DNCA INVEST

Société d'investissement à capital variable
Registered Office: 60, avenue J.F. Kenned,
L-1855 Luxembourg,
Grand-Duchy of Luxembourg,
R.C.S. Luxembourg B 125.012
(the "**Fund**")

NOTICE TO THE SHAREHOLDERS
OF DNCA INVEST-FLEX INFLATION

Luxembourg, 16 September 2022

Dear Shareholder,

The board of directors of the Fund (the "**Board of Directors**") would like to inform you of important changes relating to the Fund's sub-fund DNCA INVEST – FLEX INFLATION (the "**Sub-Fund**").

Terms not otherwise defined in this notice will have the same meaning as those defined in the Fund's current prospectus (the "Prospectus").

The Board of Directors has decided to enhance the disclosures related to the environmental and social characteristics promoted by the Fund's Management Company in view of the Sub-Fund's classification as an Article 8 financial product under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**").

This update involves an amendment of (i) the investment objective, (ii) the investment strategy and (iii) the specific risk factors applicable to the Sub-Fund (the "**Changes**"). The Changes will not involve any rebalancing of the Sub-Fund's portfolio nor specific market-related transaction costs which would be linked to an adjustment of the portfolio.

As from 18 October 2022 (the "**Effective Date**"), the investment policy of the Sub-Fund will then read as follows (changes are underlined below):

" ***3. Investment Policy***

Type of fund:

Inflation-Linked Bond Fund

Investment Objective:

The Sub-Fund seeks to provide, over the recommended investment period of more than three years, a higher performance, net of any fees, than the Bloomberg World Govt Inflation Linked Bonds Hedged EUR (Bloomberg ticker: BCIW1E Index). <u>Investors' attention is drawn to the fact that the management style is discretionary and integrates environmental, social / societal and governance (ESG) criteria.</u>

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Investment Strategy:

The investment process is made of the combination of several strategies including principally:

- *a directional strategy aiming to optimise the performance of the portfolio based on interest rate and inflation expectations;*
- *an interest rate curve strategy aiming to exploit the variations of the spreads between long-term rates and short-term rates;*
- *an arbitrage strategy between, fixed-rate bonds and inflation-linked bonds to take advantage of the variations of the differential between the nominal rates and the real rates according to the anticipated growth and inflation outlook;*
- *an international strategy the aim of which is to take advantage of the opportunities offered by the OECD bond markets with an exposure to interest rates and inflation in these countries;*
- *the Sub-Fund may invest in securities denominated in any currency. However, non-base currency exposure may be hedged back to the base currency to moderate currency exchange risks. More specifically, futures and currency forwards may be used for that purpose. The currency exchange risk will not represent more than 10% of the total assets of the Sub-Fund.*

And secondarily:

- *a credit strategy founded on the usage of bonds issued by the private sector. The modified duration of the Sub-Fund will stay between 0 and 15 years, without any restriction on the modified duration of individual securities in the Sub-Fund.*

In addition, with the management style as described above, the Sub-Fund is managed taking into consideration responsible and sustainable principles.

The Sub-Fund promotes environmental and/or social characteristics within the meaning of Article 8 of SFDR.

The Sub-Fund considers, at least, the following objectives, and proceed to the reporting of this ESG indicators as part of the monitoring and the evolution of the portfolio's ESG performance:

- *Environment: GHG emissions, airborne pollution, waterborne pollution, water consumption, land use, etc.*
- *Social: compensation, gender inequality, health and safety, child labor, etc.*
- *Governance: corruption and bribery, tax avoidance, etc.*
- *Global ESG quality rating.*

The initial investment universe is composed of Government bonds issued by OECD members which also integrate the 17 Sustainable Development Goals of the United Nation. This universe also includes corporate bonds and related securities from issuers having their registered office in OECD countries securities having a rating of at least BBB- by Standard & Poor's or being considered as equivalent by the Management Company using similar credit criteria, and supranational agencies. The SRI approach is applied on the selected issuers from the initial investment universe.

From this initial investment universe, are excluded issuers with controversies or in severe breach to UN Global Compact Principles (example: human rights or fight against corruption) based on the internal approach. Moreover, a strict controversial weapons exclusion and sectorial exclusion policy is implemented and is available on the website of the Management Company (https://www.dnca-investments.com/lu/areas-of-expertise/sri).

In this way, the investment process and resulting bond picking take into account internal scoring with respect to both corporate responsibility and sustainability of companies based on an extra-financial analysis through a proprietary rating model (ABA, Above & Beyond Analysis) developed internally by the Management Company. The risk exists that the models used to make these investment decisions do not perform the tasks they were designed to. The use of the proprietary tool relies on the experience, relationships and expertise of the Management Company with the "best in universe" method. There may be a sector bias.

The Sub-Fund integrates also ESG criteria with regard to direct investments including the definition of the investment universe and the reporting for all companies.

Corporate responsibility is a useful information's pool used to anticipate companies' risks especially looking at the interplay with their stakeholders: employees, supply chains, clients, local communities, and shareholders…, regardless of the sector of activities.

The analysis of corporate responsibility is broken down into four aspects: shareholders responsibility (board of directors and general management, accounting practices and financial risks, etc.), environmental responsibility (environmental footprint of the production chain and product life cycle or responsible supply, energy consumption and water consumption, company CO2 emissions and management of waste, etc.), responsibility towards workers and society responsibility (ethics and working conditions of the production chain, treatment of employees – safety, well-being, diversity, employee representation, wages, quality of products or services sold, etc.). Each aspect is rated independently and weighted in accordance to how material it is for the company. Each dimension is broken down into a set of criteria, which are around 25 in total. This in-depth analysis, combining qualitative and quantitative research leads to a rating out of 10.

Moreover, the monitoring of the level of controversy is taken into account directly in the corporate responsibility and may affect the rating.

The analysis and the internal rating are based on factual data published by the companies which may be incomplete or inaccurate, as well as continuous dialogue with company managers.

With respect to investments in government bonds: this asset class is the subject of an extra-financial analysis in 7 dimensions comprising:

- *Governance: Rule of law, Respect for freedoms, Quality of institutions and the regulatory framework*
- *Politics: Democratic life*
- *Health: Demography and Quality of life*
- *Education and training*
- *Social cohesion: Inequalities, Employment, Social protection*
- *The climate: risks and energy policy*
- *Ecosystems: resources and protection*

All investments in this asset class are subject to an in-depth analysis of these dimensions and of a rating that is taken into account in the investment decision.

The result of the SRI approach will be binding on the Management Company.

The Sub-Fund will proceed to the extra-financial analysis on at least 90% of its securities, excluding cash, cash equivalents, derivatives and money market funds.

The securities selection is based on the following two stages:

- *Selection of the investment universe combining a financial and extra-financial approach in particular by excluding issuers which have a high-risk profile in terms of corporate responsibility or country score (notably rating below 2/10 in the ESG proprietary tool) or exposed to major controversies, and*
- *the selection of securities based on a fundamental analysis and taking into account ESG criteria and the valuation of instruments.*

This Sub-Fund promotes environmental and social characteristics but does not commit to make investments in taxonomy-aligned environmentally sustainable activities. However, it cannot be excluded that the Sub-Fund's underlying investments may incidentally include investments which aim at having a positive impact on the environment through their focus on climate change mitigation and climate change adaptation and which may be but *are not necessarily taxonomy-aligned. As at the date of this Prospectus, the Management Company expects that the proportion of the Sub-Fund's investments in taxonomy-aligned environmentally sustainable activities (including investments in enabling and transitional activities) amounts to 0%. As information is not yet readily available from investee companies' public disclosures, the proportion is calculated using a combination of information on taxonomy-alignment obtained from investee companies and third-party providers. As soon as data will become more accurate and available, it is expected that the proportion of investments in enabling and transitional activities will grow and that the calculation of the alignment with the Taxonomy Regulation be amended.*

The "do no significant harm" principle under Taxonomy Regulation applies only to those investments underlying the Sub-Fund that take into account the EU criteria for environmentally sustainable economic activities. The underlying investments of this Sub-Fund which are not in taxonomy-aligned environmentally sustainable activities do not take into account the EU criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation.

[…]"

It is also specified that the reference benchmark does not intend to be consistent with the environmental or social characteristics promoted by the Sub-Fund.

In addition to the above amendments, a specific risk factor relating to ESG will be added to the risk profile of the Sub-Fund according to its revised new investment policy.

All other key features of the Sub-Fund will remain the same.

If you deem that the Changes do no longer meet your investments requirements, you may apply for redemption of your shares, free of charge, until 17 October 2022, at 12:00 noon (Luxembourg time).

The Changes exposed in this notice will be included in the next update of the Prospectus and the KIIDs in relation to the Sub-Fund which may be obtained free of charge upon request at the Fund's registered office at the address stated above.

Our sales team remain at your disposal should you need additional information about the modification of the Sub-Fund.

Yours faithfully,

The Board of Directors
DNCA INVEST