

## **FIRST SUPPLEMENTAL PROSPECTUS FOR PRINCIPAL ASIA PACIFIC DYNAMIC INCOME FUND**

**Manager** : **Principal Asset Management Berhad** (199401018399 (304078-K))

**Trustee** : **HSBC (Malaysia) Trustee Berhad** (193701000084 (1281-T))

This First Supplemental Prospectus is dated 29 January 2021 and is to be read in conjunction with the Prospectus for the Principal Asia Pacific Dynamic Income Fund dated 23 December 2019 (“Prospectus”).

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS AND THIS FIRST SUPPLEMENTAL PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**THIS IS A FIRST SUPPLEMENTAL PROSPECTUS WHICH HAS TO BE READ IN CONJUNCTION WITH THE PROSPECTUS**

**RESPONSIBILITY STATEMENTS**

This First Supplemental Prospectus has been reviewed and approved by the directors of the Principal Malaysia and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, they confirm to the best of their knowledge and belief, that there are no false or misleading statements, or omission of other facts which would make any statement in this First Supplemental Prospectus false or misleading.

**STATEMENTS OF DISCLAIMER**

The Securities Commission Malaysia has authorised the Fund and a copy of this First Supplemental Prospectus has been registered with the Securities Commission Malaysia.

The authorisation of the Fund, and registration of this First Supplemental Prospectus, should not be taken to indicate that Securities Commission Malaysia recommends the Fund or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in the Prospectus or First Supplemental Prospectus.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the Principal Malaysia responsible for the Fund and takes no responsibility for the contents in this First Supplemental Prospectus. The Securities Commission Malaysia makes no representation on the accuracy or completeness of this First Supplemental Prospectus, and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE UNABLE TO MAKE YOUR OWN EVALUATION, YOU ARE ADVISED TO CONSULT PROFESSIONAL ADVISERS.**

**ADDITIONAL STATEMENTS**

You should note that you may seek recourse under the *Capital Markets and Services Act 2007* for breaches of securities laws including any statement in the First Supplemental Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the First Supplemental Prospectus or the conduct of any other person in relation to the Fund.

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## 1.0. GENERAL

- 1.1 This First Supplemental Prospectus is issued to reflect the amendments made to the Prospectus as stated under paragraph 2, 3, 4, 5, 6, and 7 below.
- 1.2 All terms used in this First Supplemental Prospectus shall have the same meanings as those defined in the Definitions Chapter of the Prospectus unless where the context otherwise requires.
- 1.3 All information provided herein is practicable as at 30 September 2020 and shall remain current and relevant as at such date.

## 2.0. ABOUT THIS DOCUMENT

- 2.1. The second paragraph under the section of “**About this document**” at page i has been replaced and read as below:

If you have any questions about the information in this Prospectus or would like to know more about investing in the Principal Malaysia family of unit trust funds, please call our Customer Care Centre at (603) 7718 3000 between 8:45 a.m. and 5:45 p.m. (Malaysian time) on Mondays to Thursdays and between 8:45 a.m. and 4:45 p.m. (Malaysian time) on Fridays (except on Selangor and/or Kuala Lumpur public holidays).

## 3.0. FUND INFORMATION

- 3.1. The information under the section of “**Investment policy and Principal Investment Strategy**” at page 1 and 2 has been replaced and read as below:

The Fund will be managed with the aim of achieving a stable and positive investment returns over the medium to long term through investments primarily in Asia Pacific ex Japan, i.e. companies that are domiciled in, listed in, and/or have significant operations in the Asia Pacific ex Japan region. For listed securities, the investment must be traded in an exchange that is a member of WFE. ‘Significant operations’ means major businesses of the company. For example, the Fund can invest in a company with significant business/operations in Thailand but listed on the New York Stock Exchange. The threshold for ‘significant operations’ would be if more than 25% of total group revenue is derived from countries in the Asia Pacific ex Japan region. The calculation would be based on the most recent financial reports released by the companies (e.g. interim and annual reports). The term “medium to long term” refers to a period of three (3) years and more. With effect from 31 March 2021, the Fund may also invest up to 20% of its NAV in companies that are listed globally with some business/operations within the Asia Pacific ex Japan region to capture growth opportunities.

Under general market conditions, the Fund’s investment will focus on high dividend yielding equities of companies, which the Sub-Manager believes will offer attractive yields\*, sustainable dividend payments and/or will exhibit above average growth potential when compared to its industry or the overall market at the point of purchase. In addition, the Fund may also invest in companies with good growth potential<sup>^</sup>, which the Sub-Manager foresees may adopt a strong dividend payout<sup>#</sup> policy. The Fund may also invest up to 20% of the Fund’s NAV in debt securities to be in line with the Fund’s objective. The Fund’s investments in debt securities will generally be restricted to debt securities with a minimum credit rating of “BBB” by an international rating agency as prescribed under the Standard of Qualifying CIS or its equivalent rating by other international rating agencies. The Fund may also opt to access into the equities and/or debt securities market via the investment in units of other CIS that is in line with the Fund’s objectives, subject to the requirements of the SC Guidelines and the Standards of Qualifying CIS.

- The asset allocation strategy for this Fund is as follows:
- between 60% to 98% (both inclusive) of the Fund’s NAV will be invested in equities;
- up to 20% of the Fund’s NAV may be invested in debt securities;
- up to 20% of the Fund’s NAV may be invested in units of other CIS that is in line with the Fund’s objectives;
- and
- at least 2% of its NAV will be invested in liquid assets for liquidity purpose.

However, we or the Sub-Manager may take temporary defensive positions that may detract from the Fund’s prescribed asset allocation when we or the Sub-Manager believes that the equity markets that the Fund invests in are experiencing excessive volatility, expects prolonged declines, or when there are other adverse conditions, such as political instability. Under these circumstances, the Fund may invest all or a substantial portion of its assets in money market instruments to achieve the Fund’s investment objective in bearish or non-performing equity markets. The Sub-Manager may from time to time reduce its proportion of high risk assets, such as equities and increase its asset allocation to liquid assets such as money market instruments and/or Deposits to safeguard the Fund.

In response to these adverse conditions, we or the Sub-Manager may also utilise derivative instruments such as futures contracts to hedge the portfolio. In the event of a downgrade of a counterparty of an OTC derivative below

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the minimum long-term rating as per the SC Guidelines, we reserve the right to deal with the OTC derivative in the best interest of the Unit holders. The use of derivatives is subject to the prevailing SC regulations and Standards of Qualifying CIS.

The Fund will invest in markets where the regulatory authority is an ordinary or associate member of IOSCO. Where necessary, we will obtain the licenses/permits for investments in countries that require such licenses/permits. If we are unable to obtain the necessary licenses/permits, or the licenses/permits are revoked or not renewed (as the case may be), we or the Sub-Manager will seek to invest in other accessible markets.

We have appointed Principal Singapore, a company incorporated in Singapore as the Sub-Manager of the Fund. Principal Singapore will be responsible for investing and managing the Fund in accordance with the investment objective and within the investment restrictions. For further details on the Sub-Manager, please refer to page 22.

The Sub-Manager will adopt an active investment strategy with frequency that will depend on the market conditions and the market outlook. The Sub-Manager uses a bottom-up stock selection process in searching for potentially interesting companies that offer attractive yields, sustainable dividend payments and exhibit above average growth potentials than its industry or the overall market. To complement this strategy, the Sub-Manager combines it with a top-down country and sector allocation process and will actively trade the securities in the portfolio of the Fund. Analysis and study will be made on the macroeconomic trends in Asia Pacific ex Japan economies where the investments are made; in particular, looking at the direction of GDP growth, interest rates, inflation, currencies and government policies to form the view and outlook for each country. This serves as part of the risk management framework that enables the Sub-Manager to assess the impact of macroeconomic changes on corporate earnings and dividends and at the same time to determine if there are any predictable trends.

Further, risk management, with an emphasis on portfolio diversification, will form an integral part of the investment process. The Fund is constructed and managed within pre-determined guidelines including risk returns trade-off, which will be monitored and reviewed regularly by the investment management team. The risk management strategies and techniques employed include diversification of the Fund's asset allocation in terms of its exposure to various sectors, industries and companies.

If the Fund is eligible to be invested via the EPF-MIS, investments made by the Fund will be subject to the EPF's requirements. Please note that there may be changes to the status of the eligibility of the Fund under the EPF-MIS from time to time. Please refer to our website at <http://www.principal.com.my> or <http://www.kwsp.gov.my> for updated information.

\* *Higher than the average equity yields in the respective country.*

^ *Companies that have a better growth than the GDP of the respective country and reasonably priced based on our estimate. Reasonably priced means when the intrinsic value is higher than the current market price.*

# *Higher than the average dividend yields of companies in the respective country.*

### 4.0. RISK FACTORS

- 4.1. The information under the section of "**Risk associated with investing in CIS**" at page 5 has been replaced and read as below:

Since the Fund may invest into CIS, there is a risk of concentration into CIS, in which the CIS's management company has absolute discretion over the CIS's investment technique and knowledge, operational controls and management. In the event of mismanagement of the CIS and/or the management company, the NAV of the Fund, which invests into those CIS would be affected negatively. Should the situation arise, we will seek for another CIS that is consistent with the objective of this Fund.

### 5.0. ADDITIONAL INFORMATION

- 5.1. The fifth paragraph under the section of "**Information on your investment**" at page 18 has been replaced and read as below:

If you have any questions about the information in this Prospectus or would like to know more about investing in this Fund, please contact our **Customer Care Centre** at (603) 7718 3000 between 8:45 a.m. to 5:45 p.m. (Malaysian time) on Mondays to Thursdays and between 8:45 a.m. to 4:45 p.m. (Malaysian time) on Fridays (except on Selangor and/or Kuala Lumpur public holidays) or you may email us at [service@principal.com.my](mailto:service@principal.com.my).

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**6.0. THE MANAGER**

6.1. The information under the section of “**The Board of Directors**” at page 21 has been replaced and read as below:

As at LPD, the Board of Directors consists of eleven (11) members including four (4) Independent Directors and two (2) alternate directors. The Board of Directors oversees the management and operations of the Principal Malaysia and meets at least four (4) times a year.

Effendy bin Shahul Hamid	- Non-independent director	Chong Chooi Wan <sup>2</sup>	- Non-independent director
Pedro Esteban Borda	- Non-independent director	Juan Ignacio Eyzaguirre Baraona	- Non-independent director
Munirah binti Khairuddin	- Non-independent director	Wong Joon Hian	- Independent director
Paul Wong Chee Kin	- Non-independent director	Liew Swee Lin	- Independent director
Thomas Cheong Wee Yee <sup>1</sup>	- Non-independent director	Hisham bin Zainal Mokhtar	- Independent director
Dato’ Jaganath Derek Steven Sabapathy	Independent director		

<sup>1</sup> Alternate director to Pedro Esteban Borda.

<sup>2</sup> Alternate director to Effendy bin Shahul Hamid.

6.2. The information under the section of “**Designated Person Responsible for Fund Management Function**” at page 21 has been replaced and read as below:

<b>Name:</b>	Patrick Chang Chian Ping
<b>Designation:</b>	Chief Investment Officer (CIO), Malaysia & Chief Investment Officer, Equities, ASEAN Region
<b>Experience:</b>	Patrick Chang joined Principal Malaysia on 22 February 2016 and currently holds the positions of CIO, Malaysia and CIO Equities, ASEAN region effective 1 October 2018. He comes with more than 19 years of experience in asset management and is backed by numerous ASEAN awards from Malaysian pension funds in 2013 and 2015. He was previously the Head of ASEAN equities at BNP Paribas Investment Partners, Malaysia where he oversees ASEAN equities for both Malaysian and offshore clients from 2012. Prior to that, he served as Senior Vice President for CIMB-Principal Asset Management Berhad where he specialized in Malaysia, ASEAN and Asia specialist funds. He also worked as a portfolio manager at Riggs and Co International Private Banking in London specializing in managing global ETF portfolios and holds the Capital Markets Services Representative Licence.
<b>Qualifications:</b>	MSc Finance from City University Business School and BSc Accounting and Financial Analysis from University of Warwick, UK.

**Note:** For more and/or updated information, please refer to our website at <http://www.principal.com.my>.

**7.0. DISTRIBUTORS OF THE FUND**

7.1. The information at the end of this section, “**Distributors of the Fund**” at page 37 has been replaced and read as below:

**Note:** We have the discretion in determining the Distributors of the Classes of the Fund, including its appointment and/or termination from time to time. For updated information on the Distributors of the Classes of the Fund, please call our **Customer Care Centre** at **(603) 7718 3000** between 8:45 a.m. and 5:45 p.m. (Malaysian time) on Mondays to Thursdays and between 8:45 a.m. and 4:45 p.m. (Malaysian time) on Fridays (except on Selangor and/or Kuala Lumpur public holidays) or refer to our website at <http://www.principal.com.my>.

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