



Principal Trust Company (Asia) Limited

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4 March 2019

**This document is important and requires your immediate attention. It should be read by all participating employers, employee members, self-employed persons and personal account members of Principal MPF – Smart Plan (collectively, “Scheme Participants”). If you are in any doubt about the contents of this document, you should seek independent professional financial advice.**

Principal Trust Company (Asia) Limited (“**PTC (Asia)**”, “**we**”, “**us**” or “**our**”) 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.

Terms used in this notice have the same meaning as in the latest version of the Offering Document of the Principal MPF – Smart Plan (the “**Plan**”), unless otherwise defined.

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Dear Scheme Participants,

**Re: Details of the management fees**

Thank you for your continued support.

We would like to inform you that, with effect from 1 April 2019, the Offering Document will be updated to disclose the breakdown of the management fees payable out of each of the constituent funds and the underlying approved pooled investment fund(s) (“**APIF(s)**”) or Approved Index-Tracking Fund(s) (collectively “**underlying fund(s)**”). Details of the breakdown are shown in the enclosed **Appendix**.

For the avoidance of doubt, there will be no increase in the level of management fees in respect of each constituent fund and the underlying fund(s), which will remain unchanged, despite the updated disclosure.

As you will note from the new breakdown in the **Appendix**, we have taken the opportunity of this exercise to re-align some of the fees and update certain disclosure, to ensure that the latest breakdown reflects the actual arrangement. Accordingly, certain disclosure in the new breakdown may not be consistent with the disclosure in the existing Offering Document. Rest assured that in any event we confirm that the enhanced disclosure outlined in this notice will have no adverse impact on the Plan or the interests of Scheme Participants.

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The updated Offering Document (as amended by the various addenda supplemental to it) will be available on our website at [www.principal.com.hk](http://www.principal.com.hk) or you may request a copy of it by contacting our Customer Service Hotline at 2802 2812 or 2885 8011.

If you have any queries, please contact our Customer Service Hotline at 2802 2812 or 2885 8011.

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## Appendix

The breakdown of the current and maximum levels of management fees payable out of each of the constituent funds are as follows:##

Constituent Fund	Constituent fund level (% p.a. of NAV)				
	Sponsor Fee		Trustee Fee* and Administration Fee	Investment Management Fee	Maximum Aggregate Management Fee
	Current	Maximum	Current	Current	
Principal – MPF Conservative Fund	0.25	1.50	0.61	0.11 – 0.13 <sup>&amp;*</sup>	4.00
Principal Growth Fund	0.25	1.50	0.99	0.33 – 0.35 <sup>&amp;*</sup>	4.00
Principal Balanced Fund	0.25	1.50	0.99	0.33 – 0.35 <sup>&amp;*</sup>	4.00
Principal Stable Fund	0.25	1.50	0.99	0.33 – 0.35 <sup>&amp;*</sup>	4.00
Principal Cash Fund	0.25	1.50	0.57	0.11 – 0.13 <sup>&amp;*</sup>	4.00
Principal Guaranteed Fund	Nil	1.50	Nil	Nil	2.00
Principal Dynamic Global Equity Fund <sup>***</sup>	0.25	1.50	1.00	0 – 0.50 <sup>**</sup>	2.00
Principal Dynamic Asia Pacific Equity Fund <sup>***</sup>	0.25	1.50	1.00	0 – 0.50 <sup>**</sup>	2.00
Principal Dynamic Global Bond Fund <sup>***</sup>	0.25	1.50	0.77	0 – 0.47 <sup>**</sup>	2.00
Principal Dynamic Greater China Equity Fund <sup>***</sup>	0.25	1.50	0.64	0 – 0.48 <sup>**</sup>	3.20
Principal Dynamic Asian Bond Fund <sup>***</sup>	0.25	1.50	0.65	0 – 0.43 <sup>**</sup>	3.20
Principal Dynamic Hong Kong Equity Fund <sup>***</sup>	0.25	1.50	0.86	0 – 0.48 <sup>**</sup>	2.00
Principal – Hang Seng Index Tracking Fund	0.25	1.50	0.58	0.06	2.00
Principal Core Accumulation Fund	Nil	N/A	0.50	0.25 <sup>&amp;</sup>	N/A
Principal Age 65 Plus Fund	Nil	N/A	0.50	0.25 <sup>&amp;</sup>	N/A

+ **The trustee fee is subject to a cap of 0.5% of NAV. The actual trustee fee therefore will not exceed 0.5% of NAV.**

& The investment management fees of these constituent funds are only charged at the constituent fund level. The investment manager at the constituent fund level will pay, from its own funds, a fee to the investment manager and/or its delegate(s) at the underlying fund level.

\*\* The investment management fee is variable and is subject to a cap at the upper bound of the rate. The investment management fee rates take into account the respective maximum rates of the trustee fee<sup>(a)</sup>, (in respect of the constituent funds marked with \*\*\*) administration fee<sup>(b)</sup> and (in respect of the constituent funds marked with \*\*\*) investment management fee<sup>(c)</sup> at the underlying fund level, which are set out in the underlying fund fee breakdown table below. Where the trustee fee<sup>(a)</sup>, (in respect of the constituent funds marked with \*\*\*) administration fee<sup>(b)</sup> and/or (in respect of the constituent funds marked with \*\*\*) the investment management fee<sup>(c)</sup> at the underlying fund level are not charged at the respective upper bounds as specified in the table below, the remainder of the

investment management fee (i.e. the investment management fee rates in the table above less the aggregate of the actual trustee fee<sup>(a)</sup>, (in respect of the constituent funds marked with \*\*\*) the actual administration fee<sup>(b)</sup> and (in respect of the constituent funds marked with \*\*\*) the actual investment management fee<sup>(c)</sup> at the underlying fund level) will be payable to the investment manager at the constituent fund level. The investment manager will adjust its investment management fee and not charge up to the cap of the investment management fee where a trustee fee<sup>(a)</sup>, (in respect of the constituent funds marked with \*\*\*) an administration fee<sup>(b)</sup> and/or (in respect of the constituent funds marked with \*\*\*) an investment management fee<sup>(c)</sup> at the underlying fund level is charged. The total of: (i) the actual investment management fee at the constituent fund level plus (ii) the total of the actual trustee fee<sup>(a)</sup>, (in respect of the constituent funds marked with \*\*\*) the actual administration fee<sup>(b)</sup> and (in respect of the constituent funds marked with \*\*\*) the actual investment management fee<sup>(c)</sup> at the underlying fund level, will equal the upper bound of the investment management fee indicated with \*\* in the table above.

The breakdown of the current and maximum levels of management fees payable out of each of the APIF(s) or Approved Index-Tracking Fund(s) are as follows.##

Constituent Fund	Underlying fund level (% p.a. of NAV)				
	Trustee Fee <sup>(a)</sup>	Administration Fee <sup>^(b)</sup>	Investment Management Fee <sup>(c)</sup>	Current Aggregate Management Fee <sup>#, (d)</sup>	Maximum Aggregate Management Fee <sup>#</sup>
Principal – MPF Conservative Fund	up to 0.02	up to US\$18,000 p.a.	Nil	up to 0.02	0.50
Principal Growth Fund	up to 0.02	up to US\$18,000 p.a.	Nil	up to 0.02	0.50
Principal Balanced Fund	up to 0.02	up to US\$18,000 p.a.	Nil	up to 0.02	0.50
Principal Stable Fund	up to 0.02	up to US\$18,000 p.a.	Nil	up to 0.02	0.50
Principal Cash Fund	up to 0.02	up to US\$18,000 p.a.	Nil	up to 0.02	0.50
Principal Guaranteed Fund	Nil	Nil	1.00*	1.00*	1.00*
Principal Dynamic Global Equity Fund***	up to 0.10	up to 0.05	up to 0.50	up to 0.50	0.65
Principal Dynamic Asia Pacific Equity Fund***	up to 0.10	up to 0.05	up to 0.50	up to 0.50	0.65
Principal Dynamic Global Bond Fund***	up to 0.10	up to 0.05	up to 0.47	up to 0.47	0.62
Principal Dynamic Greater China Equity Fund***	up to 0.10	up to 0.05	up to 0.48	up to 0.48	0.63
Principal Dynamic Asian Bond Fund***	up to 0.10	up to 0.05	up to 0.43	up to 0.43	0.58
Principal Dynamic Hong Kong Equity Fund***	up to 0.10	up to 0.05	up to 0.48	up to 0.48	0.63
Principal – Hang Seng Index Tracking Fund	up to 0.05	N/A	up to 0.05	up to 0.10	0.10
Principal Core Accumulation Fund	Nil	Nil	Nil	Nil	N/A
Principal Age 65 Plus Fund	Nil	Nil	Nil	Nil	N/A

^ The administration fee is subject to a maximum of 0.50% of the NAV per annum.

- # *The aggregate of the actual trustee fee<sup>(a)</sup>, (in respect of the constituent funds marked with \*\*\*) the actual administration fee<sup>(b)</sup> and the actual investment management fee<sup>(c)</sup> will not exceed the current aggregate management fee<sup>(d)</sup>. The administration fee chargeable not in the form of a percentage of the NAV is not included in the current aggregate management fee<sup>(d)</sup>.*
- \* *This is payable to Principal Insurance Company (Hong Kong) Limited who is the issuer and guarantor of the Principal Guaranteed Fund Policy, the underlying fund of the Principal Guaranteed Fund.*
- ## *The fee items in the above two tables, in respect of a constituent fund (other than Principal Guaranteed Fund, Principal – Hang Seng Index Tracking Fund, Principal Core Accumulation Fund and Principal Age 65 Plus Fund), may not add up to the current level of the aggregate management fees of the constituent fund as set out in table (C) of the Offering Document. However, in any event, the management fees of each constituent fund will only be charged according to the current aggregate level in table (C) of the Offering Document.*