

## PRINCIPAL GLOBAL INVESTORS FUNDS

### 信安環球投資基金

#### FIRST ADDENDUM

Important: If you are in any doubt about the contents of this First Addendum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser to seek independent professional financial advice.

This First Addendum should be read in conjunction with and forms part of the Summary Prospectus dated June 2022 (collectively the “**Summary Prospectus**”) for the Principal Global Investors Funds. All capitalised terms in this First Addendum have the same meaning as in the Summary Prospectus, unless otherwise stated.

The Directors of the Manager of the Principal Global Investors Funds accept full responsibility for the accuracy of the information contained in this First Addendum and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

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The Summary Prospectus will hereby be amended as follows:

#### **European Equity Fund**

1. All references to “European Equity Fund” shall be deleted and replaced by “European Responsible Equity Fund”.
2. The sub-section titled “Investment Policies” under the section titled “Investment Objective and Policies” of European Responsible Equity Fund on page 14 of the Summary Prospectus shall be deleted in its entirety and replaced by the following:

#### **“Investment Policies**

The Fund seeks to achieve its objective by investing primarily in the equity securities, such as shares, of companies domiciled or with their core business in Europe (including Eastern Europe) that demonstrate positive fundamental change (as defined below) at attractive valuations relative to other similar investments while meeting the ESG considerations as elaborated below.

The Adviser analyses potential investee companies to determine whether they are consistent with the ESG considerations that are promoted by the Fund. The environmental characteristics considered by the Fund include, but are not limited to; greenhouse gas emissions and carbon footprint. The social characteristics considered by the Fund include, but are not limited to; public health, health and safety and workforce and community management. In respect of governance, the Fund will have a particular focus on companies

demonstrating a strong commitment to good corporate governance practices, which aligns with the UNPRI.

In order to meet the environmental and social characteristics promoted, the Adviser combines an assessment of ESG risks with screening and exclusion criteria.

In order to consider ESG risk, the Adviser assigns an ESG risk level to each holding considered within the Fund. To assign the ESG risk levels, the Adviser evaluates an investee company's relationships with each of its stakeholders; shareholders, customers, employees, suppliers and their supply chains, their communities and the environment. The Adviser will use a proprietary methodology incorporating partnership with third party data providers (MSCI, ISS and Bloomberg etc.) to help provide consistent data across the investment universe when making these evaluations. The Adviser will also assign an ESG risk trend of either improving, stable or deteriorating. This risk trend designation provides important context to the risk level and informs the Adviser's tolerance for that risk.

The Adviser subsequently uses these ESG risk levels to identify the key risks to the stakeholders and the associated positive change to the environmental and social characteristics to be considered in each holding and references these outcomes in investment decision making. The Adviser then identifies the higher rated potential investee companies (i.e. those with lower ESG risk levels, such as "Best-in-Class" and "Medium Risk") for inclusion in the Fund's investment universe. Securities rated as "High Risk" are generally not considered for inclusion for investment by the Fund, unless also accompanied by a compelling "Improving" ESG risk trend designation.

The Adviser also applies screening and exclusions in order to specifically consider greenhouse gas emissions and carbon footprints. The Adviser uses MSCI to identify the carbon risk score for all potential investee companies and aims for an aggregate carbon risk level for the Fund's portfolio that is 10% lower than the Index (as defined in the sub-section "How the Fund references an Index or Benchmark" below). In addition to this carbon risk screening, the Adviser also excludes thermal coal producers from the Fund as defined by GICS Industry Sector classification.

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

The Fund will also exclude holdings where investee company involvement in controversial weapons is identified as defined by the ISS Controversial Weapons Research methodology.

In addition to adopting the investment process set out above to assess the key risks to stakeholders and the associated positive change to the foregoing environmental and social characteristics, the Adviser identifies governance considerations as integral to the investment philosophy and process. Improving governance policies and practices are identified as providing a basis for an improved relative valuation, while governance dilution or deterioration represent an inherent source of risk and downward valuation. In order to ensure good governance, the Adviser engages with senior executives from investee companies within the Fund. The Adviser incorporates discussions on the ESG issues of greatest importance as identified by the proprietary ESG risk evaluation of the holding. Governance

analysis may be based on factors such as board structure, executive remuneration, shareholder rights, and audit practices, and good governance practices may be demonstrated by, for example, the primacy of governance, constructive communication, collaboration and inclusion and cognitive diversity.

In the aforementioned engagement with investee companies on issues of governance dilution or deterioration, the Adviser will both look for and ask for actions and plans that fit a SMART framework to address any ESG issues: Specific, Measurable, Attainable, Relevant and Time-bounded. Following this engagement with management, the Adviser will then reassess the ESG risks to ensure a circular, continual process whereby such investee companies address the ESG issues shared during the above engagement process, resulting in continual improvement of the ESG policies and practices of these investee companies.

The Adviser is a signatory to the UNPRI as part of the Principal Global Investors Group. As a signatory to the UNPRI the good governance practices of investee companies are assessed prior to making an investment and periodically thereafter. UNPRI responsible investing reporting can be found at <https://www.principalglobal.com/eu/about-us/responsible-investing>.<sup>1</sup>

As a result of all of the above ESG considerations and screening, it is expected that the size of the investment universe of the Fund will be reduced by 20% or more in terms of number of potential investee companies.

The Fund invests in companies that 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 Adviser 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 Adviser then seeks to identify the catalysts underlying the positive change through proprietary screening and determine whether they are internal catalysts (investee company driven) and/or external catalysts (industry driven). Internal catalysts could be driven by internal investee company operational initiatives that range from cost cutting to expanding distribution, better capital deployment and improved corporate governance. External catalysts could be driven by favourable product cycles, changing industry dynamics and regulatory changes. The foregoing analysis of catalysts enables the Adviser to assess the likely magnitude and durability of the catalysts and whether the change is likely to be structural or cyclical in nature. The Adviser 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 Adviser 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 European markets invested by the Fund may include emerging markets. Emerging markets include those countries identified as emerging markets by the International Finance Corporation, a division of the World Bank and other underdeveloped countries that the Manager believes present attractive investment opportunities.

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<sup>1</sup> This website has not been reviewed by the SFC.

The Fund may invest less than 10% of its Net Asset Value in UCITS eligible collective investment schemes, including exchange traded funds, as an alternative means through which the Fund may gain exposure to the types of investments detailed above in the event of not being able to invest directly. The Fund will only invest in alternative investment funds per the Central Bank's Guidance in relation to UCITS Acceptable Investments in Other Investment Funds. The Fund will not invest in US exchange traded funds.

The Fund may also invest up to 20% of its Net Asset Value in listed real estate investment trusts (REITS) or other REIT-like structures which will be the equivalent of REITS.

The Fund may hold investments from time to time which are listed or traded in Russia on the Moscow exchange. It is not anticipated that such investments will normally constitute a substantial element of the Fund and shall not in any event exceed 15% of the net assets of the Fund.”

3. The risk factor “Dividends paid effectively out of capital” under the section titled “Risks” of European Responsible Equity Fund on page 14 of the Summary Prospectus shall be deleted in its entirety and replaced by the following:

“Dividend paid effectively out of capital or out of capital

The dividends paid by the Fund may be paid effectively out of capital of the Fund (making the distribution from gross income while all or part of the Fund's fees and expenses are charged to capital) or out of capital, pursuant to clause 7.3 of the Trust Deed. It will result in an increase in distributable income for the payment of dividends by the Fund and such payment of dividends effectively out of capital or out of capital of the Fund may result in an immediate reduction of the Net Asset Value per Unit of the Fund. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Please see, in particular, the “Payment of dividends effectively out of capital” and “Payment of dividends out of capital” sections.”

4. The following risk factor shall be added at the end of the section titled “Risks” of European Responsible Equity Fund on page 14 of the Summary Prospectus:

“Risks associated with ESG investments

The investment selection process involves assessment of potential investments against environmental and social characteristics promoted by the Fund, as well as governance considerations. Such assessment by the Adviser is subjective in nature and can lead to the Fund forgoing investment opportunities which align with the above characteristics and considerations, or investing in securities which do not meet such characteristics or considerations.

The above assessment is also dependent upon information and data from the security issuer and/or third-parties, may be incomplete, inaccurate or inconsistent. The lack of a standardised taxonomy may affect the Adviser's ability to measure and assess a potential investment's environmental and social characteristics and governance policies and practices, and may result in different funds applying environmental, social and governance criteria differently.

Implementation of the Fund’s exclusion policy may result in the Fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities when it might be disadvantageous to do so.

The Fund may be concentrated in companies with an ESG focus. The value of the Fund may be more volatile than that of a Fund having a more diverse portfolio of investments.”

5. The section titled “How the Fund references an Index or Benchmark” of European Responsible Equity Fund on page 15 of the Summary Prospectus shall be deleted in its entirety and replaced by the following:

**“How the Fund references an Index or Benchmark**

The Fund is actively managed with reference to MSCI Europe NTR (the "**Index**") on the basis that the Fund seeks to outperform the Index. The Adviser and/or Sub-Advisers may reference the Index as part of the investment management process, and it is also considered as part of the investment risk monitoring process. The Index is also used to reference relative carbon emissions performance. However, the Adviser and/or Sub-Advisers maintain full discretion to select investments for the 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 in the “Disclosures for the SFDR” sub-section under this section “European Responsible Equity Fund” are recognised independently of the Index. Information on the methodology of the calculation of the Index can be found from the Index provider’s website [www.msci.com](http://www.msci.com).<sup>2</sup>”

6. The following section shall be added at the end of the section titled “How the Fund references an Index or Benchmark” of European Responsible Equity Fund on page 15 of the Summary Prospectus:

**“Disclosures for the SFDR**

This Fund is classified as an ESG Orientated Fund (as defined in this Summary Prospectus). Details on the environmental and social characteristics promoted by the Fund, how such characteristics are met, and the measures taken by the Fund to ensure good governance practices, are incorporated in the sub-section “Investment Policies” above.”

7. The following unit classes shall be added at the end of the list under the section titled “Units Available” of European Responsible Equity Fund on page 16 of the Summary Prospectus:

- “USD D2 Class Income Units
- HKD D2 Class Income Units”

8. The first paragraph under the sub-section titled “Income Units, Income Plus Units and Accumulation Units” under the sub-section “Units Available” under the section titled “HOW

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<sup>2</sup> This website has not been reviewed by the SFC.

TO INVEST” on page 69 of the Summary Prospectus shall be deleted and replaced by the following:

“Income Units for the Global High Yield Fund and the Preferred Securities Fund will distribute the net income they earn quarterly normally within 14 days but in any event within 30 days of the end of each calendar quarter each year (31st March, 30th June, 30th September, 31st December), with the exception of the D2 Class Income Units for the Preferred Securities Fund and D2 Income Plus Units for the Global High Yield Fund and the Preferred Securities Fund. Distributions on the Income Units in the Global Property Securities Fund, with the exception of the D2 Class Income Units, will be declared and paid quarterly within 30 days of the end of each calendar quarter. D Class Income Plus Units of the Global Diversified Income Fund, the D2 Class Income Units for the European Responsible Equity Fund, the Preferred Securities Fund and the Global Property Securities Fund, and the D2 Class Income Plus Units for the Global High Yield Fund, Preferred Securities Fund, Post Global Limited Term High Yield Fund, and Asian High Yield Fund will distribute the net income they earn monthly normally within 30 days of the end of each calendar month. Income Units for all other Funds will distribute the net income they earn annually normally within 14 days but in any event within 30 days of the end of each calendar year (31st December). At this time, income is automatically reinvested in the form of additional Income Units and Income Plus Units (as the case may be) in the relevant Fund, in your account name, unless you applied for cash distributions when originally purchasing the Units, and such application was accepted. If you apply for cash distributions these will normally be paid by telegraphic transfer to your nominated account at your risk and expense.

Investors may also at any time serve notice in writing on the Manager and the Trustee to apply for cash distributions. Such notice must be received by the Manager and the Trustee at least seven Business Days before the next following Distribution Date to be effective in respect of distributions paid on that date.”

9. The first paragraph under the sub-section titled “Payment of dividends effectively out of capital” under the sub-section “Units Available” under the section titled “HOW TO INVEST” on page 70 of the Summary Prospectus shall be deleted and replaced by the following:

“The Funds which currently have income Units are Global Responsible Equity Fund, European Responsible Equity Fund, Asian Equity Fund, Preferred Securities Fund, Global High Yield Fund, and Global Property Securities Fund. Currently, the dividends for these Funds are currently paid out of income, with the exception of D2 Class Income Units for European Responsible Equity Fund.”

10. The following sub-section shall be added after the sub-section titled “Payment of dividends effectively out of capital” under the sub-section titled “Units Available” under the section titled “HOW TO INVEST” on page 71 of the Summary Prospectus:

*“Payment of dividends out of capital*

Currently, the dividends for D2 Class Income Units of European Responsible Equity Fund may be paid out of capital.

Clause 7.3 of the Trust Deed of the Unit Trust allows the Manager to pay the dividends of these Units out of capital. Such payment of dividends out of capital amounts to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Payment of dividends out of capital may result in an immediate reduction of the Net Asset Value per unit of these Units.

The information pertaining to the composition of the dividends paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months can be obtained from the Hong Kong Representative upon request and also on the internet website of <http://www.principal.com.hk>. Please note that the website has not been reviewed by the SFC. The Manager may amend the dividend distribution policy with respect to the matters mentioned above subject to the SFC's prior approval and by giving not less than 1 month's prior notice to the Unitholders."

11. The following shall be added after the row for A Class Units of European Responsible Equity Fund in the table in the sub-section titled "Fees and Expenses" under the section titled "DEALING PROCEDURES" on page 79 of the Summary Prospectus:

<b>Funds/Units</b>		<b>Current Preliminary Charge# (% of issue price of Units)</b>		<b>Annual Management fee# (% of the Fund's Net Asset Value attributable to the relevant Unit class per annum)</b>
European Responsible Equity Fund	D2	5.00	D2	0.75

12. The following shall be added at the top of the list under the sub-section titled "Marketing and distribution fees" under the sub-section titled "Other fees" under the section titled "DEALING PROCEDURES" on page 82 of the Summary Prospectus:

<b>Funds</b>	<b>Unit classes</b>	<b>Annual Marketing and distribution fee (% of the Fund's Net Asset Value attributable to the relevant unit class per annum)</b>
European Responsible Equity Fund	D2	0.75

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If you have any queries on the above, please contact our Hong Kong Representative by calling the customer hotline at (852) 2117-8383.

**Principal Global Investors (Ireland) Limited**

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