

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 CARBON IMPACT INCOME (THE "SUB-FUND")

Luxembourg, 20 of June 2022

Dear Shareholder,

The Company's board of directors (the "**Board**") hereby informs you of the following updates to be made to the characteristics of the Sub-Fund:

1) Update of the investment policy and strategy

The investment policy of the Sub-Fund will be updated in order to (i) clarify that the management company will rely on the analysis of the research center "La Française Sustainable Investment Research" of the entity "La Française Group UK Limited" with respect to the determination of ESG criteria and (ii) reflect the increase in the net exposure rate (after hedging) to currencies other than the euro from 10% to 50% as from 20 of July 2022 (the "**Effective Date**").

As from the Effective Date, the investment policy will therefore read¹:

"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%*

¹ Additions appear in blue, deleted parts in red

- equities: 50%
- contingent convertible bonds (coco bonds): 10%
- convertible 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%

The sub-fund has specific sustainable investment objectives (SFDR Article 9). *The Management Company relies on the analysis of the research center "La Française Sustainable Investment Research" (the "Research Center") of the entity "La Française Group UK Limited" specialised in determining responsible investment criteria. It is specified that there is a risk of conflicts of interest with respect to the provision of ESG scores by the Research Center.*

The investment process is based on Integration with significant engagement in the management and thematic.

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 net Total return USD index (NDDUWI).
 - 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) (...).

(...) Net exposure (after hedging) to non-EUR currencies may be up to ~~10~~50% of net assets."

In addition, the description of the environmental, social and governance (ESG) criteria applied by the investment manager for the Sub-Fund, which were previously disclosed in the general part of the prospectus will be inserted directly in the sub-fund appendix (including a clarification that corporate bonds investments in red-flagged countries require a thorough due diligence form the portfolio manager before investing) and the composite benchmark used to measure the carbon intensity of the Sub-Fund will be updated to 20% MSCI World (net Total return USD index (NDDUWI) + 40% ICE Bofa Global High Yield Index + 40% JP EMBI Global Diversified Index.

2) Update of section relating to derivatives and techniques

This section will be changed to add the possibility for the investment manager to invest in single name credit default swaps and so to read as follows as from the Effective Date:

"In addition to core derivatives (defined in "How the Sub- Funds Use Derivatives and Efficient Portfolio Management Techniques", the sub-fund may use credit default swaps (~~including those based on indices~~ [single name and index](#))."

If you do not agree with the changes mentioned above, you may request the redemption of your shares until 11 a.m. on 19 July 2022. Shareholders are reminded of the fact that in compliance with the prospectus of the Company no redemption fee is payable in case of redemption of 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