

For Immediate Release

Important Notes:

1. You should consider your own risk tolerance level and financial circumstances before making any investment choices. When, in your selection of constituent funds, you are in doubt as to whether a certain fund is suitable for you (including whether it is consistent with your investment objectives), you should seek financial and/or professional advice and choose the constituent fund(s) most suitable for you taking into account your circumstances.
2. Investment involves risk. Past performance information presented is not indicative of future performance. You should not invest based on this document alone and should read the relevant offering document of Principal MPF – Smart Plan and Principal MPF – Simple Plan for further details including product features, fees and charges and risk factors.

Principal Aims to Provide Better Customer Value for MPF Members in the Principal MPF – Smart Plan and Principal MPF – Simple Plan

Hong Kong, 7 January 2016

Principal Hong Kong (“Principal”) announced that the integration of AXA's Mandatory Provident Fund (“MPF”) and Occupational Retirement Schemes Ordinance (“ORSO”) businesses in Hong Kong is progressing successfully following the completion of the acquisition on 1st September 2015. This acquisition was the largest acquisition in the MPF market since the MPF system was launched in 2000.

Principal has taken over the investment management of six funds in total (Principal Growth Fund, Principal Balanced Fund, Principal Stable Fund, Principal Cash Fund, Principal - MPF Conservative Fund and Principal Guaranteed Fund) in the Principal MPF – Smart Plan and Principal MPF – Simple Plan that were acquired from AXA.

Principal is also closely monitoring the performance of the funds managed by external investment managers. In addition, Principal is targeting to take over the role of MPF administrator for the Principal MPF – Smart Plan and Principal MPF – Simple Plan on 1st July 2016 subject to regulatory approval. Mr. Arthur Bacci, Head of Principal International (Hong Kong), said "Principal believes that the change of investment manager and MPF administrator will enhance the overall cost-effectiveness and



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operational efficiency of the two MPF plans we acquired from AXA and result in additional value to members.”

After a review of the fee level of funds managed by Principal in the Principal MPF - Smart Plan and Principal MPF - Simple Plan, Principal will immediately offer better value to customers through a fee reduction on four funds that Principal now manages, namely the Principal Cash Fund (fee reduced from 0.99% p.a. to 0.95% p.a.), Principal Growth Fund, Principal Balanced Fund and Principal Stable Fund (fee reduced from 1.75% p.a. to 1.59% p.a.), with effect from 1st February 2016. This fee reduction will allow members who are of the lower risk spectrum to enjoy better value. The new fee level of these four funds will be closer to similar funds under the Principal MPF Scheme Series 600 and Principal MPF Scheme Series 800. The Offering Document of the Plans will be amended to reflect such fee reduction.

"We're working through the MPFA to implement changes we believe will directly benefit our members and add value to their retirement planning. The expected synergy of this acquisition will enhance competitiveness and deliver the benefits of economies of scale to our MPF members. Since the completion of this acquisition, we have taken a holistic review of all schemes we acquired from AXA with a view to enhancing value to members. As one of the leading MPF providers in Hong Kong, we are proud to serve the retirement needs of over half a million members every day." added Mr. Arthur Bacci.

About Principal Hong Kong

Principal Hong Kong is a provider of investment and retirement solutions in Hong Kong. Our member companies, including Principal Trust Company (Asia) Limited, Principal Investment & Retirement Services Limited and Principal Asset Management Company (Asia) Limited, provide investment and retirement management capabilities, as well as award-winning mutual funds and investment products for both individual and institutional investors. All of the above companies are member companies of the Principal Financial Group®.

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For enquiries, please contact:

Hon Wah Choi
Head of Marketing & Corporate Communications
Marketing & Corporate Communications
Tel: 2263 0201
Email: choi.honwah@principal.com

Candy Leung
Manager
Marketing & Corporate Communications
Tel: 2263 0280
Email: leung.candy@principal.com

William Ng
Senior Officer
Marketing & Corporate Communications
Tel: 2263 0639
Email: ng.william@principal.com