



LA FRANÇAISE

UCITS

in relation to Directive 2009/65/EC

PROSPECTUS

La Française Sub Debt

Fonds Commun de Placement [mutual fund]

1. General information

1.1 Legal form of the UCITS

Name:

La Française Sub Debt

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:

20/10/2008 – 99 years

Date of approval by the Financial Markets Authority:

20/11/2009

Summary of 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
C units	FR0010674978	EUR 1,000	No	Capitalisation	EUR	All subscribers, particularly institutional investors	None
D units	FR0010969311	EUR 1,000	No	Distribution	EUR	All subscribers, particularly institutional investors	None
E units	FR0011036144	EUR 1,000	No	Capitalisation	EUR	All subscribers, particularly foreign investors	EUR 50,000
F units	FR0012386738	EUR 1,000	No	Capitalisation	EUR	All subscribers, particularly the La Française LUX - Sub Debt feeder fund	None
R units	FR0011766401	EUR 100	No	Capitalisation	EUR	All subscribers	EUR 50,000
IC SEK H units	FR0012649242	SEK 1,000	No	Capitalisation	SEK	All subscribers, particularly institutional investors	SEK 1,000,000
IC CHF H units	FR0013017985	CHF 1,000	No	Capitalisation	CHF	All subscribers, particularly institutional investors	CHF 100,000

The minimum initial subscription does not apply to the management company or the entities of the 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
173 boulevard Haussmann
75008 Paris
Tel. +33 (0) 1 44 56 10 00

E-mail: 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.

1.2 Participants

Management company:

LA FRANÇAISE ASSET MANAGEMENT

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

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

Registered office: 173, boulevard Haussmann - 75008 PARIS

Custodian and registrar:

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

BNP PARIBAS SECURITIES SERVICES (BP2S) is a credit institution accredited by the ACPR [French Prudential Supervisory Authority]. It is also the appointed issuing bookkeeper (liabilities of the UCI).

Auditor:

PwC Sellam represented by Frédéric Sellam

2 rue de Vatimesnil

CS 60003

92532 LEVALLOIS-PERRET cedex

Marketers:

LA FRANCAISE AM FINANCE SERVICES

Customer service

173, boulevard Haussmann – 75008 PARIS

Appointed representatives:

Appointed Account Manager

BNP PARIBAS FUND SERVICES France, simplified joint-stock company

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 Register of Trade and Companies under number 314 024 019

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

Registered office: 173, boulevard Haussmann - 75008 PARIS

Establishment responsible for subscription and redemption orders by delegation:

LA FRANCAISE AM FINANCE SERVICES

Customer service

173, boulevard Haussmann – 75008 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 issued with 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 C, D, R, F, IC SEK H and IC CHF H units: hundred thousandths; E units, thousandths of a unit

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.

The fund is not subject to corporation tax. Distributions and capital gains, however, are taxable to the unitholders. As such, the tax system applied to the amounts distributed by the UCITS or to the capital gains and losses either realised or unrealised by the UCITS depends on the particular circumstances of the investor. In the event of uncertainty about their tax situation, investors should contact an advisor or professional.

2.2 Specific provisions

ISIN code:

C units	FR0010674978
D units	FR0010969311
E units	FR0011036144
F units	FR0012386738
R units	FR0011766401
IC SEK H units	FR0012649242
IC CHF H units	FR0013017985

Classification:

Bonds and other debt securities denominated in euros

Management objective:

The fund's objective is to achieve an annual return of more than 7% over a recommended investment horizon of more than 10 years through exposure, in particular, to subordinated debt securities with a specific risk profile different from that of conventional bonds.

Notice

The AMF [French Financial Markets Authority] reminds potential subscribers that the objective of an annual return of more than 7% indicated in the section 'Management objective' is based on the realisation of market assumptions determined by the management company and is not, in any circumstance, a guarantee of yield or performance by the fund.

Benchmark index:

Due to its management objective and the discretionary strategy adopted, an appropriate benchmark for the fund cannot be given.

However, for guidance, the performance of the fund may be compared to that of the 'Markit Iboxx Euro Financials Subordinated' index.

The 'Markit Iboxx Euro Financials Subordinated' index reflects the performance of subordinated debts denominated in Euros from issuers in the financial sector (banking and insurance).

Further information on the index is available at <http://indices.markit.com/>

Investment strategy:

1- Strategy used

The fund is permanently exposed to one or more European Union interest-rate markets and combines, on a discretionary basis, directional and non-directional strategies, focusing on nominal interest rates, yield curves and credit.

The allocation is defined according to the performance potential and the level of risk of each strategy. All securities in the investment universe are denominated in euros.

Investment universe:

The Fund's investment universe includes bonds and negotiable debt securities issued or guaranteed by European Union Member States (public debt), European Union non-government bonds (private debt) denominated in euros, convertible bonds and money market instruments.

This investment universe notably includes the different categories of subordinated debt.

The allocation between private and public debt is not determined in advance and will be based on market opportunities.

The fund may invest without reference to specific credit rating criteria. The management company shall not exclusively or systematically use ratings and will carry out a credit analysis at the time of investment.

The sensitivity range for interest rates in which the mutual fund is managed	0 + 10
Geographic area of the issuers of securities to which the mutual fund is exposed	EU: up to 100%
Level of exchange-rate risk supported by the mutual fund	none

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

The fund may 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 interest-rate and/or equity market risks (exposure to equity risk shall not exceed 10% of the net assets), through futures, options and/or swaps and single name CDS and/or on indexes only to hedge the portfolio.

The overall exposure of the portfolio shall be limited to maximum 300% of the net assets.

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).

Investors in eurozone countries are not exposed to exchange-rate risks.

2- Assets used (excluding embedded derivatives)

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.

Exposure to equity risk shall not exceed 10% of the net assets.

b) Debt securities and money market instruments

The fund may invest without limit in debt securities and money market instruments, denominated in euros, issued by EU Member States; government, public or semi-public agencies; and industrial, commercial and financial companies.

The main features of the proposed investments are:

- Private debt: up to 100% of assets;
- Public debt: up to 100% of assets;
- Maximum credit risk level: none;
- Existence of rating criteria: none;
- Legal nature of the instruments used: bonds, negotiable debt securities, subordinated debts.
- Sensitivity: from 0 to +10
- Other characteristics: none

Bonds and subordinated debt securities in euros:

The fund's investment universe also concerns the different categories of subordinated debt.

c) Units or shares of UCITS:

The Fund may invest up to 10% of its assets in units or shares of UCITS under French or foreign law. These UCITS may be managed by the management company or an associated company as applicable.

3- Derivative instruments

The fund may invest in futures or options, traded on French and foreign regulated markets or OTC.

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

- Futures. Futures contracts may be used to:
 - (i) hedge the entire portfolio or certain classes of assets held in the portfolio against interest-rate and/or equity market risks;
 - (ii) increase the fund's exposure to interest-rate and/or equity market risk (equity exposure is limited to 10% of the net assets);

- 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 in the portfolio against interest-rate and/or equity market risks;
 - (ii) increase the fund's exposure to interest-rate and/or equity market risk (equity exposure is limited to 10% of the net assets);

- Swaps, caps and floors. These transactions can be used to:
 - (i) hedge the entire portfolio or certain classes of assets held in the portfolio against interest-rate market risks;
 - (ii) synthetically rebuild specific assets.

- Single name CDS or CDS on indexes may be used to ensure that the portfolio, or certain asset classes held in the portfolio, are hedged against market credit risk.

4- Securities with embedded derivatives (warrants, EMTN, subscription certificates, etc.):

The fund may invest in securities with embedded derivatives:

- convertible bonds.
- CDS, in order to hedge against credit risk or default by the issuer.

5- Deposits: on an ancillary basis, as part of the cash-flow management.

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 acquisitions of securities: nature of the transactions used within the constraints permitted by the regulations:

- (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 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 monetary mutual funds as defined in the guidelines for a shared definition of European monetary mutual funds

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

Risk profile:

"Your money will be mainly invested in financial instruments selected by the management company. These instruments are subject to market changes and fluctuations."

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 that the rate instruments will fall due to fluctuations in interest rates. In times of high interest rates, the net asset value of the fund may decrease significantly. The fund's sensitivity to interest-rate risk is measured on a scale between 0 and +10.

Credit risk:

This is the risk of a private issuer's credit rating falling or of the issuer's default. The value of the debt securities, including subordinated securities, in which the fund is invested may decrease, resulting in a lower net asset value; also, subscribers are reminded that investing in securities with low or no credit ratings may result in an increased credit risk, which may significantly reduce the net asset value of the fund.

Risk linked to the impact of techniques such as derivative products:

This is the risk of increased losses owing to the use of financial futures instruments such as OTC financial agreements and/or futures contracts.

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 in payment. Thus, the default of a counterparty may lead to a decline in the net asset value.

Risk associated with holding convertible bonds:

The value of the convertible bonds depends on several factors: level of interest rate, credit, change of price of the underlying shares, change of price of the derivative integrated into the convertible bond. If the underlying shares of the convertible bonds and similar, the securities directly held or the indexes to which the fund is exposed decrease, the net asset value of the fund can also decrease.

Equity market risk:

The fund is exposed to equity markets. If the markets drop, the value of the portfolio will fall.

The fund may invest in small and mid caps. The trading volume of these securities listed on the stock market is lighter, therefore upward and downward market movements are more pronounced and more sudden than for large caps. The net asset value of the fund may therefore display the same behaviour.

Potential risk of a conflict of interests

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

Type of subscriber:

C units	All subscribers, particularly institutional investors
D units	All subscribers, particularly institutional investors
E units	All subscribers, particularly foreign investors
F units	All subscribers, particularly the La Française LUX - Sub Debt feeder fund
R units	All subscribers
IC SEK H units	All subscribers, particularly institutional investors

The Fund is primarily intended for investors seeking an instrument to diversify their investments in interest rate markets.

US investors

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 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 this 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 fund.

Recommended investment period:

This fund may not suit investors who intend to withdraw their contribution before the 10-year period has elapsed.

Methods of determining and allocating amounts available for distribution:

C units	Capitalisation
D units	Distribution
E units	Capitalisation
F units	Capitalisation
R units	Capitalisation
IC SEK H units	Capitalisation
IC CHF H units	Capitalisation

Accounting currency:

EUR

Subscription and redemption terms:

Subscription orders denominated in value or hundred thousandths (C, D, R, IC SEK and F units) or thousandths (E units), received by La Française AM Finance Services are processed every trading day (D) at 11.00 a.m. (if the Exchange is open in Paris, or on the following trading day, excluding statutory public holidays in France) and are executed based on the next net asset value in 1.

Redemption orders denominated in value or hundred thousandths (C, D, R, IC SEK H and F units) or thousandths (E units), received by La Française AM Finance Services are processed every trading day (D) at 11.00 a.m. (if the Exchange is open in Paris, or on the following trading day, excluding statutory public holidays in France) and are executed based on the next net asset value in 1.

Payments relating thereto are made on the second trading day following the processing date (D+2)

Minimum value of initial subscription:

C units	None
D units	None
E units	EUR 50,000
F units	None
R units	EUR 50,000
IC SEK H units	SEK 1,000,000
IC CHF H units	CHF 100,000

Minimum value of subsequent subscriptions:

C units	None
D units	None
E units	None
F units	None
R units	None
IC SEK H units	None
IC CHF H units	None

Date and frequency of the net asset value:

The net asset value is calculated on each trading day of the Paris Stock Exchange, excluding legal holidays in France.

Original net asset value:

C units	EUR 1,000
D units	EUR 1,000
E units	EUR 1,000
F units	EUR 1,000
R units	EUR 100
IC SEK H units	SEK 1,000
IC CHF H units	CHF 1,000

Location where the net asset value is published:

premises of the management company and on the website: 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 subscriptions and redemptions	Base	Rate/scale	
Subscription fee not paid to the UCITS	Net asset value x number of units	C units	4.00 % maximum
		D units	4.00 % maximum
		E units	4.00 % maximum
		F units	4.00 % maximum
		R units	4.00 % maximum
		IC SEK H units	4.00 % maximum
		IC CHF H units	4.00 % maximum
Subscription fee paid to the UCITS	Net asset value x number of units	C units	None
		D units	None
		E units	None
		F units	None
		R units	None
		IC SEK H units	None
		IC CHF H units	None
Redemption fee not paid to the UCITS	Net asset value x number of units	C units	None
		D units	None
		E units	None
		F units	None
		R units	None
		IC SEK H units	None
		IC CHF H units	None
Redemption fee paid to the UCITS	Net asset value x number of units	C units	None
		D units	None
		E units	None
		F units	None
		R units	None
		IC SEK H units	None
		IC CHF H units	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 are 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	C / D / E / IC SEK H / IC CHF H units: 0.60% maximum rate (incl. taxes) R units: 1.20% maximum rate (incl. taxes) F units: 0.05% maximum rate (incl. taxes)
Turnover fees Service providers collecting turnover fees: - Management company	Deducted from each transaction	Equities: 0.40% (with a minimum of €120) Convertible bonds < 5 years: 0.06% Convertible bonds > 5 years: 0.24% Other bonds: 0.024% (with a minimum of €100) Monetary instruments : 0.012% (with a minimum of €100) Swaps: €300 Forward exchange: €150 Spot exchange: €50 UCI: €15 Futures: €6 Options: €2.5
Outperformance fee	Net assets	C, D, E, R, IC SEK H and IC CHF H units: 25% maximum (incl. tax) of the outperformance calculated by comparing the evolution of the assets of the UCITS to that of the assets of the benchmark UCITS achieving a return of exactly 7% per year and registering the same variations in subscriptions and redemptions as the real UCITS.* F units: none

Soft commissions: none

A provision or, where applicable, a recovery of the provision in the event of underperformance is accounted for each net asset value calculation. The share of variable fees corresponding to redemptions reverts definitively to the management company.

The closing date for variable management fees is set at the last net asset value in June. The first reference period for calculating outperformance fees covers the period from 11 June 2009 until 30 June 2010 and the following reference periods will range from 1 July to 30 June each year.

Fees shall be deducted annually, starting in June 2010.

R units: The closing date for variable management fees is set at the last net asset value in June. The first reference period will be from 13 March 2014 to 30 June 2015. Starting from 30 June 2015, this fee will be calculated over a 12-month period.

IC SEK H units: The closing date for variable management fees is set at the last net asset value in June. The first reference period will be from the launch date of the unit on 30 June 2016. Starting from 30 June 2016, this fee will be calculated over a 12-month period.

IC CHF H units: The closing date for variable management fees is set at the last net asset value in June. The first reference period will be from the launch date of the unit on 30 June 2017. Starting from 30 June 2017, this fee will be calculated over a 12-month period.

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 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 units of the Fund are distributed by La Française AM Finance Services.

2. Subscription/redemption requests are processed by La Française AM Finance Services.

3. Information on the "La Française Sub Debt" mutual fund is available at the premises of the management company or on the website: 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 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

Method used to calculate the overall risk: absolute VaR method. The fund's VaR is limited by the management company and may not exceed 20% of the fund's net assets with a confidence interval of 99% and a monitoring period not exceeding 20 working days.

The indicative leverage effect (sum of the nominals of the positions on the financial contracts used) may not exceed 300% of the fund's assets. However, this level may be higher in exceptional market circumstances.

6. Valuation and accounting rules for the assets

The valuation at the benchmark market price is carried out in the manner determined by the management company.

VI-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 price of the reference market using methods determined by the management company, based on the closing prices.

Transferable securities for which the 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 auditor during audits.

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

- Negotiable debt securities maturing in more than three months

Negotiable debt securities involved in any significant transactions are valued at market price based on closing prices.

Otherwise, such securities will be valued using an actuarial method, using a benchmark rate plus a possible margin representing the intrinsic characteristics of the issuer.

- Negotiable debt securities maturing in less than three months

Negotiable debt securities with a residual maturity of less than three months are valued using a linear method.

However, if some securities are sensitive to market risks, this method must be excluded.

- UCITS units or shares are valued at the last known net asset value.

- Financial futures instruments:

- FUTURES: French and European markets: closing price Other foreign markets: in the absence of representative listing, most recent 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;

- Market commitments on conditional futures are converted to the equivalent underlying securities.

- Commitments on swaps are valued at their market value;

- Forward exchange contracts are valued using the forward exchange rates on the valuation date, taking into account the premium/discount.

- CDS: The valuation price of credit default swaps (CDS) comes from a contributor chosen by the management company.

• 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 and conditional futures 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 fund management company

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

VI-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 Sub Debt

SECURITY 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 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 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 UCITS 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.

SECURITY 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, as well as 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

An 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 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. To constitute 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. To jeopardise the conditions or the continuity of its operation;
3. To lead 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 auditor.

It assesses all contributions in kind under its responsibility.

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

The auditor's fees are fixed by mutual agreement between the 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.

SECURITY 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 capital gains made, net of costs, minus the capital losses made, net of costs, during the financial year, plus the similar net capital gains made during the previous financial years which were not subject to distribution or capitalisation and minus or plus the balance of the net capital gains of the pre-payment 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 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 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 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 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 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 3 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 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 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.