

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**")

NOTICE TO SHAREHOLDERS OF THE SUB-FUND JKC ASIA BOND 2023 (THE "SUB-FUND")

Luxembourg, 26 of November
2021

Dear Shareholder,

The Company's board of directors (the "**Board**") hereby informs you that the prospectus of the Company (the "**Prospectus**") has been updated in order to clarify how environmental, social and governance (ESG) factors are integrated into the investment decisions.

1) Update of the investment policy

The first paragraph of the investment policy has been clarified as follows:

"The sub-fund invests mainly in government and corporate bonds of any credit quality from Asian Pacific countries, excluding Japan, that mature on or before 31 December 2023. ESG (Environmental Social Governance) characteristics are assessed and integrated into the Investment manager's analysis of the target investments as further detailed under "ESG (Environmental Social and Governance) Integration" below."

The description of the investment strategy has been clarified as follows:

"Strategy The investment manager uses a long only approach that is based on global economic and financial analysis as well as analysis of companies' balance sheets and insights into sovereign debt fundamentals. The investment manager may also use arbitrage strategies in the event of market opportunities or changes in companies' risk profile.

The Investment determines an ESG profile of the government and corporate bonds based on qualitative and quantitative data sourced on an on-going basis from public data and from information collected during the due diligence stage (including interviews with management of corporates, official announcements and publications).

Qualitative information that is systematically assessed includes:

- *The quality of the management of corporates in terms of conflicts of interests, related parties transactions, board diversity, balance of powers and corporate culture ("Corporate Governance");*
- *The issuer's climate and environmental risk profile ("Environment");*
- *The measures taken in terms of diversity, inclusion, corporate responsibility and respect for human rights ("Social").*

For quantitative data, the investment manager uses Bloomberg ESG tools that gather debt issuers' sustainable profiles. Key metrics include but are not limited to environmental release per sales metrics (Energy, Waste, Water, GHG), social metrics (diversity in workforce, human rights concerns, donations) and governance metrics (board composition, executive compensation, connected transactions, anti-bribery measures, ...).

The fixed-income investment process is also subject to a set of pre-defined negative screenings including but not limited to sectors such as controversial weapons (landmines and cluster bombs), tobacco and the production of thermal coal. The pre-defined negative screens are binding for the Investment Manager, who may not add positions in these sectors and countries.

Post investment, the Investment Manager follows up on its analysis through active monitoring, investor relation meetings and on-site visits when possible.

Regarding Sovereign and Supra National agencies, the Investment Manager engages through commitment to collaborative initiatives such as UNPRI, TCFD and CDP.

The above-described extra-financial analysis is applied to at least the following proportion of the portfolio:

- *90% of debt securities with an investment grade credit rating [excluding Chinese Local Government Financing Vehicles "LGFVs"], or sovereign debt issued by developed countries;*
- *75% of debt securities with a high yield credit rating [including Chinese Local Government Financing Vehicles "LGFVs"] and sovereign debt issued by "emerging" countries (in terms of the capitalisation of the net assets of the sub-fund).*

The Investment Manager will not only take into consideration the ESG profile at the time of the investment, but will also consider debt issuers which have shown efforts to improve their ESG profile.

Further information on the ESG integration applied by the Investment Manager can be found online: <https://jkcaptalmanagement.com/sustainable-investment/>."

The Sub-Fund promotes, amongst other characteristics, environmental or social characteristics and will fall under article 8 of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector (SFDR). In this regard, a risk related to sustainable investing has been added to the list of risks associated with ordinary market conditions.

The above-described updates are clarifications only and do not have an impact on the way the Sub-Fund is managed, its risk profile or its asset allocation.

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 and discretionarily managed. The sub-fund is not managed in reference to an index."

3) Update of the section "Derivatives and Techniques"

The description of the use of repurchase and reverse repurchase transactions has been clarified by adding further details on the efficient portfolio management techniques that may be used:

"The sub-fund may also use 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 updates described above do not have an impact on the way the Sub-Fund is managed, its asset allocation or its risk profile.

4) Update of risk warnings

The liquidity risk has been moved from the list of the risks typically associated with unusual market conditions to the list of risks typically associated with ordinary market conditions.

The updates described above are clarifications and do not have an impact on the way the Sub-Fund is managed, its asset allocation or its risk profile.

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