

LOOKING FOR **YIELD** WITH BETTER CREDIT QUALITY THROUGH GLOBAL SUBORDINATED DEBT

La Française Sub Debt
La Française Global CoCo



JUNE 2022

LA FRANCAISE GROUP: A SUBSIDIARY OF CREDIT MUTUEL GROUP

KEY INFORMATION



€55 billion
in assets under
management



46% Financial assets
54% Real Estate assets



> 6,000 tenants
4 million m2
> 1,900 buildings



Performance
Sustainability
Innovation



28%
of third party client
assets held by
international clients

> 500 Institutional clients
> 1 600 Distribution partners
> 32 000 Private clients



PRi signatory in
2010



Subsidiary of
Crédit Mutuel
Group



540
Employees

> 20 Different
nationalities
In the workforce

OUR EXPERTISES

A SPECIALIST ON EVERY CREDIT ASSET CLASSES

CREDIT MANAGEMENT TEAM 10 YEARS OF EXPERIENCE ON AVERAGE



Paul Gurzal
Head of Corporate Debt



Jérémie Boudinet
Investment Grade PM-Analyst



Yohanne Lévy
Investment Grade PM-Analyst



Mélanie Hoffbeck
Credit Analyst



Marie Lassegnore, CFA
Investment Grade PM-Analyst
ESG Director for Fixed Income /Cross Asset



Akram Gharbi
Head of High Yield



Gabriel Crabos
High Yield & Convert PM-Analyst



Aurore Le Crom
High Yield PM-Analyst



Victoire Dubrujeaud
High Yield PM-Analyst



Delphine Cadroy
High Yield PM-Analyst



CITYWIRE
RANKING



PAUL GURZAL & JÉRÉMIE BOUDINET

**BEST FUND MANAGERS
ON GLOBAL HY FUNDS ON 3 YEARS
FOR LA FRANCAISE GLOBAL COCO**



Sources: Citywire, La Française AM. June 2022. Current management team, subject to change over time.

OUR SUBORDINATED DEBT FUNDS

OUR PROPOSALS IN A NUTSHELL



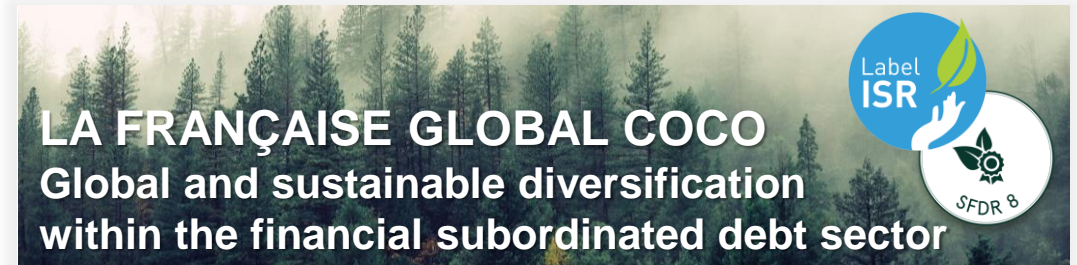
LA FRANÇAISE SUB DEBT
Capturing opportunities in subordinated debt through responsible investment




Diversified exposure to premium financial and non-financial companies



Proven expertise on niche strategies with long track record (13 years)



LA FRANÇAISE GLOBAL COCO
Global and sustainable diversification within the financial subordinated debt sector



Global exposure on financial sub-bonds issued by premium issuers



Pioneer investor in anticipating regulatory changes



Sustainable investment with ESG integration

OUR SUBORDINATED DEBT FUNDS

TWO COMPLEMENTARY FUNDS WITH A STRONG EMPHASIS ON COCOS

LA FRANÇAISE SUB DEBT (AUM: €972M)

The fund's objective is to outperform its benchmark *: 50% Markit iBoxx EUR Contingent Convertible + 25% Markit iBoxx EUR Non-Financials Subordinated + 25% Markit iBoxx EUR Insurance Subordinated, through its main exposure to subordinated bonds from financial and non-financial companies based in Europe + UK + Switzerland + Norway. The fund has a **14-year track record**.

PERFORMANCES

	YTD	1 YEAR	5 YEAR
Fund	-9.86%	-8.78%	+9.36%
Benchmark*	-9.24%	-9.11%	+3.54%

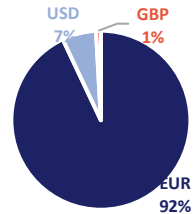
YIELD (CURRENCY-HEDGED)***

	YTC €	YTM €
Fund	6.3%	5.9%

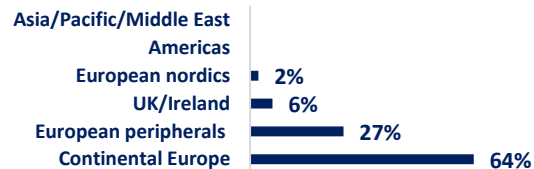
RISK INDICATORS

	Fund
Bond modified duration	4.2
Number of bonds/issuers	135/72
Average issue/issuer rating (as at May 31 st 2022)	BB/BBB+

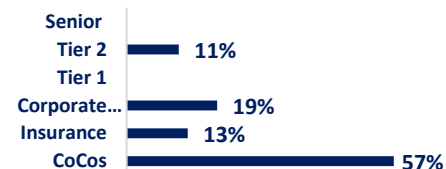
CURRENCY BREAKDOWN



GEOGRAPHY BREAKDOWN



STRATEGY BREAKDOWN



LA FRANÇAISE GLOBAL COCO (AUM: €69M)

The fund's objective is to outperform the **ICE BofA Merrill Lynch Contingent Capital EUR Hedged Total Return Index***, through its main exposure to subordinated bonds from financial companies (banks, insurance companies, financial services companies) **based worldwide** (OECD and non-OECD members). The fund has a **5-year track record**.

PERFORMANCES

	YTD	1 YEAR	5 YEAR
Fund	-7.85%	-6.74%	+17.46%
Benchmark*	-9.09%	-8.05%	+14.31%

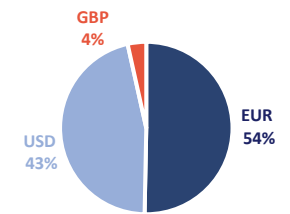
YIELD (CURRENCY-HEDGED)***

	YTC €	YTM €
Fund	5.7%	6.0%

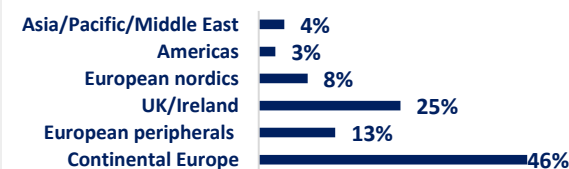
RISK INDICATORS

	Fund
Bond modified duration	3.0
Number of bonds/issuers	100/60
Average issue/issuer rating (as at May 31 st 2022)	BB/BBB+

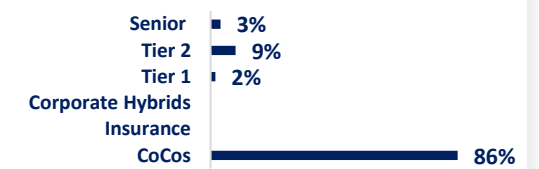
CURRENCY BREAKDOWN



GEOGRAPHY BREAKDOWN



STRATEGY BREAKDOWN



*** Yields are purely indicative. They are estimated via Bloomberg and take into account indicative 3 month hedging costs for foreign currencies
Source: Bloomberg. La Française. Data as of May 31st 2022. Past performance is not a reliable indicator of future results.

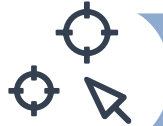
WHERE TO FIND QUALITY & SUSTAINABLE YIELD?

WHY SUBORDINATED DEBT IN THE CURRENT MARKET ENVIRONMENT?



INTRINSIC SUBORDINATION RISKS ARE LOWER THAN PERCEIVED

Strong regulatory support and low default risk



ACCESS TO MANY PREMIUM ISSUERS

Issuers : BBB+ on average / Granular portfolios



A SOLID FINANCIAL SECTOR

Very favorable fundamentals and regulatory environment for bondholders



A RATHER LOW BOND DURATION

Average duration at 4.2 / 3.0 for LF Sub Debt and LF Global CoCo



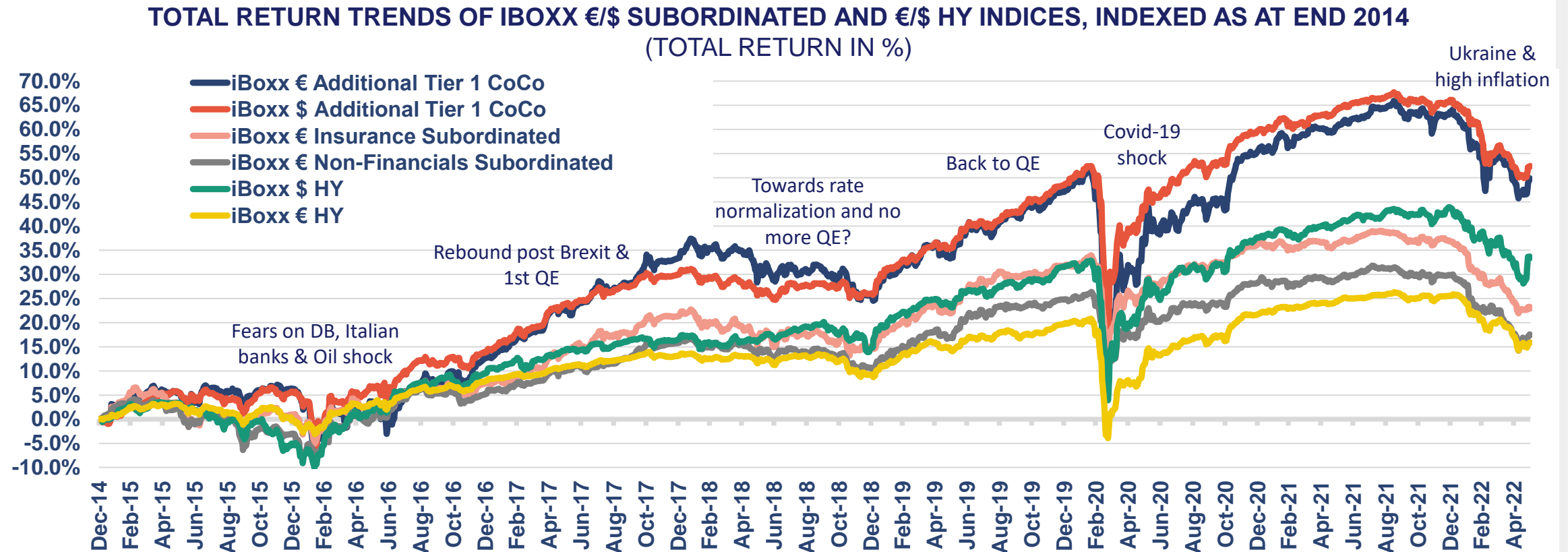
ATTRACTIVE YIELDS

Average EUR-hedged YTC and YTM at circa 6% for our funds

Source: La Française at 31/05/2022 – 31/05/2022 for issuer ratings. Past returns are not a reliable indication of future results.

MARKET ANALYSIS

MARKET PERFORMANCE FOR DIFFERENT TYPES OF SUB DEBT



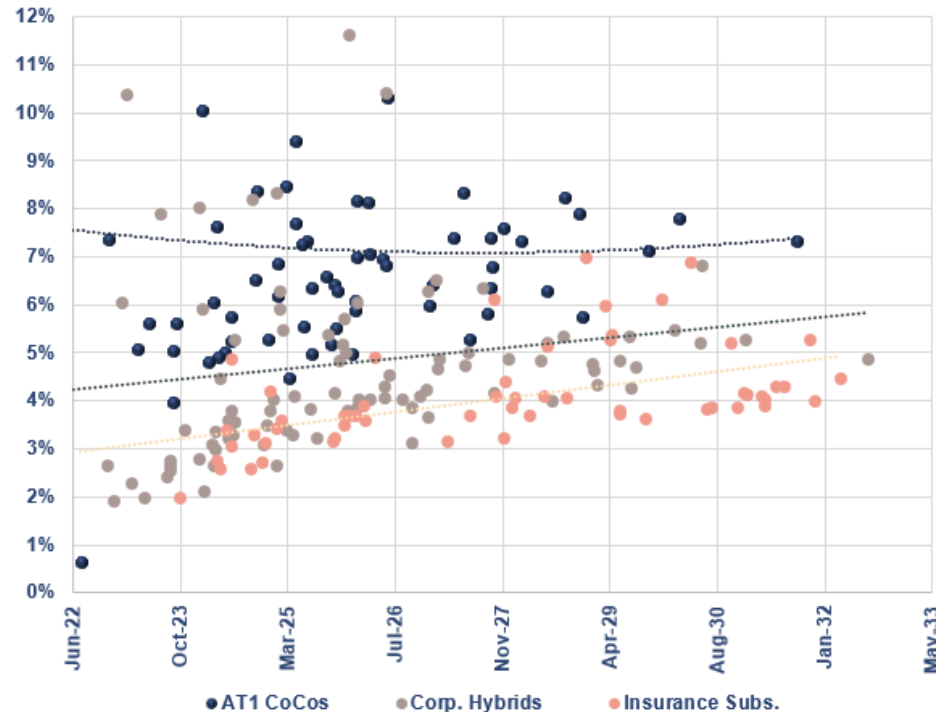
Despite unprecedented shocks, subordinated debt and in particular AT1 CoCos have been holding up well over the long term

Sources: Bloomberg, Markit. Data as at May 31st 2022. Past returns are not a reliable indication of future results.

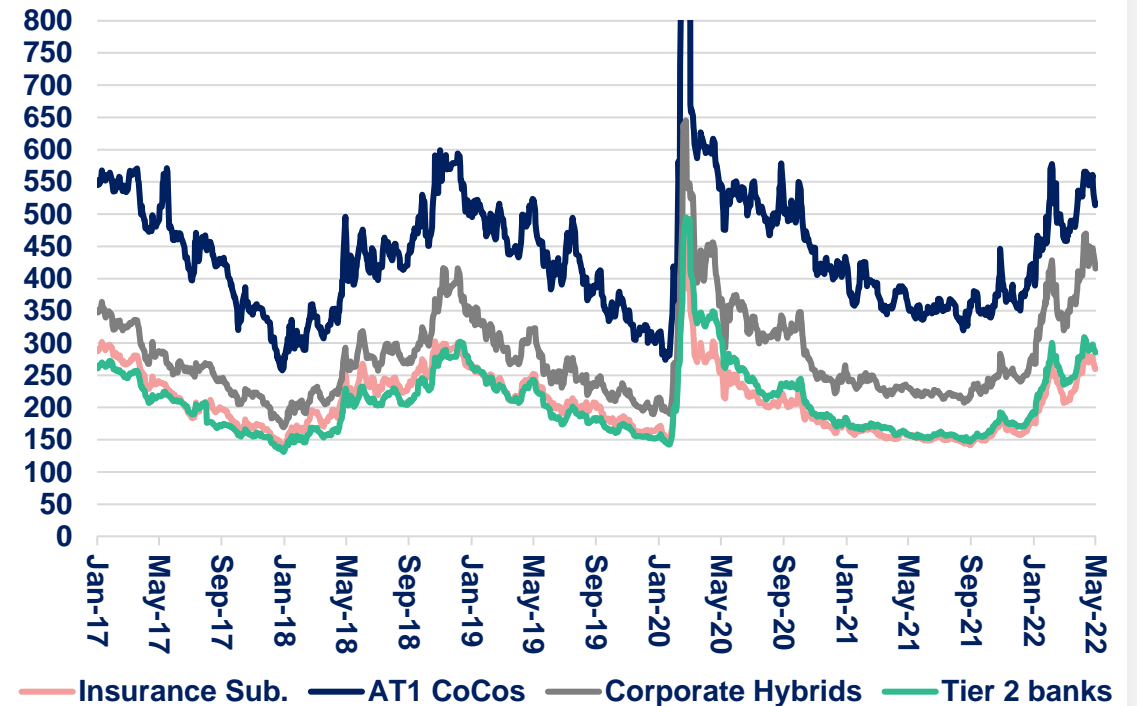
MARKET ANALYSIS

YIELDS & SPREADS OF € SEGMENTS

YIELD-TO-CALL OF A SELECTION OF €-BENCHMARK SUBORDINATED ISSUES BY SEGMENT
(INDICATIVE YIELD CURVE DRAWN IN DOTTED LINE)



AVERAGE SPREAD AGAINST BENCHMARK OF € SUBORDINATED DEBT INDICES
(IN BPS)



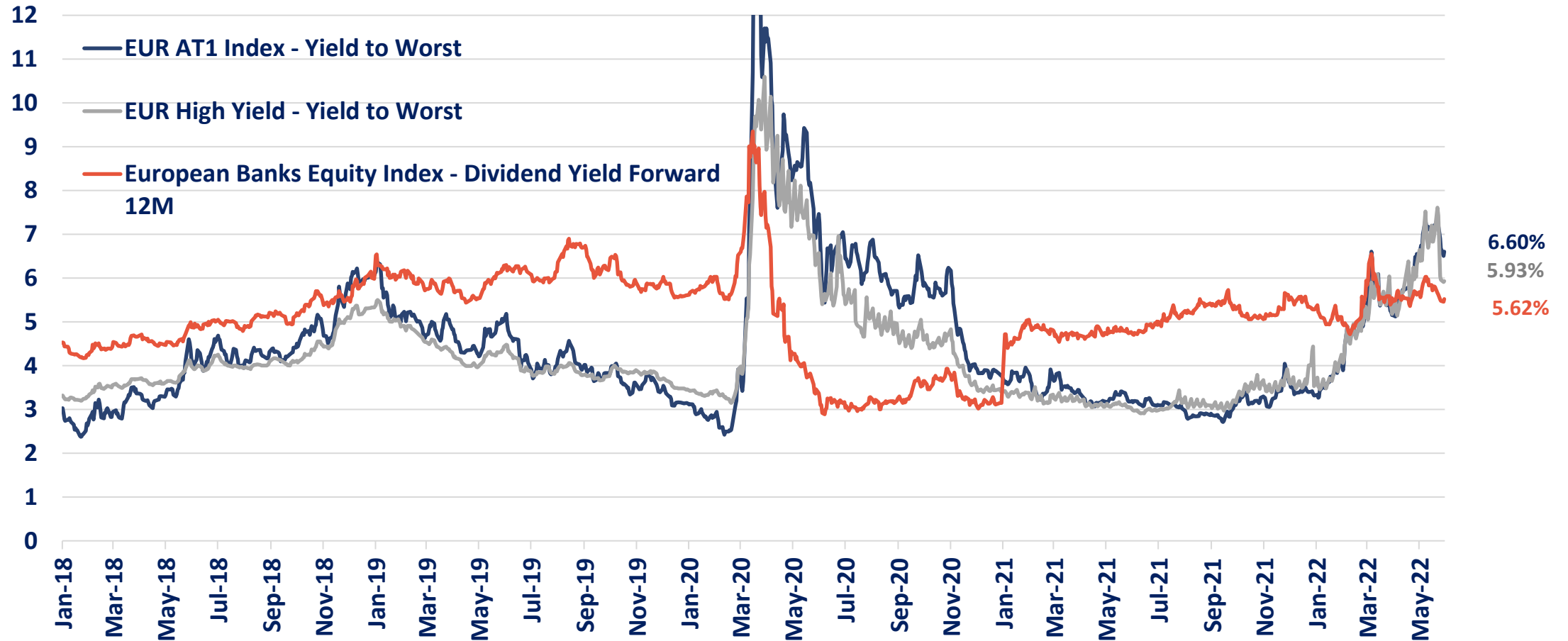
€AT1 bonds offer more significant spreads and yields on average

Sources: Bloomberg, Credit Suisse. Data as at May 31st 2022. Past returns are not a reliable indication of future results.

MARKET ANALYSIS

FOCUS ON AT1 COCOS: ATTRACTIVE YIELD VS. OTHER ASSET CLASSES

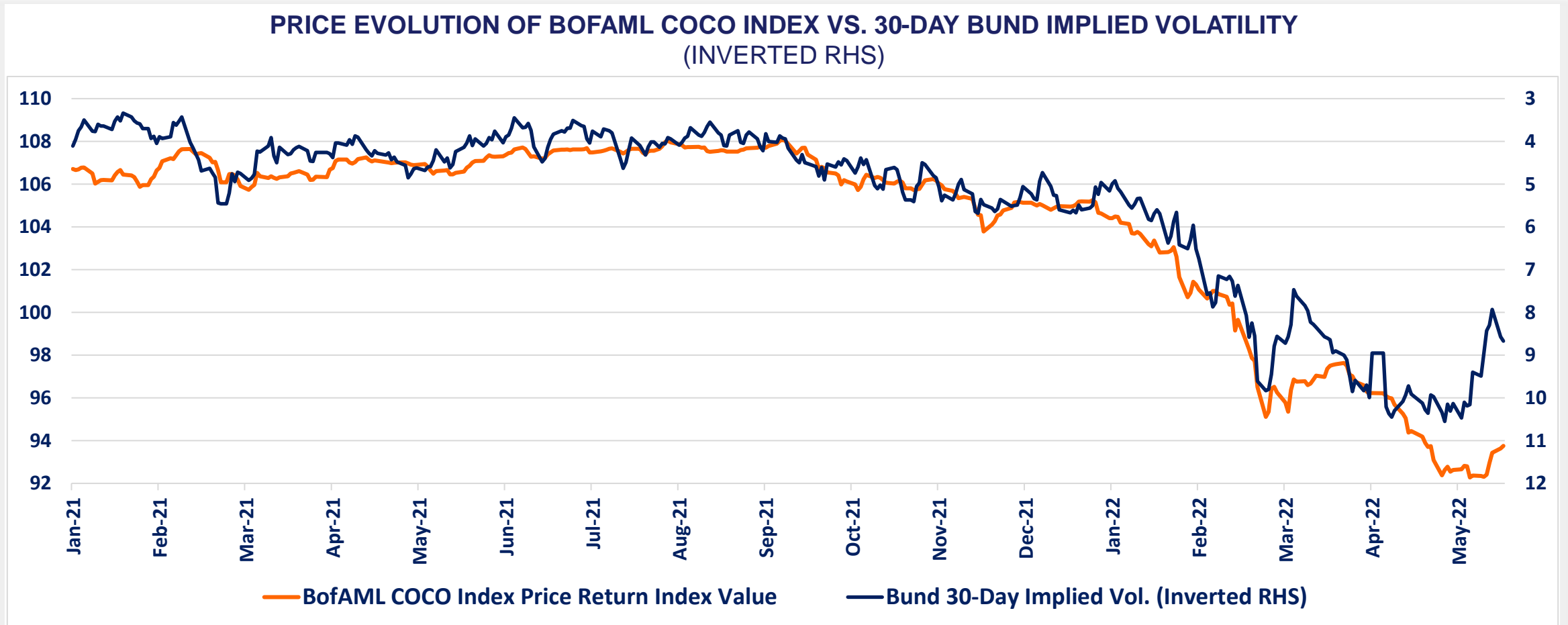
AVERAGE YIELD TO WORST OF €AT1S VS. €HY AND EUROPEAN BANKS' AVERAGE DIVIDEND YIELD (SX7P INDEX)



Sources: Bloomberg Barclays indices, La Française. Data as at May 31st, 2022. Past returns are not a reliable indication of future results.

MARKET ANALYSIS

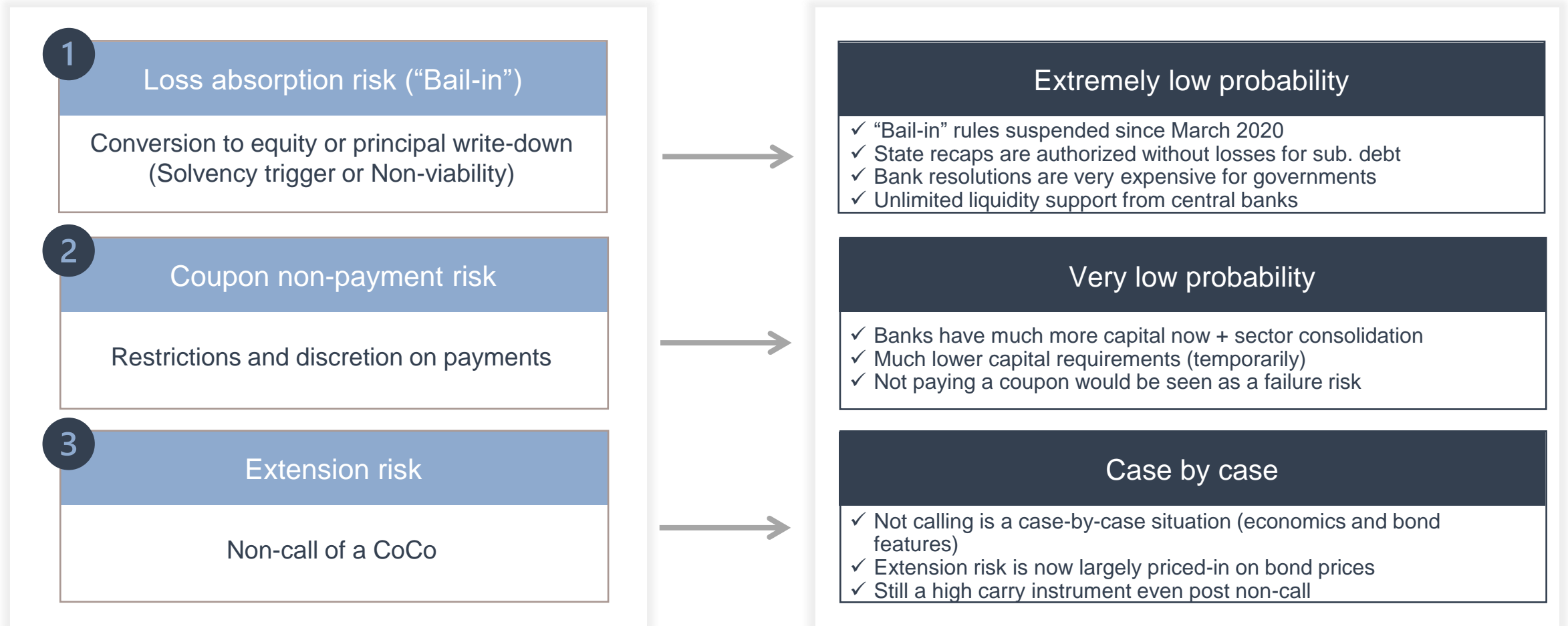
AT1 COCOS FACING INTEREST RATE VOLATILITY



Source: Bloomberg La Française AM. Data as at May 31st 2022. Past returns are not a reliable indication of future results.

OUR CONVICTIONS : BANKS

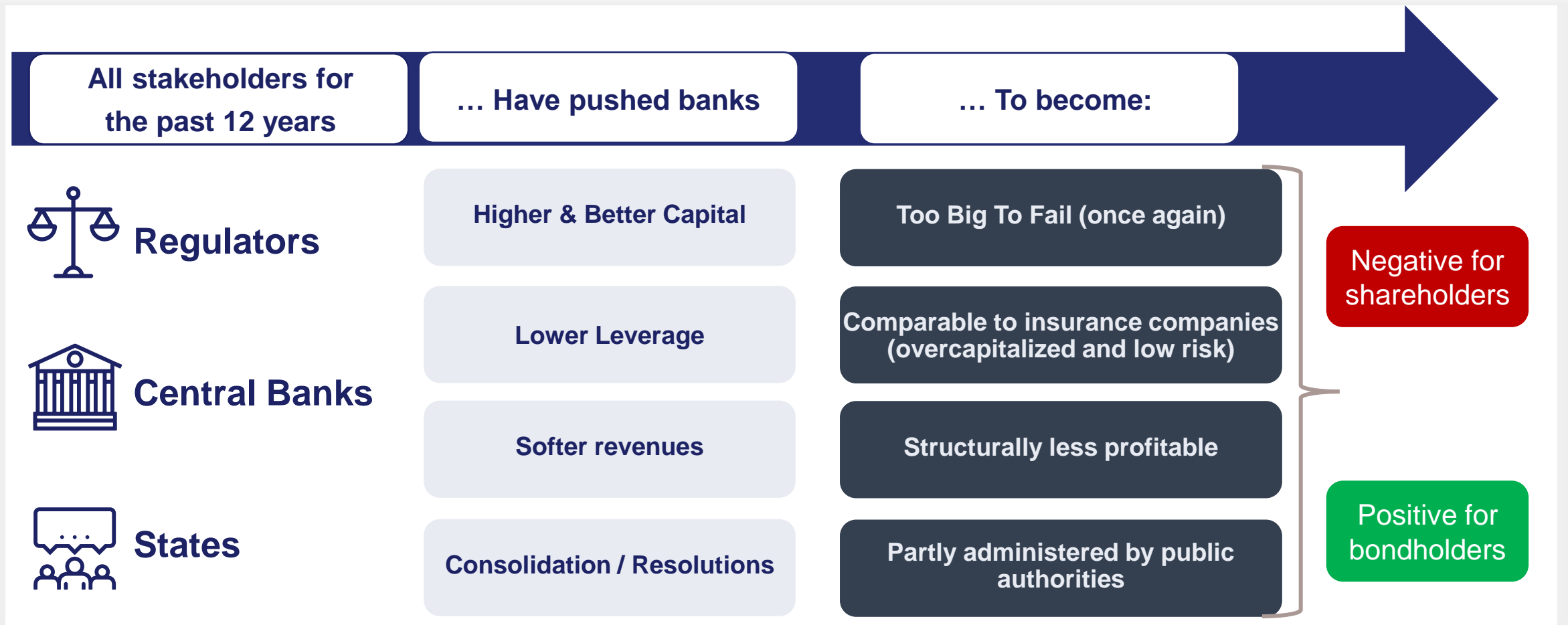
AT1 COCOS ENCOMPASS THREE MAIN RISKS



Source: La Française AM.

OUR CONVICTIONS : BANKS

ROSY FUNDAMENTALS FOR THE GLOBAL BANKING SECTOR

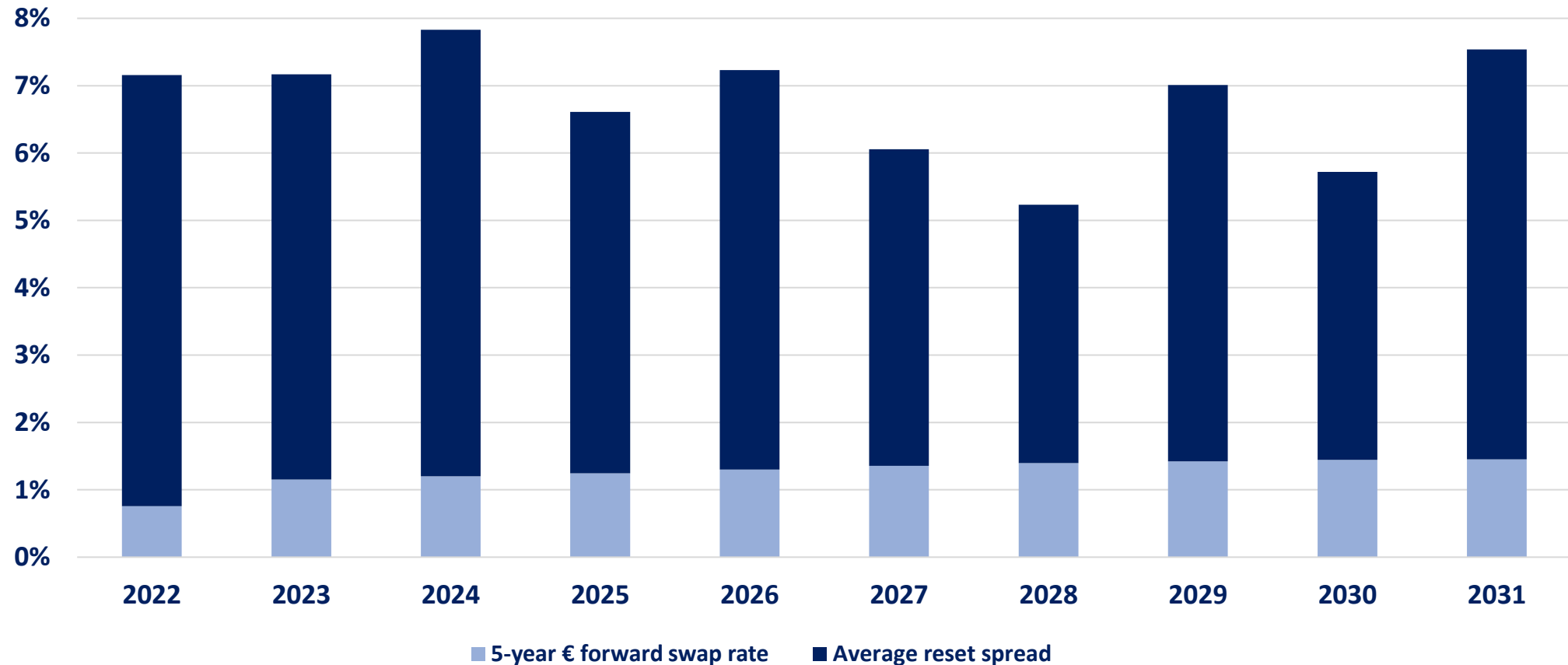


Sources: La Française.

OUR CONVICTIONS : BANKS

CALL OPTIONS OF AT1 COCOS ARE TO BE ASSESSED CASE-BY-CASE

AVERAGE THEORETICAL COUPONS (RESET SPREAD + 5YR € FORWARD SWAP RATE) FROM EUROPEAN BANKS VS. THEIR FIRST CALL DATE



Sources: La Française, Bloomberg. Data as of May 31st, 2022. Past returns are not a reliable indication of future results.

CONCLUSION

A HIGH YIELDING ASSET CLASS WITH ROBUST FUNDAMENTALS



Fundamentals for the global financial/banking sector have never been so robust; Risks on subordinated debt are conversely low:

- ◆ Less leverage, fewer risky assets and non-performing loans, way more capital (and of better quality)
- ◆ « Too Big To Fail » is fashionable again: local consolidation everywhere; banks are more systemic than ever in their own countries in order to stay profitable
- ◆ Subordinated bondholders have been completely shielded from the Covid-19 crisis, contrary to shareholders
- ◆ Capital regulations WILL maintain high solvency thresholds and for banks in any case
- ◆ Intrinsic risks on CoCos are currently mostly limited to managing their volatility (i.e., their extension risk)



Valuations are attractive from both historical and relative views; CoCos are the sweet spot to get into this segment:

- ◆ An advantageous yield/spread buffer for relatively short-duration
- ◆ Mostly Investment-Grade issuers with yields above those of « single-B » HY issuers and US Preferred Shares
- ◆ A higher beta proxy for credit markets than high yield bonds
- ◆ Even more yield when investing in €-denominated CoCos than those of their \$ counterparts
- ◆ An attractive niche market alternative to High Yield

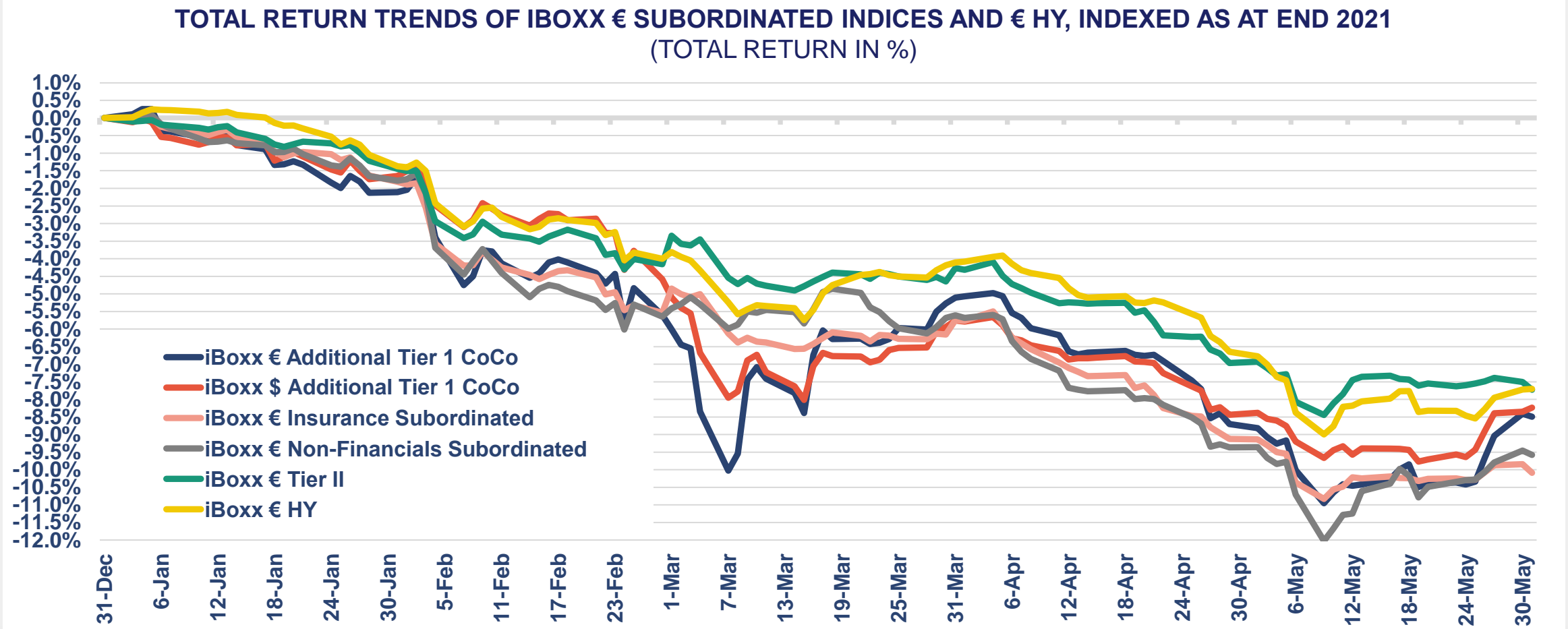
Source: La Française. Past returns are not a reliable indication of future results.



APPENDICES

MARKET ANALYSIS

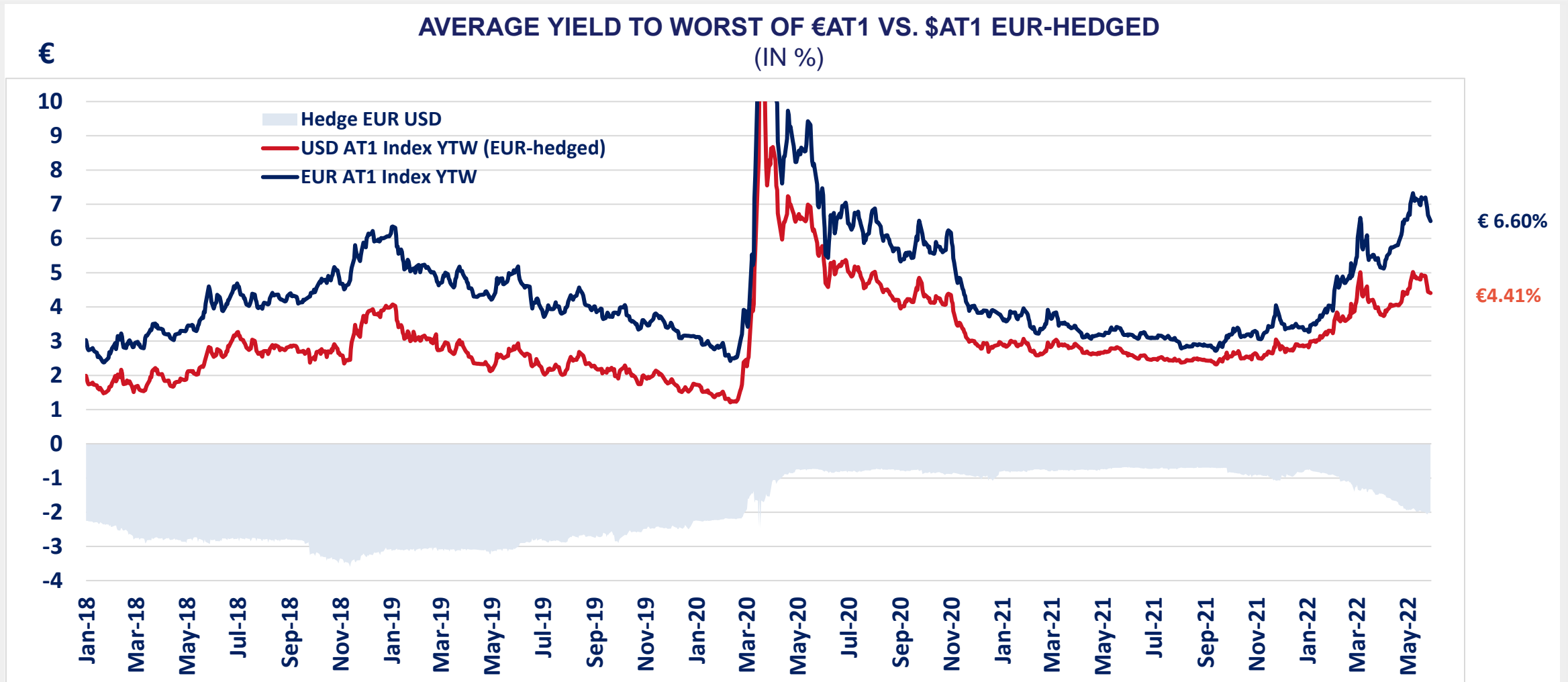
MARKET PERFORMANCE IN 2022



Sources: Bloomberg, Markit. Data as at May 31st 2022. Past returns are not a reliable indication of future results.

MARKET ANALYSIS

YIELDS OF € AND \$ AT1 COCOS

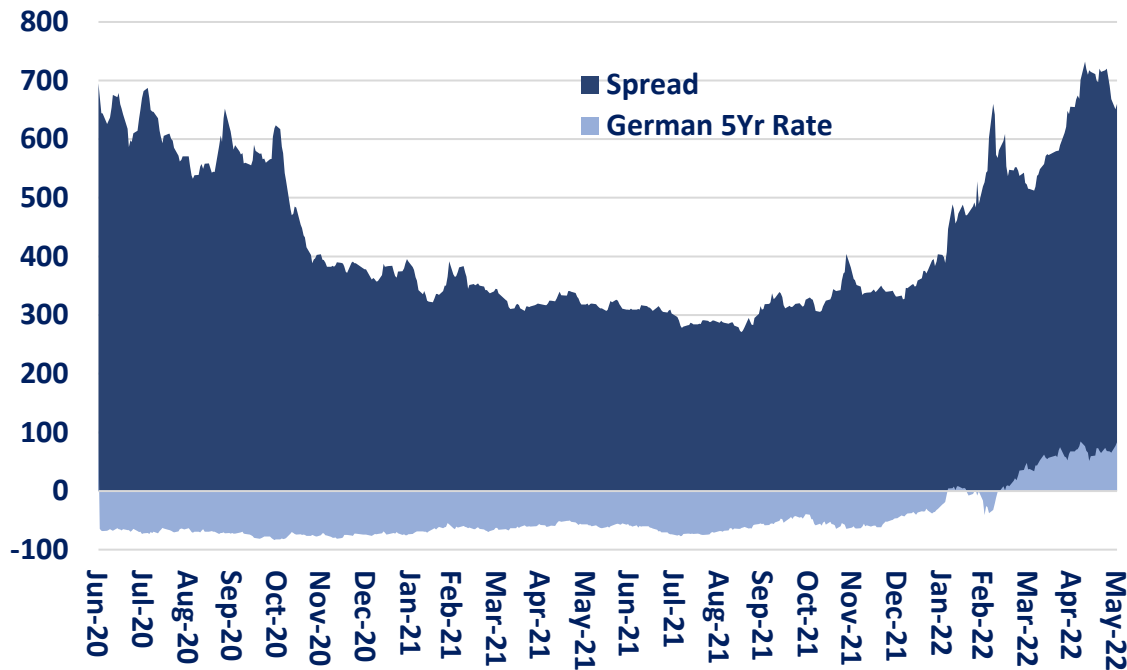


Sources: Bloomberg, Credit Suisse. Data as at May 31st, 2022. Past returns are not a reliable indication of future results.

MARKET ANALYSIS

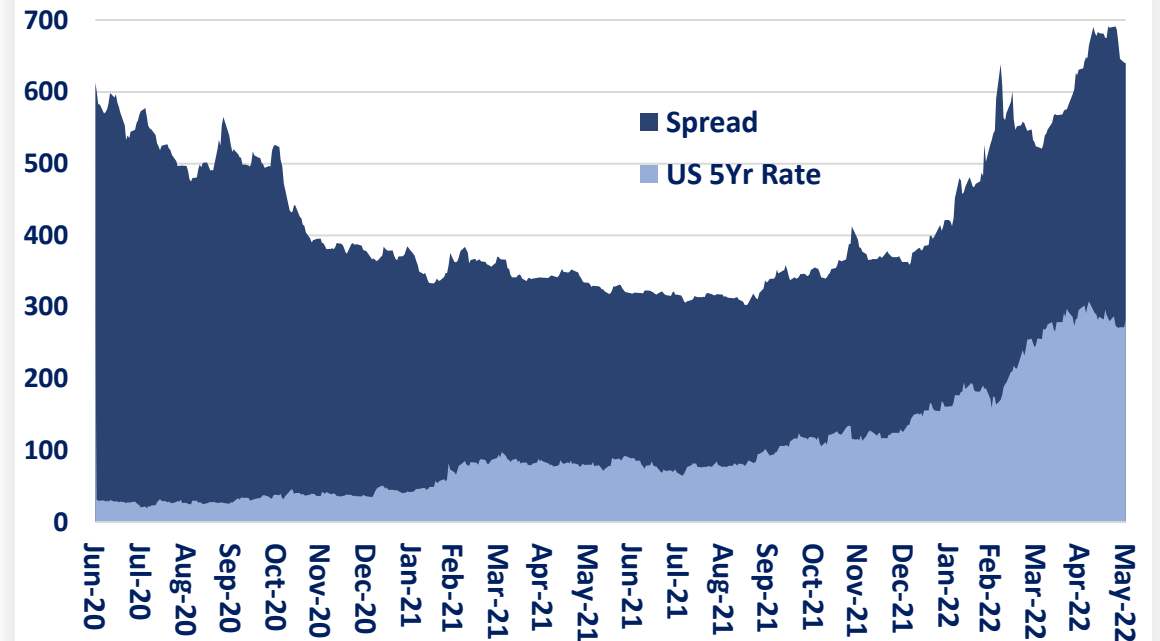
YIELDS OF € AND \$ AT1 COCOS: SENSITIVITY AGAINST GOVERNMENT RATES

AVERAGE YIELD OF €AT1S, DECOMPOSED BETWEEN 5YR GERMAN GOV'T RATE AND GOV'T SPREAD (IN BPS)



Average €AT1 time to first call: 4.7 years

AVERAGE YIELD OF \$AT1S, DECOMPOSED BETWEEN 5YR US GOV'T RATE AND GOV'T SPREAD (IN BPS)



Average \$AT1 time to first call: 4.3 years

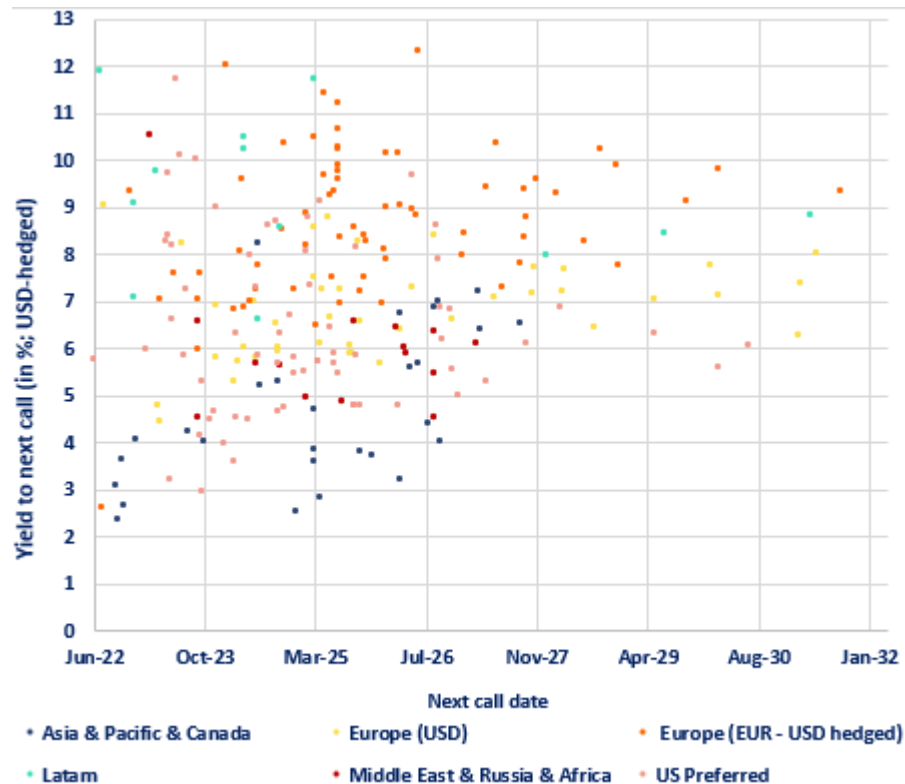
\$AT1s are becoming more sensitive to US rates

Source: Bloomberg Barclays, La Française AM. Data as at May 31st 2022. Past returns are not a reliable indication of future results.

MARKET ANALYSIS

RELATIVE VALUE AMONG USD AT1S

YIELD-TO-CALL OF A SELECTION OF AT1 COMING FROM DIFFERENT REGIONS VS. THEIR FIRST CALL DATE (IN % USD-HEDGED)



SELECTION OF USD-DENOMINATED COCOS FROM EMERGING COUNTRIES

Country	Issuer	Type	Call date / Maturity	Yield
China	Guangzhou Rural Bk	AT1	Jun-24	8,2%
	Postal Savings Bk	AT1	Sep-22	1,3%
Brazil	Banco do Brasil	AT1	Apr-23	6,0%
	Banco do Brasil	AT1	Apr-24	10,2%
	Itau Unibanco	AT1	Dec-22	9,1%
	Itau Unibanco	AT1	Mar-23	9,7%
Mexico	Banorte	AT1	Jun-28	8,0%
Russia	Alfa Bank	AT1	Feb-23	98,4%
	Sovcombank	AT1	May-25	129,5%
Colombia	Davivienda	AT1	Apr-31	8,8%
United Arab Emirates	Abu Dhabi Islamic	AT1	Sep-23	4,5%
	Dubai Islamic Bk	AT1	Jan-25	4,9%
Turkey	Yapi ve Kredi	AT1	Jan-24	8,9%
India	Axis Bank	AT1	Sep-26	7,0%
Panama	Banco General	AT1	May-31	5,0%

Source: Bloomberg, La Française AM. Data as of May 31st 2022. Past returns are not a reliable indication of future results.

MARKET ANALYSIS

CORRELATION BETWEEN DIFFERENT ASSET CLASSES

Period: **31/05/2019** **31/05/2022**

	€ AT1	\$ AT1	Tier 2	Corporate Hybrids	Insurance	€ High Yield	Treasury 10y	Bund 10y	Eurostoxx 50	European Banks Equity
€ AT1	1									
\$ AT1	0,97	1								
Tier 2	0,71	0,62	1							
Corporate Hybrids	0,90	0,88	0,67	1						
Insurance	0,89	0,89	0,66	0,99	1					
€ High Yield	0,99	0,94	0,78	0,92	0,89	1				
Treasury 10y	0,24	0,08	0,39	-0,05	-0,12	0,29	1			
Bund 10y	0,20	0,16	0,14	-0,22	-0,25	0,16	0,77	1		
Eurostoxx 50	0,91	0,83	0,67	0,77	0,73	0,93	0,49	0,35	1	
European Banks Equity	0,62	0,46	0,57	0,47	0,39	0,68	0,75	0,43	0,85	1

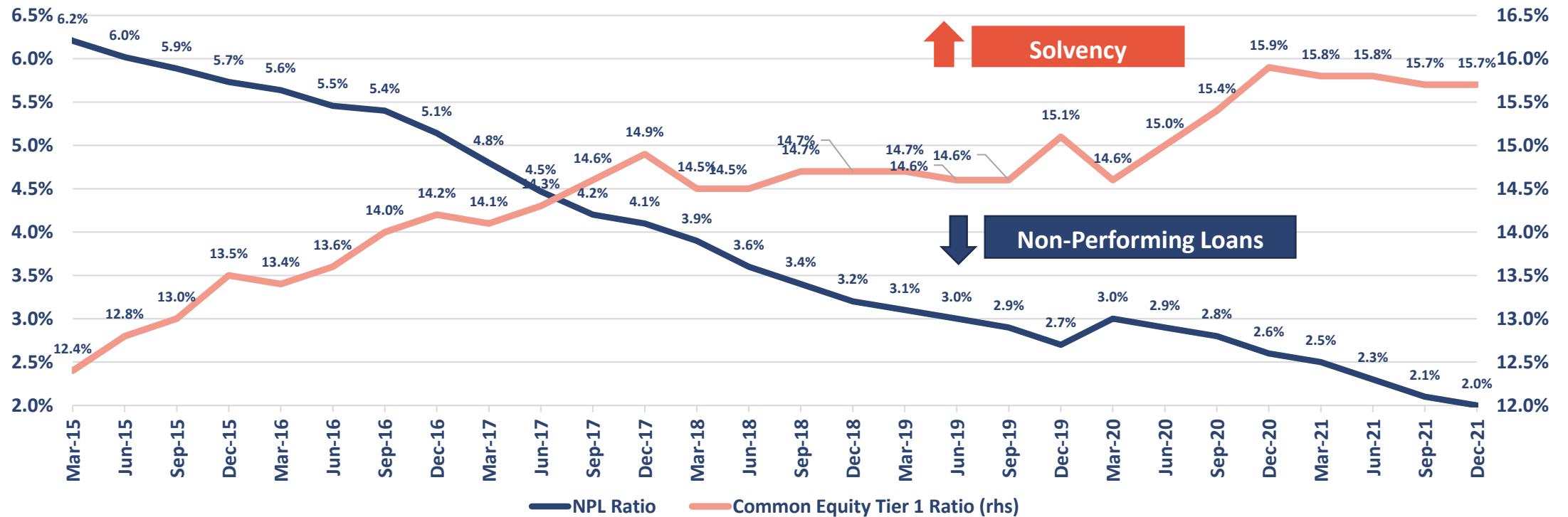
AT1s are highly correlated with High Yield and are quite decorrelated from bank stocks

Source: Bloomberg, La Française AM. Data as at May 31st 2022.

OUR CONVICTIONS : BANKS

BALANCE SHEETS BOLSTER STRONG FUNDAMENTALS

AVERAGE NON-PERFORMING LOANS (NPL) RATIOS (AS A % OF LOANS) AND COMMON EQUITY TIER 1 (CET1) RATIOS OF EUROPEAN BANKS



Bank regulations have forced banks to: 1/ Increase their solvency ratios 2/ Clean their balance sheets

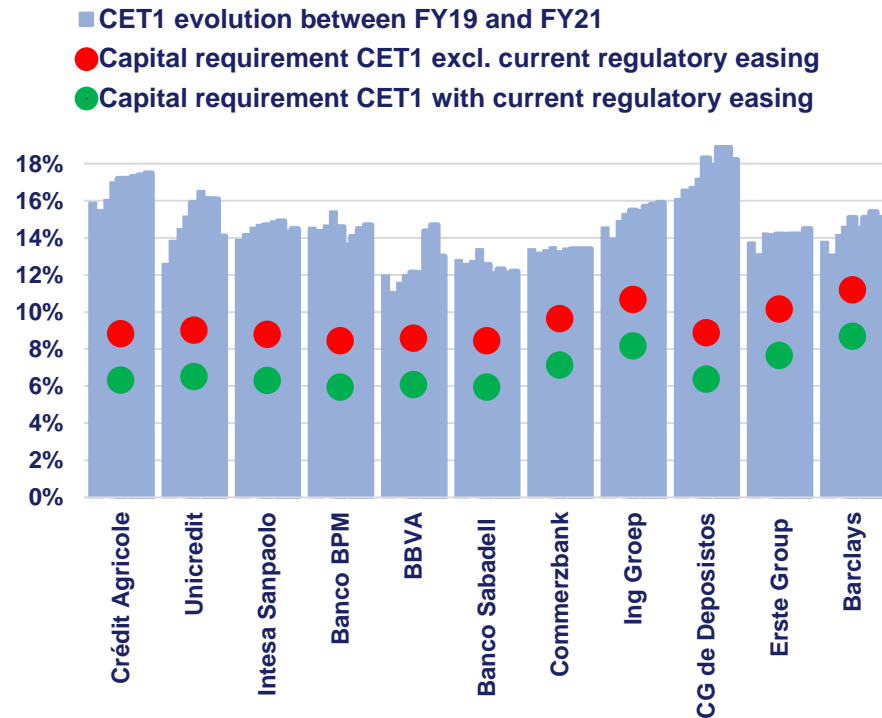
Source: European Banking Authority (EBA; data as at the end of December 2021).

OUR CONVICTIONS : BANKS

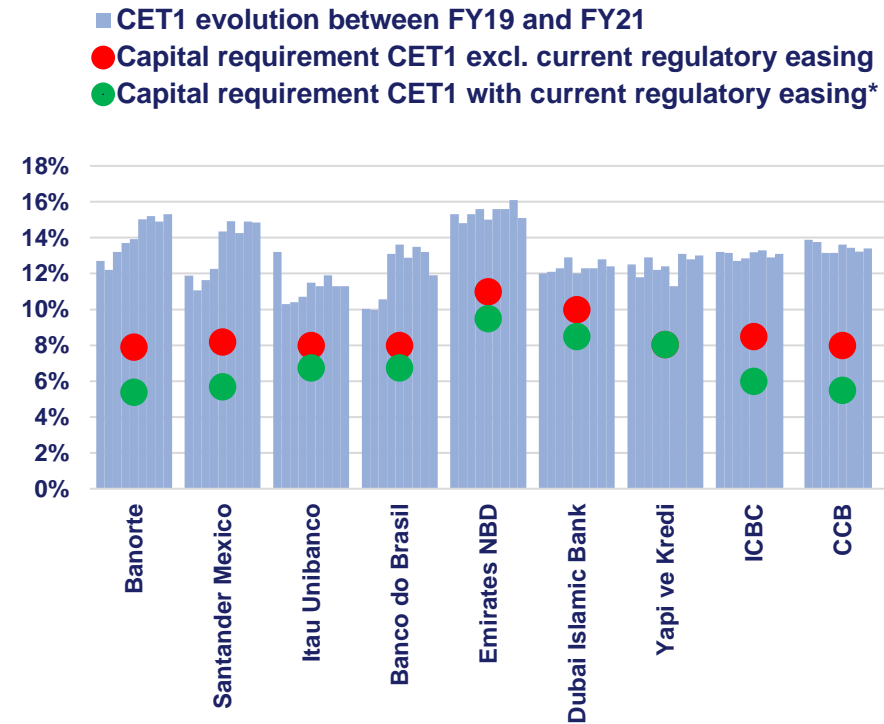
BANKS HAVE BUILT HIGHER AND COMFORTABLE CAPITAL BUFFERS

EVOLUTION OF QUARTERLY COMMON EQUITY TIER 1 RATIOS ON A SELECTION OF BANKS VS. REGULATORY CET1 REQUIREMENT

EUROPEAN BANKS



NON-EUROPEAN BANKS



Comfortable buffer compared to bank requirements (even without regulatory easing)

Current regulatory easing

If a bank reaches the green point, there is a risk of AT1 coupon non-payment

* Mexico -2.5% regulatory easing on the capital conservation buffer, Brazil : -1.25%, UAE : 60% of 2.5% (1.50%), China: -2.5%, Turkey: no regulatory easing, but capital forbearance is captured otherwise
Sources: Companies, La Française AM. Data as at the end of December 2021

OUR CONVICTIONS : BANKS

CALL OPTIONS OF AT1 COCOS ARE TO BE ASSESSED CASE-BY-CASE (1)

◆ Not calling an AT1 CoCo is not taboo:

- ◆ 3 bonds were not called in 2020 (Aareal Bank, Deutsche Bank, Lloyds), 1 bond in 2021 (Aareal Bank) and 1 bond in 2022 (still Aareal Bank)
- ◆ No price reaction on other bonds, as most of them get refinanced beforehand

◆ Call options depend on several factors:

- ◆ Economics of issuing and calling vs. not calling and extending
- ◆ Bond features: call frequency, coupon resets, recognition as AT1 capital...
- ◆ Reputation still matters... Though much less

BREAKDOWN OF CALLS AND NON-CALLS ON AT1S FROM EUROPEAN BANKS

	2018	2019	2020	2021	2022
Number of bonds	4	13	22	18	22
- called	4	12	19	18	15
- not called	0	1	3	0	1
% called	100%	92%	86%	100%	94%
Total amount of AT1s called (\$bn)	6,475	15,2	23,8	24,3	13,55

Sources: La Française, Bloomberg. Data as of May 31st, 2022. Past returns are not a reliable indication of future results.

OUR CONVICTIONS : BANKS

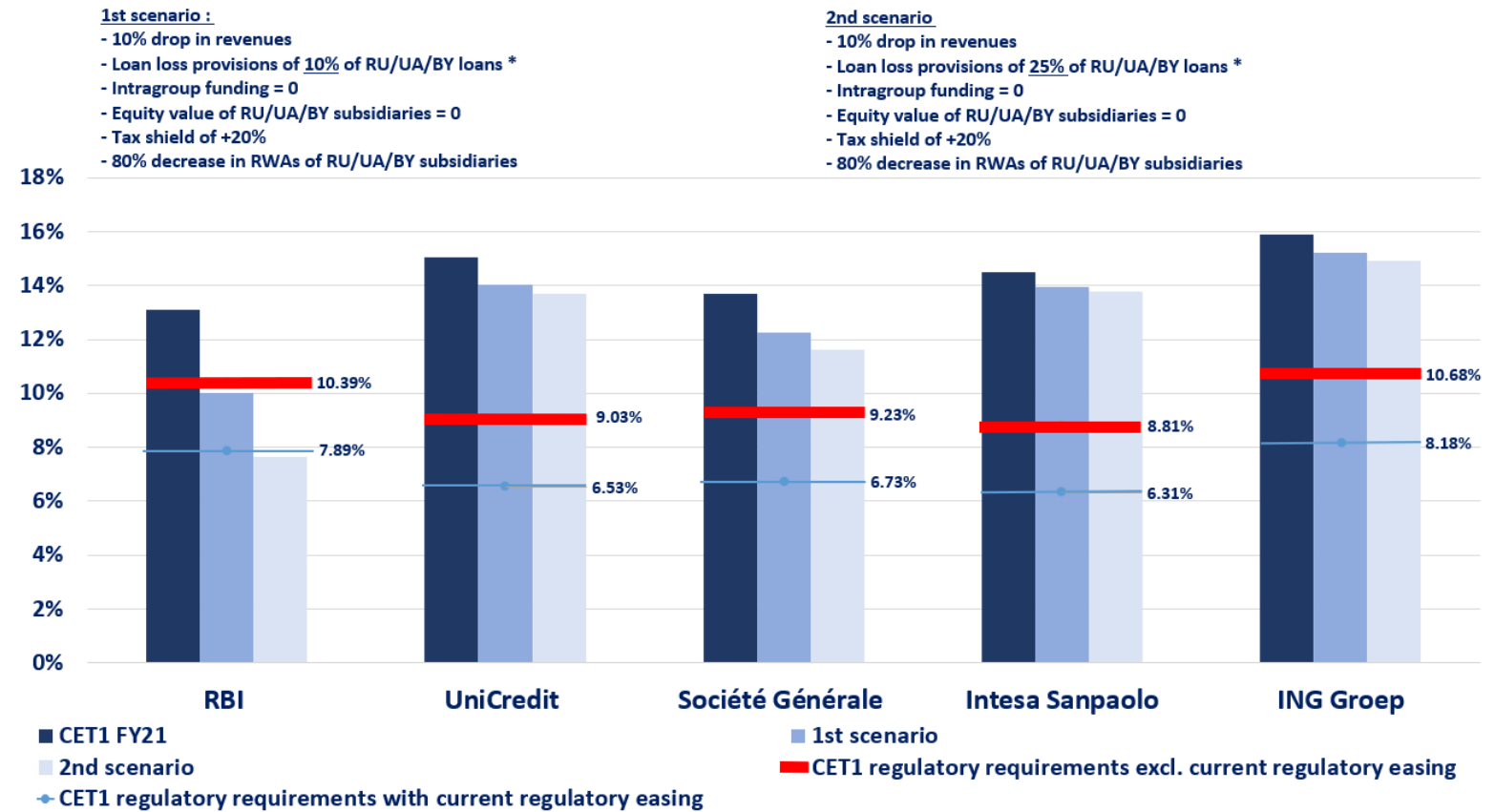
STRESS TESTING SOLVENCY RATIOS OF EUROPEAN BANKS EXPOSED TO RUSSIA



Direct exposure to Russia/Ukraine/Belarus remains minor for most European banks

However, RBI is the only bank that could face a solvency breach in an extreme (and unlikely) scenario

COMMON EQUITY TIER 1 RATIO FY21 VS. STRESSED COMMON EQUITY TIER 1 RATIO



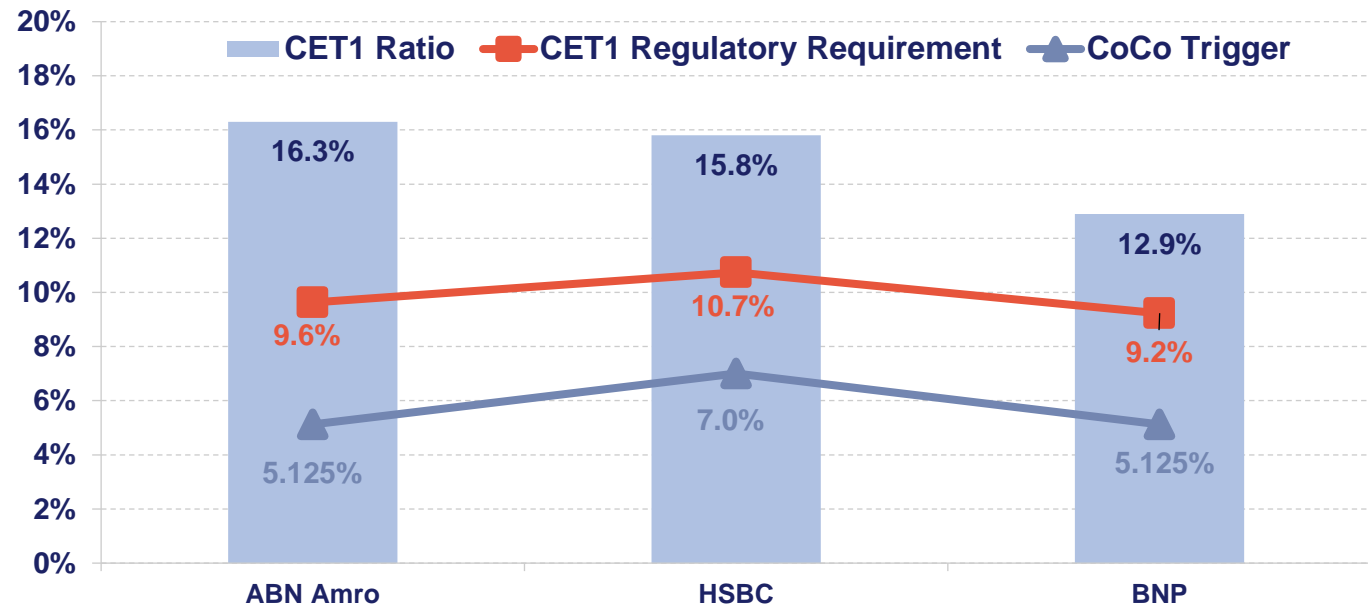
* RU = Russia / UA = Ukraine / BY = Belarus

Sources: Companies, Barclays Research, BoFA Research, La Française, Bloomberg. Data as of February 28th, 2022. Past returns are not a reliable indication of future results

OUR CONVICTIONS : BANKS

AT1 COCOS: LOSS ABSORPTION RISK AND RISK OF NON-PAYMENT OF COUPON

CET1 RATIOS OF A SELECTION OF BANKS COMPARED TO REGULATORY REQUIREMENTS AND LOSS ABSORPTION TRIGGERS** OF AT1



Focus on BNP		
Buffer	in %	in € bn
vs. CET1 requirement	3.6%	25,9
vs. CoCo trigger	7.8%	55,5

Significant risk of adjournment of coupon payment*

Automatic loss absorption threshold**

Loss absorption risk and risk of non-payment of coupon are notably related to banks' solvency ratios

*Excluding any potential deficit of subordinated debt **Trigger: capital ratio below which the bond absorbs losses Sources: La Française, Bloomberg. Latest data available for solvency

OUR CONVICTIONS : BANKS

PROPRIETARY BANK SOLVENCY SCREENING

Rigorous monitoring of more than 100 banks globally (solvency requirements and buffers) by our team

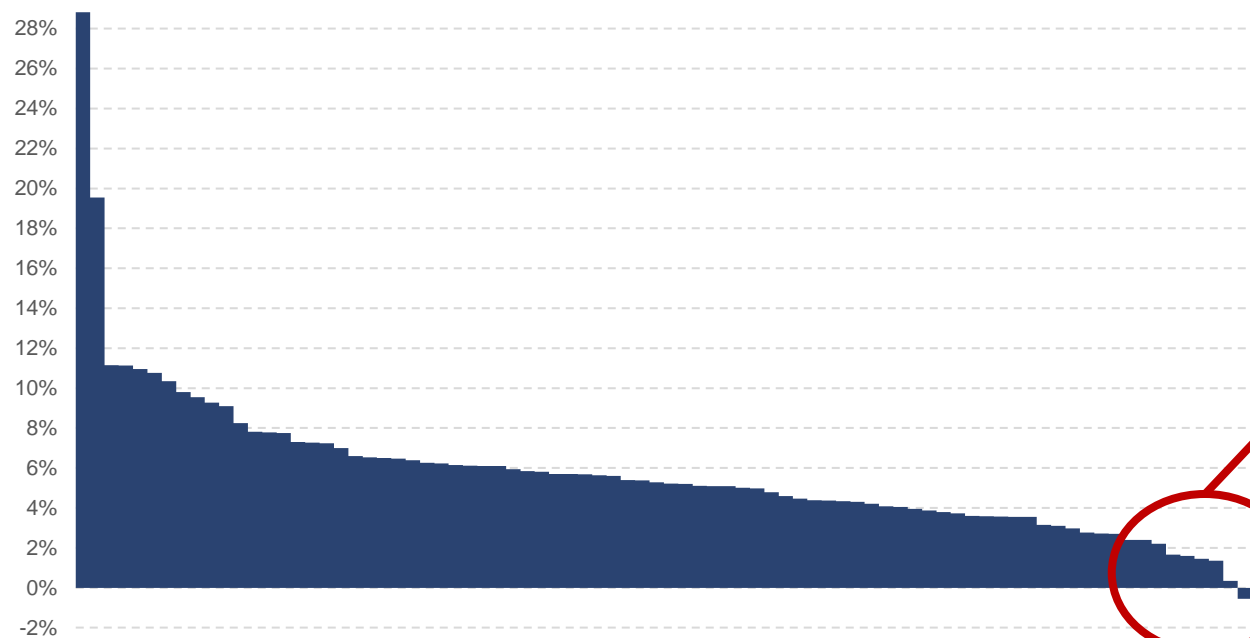
EXAMPLES OF DATA ANALYSIS FROM OUR PROPRIETARY SCREENING TOOL

Issuer	Country	CET1 ratio	Tier 1 ratio	Total Capital Ratio	Buffer vs. MDA CET 1 Ratio			Buffer vs. MDA Tier 1 Ratio			Buffer vs. MDA Total Capital Ratio			Lowest regulatory capital buffer (in %)	Lowest regulatory capital buffer (in EURbn)
					CET1 requirement for 2021	Buffer vs. Requirement (in %)	Buffer vs. Requirement (in €bn)	T1 requirement for 2021	Buffer vs. Requirement (in %)	Buffer vs. Requirement (in €bn)	Total cap. requirement for 2021	Buffer vs. Requirement (in %)	Buffer vs. Requirement (in €bn)		
BNP Paribas	France	12.9%	14.0%	16.4%	9.27%	3.63%	25.90	11.02%	3.0%	21.28	13.35%	3.1%	21.78	2.98%	21.28
Société Générale	France	13.7%	15.9%	18.8%	9.23%	4.47%	16.25	11.13%	4.8%	17.33	13.66%	5.1%	18.68	4.47%	16.25
Crédit Agricole SA	France	11.9%	13.2%	17.7%	7.84%	4.06%	15.31	9.63%	3.6%	13.49	12.00%	5.7%	21.51	3.58%	13.49
Groupe Crédit Agricole	France	17.5%	18.4%	21.4%	8.84%	8.66%	50.67	10.63%	7.8%	45.51	13.00%	8.4%	49.17	7.78%	45.51
Groupe BPCE	France	15.8%	15.8%	18.7%	9.51%	6.29%	27.61	11.01%	4.8%	21.03	13.51%	5.2%	22.78	4.79%	21.03
UniCredit	Italy	14.1%	17.9%	20.1%	9.03%	5.10%	16.41	10.86%	7.1%	22.80	13.30%	6.8%	22.03	5.10%	16.41
Intesa Sanpaolo	Italy	14.5%	16.4%	19.1%	8.81%	5.69%	18.61	10.64%	5.8%	18.82	13.09%	6.0%	19.65	5.69%	18.61
Banco BPM	Italy	14.7%	16.5%	19.6%	8.46%	6.22%	3.98	10.38%	6.1%	3.93	12.94%	6.6%	4.25	6.14%	3.93
Deutsche Bank	Germany	13.2%	15.7%	17.8%	10.44%	2.76%	9.73	12.41%	3.3%	11.60	15.03%	2.8%	9.75	2.76%	9.73
Commerzbank	Germany	13.4%	15.3%	17.9%	9.40%	3.96%	7.04	11.27%	4.0%	7.17	13.77%	4.1%	7.35	3.96%	7.04
KBC Groep	Belgium	16.8%	18.2%	19.9%	9.75%	7.02%	7.35	11.60%	6.6%	6.91	14.06%	5.8%	6.08	5.81%	6.08
Rabobank	Netherl.	17.4%	19.2%	22.6%	10.11%	7.29%	15.45	11.97%	7.2%	15.33	14.44%	8.2%	17.29	7.24%	15.33
ING Groep	Netherl.	15.9%	18.1%	21.0%	10.68%	5.22%	16.33	12.51%	5.6%	17.49	14.95%	6.1%	18.94	5.22%	16.33
ABN Amro	Netherl.	16.3%	18.0%	22.4%	9.63%	6.68%	7.86	11.50%	6.5%	7.65	14.00%	8.4%	9.89	6.50%	7.65
Santander	Spain	12.5%	14.2%	16.8%	8.85%	3.66%	21.17	10.64%	3.6%	20.87	13.01%	3.8%	22.00	3.61%	20.87
BBVA	Spain	13.0%	14.8%	17.2%	8.59%	4.39%	13.50	10.38%	4.5%	13.74	12.75%	4.5%	13.82	4.39%	13.50
CaixaBank	Spain	13.2%	15.5%	17.9%	8.19%	5.01%	10.80	10.00%	5.5%	11.86	12.41%	5.5%	11.83	5.01%	10.80
Banco Sabadell	Spain	12.2%	15.2%	17.7%	8.46%	3.72%	3.01	10.36%	4.8%	3.87	12.90%	4.8%	3.84	3.72%	3.01

Sources: La Française. Latest available solvency data as at end December 2021

PROPRIETARY BANK SOLVENCY SCREENING

SOLVENCY RATIO BUFFERS VS. REGULATORY REQUIREMENTS (%) FOR EUROPEAN BANKS FOLLOWED IN-HOUSE



ISSUERS WITH LOWER CAPITAL BUFFERS (DISTANCE TO MDA RESTRICTIONS BEFORE REGUL. EASING)

Issuer	Buffer vs. Requirement (in %)	Buffer vs. Requirement (in bn)
Novo Banco	-0.73%	-0.20
Banca Carige	-0.55%	-0.05
Piraeus Bank	0.35%	0.12
Montepio Geral	1.35%	0.13
Banco Comercial Portugues	1.45%	0.68
Eurobank	1.60%	0.67
Banca MPS	1.66%	0.80



Solvency requirement before regulatory easing granted by the ECB in the wake of the Covid crisis

We are able to identify those banks displaying solvency risks

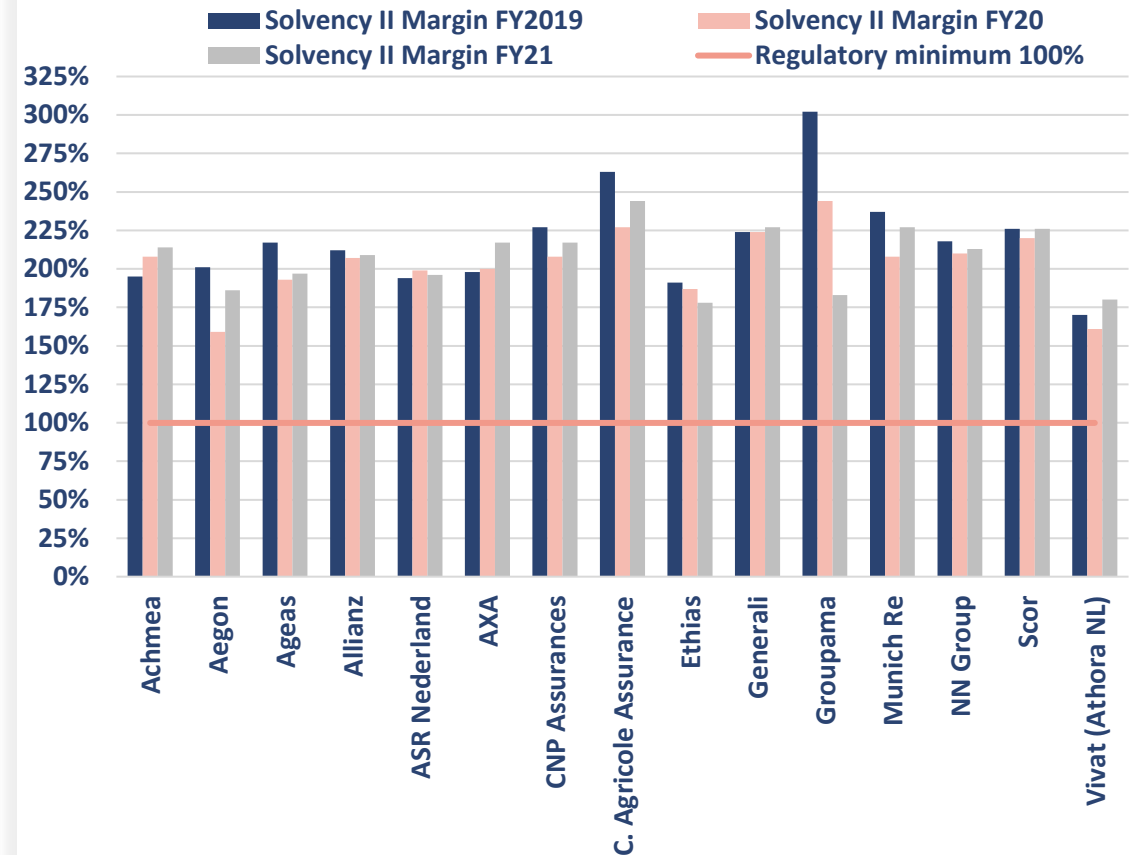
Sources: Companies, La Française. Solvency data update depending on availability and are estimates based on our understanding of current bank capital regulation. Illustration for indicative purposes only.

OUR CONVICTIONS : INSURANCE COMPANIES

SOLVENCY MARGINS ARE COMFORTABLE

- ◆ Solvency margins are comfortable and higher than 160% in general
- ◆ What are the main risks?
 - ◆ Higher default risk and rating migrations along investment portfolios
 - ◆ Lower-for-even-longer rates
 - ◆ Higher mortality rates
 - ◆ Higher claims (business interruption, event cancellations)
- ◆ We do not think that these risks represent a serious threat for the sector

SOLVENCY MARGIN OF EUROPEAN INSURERS (%)

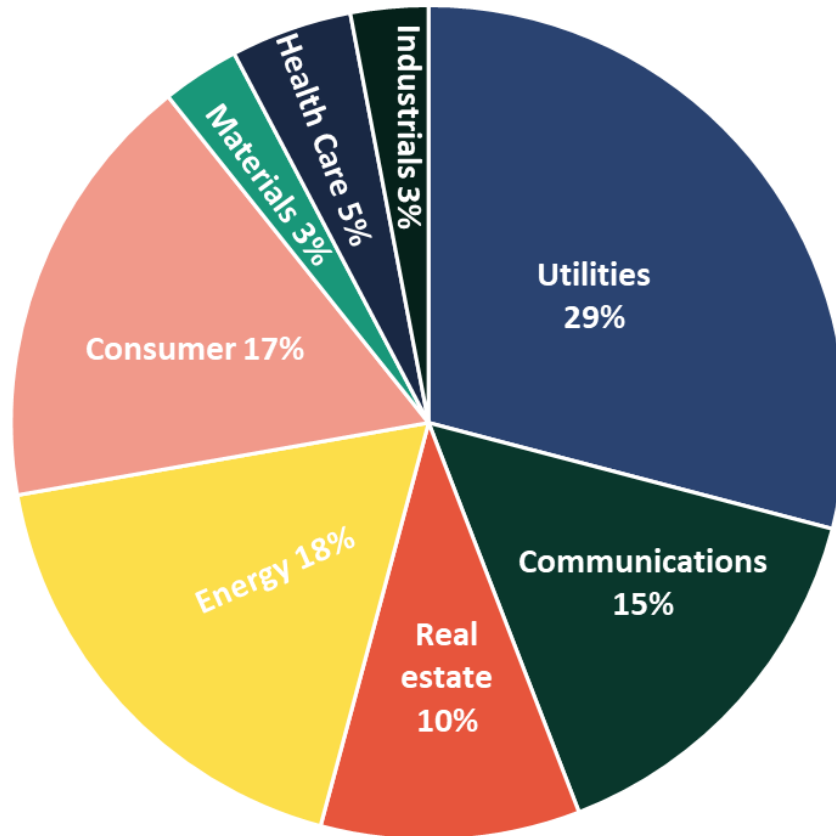


Sources: companies, La Française. Data as at December 31st. Past returns are not a reliable indication of future results.

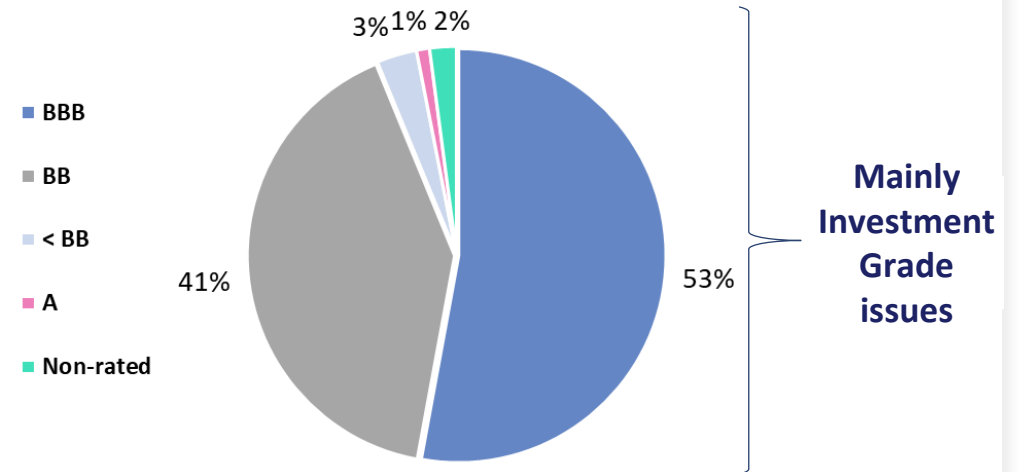
OUR CONVICTIONS : NON-FINANCIAL CORPORATES

CORPORATE HYBRID ISSUERS ARE MOSTLY WELL-RATED AND FROM "DEFENSIVE" INDUSTRIES

CORPORATE SECTOR BREAKDOWN



ISSUER RATINGS BREAKDOWN



Most issuers are well-rated and very often stem from utilities or telecom industries



Source: Bloomberg. Data as at end 2021.

OUR CONVICTIONS : NON-FINANCIAL CORPORATES

CORPORATE HYBRIDS ARE SOLID STRUCTURES WITH A STRONG TRACK RECORD OVERALL

- ◆ **We think that the coupon non-payment risk is low**
 - ◆ Discretionary coupons, but mostly cumulative
 - ◆ Dividend pusher / stopper clauses* in some cases
 - ◆ Reputational effect
 - ◆ Limited potential savings from not paying coupons
- ◆ **Low non-repayment risk at the first call date**
 - ◆ Loss of the “equity” component to S&P in case of a non call
 - ◆ Reputational effect for the issuer
 - ◆ Existence of clauses encouraging the replacement of hybrid issues
 - ◆ The non-call probability may increase for an issuer downgraded to high yield

EXAMPLES OF UNPAID COUPONS OF CORPORATE HYBRID BONDS

Issuer	Sector	Year of non-payment	Comments
Pfleiderer	Materials	2012	Company's default thereafter
IVG Immobilien	Real Estate	2013	Company's default thereafter
TUI	Leisure	2013	Extension of issue and call in 2015
Aryzta	Food	2017	Delayed coupon for 2018 in order to respect banking covenants
Bourbon	Energy	2018/19	Financial difficulties & bankruptcy in 2020
SAS	Airlines	2020	Financial difficulties & recapitalisation
Lufthansa	Airlines	2021	To comply with EU rules after the aid received during the Covid-19 crisis

NON CALL HISTORY OF CORPORATE HYBRID ISSUES

Issuer/1 st call	Comments
Casino CMS 2010	CMS 10Y indexed structure and very cheap
TUI AG 2013	Non-replacement of the instrument before call date (necessary condition). Call exercised in 2015
Suedzucker 2015	Non-replacement of the instrument before call date (necessary condition)
Bourbon 2017	Financial difficulties
Aryzta 2018	Linked to the non-payment of the coupon
Enel 2019	Omission of the issuer (!)
Casino 2019	"Equity content" extended by S&P post downgrade of the issuer to HY
Lufthansa 2021	Following recapitalization by the German State








*A “dividend pusher” is a term whereby the coupon is mandatory if remuneration is given to another class of securities within a specified period of time.

A “dividend stopper” is a term stating that the issuer will not, within a specified period of time, pay a coupon to another class of securities if it does not pay a dividend on the security in question

INVESTMENT PHILOSOPHY

OUR PORTFOLIOS ARE COMPOSED OF SEVERAL SUB-ASSET CLASSES

- ◆ We invest in subordinated debt issued by **banks, insurance companies and non-financial corporates**
- ◆ **Subordinated debt** has different characteristics depending on their **seniority and type**
- ◆ **Subordinated debt continues to evolve** according to **regulatory developments** and changes in **rating methodology**

	Name	Currently in LF Sub Debt	Maturity	Coupon distribution	Rating (vs senior debt)
Banks	Additional Tier 1 « CoCos »		Perpetual	Discretionary	-4 to -6 notches
	Legacy Tier 1		Perpetual	Discretionary	-4 to -6 notches
	Tier 2		Dated	Compulsory	-3 to -5 notches
Insurance	Restricted Tier 1		Perpetual	Discretionary	-4 to -6 notches
	"Old" Tier 1		Perpetual	Discretionary	-2 notches
	Tier 2		Dated or Perp.	Compulsory if solvency thresholds met	-2 notches
Non-financial corporates	Corporate Hybrids		Perpetual or > 60 years	Discretionary / Compulsory (depending on covenants)	-2 to 3 notches

Source: La Française. Note: Exceptions may exist within sub-asset classes in terms of characteristics.



INFORMATION

MANAGEMENT OBJECTIVE

- ◆ The Fund's objective is to achieve a performance net of fees higher than that of the composite benchmark: 50% Markit iBoxx EUR Contingent Convertible (IBXXC2CO Index) + 25% Markit iBoxx EUR Non-Financials Subordinated (I4BN Index) + 25% Markit iBoxx EUR Insurance Subordinated (IYHH Index), through exposure, in particular, to subordinated debt securities with a specific risk profile different from that of conventional bonds and to do so by investing in a portfolio of issuers screened in advance according to Environmental, Social and Governance criteria.

SYNTHETIC RISK AND REWARD PROFILE



INVESTMENT HORIZON



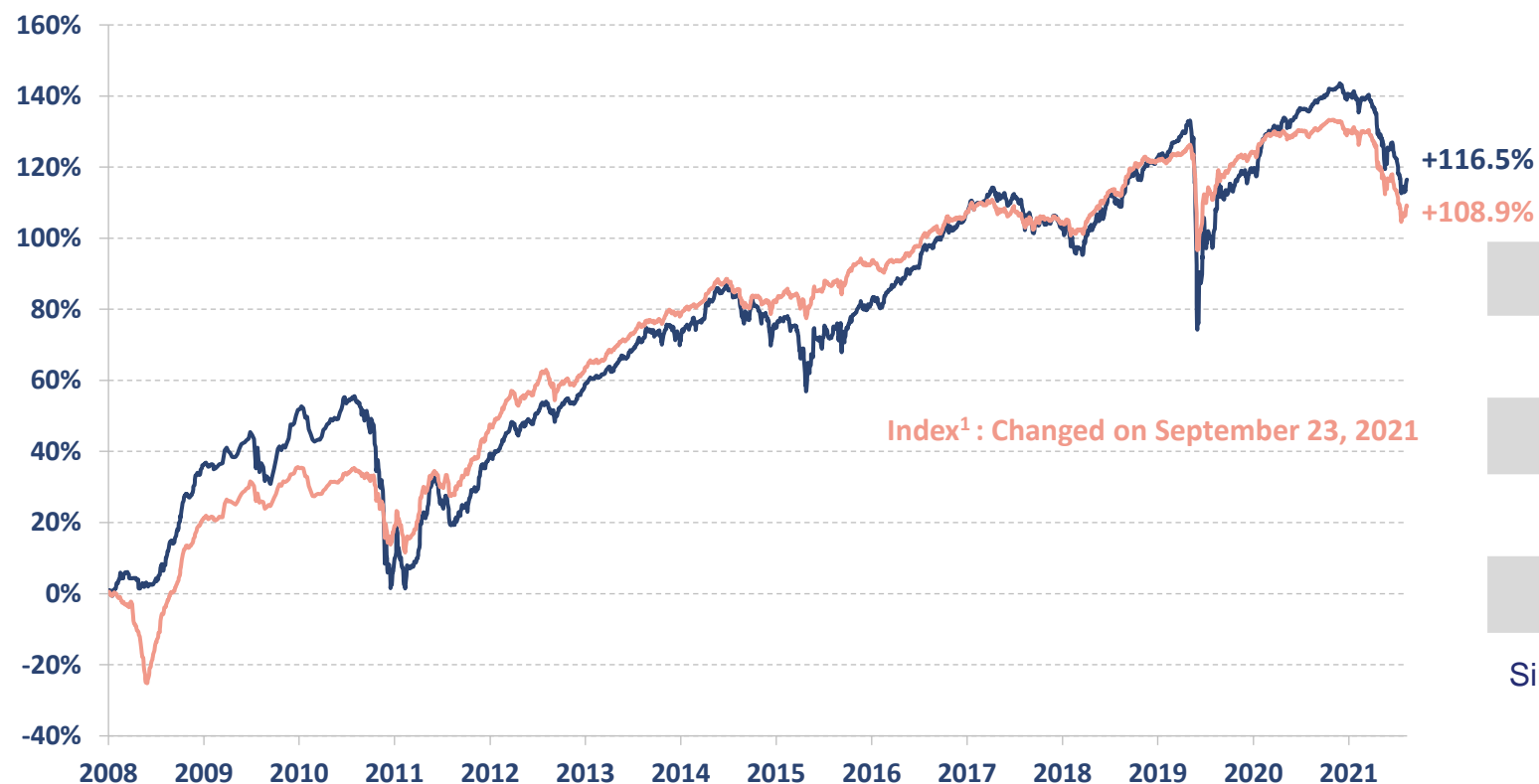
RELATED RISKS*

- ◆ Risk of capital loss
 - ◆ Investors are informed that their capital is not guaranteed and that it may not be returned
- ◆ The following risks could lead to a decrease in the fund's NAV per share
 - ◆ Interest rate risk
 - ◆ Credit risk
 - ◆ Counterparty risk
 - ◆ Equity risk
 - ◆ Risk associated with investments in convertible bonds
 - ◆ Potential risk of a conflict of interests

*For more information regarding associated risks, please refer to the fund prospectus



PERFORMANCE OF LA FRANÇAISE SUB DEBT AND THE REFERENCE INDEX (IN %)



	Fund	Index
2022	-9.8%	-9.2%
2021	4.2%	0.4%
2020	1.4%	2.7%
2019	15.3%	10.3%
2018	-6.5%	-3.3%
Since inception	116.5%	108.9%

Sources: La Française, Markit. Data as at May 31st, 2022. Since October 20, 2008. Past returns are not a reliable indication of future results.

Note: 1 New Index: 50% Markit iBoxx€ Contingent Convertible + 25% Markit iBoxx€ Non-Financials Subordinated + 25% Markit iBoxx€ Insurance Subordinated. Old index: iBoxx€ Financials subordinated TR

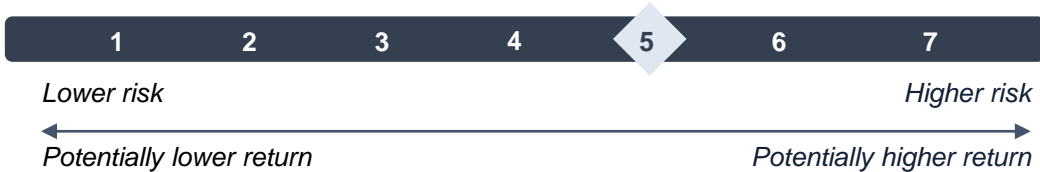


INFORMATION

MANAGEMENT OBJECTIVE

- ◆ The fund's objective is to outperform the BofA Merrill Lynch Contingent Capital EUR Hedged Total Return Index over the investment horizon of 5 years, net of fees. The fund is primarily invested in subordinated debt securities.

SYNTHETIC RISK AND REWARD PROFILE



INVESTMENT HORIZON



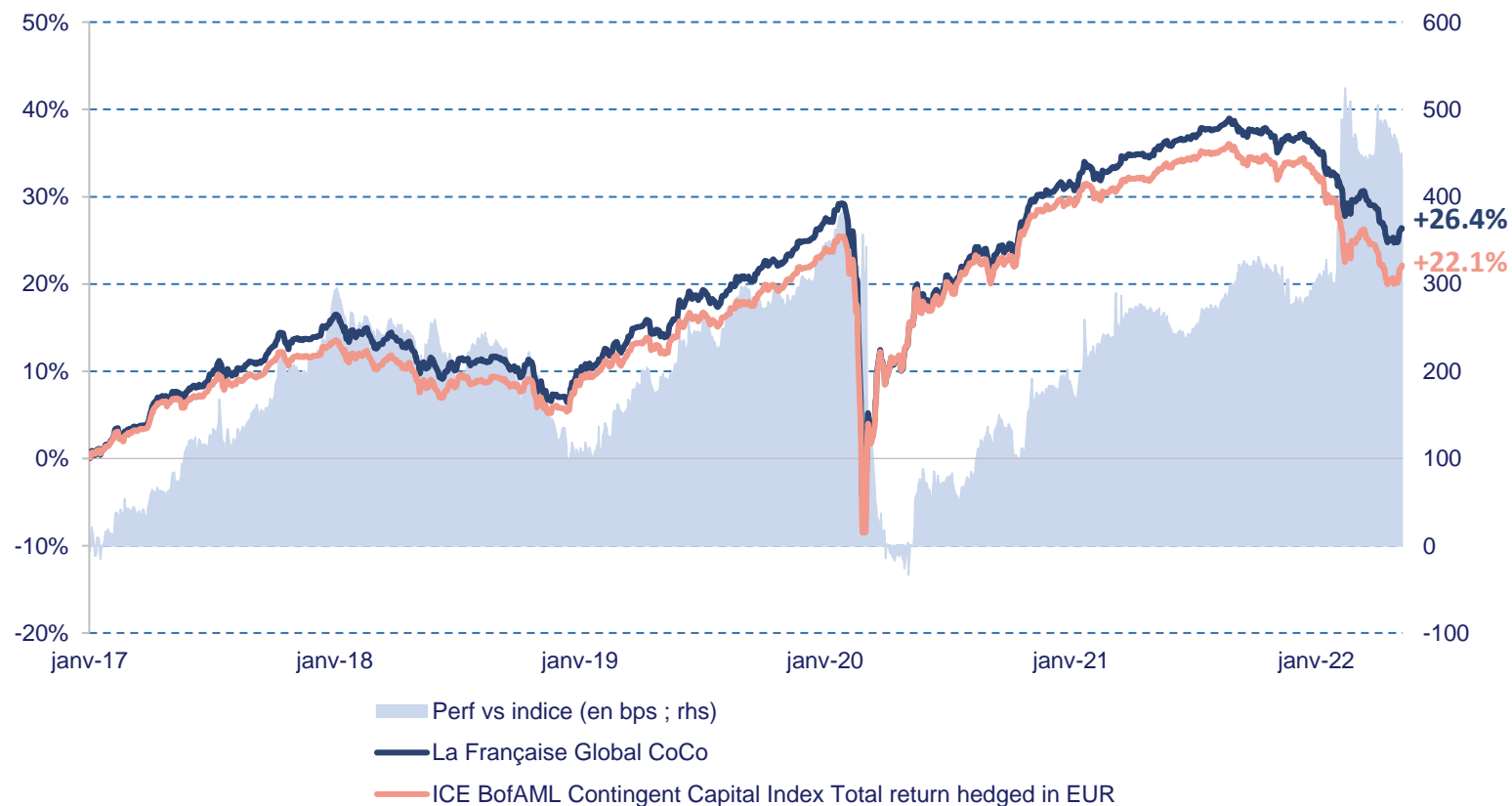
RELATED RISKS*

- ◆ Risk of capital loss
 - ◆ Investors are informed that their capital is not guaranteed and that it may not be returned
- ◆ The following risks could lead to a decrease in the fund's NAV per share
 - ◆ Discretionary risk
 - ◆ Credit risk
 - ◆ Risk associated with investments in contingent convertible bonds
 - ◆ Equity risk associated with investments in convertible bonds
 - ◆ Liquidity risk
 - ◆ Interest rate risk
 - ◆ Currency risk
 - ◆ Risk associated with investments in ex-OECD countries (emerging countries)
 - ◆ Counterparty risk
 - ◆ Potential risk of a conflict of interests

*For more information regarding associated risks, please refer to the fund prospectus



PERFORMANCE OF LA FRANÇAISE GLOBAL COCO AND THE REFERENCE INDEX (IN %)



	Fund	Index ¹
2022	-7.8%	-9.1%
2021	4.8%	4.1%
2020	4.7%	5.8%
2019	16.7%	15.3%
2018	-6.1%	-5.4%
Since inception	26.4%	22.1%

Sources: La Française, BofA: Bank of America. Data as of May 31st, 2022. Past returns are not a reliable indication of future results. * Excluding cost of hedging.

APPENDICES

ASSOCIATED RISKS*

◆ Risk of capital loss

- ◆ Investors are informed that their capital is not guaranteed and that it may not be returned

◆ The following risks could lead to a decrease in the fund's NAV per share

- ◆ Interest rate risk
- ◆ Credit risk
- ◆ Counterparty risk
- ◆ Equity risk
- ◆ Risk associated with investments in convertible bonds
- ◆ Potential risk of a conflict of interests

* For further information regarding the risks related to this investment, please refer to the Fund prospectus or the SICAV prospectus.

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Environmental and societal challenges are opportunities to reconsider the future. Identifying drivers of change and understanding how they will fashion global growth and ultimately influence long-term financial performance is at the heart of La Française's mission. The group's forward-looking investment strategy is built upon this conviction.



Organized around two business lines, financial and real estate assets, La Française has developed a multi-boutique model to serve institutional and retail clients in France and abroad.



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