

## LETTER TO VARENNE GLOBAL SELECTION FUND UNITHOLDERS

**Re:** Merger/absorption of the VARENNE GLOBAL SELECTION Fund (merging fund) into the VARENNE SELECTION Fund (receiving fund)

Dear Sir/Madam,

You are a holder of one or more classes of the following VARENNE GLOBAL SELECTION Fund (merging fund) unit(s)

A-EUR unit ISIN FR0011656156 VALOR code 23323042

A-USD unit ISIN FR0012749398 VALOR code 28385907

P-EUR unit ISIN FR0013247038 VALOR code 36225574

P-unit USD ISIN FR0013247046 VALOR code 36199821

I-EUR unit ISIN FR0012536498 VALOR code 27117234

I-USD unit ISIN FR0013240470 VALOR code 35878202

SP unit ISIN FR0012537298

### 1) The transaction

As part of the streamlining of its range of funds, the management company has decided to merge two of its General Purpose Professional funds; on 1 October 2019, the VARENNE GLOBAL SELECTION Fund will be absorbed by the VARENNE SELECTION Fund by contribution of assets.

**The units you hold in the VARENNE GLOBAL SELECTION Fund will be fully converted into VARENNE SELECTION Fund units.**

Given the increasing convergence in the management of these two funds, the objective of this transaction is to merge two portfolios that have very few differences and to rationalise the costs borne by the fund.

If you do not redeem your units, you will become a VARENNE SELECTION Fund unitholder, without any fees or special procedures. If, however, this is not your intention, you have the right to request the cash redemption of your VARENNE GLOBAL SELECTION Fund units free of charge before 20 September 2019, 11.00 am.

The VARENNE SELECTION Fund will absorb the VARENNE GLOBAL SELECTION Fund by classes of units:

EUR Share class	VARENNE GLOBAL SELECTION (merging fund)	VARENNE SELECTION (receiving fund)
A-EUR units	FR0011656156	FR0010392225
A-USD units	FR0012749398	FR0013358769
P-EUR units	FR0013247038	FR0013246741
P-USD units	FR0013247046	FR0013358777
I-EUR units	FR0012536498	FR0012768836
I-USD units	FR0013240470	FR0013263472
SP units	FR0012537298	FR0013358785

**This transaction was approved by the AMF on 17 July 2019 and will take place on 1 October 2019.**

**In order to facilitate the completion of the merger, subscription and redemption requests for the units of the merging fund will be suspended as of 20 September 2019, 11.00 am (date after which you will no longer be able to request the cash redemption of your VARENNE GLOBAL SELECTION Fund units free of charge).**

## 2) What impact will this have?

- Change in the risk/return profile: yes
- Increase in the risk/return profile: yes

The prospectus of the receiving fund offers the option of holding securities with embedded derivatives. In addition, the receiving fund may only hold 10% in UCIs compared to 50% for the merging fund.

The investment horizons of these two funds (5 years) and their risk/return profiles (5 on the SRRI scale) are identical and have been since the launch of the VARENNE GLOBAL SELECTION Fund.

*The SRRI (Synthetic Risk and Reward Indicator) is based on past volatility results, expressed on a scale of 1 to 7 ((1 being low risk and returns and 7 being higher risk and potentially higher returns)*

This merger was decided after a convergence in the composition of assets generating comparable performance.

The change in exposure limits between the receiving fund and the merging fund reduces the amount of latitude the management team has, which results in an increase in the risk/return profile.

However, the management team believes it still has the necessary flexibility to achieve the investment objective, since the changes relate to exposure levels that have not been utilised since the launch of the merging fund.

- Increase in fees: no

The fees applied will remain the same and the merger will have no impact on the maximum management fee rates of the funds, which are comparable by each unit class, the entry and exit fees, or the performance fees.

- VARENNE SELECTION subscription/redemption procedures:

The receiving fund is at daily net asset value:

D: day the NAV is established	D	D	D +1 working day	D +3 working days	D +3 working days
Centralisation before 11.00 am of subscription orders	Centralisation before 11.00 am of redemption orders <sup>1</sup>	Execution of the order at the latest on D	Publication of the net asset value	Settlement of subscriptions	Settlement of redemptions

If you are a holder of VARENNE SELECTION units (receiving fund), there will be no change to your investment, other than those already made since September 2018, namely;

- Creation of A-USD, P-USD, P-GBP and SP units
- Introduction of thousandths of units
- Expansion of the list of usable instruments to include securities with embedded derivatives with equity underlyings (these instruments are warrants, equity warrants, certificates, and any type of bond instrument to which a conversion or subscription right is attached, such as convertible bonds, convertible bonds exchangeable for new or existing equities, and bonds with redeemable equity warrants) within an exposure limit of 20% of the assets
- Modification to the threshold for triggering performance fees, which changes from CNO TEC5 to a differentiated trigger threshold depending on the unit classes.

The investment objective described in the KIID and the prospectus has been adapted accordingly to read as follows: *‘The objective of the AIF is to seek, over the recommended investment horizon, an annualised outperformance set out below by implementing a fully discretionary and unconstrained approach in terms of regional and business sector exposure, based on the fund manager’s market expectations.*

*The objective of the A-EUR units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 105 basis points after deducting all fees charged to the AIF (excluding the performance fee).*

*The objective of the A-USD units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 105 basis points after deducting all fees charged to the AIF (excluding the performance fee).*

*The objective of the P-EUR units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 165 basis points after deducting all fees charged to the AIF (excluding the performance fee).*

*The objective of the P-USD units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 165 basis points after deducting all fees charged to the AIF (excluding the performance fee).*

*The objective of the P-GBP units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 165 basis points after deducting all fees charged to the AIF (excluding the performance fee).*

*The objective of the I-EUR units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 190 basis points after deducting all fees charged to the AIF (excluding the performance fee).*

*The objective of the I-USD units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 190 basis points after deducting all fees charged to the AIF (excluding the performance fee).*

*The objective of the SP units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 210 basis points after deducting all fees charged to the AIF (excluding the performance fee).*

*Management does not have any investment benchmark index. However, the performance of each class of units may be compared ex-post with the specific objective for each class of units indicated above.'*

- Changes to the investment strategy to allow VARENNE SELECTION to invest between 65% and 100% of its assets in shares or other securities giving access to the capital of issuers with their headquarters in or outside the European Union, in particular in the United States, the exposure may vary between 65% and 200% of the Fund's net assets.

### 3) Calculation of the merger parity

- The parity will be calculated on the net asset values of the funds as at 30 September 2019.

Taking as an example the net asset values of the EUR-A units of the two funds on 31 July 2019, i.e.:

€231.36 (A) for VARENNE GLOBAL SELECTION and

€351.15 (B) for VARENNE SELECTION

the parity (P) will be calculated as follows:

$A/B = P$ , i.e. in the example above

$$231.36/351.15 = 0.65886373$$

In this example, the holder of 10.00 units in VARENNE GLOBAL SELECTION will have 6.589 units of VARENNE SELECTION (rounded up to the nearest thousandth, without fractions) on the day

the merger is completed.

- Rebalancing the VARENNE GLOBAL SELECTION assets before the merger:

As the assets of the two merged funds are almost identical, rebalancing of the VARENNE SELECTION assets post-merger will consist in particular of ensuring continued compliance with the PEA tax ratio, which will be based on the net asset value on 1 October 2019, after the contribution of the VARENNE GLOBAL SELECTION assets.

- Work of the statutory auditors:

As the merger will take place on 1 October 2019, VARENNE SELECTION management report as at 31 December 2019 will be published separately within the usual deadlines.

The statutory auditors may be contacted in relation to this merger at the address below:

RSM Paris  
26 rue Cambacérès  
75008 Paris, France

## 4) Your options

If you wish to take part in this merger, you do not have to do anything. Your VARENNE GLOBAL SELECTION Fund units will automatically be converted into VARENNE SELECTION Fund units on 1 October 2019.

Otherwise, you can leave the VARENNE GLOBAL SELECTION Fund free of charge, until 20 September 2019.

Please note that the VARENNE SELECTION Fund does not charge any exit fees, which gives you the option of redeeming units obtained as part of this merger at any time and without charge.

If you require any further information, we recommend that you contact your usual advisor to reconsider your investment with regards to your financial, legal, tax and/or accounting situation.

### **We invite you to read the VARENNE SELECTION Key Investor Information Document (KIID).**

The KIIDs and full prospectuses of our funds are available:

- on the website: [www.varennecapital.com](http://www.varennecapital.com)
- upon written request to:

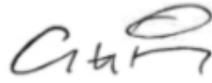
**VARENNE CAPITAL PARTNERS**

**42 avenue Montaigne**

**75008 Paris, France**

- by email: [contact@varennecapital.com](mailto:contact@varennecapital.com)

Yours faithfully,



Giuseppe Perrone,

Chairman

## Appendix

Comparison of changes before and after the merger:

	<b>Varenne Global Selection (merging fund)</b>	<b>Varenne Selection (receiving fund)</b>
<b>Investment objective <sup>(1)</sup></b>	<p>The aim of the AIF is to seek, over the recommended investment horizon, an annualised outperformance net of fees of the 12-month rolling average of capitalised EONIA +300 basis points, by implementing a fully discretionary and unconstrained approach in terms of regional and business sector exposure, based on the fund manager's market expectations. The AIF does not have any investment benchmark index. However, its performance may be compared ex-post with the annualised performance of the 12-month rolling average of Capitalised EONIA +300 basis points.</p>	<p>The objective of the AIF is to seek, over the recommended investment horizon, an annualised outperformance set out below by implementing a fully discretionary and unconstrained approach in terms of regional and business sector exposure, based on the fund manager's market expectations.</p> <p>The objective of the A-EUR units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 105 basis points after deducting all fees charged to the AIF (excluding the performance fee).</p> <p>The objective of the A-USD units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 105 basis points after deducting all fees charged to the AIF (excluding the performance fee).</p> <p>The objective of the P-EUR units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 165 basis points after deducting all fees charged to the AIF (excluding the performance fee).</p> <p>The objective of the P-USD units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 165 basis points after deducting all fees charged to the AIF (excluding the performance fee).</p> <p>The objective of the P-GBP units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 165 basis points after deducting all fees charged to the AIF (excluding the performance fee).</p> <p>The objective of the I-EUR units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 190 basis points after deducting all fees charged to the AIF (excluding the performance fee).</p> <p>The objective of the I-USD units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 190 basis points</p>

<sup>1</sup> The overall investment objective of Varenne Global Selection (merging fund) is identical to that of Varenne Selection (receiving fund). The Varenne Selection (receiving fund) investment objective is simply presented net of fees, and accordingly takes into account the financial management fees and maximum management fees external to the portfolio management company, in order to comply with the AMF Position-Recommendation DOC 2011-05

		<p>after deducting all fees charged to the AIF (excluding the performance fee).</p> <p>The objective of the SP units is to achieve an annualised performance above the capitalised EONIA (12-month rolling average) + 210 basis points after deducting all fees charged to the AIF (excluding the performance fee).</p> <p>Management does not have any investment benchmark index. However, the performance of each class of units may be compared ex-post with the specific objective for each class of units indicated above.</p>
<b>Synthetic risk indicator</b>	5	
<b>Assets used</b>	The fund invests at least 0% in equities	The fund invests at least 65% in equities
	The fund may not invest more than 200% in debt securities and money market instruments	The fund may not invest more than 50% in debt securities and money market instruments
		The fund may hold securities with embedded derivatives
	The fund is limited to 50% in UCIs, including 10% in real estate investment funds	The fund is limited to 10% in UCIs
<b>Tax (in France)</b>		The Fund is eligible for the French equity savings plan ( <i>Plan d'Epargne en Actions</i> - PEA).
<b>Redemption terms</b>	Redemption orders are executed on the day they are centralised at the custodian	
<b>Charges</b>	No difference: A units at 1.95%, P units at 1.35%, I units at 1.10% and SP units at 0.90%	
Management Fee		
Performance fee	No difference: 14.95% of positive performance in excess of the investment objective, differentiated for each class of units and indicated above.	
Maximum indirect costs	1%, the maximum turnover fees per transaction received by the custodian	
Charged on subscriptions	Max 2% (not retained by the AIF)	
Charged on redemptions	None	