

24 January 2025

This Notice is important and requires your immediate attention. If you are in any doubt about the contents of this Notice, you should seek independent professional advice.

Principal Asset Management Company (Asia) Limited (“Manager”, “we”, “us” or “our”) accepts full responsibility for the accuracy of the information contained in this Notice and confirms, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other material facts the omission of which would make any statement herein misleading as at the date of issuance.

Dear Unitholder,

Re: Principal Life Style Fund (信安豐裕人生基金) (the “Fund”)

Thank you for your continuous support of the Fund. We would like to inform you of the following changes (the “Changes”) in respect of the Fund and its Sub-Funds, which shall take effect on 24 February 2025 (the “Effective Date”), unless otherwise specified.

Summary of the Changes

This table summarises the Changes that will be made to the Fund and the Sub-Funds with effect from the Effective Date, unless otherwise specified.

1. Establishment of new type of classes of Units – Income Class Units

A new type of classes of Units, namely Income Class Units, will be established. In respect of the Income Class Units, the Manager intends to, subject to its absolute discretion, distribute all income or any part thereof received by a Sub-Fund and attributable to such Units on a monthly basis. The Manager may at its discretion pay dividend out of gross income while paying all or part of the fees and expenses attributable to the Income Class Units out of the capital of such Units, resulting in an increase in distributable income for the payment of dividends by the Income Class Units and therefore, distributions in respect of the Income Class Units may effectively pay dividend out of capital. The Manager also intends to adopt a mechanism to smooth out any fluctuation in the level of distributions in respect of the Income Class Units of the Sub-Fund in each annual distribution cycle, as well as an income equalisation policy which aims to ensure that the level of dividends (if any) distributed for a Unit in the Income Class Units in respect of a distribution period is not affected by changes in the number of Units in the Sub-Fund during such distribution period.

2. Establishment of new classes of Units with different currency of denomination

Currently, the Sub-Funds only offer classes of Units denominated in HK dollars. With effect from the Effective Date, for Investment Class Units, I6 Class Units, Pension Class Units, Retail Class Units, R2 Class Units, R6 Class Units and Income Class Units, in addition to classes of Units denominated in HK dollars, the Sub-Funds may also offer classes of Units denominated in US dollars or Renminbi which will be reflected in the names of the relevant classes of Units. The Manager may also offer classes of Units denominated in other currencies in the future.

The name of existing classes of Units of the Sub-Funds denominated in HK dollars will remain unchanged.

3. Switching between classes of Units

Currently, Unitholders only have the right to switch all or part of their Units in any class relating to a Sub-Fund into Units of the same class relating to another Sub-Fund.

With effect from the Effective Date, subject to the consent of the Manager and such limitations as the Manager with the approval of the Trustee may impose, Unitholders will have the right to convert all or part of their Units in any class relating to a Sub-Fund (the “**Current Class**”) into Units of any other class in the same Sub-Fund or another Sub-Fund (the “**New Class**”).

4. Offering of Principal European Equity Fund to the public in Hong Kong and clarification of investment policy

Currently, although the Principal European Equity Fund is authorised by the SFC under the UTMF Code, the Manager only intends to offer the Principal European Equity Fund for investment by trustees of retirement schemes registered under the MPFS Ordinance, certain institutional or professional investors and accounts managed by the Manager or its associates.

With effect from the Effective Date, the Manager intends to also offer Principal European Equity Fund for investment by the public in Hong Kong. A Product Key Facts Statement (“**KFS**”) of Principal European Equity Fund will be made available with effect from the Effective Date.

The investment policy of the Principal European Equity Fund will be updated for clarity.

5. Change of distribution policy of R6 Class Units

Currently, the Manager at present intends to distribute all income or any part thereof received by a Sub-Fund and attributable to the R6 Class Units generally on a quarterly basis. The Manager may also at its discretion pay dividend out of gross income while paying all or part of the fees and expenses attributable to the R6 Class Units out of the capital of such Units, resulting in an increase in distributable income for the payment of dividends by the R6 Class Units and therefore, distributions in respect of the R6 Class Units may effectively pay dividend out of capital.

From 24 April 2025, the distribution policy of R6 Class Units will be changed such that (i) dividend will be paid on a monthly basis and (ii) the Manager may, in its absolute discretion, pay dividend out of the capital of such Units. It is also intended, although not guaranteed, that R6 Class Units will distribute a set level of net income (the “**Target Income**”) determined by the Manager on a regular basis. In order to calculate the Target Income, the Manager and/or its delegates will, on a best efforts basis, calculate the amount of net income to be received by the Sub-Fund over the course of the accounting period and calculate a prorated amount to be distributed to the R6 Class Units on each distribution date. In the event that the pro rata net income attributable to the R6 Class Units is less than the Target Income at the distribution date, the Manager may, in its absolute discretion, pay dividend out of the capital of such Units.

6. Increase in management fee of Retail Class Units, R2 Class Units, R6 Class Units and Income Class Units of Principal Hong Kong Dollar Savings Fund and Principal Hong Kong Bond Fund

With effect from 24 April 2025, the management fee of the Retail Class Units, R2 Class Units, R6 Class Units and Income Class Units of Principal Hong Kong Dollar Savings Fund and Principal Hong Kong Bond Fund will be increased as follows:

Sub-Fund	Management fee (as a % of net asset value p.a.)	
	Current	New
Principal Hong Kong Dollar Savings Fund	0.25%	0.50%
Principal Hong Kong Bond Fund	0.50%	0.80%

The Changes above are elaborated in the main body of this Notice. The Changes will not have any adverse impact on Unitholders.

Queries

If you have any questions or concerns about the Changes set out in this Notice, please contact our customer service hotline at (852) 2117 8383.

1. Establishment of new type of classes of Units – Income Class Units

A new type of classes of Units, namely Income Class Units, will be established.

The Income Class Units are units not being Retail Class Units, R2 Class Units or R6 Class Units, and are available to retail investors and any other investors to which the Pension Class Units, Investment Class Units and I6 Class Units are not made available.

In respect of the Income Class Units, the Manager intends to, subject to its absolute discretion, distribute all income or any part thereof received by a Sub-Fund and attributable to such Units on a monthly basis. The Manager may at its discretion pay dividend out of gross income while paying all or part of the fees and expenses attributable to the Income Class Units out of the capital of such Units, resulting in an increase in distributable income for the payment of dividends by the Income Class Units and therefore, distributions in respect of the Income Class Units may effectively pay dividend out of capital.

The Manager intends to adopt a mechanism to smooth out any fluctuation in the level of distributions in respect of the Income Class Units of the Sub-Fund in each annual distribution cycle (i.e. from 1 January to 31 December of each year). Generally, the mechanism is to reserve an amount of income from the underlying assets of the Sub-Fund during periods when the income received from the underlying assets are higher than the expected annualised dividend yield. In subsequent periods when the income from the underlying assets is lower than the expected annualised dividend yield, the income reserved from the previous periods may be utilised as dividends payments for the Sub-Fund. However, each dividend payment of the Sub-Fund will take into account the actual dividend yield, which will be constantly adjusted to reflect the latest information pertaining to the underlying assets of the Sub-Fund (including earning results and

dividend announcements of the underlying stocks). Accordingly, where there is a significant decline in the market in a subsequent period, notwithstanding income from the earlier periods has been reserved, the level of dividend payments in subsequent periods may be lower than the level of dividend payments in the preceding periods in the annual distribution cycle. In the worst case scenario, the Manager may determine that no dividends payments will be made during subsequent periods of the annual distribution cycle. Accordingly, there is no guarantee that the level of dividend payments throughout the annual distribution cycle will be maintained at the same or similar level and there is no guarantee of regular distributions by the Sub-Fund.

Income equalisation policy will also be adopted for the Income Class Units. Income equalisation is a fund accounting policy that aims to ensure that the level of dividends (if any) distributed for a Unit in respect of a distribution period is not affected by changes in the number of Units in the Sub-Fund (e.g. due to subscription or realisation of Units) during such distribution period. Income equalisation policy will not affect Unitholders who hold their Units for an entire distribution period.

In relation to the subscription of a Unit, income equalisation policy generally means the Issue Price of a Unit may be deemed to include an amount of income (if any) accrued to the Unit from the date of last distribution to the date when the subscribed Unit is issued to the Unitholder. This effectively means that the first dividend payment of the subscribed Unit may include a repayment of an amount of capital to the Unitholder.

In relation to the realisation of a Unit, income equalisation policy generally means that the realisation proceeds receivable by an outgoing Unitholder will include a sum of income (if any) accrued to such Unit of the Sub-Fund from the date of last distribution to the date when the Unit is cancelled during a distribution period.

For more details of the features of the new Income Class Units (e.g. the minimum subscription or minimum holding requirements), please refer to the revised Explanatory Memorandum and KFS of the Sub-Funds.

2. Establishment of new classes of Units with different currency of denomination

Currently, the Sub-Funds only offer classes of Units denominated in HK dollars. With effect from the Effective Date, for Investment Class Units, I6 Class Units, Pension Class Units, Retail Class Units, R2 Class Units, R6 Class Units and Income Class Units, in addition to classes of Units denominated in HK dollars, the Sub-Funds may also offer classes of Units denominated in US dollars or Renminbi which will be reflected in the names of the relevant classes of Units as follows:

Type of classes of Units	Name of new classes of Units	Currency of denomination
Investment Class Units	Investment Class – USD	US dollars
	Investment Class – RMB	Renminbi
Pension Class Units	Pension Class – USD	US dollars
	Pension Class – RMB	Renminbi
Retail Class Units	Retail Class – USD	US dollars
	Retail Class – RMB	Renminbi

R2 Class Units	R2 Class – USD	US dollars
	R2 Class – RMB	Renminbi
R6 Class Units	R6 Class – USD	US dollars
	R6 Class – RMB	Renminbi
Income Class Units	Income Class – USD	US dollars
	Income Class – RMB	Renminbi

The Manager may also offer classes of Units denominated in other currencies in the future.

The name of existing classes of Units of the Sub-Funds denominated in HK dollars will remain unchanged.

For more details of the features of the existing or new classes of Units (e.g. the minimum subscription or minimum holding requirements), please refer to the revised Explanatory Memorandum and KFS of the Sub-Funds.

3. Switching between classes of Units

Currently, Unitholders only have the right to switch all or part of their Units in any class relating to a Sub-Fund into Units of the same class relating to another Sub-Fund.

To provide additional flexibility for Unitholders to switch their existing holdings, with effect from the Effective Date, subject to the consent of the Manager and such limitations as the Manager with the approval of the Trustee may impose, Unitholders will have the right to convert all or part of their Units in any class relating to a Sub-Fund (the “**Current Class**”) into Units of any other class in the same Sub-Fund or another Sub-Fund (the “**New Class**”). The price at which the whole or any part of a holding of Units of the Current Class will be switched on any Dealing Day into Units of the New Class will be determined by reference to the redemption price of the Current Class and issue price of the New Class on the relevant Dealing Day.

Please refer to details under the section titled “*Switching between Sub-Funds or Classes*” in the revised Explanatory Memorandum for further details.

4. Offering of Principal European Equity Fund to the public in Hong Kong and clarification of investment policy

Currently, although the Principal European Equity Fund is authorised by the SFC under the UTMF Code, the Manager only intends to offer the Principal European Equity Fund for investment by trustees of retirement schemes registered under the MPFS Ordinance, certain institutional or professional investors and accounts managed by the Manager or its associates.

With effect from the Effective Date, the Manager intends to also offer Principal European Equity Fund for investment by the public in Hong Kong, subject to the minimum subscription or minimum holding requirements set out in the Explanatory Memorandum. A KFS of Principal European Equity Fund will be made available with effect from the Effective Date.

Further, the investment policy of the Principal European Equity Fund will be updated to clarify on the threshold for the Sub-Fund's primary investment (i.e. at least 70% of the Sub-Fund's net asset value), its ancillary investment in cash and short-term investments (such as bills and deposits); and save as otherwise disclosed in the offering documents, the Sub-Fund is not subject to any limitation on the portion of its net asset value that may be invested in any country (including emerging market countries), sector or in issuers of any market capitalisation.

5. Change of distribution policy of R6 Class Units

Currently, for R6 Class Units of any Sub-Fund, the Manager at present intends to distribute all income or any part thereof received by the relevant Sub-Fund and attributable to such Units generally on a quarterly basis in March, June, September and December each year. The Manager may also at its discretion pay dividend out of gross income while paying all or part of the fees and expenses attributable to the R6 Class Units out of the capital of such Units, resulting in an increase in distributable income for the payment of dividends by the R6 Class Units and therefore, distributions in respect of the R6 Class Units may effectively pay dividend out of capital.

To increase the distribution frequency and provide more flexibility in respect of distribution of dividends for R6 Class Units so as to better capture inflow opportunities, from 24 April 2025, the distribution policy of R6 Class Units will be changed such that (i) dividend will be paid on a monthly basis and (ii) the Manager may, in its absolute discretion, pay dividend out of the capital of such Units. It is intended, although not guaranteed, that R6 Class Units will distribute a set level of net income (the “**Target Income**”) determined by the Manager on a regular basis. In order to calculate the Target Income, the Manager and/or its delegates will, on a best efforts basis, calculate the amount of net income to be received by the Sub-Fund over the course of the accounting period and calculate a prorated amount to be distributed to the R6 Class Units on each distribution date. The levels of Target Income will take into account the actual dividend yield, which will be constantly adjusted to reflect the latest information pertaining to the underlying assets of the Sub-Fund as well as industry peer data relevant to the Sub-Fund. In the event that the pro rata net income attributable to the R6 Class Units is less than the Target Income at the distribution date, the Manager may, in its absolute discretion, pay dividend out of the capital of such Units.

Investors should note that payment of dividends out of capital amounts to a return or withdrawal of part of his/her original investment in the R6 Class Units of the relevant Sub-Fund or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the capital of the R6 Class Units of a Sub-Fund may result in an immediate reduction of the net asset value per Unit for such class of the relevant Sub-Fund.

As a result of this change, it is possible that the R6 Class Units may distribute a higher portion of dividends out of capital than its current practice and therefore more susceptible to the risks associated with distributions out of capital and/or effectively out of the Sub-Fund's capital.

The risk factor in the KFS of the relevant Sub-Funds will need to be updated for the change of distribution policy to distribute out of capital as set out above. Please refer to the revised Explanatory Memorandum (“**EM**”) and KFS of the relevant Sub-Funds for further details.

The composition of the dividends (i.e. the relevant amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months for the R6 Class Units will be available from the Manager on request and from the website www.principal.com.hk¹.

For the avoidance of doubt, save for the changes set out above, there is no change to the distribution policies of each of the other existing classes of Units of the Sub-Funds.

6. Increase in management fee of Retail Class Units, R2 Class Units, R6 Class Units and Income Class Units of Principal Hong Kong Dollar Savings Fund and Principal Hong Kong Bond Fund

Pursuant to the Trust Deed, the Manager may increase the rate of management fee payable up to the maximum rate (i.e. 2% per annum of net asset value of the relevant class of Units of the Sub-Funds) by giving Unitholders not less than 3 months' notice of such increase.

With effect from 24 April 2025, the management fee of the Retail Class Units, R2 Class Units, R6 Class Units and Income Class Units of Principal Hong Kong Dollar Savings Fund and Principal Hong Kong Bond Fund will be increased as follows:

Sub-Fund	Management fee (as a % of net asset value p.a.)	
	Current	New
Principal Hong Kong Dollar Savings Fund	0.25%	0.50%
Principal Hong Kong Bond Fund	0.50%	0.80%

7. Impact on the Fund and Unitholders

Save as disclosed above, there will be (i) no change to the other features of the relevant Sub-Funds and the operation and/or manner in which the relevant Sub-Funds are being managed in practice; (ii) no change in the overall risk profiles of the relevant Sub-Funds; (iii) no other changes in the fee levels and fees and charges structure of the Sub-Funds; and (iv) there will not be any adverse impact on Unitholders' rights or interests, as a result of the Changes.

The fees and costs incurred in connection with the Changes will be borne by the Manager and will not be borne by the Sub-Funds or the Unitholders.

8. Actions required by Unitholders

No action is required of the Unitholders to effect the Changes, except as set out below.

However, in connection with the Changes set out in Sections 5 and 6 above, Unitholders of the relevant Sub-Fund(s) who do not wish to remain invested in the relevant Sub-Fund(s) after the Changes take effect may by 5:00 p.m. on the business day immediately before the applicable effective date of the Changes set out in Sections 5 and 6 (i) realise their investment in the relevant Sub-Fund(s) in accordance with the section titled "*Redemption of Units*" of the Explanatory Memorandum, and/or (ii) switch their existing investment in

¹ This website has not been reviewed by the SFC.

the relevant Sub-Fund(s) to other eligible Sub-Fund(s) under the Fund in accordance with the section titled “*Switching between Sub-Funds*” of the Explanatory Memorandum. There will be no fees or penalties, bid/offer spreads, redemption charges or switching fees imposed on any such redemption or switching.

9. Availability of documents

The Explanatory Memorandum will be amended by means of a second addendum (the “**Second Addendum**”) to reflect the Changes and other consequential, administrative and miscellaneous updates. The Second Addendum should be read in conjunction with and forms part of the Explanatory Memorandum. The KFS of the relevant Sub-Funds will also be amended to reflect the Changes. You may access the latest version of the Explanatory Memorandum and KFS of the Sub-Funds on our website at www.principal.com.hk² or request a copy of it by contacting our customer service hotline at 2117 8383.

The Trust Deed will also be amended by means of a deed of variation to reflect the Changes and other consequential and miscellaneous updates for clarificatory purpose. Copy of the Trust Deed (as amended) can be inspected free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager at 29/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

Changes set out in this Notice are in summary form only. Please read the revised Explanatory Memorandum (including the Second Addendum), the revised KFS and the Trust Deed (as amended) carefully.

Terms used in this Notice have the same meanings as in the latest version of the Explanatory Memorandum, unless otherwise specified in this Notice.

If you have any queries relating to the above, please contact our customer service hotline above.

Principal Asset Management Company (Asia) Limited

² This website has not been reviewed by the SFC.