THIRD SUPPLEMENTAL PROSPECTUS FOR PRINCIPAL ISLAMIC GLOBAL RESPONSIBLE EQUITY FUND

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

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

This Third Supplemental Prospectus is dated 16 January 2026 and is to be read in conjunction with the Prospectus Issue No. 1 dated 27 March 2023, First Supplemental Prospectus dated 16 February 2024 and Second Supplemental Prospectus dated 30 September 2024 for the Principal Islamic Global Responsible Equity Fund ("Prospectus").

The Fund was constituted on 8 September 2022.

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

THIS FUND IS A QUALIFIED SUSTAINABLE AND RESPONSIBLE INVESTMENT FUND UNDER THE GUIDELINES ON SUSTAINABLE AND RESPONSIBLE INVESTMENT FUNDS.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 5 OF THE PROSPECTUS.

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.

THIS IS A THIRD SUPPLEMENTAL PROSPECTUS WHICH HAS TO BE READ IN CONJUNCTION WITH THE PROSPECTUS ISSUE NO. 1 DATED 27 MARCH 2023, FIRST SUPPLEMENTAL PROSPECTUS DATED 16 FEBRUARY 2024 AND SECOND SUPPLEMENTAL PROSPECTUS DATED 30 SEPTEMBER 2024.

RESPONSIBILITY STATEMENTS

This Third Supplemental 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 Third Supplemental Prospectus false or misleading.

STATEMENTS OF DISCLAIMER

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

The authorisation of the Fund, and registration of this Third Supplemental 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 the Prospectus or this Third Supplemental Prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Principal Malaysia who is responsible for the Fund and takes no responsibility for the contents in this Third Supplemental Prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this Third Supplemental 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 this Third Supplemental Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Third Supplemental 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.

THIS IS A THIRD SUPPLEMENTAL PROSPECTUS WHICH HAS TO BE READ IN CONJUNCTION WITH THE PROSPECTUS ISSUE NO. 1 DATED 27 MARCH 2023, FIRST SUPPLEMENTAL PROSPECTUS DATED 16 FEBRUARY 2024 AND SECOND SUPPLEMENTAL PROSPECTUS DATED 30 SEPTEMBER 2024.

1.0. GENERAL

1.1. This Third Supplemental Prospectus is issued to reflect the amendments made to the Prospectus as stated under paragraphs 1.4 to 8 below.

1.2. All terms used in this Third Supplemental Prospectus shall have the same meanings as those defined in the Definitions Chapter of the Prospectus unless where the context otherwise requires.

1.3. Save and except for paragraph 6.1., all information provided herein is practicable as at 30 November 2025 and shall remain current and relevant as at such date. The amendments as set out in paragraph 6.1. will take effect on the date of this Third Supplemental Prospectus.

1.4. All references to "Target Fund Company", wherever they appear in the Prospectus have been replaced with "Principal Global Investors Funds".

1.5. All references to "Target Fund Management Company", wherever they appear in the Prospectus have been replaced with "Target Fund Manager".

1.6. All references to "Target Fund Investment Manager", wherever they appear in the Prospectus have been replaced with "Target Fund Sub-Investment Managers".

1.7. All references to "Refinitiv", wherever they appear in the Prospectus have been replaced with "London Stock Exchange Group Data & Analytics".

2.0. DEFINITIONS

2.1. The definitions below under the section of "**Definitions**" at pages ii to iv have been amended as follows:

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 any day other than Saturday or Sunday on which banks are open for business in Ireland. ***Note:*** *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.*
ESG Orientated Fund	-	Means a fund of the Principal Global Investors Funds that, in accordance with the criteria outlined in Article 8 of the European Union's Sustainable Finance Disclosure Regulations, promotes environmental or social characteristics provided that the companies that the Target Fund invests in follow good governance practices.
Regulations	-	Means the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (S.I. No. 352) as may be amended, supplemented or consolidated from time to time, and includes any conditions that may from time to time be imposed thereunder by the Central Bank of Ireland affecting the Principal Global Investors Funds.
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 *www.principalam.com/eu/investment-products/ucits-funds*.
Taxonomy Regulation	-	Means the Regulation on the Establishment of a Framework to Facilitate Sustainable Investment (Regulation EU/2020/852), and amending Regulation (EU) 2019/2088, as may be supplemented, consolidated, substituted in any form or otherwise modified from time to time.
UCITS Directive	-	Means the 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 undertakings for collective investment in transferable securities as amended by Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 and as may be further amended from time to time and including any supplementing European Commission delegated regulations in force from time to time.

THIS IS A THIRD SUPPLEMENTAL PROSPECTUS WHICH HAS TO BE READ IN CONJUNCTION WITH THE PROSPECTUS ISSUE NO. 1 DATED 27 MARCH 2023, FIRST SUPPLEMENTAL PROSPECTUS DATED 16 FEBRUARY 2024 AND SECOND SUPPLEMENTAL PROSPECTUS DATED 30 SEPTEMBER 2024.

2.2. The following definitions have been added under the section of "**Definitions**" at page iii:

FATCA	-	Means: (a) Sections 1471 to 1474 of the USA Internal Revenue Code of 1986 or any associated regulations or other official guidance; (b) any treaty, law, regulation of any other jurisdiction, or relating to an intergovernmental agreement between the USA and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or any agreement pursuant to the implementation of any treaty, law or regulation in Ireland that give effect to the matters referred to in paragraphs (a) or (b) above.
Target Fund Manager	-	Principal Global Investors (Ireland) Limited.
Target Fund Shariah Investment Manager	-	Principal Islamic Asset Management Sdn. Bhd.
Target Fund Sub-Investment Managers	-	Principal Global Investors (Europe) Limited and Principal Global Investors, LLC.

2.3. The definitions of "Rule 144A Securities", "Target Fund Company", "Target Fund Investment Manager" and "Target Fund Management Company" under the section of "**Definitions**" at page iii have been deleted.

3.0. CORPORATE DIRECTORY

3.1. The email address of the "Shariah Adviser of the Fund" under the section of "**Corporate Directory**" at page v has been replaced and read as below:

Email
contact@amanieadvisors.com

4.0. FUND INFORMATION

4.1. The second paragraph under the section of "**Investment Policy and Strategy**" at page 1 has been replaced and read as below:

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 by Principal Global Investors (Ireland) Limited. 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.

4.2. The information under the section 1.9.3 "**Specific Risks Related to the Target Fund**" at pages 6 to 16 has been replaced and read as below:

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.

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 risks

There are risks associated with investment in the Target Fund.

The risks described in this Prospectus should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in the Target Fund. Potential investors should be aware that an investment in the Target Fund may be exposed to other risks from time to time.

The following risk factors may apply in respect of any investment in the Target Fund:

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 of the Target Fund. The Target Fund Manager may consult with the Target Fund Sub-Investment Managers with respect to the valuation of unquoted Shariah-compliant investments. There is an inherent conflict of interest between the involvement of the Target Fund Sub-Investment Managers in determining the valuation price of certain of the Target Fund's investments and the Target Fund Sub-Investment Managers' 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 efficient portfolio management ("EPM"), use Islamic financial derivative instruments ("FDI") in which case there can be no assurance that the valuation as determined in accordance with the provisions set out in Appendix B of the Target Fund Prospectus reflects the exact amount at which the Shariah-compliant instrument may be closed out.

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.

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 of the Target Fund 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 of the Target Fund. The Target Fund Sub-Investment Managers may, depending on the investment objective of the Target Fund, seek to mitigate this exchange rate risk by using Islamic FDI. No assurance, however, can be given that such mitigation will be successful.

Currency hedging at unit class level risk
Hedging activity at unit 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 unit class. Although the costs, gains and losses of the currency hedging transactions will accrue solely to the relevant unit class, investors are nonetheless exposed to the risk that currency hedging transactions undertaken in one unit class may impact negatively on another unit class, particularly where (pursuant to 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 unit class and at the risk of the unit class only because the unit class does not represent a segregated portion of the Target Fund's assets) thus exposing investors in other unit classes to a proportion of this risk.

Interest rate risk
The value of units 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.

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. Shariah-compliant preferred securities are subordinated borrowing to Sukuk and other Shariah-compliant 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 Shariah-compliant 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 Shariah-compliant securities or instruments or payments due on such Shariah-compliant securities or instruments (as well as any appreciation of sums invested in such Shariah-compliant 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 Shariah-compliant 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 Shariah-compliant security or an issuer relating to a Shariah-compliant security, the value of the Target Fund investing in such Shariah-compliant security may be adversely affected.

Shariah-compliant equity risks
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 short term and longer 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 market place. 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.

Shariah-compliant equity related securities risk
The Target Fund may invest in instruments such as Shariah-compliant American depository receipts ("ADRs") and Shariah-compliant global depository receipts ("GDRs"), which in addition to the risks of investments in foreign Shariah-compliant securities described herein, may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Ownership of unsponsored Shariah-compliant ADRs and Shariah-compliant GDRs 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 Shariah-compliant ADRs and Shariah-compliant GDRs.

Market capitalisation risk
The Target Fund may invest in the Shariah-compliant securities of small-to-medium-sized (by market capitalisation) companies, or Islamic FDI related to such Shariah-compliant securities. Such Shariah-compliant securities may have a more limited market than the Shariah-compliant securities of larger companies. Accordingly, it may be more difficult to effect sales of such Shariah-compliant securities at an advantageous time or without a substantial drop in price than Shariah-compliant securities of a company with a large market capitalisation and broad trading market. In addition, Shariah-compliant securities of small-to-medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavourable economic reports. Additional risk factors

associated with companies whose market capitalisation is small or mid-cap may include but are not limited to the following: limited or unproven operating history; weak or leveraged balance sheets; limited borrowing capacity; low or negative profit margins; high concentration of sales from limited number of customers; competition from more established companies; and key-man management risk.

Unlisted Shariah-compliant securities risk
The Target Fund may invest up into 10% of its NAV 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.

Restricted securities risk
The Target Fund may invest in Shariah-compliant securities purchased in private placements and/or pursuant to Rule 144A of the United States Securities Act of 1933 (as amended) (the "1933 Act") (if available), including Rule 144A securities which have not been issued with an undertaking to register them with the USA Securities and Exchanges Commission, provided that they are eligible investments for the Target Fund (i.e. they are not subject to the investment restriction outlined at section 2.2.1, paragraph 2 below). Where relevant, investment in Rule 144A securities will be subject to the investment restrictions set out in section 2.2.1 below. Rule 144A securities are securities that are not registered under the 1933 Act but can be sold to institutional investors in accordance with Rule 144A under the 1933 Act. These restricted securities may be subject to limitations on resale or transfer as a matter of law or contract. They are normally resold only to institutional investors. There can be no assurance that the Target Fund will be able to dispose of such restricted securities readily.

Real estate risk
There are specific risks associated with investing in the securities of companies in the real estate industry such as declines in the value of real estate, economic conditions and variation in property taxes, operating expenses and rental income.

Shariah-compliant Real Estate Investment Trusts ("REITS") investment risk
The Target Fund may invest in Shariah-compliant securities issued by companies whose activities are real estate related. Risks associated with investing in the Shariah-compliant securities of companies in the real estate industry include the following; declines in the value of real estate, risks related to general and local economic conditions, overbidding and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, variations in rental income, changes in neighbourhood values, the appeal of properties to tenants and increases in interest rates.

In addition, equity REITS may be affected by changes in the value of the underlying property owned by the trusts, while mortgage REITS may be affected by the quality of credit extended. Equity and mortgage REITS are dependent upon management skills, may not be diversified and are subject to the risks of financing projects.

Such trusts are also subject to heavy cash flow dependency, defaults by borrowers, self-liquidation and the possibility of failing to qualify for tax-free pass-through of income under the USA Internal Revenue Code of 1986, as amended, and to maintain exemption from the USA Investment Trust Act of 1940, as amended.

The ability to trade Islamic REITS in the secondary market can be more limited than other stocks. The liquidity of Islamic REITS on the major USA stock exchanges is on average less than the typical stock quoted on the S&P 500 Index.

Investment in Islamic CIS risk
The Target Fund may invest in one or more Islamic CIS including schemes managed by the Target Fund Sub-Investment Managers or their 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 Sub-Investment Managers' fees and other expenses which the Target Fund bears directly in connection with its own operations. On the other hand, where a commission (including a rebated commission) or any quantifiable monetary benefits is received by the Target Fund Manager or Target Fund Sub-Investment Managers in connection with an investment in the units of another Islamic CIS, this commission must be paid into the property of the Target Fund.

Islamic CIS may have different settlement cycles than that of the Target Fund. Thus, there may be mismatch between the two settlement cycles causing the Target Fund to use borrowing on a temporary basis to meet such obligations. This may result in charges being incurred by the Target Fund. Any such borrowing will comply with the Regulations. Further, each Islamic CIS may not be valued at the same time or on the same day as the Target Fund and accordingly the NAV of such Islamic CIS used in the calculation of the NAV of the Target Fund will be the latest available NAV of such Islamic CIS.

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 borrowed in particular, could affect the operating results of the Target Fund.

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 Sub-Investment Managers 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 Sub-Investment Managers 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.

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 Target Fund may be adversely affected. Due to market conditions the Target Fund may from time to time trade in Shariah-compliant transferable securities dealt on a permitted market that may become illiquid after they have been acquired or it may be difficult for the Target Fund to liquidate at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a temporary disruption of a particular market. Certain Shariah-compliant securities may therefore be difficult or impossible to sell at the time that the seller would like or at the price that the seller believes the Shariah-compliant security is currently worth.

Concentration risk
The investments of the Target Fund may be concentrated in a single market or country. The Target Fund which pursues a concentrated investment strategy may be subject to a greater degree of volatility and risk than a fund following a more diversified strategy. To the extent that the Target Fund concentrates its investments in a particular market or country, its investments may become more susceptible to fluctuations in value resulting from adverse economic or business conditions in that market or country. As a consequence, the aggregate return of the Target Fund may be adversely affected by the unfavourable developments in that particular market or country in which the Target Fund invests.

Financial markets and regulatory change risk
The laws and regulations affecting businesses continue to evolve in an unpredictable manner. Laws and regulations, particularly those involving taxation, investment and trade, applicable to the Principal Global Investors Funds' activities can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the interests of the Principal Global Investors Funds. The Principal Global Investors Funds and the Target Fund Manager may be or may become subject to unduly burdensome and restrictive regulation. In particular, in response to significant recent events in international financial markets, governmental intervention and certain regulatory measures which have been or may be adopted in certain jurisdictions.

Changes in the United Kingdom ("UK") political environment risk
The UK withdrew from the European Union ("EU") on 31 January 2020. The negotiation of the UK's continuing relationship with the EU is likely to take a number of years. On 24 December 2020, the UK and the EU announced their agreement on a Trade and Cooperation Agreement (the "TCA") which provisionally applied from 1 January 2021 and entered into force on 1 May 2021. The conclusion of the TCA provides a structure for EU-UK cooperation in the future. It does not necessarily create a permanent set of rules, but is a basis for an evolving relationship, with scope for increasing divergence or closer cooperation which may vary between different areas. The UK and the EU are likely to continue to negotiate trading or other agreements for a number of years. Therefore, the UK's future economic and political relationship with the EU (and with other non-EU countries by agreement) continues to remain uncertain. This uncertainty means it is not possible to determine the full impact that the UK's departure from the EU and/or any related matters may have on the Principal Global Investors Funds and/or on the Target Fund or its investments. The uncertainty surrounding the UK's relationship with the EU and its withdrawal as a member state of the EU may adversely impact the Principal Global Investors Funds and/or the Target Fund and its investments (in particular those that relate to companies or assets based in, doing business in, or having services or other significant relationships in or with, the UK).

Accounting, auditing and financial reporting standards risk
The accounting, auditing and financial reporting standards of many of the countries in which the Target Fund may invest may be less extensive than those applicable in the EU.

Eurozone risk
In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Target Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of a EU member state from the Eurozone, may have a negative impact on the value of the Target Fund.

Epidemics and pandemics risk
Health crises caused by the outbreak of an infectious disease may exacerbate political, social and economic risks in certain countries. Outbreaks of infectious diseases may lead to changes in regional or global economic conditions and have a negative impact on the performance of the Target Fund. Such outbreaks may impact the markets in which the Target Fund invests or the Target Fund's investments more generally. This may also impact the timely calculation of the Target Fund's NAV, processing dealing in the Target Fund's units or dealing in the Target Fund's underlying investments. The impact of infectious diseases in emerging developing or emerging markets may be greater due to less established health care systems.

Emergency legislation risk
Countries around the world may introduce emergency legislation to deal with the outbreak of epidemics and/or global pandemics to give governments wide-ranging powers to act in the best interest of their citizens in order to enforce public health measures. Many of these include the ability to order a "lock down" specific areas, cities or entire regions in order to enforce social distance measures or to isolation citizens in order to halt the spread of virus and disease. Such measures may have a severe impact on the ability of the Target Fund Manager and its delegates, service providers, advisers and other third parties to whom tasks and actions have been outsourced to carry out their business.

Reinvestment of cash collateral risk
As the Target Fund may reinvest cash collateral received, subject to the conditions and within the limits laid down by the Central Bank of Ireland, the Target Fund reinvesting cash collateral will be exposed to the risk associated with such investments, such as failure or default of the issuer of the relevant security.

Redemption risk
Large redemptions of units 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.

No secondary market risk
It is not anticipated that there will be an active secondary market for the units, and it is not expected that such a market will develop. Subject to certain conditions outlined herein, including when redemptions or the registration of transfers of units are suspended, unitholders will, however, be able to realise their investment in the Target Fund by redeeming their units or by a transfer to an investor who is an eligible transferee.

Operational risks (including cyber security and identity theft risks)
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 Manager, the Target Fund Sub-Investment Managers, or the administrator (as defined in the Target Fund Prospectus). 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.

As part of its management services, the Target Fund Manager processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Target Fund and personally identifiable information of the unitholders. Similarly, service providers of the Target Fund Manager, especially the administrator, may process, store and transmit such information. The Target Fund Manager, the Target Fund Sub-Investment Managers, the administrator and the Target Fund's trustee (and their respective groups) each maintain information technology systems which each service provider believes are reasonably designed to protect such information and prevent data loss and security breaches. However, like any other system, these systems cannot provide absolute security.

The techniques used to obtain unauthorised access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Target Fund Manager may be susceptible to compromise, leading to a breach of the Target Fund Manager's network. The Target Fund Manager's systems or

facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Target Fund Manager to the unitholders may also be susceptible to compromise.

The service providers of the Target Fund Manager are subject to the same electronic information security threats as the Target Fund Manager. If the Target Fund Sub-Investment Managers or other service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Principal Global Investors Funds and personally identifiable information of the unitholders may be lost or improperly accessed, used or disclosed.

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 Manager and its delegates, the loss or improper access, use or disclosure of proprietary information may cause the Target Fund Manager or the Target Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Target Fund and the unitholders' investments therein.

It should be noted that investors in the Principal Global Investors Funds will be afforded all appropriate safeguards and rights in accordance with the Data Protection Legislation.

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 increased 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 Target Fund's trustee may be instructed by the Target Fund Sub-Investment Managers to settle transactions on a delivery free of payment basis where the Target Fund Sub-Investment Managers believe that this form of settlement is appropriate. Unitholders should be aware, however, that this may result in a loss to the Target Fund if a transaction fails to settle and the Target Fund's trustee will not be liable to the Target Fund or the unitholder for such a loss, provided the Target Fund's trustee has acted in good faith in making any such delivery or payment.

Tax risk
The income and/or gains of the Target Fund from its securities and assets may suffer withholding tax in the countries where such income and/or gains arise. The Target Fund may not be able to benefit from reduced rates of withholding tax in double taxation agreements between Ireland and such countries. If this position changes in the future and the application of a lower rate results in repayment to the Target Fund, the NAV of the Target Fund will not be restated and the benefit will be allocated to the existing unitholders (i.e. the Fund) at the time of repayment. Where the Target Fund invests in assets that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Target Fund may not be able to recover such withheld tax and so any change may have an adverse effect on the NAV of the Target Fund.

FATCA risk
The USA and Ireland have entered into an intergovernmental agreement to implement FATCA (the "**IGA**"). Under the IGA, an entity classified as a reporting Foreign Financial Institution (an "**FFI**") that is treated as resident in Ireland is required to provide the Revenue Commissioners with certain information in respect of its "account" holders (i.e. unitholders). The IGA provides for the automatic reporting and exchange of information between the Revenue Commissioners and the USA Internal Revenue Service in relation to accounts held in Irish reporting FFIs by USA persons, and the reciprocal exchange of information regarding USA financial accounts held by Irish residents. The Principal Global Investors Funds expects to be treated as an FFI and provided it complies with the requirements of the IGA and the Irish legislation, it should not be subject to FATCA withholding on any payments it receives and may not be required to withhold on payments which it makes. Although the Principal Global Investors Funds will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the Principal Global Investors Funds will be able to satisfy these obligations. In order to satisfy its FATCA obligations, the Principal Global Investors Funds will require certain information from investors in respect of their FATCA status. If the Principal Global Investors Funds becomes subject to a withholding tax as a result of the FATCA regime, the value of the units of the Target Fund held by all unitholders (including the Fund) may be materially affected. All prospective investors / unitholders should consult with their own tax advisors regarding the possible implications of FATCA on an investment in the Target Fund.

Common Reporting Standard ("CRS") risk
Ireland has provided for the implementation of CRS through section 891F of the Taxes Consolidation Act of Ireland and the enactment of the Returns of Certain Information by Reporting Financial Institutions Regulations 2015 (the "CRS Regulations").

The CRS, which has applied in Ireland since 1 January 2016, is a global Organisation for Economic Co-Operation and Development ("OECD") tax information exchange initiative which is aimed at encouraging a coordinated approach to disclosure of income earned by individuals and organisations.

The Principal Global Investors Funds 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 Principal Global Investors Funds 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 Principal Global Investors Funds, or a person appointed by the Principal Global Investors Funds, will report the information required to Revenue Commissioners by 30 June in the year following the year of assessment for which a return is due. The Revenue Commissioners will share the appropriate information with the relevant tax authorities in participating jurisdictions. All prospective investors / unitholders (including the Fund) should consult with their own tax advisors regarding the possible CRS implications of an investment in the Target Fund.

Subscriptions/redemptions account risk
The Principal Global Investors Funds 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 Principal Global Investors Funds in the subscriptions/redemptions account for the account of the Target Fund at a point where the Target Fund (or another sub-fund of the Principal Global Investors Funds) 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 Principal Global Investors Funds.

Depositary risk
If the Target Fund invests in assets that are financial instruments that can be held in custody ("Custody Assets"), the Target Fund's trustee 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 Target Fund's trustee 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 Target Fund's trustee is only required to verify the Target Fund's ownership of such assets and to maintain a record of those assets which the Target Fund's trustee is satisfied that the Target Fund holds ownership of. In the event of any loss of such assets, the Target Fund's trustee 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 trust deed.

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 Target Fund's trustee in relation to the respective categories of assets and the corresponding standard of liability of the Target Fund's trustee applicable to such functions differs significantly.

The Target Fund enjoys a strong level of protection in terms of Target Fund's trustee's 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 Islamic FDI traded by the Target Fund OTC 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 depositary 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 FDI risk

General Risks: The use of Islamic FDI may result in greater returns but may entail greater risk for your investment. Islamic FDI 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 FDI involves risks different from, or possibly greater than, the risks associated with investing directly in Shariah-compliant securities and other Shariah-compliant investments. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the Islamic FDI may not correlate perfectly with the underlying asset, rate or index.

Investing in an Islamic FDI could cause the Target Fund to lose more than the principal amount invested. Also, suitable Islamic FDI 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 FDI are highly volatile. Price movements of Islamic FDI 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 FDI 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 Shariah-compliant hedging instruments and the Shariah-compliant 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 FDI 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 FDI 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 FDI 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 FDI 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 FDI. 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.

Necessity for Counterparty Trading Relationships Risk: 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 Sub-Investment Managers believe that they 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 which 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.

Forward Trading Risk: 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. Forward contracts also carry roll risk, which is the risk that when a forward contract expires, a new forward to replace the expired one cannot be put into place at the same cost or on the same hedge basis. This may occur due to changes in market liquidity or interest rates, resulting in a potential slippage or loss in the hedge position due to the contract expiration and roll.

Foreign Exchange Transactions Risk: Where the Target Fund utilises Islamic FDI which alter the currency exposure characteristics of Shariah-compliant 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 Shariah-compliant securities positions held.

Futures and Options Trading is Speculative and Volatile Risk: 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 NAV of the Target Fund, 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 FDI 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 Shariah-compliant securities in which the Target Fund may invest. The underlying security may be subject to market volatility thus rendering an investment in a Shariah-compliant warrant a higher risk than an investment in a Shariah-compliant equity security. The Target Fund may purchase or sell futures contracts with a greater or lesser value than the Shariah-compliant securities it wishes to hedge or intends to purchase in order to attempt to compensate for differences in volatility between the contract and the securities, although this may not be successful in all cases. If price changes in the Target Fund's futures positions are poorly correlated with its other investments, the positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

Risks Associated with Swaps: The Target Fund may enter into swap agreements with respect to currencies, interest rates, credit defaults and financial indices. The Target Fund may use these techniques for EPM purposes to hedge against changes in interest rates, currency rates, securities prices, or as part of its overall investment strategies. Whether the Target Fund's use of swap agreements will be successful will depend on the Target Fund Sub-Investment Managers' ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments.

Payments under a swap contract may be made at the conclusion of the contract or periodically during its term. If there is a default by the counterparty to a swap contract the Target Fund will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that swap contract counterparties will be able to meet their obligations pursuant to swap contracts or that, in the event of default, the Target Fund will succeed in pursuing contractual remedies. As such, the Target Fund assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to swap contracts.

Index Risk: If an Islamic FDI 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 FDI 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.

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

Collateral Risk: Collateral or margin may be passed by the Target Fund to a counterparty or broker in respect of OTC Islamic FDI transactions. Assets 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. Where collateral is posted to a counterparty or broker by way of title transfer, the collateral may be re-used by such counterparty or broker for their own purpose, thus, exposing the Target Fund to additional risk.

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 FDI is difficult to purchase or sell. If an Islamic FDI transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated Islamic FDI), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

Liquidity of Futures Contracts Risk: 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.

Legal Risk: The use of OTC Islamic FDI, 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 contract may not accurately reflect the intention of the parties.

Emerging Markets risks

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

Accounting Standards Risk: 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 Shariah-compliant securities held on its behalf by a sub-custodian.

Disclosure Risk: Less complete and reliable fiscal and other information may be available to the investors.

Legal Risk: 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 investors as would generally apply in major securities markets. Risks associated with many emerging market legal systems include (i) the untested nature of the independence of the judiciary and its immunity from economic, political or nationalistic influences; (ii) inconsistencies among laws, presidential decrees and governmental and ministerial orders and resolutions; (iii) the lack of judicial and administrative guidance on interpreting applicable laws; (iv) a high degree of discretion on the part of government authorities; (v) conflicting local, regional and federal laws and regulations; (vi) the relative inexperience of judges and courts in interpreting new legal norms; and (vii) the unpredictability of enforcement of foreign judgements and foreign arbitration awards. There is no guarantee that further judicial reform aimed at balancing the rights of private and governmental authorities in courts and reducing grounds for re-litigation of decided cases will be implemented and succeed in building a reliable and independent judicial system.

Market Characteristics/ Liquidity and Settlement Risks: In general, emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and many emerging markets are not highly regulated. When seeking to sell emerging market Shariah-compliant securities, little or no market may exist for the Shariah-compliant securities. The combination of price volatility and the less liquid nature of Shariah-compliant securities markets in emerging markets may, in certain cases, affect 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.

High Yield and Distressed Securities Risk: Below investment grade Shariah-compliant debt securities, and investments in obligations of stressed, distressed and bankrupt issuers, including debt obligations that are in default, are speculative and involve a greater risk of default and price changes due to changes in the issuer's creditworthiness. The market prices of these Shariah-compliant debt securities fluctuate more than investment grade Shariah-compliant debt securities and may decline significantly in periods of general economic difficulty. In addition, below investment grade

Shariah-compliant securities are subject to a greater risk of potential illiquidity with the market for these types of Shariah-compliant securities typically being much less liquid than the market for investment grade Shariah-compliant debt securities.

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 Risk: 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 units 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.

Sustainable Finance Disclosures Risks

SFDR and Taxonomy Regulation - Legal risk
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 Manager 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 Manager 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.

None of the Target Fund Manager, the Target Fund Shariah Investment Manager, the Target Fund Sub-Investment Managers or the Target Fund's trustee guarantees the repayment of capital or the performance of the Target Fund. Investment decisions made on behalf of the Target Fund will not always prove profitable. Neither the Principal Global

Investors Funds, the Target Fund Manager nor the Target Fund Sub-Investment Managers shall be liable to investors (or to any other persons) for any error of judgement in the selection of the Target Fund's investments.

Specific Risks applicable to the Shariah Funds

Reliance on Shariah adviser
The Target Fund Shariah Adviser does not monitor performance of the Target Fund.

The Target Fund Shariah Adviser monitors the activities of the Target Fund to advise on the Target Fund's compliance with the Target Fund's 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 Shariah 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, prospective investors 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 Shariah Investment Manager or the Target Fund Shariah Adviser regarding the 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 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 Shariah Investment Manager, the depositary or their principals and affiliates makes any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of such determination. In the event that the status of such Shariah compliance should change, none of the Target Fund Shariah Adviser, the Target Fund Shariah Investment Manager, the depositary or its principals and affiliates accepts liability in relation to such change.

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

Although the Target Fund Shariah Investment Manager intends to observe the Target Fund's Shariah investment guidelines at all times in relation to the Target Fund, 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 Shariah Investment Manager. In such instances, the Target Fund Shariah Adviser will propose a remedial action to be implemented by the Target Fund Shariah Investment Manager and investors will be informed of purification liabilities, if any, resulting from the Shariah non-compliant investments.

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 or delay in repayment).

5.0. TARGET FUND INFORMATION

5.1. The information under section 2 "**Target Fund Information**" at pages 17 to 31 has been replaced and read as below:

2.1. ABOUT ISLAMIC GLOBAL RESPONSIBLE EQUITY FUND ("TARGET FUND")

The Target Fund is a sub-fund of the Principal Global Investors Funds. The Principal Global Investors Funds is an open-ended umbrella unit trust which was authorised in Ireland as a UCITS pursuant to the Regulations. Principal Global Investors (Ireland) Limited (the "**Target Fund Manager**") was incorporated in Ireland on 22 March 1999 and is ultimately a wholly-owned subsidiary of Principal Financial Group Inc. The Target Fund Manager brings a focused perspective and offers expertise across a host of investment capabilities including fixed income, equities, real estate, asset allocation, currency, stable value, and other structured investment strategies. The Target Fund Manager has delegated certain duties to the administrator, the investment manager and other parties, subject to the supervision and direction by the directors of the Target Fund Manager and subject to compliance with the requirements of the Central Bank of Ireland. It is intended that the Target Fund will be centrally managed and controlled in Ireland.

The Target Fund Manager has appointed Principal Islamic Asset Management Sdn Bhd to act as the Shariah investment manager to the Target Fund (the "**Target Fund Shariah Investment Manager**"), to provide day-to-day management in respect of the investment and re-investment of the net assets of the Target Fund. The Target Fund Shariah Investment Manager offers Islamic investment solutions to global institutional investors and investment management services to collective investment funds and managed more than RM16.9 billion as of 30 September 2025. The Target Fund Shariah Investment Manager commenced its operations in November 2008 and its current shareholders are Principal Financial Services, Inc. (60%) and CIMB Group (40%). The Target Fund Shariah Investment Manager was appointed pursuant to an Investment Management Agreement, as described in the Target Fund Prospectus under the heading Material Contracts. The Target Fund Shariah Investment Manager is regulated in Malaysia by the SC.

The Target Fund Shariah Investment Manager has appointed Principal Global Investors (Europe) Limited ("**PGIE**") and Principal Global Investors, LLC ("**PGI LLC**") to act as sub-investment managers to the Target Fund. PGIE and PGI LLC are collectively referred to as the ("**Target Fund Sub-Investment Managers**"). The Target Fund Sub-Investment Managers are global investment management leaders offering retirement services, insurance solutions and asset management. The Target Fund Sub-Investment Managers offer businesses, individuals and institutional clients a wide range of financial products and services, including retirement, asset management and insurance through their diverse family of financial services companies. The Target Fund Shariah Investment Manager fulfils the role of "manager of managers" and as such is responsible for overseeing the Target Fund Sub-Investment Managers that may independently manage certain distinct portions of the Target Fund. The Target Fund Shariah Investment Manager may also manage some portion of the Target Fund directly. PGIE is authorised and regulated by the Financial Conduct Authority in the UK and PGI LLC is regulated by the Securities and Exchange Commission in the USA.

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 90% of its NAV in a globally diversified portfolio of Shariah-compliant equities (Shariah compliance being determined based on the assessment described below) of which the proportion of investment in environmental or social characteristics shall not be less than 85%, 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 Sub-Investment Managers, as defined further below, 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 Sub-Investment Managers then seek 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 Sub-Investment Managers 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 Sub-Investment Managers 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 Sub-Investment Managers 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 Sub-Investment Managers subsequently analyse 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" below, that are promoted by the Target Fund.

In jurisdictions where it would not be possible or practical for the Target Fund to hold the Shariah-compliant equity securities directly, it may obtain exposure through Shariah-compliant equity-related securities including Shariah-compliant ADRs and Shariah-compliant GDRs.

The Target Fund may invest more than 20% of its NAV in emerging markets.

The Target Fund may also invest in Islamic REITS, subject to a maximum of 25% of the Target Fund's NAV. An Islamic REIT is typically established as a trust, corporation, or partnership structure that uses pooled capital of many investors to purchase and manage income property and/or mortgage loans.

A proportion of the net assets of the Target Fund (subject to a maximum of 10% of its NAV) may be invested in Shariah-compliant UCITS eligible CIS (being CIS which operate according to the requirements of Shariah law for example other sub-funds of the Principal Global Investors Funds), including Shariah-compliant 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 Shariah-compliant non-UCITS CIS (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 may hold up to 10% of its NAV in ancillary Shariah-compliant liquid assets, such as cash and other hedging instruments.

The Target Fund's investments will (other than permitted unlisted investments) be listed/traded on the exchanges and markets listed in Appendix E 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, further details of which are set out in 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 "Specific Investment Restrictions and Shariah Investment Guidelines of the Target Fund" below.

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 Sub-Investment Managers 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 Sub-Investment Managers 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 under paragraph "Disclosures for the EU Sustainable Finance Disclosure Regulation" below 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.

Disclosures for the EU Sustainable Finance Disclosure Regulation

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. The Target Fund promotes environmental and social characteristics as defined in the SFDR.

The environmental characteristics considered by the Target Fund are company contribution towards the United Nations Sustainable Development Goals and environmental stewardship. The social characteristics considered by the Target Fund are public health, health and safety and workforce and community management. The Target Fund Sub-Investment Managers combine an assessment of ESG risks with screening and exclusion criteria. Further information about the environmental and social characteristics promoted by the Target Fund is available in the SFDR Annex appended to the Target Fund's supplement.

The Target Fund Sub-Investment Managers are signatories to the UN Principles for Responsible Investment (the "UNPRI") as part of the Principal Asset Management 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 ***www.principalglobal.com/eu/about-us/responsible-investing***.

Disclosures for the Taxonomy Regulation

While the Target Fund promotes environmental characteristics, the Target Fund's investments do not take into account the criteria for environmentally sustainable economic activities, including enabling or transitional activities within the meaning of the Taxonomy Regulation. As such, a minimum of 0% of the NAV of the Target Fund shall be invested in Taxonomy-aligned investments.

The "do no significant harm" principle applies only to those investments underlying the Target Fund that take into account the criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation. The investments underlying the remaining portion of the Target Fund do not take into account the criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation.

Dividend Policy

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

2.2 INVESTMENT RESTRICTIONS OF THE TARGET FUND

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

2.2.1 INVESTMENT LIMITS

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 2.2.5.

2. The Target Fund shall not invest 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 USA 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 USA 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 of the EU 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 of the EU or its local authorities or by a non-member state of the EU or public international body of which one or more member states of the EU 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.

11. 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.

12. 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 of the EU, its local authorities, non-member states of the EU or public international bodies of which one or more member states of the EU 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 investment grade), Government of India (provided the issues are 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, EU, 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 INVESTMENT IN ISLAMIC COLLECTIVE INVESTMENT SCHEMES

1. The Target Fund may not invest more than 20% of its NAV in any one Islamic CIS.
2. Investment in alternative investment funds ("AIFs") may not, in aggregate, exceed 30% of the Target Fund's NAV.
3. The Islamic CIS are prohibited from investing in more than 10% of net assets in other open-ended Islamic CIS.
4. When the Target Fund invests in the units of other Islamic CIS that are managed, directly or by delegation, by the Target Fund Manager or by any other company with which the Target Fund Manager is linked by common management or control, or by a substantial direct or indirect holding, that Target Fund Manager, or other company may not charge subscription, conversion or redemption fees on account of that Target Fund's investment in the units of such other Islamic CIS.
5. Where by virtue of an investment in the units of another Islamic CIS, the Target Fund Manager or Target Fund Sub-Investment Managers receives a commission on behalf of the Target Fund (including a rebated commission), the Target Fund Manager or Target Fund Sub-Investment Managers shall ensure that the relevant commission is paid into the property of the Target Fund.

2.2.3 GENERAL PROVISIONS

1. The Target Fund Manager acting in connection with all of the Islamic CIS it manages, may not acquire any Shariah-compliant shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.

2. The Target Fund may acquire no more than:
   a) 10% of the non-voting Shariah-compliant shares of any single issuing body;

b) 10% of the Sukuk of any single issuing body;
c) 25% of the units of any single Islamic CIS;
d) 10% of the Islamic money market instruments of any single issuing body.

Note: *The limits laid down in 2(b), 2(c) and 2(d) above may be disregarded at the time of acquisition if at that time the gross amount of the Sukuk or of the Islamic money market instruments, or the net amount of the Shariah-compliant securities in issue cannot be calculated.*

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 of the EU or its local authorities;
   b) Shariah-compliant transferable securities and Islamic money market instruments issued or guaranteed by a non-member state of the EU;
   c) Shariah-compliant transferable securities and Islamic money market instruments issued by public international bodies of which one or more member states of the EU are members;
   d) Shariah-compliant shares held by the Target Fund in the capital of a company incorporated in a non-member state of the EU which invests its assets mainly in the Shariah-compliant securities of issuing bodies having their registered offices in that state, where under the legislation of that 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 state. This waiver is applicable only if in its investment policies the company from the non-member state of the EU complies with the limits laid down in paragraphs 2.2.1 (3) to (11), 2.2.2 (1), 2.2.2.(2), 2.2.3 (1), 2.2.3 (4) and (5) and provided that where these limits are exceeded, paragraph 2.2.3 (5) is 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 units at unitholders' 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. 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 unitholders.

6. 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 FDIs.
   Note: *Despite the disclosure stated as above, the Target Fund has additional restrictions on the use of Islamic FDIs as stated under paragraph 2.2.4 below.*

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

2.2.4 ISLAMIC FINANCIAL DERIVATIVE INSTRUMENTS

1. The Target Fund's global exposure relating to Islamic FDI must not exceed its total NAV.
2. Position exposure to the underlying assets 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 FDI provided that the counterparties to the OTC Islamic FDI are institutions subject to prudential supervision and belonging to categories approved by the Central Bank of Ireland.
4. Investment in Islamic FDI is subject to the conditions and limits laid down by the Central Bank of Ireland.

2.2.5 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 of the EU 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 of the EU.

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 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 CIS as per Target Fund's investment strategy stated above and additional restrictions as stated below.*

***Note:** For more information about the Target Fund Prospectus and Target Fund's supplement, please refer to the website at www.principalam.com/eu/investment-products/ucits-funds.*

2.2.6 SHARIAH INVESTMENT GUIDELINES

The Target Fund's securities and other investments will be subject to strict Shariah investment guidelines. These are set out in the supplement for the Target Fund. The Target Fund Shariah Investment Manager and Target Fund Sub-Investment Managers, 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 Target Fund's 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 Shariah Investment Manager and/or Target Fund Sub-Investment Managers where any of the following instances occur in respect of the Shariah-compliant securities held by the Target Fund.

"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 original investment costs, the Target Fund must liquidate them. Any capital gains arising from the disposal of the Shariah non-compliant securities may be kept by the Target Fund. However, any excess capital gains derived from the disposal after the announcement day at a market price that is higher than the closing price on the announcement 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 original 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 non Shariah-compliant securities are held by the Target Fund.

"Shariah non-compliant securities"

If the Target Fund Shariah Investment Manager and/or Target Fund Sub-Investment Managers mistakenly invests in Shariah non-compliant securities, the Target Fund Shariah Investment Manager must dispose of any non Shariah-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.

2. 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 Target Fund's 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.

3. 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 2.2.6 must be read together with paragraph 2.3.*

2.2.7 BORROWING

In relation to the Target Fund, the Target Fund Shariah Adviser must advice that any borrowing carried out pursuant to the terms set out in section 2.6 of the Target Fund Prospectus is Shariah-compliant. The Target Fund may borrow up to 10% of its net assets on a temporary basis.

2.2.8 EFFICIENT PORTFOLIO MANAGEMENT

The Target Fund may enter into Islamic FDI for hedging and EPM purposes only 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 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 Sub-Investment Managers' discretion, be fully or partially hedged back to USD through the use of Shariah-compliant currency forwards. The Target Fund may enter only into such transactions for EPM to change the currency profile of the Target Fund without changing the profile of the invested assets. These are non-standardized, negotiated, OTC 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 OTC. 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 Islamic 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.principalam.com/eu/investment-products/ucits-funds)*

The Target Fund Manager employs a risk-management process in respect of the Target Fund which enables it to accurately measure, monitor and manage the various risks associated with Islamic FDI. The Target Fund shall only utilise the Islamic FDI listed in the risk management process. The Target Fund Sub-Investment Managers use a risk management technique known as the commitment approach to calculate the Target Fund's global exposure to ensure

that the Target Fund's use of Islamic FDI is within the limits specified by the Central Bank of Ireland. On request, supplementary information will be provided to the unitholders 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 Islamic FDI will not exceed 100% of the Target Fund's NAV. Simple leverage is calculated as being global exposure divided by the Target Fund's NAV.

Any investment in Islamic FDIs is subject to the Target Fund Shariah Adviser's prior review.

Further information is set out in the Target Fund Prospectus under the section 2 General Information and section 3 Special Investment Considerations and Risks.

2.2.9 Use of Islamic FDI

The Target Fund may use Islamic FDI including currency forwards, profit rate swaps and futures for the purposes of EPM and hedging purposes only if deemed advisable by the Target Fund Sub-Investment Managers, 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 unitholders 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 Manager, 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 are used principally for hedging purposes (to create hedged currency unit classes (hedged back to the base currency of the unit class), or to alter the currency exposure characteristics of portfolio investments). The Target Fund Sub-Investment Managers may (but is not obliged to) seek to mitigate exchange rate risk by using Islamic FDI.

The Target Fund Manager uses a risk management process which enables it to accurately measure, monitor and manage the various risks associated with the derivative instruments used by the Target Fund.

Supplementary information will be provided by or on behalf of the Target Fund to its unitholders 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.

The Target Fund uses the commitment approach to calculate its global exposure as a result of the use of Islamic FDI. 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 Manager shall be free at its discretion to take advantage of any wider investment powers which may become permitted under the Regulations.

The Target Fund may use techniques and instruments, including Islamic FDI, '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. In particular, the Target Fund may enter into forward currency contracts to alter the currency exposure characteristics of portfolio investments.

The Target Fund may also enter into currency forward contracts which may be used to alter the currency exposure characteristics of certain assets held by the Target Fund but will never be used for speculative purposes. Such contracts will generally be utilised to gain exposure to a currency in which the Target Fund may invest directly rather than to purchase the cash assets in that currency.

Futures - In purchasing a futures contract, the buyer agrees to purchase a specified underlying on a specified future date. In selling a futures contract, the seller agrees to sell a specified underlying on a specified future date. The price at which the purchase and sale will take place is fixed when the buyer and seller enter into the contract. Futures not

calling for physical delivery of the underlying instrument will be settled through cash payments rather than through delivery of the underlying instrument. Futures can be held until their delivery dates or can be closed out by offsetting purchases or sales of futures contracts before then if a liquid market is available. The Target Fund may realise a gain or loss by closing out its futures contracts.

The value of a futures contract tends to increase and decrease in tandem with the value of its underlying. Therefore, purchasing futures contracts will tend to increase the Target Fund's exposure to positive and negative price fluctuations in the underlying, much as if it had purchased the underlying directly. When the Target Fund sells a futures contract, by contrast, the value of its futures position will tend to move in a direction contrary to the market. Selling futures contracts, therefore, will tend to offset both positive and negative market price changes, much as if the underlying had been sold.

The purchaser or seller of a futures contract is not required to deliver or pay for the underlying or the final cash settlement price, as applicable, unless the contract is held until the delivery date. However, both the purchaser and seller are required to deposit "initial margin" with a futures broker, known as a futures commission merchant (FCM), when the contract is entered into. If the value of either party's position declines, that party will be required to make additional "variation margin" payments to settle the change in value on a daily basis. The party that has a gain is entitled to receive all or a portion of this amount.

Because there are a limited number of types of exchange-traded futures contracts, it is likely that the standardised contracts available will not match the Target Fund's current or anticipated investments exactly. The Target Fund may invest in futures contracts based on securities with different issuers, maturities or other characteristics from the securities in which the Target Fund typically invests, which involves a risk that the futures position will not track the performance of the Target Fund's other investments.

Futures prices can also diverge from the prices of their underlying, even if the underlying match the Target Fund's investments well. Futures prices are affected by such factors as current and anticipated short-term interest rates, changes in volatility of the underlying and the time remaining until expiration of the contract, which may not affect security prices the same way. Imperfect correlation may also result from differing levels of demand in the futures markets and the securities markets, from structural differences in how futures and securities are traded or from imposition of daily price fluctuation limits or trading halts.

The Target Fund may use bond and interest rate futures contracts to efficiently manage the duration, or interest rate sensitivity, of the Target Fund. Frequently, using futures to achieve a particular strategy instead of using the underlying or related security results in lower transaction costs being incurred and less disruption to the underlying assets of the Target Fund. The Target Fund may also use futures contracts to hedge or gain exposure to currencies.

Forwards - A forward contract locks-in the price at which a bond or a specific currency may be purchased or sold on a future date. The contract holders are obliged to buy or sell the bond or currency at a specified price, at a specified quantity and on a specified future date. The party agreeing to buy the underlying in the future assumes the long position, and the party agreeing to sell the asset in the future assumes a short position. This reduces the Target Fund's exposure to changes in the value of the bond or currency it will deliver and increases its exposure to changes in the value of the bond or currency it will receive for the duration of the contract.

Currency forwards are used to hedge unwanted currency risk. The Target Fund may use one currency (or a basket of currencies) to hedge against adverse changes in the value of another currency (or a basket of currencies) when exchange rates between the two currencies are positively correlated. Currency forwards have the risk of currency exposure in the same way as a regular currency spot transaction. Currency forwards are traded OTC and therefore have counterparty risk.

Bond forwards are used in the same manner as interest rate futures in markets or where futures contracts are not available or lack suitable liquidity. Bond forwards have the same duration risk as the bond as it is simply a forward settlement of a purchase or sale. In addition, there is counterparty risk associated with these instruments.

Such transactions may not be successful and may eliminate any chance for the Target Fund to benefit from favourable fluctuations in relevant foreign currencies or bond prices.

Swaps - Swaps are individually negotiated and structured to include exposure to a variety of different types of investments or market factors and can vary in term like other fixed-income investments. Most swap agreements are traded OTC. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realised on particular predetermined investments or instruments. The gross returns to be exchanged or swapped between the parties are calculated with respect to a notional amount, which is the predetermined principal of the trade representing the hypothetical underlying quantity upon which payment obligations are computed.

Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Target Fund's investments. 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 swap agreement counterparty.

Under a standard interest rate swap, two counterparties agree to exchange specified cash flows for a specified period of time. Generally, a floating rate cash flow is exchanged for a series of fixed interest rate payments. The counterparty that receives the fixed rate payments obtains interest rate exposure similar to buying a fixed rate bond and the other counterparty obtains floating rate interest exposure. The exchanged cash flows are based off a "notional" amount of principal that is not physically exchanged between counterparties. Interest rate swaps are customizable and frequently trade out to 10 years, making interest rate swaps a more flexible tool to be used in managing interest rate risk along the yield curve.

Swaptions can be used, whereby one party receives a fee in return for agreeing to enter into a forward swap at a predetermined fixed rate if some contingency event occurs (normally where future rates are set in relation to a fixed benchmark). Swaptions may be used for hedging purposes or, if sold, as a source of additional income in the form of a premium.

The Target Fund may use swaps for EPM.

2.2.10 COLLATERAL POLICY

In the context of EPM techniques, including the use of Islamic FDI for hedging purposes, 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.

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 collateral policy for the Principal Global Investors Funds outlined below.

1. 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 to cover daily variation margin calculations as required under EMIR and 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 Manager'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 assets or cash forming part of the Target Fund in accordance with normal market practice (including the transfer of daily variation margins) 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 Target Fund's trustee 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 Target Fund's trustee 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 NAV. 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 an 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(12). 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 NAV.

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 Principal Global Investors Funds. 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 Sub-Investment Managers 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 Sub-Investment Managers 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 Sub-Investment Managers on an ongoing basis. To the extent that the Target Fund avails of the increased issuer exposure facility in section 5(ii) of Schedule 3 of the Central Bank of Ireland's Requirements, such increased issuer exposure may be to any of the issuers listed in section 2.2.1 (12) above.

Non-cash collateral cannot be sold, pledged or re-invested.
Cash collateral may not be invested other than in the following:

(i) Islamic/non-interest bearing deposits with Relevant Institutions (means a credit institution as specified in Regulation 7 of the Central Bank of Ireland's Requirements, being 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 in a third country deemed equivalent pursuant to Article 107(4) of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012);
(ii) high-quality government Sukuk;
(iii) short-term Islamic money market funds as defined in the Articles 2(14) of the Money Market Funds Regulation.

Re-invested cash collateral should be diversified in accordance with the Central Bank of Ireland diversification requirements applicable to non-cash collateral. Cash 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 cash 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. 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 other than where it is protected by client money rules or similar arrangements. 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.

Collateral posted to a counterparty by or on behalf of the Target Fund will consist of such collateral as is agreed with the counterparty from time to time and may include any types of assets held by the Target Fund.

2.3 SPECIFIC INVESTMENT RESTRICTIONS AND SHARIAH INVESTMENT GUIDELINES OF THE TARGET FUND

2.3.1 The general investment restrictions set out under "Investment Restrictions of the Target Fund" above and the following investment restrictions shall apply to the Target Fund:

(a) The Target Fund's investments in Shariah-compliant equities as provided for in the investment policy, issued by any single issuer must not exceed 10% of the Target Fund's NAV;

(b) The Target Fund's investments in Shariah-compliant equities, as provided for in the investment policy must not exceed 10% of the securities issued by any single issuer;

(c) 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;

(d) In the case of cross-investment by the Target Fund in another sub-fund of the Principal Global Investors Funds, 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 Principal Global Investors Funds;

(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 units of the other sub-funds of the Principal Global Investors Funds ("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 section 2.2.6 "Shariah Investment Guidelines" shall apply to the Target Fund. The following also constitute the Shariah Investment Guidelines in respect of the Target Fund:

(a) **Shariah-compliant Equities** - 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 which have been reviewed 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 (brewers, distillers & vintners, packagers, transporters, sellers and resellers);

(B) recreational cannabis products;

(C) pork-related products (food products, food retailers & wholesalers, hotels, restaurants & bars);

(D) conventional financial services (banking, insurance, investment services, insurance brokers, mortgage finance, etc.);

(E) weapons and defence (defence industries, manufacturers of weapons, contractors, suppliers of spyware and offensive components and systems);

(F) entertainment (hotels, cinema, pornography, music, etc.).

(ii) Investment is not allowed in companies which are directly active in or derive any revenue from the manufacture and/or sale and/or distribution of tobacco and electronic cigarettes; or casinos / gambling.

(iii) 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) **Islamic money market instruments** - The Fund shall only invest in money market instruments which are endorsed by other Shariah scholar(s) or Shariah boards with the Shariah Adviser's prior review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements.

(c) **Islamic deposits** - 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.

(d) **Islamic CIS** - The Target Fund shall only invest in UCITS eligible CIS which are endorsed by other Shariah scholar(s) or Shariah boards with the Target Fund Shariah Adviser's prior review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements.

(e) **Islamic FDI** - The Target Fund shall only invest in Islamic FDI which are endorsed by other Shariah scholar(s) or Shariah boards with the Target Fund Shariah Adviser's prior review of the relevant documents e.g. principal terms and conditions and Shariah pronouncements.

2.4. REDEMPTION POLICY

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 unitholders.

2.5. RESTRICTIONS ON REDEMPTION

In certain circumstances, the Target Fund Manager has the discretion to implement measures to ensure the Target Fund is sufficiently liquid to meet redemption requests.

The Target Fund Manager is entitled, with the approval of the Target Fund's trustee, to limit the total number of units of the Target Fund redeemed on any dealing day (whether by sale to the Target Fund Manager or by cancellation by the Target Fund's trustee) to units representing 10% of the NAV of the Target Fund.

In this event, the limitation will apply pro rata so that all unitholders wishing to redeem units of the Target Fund on that dealing day redeem the same proportion of such units. Units not redeemed, but which would otherwise have been redeemed, will be carried forward for redemption on the next dealing day.

The Target Fund's trust deed also contains provisions that permit the Target Fund Manager to make an in specie distribution of investments to a unitholder whose redemption request represents 5% or more of the NAV of the Target Fund. Any such distribution shall not be prejudicial to other unitholders. However, the Target Fund's unitholder may require the Target Fund Manager to sell such investments on its behalf and pay it the proceeds of sale less any costs incurred in connection with such sale.

Further, the Target Fund Manager may at its discretion, require up to 4 days' notice of each redemption request in respect of institutional units where such request (or series of requests from the one unitholder) would result in the payment of an amount to that unitholder which would in aggregate represent more than 5% of the NAV of the Target Fund.

2.6. SUSPENSION OF REDEMPTION OF UNITS

The Target Fund Manager may at any time, with the approval of the Target Fund's trustee, temporarily suspend the right of unitholders to require the redemption of units of any class and/or may temporarily delay the payment of any monies in respect of any such redemption during the following periods:

(i) any period when any markets on which a substantial part of the Shariah-compliant investments or other property for the time being comprised in the Target Fund are quoted, listed or dealt in is closed otherwise than for ordinary holidays;

(ii) any period when dealings on any such markets are restricted or suspended;

(iii) the existence of any state of affairs as a result of which disposal of some or all investments or other property for the time being comprised in the Target Fund cannot, in the opinion of the Target Fund Manager, be effected normally or without seriously prejudicing the interests of unitholders of that class;

(iv) any breakdown in the means of communication normally employed in determining the NAV of the Target Fund or when, for any other reason, the value of any investments or other property for the time being comprised in the Target Fund cannot be promptly and accurately ascertained; or

(v) any period when the redemption of investments or other property for the time being comprised in the Target Fund or the transfer of funds involved in such redemption cannot, in the opinion of the Target Fund Manager, be effected at normal prices or normal rates of exchange.

Unitholders of the Target Fund who have requested redemption of any units will be notified of any such suspension and unless withdrawn (but subject to the limitation referred to above), their requests will be dealt with on the first dealing day after the suspension is lifted. Any such suspension will be notified to the Central Bank of Ireland and to the competent authorities in the member states of the EU where units of the relevant class or classes are marketed immediately. Where feasible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

Note: *Suspensions of redemption of units 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.*

2.7. SPECIFIC RISKS OF THE TARGET FUND

Please refer to section 1.9.3 "*Specific Risks Related to the Target Fund*" for details.

2.8. FEES CHARGED BY THE TARGET FUND (USD I CLASS ACCUMULATION SHARES)

FEES/EXPENSES	
Initial Charge	Nil.
Management Fee	Up to 0.80% per annum of the NAV of the Target Fund ***Note:*** *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.*
Shariah Adviser Fee	Up to USD 3,000 (payable quarterly in arrears out of the assets of the Target Fund)
Trustee Fee	0.012% per annum of the NAV of the Target Fund

Note: *For more information about the Target Fund Prospectus and Target Fund's supplement, please refer to the website at www.principalam.com/eu/investment-products/ucits-funds.*

6.0. FEES, CHARGES AND EXPENSES

6.1. The following bullet points have been inserted after the eleventh bullet point under the section of "**Other Expenses**" at page 33:

- costs, fees and expenses deemed by the Manager to have been incurred in connection 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, ministry, agency or department;

- costs, fees and expenses incurred in relation to the subscription, renewal and/or licensing of the performance benchmark for the Fund;
- costs, fees and expenses incurred in the engagement and provision of a registrar, administrator and/or transfer agent services; and
- costs, fees and expenses incurred in the provision of any electronic or digital invoicing.

7.0. TRANSACTION INFORMATION

7.1. The first paragraph under the section of "**Unclaimed Moneys**" at page 43 has been replaced and read as below:

Any moneys payable to you which remain unclaimed after two (2) years as prescribed by the 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.

8.0. TAXATION REPORT

8.1. The information under the section 10 "**Taxation Report**" at pages 55 to 59 has been replaced and read as below:

Ernst & Young Tax Consultants Sdn Bhd
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

14 July 2025

The Board of Directors
Principal Asset Management Berhad
Level 32, Exchange 106
Lingkaran TRX
Tun Razak Exchange
55188 Kuala Lumpur

Dear Sirs

Taxation of the unit trust fund and unit holders

This letter has been prepared for inclusion in this Third Supplemental Prospectus in connection with the offer of units in the unit trust 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) of the MITA permits a deduction for expenses that are wholly and exclusively incurred in the production of gross income. In addition,

Section 63B of the MITA 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:

- 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[1], interest and rent chargeable to tax for that basis period; and

C is the aggregate of the gross income consisting of dividend[1] 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**

  (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[2];

  (v) interest derived from Malaysia and paid or credited by any development financial institution prescribed under the Development Financial Institutions Act 2002[2];

  (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)[3]; and

  (vii) interest which is specifically exempted by way of statutory orders or any other specific exemption provided by the Minister.

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[1] Pursuant to Section 63B(2) of the MITA, 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.

[2] 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.

[3] 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.

- **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 (FSI)

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.

Based on the Malaysian Inland Revenue Board's ("MIRB") "Guidelines on Tax Treatment in Relation to Income Received from Abroad (Amendment)" updated on 20 June 2024, the term "received in Malaysia" means transferred or brought into Malaysia, either by way of cash[4] or electronic funds transfer[5].

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[6], and where relevant conditions are met.

The Income Tax (Unit Trust in relation to Income Received In Malaysia from Outside Malaysia) (Exemption) Order 2024 [P.U.(A) 250] has been issued to exempt a "qualifying unit trust"[7] from the payment of income tax in respect of gross income from all sources of income under Section 4 of the MITA (including capital gains classified under Section 4 (aa)), which is received in Malaysia from outside Malaysia.

This exemption applies to FSI received in Malaysia from 1 January 2024 to 31 December 2026, subject to the following conditions being complied with by the qualifying unit trust or the management company[8] of the qualifying unit trust:

- The income received in Malaysia has been subject to tax of a similar character to income tax under the laws of territory from which the income arose; and
- The highest rate of tax of a similar character to income tax under the law of that territory at that time is not less than 15%.

OR

- The management company of the qualifying unit trust shall employ an adequate number of employees in Malaysia and incur an adequate amount of operating expenditure in Malaysia.

The exemption will not apply to a unit trust carrying on the business of banking, insurance or sea or air transport.

Gains from the realisation of investments

Pursuant to the Finance (No. 2) Act 2023, gains from the realisation of investments by a unit trust would no longer be exempt from tax. Pursuant to Section 61(1)(b) of the MITA, gains arising from the realisation of investments shall be treated as income of a unit trust under Section 4(aa) of MITA, provided that such gains are not related to real property as defined in the Real Property Gains Tax Act 1976. Section 4(aa) of the MITA provides that gains or profits from the disposal of a capital asset are to be treated as a class of income. The tax imposed on such income under the MITA is commonly referred to as "capital gains tax" (CGT).

Based on the MITA, the following will be subject to CGT:

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[4] "Cash" in this context is defined as banknotes, coins and cheques.

[5] "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.

[6] "Foreign tax" includes withholding tax

[7] "Qualifying unit trust" in this context means a unit trust resident in Malaysia that is:
(a) managed by a management company;
(b) has income received in Malaysia from outside of Malaysia; and
(c) does not include a unit trust which is approved by the Securities Commission as Real Estate Investment Trust or Property Trust Fund listed on Bursa Malaysia.

[8] "Management company" means a company licensed by the Securities Commission by which or on whose behalf a unit of a qualifying unit trust –
(a) has been or is proposed to be issued, or offered for subscription or purchase; or
(b) in respect of which an invitation to subscribed or purchase has been made.
And includes any person for the time being exercising the functions of the management company.

Capital assets situated in Malaysia

a) Gains or profits from the disposal of shares of a company incorporated in Malaysia not listed on the stock exchange (including any rights or interests thereof) owned by a company, limited liability partnership, trust body or co-operative society.
b) Gains or profits, accruing to a company, limited liability partnership, trust body or co-operative society, on the disposal of shares in foreign incorporated controlled companies deriving value from real property in Malaysia, as determined based on the relevant provisions of the MITA.

Capital assets situated outside Malaysia

c) Gains or profits from the disposal of movable or immovable property situated outside Malaysia including any rights or interests thereof. Such gains will only be subject to tax when the gains are received in Malaysia.

Note:
Pursuant to the Income Tax (Exemption) (No.3) Order 2024 [P.U.(A) 75], a trust body is exempted from payment of income tax in respect of gains or profits from the disposal of capital asset arising from outside Malaysia which is received in Malaysia. This exemption applies for such disposals from 1 January 2024 to 31 December 2026 subject to the following conditions being complied with by the trust body:

- employ an adequate number of employees in Malaysia with necessary qualifications to carry out the specified economic activities in Malaysia; and
- incur an adequate amount of operating expenditure for carrying out the specified economic activities in Malaysia.

Note that this exemption order applies to companies, limited liability partnerships, cooperative societies and trust bodies, whilst the Income Tax (Unit Trust in relation to Income Received in Malaysia from Outside Malaysia) (Exemption) Order 2024 [P.U.(A) 250] (as referred above) applies specifically to qualifying unit trusts.

The Finance (No. 2) Act 2023 provides an effective date of 1 January 2024 for the above changes to the MITA. However, pursuant to the Income Tax (Exemption) (No. 7) Order 2023 [P.U.(A) 410] and the Income Tax (Exemption) (No. 2) Order 2024 [P.U.(A) 57], taxpayers, including a trust body, are exempted from the payment of income tax in respect of any gains or profits received from the disposal of capital assets situated in Malaysia (see Item (a) and (b) above) where such disposals occur between 1 January 2024 to 29 February 2024.

In addition to the above, the Income Tax (Unit Trust) (Exemption) Order 2024 [P.U.(A) 249] exempts a qualifying unit trust[9] resident in Malaysia from the payment of income tax in respect of any gains or profit received from the disposal of shares of a company incorporated in Malaysia which is not listed on the stock exchange and from the disposal of shares under section 15C of the MITA where such disposals occur between 1 January 2024 to 31 December 2028.

The exemption will not apply to gains or profits from the disposals of capital assets that fall under Section 4(a) of the MITA, as business income.

CGT rates

As noted above, various tax exemptions are available to a qualifying unit trust. For completeness, if exemptions did not apply, the relevant tax rates of the gains of the disposal of capital assets are as below:

	Tax rates
A. Disposal of capital assets situated in Malaysia which was acquired before 1 January 2024	
• On chargeable income of the disposal	10%
• On gross disposal price	2%
B. Disposal of capital assets situated in Malaysia which was acquired after 1 January 2024	
• On chargeable income of the disposal	10%
C. Disposal of capital assets situated outside Malaysia	
• On chargeable income of the disposal	24% (prevailing tax rate of a unit trust)

[9] "Qualifying unit trust" in this context does not include a unit trust which is approved by the Securities Commission as a Real Estate Investment Trust or Property Trust Fund listed on Bursa Malaysia.

Implementation of Sales and Service Tax ("SST")

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 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 Goods and Services Tax 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 service tax[10] 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. See item 2 below on certain distributions which are not taxable to unit holders.

Such taxable 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 holders.

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 MITA. Pursuant to the Finance Act 2021, with effect from 1 January 2022, distributions by a retail 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.

As stated above, with effect from 1 January 2024 (1 March 2024 for disposals of shares of a company incorporated in Malaysia not listed on the stock exchange), gains arising from the realisation of investments shall be treated as income of the Fund under Section 4(aa) of the MITA, pursuant to the proviso of Section 61(1)(b) of MITA. However, pursuant to

[10] Pursuant to Service Tax (Rate of Tax) (Amendment) Order 2024 [P.U. (A) 64], the service tax rate is increased from 6% to 8% with effect from 1 March 2024 on generally all of the taxable services except for provision of food and beverage services, telecommunication services, parking space and logistics services.

Section 61(1A) of the MITA, unit holders will still not be charged to tax on the gains referred to in the proviso of Section 61(1)(b) of the MITA.

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
Malaysian tax resident:	
• Individual and non-corporate unit holders (such as associations and societies)	• Progressive tax rates ranging from 0% to 30%
• Co-operatives[11]	• Progressive tax rates ranging from 0% to 24%
• Trust bodies	• 24%
• Corporate unit holders	
(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[12] [13]	• First RM150,000 of chargeable income @ 15%[14] • Next RM450,000 of chargeable income @17% • Chargeable income in excess of RM600,000 @ 24%
(ii) Companies other than (i) above	• 24%
Non-Malaysian tax resident (Note 1):	

[11] 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.

[12] A company would not be eligible for the concessionary 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.
(d) Pursuant to the Finance Act 2023, effective from the year of assessment 2024, in order for a company to qualify for the concessionary tax rates not more than 20% of the paid-up capital in respect of the ordinary shares of the company at the beginning of a basis period for a year of assessment can be directly or indirectly owned by one or more companies incorporated outside Malaysia or by individuals who are not citizens of Malaysia.

[13] 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.

[14] Pursuant to the Finance Act 2023, effective from the year of assessment 2023, the concessionary tax rate is reduced from 17% to 15% for the first RM150,000 of chargeable income.

Unit holders	Malaysian income tax rates
• Individual and non-corporate unit holders	• 30%
• Corporate unit holders and trust bodies	• 24%

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

Gains arising from the sale of units 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.

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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 Third Supplemental Prospectus and has not withdrawn such consent before the date of issue of this Third Supplemental Prospectus.

9.0. CONSENT

9.1. HSBC (Malaysia) Trustee Berhad, Ernst & Young Tax Consultants Sdn. Bhd., Amanie Advisors Sdn Bhd, Principal Global Investors (Ireland) Limited, Principal Islamic Asset Management Sdn. Bhd, Principal Global Investors (Europe) Limited and Principal Global Investors, LLC. have given their consents for the inclusion of their name, statements and/or reports in the form and context in which they appear in this Third Supplemental Prospectus and have not withdrawn such consents.