

Supplement
for the
Principal Capital Securities Fund

1 March 2024

Principal Global Investors Funds

This Supplement contains specific information in relation to the Principal Capital Securities Fund (the "**Fund**"), a Fund of the Principal Global Investors Funds (the "**Unit Trust**"), an open-ended umbrella type unit trust authorised by the Central Bank of Ireland (the "**Central Bank**") as an undertaking for collective investment in transferable securities pursuant to the Regulations.

The Directors of the Manager, whose names appear in the Prospectus, accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information. The Directors accept responsibility accordingly.

This Supplement forms part of and should be read in conjunction with the Prospectus for the Unit Trust dated 14 December 2023 (the "Prospectus"). Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

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1 Investment Objective, Policies and Profile of a Typical Investor

1.1 Investment Objective

The overall objective of the Fund is to provide a return consisting of income consistent with capital preservation.

Investors should be aware that there is no guarantee that the Fund will achieve its investment objective.

1.2 Investment Policies

The Fund seeks to achieve its overall objective by investing primarily in a portfolio of Euro denominated fixed rate, floating rate, fixed-to-float and fixed-to-fixed rate corporate bonds and other corporate fixed income securities made up of capital securities (including CoCos, subject to a limit of 30% of the Fund's net assets) and debentures. Capital securities (also known as 'hybrid securities') are a subset of the broader Euro denominated corporate bond universe that are issued either to satisfy regulatory capital requirements or rating agency capital credit criteria. CoCos are hybrid securities that may, when the issuer's capital ratio falls below a predetermined trigger level, be written down, written off or converted into an equity security. At the time of the Fund's investment, the majority of these securities (which is intended to be approximately 80% of the Fund's net assets) will be rated as investment grade quality by credit rating agencies such as Standard & Poor's, Moody's and Fitch, and may be listed or unlisted.

The Fund's investments (other than permitted unlisted investments) will be listed on the exchanges and on markets listed in Appendix E to the Prospectus, although it is anticipated that the majority will be issued by European issuers.

The Fund seeks to add value primarily through security selection, including credit analysis. Its investment process involves in depth proprietary research, and strategic and disciplined portfolio construction.

The Fund's portfolio construction is determined by a bottom-up approach whereby the Sub-Investment Manager's credit team initially conducts extensive global, sovereign, industry, and credit analysis.

The Sub-Investment Manager's analysis consists of a review of an issuer's fundamentals, through both quantitative metrics (including considering capital adequacy, asset quality, earnings and liquidity) and qualitative considerations (including management style (primarily considering acquisitiveness, risk tolerance, strategic direction), business volatility, position, and relevant ESG issues). The Sub-Investment Manager also considers opinions issued by credit rating agencies and other third parties to supplement its own research but does not rely on this information.

The central drivers of the Sub-Investment Manager's security selection process are credit strength and yield. For a security to be considered for the Fund's portfolio, the credit status of the issuer must be stable and the security yield must be enticing, given the credit rating and credit trend relative to other hybrid securities and capital securities.

Parameters of credit risk tolerances are then determined for all issuers held or expected to be held in the Fund's portfolio. Initial emphasis is on the industries with a stable and/or improving outlook as indicated by the Sub-Investment Manager's credit team. The credit team then categorise the various credit issues into concentration limits for the Sub-Investment Manager to follow in constructing the Fund's portfolio. This categorisation is conducted using a multi-tier methodology which involves the credit team assigning a maximum concentration ranking to each "buy" recommendation, predicated on issuer size and risk profile. In general, the relevant concentration rankings are tiered from 1% to 5%. The credit team then actively monitors its "master list" of approved credit and concentration

limits and any changes to this list will need to be considered by the Sub-Investment Manager. In particular, the Sub-Investment Manager places a significant amount of importance on portfolio diversification as a way to mitigate certain risks. Suitable diversification of the Fund's assets is ensured through implementing a maximum credit concentration of 7.5% per issuer, and an anticipated average credit concentration of less than 1.4% spread across over 70 different issuers.

Following the credit analysis of an issuer, the next step in the process is for the Sub-Investment Manager to construct a portfolio of capital securities, subordinated debt and hybrid securities which are suitably diversified with the objective of obtaining optimum potential income and capital preservation. The Fund's portfolio is continuously reviewed for opportunities to increase yield while balancing risk.

The Fund may invest up to 10% of its net assets in UCITS eligible collective investment schemes, including money market funds and exchange traded funds, the constituents of which may comprise the instruments and markets described above and therefore is an alternative means through which the Fund may gain exposure to these types of instruments and markets.

The Fund may, subject to a limit of one third of its net assets, also hold ancillary liquid assets such as cash, bank deposits and other hedging instruments.

The Fund's investments will generally be denominated in Euro, and any exposure to currencies other than Euro will be hedged back to Euro.

Investors' attention is drawn to the information set out in the Prospectus under the headings **General Information** and **Special Investment Considerations and Risks**.

1.3 **Disclosures for the EU Sustainable Finance Disclosure Regulation ("SFDR")**

This Fund is classified as an ESG Orientated Fund (as defined in the Prospectus). The purpose of this section is to provide certain disclosures for the purposes of the SFDR in relation to the Fund. The Fund promotes environmental and social characteristics as defined in the SFDR. The environmental characteristics considered by the Fund are greenhouse gas emissions reduction and transitioning to renewable sources of power. The social characteristics considered by the Fund are health and safety and product liability.

The Sub-Investment Manager analyses potential investee companies identified pursuant to the investment decision making process with ESG considerations which are promoted by the Fund. Further information about the environmental and social characteristics promoted by the Fund and the binding elements of the investment strategy that are used to select investments to attain these characteristics is available in the SFDR Annex appended to this Supplement.

The Investment Manager and the Sub-Investment Manager are signatories to the UN Principles for Responsible Investment (the "UNPRI") as part of the Principal Global Investors Group. As a signatory to the UNPRI, the good governance practices of investee companies are assessed prior to making an investment and periodically thereafter. UNPRI responsible investing reporting can be found at <https://www.principalam.com/eu/about-us/esg>.

1.4 **Taxonomy Disclosure**

While the Fund promotes environmental characteristics, the Fund's investments do not take into account the criteria for environmentally sustainable economic activities, including enabling or transitional activities within the meaning of the Taxonomy Regulation. As such, a minimum of 0% of the Net Asset Value of the Fund shall be invested in Taxonomy-aligned investments.

The “do no significant harm” principle applies only to those investments underlying the Fund that take into account the criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation. The investments underlying the remaining portion of the Fund do not take into account the criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation.

1.5 **How the Fund References an Index or Benchmark**

The Fund is actively managed with reference to ICE BofA Subordinated Euro Financial Index (EBSU) (the “Index”) on the basis that the Fund seeks to outperform the Index. However, the Index composition is not factored, either directly or indirectly, into the investment management process. The Investment Manager and the Sub-Investment Manager maintain full discretion to select investments for the Fund in line with the above investment policy.

The Index does not take environmental or social characteristics into account and considerations of the environmental and social characteristics, as further outlined in section 1.3 above, are recognised independently of the Index. Information on the methodology used for the calculation of the Index can be found from the Index provider’s website indices.ice.com.

1.6 **Hedged Unit Classes**

The Fund will offer Units in Hedged Unit Classes, details of which are set out below, and investors’ attention is drawn to the relevant information set out in the Prospectus under the headings **General Information** and **Special Investment Considerations and Risks** pertaining to such Units.

1.7 **Profile of a Typical Investor**

The Fund is suitable for investors seeking a return consisting of income consistent with capital preservation and who are prepared to accept, in normal market conditions, a medium degree of volatility of net asset value per annum. All investors must be able to afford to set aside the invested capital for the medium to long term. The Fund is suitable as an investment in a well diversified portfolio.

2 **Investment Restrictions**

The general investment restrictions set out in **Appendix A** of the Prospectus shall apply.

The Fund will not invest more than 20% of its net assets in securities traded on markets/exchanges located in emerging markets.

The Fund will not invest more than 20% of its net assets in securities which at the time of investment are below investment grade.

The Fund will not invest more than 30% of its net assets in CoCos.

The Fund will not invest more than 5% of its net assets in warrants.

3 **Efficient Portfolio Management**

The Fund will utilise additional derivative techniques and instruments for the Hedged Unit Classes and may do so for the purposes of efficient portfolio management in accordance with the investment restrictions, conditions and limits laid down by the Central Bank and investors’ attention is drawn to the relevant information pertaining to these classes set out in the Prospectus under the headings **General Information** and **Special Investment Considerations and Risks**.

The Fund may utilise warrants, subject to a limit of 5% of its net assets, as an alternative method for the Fund to seek exposure to the assets which it intends to invest in, with the aim of reducing risk for the Fund's portfolio.

4 Borrowings

In accordance with the general provisions set out under the heading **General Information – Borrowings of the Prospectus**, the Fund may borrow up to 10% of its net assets on a temporary basis.

5 Investment Manager

The Manager has appointed Principal Global Investors, LLC (“**Principal Global Investors**” or the “**Investment Manager**”), as investment manager to the Fund pursuant to the Investment Managers Agreement (as amended and novated) described in the Prospectus under the heading **Material Contracts**. This agreement may be terminated by either party on giving 6 months’ written notice to the other although, in certain circumstances, the agreement may be terminated forthwith by notice in writing by either party to the other.

Principal Global Investors is a diversified asset management organization and a member of the Principal Financial Group®. Its investment capabilities encompass an extensive range of equity, fixed income and real estate investments as well as specialized overlay and advisory services.

6 Sub-Investment Manager

The Investment Manager has, in turn, appointed Spectrum Asset Management, Inc. (“**Spectrum**” or the “**Sub - Investment Manager**”) to act as a sub-investment manager to the Fund pursuant to a Sub-Investment Managers Agreement. Pursuant to this Sub-Investment Managers Agreement, the Investment Manager has delegated to the Sub-Investment Manager overall responsibility for the Fund's investments in capital securities, subordinated debt, hybrid securities and related aspects of the management of the Fund, which may include (but are not limited to) security selection and/or portfolio construction responsibilities, as the parties may from time to time agree. The Sub-Investment Managers Agreement may be terminated by either party on giving 60 days’ written notice to the other although, in certain circumstances, the agreement may be terminated forthwith by notice in writing by either party to the other.

Spectrum is regulated by the U.S. Securities and Exchange Commission.

The Investment Manager has retained responsibility for managing exchange rate risk for the Hedged Unit Classes in the Fund.

7 Risk Factors

The general risk factors set out under the heading **Special Investment Considerations and Risks** of the Prospectus apply to the Fund. In addition, further risk considerations in respect of CoCos and the Sustainable Finance Disclosures are also applicable and investors’ attention is drawn to the relevant information pertaining to these set out in the Prospectus.

8 Distribution Policy

The general distribution policy set out under the heading **Distribution Policy** of the Prospectus applies to the Fund.

Such distributions may be paid in units or in cash. In case of cash payment, the distribution will be paid by telegraphic transfer to the nominated account of the Holder at its risk and expense.

9 Key Information for Buying and Selling

Base Currency

Euro

Initial Issue Price in respect of any unlaunched classes of Units

EUR 10 per Unit (or 10 units of the relevant currency for all classes denominated in currencies other than Euro, with the exception of the X classes which have an initial issue price of EUR 1,000).

Initial Offer Period in respect of any unlaunched classes of Units

From 9.00 a.m. on 4 March 2024 to 5.30 p.m. on 4 September 2024 as may be shortened or extended by the Manager and in accordance with the requirements of the Central Bank.

Business Day

Any day other than Saturday or Sunday on which banks are open for business in Ireland.

Dealing Day

Any Business Day and/or such other day or days as the Manager may with prior notification to the Holders determine provided that there shall be at least one per fortnight.

Valuation Point

The Valuation Point shall, until further notice, be 11.00 p.m. Dublin time on the relevant Dealing Day.

Foreign exchange rates used to value the assets of the Fund shall be rates taken at 4.00 p.m. London time on the relevant Dealing Day.

Dealing Deadline

In relation to any particular place means such time or times of day in that place as the Manager may from time to time determine and in relation to Dublin shall, until further notice, be 10:00 a.m. Dublin time in each case on the relevant Dealing Day.

10 Charges and Expenses

- 10.1 The Sub-Investment Manager's fees are paid by the Investment Manager from its annual fee.

Units	Minimum Initial Subscription (Relevant class currency)	Current Preliminary Charge (%)	Annual Management Fee (% per annum)	Marketing and Distribution Fee (% per annum)	Annual Trustee Fee (% per annum)	Administration Fee (% per annum)
A	1,000	5.00	1.00	0.00	Not more than 0.0220	0.15
D	1,000	5.00	0.50	0.60	Not more than 0.0220	0.15

I	2,000,000	0.00	0.50	0.00	Not more than 0.0220	0.00
I2	100,000,000	0.00	0.40	0.00	Not more than 0.0220	0.00
I3	20,000,000	0.00	0.45	0.00	Not more than 0.0220	0.00
N	1,000	0.00	0.50	0.00	Not more than 0.0220	0.15
X	1,000,000,000	0.00	0.00	0.00	Not more than 0.0220	0.00

10.2 No annual management fee will be attributable to the X Class Units. The X Class Units are only available at the discretion of the Manager, to investors who have agreed to specific terms of business. Please refer to the Prospectus under the heading **General Information; Income Units, Income Plus Units and Accumulation Units**.

10.3 Further details of charges and expenses payable out of the assets of the Fund are set out in the Prospectus under the heading **Charges and Expenses**.

10.4 The costs of establishing the Fund, which are not expected to exceed €39,000 will be borne by the Fund and amortised over the first 5 years of the Fund.

11 Other Information

11.1 The following classes of Units in the Fund are available for issue:

Unit Classes	Class Currency
Base Currency	Euro
A Class Accumulation	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
A Class Income	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro

D Class Accumulation	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
D Class Income	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
I Class Accumulation	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
I Class Income	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
I2 Class Income	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
I2 Class Accumulation	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
I3 Class Income	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
I3 Class Accumulation	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
N Class Accumulation	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
N Class Income	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
X Class Income	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro
X Class Accumulation	Hedged: US Dollar, Sterling, Swiss Franc, Swedish Krona Unhedged: Euro

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Principal Capital Securities Fund Legal entity identifier: 254900JX7NU1PHJH2J12

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☒ ☒ ☐ Yes ☒ ☐ ☒ No

- | | |
|--|---|
| <input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ____% | <input type="checkbox"/> It promotes Environmental/ Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments |
| <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy | <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy |
| <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy | <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy |
| | <input type="checkbox"/> with a social objective |
| <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____% | <input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments |

What environmental and/or social characteristics are promoted by this financial product?



Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

The environmental characteristics considered by the Fund are greenhouse gas (GHG) emissions reduction and transitioning to renewable sources of power. The social characteristics considered by the Fund are health and safety and product liability.

No reference benchmark has been designated for the purposes of attaining the above characteristics promoted by the Fund.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The Sub-Investment Manager uses the following indicators to measure the attainment of each of the characteristics promoted by the Fund:

1. For assessing an investee company's practice on GHG emissions, the Sub-Investment Manager considers the following indicators on the investee company:
 - GHG emissions;
 - carbon footprint;
 - GHG intensity of investee companies; and
 - exposure levels for companies active in the fossil fuel sector.
2. For assessing an investee company's practice on transitioning to renewable sources of power, the Sub-Investment Manager considers indicators on the investee company's share of non-renewable energy production.
3. For assessing an investee company's practice on product liability and practice on health and safety, the Sub-Investment Manager considers indicators on violations of:
 - UN Global Compact principles; and
 - Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

Not applicable as the Fund does not intend to make sustainable investments.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Not applicable as the Fund does not intend to make sustainable investments.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Not applicable as the Fund does not intend to make sustainable investments.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable as the Fund does not intend to make sustainable investments.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

✓ **Yes,** the Sub-Investment Manager considers principal adverse impacts on sustainability factors by combining internal analysis of the Fund's holdings and third-party data against the following indicators:

- PAI 1 - GHG emissions
- PAI 2 - carbon footprint
- PAI 3 - GHG intensity of investee companies
- PAI 4 - Exposure levels for companies active in the fossil fuel sector
- PAI 10 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

The principal adverse impacts on sustainability factors are considered as part of the Sub-Investment Manager's proprietary ESG scoring methodology and as such, the indicators are reviewed at regular intervals or when newly reported information becomes available.

Consideration of principal adverse impacts on sustainability factors will be confirmed as part of the periodic reporting to be disclosed in the annual report of the Fund.

☐ **No**



What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund seeks to achieve its overall objective by investing primarily in a portfolio of Euro denominated fixed rate, floating rate, fixed-to-float and fixed-to-fixed rate corporate bonds and other corporate fixed income securities made up of capital securities (including CoCos, subject to a limit of 30% of the Fund's net assets) and debentures. Capital securities (also known as 'hybrid securities') are a subset of the broader Euro denominated corporate bond universe that are issued either to satisfy regulatory capital requirements or rating agency capital credit criteria. CoCos are hybrid securities that may, when the issuer's capital ratio falls below a predetermined trigger level, be written down, written off or converted into an equity security. At the time of the Fund's

investment, the majority of these securities (which is intended to be approximately 80% of the Fund's net assets) will be rated as investment grade quality by credit rating agencies such as Standard & Poor's, Moody's and Fitch, and may be listed or unlisted.

The Fund's investments (other than permitted unlisted investments) will be listed on the exchanges and on markets listed in Appendix E to the Prospectus, although it is anticipated that the majority will be issued by European issuers.

The Fund seeks to add value primarily through security selection, including credit analysis. Its investment process involves in depth proprietary research, and strategic and disciplined portfolio construction.

The Fund's portfolio construction is determined by a bottom-up approach whereby the Sub-Investment Manager's credit team initially conducts extensive global, sovereign, industry, and credit analysis. The Sub-Investment Manager's analysis consists of a review of an issuer's fundamentals, through both quantitative metrics (including considering capital adequacy, asset quality, earnings and liquidity) and qualitative considerations (including management style (primarily considering acquisitiveness, risk tolerance, strategic direction), business volatility, position, and relevant ESG issues). The Sub-Investment Manager also considers opinions issued by credit rating agencies and other third parties to supplement its own research but does not rely on this information.

The central drivers of the Sub-Investment Manager's security selection process are credit strength and yield. For a security to be considered for the Fund's portfolio, the credit status of the issuer must be stable and the security yield must be enticing, given the credit rating and credit trend relative to other hybrid securities and capital securities.

Parameters of credit risk tolerances are then determined for all issuers held or expected to be held in the Fund's portfolio. Initial emphasis is on the industries with a stable and/or improving outlook as indicated by the Sub-Investment Manager's credit team. The credit team then categorise the various credit issues into concentration limits for the Sub-Investment Manager to follow in constructing the Fund's portfolio. This categorisation is conducted using a multi-tier methodology which involves the credit team assigning a maximum concentration ranking to each "buy" recommendation, predicated on issuer size and risk profile. In general, the relevant concentration rankings are tiered from 1% to 5%. The credit team then actively monitors its "master list" of approved credit and concentration limits and any changes to this list will need to be considered by the Sub-Investment Manager.

Following the credit analysis of an issuer, the next step in the process is for the Sub-Investment Manager to construct a portfolio of capital securities, subordinated debt and hybrid securities which are suitably diversified with the objective of obtaining optimum potential income and capital preservation. The Fund's portfolio is continuously reviewed for opportunities to increase yield while balancing risk.

In order to address the environmental characteristic promoted, the Sub-Investment Manager applies binding screening criteria to the selection of underlying assets as part of its investment decision making process. This selection criteria may not be disappplied or overridden by the Sub-Investment Manager.

The Sub-Investment Manager employs an approach based on assigning a tiered ESG risk level, as further described below, to each holding considered within the Fund. This assessment is subsequently incorporated in the fundamental analysis integral to investment decision making. Companies assigned with a high risk level could support a change in the underlying credit recommendation. Companies with a medium risk level can have material ESG challenges, but the Sub-Investment Manager believes these are typically manageable. Companies assigned a low risk level have effective ESG policies and relatively minor issues.

The Sub-Investment Manager's proprietary analysis to identify this tiered risk level for each company incorporates a review of a company's ESG risk-mitigation policies, ESG performance data and goal disclosures, supported by management discussions. This is supported with further third party data and research, such as Bloomberg and MSCI.

However, the Sub-Investment Manager will consider, but does not rely on, rating agency and other third-party research opinions to solely make its determination.

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

Notwithstanding the Exclusions Policy disclosed in the Prospectus, the binding elements of the Fund's investment strategy are as follows:

1. Average rating -The average MSCI ESG rating of the Fund (based on the percentage of net assets of the Fund and the corresponding MSCI ESG rating of the parent company/issuer) will be BBB or better.
2. Minimum rating - No more than 20% of the net assets of the Fund will be invested in securities issued by companies with an MSCI ESG rating of BB or lower at any time.

N.B. In the absence of an MSCI ESG rating, the Sub-Investment Manager shall apply an estimated comparable rating, based on research inputs including MSCI. External ESG ratings will not be applied to cash and US Treasuries.

3. A set of fixed exclusion criteria is in place to exclude companies from consideration for investment:
 - a. where their revenue is significantly derived (ie, one third or more) from involvement in:
 - i. producing thermal coal,
 - ii. tobacco,
 - iii. firearms,
 - iv. gambling (as defined by the GICS Industry Sector classification), and
 - v. adult entertainment sectors (as defined by the GICS Industry Sector classification).
 - b. The Fund will exclude companies that are direct producers of or are associated with:
 - i. controversial chemicals such as herbicides and pesticides deemed as health hazards,
 - ii. minerals such as those which have been proven to be carcinogenic, and
 - iii. products such as opioids and other addictive substances as defined by the Sub-Investment Manager's proprietary standards.
 - c. The Fund will exclude holdings where an investee company's involvement in controversial weapons is identified as defined by the ISS Controversial Weapons Research methodology.

This screening and exclusion policy will apply across all securities holdings as described in the investment policy and does not specifically align itself to external guidelines or principles.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

Not applicable as there is no committed minimum rate to reduce the scope of investments.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

What is the policy to assess good governance practices of the investee companies?

The Sub-Investment Manager identifies governance considerations as integral to the investment philosophy and process and has the expectation that management is acting responsibly and ethically. Factors included in the Sub-Investment Manager's analysis of corporate governance include management oversight and accountability, risk management, financial disclosure and accounting standards, board quality, ethics and business conduct, political contributions, shareholder rights and a commitment to compliance and cybersecurity. This analysis is supported by resources including company financials and other disclosures, meetings with company management, third-party research, and industry conferences. The Sub-Investment Manager also engages with investee companies on an ongoing basis to ensure stewardship and progress towards addressing environmental and social concerns.



What is the asset allocation planned for this financial product?

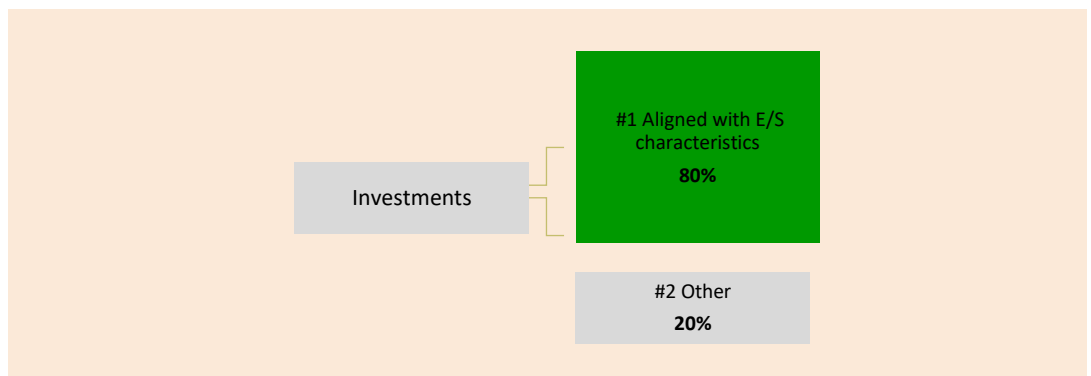
Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

turnover reflecting the share of revenue from green activities of investee companies

capital expenditure (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

In accordance with the binding elements of the investment strategy, 80% of investments made will be aligned to the E/S characteristics, whilst the remaining 20% will be cash and hedging instruments and/or investments that may not be aligned with the E/S characteristics promoted by the Fund.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

operational expenditure (OpEx) reflecting green operational activities of investee companies.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristic, have no minimum environmental or social safeguards, nor are qualified as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Not applicable as derivatives are not used to attain the environmental or social characteristics.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?



Yes:



In fossil gas



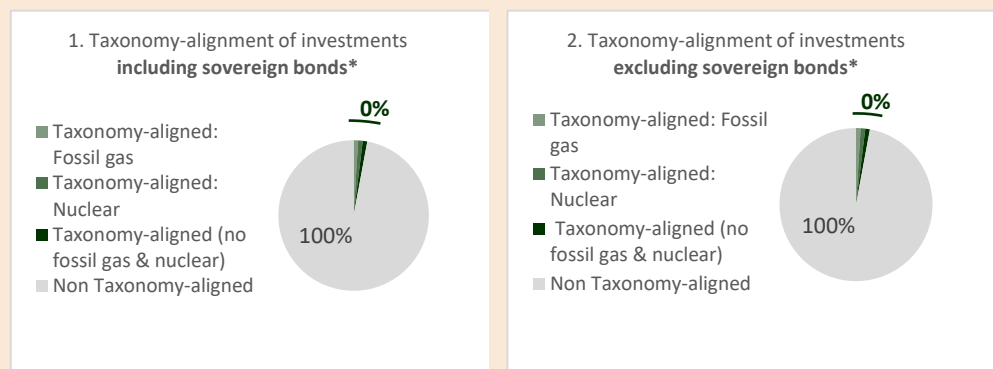
In nuclear energy



No

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of investments in transitional and enabling activities?

0%



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

0%



What is the minimum share of socially sustainable investments?

0%



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The investments included under " #2 Other" are cash and hedging instruments which are not subject to environmental and/or social screening or any minimum environmental or social safeguards and/or investments that may not be aligned with the environmental and/or social characteristics promoted by the Fund. Cash does not affect the promoted environmental and/or social characteristics of the Fund. The assessment of issuers and of counterparties for cash and hedging instruments focusses on the creditworthiness of these parties, which can be impacted by sustainability risks.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

No. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?

Not applicable. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

Not applicable. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

How does the designated index differ from a relevant broad market index?

Not applicable. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

Where can the methodology used for the calculation of the designated index be found?

Not applicable. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://www.principalam.com/eu/about-us/esg>