisions made on behalf of the Target Fund will not always prove to have been profitable.

Assets of the Target Fund may be denominated in a currency other than the Base Currency of the Target Fund and changes in the exchange rate between the Base Currency and the currency of the asset may lead to a depreciation of the value of the Target Fund's assets as expressed in the Base Currency. The Target Fund Investment Manager may, depending on the investment objective of the Target Fund, seek to mitigate this exchange rate risk by using Islamic FDI. No assurance, however, can be given that such mitigation will be successful.

#### **Currency hedging at share class level risk**

Hedging activity at Share Class level may expose the Target Fund to cross contamination risk as it may not be possible to ensure (contractually or otherwise) that a counterparty's recourse in any such arrangements is limited to the assets of the relevant Share Class. Although the costs, gains and losses of the currency hedging transactions will accrue solely to the relevant Share Class, investors are nonetheless exposed to the risk that currency hedging transactions undertaken in one Share Class may impact negatively on another Share Class, particularly where (pursuant to central counterparties and trade repositories) such currency hedging transactions require the Target Fund to post collateral (i.e. initial or variation margin). Any such collateral is posted by the Target Fund and at the Target Fund's risk (rather than by the Share Class and at the risk of the Share Class only because the Share Class does not represent a segregated portion of the Target Fund's assets) thus exposing investors in other Share Classes to a proportion of this risk

#### **Valuation risk**

The Target Fund may invest some of its assets in Shariah-compliant unquoted securities. Such investment will be valued in accordance with the valuation techniques\*. The Target Fund Company may consult with the Target Fund Investment Manager with respect to the valuation of unquoted investments. There is an inherent conflict of interest between the involvement of the Target Fund Investment Manager in determining the valuation price of certain of a Target Fund's investments and the Target Fund Investment Manager's other responsibilities. Estimates of the fair value of such Shariah-compliant investments are inherently difficult to establish and are subject to substantial uncertainty. The Target Fund may, for the purpose of EPM, use derivative instruments in which case there can be no assurance that the valuation as determined in accordance with the provisions set out at section 33 of the Target Fund prospectus reflects the exact amount at which the instrument may be closed out.

*\*The value of any Shariah-compliant investment which is not listed or dealt in on a market or of any Shariah-compliant investment which is normally listed or dealt in on a market but in respect of which the latest mid-market price, or if unavailable or unrepresentative, the last traded price, is currently unavailable or the current price of which does not in the opinion of the directors represent fair market value, shall be the probable realisation value thereof estimated with care and in good faith by the directors or by a competent person appointed by the directors and approved for such purpose by the depositary or by any other means provided the value is approved by the depositary.*

#### **Interest rate risk**

The value of Shariah-compliant shares may be affected by substantial adverse movements in interest rates. When interest rates fall, the price of debt and preferred securities rises. During periods of falling interest rates, an issuer may also exercise its option to prepay principal earlier than scheduled, forcing the Target Fund to reinvest in lower yielding Shariah-compliant securities ('prepayment risk'). In relation to preferred securities, other circumstances, for example, a change in law may also cause an issuer to redeem Shariah-compliant securities earlier than scheduled.

When interest rates rise, the price of debt and preferred securities declines. In periods of rising interest rates, the average life of certain Shariah-compliant securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the Shariah-compliant securities duration, and reduce the Shariah-compliant securities value ('extension risk').

To the extent that the Target Fund uses hedging and other transactions to reduce its exposure to increases in interest rates, it could result in poorer overall performance of the Target Fund, as it results in costs to the Target Fund, and is dependent on the Target Fund's ability to predict correctly changes in interest rate relationships.

### **Equity Risks**

The Target Fund may invest directly or indirectly in Shariah-compliant securities. The price of Shariah-compliant securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. Prices of equities fluctuate daily dependent on market conditions. Markets can be influenced by a series of factors such as political and economic news, corporate earnings reports, demographic trends, catastrophic events and wider market expectations. The value of equities can fall as well as rise. Potentially the Target Fund investing in equities could incur significant losses.

Investing in Shariah-compliant securities may offer a higher rate of return than those investing in term Shariah-compliant debt securities. However, the risks associated with investments in Shariah-compliant securities may also be higher, because the investment performance of Shariah-compliant securities depends upon factors which are difficult to predict. As a result, the market value of the Shariah-compliant securities that it invests in may go down and the Target Fund may suffer losses. Factors affecting the Shariah-compliant securities are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the Target Fund to losses.

### **Market Capitalisation Risk**

The Target Fund may invest in the Shariah-compliant securities of small-to-medium-sized (by market capitalisation) companies, or Islamic FDI related to such Shariah-compliant securities. Such Shariah-compliant securities may have a more limited market than the Shariah-compliant securities of larger companies. Accordingly, it may be more difficult to effect sales of such Shariah-compliant securities at an advantageous time or without a substantial drop in price than Shariah-compliant securities of a company with a large market capitalisation and broad trading market. In addition, Shariah-compliant securities of small-to-medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavourable economic reports. Additional risk factors associated with companies whose market capitalisation is small or mid-cap may include but are not limited to the following: limited or unproven operating history; weak or leveraged balance sheets; limited borrowing capacity; low or negative profit margins; high concentration of sales from limited number of customers; competition from more established companies; and key-man management risk.

### **Unlisted Shariah-compliant Securities**

The Target Fund may invest in unlisted Shariah-compliant securities. In general there is less governmental regulation and supervision of transactions in the unlisted Shariah-compliant securities markets than for transactions entered into on organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with unlisted Shariah-compliant securities. Therefore, the Target Fund investing in unlisted Shariah-compliant securities will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the Target Fund will sustain losses.

### **Investment in Collective Investment Schemes**

The Target Fund may invest in one or more Islamic CIS including schemes managed by the Target Fund Investment Manager or its affiliates. As a shareholder of another Islamic CIS, the Target Fund would bear, along with other shareholders, its pro rata portion of the expenses of the other Islamic CIS, including investment management and/or other fees. These fees would be in addition to the Target Fund Investment Manager's fees and other expenses which the Target Fund bears directly in connection with its own operations.

Islamic CIS may have different settlement cycles than that of the Target Fund. Thus, there may be mismatch between the two settlement cycles causing the Target Fund to use borrowing on a temporary basis to meet such obligations. This may result in charges being incurred by the Target Fund. Any such borrowing will comply with the Regulations. Further, each Islamic CIS may not be valued at the same time or on the same day as the Target Fund and accordingly the net asset value of such Islamic CIS used in the calculation of the Net Asset Value of the Target Fund will be the latest available net asset value of such Islamic CIS (further details on the calculation of the Net Asset Value are set out at section 33 of the Target Fund's prospectus).

Islamic CIS may be leveraged. This includes the use of borrowed funds and investments in Islamic FDI. Also, they may engage in short sales. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Target Fund. Any particular restrictions on the Islamic CIS leverage and/or short sales for the Funds will appear in the Target Fund supplement prospectus.

To the extent that the Target Fund is invested in Islamic CIS, the success of the Target Fund shall depend upon the ability of the Islamic CIS to develop and implement investment strategies that achieve the Target Fund's investment objective. Subjective decisions made by the Islamic CIS may cause the Target Fund to incur losses or to miss profit opportunities on which it could otherwise have capitalised. In addition, the overall performance of the Target Fund will be dependent not only on the investment performance of the Islamic CIS, but also on the ability of the Target Fund Investment Manager to select and allocate the Target Fund's assets among such Islamic CIS effectively on an ongoing basis. There can be no assurance that the allocations made by the Target Fund Investment Manager will prove as successful as other allocations that might otherwise have been made, or as adopting a static approach in which Islamic CIS are not changed.

*Note: Despite the disclosure above, the Target Fund Investment Manager does not intend to invest in Islamic CIS that may be leveraged and engage in short sales. This includes the use of borrowed funds and investments in Islamic FDI.*

**Liquidity Risk**

Not all Shariah-compliant securities or instruments invested in by the Target Fund will be listed or rated and consequently liquidity may be low. Moreover, the accumulation and disposal of holdings in some Shariah-compliant investments may be time consuming and may need to be conducted at unfavourable prices. The Target Fund may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity. Some of the markets in which the Target Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of the Shariah-compliant securities. As a result, the Target Fund may suffer losses and the NAV of the Fund may be adversely affected. Due to market conditions the Target Fund may from time to time trade in Shariah-compliant transferable securities dealt on a permitted market that may become illiquid after they have been acquired or it may be difficult for the Target Fund to liquidate at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a temporary disruption of a particular market. Certain Shariah-compliant securities may therefore be difficult or impossible to sell at the time that the seller would like or at the price that the seller believes the security is currently worth.

**Reliance on Shariah Adviser**

The Shariah Adviser does not monitor performance of the Target Fund Company rather the Target Fund's compliance with the Target Fund Shariah Investment Guidelines.

The Shariah Adviser monitors the activities of the Target Fund to advise on the Target Fund's compliance with the Target Fund Shariah Investment Guidelines. The Shariah Adviser has no discretionary, management or investment advisory responsibilities in respect of any Target Fund and shall only have the right or ability to require the Target Fund Investment Manager to make changes in the portfolio of the Target Fund if such changes are required so that the Target Fund is in compliance with the Target Fund Shariah Investment Guidelines. Since the Shariah Adviser's function is not to monitor performance of the Target Fund, prospective investors should be aware that compliance with the Target Fund Shariah Investment Guidelines does not ensure that the Target Fund will not suffer a loss. The depositary may need to rely on representations from the Target Fund Investment Manager or the Shariah Adviser regarding Target Fund's compliance with Shariah principles.

**Shariah Compliance**

The Target Fund Company, the Target Fund and the investments for the Target Fund must be certified as "Shariah-compliant" based upon the determination of the Shariah Adviser. None of the Shariah Adviser, the Target Fund Investment Manager, the depositary or their principals and affiliates makes any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of such determination. In the event that the status of such Shariah compliance should change, none of the Shariah Adviser, the Target Fund Investment Manager, the depositary or its principals and affiliates accepts liability in relation to such change.

Prospective investors should not rely on any pronouncement of the Shariah Adviser on the compliance with Shariah of the Target Fund Company and the Target Fund thereof and the Shariah-compliant investments in deciding whether to become a shareholder. Prospective investors should consult their own Shariah advisers as to whether the Target Fund Company, the Target Fund and the investments of the Target Fund are compliant with Shariah principles. By becoming a Target Fund Investor, each Target Fund Investor shall be deemed to have represented that they are satisfied that the Target Fund Company, the Target Fund and the investments of the Target Fund will not contravene Shariah principles.

Although the Target Fund Investment Manager intends to observe the Target Fund Shariah Investment Guidelines at all times, no such assurance can be given, as there may be occasions when the Target Fund's investments do not fully comply with such criteria for factors outside the control of the Target Fund Investment Manager. In such instances, the Shariah Adviser will propose a remedial action to be implemented by the Target Fund Investment Manager and Target Fund Investor will be informed of purification liabilities, if any, resulting from the Shariah non-compliant investments.

**Emerging Markets**

Where the Target Fund invests in Shariah-compliant securities in emerging markets, additional risks may be encountered. These include:

**Accounting Standards:** in emerging markets there is an absence of uniform accounting, auditing and financial reporting standards and practices.

**Business Risks:** in some emerging markets, crime and corruption, including extortion and fraud, pose a risk to businesses. Property and employees of underlying Shariah-compliant investments may become targets of theft, violence and/or extortion.

**Country Risk:** the value of the Target Fund's assets may be affected by political, legal, economic and fiscal uncertainties. Existing laws and regulations may not be consistently applied.

**Currency Risk:** the currencies in which Shariah-compliant investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible.

**Custody Risk:** custodians may not be able to offer the level of service and safe-keeping, settlement and administration of Shariah-compliant securities that is customary in more developed markets and there is a risk that the Target Fund will not be recognised as the owner of Shariah-compliant securities held on its behalf by a sub-custodian.

Disclosure: less complete and reliable fiscal and other information may be available to investors.

Legal: the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made may not provide the same degree of investor protection or information to investors as would generally apply in major securities markets. Risks associated with many emerging market legal systems include (i) the untested nature of the independence of the judiciary and its immunity from economic, political or nationalistic influences; (ii) inconsistencies among laws, presidential decrees and governmental and ministerial orders and resolutions; (iii) the lack of judicial and administrative guidance on interpreting applicable laws; (iv) a high degree of discretion on the part of government authorities; (v) conflicting local, regional and federal laws and regulations; (vi) the relative inexperience of judges and courts in interpreting new legal norms; and (vii) the unpredictability of enforcement of foreign judgements and foreign arbitration awards. There is no guarantee that further judicial reform aimed at balancing the rights of private and governmental authorities in courts and reducing grounds for re-litigation of decided cases will be implemented and succeed in building a reliable and independent judicial system.

Market Characteristics/ Liquidity and Settlement Risks: in general, emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and many emerging markets are not highly regulated. When seeking to sell emerging market Shariah-compliant securities, little or no market may exist for the Shariah-compliant securities. The combination of price volatility and the less liquid nature of Shariah-compliant securities markets in emerging markets may, in certain cases, affect a Target Fund's ability to acquire or dispose of Shariah-compliant securities at the price and time it wishes to do so, and consequently may have an adverse impact on the investment performance of the Target Fund. Settlement of transactions may be subject to delay and administrative uncertainties.

Political Risk: the risk of government intervention is particularly high in the emerging markets because of both the political climate in many of these countries and the less developed character of their markets and economies. Government actions in the future could have a significant effect on economic conditions in such countries, which could affect private sector companies and the value of Shariah-compliant securities in a Target Fund's portfolio.

Tax: The taxation system in some emerging market countries is subject to varying interpretations, frequent changes and inconsistent enforcement at the federal, regional and local levels. Tax laws and practices in some emerging market countries are at an initial stage of development and are not as clearly established as in more developed countries.

Frontier Markets Risk: Investing in the Shariah-compliant securities of issuers operating in frontier emerging markets carries a high degree of risk and special considerations not typically associated with investing in more traditional developed markets. In addition, the risks associated with investing in the Shariah-compliant securities of issuers operating in emerging market countries are magnified when investing in frontier emerging market countries. These types of Shariah-compliant investments could be affected by factors not usually associated with investments in more traditional developed markets, including risks associated with expropriation and/or nationalisation, political or social instability, pervasiveness of corruption and crime, armed conflict, the impact on the economy of civil war, religious or ethnic unrest and the withdrawal or non-renewal of any licence enabling the Target Fund to trade in Shariah-compliant securities of a particular country, confiscatory taxation, restrictions on transfers of assets, lack of uniform accounting, auditing and financial reporting standards, less publicly available financial and other information, diplomatic development which could affect investment in those countries and potential difficulties in enforcing contractual obligations. These risks and special considerations make investments in Shariah-compliant securities in frontier emerging market countries highly speculative in nature and, accordingly, an investment in the Target Fund's Shariah-compliant shares must be viewed as highly speculative in nature and may not be suitable for an investor who is not able to afford the loss of their entire investment. To the extent that the Target Fund invests a significant percentage of its assets in a single frontier emerging market country, the Target Fund will be subject to heightened risk associated with investing in frontier emerging market countries and additional risks associated with that particular country.

As the Target Fund invests more than 20% in emerging markets, an investment in the Target Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

**The above summary of risks does not purport to be an exhaustive list of all the risk factors relating to investments in the Fund and are not set out in any particular order of priority. You should be aware that an investment in a unit trust fund may be exposed to other risks from time to time. If in doubt, you should consult professional advisers for a better understanding of the risks.**



## 2. TARGET FUND INFORMATION

### 2.1. ABOUT ISLAMIC ASEAN EQUITY FUND (“TARGET FUND”)

Principal Islamic Asset Management (Ireland) Plc (the “Target Fund Company”) is incorporated in Ireland under the laws of Ireland as an open-ended investment company with variable capital.

The Target Fund Company is an investment company with variable capital and segregated liability between the funds incorporated on 24 November 2011 and is authorised in Ireland as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) as amended and supplemented from time to time and includes any conditions that may from time to time be imposed there under by the Central Bank of Ireland whether by notice or otherwise affecting the Target Fund Company. The Target Fund Company is structured as an umbrella investment company, in that funds may be established from time to time by the directors with the prior approval of the Central Bank of Ireland.

The Target Fund Company has delegated the investment management activities of the Target Fund to Principal Islamic Asset Management Sdn Bhd, which act as the Target Fund Investment Manager and provide day-to-day management in respect of the investment and re-investment of the net assets of the Target Fund. The Target Fund Investment Manager offers Islamic investment solutions to global institutional investors and investment management services to collective investment funds and managed more than USD 2.19 billion as at 31 October 2019. The Target Fund Investment Manager commenced its operations in November 2008 and the current shareholders are the Principal Financial Services, Inc. (60%) and CIMB Group (40%). The Target Fund Investment Manager is regulated in Malaysia by the Securities Commission Malaysia.

The Target Fund Company has appointed BNY Mellon Trust Company (Ireland) Limited (the “Depositary”) as depositary of all of its assets. The Depositary is a private limited company incorporated in Ireland on 13 October 1994. The principal activity of the Depositary is to act as the depositary of the assets of collective investment schemes. The Depositary is authorised by the Central Bank of Ireland under the Investment Intermediaries Act 1995. The Depositary is a wholly-owned indirect subsidiary of the Bank of New York Mellon Corporation.

The Target Fund Company has appointed BNY Mellon Fund Services (Ireland) Designated Activity Company (the “Administrator”) as administrator and registrar of the Target Fund Company with responsibility for the day to day administration of the Target Fund Company’s affairs. The responsibilities of the Administrator include registration services and maintenance of the Target Fund Company’s share register, valuation of the Target Fund Company’s assets and the preparation of the Target Fund Company’s semi-annual and annual reports.

This Prospectus describes the features of the Target Fund in accordance with the prospectus of the Target Fund (the “Target Fund prospectus”) and we recommend this document should be read in conjunction with the Target Fund prospectus and the relevant supplemental prospectus. We take all reasonable efforts to ensure the accuracy that the disclosure in this Prospectus in relation to the Target Fund, including obtaining the confirmation from the Target Fund Investment Manager. However, in the event of any inconsistency or ambiguity in relation to the disclosure, including any word or phrase used in this Prospectus regarding the Target Fund as compared to the Target Fund prospectus, the Target Fund prospectus shall prevail.

#### **Investment Objective and Investment Strategies of the Target Fund**

The Target Fund’s investment objective is to seek capital growth over the medium to long term.

The Fund seeks to achieve its objective by investing principally in the Shariah-compliant securities and Shariah-compliant equity related securities comprising depository receipts of companies that are domiciled or with their core business in the Association of Southeast Asian Nations (“ASEAN”) region, which the Target Fund Investment Manager believes are mispriced by the market and have the potential for significant growth.

All of the Shariah-compliant securities acquired by the Target Fund (other than permitted unlisted investments) will be listed or traded on the Markets referred to in Appendix 2 of the Target Fund prospectus, subject to the Markets being in the ASEAN region which include, but are not limited to, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Laos, Myanmar, Cambodia and Brunei Darussalam and such other countries in the ASEAN region as are identified by the Target Fund Investment Manager from time to time. In order to be eligible for investments the regulatory authority of the Market must be an ordinary or associate member of the International Organization of Securities Commissions (IOSCO) – further details of which are set out in [www.iosco.org](http://www.iosco.org).

The Target Fund may also invest in ancillary Islamic liquid assets such as Islamic bank deposits, Shariah-compliant fixed or variable rate instruments including but not limited to Islamic commercial paper, Islamic variable rate notes, Islamic certificates of deposit and Sukuk issued by sovereign, quasi-sovereign or corporate entities. Such Shariah-compliant investments may or may not be of investment grade by a recognised rating agency such as Moody’s or Standard & Poor’s.

The Target Fund may also invest up to 10% of NAV in Shariah-compliant UCITS eligible collective investment schemes and Islamic exchange traded funds (ETFs) the constituents of which will be the types of instruments in which the Fund may directly invest.

All of the Shariah-compliant securities and other instruments acquired by the Target Fund will be subject to the guidelines specified in the Shariah Investment Guidelines set out in the section below entitled Investment Restrictions.

As the Target Fund invests more than 20% in emerging markets, an investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

### Benchmark

The benchmark of the Target Fund may be found in the fund factsheet of the Target Fund available on [www.principalislamic.com](http://www.principalislamic.com).

### Dividend Policy

For the Class I USD Accumulation, it is not the intention of the directors to declare a dividend.

## 2.2. GENERAL INVESTMENT RESTRICTIONS AND SHARIAH INVESTMENT GUIDELINES OF THE TARGET FUND COMPANY

The investment restrictions below are applicable to the Target Fund Company as a whole and must be complied with by the Target Fund.

### 2.2.1. INVESTMENT RESTRICTIONS

1. The Target Fund may invest no more than 10% of its NAV in Shariah-compliant transferable securities and Islamic money market instruments other than those referred to in paragraph 2.2.6.
2. The Target Fund shall not invest any more than 10% of its NAV in Shariah-compliant securities of the type to which Regulation 68(1)(d) of the Regulations apply. This restriction will not apply in relation to investment by the Target Fund in certain U.S. securities known as Rule 144A Securities provided that:
  - a) the relevant Shariah-compliant securities have been issued with an undertaking to register the Shariah-compliant securities with the U.S. Securities and Exchanges Commission within one year of issue; and
  - b) the Shariah-compliant securities are not illiquid securities i.e. they may be realised by the Target Fund within seven days at the price, or approximately at the price, at which they are valued by the Target Fund.
3. The Target Fund may invest no more than 10% of its NAV in Shariah-compliant transferable securities or Islamic money market instruments issued by the same body provided that the total value of Shariah-compliant transferable securities and Islamic money market instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.
4. Subject to the prior approval of the Central Bank of Ireland, the limit of 10% in paragraph 3 above is raised to 25% in the case of Sukuk that are issued by a credit institution which has its registered office in a member state and is subject by law to special public supervision designed to protect Sukuk-holders. If the Target Fund invests more than 5% of its NAV in these Sukuk issued by one issuer, the total value of these Shariah-compliant investments may not exceed 80% of the NAV of the Target Fund.  
**Note:** *Despite the general investment restrictions stated as above, the Target Fund has additional investment restrictions as stated under paragraph 2.3.1 (1).*
5. The limit of 10% in paragraph 3 above is raised to 35% if the Shariah-compliant transferable securities or Islamic money market instruments are issued or guaranteed by a member state or its local authorities or by a non-member state or public international body of which one or more member states are members.  
**Note:** *Despite the general investment restrictions stated as above, the Target Fund has additional investment restrictions as stated under paragraph 2.3.1 (1).*
6. The Shariah-compliant transferable securities and Islamic money market instruments referred to in paragraph 4 and 5 above shall not be taken into account for the purpose of applying the limit of 40% referred to in paragraph 3 above.
7. Islamic deposits with any single credit institution, other than a credit institution specified in Regulation 7 of the Central Bank of Ireland Requirements, held as ancillary liquidity, shall not exceed 10% of the NAV of the Target Fund. This limit may be raised to 20% in the case of Islamic deposits made with the depositary.
8. The risk exposure of the Target Fund to a counterparty to an OTC Islamic derivative may not exceed 5% of its NAV. This limit is raised to 10% in the case of a credit institution authorised in the European Economic Area, a credit institution authorised within a signatory state (other than an European Economic Area member state) to the Basle Capital Convergence Agreement of July 1988, or a credit institution authorised in Jersey Guernsey, the Isle of Man, Australia or New Zealand.
9. Notwithstanding paragraphs 3, 7 and 8 above, a combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20% of the NAV of the Target Fund:
  - a) investments in Shariah-compliant transferable securities or Islamic money market instruments;
  - b) Islamic deposits, and/or

- c) counterparty risk exposures arising from OTC Islamic derivative transactions.
10. The limits referred to in paragraphs 3, 4, 5, 7, 8 and 9 above may not be combined, so that exposure to a single body shall not exceed 35% of the NAV of the Target Fund.

Group companies are regarded as a single issuer for the purposes of paragraph 3, 4, 5, 7,8 and 9. However, a limit of 20% of the NAV of the Target Fund may be applied to investment in Shariah-compliant transferable securities and Islamic money market instruments within the same group.

11. The Target Fund may invest up to 100% of its NAV in different Shariah-compliant transferable securities and Islamic money market instruments issued or guaranteed by any member state, its local authorities, non-member states or public international bodies of which one or more member states are members or any of the following:

OECD Governments (provided the relevant issues are investment grade), Government of the People's Republic of China, Government of Brazil (provided the issues are of investment grade), Government of India (provided the issues are of investment grade), Government of Singapore, European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for Reconstruction and Development, the World Bank, The Inter-American Development Bank, European Union, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae), Federal Home Loan Bank, Federal Farm Credit Bank, Tennessee Valley Authority, Straight-A Funding LLC and Export-Import Bank.

Where the Target Fund invests in accordance with this provision, the Target Fund must hold Shariah-compliant securities from at least 6 different issues, with Shariah-compliant securities from any one issue not exceeding 30% of its NAV.

**Note:** *Despite the general investment restrictions stated as above, the Target Fund has additional investment restrictions as stated under paragraph 2.3.1 (1).*

## 2.2.2. RESTRICTIONS

1. The particular investment restrictions for the Target Fund will be formulated by the directors at the time of the creation of the Target Fund and will appear in the supplement for the Target Fund.
2. Details of the investment restrictions laid down in accordance with the Central Bank of Ireland Requirements in respect of the Target Fund are set out below. At all times, the Target Fund shall invest in activities and instruments that are allowed under Shariah principles and in accordance with the requirements of the Central Bank of Ireland and shall not invest in activities and instruments that are prohibited under Shariah principles based on the Shariah Adviser's established parameters.

## 2.2.3. GENERAL PROVISIONS

1. The Target Fund Investment Manager, acting in connection with all of the Islamic collective investment schemes ("CIS") it manages, may not acquire any Shariah-compliant shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.
2. The Target Fund may acquire no more than:
  - a) 10% of the non-voting Shariah-compliant shares of any single issuing body;
  - b) 10% of the Sukuk of any single issuing body;
  - c) 25% of the units of any single Islamic CIS;
  - d) 10% of the Islamic money market instruments of any single issuing body.

**Note:** *The limits laid down in 2(b), 2(c) and 2(d) above may be disregarded at the time of acquisition if at that time the gross amount of the Sukuk or of the Islamic money market instruments, or the net amount of the Shariah-compliant securities in issue cannot be calculated. Despite the general investment restrictions stated as above, the Target Fund has additional restrictions as stated under paragraph 2.3.1 (2), (3) and (5) below.*

3. Paragraph 1 and 2 above shall not be applicable to:
  - a) Shariah-compliant transferable securities and Islamic money market instruments issued or guaranteed by a member state or its local authorities;
  - b) Shariah-compliant transferable securities and Islamic money market instruments issued or guaranteed by a non-member state;
  - c) Shariah-compliant transferable securities and Islamic money market instruments issued by public international bodies of which one or more member states are members;
  - d) Shariah-compliant shares held by the Target Fund in the capital of a company incorporated in a non-member state which invests its assets mainly in the Shariah-compliant securities of issuing bodies having their registered offices in that non-member state, where under the legislation of that non-member state such a holding represents the only way in which the Target Fund can invest in the Shariah-compliant securities of issuing bodies of that non-member state. This waiver is applicable only if in its investment policies the company from the non-member state complies with the limits laid down in paragraph 2.2.1 (3) to (11), 2.2.4

- (1), 2.2.3.(1), (2), (4), (5) and (6) and provided that where these limits are exceeded, paragraph 2.2.3 (5) and (6) are observed;
- e) Shariah-compliant shares held by the Target Fund in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the redemption of shares at Target Fund Investor's request exclusively on their behalf.

**Note:** *Despite the general investment restrictions stated as above, the Target Fund has additional restrictions as stated under paragraph 2.3 (2) and (3) below.*

4. The Target Fund need not comply with the investment restrictions herein when exercising subscription rights attaching to Shariah-compliant transferable securities or Islamic money market instruments which form part of their assets.

**Note:** *Despite the disclosure stated as above, the Target Fund Investment Manager has confirmed that the Target Fund will dispose any excess of a transferable security or money market instrument due to subscription rights exercised from the relevant investment restrictions within one (1) month from the date of exceeding the relevant investment restrictions.*

5. The Central Bank of Ireland may allow the Target Fund Company to derogate from the provisions of 2.2.1 (3) to (12), 2.2.4 (1), for six months following the date of their authorisation, provided they observe the principle of risk spreading.

**Note:** *The above paragraph is not applicable to the Target Fund since the Target Fund was launched for more than 6 months.*

6. If the limits laid down herein are exceeded for reasons beyond the control of the Target Fund, or as a result of the exercise of subscription rights, the Target Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its shareholders. In any event, and in all cases in accordance with the requirements of the preceding sentence, no such limit exception will exceed 3 months in duration.

**Note:** *Despite the disclosure stated as above, the Target Fund Investment Manager has confirmed that the Target Fund will dispose any excess of a Shariah-compliant transferable security or money market instrument due to subscription rights exercised from the relevant investment restrictions within one (1) month from the date of exceeding the relevant investment restrictions.*

7. The Target Fund may not carry out uncovered sales of:

- a) Shariah-compliant transferable securities;
- b) Islamic money market instruments;
- c) units of Islamic CIS; or
- d) Islamic financial derivative instruments (FDIs).

**Note:** *Despite the disclosure stated as above, the Target Fund has additional restrictions on the use of FDIs as stated under paragraph 2.3 below.*

8. The Target Fund may hold ancillary Islamic liquid assets.

9. It is intended that the Target Fund should have the power to avail of any change in the law, regulations or guidelines which would permit investment in assets and Shariah-compliant securities on a wider basis in accordance with the requirements of the Central Bank of Ireland.

**Note:** *Should there be any change in the investment restrictions that are applicable to the Target Fund, a supplemental prospectus will be issued and you will be notified accordingly.*

#### **2.2.4. INVESTMENT IN ISLAMIC COLLECTIVE INVESTMENT SCHEMES (CIS)**

1. The Target Fund may not invest more than 10% of its NAV in other open-ended Islamic CIS.
2. The Islamic CIS, in which the Target Fund invests, are themselves prohibited from investing more than 10% of net assets in other open-ended Islamic CIS.
3. When the Target Fund invests in the units of other Islamic CIS that are managed, directly or by delegation, by the Target Fund Company or by any other company with which the Target Fund Company is linked by common management or control, or by a substantial direct or indirect holding, neither the Target Fund Company, nor that other company may charge subscription, conversion or redemption fees on account of that Target Fund's investment in the units of such other Islamic CIS.
4. Where a commission (including a rebated commission) is received by the Target Fund Company or Target Fund Investment Manager by virtue of an investment in the units of another Islamic CIS, this commission must be paid into the property of the Fund.
5. A fund established as a feeder fund pursuant to the UCITS Directive must invest at least 85% of its assets in the units of the master fund.

**Note:** *The above paragraph is not applicable to the Target Fund since the Target Fund is not a feeder fund.*

#### **2.2.5. ISLAMIC FINANCIAL DERIVATIVE INSTRUMENTS (FDI)**

1. The Target Fund's global exposure relating to Islamic FDI must not exceed its total NAV.
2. Position exposure to the underlyings of Islamic FDI, including embedded Islamic FDI in Shariah-compliant transferable securities or Islamic money market instruments, when combined where relevant with positions

resulting from direct investments, may not exceed the investment limits set out in the Central Bank of Ireland Requirements. (This provision does not apply in the case of index based Islamic FDI provided the underlying index is one which meets with the criteria set out in the Central Bank of Ireland Requirements).

3. The Target Fund may invest in OTC Islamic derivatives in accordance with the Central Bank of Ireland Requirements and provided that the counterparties to the OTC Islamic derivatives are eligible counterparties.
4. Investment in Islamic FDI is subject to the conditions and limits laid down by the Central Bank of Ireland.
5. In addition, the counterparties to the OTC Islamic derivatives will be also subject to the following requirements:
  - (a) The counterparty is a financial institution with a minimum long-term rating provided by any domestic or international rating agency that indicates a strong capacity for timely payment of financial obligations.
  - (b) The Target Fund Investment Manager has determined it is able to value the investment concerned to ensure that the pricing is reasonable.
  - (c) The counterparty is able to provide a reliable and verifiable valuation on a regular basis (preferably every business day) or at any times as may be requested by the Target Fund Investment Manager.
  - (d) The counterparty must be ready to unwind, buy-back or close out the transaction upon request of the Target Fund Investment Manager at a fair value based on methods or bases which have established.

#### **2.2.6. PERMITTED INVESTMENTS**

Investments of the Target Fund are confined to:

1. Shariah-compliant transferable securities and Islamic money market instruments which are either admitted to official listing on a stock exchange in a member state or non-member state or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in an member state or non-member state (and which in each case is listed in Appendix 2 of the Target Fund's prospectus).
2. Recently issued Shariah-compliant transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
3. Islamic money market instruments other than those dealt on a regulated market.
4. Units of UCITS.
5. Units of alternative investment funds (AIFs)\*.
6. Islamic deposits with credit institutions.
7. Islamic FDI.

*\* Despite the general permitted investments stated as above, the Target Fund will only invest in Shariah-compliant UCITS eligible collective investment schemes as per Target Fund's investment strategy stated above and additional restrictions as stated under paragraph 2.3 below.*

#### **2.2.7. SHARIAH INVESTMENT GUIDELINES**

All Shariah-compliant securities and other Shariah-compliant investments recommended for investment by the Target Fund Company will be subject to strict Shariah investment guidelines. These are set out in the supplement for the Target Fund. The Target Fund Investment Manager shall observe these criteria when considering Shariah-compliant securities for investment by the Target Fund.

At all times and in addition to any other investment restrictions set out here or in the relevant supplement, the Target Fund shall only invest in activities and instruments allowed under Shariah and shall not be invested in activities and instruments that are prohibited under Shariah.

##### **1. Rules of divestment of Shariah non-compliant investment assets in relation to securities.**

The following guidelines will be applicable to the Target Fund Investment Manager where any of the following instances occur in respect of the Shariah-compliant securities held by the Target Fund.

##### **2. "Shariah-compliant" securities which are subsequently considered "Shariah non-compliant"**

This section refers to those securities which have been earlier classified as Shariah-compliant but due to certain reasons, such as changes in the operation of the securities in question, are subsequently recognised as Shariah non-compliant. In this regard, if on the date the Shariah-compliant securities become Shariah non-compliant, the value of the securities held exceeds the investment costs, the Target Fund must liquidate them. Any dividends received up to the date of the announcement/review and capital gains arising from the disposal of the Shariah non-compliant securities may be kept by the Target Fund. However, any dividend received and excess capital gains derived from the disposal after the announcement/review day at a market price that is higher than the closing price on the announcement/review day shall be channelled to charitable bodies approved by the Shariah Adviser.

The Target Fund is allowed to hold its investment in the Shariah non-compliant securities if the market price of the said securities is below the investment cost for a maximum holding period of 3 months. It is also permissible for the Target Fund to keep dividends received during the holding period, subject to purification.

In addition, during the holding period of the Shariah non-compliant securities, the Target Fund is permitted to subscribe to Shariah-compliant securities of other companies offered by the company whose Shariah non-compliant securities are held by the Target Fund.

##### **3. "Shariah Non-compliant securities"**

If the Target Fund Investment Manager mistakenly invests in Shariah non-compliant securities, the Target Fund Investment Manager must dispose of any Shariah non-compliant securities within one month of becoming aware of the status of such securities. Any gain made in the form of capital gain or dividend received during or after the disposal of these securities must be channelled to charitable bodies approved by the Shariah Adviser. The Target Fund has a right to retain only the investment costs, which may include brokerage fee and other transaction costs.

#### **4. Cleansing Process**

Any income or distribution received by the Target Fund from securities which relate to income from Shariah non-compliant investments assets are considered impure income. The level of the impure income which relates to such dividends shall be determined by the provider of the index specified in the relevant supplement. This impure income is subject to an income purification process as determined by the Shariah Adviser, from time to time, whereby the impure income will be channelled to charitable organisations, which are approved by the Shariah Adviser.

#### **5. Periodic Review**

The Shariah Adviser will review and screen the details of the Target Fund's portfolio submitted to it on a monthly basis to ensure compliance with the prescribed investment policies and guideline approved by the Shariah Adviser.

### **2.2.8. BORROWING AND LENDING POWERS**

The Target Fund Company may obtain cash financing for the account of the Target Fund, provided that:

- (a) the cash financing is of the purpose of meeting redemption requests for Shariah-compliant shares and for short-term bridging requirements;
- (b) the cash financing is only on a temporary basis and that financing are not persistent;
- (c) the financing period should not exceed one month;
- (d) the aggregate financing of the Target Fund should not exceed 10% of the Target Fund's NAV at the time the borrowing is incurred; and
- (e) the Target Fund only obtain financing from Islamic financial institutions.

Any such financing should not lead to any interest charges.

Without prejudice to the powers of the Target Fund Company to invest in Shariah-compliant transferable securities, the Target Fund Company may not lend to, or act as guarantor on behalf of, third parties. The Target Fund may acquire Sukuk and Shariah-compliant securities which are not fully paid.

The Shariah Adviser must advise that the aforementioned criteria on financing and lending are Shariah compliant.

### **2.2.9. EFFICIENT PORTFOLIO MANAGEMENT**

Islamic Financial derivatives, including options, futures, options on futures, other over the counter derivative instruments (including swaps) may, if deemed advisable by the Target Fund Investment Manager for the purposes of efficient portfolio management ("EPM"), be used subject to the conditions and limits laid down by the Central Bank of Ireland and the depositary agreement and subject to any other restrictions or regulations which may affect the portfolio management of the Target Fund or the Target Fund Investment Manager. The Target Fund may employ techniques and instruments relating to Shariah-compliant transferable securities and Islamic money market instruments subject to the Regulations and the Central Bank of Ireland Requirements.

Use of such techniques and instruments should be in line with the best interests of Target Fund Investor and will generally be made for one or more of the following reasons:

- a) the reduction of risk;
- b) the reduction of cost; or
- c) the generation of additional capital or income for the Target Fund with an appropriate level of risk, taking into account the risk profile of the Target Fund and the risk diversification rules set out in the Regulations.

In addition, the use of such techniques and instruments must be realised in a cost-effective way and must not result in a change to the investment objective of the Target Fund or add substantial supplementary risks not covered in the Target Fund prospectus. It is therefore the intention of the Target Fund Company, in employing such EPM techniques and instruments for these reasons, that their impact on the performance of the Target Fund will be positive.

Such techniques and instruments may include foreign exchange transactions which alter the currency characteristics of assets held by the Target Fund. Assets of the Target Fund may be denominated in a currency other than the base currency of the Target Fund and changes in the exchange rate between the base currency and the currency of the asset may lead to a depreciation of the value of the Target Fund's assets as expressed in the base currency. The Target Fund Company may (but is not obliged) to seek to mitigate this exchange rate risk by using Islamic FDI.

All the revenues arising from EPM techniques shall be returned to the Target Fund following the deduction of any direct and indirect operational costs and fees arising.

Unless otherwise specified in the relevant supplement, the Target Fund shall use the commitment approach to calculate its global exposure as a result of the use of derivatives. Accordingly, global exposure and leverage as a result of its investment in Islamic FDI shall not exceed 100% of the NAV of the Target Fund.

The Target Fund Company shall be free at its discretion to take advantage of any wider investment powers which may become permitted under the Regulations.

*Note: As per the Target Fund supplement prospectus, the Target Fund Investment Manager only will use commitment approach to calculate the Fund's global exposure to ensure that the Fund's use of Islamic FDI is within the limits specified by the Central Bank.*

Where provided for in the relevant supplement, the Target Fund may use techniques and instruments, including derivatives, 'when issued' and 'forward commitment' securities (which securities are taken into account when calculating the limits in the investment restrictions set out in the Target Fund prospectus), for the purpose of EPM in accordance with the Central Bank of Ireland Requirements.

Should the Target Fund Company choose to use derivatives for the purposes of EPM, a risk management process ("RMP") will be put in place which will enable the Target Fund Company to accurately measure, monitor and manage the various risks associated with the derivative instruments it uses.

Supplementary information will be provided by or on behalf of the Target Fund to Target Fund's shareholders relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of Shariah-compliant investments held by the Target Fund.

#### **2.2.10. ISLAMIC TOTAL RETURN SWAPS**

The Target Fund may use Islamic total return swaps (including but not limited to Islamic profit rate swaps) ("TRS") in accordance with normal market practice and subject to the requirements of the securities financing transaction regulation issued by the European Union and the Central Bank of Ireland Requirements where provided for in the relevant supplement. Such TRS may be entered into for any purpose that is consistent with the investment objective of the Target Fund, including to generate income or profits in order to increase portfolio returns or to reduce portfolio expenses or risks.

Any type of assets that may be held by the Target Fund in accordance with its investment objective and policies may be subject to such TRS. Subject to the Target Fund's investment objective and policies, there is no limit on the proportion of assets that may be subject to TRS and therefore the maximum and expected proportion of the Target Fund's assets that can be subject to TRS is 100%, i.e. all of the assets of the Target Fund. In any case the most recent semi-annual and annual accounts of the Target Fund will express the amount of the Target Fund's assets subject to TRS.

All the revenues arising from TRS and any other EPM techniques shall be returned to the Target Fund following the deduction of any direct and indirect operational costs and fees arising. Such direct and indirect operational costs and fees (which are all fully transparent), which shall not include hidden revenue, shall include fees and expenses payable to counterparties engaged by the Target Fund Company from time to time. Such fees and expenses of any counterparties engaged by the Target Fund Company, which will be at normal commercial rates together with value added tax, if any, thereon, will be borne by the Target Fund Company or the Target Fund in respect of which the relevant party has been engaged. Details of the Target Fund revenues arising and attendant direct and indirect operational costs and fees as well as the identity of any specific TRS counterparties engaged by the Target Fund Company from time to time shall be included in the Target Fund's semi-annual and annual reports.

While the Target Fund Company will conduct appropriate due diligence in the selection of counterparties, including consideration of the legal status, country of origin, credit rating and minimum credit rating (where relevant), it is noted that the Central Bank of Ireland Requirements do not prescribe any pre trade eligibility criteria for counterparties to the Target Fund's TRS.

From time to time, the Target Fund may engage counterparties that are related parties to the depositary or other service providers of the Target Fund Company. Such engagement may on occasion cause a conflict of interest with the role of the depositary or other service provider in respect of the Target Fund Company. Please refer to the Target Fund's prospectus for further details on the conditions applicable to any such related party transactions. The identity of any such related parties will be specifically identified in the Target Fund Company's semi-annual and annual reports.

The risks arising from any use of TRS shall be adequately captured in the Target Fund Company's risk management process.

**Note:** *Despite the disclosure stated as above, the Target Fund has additional restrictions on the use of Islamic FDIs as stated under paragraph 2.3 below.*

#### **2.2.11. COLLATERAL POLICY**

In the context of efficient portfolio management techniques and/or the use of Islamic FDI for hedging or investment purposes\*, cash collateral may be received from a counterparty for the benefit of the Target Fund or posted to a counterparty by or on behalf of the Target Fund. The Target Fund Company will not receive or post any assets other

than cash as collateral. Any receipt or posting of collateral by the Target Fund will be conducted in accordance with the Central Bank of Ireland Requirements and the terms of the Target Fund Company's collateral policy outlined below.

\* *The Target Fund has additional restrictions on the use of Islamic FDIs as stated under paragraph 2.3 below.*

#### **1. Cash collateral – received by the Target Fund**

Collateral posted by a counterparty for the benefit of the Target Fund may be taken into account as reducing the exposure to such counterparty. The Target Fund will require receipt of the necessary level of collateral so as to ensure counterparty exposure limits are not breached. Counterparty risk may be reduced to the extent that the value of the collateral received corresponds with the value of the amount exposed to counterparty risk at any given time.

Risks linked to the management of collateral, such as operational and legal risks, shall be identified, managed and mitigated by the Target Fund Company's risk management process. The Target Fund receiving collateral for at least 30% of its assets should have an appropriate stress testing policy in place to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to enable the Target Fund to assess the liquidity risk attached to the collateral. The liquidity stress testing policy will at least prescribe the components set out in Regulation 24 paragraph (8) of the Central Bank of Ireland Requirements.

For the purpose of providing margin or collateral in respect of transactions in techniques and instruments, the Target Fund may transfer, mortgage, pledge, charge or encumber any cash forming part of the Target Fund in accordance with normal market practice and the requirements outlined in the Central Bank of Ireland's Requirements.

Collateral may not be invested other than in the following:

- (i) deposits with Relevant Institutions;
- (ii) high-quality government bonds;
- (iii) reverse repurchase agreements provided the transactions are with credit institutions subject to prudential supervision and the Target Fund is able to recall at any time the full amount of cash on an accrued basis;
- (iv) short-term Islamic money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds (ref CESR/10-049).

Re-invested cash collateral should be diversified in accordance with the Central Bank of Ireland diversification requirements applicable to non-cash collateral. Collateral may not be placed on deposit with the relevant counterparty or a related entity. Exposure created through the reinvestment of collateral must be taken into account in determining risk exposures to a counterparty. Re-investment of collateral in accordance with the provisions above can still present additional risk for the Target Fund. Please refer to the Target Fund's prospectus for more details on reinvestment of cash collateral risk.

#### **2. Cash collateral – posted by the Target Fund**

Collateral posted to a counterparty by or on behalf of the Target Fund must be taken into account when calculating counterparty risk exposure. Collateral posted to a counterparty and collateral received by such counterparty may be taken into account on a net basis provided the Target Fund is able to legally enforce netting arrangements with the counterparty.

### **2.3. SPECIFIC INVESTMENT RESTRICTIONS AND SHARIAH INVESTMENT GUIDELINES OF THE TARGET FUND**

The general investment restrictions above shall apply to the Target Fund. The following additional restrictions will apply to the Target Fund:

1. The Target Fund's investments in Shariah-compliant transferable securities and Islamic money market instruments issued by any single issuer must not exceed 15% of the Target Fund's NAV;
2. The Target Fund's investments in Shariah-compliant transferable securities (including Sukuk) must not exceed 10% of the Shariah-compliant securities issued by any single issuer;
3. The Target Fund's investment in Islamic money market instruments must not exceed 10% of the instruments issued by any single issuer;  
**Note:** *This limit may be disregarded if the Islamic money market instrument does not have pre-determined issued size.*
4. The value of the Target Fund's OTC Islamic derivative transaction with any single counter-party must not exceed 5% of the Target Fund's NAV and the Target Fund's exposure from derivatives position should not exceed the Target Fund's NAV at all times;
5. The Target Fund's investments in Islamic collective investment scheme must not exceed 25% of the overall number of issued units/shares in any one Islamic collective investment scheme.
6. In the case of cross-investment in a sister sub-fund of the Target Fund Company the following additional restrictions apply:
  - a) The investment shall not be made in a sub-fund which itself holds units in any other sub-fund within the Target Fund Company;
  - b) the rate of the annual investment management fee which investors in the Target Fund are charged in respect of that portion of the Target Fund's assets invested in the Shariah-compliant shares of the other sub-funds of the Target Fund Company (the Receiving Funds) (whether such fee is paid directly at the Target Fund level, indirectly at the level of the Receiving Funds or a combination of both) shall not exceed the rate of the maximum annual investment management fee which investors in the Target Fund may be charged in respect of the balance of the Target Fund's assets, such that



there shall be no double charging of the annual investment management fee to the Target Fund as a result of its investments in the Receiving Fund.

The general investment restrictions set out under the headings Shariah Investment Guidelines in the Prospectus shall apply to the Target Fund. The following also constitute the Shariah Investment Guidelines in respect of the Target Fund:

1. Securities which are Shariah-compliant listed under the list of Shariah-compliant securities included in the Dow Jones Islamic Market Index. Further details on the Index may be obtained on [www.djindexes.com](http://www.djindexes.com).
2. Securities which are not listed on the list of Shariah-compliant securities approved by the Dow Jones Islamic Market Index shall comply with the following guidelines approved by the Shariah Adviser:
3. Investment is not allowed in companies which are directly active in, or derive more than 5% of their revenue (cumulatively) from the manufacture and/or sale and/or distribution of the following goods and services:
  - (i) alcohol;
  - (ii) tobacco;
  - (iii) pork-related products;
  - (iv) conventional financial services (banking, insurance, etc.);
  - (v) weapons and defence; and
  - (vi) entertainment (hotels, casinos/gambling, cinema, pornography, music, etc.).
4. Investment in companies with the following criteria is not allowed:
  - (i) Total debt divided by trailing 24-month average market capitalization is equal or more than 33% where "total debt" equals short term debt plus long term debt;
  - (ii) The sum of a company's cash and interest-bearing securities divided by trailing 24-month average market capitalization is equal or more than 33%; and
  - (iii) Accounts receivables divided by trailing 24-month average market capitalization is equal or more than 33%, where "accounts receivables" means current receivables plus longer-term receivables.
5. Islamic Bank deposits shall be placed in Islamic accounts issued by licensed Islamic financial institutions or non-interest bearing accounts. The Target Fund is also prohibited from investing in interest-bearing deposits and recognising any interest income.
6. Money market instruments that are endorsed by other Shariah advisers or committee must be approved by the Shariah Adviser upon review of the relevant documents e.g. principal terms and conditions and Shariah pronouncement or approvals;
7. Shariah-compliant UCITS eligible collective investment schemes which are endorsed by other Shariah advisers or committee must be approved by the Shariah Adviser upon review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements or approvals;
8. Islamic FDI that are endorsed by other Shariah Advisers or committees must be approved by the Shariah Adviser upon review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements or approvals.

#### **ISLAMIC FINANCIAL DERIVATIVE INSTRUMENTS (FDI)**

The Target Fund may enter into Islamic forward foreign exchange contracts and Islamic profit rate swaps for efficient portfolio management purposes in accordance with the investment restrictions, conditions and limits laid down by the Central Bank of Ireland.

The following is a description of the types of Islamic FDI which may be used by the Target Fund:

##### **Islamic Forward Foreign Exchange Contracts**

The Base Currency of the Target Fund is USD and exposure to currencies other than USD may, at the Target Fund Investment Manager's discretion, be fully or partially hedged back to USD through the use of Islamic currency forwards. These are non-standardized, negotiated, over the counter contract between two parties to buy or sell currency at a specified future time at a price agreed upon today.

They reduce the Target Fund's exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract. Such forwards may also be non-deliverable and structured so as to be cash settled, usually on a thinly traded currency or non-convertible currency.

The Target Fund may enter into these contracts to hedge against exchange risk or to shift exposure to currency fluctuations from one currency to another.

##### **Islamic Profit rate swaps (IPRS)**

An IPRS is individually negotiated and traded over the counter. It involves the exchange by the Target Fund with another party of their respective commitments to receive certain cash flows for a specified period of time. One stream of future cash flows is exchanged for another, based on a specified principal amount. It is generally an exchange by the Target Fund of fixed rate cash flows for floating rate cash flows. The Target Fund therefore obtains floating rate interest exposure.

These are used to manage interest rate risk. Swap agreements are subject to liquidity risk, meaning that the Target Fund may be unable to sell a swap contract to a third party at a favourable price. The Target Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a counterparty.

The Target Fund Company employs a risk-management process in respect of the Target Fund which enables it to accurately measure, monitor and manage the various risks associated with Islamic FDIs. The Target Fund may only utilise the Islamic FDIs

listed in the risk management process as cleared by the Central Bank of Ireland. The Target Fund Investment Manager uses a risk management technique known as the commitment approach to calculate the Target Fund's global exposure to ensure that the Target Fund's use of Islamic FDI is within the limits specified by the Central Bank of Ireland. On request, supplementary information will be provided to Target Fund Investor relating to the risk management methods employed including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investment.

The Target Fund's global exposure and leverage (as prescribed by the Central Bank of Ireland) relating to Islamic FDI will not exceed 100% of the Target Fund's NAV. Simple leverage is calculated as being global exposure divided by the Target Fund's NAV.

## **2.4. SUB-INVESTMENT ADVISER**

The Target Fund Investment Manager has appointed Principal Malaysia to act as a sub-investment adviser to the Target Fund. Principal Malaysia will provide non-discretionary portfolio management activities. Please refer to "The Manager" section at page 35 for further details.

## **2.5. REDEMPTION OF SHARES**

If total requests for redemption on any dealing day for the Target Fund exceed 10% of the total number of shares in the Target Fund or 10% of the NAV of the Target Fund, the directors may in their discretion refuse to redeem any shares in excess of 10%. Any request for redemption on such dealing day shall be reduced rateably and the redemption requests shall be treated as if they were received on each subsequent dealing day until all the shares to which the original request related have been redeemed.

*Note: Should the withdrawal request of the Target Fund is deferred, we will pay Unit holder within fifteen (15) Business Days. Please refer to Section 4.6.1. for more information.*

## **2.6. TEMPORARY SUSPENSION OF REDEMPTION**

The right of any Target Fund Investor to require the redemption of the shares of the Target Fund Company will be suspended during any period when the calculation of the NAV per share of the relevant class is suspended by the directors pursuant to the powers set out under the heading "Suspension of Calculation of Net Asset Value" below. Notice of such suspension period will be given to any Target Fund Investor tendering shares for redemption. The shares in question will be redeemed on the first dealing day following the end of the suspension period.

If a period of suspension lasts for more than one (1) calendar month after the date of an application for redemption, the application may be cancelled by the Target Fund Investor by notice in writing to the administrator provided that the notice is received by the administrator prior to the relevant dealing deadline on the last dealing day of the suspension period.

## **2.7. COMPULSORY REDEMPTION**

If the NAV of the Target Fund on a given dealing day shall become at any time less than USD 10 million or the equivalent in the currency of the Target Fund (or such other amount as may be specified in the supplement relating to the Target Fund) the directors may, at their discretion, redeem all but not less than all of the shares of the Target Fund) then outstanding at the redemption price calculated on the expiration date). In addition, the directors may require the Target Fund Investor to redeem all shares in the Target Fund where they are of the opinion that the shareholder's trading in the Target Fund are designed to take advantage of short term market movements. However, the Target Fund Company must (i) provide four (4) weeks' written notice of redemption to the Target Fund Investor of the classes of shares to be redeemed, such notice expiring on the date stated in the notice (the expiration date) and (ii) redeem such shares within four (4) weeks following such expiration date. Target Fund Investor shall be notified in writing of any such redemption.

If it shall come to the attention of the directors at any time that shares are beneficially owned by or on behalf of a prohibited person, either alone or in conjunction with any other person, and the prohibited person fails to comply with the direction of the Target Fund Company to sell his shares and to provide the directors with evidence of such sale within twenty one (21) days of being so directed by the directors, the directors may in their discretion compulsorily redeem such shares in accordance with the Memorandum and Articles of Association of the Target Fund Company. Immediately after the close of business specified in the notice given by the Target Fund Company to the prohibited person of such compulsory redemption, the shares will be redeemed and such investor will cease to be the owner of such shares. The Target Fund Company may require any Target Fund Investor or prospective investors to furnish it with any information which it may consider necessary for the purpose of determining whether or not the beneficial owner of such shares is or will be a prohibited person. In particular, the Target Fund Company may require the Target Fund Investor or prospective investors to provide the Target Fund Company with information as to whether such person is a U.S. Person.

*Note: In the unlikely event of a compulsory redemption, we will replace Target Fund with another Islamic CIS that is in line with the Fund's objective.*

## 2.8. SUSPENSION OF CALCULATION OF NET ASSET VALUE

The Target Fund Company may at any time temporarily suspend the calculation of the NAV of the Target Fund and the right of Target Fund Investor to require the redemption or exchange of shares of any class and the payment of redemption proceeds during

- (i) any period when any of the principal markets or stock exchanges on which a substantial part of the Shariah-compliant investments of the Target Fund are quoted is closed, otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended;
- (ii) any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the directors, disposal or valuation of Shariah-compliant investments of the Target Fund is not reasonably practicable without this being seriously detrimental to the interests of investors of the Target Fund or if, in the opinion of the directors, the NAV of the Target Fund cannot fairly be calculated;
- (iii) any breakdown in the means of communication normally employed in determining the price of any of the Target Fund's investments and other assets or when for any other reason the current prices on any market or stock exchange of any assets of the Target Fund cannot be promptly and accurately ascertained;
- (iv) any period during which the Target Fund Company is unable to repatriate funds required for the purpose of making payments due on redemption of shares of any class in the Target Fund or during which the transfer of funds involved in the acquisition or realisation of Shariah-compliant investments or payments due on redemption of shares cannot, in the opinion of the directors, be effected at normal prices or normal rates of exchange; or
- (v) any period where in the opinion of the directors such suspension is justified having regard to the interests of the Target Fund Company; or
- (vi) following the circulation to the Target Fund Investor of a notice of a general meeting at which a resolution proposing to wind-up the Target Fund Company or terminate the Target Fund is to be considered. Except in the case of (vi) the Target Fund Company will, whenever possible, take all reasonable steps to bring any period of suspension to an end as soon as possible.

If the Target Fund Investor requested issue or redemption of shares or exchanges of shares of the Target Fund to another, the Target Fund Investor will be notified of any such suspension in such manner as may be directed by the directors and the requests will be dealt with on the first dealing day after the suspension is lifted. Any such suspension shall be notified immediately to the Central Bank of Ireland and the Euronext Dublin. The competent authorities in any jurisdiction where the Target Fund Company is registered for sale will also be notified.

Suspensions of the calculation of the NAV will be published to Target Fund Investor if such suspension is likely to exceed ten (10) days. Should any of the above events occur, the Fund may not be able to pay the redemption proceeds to you within ten (10) days. Please refer to "Minimum Withdrawals" section at page 28 for further details.

## 2.9. SPECIFIC RISKS OF THE TARGET FUND

Please refer to "Specific Risks Related to the Target Fund" section at page 5 for details.

## 2.10. FEES CHARGED BY THE TARGET FUND (CLASS I USD ACCUMULATION)

FEES/EXPENSES	
Initial Charge	Nil.
Management Fee	Up to 1.00% per annum <b>Note:</b> The management fee charged by the Target Fund will be paid out of the Management Fee charged by us at the Fund level. You will incur a Management Fee at the Fund's level only and there is no double charging of management fee.
Redemption Fee	Nil.
Performance Fee	Nil.
Depository Fee	Up to 0.022% per annum of the average NAV of the Target Fund, subject to a minimum annual fee of USD 15,000 which may be waived.
Administration Fee	Up to 0.04% per annum of the average NAV of the Target Fund, subject to a minimum annual fee of USD 45,000 which may be waived.
Shariah Advisory Fee	Annual fee of up to USD 5,000.

**Note:** For more information about Target Fund prospectus, supplement, semi-annual and annual accounts of the Target Fund, please refer to the website at <http://www.principalislamic.com>.

## 3. FEES, CHARGES AND EXPENSES

### 3.1. CHARGES

The following describes the charges that you may **directly** incur when you buy or withdraw units of the Classes.

#### 3.1.1. Application Fee

When applying unit of the Class, you may be charged an Application Fee based on the NAV per unit of the respective Class. Please refer to the Annexure of the respective Class for further information. If you invest via EPF-MIS (where available), you may be charged an Application Fee of up to 5.00% of the NAV per unit, or such other rate as may be determined by the EPF.

Below is an illustration on how the Application Fee is calculated:-

	Class ABC (Denominated in MYR)	Class XYZ (Denominated in USD)
Investment amount	MYR 10,000	USD 10,000
NAV per unit	MYR 0.2500	USD 0.2500
Application Fee (NAV per unit)	5.00%	5.00%
Units issued to Unit holder = $\frac{\text{Investment amount}}{\text{NAV per unit}}$	= $\frac{\text{MYR } 10,000.00}{\text{MYR } 0.2500}$ = 40,000 units	= $\frac{\text{USD } 10,000.00}{\text{USD } 0.2500}$ = 40,000 units
Total Application Fee = Units issued to Unit holder x NAV per unit x Application Fee (%)	= 40,000 units x MYR 0.2500 x 5.00% = MYR 500.00	= 40,000 units x USD 0.2500 x 5.00% = USD 500.00

**Note:** Please note that the above example is for illustration purpose only. The Application Fee imposed will be rounded to two (2) decimal places.

#### 3.1.2. Withdrawal Penalty

The Withdrawal Penalty is chargeable if withdrawal is made within three (3) months from the Commencement Date of the respective Classes. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund. Please refer to the Annexure of the respective Class for further information.

#### 3.1.3. Switching Fee

Switching is treated as a withdrawal from a Class and an investment into another Class or Principal Malaysia's fund (or its class). You may be charged a Switching Fee equal to the difference (if any) between the Application Fee of the Class and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, you may be charged administrative fee for each switch. Please refer to the Annexure of the respective Class for further information.

#### 3.1.4. Transfer Fee

You may be charged Transfer Fee for each transfer. Please refer to the Annexure of the respective Class for further information.

### 3.2. FEES AND EXPENSES

All expenses of the Fund will generally be apportioned to each Class currently available for sale based on the MCR except for Management Fee, and those that are related to the specific Class only, such as, the cost of Unit holders meeting held in relation to the respective Class. If in doubt, you should consult professional advisers for better understanding.

The following describes the fees that you may **indirectly** incur when you invest in a Class.

#### 3.2.1. Management Fee

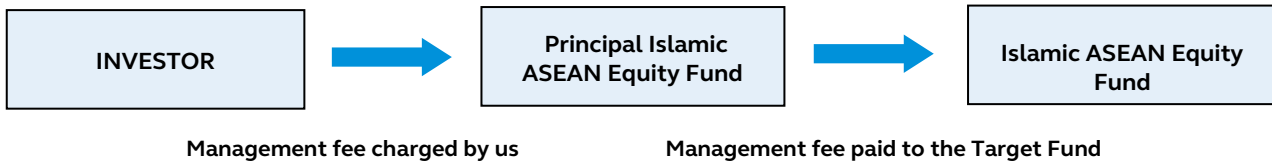
Please note that the Management Fee is charged to the respective Class at the Class level, based on the NAV of the Class. Please refer to the Annexure of the respective Class for further information. The Management Fee shall be accrued daily and paid monthly.

Below is an illustration on how the Management Fee is calculated, assuming Management Fee of 1.80% per annum and USD 150 million each for both Class ABC and Class XYZ:-

	Class ABC (Denominated in MYR) (USD)	Class XYZ (Denominated in USD) (USD)
Annual Management Fee	1.80% per annum	1.80% per annum
NAV of the Class	USD 150 million	USD 150 million
Management Fee for the day = NAV of the Class x Management Fee rate for the Class (%) / 365 days	= USD 150 million x 1.80% / 365 = USD 7,397.26	= USD 150 million x 1.80% / 365 = USD 7,397.26

**Note:** In the event of a leap year, the computation will be based on 366 calendar days.

Please note that although at least 95% of the Fund's NAV will be invested in another Islamic CIS, no additional Management Fee will be charged to the investor.



**Note:** The Management Fee will only be charged once at the Fund level. The management fee charged by the Target Fund will be paid out of the Management Fee charged at the Fund level. There will not be double charging of the Management Fee. Please refer to "Fees charged by the Target Fund" section at page 20 for details on the Target Fund's management fee.

#### 3.2.2. Trustee Fee

Please note that the Trustee Fee (including local custodian fee but excluding foreign sub-custodian fees and charges) charged to the Fund is based on the NAV of the Fund. The Trustee Fee shall be accrued daily and paid monthly.

The Trustee Fee is up to 0.04% per annum for the Fund.

Below is an illustration on how the Trustee Fee is calculated, assuming the NAV of the Fund is USD 150 million:-

$$\begin{aligned}
 \text{Trustee Fee for the day} &= \text{NAV of the Fund} \times \text{annual Trustee Fee rate for the Fund (\%)} / 365 \text{ days} \\
 &= \text{USD 150 million} \times 0.04\% \text{ per annum} / 365 \text{ days} \\
 &= \text{USD 164.38}
 \end{aligned}$$

**Note:** In the event of a leap year, the computation will be based on 366 calendar days.

#### 3.2.3. Other Expenses

The Deed also provides for payment of other expenses. The major expenses recoverable directly from the Fund include:

- expenses incurred in the sale, purchase, insurance, custody and any other dealings of Shariah-compliant investments including commissions/fees paid to brokers;
- costs involved with external specialists approved by the Trustee in investigating and evaluating any proposed investment;
- (where the foreign custodial function is delegated by the Trustee for foreign investment), charges and/or fees paid to the sub-custodian;
- expenses incurred in preparation and audit of the taxation returns and accounts of the Fund, including the printing of, purchasing of stationery and postage for the annual and interim (if any) reports;

- remuneration and out of pocket expenses of the independent members of the investment committee unless we decide to bear the same;
- tax and other duties imposed by the government and other authorities, and bank fees;
- the fees and other expenses properly incurred by the auditor of the Fund and tax agent;
- fees for valuation of any investment of the Fund paid to independent valuers for the benefit of the Fund;
- costs incurred for the modification of the Deed for the benefit of Unit holders;
- costs incurred for any meeting of Unit holders other than those convened for our benefit or Trustee's; and
- all costs and/or expenses associated with the distributions declared pursuant to this Deed and the payment of such distribution including without limitation fees, costs and/or expenses for the revalidation or reissuance of any distribution cheque or distribution warrant or telegraphic transfer.

Expenses not authorised by the Deed must be paid by us or the Trustee out of our own respective funds if incurred for our own respective benefit.

**3.2.4.** We and the Trustee are required to ensure that any fees or charges payable are reasonable and in accordance with the Deed which stipulates the maximum rate in percentage terms that can be charged. All expenses of the Fund will generally be apportioned to each Class currently available for sale based on the MCR except for Management Fee and those that is related to the specific Class only, such as, the cost of Unit holders meeting held in relation to the respective Class. If in doubt, you should consult professional advisers for better understanding.

You should note that we may alter the fees and charges (other than the Trustee Fee) within such limits, and subject to such provisions, as set out in the Deed and the SC Guidelines.

You should note that we may, for any reason at any time, where applicable, waive or reduce the amount of any fees (except the Trustee Fee) or other charges payable by you in respect of the Fund, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) and for any period or periods of time at our absolute discretion.

### **3.3. REBATES AND SOFT COMMISSIONS**

We and the Trustee will not retain any form of rebate or soft commission from, or otherwise share in any commission with, any broker in consideration for directing dealings in the investments of the Fund unless the soft commission received is retained in the form of goods and services such as research and advisory services that assist in the decision making process relating to the Fund's investments. All dealings with brokers are executed on most favourable terms available for the Fund. Any rebates will be directed to the account of the Fund.

**There are fees and charges involved and you are advised to consider them before investing in the Fund.**

**All fees and charges payable by you and/or the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by the Fund or you as disclosed or illustrated in the Prospectus.**

**As this is a feeder fund, you are advised that you will be subjected to higher fees arising from the layered investment structure.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees, charges and expenses from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you or seek your approval on the amendments to the fees and charges.**

## 4. TRANSACTION INFORMATION

### 4.1. VALUATION OF INVESTMENTS PERMITTED BY THE FUND

We will carry out the valuation of the Fund in a fair manner in accordance with applicable law and guidelines. The valuation bases for the investment permitted by the Fund are as below:

- **Islamic collective investment schemes**  
The value of the unlisted Islamic CIS (i.e. the Target Fund) shall be determined by reference to the last published repurchase or redemption price for the Target Fund.
- **Islamic Deposits**  
The value of Islamic Deposits shall be determined each day by reference to the principal value and the accrued income thereon for the relevant period.
- **Derivatives**  
The value of unlisted derivatives will be determined by the financial institution that issued the instrument and that value will be the fair value as determined in good faith by us on methods or basis which have been verified by the auditor of the Fund and approved by the Trustee.

The value of any listed derivatives, which are quoted on an approved exchange, shall be calculated by reference to the last transacted price on that approved exchange. If the last transacted price does not represent the fair value of the Shariah-compliant securities, then the Shariah-compliant securities shall be valued at fair price as determined by reference to us, based on the methods or bases approved by the Trustee after appropriate technical consultation, such as the mean of bid and offer prices at the close of trading. Suspended derivatives will be valued at their last done price unless there is conclusive evidence to show that the value has gone below the suspended price or where the quotation of the derivatives has been suspended for a period exceeding fourteen (14) days, whereupon their fair value will be determined in good faith by us based on the methods or bases approved by the Trustee after appropriate technical consultation.

If the value of the Fund's assets is denominated in a currency other than USD, the assets are translated on a daily basis to USD based on the bid foreign exchange rate quoted by either Bloomberg or Reuters at UK time 4:00 p.m. on the same day (Malaysian time 11:00 p.m. or 12:00 a.m.), or such other time as stipulated in the IMS.

### 4.2. UNIT PRICING

We adopt a single pricing method for any transactions (i.e. applications, withdrawals, switches and/or transfers) based on forward prices. This means that we will process your transactions request based on the NAV per unit at the next valuation point after we receive the completed relevant transaction forms from you.

If the transactions are made by 4:00 p.m. on a Business Day, we will process the transactions using the NAV per unit for that Business Day. For transactions made after 4:00 p.m. on a Business Day, we will process the transactions using the NAV per unit on the next Business Day.

We will carry out the valuation for the Classes for each Business Day on the next Business Day (T+1) by 4:00 p.m. This is to cater for the currency translation of the foreign Shariah-compliant securities or Shariah-compliant instruments to the Fund's base currency based on the bid exchange rate quoted by Bloomberg or Reuters at UK time 4:00 p.m. on the same day (Malaysian time 11:00 p.m. or 12:00 a.m.), or such other time as stipulated in the IMS. The NAV per unit for a Business Day is available on our website at <http://www.principal.com.my> after 5:30 p.m. on the following Business Day (T+1).

#### **Illustration:**

For transaction request received by us by 4:00 p.m. on a Business Day

At the end of the Business Day on 6 August 2019 your units will be based on the NAV per unit on 6 August 2019 which will be calculated on 7 August 2019 The NAV per unit will be made known on our website after 5:30 p.m. on 7 August 2019.

For transaction request received by us after 4:00 p.m. on a Business Day

At the end of the Business Day on 6 August 2019, your units will be based on the NAV per unit on 7 August 2019, which will be calculated on 8 August 2019 The NAV per unit will be made known on our website after 5:30 p.m. on 8 August 2019.

The Fund must be valued at least once every Business Day. The method of determining NAV per unit is calculated as follows:

$$\text{NAV per unit} = \frac{\text{NAV of the Class}}{\text{Number of units in issue of the Class}}$$

The NAV of the Fund is the sum of the value of all investments and cash held by the Fund (calculated in accordance with the Deed) including income derived by the Fund which has not been distributed to you, less all amounts owing or payable in respect of the Fund which also includes any provisions that may be made by us and the Trustee. For example, a provision may be made for possible future losses on an investment which cannot be fairly determined.

The valuation of the Fund is in the base currency i.e. USD. As such, all the assets and liabilities of each Class will be translated into USD for valuation purposes. The foreign exchange rate used for this purpose shall be the bid exchange rate quoted by Bloomberg or Reuters at UK time 4:00 p.m. at the same day (Malaysian time 11:00 p.m. or 12:00 a.m.), or such other time as stipulated in the IMS. The NAV per unit of each Class will be the NAV of the Fund attributable to each Class divided by the number of units in circulation of that Class, at the same valuation point.

**Note:** We will ensure the accuracy of the prices submitted to the Federation of Investment Managers Malaysia - Funds Malaysia System.

#### 4.2.1. Multi-class Ratio (MCR)

MCR is the apportionment of the NAV of each Class over the Fund's NAV based on the size of each Class. The MCR is calculated by dividing the NAV (in USD) of the respective Class by the NAV of the Fund before income and expenses for the day. The apportionment is expressed as a ratio and calculated as a percentage.

Below is an illustration on computation of the NAV of the Fund:

	Fund (USD)	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
NAV of the Fund before income and expenses	185,942,897	173,342,897	12,600,000
% MCR	100%	<sup>(1)</sup> 93.22%	<sup>(1)</sup> 6.78%
Add: Income	30,000	<sup>(2)</sup> 27,966	<sup>(2)</sup> 2,034
Less: Expenses	(10,000)	<sup>(2)</sup> (9,322)	<sup>(2)</sup> (678)
Benefits or costs of hedging (if any)	900	-	900
NAV of the Fund before management and trustee fee	185,963,797	173,361,541	12,602,256
Less: Management fee	(9,170)	1.00% p.a. (4,749)	1.00% p.a. (345)
Less: Trustee fee	(306)	0.06% p.a. (285)	(21)
NAV of the Fund	185,954,321	173,356,507	12,601,890
Units in circulation	200,000,000 units	170,000,000 units	30,000,000 units
<b>NAV per unit</b>		<b>1.0197</b>	<b>0.4200</b>
Currency exchange rate		N/A	(USD/MYR) 0.3000
NAV per unit		<b>USD 1.0197</b>	<b>MYR 1.4000</b>

	Fund (USD)	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
NAV of the Fund before creation of units for the day	185,954,321	173,356,507	12,601,890
<sup>(3)</sup> Creation of units	1,300,000	1,000,000	300,000
Closing NAV	187,254,321	174,356,507	12,901,890
Units in circulation	201,694,966.30 units	170,980,680.59 units	30,714,285.71 units
NAV per unit		<b>1.0197</b>	<b>0.4200</b>
Currency exchange rate		N/A	(USD/MYR) 0.3000
NAV per unit		<b>USD 1.0197</b>	<b>MYR 1.4000</b>

**Note :**

<sup>(1)</sup> MCR computation

Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
--	--



<u>NAV of the Class x 100</u>	<u>173,342,897 x 100</u>	<u>12,600,000 x 100</u>
NAV of the Fund before income and expenses	185,942,897	185,942,897
	= 93.22%	= 6.78%

<sup>(2)</sup>Apportionment based on MCR is as follows:

		Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
Add: Income	30,000	MCR x Income = Income for Class ABC = 93.22% x USD 30,000 = USD 27,966	MCR x Income = Income for Class XYZ = 6.78% x USD 30,000 = USD 2,034
Less: Expenses	(10,000)	MCR x Expenses = Expenses for Class ABC = 93.22% x USD 10,000 = USD 9,322	MCR x Expenses = Expenses for Class XYZ = 6.78% x USD 10,000 = USD 678

<sup>(3)</sup>Creation of units

	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
Creation of units	USD 1,000,000	MYR 1,000,000
NAV per unit	USD 1.0197	MYR 1.4000
Number of units	980,680.59 units	714,285.71 units
Currency exchange rate	N/A	(USD/MYR) 0.3000
Creation of units	USD 1,000,000	USD 300,000

**Note:** Please note that the above is for illustration purpose only. NAV per unit is truncated to four (4) decimal places.

#### 4.2.2. Calculation of investment amount and units entitlement

The calculation below is for illustration only and does not represent the actual percentage or amount that you may incur for in each Class. Please refer to the Annexure of the respective Class for the actual percentage or amount of charges.

##### Illustrations:

##### Calculation of number of units received, Application Fee and total amount payable by you

Assumptions:

NAV per unit of Class XYZ denominated in MYR = RM0.2500 (truncated to 4 decimal places)

Application Fee = 5.00%

You wish to invest RM10,000 in the Fund.

##### Calculation of number of units that you will receive\*

= Investment amount / NAV per unit of Class XYZ

= RM10,000.00 / RM0.2500

= 40,000.00 units

##### Calculation of Application Fee that you will incur (payable in addition to the amount invested)

= NAV per unit of Class XYZ x number of units received x Application Fee rate

= RM0.2500 x 40,000.00 units x 5.00%

= RM500.00

##### Calculation of total amount that you will have to pay

= Investment amount + Application Fee paid

= RM10,000.00 + RM500.00

= RM10,500.00

\* The number of units you will receive will be rounded down to two (2) decimal places.

#### **Calculation of investment value**

Assuming you have 40,000 units Class XYZ of the Fund and the NAV per unit of Class XYZ for the Business Day is RM1.0240 (truncated to 4 decimal places).

##### Calculation of investment value

= Number of units x NAV per unit of Class XYZ  
= 40,000.00 units x RM1.0240  
= RM40,960.00.

#### **Calculation of withdrawal value and amount payable to you**

Assuming you request for a 10,000 units withdrawal from your investment on the fifth month\* from the Commencement Date. Your withdrawal request is received by us by 4:00 p.m. on a Business Day. The NAV per unit of Class XYZ for that Business Day is RM1.0240 (truncated to 4 decimal places).

##### Calculation of amount payable to you

= Number of units withdrawn x NAV per unit of Class XYZ  
= 10,000 units x RM1.0240  
= RM10,240.00

\* The Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged.

### **4.3. INCORRECT PRICING**

We shall take immediate remedial action to rectify any incorrect valuation and/or pricing of the Fund or units of the Fund. Where such error has occurred, we shall reimburse the money in the following manner:

- (a) in the event of over valuation and/or pricing, we shall reimburse:
  - i. the Fund for any withdrawal of units; and/or
  - ii. you, if you have purchase units of the Fund at a higher price; or
- (b) in the event of under valuation and/or pricing, we shall reimburse:
  - i. the Fund for any subscription of units; and/or
  - ii. you, if you have withdrawn units of the Fund at a lower price.

Notwithstanding the above, unless the Trustee otherwise directs, we shall make the reimbursement as per the IMS, only where an incorrect pricing:

- (i) is equal or more than 0.50% of the NAV per unit; and
- (ii) results in a sum total of RM10.00 or more to be reimbursed to a Unit holder for each sale or repurchase transaction.

We shall have the right to amend, vary or revise the abovesaid limits or threshold from time to time, subject to any regulatory or governing body's requirements.

### **4.4. INVESTING**

#### **4.4.1. Who can invest?**

You are eligible to invest in the Fund if you are:

- an individual who is at least eighteen (18) years of age and you are not an undischarged bankrupt with a bank account (or foreign currency bank account, as the case may be) in the currency of the Class applied for (e.g. Class USD investors are required to have a USD bank account). As an individual investor, you may also opt to invest in joint names (i.e. as a joint Unit holder and both applicants must be at least eighteen (18) years of age).
- an institution including a company, corporation, co-operative, trust or pension fund with a bank account (or foreign currency bank account, as the case may be) in the currency of the Class applied for (e.g. Class USD investors are required to have a USD bank account).

However, we have the right to reject an application on reasonable grounds.

Further, if we become aware of a US person (i.e. someone who has a USA address (permanent or mailing)) or US entity (i.e. a corporation, trust, partnership or other entity created or organised in or under the laws of the United States or any state thereof or any estate or trust the income of which is subject to United States Federal Income Tax regardless of source) holding units in the Fund, we will issue a notice to that Unit holder requiring him/her to, within thirty (30) days, either withdraw the units or transfer the units to a non-US person or non-US entity.

We also have the right to withdraw all units held by you in the event we are of the opinion that such withdrawal is necessary to ensure that we comply with any relevant laws, regulations and guidelines. We will first notify you before making any such compulsory withdrawal of your units.

#### **4.4.2. How to invest?**

You may invest through any of our Distributors or our head office after completing the relevant application forms and attaching a copy of your identity card, passport or any other identification document. We may request for additional supporting document(s) or information from you. On the application form, please indicate clearly the amount you wish to invest in the Fund. We may introduce other mode of investment from time to time, subject to the approval of the relevant authorities.

You may invest:

- by crossed cheque, banker's draft, money order or cashier's order (made payable as advised by us or our Distributors as the case may be). You will have to bear the applicable bank fees and charges, if any;
- directly from your bank account (or foreign currency bank account, as the case may be) held with our Distributors, where applicable; or
- by such other mode of payment that we and/or the relevant authorities approve from time to time. Any charges, fees and expenses incurred in facilitating such mode of payment shall be borne by you. Such mode of payment is subject to further limit(s), restriction(s) and/or terms and conditions that we and/or the relevant authorities may impose from time to time.

#### **4.4.3. Regular Savings Plan**

RSP may be made available for certain Class. Please refer to the Annexure of the respective Class for further information. Where available, the RSP allows you to make regular monthly investments, direct from your account held with a bank approved by us or our Distributors. We will process the monthly investments made via the RSP when we receive your application and/or your monthly contribution. You can also arrange a standing instruction with our Distributors to invest a pre-determined amount in the Class each month. You may cancel your RSP at any time by providing written instructions to the relevant Distributors to cancel your standing instruction.

#### **4.4.4. Can the units be registered in the name of more than one (1) Unit holder?**

We may register units in the name of more than one (1) Unit holder but we have the discretion not to allow registration of more than two (2) joint Unit holders. All applicants must be at least eighteen (18) years of age.

In the event of the demise of a joint Unit holder, whether Muslim or non-Muslim, only the surviving joint Unit holder will be recognized as the rightful owner. His/her units will be dealt with in accordance with the Deed and applicable laws and regulations.

#### **4.4.5. Who is distributing this Fund?**

The Fund may be distributed via the following channels:

- Principal Malaysia's offices;
- Principal Distributors;
- IUTAs; and
- such other channels as we may decide from time to time.

You may invest into the Fund via us or any of our Distributors. Please refer to the "Distributors of the Fund" chapter for further details. Please note that we have the discretion in determining the Distributors of the Fund, including its appointment and/or termination from time to time. You may contact our Customer Care Centre at **(03) 7718 3000** or refer to our website at <http://www.principal.com.my> for more information.

**You are advised not to make payment in cash to any individual agent when purchasing units of a fund.**

**4.4.6.** Please take note that if your investments are made through an IUTA via a nominee system of ownership, you would not be deemed as a Unit holder under the Deed and as a result, you may not exercise all the rights ordinarily conferred to a Unit holder (e.g. the right to call for Unit holders' meetings and the right to vote at a Unit holders' meeting).

### **4.5. MINIMUM INVESTMENTS**

The minimum initial and additional investment for each Class may differ and may be determined by us from time to time. Please refer to the Annexure of the respective Class for further information.

#### **4.5.1. Processing an application**

If we receive a complete application by 4:00 p.m. on a Business Day, we will process it using the NAV per unit for that Business Day. If we receive the application after 4:00 p.m. on a Business Day, we will process it using the NAV per unit for the next Business Day. We will only process the completed applications with all the necessary information. The number of units you receive will be rounded down to two (2) decimal places.

## 4.6. MINIMUM WITHDRAWALS

The minimum withdrawal amount for each Class may differ and may be determined by us from time to time, unless you are withdrawing your entire investment. Please refer to the Annexure of the respective Class for further information. You may withdraw by completing a withdrawal form and sending it to the relevant Distributor or our head office. There is no restriction on the frequency of withdrawals. We will transfer the withdrawal proceeds to the bank account number (or foreign currency bank account, as the case may be) provided by you. Please note that for EPF-MIS (where available), your withdrawal proceeds will be paid to EPF.

### 4.6.1. Processing a withdrawal

If we receive a complete withdrawal request by 4:00 p.m. on a Business Day, we will process it using the NAV per unit for that Business Day. If we receive the withdrawal request after 4:00 p.m. on a Business Day, we will process it using the NAV per unit for the next Business Day (T+1). The amount that you will receive is calculated by the withdrawal value less the Withdrawal Penalty, if any. You will be paid in the currency of the Class (e.g. Class MYR will be paid in MYR) within ten (10) days of receipt of the complete withdrawal request. You will have to bear the applicable bank fees and charges, if any.

Should any of the below events occur, we may not be able to pay the withdrawal proceeds to you within ten (10) days. The Fund has obtained approval from the SC for a variation to Paragraph 10.16(a), which allows us to pay the withdrawal proceeds to you within fifteen (15) Business Days when the following events occur:

- (i) withdrawal request of the Target Fund is deferred<sup>Note 2</sup>; or
- (ii) the Target Fund's NAV suspended during any period<sup>Note 1</sup>;

**Note 1:** *The Target Fund Company may limit the number of shares redeemed or switched on any valuation day to 10% of the total number of shares in issue of the Target Fund. In such event, any request for redemption on such dealing day shall be reduced rateably and the redemption requests shall be treated as if they were received on each subsequent dealing day until all the shares to which the original request related have been redeemed.*

**Note 2:** *The right of any Target Fund's investors to require the redemption of the shares of the Target Fund Company will be suspended during any period when the calculation of the NAV per share of the relevant class is suspended by the directors (as described in section 2.6 "Temporary Suspension of Redemption" above). No share of the Target Fund may be issued, redeemed or switched during a period of suspension.*

Please refer to the "2.5 Redemption of Shares" and "2.6 Temporary Suspension of Redemption" section at page 19 for more information. If in doubt, please consult your professional advisers.

## 4.7. MINIMUM BALANCE

The minimum balance that must be retained in your account for each Class may differ and may be determined by us from time to time. Please refer to the Annexure of the respective Class for further information. If the balance (i.e. number of units) of an investment drops below the minimum balance units, further investment will be required until the balance of the investment is restored to at least the stipulated minimum balance. Otherwise, we can withdraw the entire investment and forward the proceeds to you.

## 4.8. COOLING-OFF PERIOD

You have six (6) Business Days after your initial investment (i.e. the date the complete application is received and accepted by us or our Distributors) to reconsider its appropriateness and suitability for your investment needs. Within this period, you may withdraw your investment at the same NAV per unit when the units were purchased. We will refund the investment amount including Application Fee (if any) to you in the currency of the respective Class within ten (10) days, from the date we receive the complete documentations. Please note that the cooling-off right is only given to first time investor investing with us or our Distributors. However, Principal Malaysia's staff and person(s) registered to deal in unit trust of Principal Malaysia or any of our Distributors are not entitled to the cooling-off right. In addition, if you have invested via the EPF-MIS (where available), your cooling-off right is subject to EPF's terms and conditions.

## 4.9. SWITCHING

Switching is available between the Classes of the Fund or between a Class and other Principal Malaysia's fund which should be denominated in the same currency. You may contact our **Customer Care Centre** at **(03) 7718 3000** for more information on the availability of switching. Please also refer to the Annexure of the respective Class for further information.

To switch, simply complete a switch request form and send to the relevant Distributor or our head office. Currently, there is no restriction on the frequency of switches. However, we have the discretion to allow or to reject any switching into (or out of) the Fund or Class, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform).

#### 4.9.1. Processing a switch

We process a switch as a withdrawal from one fund or class and an investment into another fund or class within Principal Malaysia's fund. If we receive a complete switch request by 4:00 p.m. on a Business Day, we will process the switch-out using the NAV per unit for that Business Day. If we receive the request after 4:00 p.m. on a Business Day, the switch-out will be processed using the NAV per unit for the next Business Day.

However, you should note that switch-in may be processed at a later Business Day, generally within one (1) to four (4) Business Days.

#### 4.10. TRANSFER FACILITY

You may transfer your units to another investor subject to such terms and conditions as may be stipulated in the Deed. You may be charged a Transfer Fee for each transfer. However, we may refuse to register any transfer of a unit at our absolute discretion. Please refer to the Annexure of the respective Class for further information.

#### 4.11. TEMPORARY SUSPENSION

We and the Trustee may temporarily suspend the dealing in units of the Class or Fund, subject to the requirements in the SC Guidelines and/or the Deed. Please note that during the suspension period, there will be no NAV per unit available and hence, we will not accept any transactions for the applications, withdrawals, switches and/or transfers of units. If we have earlier accepted your request for withdrawals and switches of units, please note that there may be delay in processing those transactions and you will be notified accordingly. You will also be notified once the suspension is lifted.

#### 4.12. DISTRIBUTION PAYMENT

Depending on the distribution policy of the respective Class, distribution (if any) will be made at the end of each distribution period to the Class(es) according to its distribution policy. Each unit of the Class will receive the same distribution for a distribution period regardless of when those units were purchased. The distribution amount you will receive is calculated by multiplying the total number of units held by you in the Class with the distribution amount in cent per unit. On the distribution date, the NAV per unit will adjust accordingly. For information on the distribution policy of each Class, please see Annexure of the respective Class.

All distributions (if any) will be automatically reinvested into additional units in the Class at the NAV per unit on the distribution date (the number of units will be rounded down to two (2) decimal places), unless written instructions to the contrary are communicated to us, in which you should have first furnished us with details of your bank account in the currency denomination of that Class, that all distribution payment shall be paid into (the cost and expense will be borne by you). No Application Fee is payable for the reinvestment.

If units are issued as a result of the reinvestment of a distribution or other circumstance after you have withdrawn your investment from the Class, those additional units will then be withdrawn and the proceeds will be paid to you.

You should note that distribution payments, if any, will be made in the respective currency for the Class(es). As such, the distribution amount may be different for each Class as a result of exchange rate movement between the base currency of the Fund and the denominated currency of the Class(es). The distribution will be paid into your bank account (which shall be in the respective currency of the Class(es)) in our records (at your cost and expense).

**Note:** Please note that for Class(es) that provide distribution, we have the right to make provisions for reserves in respect of distribution of the Class. If the income available is too small or insignificant, any distribution may not be of benefit to you as the total cost to be incurred in any such distribution may be higher than the amount for distribution. We have the discretion to decide on the amount to be distributed to you. We also have the discretion to make income distribution on an ad-hoc basis, taking into consideration the level of its realised income and/or realised gains, as well as the performance of the Fund.

#### 4.13. UNCLAIMED MONEYS

Any moneys payable to you which remain unclaimed after twelve (12) months as prescribed by Unclaimed Moneys Act 1965 ("UMA"), will be surrendered to the Registrar of Unclaimed Moneys by us in accordance with the requirements of the UMA. Thereafter, all claims need to be made by you with the Registrar of Unclaimed Moneys.

However, for income distribution payout to you by cheque, if any, which remain unclaimed for six (6) months will be reinvested into the Class within thirty (30) Business Days after the expiry of the cheque's validity period based on the prevailing NAV per unit on the day of the reinvestment in circumstances where you still hold units of the Class. As for income distribution payout by bank transfer, if any, shall be transmitted to your valid and active bank account. If the bank transfer remained unsuccessful and unclaimed for six (6) months, it will be reinvested into the Class within thirty (30) Business Days after the six (6) months period based on the prevailing NAV per unit on the day of the reinvestment in circumstances where you still hold units of the

Class. No Application Fee is payable for the reinvestment. In the event that you no longer hold any unit in the Class, the distribution money would be subject to the treatment mentioned in the above paragraph as prescribed by the UMA.

**Unit prices and distributions payable, if any, may go down as well as up.**

**We have the discretion to amend the amount, rate and/or terms and conditions of the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the transaction information.**

# 5. ADDITIONAL INFORMATION

## 5.1. FINANCIAL YEAR-END

31 October.

## 5.2. INFORMATION ON YOUR INVESTMENT

We will send you the following:

- Your Principal Malaysia investor number;
- Confirmation on all your transactions and distributions (if any);
- Confirmation on any changes to your address if you have written to us to make the changes;
- Quarterly statement showing details of your transactions and distributions (if any); and
- Interim and audited annual report showing snapshots of the Fund and details of the portfolio for the respective period reported. Both the interim report and the audited annual report will be sent to you within two (2) months of the end of the period reported.

**The Fund's annual report is available upon request.**

In the case of joint Unit holders, all correspondences and payments will be made and sent to the first registered Unit holder.

Please take note that if you have invested through an IUTA via a nominee system of ownership, you would not be deemed to be a Unit holder under the Deed. As such, you may obtain the above-mentioned information from that IUTA.

You may obtain up-to-date fund information from our monthly fund fact sheets and our website, [www.principal.com.my](http://www.principal.com.my).

If you have any questions about the information in this Prospectus or would like to know more about investing in this Fund, please contact our **Customer Care Centre** at (603) 7718 3000 between 8:45 am to 5:45 pm (Malaysian time) on Mondays to Thursdays and between 8:45 a.m. and 4:45 p.m. (Malaysian time) on Fridays (except on Selangor public holidays) or you may email us at [service@principal.com.my](mailto:service@principal.com.my).

If you wish to write-in, please address your letter to:

**Principal Asset Management Berhad**  
**Customer Care Centre**  
50, 52 & 54 Jalan SS 21/39  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan MALAYSIA

## 5.3. DEED

The Fund is governed by the Deed dated 25 October 2019 including any supplemental deed (s) as may be issued from time to time.

## 5.4. DOCUMENTS AVAILABLE FOR INSPECTION

You may inspect the following documents or copies thereof in relation to the Fund (upon request) at our principal place of business and/or the business address of the Trustee (where applicable) without charge:

- The Deed;
- Current Prospectus and supplementary or replacement prospectus, if any;
- The latest annual and interim reports of the Fund, which includes the audited financial statements of the Fund (where available) for the current financial year and for the last three (3) financials years or if less than three (3) years, from the date of launch of the Fund
- Material contracts or documents disclosed in this Prospectus;
- The audited financial statements of the Manager and the Fund (where applicable) for the current financial year and for the last three (3) financials years or if less than three (3) years, from the date of incorporation or commencement;
- Any report, letter or other document, valuation and statement by any expert, any part of which is extracted or referred to in this Prospectus;
- Writ and relevant cause papers for all material litigation and arbitration disclosed in this Prospectus; and
- Consent given by experts disclosed in this Prospectus, if any.

## 5.5. CONSENT

PricewaterhouseCoopers Taxation Services Sdn Bhd, HSBC (Malaysia) Trustee Berhad and Principal Islamic Asset Management (Ireland) Plc have given their written consent to act in their respective capacity. They have also given their consent for the inclusion of their names and/or statements and/or reports in this Prospectus in the form and context in which it appears and have not subsequently withdrawn their consent to the inclusion of their names and/or statements and/or reports in the form and context in which it appears in this Prospectus.

## 5.6. POTENTIAL CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS

We (including our directors) will at all time 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 our investors and will seek to resolve any conflicts fairly and in accordance with the Deed.

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 corporations that carry on a similar business with Principal Malaysia, except for the following:

Director / Shareholder	Position	Shareholding (Direct / Indirect)	Name of corporation
CIMB Group Sdn Bhd	Shareholder	Direct	Principal Islamic Asset Management Sdn Bhd <i>(formerly known as CIMB-Principal Islamic Asset Management Sdn Bhd)</i>
		Indirect	CIMB-Mapletree Management Sdn Bhd*

\*Note: As at LPD date, 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 Fund may maintain deposits with CIMB Bank Berhad, CIMB Islamic Bank Berhad and CIMB Investment Bank Berhad. We may enter into transactions with other companies within PFG and CIMB Group 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.

### Trustee

As for the Trustee for the Fund, there may be related party transactions involving or in connection with the Fund in the following events:

- (1) where the Fund invests in instrument(s) offered by the related party of the Trustee (e.g. placement of monies, structured products, etc);
- (2) where the Fund is being distributed by the related party of the Trustee;
- (3) where the assets of the Fund are being custodied by the related party of the Trustee both as sub-custodian and/or global custodian of that Fund (i.e. Trustee's delegate); and
- (4) where the Fund obtains financing as permitted under the SC Guidelines, from the related party of the Trustee.

The Trustee has in place policies and procedures to deal with any conflict of interest situation. The Trustee will not make improper use of its position as the owner of the Fund's assets to gain, directly or indirectly, any advantage or cause detriment to the interests of Unit holders. Any related party transaction is to be made on terms which are best available to the Fund and which are not less favourable to the Fund than an arms-length transaction between independent parties.

Subject to any local regulations, the Trustee and/or its related group of companies may deal with each other, the Fund or any Unit holder or enter into any contract or transaction with each other, the Fund or any form any such contract or transaction or act in the same or similar capacity in relation to any other scheme.



## **5.7. INTERESTS IN THE FUND**

Subject to any legal requirement, we or any of our related corporation, or any of our officers or directors, may invest in the Fund. Our directors will receive no payments from the Fund other than distributions that they may receive as a result of investment in the Fund. No fees other than the ones set out in this Prospectus have been paid to any promoter of the Fund, or the Trustee (either to become a trustee or for other services in connection with the Fund), or us for any purpose.

## **5.8. EMPLOYEES' SECURITIES DEALINGS**

We have in place a policy contained in our Rules of Business Conduct, which regulates our employees' securities dealings. All of our employees are required to declare their securities trading annually to ensure that there is no potential conflict of interest between the employees' securities trading and the execution of the employees' duties to us and our customers.

## 6. THE MANAGER

### 6.1. ABOUT PRINCIPAL ASSET MANAGEMENT BERHAD

Principal Malaysia holds a Capital Markets Services License for fund management and dealing in securities restricted to unit trust under the CMSA and specialises in managing and operating unit trusts for investors, both institutional and retail. Principal Malaysia's responsibilities include managing investment portfolios by providing fund management services to insurance companies, pension funds, unit trust companies, corporations and government institutions in Malaysia. In addition, Principal Malaysia is an approved private retirement scheme provider in Malaysia. It originally commenced its operations as a unit trust company in November 1995. As at LPD, Principal Malaysia has more than 22 years of experience in the unit trust industry. The shareholders of the company are PIA and CIMB Group.

PIA is a private company incorporated in Hong Kong SAR and its principal activity is the provision of consultancy services to other PFG group of companies. PIA is a subsidiary of the PFG, which was established in 1879 and is a diversified global financial services group servicing more than 15 million customers.

CIMB Group is one of ASEAN's leading universal banking groups and is Malaysia's second largest financial services provider, by assets. It offers consumer banking, commercial banking, investment banking, Islamic banking and asset management products and services. Headquartered in Kuala Lumpur, CIMB Group is present in all 10 ASEAN nations and has market presence in China, Hong Kong SAR, India, Sri Lanka, Korea, US and UK. CIMB Group is listed on Bursa Malaysia and has a market capitalisation of approximately RM54.6 billion, around 36,000 employees and around 800 branches, as at 31 December 2018.

The primary roles, duties and responsibilities of Principal Malaysia as the Manager of the Fund include:

- maintaining a register of Unit holders;
- implementing the appropriate investment strategies to achieve the Fund's investment objectives;
- ensuring that the Fund has sufficient holdings in Islamic liquid assets;
- arranging for the sale and repurchase of units;
- calculating the amount of income to be distributed to Unit holders, if any; and
- maintaining proper records of the Fund.

As at LPD, there is no litigation or arbitration proceeding current, pending or threatened against or initiated by Principal Malaysia nor are there any facts likely to give rise to any proceedings, which might materially affect the business/financial position of Principal Malaysia.

#### 6.1.1. The Board of Directors

As at LPD, the Board of Directors consists of nine (9) members including three (3) Independent Directors and one (1) alternate directors. The Board of Directors oversees the management and operations of the Principal Malaysia and meets at least four (4) times a year.

Effendy bin Shahul Hamid	- Non-independent director	Juan Ignacio Eyzaguirre Baraona	- Non-independent director
Pedro Esteban Borda	- Non-independent director	Wong Joon Hian	- Independent director
Munirah binti Khairuddin	- Non-independent director	A.Huzaima bin Dato' Abdul Hamid	- Independent director
Paul Wong Chee Kin	- Non-independent director	Hisham bin Zainal Mokhtar	- Independent director
Thomas Cheong Wee Yee <sup>#</sup>	- Non-independent director		

<sup>#</sup> Alternate director to Pedro Esteban Borda with effect from 8 November 2019.

#### 6.1.2. The Investment Committee

As at LPD, the Investment Committee consists of five (5) members including three (3) independent members. Generally, the Investment Committee meets once a month and is responsible for ensuring that the investment management of the Fund is consistent with the objectives of the Fund, the Deed, the SC Guidelines and relevant securities laws, our internal investment restrictions and policies, as well as acceptable and efficacious investment management practices within the unit trust industry. In this role, the powers and duties of the Investment Committee include formulating and monitoring our implementation of appropriate investment management strategies for the Fund and the measurement and evaluation of our performance.

#### 6.1.3. Designated Person Responsible for Fund Management Function

<b>Name:</b>	Patrick Chang Chian Ping
<b>Designation:</b>	Chief Investment Officer, Malaysia & Chief Investment Officer, Equities, ASEAN Region
<b>Experience:</b>	Patrick Chang joined Principal Malaysia on 22 February 2016 and currently holds the positions of CIO for Malaysia and CIO Equities, ASEAN region effective 1 October 2018. He comes with more than 18 years of experience in asset management. He was previously the Head of ASEAN equities at BNP Paribas Investment Partners, Malaysia where he oversees ASEAN equities for both Malaysian and offshore clients from 2012. Prior to that, he served as Senior Vice President for Principal Malaysia where he specialized in Malaysia, ASEAN and Asia specialist funds. He also worked as a portfolio manager at Riggs and Co International Private Banking in London specializing in managing global ETF portfolios and holds the Capital Markets Services Representative Licence.
<b>Qualifications:</b>	MSc Finance from City University Business School and BSc Accounting and Financial Analysis from University of Warwick, UK.

**Note:** For more information and/or updated information, please refer to our website at <http://www.principal.com.my>.

# 7. SHARIAH ADVISER OF THE FUND

## 7.1. ABOUT AMANIE ADVISORS SDN BHD

Amanie Advisors Sdn Bhd is a Shariah advisory, consultancy, training and research and development boutique for institutional and corporate clientele focusing on Islamic financial services. It has been established with the aim of addressing the global needs for experts and Shariah scholars' pro-active input. One of the first global boutique Shariah advisory houses for Islamic Finance, Amanie was founded in 2005 by internationally renowned Shariah scholar Datuk Dr Mohd Daud Bakar. The company is led by Datuk Dr. Mohd Daud Bakar and teamed by an active and established panel of consultants covering every aspect related to the Islamic banking and finance industry both in Malaysia and the global market. Currently, the team comprises of eight (8) full-time consultants who represent dynamic and experienced professionals with a mixture of Shariah law, corporate finance, accounting, product development, and education. Amanie is also a registered Shariah Adviser (Corporation) with the SC. As at LPD, Amanie has acquired more than fourteen (14) years of experience in the advisory role of unit trusts and has advised more than 170 funds locally and globally.

As the appointed Shariah Adviser for the Fund, the roles and responsibilities of Amanie include:

- Review and provide Shariah expertise and professional guidance as well as suggest relevant changes to all relevant documents relating to Shariah principles including the Fund's deed, prospectus and/or other relevant submission documents submitted by us for purposes of submission to any relevant authority to ascertain compliance to Shariah principles.
- Where relevant, prepare a report to be included in the Fund's report interim and annual report certifying whether the Fund has been managed and administered in accordance with Shariah principles for the period concerned.
- To advise on the breach of Shariah investment guidelines and purification/cleansing of cash dividends.
- To advise on any other matter pertaining to Shariah issues in relation to the Fund.
- Ensure that the Fund is managed and administered in accordance with the Shariah principles at all times by reviewing the investment process and other operational matters.
- Review the relevant Fund marketing and promotional documents submitted by us with the view to ascertain compliance to Shariah principles.
- To review and scrutinize the Fund's compliance report as provided by the compliance officer, and investment transaction reports provided by, or approved by the relevant responsible party to ensure that the Fund's investment are in line with Shariah principles.
- To undertake an annual compliance review of the Fund for purpose of issuance of an annual compliance report.

Amanie will meet us every quarterly to address Shariah advisory matters pertaining to the Shariah funds. An annual Shariah certificate will also be issued for the Fund at the financial year end. Also, Amanie reviews our portfolio based on the frequency as follows:

- Equity fund on a monthly basis
- Money market/ fixed income fund on a quarterly basis
- ETF on a quarterly basis

The designated person responsible for Shariah advisory matters of the Fund is Datuk Dr. Mohd Daud Bakar as the Executive Chairman. Currently, other consultants are:

- Suhaida Mahpot
- Ahmad Anas Fadzil
- Nurul Liyana Kasman
- Muhammad Hafizuddin Abd. Hamid

### 7.1.1. Designated Person Responsible for Shariah Adviser Function

<b>Name:</b>	Datuk Dr. Mohd Daud Bakar
<b>Designation:</b>	Executive Chairman, Amanie Advisors Sdn Bhd.
<b>Experience:</b>	<p>Datuk Dr. Mohd Daud Bakar is the Founder and Executive Chairman of Amanie Group. One of its flagship companies namely Amanie Advisors, is operating in few cities globally. He currently serves as the Chairman of the Shariah Advisory Council at the Central Bank of Malaysia, the Securities Commission of Malaysia, the Labuan Financial Services Authority, the First Abu Dhabi Bank, and Permodalan Nasional Berhad. He is also a Shariah board member of various global financial institutions, including the National Bank of Oman (Oman), Amundi Asset Management (France), Bank of London and Middle East (London), BNP Paribas Najma (Bahrain), Natixis Bank (Dubai), Oasis Asset Management (South Africa), Noor Islamic Bank (Dubai), Morgan Stanley (Dubai), Sedco Capital (Saudi and Luxembourg), and Dow Jones Islamic Market Index (New York) amongst many others.</p> <p>In the corporate world, Datuk sits as a Board Director at Sime Darby Property Berhad and a member of the PNB Investment Committee. He was recently appointed as a Chairman to Malaysia Islamic Economic Development Foundation (YaPEIM). He is also the third Chair Professor in Islamic Banking and Finance of Yayasan Tun Ismail Mohamed Ali Berdaftar (YTI) PNB at Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM). In addition, he is the co-founder of Experts Analytics Centre Sdn Bhd and MyFinb, as well as the Editor-in-Chief of Malaysian Business.</p>

**Qualifications:**

Prior to this, Datuk was the Deputy Vice-Chancellor at the International Islamic University Malaysia. He received his first degree in Shariah from University of Kuwait in 1988 and obtained his PhD from University of St. Andrews, United Kingdom in 1993. In 2002, he completed his external Bachelor of Jurisprudence at University of Malaya.

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**Note:** We have obtained the necessary consent and/or confirmation from the Shariah Adviser with regards to the information disclosed in this section. For more and/or updated information, please refer to our website at <http://www.principal.com.my> and/or Shariah Adviser's website at <http://amanieadvisors.com>.

# 8. THE TRUSTEE

## 8.1. ABOUT HSBC (MALAYSIA) TRUSTEE BERHAD

**HSBC (Malaysia) Trustee Berhad** is a company incorporated in Malaysia since 1937 and registered as a trust company under the Trust Companies Act 1949, with its registered address at 13th Floor, Bangunan HSBC, South Tower, No. 2, Leboh Ampang, 50100 Kuala Lumpur. Since 1993, the Trustee has acquired experience in the administration of trusts and has been appointed as trustee for unit trust funds, exchange traded funds, wholesale funds and funds under private retirement scheme.

The Trustee's main functions are to act as trustee and custodian of the assets of the Fund and to safeguard the interests of Unit holders of the Fund. In performing these functions, the Trustee has to exercise all due care, diligence and vigilance and is required to act in accordance with the provisions of the Deed, CMSA and the SC Guidelines. Apart from being the legal owner of the Fund's assets, the Trustee is also responsible for ensuring that the Manager performs its duties and obligations in accordance with the provisions of the Deed, CMSA and the SC Guidelines. In respect of monies paid by an investor for the application of units, the Trustee's responsibility arises when the monies are received in the relevant account of the Trustee for the Fund and in respect of redemption, the Trustee's responsibility is discharged once it has paid the redemption amount to the Manager.

The Trustee has in place anti-money laundering and anti-terrorism financing policies and procedures across the HSBC Group, which may exceed local regulations. Subject to any local regulations, the Trustee shall not be liable for any loss resulting from compliance of such policies, except in the case of negligence, wilful default or fraud of the Trustee.

The Trustee is not liable for doing or failing to do any act for the purpose of complying with law, regulation or court orders.

The Trustee shall be entitled to process, transfer, release and disclose from time to time any information relating to the Fund, Manager and Unit holders for purposes of performing its duties and obligations in accordance to the Deed, the CMSA, SC Guidelines and any other legal and/or regulatory obligations such as conducting financial crime risk management, to the Trustee's parent company, subsidiaries, associate companies, affiliates, delegates, service providers, agents and any governing or regulatory authority, whether within or outside Malaysia (who may also subsequently process, transfer, release and disclose such information for any of the above mentioned purposes) on the basis that the recipients shall continue to maintain the confidentiality of information disclosed, as required by law, regulation or directive, or in relation to any legal action, or to any court, regulatory agency, government body or authority.

### 8.1.1. Trustee's Delegate

The Trustee has appointed the Hongkong and Shanghai Banking Corporation Ltd as the custodian of both the local and foreign assets of the Fund. For quoted and unquoted local investments of the Fund, the assets are held through their HSBC Bank Malaysia Berhad and/or HSBC Nominees (Tempatan) Sdn Bhd. The Hongkong and Shanghai Banking Corporation Ltd is a wholly owned subsidiary of HSBC Holdings Plc, the holding company of the HSBC Group. The custodian's comprehensive custody and clearing services cover traditional settlement processing and safekeeping as well as corporate related services including cash and security reporting, income collection and corporate events processing. All investments are registered in the name of the Trustee for the Fund or to the order of the Trustee. The custodian acts only in accordance with instructions from the Trustee. The Trustee shall be responsible for the acts and omissions of its delegate as though they were its own acts and omissions.

However, the Trustee is not liable for the acts, omissions or failure of third party depository such as central securities depositories, or clearing and/or settlement systems and/or authorised depository institutions, where the law or regulation of the relevant jurisdiction requires the Trustee to deal or hold any asset of the Fund through such third parties.

### 8.1.2. Trustee's Disclosure of Material Litigation

As at LPD, the Trustee is not engaged in any material litigation and arbitration, including those pending or threatened, and is not aware of any facts likely to give rise to any proceedings which might materially affect the business/financial position of the Trustee and any of its delegates.

### 8.1.3. Trustee's Statement of Responsibility

The Trustee has given its willingness to assume the position as Trustee of the Fund and all the obligations in accordance with the Deed, all relevant laws and rules of law. The Trustee shall be entitled to be indemnified out of the Fund against all losses, damages or expenses incurred by the Trustee in performing any of its duties or exercising any of its powers under this Deed in relation to the Fund. The right to indemnity shall not extend to loss occasioned by breach of trust, wilful default, negligence, fraud or failure to show the degree of care and diligence required of the Trustee having regard to the provisions of the Deed.

**Note:** *We have obtained the necessary consent and/or confirmation from the Trustee with regards to the information disclosed in this section.*

## 9. SALIENT TERMS OF DEED

Money invested by you in the Fund will purchase a number of units, which represents your interest in the Fund. Each unit held in a Class represents an equal undivided beneficial interest in the assets of that Class. However, the unit does not give you an interest in any particular part of the Class or a right to participate in the management or operation of the Fund (other than through Unit holders' meetings).

You will be recognised as a registered Unit holder in the Class on the Business Day your details are entered onto the register of Unit holders.

### 9.1. RIGHTS, LIABILITIES AND LIMITATION OF UNIT HOLDERS

#### 9.1.1. Rights

As a Unit holder, you have the right, among others, to the following:

- (i) to inspect the register, free of charge, at any time at our registered office, and obtain such information pertaining to your units as permitted under the Deed and the SC Guidelines;
- (ii) to receive the distribution of the Fund (if any), participate in any increase in the capital value of the units and to other rights and privileges as set out in the Fund's Deed;
- (iii) to call for Unit holders' meetings;
- (iv) to vote for the removal of the Trustee or the Manager through a Special Resolution;
- (v) to receive annual reports, interim reports or any other reports of the Fund; and
- (vi) to exercise the cooling-off right.

Unit holders' rights may be varied by changes to the Deed, the SC Guidelines or judicial decisions or interpretation.

#### 9.1.2. Liabilities

- (i) Your liability is limited to the purchase price per unit and the Application Fee paid or agreed to be paid for a unit. You need not indemnify the Trustee or us if there is a deficiency in the assets of the Fund to meet the claim of any creditor of the Trustee or ours in respect of the Class. The Unit holders of one Class will not be liable for any liabilities of the other Classes.
- (ii) The recourse of the Trustee, ours and any creditor is limited to the assets of the Fund.

#### 9.1.3. Limitations

You cannot:

- (i) interfere with any rights or powers of ours and/or Trustee's under the Deed;
- (ii) exercise a right in respect of an asset of the Fund or lodge a caveat or other notice affecting the asset of the Fund or otherwise claim any interest in the asset of the Fund; or
- (iii) require the asset of the Fund to be transferred to you.

*For full details of the rights of a registered Unit holder of the Fund, please refer to the Deed.*

### 9.2. MAXIMUM FEES AND CHARGES AND EXPENSES PERMITTED BY THE DEED

This table describes the maximum charges permitted by the Deed and payable directly by you.

Charges	Descriptions
(1) Application Fee	Up to 7.00% is charged on the NAV per unit.
(2) Withdrawal Penalty	Up to 5.00% is charged on the NAV per unit.
(3) Switching Fee	Up to 7.00% is charged on the NAV per unit. An administrative fee (if any) in relation to switching may be charged as set out in the Prospectus.

This table describes the maximum fees permitted by the Deed and payable indirectly by you.

Fees	Descriptions
(1) Management Fee	Up to 3.00% per annum, calculated daily on the NAV of the Class.
(2) Trustee Fee	Up to 0.04% per annum, calculated daily on the NAV of the Fund (including local custodian fee but excluding foreign sub-custodian fee).

A lower fee and/or charges than what is stated in the Deed may be charged, all current fees and/or charges are disclosed in the Prospectus.

Any increase of the fees and/or charges above that stated in the current Prospectus may be made provided that a supplemental prospectus is issued and the maximum stated in the Deed shall not be breached.

Any increase of the fees and/or charges above the maximum stated in the Deed shall require your approval.

### **9.2.1. Expenses permitted by the Deed**

The Deed also provides for payment of other expenses, which include (without limitation) expenses connected with:

- commissions and/or fees paid to brokers or dealers in effecting dealings in the investments of the Fund, shown on the contract notes or confirmation notes or difference accounts;
- (where the foreign custodial function is delegated by the Trustee), charges and/or fees paid to the sub-custodian;
- tax and other duties charged on the Fund by the government and other authorities if any and bank fees;
- the fees and other expenses properly incurred by the auditor of the Fund and tax agent;
- remuneration and out of pocket expenses of the independent members of the investment committee of the Fund, unless we decide to bear the same;
- fees for valuation of any investment of the Fund by independent valuers for the benefit of the Fund;
- costs incurred for the modification of the Deed otherwise than for the benefit of the Manager or the Trustee;
- costs incurred for any meeting of Unit holders other than those convened for the benefit of the Manager or the Trustee;
- the sale, purchase, insurance, custody and any other dealings of investments including commissions/fees paid to brokers;
- costs involved with external specialists approved by the Trustee in investigating and evaluating any proposed investment;
- the engagement of valuers, advisers and contractors of all kinds;
- preparation and audit of the taxation returns and accounts of the Fund;
- termination of the Fund or Class and the retirement or removal of the Trustee or the Manager and the appointment of a new trustee or Manager;
- any proceedings, arbitration or other dispute concerning the Fund, Class or any asset, including proceedings against the Trustee or the Manager by the other of them for the benefit of the Fund or Class (except to the extent that legal costs incurred for the defence of either of them are not ordered by the court to be reimbursed out of the Fund );
- costs of obtaining experts opinion by the Trustee and the Manager for the benefit of the Fund or Class;
- all costs and/or expenses associated with the distributions declared pursuant to this Deed and the payment of such distribution including without limitation fees, costs and/or expenses for the revalidation or reissuance of any distribution cheque or distribution warrant or telegraphic transfer; and
- the costs of printing and dispatching to Unit Holders the accounts of the Funds, tax certificates, distribution warrants, notices of meeting of members, newspaper advertisement and such other similar costs as may be approved by the Trustee.

The Trustee and us are required to ensure that any fees or charges payable are reasonable and in accordance with the Deed.

### **9.3. RETIREMENT, REMOVAL OR REPLACEMENT OF THE MANAGER**

We must retire as the Manager when required to retire by law.

We may retire upon giving twelve (12) months' notice to the Trustee of our desire to do so, or such shorter notice as we and the Trustee may agree, in favour of another corporation.

We shall retire under the following circumstances:

- if a Special Resolution is duly passed by the Unit holders that the Manager be removed; or
- if we ceases to be approved by the SC to be the Manager of the Fund.

We may be removed by the Trustee under certain circumstances outlined in the Deed. These include:

- if we have gone into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation or if a receiver shall be appointed in respect of the undertaking or assets of the Manager or if any encumbrances shall take possession of any of its assets; or
- if we cease to carry on business; or
- if the Trustee is of the opinion that we have, to the prejudice of the Unit holders, failed to comply with any provision or covenant under the Deed or contravened any of the provisions of the CMSA; or
- if we have failed or neglected to carry out its duties to the satisfaction of the Trustee and the Trustee considers that it would be in the interests of the Unit holders for it to do so, after the Trustee has given reasonable notice to it of that opinion and the reasons for that opinion, and has considered any representations made by us in respect of that opinion, and after consultation with the SC and with the approval of the Unit holders; or
- if a petition has been presented for the winding up against us (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction, we become or is declared insolvent).

In any of above said circumstances, we for the time being shall upon receipt of such notice by the Trustee cease to be the Manager and the Trustee shall by writing under its seal appoint another corporation to be the manager of the Fund subject to such corporation entering into a deed(s) with the Trustee and thereafter act as manager during the remaining period of the Fund.

We may be replaced by another corporation appointed as manager by Special Resolution of the Unit holders at a Unit holder's meeting convened in accordance with the Deed either by the Trustee or the Unit holders.

#### **9.4. RETIREMENT, REMOVAL OR REPLACEMENT OF THE TRUSTEE**

We and the Trustee may agree, and may by Deed appoint in its stead a new trustee approved by the SC.

The Trustee must retire as Trustee of the Fund when required to retire by law. The Trustee may retire by giving twelve (12) months' notice to us or any shorter notice we accept.

We may remove the Trustee and the Trustee covenants that it will retire or removed from the Fund constituted by or pursuant to the Deed if and when requested so to do by us if:

- the Trustee shall go into liquidation;
- the Trustee is placed under receivership, ceases to carry on business, fails or neglects its duties;
- the Trustee ceases to be approved by the SC to be a trustee for unit trust schemes; or
- a Special Resolution is duly passed by the Unit holders that the Trustee be removed.

Additionally, we are legislatively empowered under Section 299 of the CMSA to remove the Trustee under specific circumstances set out therein.

The Trustee may be replaced by another corporation appointed as trustee by a Special Resolution of the Unit holders at a Unit holders' meeting convened in accordance with the Deed either by us or the Unit holders.

#### **9.5. TERMINATION OF THE FUND OR CLASS(ES)**

The Fund or any of the Classes may be terminated or wound-up upon the occurrence of any of the following events:

- (a) the SC's authorization is withdrawn under Section 256E of the CMSA; or
- (b) a Special Resolution is passed at a Unit holders' meeting of all the Unit holders of the Fund or the relevant Class to terminate or wind-up the Fund or that Class as the case may be, following the occurrence of events stipulated under Section 301(1) of the CMSA and the court has confirmed the resolution, as required under Section 301(2) of the CMSA; or
- (c) a Special Resolution is passed at a Unit holders' meeting of all the Unit holders of the Fund or the relevant Class to terminate or wind-up the Fund or that Class as the case may be; or
- (d) on reaching the Fund's or that Class' maturity date (if any); or
- (e) the effective date of an approved transfer scheme, as defined under the Guidelines, has resulted in the Fund, which is the subject of the transfer scheme, being left with no asset/property.

A Class of the Fund may be terminated if a Special Resolution is passed at a Unit holders' meeting of that Class to terminate or wind-up that Class provided always that such termination or winding-up of that Class does not materially prejudice the interest of any other Class in that Fund.

#### **9.6. MEETINGS OF UNIT HOLDERS**

A Unit holders' meeting may be called by us, the Trustee and/or Unit holders.

Where we or the Trustee convenes a meeting, the notice of the time and place of the meeting and terms of resolution to be proposed shall be given to the Unit holders in the following manner:

- (a) by sending by post a notice of the proposed meeting at least fourteen (14) days before the date of the proposed meeting, to each Unit holder at the Unit holder's of the Fund or that Class, as the case may be, last known address or, in the case of joint Unit holders, to the joint Unit holder of the Fund or that Class, as the case may be, whose name stands first in our records at the joint Unit holder's last known address; and
- (b) by publishing, at least fourteen (14) days before the date of the proposed meeting, an advertisement giving notice of the meeting in a national language newspaper published daily and circulating generally throughout Malaysia, and in one other newspaper as may be approved by the SC.

We shall within twenty-one (21) days after an application is delivered to us at our registered office, being an application by not less than fifty (50), or one-tenth (1/10) in number, whichever is less, of the Unit holders of the Fund or a Class, as the case may be, to which this Deed relates, summon a meeting of the Unit holders:

- (i) by sending a notice by post of the proposed meeting at least seven (7) days before the date of the proposed meeting to each of those Unit holders of the Fund or that Class, as the case may be, at his/her last known address or in the case of joint Unit holder, to the joint Unit holder of the Fund or that Class, as the case may be, whose name stands first in our records at the joint Unit holder's last known address; and
- (ii) by publishing at least fourteen (14) days before the date of the proposed meeting, an advertisement giving notice of the meeting in a national language national daily newspaper and in one other newspaper as may be approved by the SC; and
- (iii) specify in the notice, the place, time and terms of the resolutions to be proposed,



for the purpose of considering the most recent financial statements of the Fund or relevant Class, or for the purpose of requiring the retirement or removal of the Manager or the Trustee, or for the purpose of giving to the Trustee such directions as the meeting thinks proper, or for the purpose of considering any other matter in relation to this Deed.

The quorum for a meeting of Unit holders of the Fund or Class, as the case may be, is five (5) Unit holders of the Fund (irrespective of the Class) or Class, as the case may be present in person or by proxy, provided that for a meeting which requires a Special Resolution the quorum for that meeting shall be five (5) Unit holders of the Fund (irrespective of the Class) or Class, as the case may be, whether present in person or by proxy, holding in aggregate at least twenty five per centum (25%) of the Units in issue of the Fund (irrespective of the Class) or Class, as the case may be, at the time of the meeting. If the Fund or Class, as the case may be, has five (5) or less Unit holders, the quorum required shall be two (2) Unit holders of the Fund (irrespective of the Class) or Class, as the case may be, whether present or by proxy and if the meeting requires a Special Resolution the quorum for that meeting shall be two (2) Unit holders of the Fund (irrespective of the Class) or Class, as the case may be, whether present in person or by proxy, holding in aggregate at least twenty five per centum (25%) of the units in issue for the Fund (irrespective of the Class) or Class, as the case may be, at the time of the meeting.

Voting is by a show of hands, unless a poll is duly demanded or the resolution proposed is required by this deed or by law to be decided by a percentage of all Units. At any meeting of Unit Holders of the Fund or of a particular Class, as the case may be, (save and except for a resolution for the winding-up of a Class to a Fund, as the case may be), one vote is granted to each Unit, regardless of its NAV per unit. Each Unit holder of the Fund or of the Class present in person or by proxy has one vote on a show of hands (irrespective of the Class). On a poll of a meeting of the Fund, the votes of each Unit Holder of the Fund, present in person or by proxy, shall be proportionate to the value of Unit held in the base currency as provided in the Deed. In the case of a Class meeting, on a poll, each Unit Holder of that Class present in person or by proxy has one vote for each whole fully paid Unit held in that Class. In the case of Joint holders, any one of such Joint holder may vote either personally or by proxy as comprised in the joint holding but if more than one of such Joint holder be present at any meeting either personally or by proxy, the Joint holder whose name stands first in the register (shall alone be entitled to vote in respect thereof. Units held by the Management Company or its nominees shall have no voting rights in any Unit Holders' meeting of the Fund or of that Class.

# 10. TAXATION REPORT

## **PricewaterhouseCoopers Taxation Services Sdn Bhd**

Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
P.O.Box 10192  
50706 Kuala Lumpur

## **The Board of Directors**

Principal Asset Management Berhad  
(formerly known as CIMB-Principal Asset Management Berhad)  
10th Floor Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur

30 September 2019

Dear Sirs,

## **TAXATION OF THE TRUST OFFERED UNDER THE PRINCIPAL ISLAMIC ASEAN EQUITY FUND AND UNIT HOLDERS**

This letter has been prepared for inclusion in the Prospectus Issue No. 1 (“hereinafter referred to as “the Prospectus”) in connection with the offer of units in the Principal Islamic ASEAN Equity Fund (“the Trust”).

The taxation of income for both the Trust and the unit holders are subject to the provisions of the Malaysian Income Tax Act, 1967 (“the Act”). The applicable provisions are contained in Section 61 of the Act, which deals specifically with the taxation of trust bodies in Malaysia.

## **TAXATION OF THE TRUST**

The Trust will be regarded as resident for Malaysian tax purposes since the trustee of the Trust is resident in Malaysia.

### **(1) Foreign Investments**

Income of the Trust in respect of overseas investment is exempt from Malaysian tax by virtue of Paragraph 28 of Schedule 6 of the Act and distributions from such income will be tax exempt in the hands of the unit holders. Such income from foreign investments may be subject to taxes or withholding taxes in the specific foreign country. However, any foreign tax suffered on the income in respect of overseas investment is not tax refundable to the Trust in Malaysia.

The foreign income exempted from Malaysian tax at the Trust level will also be exempted from tax upon distribution to the unit holders.

### **(2) Domestic Investments**

#### **(i) General taxation**

The income of the Trust consisting of dividends, interest or profit<sup>1</sup> (other than interest and profit<sup>1</sup> which is exempt from tax) and other investment income derived from or accruing in Malaysia, after deducting tax allowable expenses, is liable to Malaysian income tax at the rate of 24 per cent.

Gains on disposal of investments by the Trust will not be subject to income tax.

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<sup>1</sup> Section 2(7) of the Income Tax Act 1967, any reference to interest shall apply, mutatis mutandis, to gains or profits received and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of Shariah.

## **(ii) Dividend and other exempt income**

Effective 1 January 2014, all companies would adopt the single-tier system. Hence, dividends received would be exempted from tax and the deductibility of expenses incurred against such dividend income would be disregarded. There will no longer be any tax refunds available for single-tier dividends received. Dividends received from companies under the single-tier system would be exempted.

The Trust may receive Malaysian dividends which are tax exempt. The exempt dividends may be received from investments in companies which had previously enjoyed or are currently enjoying the various tax incentives provided under the law. The Trust will not be taxable on such exempt income.

Interest income or profit<sup>1</sup> or discount income derived from the following investments is exempt from tax:

- a) Securities or bonds issued or guaranteed by the Government of Malaysia;
- b) Debentures or sukuk, other than convertible loan stocks, approved or authorized by, or lodged with, the Securities Commission Malaysia; and
- c) Bon Simpanan Malaysia issued by Bank Negara Malaysia.

As such, provided the investment in structured products is seen to be “debentures” under Capital Markets and Services Act 2007, the income received will be exempted. Otherwise, tax implications could arise.

Interest income or profit<sup>1</sup> derived from the following investments is exempt from tax:

- a) Interest or profit<sup>1</sup> paid or credited by any bank or financial institution licensed under the Financial Services Act 2013 or Islamic Financial Services Act 2013;
- b) Interest or profit<sup>1</sup> paid or credited by any development financial institution regulated under the Development Financial Institutions Act 2002;
- c) Bonds, other than convertible loan stocks, paid or credited by any company listed in Bursa Malaysia Securities Berhad ACE Market; and
- d) Interest or profit<sup>1</sup> paid or credited by Malaysia Building Society Berhad<sup>2</sup>.

With effect from 1 January 2019, the exemption shall not apply to interest or profit<sup>1</sup> income paid or credited to a unit trust that is a wholesale fund which is a money market fund.

The interest income or profit<sup>1</sup> or discount income exempted from tax at the Trust level will also be exempted from tax upon distribution to the unit holders.

## **(3) Hedging Instruments**

The tax treatment of hedging instruments would depend on the particular hedging instruments entered into.

Generally, any gain / loss relating to the principal portion will be treated as capital gain / loss. Gains / losses relating to the income portion would normally be treated as revenue gains / losses. The gain / loss on revaluation will only be taxed or claimed upon realisation. Any gain / loss on foreign exchange is treated as capital gain / loss if it arises from the revaluation of the principal portion of the investment.

## **(4) Other Income**

The Trust may be receiving income such as exit fee which will be subject to tax at the rate of 24 per cent.

## **(5) Tax Deductible Expenses**

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<sup>2</sup> Pursuant to the letters from Ministry of Finance Malaysia dated 11 June 2015 and 16 June 2015 with effect from year of assessment (“YA”) 2015.

Expenses wholly and exclusively incurred in the production of gross income are allowable as deductions under Section 33(1) of the Act. In addition, Section 63B of the Act provides for tax deduction in respect of managers' remuneration, expenses on maintenance of the register of unit holders, share registration expenses, secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postages. The deduction is based on a formula subject to a minimum of 10 per cent and a maximum of 25 per cent of the expenses.

#### (6) Real Property Gains Tax ("RPGT")

With effect from 1 January 2019, any gains on disposal of real properties or shares in real property companies<sup>3</sup> would be subject to RPGT at the following rates:-

Disposal time frame	RPGT rates
Within 3 years	30%
In the 4 <sup>th</sup> year	20%
In the 5 <sup>th</sup> year	15%
In the 6 <sup>th</sup> year and subsequent years	10%

#### (7) Sales and Service Tax ("SST")

Effective from 1 September 2018, SST has been reintroduced to replace the Goods and Services Tax ("GST"). Both the Sales Tax Act 2018 and Services Tax Act 2018 have been gazetted on 28 August 2018. The rates for sales tax are nil, 5 per cent, 10 per cent or a specific rate whereas the rate for service tax is at 6 per cent.

Sales tax will be chargeable on taxable goods manufactured in or imported into Malaysia, unless specifically exempted by the Minister. Whereas, only specific taxable services provided by specific taxable persons will be subject to service tax. Sales tax and service tax are single stage taxes. As such, SST incurred would generally form an irrecoverable costs to the business.

Generally, the Trust, being a collective investment vehicle, should not be caught under the service tax regime. Certain brokerage, professional, consultancy or management services paid by the Trust may be subject to service tax at 6 per cent including services acquired from a foreign service provider

#### TAXATION OF UNIT HOLDERS

Unit holders will be taxed on an amount equivalent to their share of the total taxable income of the Trust to the extent of the distributions received from the Trust. The income distribution from the Trust will carry a tax credit in respect of the Malaysian tax paid by the Trust. Unit holders will be entitled to utilise the tax credit against the tax payable on the income distribution received by them. No additional withholding tax will be imposed on the income distribution from the Trust.

Non-resident unit holders may also be subject to tax in their respective jurisdictions. Depending on the provisions of the relevant country's tax legislation and any double tax treaty with Malaysia, the Malaysian tax suffered may be creditable against the relevant foreign tax.

Corporate unit holders, resident<sup>4</sup> and non-resident, will generally be liable to income tax at 24 per cent on distribution of income received from the Trust. The tax credits attributable to the distribution of income can be utilised against the tax liabilities of these unit holders.

<sup>3</sup> A real property company is a controlled company which owns or acquires real property or shares in real property companies with a market value of not less than 75 per cent of its total tangible assets. A controlled company is a company which does not have more than 50 members and is controlled by not more than 5 persons.

<sup>4</sup> Resident companies with paid up capital in respect of ordinary shares of RM2.5 million and below will pay tax at 17\* per cent for the first RM500,000 of chargeable income with the balance taxed at 24 per cent, with effective from 1 January 2019.

With effect from YA 2009, the above shall not apply if more than –

- (a) 50 per cent of the paid up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company;
- (b) 50 per cent of the paid up capital in respect of ordinary shares of the related company is directly or indirectly owned by the first mentioned company;
- (c) 50 per cent of the paid up capital in respect of ordinary shares of the first mentioned company and the related company is directly or indirectly owned by another company.

"Related company" means a company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of the basis period for a YA.

Individuals and other non-corporate unit holders who are tax resident in Malaysia will be subject to income tax at graduated rates ranging from 1 per cent to 28 per cent. Individuals and other non-corporate unit holders who are not resident in Malaysia will be subject to income tax at 28 per cent. The tax credits attributable to the distribution of income can be utilised against the tax liabilities of these unit holders.

The distribution of exempt income and gains arising from the disposal of investments by the Trust will be exempted from tax in the hands of the unit holders.

Any gains realised by unit holders (other than dealers in securities, insurance companies or financial institutions) on the sale or redemption of the units are treated as capital gains and will not be subject to income tax. This tax treatment will include gains in the form of cash or residual distribution in the event of the winding up of the Trust.

Unit holders electing to receive their income distribution by way of investment in the form of new units will be regarded as having purchased the new units out of their income distribution after tax.

Unit splits issued by the Trust are not taxable in the hands of unit holders.

We hereby confirm that the statements made in this report correctly reflect our understanding of the tax position under current Malaysian tax legislation. Our comments above are general in nature and cover taxation in the context of Malaysian tax legislation only and do not cover foreign tax legislation. The comments do not represent specific tax advice to any investors and we recommend that investors obtain independent advice on the tax issues associated with their investments in the Trust.

Yours faithfully,

for and on behalf of

**PRICEWATERHOUSECOOPERS TAXATION SERVICES SDN BHD**

Jennifer Chang  
Partner

PricewaterhouseCoopers Taxation Services Sdn Bhd have given their written consent to the inclusion of their report as tax adviser in the form and context in which it appears in the Prospectus and have not, before the date of issue of the Prospectus, withdrawn such consent.

# 11. DISTRIBUTORS OF THE FUND

Currently, Class MYR, Class SGD and Class USD of the Fund are available for sale. As at LPD, Class MYR, Class SGD and Class USD are available from the following:

## 11.1. OUR BRANCHES

### Main Branch / Financial Planning Centre

50, 52 & 54, Jalan SS21/39  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan MALAYSIA  
Tel: (603) 7718 3000

### Northern Branch

No.5, Jalan Todak 4  
Bandar Sunway  
Seberang Jaya  
13700 Perai  
Penang MALAYSIA  
Tel: (604) 370 2155/2156

### Southern Branch

23 & 23A Jalan Harimau Tarum  
Taman Century  
80250 Johor Bahru  
Johor MALAYSIA  
Tel: (607) 334 1748

### Central Branch

46, 2nd Floor, Jalan SS 21/39  
Damansara Utama  
47400 Petaling Jaya  
Selangor MALAYSIA  
Tel: (603) 7712 2888

### Sarawak Branch

5B Lot 414 Section 10  
KTLD Jalan Rubber  
93400 Kuching  
Sarawak MALAYSIA  
Tel: (6082) 259 777

### Sabah Branch

1 Jalan Pasar Baru Kampung Air  
88000 Kota Kinabalu  
Sabah MALAYSIA  
Tel: (6088) 239 951/952

### Ampang Branch

13B 2nd Floor Jalan Mamanda 7/1  
Off Jalan Ampang  
68000 Ampang  
Selangor MALAYSIA  
Tel: (603) 4270 2970

### Sri Petaling Branch

169-2, Jalan Radin Bagus  
Bandar Baru Sri Petaling  
57000 Kuala Lumpur MALAYSIA  
Tel: (603) 9059 2333

### Melaka Branch

21 Jalan Melaka Raya 24  
Taman Melaka Raya  
75000 Melaka MALAYSIA  
Tel: (606) 281 1111

### Ipoh Branch

30A 1st Floor  
Persiaran Greentown 1  
Greentown Business Centre  
30450 Ipoh  
Perak MALAYSIA  
Tel: (605) 243 9001/9002

### Kuantan Branch

No 44 & 44A Jalan Putra Square 6,  
Putra Square,  
25000 Kuantan,  
Pahang MALAYSIA  
Tel: (609) 513 4400

### Kota Bharu Branch

Ground Floor No 298-B  
Jalan Tok Hakim  
15000 Kota Bharu  
Kelantan MALAYSIA  
Tel: (609) 747 1172/1190

## 11.2. PRINCIPAL DISTRIBUTORS

### Nsg Wealth Advisors

No 8 Jalan BM 7/19  
Seksyen 7  
Bandar Bukit Mahkota  
Kajang 43000 Selangor  
Tel: (603) 8920 8277

### Platinum

E5-03 Empire Damansara  
Jalan PJU 8/8  
Damansara Perdana  
47820 Petaling Jaya

### Charisma Legacy

B-1-22 & B-2-22 & B-2-21  
Block B 10 Boulevard  
Jalan Cempaka Sungai Kayu Ara  
47400 Petaling Jaya  
Selangor  
Tel: (603) 7722 3895

### AAAAA Wealth Builders

*(formerly known as O-tye Group Consultants)*  
Lot C-615 & Lot C-616  
Level 6 Block C Kelana Square  
17 Jalan Ss7/26

Tel: (603) 7843 0506

**Dynamics Wealth Advisors**

*(formerly known as Star Pesona Advisors)  
(secondly known as Professional 5 star wealth advisors)*  
Unit B-3A-1 Setiawangsa Business Suites  
Jalan Setiawangsa 11  
Taman Setiawangsa  
54200 Kuala Lumpur  
Tel: (603) 4256 6277

**Megas**

2-6A Jalan PJU 8/3A  
Bandar Damansara Perdana  
47820 Petaling Jaya  
Selangor  
Tel: (603) 7725 6320

**Amg Synergy Multiresources Sdn Bhd**

3rd Floor  
No 45 Jalan Teluk Sisek  
25000 Kuantan Pahang  
Tel: (609) 5161 430

**Elite Group Consultants**

No 6-2 Jalan Dagang 1/1A  
Taman Dagang  
68000 Ampang  
Selangor  
Tel: (603) 4251 1129

**Success Concepts Life Planners**

J-06-01 Level 6 Block J  
Solaris Mont' Kiara  
Jalan Solaris  
50480 Kuala Lumpur  
Tel: (603) 6204 0113

**Diamond Star Agency Office**

Block E-1-03A & E-2-03A  
Jalan SS6/20A  
Dataran Glomac  
47301 Kelana Jaya  
Selangor  
Tel: (603) 7880 7082

**Aces Advisors**

37-2, Jalan Cecawi 6/33  
PJU 5, Kota Damansara  
47810 Petaling Jaya  
Tel: (603) 6142 2970

**Premier Wealth Advisors**

No 18-1 S2 B18  
Biz Avenue Seremban 2  
70300 Seremban  
Negeri Sembilan  
Tel: (606) 6015 749

**GVG Solution Agency**

24-1, Jalan Padi Emas 4/1  
Pusat Bandar Tampoi  
Johor Bahru

Kelana Jaya  
47301 Petaling Jaya Selangor  
Tel: 03-7880 6893

**My Financial Freedom Advisors**

*(formerly known as M\$G Prominent Consultants)*  
No.3A, Jalan Hentian 3  
Pusat Hentian Kajang  
43000 Kajang  
Selangor  
Tel: (603) 8741 4382

**Preferred Wealth Advisors**

*(formerly known as Titan Empire )*  
No 12-01 D'bayu Business Center  
Jalan Serambi U8/24  
Bukit Jelutong  
40150 Shah Alam  
Selangor  
Tel: (603) 6142 8382

**Otye Xcellence Consultants**

Lot No 35-2 2nd Floor  
Jalan Sepah Puteri 5/1B  
Pusat Dagangan Seri Utama  
PJU 5 Kota Damansara  
47410 Selangor  
Tel: (603) 6140 3046

**Prestige Wealth Advisors**

I-91-2 Block I  
Jalan Teknologi 3/9  
Kota Damansara  
47810 Petaling Jaya  
Selangor  
Tel: (603) 6140 7275

**Magnificent Champion Agency Office**

47A, Tingkat 1  
Jalan Badminton 13/29  
Seksyen 13, Shah Alam  
40100 Selangor  
Tel: (603) 5523 2693

**Jat Xo Group**

2nd Floor Lot 156  
Jalan Haji Taha  
Kuching 93400 Sarawak  
Tel: (6019) 2713 269

**Monalisa Private Wealth Advisors**

No. 41B, 43B, Jalan Wan Kadir 2  
Taman Tun Dr Ismail  
60000, Kuala Lumpur  
Tel: (603) 7733 5778

**Sa@7**

No. 35B-2 (2nd Floor)  
Jalan Keluli Am 7/AM  
Pusat Perniagaan Bukit Raja Seksyen 7  
400000 Shah Alam  
Selangor  
Tel: (603) 3341 4978

**My IFP Kemaman**

PT 10725, Ground Floor  
Jalan Kubang Kurus  
Taman Cukai Utama Fasa 4

81200 Johor  
Tel: (607) 2326 976

**JAT XO Group Bintulu**

SL No2, Blk49, of Parent Lot2646  
Parkcity Commerce Square  
Jln Kambar, Off Jln Tun Ahmad  
Zaidi, Bintulu 97000 Sarawak  
Tel: (6012) 2172 269

**The One Asia Advisors**

No B-3A-23 Merchant Square  
Jalan Tropicana Selatan 1  
Tropicana Golf & Country Resort  
47410 Petaling Jaya  
Selangor  
Tel: (603) 7887 4408

**Soha Barakah Wealth Consultancy**

No 55-2, 57-2, 59-2  
Jalan Tu 49A Taman Tasik Utama  
Ayer Keroh  
75450 Melaka  
Tel: (606) 2533 289

**Evoque Wealth Advisors**

2nd Floor No 32A-2 Jalan PJU 5/20d The Strand  
Pusat Perdagangan Kota Damansara  
Kota Damansara PJU 5  
47810 Petaling Jaya  
Selangor  
Tel: (603) 6151 9512

**KPG Management**

19-1 Jalan Adenium 2G/9  
Adenium Business Center  
Bukit Beruntung  
48300 Rawang  
Selangor  
Tel: (603) 6021 7385

**Victorious Agency**

98-02 Jalan Pertama 1  
Pusat Perdagangan Danga Utama  
81200 Johor Bahru  
Johor  
Tel: (6011) 1211 840

**KPG Capital Growth Solution**

No 15-1 Jalan Adenium 2G/9  
Adenium Business Centre  
48300 Bukit Beruntung  
Rawang Selangor  
Tel: (603) 6021 7188

**Nrich Wealth Advisory Group**

ZP-02-12 Zest Point  
Lebuhraya Bukit Jalil  
Bandar Kinrara  
47180 Puchong  
Selangor  
Tel: (603) 8074 8485

**SWM Advisors Group**

Block E-13-2 2nd Floor  
Jalan Serai Wangi M/16M  
Alam Avenue 2 Seksyen 16  
40200 Shah Alam

24000 Kemaman  
Terengganu  
Tel: (609) 8589 911

**Tremendous Agency**

No 11 Level 2  
Jalan Pelabur B 23/B  
Section 23  
40300 Shah Alam  
Selangor Darul Ehsan  
Tel: (603) 5480 0296

**Wealth Resources Group Advisors**

No 41B 3B Curve Business Park  
Medan Pusat Bandar 2D Seksyen 9  
43650 Bandar Baru Bangi  
Selangor  
Tel: (603) 8926 4155

**GVG Pasir Gudang Solution**

No 38-01 Jalan Serangkai 18  
Taman Bukit Dahlia  
81700 Pasir Gudang  
Johor  
Tel: (6012) 7076 107

**Kyzan Jaguar Agency**

16-01 Jalan Padi Emas 1/5  
UDA Business Centre  
81200 Johor Bahru  
Johor  
Tel: (607) 3009 350

**Premierone Wealth**

No 527-1 Jalan Pusat Bandar Senawang  
Pusat Bandar Senawang  
70450 Senawang  
Negeri Sembilan  
Tel: (606) 6718 253

**Charisma Legacy 1**

B-3-21 Block Bougainvillea  
10 Boulevard Lebuhraya Sprint PJU 6A  
47400 Petaling Jaya  
Selangor  
Tel: (603) 7733 5009

**Global Amazing Entrepreneur**

C-10-2 & C-11-2  
Bangi Gateway Shopping Complex  
Persiaran Pekililing Seksyen 15  
43650 Bandar Baru Bangi  
Selangor  
Tel: (603) 8920 9038

**Charisma Legacy 3**

B-3-17 Blok Bouganvilla 10 Boulevard  
Lebuhraya Sprint Pju 6A Kayu Ara  
Damansara Jaya  
47400 Petaling Jaya  
Selangor  
Tel: (603) 7733 4211

**Synergy Wealth Entrepreneur**

98-2 Jalan Dwitasik  
Dataran Dwitasik  
Bandar Sri Permaisuri  
Cheras



Selangor

**Charisma Legacy Kota Bharu**  
PT1671 & 1672 Tingkat 2  
Jalan Raja Perempuan Zainab 2  
Kubang Kerian  
16150 Kota Bharu  
Kelantan  
Tel: (6016) 2236 343

**Charisma Legacy 2**  
B-3-25 Block Bougainvillea  
10 Boulevard Lebuhraya Sprint  
PJU 6A  
47400 Petaling Jaya  
Selangor  
Tel: (603) 7733 2460

**KPG Capital Growth Solution**  
No 4 Tingkat 1  
Taman Desa Lunas  
Lunas  
09600 Kedah  
Tel: (6019) 3571 472

**Abraham Hanef Group PLT**  
D-25-1 & D-25-2  
Pusat Komercial Arena Bintang  
Jln Zuhail U5/179 Seksyen U5  
Shah Alam  
40150 Selangor  
Tel: (603) 7832 2402

56000 Kuala Lumpur  
Tel: (603) 9226 5344

**NZ Group**  
PT 650 1st & 2nd Floor  
Jalan Sri Cemerlang  
Seksyen 27  
15300 Kota Bharu  
Kelantan  
Tel: (609) 7476 932

**Zenith Premier Wealth Advisors**  
No 98 Second Floor  
Jalan Legenda 1  
Legenda Heights  
08000 Sungai Petani  
Kedah  
Tel: (604) 4246 042

**KPG Capital Growth Solution**  
No 4A (Tingkat Atas) Susuran KPJ 2  
Kompleks Perniagaan Jitra 2  
Jitra  
06000 Kedah  
Tel: (6019) 3571 472

**Note:** We have the discretion in determining the Distributors of the Classes of the Fund, including its appointment and/or termination from time to time. For updated information on the Distributors of the Classes of the Fund, please call our **Customer Care Centre** at **(603) 7718 3000** between 8:45 a.m. and 5:45 p.m. (Malaysian time) on Mondays to Thursdays and between 8:45 a.m. and 4:45 p.m. (Malaysian time) on Fridays (except on Selangor public holidays) or you may refer to our website at <http://www.principal.com.my>.

# **ANNEXURE - CLASS MYR**

This section is only a summary of the salient information about Class MYR. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Asset Management Berhad (*formerly known as CIMB-Principal Asset Management Berhad*), member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of capital.

## CLASS INFORMATION

This Fund is a multi-class fund and is allowed to establish new Class(es) from time to time without your prior consent.

Class MYR	Page
<b>Currency denomination</b>	RM
<b>Distribution policy</b>	Given the Fund's investment objective, the Class of the Fund is not expected to pay any distribution. Distributions, if any, are at our discretion and will vary from period to period depending on the availability of realised income for distribution and performance of the Fund. 30

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of Class MYR.

Charges	Class MYR	Page
<b>Application Fee</b>	Up to 5.00% of the NAV per unit.	21
<b>Withdrawal Penalty</b>	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	21
<b>Switching Fee</b>	Switching is treated as a withdrawal from Class MYR and an investment into another Class or Principal Malaysia's fund (or its class). As such, you will be charged a Switching Fee equal to the difference (if any) between the Application Fee of Class MYR and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose a RM100 administrative fee for every switch. You may negotiate to lower the Switching Fee and/or administrative fees with us or our Distributors. We also have the discretion to waive the Switching Fee and/or administrative fees.	21
<b>Transfer Fee</b>	A maximum of RM50 may be charged for each transfer.	21
<b>Other charges payable directly by you when purchasing or withdrawing the units</b>	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in Class MYR.

Fees	Class MYR	Page
<b>Management Fee</b>	Up to 1.80% per annum of the NAV of the Class.	22
<b>Trustee Fee</b>	Up to 0.04% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	22
<b>Expenses directly related to Fund</b>	Only expenses that are directly related to the Fund can be charged to the Fund. Examples of relevant expenses are audit fee and tax agent's fee.	22
<b>Other fees payable indirectly by you when investing in the Fund</b>	Nil.	

**Note:** Despite the maximum Application Fee or Withdrawal Penalty disclosed above, you may negotiate with us or our Distributors for lower fee or charges. However, you should note that we or our Distributors may, for any reason at any time, where applicable, accept or reject your request and without having to assign any reason, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) without prior notice to you.

We may, for any reason at any time, where applicable, waive or reduce the amount of any fees (except the Trustee Fee) or other charges payable by you in respect of the Fund, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) and for any period or periods of time at our absolute discretion.

All fees and charges payable by the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by the Fund or you as disclosed or illustrated in the Prospectus.

We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees and charges from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you or seek your approval on the amendments to the fees and charges.

## TRANSACTION INFORMATION

	Class MYR	Page
<b>Minimum initial investment*</b>	RM500 or such other amount as we may decide from time to time.	28
<b>Minimum additional investment</b>	RM100 or such other amount as we may decide from time to time.	28
<b>Minimum withdrawal</b>	400 units or such other number of units as we may decide from time to time.	29
<b>Minimum balance</b>	2,000 units or such other number of units as we may decide from time to time.	29
<b>Regular Savings Plan</b>	RSP is available for Class MYR. The RSP allows you to make regular monthly investments of RM100 or more, direct from your account held with a bank approved by us or our Distributors. The minimum initial investment for the RSP is RM500 or such other amount as we may decide from time to time.	28
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or our Distributors from the first time investor investing with us or our Distributors. However, Principal Malaysia's staff and person(s) registered to deal in unit trust of Principal Malaysia or any Distributors are not entitled to the cooling-off right.	29
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the Switching Fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> You may negotiate to lower the amount for your switch with us or our Distributors.	29
<b>Transfer</b>	We may, at our absolute discretion allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	30

\* The minimum initial investment for EPF-MIS (where available) shall be RM1,000 (or such other amount as may be determined by EPF) or as per the amount stated above, whichever is higher. Please note that there may be changes to the status of the eligibility of the Fund under the EPF-MIS from time to time. Please refer to our website at <http://www.principal.com.my> or <http://www.kwsp.gov.my> for updated information.

**Note:** You may request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units, which will be at our sole and absolute discretion. However, you should note that we may, for any reason at any time, where applicable, accept or reject a lower amount or number of units and without having to assign any reason, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) without prior notice to you. We may also, for any reason at any time, where applicable, reduce the minimum balance, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) without prior notice to you. For increase in the amount or units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes before implementation.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**We have the discretion to amend the amount, rate and/or terms and conditions of the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the transaction information.**

# **ANNEXURE - CLASS SGD**

This section is only a summary of the salient information about Class SGD. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad), member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of capital.

## CLASS INFORMATION

This Fund is a multi-class fund and is allowed to establish new Class(es) from time to time without your prior consent.

Class SGD		Page
<b>Currency denomination</b>	SGD	
<b>Distribution policy</b>	Given the Fund's investment objective, the Class of the Fund is not expected to pay any distribution. Distributions, if any, are at our discretion and will vary from period to period depending on the availability of realised income for distribution and performance of the Fund.	30

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of Class SGD.

Charges	Class SGD	Page
<b>Application Fee</b>	Up to 5.00% of the NAV per unit.	21
<b>Withdrawal Penalty</b>	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	21
<b>Switching Fee</b>	Switching is treated as a withdrawal from Class SGD and an investment into another Class or Principal Malaysia's fund (or its class). As such, you will be charged a Switching Fee equal to the difference (if any) between the Application Fee of Class SGD and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose a SGD35 administrative fee for every switch. You may negotiate to lower the Switching Fee and/or administrative fees with us or our Distributors. We also have the discretion to waive the Switching Fee and/or administrative fees.	21
<b>Transfer Fee</b>	A maximum of SGD15 may be charged for each transfer.	21
<b>Other charges payable directly by you when purchasing or withdrawing the units</b>	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in Class SGD.

Fees	Class SGD	Page
<b>Management Fee</b>	Up to 1.80% per annum of the NAV of the Class.	22
<b>Trustee Fee</b>	Up to 0.04% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	22
<b>Expenses directly related to Fund</b>	Only expenses that are directly related to the Fund can be charged to the Fund. Examples of relevant expenses are audit fee and tax agent's fee.	22
<b>Other fees payable indirectly by you when investing in the Fund</b>	Nil.	

**Note:** Despite the maximum Application Fee or Withdrawal Penalty disclosed above, you may negotiate with us or our Distributors for lower fee or charges. However, you should note that we or our Distributors may, for any reason at any time, where applicable, accept or reject your request and without having to assign any reason, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) without prior notice to you.

We may, for any reason at any time, where applicable, waive or reduce the amount of any fees (except the Trustee Fee) or other charges payable by you in respect of the Fund, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) and for any period or periods of time at our absolute discretion.

**All fees and charges payable by the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by the Fund or you as disclosed or illustrated in the Prospectus.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees and charges from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you or seek your approval on the amendments to the fees and charges.**

## TRANSACTION INFORMATION

	Class SGD	Page
<b>Minimum initial investment</b>	SGD500 or such other amount as we may decide from time to time.	28
<b>Minimum additional investment</b>	SGD100 or such other amount as we may decide from time to time.	28
<b>Minimum withdrawal</b>	400 units or such other number of units as we may decide from time to time.	29
<b>Minimum balance</b>	2,000 units or such other number of units as we may decide from time to time.	29
<b>Regular Savings Plan</b>	Currently, RSP is not available for Class SGD.	28
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or our Distributors from the first time investor investing with us or our Distributors. However, Principal Malaysia's staff and person(s) registered to deal in unit trust of Principal Malaysia or any Distributors are not entitled to the cooling-off right.	29
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the Switching Fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	29
<b>Transfer</b>	We may, at our absolute discretion allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	30

**Note:** You may request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units, which will be at our sole and absolute discretion. However, you should note that we may, for any reason at any time, where applicable, accept or reject a lower the amount or number of units and without having to assign any reason, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) without prior notice to you. We may also, for any reason at any time, where applicable, reduce the minimum balance, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) without prior notice to you. For increase in the amount or units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes before implementation.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**We have the discretion to amend the amount, rate and/or terms and conditions of the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the transaction information.**

# **ANNEXURE - CLASS USD**



This section is only a summary of the salient information about Class USD. You should read and understand the entire Prospectus before investing and keep the Prospectus for your records. In determining which investment is right for you, we recommend you speak to professional advisers. Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad), member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of capital.

## CLASS INFORMATION

This Fund is a multi-class fund and is allowed to establish new Class(es) from time to time without your prior consent.

Class USD	Page
<b>Currency denomination</b> USD	
<b>Distribution policy</b>	30

Given the Fund's investment objective, the Class of the Fund is not expected to pay any distribution. Distributions, if any, are at our discretion and will vary from period to period depending on the availability of realised income for distribution and performance of the Fund.

## FEES & CHARGES

This table describes the charges that you may **directly** incur when you buy or withdraw units of Class USD.

Charges	Class USD	Page
<b>Application Fee</b>	Up to 5.00% of the NAV per unit.	21
<b>Withdrawal Penalty</b>	Up to 1.00% of the NAV per unit. Withdrawal Penalty is chargeable if a withdrawal is made within three (3) months from the Commencement Date. Thereafter, no Withdrawal Penalty will be charged. All Withdrawal Penalty will be retained by the Fund.	21
<b>Switching Fee</b>	Switching is treated as a withdrawal from Class USD and an investment into another Class or Principal Malaysia's fund (or its class). As such, you will be charged a Switching Fee equal to the difference (if any) between the Application Fee of Class USD and the Application Fee of the other Class or Principal Malaysia's fund (or its class) to be switched into. Switching Fee will not be charged if the Class or Principal Malaysia's fund (or its class) to be switched into has a lower Application Fee. In addition, we may impose USD35 administrative fee for every switch. You may negotiate to lower the Switching Fee and/or administrative fees with us or our Distributors. We also have the discretion to waive the Switching Fee and/or administrative fees.	21
<b>Transfer Fee</b>	A maximum of USD15 may be charged for each transfer.	21
<b>Other charges payable directly by you when purchasing or withdrawing the units</b>	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

This table describes the fees that you may **indirectly** incur when you invest in Class USD.

Fees	Class USD	Page
<b>Management Fee</b>	Up to 1.80% per annum of the NAV of the Class.	22
<b>Trustee Fee</b>	Up to 0.04% per annum (including local custodian fee but excluding foreign sub-custodian fee and charges) of the NAV of the Fund. The foreign sub-custodian fee and charges is dependent on the country invested and is charged monthly in arrears.	22
<b>Expenses directly related to Fund</b>	Only expenses that are directly related to the Fund can be charged to the Fund. Examples of relevant expenses are audit fee and tax agent's fee.	22
<b>Other fees payable indirectly by you when investing in the Fund</b>	Nil.	

All fees and charges payable by the Fund are subject to any applicable taxes and/or duties as may be imposed by the government or other authorities (if any) from time to time. As a result of changes in any rule, regulation, directive, notice and/or law issued by the government or relevant authority, there may be additional cost to the fees, expenses, charges and/or taxes payable to and/or by the Fund or you as disclosed or illustrated in the Prospectus.

We have the discretion to amend the amount, rate and/or terms and conditions for the above-mentioned fees and charges from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and

**communicate to you or seek your approval on the amendments to the fees and charges.**

**Note:** Despite the maximum Application Fee or Withdrawal Penalty disclosed above, you may negotiate with us or our Distributors for lower fee or charges. However, you should note that we or our Distributors may, for any reason at any time, where applicable, accept or reject your request and without having to assign any reason, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) without prior notice to you.

We may, for any reason at any time, where applicable, waive or reduce the amount of any fees (except the Trustee Fee) or other charges payable by you in respect of the Fund, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) and for any period or periods of time at our absolute discretion.

## TRANSACTION INFORMATION

	Class USD	Page
<b>Minimum initial investment</b>	USD500 or such other amount as we may decide from time to time.	28
<b>Minimum additional investment</b>	USD100 or such other amount as we may decide from time to time.	28
<b>Minimum withdrawal</b>	400 units or such other number of units as we may decide from time to time.	29
<b>Minimum balance</b>	2,000 units or such other number of units as we may decide from time to time.	29
<b>Regular Savings Plan</b>	Currently, RSP is not available for Class USD.	28
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or our Distributors from the first time investor investing with us or our Distributors. However, Principal Malaysia's staff and person(s) registered to deal in unit trust of Principal Malaysia or any Distributors are not entitled to the cooling-off right.	29
<b>Switching</b>	Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to: <ul style="list-style-type: none"> <li>▪ for switching out of the Class: <ul style="list-style-type: none"> <li>○ the minimum withdrawal applicable to the Class;</li> <li>○ the minimum balance required (after the switch) for the Class, unless you are withdrawing from the Class in entirety; and</li> <li>○ the Withdrawal Penalty of the Class (if any);</li> </ul> </li> <li>▪ for switching into the Class: <ul style="list-style-type: none"> <li>○ the minimum initial investment amount or the minimum additional investment amount (as the case may be) applicable to the Class; and</li> <li>○ the Switching Fee applicable for the proposed switch (if any).</li> </ul> </li> </ul> <p>You may negotiate to lower the amount for your switch with us or our Distributors.</p>	29
<b>Transfer</b>	We may, at our absolute discretion allow or refuse transfer of units subject to such terms and conditions as may be stipulated in the Deed.	30

**Note:** You may request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units, which will be at our sole and absolute discretion. However, you should note that we may, for any reason at any time, where applicable, accept or reject a lower the amount or number of units and without having to assign any reason, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) without prior notice to you. We may also, for any reason at any time, where applicable, reduce the minimum balance, either generally (for all investors) or specifically (for any particular investor, a group of investors or investments made via any digital platform) without prior notice to you. For increase in the amount or units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes before implementation.

**There are fees and charges involved and investors are advised to consider them before investing in the Fund.**

**We have the discretion to amend the amount, rate and/or terms and conditions of the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee and communicate to you on the amendments to the transaction information.**

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**Principal Asset Management Berhad** (304078-K)  
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