

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 MULTI-ASSET INCOME (THE "SUB-FUND")

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**") and more specifically the appendix relating to the Sub-Fund:

1) Change of the investment objective

As from 31 of December 2021 (the "**Effective Date**"), the investment objective of the Sub-Fund will be amended to add a sustainable investment objective in accordance with article 9 of Regulation (EU) 2019/2088 on sustainability - related disclosures in the financial services sector (**SFDR**). The investment objective will therefore read as follows:

*"**Objective:** To achieve regular income and capital growth (total return) over the medium to long term by investing, using a flexible multi-asset allocation approach in securities previously screened against environmental, social and governance (ESG) investment criteria with the aim of achieving a weighted average of the portfolio's greenhouse gas emissions per euro invested (carbon intensity) at least 30% lower than that of the composite benchmark 20% MSCI World HD (net total return) + 40% ICE Bofa Global High Yield Index + 40% JP EMBI Global Diversified Index.*

The sub-fund is actively and discretionarily managed. The index is used to define the eligible investment universe with the objective of reducing carbon intensity. The management strategy is without constraints on the index."

2) Change of the investment policy

The investment policy of the Sub-Fund has been changed in order to, among others (i) decrease the exposure to equity, (ii) reduce the exposure to real estate investment trusts (REITS), (iii) reduce the net exposure to non-EUR currencies from 100% to 10% and (iv) foresee the possibility to invest in sustainability bonds. .

As from the Effective Date, the investment policy will read as follows:

"Investment Policy: *The sub-fund invests in government and corporate bonds, equities in OECD countries and/or emerging markets.*

Specifically, the sub-fund may invest in equities, floating rate or fixed rate debt securities and money market instruments. The sub-fund may invest up to 100% in fixed income securities that are rated lower than BBB- by Standard & Poor's or judged equivalent by the investment manager at the time of the purchase or in unrated bonds. The sub-fund may invest in sustainability bonds (such as green bonds and social bonds) and sustainability-linked bonds (SLB).

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

- *bonds and money market instruments: 100%, including government bonds: 50%*
- *government and corporate bonds issued in non-OECD countries: 70%*
- *equities: 50%*
- *convertible bonds: 10%*
- *contingent convertible bonds (coco bonds): 10%*
- *other UCITS/UCIs: 10%, including monetary UCIs or UCIs with an overall weighted maturity or rate reset frequency not exceeding 12 months.*
- *real estate investment trusts (REITs) that qualify as transferable securities under the 2010 Law and related regulations, publicly traded real estate preferred equities and debt securities, and equity-related securities of real estate operating companies: 10%.*

[Net exposure to non-EUR currencies may be up to 10% of net assets.] The sub-fund's modified duration may vary from 0 to 8.

In addition, section Derivatives and Techniques will read as follows are from the Effective Date:

The sub-fund may use derivatives for hedging and for efficient portfolio management.

In addition to core derivatives (defined in "How the Sub-Funds Use Derivatives and Techniques"), the sub-fund may use credit default swaps (including those based on indices).

The sub-fund may also enter into securities lending and borrowing transactions as well as repurchase and reverse repurchase agreements for efficient portfolio management such as to create arbitrage positions designed to profit from changes in interest rate spreads.

For more information about efficient portfolio management techniques, see "How the Sub-Funds Use Derivatives and Efficient Portfolio Management Techniques".

3) Use of benchmark

As from the Effective Date, the Sub-Fund will use the following composite benchmark for the pursuit of its extra-financial objective:

20% MSCI World HD (net total return)

40% ICE Bofa Global High Yield Index

40% JP EMBI Global Diversified Index

The sub-fund is actively and discretionarily managed. The index is used to define the eligible investment universe with the objective of reducing carbon intensity. The management strategy is without constraints on the index.

4) Change of the investment strategy

The investment strategy of the Sub-Fund has been changed to include a sustainability approach and will read as follows as from the Effective Date:

"Strategy and sustainability approach

The investment manager uses a dynamic and flexible allocation process across selected asset classes.

The initial investment universes are constructed as follows:

For public/sovereign issuers:

The initial investment universe is constructed from public/sovereign issuers (hereinafter referred to as "Countries") that belong to the JP EMBI Global Diversified Index. Countries not included in the global

index but included in regional sub-indices (e.g. Czech Republic, Slovakia, Thailand, Macedonia, Israel) and investable are added to the initial investment universe.

For companies:

For equities: The initial investment universe is constructed from the Companies that belong to the MSCI World HD net total return index (M1WDHDVD Index)

For corporate bonds: The initial investment universe is constructed from corporate issuers (hereinafter the "Companies") which belong to the ICE BofA Global High Yield Index (HW00 Index)

Please refer to "Environmental, Social and Governance Indicators" section "Carbon Impact Analysis" on page 28 for more information on the sustainability approach."

5) Use of securities lending and borrowing transactions

The possibility for the Sub-Fund to enter into securities lending and borrowing transactions as well as repurchase and reverse repurchase agreements has been added to section "Derivatives and Techniques". As from 31 of December, the following paragraph will be added:

"The sub-fund may also enter into securities lending and borrowing transactions as well as repurchase and reverse repurchase agreements (as further described in section "Instruments and Techniques the Sub-Funds may use") for efficient portfolio management and to create arbitrage positions designed to profit from changes in interest rate spreads."

The possibility to enter into securities lending, repurchase and reverse repurchase 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%.

Investments in repurchase and reverse repurchase transaction is expected to amount to 25% of the Sub-Fund net asset value, subject to a maximum of 60% of the Sub-Fund's net asset value.

6) Update of risk warning

In compliance with the already applicable investment policy, the risk warnings related to leverage have been removed from the list of risk warnings associated with ordinary market circumstances.

7) Decrease of expected level of leverage

Due to a decrease in the use of derivatives for hedging purposes, the expected maximum gross level of leverage will be lowered from 500% to 100%.

8) Change of the Sub-Fund's denomination

As a result of the above described changes, the name of the sub-fund will be updated from La Française Lux – Multi Asset Income, to La Française Lux – Carbon Impact Income.

9) Update of the profile of typical investor

As from the Effective Date, the profile of the typical investor will be 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 for a responsible investment with exposure to global asset mix*
- are interested in diversifying a core investment portfolio”*

10) 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 3% was applied.

Given the current market circumstances, the Board has decided that the swing factor of 3% is no longer required.

The Prospectus will nevertheless be updated in order to keep the possibility to apply swing pricing. In normal market circumstances, a swing factor of up to 1% 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/>.

11) 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