

CANDRIAM BONDS
Société d'Investissement à Capital Variable (open-ended investment company)
14, Porte de France
L – 4360 Esch-sur-Alzette
Luxembourg Companies' Register (RCS) B-30659

NOTICE TO SHAREHOLDERS

I) MERGERS

The Board of Directors of the SICAV Candriam Bonds (hereinafter the "SICAV") has decided, in accordance with the provisions of Article 27 of the articles of association of the SICAV (hereinafter the "Articles of Association"), and the provisions of section 8 of the Luxembourg law of 17 December 2010 on undertakings for collective investment (hereinafter the "Law of 2010"), to merge the sub-funds below under the conditions and in accordance with the procedure stated below.

This notice (the "Notice") is provided to the shareholders of the sub-funds below affected by the merger in order to allow them to be fully informed and decide on the impact of this merger on their investment.

▪ **Sub-funds affected by the merger and identification of the type of merger**

The Board of Directors has decided to conduct the merger by absorbing the following Sub-funds within the meaning of article 1 (20) of the Law of 2010 (hereinafter the "Merger").

ABSORBED SUB-FUNDS					ABSORBING SUB-FUNDS			
Name	Class	Unit	Currency		Name	Class	Unit	Currency
Candriam Bonds Europe Convertible	Classique	Cap	EUR	=>	Candriam Bonds Global Convertible Optimum	Classique	Cap	EUR
Candriam Bonds Europe Convertible	Classique	Dis	EUR	=>	Candriam Bonds Global Convertible Optimum	Classique	Dis	EUR
Candriam Bonds Europe Convertible	I	Cap	EUR	=>	Candriam Bonds Global Convertible Optimum	I	Cap	EUR
Candriam Bonds Europe Convertible	LOCK	Cap	EUR	=>	Candriam Bonds Global Convertible Optimum	LOCK (*)	Cap	EUR
Candriam Bonds Europe Convertible	N	Cap	EUR	=>	Candriam Bonds Global Convertible Optimum	N	Cap	EUR
Candriam Bonds Europe Convertible	Z	Cap	EUR	=>	Candriam Bonds Global Convertible Optimum	Z	Cap	EUR
Candriam Bonds Turkey	Classique	Cap	TRY	=>	Candriam Bonds Emerging Debt Local Currencies	Classique	Cap	USD
Candriam Bonds Turkey	Classique	Dis	TRY	=>	Candriam Bonds Emerging Debt Local Currencies	Classique	Dis	USD
Candriam Bonds Turkey	I	Cap	TRY	=>	Candriam Bonds Emerging Debt Local Currencies	I	Cap	USD
Candriam Bonds Turkey	N	Cap	TRY	=>	Candriam Bonds Emerging Debt Local Currencies	N	Cap	USD

*This class of shares will be issued at the time of the merger or on a date close to it for the requirements of the merger.

▪ **Background to and reasons for the Mergers**

The Merger is taking place in a context of rationalisation of the range of investment funds offered to investors by the Candriam Investors Group.

The Board of Directors of the SICAV has decided to conduct the merger as it is in the best interests of the shareholders, particularly since the net assets of each of the Absorbed Sub-funds have fallen below a value at which they can be managed efficiently.

This Merger therefore offers the shareholders of an Absorbed Sub-fund the option of investing in a Sub-fund with higher portfolio growth prospects.

In addition due to a potential increase in the assets under management, the Merger should entail a reduction of the costs for the shareholders of the Absorbing Sub-funds.

▪ **Effect of the Merger on the shareholders of the Absorbed and Absorbing Sub-funds and rules applicable to the transfer of assets and to the exchange of shares**

On the Effective Date each of the Absorbed Sub-funds will, following and at the time of its dissolution without liquidation, then transfer all of its assets and liabilities, to its respective Absorbing Sub-fund subject to the allocation of shares in the Absorbing Sub-fund to the shareholders of the Absorbed Sub-funds.

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By becoming shareholders of the Absorbing Sub-fund, the shareholders of the Absorbed Sub-fund will continue to benefit from the same rights attached to the shares of the SICAV in accordance with the provisions of the valid prospectus of the SICAV (the "Prospectus") and the articles of association (the "Articles of Association"), including notably the right to attend shareholders' meetings and exercise the voting rights attached to the shares as well as the right to share in the profits.

The shareholders of an Absorbed Sub-fund who do not exercise the right to redeem and convert their shares as detailed below will become shareholders of the Absorbing Sub-fund and will receive in exchange for their shares a number of shares of the Absorbing Sub-fund in accordance with the terms described in point 1 of this Notice and on the basis of the Exchange Ratio, as defined below.

The shareholders included in the register of registered shareholders of an Absorbed Sub-fund will be automatically registered in the register of registered shareholders of the corresponding Absorbing Sub-fund.

Shareholders who hold physical bearer shares of an Absorbed Sub-fund will automatically receive bearer shares registered in the securities accounts of the corresponding Absorbing Sub-fund.

If the shareholder is allocated a fraction of a share following the exchange, he may either have this fraction of a share redeemed by the Absorbing Sub-fund, at no cost other than any taxes, or make a payment so as to complete his fraction of a share and thus obtain a whole number of shares.

No subscription fee shall be deducted by an Absorbing Sub-fund from the shareholders of the Absorbed Sub-fund as a result of the Merger.

To simplify the Merger, the investment manager of each of the Absorbed Sub-funds may, with effect from the publication date of this notice, adjust the portfolio of the latter to bring it into line with the investment objective and policy of the respective Absorbing Sub-fund.

The shareholders of the Absorbed Sub-funds should be aware that they will become shareholders of the Absorbing Sub-funds which may differ in terms of investment policy, the applicable costs and fees, currency, fund manager, risks (synthetic risk and return indicator, applicable risks, method for determining overall risk) and cut-off date for the acceptance of orders.

Again with a view to simplifying the operational aspects of the Merger, **subscription**, **redemption** and **conversion** applications (both for the Absorbed and the Absorbing Sub-funds) will be suspended from 10 December 2014 at noon with the exception of the Candriam Bonds Global Convertible Optimum sub-fund, for which **redemption** and **conversion** applications will be suspended from 8 December at noon.

The shareholders of the Absorbed Sub-funds may until midday on 4 December 2014 request a redemption of their shares, without cost (apart from the duties and taxes deducted by the authorities in the countries where the shares are sold), or request the conversion thereof into shares of another Sub-fund of the SICAV.

Shareholders who do not exercise this right within the stated timeframes may exercise their rights as shareholders of the respective Absorbing Sub-funds with effect from 15 December 2014. A comparison of the principal differences between each Absorbed Sub-fund and its respective Absorbing Sub-fund is shown in Annex 1 of this Notice.

Shareholders are strongly advised to consult their professional advisers as regards the possible consequences that the Merger may have on their tax regime.

▪ **Effective date of the Merger and method of calculation of the Exchange Ratio**

On the Effective Date, each of the Absorbed Sub-funds will transfer all their assets and liabilities to the Absorbing Sub-fund and will cease to exist. The shares of the Absorbed Sub-funds will be cancelled.

The Exchange ratio will be calculated by dividing the net asset value of the shares of each of the Absorbed Sub-funds by the net asset value of the shares of the Absorbing Sub-funds (the "Exchange Ratio").

The Exchange Ratio will be calculated on 11 December 2014 (the "Calculation Date") based on the net asset values as at 10 December 2014.

The merger will be effective on 15 December 2014 (the "Effective Date"), the date of the first net asset value of each Absorbing Sub-fund calculated on 16 December 2014 and taking account of the merged assets.

The Exchange Ratios will be notified to the shareholders of the Absorbed Sub-funds as soon as possible after the Effective Date.

The Board of Directors of the SICAV has appointed PricewaterhouseCoopers Luxembourg as the auditor (hereinafter the "Auditors") to validate the aspects of the Merger stated in article 71 of the Law of 2010.

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▪ **Setting of the performance fee for the Absorbing Sub-funds after the merger**

The formula used to calculate the performance fee for the Absorbing Sub-funds will be established in such a manner that new subscribers and existing shareholders in the sub-funds are treated fairly prior to these subscriptions. In the event of the merger, issue of new shares will be considered as a subscription. The same applies.

▪ **Costs of the Merger**

All legal, advisory services or administrative costs associated with the preparation and the completion of the Merger will be incurred by the management company of the SICAV, Candriam Luxembourg.

▪ **Rights of shareholders**

In the Absorbed Sub-funds no shareholder has special rights and there are no holders of securities other than shares.

All shares to be issued by the Absorbing Sub-fund at the time of this merger, in view of the methods described above under point 1 of this Notice, are identical and grant the same rights and benefits to the holders thereof.

The shares of the Absorbing Sub-fund created after the merger will share in the operating profit of this Sub-fund with effect from the first day of the financial year of the SICAV of the Absorbing Sub-fund during which the merger is finally approved.

The following documents and any additional information can be obtained free of charge on request from the registered office of the SICAV:

- the proposed Merger;
- the Prospectus;
- the key investor information documents for each of the Absorbing Sub-funds;
- the latest annual and semi-annual report of the SICAV;
- the Merger report prepared by the Auditor.

II) OTHER CHANGES

1. Introduction of a maximum rate covering the operational and administrative charges

In accordance with the "Charges and Expenses" article in the Prospectus, the SICAV will bear the day-to-day operational and administrative charges incurred to cover all the overheads, variable costs, charges, fees and other expenses incurred during the course of its operation and administration (the "Operational and Administrative Charges").

In the interest of greater transparency and in order to limit excessive fluctuations in these expenses, the Board of Directors of the SICAV has decided to set a maximum rate covering the Operational and Administrative Charges expressed as an annual percentage of the average net asset value of each class of shares. The maximum rates applicable are shown in the Fact Sheets of the SICAV's Prospectus.

The mechanism was established in such a way that at the end of a given period, if the charges and expenses were to exceed the rate of the Operational or Administrative Charges set for a Sub-fund/share class then the Management Company would pay the difference. Conversely if the actual charges and expenses were to be less than the percentage of the Operational and Administrative Charges set for a class of shares, then the Management Company would retain the difference.

2. Management fees

The management fee which the Management Company receives in return for its portfolio management services as described in each Fact Sheet will now be paid monthly.

3. The marketing function

Investors are invited to read section 3.2.3 "Marketing function" of the Prospectus which has been reworded for clarification purposes.

4. Bearer shares

Bearer shares will only be issued in the form of a securities account. The SICAV will cease to issue physical shares.

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5. Candriam Bonds High Spread

The Board of Directors has decided to:

- i. Rename this sub-fund **Candriam Bonds Credit Opportunities**
- ii. Amend the sub-fund's investment policy such that its objective will now be to offer shareholders the ability to participate in the yields of the bonds of high credit risk companies in European Union and/or North American countries. The assets of this sub-fund will be principally invested in debt instruments (bonds and other equivalent securities) of issuers with a rating exceeding CCC+/Caa1.
- iii. Amend the benchmark indicator used to determine the performance fees from JP Morgan GBI Global Hedged Euro to Eonia Capitalised +200bps.

6. Candriam Bonds Total Return

The Board of Directors has decided to:

- i. Amend the benchmark indicator used to determine the performance fees from the Eonia Capitalised into the Eonia Capitalised + 200bps.
- ii. Increase the management fee rates as follows:
 - a. Classique class: from max. of 0.60% to max. 0,90%
 - b. I class: from max. of 0.30% to max. 0,60%
 - c. Class N: from max. of 1% to max. of 1,30%

These changes will take effect on **15 December 2014**.

Shareholders who do not agree with the above amendments may apply for the redemption of their shares, free of charge, for a period of one month from the date of this publication.

The prospectus dated 15 December 2014 will be available free of charge from the registered office of the SICAV or can be consulted free of charge on the website: www.candriam.com.

The Board of Directors

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Annex 1

Table summarising the principal differences between each Absorbed Sub-fund and its Absorbing Sub-fund.

The tables below show the principal differences between each of the Absorbing Sub-funds and its respective Absorbing Sub-fund.

The shareholders of each of the Absorbed Sub-funds are requested to refer to the Prospectus for more information on the specific characteristics of each Absorbing Sub-fund.

Shareholders of an Absorbed Sub-fund are also strongly recommended to read the key investor information documents of the corresponding Absorbing Sub-fund.

The information shown below is accurate and up-to-date on the date of publication of this notice.

Merger of the Candriam Bonds Europe Convertible sub-fund with the Candriam Bonds Global Convertible Optimum sub-fund:

	Candriam Bonds Europe Convertible (Absorbed Sub-fund)			Candriam Bonds Global Convertible Optimum (Absorbing Sub-fund)		
Investment objectives and policy	<p>Principal assets: Bonds convertible or exchangeable into shares issued by companies whose registered offices or activities are predominantly in Europe.</p> <p>Investment strategy: The fund seeks to achieve capital growth by investing in the main assets traded over the recommended investment period.</p> <p>Within the limits of the fund's investment objective and policy, the management team makes discretionary investment choices in the portfolio based on its analyses of the characteristics and growth prospects of the assets traded.</p>			<p>Principal assets: Bonds convertible or exchangeable into shares and other bonds with a maturity of less than 5 years issued by companies with a minimum rating on acquisition of BBB-/Baa3 (or equivalent) by one of the ratings agencies (i.e. issuers deemed to be of good quality).</p> <p>Investment strategy: The fund seeks to achieve capital growth by investing in the main assets traded over the recommended investment period.</p> <p>Within the limits of the fund's investment objective and policy, the management team makes discretionary investment choices in the portfolio based on its analyses of the characteristics and growth prospects of the assets traded.</p>		
Currency	EUR			EUR		
Synthetic risk and return indicator	4 for all share classes.			4 for all share classes.		
Principal risks not taken into consideration in the above indicator	Credit risk Counterparty risk Risks associated with emerging countries Liquidity risk			Credit risk Counterparty risk Risks associated with emerging countries Liquidity risk		
Method for determining total risk	Commitment method			Commitment method		
Ongoing charges	Classique Cap: 1.44%			Classique Cap: 0.97%		
	Classique Dis: 1.47%			Classique Dis: 0.98%		
	I Cap: 0.92%			I Cap: 0.45%		
	L Cap: 1.56%			L Cap: 1.02%		
	N Cap: 1.98%			N Cap: 1.30%		
	Z Cap: 0.26%			Z Cap: 0.17%		
Fees:	subscription	redemption	conversion	subscription	redemption	conversion
Classique Cap, Classique Dis, LOCK Cap	2,50%	Nil	Nil	3,50%	Max. 1.5% payable to the sub-fund.	
I Cap, N Cap, Z Cap	Nil	Nil	Nil	3,50%	Max. 1.5% payable to the sub-fund.	

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Performance fees	Nil	Class I Cap: 20% per year from any return earned by the fund which exceeds the reference value set for this fee, i.e. the JPM GBI EMU 3-5Y (RI).
Frequency of net asset value calculation	Every bank business day in Luxembourg.	Every bank business day in Luxembourg.
Limit applicable to the acceptance of redemption and conversion orders (hereinafter the "Cut-Off")	The day before a valuation day before midday (Luxembourg time).	Three days before a valuation day before midday (Luxembourg time).

Merger of the Candriam Bonds Turkey sub-fund with the Candriam Bonds Global Emerging Debt Local Currencies sub-fund:

	Candriam Bonds Turkey (Absorbed Sub-fund)	Candriam Bonds Emerging Debt Local Currencies (Absorbing Sub-fund)
Investment objectives and policy	<p>Principal assets:</p> <p>Bonds and other securities issued by private issuers, issued or guaranteed by the Republic of Turkey, Turkish public entities and semi-public issuers whose registered offices are in Turkey.</p> <p>Investment strategy:</p> <p>The fund seeks to achieve capital growth by investing in the main assets traded over the recommended investment period.</p> <p>Within the limits of the fund's investment objective and policy, the management team makes discretionary investment choices in the portfolio based on its analyses of the characteristics and growth prospects of the assets traded.</p> <p>The fund may make use of derivative products both for investment and hedging purposes to protect against future unfavourable financial events.</p>	<p>Principal assets:</p> <p>Bonds and debt securities principally denominated in local currencies and on an ancillary basis in developed countries' currencies issued by private issuers, issued or guaranteed by emerging countries, entities and semi-public issuers which operate in emerging countries.</p> <p>Investment strategy:</p> <p>The fund seeks to achieve capital growth by investing in the main assets traded over the recommended investment period.</p> <p>Within the limits of the fund's investment objective and policy, the management team makes discretionary investment choices in the portfolio based on its analyses of the characteristics and growth prospects of the assets traded.</p> <p>The fund may make use of derivative products both for investment and hedging purposes to protect against future unfavourable financial events.</p>
Portfolio manager	Deniz Portföy Yönetimi A.S. Büyükdere Cad. No:108/B Kat:8 Esentepe/İstanbul	Candriam Belgium Avenue des Arts 58 – B-1000 Brussels
Currency	TRY	USD
Synthetic risk and return indicator	3 for all share classes.	4 for all share classes.
Principal risks not taken into consideration in the above indicator	Credit risk Risks associated with emerging countries	Credit risk Counterparty risk Risks associated with emerging countries
Method for determining total risk	Commitment method	Absolute Value-at-Risk (VaR) method. The total risk of all the portfolio derivative positions may not exceed an absolute VaR of 20%. This VaR accounts for a confidence interval of 99% and a timeframe of 20 days. The expected leverage of this sub-fund should vary between 50% and 150%. This leverage will be calculated for each derivative instrument according to the notional value method and is added to the securities portfolio of the sub-fund. The sub-fund could, however, be exposed to a higher leverage.
Ongoing charges	Classique Cap: 2.01%	Classique Cap: 1.28%
	Classique Dis: 2.14%	Classique Dis: 1.29%
	I Cap: 1.34%	I Cap: 0.77%
	N Cap: 2.50%	N Cap: 1.23%
Fees:	subscriptionredemptionconversion	subscriptionredemptionconversion
Classique Cap,	2,50%NilNil	2,50%NilNil

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Classique Dis						
I Cap, N Cap	Nil	Nil	Nil	Nil	Nil	Nil
Performance fees	Nil			Class I Cap: 20% per year from any return earned by the fund which exceeds the reference value set for this fee, i.e. the JPM GBI EM Global Diversified (RI).		
Frequency of net asset value calculation	Every bank business day in Luxembourg.			Every bank business day in Luxembourg.		
Limit applicable to the acceptance of redemption and conversion orders (hereinafter the "Cut-Off")	The day before a valuation day before midday (Luxembourg time).			The day before a valuation day before midday (Luxembourg time).		