

DNCA INVEST

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

NOTICE TO THE SHAREHOLDERS OF DNCA INVEST-SERENITE PLUS

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 – SERENITE PLUS (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**") and amend the Sub-Fund's current benchmark.

This update involves an amendment of (i) the investment objective, (ii) the investment strategy, (iii) the Sub-Fund's current benchmark, (iv) 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.

(i) Investment objective

As from 18 October 2022 (the "**Effective Date**"), in the context of the new SFDR classification of the Sub-Fund, the Board of Directors has decided to update the investment policy of the Sub-Fund as follows (changes are underlined below):

"Investment Objective:

The Sub-Fund seeks to outperform the ~~FTSE MTS index~~ Bloomberg Euro-Aggregate 1-3 year Index (Bloomberg ticker: EMTXARTLE13TREU Index) calculated with coupons reinvested on the recommended investment period. Investors' attention is drawn to the fact that the management style is discretionary and integrates environmental, social / societal and governance (ESG) criteria.

(ii) Investment Strategy:

The Sub-Fund is managed taking into consideration responsible and sustainable principles.

The Sub-Fund promotes environmental and/or social characteristics (ESG) 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, which include around to 2500 issuers, is based on issuers which may belong to the "Bloomberg Euro-Aggregate 1-3 year", the "Bloomberg Euro Aggregate Corporate Index" (investment grade euro corporate bonds) and the "Bloomberg Pan-European High Yield (Euro) Index" (high yield euro corporate bonds) combined, plus the European member states and supranational agencies, as well as other issuers identified by the Management Company based on the financial and extra-financial analysis and/or having already been invested in the recent past years. The SRI approach is applied on the 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 and stock picking take into account internal scoring with respect to the corporate responsibility of the companies, based on an extra-financial analysis through a proprietary rating model (ABA, Above & Beyond Analysis) developed internally by the Management Company with the "best in universe" method.

The Sub-Fund applies a proprietary tool developed internally by the Management Company to make investment decisions. 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's personnel.

More information about the proprietary rating model is available on the website of the Management Company (<https://www.dnca-investments.com/lu/areas-of-expertise/sri>).

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.

Besides, the Management Company's conviction is to finance the economy based on a long term perspective which results in the identification of sustainability related thematic.

The research and the ratings are made internally by the Management Company particularly thanks to corporate disclosures, which may be incomplete or inaccurate, and statements which represent the majority of the used information.

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

- 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.

This analysis leads to a rating that is taken into account in the investment decision.

The Sub-Fund is managed taking into consideration the requirements of the French SRI label, which especially involves proceeding to the extra-financial analysis on at least 90% of the net assets of the Sub-Fund and excluding at least 20% of the worst share issuers from its investment universe. As such the Sub-Fund will not invest in these issuers. The Management Company has also signed the AFG-FIR-EUROSIF transparency code for SRI funds that have obtained a Label for the general public. As at the date of the latest update of the Prospectus, the Sub-Fund benefits from the French SRI Label.

The investment process is based on the following three stages:

- Selection of the investment universe combining a financial and extra-financial approach in particular by excluding issuers which does not comply with our minimum standards for inclusion (rating below 2/10 in the ESG proprietary tool) or exposed to major controversies;
- Calibration of the modified duration and the overall credit risk of the fund and the level of cash depending on the analysis of the interest rate and macro-economic environments;
- Selection of securities based on a fundamental analysis, taking into account ESG criteria and the valuation of instruments.

The Sub-Fund will select securities in the fixed income universe through macroeconomic, financial and credit analysis. Balance sheet and cash flows analysis are core to the selection process. The modified duration of the Sub-Fund will stay between 0 and 4, without any restriction on the modified duration of individual securities in the Sub-Fund. The Sub-Fund will only invest in securities denominated in Euro.

[...]

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."

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.

(iii) Benchmark change

Currently, the Sub-Fund uses the index "FTSE MTS Index 1-3 year" (the "**Current Benchmark**") for performance comparison purposes and for the computation of the performance fee.

As from the Effective Date, the Board of Directors has decided to replace the Current Benchmark by “Bloomberg Euro-Aggregate 1-3 years Index” (the “**New Benchmark**”) as the latter is more consistent with the Sub-Fund’s portfolio positioning. The New Benchmark will be more representative of the Sub-Fund’s management especially in terms of universe (both corporate and government bonds) compared with the Current Benchmark (solely governments bonds). The risk sensitivity remains unchanged.

The change of benchmark may result a higher or lower performance fee accrual. The Sub-Fund’s performance will also be compared against the New Benchmark from the Effective Date.

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

(iv) Specific risk factors applicable to the Sub-Fund

Specific risk factors 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