

**Letter to unitholders**

Paris, 23 August 2021

**Re: La Française Sub-Debt**

*(Y units FR0013321916\*, IC CHF H units FR0013017985\*, R units FR0011766401\*, C units FR0010674978, RC USD H units FR0013251196\*, RD USD H units FR0013397346\*, TC EUR units FR0013289063\*, A units FR0013321932\*, I GBP H units FR0013334018\*, L units FR0013480266\*, IC USD H units FR0013324159\*, TC USD H units FR0013289055\*, TS units FR0013397759\*, S units FR0013289071\*, D units FR0010969311\*)).*

*\*The unit is not registered in Austria*

Dear Sir/Madam,

We would like to thank you, as a unitholder in the La Française Sub-Debt fund (hereinafter, the “Fund”), for the trust you have placed in us.

**1. The operation**

In order to avoid any divergence of interests between the Fund manager and investors, and in the context of compliance with the new ESMA directive concerning the method of calculating performance fees, the management company has decided to set up a system of variable management fees for units eligible for outperformance fees, calculated with reference to the outperformance of a benchmark index, based on the new ESMA methodology.

The Fund's management objective and benchmark indicator are therefore modified and will be aligned with the trigger threshold for variable management fees when applicable.

The Fund's new composite benchmark will be as follows: 50% Markit iBoxx EUR Contingent Convertible (IBXXC2CO Index) + 25% Markit iBoxx EUR Non-Financials Subordinated (I4BN Index) + 25% Markit iBoxx EUR Insurance Subordinated (IYHH Index).

These changes to the Fund's legal documentation have no impact on the Fund's investment strategy, which remains unchanged.

This modification does not require authorisation from the French Financial Markets Authority and will come into force on 23 September 2021.

If you accept the terms, these modifications do not involve any action on your part. If, however, the changes do not reflect your interests, you can have your units redeemed<sup>1</sup> free of charge from 23 August 2021 until 23 September 2021.

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<sup>1</sup> The amount of any capital gains made as a result of this redemption will be subject to the taxation applicable on the date of the transaction.

## 2. Changes brought about by the operation

The main changes affecting the Fund are described below and detailed in Annex 1 of this letter:

- Risk profile  
 Change to the risk/return profile: NO  
 Increase in the risk/return profile: NO
- Increase in fees: change in the method of calculating variable management fees

	<u>Before change</u>	<u>After change</u>
Outperformance fee	<p>L units*: none</p> <p>C, D*, R*, IC CHF H*, RC USD H*, T C EUR*, A*, Y*, T C USD H*, IC USD H*, I GBP H*, TS* and R D USD H* units: Maximum 25% including tax of the outperformance calculated by comparing the change in the assets of the UCITS to the change in the assets of a benchmark UCITS achieving exactly 7% performance per year and recording the same variations in subscriptions and redemptions as the actual UCITS. The outperformance fee has been capped at 2% of the average net assets* (*average net assets calculated since the start of the reference period of the performance fee and restated for variable management fees)</p> <p>S* units: Maximum 25% including tax of the outperformance calculated by comparing the change in the assets of the UCITS to the change in the assets of a benchmark UCITS achieving exactly 7% performance per year and recording the same variations in subscriptions and redemptions as the actual UCITS. The fund's S Units apply the high-water mark principle.</p>	<p>L* units: none</p> <p>C, D*, R*, IC CHF H*, RC USD H*, T C EUR*, A*, Y*, T C USD H*, IC USD H*, I GBP H*, TS*, R D USD H*, S* units: Up to 25% including tax of the difference, if positive, between the fund's performance and that of the composite reference index: 50% Markit iBoxx EUR Contingent Convertible + 25% Markit iBoxx EUR Non-Financials Subordinated + 25% Markit iBoxx EUR Insurance Subordinated. The variable management fees have been capped at 2% including tax of the average net assets (average net assets correspond to the average assets of the fund and are calculated since the start of the reference period of the performance fee and restated for variable management fees).</p>

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### **Outperformance fee:**

The Management Company will receive, if applicable, an outperformance fee when the performance of the fund exceeds that of the benchmark index, whether it has recorded a positive or negative performance. The outperformance fee applicable to a given unit category is based on the comparison between the measured assets of the fund and those of the benchmark.

**The measured assets** of the fund are understood to be the share of the assets, corresponding to a unit category, measured according to the valuation rules applicable to the assets and after taking into account the actual operating and management costs corresponding to said unit category.

**The benchmark asset** represents the share of the fund's assets, corresponding to a given unit category, restated by the amounts of subscriptions/redemptions applicable to said unit category at each valuation, and measured according to the performance of the benchmark index used.

**The benchmark index** used to calculate the outperformance fee is the composite index: 50% Markit iBoxx EUR Contingent Convertible (Bloomberg code IBXXC2CO Index) + 25% Markit iBoxx EUR Non-Financials Subordinated (Bloomberg code I4BN Index) + 25% Markit iBoxx EUR Insurance Subordinated (Bloomberg code IYHH Index), dividends not reinvested.

**The performance reference period** corresponds to the time from the 1st trading day in July to the last trading day in June of the following year.

**Sampling frequency:** The outperformance fee is levied for the benefit of the management company in the month following the end of the reference period. Under no circumstances may the reference period for the fund units be less than one year.

### **Method for calculating the outperformance fee:**

#### **• During the reference period:**

- If the fund's measured assets are greater than those of the benchmark asset, the variable portion of management fees will represent a maximum of 25% including tax of the difference between these two assets capped at 2% of average net assets.

- A provision for variable management fees will be made on the basis of this difference when calculating the net asset value. Moreover, a provision reversal will be made for each calculation of the net asset value when the daily performance of the fund is lower than that of the reference asset. Reversals of provisions are capped at the level of previous provisions.

In the event of redemptions, the share of the constituted provision corresponding to the number of units redeemed is definitively acquired by the management company.

#### **• At the end of the reference period:**

- If the measured assets of the fund are greater than those of the benchmark, the variable part of the management fees provisioned during the reference period is definitively acquired by the management company.

- If the measured assets of the fund are less than those of the benchmark, the variable part of the management fees will amount to zero (excepting the portion acquired by the management company as part of a redemption

during the reference period). As of 1 July 2022, the reference period will be extended for an additional year, to a maximum of 5 years. Indeed, any underperformance during the reference period must be made up before being able to again provision for outperformance fees for the given unit.

### **3. Key elements for the investor to remember**

Please note, it is important that you read the Key Investor Information Document (KIID) for the Fund at [www.la-francaise.com](http://www.la-francaise.com).

The legal documentation of the Fund, setting out all of the characteristics, is available from LA FRANÇAISE ASSET MANAGEMENT and on the website [www.la-francaise.com](http://www.la-francaise.com).

It can be sent to you within eight working days following written request addressed to:

LA FRANÇAISE ASSET MANAGEMENT  
Marketing department  
128, boulevard Raspail  
75006 Paris

We recommend that you to contact your advisor or distributor concerning your investments on a regular basis.

Yours faithfully,

**Jean-Luc HIVERT**  
Chairman  
La Française Asset Management

## APPENDIX

The table below summarises the main characteristics before and after the changes being introduced.

Sections	La Française Sub Debt Prior to the operation	La Française Sub Debt After the operation
Management objective	<p>The Fund's objective is to achieve an annualised performance of more than 7% over a recommended investment horizon of more than 10 years through exposure, in particular, to subordinated debt securities with a specific risk profile different from that of conventional bonds and to do so by investing in a portfolio of issuers screened in advance according to Environmental, Social and Governance criteria.</p> <p><b>Disclaimer</b>  <i>The AMF reminds potential subscribers that the annualised performance target above 7% as stated in the "Management Objective" section is based on the fulfilment of market assumptions set by the management company and does not in any way constitute a promise of return or Fund performance</i></p>	<p>The Fund's objective is to achieve a performance net of fees higher than that of the composite benchmark: 50% Markit iBoxx EUR Contingent Convertible (IBXXC2CO Index) + 25% Markit iBoxx EUR Non-Financials Subordinated (I4BN Index) + 25% Markit iBoxx EUR Insurance Subordinated (IYHH Index), over a recommended investment horizon of more than 10 years through exposure, in particular, to subordinated debt securities with a specific risk profile different from that of conventional bonds and to do so by investing in a portfolio of issuers screened in advance according to Environmental, Social and Governance criteria.</p>
Benchmark index	<p>Due to its management objective and the discretionary strategy adopted, an appropriate benchmark for the Fund cannot be given. However, for guidance, the performance of the Fund can be compared to that of the "Markit iBoxx Euro Financials Subordinated" index (Bloomberg code: IYG5X Index). The "Markit iBoxx Euro Financials Subordinated" index reflects the performance of subordinated debts denominated in euros from issuers in the financial sector (banking and insurance). This index is calculated by Markit Indices Limited and is available at <a href="http://www.ihsmarkit.com">www.ihsmarkit.com</a>. The benchmark is only used for comparison. The manager is free to decide whether or not to invest in the securities that make up the benchmark index. They are therefore free to choose the securities that make up the portfolio in accordance with the management strategy and investment constraints.</p>	<p>The fund is neither an index fund nor an index benchmark but, for post-hoc comparison purposes, unitholders can refer to the composite benchmark index. 50% Markit iBoxx EUR Contingent Convertible dividends not reinvested (IBXXC2CO Index) + 25% Markit iBoxx EUR Non-Financials Subordinated dividends not reinvested (I4BN Index) + 25% Markit iBoxx EUR Insurance Subordinated dividends not reinvested (IYHH Index). The Markit iBoxx EUR Contingent Convertible index is representative of the universe of bonds denominated in EUR Contingent Convertibles Additional Tier 1 and Tier 2 in accordance with Basel 3 issued by banks and Restricted Tier 1 debt issued by insurance companies. The Markit iBoxx Euro Non-Financials Subordinated index reflects the performance of subordinated non-financial bonds denominated in euros. The Markit iBoxx EUR Insurance Subordinated index is representative of the universe of Tier 1, Tier 2 and Tier 3 subordinated bonds denominated in EUR issued by insurance companies, whether dated or perpetual. The benchmark is only used for comparison. The manager is free to decide whether or not to invest in the securities that make up the benchmark index. They are therefore free to choose the securities that make</p>

		up the portfolio in accordance with the management strategy and investment constraints.
Outperformance fee	<b>C, D*, R*, IC CHF H*, RC USD H*, T C EUR*, A*, Y*, T C USD H*, IC USD H*, I GBP H*, TS* and R D USD H* units:</b> Maximum 25% including tax of the outperformance calculated by comparing the change in the assets of the UCITS to the change in the assets of a benchmark UCITS achieving exactly 7% performance per year and recording the same variations in subscriptions and redemptions as the actual UCITS.* The performance fee is capped at 2% of the average net assets* (*average net assets calculated since the start of the reference period for the performance fee and reprocessed for provisions for variable management fees). <b>S* units:</b> Maximum 25% including tax of the outperformance calculated by comparing the change in the assets of the UCITS to the change in the assets of a benchmark UCITS achieving exactly 7% performance per year and recording the same variations in subscriptions and redemptions as the actual UCITS. The fund's S units apply the High Water Mark principle.	<b>C, D*, R*, IC CHF H*, RC USD H*, T C EUR*, A*, Y*, T C USD H*, IC USD H*, I GBP H*, TS*, R D USD H*, S* units:</b> Up to 25% including tax of the difference, if positive, between the fund's performance and that of the composite reference index: 50% Markit iBoxx EUR Contingent Convertible + 25% Markit iBoxx EUR Non-Financials Subordinated + 25% Markit iBoxx EUR Insurance Subordinated. The variable management fees have been capped at 2% including tax of the average net assets (average net assets correspond to the average assets of the fund and are calculated since the start of the reference period of the performance fee and restated for variable management fees).

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