

This notice is important and requires your immediate attention. It should be read by all participating employers, employee members, self-employed persons, SVC members, TVC members and personal account members of Principal MPF Scheme Series 800 (collectively, "Scheme Participants"). If you are in any doubt about the contents of this document, you should seek independent professional advice.

Principal Trust Company (Asia) Limited ("PTC (Asia)", "we", "us", "our" or "Trustee") accepts responsibility for the information contained in this notice having made all reasonable enquiries that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading as at the date of issuance.

This notice only summarises the changes to the Principal MPF Scheme Series 800 (the "**Scheme**"). The latest MPF Scheme Brochure of the Scheme (the "**MPF Scheme Brochure**") will be available on our website at www.principal.com.hk or you may request copies of them by contacting our customer service hotline at (852) 2827 1233.

Dear Scheme Participants,

Thank you for your continued support of the Scheme.

We are writing to you of the change to the Scheme, which will take effect on 26 October 2023 (the "**Effective Date**"). Capitalised terms not defined in this notice have the same meanings as ascribed to them in the MPF Scheme Brochure.

This table summarises the change to the Scheme, which is elaborated in the main body of this notice:

What is the Termination (as defined below)?

(a) Termination of the Principal Long Term Guaranteed Fund and the Principal Capital Guaranteed Fund

The Principal Long Term Guaranteed Fund (the "LTGF") and the Principal Capital Guaranteed Fund (the "CGF") (collectively, the "Terminating CFs") currently invest into the Principal Guaranteed Umbrella Fund – Principal Long Term Guaranteed Fund and Principal Guaranteed Umbrella Fund – Principal Capital Guaranteed Fund (collectively, the "relevant APIFs"), respectively, under the Principal Guaranteed Umbrella Fund Policy (the "Policy") issued by Principal Insurance Company (Hong Kong) Limited (the "Insurer"). The Trustee has been informed by the Insurer that it has decided to terminate the Policy as part of its internal restructuring to demise its guaranteed fund offerings, as suggested by the internal assessment of solvency and sustainability. After being notified of the Insurer's decision to terminate the Policy, the Trustee has researched and tried to find other alternative. Unfortunately, there is no similar insurance policy with guaranteed elements provided by other insurance companies in the market. The Trustee therefore has concluded that terminating the Terminating CFs (the "Termination") is the only viable option.

The Termination is permitted under clause 11.3.1 of the master trust deed (the "Master Trust Deed"). Pursuant to clause 11.3.1, we are hereby giving not less than one month's notice to the Scheme Participants in relation to the termination of the Terminating CFs, which will take effect on the Effective

Date. If you do not switch out of the Terminating CF(s) at or before 4:00 p.m. on or before 25 October 2023 (i.e. the Cut-off Deadline), on the Effective Date the redemption proceeds of the Terminating CF(s) will be used to purchase units in the following Default CFs (as defined below):

Terminating CF	Default CF
LTGF	Principal Age 65 Plus Fund
CGF	Principal MPF Conservative Fund

The Default CFs, which are not guaranteed funds, have similar investment objectives as the Terminating CFs. For details of the termination of the Terminating CFs, please refer to paragraph 1.

(b) One-Off Arrangement – only applies to the LTGF

If Scheme Participants apply for switching or transfer out of ALL accrued benefits under the LTGF as at the time of such switching or transfer out to other Constituent Fund(s) under the Scheme or to another registered scheme between 26 July 2023 and 25 October 2023 (both dates inclusive) or that the accrued benefits under the LTGF are not switched or transferred to other Constituent Fund(s) under the Scheme or to another registered scheme before the Effective Date (i.e. the accrued benefits investing in the LTGF remain, whether in full or partially, under the Scheme on the Effective Date), the Scheme Participants will be entitled to the higher of the qualifying balance and the nominal account balance subject to the conditions set out in paragraph 2.1 below. This is a one-off arrangement ("One-off Arrangement") specially offered by the Insurer in response to the Termination. If, however, Scheme Participants apply for partial switching or transfer out of a portion of accrued benefits under the LTGF before the Effective Date, the portion that is switched or transferred out will not be entitled to the higher of the qualifying balance and the nominal account balance. The remaining portion of accrued benefits after the switch out or transfer out will be entitled to the higher of the qualifying balance and the nominal account balance when the remaining portion of the accrued benefits (i) stays until the Effective Date or (ii) is switched or transferred out in full before the Effective Date subject to the conditions set out in paragraph 2.1 below.

Note: The guarantee of capital provided under the CGF applies in all circumstances. Accordingly, Scheme Participants will be entitled to the capital guarantee offered under the CGF even if they withdraw their accrued benefits prior to the Effective Date.

How will the termination of the Terminating CFs impact Scheme Participants?

- (c) We are of the view that the Termination will not have an adverse impact on the Scheme Participants, and that the interests of the Scheme Participants will be adequately protected by investing in the Default CFs and other Constituent Funds under the Scheme.
- (d) The cost of the Termination will be borne by us. As such, no expenses relating to the Termination will be borne by the Scheme Participants or the Scheme. Upon the Termination, no guarantee fund will be offered under the Scheme.

Actions to be taken

- (e) No action is required of the Scheme Participants to effect the Termination. However:
 - (i) a Scheme Participant who does not wish to be involved in the Termination may (a) switch his/her existing investment in the Terminating CF(s) to other Constituent Fund(s) under the Scheme, and/or (b) change his/her investment mandate in respect of any new contributions and transfer-in benefits relating to the Terminating CF(s);

- (ii) a Scheme Participant other than employee members who do not wish to be involved in the Termination may transfer out of the Scheme; and
- (iii) a Scheme Participant who is an employee member may transfer his/her accrued benefits derived from the employee's mandatory contributions under the Employee Choice Arrangement once in every calendar year.

For details, please refer to paragraph 6.

- (f) Scheme Participants may also wish to attend the seminars to be organised by us. Such seminars will take place at least two months before the Effective Date.

Contact details

- (g) If you have any questions or concerns about the changes set out in this notice, please contact our customer service hotline at (852) 2827 1233.

1. Termination of the Terminating CFs

- 1.1 The LTGF and the CGF currently invest into the relevant APIFs under the Policy issued by the Insurer. Pursuant to clause 14.4 of the insurance policy constituting the Policy, the Insurer may terminate the Policy by giving the policyholder (i.e. the Trustee) at least three months' prior notice in writing.
- 1.2 The Trustee has received the requisite notice from the Insurer for the termination of the Policy. The Trustee has been informed by the Insurer that it has decided to terminate the Policy as part of its internal restructuring to demise its guaranteed fund offerings, as suggested by the internal assessment of solvency and sustainability. As a result of the termination of the Policy, the Trustee has considered alternative arrangements for the Terminating CFs (e.g. (a) potential replacement APIFs for the Terminating CFs; and (b) termination of the Terminating CFs). After considering these alternatives from various angles and their potential impacts on the Scheme Participants, the Trustee has concluded that the Termination is the only viable option. Pursuant to clause 11.3.1 of the Master Trust Deed, the Trustee hereby gives not less than three months' notice to the Scheme Participants in relation to the Termination, which will take effect on the Effective Date.

2. One-Off Arrangement – only applies to the LTGF

LTGF

- 2.1 The LTGF offers the guarantee of capital and return ("**GCR**"), as detailed in section 3.4.2(a) and Appendix I and II of the MPF Scheme Brochure. Under the current guarantee mechanism of the LTGF, the GCR will only be offered to Scheme Participants if the accrued benefits attributable to contributions in the LTGF are withdrawn upon the occurrence of either an Exceptional Circumstance (as defined in section 3.4.2 of the MPF Scheme Brochure) or one of the Qualifying Events. The Qualifying Events are:
 - Attainment of the normal retirement age or retirement at or after the early retirement age but before the normal retirement age;
 - Total incapacity;
 - Terminal illness;
 - Death;
 - Permanent departure from Hong Kong;
 - Claim of "small balance"; or

- (In respect of employee members only) Termination of the member's employment (regardless of the reason of termination) and the qualifying period is at least 36 complete months, provided that the qualifying period may be re-set to zero if the member effects a redemption, switching out or withdrawal of the units in the LTGF other than upon the occurrence of a qualifying event.

The Insurer has put in place a One-Off Arrangement where Scheme Participants will remain entitled to the GCR offered (i.e. essentially this means the higher of the nominal account balance and the qualifying balance (for the illustration of the guarantee mechanism, please refer to Appendix II to the MPF Scheme Brochure)), under the LTGF. If Scheme Participants apply for full switching or transfer out of **ALL** accrued benefits under the LTGF as at the time of such switching or transfer out to other Constituent Fund(s) under the Scheme or to another registered scheme between 26 July 2023 and 25 October 2023 (both dates inclusive), or that the accrued benefits under the LTGF are not switched or transferred to other Constituent Fund(s) under the Scheme or to another registered scheme before the Effective Date (i.e. the accrued benefits investing in the LTGF remain, whether in full or partially, under the Scheme on the Effective Date), the Scheme Participants will be entitled to GCR. If, however, Scheme Participants apply for partial switching or transfer out of a portion of their accrued benefits under the LTGF to other Constituent Fund(s) under the Scheme or to another registered scheme before the Effective Date, the portion that is switched or transferred out will not be entitled to GCR. The remaining portion of accrued benefits after the switch out or transfer out will be entitled to GCR when the remaining portion of the accrued benefits (i) stays until the Effective Date or (ii) is switched or transferred out in full before the Effective Date. Please refer to **Appendix II** for illustrative examples for One-off Arrangement. This is the One-Off Arrangement specially made by the Insurer in response to the termination subject to the conditions set out below:

(a) Full fund switching

If Scheme Participants effect fund switch to switch their accrued benefits investing in LTGF in full to other Constituent Funds under the Scheme between 26 July 2023 and 25 October 2023 (both dates inclusive), they will remain entitled to the GCR offered under the One-off Arrangement.

(b) Partial fund switching

If Scheme Participants effect fund switch to partially switch a portion of their accrued benefits investing in LTGF to other Constituent Funds under the Scheme between 26 July 2023 and 25 October 2023 (both dates inclusive), the portion that is switched out will not be entitled to GCR. Scheme Participants will be entitled to GCR for the remaining portion of the accrued benefits when the remaining portion of the accrued benefits after the switch out (i) stays until the Effective Date or (ii) is switched out in full before the Effective Date.

(c) Full transfer out

If Scheme Participants effect transfer out of their accrued benefits investing in LTGF in full to other registered MPF schemes between 26 July 2023 and 25 October 2023 (both dates inclusive), they will be entitled to GCR.

(d) Partial transfer out

If Scheme Participants effect partial transfer out of a portion of their accrued benefits investing in LTGF to other registered MPF schemes between 26 July 2023 and 25 October 2023 (both dates inclusive), the portion that is transferred out will not be entitled to GCR. Scheme Participants will be entitled to GCR for the remaining portion of the accrued benefits when the remaining portion of the accrued benefits after the transfer out (i) stays until the Effective Date or (ii) is transferred out in full before the Effective Date.

(e) *Other situations*

If Scheme Participants effect fund switching or transfer out of their accrued benefits investing in LTGF of their contribution accounts but do not effect any fund switching or transfer out of their accrued benefits investing in LTGF of their tax deductible voluntary contribution (“TVC”), special voluntary contribution (“SVC”) and/or personal accounts (“PA”), and vice versa, their accrued benefits in other accounts (i.e. TVC, SVC or PA) will still be entitled to GCR under the One-off Arrangement if full or partial fund switching or transfer out is effected as set out in paragraph 2.1 (a) to (d) above. In determining a scheme participant’s entitlement of GCR under the One-off Arrangement when he/she has different types of accounts (i.e. contribution/ TVC/ SVC/ PA accounts) that invest in LTGF under the Scheme, the Trustee will refer to the account number of each account type that the scheme participant holds instead of using his/her ID card number as identifier.

For the avoidance of doubt, absent the qualifying events or exception circumstances, Scheme Participants will not be entitled to the GCR offered under the LTGF if the switching or transfer out does not fall within the above scenarios. For illustrative examples for the One-off Arrangement, please see **Appendix II** to this notice.

CGF

2.2 The CGF offers the guarantee of capital, as detailed in section 3.4.1(a) of the MPF Scheme Brochure. The guarantee of capital provided under the CGF applies in all circumstances (i.e. the guarantee of capital applies in all circumstances, and is not subject to any guarantee conditions; hence, the One-off Arrangement is not applicable to the CGF). Accordingly, Scheme Participants will be entitled to the capital guarantee offered under the CGF even if they withdraw their accrued benefits prior to the Effective Date.

3. Default fund arrangement

3.1 Taking into consideration (i) the investment objective and policies, (ii) the risk and return profiles and (iii) the management fees, the Trustee considers that the following default funds under the Scheme would offer comparable alternatives to the Scheme Participants. Please also refer to **Appendix I** to this notice which sets out a more detailed comparison between the respective Terminating CF and the corresponding Default CF.

Terminating CFs	Default CFs
LTGF	Principal Age 65 Plus Fund
CGF	Principal MPF Conservative Fund

3.2 On the Effective Date, the Trustee will redeem all units relating to the Terminating CFs in cash and use the redemption proceeds to purchase the units in the Default CFs which share similar investment objectives as the Terminating CFs.

3.3 Under the existing clause 11.4 of the Master Trust Deed, if a Scheme Participant fails to notify the Trustee of his/her new investment mandate within one month after the Trustee has notified him/her of the termination of a Constituent Fund, he/she will be deemed to have elected to apply the redemption proceeds to acquire units in the Principal Age 65 Plus Fund and the Principal Core Accumulation Fund under the DIS. However, given the similarities of investment objectives between the Terminating CFs and the Default CFs (as detailed in the **Appendix I** to this notice), the Trustee is of the view that the Default CFs are more preferable in this circumstance. The Master Trust Deed will therefore be amended to cater for the present arrangement, the amendment will be effective from 25 October 2023.

4. Transitional arrangement and suspension

4.1 The last dealing date of all instructions related to the Terminating CFs, including subscription, redemption, change of investment mandate and fund switching will be 25 October 2023 (the "**Cut-off Deadline**"). The details of the transitional arrangement of instructions involving the Terminating CF(s) will be as follows:

Types of instructions that involve the Terminating CF(s)	Instructions received at or before the relevant cut-off time on the Cut-off Deadline	Instructions received after the relevant cut-off time on the Cut-off Deadline
Fund switching and change of investment mandate instructions that involve the Terminating CF(s)	<p>Should the relevant valid and duly completed instructions be received on or before 25 October 2023 at or before 4:00 p.m. for paper and fax instructions, online service portal, mobile app* and Interactive Voice Response System instructions on the Cut-off Deadline, such instructions will be processed under the Trustee's normal service benchmark.</p> <p><i>*for fund switching only</i></p>	<p>Fund switching instructions involving the Terminating CF(s) will be rejected, except with respect to fund switching instruction not involving Terminating CF(s) which will be processed under the Trustee's normal service benchmark.</p> <p>Change of investment mandate instructions involving the Terminating CF(s) will be rejected, except with respect to change of investment mandate instructions to a Constituent Fund not being one of the Terminating CFs which will be processed under the Trustee's normal service benchmark.</p> <p>The Trustee will endeavor to call affected Scheme Participants or issue rejection letters/email to the affected Scheme Participants by end of October 2023, save for those untraceable Scheme Participants whom the Trustee is unable to contact.</p>

4.2 Paper submission of instructions should be posted to the Trustee at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong; instructions through fax can be submitted to 2827 1707, where applicable.

4.3 For the avoidance of doubt, immediately after 4:00 p.m. (Hong Kong time) on the Cut-off Deadline, the Terminating CFs will cease to be available for selection on the fund list for fund switching via online service portal and Interactive Voice Response System.

4.4 Under clause 17.1 of the Master Trust Deed, the suspension of subscription for and redemption from a constituent fund may only occur together with the suspension of determination of the net asset value of the constituent fund. However, in effecting the Termination, all subscription for and redemption from the Terminating CFs will be suspended while the determination of the net asset value of the Terminating CFs will continue (please refer to paragraph 4.5 below for details). The Master Trust Deed will therefore be

amended to provide the Trustee the flexibility to declare a suspension of issuance, realization or switching of units relating to a constituent fund without a suspension of the determination of the net asset value of the constituent fund.

- 4.5 With respect to Scheme Participants with accrued benefits invested in and/or investment mandate for investments in the Terminating CF(s) immediately prior to the Effective Date, fund switching and change of investment mandate for future assets in respect of the Terminating CF(s) will not be available and will be suspended from 26 October 2023 to 27 October 2023 (the "**suspension period**"). This suspension period is for the Trustee to process and settle all the fund switching and change of investment mandate dealing instructions to the Terminating CFs, as well as settle all liabilities and finalise the books of the Terminating CF(s) for the Termination. The determination of the net asset value of the Terminating CF(s) will continue and will not be affected by the suspension. The Trustee believes that the suspension period of two business days is necessary and reasonable to ensure the transitional arrangements can be accurately and properly carried out in the Scheme Participants' interests. For the avoidance of doubt, (i) Scheme Participants with no accrued benefits invested in and/or investment mandate for investments in the Terminating CF(s); or (ii) fund switching and change of investment mandate for future assets in respect of Constituent Fund(s) other than the Terminating CF(s), will not be affected by the abovementioned suspension.
- 4.6 Following the completion of the Termination on the Effective Date, the Trustee will perform checking procedures (e.g. reconciliation of affected Scheme Participants' unitholdings) from the Effective Date to 30 October 2023 9:00 a.m. (both dates inclusive) for the protection of Scheme Participants' interests. As such, during such period, Scheme Participants with accrued benefits and/or investment mandate in the Terminating CF(s) immediately prior to the Effective Date may access the online account and Interactive Voice Response System but only to enquire the total balance at Scheme Participant account level. However, these affected Scheme Participants may still submit investment mandate forms via mail/e-mail/handing in/facsimile to make fund switching or change of investment mandate requests in respect of Constituent Fund(s) other than the Terminating CF(s). Such requests so received will be processed as per usual practice and free of charge.
- 4.7 If a Scheme Participant submits the old version of a member enrolment form after the Effective Date and chooses to invest in any of the Terminating CFs, the Trustee will treat it as an invalid investment option and the Trustee will call such scheme participant to notify him/her of the invalid investment option and that all the future mandate will be allocated to the default investment strategy under the Scheme unless the Scheme Participant subsequently varies his/her investment options. The Trustee will send follow up letters to Scheme Participants who submit old version of member enrolment forms with invalid investment options. That said, for the avoidance of doubt, the Trustee will proceed with setting up future mandate for Scheme Participants who have not selected the Terminating CFs in the completed old versions of member enrolment forms they submitted. If the Trustee receives incomplete member enrolment forms, the Trustee will reject such forms and follow up with the Scheme Participants to request a completed member enrolment form. The Trustee will continue to accept old version of completed member enrolment forms with valid investment options until 30 April 2024. The Trustee will reject all old member enrolment forms from 30 April 2024 onwards regardless of whether the old member forms is completed and whether any of the Terminating CFs is selected. As soon as the Trustee receives such old member enrolment forms after 30 April 2024, the Trustee will within three weeks follow up by phone call, email or a follow-up letter with the relevant scheme participants to request them to submit a completed new version member enrolment form. The Trustee will provide and make available new version member enrolment forms (with the Terminating CFs removed) online and in paper forms from the Effective Date onwards.

5. Consequence of the Termination and impact on the Scheme Participants

- 5.1 The Scheme Participants investing in the Terminating CF(s) immediately before the Effective Date (i.e. those who do not exercise their rights to switch out of the Terminating CF(s)) will become investing in the respective Default CF(s) on and after the Effective Date.

- 5.2 In addition, if the Scheme Participants do not exercise their rights to change their investment mandate by the relevant cut-off time on the Cut-off Deadline under paragraph 4.1 above, any future contribution payment/transfer-in benefits received in respect of such Scheme Participants that would have been invested in the Terminating CF(s) (had it not been transferred to the corresponding Default CF(s)) will be invested in the corresponding Default CF(s).
- 5.3 If the Scheme Participants exercise their rights to switch or change their investment mandate instructions to other Constituent Funds under the Scheme (the "**Transferee CFs**") by the relevant cut-off time on the Cut-off Deadline under paragraph 4.1 above, such instruction will be processed under the Trustee's normal service benchmark.
- 5.4 On the Effective Date, the number of units (including any fraction of units) in the Default CFs or the Transferee CFs (as the case may be) to be allocated in respect of each Scheme Participant concerned will be calculated by dividing the total value of holdings (taking into account the One-Off Arrangement) of each Terminating CF attributable to the Scheme Participant as at the Effective Date by the unit price of the corresponding Default CFs or the Transferee CFs (as the case may be) as at the Effective Date. Because the unit price of the Terminating CFs may differ from that of the corresponding Default CFs or Transferee CFs (as the case may be), the number of units in the Default CFs or Transferee CFs (as the case may be) allocated in respect of a Scheme Participant immediately after the Effective Date may not be the same as the number of units in the Terminating CFs attributable to the Scheme Participant immediately before the Effective Date. Rest assured that the switch out amount of a Scheme Participant investing in the Terminating CF(s) on the Effective Date will be the same as the switch in amount of the respective Default CF(s) or Transferee CF(s) (as the case may be).
- 5.5 We will liaise with all service providers such as the investment manager and custodian of the Scheme and the related Constituent Funds to ensure proper arrangements (including but not limited to administrative and operational arrangements) are put in place for the transition and a smooth transfer of accrued benefits of the Scheme Participants from the Terminating CFs to the Default CFs or the Transferee CFs (as the case may be) as the Scheme Participants may instruct. There will be no bid and offer spreads or other transaction costs in relation to the redemptions of the units of the Terminating CFs and the subsequent subscriptions in the units of the Default CFs or the Transferee CFs (as the case may be).
- 5.6 There will be no fees or penalty, bid/offer spread or transfer fee imposed on any transfer out of the Scheme or switching/change of investment mandate instruction described in this section 5. The cost of the termination of the Terminating CFs is estimated to be around HK\$7 million and will be borne by us. As such, no expenses relating to the Termination will be borne by the Scheme Participants or the Scheme.

6. Opt out of the Scheme

- 6.1 No action is required of the Scheme Participants to effect the Termination.
- 6.2 A Scheme Participant who does not wish to be involved in the Termination may (i) switch his/her existing investment in the Terminating CF(s) to other Constituent Fund(s) under the Scheme, and/or (ii) change his/her investment mandate in respect of any new contributions and transfer-in benefits relating to the Terminating CF(s) by submitting to us a validly completed instruction in accordance with sub-section "6.6 Switching" of the MPF Scheme Brochure.
- 6.3 Scheme Participants other than employee members who do not wish to be involved in the Termination may transfer out of the Scheme. However, a Scheme Participant who is an employee member will not be entitled to transfer out of the Scheme unless his/her participating employer elects to do so. Nevertheless, a Scheme Participant who is an employee member may transfer his/her accrued benefits derived from the employee's mandatory contributions under the Employee Choice Arrangement once in every calendar year.

6.4 There will be no fees or penalty, bid/offer spread or transfer fee imposed on any transfer out of the Scheme or switching/change of investment mandate instruction described in this section 6. The Scheme Participants should review all terms and conditions under the Scheme and Constituent Funds before making any decision.

* * *

This notice only summarises the Termination. The updated MPF Scheme Brochure, key scheme information document of the Scheme and the amended Master Trust Deed (per item 3.3 above) will be available on our website at www.principal.com.hk or you may request a copy of it by contacting our customer service hotline at (852) 2827 1233.

If you have any questions or concerns about the Termination set out in this notice, please contact our customer service hotline at (852) 2827 1233.

Principal Trust Company (Asia) Limited

25 July 2023

Appendix I

LTGF

	LTGF	Principal Age 65 Plus Fund
Fund type	Guaranteed fund	Mixed assets fund
Fund structure	Feeder fund	Feeder fund
Investment objective	The objective of the LTGF is to provide a competitive long-term total rate of return, while also providing a minimum guaranteed average annual return over the career of the members (i.e. long term guarantee). In the long term, the return of the LTGF is expected to be no less than the inflation rates in Hong Kong. The LTGF is denominated in HKD.	The investment objective of the Principal Age 65 Plus Fund is to provide stable growth for the retirement savings to members by investing in a globally-diversified manner. The Principal Age 65 Plus Fund is denominated in HKD.
Investment policy	<p>The LTGF invests in an insurance policy-based APIF. The insurance policy-based APIF invests, in turn, in two or more APIFs and/or ITCISs.</p> <p>In selecting these APIFs and ITCISs, the Investment Manager will seek to achieve the objective of the LTGF.</p> <p>The selected APIFs and/or ITCISs are expected to use an investment strategy which focuses on, among others, fundamental analysis in order to identify the assets and the markets which are likely to offer good investment value. Such analysis should focus on economic issues such as GDP growth, inflation, monetary policy, currency analysis, valuations etc. At the security-selection level, analysis would focus on both micro and macro factors. These factors include margins, revenues, earnings expectations etc.</p>	<p>The Principal Age 65 Plus Fund will invest in a unit trust APIF (the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund), which in turn invests in two or more passively or actively managed approved ITCISs and/or unit trust APIFs.</p> <p>The investment manager of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund has the discretion, subject to the limits as set out in the MPF Scheme Brochure of the Scheme, to determine the allocation percentages of the investments of the Principal Unit Trust Umbrella Fund – Principal Age 65 Plus Fund into passively or actively managed ITCISs and/or unit trust APIFs.</p>
Asset allocation	<p>10 – 55% in equity securities</p> <p>25 – 90% in debt securities</p> <p>0 – 20% in cash and short-term investments</p>	<p>Around 20% in higher risk assets (i.e. mainly global equities)</p> <p>Around 80% in lower risk assets (i.e. mainly global bonds)</p>
Risk profile	Moderate	Moderate

Management fees	Class D ¹ : 1.50% plus a guarantee charge of up to 1.00% at the APIF level Class I ² : 2.00% plus a guarantee charge of up to 1.00% at the APIF level	Class N ³ : 0.75%
Asset under management (as of 31 May 2023)	HK\$1,885 million	HK\$952 million

CGF

	CGF	Principal MPF Conservative Fund
Fund type	Guaranteed fund	Money Market Fund – Hong Kong
Fund structure	Feeder fund	Feeder fund
Investment objective	The objective of the CGF is to guarantee the capital value of the contributions (i.e. capital guarantee), and to earn a competitive short-term rate of return. In the long term, the return of the CGF is expected to exceed the bank saving rates in Hong Kong. The CGF is denominated in HKD.	The objective of the Principal MPF Conservative Fund is to at least earn a net return equal to the prescribed savings rate (which is broadly the average rate of interest on a HKD savings account) determined by the MPFA. In the long term, the return of the Principal MPF Conservative Fund is expected to be similar to the bank saving rates in Hong Kong
Investment policy	The CGF invests in an insurance policy-based APIF. The insurance policy-based APIF invests, in turn, in mainly a portfolio of short-duration securities. The portfolio of the underlying insurance policy-based APIF in which the CGF invests will be a variety of relatively short duration securities held or located in Hong Kong and bank deposits placed with a Hong Kong branch of an authorised financial institution.	The Principal MPF Conservative Fund invests in a unit trust APIF. The APIF invests in a portfolio of bank deposits, short-duration securities and high-quality money market instruments denominated in HKD.
Asset allocation	0 – 100% in debt securities 0 – 100% in cash and short-term investments	0 – 95% in certificates of deposit 0 – 95% in debt securities 0 – 100% in cash and short-term investments (e.g. bills and deposits)
Risk profile	Low	Low

¹ For "direct charge option" before 30 December 2011. From 30 December 2011, the "direct charge option" and "indirect charge option" ceased to be applicable.

² For "indirect charge option" before 30 December 2011. From 30 December 2011, the "direct charge option" and "indirect charge option" ceased to be applicable.

³ Only Class N units are issued for the Principal Age 65 Plus Fund.

Management fees	Class D: 1.25% Class I: 1.40%	Class N: 0.95%
Asset under management (as of 31 May 2023)	HK\$2,689 million	HK\$2,721 million

Appendix II

Illustrative examples for One-off Arrangement

(i) Full fund switching / transfer out

Assumptions:

1. Member makes full fund switching or transfer out of his/her investment in the LTGF during the notice period, prior to the Effective Date, assumed the full switching or transfer out is made on 26 July 2023.

Fund position before making any fund switching or transfer out:

Date	Nominal Account Balance (“NB”) (reflects actual investments)	Qualifying Balance (“QB”)
26 July 2023	HKD5,000	HKD6,000

Example below illustrates how guarantee will apply under the One-off Arrangement when the member switches out or transfer out the full amount during the notice period, between 26 July 2023 and 25 October 2023 (both dates inclusive).

Since One-off Arrangement applies to full fund switching or transfer out during notice period, the greater of the total QB or the NB will be paid.

QB = HKD6,000

NB = HKD5,000

Therefore, HKD6,000 will be paid.

(ii) Partial fund switching / transfer out

Assumptions:

1. Member makes partial fund switching or transfer out of his/her investment in the LTGF during the notice period, prior to the Effective Date, assumed the partial switching or transfer out is made on 26 July 2023.

Fund position before making any fund switching or transfer out:

Date	NB (reflects actual investments)	QB
26 July 2023	HKD5,000	HKD6,000

The example illustrates how the guarantee will be applied when the member switches out or transfer out the partial amount under the One-off Arrangement and how the remaining accrued benefit will be treated on the Effective Date.

Member switches or transfers out 50% of his/her accrued benefit on 26 July 2023. Since partial switching or transfer out is not a qualifying event, it will not be entitled to QB.

$$\text{NB} = \text{HKD}5,000 \times 50\% = \text{HKD}2,500$$

$$\text{QB} = \text{HKD}6,000 \times 50\% = \text{HKD}3,000 \text{ (not entitled)}$$

Therefore, HKD2,500 will be paid.

Under the One-off Arrangement, the switch out or transfer out amount will be deducted from the NB and QB as follow:

$$\begin{aligned} \text{NB after withdrawal} &= \text{HKD}5,000 - (\text{HKD}5,000 \times 50\%) \\ &= \text{HKD}2,500 \end{aligned}$$

$$\begin{aligned} \text{QB after withdrawal} &= \text{HKD}6,000 - (\text{HKD}6,000 \times 50\%) \\ &= \text{HKD}3,000 \end{aligned}$$

Fund position after making the fund switching or transfer out:

Date	NB (reflects actual investments)	QB
26 July 2023	HKD2,500	HKD3,000

(A) The remaining balance remains in LTGF until the Effective Date

Fund position as of 25 October 2023 (assume no further contribution or withdrawal after the partial fund switching or transfer out)

Date	NB (reflects actual investments)	QB
25 October 2023	HKD2,500	HKD3,007.5

The accrued balance will be switched to the Default CF on the Effective Date. The amount to be switched will be as follow:

NB = HKD2,500 (NB is subject to the market movement, assumed zero gain/loss in the above example)

QB = Qualifying Balance accrued the guaranteed rate (assume that it is 1% in this example) for 3 months
 = HKD3,000 x 101% ^ (3/12)
 = HKD3,007.5

Since QB > NB, the balance to be switched to the Default CF will be HKD3,007.5.

If the member decided to switch or transfer out all the remaining balance before the Effective Date, the greater of the total QB (i.e. HKD3,007.5) or the NB (i.e. HKD2,500) at the time of switching or transfer out will be paid since One-off Arrangement applies to full fund switching or transfer out between 26 July 2023 and 25 October 2023 (both dates inclusive).

(B) Member further switches or transfers out 20% of his/her remaining accrued benefit on 26 September 2023. The remaining balance remains until the Effective Date.

Fund position as of 26 September 2023 before making 20% partial switch or transfer out

Date	NB (reflects actual investments)	QB
26 September 2023	HKD2,500	HKD3,005

NB = HKD2,500 (NB is subject to the market movement, assumed zero gain/loss in the above example)

QB = Qualifying Balance accrued the guaranteed rate (assume that it is 1% in this example) for 2 months
 = HKD3,000 x 101% ^ (2/12)
 = HKD3,005

Since partial switching or transfer out is not a qualifying event, it will not be entitled to QB.

NB = HKD2,500 x 20% = HKD500
 QB = HKD3,005 x 20% = HKD601 (not entitled)

Therefore, HKD500 will be paid.

Under the One-off Arrangement, the switch out or transfer out amount will be deducted from the NB and QB as follow:

NB after withdrawal = HKD2,500 – (HKD2,500 x 20%)
 = HKD2,000

QB after withdrawal = HKD3,005 – (HKD3,005 x 20%)
 = HKD2,404

Fund position as of 25 October 2023 (assume no further contribution or withdrawal after the partial fund switching or transfer out)

Date	NB (reflects actual investments)	QB
25 October 2023	HKD2,000	HKD2,406

The remaining balance remains in LTGF until the Effective Date. The accrued balance will be switched to the Default CF on the Effective Date. The amount to be switched will be as follow:

NB = HKD2,000 (NB is subject to the market movement, assumed zero gain/loss in the above example)

QB = Qualifying Balance accrued the guaranteed rate (assume that it is 1% in this example) for 1 month
= $\text{HKD}2,404 \times 101\% ^{(1/12)}$
= HKD2,406

Since $\text{QB} > \text{NB}$, the balance to be switched to the Default CF will be HKD2,406.

If the member decided to switch or transfer out all the remaining balance before the Effective Date, the greater of the total QB (i.e. HKD2,406) or the NB (i.e. HKD2,000) at the time of switching or transfer out will be paid since One-off Arrangement applies to full fund switching or transfer out between 26 July 2023 and 25 October 2023 (both dates inclusive).

(iii) Multiple accounts

Assumptions:

1. Member has various accounts (e.g. contributions accounts, personal account, tax deductible voluntary contribution account (“TVC”) and special voluntary contribution account (“SVC”)) under the Scheme and member makes full fund switching or transfer out of his/her investment in LTGF in one of the accounts only.
2. Remaining balance stays in LTGF until the Effective Date where the balance will transfer to the Default CF.

Fund position before making any fund switching or transfer out:

Date	Accounts	NB (reflects actual investments)	QB
26 July 2023	Contribution account	HKD5,000	HKD6,000
26 July 2023	Personal account	HKD2,000	HKD2,500
26 July 2023	TVC	HKD1,000	HKD1,100
26 July 2023	SVC	HKD1,500	HKD1,800

The example illustrates how the guarantee will be applied when the member switches out the full amount under the One-off Arrangement from one of the accounts only and how the remaining accrued benefit will be treated on the Effective Date.

Member made a full switch or transfer out of the accrued benefit from his/her contribution account between 26 July 2023 and 25 October 2023 (both dates inclusive). Since One-off Arrangement applies to full fund switching between 26 July 2023 and 25 October 2023 (both dates inclusive), the greater of the total QB or the NB will be paid.

QB = HKD6,000

NB = HKD5,000

Therefore, HKD6,000 will be paid.

NB after withdrawal = HKD0 (since it is a full switching)

QB after withdrawal = HKD0 (since it is a full switching)

Fund position after making the fund switching or transfer out:

Date	Accounts	NB (reflects actual investments)	QB
26 July 2023	Contribution account	HKD-	HKD-
26 July 2023	Personal account	HKD2,000	HKD2,500
26 July 2023	TVC	HKD1,000	HKD1,100
26 July 2023	SVC	HKD1,500	HKD1,800

Fund position as of 25 October 2023 (assume no further contribution or withdrawal after the partial fund switching or transfer out)

Date	Accounts	NB (reflects actual investments)	QB
25 October 2023	Contribution Account	HKD-	HKD-
25 October 2023	Personal Account	HKD2,000	HKD2,506.2
25 October 2023	TVC	HKD1,000	HKD1,102.7
25 October 2023	SVC	HKD1,500	HKD1,804.5

The remaining balance remains LTGF until the Effective Date. The accrued balance will be switched to the Default CF on the Effective Date. The amount to be switched will be as follow:

For Personal Account:

NB = HKD2,000 (NB is subject to the market movement, assumed zero gain/loss in the above example)

QB = Qualifying Balance accrued the guaranteed rate (assume that it is 1% in this example) for 3 months
 = $HKD2,500 \times 101\% \wedge (3/12)$
 = HKD2,506.2

Since QB > NB, the balance to be switched to the Default CF will be HKD2,506.2

For TVC Account:

NB = HKD1,000 (NB is subject to the market movement, assumed zero gain/loss in the above example)

QB = Qualifying Balance accrued the guaranteed rate (assume that it is 1% in this example) for 3 months
 = $HKD1,100 \times 101\% \wedge (3/12)$
 = HKD1,102.7

Since QB > NB, the balance to be switched to the Default CF will be HKD1,102.7

For SVC Account:

NB = HKD1,500 (NB is subject to the market movement, assumed zero gain/loss in the above example)

QB = Qualifying Balance accrued the guaranteed rate (assume that it is 1% in this example) for 3 months
 = $HKD1,800 \times 101\% \wedge (3/12)$
 = HKD1,804.5

Since QB > NB, the balance to be switched to the Default CF will be HKD1,804.5