

Principal Asset Management Company (Asia) Limited
Periodic Assessment for Principal Sustainable Asian
Allocation Fund
December 2024

Periodic assessment

Principal Prosperity Series – Principal Sustainable Asian Allocation Fund (“Sub-Fund”)

The Sub-Fund primarily (i.e. at least 70% of the Sub-Fund’s net asset value) invest in a diversified range of assets and securities (including equities, equity related securities and debt securities) of companies and issuers in Asia Pacific (ex-Japan) which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance (“ESG”) factors (“ESG achievers”) as well as exchange traded funds (“ETFs”) and collective investment schemes (“CISs”), which primarily invest in equity or debt securities and companies or issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively “ESG achiever ETFs/CISs”), and provide capital growth and income over medium to long term. The Sub-Fund aims to maintain a minimum of 70% of the Sub-Fund’s net asset value invested in (i) equity and equity related securities and/or (ii) debt securities issued by ESG achievers as well as ESG achiever ETFs/CISs. The Sub-Fund adopts a dynamic asset allocation strategy, and may invest up to 85% of its latest net asset value in either equities or debt securities. The aggregate investment of the Sub-Fund’s investment in ETFs and CISs (including ESG achiever ETFs/CISs) will be less than 30% of the Sub-Fund’s net asset value.

The Fund Manager adopts a best-in-class strategy under which the Fund Manager will screen all securities investable by the Sub-Fund (including ETFs and CISs) with the aim of identifying ESG achievers and ESG achiever ETFs/CISs. The Fund Manager will assign ESG scorings on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within Asia Pacific (ex-Japan) region, or within their respective sectors of sub-regions (i.e. Greater China, Asia developed markets and Asia emerging markets (ex-Greater China)) based on ESG scores as ranked by the Fund Manager’s internal rating system will be considered to be ESG achievers.

Based on holdings data as of 31 December 2024, about 75.5% of the Sub-Fund’s net asset value is invested in equity and equity related securities and/or debt securities issued by ESG achievers as well as ESG achiever ETFs/CISs, which represents 44.6% exclusion based upon the number of issuers from the investment universe perspective as a result of this screening.

	Sub - Fund
equity and equity related securities issued by ESG achievers	30.84%
debt securities issued by ESG achievers	38.05%
ESG achiever ETFs/CISs	6.58%
Sub-total	75.5%

Source: Principal Asset Management (Asia) Limited. Data based on year-end portfolio holdings.

	31 December 2024		31 December 2023	
	Sub-Fund	Benchmark*	Sub-Fund	Benchmark*
ESG Overall Rating	A	BBB	A	BBB
MSCI ESG LEADERS	30.8	28.0	31.2%	23.9%
MSCI ESG AVERAGE	56.7	51.3	62.4%	55.3%
MSCI ESG LAGGARDS	4.9	11.8	1.3%	12.7%

* 50% MSCI AC Asia Pacific ex Japan Net Return Index (USD) + 50% ICE BofA Merrill Lynch Asian Dollar Index

Source: Principal Asset Management (Asia) Limited and MSCI.

Engagement with management for fixed income investors regarding ESG practices primarily conducted through discussions with management regarding key ESG factors that are viewed as having a meaningful impact on their business / credit profile. The investment team maintains a dedicated channel that tracks and logs outputs (e.g. notes, slides, other materials) obtained from company engagements, and materials will be transferred to the internal structured research repository for record-keeping. A scoring methodology is applied to generate an ESG profile for each issuer (providing an overall score as well as the sub factors), a ranking of the name relative to its peer group in the sector and to take into consideration the intended exclusions. Also given the granularity of the data selected in assessing the ESG profile, the investment team would be able to track specific outcomes such as greenhouse gas emissions or board related information of the issuer, the portfolio as a whole and relative to a standard or benchmark.

For equity investments, the investment team aims to engage investee companies and integrate ESG considerations in its research at least once a year. Upon assessment, the investment team may disagree with the MSCI ratings. At which point, the investment team may include or exclude an investment based on this assessment. The Sub-Fund has also appointed its proxy voting manager to vote in favor of ESG principles, where appropriate and consistent with the stated investment objective. Due to the screening process, the investment team may eliminate an investment if there is no ESG Rating from MSCI or it is not aligned to any UN SDG factors.

Integration of sustainability considerations and/or environmental, social and governance (ESG) factors is qualitative and subjective by nature. There is no guarantee that the criteria used, or judgment exercised, will reflect the beliefs or values of any particular investor. Investment teams have a high degree of investment process autonomy and may consider or weight sustainability and/or ESG criteria or factors differently (or not at all). For those teams that consider sustainability and/or ESG factors as part of the investment process in strategies that are not explicitly sustainability and/or ESG-oriented, those sustainability considerations and/or ESG factors are generally no more significant than other factors in the investment selection process, such that sustainability considerations and/or ESG factors may not be determinative in deciding to include or exclude any particular investment in the portfolio. Information regarding responsible practices or other sustainability metrics, including ESG data, differs by source and may not be accurate or complete. Integration of sustainability considerations and/or ESG factors may present additional advantages or risks, may not protect against market risk or volatility, and under certain circumstances may detract from investment performance. You should not make any investment assumptions based solely on the information contained herein. Information is provided as additional insight into the relevant investment processes and should not be viewed as a change in an investment team's underlying investment objectives, strategies, risk parameters, or portfolio construction guidelines. There is no assurance that any strategy or integration of sustainability considerations and/or ESG factors will be successful or profitable.