

**Supplement**  
**for the**  
**Finisterre Unconstrained Emerging Markets Fixed Income Fund**  
**27 January 2025**  
**Principal Global Investors Funds**

This Supplement contains specific information in relation to the Finisterre Unconstrained Emerging Markets Fixed Income 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 27 January 2025 (the "Prospectus"). Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.**

**An investment in the Fund should not constitute a substantial portion of an investor's overall investment strategy and it may not be appropriate for all investors.**

**Holders should be aware that (a) distributions and/or fees and expenses may be paid out of the capital for Income Plus Units; and (b) fees and expenses may be paid out of the capital of the A2 and D2 Units, in each case in order to preserve cash flow to Holders and this will have the effect of lowering the capital value of a Holder's investment. In any such cases, there is a greater risk that capital may be eroded (and also that the value of future returns may be diminished) and distribution will be achieved/fees will be paid in a manner that foregoes the potential for future capital growth of your investment. This cycle may continue until all capital is depleted. Distributions out of capital may have different tax consequences to distributions of income and it is recommended that you seek appropriate advice in this regard. The likelihood is that the value of future returns would also be diminished. For Income Plus Units, this cycle may continue until all capital is depleted.**

## TABLE OF CONTENTS

1	INVESTMENT OBJECTIVE, POLICIES AND PROFILE OF A TYPICAL INVESTOR .....	1
2	INVESTMENT RESTRICTIONS.....	4
3	SECURITIES FINANCING TRANSACTIONS .....	4
4	BORROWINGS, LEVERAGE AND LONG/SHORT POSITIONS .....	4
5	INVESTMENT MANAGER.....	5
6	SUB-INVESTMENT MANAGER.....	5
7	RISK FACTORS.....	5
8	DISTRIBUTION POLICY.....	6
9	KEY INFORMATION FOR BUYING AND SELLING .....	6
10	CHARGES AND EXPENSES .....	7
11	OTHER INFORMATION.....	8
12	SFDR ANNEX.....	11

# 1 INVESTMENT OBJECTIVE, POLICIES AND PROFILE OF A TYPICAL INVESTOR

## 1.1 Investment Objective

The investment objective of the Fund is to seek to generate total returns through income and capital appreciation, while limiting volatility and potential capital losses.

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 objective by actively investing in a diversified range of fixed-income and financial derivative instruments ("**FDI**"), a majority (not less than 51%) issued by or referencing emerging markets. These include corporate, sovereign and quasi-sovereign entities.

The Fund seeks to extract value from investments in both investment grade and high yield fixed income instruments, and can include both stressed and distressed securities (i.e. those issuers facing financial or operational difficulties such as potential default or bankruptcy risks). Instruments may be denominated in "hard currencies", which are currencies widely accepted around the world as a form of payment for goods and services and generally come from a nation with a strong economic and political situation, such as USD or EUR, or may be denominated in the local currency of the emerging market country.

The Fund follows a portfolio construction process, blending both technical and fundamental considerations. Assets are selected taking into account the key technical considerations of each asset such as liquidity, volatility and yield profile in various market conditions, as well as key fundamental considerations such as trends in spread, interest rates and currencies for both sovereign and corporate entities. Its aim is to maximise yield and minimise volatility while maintaining portfolio liquidity throughout a typical 3-year market cycle. The investment philosophy is fully unconstrained, focused on total return, is not managed in reference to a benchmark and invests with an intent to limit potential capital loss through, inter alia, active portfolio management, including asset allocation, credit selection and issuer diversification, and to deliver a superior return adjusted for a minimal level of volatility through the whole market cycle.

The Fund may invest in the following range of instrument types:

- (a) debt-related instruments of corporate, sovereign and quasi-sovereign issuers:
  - (i) cash securities: fixed-coupon bonds, floating-coupon bonds; convertible bonds (including contingent convertible securities ("**CoCos**")); callable or puttable bonds; mortgage-backed securities; asset-backed securities; bills; notes; certificates of deposit; and
  - (ii) FDI: bond futures and credit default swaps ("**CDS**");
- (b) currency FDIs including forwards, futures, options and swaps;
- (c) interest rate FDIs including swaps, futures, forward agreements and options;
- (d) other types of FDI including total return swaps ("**TRS**") on:
  - (i) bonds which are locally listed and for which the Fund does not have domestic settlement capabilities; and

- (ii) UCITS eligible financial indices, in accordance with the requirements of the Central Bank, the constituents of which include the types of instruments in which the Fund will directly invest as described in this Section 1.2. Any such investment in financial indices may also be made indirectly through UCITS eligible collective investment schemes.

The Fund may also hold equities as a result of the conversion of a convertible bond or as the result of a debt restructuring. The Sub-Investment Manager shall seek to dispose of such equities as soon as possible while taking into account the best interests of the Fund and its Unitholders.

Of the above cash securities that the Fund may use, convertible bonds, callable or puttable bonds, mortgage-backed securities and asset-backed securities may embed FDI (listed herein) and/or leverage.

These instruments may be issued by, or relate to underlying issuers in, emerging markets or developed markets. Investments in over the counter ("**OTC**") FDIs are subject to the requirements of the Central Bank. The securities in which the Fund invests may or may not be of investment grade as determined by Moody's, Standard & Poor's or Fitch or may be unrated and may also be in developed markets.

The universe of emerging markets includes any country excluding the G10, Portugal, Spain, Norway, Denmark, Finland, Australia and New Zealand.

The Fund will not invest more than 10% of its Net Asset Value in Russian securities exclusively settled on either MICEX or RTS Stock Exchange.

The Fund may also invest in the China Interbank Bond Market ("**CIBM**") via the arrangement between Hong Kong and the PRC that enables Chinese and overseas investors to trade various types of debt securities in each other's bond markets through connection between the relevant respective financial infrastructure institutions ("**Bond Connect**").

It is not possible to comprehensively list in this Supplement all the financial indices used as they have not, as of the date of noting of this Supplement, been selected and they may change from time to time. However, the indices will be eligible indices according to the requirements of the Central Bank and will include bond, CDS and currency indices provided by the major index providers in that area. Additional information regarding the indices used will be available from the Sub-Investment Manager upon request.

A proportion of the net assets of the Fund (subject to a maximum of 10% of its Net Asset Value) may be invested in UCITS eligible collective investment schemes, including money market funds and exchange traded funds ("**ETFs**"), 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 uses futures, forwards options, swaps for investment purposes as well as for hedging and/or efficient portfolio management purposes. Further details on these FDIs are set out in the Prospectus in section 2.3 entitled "*Use of FDI*" in Section 2 (**General Information**).

The Fund may obtain both long and short exposure to the above instruments as further described in Section 5 below. The Fund may only hold short positions synthetically through the use of the FDIs as described above. The short positions will be taken as a means of seeking to reduce the Fund's exposure to market fluctuations, to profit from overvalued assets or assets that are likely to deteriorate in value and to gain/reduce exposure in a cost effective manner.

If in the opinion of the Sub-Investment Manager, it is in the best interests of the Fund, the Fund can retain amounts in cash or ancillary liquid assets (including money market instruments such as fixed or floating rate instruments including but not limited to commercial paper, floating rate notes, certificates of deposit, freely transferable promissory notes and debentures, and cash deposits) pending investment or reinvestment.

As the Fund has the ability to invest more than 20% of its Net Asset Value in emerging markets and/or more than 30% of its Net Asset Value in debt securities which are not rated, or considered to be of below investment grade quality, an investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

Subject to any stricter criteria as set out in the SFDR Annex appended to this Supplement, the Fund applies the Manager's Exclusions Policy. Further details are set out in the Prospectus in the section entitled "*Part G – Exclusions Policy*" of the "*Sustainable Finance Disclosures*" in Section 2 (**General Information**).

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

The 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, namely greenhouse gas ("**GHG**") emissions, employee welfare and citizen welfare across emerging market countries. Further information about the environmental and social characteristics promoted by the Fund 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.principalglobal.com/eu/about-us/responsible-investing>.

### 1.4 **Disclosures for the Taxonomy Regulation**

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 not managed with reference to a benchmark or index and the environmental and social characteristics recognised are identified independently of any index or benchmark.

## 1.6 Profile of a Typical Investor

The Fund is suitable for investors who are prepared to accept, in normal market conditions, a medium degree of volatility of Net Asset Value from time to time.

## 2 INVESTMENT RESTRICTIONS

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

The Fund's investments will (save for permitted unlisted investments) be listed/traded on the exchanges and markets listed in **Appendix E** to the Prospectus.

## 3 SECURITIES FINANCING TRANSACTIONS

The Fund may enter into collateralised securities lending transactions from time to time, including but not limited to repurchase, reverse repurchase and stock lending agreements (together "**Repo Agreements**"), in accordance with normal market practice and subject to the requirements of the SFTR and the Central Bank Requirements. Such Securities Financing Transactions will only be utilised for efficient portfolio management purposes.

The proportion of assets of the Fund that are subject to Repo Agreements shall not exceed 100% of the Fund's assets under management, but will typically be less than 70%. The Fund may use Repo Agreements to gain exposure to the instruments detailed in the Investment Policies above.

The proportion of assets of the Fund that are subject to TRS shall not exceed 100% of the Fund's assets under management, but will typically be less than 70%. The Fund may use TRS to gain exposure to bonds (whether issued and settled in local currencies or not), bond indices, currency indices, CDS indices, ETFs (tracking bond indices), provided always that all indices are UCITS eligible financial indices.

The proportion may be dependent on, but is not limited to, factors such as the total Fund size and seasonal trends in the underlying market.

The Fund will enter into such transactions with institutions such as those described in Section 6.3 of Appendix A entitled Investment Restrictions in the Prospectus.

Please refer to Section 3 of the Prospectus entitled **Special Investment Considerations and Risks**, as well as Section 7 below in respect of the risks related to **Securities Financing Transactions**. The risks arising from the use of Securities Financing Transactions shall be adequately captured in the risk management process of the Unit Trust.

## 4 BORROWINGS, LEVERAGE AND LONG/SHORT POSITIONS

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.

The Sub-Investment Manager uses a risk management technique known as absolute VaR to assess the Fund's market risk to seek to ensure that its use of FDI is within regulatory limits. In accordance with the requirements of the Central Bank, the absolute VaR of the Fund may not exceed 20% calculated using a non-parametric approach with a one-tailed 99% confidence level for a 20-day horizon and considering at least two years of historical data.

It is expected that the Fund could incur gross notional leverage up to 15 times (1,500%) the Fund's Net Asset Value through the use of FDI, but the Fund may at times incur higher levels of leverage. The 15 times (1,500%) figure allows for the potential use of short term rates derivatives with very low duration, cross-country relative value or basis strategies, whose notional impact may be particularly high, but whose VaR impact is much more limited. Leverage is calculated as the sum of the absolute value of notionals of the FDI. This is not necessarily in the view of the Manager and the Sub-Investment Manager, an indicator of the level of economic leverage within the Fund as a result of the use of FDIs as this methodology does not reflect any netting or hedging arrangements that the Fund may have in place.

The Fund may take both long and short positions, and is typically expected to remain within the range of 400% short and 800% long of the Fund's Net Asset Value on a net notional basis.

By way of example, if the sum of the notionals of long positions is 550% and of the short positions is 950%, then the absolute sum of notionals is 1,500% but the net notional amount is 400% short.

## 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 Management Agreement as described in the Prospectus under the heading **Material Contracts**.

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 Principal Global Investors (Europe) Limited (the "**Sub-Investment Manager**") to act as a sub-investment manager to the Fund. The Investment Manager has delegated to the Sub-Investment Manager overall responsibility for the Fund's investments and related aspects of the management of the Fund.

Principal Global Investors (Europe) Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

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 the use of the Asset Replication Strategy Funds Risks, the Emerging Markets Risks, the FDI and Securities Financing Transactions Risks, Convertible Bonds Risk and the CoCos Risk, the Sustainable Finance Disclosures Risks as well as the risks in relation PRC-Specific Risks and Russia Investment Risk 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.

Distributions on the Income and Income Plus Units in the Fund, with the exception of the D2 Class Income Units, will be declared and paid quarterly within 30 days of the end of each calendar quarter. Distributions on the D2 Class Income Units in the Fund will be declared and paid monthly within 30 days of the end of each calendar month. 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.

Income Plus Units are units that seek to distribute a stable and consistent amount of net income earned and attributable to the Income Plus Units at each Distribution Date. Further details on Income Plus Units are set out under the heading **Distribution Policy** of the Prospectus.

## **9 KEY INFORMATION FOR BUYING AND SELLING**

### **Base Currency**

US Dollars

### **Initial Issue Price in respect of any unlaunched classes of Units**

US\$10 per Unit (or 10 units of the relevant currency for all classes denominated in currencies other than US dollars, with the exception of Japanese Yen classes which have an initial issue price of JPY 1,000 and the X classes which have an initial price of US\$1,000).

### **Initial Offer Period in respect of any unlaunched classes of Units**

From 9.00 a.m. on 28 January 2025 to 5.30 p.m. on 25 July 2025 as may be shortened or extended by the Manager and in accordance with the requirements of the Central Bank.

### **Business Day**

Any day on which banks are open for business in Ireland, other than Saturday or Sunday provided that this is not a public holiday in the United Kingdom and the United States.

### **Dealing Day**

Every Business Day.

### **Dealing Deadline**

Subscriptions: 10:00 a.m. Dublin time on the relevant Dealing Day.

Redemptions: 10:00 a.m. Dublin time on the relevant Dealing Day.

### **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.

## 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)	Administration Fee (% per annum)	Marketing and Distribution Fee (% per annum)	Annual Trustee Fee (% per annum)
A	1,000	5.00	1.50	0.15	0	0.012
A2	1,000	5.00	1.50	0.15	0	0.012
D	1,000	5.00	0.85	0.15	0.60	0.012
D2	1,000	5.00	0.85	0.15	0.60	0.012
F	1,000	0.00	0.85	0.15	1.10	0.012
I	2,000,000	0.00	0.85	0	0	0.012
I2	100,000,000	0.00	0.55	0	0	0.012
I3	20,000,000	0.00	0.70	0	0	0.012
N	1,000	0.00	0.85	0.15	0	0.012
P	1,000	0.00	0.85	0.15	0.15	0.012
P2	1,000	0.00	0.85	0.15	0.15	0.012

X	1,000,000,000	0.00	0.00	0.00	0.00	0.012
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- 10.2 For A2, D2 and Income Plus Unit classes, the Manager shall be entitled to charge fees and expenses (in whole or in part) to the capital of the Fund attributable to the A2, D2 and Income Plus Unit classes instead of income in order to provide greater flexibility in the payment of fees and expenses attributable to those classes.
- 10.3 In circumstances where such fees and expenses are charged to capital, there may be reduced potential for capital growth meaning the capital value of the investment of a Holder in the A2, D2 and Income Plus Unit classes may be eroded and due to such capital erosion the value of future returns may also be diminished. As such, income may be achieved by reducing the potential for future capital growth.
- 10.4 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**.
- 10.5 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**.

## 11 OTHER INFORMATION

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

Unit Classes	Class Currency
Base Currency	US Dollar
A Class Accumulation	<u>Hedged</u> : Euro, Singapore Dollar, Sterling, Swiss Franc <u>Unhedged</u> : US Dollar, Hong Kong Dollar
A Class Income	<u>Hedged</u> : Euro, Singapore Dollar, Sterling, Swiss Franc <u>Unhedged</u> : US Dollar, Euro, Sterling
A2 Class Income	<u>Hedged</u> : Euro, Singapore Dollar <u>Unhedged</u> : US Dollar, Euro, Sterling
A2 Class Income Plus	<u>Hedged</u> : Euro, Singapore Dollar <u>Unhedged</u> : US Dollar, Euro, Sterling
D Class Accumulation	<u>Hedged</u> : N/A <u>Unhedged</u> : US Dollar, Euro, Sterling
D Class Income	<u>Hedged</u> : N/A <u>Unhedged</u> : US Dollar, Euro, Sterling
D2 Class Income	<u>Hedged</u> : N/A <u>Unhedged</u> : US Dollar, Hong Kong Dollar

I Class Accumulation	<u>Hedged:</u> Danish Kroner, Euro, Japanese Yen, Singapore Dollar, Sterling, Swiss Franc <u>Unhedged:</u> US Dollar, Euro, Sterling
I Class Income	<u>Hedged:</u> Danish Kroner, Euro, Japanese Yen, Singapore Dollar, Sterling, Swiss Franc <u>Unhedged:</u> US Dollar, Euro, Sterling
I2 Class Accumulation	<u>Hedged:</u> Australian Dollar, Euro, Sterling, Swiss Franc <u>Unhedged:</u> US Dollar, Euro, Sterling
I2 Class Income	<u>Hedged:</u> Australian Dollar, Euro, Sterling, Swiss Franc <u>Unhedged:</u> US Dollar, Canadian Dollar
I3 Class Accumulation	<u>Hedged:</u> Australian Dollar, Danish Kroner, Euro, Japanese Yen, Singapore Dollar, Sterling, Swiss Franc <u>Unhedged:</u> US Dollar, Euro, Sterling
I3 Class Income	<u>Hedged:</u> Australian Dollar, Danish Kroner, Euro, Japanese Yen, Singapore Dollar, Sterling, Swiss Franc <u>Unhedged:</u> US Dollar, Euro, Sterling
F Class Accumulation	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar, Euro, Sterling
F Class Income	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar, Euro, Sterling
N Class Accumulation	<u>Hedged:</u> Danish Kroner, Euro, Singapore Dollar, Sterling, Swiss Franc <u>Unhedged:</u> US Dollar, Euro, Sterling
N Class Income	<u>Hedged:</u> Danish Kroner, Euro, Singapore Dollar, Sterling, Swiss Franc <u>Unhedged:</u> US Dollar, Euro, Sterling
P Class Accumulation	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar, Euro, Sterling
P Class Income	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar, Euro, Sterling
P2 Class Income Plus	<u>Hedged:</u> Euro, Singapore Dollar <u>Unhedged:</u> US Dollar, Euro, Sterling
X Class Accumulation	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar
X Class Income	<u>Hedged:</u> N/A

	<u>Unhedged</u> : US Dollar
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## 12 SFDR ANNEX

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:** Finisterre  
Unconstrained Emerging Markets Fixed  
Income Fund

**Legal entity identifier:** 549300EGJ87RK9TQK072

### Environmental and/or social characteristics

**Does this financial product have a sustainable investment objective?**

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

**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

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

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



The Fund promotes greenhouse gas ("**GHG**") emissions, employee welfare and citizen welfare across emerging market countries.

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?**

**Sustainability indicators** measure how the

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

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

Corporate Issuers:

For assessing a corporate issuer's practice on GHG emissions, the Sub-Investment Manager considers exposure to thermal or fossil fuel electricity generation or coal or other controversial fuel production.

For assessing a corporate issuer's practice on employee welfare, the Sub-Investment Manager considers exposure to United Nations Global Compact ("**UNGC**") violations.

For assessing a corporate issuer's practice on citizen welfare, the Sub-Investment Manager considers exposure to conventional weapons.

Sovereign Issuers:

For assessing a sovereign issuer's practice on GHG emissions, the Sub-Investment Manager considers exposure to GHG emissions in kg/\$GDP.

For assessing a sovereign issuer's practice on citizen welfare, the Sub-Investment Manager considers the negative change in the issuer's overall MSCI ESG scoring on a rolling 12-month basis.

● ***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?*

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

*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.*

**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-corruption and anti-bribery matters.



## 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 10 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- PAI 14 - Exposure to controversial weapons

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 for 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 objective by actively investing in a diversified range of fixed-income and financial derivative instruments ("FDI"), a majority (not less than 51%) issued by or referencing emerging markets. These include corporate, sovereign and quasi-sovereign entities.

The Fund follows a portfolio construction process, blending both technical and fundamental considerations. Assets are selected taking into account the key technical considerations of each asset such as liquidity, volatility and yield profile in various market conditions, as well as key fundamental considerations such as trends in spread, interest rates and currencies for both sovereign and corporate entities.

The Sub-Investment Manager analyses potential issuers identified pursuant to the foregoing process by reference to the ESG considerations which are promoted by the Fund, as further detailed below.

### ***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?***

The binding elements of the Fund's investment strategy are as follows:

1. A set of fixed exclusion criteria is in place to exclude companies or issuers from consideration for investment. The Fund will exclude holdings as identified by MSCI data:
  - a. where issuers generate at least 5% of their revenue from
    - i. tobacco production
    - ii. adult entertainment.
  - b. Derive any revenue from having any involvement in the manufacturing or trade of controversial weapons.
2. Screening criteria is applied as part of its investment decision making process (both prior to investment and ongoing review of the Fund's holdings). The Fund implements and monitors the criteria using MSCI data.
  - a. The Fund will not invest in corporate issuers which exhibit any of the below features, unless cleared for investment by the Sub-Investment Manager's ESG committee:
    - i. GHG Emissions: corporate issuers with a 30% revenue threshold in thermal or fossil fuel electricity generation or coal or other controversial fuel production;

- ii. Employee Welfare: corporate issuers with significant United Nations Global Compact ("**UNGC**") violations in respect of the ten UNGC principles guiding corporate behaviour in the areas of human rights, labour rights, environment and corruption i.e., rated by MSCI as having either a 0 / "Fail" or 1 / "Severe" ESG controversy score in terms of degree of severity, how structural the issue is to the business and its current status (concluded or ongoing). Companies that have cases rated with low scores either fail the UNGC principles or are put on a watch-list where the case is still ongoing and may still evolve positively or negatively;
  - iii. Citizen Welfare: corporate issuers with a 5% revenue threshold in conventional weapons.
- b. The Fund will not invest in sovereign issuers which exhibit any of the below features, unless cleared by the Sub-Investment Manager's ESG committee:
- i. GHG Emissions: are in the global top 10% of greenhouse gas emissions in kg/\$GDP; and
  - ii. Citizen Welfare: sovereign issuers with a greater than 10% rating downgrade relating to MSCI ESG scoring on a rolling 12-month basis.

This selection criteria may not be disapplied or overridden by the Sub-Investment Manager. Issuers identified according to the above screening criteria are then subject to the Sub-Investment Manager's ESG committee-based qualitative review process. The review, which may not be disapplied or overridden by the Sub-Investment Manager, is triggered as soon as the above thresholds are reached or exceeded and aims to assess the merits of investment in, maintenance or exclusion of particular holdings through focussing on the qualitative details of the MSCI ESG assessment report, supplemented by any specific complementary and research analysis by the analyst in charge of issuer. The review will, amongst other things, include an assessment on the Sub-Investment Manager's ability to engage with issuer(s) and the probable outcomes of doing so, as well as the resultant impact on the aforementioned ESG characteristics promoted by the Fund and of maintaining or divesting such holdings.

Please refer to the Prospectus for further information on the Exclusions Policy which is also applicable for the Fund's investments in addition to any Fund specific exclusions.

● ***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.

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

The Sub-Investment Manager identifies and addresses governance considerations through evaluation of the status of certain issuers with regards to ESG controversies/deterioration flagged by periodic ESG monitoring and decides on their maintenance or potential exclusion as eligible portfolio investments as a result.

***What is the asset allocation planned for this financial product?***

In accordance with the binding elements of the investment strategy, 70% of investments made will be aligned to the E/S characteristics, whilst the remaining 30% will either be cash, cash equivalents, derivatives and hedging instruments and/or investments that may not be aligned with the E/S characteristics promoted by the Fund.

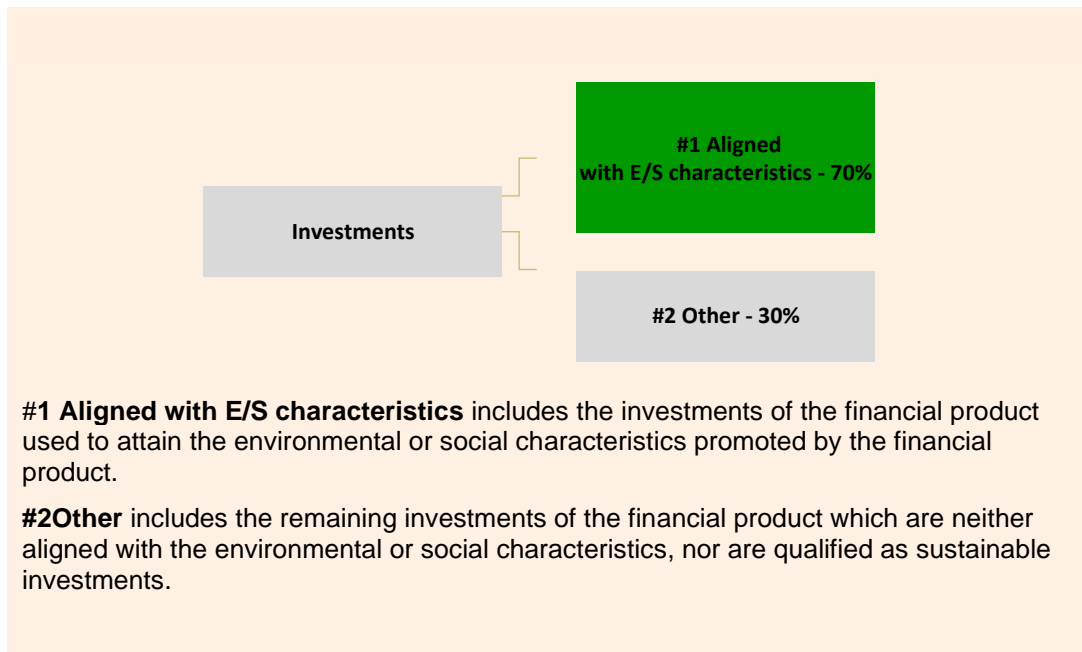
**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



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



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

Derivatives are used but not for the purposes of attaining the environmental or social characteristics.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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

**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.



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

0%

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

**Yes:**

In fossil gas

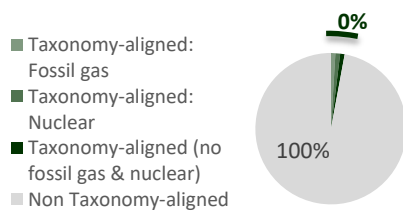
In nuclear energy

**No**

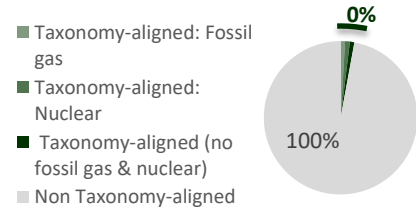
*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial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

<sup>1</sup> Or such other amounts as the Manager may determine and, in the case of an increase in such amounts, notify to the Holders. e 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.

1. Taxonomy-alignment of investments including sovereign bonds\*



2. Taxonomy-alignment of investments excluding 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, cash equivalents, derivatives 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 or social characteristics promoted by the Fund. Cash and cash equivalents do not affect the promoted environmental and/or social characteristics of the Fund. The assessment of issuers and of counterparties focusses on the creditworthiness of these parties, which can be impacted by sustainability risks.

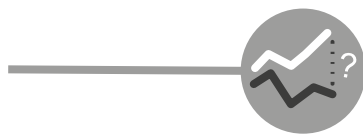
Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

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?



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

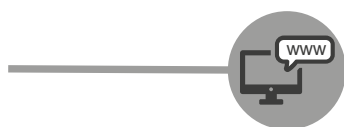
Not applicable. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

● ***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/investment-products/ucits-funds>