

**Prospectus**  
27 March 2023

# Principal Islamic Global Responsible Equity Fund

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

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

This Prospectus Issue No. 1 for the Principal Islamic Global Responsible Equity Fund is dated 27 March 2023.

This Fund was constituted on 8 September 2022.

**EFFECTIVE FROM 20 DECEMBER 2022, THE FUND IS A QUALIFIED SUSTAINABLE AND RESPONSIBLE INVESTMENT FUND UNDER THE GUIDELINES ON SUSTAINABLE AND RESPONSIBLE INVESTMENT FUNDS.**

**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 Malaysia and the 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 contact our Customer Care Centre under the “Corporate Directory” section during business hour between 8:45 a.m. and 5:45 p.m. (Malaysian time) from Mondays to Fridays.

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notices, legislations or statutes for the time being in force, as may be amended, varied, modified, updated, superseded and/or re-enacted from time to time.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	27 March 2023

## 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 the 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.
BNM	- Bank Negara Malaysia
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 banks in Ireland are open for normal 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.
CIMB Group	- CIMB Group Sdn. Bhd.
CIS	- Collective investment schemes.
Class	- Any class of units representing similar interest in the assets of the Fund.
Class MYR	- The Class issued by the Fund denominated in MYR.
Class MYR-Hedged	- The Class issued by the Fund denominated in MYR that aims to minimize the effect of exchange rate fluctuations between the base currency of the Fund (i.e. USD) and MYR.
Class USD	- The Class 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 IUTA.
Eligible Market	- Means an exchange, government securities market or an OTC market that is regulated by a regulatory authority of that jurisdiction; that is open to the public or to a substantial number of market participants; and on which financial instruments are regularly traded.
EMIR	- Means Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories.
EPF	- Employees Provident Fund.
EPF-MIS	- EPF Members Investment Scheme.
ESG	- Environmental, Social and Governance.
ESG Orientated Fund	Means a fund of the Target Fund Company that, in accordance with the criteria outlined in Article 8 of the European Union's Sustainable Finance Disclosure Regulations, promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics and provided that the companies that the Target Fund invests in follow good governance practices.
Fund or IGRF	- Principal Islamic Global Responsible Equity Fund.
GUTF	- Guidelines on Unit Trust Funds issued by the SC.
IMS	- Investment Management Standards issued by the Federation of Investment Managers Malaysia.
Islamic Deposit	- As per the definition of "Islamic deposit" in the Islamic Financial Services Act 2013.
IUTA	- Refers to "Institutional Unit Trust Schemes Adviser", a corporation registered with Federation of Investment Managers Malaysia and authorised to market and distribute unit trust schemes of another party.
LPD	- Latest Practicable Date i.e. 30 November 2022, 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.
MYR	- Malaysian Ringgit.
NAV	- Net Asset Value.

NAV of the Fund	- 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 divided by the number of units in circulation for that Class, at the valuation point.
OTC	- Over-the-counter.
PFG	- Principal Financial Group, Inc.
Principal Distributors	- Refers to the unit trust scheme consultants of Principal Malaysia (authorised Principal Malaysia distributors).
Principal Malaysia, the Manager, we or us	- Principal Asset Management Berhad.
Prospectus	- Refers to the 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 of Ireland whether by notice or otherwise affecting the Target Fund Company.
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 Target Fund Company.
SAC	- Shariah Advisory Council.
SC	- Securities Commission Malaysia.
SFDR	- Means the European Union's Sustainable Finance Disclosure Regulations.
SFT Regulations or SFTR	- Means Regulation 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 as may be amended, supplemented, consolidated, substituted in any form or otherwise modified from time to time.
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 of the Fund or a Class, as the case may be voting at a meeting of Unit holders. For the purpose of terminating or winding up the Fund or a Class, 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 of the Fund or a Class, as the case may be, 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.
Target Fund	- The Islamic collective investment scheme that the Fund invests predominantly in. Currently, it refers to Islamic Global Responsible Equity Fund.
Target Fund Company	- Principal Islamic Asset Management (Ireland) Plc.
Target Fund Investment Manager	- Principal Islamic Asset Management Sdn. Bhd.
Target Fund Management Company	- Principal Global Investors (Ireland) Limited.
Target Fund Prospectus	- Refers to the prospectus in respect of the Target Fund and includes any supplemental prospectus, addendum or replacement prospectus, as the case may be. The Target Fund Prospectus is available for download at <a href="http://www.principalislamic.com/">www. https://principalislamic.com/</a>
Target Fund Shariah Adviser	- Means Amanie Advisors Sdn Bhd.
Taxonomy Regulation	- Means the Regulation on the Establishment of a Framework to Facilitate Sustainable Investment (Regulation EU/2020/852) as may be supplemented, consolidated, substituted in any form or otherwise modified from time to time.

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.
UCITS	- An undertaking for collective investment in transferable securities pursuant to the UCITS Directive.
UCITS Directive	- Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws regulations and administrative provisions relating to UCITS, including the associated implementing measures contained in Directive 2010/43/EU and Directive 2010/44/EU, as amended, supplemented, consolidated or replaced from time to time.
UCITS V	- Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as regards depositary functions, remuneration and sanctions as amended from time to time and including any supplementing European Commission delegated regulations in force from time to time.
Unit holder	- The registered holder for the time being of a unit of the Fund including persons jointly so registered.
USA	- United States of America.
USD	- United States Dollar.
Withdrawal Penalty	- A penalty 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

### **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

### **Customer Care Centre**

Ground Floor Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur, MALAYSIA  
Tel : (603) 7723 7260  
Fax : (603) 7718 3003  
Whatsapp : (6016) 299 9792

### **Website**

[www.principal.com.my](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**

Level 19, Menara IQ, Lingkaran TRX,  
55188 Tun Razak Exchange,  
Kuala Lumpur, MALAYSIA  
Tel : (603) 2075 7800  
Fax : (603) 8894 2611

### **Website**

[www.hsbc.com.my](http://www.hsbc.com.my)

### **Email**

[fs.client.services.myh@hsbc.com.my](mailto:fs.client.services.myh@hsbc.com.my)

## **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, MALAYSIA  
Tel : (03) 2161 0260  
Fax : (03) 2161 0262

### **Registered address**

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

### **Website**

[www.amanieadvisors.com](http://www.amanieadvisors.com)

### **Email**

[info@amanieadvisors.com](mailto:info@amanieadvisors.com)

**Note:** You may refer to our website for an updated information on our details.

# TABLE OF CONTENTS

DEFINITIONS .....	ii
CORPORATE DIRECTORY .....	v
<b>1. FUND INFORMATION .....</b>	<b>1</b>
1.1. PRINCIPAL ISLAMIC GLOBAL RESPONSIBLE EQUITY FUND .....	1
1.2. PERMITTED INVESTMENTS .....	3
1.3. INVESTMENT RESTRICTIONS AND LIMITS .....	3
1.4. APPROVALS AND CONDITIONS .....	3
1.5. FINANCING .....	4
1.6. SECURITIES LENDING AND REPURCHASE TRANSACTIONS .....	4
1.7. SHARIAH INVESTMENT GUIDELINES .....	4
1.8. THE FUND'S COMPLIANCE TO SHARIAH PRINCIPLES .....	5
1.9. RISK FACTORS .....	5
<b>2. TARGET FUND INFORMATION .....</b>	<b>17</b>
2.1. ABOUT ISLAMIC GLOBAL RESPONSIBLE EQUITY FUND ("TARGET FUND") .....	17
2.2. GENERAL INVESTMENT RESTRICTIONS AND SHARIAH INVESTMENT GUIDELINES OF THE TARGET FUND COMPANY .....	20
2.3. SPECIFIC INVESTMENT RESTRICTIONS AND SHARIAH INVESTMENT GUIDELINES OF THE TARGET FUND .....	27
2.4. REDEMPTION POLICY .....	29
2.5. REDEMPTION OF SHARES .....	29
2.6. TEMPORARY SUSPENSION OF REDEMPTION .....	30
2.7. COMPULSORY REDEMPTION .....	30
2.8. SUSPENSION OF CALCULATION OF NET ASSET VALUE .....	30
2.9. SPECIFIC RISKS OF THE TARGET FUND .....	31
2.10. FEES CHARGED BY THE TARGET FUND (CLASS I USD ACCUMULATION) .....	31
<b>3. FEES, CHARGES AND EXPENSES .....</b>	<b>32</b>
3.1. CHARGES .....	32
3.2. FEES AND EXPENSES .....	32
3.3. REBATES AND SOFT COMMISSIONS .....	34
<b>4. TRANSACTION INFORMATION .....</b>	<b>35</b>
4.1. VALUATION OF INVESTMENTS PERMITTED BY THE FUND .....	35
4.2. UNIT PRICING .....	35
4.3. INCORRECT PRICING .....	38
4.4. INVESTING .....	38
4.5. MINIMUM INVESTMENTS .....	40
4.6. MINIMUM WITHDRAWALS .....	40
4.7. MINIMUM BALANCE .....	40
4.8. COOLING-OFF PERIOD .....	41
4.9. SWITCHING .....	41
4.10. TRANSFER FACILITY .....	41
4.11. TEMPORARY SUSPENSION .....	42
4.12. DISTRIBUTION PAYMENT .....	42
4.13. UNCLAIMED MONEYS .....	43
<b>5. ADDITIONAL INFORMATION .....</b>	<b>44</b>
5.1. FINANCIAL YEAR-END .....	44
5.2. INFORMATION ON YOUR INVESTMENT .....	44
5.3. DEED .....	44
5.4. DOCUMENTS AVAILABLE FOR INSPECTION .....	44
5.5. CONSENT .....	45
5.6. POTENTIAL CONFLICTS OF INTERESTS AND RELATED PARTY TRANSACTIONS .....	45
5.7. INTERESTS IN THE FUND .....	45
5.8. EMPLOYEES' SECURITIES DEALINGS .....	45
<b>6. THE MANAGER .....</b>	<b>46</b>
6.1. ABOUT PRINCIPAL ASSET MANAGEMENT BERHAD .....	46
<b>7. SHARIAH ADVISER OF THE FUND .....</b>	<b>47</b>
7.1. ABOUT AMANIE ADVISORS SDN BHD .....	47
<b>8. THE TRUSTEE .....</b>	<b>49</b>
8.1. ABOUT HSBC (MALAYSIA) TRUSTEE BERHAD .....	49
<b>9. SALIENT TERMS OF DEED .....</b>	<b>51</b>
9.1. RIGHTS, LIABILITIES AND LIMITATION OF UNIT HOLDERS .....	51
9.2. MAXIMUM FEES AND CHARGES AND EXPENSES PERMITTED BY THE DEED .....	51
9.3. RETIREMENT, REMOVAL OR REPLACEMENT OF THE MANAGER .....	52
9.4. RETIREMENT, REMOVAL OR REPLACEMENT OF THE TRUSTEE .....	53
9.5. TERMINATION OF THE FUND OR CLASS(ES) .....	53
9.6. MEETINGS OF UNIT HOLDERS .....	53

<b>10. TAXATION REPORT</b> .....	<b>55</b>
<b>11. DISTRIBUTORS OF THE FUND</b> .....	<b>60</b>
11.1. OUR BRANCHES .....	60
11.2. PRINCIPAL DISTRIBUTORS .....	60
<b>ANNEXURE - CLASS MYR</b> .....	<b>63</b>
<b>ANNEXURE - CLASS MYR-Hedged</b> .....	<b>66</b>
<b>ANNEXURE - CLASS USD</b> .....	<b>69</b>



# 1. FUND INFORMATION

## 1.1. PRINCIPAL ISLAMIC GLOBAL RESPONSIBLE EQUITY FUND

<b>Fund Category/Type</b>	:	Feeder fund (Islamic) / Growth
<b>Fund Objective</b>	:	The Fund aims to provide capital growth through investments in one Islamic collective investment scheme which invests in a globally diversified portfolio. <i>We will require your approval if there is any material change to the Fund's objective.</i>
<b>Benchmark</b>	:	As this is a feeder fund, the Fund adheres to the performance comparator of the Target Fund for performance comparison. The performance of the Target Fund will be referenced against the MSCI ACWI Islamic Index (“ <b>Index</b> ”) on the basis that the Target Fund seeks to outperform the Index. <i>* Any changes to the Target Fund's benchmark will be updated in our website and/or the Fund's Product Highlights Sheet.</i>
<b>Distribution Policy</b>	:	The distribution policy of each of the Classes may differ. Please refer to the Annexure of the respective Class for more information. You may also refer to page 42 for information on the distribution payment.

### Base Currency & Classes

The base currency of the Fund is USD.

Please note that the Fund is established as a multi-class fund 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 shall have 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 and a supplemental or replacement prospectus will be issued. This information will be communicated to you via our website at [www.principal.com.my](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
Class MYR	27 March 2023	Up to 21 days	MYR 1.0000
Class MYR-Hedged	27 March 2023	Up to 21 days	MYR 1.0000
Class USD	27 March 2023	Up to 21 days	USD 1.0000

For more details, you may contact our Customer Care Centre under the “Corporate Directory” section or Distributors; or visit our website at [www.principal.com.my](http://www.principal.com.my).

### Investment Policy and Strategy

The Fund is a feeder fund that invests into a single Islamic CIS, i.e. Islamic Global Responsible Equity Fund (“Target Fund”). The Fund may also invest in Islamic liquid assets for liquidity purposes.

In order to achieve its objective, the Fund will invest at least 85% of its NAV in the Target Fund, a fund established on 8 April 2022 under Principal Islamic Asset Management (Ireland) plc. The Fund may also invest up to 15% of its NAV in Islamic liquid assets for liquidity purposes and Islamic derivatives for the sole purpose of hedging arrangement.

We may utilize Islamic derivative instruments for hedging purposes and in the event of a rating downgrade of a counterparty of an OTC Islamic derivative below the rating prescribed in GUTF, we reserve the right to deal with the OTC Islamic derivative in the best interest of the Unit holders.

As the Fund is a qualified sustainable and responsible investment fund, the investments of the Fund will be subject to the ESG integration approach which involves the analysis of material factors in investment analysis and investment decisions, including ESG factors as defined in the United Nations sponsored Principles for Responsible Investment (“UNPRI”) including the selection, retention and realisation of the Fund's investments. The Target Fund Investment Manager applies sustainability criteria when selecting investments for the Target Fund. The first step in the process employed by the Target Fund Investment Manager is to identify signs of positive change in an investee company. Indicators of positive change could be determined from sources such as accelerating sales volumes, increased market share or improved financial statements. The Target Fund Investment Manager then seeks to identify the catalysts underlying the positive change through proprietary screening and determine whether they

are internal catalysts (investee company driven) and/or external catalysts (industry driven). Internal catalysts could be driven by internal investee company operational initiatives that range from cost cutting to expanding distribution, better capital deployment and improved corporate governance. External catalysts could be driven by favourable product cycles, changing industry dynamics and regulatory changes. The foregoing analysis of catalysts enables the Target Fund Investment Manager to assess the likely magnitude and durability of the catalysts and whether the change is likely to be structural or cyclical in nature. The Target Fund Investment Manager will have an investment preference for investee companies whose catalysts are therefore likely to be long term and structural in nature (i.e. will create fundamental positive change). This enables the Target Fund Investment Manager to substantiate investee companies that are considered to be displaying positive fundamental change and whose valuation is therefore under-appreciated in the market relative to their potential for positive fundamental change. The Target Fund Investment Manager subsequently analyses potential investee companies identified pursuant to the foregoing process to determine whether they are consistent with the ESG considerations, that are promoted by the Target Fund. The Target Fund will adopt the Investment Policy under section 2.1. to ensure that the Target Fund's investment is in line with the sustainability criteria adopted and the overall impact of such investments of the Target Fund is not inconsistent with any other sustainability criteria. If the Target Fund's investment become inconsistent with its Investment Policy, the Target Fund Investment Manager shall dispose of the investment within an appropriate timeframe, taking into consideration the interests of the investors of the Target Fund and the ESG considerations that are promoted by the Target Fund. You may refer to section 2.1 for more information.

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, 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.

We will employ risk management strategy at the Fund level, where we will continuously monitor the objective, performance and suitability of the Target Fund to ensure that it is in line with the objective of the Fund. If we are of the opinion that the Target Fund no longer meets the Fund's objective, we may, with your approval, replace the Target Fund with another CIS that is in line with the Fund's objective and must be in compliance with Guidelines on Sustainable and Responsible Investment Funds. 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 investments may differ from the stipulated objective, investment strategies and/or investment restrictions and limits.

Currently, the Fund invests in USD I Class Accumulation Shares of the Target Fund, which is an institutional share class denominated in USD launched on 8 April 2022. 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.

The Fund adopts a liquidity risk management framework which sets out the governance standards, methodology and process for the oversight and management of liquidity risk. The framework outlines the responsibilities to assess and monitor liquidity risk of the Fund, and to ensure appropriate measures are taken to mitigate the risk. The liquidity risk management framework that we have put in place is as follows:

- Regular review by the designated fund manager on the Fund's investment portfolio to maintain its liquidity level.
- Periodic assessments are carried out on the Fund's liquidity profile (under both normal and stress market conditions) and on the concentration of Unit holders. These assessments allow the Fund to be proactively managed to mitigate liquidity concerns that may arise in the ordinary course of portfolio management as well as in relation to the Fund's ability to meet Unit holders' withdrawal requests.
- Suspension of withdrawal requests due to exceptional circumstances e.g. a substantial part of the Fund's asset value (being the Target Fund) cannot be (accurately) determined. During the suspension period, withdrawal requests will not be accepted and in the event we have earlier accepted the withdrawal requests prior to the suspension is declared, the withdrawal requests will be dealt on the next Business Day once the suspension is lifted. The action to suspend withdrawal requests from Unit holders shall be exercised only as a last resort by the Manager.

*Note: Please refer to Section 2.6 for more information.*

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 [www.principal.com.my](http://www.principal.com.my) or [www.kwsp.gov.my](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 CIS (local or foreign);
- Islamic liquid assets such as Islamic Deposits and Islamic money market instruments;
- Islamic derivative instruments, including but not limited to Islamic options, Islamic futures contracts, Islamic forward contracts and Islamic swaps for the purpose of hedging; and
- Any other form of Shariah-compliant investments as may be determined by us and permitted by Shariah Adviser 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 objective of the Fund after taking into consideration the regulatory requirements outlined in the GUTF, 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 CIS:** The Fund must invest at least 85% of its NAV in one (1) Islamic CIS provided that the Islamic CIS complies within the categories stipulated in the GUTF.

**Islamic Liquid Assets and Islamic Derivatives:** The Fund may invest up to 15% of the NAV in the following permitted investments:

- Islamic Deposits  
Placement in short-term Islamic Deposits.
- Islamic money market instruments  
Islamic money market instruments that are dealt in or under the rules of an Eligible Market, and whose residual maturity does not exceed 12 months. The Fund's investments in Islamic money market instruments must not exceed 10% of the instruments issued by any single issuer. This limit does not apply to Islamic money market instruments that do not have a pre-determined issue size.
- Islamic derivatives (for hedging purposes)  
The Fund's exposure from Islamic derivatives positions for hedging purposes should not exceed the Fund's NAV. Further, the maximum exposure of the Fund to the counterparty, calculated based on the method prescribed in the GUTF, must not exceed 10% of the Fund's NAV. For the exposure to the underlying assets of the derivative must not exceed the investment restrictions or limitations applicable to such underlying assets and investments stipulated in the GUTF.

In respect of any breach of restrictions and limits as a result of an appreciation or depreciation in value of the Fund's investments; withdrawal of units or payment made out of the Fund; change in capital of a corporation in which the Fund has invested in; or downgrade in or cessation of a credit rating, we must rectify such breach as soon as practicable, in any event within three (3) months from the date of the breach. The three-month period may be extended if it is in the best interest of Unit holders with the Trustee's consent and the extension must be subject to at least a monthly review by the Trustee.

## 1.4. APPROVALS AND CONDITIONS

On 20 December 2022, we have obtained the approval from the SC for a variation to Paragraph 9.08 of the GUTF which allow us to pay a Unit holder within five (5) Business Days from the receipt of proceeds from the Target Fund where such Unit Holder has exercised a cooling-off right pursuant to section 4.8.

On 20 December 2022, we have obtained an approval from the SC for the Fund to be qualified as a sustainable and responsible investment fund under the Guidelines on Sustainable and Responsible Investment Funds.

## **1.5. FINANCING**

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

## **1.6. SECURITIES LENDING AND REPURCHASE TRANSACTIONS**

Not applicable for the Fund.

## **1.7. SHARIAH INVESTMENT GUIDELINES**

The Fund will invest in the Target Fund, Islamic liquid assets and Islamic derivatives (for hedging purposes), which are Shariah-compliant CIS and instruments that are permissible under Shariah principles. The Manager will provide the Shariah Adviser with the Target Fund Prospectus and fatwas (where applicable) of the Target Fund for the Shariah Adviser's endorsement.

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. The Fund shall invest in domestic and foreign Islamic collective investments schemes;
2. 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 is also prohibited from investing in interest-bearing deposits account and recognising any interest income.
3. 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 Shariah 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.
4. Any other Shariah-compliant instruments that are not being mentioned in items 1 to 3 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 the Manager:

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

If the Manager mistakenly invests in Shariah non-compliant instruments or money market or mistakenly made placement in deposit, the Manager needs to dispose of any Shariah non-compliant instruments or mentioned instruments as soon as possible or within a month of becoming aware of the status of the instruments. Any gain, dividend and/or return received before or after the disposal of the Shariah non-compliant instruments or mentioned instruments has to be channelled 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. Zakat (tithe) for the Fund**

The Fund do not pay zakat on behalf of Muslim individuals and Islamic legal entities who are investors of the Fund. Thus, investors are advised to pay zakat on their own.

### **1.7.5. Periodic review**

The Shariah Adviser will review the Fund on monthly basis to ensure the Fund's 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 in this Prospectus 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 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 FUND

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

#### **Returns and capital not guaranteed**

The investment of the Fund is subject to market fluctuations and its inherent risk. There is **NO GUARANTEE** on the investment which includes your investment capital and returns, nor any assurance that the Fund's objective will be achieved. You should also note that the Fund is neither a capital guaranteed fund nor a capital protected fund. However, we reduce this risk by ensuring diligent management of the assets of the Fund based on a structured investment process.

#### **Market risk**

This risk refers to the possibility that an 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 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 obtained from financing includes you being unable to service the financing payments. In the event units are used as collateral and if the prices of units fall below a certain level due to market conditions, you may be required to pay additional amounts on top of your existing instalments. If you fail to do so within the time prescribed, your units may be sold at an unfavourable price and the proceeds thereof will be used towards the settlement of your financing.

#### **Manager risk**

This risk refers to the day-to-day management of the Fund by the Manager which will impact the performance of the Fund. For example, investment decisions undertaken by the Manager, as a result of an incorrect view of the market or any non-compliance with internal policies, investment mandate, the deed, relevant law or guidelines due to factors such as human error or weaknesses in operational process and systems, may adversely affect the performance of the Fund.

#### **Liquidity risk**

Liquidity risk refers to the ability to sell and convert the units held in the CIS into cash. This may be affected by the liquidity policy applied by the CIS (e.g. suspension during exceptional situations), which may negatively impact the Fund and Unit holders may experience delay in the withdrawal process.

#### **Shariah non-compliance risk**

This refers to the risk of the Fund not conforming to Shariah Investment Guidelines due to investment in Shariah non-compliant instrument or reclassification of Shariah status. In the event that the Manager is required to rectify any Shariah non-compliance by disposing the related instrument, any losses from disposal due to investment in Shariah non-compliant instrument will be borne by the Manager whereas any losses from disposal due to reclassification of Shariah status will be borne by the Fund. In any circumstances, gain received from disposal shall be channeled to baitulmal and/or charitable bodies as approved by the Shariah Adviser.

### 1.9.2. SPECIFIC RISKS RELATED TO THE FUND

#### **Currency risk**

You should be aware that currency risk is applicable to Class(es) which is denominated in a different currency other 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).

As for a hedged Class, the Class itself provides mitigation to the currency risk arising from the difference between the currency denomination of the Class and the base currency of the Fund. 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, which will impact the NAV of a hedged Class.

#### **Target Fund Manager's risk**

Since the Fund invests into an Islamic CIS that is managed by another manager, the Target Fund Investment Manager 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, may be affected negatively. Although the probability of such occurrence is minute, should the situation arise, subject to your approval, we reserve the right to seek for an alternative Islamic CIS that is consistent with the objective of the Fund and is in compliance with the Guidelines on Sustainable and Responsible Investment Funds.

#### **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. Such risks include adverse changes in Ireland's economic fundamentals, social and political stability, laws and regulations and foreign investments policies. These factors may have an adverse impact on the price of the Target Fund and consequently the Fund.

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

The following section was excerpted from the information stated in the Target Fund Prospectus. Please refer to the Target Fund Prospectus for other risk factors that may apply to the Target Fund (*Note: For more information about Target Fund Prospectus, please refer to the website at [www.principalislamic.com](http://www.principalislamic.com).*)

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 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 the Fund may not get back the amount the Fund invests in. Changes in exchange rates between currencies or the conversion from one currency to another may also cause the value of investments to diminish or increase.

While the provisions of the Companies Act 2014 that regulate companies under Irish Law provide for segregated liability between the funds of the 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 the Target Fund may not be exposed to the liabilities of another fund of the Target Fund Company. As at the date of the Target Fund Prospectus, the directors are not aware of any existing or contingent liability of the Target Fund Company.

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

There is no assurance that the Target Fund will achieve its 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. The Fund and the Unit holders 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 Fund 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 is subject to the possible imposition of exchange control regulations or currency blockages with respect to its 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 objective of the Target Fund, seek to mitigate this exchange rate risk by using Islamic Financial Derivative Instruments ("FDI") (as defined in 2.2.5). 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 Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories ("EMIR")) 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 unquoted Shariah-compliant securities. Such investment will be valued in accordance with the valuation techniques as provided in section 35\* of the Target Fund Prospectus. The Target Fund Management Company may consult with the Target Fund Investment Manager with respect to the valuation of unquoted Shariah-compliant 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 the 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 (as defined in 2.1 below), use Islamic derivative instruments in which case there can be no assurance that the valuation as determined in accordance with the provisions as provided in section 35\* of the Target Fund Prospectus reflects the exact amount at which the Islamic instrument may be closed out.

*\*Extract of section 35 of the Target Fund Prospectus:*

*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 of the Target Fund Company represent fair market value, shall be the probable realisation value thereof estimated with care and in good faith by the Target Fund Management Company, the directors of the Target Fund Company or by a competent person appointed by the Target Fund Management Company or the directors of the Target Fund Company 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 Sukuk and Shariah-compliant 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 Shariah-compliant preferred securities, other circumstances, for example, a change in law may also cause an issuer to redeem securities earlier than scheduled.

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

Interest rate risk is a general risk that may have an impact on the Target Fund regardless of whether it is an Islamic fund or otherwise. It does not in any way suggest that the Target Fund will actively seek to invest in Shariah non-compliant securities.

#### **Credit risk**

In addition, the value of Sukuk and Shariah-compliant preferred securities held by the Target Fund may be affected by factors such as the credit rating of the entity that issued the security and its maturity. Lower quality and longer maturity securities will be subject to greater credit risk and price fluctuations than higher quality and shorter maturity securities.

Shariah-compliant fixed income securities that are not investment grade are commonly referred to as high yield securities. These securities offer a potentially higher yield than other higher rated securities, but they carry a greater degree of risk and are considered speculative by the major credit rating agencies.

In relation to Shariah-compliant preferred securities, credit risk may manifest itself not only as a decline in the security's price, or its failure, but also as a failure to make dividend payments when due. Preferred securities are subordinated borrowing to bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater credit risk than those debt instruments.

There can be no assurance that issuers of the Shariah-compliant securities or other instruments in which the Target Fund invests will not be subject to credit difficulties leading to the loss of some or all of the sums invested in such securities or instruments or payments due on such securities or instruments (as well as any appreciation of sums invested in such securities). There is no certainty in the credit worthiness of issuers of Sukuk. Unstable market conditions may mean there are increased instances of default amongst issuers.

#### **Credit rating risk**

The ratings of Shariah-compliant fixed income securities by Moody's and Standard & Poor's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint. The rating on an issuer or a security is heavily weighted by past performance and does not necessarily reflect probable future conditions. There is frequently a lag between the time the rating is assigned and the time it is updated. In addition, there may be varying degrees of difference in credit risk of securities within each rating category. In the event of a down-grading of the credit rating of a security or an issuer relating to a security, the value of the Target Fund investing in such security may be adversely affected.

#### **Equity risk**

The Target Fund may invest directly or indirectly in Shariah-compliant equity securities. The price of Shariah-compliant equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. Prices of Shariah-compliant 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 Shariah-compliant equities can fall as well as rise. Potentially the Target Fund investing in Shariah-compliant equities could incur significant losses.

Investing in Shariah-compliant equity securities may offer a higher rate of return than those investing in term Sukuk. However, the risks associated with investments in Shariah-compliant equity securities may also be higher, because the investment performance of Shariah-compliant equity securities depends upon factors which are difficult to predict. As a result, the market value of the Shariah-compliant equity securities that it invests in may go down and the Target Fund may suffer losses. Factors affecting the Shariah-compliant equity 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 (as defined in 2.2.5) related to such 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 Islamic 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 financing on a temporary basis to meet such obligations. This may result in charges being incurred by the Target Fund. Any such financing 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 of the Target Fund are set out at section 35 of the Target Fund 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 profit rates generally, and the rates at which such funds may be used for financing 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 Target Fund will appear in the Target Fund's supplement.

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.

#### **Rule 144A securities**

Rule 144A Securities may involve a high degree of business and financial risk and may result in substantial losses. These securities may be less liquid than publicly traded securities, and the Target Fund may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realised from these sales could be less than those originally paid by the Target Fund. Further, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded. The Target Fund's investment in illiquid Shariah-compliant securities is subject to the risk that should the Target Fund's desire to sell any of these securities when a ready buyer is not available at a price that is deemed to be representative of their value, the Net Asset Value of the Target Fund could be adversely affected.

#### **Common Reporting Standard ("CRS")**

Ireland has provided for the implementation of CRS through section 891F and 891G of the Taxes Consolidation Act of Ireland ("TCA") and the enactment of the Returns of Certain Information by Reporting Financial Institutions Regulations 2015 and the Mandatory Automatic Exchange of Information in the Field of Taxation Regulations 2015.

The CRS, which has applied in Ireland since 1 January 2016, is a global OECD tax information exchange initiative which is aimed at encouraging a coordinated approach to disclosure of income earned by individuals and organisations.

The Target Fund Company is a Reporting Financial Institution for CRS purposes and will be required to comply with the Irish CRS obligations. In order to satisfy its CRS obligations, the Target Fund Company will require its investors to provide certain information in respect of their tax residence and may, in some cases, require information in relation to the tax residence of the beneficial owners of the investor. The Target Fund Company, or a person appointed by the Target Fund Company, will report the information required to Irish Revenue by 30 June in the year following the year of assessment for which a return is due. Irish Revenue Commissioners will share the appropriate information with the relevant tax authorities in participating jurisdictions. For more information, please refer to the Target Fund Prospectus.

#### **Subscriptions/redemptions account**

The Target Fund Management Company operates a subscriptions/redemptions account for the Target Fund. Monies in the subscriptions/redemptions account are deemed assets of the Target Fund and shall not have the protection of the Investor Money Regulations. Investors are advised to promptly comply with any subscription requirements, such as the provision of the relevant anti-money laundering documentation, as monies due to an investor as a result of redemption or dividend activity cannot otherwise be transferred to the investor. There is a risk for investors to the extent that monies are held by the Target Fund Management Company in the subscriptions/redemptions account for the account of the Target Fund at a point where it becomes insolvent. In respect of any claim by an investor in relation to monies held in the subscriptions/redemptions account, the investor shall rank as an unsecured creditor of the Target Fund Company.

#### **Depository risk**

The Target Fund invests in assets that are financial instruments that can be held in custody ("Custody Assets"), the Depository (as defined in 2.1) is required to perform full safekeeping functions and will be liable for any loss of such assets held in custody unless it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. In the event of such a loss (and the absence of proof of the loss being caused by such an external event), the Depository is required to return identical assets to those lost or a corresponding amount to the Target Fund without undue delay.

If the Target Fund invests in assets that are not financial instruments that can be held in custody ("Non-Custody Assets"), the Depository is only required to verify the Target Fund's ownership of such assets and to maintain a record of those assets which the Depository is satisfied that the Target Fund holds ownership of. In the event of any loss of such assets, the Depository will only be liable to the extent the loss has occurred due to its negligent or intentional failure to properly fulfil its obligations pursuant to the Depository agreement.

As it is likely that the Target Fund may invest in both Custody Assets and Non-Custody Assets, it should be noted that the safekeeping functions of the Depository in relation to the respective categories of assets and the corresponding standard of liability of the Depository applicable to such functions differs significantly.

The Target Fund enjoys a strong level of protection in terms of Depository liability for the safekeeping of Custody Assets. However, the level of protection for Non-Custody Assets is significantly lower. Accordingly, the greater the proportion of the Target Fund invested in categories of Non-Custody Assets, the greater the risk that any loss of such assets that may occur may not be recoverable. While it will be determined on a case-by-case whether a specific investment by the Target Fund is a Custody Asset or a Non-Custody Asset, generally it should be noted that derivatives traded by the Target Fund over-the-counter will be Non-Custody Assets. There may also be other asset types that the Target Fund invests in from time to time that would be treated similarly. Given the framework of Depository liability under UCITS V, these Non-Custody Assets, from a safekeeping perspective, expose the Target Fund to a greater degree of risk than Custody Assets, such as publicly traded equities and bonds.

### **Islamic derivatives**

*General:* The use of Islamic derivatives may result in greater returns but may entail greater risk for your investment. Islamic derivatives may be used as a means of gaining indirect exposure to a specific asset, rate or index and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk. Use of Islamic derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other investments. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the Islamic derivative may not correlate perfectly with the underlying asset, rate or index.

Investing in an Islamic derivative instrument could cause the Target Fund to lose more than the principal amount invested. Also, suitable Islamic derivative transactions may not be available in all circumstances and there can be no assurance that the Target Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

The prices of Islamic derivative instruments are highly volatile. Price movements of Islamic derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, national and international political and economic events, changes in local laws and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The use of Islamic derivatives also involves certain special risks, including (1) dependence on the ability to predict movements in the prices of Shariah-compliant securities being hedged and movements in interest rates; (2) imperfect correlation between the hedging instruments and the securities or market sectors being hedged; (3) the fact that skills needed to use these instruments are different from those needed to select the Target Fund's securities; and (4) the possible absence of a liquid market for any particular instrument at any particular time.

*Absence of Regulation; Counterparty Risk:* In general, there is less government regulation and supervision of transactions in the OTC markets (in which currencies, spot and option contracts, certain options on currencies and swaps are generally traded) than of transactions entered into on recognised exchanges. OTC Islamic derivatives lack transparency as they are privately negotiated contracts and any information concerning them is usually only available to the contracting parties. While measures are being introduced under EMIR that aim to mitigate risks involved in investing in OTC Islamic derivatives and improve transparency, these types of investments continue to present challenges in clearly understanding the nature and level of risks involved. In addition, many of the protections afforded to participants on some recognised exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with OTC transactions.

The counterparty for an OTC Islamic derivative will be the specific firm involved in the transaction rather than a recognised exchange and accordingly the bankruptcy or default of a counterparty with which the Target Fund trades OTC Islamic derivatives could result in substantial losses to the Target Fund. In addition, a counterparty may refrain from settling a transaction in accordance with its terms and conditions because the contract is not legally enforceable or because it does not accurately reflect the intention of the parties or because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Target Fund to suffer a loss. To the extent that a counterparty defaults on its obligation and the Target Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. Regardless of the measures the Target Fund may implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that the Target Fund will not sustain losses on the transactions as a result. Counterparty exposure will be in accordance with the Target Fund's investment restrictions.

*Credit Risk and Counterparty Risk:* The Target Fund will be exposed to a credit risk in relation to the counterparties with whom they transact or place margin or collateral in respect of transactions in Islamic derivative instruments. To the extent that a counterparty defaults on its obligation and the Target Fund is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. Regardless of the measures the Target Fund may implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that the Target Fund will not sustain losses on the transactions as a result.

*Collateral Risk:* Collateral or margin may be passed by the Target Fund to a counterparty or broker in respect of OTC Islamic FDI transactions, cash deposited as collateral or margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy.

*Correlation Risk:* The prices of Islamic derivative instruments may be imperfectly correlated to the prices of the underlying securities, for example, because of transaction costs and interest rate movements.

*Forward Trading:* Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised. Rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated. There is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Market illiquidity or disruption could result in major losses to the Target Fund.

*Foreign Exchange Transactions:* Where the Target Fund utilises Islamic derivatives which alter the currency exposure characteristics of securities held by the Target Fund the performance of the Target Fund may be strongly influenced by movements in foreign exchange rates because currency positions held by the Target Fund may not correspond with the securities positions held.

*Futures and Options Trading is Speculative and Volatile:* Substantial risks are involved in trading futures, forward and option contracts and various other instruments in which the Target Fund may trade. Certain of the instruments in which the Target Fund may invest are sensitive to interest rates and foreign exchange rates, which means that their value and, consequently, the Net Asset Value, will fluctuate as interest and/or foreign exchange rates fluctuate. The Target Fund's performance, therefore, will depend in part on its ability to anticipate and respond to such fluctuations in market interest rates and foreign exchange rates, and to utilise appropriate strategies to maximise returns to the Target Fund, while attempting to minimise the associated risks to its investment capital. Variance in the degree of volatility of the market from the Target Fund's expectations may produce significant losses to the Target Fund.

The low initial margin deposits normally required to establish a futures position permit a high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC Islamic derivatives may involve additional risk as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, to assess or value a position or to assess the exposure to risk. Shariah-compliant warrants give the Target Fund the right to subscribe to or purchase securities in which the Target Fund may invest. The underlying security may be subject to market volatility thus rendering an investment in a warrant a higher risk than an investment in an equity security.

*Legal Risk:* The use of OTC Islamic derivatives, such as forward contracts, credit derivatives, swap agreements and contracts for difference, will expose the Target Fund to the risk that the legal documentation of the relevant OTC contract may not accurately reflect the intention of the parties.

*Margin Risk:* The Target Fund may be obliged to pay margin deposits and option premia to brokers in relation to futures and option contracts entered into for the Target Fund. While exchange traded contracts are generally guaranteed by the relevant exchange, the Target Fund may still be exposed to the fraud or insolvency of the broker through which the transaction is undertaken. The Target Fund will seek to minimise this risk by trading only through high quality names.

*Liquidity Risk:* Liquidity risk exists when a particular Islamic derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated Islamic derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

*Liquidity of Futures Contracts:* Futures positions may be illiquid because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Target Fund from liquidating unfavourable positions.

*Necessity for Counterparty Trading Relationships:* Participants in the OTC currency market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. While the Target Fund Management Company believes that it will be able to establish the necessary counterparty business relationships to permit the Target Fund to effect transactions in the OTC markets, there can be no assurance that it will be able to do so. An inability to establish such relationships would limit the Target Fund's activities and could require the Target Fund to conduct a more substantial portion of such activities in the cash or exchange traded markets. Moreover, the counterparties with the Target Fund expects to establish such relationships will not be obligated to maintain the credit lines extended to the Target Fund, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

*Index Risk:* If an Islamic derivative is linked to the performance of an index, it will be subject to the risks associated with changes to that index. If the index changes, the Target Fund could receive lower interest payments or experience a reduction in the value of the Islamic derivative to below what the Target Fund paid. Certain indexed securities – including inverse securities (which move in the opposite direction to the index) – may create leverage, to the extent that the increase or decrease in value is at a rate that is a multiple of the changes in the applicable index.

**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 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 transferable Shariah-compliant 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 Shariah-compliant security is currently worth.

**Redemption risk**

Large redemptions of Shariah-compliant shares in the Target Fund might result in the Target Fund being forced to sell assets at a time and price at which it would normally prefer not to dispose of those assets which may be materially adverse to the Target Fund.

**Volatility risk**

Prices of Shariah-compliant securities may be volatile. Price movements of Shariah-compliant securities are difficult to predict and are influenced by, among other things, speculation, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events, climate, changes in interest rates, and the inherent volatility of the market place. Volatility may also be due to the fluctuations in the exchange rate of currencies. Therefore, it is a probability measure of the threat that an exchange rate movement poses to an investor's portfolio in a foreign currency. During periods of uncertain market conditions, the combination of price volatility and the less liquid nature of Shariah-compliant securities markets may, in certain cases, affect the 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.

**Operational risks (including cyber security and identity theft)**

An investment in the Target Fund, like any fund, can involve operational risks arising from factors such as processing errors, human errors, inadequate or failed internal or external processes, failure in systems and technology, changes in personnel, infiltration by unauthorised persons and errors caused by service providers such as the Target Fund Investment Manager, or the Administrator (as defined in section 2.1). While the Target Fund seeks to minimise such events through controls and oversight, there may still be failures that could cause losses to the Target Fund.

The Target Fund Management Company, Target Fund Investment Manager, Administrator and Depositary (and their respective groups) each maintain appropriate information technology systems. However, like any other system, these systems could be subject to cyber security attacks or similar threats resulting in data security breaches, theft, a disruption in the relevant entity's service or ability to close out positions and the disclosure or corruption of sensitive and confidential information. Notwithstanding the existence of policies and procedures designed to detect and prevent such breaches and ensure the security, integrity and confidentiality of such information as well as the existence of business continuity and disaster recovery measures designed to mitigate any such breach or disruption at the level of the Target Fund Company and its delegates, such security breaches may potentially also result in loss of assets and could create significant financial and or legal exposure for the Target Fund Company.

**Reliance on Shariah adviser**

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

The Target Fund Shariah Adviser monitors the activities of the Target Fund to advise on the Target Fund's compliance with the Shariah Investment Guidelines. The Target Fund Shariah Adviser has no discretionary, management or investment advisory responsibilities in respect of the 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 Shariah Investment Guidelines of the Target Fund. Since the Target Fund Shariah Adviser's function is not to monitor performance of the Target Fund, investors of the Fund should be aware that compliance with the Target Fund's 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 Target Fund Shariah Adviser regarding Target Fund's compliance with Shariah principles.

**Note:** *Despite the determination of the Target Fund Shariah Adviser that a particular investment of the Target Fund is Shariah-compliant, there may be circumstances that are unforeseen and beyond the control of the Target Fund Shariah Adviser that may reverse the determination i.e. changing of the company's business nature which potentially affect the Shariah-compliant status of the investment.*

## 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 Target Fund Shariah Adviser. None of the Target Fund Shariah Adviser, the Target Fund Investment Manager, the Depository 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 Target Fund Shariah Adviser, the Target Fund Investment Manager, the Depository or its principals and affiliates accepts liability in relation to such change.

Prospective investors of the Fund should not rely on any pronouncement of the Target Fund Shariah Adviser on the compliance with Shariah of the Target Fund Company and each fund of the Target Fund Company thereof and the investments in deciding whether to become a shareholder of the Target Fund Company's fund. Prospective shareholders should consult their own Shariah advisers as to whether the Target Fund Company, the relevant fund of the Target Fund Company and the investments of that fund are compliant with Shariah principles. The Fund as a shareholder of the Target Fund 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 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 Target Fund Shariah Adviser will propose a remedial action to be implemented by the Target Fund Investment Manager and the Fund will be informed of purification liabilities, if any, resulting from the Shariah non-compliant investments.

**Note:** *The Fund should carry out its own due diligence and consult the Fund's own Shariah Adviser on the compliance of the Target Fund Company, the Target Fund and the investments thereof in deciding whether the Fund should become a shareholder. The Fund shall be deemed to have represented that it is satisfied that the Target Fund Company, the Target Fund and the investments of the Target Fund will not contravene Shariah principles.*

## Risks associated when investing in 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 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 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 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 securities held on its behalf by a sub-custodian.

**Disclosure:** less complete and reliable fiscal and other information may be available to the Fund.

**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 the Fund 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 the 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 securities in the 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 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.

### **Depository receipts**

The Target Fund may hold or be exposed to Shariah-compliant depository receipts (American Depository Receipts, Global Depository Receipts and European Depository Receipts). These are instruments that represent shares in companies trading outside the markets in which the Shariah-compliant depository receipts are traded. Accordingly whilst the Shariah-compliant depository receipts are traded on recognised exchanges, there may be other risks associated with such instruments to consider. For example, the shares underlying the instruments may be subject to political, inflationary, exchange rate or custody risks. In addition, ownership of Shariah-compliant depository receipts may not entitle the Target Fund to financial or other reports from the issuer, to which they would be entitled as the owner of sponsored depository receipts.

### **Non-Investment grade securities**

The Target Fund may hold or be exposed to the performance of Sukuk rated below investment grade. Such securities may have greater price volatility, greater risk of loss of principal and profit, and greater default and liquidity risks, than more highly rated securities.

### **Sustainable Finance Disclosures risk**

#### *SFDR and Taxonomy Regulation - Legal risk*

The regulatory technical standards to specify the details of the content and presentation of the information to be disclosed pursuant to SFDR and the Taxonomy Regulation have not been finalised and the European Commission has recommended, that from the effective date of SFDR, financial market participants should seek to comply with the specific disclosure obligations in SFDR that are reliant on regulatory technical standards on a "high-level, principles-based approach".

The Target Fund Management Company therefore seeks to comply on a best efforts basis with the relevant disclosure obligations and makes certain disclosures in the Target Fund Prospectus as a means of achieving this objective.

It is expected that the disclosures required to be made in the Target Fund Prospectus will be updated once the relevant regulatory technical standards come into effect, noting in particular that the regulatory technical standards are expected to contain details on the form and presentation of the information to be disclosed and this could therefore require a revised approach to how the Target Fund Management Company seeks to meet the disclosure obligations in SFDR and the Taxonomy Regulation.

The series of legal measures (including SFDR and Taxonomy Regulation) requiring firms that manage investment funds to provide transparency on how they integrate sustainability considerations into the investment process with respect to the investment funds they manage (the EU sustainable finance action plan) is being introduced in the EU on a phased basis and some elements (for example supporting regulatory technical standards) are subject to implementation delays.

The Target Fund Management Company seeks to comply with all legal obligations applicable to it but notes there may be challenges in meeting all the requirements of these legal measures as they are introduced. The Target Fund Company may be required to incur costs in order to comply with these new requirements as part of the initial implementation phase and to incur further costs as the requirements change and further elements are introduced. This could be the case in particular if there are adverse political developments or changes in government policies as the implementation phase progresses. These elements could impact on the viability of the Target Fund and its returns.

#### *ESG Data reliance*

The scope of SFDR and the Taxonomy Regulation covers a very wide range of financial products and financial market participants. It seeks to achieve additional transparency regarding how financial market participants integrate ESG risks into their investment decisions and consideration of adverse sustainability impacts in the investment process. Data constraint is one of the biggest challenges when it comes to sustainability related information to end-investors, especially in the case of principal adverse impacts of investment decisions, and there are limitations on sustainability and ESG-related data provided by market participants in relation to comparability. Disclosures in the Target Fund Prospectus may develop and be subject to change due to ongoing improvements in the data provided to, and obtained from, financial market participants and financial advisers to achieve the objectives of SFDR and the Taxonomy Regulation in order to make sustainability-related information available.

#### *Relative performance*

An ESG Orientated Fund may underperform or perform differently relative to other comparable funds that do not promote environmental and/or social characteristics or pursue a sustainable investment objective.

#### **Efficient portfolio management risk**

The Target Fund will utilise Islamic derivative techniques and instruments for the purposes of efficient portfolio management in accordance with the investment restrictions.

Many of the risks attendant in utilising Islamic derivatives, as disclosed in the section entitled Derivatives Risk in the Target Fund Prospectus, will be equally relevant when employing such efficient portfolio management techniques. In addition, particular attention is drawn to the sub-sections entitled Credit Risk and Counterparty Risk and Collateral Risk in the Target Fund Prospectus. The Fund should also be aware that from time to time, the Target Fund may engage with counterparties that are related parties to the depositary or other service providers of the Target Fund Company and the Target Fund Management 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 and the Target Fund Management Company. Please refer to the section of the Target Fund Prospectus entitled "The Target Fund Company's Transaction and Conflicts of Interest" 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's annual report. (**Note:** For more information on the Target Fund Prospectus and/or annual report, please refer to the website at [www.principalislamic.com](http://www.principalislamic.com).)

#### **Convertible securities risk**

Convertible securities may offer higher income than the Shariah-compliant shares into which they are convertible. The Target Fund may be required to permit the issuer of a convertible Shariah-compliant security to redeem the security, convert it into the underlying Shariah-compliant shares or sell it to a third party. The Target Fund will not however invest in contingent convertible securities.

#### **Risks associated with high yield instruments:**

##### **Yield and market risk:**

Investments in Shariah-compliant fixed income securities entail certain risks including adverse income fluctuation associated with general economic conditions affecting the Shariah-compliant fixed income securities market, as well as adverse interest rate changes and volatility of yields. When interest rates decline, the market value of the Target Fund's Shariah-compliant fixed income securities can be expected to rise. Conversely, when interest rates rise, the market value of the Target Fund's Shariah-compliant fixed income securities can be expected to decline.

##### **Default risk:**

Investments in Shariah-compliant fixed income securities, specifically those which are rated below investment grade, are subject to the risk that the issuer could default on its obligations and the Target Fund could sustain losses on such investments. The Target Fund will seek to limit such risks by in-depth credit research and careful Shariah-compliant securities selection but there can be no assurance that the Target Fund will not acquire Shariah-compliant securities with respect to which the issuer subsequently defaults.

##### **Liquidity risk:**

Investments in Shariah-compliant fixed income securities, specifically those which are rated below investment grade can be much less liquid than the market for investment grade Sukuk, frequently with significantly more volatile prices and larger spreads between bid and asked price in trading. At times the market will be very illiquid. The Target Fund may have to sell holdings at unfavourable prices in order to raise proceeds to pay for redemptions of Shares. Illiquid securities may be difficult to resell at approximately the price they are valued in the ordinary course of business in seven days or less. When investments cannot be sold readily at the desired time or price, the Target Fund may have to accept a lower price or may not be able to sell the security at all, or may have to forego other investment opportunities, all of which may have an impact on the Target Fund.

**Interest rate risk:**

The Target Fund is subject to interest rate risk. A Shariah-compliant fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Interest rate risk is the chance that such movements in interest rates will negatively affect a Shariah-compliant security's value or, in the Target Fund's case, its NAV. Shariah-compliant fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities. As a result, longer-term securities tend to offer higher yields for this added risk. While changes in interest rates may affect the Target Fund's profit/coupon income, such changes may positively or negatively affect the Net Asset Value of the Target Fund's shares on a daily basis.

Interest rate risk is a general risk that may have an impact on the Target Fund regardless of whether it is an Islamic fund or otherwise. It does not in any way suggest that the Target Fund will actively seek to invest in Shariah non-compliant securities.

**Sukuk investment risk:**

Price changes in Sukuk are influenced predominantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. Sukuk could suffer when capital market interest rates rise, while they could increase in value when capital market interest rates falls. The price changes also depend on the term or residual time to maturity of the Sukuk. In general, Sukuk with shorter terms have less price risks than Sukuk with longer terms. However, they generally have lower returns and, because of the more frequent due dates of the securities portfolios, involve higher re-investment costs. Sovereign Sukuk ("Sovereign Sukuk") are Sukuk issued or guaranteed by governments or government-related entities. Investment in Sovereign Sukuk issued or guaranteed by governments or their agencies and instrumentalities ("governmental entities") involves a high degree of risk. The governmental entity that controls the repayment of Sovereign Sukuk may not be able or willing to repay the principal and/or return when due in accordance with the terms of such debt due to specific factors, including, but not limited to (i) their foreign reserves, (ii) the available amount of their foreign exchange as at the date of repayment, (iii) their failure to implement political reforms, and (iv) their policy relating to the International Monetary Fund. Sovereign Sukuk holders may also be affected by additional constraints relating to sovereign issuers which may include: (i) the unilateral rescheduling of such debt by the issuer and (ii) the limited legal recourses available against the issuer (in case of failure of delay in repayment).

**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. Please consult professional advisers for a better understanding of the risks.**



## 2. TARGET FUND INFORMATION

### 2.1. ABOUT ISLAMIC GLOBAL RESPONSIBLE 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 Regulations. The Target Fund Company is structured as an umbrella investment company, in that funds may be established from time to time by the directors of the Target Fund Company with the prior approval of the Central Bank of Ireland.

The Target Fund Company has appointed Principal Global Investors (Ireland) Limited as the management company to the Target Fund Company (the “**Target Fund Management Company**”). The Target Fund Management Company is appointed to carry out the management, distribution and administration services in respect of the Target Fund Company.

The Target Fund Company has delegated the investment management activities of the Target Fund to Principal Islamic Asset Management Sdn Bhd, which acts 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 RM12.4 billion as of December 2021. 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 SC.

The Target Fund Investment Manager has appointed Principal Asset Management (S) Pte Ltd (“**PAM Singapore**”) to act as a discretionary sub-investment manager in respect of the Target Fund (the “**Target Fund Sub-Investment Manager**”). The Target Fund Sub-Investment Manager will provide discretionary portfolio management activities. The Target Fund Sub-Investment Manager is regulated by the Monetary Authority of Singapore (“**MAS**”) and holds a Capital Markets Services License for fund management issued by MAS. The Target Fund Sub-Investment Manager has its office at 50 Raffles Place, #22-03A&B Singapore Land Tower, Singapore 048623.

The Target Fund Company has appointed The Bank of New York Mellon SA/NV, Dublin Branch (the “**Depository**”) as depository of all of its assets. The Depository is a limited liability company established in Belgium on 30 September 2008. The principal activity of the Depository is asset servicing, which is provided to both third party and to internal clients within The Bank of New York Mellon group. The Depository is regulated and supervised as a significant credit institution by the European Central Bank (ECB) and the National Bank of Belgium (NBB) for prudential matters and under the supervision of the Belgian Financial Services and Markets Authority (FSMA) for conduct of business rules. It is regulated by the Central Bank of Ireland for conduct of business rules.

The Target Fund Management 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. **Note:** For more information about Target Fund semi-annual and annual reports, please refer to the website at [www.principalislamic.com](http://www.principalislamic.com).

This Prospectus describes the features of the Target Fund in accordance with the Target Fund Prospectus and we recommend this document should be read in conjunction with the Target Fund Prospectus and the relevant supplemental Target Fund Prospectus. We take all reasonable efforts to ensure the accuracy of the disclosures 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. **(Note:** For more information about Target Fund Prospectus, please refer to the website at [www.principalislamic.com](http://www.principalislamic.com).)

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

The objective of the Target Fund is to seek to provide capital growth over the medium to long term.

The Target Fund seeks to achieve its investment objective by investing at least 70% of its Net Asset Value in a globally diversified portfolio of Shariah-compliant equities, that demonstrate positive fundamental change at attractive relative valuations (which is where positive fundamental changes have not been recognised by the market for investee companies when compared to other entities of a similar nature).

Investee companies are considered to be displaying positive fundamental change (synonymous with ‘businesses becoming better’) where they are seen to be actively improving and becoming stronger. The first step in the process employed by the Target Fund Investment Manager is to identify signs of positive change in an investee company. Indicators of positive change could be determined from sources such as accelerating sales volumes, increased market share or improved financial statements. The Target Fund Investment Manager then seeks to identify the catalysts underlying the positive change through proprietary screening and determine whether they are internal catalysts (investee company driven) and/or external catalysts

(industry driven). Internal catalysts could be driven by internal investee company operational initiatives that range from cost cutting to expanding distribution, better capital deployment and improved corporate governance. External catalysts could be driven by favourable product cycles, changing industry dynamics and regulatory changes. The foregoing analysis of catalysts enables the Target Fund Investment Manager to assess the likely magnitude and durability of the catalysts and whether the change is likely to be structural or cyclical in nature. The Target Fund Investment Manager will have an investment preference for investee companies whose catalysts are therefore likely to be long term and structural in nature (i.e. will create fundamental positive change). This enables the Target Fund Investment Manager to substantiate investee companies that are considered to be displaying positive fundamental change and whose valuation is therefore under-appreciated in the market relative to their potential for positive fundamental change.

The Target Fund Investment Manager subsequently analyses potential investee companies identified pursuant to the foregoing process to determine whether they are consistent with the ESG considerations, as further detailed under paragraph "Disclosures for the EU Sustainable Finance Disclosure Regulation ("SFDR") below, that are promoted by the Target Fund.

As a result of a corporate action, the Target Fund may also hold up to 10% of its Net Asset Value in Shariah-compliant call warrants, which give exposure to Shariah-compliant equities. Such warrants are equity related securities that entitle the holder to buy a specific amount of securities at a specific price, usually above the current market price at the time of issuance, for a specified or unspecified period. If the price of the security rises to above the warrant's exercise price, then the investor can buy the security at the warrant's exercise price and resell it for a profit.

The Target Fund may also invest up to 20% of its Net Asset Value in Shariah-compliant fixed income securities (Sukuk), issued by government, government-related entities such as local authorities and public authorities, corporate or supranational entities located globally. Such securities may be rated or unrated, however the proportion of unrated securities shall not exceed 10% of the Target Fund's Net Asset Value. The Target Fund's investments in fixed income securities are also subject to the Target Fund's ESG considerations, as further detailed under paragraph "Disclosures for the EU Sustainable Finance Disclosure Regulation" ("SFDR") below, that are promoted by the Target Fund.

The Sukuk in which the Target Fund may invest comprises of:

- (i) zero-coupon Sukuk and coupon bearing Sukuk;
- (ii) debentures.

A proportion of the net assets of the Target Fund (subject to a maximum of 10% of its Net Asset Value) may be invested in Shariah-compliant UCITS eligible collective investment schemes (being collective investment schemes which operate according to the requirements of Shariah law for example other sub-funds of the Target Fund Company), including exchange traded funds, the constituents of which may comprise the instruments described above, and therefore is an alternative means through which the Target Fund may gain exposure to these types of instruments. Should the Target Fund invest in a non-UCITS Collective Investment Scheme (i.e. alternative investment funds), it shall be subject to the Central Bank of Ireland's Guidance in relation to UCITS Acceptable Investments in Other Investment Funds.

The Target Fund will hold at least 2% of its Net Asset Value in ancillary Shariah-compliant liquid assets, that is cash, money market instruments and a range of instruments that can be readily converted to cash (including treasury bills and government bonds ("Sukuk") with a duration of less than 12 months, which may be fixed or floating rate but shall not embed financial derivatives instruments ("FDI") or leverage and certificates of deposit). The Target Fund will only invest in ancillary liquid assets where they are issued by entities which operate according to Shariah law. However, no more than 20% of the Net Asset Value of the Target Fund may be held in aggregate in ancillary Shariah-compliant liquid assets with a single body.

The Target Fund's investments will (other than permitted unlisted investments) be listed/traded on the exchanges and markets listed in Appendix 2 to the Target Fund Prospectus, provided that such exchanges and markets are either 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).

All investments of the Target Fund will comply with the requirements of the UCITS Regulations and the Central Bank of Ireland's Requirements. Subject to compliance with the foregoing requirements, all of the investments of the Target Fund will also be subject to the guidelines specified in the Shariah Investment Guidelines set out in the section 2.3 below.

**(Note: For more information about Target Fund's investment objective and investment strategies, please refer to the Target Fund's supplement available on website at [www.principalislamic.com](http://www.principalislamic.com).)**

#### **Disclosures for the EU Sustainable Finance Disclosure Regulation ("SFDR")**

The Target Fund is classified as an ESG Orientated Fund. The purpose of this section is to provide certain disclosures for the purposes of the SFDR in relation to the Target Fund.

##### **(a) The Environmental and Social Characteristics Promoted by the Target Fund:**

Among other characteristics, the Target Fund promotes environmental and social characteristics. The environmental characteristic considered by the Target Fund include but are not limited to carbon footprint. The social characteristics considered by the Target Fund include but are not limited to health and wellbeing.

*(b) How the Environmental and Social Characteristics Promoted by the Target Fund are met:*

In order to meet the environmental and social characteristics promoted, the Target Fund Investment Manager combines an assessment of ESG risks with screening and exclusion criteria. In order to consider ESG risk, the Target Fund Investment Manager assigns an ESG risk level to each holding considered within the Target Fund. To assign the ESG risk levels, the Target Fund Investment Manager evaluates an investee company's relationships with each of its stakeholders; shareholders, customers, employees, suppliers and their supply chains, their communities and the environment. The Target Fund Investment Manager will use internal data, incorporating partnership with third party data providers (MSCI, ISS and Bloomberg etc.) to help provide consistent data across the investment universe when making these evaluations. The Target Fund Investment Manager will also assign an ESG risk trend of either improving, stable or deteriorating using the above processes. This risk trend designation provides important context to the risk level and informs the Target Fund Investment Manager's tolerance for that risk.

The Target Fund Investment Manager subsequently uses these ESG risk levels to identify the key risks to the stakeholders and the associated positive change to the environmental characteristics to be considered in each holding and references these outcomes in investment decision making. Stocks of Shariah-compliant companies which demonstrate poor or deteriorating ESG scores or those with outstanding ESG issues deemed to have potential material financial impact would either be removed or significantly downsized, and the Target Fund Investment Manager seeks to engage with companies that are non-performing from an ESG standpoint, with the aim of improving their ESG performance.

The Target Fund Investment Manager also applies screening to specifically consider carbon footprint. The Target Fund Investment Manager uses MSCI to identify the carbon risk score for investee companies and aims for an aggregate carbon risk level for the Target Fund that is 15% lower than the Index.

A further set of fixed social exclusion criteria is in place to exclude companies or issuers from consideration for investment where their revenue is significantly derived from involvement in producing tobacco or involvement in the gambling sector, as defined by the Global Industry Classification Standard Industry Sector classification.

*(c) Good Governance Practices of Investee Companies:*

The Target Fund Investment Manager identifies governance considerations as integral to the investment philosophy and process. Improving governance policies and practices are identified as providing a basis for an improved relative valuation, while governance dilution or deterioration represent an inherent source of risk and downward valuation. In order to ensure good governance, the Target Fund Investment Manager engages with senior executives from investee companies within the Target Fund.

The Target Fund Investment Manager also applies screening to consider accounting flags, intended to measure the percentage of a portfolio's Net Asset Value exposed to companies ranking below average relative to global peers on MSCI's assessment of accounting aggressiveness, and aims for an aggregate accounting flag weight lower than that of the Index.

The Target Fund Investment Manager is a signatory to the UN Principles for Responsible Investment (the "UNPRI") as part of the Principal Global Investors Group. As a signatory to the UNPRI, the good governance practices of investee companies are assessed prior to making an investment and periodically thereafter. UNPRI responsible investing reporting can be found at <https://www.principalglobal.com/eu/about-us/responsible-investing>.

*(Note: For more information about Target Fund's investment objective and investment strategies, please refer to the Target Fund's supplement available on website at [www.principalislamic.com](http://www.principalislamic.com).)*

## **Benchmark**

The Target Fund is actively managed with reference to the MSCI ACWI Islamic Index (the "**Index**") on the basis that the Target Fund seeks to outperform the Index. The Target Fund Investment Manager and/or Target Fund Sub-Investment Manager may reference the Index as part of the investment management process, and it is also considered as part of the investment risk monitoring process. However, the Target Fund Investment Manager and/or Target Fund Sub-Investment Manager maintain full discretion to select investments for the Target Fund in line with the above investment policy.

The Index does not take environmental or social characteristics into account, and considerations of the environmental and social characteristics, as further outlined above are recognised independently of the Index. Information on the methodology of the calculation of the Index can be found from the Index provider's website [www.msci.com](http://www.msci.com).

## **Dividend Policy**

No distribution of dividends shall be made for the Class I USD Accumulation of the Target Fund but the net income attributable will be reflected in the increased value of the shares of the Target Fund.

## 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.

**Note:** Regulation 68(1)(d) of the Regulations sets out that a UCITS fund may invest in a recently issued transferable securities, subject to fulfilment of certain conditions.

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.
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.
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. The Target Fund shall not invest more than 20% of its assets in Islamic deposits made with the same body.
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.

## 2.2.2 RESTRICTIONS

1. The particular investment restrictions for the Target Fund will be formulated by the Target Fund Management Company, in consultation with the directors of the Target Fund Company, 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 Target Fund 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 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.*

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 Shariah-compliant shares at shareholders' request exclusively on their behalf.
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.
5. The Central Bank of Ireland may allow the Target Fund Company to derogate from the provisions of 2.2.1(3) to (11) and 2.2.4(1) for six months following the date of their authorisation, provided they observe the principle of risk spreading.
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.

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 Islamic FDIs as stated under paragraph 2.3.3 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 Management Company or by any other company with which the Target Fund Management Company and/or 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 Management Company, 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 Target 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 been 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 a member state or non-member state (and which in each case is listed in Appendix 2 of the Target Fund 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 below.*

**Note:** For more information about Target Fund Prospectus and supplement, please refer to the website at [www.principalislamic.com](http://www.principalislamic.com).

## 2.2.7 SHARIAH INVESTMENT GUIDELINES

All Shariah-compliant securities and other Shariah-compliant investments recommended for investment by the Target Fund Management Company, in consultation with 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 and Target Fund Sub-Investment Manager where applicable 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 and Target Fund Sub-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 Target Fund 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 and/or Target Fund Sub-Investment Manager mistakenly invests in Shariah non-compliant securities, the Target Fund Investment Manager or the Target Fund Sub-Investment Manager (as applicable) 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 Target Fund 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 Target Fund Shariah Adviser, from time to time, whereby the impure income will be channelled to charitable organisations, which are approved by the Target Fund Shariah Adviser.

#### 5. Periodic Review

The Target Fund 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 Target Fund Shariah Adviser.

**Note:** Please note that paragraph 2.2.7 must be read together with paragraph 2.3.

## 2.2.8 BORROWING AND LENDING POWERS

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

- (a) the cash financing is for the purpose of meeting redemption requests for 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 financing is incurred; and
- (e) the Target Fund only obtain financing from financial institutions.

Any such financing should not lead to any interest charges.

Without prejudice to the powers of the Target Fund Management Company in consultation with the Target Fund Company to invest in Shariah-compliant transferable securities, the Target Fund Management Company in consultation with the Target Fund Company may not lend to, or act as guarantor on behalf of, third parties.

The Target Fund 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 Islamic derivative instruments (including swaps) may, if deemed advisable by the Target Fund Investment Manager for the purposes of 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 the Target Fund's shareholders 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 Management Company in consultation with 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 Management 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 Management Company shall, in consultation with the Target Fund Company, be free at its discretion to take advantage of any wider investment powers which may become permitted under the Regulations.

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 Management Company in consultation with 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 Management 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 its 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 investments held by the Target Fund.

**Note:** *Despite the disclosure stated as above, the Target Fund has additional restrictions on the use of Islamic FDI as stated under paragraph 2.3.3 below.*

#### 2.2.10 TOTAL RETURN SWAPS

The Target Fund may use 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 SFTR 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 Management Company from time to time. Such fees and expenses of any counterparties engaged by the Target Fund Management Company, which will be at normal commercial rates together with VAT, 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 Management Company from time to time shall be included in the Target Fund's semi-annual and annual reports.

While the Target Fund Management 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 Management 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 Management Company. Please refer to the Target Fund 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. (**Note:** *For more information about Target Fund semi-annual and annual reports, please refer to the website at [www.principalislamic.com](http://www.principalislamic.com)*)

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 2.3.3 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 Management 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 Management Company's collateral policy outlined below.

\* *The Target Fund has additional restrictions on the use of Islamic FDIs as stated under paragraph 2.3.3 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 Management 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.

**Note:** The components set out in Regulation 24 paragraph (8) of the Central Bank of Ireland Requirements are the following:

- (a) the design of stress test scenario analysis including calibration, certification and sensitivity analysis;
- (b) the empirical approach to impact assessment, including back-testing of liquidity risk estimates;
- (c) the reporting frequency and the threshold(s) for limits and losses;
- (d) the mitigation actions to be taken to reduce loss including haircut policy and gap risk protection.

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 received by the Target Fund from a counterparty on a title transfer basis shall be held by the Depositary or a duly appointed sub-custodian.

Collateral provided by the Target Fund on a title transfer basis shall no longer belong to the Target Fund and shall pass outside the custodial network. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Depositary or a duly appointed sub-custodian. Please refer the relevant risk disclosures in this respect set out in the Target Fund Prospectus under the headings Credit Risk and Counterparty Risk and Collateral Risk.

#### *Acceptable collateral*

Collateral received from a counterparty for the benefit of the Target Fund may be in the form of cash or non-cash assets and non-cash assets must, at all times, meet with the specific criteria outlined in the Central Bank of Ireland's Requirements in relation to (i) liquidity; (ii) valuation; (iii) issuer credit quality; (iv) correlation; (v) diversification (asset concentration); and (vi) immediate availability.

**Liquidity:** Collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received should also comply with the provisions of Regulation 74 of the Regulations.

**Valuation:** Collateral received should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts (as referred to below) are in place.

**Issuer credit quality:** Collateral received should be of high quality.

**Correlation:** Collateral received should be issued by an entity that is independent from the counterparty and is not expected to display a high correlation with the performance of the counterparty.

**Diversification (asset concentration):** Collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer of 20% of the Target Fund's Net Asset Value. When the Target Fund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer. Notwithstanding the foregoing, the Target Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a EU member state, one or more of its local authorities, non-EU member states or a public international body to which one or more EU member states belong, as disclosed above at section 2.2.1 (11). The Target Fund will receive securities from at least six different issues and securities from any single issue will not account for more than 30% of the Target Fund's Net Asset Value.

**Immediate availability:** Collateral received should be capable of being fully enforced by the Target Fund at any time without reference to or approval from the counterparty.

There are no restrictions on maturity provided the collateral is sufficiently liquid.

Where appropriate, non-cash collateral held for the benefit of the Target Fund shall be valued in accordance with the valuation policies and principles applicable to the Target Fund. Subject to any agreement on valuation made with the counterparty, collateral posted to a recipient counterparty will be valued daily at mark-to-market value.

The Target Fund Management Company and Target Fund Investment Manager shall apply suitably conservative haircuts to assets received as collateral where appropriate on the basis of an assessment of the characteristics of the assets such as the credit standing, the price volatility, and, where relevant, the outcome of any stress tests, in accordance with the requirements of EMIR. EMIR does not require the application of a haircut for cash variation margin. Accordingly, any haircut applied to cover currency risk will be as agreed with the relevant counterparty. The Target Fund Management Company and Target Fund Investment Manager have determined that generally if issuer or issue credit quality of the collateral is not of the necessary quality or the collateral carries a significant level of price

volatility with regard to residual maturity or other factors, a conservative haircut must be applied in accordance with more specific guidelines as will be maintained in writing by the Target Fund Management Company and Target Fund Investment Manager on an ongoing basis. To the extent that the Target Fund avails of the increased issuer exposure facility in the Central Bank of Ireland's Requirements, such increased issuer exposure may be to any of the issuers listed in section 2.2.1 (11).

Non-cash collateral cannot be sold, pledged or re-invested.

Collateral may not be invested other than in the following:

- (i) deposits with Relevant Institutions (means any EU credit institution, any bank authorised in a member state of the European Economic Area (Norway, Iceland, Lichtenstein) and any bank authorised by a signatory state, other than a member state, or a member state of the European Economic Area, to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan or the United States));
- (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 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

2.3.1 The general investment restrictions set out under the heading Investment Restrictions in the Target Fund Prospectus and the following investment restrictions shall apply to the Target Fund:

- (a) The Target Fund's investments in Shariah-compliant equities, Sukuk, Shariah-compliant warrants and Islamic money market instruments, as provided for in the investment policy, issued by any single issuer must not exceed 10% of the Target Fund's Net Asset Value;
- (b) The Target Fund's investments in Shariah-compliant equities, Sukuk and Shariah-compliant warrants, as provided for in the investment policy must not exceed 10% of the securities issued by any single issuer;
- (c) 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*
- (d) The value of the Target Fund's OTC Islamic derivatives transaction with any single counter-party must not exceed 5% of the Target Fund's Net Asset Value and the Target Fund's exposure from derivatives position should not exceed the Target Fund's Net Asset Value at all times;
- (e) The Target Fund's investments in Islamic CIS must not exceed 25% of the overall number of issued units/shares in any one Islamic CIS;
- (f) In the case of cross-investment by the Target Fund in another sub-fund of the Target Fund Company, the following additional restrictions apply:
  - (i) The investment shall not be made in a sub-fund which itself holds units in any other sub-fund within the Target Fund Company;
  - (ii) 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 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.

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

The Target Fund may invest directly in securities which are Shariah-compliant listed under the list of Shariah-compliant securities included in the Index universe and other universes or service providers deemed Shariah compliant by the Target Fund Shariah Adviser. The Index may be referred to as part of the stock selection process as it reflects Shariah compliant equities and is designed to measure the performance of the large and mid cap segments across certain developed markets – and certain emerging market countries in the Asia market.

For the avoidance of doubt, the Target Fund Shariah Adviser has no discretionary input in respect of security selection. Securities which are not listed on the list of Shariah-compliant securities approved by the indices shall comply with the following Dow Jones Islamic Methodology guidelines approved by the Target Fund Shariah Adviser:

- (i) 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:
  - (A) alcohol;
  - (B) tobacco;
  - (C) pork-related products;
  - (D) conventional financial services (banking, insurance, etc.);
  - (E) weapons and defence;
  - (F) entertainment (hotels, casinos/gambling, cinema, pornography, music, etc.).
- (ii) Investment in companies which meet the following criteria is not allowed:
  - (A) 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;
  - (B) 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
  - (C) 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.
- (iii) Bank deposits shall be placed in Shariah-compliant 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.
- (iv) Money market instruments that are endorsed by other Shariah advisers or Shariah committees must be approved by the Target Fund Shariah Adviser upon review of the relevant documents (e.g. principal terms and conditions and Shariah pronouncement or approvals).
- (v) Shariah-compliant UCITS eligible collective investment schemes which are endorsed by other Shariah advisers or Shariah committees must be approved by the Target Fund Shariah Adviser upon review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements or approvals.
- (vi) Financial derivative instruments that are endorsed by other Shariah advisers or Shariah committees must be approved by the Target Fund Shariah Adviser upon review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements or approvals.

### 2.3.3 Islamic Financial Derivative Instruments (FDI)

The Target Fund may enter into Islamic FDI for hedging and EPM purposes in accordance with the investment restrictions, conditions and limits laid down by the Central Bank of Ireland. The Target Fund shall only enter into Islamic FDI which are endorsed by the other Shariah scholar(s) or Shariah boards with the Target Fund Shariah Adviser’s prior approval upon review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements.

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 Shariah-compliant currency forwards. The Target Fund may enter into such transactions for efficient portfolio management to change the currency profile of the Target Fund without changing the profile of the invested assets. 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.

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.

#### **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 profit exposure.

These are used to manage profit 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.

#### **Shariah-permitted Futures:**

Traded on a regulated exchange, a future is a standardised agreement between two parties to transact in an instrument at a specific price or rate at a future date. The Target Fund may invest only in Shariah-compliant index futures for EPM purposes.

Any financial indices which the Target Fund has exposure to through the use of FDI for EPM shall be UCITS eligible financial indices which meet with the requirements of the Central Bank of Ireland. Insofar as it is practical and permitted, more specific information on any such indices will be set out in the annual and semi-annual accounts. (*Note: For more information on the Target Fund Prospectus and/or annual report, please refer to the website at [www.principalislamic.com](http://www.principalislamic.com).)*

The Target Fund Management 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 FDI. The Target Fund shall only utilise the FDI listed in the risk management process. 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 FDI is within the limits specified by the Central Bank of Ireland. On request, supplementary information will be provided to the shareholders of the Target Fund 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 FDI will not exceed 100% of the Target Fund's Net Asset Value. Simple leverage is calculated as being global exposure divided by the Target Fund's Net Asset Value.

## **2.4. REDEMPTION POLICY**

In the case of subscription(s), cleared funds must be received on or before 3 Business Days after the dealing day. In the case of redemption(s), payments of redemption proceeds will generally be settled on the third Business Day following the relevant dealing day (T+3), but in any event within ten Business Days from the relevant dealing day (T+10). Payment will only be made to an account in the name of the Target Fund's shareholders.

## **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 Target Fund Management Company, in consultation with the directors of the Target Fund Company, 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.

## 2.6. TEMPORARY SUSPENSION OF REDEMPTION

The right of the shareholder (including the Fund) 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 Target Fund Management Company, in consultation with the directors of the Target Fund Company 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 the Fund 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 Fund 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.

**Note:** *In the event of the temporary suspension of redemption of the Target Fund, no shares of the Target Fund will be redeemed. The Fund will also be suspended. Please refer to section 4.11 "Temporary Suspension" for more details and the risk associated.*

## 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 Target Fund Management Company, in consultation with the directors of Target Fund Company may, at their discretion, redeem all but not less than all of the shares of the applicable fund of the Target Fund Company then outstanding at the redemption price calculated on the expiration date (as hereinafter defined). In addition, the Target Fund Management Company, in consultation with the directors of the Target Fund Company may require any shareholders (including the Fund) 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 shareholders (including the Fund) 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. The shareholders (including the Fund) shall be notified in writing of any such redemption.

If it shall come to the attention of the Target Fund Management Company and the directors of the Target Fund Company 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 Target Fund Management Company and the directors of the Target Fund Company with evidence of such sale within twenty one (21) days of being so directed by Target Fund Management Company, in consultation with the directors of the Target Fund Company, may in their discretion compulsorily redeem such shares. 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 shareholder (including the Fund) 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 shareholders (including the Fund) to provide the Target Fund Company with information as to whether such person is a U.S. Person.

## 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 its shareholders 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 Target Fund Management Company and the directors of the Target Fund Company, disposal or valuation of Shariah-compliant investments of the Target Fund is not reasonably practicable without this being seriously detrimental to the interests of shareholders of the Target Fund or if, in the opinion of the Target Fund Management Company, in consultation with the directors of the Target Fund Company, 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 investments or payments due on redemption of shares cannot, in the opinion of the Target Fund Management Company, in consultation with the directors of the Target Fund Company, be effected at normal prices or normal rates of exchange;
- (v) any period where in the opinion of the Target Fund Management Company, in consultation with the directors of the Target Fund Company, such suspension is justified having regard to the interests of the Target Fund Company; or

- (vi) following the circulation to the relevant shareholders of the Target Fund 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.

Shareholders of the Target Fund (which includes the Fund) who have requested issue or redemption of shares of any class or exchanges of shares of the Target Fund to another will be notified of any such suspension in such manner as may be directed by the Target Fund Management Company, in consultation with the directors of the Target Fund Company, and their 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. The competent authorities in any jurisdiction where the Target Fund Company is registered for sale will also be notified.

**Note:** Suspensions of the calculation of the NAV will be published to investors. Should any of the above events occur, the Fund will only be able to pay the withdrawal proceeds to you within five (5) Business Days from the receipt of redemption proceeds from the Target Fund. Please refer to section 4.6 “Minimum Withdrawals” and section 4.11 “Temporary Suspension” for more details and the risk associated.

## 2.9. SPECIFIC RISKS OF THE TARGET FUND

Please refer to “Specific Risks Related to the Target Fund” section at page 6 for details.

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

FEES/EXPENSES	
Initial Charge	Nil.
Management Fee	Up to 0.80% of the NAV of the Target Fund per annum <b>Note:</b> The management fee charged by the Target Fund will be paid out of the Management Fee charged by the Manager at the Fund level. Unit holders 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.
Depositary 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.
Management Company Fee	Up to 0.03% per annum of the average NAV of the Target Fund Company, subject to an annual minimum fee of USD 90,000.
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	A flat rate annual fee of USD 5,000.

**Note:** For more information about Target Fund Prospectus and supplement, please refer to the website at [www.principalislamic.com](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 for units of each 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 1.0000	USD 1.0000
Application Fee (NAV per unit)	5.00%	5.00%
Units issued to Unit holder = $\frac{\text{Investment amount}}{\text{NAV per unit}}$	= $\frac{\text{MYR } 10,000.00}{\text{MYR } 1.0000}$ = 10,000 units	= $\frac{\text{USD } 10,000.00}{\text{USD } 1.0000}$ = 10,000 units
Total Application Fee = Units issued to Unit holder x NAV per unit x Application Fee (%)	= 10,000 units x MYR 1.0000 x 5% = MYR 500.00	= 10,000 units x USD 1.0000 x 5% = USD 500.00

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

#### 3.1.2. Withdrawal Penalty

A 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 penalties 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

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.

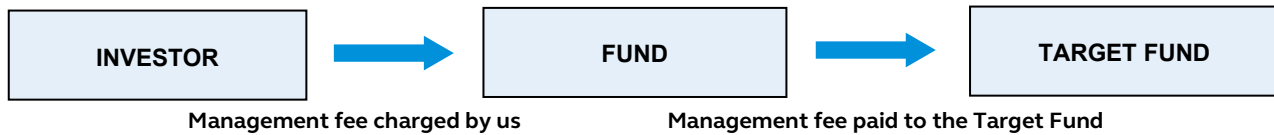


Below is an illustration on how the Management Fee is calculated, assuming Management Fee of 1.80% per annum and USD 150 million each for both Class ABC and Class XYZ:-

	Class ABC (Denominated in MYR) (USD)	Class XYZ (Denominated in USD) (USD)
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 85% 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 31 for details on the Target Fund's management fee.

### 3.2.2. Trustee Fee

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

The Trustee Fee is up to 0.03% per annum, calculated daily based on the NAV of the Fund.

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

$$\begin{aligned}
 \text{Trustee Fee for the day} &= \text{NAV of the Fund} \times \text{annual Trustee Fee rate for the Fund (\%)} / 365 \text{ days} \\
 &= \text{USD 150 million} \times 0.03\% \text{ per annum} / 365 \text{ days} \\
 &= \text{USD 123.29}
 \end{aligned}$$

**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, takaful and any other dealings of investments including commissions/fees paid to brokers;
- costs involved with external specialists approved by the Trustee in investigating or evaluating any proposed investment;
- remuneration relating to the custodial function for the Fund's foreign assets that is delegated to a 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 person(s) or members of a committee undertaking the oversight functions and/or the members of the Shariah committee or advisers (if any) of the Fund, unless we decide to bear the same;
- taxes 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 incurred for the fund valuation and accounting of the Fund performed by a fund valuation agent;
- costs incurred for the modification of the Deed save where such modification is for the benefit of the Manager and/or the Trustee;
- 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 the 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 borne by us or the Trustee 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 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 a 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 GUTF.

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 distribution channels or 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 from, or otherwise share in any commission with, any broker or dealer in consideration for directing dealings in the investments of the Fund. Accordingly, any rebate or shared commission will be directed to the account of the Fund.

We may retain goods and services (soft commission) provided by any broker or dealer if the following conditions are met:

- (a) the soft commission bring direct benefit or advantage to the management of the Fund and may include research and advisory related services;
- (b) any dealing with the broker or dealer is executed on terms which are the most favourable for the Fund; and
- (c) the availability of soft commissions is not the sole or primary purpose to perform or arrange transactions with such broker or dealer, and we or the fund manager will not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft commissions.

**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 and/or you as disclosed or illustrated in this 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/or transaction information from time to time, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or transaction information.**

## 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 CIS**  
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 Deposit**  
The value of Islamic Deposit shall be determined each day by reference to the principal value of such Islamic Deposit and the accrued profit thereon for the relevant period.
- **Islamic money market instruments**  
Investments in Islamic money market instruments such as negotiable certificate of deposits are valued each day by reference to the value of such investments and the profits accrued thereon for the relevant period. Instruments such as MYR-denominated Islamic commercial papers are valued on a daily basis using the fair value prices quoted by a BPA registered with the SC.
- **Unlisted Islamic derivative instruments**  
For unlisted Islamic derivative instruments, we shall ensure that the valuation of the investment is valued at fair value as determined in good faith by us, on methods and bases which have been verified by the auditor of the Fund and approved by the Trustee.

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 Refinitiv 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 application 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 on the same 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 foreign currency translation to the Fund's base currency based on the bid exchange rate quoted by Bloomberg or Refinitiv 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 [www.principal.com.my](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 3 August 2022 your units will be based on the NAV per unit on 3 August 2022 which will be calculated on 4 August 2022. The NAV per unit will be made known on our website after 5:30 p.m. on 4 August 2022.*

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

*At the end of the Business Day on 3 August 2022, your units will be based on the NAV per unit on 4 August 2022, which will be calculated on 5 August 2022. The NAV per unit will be made known on our website after 5:30 p.m. on 5 August 2022.*

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

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

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 Refinitiv 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.

#### 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	185,942,897.00	173,342,897.00	12,600,000.00
% MCR	100.00%	<sup>(1)</sup> 93.22%	<sup>(1)</sup> 6.78%
Add: Income	30,000.00	<sup>(2)</sup> 27,967.12	<sup>(2)</sup> 2,032.88
Less: Expenses	(10,000.00)	<sup>(2)</sup> (9,322.37)	<sup>(2)</sup> (677.63)
Benefits or costs of hedging (if any)	900.00	-	900.00
NAV of the Fund before management fee and trustee fee	185,963,797.00	173,361,541.75	12,602,255.25
Less: Management fee	(9,170.82)	1.80% p.a. (8,549.34)	1.80% p.a. (621.48)
Less: Trustee fee	(152.85)	0.03% p.a. (142.49)	(10.36)
NAV of the Fund	185,954,473.33	173,352,849.92	12,601,623.41
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	185,954,473.33	173,352,849.92	12,601,623.41
<sup>(3)</sup> Net subscription amount	1,300,000.00	1,000,000.00	300,000.00
Closing NAV	187,254,473.33	174,352,849.92	12,901,623.41
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>173,342,897.00 x 100</u>	<u>12,600,000.00 x 100</u>
NAV of the Fund before income and expenses	185,942,897.00  = 93.22%	185,942,897.00  = 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	30,000.00	MCR x Income = Income for Class ABC = 93.22% x USD 30,000.00 = USD 27,967.12
		MCR x Income = Income for Class XYZ = 6.78% x USD 30,000.00 = USD 2,032.88
Less: Expenses	(10,000.00)	MCR x Expenses = Expenses for Class ABC = 93.22% x USD 10,000.00 = USD 9,322.37
		MCR x Expenses = Expenses for Class XYZ = 6.78% x USD 10,000.00 = USD 677.63

<sup>(3)</sup>Net subscription amount

	Class ABC (Denominated in USD) (USD)	Class XYZ (Denominated in MYR) (USD)
Net subscription amount	USD 1,000,000.00	MYR 1,000,000.00
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
Net subscription amount*	USD 1,000,000	USD 300,000

\* Subscription amount net of any withdrawal amount

**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 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 = MYR1.0000 (truncated to 4 decimal places)  
 Application Fee = 5.00%  
 You wish to invest MYR10,000 in the Fund.

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

= Investment amount / NAV per unit of Class XYZ  
 = MYR10,000.00 / MYR1.0000  
 = 10,000 units

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

= NAV per unit of Class XYZ x number of units received x Application Fee rate  
 = MYR1.0000 x 10,000 units x 5.00%  
 = MYR500.00

Calculation of total amount that you will have to pay

= Investment amount + Application Fee paid  
= MYR10,000.00 + MYR500.00\*  
= MYR10,500.00

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

**Calculation of investment value**

Assuming you have 10,000 units of Class XYZ of the Fund and the NAV per unit of Class XYZ for the Business Day is MYR1.0240 (truncated to 4 decimal places).

Calculation of investment value

= Number of units x NAV per unit of Class XYZ  
= 10,000.00 units x MYR1.0240  
= MYR10,240.00.

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

Assuming you request for a 10,000 units withdrawal 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 MYR1.0240 (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 MYR1.0240  
= MYR10,240.00

\* 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 Class. Where such error has occurred, we shall make the necessary reimbursements in the following manner:

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

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

- (i) is equal to or more than 0.50% of the NAV per unit; and
- (ii) results in a total sum of MYR10.00 (or in the case of a foreign currency Class, less than 10.00 denominated in the foreign currency denomination of the Class) or more to be reimbursed to a Unit holder for each sale or withdrawal 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).

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

Further, if we become aware of a USA person (i.e. someone who has a USA address (permanent or mailing) or contact number) or USA entity (i.e. a corporation, trust, partnership or other entity created or organised in or under the laws of the USA 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-USA person or non-USA 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 make a payment:

- by crossed cheque, banker's draft 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; or
- 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 may 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 Classes. Please refer to the Annexure of the respective Class for further information. Where available, the RSP allows you to make regular monthly investments, directly 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;
- IUTA; 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 under the "Corporate Directory" section or refer to our website at [www.principal.com.my](http://www.principal.com.my) for more information.

**You are advised not to make payment in cash to any individual agent or issue a cheque in the name of any individual agent or employee of Principal Malaysia 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 and accepted a complete application by 4:00 p.m. on a Business Day, we will process it using the NAV per unit on the same Business Day. If we receive and accepted 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 or required information and/or documentations. The number of units you receive will be rounded 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 application and submit 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 number, as the case may be) provided by you. Please note that for EPF-MIS (where available), your withdrawal proceeds will be paid to your EPF account.

### 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 on the same 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) and the applicable bank fees and charges (if any).

Under normal circumstances, you will be paid in the currency of the Class (e.g. Class MYR will be paid in MYR) within fifteen (15) Business Days of receipt of the complete withdrawal request. The fifteen Business Days include the submission of the Fund's withdrawal request to Target Fund in which the Target Fund will process within three Business Day, but in any event within ten Business Days if any of the unexpected issues occur including but not limited to technical issues, foreign market related issues which may affect the trading of the Target Fund. Subsequently payment will be made to you after receipt of the withdrawal proceeds from Target Fund. Nonetheless, we shall pay the withdrawal proceeds to you within five Business Days from the receipt of withdrawal proceeds from the Target Fund.

Should any of the below events occur, we may not be able to pay the withdrawal proceeds to you within fifteen (15) Business Days of receipt of the complete withdrawal request. We may instead pay the withdrawal proceeds to you within five (5) Business Days from the receipt of withdrawal proceeds from the Target Fund when the following events occur:

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

**Note 1:** *The right of the Target Fund's shareholders 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 of the Target Fund Company (as described in section 2.6 "Temporary Suspension of Redemption"). No share of the Target Fund may be issued, redeemed or switched during a period of suspension.*

**Note 2:** *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.*

Please refer to the section 2.4 "Redemption Policy", section 2.5 "Redemption of Shares" and section 2.6 "Temporary Suspension of Redemption" 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 stipulated, 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 or prevailing NAV per unit at the point of cooling-off (whichever is lower) (“Refund Amount”). Please note that the cooling-off right is only given to first time investor investing with us or any of our Distributors. However, Principal Malaysia’s staff or a person registered with a body approved by the SC to deal in unit trusts are not entitled to the cooling-off right.

We will pay the Refund Amount including the Application Fee (if any) to you in the currency of the respective Class within fifteen (15) Business Days from the date we receive the complete documentations. The fifteen Business Days include the submission of the Fund’s withdrawal request to Target Fund in which the Target Fund will process within three Business Day, but in any event within ten Business Days if any of the unexpected issues occur including but not limited to technical issues, foreign market related issues which may affect the trading of the Target Fund. Subsequently payment will be made to you after receipt of the withdrawal proceeds from Target Fund. Nonetheless, we may pay the withdrawal proceeds to you within five Business Days from the receipt of withdrawal proceeds from the Target Fund.

There may be unforeseen circumstances that caused a delay in receiving the cooling-off proceeds from the Target Fund should any of the below events occur:

- (i) the Target Fund’s NAV suspended during any period<sup>Note 1</sup>; or
- (ii) withdrawal proceeds from the Target Fund is deferred<sup>Note 2</sup>.

The Fund has obtained approval from the SC for a variation to paragraph 9.08 of the GUTF, which allows us to pay the Refund Amount to you within five (5) Business Days upon receipt of cooling-off proceeds from the Target Fund.

**Note 1:** *The right of the Target Fund’s shareholders 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 of the Target Fund Company (as described in section 2.6 “Temporary Suspension of Redemption”). No share of the Target Fund may be issued, redeemed or switched during a period of suspension.*

**Note 2:** *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.*

Please refer to the section 2.4 “Redemption Policy”, section 2.5 “Redemption of Shares” and section 2.6 “Temporary Suspension of Redemption” for more information. If in doubt, please consult your professional advisers.

## 4.9. SWITCHING

Where available, we process a switch between the Classes of the Fund or between a Class and other Principal Malaysia’s funds (or its classes) which should be denominated in the same currency. You may contact our **Customer Care Centre** under the “Corporate Directory” section for more information on the availability of switching. For information on the availability of switching, please refer to the Annexure of the respective Class.

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 distribution channels or 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

Subject to the requirements in the GUTF and/or the Deed, we and the Trustee may temporarily suspend the dealing in units of the Class or Fund when there is good and sufficient reason to do so.

To avoid suspension of the Fund, the Fund will hold adequate liquid assets and if the liquid assets are insufficient to meet withdrawal requests, we will either liquidate the investments of the Fund or seek temporary financing, considering which is in the best interests of the Unit holders. Before carrying out any suspension of the Fund after we have taken all considerations under liquidity risk management framework, we will ensure that we have exhausted all possible avenues to avoid a suspension of the Fund, and only as a last resort, and in consultation with the Trustee and having considered the interests of the Unit holders, suspend the sale (if applicable) and withdrawal of Units where it is impractical for us to calculate the NAV of the Fund which may be due to but not limited to the following:

- (i) Suspension of redemption of the Target Fund as set out in section 2.6 above;
- (ii) the closure of a securities exchange or trading restrictions on a securities exchange where the Target Fund has substantial investments in the securities exchange;
- (iii) an emergency or other state of affairs;
- (iv) the declaration of a moratorium in the Target Fund country, or a country where the Target Fund has assets;
- (v) for the purpose of conversion of any currency, a closure or restrictions on trading in the relevant foreign market exchange; or
- (vi) the realisation of a substantial material portion of the assets of the Target Fund not being able to be effected at prices which are fair to the Target Fund, and/or within a reasonable period as a result of an unstable or disorderly market.

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 applications, withdrawals, switches and/or transfers of units before the suspension is declared, please note that your request will only be processed on the next Business Day after the cessation of suspension of the Fund. You will be notified of the suspension and when the suspension is lifted. In such case, you will not be able to redeem your units and will be compelled to remain invested in the Fund for a longer period of time than original timeline. Hence, your investments will continue to be subjected to the risks inherent to the Fund.

**Note:** Please refer to section 4.6.1 "Processing a withdrawal" in the event that the suspension of Target Fund, we may only pay you within five Business Days from the receipt of withdrawal proceeds from the Target Fund.

#### 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 distribution amount in cent per unit. Once a distribution has been paid, the NAV per unit will adjust accordingly. For more 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 of the Class on the distribution date (the number of units will be rounded to two (2) decimal places), unless written instructions to the contrary are communicated to us and in which case you shall have first furnished to us with details of your valid and active bank account in the currency denomination of that Class into which all distribution payment shall be paid (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 that Class. As such for each Class, the distribution amount may be different as a result of exchange rate movement between the base currency of the Fund and the denominated currency of each Class. Then the distribution will be paid into your bank account (which shall be in the currency of that specific Class) 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.

For income distribution payout to you by cheque, if any, which remains 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 provided that you still hold units of the Class. As for income distribution payout to you by bank transfer, if any which 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 provided that 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 same 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 July.

## 5.2. INFORMATION ON YOUR INVESTMENT

We will send to 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 printed 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 at [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 the Principal Malaysia family of unit trust funds, please contact our **Customer Care Centre** under the "Corporate Directory" section during our business hour between 8:45 a.m. and 5:45 p.m. (Malaysian time) from Mondays to Fridays.

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

**Principal Asset Management Berhad**  
**Customer Care Centre**  
Ground Floor Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur, MALAYSIA

## 5.3. DEED

The Fund is governed by the Deed dated 8 September 2022 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;
- Target Fund prospectus and supplement, 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) financial 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 for the current financial year and for the last three (3) financial 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

Ernst & Young Tax Consultants Sdn. Bhd., Amanie Advisors 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.

The Fund may maintain Islamic Deposit 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.

The Fund is investing into the Target Fund that is managed by the Target Fund Investment Manager. The Manager and the Target Fund Investment Manager are related parties of PFG.

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 person(s) or members of a committee undertaking the oversight function of the Fund 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 as IUTA;
- (3) where the assets of the Fund are being custodised by the related party of the Trustee both as sub-custodian and/or global custodian of the Fund (i.e. Trustee's delegate); and
- (4) where the Fund obtains financing as permitted under the GUTF, 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 Personal Account Dealing Policy, 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 was incorporated on 13 June 1994 and is a joint venture between PFG and CIMB Group. Principal Malaysia has experience operating unit trust funds since 1994.

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 objective;
- ensuring that the Fund has sufficient holdings in liquid assets;
- arranging for the sale and withdrawal 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

The name and designation of each of the directors can be found in our website at [www.principal.com.my/en/about-us/leadership](http://www.principal.com.my/en/about-us/leadership).

#### 6.1.2. 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>	He was appointed as the Chief Investment Officer on 22 February 2016. He comes with an extensive 20 years of experience in asset management and is backed by numerous ASEAN awards from Malaysian pension funds in 2013 and 2015. He was previously the Head of ASEAN equities at BNP Paribas Investment Partners, Malaysia where he was overseeing ASEAN equities for both Malaysian and offshore clients from 2012. Prior to that, he served as Senior Vice President for CIMB-Principal Asset Management Berhad where he specialised in Malaysia, ASEAN and Asia specialist funds. He also worked as a portfolio manager at Riggs and Co International Private Banking in London specialising in managing global ETF portfolios.
<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 [www.principal.com.my](http://www.principal.com.my).

# 7. SHARIAH ADVISER OF THE FUND

## 7.1. ABOUT AMANIE ADVISORS SDN BHD

Amanie Advisors Sdn Bhd ("Amanie") is a Shariah advisory, consultancy, training and research and development boutique for institutional and corporate clientele focusing on Islamic financial services. Amanie is a registered Shariah adviser (Corporation) with the SC. It has been established with the aim of addressing the global needs for experts' and Shariah scholars' pro-active input. This will ultimately allow the players in the industry to manage and achieve their business and financial goals in accordance with the Shariah principles. Amanie also focuses on organizational aspect of the development of human capital in Islamic finance worldwide through providing updated quality learning embracing both local and global issues on Islamic financial products and services. The company is led by Tan Sri 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 corporate finance, accounting, product development, Shariah law and education. As at LPD, there are more than one hundred and eleven (111) funds which Amanie acts as Shariah adviser.

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 review on the Fund's investments and address Shariah advisory matters pertaining to the Fund to ensure compliance with Shariah principles or any other relevant principles at all times. Our portfolio will be reviewed on monthly basis and Amanie shall issue an annual Shariah certificate for the Fund at the financial year end.

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

- Suhaida Mahpot
- Ahmad Anas Fadzil

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

<b>Name:</b>	Tan Sri Dr. Mohd Daud Bakar
<b>Designation:</b>	Executive Chairman, Amanie Advisors Sdn Bhd.
<b>Experience:</b>	<p>Tan Sri 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 serves as the Chairman of the Shariah Advisory Council (SAC) at the Central Bank of Malaysia, the Securities Commission of Malaysia, the Labuan Financial Services Authority, the Astana International Financial Centre (AIFC), Kazakhstan, the First Abu Dhabi Bank, and Permodalan Nasional Berhad (PNB).</p> <p>Tan Sri Dr. Daud 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), Morgan Stanley (Dubai), Sedco Capital (Saudi and Luxembourg), and Dow Jones Islamic Market Index (New York) amongst many others.</p> <p>Currently, Tan Sri serves as the Chairman of Federal Territory Islamic Religious Department [Majlis Agama Islam Persekutuan (MAIWP)]. In the corporate world, he is currently a member of the PNB Investment Committee. Previously, he served as a Board Director at Sime Darby Property Berhad and Chairman to Malaysia Islamic Economic Development Foundation (YaPEIM). In addition, he is the co-founder of Experts Analytics Centre Sdn Bhd and MyFinB. He also serves as the Chairman of Berry Pay Sdn. Bhd., Data Sukan Consulting Sdn. Bhd., Bio Fluid Sdn. Bhd., KAB Gold Dynamics Sdn. Bhd., Bio-Angle Vacs Sdn. Bhd., Tulus Digital Sdn. Bhd., and Amanie-Afra Halal Capital Co (Bangkok).</p>

	<p>In 2014, he received the “Most Outstanding Individual” award by His Majesty, the King of Malaysia, in conjunction with the national-level Prophet Muhammad’s birthday. Under his leadership, Amanie Advisors received the “Islamic Economy Knowledge Infrastructure Award” at the Global Islamic Economy Summit, Dubai 2015, by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, Oct 2015. On 13 November 2021, he was conferred the Darjah Kebesaran Panglima Setia Mahkota (P.S.M.) which carries the title of “Tan Sri”.</p>
<p><b>Qualifications:</b></p>	<p>In the academic side, he was the 8th President of the International Islamic University of Malaysia (IIUM) due to his vast skill and experience serving the university. 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.</p>

**Note:** For more and/or updated information, please refer to our website at [www.principal.com.my](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 Level 19, Menara IQ, Lingkaran TRX, 55188 Tun Razak Exchange, 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 GUTF. 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 GUTF. 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, GUTF 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 Limited 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 HSBC Bank Malaysia Berhad and/ or HSBC Nominees (Tempatan) Sdn Bhd. The Hongkong and Shanghai Banking Corporation Limited 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 in any circumstances, 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.

#### **Particulars of the Trustee's Delegate**

##### **For foreign asset:**

The Hongkong and Shanghai Banking Corporation Limited  
6/F, Tower 1,  
HSBC Centre,  
1 Sham Mong Road, Hong Kong  
Telephone No: (852)2288 1111

##### **For local asset:**

The Hongkong and Shanghai Banking Corporation Limited (as custodian) and assets held through HSBC Nominees (Tempatan) Sdn Bhd  
(Registration No.: 199301004117 (258854-D))  
Level 21, Menara IQ  
Lingkaran TRX  
55188 Tun Razak Exchange  
Kuala Lumpur  
Telephone No: (603)2075 3000 Fax No: (603) 8894 2588

The Hongkong and Shanghai Banking Corporation Limited (as custodian) and assets held through HSBC Bank Malaysia Berhad (Registration No.: 198401015221 (127776-V))  
Level 21, Menara IQ  
Lingkaran TRX  
55188 Tun Razak Exchange  
Kuala Lumpur  
Telephone No: (603)2075 3000 Fax No: (603) 8894 2588

**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 the 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.

## 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:

- (i) 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 GUTF;
- (ii) receive the distribution of income 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, the CMSA, the GUTF and other relevant laws;
- (iii) call for Unit holders' meetings;
- (iv) vote for the removal of the Trustee or the Manager through a Special Resolution;
- (v) receive annual reports, interim reports or any other reports of the Fund; and
- (vi) exercise the cooling-off right subject to certain restrictions and limitations.

Unit holders' rights may be varied by changes to the Deed, the GUTF 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.

**Note:** 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 0.10% per annum, calculated daily on the NAV of the Fund (including local custodian fee but excluding foreign sub-custodian fees and charges).

Fees and/or charges which are lower 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 exceeded.

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 or fees paid to brokers or dealers (if any) in effecting dealings in the investments of the Fund, shown on the contract notes or confirmation notes or difference account;
- (where the foreign custodial function is delegated by the Trustee to a foreign sub-custodian), charges and/or fees paid to the foreign sub-custodian for taking into custody any foreign assets of the Fund;
- taxes and other duties charged on the Fund by the government and/or other authorities (if any) and bank fees;
- cost, fees and other expenses properly incurred by the auditor of the Fund and tax agent;
- remuneration and out of pocket expenses of the person(s) undertaking the oversight functions of the Fund, unless we decide to bear the same;
- costs incurred for any 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, takaful, custody and any other dealings of investments of the Fund;
- the engagement of any external specialists approved by the Trustee for investigating and evaluating any proposed investment of the Fund;
- the engagement of any advisers for the benefit of the Fund;
- 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, or 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 ordered by the court not 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;
- the fund valuation and accounting of the Fund performed by a fund valuation agent;
- any change or the need to comply with any change or introduction of any law, regulation or requirement (whether or not having the force of law) of any governmental or regulatory authority;
- all costs and/or expenses associated with the distributions declared pursuant to the 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;
- the printing of, postage for and dispatching to Unit holders the accounts of the Fund, annual and interim reports, tax certificates, distribution warrants, notices of meeting of Unit holders, newspaper advertisement and other services associated with the administration of the Fund, including purchasing of stationery; and
- any tax now or hereafter imposed by law or required to be paid in connection with any costs, fees and expenses incurred above.

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 cease to be approved by the SC to be the management company of unit trust schemes.

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

- if we have gone into liquidation (except for the purpose of reconstruction or some similar purpose) or if a receiver or judicial manager 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 our 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; 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 qualified and approved under the SC's requirements 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 agreed by us and the Trustee.

We may remove the Trustee and the Trustee covenants that it will retire or be 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 (except for the purpose of amalgamation or reconstruction or some similar purpose);
- 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:

- the SC's authorization is withdrawn under Section 256E of the CMSA; or
- 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
- 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
- on reaching the Fund's or that Class's maturity date (if any); or
- the effective date of an approved transfer scheme, as defined under the GUTF, 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.

Notwithstanding the above, the Fund and/or any of the Class may be terminated or wound-up, without the need to seek Unit holders' prior approval, as proposed by the Manager with the consent of the Trustee (which consent shall not be unreasonably withheld) upon the occurrence of any of the following events, by giving a notice in writing to the Unit holders of such period not less than that specified in the GUTF as hereinafter provided (i) if any law shall be passed which renders it illegal or (ii) if the termination of the Fund is in the best interest of Unit holders and in the opinion of the Manager, it is impracticable or inadvisable for the Manager to continue the Fund and/or the Class.

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

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

We may summon a meeting of the Unit holders for any purpose whatsoever by giving at least fourteen (14) days written notice of the meeting to the Unit holders and specifying in the notice the place and time of the meeting and the terms of the resolutions to be proposed at the meeting.

The Trustee shall summon a Unit holders' meeting in the event:

- (a) the Manager is in liquidation,
- (b) in the opinion of the Trustee, the Manager has ceased to carry on business; or
- (c) in the opinion of the Trustee, the Manager has, to the prejudice of Unit holders, failed to comply with the Deed or contravened any of the provisions of the CMSA.

The meeting of the Unit holders summoned by the Trustee shall be summoned by:

- (a) sending by post, at least twenty-one (21) days before the date of the proposed meeting a notice of the proposed meeting to each of the Unit holders at the Unit holder's last known address or, in the case of jointholders, to the jointholder whose name stands first in the records of the Manager at the jointholder's last known address; and
- (b) publishing at least twenty-one (21) days before the date of the proposed meeting an advertisement giving notice of the meeting in a national language newspaper published daily and another newspaper approved by the relevant authorities.

The Trustee may also summon a Unit holders' meeting for the purpose of:

- (a) requiring the retirement or removal of the Manager;
- (b) giving instructions to the Trustee or the Manager if the Trustee considers that the investment management policies of the Manager are not in the interests of Unit holders;
- (c) securing the agreement of the Unit holders to release the Trustee from any liability;
- (d) deciding on the next course of action after the Trustee has suspended the sale and withdrawal of Units pursuant to the Deed; or
- (e) deciding on the reasonableness of the annual management fee charged to the Fund or each Class,

by giving at least fourteen (14) days written notice of the meeting to the Unit holder and specifying in the notice the place and time of the meeting and terms of the resolutions to be proposed at the meeting.

We shall, within twenty-one (21) days of receiving a direction from not less than fifty (50) or one-tenth (1/10) of all the Unit holders of the Fund or of a particular Class, as the case may be, whichever is less, summon a meeting of the Unit holders of the Fund or of that particular Class, as the case may be, by:

- sending by post to each Unit holder at his last known address or, in the case of Joint holders, to the Joint holder whose name stands first in the records of the Manager at the Joint holder's last known address at least seven (7) days before the date of the proposed meeting a notice of the proposed meeting to all the Unit holders of the Fund or of a particular Class, as the case may be;
- 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
- 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 the Deed.

The quorum for a meeting of Unit holders of the Fund or Class, as the case may be, is five (5) Unit holders, whether present in person or by proxy, however, if the Fund or a Class, as the case may be, has five (5) or less Unit holders, the quorum required for a meeting of the Unit holders of the Fund or a Class, as the case may be, shall be two (2) Unit holders, whether present in person or by proxy. If the meeting has been convened for the purpose of voting on a Special Resolution, the Unit holders present in person or by proxy must hold in aggregate at least twenty five per centum (25%) of the Units in circulation of the Fund or a Class, as the case may be, at the time of the meeting. Where a Fund or Class has only one (1) remaining Unit holder, such Unit holder, whether present in person or by proxy, at the meeting shall constitute a quorum required for the meeting of the Unit holders of the Fund or a Class, as the case may be.. For the avoidance of doubt, the same quorum requirements shall apply to a meeting of Unit holders of a particular Class.

Voting is by a show of hands, unless a poll is duly demanded or the resolution proposed is required by the Deed or by law to be decided by a percentage of all Units. Each Unit holder of the Fund or of the Class present in person or by proxy has one (1) vote on a show of hands (irrespective of the Class). Upon a voting by poll, the votes by every Unit holder present in person or by proxy shall be proportionate to the value of Units held by him. 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 (1) 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 manager or its nominees shall have no voting rights in any Unit holders' meeting of the Fund or of that Class.

The Unit holders may participate in a Unit holders' meeting by video-conference, web-based communication, electronic or such other communication facilities or technologies available from time to time and to vote at the Unit holders' meeting. Participation by a Unit holder in a Unit holders' meeting by any of the communication facilities referred to in the Deed shall be deemed as present at the said Unit holders' meeting and shall be counted towards the quorum notwithstanding the fact that the Unit holder is not physically present at the main venue of where the Unit holders' meeting is to be held.

# 10. TAXATION REPORT

## **Ernst & Young Tax Consultants Sdn Bhd**

Level 23A Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

## **The Board of Directors**

Principal Asset Management Berhad  
10th Floor, Bangunan CIMB  
Jalan Semantan  
Damansara Heights  
50490 Kuala Lumpur

30 November 2022

Dear Sirs

### **Taxation of the unit trust fund and unit holders**

This letter has been prepared for inclusion in this Prospectus Issue No. 1 in connection with the offer of units in the unit trust fund known as Principal Islamic Global Responsible Equity Fund (hereinafter referred to as “the Fund”).

The purpose of this letter is to provide prospective unit holders with an overview of the impact of taxation on the Fund and the unit holders.

### **Taxation of the Fund**

The taxation of the Fund is subject to the provisions of the Malaysian Income Tax Act 1967 (MITA), particularly Sections 61 and 63B.

Subject to certain exemptions, the income of the Fund comprising profits and other investment income derived from or accruing in Malaysia after deducting tax allowable expenses, is subject to Malaysian income tax at the rate of 24% with effect from the year of assessment 2016.

Under Section 2(7) of the MITA, 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 Syariah.

The effect of this is that any gains or profits received (hereinafter referred to as “profits”) and expenses incurred, in lieu of interest, in transactions conducted in accordance with the principles of Syariah, will be accorded the same tax treatment as if they were interest.

Tax allowable expenses would comprise expenses falling under Section 33(1) and Section 63B of the MITA. Section 33(1) permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition, Section 63B allows unit trusts a deduction for a portion of other expenses (referred to as ‘permitted expenses’) not directly related to the production of income, as explained below.

“Permitted expenses” refer to the following expenses incurred by the Fund which are not deductible under Section 33(1) of the MITA:

- the manager's remuneration,
- maintenance of the register of unit holders,
- share registration expenses,
- secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage.

These expenses are given a partial deduction under Section 63B of the MITA, based on the following formula:

$$A \times \frac{B}{4C}$$

- where
- A is the total of the permitted expenses incurred for that basis period;
  - B is gross income consisting of dividend<sup>1</sup>, interest and rent chargeable to tax for that basis period; and
  - C is the aggregate of the gross income consisting of dividend<sup>1</sup> and interest (whether such dividend or interest is exempt or not) and rent, and gains made from the realisation of investments (whether chargeable to tax or not) for that basis period,

provided that the amount of deduction to be made shall not be less than 10% of the total permitted expenses incurred for that basis period.

### Exempt income

The following income of the Fund is exempt from income tax:

- **Malaysian sourced dividends**

All Malaysian-sourced dividends should be exempt from income tax.

- **Malaysian sourced interest (profits)**

- (i) interest from securities or bonds issued or guaranteed by the Government of Malaysia;
- (ii) interest from debentures or sukuk, other than convertible loan stock, approved or authorized by, or lodged with, the Securities Commission;
- (iii) interest from Bon Simpanan Malaysia issued by Bank Negara Malaysia;
- (iv) interest derived from Malaysia and paid or credited by banks licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013<sup>2</sup>;
- (v) interest derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002<sup>2</sup>;
- (vi) interest from sukuk originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved or authorized by, or lodged with, the Securities Commission or approved by the Labuan Financial Services Authority (LFSA)<sup>3</sup>; and
- (vii) interest which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.

- **Discount**

Tax exemption is given on discount paid or credited to any unit trust in respect of investments as specified in items (i), (ii) and (iii) above.

### Foreign sourced income

Pursuant to the Finance Act 2021, income derived by a resident person from sources outside Malaysia and received in Malaysia from 1 January 2022 will no longer be exempt from tax.

The Guidelines issued by the Malaysian Inland Revenue Board on 29 September 2022 define the term “received in Malaysia” to mean transferred or brought into Malaysia, either by way of cash<sup>4</sup> or electronic funds transfer<sup>5</sup>.

Foreign-sourced income (FSI) received in Malaysia during the transitional period from 1 January 2022 to 30 June 2022 will be taxed at 3% of gross. From 1 July 2022 onwards, FSI received in Malaysia will be taxed at the prevailing tax rate(s) of the taxpayer and based on applicable tax rules. Bilateral or unilateral tax credits may be allowed if the same income has suffered foreign tax, and where relevant conditions are met.

<sup>1</sup> Pursuant to Section 15 of the Finance Act 2011, with effect from the year of assessment 2011, dividend income is deemed to include income distributed by a unit trust which includes distributions from Real Estate Investment Trusts.

<sup>2</sup> Effective from 1 January 2019, the income tax exemption for a unit trust fund, pursuant to Paragraph 35A, Schedule 6 of the Income Tax Act, 1967 shall not apply to a wholesale fund which is a money market fund.

<sup>3</sup> Effective from the year of assessment 2017, the exemption shall not apply to interest paid or credited to a company in the same group or interest paid or credited to a bank licensed under the Financial Services Act 2013 or the Islamic Financial Services Act 2013; or a development financial institution prescribed under the Development Financial Institutions Act 2002.

<sup>4</sup> “Cash” in this context is defined as banknotes, coins and cheques.

<sup>5</sup> “Electronic funds transfer” means bank transfers (e.g., credit or debit transfers), payment cards (debit card, credit card and charge card), electronic money, privately-issued digital assets (e.g., crypto-assets, stablecoins) and central bank digital currency.



Income Tax (Exemption) (No. 6) Order 2022 has been issued to exempt a “qualifying person”<sup>6</sup> from the payment of income tax in respect of dividend income which is received in Malaysia from outside Malaysia, effective from 1 January 2022 to 31 December 2026. The exemption will however not apply to a person carrying on the business of banking, insurance or sea or air transport. As the definition of “qualifying person” does not include unit trust funds, it would mean that resident unit trust funds would technically not qualify for the exemption, unless there are further updates thereto.

### **Gains from the realisation of investments**

Pursuant to Section 61(1) (b) of the MITA, gains from the realisation of investments will not be treated as income of the Fund and hence, are not subject to income tax. Such gains may be subject to real property gains tax (RPGT) under the Real Property Gains Tax Act 1976 (RPGT Act), if the gains are derived from the disposal of chargeable assets, as defined in the RPGT Act.

### **Implementation of Sales and Service Tax (“SST”)**

Sales and Service Tax (“SST”) was re-introduced effective 1 September 2018. Sales Tax of 10% (most common rate) or 5% is charged by Malaysian manufacturers of taxable goods or upon importation into Malaysia of such taxable goods, unless specifically exempted under the Sales Tax (Goods Exempted From Tax) Order 2018. Service Tax at the rate of 6% is charged on certain prescribed taxable services performed by taxable persons as stipulated under Service Tax Regulations 2018. The input tax recovery mechanism under the previous GST regime does not apply to SST. Therefore, any SST incurred is not recoverable and will form a cost element for businesses.

Based on the Service Tax Regulations 2018, a unit trust fund is neither regarded as a taxable person nor as providing taxable services and is therefore not liable for SST registration. Where the Fund incurs expenses such as management fees, the management services provided by asset and fund managers who are licensed or registered with Securities Commission Malaysia for carrying out the regulated activity of fund management under the Capital Markets and Services Act 2007, are specifically excluded from the scope of Service Tax. As for other fees, such as trustee fees and other administrative charges, these may be subject to 6% service tax provided they fall within the scope of service tax (i.e. are provided by a “taxable person”, who exceeds the required annual threshold (in most cases RM 500,000 per annum) and the services qualify as “taxable services”).

### **Taxation of unit holders**

For Malaysian income tax purposes, unit holders will be taxed on their share of the distributions received from the Fund.

The income of unit holders from their investment in the Fund broadly falls under the following categories:

1. taxable distributions; and
2. non-taxable and exempt distributions.

In addition, unit holders may also realise a gain from the sale of units.

The tax implications of each of the above categories are explained below:

#### **1. Taxable distributions**

Distributions received from the Fund will have to be grossed up to take into account the underlying tax paid by the Fund and the unit holder will be taxed on the grossed up amount.

Such distributions carry a tax credit, which will be available for set-off against any Malaysian income tax payable by the unit holder. Should the tax deducted at source exceed the tax liability of the unit holder, the excess is refundable to the unit holder.

Please refer to the paragraph below for the income tax rates applicable to the grossed up distributions.

#### **2. Non-taxable and exempt distributions**

Tax exempt distributions made out of gains from the realisation of investments and exempt income earned by the Fund will not be subject to Malaysian income tax in the hands of the unit holders.

A retail money market fund is exempted from tax on its interest income derived from Malaysia, pursuant to Paragraph 35A of Schedule 6 of the ITA. Pursuant to the Finance Act 2021, with effect from 1 January 2022, distributions by a retail

---

<sup>6</sup> “Qualifying person” in this context means a person resident in Malaysia who is:

- (a) An individual who has dividend income received in Malaysia from outside Malaysia in relation to a partnership business in Malaysia;
- (b) A limited liability partnership which is registered under the Limited Liability Partnerships Act 2012; or
- (c) A company which is incorporated or registered under the Companies Act 2016.

money market fund from such tax exempt interest income, to a unit holder other than an individual, will no longer be exempt from tax. The distribution to unit holders other than individuals will be subject to withholding tax at 24%. This would be a final tax for non-residents. Malaysian residents are required to include the distributions in their tax returns and claim a credit in respect of the withholding tax suffered. Individuals will continue to be exempt from tax on such distributions.

## Rates of tax

The Malaysian income tax chargeable on the unit holders would depend on their tax residence status and whether they are individuals, corporations or trust bodies. The relevant income tax rates are as follows:

Unit holders	Malaysian income tax rates
<p>Malaysian tax resident:</p> <ul style="list-style-type: none"> <li>• Individual and non-corporate unit holders (such as associations and societies)</li> <li>• Co-operatives<sup>7</sup></li> <li>• Trust bodies</li> <li>• Corporate unit holders <ul style="list-style-type: none"> <li>(i) A company with paid up capital in respect of ordinary shares of not more than RM2.5 million (at the beginning of the basis period for the year of assessment) and gross income from a source or sources consisting of a business not exceeding RM50 million for the basis period for the year of assessment<sup>8 9</sup></li> <li>(ii) Companies other than (i) above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Progressive tax rates ranging from 0% to 30%</li> <li>• Progressive tax rates ranging from 0% to 24%</li> <li>• 24%</li> <li>• First RM600,000 of chargeable income @ 17%</li> <li>• Chargeable income in excess of RM600,000 @ 24%</li> <li>• 24%</li> </ul>
<p>Non-Malaysian tax resident (Note 1):</p> <ul style="list-style-type: none"> <li>• Individual and non-corporate unit holders</li> <li>• Corporate unit holders and trust bodies</li> </ul>	<ul style="list-style-type: none"> <li>• 30%</li> <li>• 24%</li> </ul>

### Note 1:

Non-resident unit holders may be subject to tax in their respective countries depending on the provisions of the tax legislation in the respective countries and any existing double taxation arrangements with Malaysia.

## Gains from sale of units

<sup>7</sup> Pursuant to Paragraph 12(1), Schedule 6 of the MITA, the income of any co-operative society—  
(a) in respect of a period of five years commencing from the date of registration of such co-operative society; and  
(b) thereafter where the members' funds [as defined in Paragraph 12(2)] of such co-operative society as at the first day of the basis period for the year of assessment is less than seven hundred and fifty thousand ringgit, is exempt from tax.

<sup>8</sup> A company would not be eligible for the 17% tax rate on the first RM600,000 of chargeable income if:-  
(a) more than 50% of the paid up capital in respect of the ordinary shares of the company is directly or indirectly owned by a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;  
(b) the company owns directly or indirectly more than 50% of the paid up capital in respect of the ordinary shares of a related company which has paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment;  
(c) more than 50% of the paid up capital in respect of the ordinary shares of the company and a related company which has a paid up capital in respect of ordinary shares of more than RM2.5 million at the beginning of a basis period for a year of assessment is directly or indirectly owned by another company.

<sup>9</sup> The above excludes a business trust and a company which is established for the issuance of asset-backed securities in a securitization transaction approved by the Securities Commission.

Gains arising from the realisation of investments will generally not be subject to income tax in the hands of unit holders unless they are insurance companies, financial institutions or traders / dealers in securities.

**Unit splits and reinvestment of distributions**

Unit holders may also receive new units as a result of unit splits or may choose to reinvest their distributions. The income tax implications of these are as follows:

- Unit splits – new units issued by the Fund pursuant to a unit split will not be subject to income tax in the hands of the unit holders.
- Reinvestment of distributions – unit holders may choose to reinvest their income distribution in new units by informing the Manager. In this event, the unit holder will be deemed to have received the distribution and reinvested it with the Fund.

\*\*\*\*\*

We hereby confirm that, as at the date of this letter, the statements made in this letter correctly reflect our understanding of the tax position under current Malaysian tax legislation and the related interpretation and practice thereof, all of which are subject to change, possibly on a retrospective basis. We have not been retained (unless specifically instructed hereafter), nor are we obligated to monitor or update the statements for future conditions that may affect these statements.

The statements made in this letter are not intended to be a complete analysis of the tax consequences relating to an investor in the Fund. As the particular circumstances of each investor may differ, we recommend that investors obtain independent advice on the tax issues associated with an investment in the Fund.

Yours faithfully  
**Ernst & Young Tax Consultants Sdn Bhd**

Bernard Yap  
Partner

Ernst & Young Tax Consultants Sdn Bhd has given its consent to the inclusion of the Taxation Adviser's Letter in the form and context in which it appears in this Prospectus Issue No.1 and has not withdrawn such consent before the date of issue of this Prospectus Issue No. 1.

# 11. DISTRIBUTORS OF THE FUND

## 11.1. OUR BRANCHES

Main Branch  
Northern Branch  
Southern Branch  
Sarawak Branch  
Sabah Branch  
Ampang Branch  
Melaka Branch  
Kuantan Branch  
Kota Bharu Branch

*For information and updates on our branches, please contact our Customer Care Centre under the “Corporate Directory” section during business hour between 8:45 a.m. and 5:45 p.m. (Malaysian time) from Mondays to Fridays or refer to our website at [www.principal.com.my](http://www.principal.com.my).*

## 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  
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

### **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  
Kelana Jaya  
47301 Petaling Jaya Selangor  
Tel: (603) 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

**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

**Aces Advisors**  
Unit D5-6 Ritze Perdana 1  
Jalan PJU 8/2  
Damansara Perdana  
47820 Petaling Jaya, Selangor  
Tel: (6016) 2292 342

**GVG Solution Agency**  
No. 12-01 Jalan Setia Tropika 1/29  
Taman Setia Tropika  
Johor Bahru  
81200 Johor  
Tel: (607) 2326 976

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

**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

**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 Bougainvellea  
10 Boulevard Lebuhraya Sprint PJU 6A  
47400 Petaling Jaya  
Selangor  
Tel: (603) 7733 5009

**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

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

**My IFP Kemaman**  
PT 10725, Ground Floor  
Jalan Kubang Kurus  
Taman Cukai Utama Fasa 4  
24000 Kemaman  
Terengganu  
Tel: (609) 8589 911

**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

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

**Victorious Agency**  
33-01 Jalan Tampoi Susur 1  
81200 Johor Bahru  
Johor  
Tel: (6011) 1211 840

**KPG Elite Billionaire**  
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

**Synergy Wealth Entrepreneur**

98-2 Jalan Dwitasik  
Dataran Dwitasik  
Bandar Sri Permaisuri  
Cheras  
56000 Kuala Lumpur  
Tel: (603) 9226 5344

**KPG Capital Growth Solution**

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

**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

**Millionaire Empire Group**

23-1 Jalan Rejang 4  
Setapak Jaya  
53300 Kuala Lumpur  
Tel: (603) 4141 6644

**Charisma Legacy 3**

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

**Charisma Legacy Kota Bharu**

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

**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 2**

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

**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

**Finaims**

Suite 3a Level 4 Starling Mall  
Damansara Uptown  
47400 Petaling Jaya  
Selangor  
Tel: (6013) 3257 653

**Note:** We have the discretion in determining the Distributors of the Classes of the Funds, including its appointment and/or termination from time to time. For updated and more information on the Distributors of the Classes of the Funds, please contact our Customer Care Centre under the "Corporate Directory" section during business hour between 8:45 a.m. and 5:45 p.m. (Malaysian time) from Mondays to Fridays or refer to our website at [www.principal.com.my](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, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class MYR		Page
<b>Currency denomination</b>	MYR	
<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 the Manager's discretion and will vary from period to period depending on the availability of realised income for distribution and performance of the Fund.	42

## FEES & CHARGES

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

Charges	Class MYR	Page
<b>Application Fee*</b>	Up to 5.00% of the NAV per unit.	32
<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.	32
<b>Switching Fee</b>	Switching is treated as a withdrawal from this Class MYR and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may be charged a switching fee equal to the difference (if any) between the Application Fee of this 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 MYR100 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	32
<b>Transfer Fee</b>	A maximum of MYR50 may be charged for each transfer.	32
<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.	

\* If the Fund is an EPF-MIS approved fund and you have invested via EPF-MIS, you may be charged an Application Fee of up to 3.00% of the NAV per unit, or such other rate as the EPF may determine.

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

Fees	Class MYR	Page
<b>Management Fee</b>	Up to 1.80% per annum of the NAV of the Class.	32
<b>Trustee Fee</b>	Up to 0.03% 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.	33
<b>Expenses directly related to Fund or Class</b>	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	33
<b>Other fees payable indirectly by you when investing in the Fund</b>	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.



## TRANSACTION INFORMATION

Class MYR	Page
<b>Minimum initial investment*</b>	40
<b>Minimum additional investment</b>	40
<b>Minimum withdrawal</b>	40
<b>Minimum balance</b>	40
<b>Regular Savings Plan</b>	39
<b>Cooling-off period</b>	41
<b>Switching</b>	<b>SWITCHING</b> 41
<b>Transfer</b>	41

\* The minimum initial investment for EPF-MIS (where available) shall be MYR1,000 or such other amount as may be determined by the 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 [www.principal.com.my](http://www.principal.com.my) or [www.kwsp.gov.my](http://www.kwsp.gov.my) for updated information.

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors 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 you and/or the Fund as disclosed or illustrated in the Prospectus.**

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

# **ANNEXURE - CLASS MYR-Hedged**

This section is only a summary of the salient information about Class MYR-Hedged. 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, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class MYR-Hedged		Page
Currency denomination	MYR	
Distribution policy	Given the Fund's investment objective, the class of the Fund is not expected to pay any distribution. Distributions (if any) are at the Manager's discretion and will vary from period to period depending on the availability of realised income for distribution and performance of the Fund.	42

## FEES & CHARGES

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

Charges	Class MYR-Hedged	Page
Application Fee*	Up to 5.00% of the NAV per unit.	32
Withdrawal Penalty	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.	32
Switching Fee	Switching is treated as a withdrawal from this Class MYR-Hedged and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may be charged a switching fee equal to the difference (if any) between the Application Fee of this Class MYR-Hedged 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 MYR100 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	32
Transfer Fee	A maximum of MYR50 may be charged for each transfer.	32
Other charges payable directly by you when purchasing or withdrawing the units	Any applicable bank charges and other bank fees incurred as a result of an investment or withdrawal will be borne by you.	

\* If the Fund is an EPF-MIS approved fund and you have invested via EPF-MIS, you may be charged an Application Fee of up to 3.00% of the NAV per unit, or such other rate as the EPF may determine.

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

Fees	Class MYR-Hedged	Page
Management Fee	Up to 1.80% per annum of the NAV of the Class.	32
Trustee Fee	Up to 0.03% 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.	33
Expenses directly related to Fund or Class	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	33
Other fees payable indirectly by you when investing in the Fund	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class MYR-Hedged	Page
<b>Minimum initial investment</b>	MYR100 or such other amount as we may decide from time to time.	40
<b>Minimum additional investment</b>	MYR100 or such other amount as we may decide from time to time.	40
<b>Minimum withdrawal</b>	100 units or such other number of units as we may decide from time to time.	40
<b>Minimum balance</b>	100 units or such other number of units as we may decide from time to time.	40
<b>Regular Savings Plan</b>	RSP is available. The RSP allows you to make regular monthly investments of MYR100 or more, directly from your account held with a bank approved by us or our Distributors. The minimum initial investment for the RSP is MYR100 or such other amount as we may decide from time to time.	39
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or Distributors from the first time individual investor investing with us or our Distributors to exercise a cooling-off right. However, Principal Malaysia's staff or a person registered with a body approved by the SC to deal in unit trusts funds are not entitled to the cooling-off right.	41
<b>Switching</b>	<p>Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to:</p> <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>	41
<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.	41

\* The minimum initial investment for EPF-MIS (where available) shall be MYR1,000 or such other amount as may be determined by the 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 [www.principal.com.my](http://www.principal.com.my) or [www.kwsp.gov.my](http://www.kwsp.gov.my) for updated information.

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors 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 you and/or the Fund as disclosed or illustrated in the Prospectus.**

**We have the discretion to amend the amount, rate and/or terms and conditions for the fees, charges and/or the transaction information herein, subject to the requirements stipulated in the Deed. Where necessary, we will notify the Trustee, communicate to you and/or seek your approval on the amendments to the fees, charges and/or 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, member companies of the PFG, CIMB Group and the Trustee do not guarantee the return of your capital.

## CLASS INFORMATION

Class USD		Page
<b>Currency denomination</b>	USD	
<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 the Manager's discretion and will vary from period to period depending on the availability of realised income for distribution and performance of the Fund.	42

## FEES & CHARGES

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

Charges	Class USD	Page
<b>Application Fee</b>	Up to 5.00% of the NAV per unit.	32
<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.	32
<b>Switching Fee</b>	Switching is treated as a withdrawal from this Class USD and an investment into another Class or Principal Malaysia's fund (or its class). As such, you may 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 as the administrative fee for every switch. You may negotiate to lower the switching fee and/or administrative fee with us or our Distributors. We also have the discretion to waive the switching fee and/or administrative fee.	32
<b>Transfer Fee</b>	A maximum of USD15 may be charged for each transfer.	32
<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 the Class.

Fees	Class USD	Page
<b>Management Fee</b>	Up to 1.80% per annum of the NAV of the Class.	32
<b>Trustee Fee</b>	Up to 0.03% 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.	33
<b>Expenses directly related to Fund or Class</b>	Only expenses that are directly related to the Fund or Class can be charged to the Fund or Class respectively. Examples of relevant expenses are audit fee and tax agent's fee.	33
<b>Other fees payable indirectly by you when investing in the Fund</b>	Nil.	

**Note:** Subject always to the provisions of the Deed and GUTF, we reserve our sole and absolute discretion without providing any reason whatsoever and at any time to amend, vary, waive and/or reduce the fees and charges (except for Trustee Fee), whether payable by the Fund or Class, payable by you to the Fund or payable by any other investors to the Fund.

## TRANSACTION INFORMATION

	Class USD	Page
<b>Minimum initial investment</b>	USD100 or such other amount as we may decide from time to time.	40
<b>Minimum additional investment</b>	USD100 or such other amount as we may decide from time to time.	40
<b>Minimum withdrawal</b>	100 units or such other number of units as we may decide from time to time.	40
<b>Minimum balance</b>	100 units or such other number of units as we may decide from time to time.	40
<b>Regular Savings Plan</b>	Currently, RSP is not available.	39
<b>Cooling-off period</b>	Six (6) Business Days from the date the complete application is received and accepted by us or Distributors from the first time individual investor investing with us or our Distributors to exercise a cooling-off right. However, Principal Malaysia's staff or a person registered with a body approved by the SC to deal in unit trusts funds are not entitled to the cooling-off right.	41
<b>Switching</b>	<p>Switching will be conducted based on the value of your investment in the Class. The minimum amount for a switch is subject to:</p> <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>	41
<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.	41

**Note:** We reserve our sole and absolute discretion without providing any reason whatsoever and at any time to accept, reject, amend, vary, waive and/ or reduce (as the case maybe): (i) your request for a lower amount or number of units when purchasing units (or additional units) or withdrawing units; and/ or (ii) the minimum balance. For increase in the number of units for minimum withdrawal and minimum balance, we will require concurrence from the Trustee and you will be notified of such changes.

We may for any reason and at any time, waive or reduce: (a) any fees (except the Trustee Fee); (b) other charges payable by you in respect of the Fund; and/ or (c) transactional values including but not limited to the units or amount, for any Unit holder and/or investments made via any distribution channels or platform.

**There are fees and charges involved and investors 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 you and/or the Fund as disclosed or illustrated in the Prospectus.**

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

This page has been left blank intentionally



This page has been left blank intentionally

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

Enquiries:

Customer Care Centre **+603 7723 7260**

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

Website **[www.principal.com.my](http://www.principal.com.my)**