

**LA FRANCAISE LUX**  
*Société Anonyme - Société d'Investissement à Capital Variable*  
60, avenue J.F. Kennedy, L - 1855 Luxembourg  
R.C.S. Luxembourg: B 66. 785  
(the "**Company**")

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**NOTICE TO SHAREHOLDERS OF THE SUB-FUND EURO INFLATION (THE "SUB-FUND")**

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Luxembourg, 26 of November 2021

Dear Shareholder,

The Company's board of directors (the "**Board**") hereby informs you of the following changes to be made to the prospectus of the Company (the "**Prospectus**"):

1) Change of investment policy

The Sub-Fund's investment policy will be changed in order to foresee that the sub-fund may invest up to 100% of its net assets in any type of bonds issued in the Eurozone, to remove the possibility to invest in credit notes and to foresee that the sub-fund may invest up to 10% in securities which are not rated investment grade.

The fact that at least 75% of the Sub-Fund's net assets will be invested in investment grade government bonds issued in the Eurozone and that the Sub-Fund may invest up to 20% in cash or cash equivalents has also been clarified

As from 31 of December 2021, the revised investment policy of the Sub-Fund will therefore read as follows:

*"Objective*

*To outperform (net of fees) the Bloomberg Barclays Capital Euro Government Inflation-Linked Bond Index, over any given 3-year period.*

*Investment policy*

*The sub-fund invests at least 75% of its net assets in investment grade government bonds issued in the Eurozone.*

*Specifically, the sub-fund invests in fixed rate, floating rate or inflation-indexed debt securities and negotiable debt instruments that are issued or guaranteed by a Eurozone member state.*

*At the time of investment, these securities are rated investment grade or judged equivalent by the investment manager; however, if they subsequently decline in quality, the sub-fund may continue to hold them. The sub-fund can also invest up to 10% in securities which are not rated investment grade or judged equivalent by the investment manager.*

*The sub-fund may invest in, or be exposed to, the following investments up to the percentage of net assets indicated:*

- *bonds issued in the Eurozone: until 100%*
- *bonds issued in OECD countries outside the Eurozone: 10%*
- *below investment grade bonds: 10%*
- *other UCITS/UCIs: 10%*

*The sub-fund may hold cash and cash equivalents up to 20%. These may include monetary UCIs or UCIs whose investments' overall weighted maturity or rate reset frequency does not exceed 12 months.*

*Non-EUR investments may be up to 10% of net assets and are hedged to EUR. However, there may still be a currency risk due to imperfect hedging.*

*The sub-fund's modified duration may vary from 0 to 10."*

In addition, the possibility for the Sub-Fund to enter into securities lending and borrowing transactions has been added to section "Derivatives and Techniques" by amending the following paragraph:

*"The sub-fund may also enter into securities lending and borrowing transactions as well as repurchase and reverse repurchase agreements for efficient portfolio management (as further described in section "Instruments and Techniques the Sub-Funds may use") , such as (but not limited to) to create arbitrage positions designed to profit from changes in interest rate spreads."*

The possibility to enter into securities lending transactions was already foreseen in the main part of the Prospectus under section "Instruments and Techniques the Sub-Funds may use". The possibility to enter into securities borrowing transactions is a new flexibility, which will now be introduced.

The expected level of exposure to securities lending transactions amounts to 25% of the Sub-Fund's assets, subject to a maximum of 60%. The expected level of exposure to securities borrowing transactions amounts to 5%, subject to a maximum of 10%.

## 2) Use of benchmark

In order to ensure compliance with the disclosure requirements foreseen by the ESMA Q&A on the UCITS Directive related to the use of a benchmark, the following paragraph has been added to the investment policy:

*"The sub-fund is actively managed and aims to achieve a performance above that of its benchmark. The management of the sub-fund is discretionary: the sub-fund will be primarily exposed to the issuers of the benchmark but may be exposed incidentally to issuers not included in the benchmark index.*

*The management strategy includes tracking the difference in the risk level of the portfolio relative to that of the index. A limited deviation from the risk level of the benchmark index is anticipated."*

## 3) Profile of typical investor

The profile of the typical investor has been updated as follows:

*"Designed for investors who understand the risks of the sub-fund and plan to invest for at least 3 years.*

*The sub-fund may appeal to investors who are looking to diversify their bond investments, particularly at a time when conventional (fixed-rate) bonds are exposed to a possible rise in interest rates and a resurgence of inflationary expectations."*

This update does not have an impact on current investors.

## 4) Swing pricing

Via a notice dated 14 April 2020, the Board informed you of its decision to temporarily apply swing pricing to the Sub-Fund in light of the then prevailing market circumstances. A swing factor of 2% was applied.

Given the current market circumstances, the Board has decided that the swing factor of 2% is no longer required. The Prospectus will nevertheless be updated in order to keep to possibility to apply swing pricing. In normal market circumstances, a swing factor of up to 0.5% may be applied in order to prevent adverse effects of dilution on existing or remaining Shareholders and therefore protect their interests. In case exceptional market circumstances so require in the future, a higher swing factor may be applied. Further information on the applicable threshold and swing factor will in such case be made available on the following website: <https://www.la-francaise.com/fr-lu/nos-solutions-pour-vous/nos-produits/>

5) Update of the policy on deduction of costs when entering into efficient portfolio management transactions

The section “*How the Sub-Funds Use Derivatives and Efficient Portfolio Management Techniques*” has been updated with the management company’s new policy on deduction of costs when entering into efficient portfolio management transactions. Therefore the following paragraph has been added:

*“For securities lending/borrowing transactions, repurchase and reverse repurchase transactions and where the management company is acting as investment manager: The sub-funds pay up to 40 % of the gross revenues generated from securities lending/borrowing activities and repurchase or reverse repurchase transactions as costs / fees to the management company and retain at least 60% of the gross revenues generated from securities lending/borrowing activities and repurchase or reverse repurchase transactions.”*

Shareholders are reminded of the fact that in compliance with the prospectus of the Company: (i) no redemption fee is payable in case of redemption of shares and that (ii) they are entitled to require the redemption of their shares.

The updated version of the prospectus (reflecting among others the above change) will be available at the registered office of the Company as soon as visa-stamped by the Luxembourg supervisory authority of the financial sector.

Yours faithfully,

On behalf of the Board