

Principal Asset Management Company (Asia) Limited
Periodic Assessment for Principal Sustainable Asian
Income Fund
December 2022

Periodic assessment

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

The Sub-Fund primarily (i.e. at least 70% of the Sub-Fund’s Net Asset Value) invests in a diversified portfolio of fixed income securities and fixed income-related securities of companies and issuers in Asia which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance (“ESG”) factors (“ESG leaders”) as well as ESG-focused exchange traded funds (“ETF”) and other collective investment schemes (“CIS”) which primarily invest in debt securities and companies or issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively “ESG-focused ETF/CIS”), and provide a return consisting of income and capital growth 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 fixed income securities and fixed income-related securities issued by ESG leaders as well as ESG-focused ETF/CIS.

Based on the holding as of 30 December 2022, about 88.44% of the Sub-Fund’s Net Asset Value is invested in ESG leaders that are ranked in quartile 1 or 2 within their respective sectors or have at least MSCI ESG rating BBB and above, which represent 42.3% exclusion based upon the number of issuers from the investment universe perspective as a result of this screening.

	Sub - Fund	Benchmark*
ESG Overall Rating	A	BBB
MSCI ESG LEADERS	24.86%	7.97%
MSCI ESG AVERAGE	61.86%	63.35%
MSCI ESG LAGGARDS	5.41%	14.17%

* BofA Asian Dollar Index

Engagement with management for fixed income investors regarding ESG practices comes primarily through discussions with management regarding key ESG factors that are viewed as having the potential to meaningfully impact their business and/or credit profile. The investment team maintains a dedicated channel that tracks and logs outputs (e.g. notes, slides, other materials) obtained from company engagements. Materials are transferred to an 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 sub factor scores), 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.