

# BNP Paribas Funds

Luxembourg SICAV – UCITS category

Registered office: 10 rue Edward Steichen, L-2540 Luxembourg

Luxembourg Trade and Companies Register n° B 33363

VAT number LU22943885

(the “Fund”)

## Notice to shareholders of the sub-fund “BNP Paribas Funds Global Enhanced Bond 36M”

Luxembourg, January 17, 2024

Dear Shareholders,

The Board of Directors of the Fund has decided, in accordance with the provisions of Article 34 of the articles of association of the Fund and Chapter 8 of the Luxembourg Law of 17 December 2010 concerning UCI (the “Law”), and in agreement with the Board of Directors of BNP Paribas Flexi I, a *société d'investissement à capital variable* incorporated under Luxembourg Law, to absorb by dissolution without liquidation the sub-fund BNP Paribas Flexi I Lyra (the “Merging Sub-Fund”), a sub-fund of BNP Paribas Flexi I, by transferring all of its assets and liabilities into the sub-fund BNP Paribas Funds Global Enhanced Bond 36M (the “Receiving Sub-Fund”) in exchange for the issuance to their shareholders of shares of the Receiving Sub-Fund, in accordance with Article 1, point 20), a) of the Law (the “Merger”).

ISIN code	BNP Paribas Flexi I Merging Sub-fund	Share category	Reference Currency	BNP Paribas Funds Receiving Sub-fund	Share category	Reference Currency	ISIN code
LU2020655200	Lyra	Classic CAP	EUR	Global Enhanced Bond 36M	Classic CAP	EUR	LU2155808491
LU2020655382		Classic Plus CAP	EUR		Classic CAP	EUR	LU2155808491
LU2020655465		E CAP	EUR		Classic CAP	EUR	LU2155808491
LU2020655978		I CAP	EUR		I CAP	EUR	LU2155809382
LU2020655622		Privilege CAP	EUR		Privilege CAP	EUR	LU2155809119

1) Effective date of the Merger

The Merger will be effective on Friday March 8, 2024.

2) Background to and rationale for the Merger

Over the last years, performances of the Merging Sub-Fund have been disappointing. As a result, the Merging Sub-Fund has faced important outflows and does no longer attract new investors.

The Merger aims to offer to the Merging shareholders a strong and innovative alternative solution through a merger into the Receiving Sub-Fund which has a broader investment universe focused on sustainability.

3) Impact of the Merger

The Merger will have no impact for the shareholders of the Receiving Sub-Fund.

The Merging Sub-Fund will be dissolved without liquidation by transferring all of its assets and liabilities into the Receiving Sub-Fund.



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The Merging Sub-Fund will cease to exist at the effective date of the Merger.

The Merger will be done in cash. The targeted assets of the Merging Sub-Fund and of the Receiving Sub-Fund being different, the portfolio of the Merging Sub-Fund will be rebalanced within 5 business days prior to the Merger and cash will be transferred into the Receiving Sub-Fund. There will be no rebalancing of and no significant impact on the Receiving Sub-Fund's portfolio.

4) Organisation of the exchange of shares

The shareholders of the Merging Sub-Fund will receive, in the Receiving Sub-Fund, a number of shares calculated by multiplying the number of shares they held in the Merging Sub-Fund by the relevant exchange ratio.

The exchange ratios will be calculated on Friday March 08, 2024, by dividing the NAV per share of the share categories of the Merging Sub-Fund by the NAV per share of the corresponding share category of the Receiving Sub-Fund, based on the valuation of the underlying assets set on Thursday March 7, 2024. A technical NAV will be calculated at the Merging Sub-Fund level for the purposes of the Merger.

The criteria adopted for valuation of the assets and, where applicable, the liabilities of the Receiving Sub-Fund on the date for calculating the exchange ratio will be the same as those used for the NAV calculation as described in the chapter "Net Asset Value" of the Book I of the prospectus of the Fund (the "**Prospectus**").

No balancing cash adjustment will be paid to the holders of shares of the Merging Sub-Fund.

5) Right to redeem the shares

If you do not accept the Merger, you may instruct redemption of your shares free of charge in accordance with the provisions of the Prospectus.

6) Other information

The costs and expenses of the merger (including audit costs) will be borne by BNP PARIBAS ASSET MANAGEMENT Luxembourg, the management company of the Fund (the "**Management Company**"), except for banking and transaction related costs (including e.g. taxes and stamp duties) which may be charged to the Merging Sub-fund, provided that they are not material.

The Merger operations will be validated by PricewaterhouseCoopers, Société Coopérative, the auditor of the Fund.

The Annual and Semi-Annual Report and the legal documents of the Merging fund and the Fund, as well as the KIDs of the Merging Sub-Fund and Receiving Sub-Fund, and the Depositary and the Auditor reports regarding this operation are available upon request to the Management Company or on the website [www.bnpparibas-am.com](http://www.bnpparibas-am.com).

Shareholders who need more information about this Merger may contact the Management Company.

Please refer to the Prospectus for any term or expression not defined in this notice.

**The Board of Directors**

# BNP PARIBAS FLEXI I

Luxembourg SICAV – UCITS

Registered office: 10 rue Edward Steichen, L-2540 Luxembourg

Luxembourg Trade and Companies Register n° B 117.580

VAT Number: LU22337069

(the “Company”)

## Notice to shareholders of BNP Paribas Flexi I Lyra

Luxembourg, January 17<sup>th</sup>, 2024,

Dear Shareholders,

We hereby inform you that the Board of Directors of the Company, together with the board of directors of BNP Paribas Funds, decided to merge, on the basis of Article 33 of the Company’s Articles of Association, the sub-fund BNP Paribas Flexi I Lyra into the sub-fund BNP Paribas Funds Global Enhanced Bond 36M as more detailed hereinafter (the “Merger”):

<i>BNP Paribas Flexi I</i>	<i>BNP Paribas Funds</i>	<i>Effective Date of Merger*</i>	<i>Last Order Trade Date*</i>	<i>First NAV after Merger</i>	<i>First NAV after Merger</i>
<i>Merging Sub-fund</i>	<i>Receiving Sub-fund</i>			<i>Valuation Date*</i>	<i>Calculation Date*</i>
Lyra	Global Enhanced Bond 36M	<b>8 March 2024</b>	27 February 2024	8 March 2024	11 March 2024

\* Dates:

- Effective Date of Merger – Date on which the merger is effective and final.
- Last Order Trade Date – Last date on which subscriptions, redemptions and conversions orders are accepted until cut-off time into the Merging Sub-fund.  
Consequently and given the NAV cycle of the Merging Sub-fund:
  - subscriptions of the Merging Sub-fund’s shares received after 22 February 2024, after 16:00 for STP orders and 12:00 for non STP orders, will be rejected.
  - last redemption orders in the Merging Sub-fund can be made until 16 February 2024 before 16:00 for STP orders and 12:00 for non STP orders at the latest (i.e. seven business days preceding the Last Order Trade Date. Orders for redemptions or conversions out of the Merging Sub-fund’s shares received after 16 February 2024 after the cut off will be rejected.

Shareholders of the Merging Sub-fund who do not accept the merger may instruct redemption of their shares free of charge until this order trade date (see item 7).

Subscription, conversion and redemption orders will be suspended after this order trade date in the Merging Sub-fund.

- First NAV after Merger Valuation Date – Date of valuation of the underlying assets for the calculation of the first Net Asset Value (“NAV”) post-Merger.
- First NAV after Merger Calculation Date – Date on which the first NAV post-Merger (with merged portfolios) will be calculated.



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Issued shares will be merged as follows:

ISIN code	BNP Paribas Flexi I Merging Sub-fund	Share category	Reference Currency	BNP Paribas Funds Receiving Sub-fund	Share category	Reference Currency	ISIN code
LU2020655200	Lyra	Classic CAP <sup>(1)</sup>	EUR	Global Enhanced Bond 36M	Classic CAP	EUR	LU2155808491
LU2020655382		Classic Plus CAP <sup>(1)</sup>	EUR		Classic CAP	EUR	LU2155808491
LU2020655465		E CAP <sup>(1)</sup>	EUR		Classic CAP	EUR	LU2155808491
LU2020655978		I CAP <sup>(1)</sup>	EUR		I CAP	EUR	LU2155809382
LU2020655622		Privilege CAP <sup>(1)</sup>	EUR		Privilege CAP	EUR	LU2155809119

(1) In case the value of the shareholders' holding in the Merging Sub-fund's share categories is less than the relevant net asset value per share of the relevant share categories of the Receiving Sub-fund, those shareholders will not hold, in the Receiving Sub-fund, any voting rights as they will hold less than a share in the Receiving Sub-fund.

1) Background & Rationale to the Merger

Over the last years, performances of the Merging Sub-fund have been disappointing. As a result, the Merging Sub-fund has faced important outflows and does no longer attract new investors.

The Merger aims to offer to the Merging Shareholders a strong and innovative alternative solution through a merger into the Receiving Sub-fund which has a broader investment universe focused on sustainability.

**Warning:**

- ✓ **Past results are not an indicator or guarantee of future results.**
- ✓ **There is no guarantee that this objective will be achieved.**

2) Impact of the Merger for the Merging shareholders

- ✓ The shareholders of the Merging Sub-fund, who do not make use of their shares redemption right explained below on item 7), will become shareholders of the Receiving Sub-fund.
- ✓ The Merging Sub-fund will be dissolved without liquidation by transferring all of its assets and liabilities into the Receiving Sub-fund.
- ✓ The Merging Sub-fund will cease to exist at the effective date of the Merger.
- ✓ The Merger will be done in cash. The targeted assets of the Merging Sub-fund and of the Receiving Sub-fund being different, the portfolio of the Merging Sub-fund will be rebalanced within 5 business days prior to the Merger and cash will be transferred into the Receiving Sub-fund.
- ✓ As in any merger, the operation might involve a risk of performance dilution for the Merging shareholders, especially as consequence of the differences of targeted assets (explained below under item 5).
- ✓ First orders of the Merging shareholders will be accepted in the Receiving Sub-fund on March 08, 2024 after cut off, and will be processed on the NAV dated March 11, 2024 calculated on March 12, 2024, provided that the new positions have been taken into account by their financial intermediary.
- ✓ **The management costs and other administrative and operating costs ("OOC") of all share categories of the Receiving Sub-fund are lower than those of the share categories of the Merging Sub-fund as explained in the table on below item 5).**

3) Impact of the Merger for the Receiving shareholders

- ✓ The Merger will have no impact for the shareholders of the Receiving Sub-fund.
- ✓ There will be no rebalancing of and no significant impact on the Receiving Sub-Fund's portfolio.

4) Organisation of the exchange of shares

Shareholders of the Merging Sub-fund will receive, in the Receiving Sub-fund, a number of new shares calculated by multiplying the number of shares they held in the relevant share category of the Merging Sub-fund by the exchange ratio.

The exchange ratios will be calculated on Friday March 08, 2024, by dividing the NAV per share of the share categories of the Merging Sub-fund by the NAV per share of the corresponding share category of the Receiving Sub-fund, based on the valuation of the underlying assets set on Thursday March 7, 2024. A technical NAV will be calculated at the Merging Sub-fund level for the purposes of the Merger.

The criteria adopted for the valuation of the assets and, where applicable, the liabilities for the calculation of the exchange ratio will be the same as those described in the chapter "Net Asset Value" of the Book I of the prospectus of the Company.

Registered Shareholders will receive registered shares.

No balancing cash adjustment will be paid for the fraction of the share in the Receiving Sub-fund attributed beyond the third decimal.

5) Material differences between Merging and Receiving Sub-funds

The differences between the Merging and Receiving Sub-funds are the following:

Features	BNP Paribas Flexi I Lyra Merging Sub-fund	BNP Paribas Funds Global Enhanced Bond 36M Receiving Sub-fund
<b>Legal structure, registered office, applicable law, supervisory regulatory authority</b>	<p><u>Legal structure and applicable law:</u> Société d'Investissement à Capital Variable (SICAV) under Luxembourg Law <u>Registered Office:</u> the Merging Company is domiciled in Luxembourg. <u>Supervisory Authority:</u> the Merging Company is supervised by <i>the Commission de Surveillance du Secteur Financier</i> (the "CSSF").</p>	<p><u>Legal structure and applicable law:</u> Société d'Investissement à Capital Variable (SICAV) under Luxembourg Law <u>Registered Office:</u> the Receiving Company is domiciled in Luxembourg. <u>Supervisory Authority:</u> the Receiving Company is supervised by the CSSF.</p>
<b>Financial year</b>	1 July – 30 June	<b>1 January – 31 December</b>
<b>Annual General Meeting</b>	Fourth Monday of October each year	<b>25 April each year</b>
<b>Management Company</b>	BNP PARIBAS ASSET MANAGEMENT Luxembourg	BNP PARIBAS ASSET MANAGEMENT Luxembourg
<b>Depositary</b>	BNP PARIBAS, Luxembourg Branch	BNP PARIBAS, Luxembourg Branch
<b>Administrative Agent</b>	BNP PARIBAS, Luxembourg Branch	BNP PARIBAS, Luxembourg Branch
<b>Auditor</b>	Ernst & Young	<b>PriceWaterhouseCoopers</b>
<b>Investment objective</b>	The sub-fund aims to beat the risk free rate over the medium term by investing into Alternative Investment UCITS.	<b>Achieve returns that are higher than the Euro money market over a medium-term investment horizon of around 36 months.</b>
<b>Investment policy</b>	<p><u>Selection process:</u> The sub-fund will seek to achieve its investment objective by following a fund of funds approach. This approach consists in investing in several underlying funds, by following a proven and strict fund selection process.</p> <p><u>Asset allocation:</u> 1. Main assets categories The sub-fund aims to achieve its investment objective by investing at least 70% of its assets in underlying alternatives UCITS which use a wide set of different Alternative Investment strategies. The underlying alternatives UCITS are considered to be "alternative" based on the strategies the underlying alternatives UCITS implement. The weighting and allocation to the different alternative strategies (and selected funds) in the portfolio may vary over time according to the evolution of market conditions and to reflect the anticipations of the investment teams macroeconomic outlook and market views. The different Alternative Investment strategies are: a) Long Short Equity: an investing strategy that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Such strategy seeks to minimize market exposure, while profiting from stock gains in the long positions and price declines in the short positions. b) Equity Market Neutral: an investing strategy that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Such strategy seeks to exploit differences in stock prices by being long and short in stocks within the same sector, industry, market capitalization, country (for instance). This strategy creates a hedge against market factors.</p>	<p><b>In order to achieve its investment objective, the sub-fund follows an Enhanced Bond strategy that aims to generate positive returns by utilizing a global, diverse opportunity set of fixed income and money market instruments (and derivatives related to these instruments), while maintaining a very liquid portfolio with low interest rate sensitivity. Most importantly, the sub-fund is guided by the philosophy that no single investment sector, strategy, allocation or theme should dominate over time.</b></p> <p><b>Within the constraints detailed below, the strategy utilizes a range of directional positions (long and/or short) on the global universe of developed and emerging markets for bonds, interest rates, inflation, credit, high quality structured debt securities, currencies, market indices, etc. as well as positions on the volatility of targeted assets.</b></p> <p><b>This process is further strengthened with our internal sustainability extra-financial research macroeconomic research, credit research, and quantitative analysis capacities.</b></p> <p><b>A top-down macro-economic research driven approach determines asset allocation while taking into account long-term correlations. Portfolio diversification is embedded in the strategy's investment philosophy, so in normal market conditions, this top-down asset allocation approach seeks to maintain a balance across the various fixed income sectors. This top-down approach is combined with bottom-up issue selection that seeks to profit from the spread returns available in these sectors.</b></p> <p><b>Nevertheless, in extreme market circumstances, such as but not limited to debt crises, the Investment manager may decide to deviate from this balanced asset allocation, while staying within the constraints outlined below, to minimize risks, ensure the best outcome for investors, and to maintain portfolio liquidity. An example of this would be that in the event of an extreme market dislocation, the manager may believe that the best interests of UCITS fund holders were best served by moving the portfolio into cash-like instruments, e.g. very short dated Government Treasury bills, or equivalent.</b></p> <p><b>Description of the assets</b> <b>1. Main assets categories</b></p>

c) Event Driven: a strategy where a fund takes significant positions by investing in shares as well as debt securities in a certain number of companies with “special situations”. Such strategy seeks to take advantage of these “special situations”, which include restructuring, mergers, takeovers and spinoffs or other major event.

d) Managed Futures: going long or short in futures contracts for investment purposes on financial index related to equity, currencies, rates, government bonds and to a lesser extent commodities. Such strategy seeks to provide portfolio diversification to help mitigate portfolio risk.

e) Long Short Credit: a strategy focused on the analysis and valuation of credit securities in order to identify long and short investment opportunities. Such strategy seeks to take exposure to credit-sensitive securities, long and/or short, based upon credit analysis of issuers and securities, and credit market views.

f) Global Macro: a strategy that takes long and short positions in various equity, currency and fixed income markets, primarily on overall fundamental analysis of macro-economic trends and political views of various countries. Such strategy seeks to take advantage from macroeconomic developments of the world.

**2. Remaining assets**

The remaining portion, namely a maximum of 30% of its assets, may be invested in any other UCITS or UCI, money market instruments.

The sub-fund may hold ancillary liquid assets within the limits and conditions described in Book I, Appendix 1 – Eligible Assets, point 7.

**(i) Investment Grade Fixed Income:** The sub-fund may be exposed to the following Investment Grade bonds, in a range between 40% and 100%, across regulated markets worldwide:

- Government bonds (including Inflation linked bond) and Supranational bills and notes;
- Corporate bonds;
- Structured debt (including ABS/MBS and other structured product such as RMBS/CMBS). ABS refers to those issued by the

Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac), or their successor institutions. RMBS will include all kind of issues such as TBAs, and CMOs/CMBS both Agency and Non Agency; If during the holding period they fall below Investment Grade and/or in the event the portfolio ends up with any distressed securities as a result of a restructuring event or any event beyond the control of the company, the Investment Manager will assess the situation and, if he believes necessary, promptly adjust the composition of the portfolio in order to preserve the best interest of the shareholders (in any case distressed securities will never represent more than 5% of the assets).

**(ii) Non-Investment Grade Fixed Income:** The sub-fund may also be exposed to Non-Investment Grade bonds (including High Yield Corporate bonds and structured debt) in a range between 0% and 60% of the sub-fund’s assets:

**2. Ancillary assets**

**(i) Money market instruments** will comprise less 50% of the sub-fund’s assets.

**(ii) Convertible bonds** up to 10% of the assets.

**(iii) Foreign Exchange Instruments**

The sub-fund may be invested through other UCITS and/or UCIs up to 10% of its assets.

The sub-fund is not invested or exposed to equities.

In respect of the above investments limits, the sub-fund’s investments into debt securities traded on the Bond Connect may reach up to 20% of its assets.

The sub-fund is managed within an interest rate sensitivity range of -3 to +3 years.

After hedging the remaining exposure to currencies other than the EUR will be less than 25%.

The sub-fund may hold ancillary liquid assets within the limits and conditions described in Book I, Appendix 1 – Eligible Assets, point 7.

**Structured Debt exposure**

While the Investment Manager expects the total exposure to structured debt to be relatively small on the average, much of this exposure is typically hedged using TBA Mortgage-Backed Securities. Despite being hedges, the nature of these securities implies that they add to numerical total of structured debt bonds. But, being hedges they do not add risk. The maximum range for Agency Structured Debt listed in the table above accounts for these hedges.

Moreover, the majority of the structured debt would be US Agency Backed or Investment Grade at the time of purchase and all would be dealt in Regulated Markets worldwide. In particular, the Investment Manager expects much of this allocation to be focused on US Agency Backed Structured Debt where the principal and interest payments are guaranteed by one of the US government entities, Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), or their successor institutions. Ginnie Mae, in particular, is backed by the full faith of the US Federal Government, while Fannie Mae and Freddie Mac are implicitly guaranteed by the US government, and are currently under the conservatorship of the US Federal Housing Finance Agency (FHFA) – a US federal government agency. Not to be confused with non-agency backed structured debt, given the principal and interest guarantee, the credit embedded in these securities is markedly lower making them suitable for risk averse portfolios.

		<p>If during the holding period they fall below Investment Grade and/or in the event the portfolio ends up with any distressed securities as a result of a restructuring event or any event beyond the control of the company, the Investment Manager will assess the situation and, if he believes necessary, promptly adjust the composition of the portfolio in order to preserve the best interest of the shareholders (in any case distressed securities will never represent more than 5% of the assets).</p> <p>The entire range of structured debt instruments will be used include:</p> <ul style="list-style-type: none"> <li>• Agency mortgage backed securities, being those issued by the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac), or their successor institutions</li> <li>• Non-agency mortgage backed securities</li> <li>• Collateralized mortgage obligations, including interest-only (“IO”), inverse interest-only (“inverse IO”), and principal-only (“PO”) mortgage strips, and other fixed-rate, floating-rate, and subordinated tranches</li> <li>• Commercial mortgage backed securities (CMBS), asset-backed securities (ABS) including consumer receivables – e.g auto loans, credit cards, student loans – and commercial receivables – e.g dealer floor plans, equipment leases, sea containers, cell towers),</li> <li>• Covered bonds,</li> <li>• CDS derivatives where the underlying is an ABS or CMBS, and baskets of these CDS (“ABX” and “CMBX” respectively), wholly or in tranches (Synthetic structured debt)</li> <li>• TBA Mortgage-Backed Security derivatives.</li> </ul>
<p><b>Sustainable Investment Policy</b></p>	<p>The Investment Manager considers in its investment processes, through the application of the RBC, the indicator n°10 on violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and the indicator n°14 on the exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).</p>	<p>The Investment Manager applies BNP PARIBAS ASSET MANAGEMENT’s Sustainable Investment Policy, which takes into account Environmental, Social and Governance (ESG) criteria in the investment process of the sub-fund, as set out in Book I.</p> <p>The sub-fund invests at least 90% of its assets in securities issued by companies (excluding derivatives and ancillary liquid assets) that have an ESG rating assessed using the ESG score methodology, as set out in Book I.</p> <p>The average portfolio ESG score of the sub-fund is higher than the one of its investment universe, being all the debt and money market issuers.</p>
<p><b>SFDR classification</b></p>	<p>Article 6</p>	<p><b>Article 8</b></p>
<p><b>Minimum portion of sustainable investments in the meaning of SFDR</b></p>	<p>N/A</p>	<p><b>20%</b></p>
<p><b>Derivatives and Securities Financing Transactions</b></p>	<p>Core financial derivative instruments may be used for hedging purposes only as described in points 2 and 3 of Appendix 2 of Book I.</p>	<p>Core financial derivative instruments, <b>CDS, and TBA</b>, may be used for efficient portfolio management, and hedging as described in points 2 and 3 of Appendix 2 of Book I.</p> <p><b>TRS*</b> would be used for efficient replication of an underlying sub-sector of the global fixed income universe in a manner highly comparable to the use of an ETF, or CDX index. The goal will be to replicate a basket of underlying securities or positions efficiently, where efficiency is measured in cost of trading, and bid-offer spread. The principal difference between a TRS and an ETF or CDX tends to be first, compliance, and second, availability. On the first, rules on collective investments restrict the use of ETFs to 10% of the NAV of a fund, and this will often be an inefficient use of that flexibility. CDX indices can be good proxies, but their coverage is also limited, and liquidity can be impaired. If we use the example of emerging markets, CDX-EM proxies external (that is, USD-denominated) sovereign issuance, but this ignores local currency debt, as well as the local currency as an asset class. A TRS can be entered into against these two specific opportunities, either outright, or as noted, to hedge a position. Liquidity is afforded less by a bid-offer spread, than by a known maturity point at which the trade can be exited. This too may be contrasted with some of the <b>iTraxx (European CDX) sub-indices, in which secondary liquidity is known to be poor: a determination may be made that fund holders’ interests in terms of cost minimization can best be served</b></p>

		<p>by expressing a view in TRS with a potentially similar bid-offer in the life of the trade, but a known and pre-determined exit, on a case by case basis. As to funded or unfunded, the TRS market itself is not truly bespoke: instead products are made available on specified and pre-published terms, to known termination or roll dates. An asset manager will usually be a “price-taker” in terms of contract specification, and some TRS are funded – which is to say that there will be a Risk Free Rate offset. This will almost always be the case where fixed income instruments form the underlying – such as local emerging market bonds. An unfunded TRS is typically found in baskets of foreign exchange, such as emerging markets currencies which in addition to allowing efficient trading, may have non-deliverable characteristics. These simply involve a payment to be made, or received, as appropriate, at the termination date. (This is conceptually not unlike a CFD.) The aim of the flexibility in the guidelines is not to permit choice in terms of the structure of the TRS; such choice rarely exists. Rather, it is to envisage an appropriately wide universe of TRS across the global fixed income and currencies space, as offered in the market.</p> <p>* TRS will either be used for investment purposes or for efficient portfolio management purposes with the objective of an efficient management of cash flows and better coverage of markets and to get exposure to the reference investment universe of the sub-fund, such as but not limited to the Bloomberg Barclays Euro Aggregate Corporate index. The investment universe of the aforesaid index is composed of euro aggregate bonds. The rebalancing of the index (each month) does not involve any cost for the sub-fund. Additional details regarding the index is available on the website <a href="https://www.bloomberg.com/professional/product/indices/">https://www.bloomberg.com/professional/product/indices/</a>.</p>
<p><b>Risk Management Process</b></p>	<p>Commitment</p>	<p>Absolute Value at Risk</p>
<p>Level of Leverage</p>	<p>N/A</p>	<p><b>Leverage details:</b></p> <p>a) Expected leverage, usually expected at 8, is defined as the sum of the absolute values of the derivatives notional (with neither netting nor hedging arrangement) divided by the NAV. A higher leverage level (notional methodology) could be reached during the life of the sub-fund’s investment strategy.</p> <p>b) Higher leverage: Under certain circumstances higher reported leverage may be reached for brief periods. This will normally be a function of an increasing value of trade, but these may be offsetting risks. In the normal course of business leverage would fall once positions were closed or expired, but contracts which roll on pre-defined calendar days, any new positions – even if these are implemented to offset existing positions – may have the effect of increasing the gross notional amount outstanding of any contracts.</p> <p>For example: If the investment team were to express a view on the US dollar by buying US Dollars and selling Euros today using forwards, the trade would be fixed to a forward date, typically three months in the future. If the investment team then closes that trade after one month, economically there is no risk in portfolio (leaving aside counterparty risk), but the sub-fund will retain both legs offsetting each other for a further two months, until the forward date at which point the trades will close. Retaining the offsetting legs, while not adding risk, could increase gross leverage in the portfolio.</p> <p>c) Leverage may be generated by the use of derivative contracts, on fixed income, currency, equity indices, and baskets of any of these. Typically these contracts will be used either to isolate or hedge risks associated with fixed income markets including interest rate risk, changes in the yield curve or curves, country spreads, credit risk, foreign currency exposures, and market volatility.</p> <p>d) Short term interest rates futures purchases will have a larger contribution to the portfolio leverage than long term interest rates options purchases. Equally, futures on long-dated bonds will tend to have a higher sensitivity to changes in interest rates (“duration”), but require comparatively less notional exposure.</p> <p>e) Leverage Risk warning: leverage may under certain circumstances generate an opportunity for higher return and therefore more important income, but at the same time, may increase the volatility of the sub-fund and therefore the risk to lose capital.</p>

		f) <b>Risk Management:</b> as required by the local regulator, a risk management process supervises this investment strategy through a daily VaR (99%; 1-month) monitoring completed by monthly back test and stress tests.
<b>Risk Indicator</b>	2	2
<b>Specific Risk Profile</b>	<p>Specific market risks:</p> <ul style="list-style-type: none"> <li>• Alternative Investment Strategies Risk</li> <li>• Credit Risk</li> </ul> <p>For an overview of generic risks, please refer to the Appendix 3 of Book I of the Prospectus.</p>	<p>Specific market risks:</p> <ul style="list-style-type: none"> <li>• <b>Collateral Management Risk</b></li> <li>• <b>Counterparty Risk</b></li> <li>• Credit Risk</li> <li>• <b>Derivatives Risk</b></li> <li>• <b>Extra-Financial Criteria Investment Risk</b></li> <li>• <b>High Yield Bond Risk</b></li> <li>• <b>Securitised Products Risk</b></li> </ul> <p><b>Specific risks related to investment in Mainland China</b></p> <ul style="list-style-type: none"> <li>• <b>Risk related to Bond Connect</b></li> </ul> <p>For an overview of generic risks, please refer to the Appendix 3 of Book I of the Prospectus.</p>
<b>Investor type profile</b>	<p>This sub-fund is suitable for investors who:</p> <ul style="list-style-type: none"> <li>✓ are looking for market neutral absolute performance;</li> <li>✓ can accept medium market risks;</li> <li>✓ have an investment horizon of 3 years.</li> </ul>	<p>This sub-fund is suitable for investors who:</p> <ul style="list-style-type: none"> <li>✓ <b>Are sufficient investment knowledge and experience to measure risks and opportunities of such specific investment;</b></li> <li>✓ <b>Are looking for a diversification of their investments in fixed income securities via a global opportunity set;</b></li> <li>✓ Can accept low to medium market risks;</li> <li>✓ Have an investment horizon of 3 years.</li> </ul>
<b>Summary of differences for:</b>	<p><b>• Investment Policy</b></p> <p><b>• Investment Strategy</b></p> <p><b>• SFDR categorization</b></p>	
	<p><u>Different investment strategy:</u> The Merging Sub-fund investment strategy is to follow a fund of funds approach whereas the investment strategy of the Receiving Sub-fund is to follow an Enhanced Bond strategy that aims to generate positive returns by utilizing a global, diverse opportunity set of fixed income and money market instruments (and derivatives related to these instruments), while maintaining a very liquid portfolio with low interest rate sensitivity. Both Sub-funds follow nevertheless an “absolute return” approach.</p> <p><u>Different investment policy:</u> The Merging Sub-fund invests at least 70% of its assets in underlying alternatives UCITS which use a wide set of different Alternative Investment strategies whereas the Receiving Sub-fund utilizes a range of directional positions (long and/or short) on the global universe of developed and emerging markets for bonds, interest rates, inflation, credit, high quality structured debt securities, currencies, market indices, etc. as well as positions on the volatility of targeted assets.</p> <p><u>Different SFDR categorization</u> The Merging Sub-fund is categorized neither under Article 8 nor Article 9 SFDR whereas the Receiving Sub-fund is categorized under Article 8 SFDR. The latter promotes environmental and / or social and governance characteristics and will have a minimum proportion of its assets considered as sustainable investments within the meaning of SFDR.</p>	
<b>OOB:</b>		
	<ul style="list-style-type: none"> <li>• “Classic”</li> <li>• “Classic Plus”</li> <li>• “I”</li> <li>• “E”</li> <li>• Privilege”</li> </ul>	<ul style="list-style-type: none"> <li>• 4.21%</li> <li>• 3.96%</li> <li>• 3.53%</li> <li>• 3.86%</li> <li>• 3.66%</li> </ul>
		<ul style="list-style-type: none"> <li>• <b>1.11%</b></li> <li>• /</li> <li>• <b>0.49%</b></li> <li>• /</li> <li>• <b>0.71%</b></li> </ul>
<b>Performance fee</b>	For Classic, E, Privilege and I: 10% with €STR +4% as hurdle rate*.	<b>For Classic, Privilege and I: 15% with €STR+2%, as hurdle rates**.</b>
<b>Conversion</b>	Conversion only authorised between share classes of the Merging Sub-fund.	<b>Shareholders may request the conversion of some or all of their shares into shares of another sub-fund, category, or class.</b>
<b>NAV Cycle</b>	<p>Subscription or conversion IN orders:</p> <ul style="list-style-type: none"> <li>• D-3</li> <li>• D</li> <li>• D+3</li> <li>• D+5</li> </ul>	<p>Redemption or conversion OUT orders:</p> <ul style="list-style-type: none"> <li>• D-7</li> <li>• D</li> <li>• D+3</li> </ul>
		<ul style="list-style-type: none"> <li>• <b>D</b></li> <li>• <b>D</b></li> <li>• <b>D+1</b></li> <li>• <b>D+3</b></li> </ul>

- |  |  |       |  |
|--|--|-------|--|
|  |  | • D+5 |  |
|--|--|-------|--|

\* The performance fee calculation will be effected until the last NAV (NAV dated March 5, 2024). If performance is observed, the performance fee will be crystallised and paid to the Management Company.

\*\* Cash coming from the Merging Sub-fund will, from a performance fee calculation perspective, be assimilated as a subscription in the Receiving Sub-fund. Consequently, the performance fee will be calculated as described in the prospectus of the Receiving Company and will be proportionate to the actual investment performance of the Receiving Sub-fund. Fair treatment of shareholders of the Merging Sub-fund will be ensured.

6) Tax Consequences

This Merger will have no Luxembourg tax impact for shareholders of the Merging Sub-fund.

In accordance with the European Directive 2011/16 the Luxembourg authorities will report to the tax authorities in the country of residence of the shareholders of the Merging Sub-fund the total gross proceeds from the exchange of shares in application of this Merger.

For more tax advice or information on possible tax consequences associated with this Merger, it is recommended that shareholders contact their local tax advisor or authority.

7) Right to redeem the shares

Shareholders of the Merging Sub-fund who do not accept the merger may instruct redemption of their shares free of charge until the cut-off time, on the date detailed in the column “Last Order Trade Date” in the above 1<sup>st</sup> table.

Shareholders whose shares are held by a clearing house are advised to enquire about the specific terms applying to subscriptions, redemptions and conversions made via this type of Intermediary.

8) Other information

The costs and expenses of the Merger will be borne by BNP PARIBAS ASSET MANAGEMENT Luxembourg, the management company of the Merging and Receiving Companies (the “Management Company”), except for banking and transaction related costs (including e.g. taxes and stamp duties) which may be charged to the Merging Sub-fund, provided that they are not material.

The merging operations will be validated by PwC, the auditor of the Receiving Sub-fund.

The merger ratio will be available on the website <https://www.bnpparibas-am.com/en/> as soon as it is known.

The Annual and Semi-Annual Report and the legal documents of the Company, as well as the KIDs of the Merging and Receiving Sub-funds, and the Depositary and the Auditor reports regarding this operation are available at the Management Company. The KIDs of the Receiving Sub-fund are also available on the website [www.bnpparibas-am.com](http://www.bnpparibas-am.com) where shareholders are invited to acquaint with them.

Shareholders who need more information about this merger may contact the Management Company.

Please refer to the prospectus of the Merging or Receiving Company for any term or expression not defined in this document.

Best regards,

**The Board of Directors**