



LA FRANÇAISE

UCITS

in relation to Directive 2009/65/EC

# PROSPECTUS

## La Française Convertibles 2020

### Mutual Fund

## 1. General information

### 1.1 Legal form of the UCITS

**Name:**

La Française Convertibles 2020

**Legal form and Member State in which the UCITS has been set up:**

Fonds Commun de Placement [mutual fund] under French law

**Date of creation and scheduled duration:**

26/11/2008 - 99 years

**Date of approval by the Financial Markets Authority:**

26/11/2008

**Summary of the management offer**

Type of unit	ISIN code	Initial net asset value of units	Sub-funds	Allocation of amounts available for distribution	Denomination currency	Target subscribers	Minimum value of initial subscription
I units	FR0010684282	EUR 1,000	No	Capitalisation	EUR	All subscribers, particularly institutional investors	EUR 150,000
E units	FR0011732841	EUR 1,000	No	Capitalisation	EUR	All subscribers, particularly investors residing in Spain.	EUR 100,000
R units	FR0010766568	EUR 1,000	No	Capitalisation	EUR	All subscribers	None
S units	FR0012672814	EUR 1,000	No	Capitalisation	EUR	Large institutional investors	EUR 35,000,000

The minimum initial subscription does not apply to La Française Am Gestion Privée or the entities of La Française Group.

**Location where the latest annual report and the latest interim report may be obtained:**

The latest annual reports and the breakdown of assets will be sent within eight working days, upon written request by the unitholder to:

LA FRANÇAISE ASSET MANAGEMENT

Marketing Department

128, boulevard Raspail

75006 Paris

Tel. +33 (0) 1 44 56 10 00

E-mail: [contact-valeursmobilières@lafrancaise-group.com](mailto:contact-valeursmobilières@lafrancaise-group.com)

For further information, please contact the Marketing Department of the Management Company by e-mail at: [contact-valeursmobilières@lafrancaise-group.com](mailto:contact-valeursmobilières@lafrancaise-group.com).

## 1.2 Participants

### **Management company:**

LA FRANÇAISE ASSET MANAGEMENT

Simplified joint stock company, entered in the Paris Trade and Companies Register under number 314 024 019

Management company approved by the Financial Markets Authority on 1 July 1997, under number GP 97-76,

Registered office: 128, boulevard Raspail, 75006 PARIS

### **Custodian and registrar:**

#### **Identity of the UCITS Custodian**

The UCITS Custodian is BNP Paribas Securities Services SCA, a subsidiary of the BNP PARIBAS SA Group, located at 9, rue du Débarcadère, 93500 PANTIN (the "Custodian"). BNP PARIBAS SECURITIES SERVICES, a partnership limited by shares, listed in the Trade and Companies Register under number 552 108 011, is an institution approved by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the Financial Markets Authority (Autorité des Marchés Financiers - AMF), whose registered office is located at 3, rue d'Antin, 75002 Paris, France.

#### **Description of the responsibilities of the Custodian and potential conflicts of interests**

The Custodian carries out three types of responsibilities: checking the regularity of the decisions of the management company (as defined in Article 22.3 of the UCITS 5 directive), the monitoring of the UCITS cash flow (as defined in Article 22.4) and the safekeeping of UCITS assets (as defined in Article 22.5).

The main objective of the Custodian is to protect the interests of unitholders/investors in the UCITS. This will always take precedence over commercial interests.

Potential conflicts of interests may be identified, especially in the case where the Management Company has a commercial relationship with BNP Paribas Securities Services SCA alongside its appointment as Custodian (which may be the case where BNP Paribas Securities Services, by delegation from the Management Company, calculates the net asset value of the UCITS while BNP Paribas Securities Services is the Custodian or where a group connection exists between the Management Company and the Custodian).

In order to manage situations such as this, the Custodian has implemented and regularly updates a conflict of interest management policy, with the aim of:

- identifying and analysing potential conflicts of interest,
- recording, managing and monitoring conflicts of interests:
  - > based on the permanent measures put in place in order to manage conflicts of interests, such as the distribution of tasks, the separation of hierarchical and operational lines, the monitoring of internal lists of insiders and dedicated IT environments;
  - > on a case-by-case basis, by implementing:
    - appropriate preventive measures such as the creation of an ad hoc monitoring list and new Chinese walls, or by verifying that transactions are properly processed and/or by keeping the relevant clients informed,
    - or by refusing to manage activities which could lead to conflicts of interest.

#### **Description of any custody tasks delegated by the Custodian, list of delegates and sub-delegates and identification of conflicts of interest likely to result in such a delegation**

The UCITS Custodian, BNP Paribas Securities Services SCA, is responsible for the safekeeping of assets (as defined in Article 22.5 of Directive 2009/65/EC, as amended by Directive 2014/91/EU). In order to offer services linked to the safekeeping of assets in a large number of countries, enabling the UCITS to achieve its investment objectives, BNP Paribas Securities Services SCA has appointed sub-custodians in countries where BNP Paribas Securities Services SCA has no local presence. These entities are listed on the following website:

<http://securities.bnpparibas.com/solutions/asset-fund-services/depositary-bank-and-trustee-serv.html>

The appointment and monitoring process for sub-custodians adheres to the highest quality standards, including the management of potential conflicts of interest which may arise as a result of these appointments.

Up to date information relating to the above points will be sent to investors upon request.

### **Statutory Auditor:**

DELOITTE et Associés

185, avenue Charles de Gaulle, 92524 NEUILLY SUR SEINE cedex

Represented by Mr Jean-Marc LECAT

### **Marketers:**

LA FRANCAISE AM FINANCE SERVICES

Customer service

128, boulevard Raspail, 75006 PARIS

Banque Coopérative et Mutuelle Nord Europe  
4, place Richebé, 59000 LILLE

**Appointed representatives:**

**Appointed Account Manager**

BNP PARIBAS SECURITIES SERVICES, SCA

With its registered office at 3, rue d'Antin, 75002 PARIS

With its postal address at Grands Moulins de Pantin, 9, rue du Débarcadère, 93500 Pantin

**Advisers:**

None

**Centralising agent:**

LA FRANÇAISE ASSET MANAGEMENT

Simplified joint stock company, entered in the Paris Trade and Companies Register under number 314 024 019

Management company approved by the Financial Markets Authority on 1 July 1997, under number GP 97-76,

Registered office: 128, boulevard Raspail, 75006 PARIS

**Establishment responsible for subscription and redemption orders by delegation:**

LA FRANCAISE AM FINANCE SERVICES

Customer service

128, boulevard Raspail, 75006 PARIS

## 2. Terms of operation and management

### 2.1 General information

**Unit features:**

- Nature of right attached to each unit category: each unitholder has a right of co-ownership to fund assets in proportion to the number of units held.
- Liabilities managed by BNP Paribas Securities Services.
- Units admitted to EUROCLEAR France.
- Voting rights: the units do not carry any voting rights; decisions are taken by the management company.
- Form of units: bearer units.
- Decimalisation: each unit can be divided into hundred thousandths (I, R and S units) and thousandths (E units)

**Closing dates:**

- End of accounting period: last trading day in December
- Closing date of the 1st financial year: 31 December 2009

**Tax system:**

*Please note: Depending on your tax system, any capital gains and income associated with holding units in the UCITS could be subject to taxation. We recommend that you consult with the marketer of the UCITS on this subject. Holders should contact an advisor.*

### 2.2 Specific provisions

**ISIN code:**

I units	FR0010684282
E units	FR0011732841
R units	FR0010766568
S units	FR0012672814

**Classification:**

Diversified

**Management objective:**

The Fund aims to achieve a higher return than that of the bond market by the end of the investment period. The management objective is to achieve, over the recommended investment period, a higher return than that of the OAT maturing on 25 October 2020, by benefiting from growth in the eurozone equities markets of OECD countries, through a portfolio of convertible bonds.

**• Investment period:**

The Fund shall implement the investment strategy over investment periods with a fixed maturity, determined at the opening of each investment period. The first investment period matures on 31 December 2020. The date of maturity for the second investment period will be determined in the last 3 months prior to maturity, depending on the market conditions prevailing at the time.

**Benchmark index:**

The OAT maturing on 25/10/2020

OATs (Obligations assimilables du Trésor, or French treasury bonds) are debt securities issued by the French state. Consequently, they have the best credit rating on the market and are the benchmark for risk-free money rates.

**Investment strategy:****1. Strategies employed**

The investment strategy of the Fund is to manage a diversified portfolio of convertible bonds and related securities and conventional bonds, with maturities less than or equal to the investment period (as defined above).

The Fund seeks to maximise the portfolio's average actuarial yield by the end of the investment period by aiming to achieve a higher return than that of the bonds used as the benchmark.

To do this, the management team will rely on the analysis of various risk factors inherent to convertible bonds:

equity risk, by monitoring the portfolio's overall exposure to the equity market, through the management of convertible bonds, the creation of synthetic convertibles and pragmatic management of credit events;

volatility risk, through the use of listed options to overcome isolated market inconsistencies.

The management style aims to ensure the portfolio outperforms the benchmark, with a resilience during periods of consolidation in the equity markets.

**Investment universe:**

The Fund may invest up to 100% of the net assets in convertible bonds and any conventional bonds with maturities on or before 31 December 2020 and/or with a maturity of less than or equal to 31 December 2020.

The investment strategy is to focus on convertible bonds with a positive actuarial yield to mature on 31 December 2020.

The balance of the assets shall be invested in cash instruments. The Fund may invest up to 100% of its assets in money market instruments.

Liquid assets must be carefully managed, given the impact on the yield to maturity. The general principle is to consider that the cash available (subject to early redemption) must be permanently invested in liquid securities with a maturity equal to or less than the Fund.

The debt securities (including convertibles) and money market instruments that are used shall be denominated in euro, those issued in currencies other than the euro shall be limited to 10% of the assets.

Provided that the securities are not denominated in euros, the manager will systematically hedge the exchange risk. There may however be a residual exchange risk due to imperfect hedging.

The Fund may invest without reference to specific credit rating criteria.

**Management parameters:**

- Investment horizon: minimum period of 3 years – December 2020 horizon;

- Decreasing sensitivity from 7 to 0.

The Fund may also invest up to 10% of its assets in units or shares of UCITS under French or foreign law, and/or UCIs in accordance with the four criteria of the monetary and financial code. These UCITS may be managed by the management company or an associated company as applicable. They will be used to manage cash flow or to achieve the management objective.

The Fund may also invest in futures traded on French and foreign regulated markets or OTC.

In this context, the manager may take positions to hedge and/or expose the portfolio to equity, interest and/or foreign exchange rate risk (for hedging purposes only) through futures, options and/or swaps, without seeking overexposure.

The Fund may also engage in temporary securities purchase and sale transactions in order to (i) ensure the investment of the cash available (reverse repo, for example), (ii) optimise the performance of the portfolio (securities lending, for example).

**2. Assets used****a. Equities:**

As the portfolio contains convertible bonds, the Fund may temporarily hold equities obtained by conversion or exchange.

The equities resulting from these conversions are to be sold as soon as possible taking into account the most favourable market conditions.

**b. Debt securities and money market instruments:**

The UCITS may invest without constraint in convertible bonds and similar securities denominated in euros and may also invest in debt securities and money market instruments denominated in euros without reference to specific credit rating criteria.

Those issued in currencies other than the euro shall be limited to 10% of the assets.

The sensitivity spread of the portfolio is between 0 and 7.

c. Units or shares of UCIs:

The Fund may also invest up to 10% of its assets in units or shares of UCITS under French or foreign law, and/or Alternative Investment Funds (AIF), in accordance with the four criteria in Article R214-13 of the monetary and financial code. These UCIs may be managed by the management company or an associated company, as applicable. These UCIs will be used in particular to manage the Fund's cash flow or to benefit from an investment strategy for the Fund's management objective.

### 3. Derivative instruments

The Fund may invest in futures or options, traded on French and foreign regulated markets or OTC. In this context, the manager may take positions on interest rate, equity and/or exchange risk (for hedging purposes only) in order to achieve the management objective.

Each derivative instrument addresses a specific hedging or exposure strategy as explained below:

- Futures. Futures may be used to:

(i) hedge the entire portfolio or certain classes of assets held within it against interest rate, equity and/or exchange risks (e.g. hedging bonds against any rises in interest rates by selling futures);

(ii) increase the Fund's exposure to interest rate or equity risks by up to 100%.

All transactions are performed with an overall off-balance sheet investment limit of 100% of the assets of the UCITS.

- Options. Options may be used to optimise the position envisaged in futures, so as to alter the profile of the expected result:

(i) hedge the entire portfolio or certain classes of assets held within it against interest rate, equity and/or exchange risks (e.g. hedging fixed-term bonds against any rises in interest rates by buying put options);

(ii) synthetically rebuild specific assets;

(iii) increase the Fund's exposure to interest rate or equity risks by up to 100%.

All transactions, converted to the equivalent underlying futures, are performed with an overall off-balance sheet investment limit of 100% of the assets of the UCITS.

- Swaps, caps and floors. These transactions can be used to:

(i) hedge the entire portfolio or certain classes of assets held within it against interest rate, equity and/or exchange risks (e.g. hedging bonds against rising interest rates by entering into an interest rate swap);

(ii) synthetically rebuild specific assets.

All transactions, converted to the equivalent underlying futures, are performed with an overall off-balance sheet investment limit of 100% of the assets of the UCITS.

### 4. Securities with embedded derivatives (warrants, credit link notes, EMTN, subscription certificates, etc.)

The Fund may use instruments with embedded derivatives. Securities with embedded derivatives may be used in particular to synthetically rebuild convertible bonds.

### 5. Deposits: none.

**6. Cash borrowings:** the Fund is not intended to be a cash borrower; however, it may temporarily perform cash borrowing operations with up to 10% of its assets.

**7. Temporary securities purchase and sale transactions:** The Fund may use securities loans and borrowings and repurchase and reverse repurchase transactions up to a limit of 100% of its assets, in accordance with the provisions of the monetary and financial code.

These transactions can be used to:

(i) ensure the investment of the cash available (e.g. reverse repo transactions);

(ii) optimise the portfolio's performance (e.g. securities lending).

### ***Management of financial guarantees relating to transactions on over-the-counter derivative financial instruments and to effective portfolio management techniques***

OTC transaction counterparties will be first-class banking establishment counterparties domiciled in OECD Member States.

These counterparties do not have discretionary decision-making powers over the management of the assets underlying the derivative financial instruments.

These transactions can be performed with companies linked to the management company's Group.

These transactions may give rise to the guarantee deposit:

- of cash

- of securities issued by OECD Member States
- other monetary UCITS/AIF units or shares

The mutual fund shall not receive securities as collateral as part of the management of financial guarantees relating to transactions on over-the-counter derivative financial instruments and to effective portfolio management techniques.

Financial guarantees received in cash must only be:

- placed in deposit with a credit institution whose registered offices are located in an OECD Member State or in another country with equivalent prudential rules,
- invested in high quality government bonds,
- invested in short-term money market funds as defined in the guidelines on a common definition of European money market funds.

Additional information regarding these transactions is given in the "Charges and Fees" section.

### ***Risk profile:***

#### Risk of capital loss:

Investors are advised that their capital is not guaranteed and may therefore not be returned to them.

#### Interest rate risk:

This is the risk of a decrease in interest rate instruments due to interest rate fluctuations, which may cause a decline in the net asset value of the mutual fund.

#### Risk associated with holding convertible bonds:

The Fund is invested in convertible bonds. The value of convertible bonds depends to some extent on the evolution of the prices of their underlying equities. Changes in the underlying equities may lead to a fall in the Fund's net asset value.

#### Credit risk:

Credit risk may arise from a downgrading of the credit rating of an issuer of debt securities or the default of an issuer. If an issuer's credit rating is downgraded, the value of its assets falls. Consequently, this may cause the net asset value of the mutual fund to fall.

#### Counterparty risk:

Counterparty risk arises from entering into contracts in financial futures instruments traded on over-the-counter markets, and from temporary acquisitions and sales of securities. This is the risk that a counterparty may default on payment. Thus, the default of a counterparty may lead to a decline in the net asset value.

#### Exchange risk:

The mutual fund may invest in transferable securities denominated in currencies other than the reference currency.

The manager will always hedge the exchange risk. There may however be a residual exchange risk due to imperfect hedging. The net asset value of the Fund may fall as a consequence.

#### Potential risk of a conflict of interests

This risk relates to the completion of temporary acquisitions and sales of securities transactions, during which the mutual fund uses an entity as counterparty and/or financial intermediary that is linked to the group to which the mutual fund's management company belongs.

### **WARNING**

Given the investment strategy implemented, the Fund's risk profile changes over time as the investment period approaches its maturity. At the beginning of each investment period, the Fund is fully exposed to the various risk factors for convertible bonds. As the end of the investment period nears, exposure to the various risk factors decreases. The Fund's risk profile will therefore be significantly different at the beginning of each new investment period.

### ***Type of subscriber:***

I units	All subscribers, particularly institutional investors
E units	All subscribers, particularly investors residing in Spain.
R units	All subscribers
S units	Large institutional investors

The Fund is aimed primarily at investors seeking to make a profit from the equity markets while benefiting from a decreasing risk profile (equity and rates) during periods of market crisis.

#### US investors

Mutual fund units have not been and will not be registered under the US Securities Act of 1933 (hereinafter the "Act of 1933") or any other law applicable in a US state. Units may also not be directly or indirectly transferred, offered or sold in the United States of America (including its territories and possessions) to any US Person (hereinafter "U.S. Person"), as defined in the American Regulation 'Regulation S' of the Act of 1933 as adopted by the Securities and Exchange Commission ("SEC") unless (i) the units have been registered or (ii) an exemption applies (with the prior agreement of the management company's governing body).

The mutual fund has not been and will not be registered under the US Investment Company Act of 1940. Any re-sale or transfer of units in the United States of America or to a US Person may be in breach of US law and requires the written agreement of the



management company of the mutual fund. Those wishing to acquire or subscribe to units will have to certify in writing that they are not "US Persons".

*The reasonable amount to invest in the mutual fund depends on your personal financial situation. To determine this, you should take into account your personal assets and current requirements, and also your willingness to take risks or your wish to favour prudent investment. You are also strongly advised to diversify your investments so that they are not exposed solely to the risks of this mutual fund.*

**Recommended investment period:**

This fund may not suit investors who intend to withdraw their contribution before 31 December 2020.

**Methods of determining and allocating amounts available for distribution:**

I units	Capitalisation
E units	Capitalisation
R units	Capitalisation
S units	Capitalisation

**Accounting currency:**

EUR

**Subscription and redemption terms:**

Subscription orders (in value or thousandths of units) and redemption orders (in thousandths of units) are processed by La Française AM Finance Services on each net asset value calculation day (D) at 11.00 a.m. (if the Stock Exchange is open in Paris, except for public holidays in France) and are executed on the basis of the net asset value calculated on D+1.

The clearing and settlement of securities relating thereto shall be made on D+2 (the 2nd trading day following the valuation date).

Each unit can be divided into hundred thousandths.

**Minimum value of initial subscription:**

I units	EUR 150,000
E units	EUR 100,000
R units	None
S units	EUR 35,000,000

**Minimum value of subsequent subscriptions:**

I units	None
E units	None
R units	None
S units	None

**Date and frequency of the net asset value:**

The net asset value is calculated and published on D+1 for each trading day in Paris, excluding legal holidays in France.

**Original net asset value:**

I units	EUR 1,000
E units	EUR 1,000
R units	EUR 1,000
S units	EUR 1,000

**Location where the net asset value is published:**

premises of the management company and on the website: [www.lafrancaise-gam.com](http://www.lafrancaise-gam.com)

**Charges and fees:**

*Subscription and redemption fees:*

*Subscription fees are added to the subscription price paid by the investor and redemption fees are deducted from the redemption price. The fees received by the UCITS offset the charges it incurs in investing or divesting the assets entrusted to it. Fees that are not paid to it revert to the management company, marketer, etc.*

Charges to be paid by the investor, deducted at the time of payment of	Base	Rate/scale
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subscriptions and redemptions			
Subscription fee not paid to the UCITS	Net asset value x number of units	<b>I units</b> <b>E units</b> <b>R units</b> <b>S units</b>	1.00% maximum 3.00% maximum 4.00% maximum 1.00% maximum
Subscription fee paid to the UCITS	Net asset value x number of units	<b>I units</b> <b>E units</b> <b>R units</b> <b>S units</b>	None None None None
Redemption fee not paid to the UCITS	Net asset value x number of units	<b>I units</b> <b>E units</b>       <b>R units</b> <b>S units</b>	4.00% maximum Exit fee (not paid to mutual funds): none for the marketing period until 31 December 2014; 0.975% from 1 January 2015 to 30 June 2015 inclusive; 0.650% from 1 July 2015 to 31 December 2015 inclusive; 0.325% from 1 January 2016 to 30 June 2016 inclusive; none as from 1 July 2016.    4.00% maximum 4.00% maximum
Redemption fee paid to the UCITS	Net asset value x number of units	<b>I units</b> <b>E units</b> <b>R units</b> <b>S units</b>	None None None None

*Operating and management costs:*

*These fees cover all costs charged directly to the UCITS, apart from transaction fees. Transaction costs include intermediation costs (brokerage, stock exchange tax, etc.) and any turnover fees, charged notably by the custodian and the management company.*

*In addition to operating and management charges, there may also be:*

- *outperformance fees. These are paid to the management company when the UCITS has exceeded its objectives. They are therefore charged to the UCITS;*
- *turnover fees charged to the UCITS.*

Costs billed to the UCITS	Base	Rate/scale
Management fees paid to the management company and management fees not paid to the management company (auditors, custodian, distribution, etc.)	Net assets	I units: 0.85% maximum rate (incl. taxes) R units: 1.40% maximum rate (incl. taxes) E units: 1.30% maximum rate (incl. taxes) S units: 0.25% maximum rate (incl. taxes)
Turnover fees Service providers collecting turnover fees: - Management company	Deducted from each transaction	<b>Equities:</b> 0.40% (with a minimum of €120) <b>Convertible bonds &lt; 5 years:</b> 0.06% <b>Convertible bonds &gt; 5 years:</b> 0.24% <b>Other bonds:</b> 0.024% (with a minimum of €100) <b>Monetary instruments:</b> 0.012% (with a minimum of €100) <b>Swaps:</b> €300 <b>Forward exchange:</b> €150 <b>Spot exchange:</b> €50 <b>UCI:</b> €15 <b>Futures:</b> €6 <b>Options:</b> €2.50
Outperformance fee	Net assets	None

Transactions for the temporary purchase and sale of securities:

The remuneration received on the temporary acquisitions and sales of securities and for any equivalent transaction under foreign law shall be fully acquired by the mutual fund.

The transaction costs/fees relating to the temporary acquisitions and sales of securities are not invoiced to the Fund. These costs/fees are fully undertaken by the management company.



#### Choice of financial intermediaries:

The financial intermediaries will be independently selected by the management company based on different criteria: the quality of the provider, research, execution, set prices, quality of the Back Office for clearing and settlement transactions. The management company is prohibited from placing its orders through a single intermediary.

For further information, unitholders may refer to the annual report of the mutual fund.

### **3. Commercial information**

1. The distribution of the fund units is handled by LA FRANCAISE AM FINANCE SERVICES, Banque Coopérative and Mutuelle Nord Europe.
2. Subscription/redemption requests are processed by La Française AM Finance Services.
3. Information about 'La Française Convertibles 2020' mutual fund is available on the premises of the management company or online at: [www.lafrancaise-gam.com](http://www.lafrancaise-gam.com).
4. Information regarding consideration of ESG (environmental, social and quality of governance) criteria in the investment policy is available on the management company's website: [www.lafrancaise-gam.com](http://www.lafrancaise-gam.com) and will be given in the annual report.

### **4. Investment rules**

The Fund shall comply with the investment rules set by the French Monetary and Financial Code.

### **5. Total risk method**

The mutual fund applies the method of calculating commitment.

### **6. Valuation and accounting rules for the assets**

#### **6.1 Rules for valuing assets**

Net asset value is calculated according to the valuation rules stated below:

- Transferable securities traded on a regulated French or foreign market are valued at the closing price of the relevant market. Listed securities: at market value - including accrued coupons (French and European securities: closing price - Other foreign securities: in the absence of a representative listing, last closing price).

Foreign prices are converted to euro using the exchange rates on the valuation day.

Transferable securities whose price has not been noted on the valuation day, or has been adjusted, will be valued by the management company at their probable trading value. These valuations and their supporting documentation will be made available to the statutory auditor during audits.

- Negotiable debt securities maturing in more than three months: at market value, at the last known closing price. When the time to maturity becomes equal to three months, negotiable debt securities are valued at the last rate up to maturity. If they are purchased with less than three months' maturity, interest is calculated using a linear method.

Debt instruments and other negotiable assets which are not involved in any significant transactions are valued at their probable trading value using an actuarial method, the rate adopted being that applicable to equivalent securities issues weighted, where applicable, with a variation representative of the issuer's intrinsic characteristics. However, if there are no reasons for particular caution, negotiable debt securities with a remaining maturity of three months or less can be valued according to a linear method. The procedures for applying these rules are specified by the management company.

- UCITS units or shares are valued at the last known net asset value.
- Securities that are not traded on a regulated market are valued by the management company at their probable trading value.
- Financial futures instruments:
  - FUTURES: French and European markets: closing price. Other foreign markets: in the absence of a representative listing, last closing price;
  - Off-balance-sheet commitments are calculated on the basis of par value, their price in the portfolio and, where applicable, the exchange rate;
  - Commitments on options markets are calculated by converting the options to the equivalent underlying securities;
  - Commitments on swaps are valued at their market value;
  - Forward exchange transactions are valued using the forward exchange rates on the valuation date, taking into account the premium/discount.
- Contracts:
  - Swaps with maturity of over three months: market value. When the time to maturity becomes equal to three months, swaps are valued at the last rate up to maturity. If they are purchased with less than three months' maturity, interest is calculated using a linear method.
  - Any temporary securities purchase and sale transactions are valued according to the provisions of the contract. Some fixed-rate transactions with a time to maturity of more than three months may be valued at market price.

- Closed or conditional forward transactions or foreign exchange transactions agreed on over-the-counter markets and authorised by the regulations applicable to the UCITS are valued at their market value or an estimated value according to the procedures specified by the management company

The procedures for valuing assets are described in the notes to the annual accounts.

## 6.2 Accounting method

The undertaking abides by the accounting rules laid down under the regulations in force and in particular the accounting rules applicable to UCITS.

All transferable securities included in the portfolio are entered at historic cost, excluding expenses. Income is recorded using the coupons received method.

# MUTUAL FUND RULES

## La Française Convertibles 2020

### HEADING 1: ASSETS AND UNITS

#### Article 1: Co-ownership units

Co-ownership rights are expressed in units, with each unit corresponding to the same fraction of fund assets. Each unitholder has a right of co-ownership to fund assets in proportion to the number of units held.

The duration of the Fund shall be 99 years from its launch, except in the event of early dissolution or extension as provided for under these rules.

The units may be divided, regrouped or split into tenths, hundredths, thousandths, ten thousandths or hundred thousandths – fractional units – on the decision of the management company's Executive Board.

The features of the different unit categories and their access conditions are specified in the mutual fund prospectus.

The different classes of units may:

- use different income distribution procedures (distribution or capitalisation);
- be denominated in different currencies;
- have different management fees;
- have different subscription and redemption fees;
- have a different nominal value;
- be systematically hedged against risk, in part or in full, as defined in the prospectus. This hedging is provided through financial instruments, minimising the impact of hedging on the other classes of units of the mutual fund;
- be confined to one or more marketing channels.

The provisions of these rules regulating the issue and redemption of units shall also apply to fractional units, the value of which is always proportional to that of the unit they represent. Unless otherwise stipulated, all other provisions of these rules relating to units also apply to fractional units, without it being necessary to state this explicitly.

The Executive Board of the management company may decide unilaterally to split units by creating new units to be allocated to the unitholders in exchange for the old units.

#### Article 2: Minimum Assets

Units may not be redeemed if the assets fall below EUR 300,000; if the assets remain below this amount for a period of thirty days, the management company shall make the necessary provisions to liquidate the UCITS in question, or to carry out one of the operations mentioned in Article 411-16 of the AMF General Regulation (transfer of the UCITS).

#### Article 3: Issue and redemption of units

Units may be issued at any time at the request of the holders, based on their net asset value plus any subscription fees, where applicable.

Redemptions and subscriptions are carried out according to the terms and conditions set out in the prospectus.

Units of the mutual fund may be admitted to the official listing in accordance with the regulations in force.

Subscriptions must be fully paid up on the date of calculation of the net asset value. They may be paid for in cash and/or through the contribution of transferable securities. The management company shall be entitled to reject securities offered to it, and to this end shall have a period of seven days from the date of receipt of the securities to announce its decision. If the securities are accepted, they are valued in accordance with the rules set out in Article 4 and the subscription is carried out on the basis of the net asset value immediately following acceptance of the securities concerned.

All redemptions are made exclusively in cash, except where the Fund is liquidated and where unitholders have expressed their consent to reimbursement in the form of securities. Redemptions are settled by the bookkeeper no later than five days after unit valuation.

Under exceptional circumstances, however, where reimbursement requires the prior disposal of assets held in the Fund, this period may be extended up to a maximum of 30 days.

Except in the case of inheritance or inter vivos distribution, the transfer of units from one unitholder to another or to a third party is treated as a redemption followed by a subscription. In the case of a third party, the amount of the transfer must, if necessary, be made up by the beneficiary to the minimum subscription specified in the prospectus.

Pursuant to Article L. 214-8-7 of the Monetary and Financial Code, both the redemption by the mutual fund of its units and the issue of new units may be suspended on a temporary basis by the management company where required by exceptional circumstances and where this is in the interests of the unitholders.

Where the net assets of the mutual fund fall below the amount set out in the regulations, no units may be redeemed.

Minimum subscription conditions may be set out in the prospectus.

The mutual fund may stop issuing units pursuant to Article L. 214-8-7 second paragraph of the French Monetary and Financial Code in objective situations leading to the closure of subscriptions, such as a maximum number of units or equities being issued, a maximum amount of assets being achieved or the expiry of a determined subscription period. These objective situations are defined in the mutual fund prospectus.

The management company reserves the right to restrict or deny the direct or indirect holding of fund units by any person or entity which is prohibited from holding the fund units (hereinafter "Ineligible Person") as described below:

An Ineligible Person:

- a US Person as defined in SEC Regulation S of the Securities and Exchange Commission (SEC) (Part 230 - 17 CFR 230.903), or;
- any other person who is directly or indirectly in violation of the laws and regulations of any country or government institution, or (b) may, in the opinion of the management company of the mutual fund, cause damage to the mutual fund, which it would have otherwise not endured or suffered.

To this end, the management company of the mutual fund may:

- (i) refuse to issue any unit as soon as it becomes evident that such issuance will or may result in the aforementioned units being directly or indirectly held by or for an Ineligible Person;
  - (ii) demand, at any time, that a person or entity whose name appears on the register of unitholders provide any information, accompanied with a solemn declaration, which it deems necessary in order to establish whether the actual beneficiary of the relevant units is an Ineligible Person or not;
- and
- (iii) when it is apparent that a person or entity is (i) an Ineligible Person and, (ii) solely or jointly, the effective beneficiary of the units, proceed with the forced redemption of all the units held by a unitholder without delay and, at the latest, within five days.

The forced redemption will take place at the last known net asset value, minus, where applicable, the relevant fees, right and commissions, which will be charged to the Ineligible Person within five days during which time the actual beneficiary of the units may present his observations to the competent authority.

This power also covers any person (i) who is in direct or indirect violation of the laws and regulations of any country or government institution, or (ii) may, in the opinion of the management company of the mutual fund, cause damage to the mutual fund, which it would have otherwise not endured or suffered.

#### **Article 4: Calculation of net asset value**

The net asset value of the units is calculated pursuant to the valuation rules provided in the prospectus.

Contributions in kind may only consist of securities, transferable securities or contracts in which UCIs are authorised to invest; such contributions shall be valued pursuant to the valuation rules used to calculate the net asset value.

## **HEADING 2: OPERATION OF THE FUND**

#### **Article 5: Management Company**

The Fund is managed by the management company in accordance with the strategy defined for the Fund.

The management company shall act under all circumstances in the exclusive interests of the unitholders and may alone exercise the voting rights attached to the securities in the Fund.

#### **Article 5a: Operating rules**

The instruments and deposits in which the UCI may invest and the investment rules are specified in the prospectus.

## Article 6: Custodian

The custodian carries out the assignments incumbent upon it in application of the applicable legislation and regulations, as well as those binding on it as applied by the management company. It must ensure the legality of decisions taken by the portfolio management company. Where necessary, it must take all the precautionary measures that it deems to be necessary. In the event of any dispute with the management company, it shall inform the Financial Markets Authority.

## Article 7: The Auditor

A statutory auditor is appointed by the Executive Board of the management company for a period of six financial years, subject to the approval of the Financial Markets Authority.

It certifies the consistency and accuracy of the accounts.

The auditor's term of office may be renewed.

The statutory auditor is required to notify the Financial Markets Authority as quickly as possible regarding any fact or ruling regarding the UCITS of which he becomes aware over the course of his assignment, of a nature:

1. that constitutes a breach of the legislative or regulatory provisions applicable to this body and liable to have significant effects on the financial situation, the profits or the assets;
2. that jeopardises the conditions or the continuity of its operation;
3. that leads to the issuance of reserves or the refusal to certify the accounts.

The valuations of the assets and the calculation of the exchange parities in conversion, merger or demerger transactions shall be supervised by the statutory auditor.

It assesses all contributions in kind under its responsibility.

It monitors the composition of the assets and other elements prior to publication.

The statutory auditor's fees are fixed by mutual agreement between the statutory auditor and the Executive Board of the management company on the basis of a work schedule specifying the duties which are considered to be necessary.

He shall certify the situations on the basis of which interim distributions are made.

His fees shall be covered by the management fees.

## Article 8: Financial statements and management report

At the close of each financial year, the management company shall draw up summary documents and a report on the management of the Fund for the past financial year.

The management company shall draw up, at least semi-annually and under the supervision of the custodian, the inventory of assets of the UCI.

The management company shall make these documents available to unitholders within four months of the end of the financial year, and will inform them of the income to which they are entitled: these documents shall be sent to unitholders by post at their express request or made available to them at the offices of the management company.

## HEADING 3: DISTRIBUTABLE AMOUNTS ALLOCATION PROCEDURES

### Article 9: Procedures for allocating income and amounts available for distribution

The distributable amounts are made up of:

- 1) the net profit plus the amount carried forward, plus or minus the balance of the prepayment account of income;
- 2) the realised capital gains, net of costs, minus the realised capital losses, net of costs, during the financial year, plus the similar net capital gains realised during the previous financial years which were not subject to distribution or capitalisation, minus or plus the balance of the capital gains of the prepayment account.

The amounts stated in 1) and 2) may be distributed, in whole or in part, independently of each other.

The payment of the distributable amounts shall be performed within a maximum period of 5 months following the end of the financial year.

The net income of the mutual fund is equal to total interest payments, arrears, premiums, bonuses and lots, dividends, fees and all earnings from securities held in the fund portfolio, plus earnings from sums held as liquid assets, minus management fees and borrowing costs.

The management company shall decide how income will be distributed.

For each equity category, as applicable, the mutual fund may opt for one of the following formulae for each of the amounts detailed in 1) and 2):

Pure capitalisation: the amounts available for distribution are fully capitalised, with the exception of those that are subject to mandatory distribution by law;

Pure distribution: the amounts are fully distributed, to the nearest rounded figure.

For mutual funds seeking to maintain the freedom to capitalise and/or distribute and/or carry distributable amounts forward, the management company shall decide on the allocation of each of the amounts detailed in 1) and 2) each year.

As applicable, during the course of the financial year the management company may decide to distribute one or more interim amounts, not exceeding the net income of each of the amounts detailed in 1) and 2), entered to account as at the date of the decision.

The exact methods for the allocation of income are detailed in the prospectus.

#### **Article 10: Merger - Demerger**

The management company may transfer all or part of the assets held in the Fund to another UCITS which it manages, or it may split the Fund into two or more other mutual funds which it will manage.

Unitholders must be notified before any such merger or demerger takes place. A new statement will then be issued showing the number of units held by each unitholder.

#### **Article 11: Winding up – Extension**

If the assets in the Fund remain below the amount laid down above in Article 2 for thirty days, the management company shall advise the Financial Markets Authority and dissolve the Fund, unless there is a merger operation with another mutual fund.

The management company may dissolve the Fund early; it shall inform the unitholders of its decision, and applications for subscriptions or redemptions will not be accepted after this date.

The management company shall also dissolve the Fund in the event of a redemption application for all of the units, or where the custodian is relieved of its responsibilities and no other custodian has been appointed, or on expiry of the term of the Fund, if not extended.

The management company shall inform the Financial Markets Authority by post of the date and of the procedure adopted for dissolution. Subsequently, the management company shall send the statutory auditor's report to the Financial Markets Authority.

The management company, in agreement with the custodian, may decide to extend a fund. Its decision must be taken at least three months prior to expiry of the Fund's term, and must be notified to the unitholders and the Financial Markets Authority.

#### **Article 12: Liquidation**

In the event of dissolution, the management company shall act as liquidator, failing which a liquidator shall be appointed by the court at the request of any interested party. To this end, they are vested with the most extensive powers for liquidating assets, paying creditors and distributing the available balance to unitholders in cash or securities.

The statutory auditor and the custodian shall continue to carry out their duties until the liquidation operations have been completed.

#### **Article 13: Jurisdiction – Choice of domicile**

Any disputes concerning the mutual fund arising during its existence or upon its liquidation, whether between unitholders, or between unitholders and the management company or custodian, shall be subject to the jurisdiction of the competent courts.