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Date: 13 June 2022

Dear valued PRS member,

**Notification to Core Fund Members under Principal PRS Plus and Principal Islamic PRS Plus**

This notification is addressed to the members of the Core Funds under the Principal PRS Plus and Principal Islamic PRS Plus (collectively known as “PRS Schemes”), which consists of the following funds:

PRS Schemes	Principal PRS Plus	Principal Islamic PRS Plus
<b>Core Funds</b>	Principal PRS Plus Conservative (PRS-C)	Principal Islamic PRS Plus Conservative (iPRS-C)
	Principal PRS Plus Moderate (PRS-M)	Principal Islamic PRS Plus Moderate (iPRS-M)
	Principal PRS Plus Growth (PRS-G)	Principal Islamic PRS Plus Growth (iPRS-G)

We, Principal Asset Management Berhad (“Principal Malaysia”), as the provider of the PRS Schemes would like to inform you of the following developments:

**1. Replacement of existing Core Funds with New Core Funds**

Principal Malaysia will be replacing the existing Core Funds with the following funds:

- Principal RetireEasy Income and Principal Islamic RetireEasy Income (“Income Fund”)
  - A series of Target Date Funds (“TDF”)
- (Collectively known as “New Core Funds”)*

The replacement of existing Core Funds with New Core Funds will be effective on the launch date of TDF. Please refer to item 1 of Appendix 1 for more information.

**2. Automatic Migration of Do-It-For-Me (“Default Option”) Members from Existing Core Funds to New Core Funds (“Auto Migration”)**

After the New Core Funds are launched, Default Option members under the existing Core Funds will be automatically migrated into one (1) of the New Core Funds based on the member’s year of birth. The Auto Migration date will be the launch date of the TDF. Please refer to item 5 of Appendix 1 for more details on Auto Migration.

Your interests will not be materially prejudiced nor affected following the Auto Migration. Your rights as a member of the PRS Schemes remains, which includes the rights for withdrawal, switching and transfer. If you wish to withdraw, switch or transfer, the relevant PRS forms are available for download from our website at [www.principal.com.my](http://www.principal.com.my) and you may submit the completed forms to Principal branches for processing. There will be no change to your investment balance (RM) and you will not incur any charges or cost for the Auto Migration.

Please note that the following members will not be affected by the Auto Migration and will remain invested in the existing funds:

- Do-It-Myself members under existing Core Funds (i.e., PRS-C, PRS-M, PRS-G, iPRS-C, iPRS-M, iPRS-G)
- Members under the Non-Core Funds (i.e., Principal Islamic PRS Plus Equity, Principal Islamic PRS Plus Asia Pacific Ex Japan Equity, Principal PRS Plus Equity and Principal PRS Plus Asia Pacific Ex Japan Equity)

Nevertheless, the members are also able to invest in New Core Funds in addition to their current investment.

We look forward to providing you with best-in-class wealth management services through a full range of investment solutions. Should you require clarification or further information, please contact our Customer Care Centre via:

- WhatsApp chat at 016 2999792 or click [here](#)
- Email at [service@principal.com.my](mailto:service@principal.com.my)
- Call at 03-7723 7260.

Thank you.

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Yours faithfully,  
For **Principal Asset Management Berhad**,

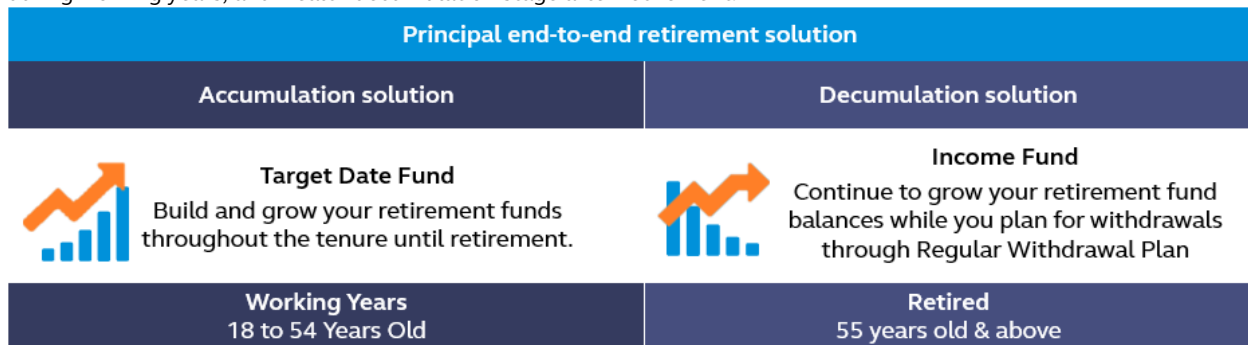


**MUNIRAH KHAIRUDDIN**  
Chief Executive Officer / Chief Country Head Malaysia

## APPENDIX 1

According to the various studies and statistics on Malaysia's retirement landscape, it shows that some 48% of EPF members below age 55 have critically low retirement savings<sup>1</sup>, and a majority of those who withdrew their entire EPF savings upon reaching age 55 would use it up within two to three years<sup>2</sup>. The current average life expectancy of Malaysians at the age of 60 years old in 2021 is around 78.9 years old for males, and 81.8 years old for females<sup>3</sup>. With the current retirement age of 55 years old ("Retirement Age"), the retirees must make sure they have enough savings to sustain for another 20 to 30 years post retirement to ensure they do not outlive their savings.

As part of the efforts in addressing this concern, Principal Malaysia will be offering an end-to-end retirement solution in helping investors to have a comprehensive retirement planning, which will cover both the wealth accumulation stage during working years, and wealth decumulation stage after retirement.



### 1. New Core Funds under PRS Schemes

The New Core Funds below will be offered as part of our end-to-end retirement solution to investors, which consists of the TDF and Income Fund.

Principal end-to-end retirement solution	New Core Funds	
	Principal PRS Plus	Principal Islamic PRS Plus
Accumulation solution	TDF 2030 <sup>#</sup>	Islamic TDF 2030 <sup>#</sup>
	TDF 2040 <sup>#</sup>	Islamic TDF 2040 <sup>#</sup>
	TDF 2050 <sup>#</sup>	Islamic TDF 2050 <sup>#</sup>
	TDF 2060 <sup>#</sup>	Islamic TDF 2060 <sup>#</sup>
Decumulation solution	Principal RetireEasy Income	Principal Islamic RetireEasy Income

<sup>#</sup>Please note that this is not the actual fund name. You will be notified of the fund name after the issuance of replacement disclosure document for the PRS Schemes.

#### 1.1 What is TDF?

TDF will serve as the accumulation solution for the investors. Target Date Fund (TDF) is a collective investment scheme that is managed with a target date in mind, i.e., the target date the investor is expected to retire. The target date of a TDF will be stated in its fund name and each TDF will mature on the last calendar day of the target date (e.g., TDF 2060 will mature on 31 December 2060).

TDF is widely used for retirement planning globally such as in the United States, Chile, Thailand etc. as it is proven to be a simple and easy to understand approach to diversification. To begin, you just need to choose a TDF with a target date that best corresponds with your expected year of retirement. Then, you may save and invest regularly into the selected TDF to accumulate wealth during the working years, all the way until the target date. We will manage your investment balances in a suitable mix of assets, which will be adjusted dynamically to help you remain invested in an age-appropriate risk and return portfolio.

The TDF is designed to help you manage investment risk and to invest in a portfolio that rebalances over time as you age towards retirement. Generally, the TDF seeks more opportunity for growth in the early years when investors are

<sup>1</sup> Source: [The Edge Markets](#)

<sup>2</sup> Source: [The Star](#)

<sup>3</sup> Source: [Department of Statistics Malaysia](#)

still far away from Retirement Age, where younger investors will have a higher risk tolerance to maximize potential growth. Subsequently, the risk tolerance will generally reduce as the investor gets closer to the Retirement Age, thus the TDF will place more emphasis on wealth preservation and stability.

The TDF's asset allocation will be actively adjusted over time, where it will shift gradually from a more aggressive investment mix to a more conservative mix as it gets closer to the target date. This gradual shift over time is known as "Glidepath", which produces the ideal asset allocation throughout the lifespan of the TDF. With Glidepath, investors will always be invested in a portfolio that offers an appropriate risk and return balance which corresponds with investor's risk tolerance as they grow nearer to Retirement Age. Please refer to item 3 for illustration on Glidepath.

## 1.2 What is Income Fund?

The Principal RetireEasy Income and Principal Islamic RetireEasy Income ("Income Fund") are designed to serve as the decumulation solution for retirees. The Income Funds are multi-asset fund that may invest in a diversified portfolio of income generating assets. They are the dedicated funds designed with the appropriate risk and return profile for retirees, which aims to help investors to grow continuously even after they reached Retirement Age.

## 2. What is the difference between existing Core Funds and New Core Funds?

### 2.1 De-risking mechanism

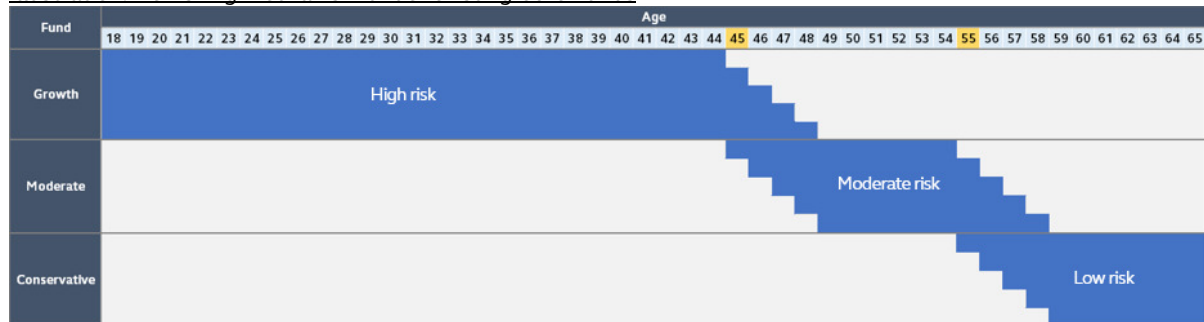
#### Existing Core Funds

Upon reaching the age specified in the table below, Default Option members will be switched from a higher-risk core fund to a lower-risk core fund in an equal proportion over 5 -year period based on the number of units remaining in the fund for de-risking purpose.

Member's Age	Existing Core Funds	
	Principal PRS Plus	Principal Islamic PRS Plus
55 years and above	PRS-C	iPRS-C
45 years and above but have not yet reached 55 years	PRS-M	iPRS-M
Below 45 years	PRS-G	iPRS-G

The de-risking flow is not as smooth and dynamic since it is only performed at a specific point of time and at a fixed frequency. Also, the Default Option members may be exposed to unfavorable fund price movements as they need to be switched between funds.

#### Illustration: De-risking mechanism under existing Core Funds

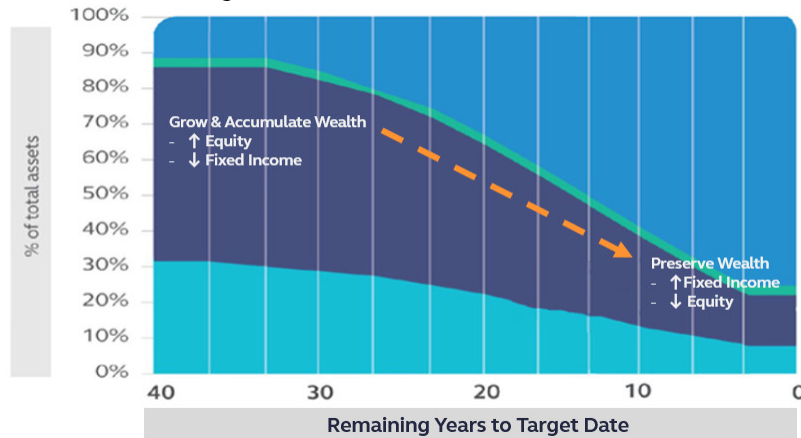


#### New Core Funds

In TDF, de-risking is performed within the same fund. With Glidepath, the TDF's asset allocation will be actively adjusted over time, where it will shift gradually from a more aggressive investment mix to a more conservative mix as it gets closer to the target date.

As de-risking is performed dynamically throughout the TDF's lifespan towards its target date, the de-risking flow will be smoother as the TDF's asset allocation is adjusted actively over time. Default Option members no longer need to be switched from one fund to another for de-risking purpose. This will also help the investors to avoid the risk of being switched at an unfavorable NAV per unit.

Illustration: De-risking mechanism under New Core Funds – TDF



As the TDF matures on its target date, the Default Option members would have also reached the Retirement Age. As such, we will move all members within the TDF into one of the Income Funds to begin the decumulation journey. The Income Funds are designed with retiree’s needs in mind, i.e., the need to withdraw from the funds to support post-retirement cash flow needs and continue to grow the remaining fund balances. The Income Funds have a moderately conservative risk profile to help the retirees in earning a decent return to overcome inflation while preserving their wealth through a lower risk fund.

## 2.2 Allocation of Default Option members

### Existing Core Funds

Currently, Default Option members are allocated into one of the existing Core Funds based on their age.

Age	Existing Core Funds	
	Principal PRS Plus	Principal Islamic PRS Plus
55 years and above	PRS-C	iPRS-C
45 years and above but have not yet reached 55 years	PRS-M	iPRS-M
Below 45 years	PRS-G	iPRS-G

### New Core Funds

Moving forward, Default Option members will be allocated into one of the New Core Funds based on his year of birth. With this allocation, the target date of the TDF will closely correspond with the members’ expected year of retirement, and the Default Option members would have attained the Retirement Age by the time the TDF matures on its target date.

Member’s Year of Birth	New Core Funds	
	Principal PRS Plus	Principal Islamic PRS Plus
On or before 1967	RetireEasy Income	Islamic RetireEasy Income
1968 – 1975	TDF 2030 <sup>#</sup>	iTDF 2030 <sup>#</sup>
1976 – 1985	TDF 2040 <sup>#</sup>	iTDF 2040 <sup>#</sup>
1986 – 1995	TDF 2050 <sup>#</sup>	iTDF 2050 <sup>#</sup>
1996 – 2005	TDF 2060 <sup>#</sup>	iTDF 2060 <sup>#</sup>

<sup>#</sup>Please note that this is not the actual fund name. You will be notified of the fund name after the issuance of replacement disclosure document for the PRS Schemes.

## 3. Why New Core Funds?

Accumulation solution	Decumulation solution
<b>TDF</b> <ul style="list-style-type: none"> <li>▪ <b>Simplicity &amp; ease of mind</b> Just invest into 1 TDF based on your year of birth which will have a target date that closely</li> </ul>	<b>Income Fund</b> <ul style="list-style-type: none"> <li>▪ <b>Seamless post-retirement solution</b> Upon the maturity of TDF, Default Option members would have reached the Retirement Age and will</li> </ul>

Accumulation solution	Decumulation solution
<p>corresponds to your expected year of retirement.</p> <ul style="list-style-type: none"> <li> <b>Diversification</b>            The TDF is unconstrained in its allocation in asset types and region. The TDF may invest globally into various asset classes, which includes but not limited to equities, debt securities/sukuk, unlisted securities, collective investment schemes (including exchange-traded funds and real estate investment trust), money market instruments, deposits etc. that is permitted under the SC Guidelines on Private Retirement Schemes. This enables the TDF to capture the growth opportunities when it arises and as deemed appropriate by us.         </li> <li> <b>Dynamic de-risking</b>            With Glidepath, the asset allocation of the TDF will be adjusted actively and gradually over time to ensure investors are exposed to an appropriate risk and return balance which suits their risk profile as they age. Investor will enjoy a seamless and dynamic de-risking process throughout the investment journey by just investing in a single TDF.         </li> </ul>	<p>enter the decumulation stage. By default, all members within the TDF will be switched automatically into the Income Fund to begin the decumulation journey.</p> <ul style="list-style-type: none"> <li> <b>Dedicated fund for retirees</b>            The Income Funds are funds designed with an appropriate risk and return profile that suits the retirees. It aims to offer a sustainable return to investors even after reaching retirement.         </li> <li> <b>Personalized Regular Withdrawal Plan (RWP)</b>            Members who have reached Retirement Age may sign-up for the RWP which allows you to plan and customize withdrawal schedule based on your cash flow needs and at your preferred frequency.         </li> <li> <b>Continuous growth</b>            Growth doesn't stop with retirement. While you withdraw from the Income Fund to meet your post-retirement needs, you can continue to earn return on your remaining balances in the Income Fund.         </li> </ul>

#### 4. Investor Profile for New Core Funds

The New Core Funds are suitable for investors who:

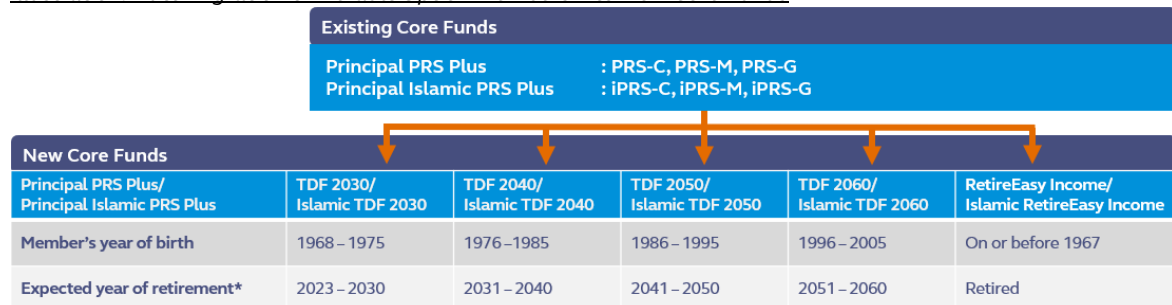
<b>TDF</b>	<ul style="list-style-type: none"> <li>aims to achieve decent return while planning for retirement.</li> <li>are looking for sustainable return for long term.</li> <li>does not have the time or knowledge to manually switch between funds to achieve de-risking.</li> <li>does not actively monitor and rebalance their portfolio over time.</li> <li>wants to invest in a diversified portfolio that offers age-appropriate risk and return profile throughout the investment journey.</li> <li>wants an ease of mind.</li> </ul>
<b>Income Fund</b>	<ul style="list-style-type: none"> <li>aims to achieve continuous investment growth and return after retiring.</li> <li>are looking for consistent and sustainable return.</li> <li>wants to customize withdrawal schedule via Regular Withdrawal Plan.</li> <li>wants an ease of mind.</li> </ul>

#### 5. Auto Migration of Default Option members from existing Core Funds to New Core Funds

##### (i) Allocation of Default Option members in New Core Funds

Existing Core Fund members will be automatically migrated into one (1) of the New Core Funds based on member's year of birth. The selected fund will correspond with the member's expected year of retirement at age 55 as prescribed by the Securities Commission Malaysia ("SC"). Members will be moved into the same class as per the existing Core Funds under the New Core Funds (i.e., Class A member will be moved into Class A etc.).

##### Illustration: Auto Migration of Default Option Members into New Core Funds



\* Based on retirement age of 55 years old as prescribed by the SC.

**(ii) When will the Auto Migration performed?**

The Auto Migration will be performed on the launch date of the TDF. The launch date of the TDF will be made available on our website at [www.principal.com.my](http://www.principal.com.my).

Please note that all transactions (i.e., contribution, withdrawal, switching and transfer) for existing Core Funds will be suspended for 2 business days, i.e., 1 day before the Auto Migration date (T-1 day) and on Auto Migration date (T day) to facilitate the Auto Migration. Thereafter, transactions will resume on the next business day of the Auto Migration date (T+1 day) and members may perform transaction as usual. We will announce the suspension date on Principal Malaysia's website at [www.principal.com.my](http://www.principal.com.my).

**(iii) How is the Auto Migration performed?**

The underlying assets of the existing Core Funds held by Default Option members will be liquidated into cash by the Auto Migration date and subsequently be migrated into the respective New Core Funds according to the distribution of members based on member's year of birth.

The Auto Migration will be performed based on the initial offer price of the TDF at launch (RM0.2500), or the NAV per unit of the Income Fund on the Auto Migration date. There will be no change to your investment balance (RM) as you are Auto Migrated into the New Core Fund.

**6. What happens to the existing Core Funds?**

On the launch date of TDF, the existing Core Funds will be repositioned as the non-core funds under the PRS Schemes. The existing Core Funds will continue to be offered to members who are not under the Default Option.

The existing Do-It-Myself members will remain invested in the existing Core Funds unless otherwise instructed by the members.

**7. How does it affect me?**

**(i) Member's rights in PRS Schemes**

Your rights as the member of the PRS Schemes remains, which includes the rights for withdrawal, switching and transfer. Your interests will not be prejudiced nor affected following the Auto Migration. There will be no change to your investment balance (RM) and you will not incur any charges or cost for the Auto Migration.

**(ii) Existing investment arrangement**

If you have signed up for Regular Savings Plan (RSP) under the existing Core Fund, the RSP instruction and your future contribution will automatically be directed into the New Core Fund you are allocated into.

If you have RSP arrangement for multiple existing Core Funds, the RSP instructions and contribution amount will be combined and be directed into the New Core Fund you are allocated into.

**(iii) Investment information**

You will receive the updated account statement after the Auto Migration is completed. You may also view your account balance through Principal Online at <https://online.principal.com.my>.

**Note:** Should there be material changes to the above proposal, we will notify you via SMS, email or physical letter.