

LUXEMBOURG SELECTION FUND

Société d'Investissement à Capital Variable
Registered Office: 33A, Avenue J.F. Kennedy L-1855 Luxembourg, Grand Duchy of Luxembourg
Registre de Commerce: Luxembourg B 96.268
(the "**Company**")

Notice to the shareholders of the LUXEMBOURG SELECTION FUND – Arcano Low Volatility European Income Fund – ESG Selection (the "Sub-Fund") (the "Shareholders")

Luxembourg, on 22 December 2023

*Unless otherwise defined herein, all capitalised terms used herein shall have the same meaning as in the prospectus of the Company (the "**Prospectus**").*

Dear Shareholders,

The board of directors of the Company (the "**Board**") hereby informs the Shareholders of the following changes to the Prospectus applicable as of 22 January 2024:

I. Change in the investment objective and policy

The maximum Sub-Fund's exposure to convertible bonds (which includes CoCos or related instruments) will be increased to 20%.

In addition, the maximum of the assets held by the Sub-Fund that can be subject to securities lending transactions will be increased to 60%. The expected percentage of the Sub-Fund's assets subject to securities lending transactions will be between 0% and 30%. The Sub-Fund will not enter into total return swaps.

II. Change in the ESG strategy of the Sub-Fund

The ESG investment strategy of the Sub-Fund will be adjusted in order to address in a more transparent manner the ESG analysis carried out with respect to certain types of investments of the Sub-Fund.

The main changes are as follows:

- Environmental characteristics promoted

| Previously | Going forward |
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| The Sub-Fund promoted the following environmental characteristics: climate change, natural resource use, waste management and environmental opportunities. | The Sub-Fund will promote the following environmental characteristics going forward: environmental governance and compliance, renewable energy utilization, carbon footprint and climate impact, energy efficiency, waste management and environmental responsibility and reputation. |

- Social characteristics promoted

| Previously | Going forward |
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| The Sub-Fund promoted the following social characteristics: human capital management, | The Sub-Fund will promote the following social characteristics going forward: human resource management and leadership, human |

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| product safety, social opportunities, as well as supply chain management. | rights compliance, gender diversity and inclusion and social responsibility and reputation. |
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- Environmental indicators used to measure the environmental characteristics promoted –

| Previously | Going forward |
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| <p>The above environmental characteristics were measured using the following indicators:</p> <ul style="list-style-type: none"> • Existence of an environmental policy: measuring if they have no environmental policy: some environmental engagements or a policy with quantitative objectives. • Capex in risk locations: measuring if they have capex in risky environmental locations or not at all. • Energy consumption: calculated as a combination of gross value, trend and peers comparison. • Greenhouse gas emissions: calculated as a combination of gross value, trend and peers comparison. • Geographic exposure to natural disasters: measuring if it is extremely high or very low (passing through an intermediate range). • Level of environmental controversies: measuring if they have major controversies or no controversies at all (passing through an intermediate range). | <p>The above environmental characteristics will be measured using the following indicators:</p> <ul style="list-style-type: none"> • Existence and compliance of an environmental policy: measuring if they have (i) no environmental policy, (ii) some environmental engagements or (iii) a policy with quantitative objectives. For companies having environmental commitments, the Sub-Fund checks compliance of companies to the self-imposed policies. • Share of renewable energy consumption and production. • Greenhouse gas emissions. • Energy consumption intensity. • Production of hazardous waste. • Level of environmental controversies: measuring if they have major controversies or no controversies at all. |

- Social indicators used to measure the social characteristics promoted

| Previously | Going forward |
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| <p>The above social characteristics were measured using the following indicators:</p> <ul style="list-style-type: none"> • Importance of human resources: measuring if they have a group HR director, no director or the HR director is a member of the Executive Committee. • % of the workforce in countries with Human Rights problems: measuring if it is extremely high (>50%) or 0% (passing through an intermediate range). • Staff turnover: calculated as a combination of gross value, trend and peers comparison. • Frequency of occupational accidents: calculated as a combination of gross value, trend and peers comparison. • Restructuring of provisions as a % of Ebitda: ranging from >50% to <5% (passing through an intermediate range). • Level of social controversies: measuring if they have major controversies or no controversies at all (passing through an intermediate range). | <p>The above social characteristics will be measured using the following indicators:</p> <ul style="list-style-type: none"> • Importance of human resources: measuring if they have a group HR director, no director or the HR director is a member of the Executive Committee. • Percentage of the workforce in countries with Human Rights problems: measuring if it is extremely high (>50%) or 0%. • Boarder gender diversity. • Unadjusted gender pay gap. • Restructuring of provisions as a percentage of Ebitda: ranging from >50% to <5% (passing through an intermediate range). • Level of social controversies: measuring if they have major controversies or no controversies at all. |

- Principal adverse impacts on sustainability factors

Going forward, the Sub-Fund will exclude (i) any exposure to issuers involved in controversial weapons and war materials, (ii) any exposure to issuers violating global norms such as the UN Global Compact which do not demonstrate credible corrective action, (iii) any exposure issuers violating the OECD Guidelines for Multinational Enterprises which do not demonstrate credible action and (iv) any exposure to issuers violating the UN Guiding Principles on Business and Human Rights which do not demonstrate credible corrective action.

- Investment strategy

It will be clarified that the Sub-Fund has defined a specific approach to the promotion of environmental and social characteristics for the different instruments it invests in:

- For investments in bonds issued corporations or financial institutions

| Previously | Going forward |
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| <ul style="list-style-type: none"> • Application of negative criteria: the following primary business activity (as defined below) were excluded from the investment universe of the Sub-Fund: <ul style="list-style-type: none"> ○ Production of or trade in weapons and firearms, ○ Extraction of oil and gas, thermal coal mining, ○ Tobacco, ○ Production of protected wildlife threatening substances which is banned by applicable global conventions and agreements, ○ Pornography or prostitution, ○ Gambling, ○ Subprime lending or payday lending activities. <p>Primary business activity was defined as any relevant business, trade or production from which the obligor derives more than 50% of its revenues.</p> • Application of positive criteria/Assignment of an internal ESG score: The ESG score took into account both external scores and internal research. The main steps that were used in assigning an Arcano ESG scores are detailed below: <ul style="list-style-type: none"> ○ The country/sector score assigned to every issuer by external independent ESG Data Providers is used as the base for the ESG risk assessment. ○ Based on analysts' interaction with the company and on all internally gathered ESG information. ○ The investment committee may propose a downward or upward adjustment of up to 20 points to the external independent ESG score. This is meant to reflect the portfolio | <ul style="list-style-type: none"> • Application of negative criteria: the following business activity (as defined below) will be excluded from the investment universe of the Sub-Fund: <ul style="list-style-type: none"> ○ Production, sales, and distribution of controversial weapons including anti-personnel mines, cluster munitions, chemical, biological weapons, white phosphorus, depleted uranium weapons and nuclear weapons, ○ Extraction of oil and gas, thermal coal mining, ○ Production, sales, and distribution of tobacco and related services, ○ Production of protected wildlife threatening substances which is banned by applicable global conventions and agreements, ○ Pornography or prostitution, ○ Gambling, ○ Subprime lending or payday lending activities. <p>For the purpose of application of the negative screening, business activity will be defined as any relevant business, trade or production from which the obligor derives more than 20% of its revenues. This will be with the exception of i) tobacco production, for which a threshold of 5% of total revenues applies; ii) for the sales and distribution of tobacco and related products, for which a threshold of 15% of total revenues applies; and iii) for the production, sales and distribution of controversial weapons, for which a zero tolerance principle applies.</p> • Application of positive criteria/Assignment of an Arcano ESG score: The Arcano ESG score will take into account both external |

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| <p>manager appreciation of the (3) following factors:</p> <ul style="list-style-type: none"> • Quality: this factor reflects the insights from the portfolio manager analysts' direct analysis of the robustness of the company's ESG structure, policy and incentives. It includes a detailed analysis of Environmental, Social and Governance performance of the company. • Improvement: this adjustment is meant to capture the expected forward evolution of ESG risk for the company not taken into account in the initial ESG score. Companies with a proactive ESG strategy and an improving risk profile benefit from a positive adjustment. Conversely, companies with a deteriorating ESG performance are penalized with a negative adjustment due to the portfolio manager perception of increasing future ESG risk exposure. • Transparency: Improving the quality and availability of information to allow the investment community to develop a better appreciation of the ESG risk linked to every issuer is one of the portfolio manager key long-term ESG objectives. Transparency in communication is pivotal in this perspective and is taken into account in the portfolio manager internal assessment. | <p>scores and internal research. The main steps that will be used in assigning an Arcano ESG scores are detailed below:</p> <ul style="list-style-type: none"> ○ Every company is scored against a country-sector benchmark that captures the ESG risk inherent to doing business in any specific industry and country. ○ Against this benchmark score, the investment committee evaluates company specific performance and policies to assign a company specific Arcano ESG Score. Company analysis is based on analysts' interaction with managements as well as on ESG intelligence gathered both internally and through external suppliers. The company specific analysis is meant to reflect the portfolio manager appreciation of the three (3) factors disclosed on the left side of this table. |
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- For investments in CLO and ABS

In general, the Sub-Fund will promote and attain the environmental and/or social characteristics by assigning an Arcano ESG score and a scoring band to every instrument.

The ESG analysis of these instruments hinges on two (2) different steps:

1. ESG analysis of the manager issuing the instrument: This analysis focuses on a review of the ESG policies at issuer level and includes the following items:

- a) Existence of an ESG policy
- b) Existence of an exclusion policy
- c) Existence of a fully integrated ESG approach

2. ESG analysis of the instruments itself: This analysis focuses on a review of the ESG features included in the prospectus of the instrument and includes the following items:

- a) Inclusion of ESG restrictions in the prospectus
- b) Inclusion of a fully integrated ESG approach in the prospectus

- For investments in bonds issued by government or government related agencies

The Sub-Fund will promote and attain the environmental and/or social characteristics by assigning an Arcano ESG score and a scoring band to every instrument.

ESG scores for government bonds are assigned based on four (4) main steps:

1. An exclusionary screening applies to countries included in the United Nations Security Council Sanctions.
2. An exclusionary screening applies to countries identified as high risk jurisdictions subject to a "Call for Action" by the Financial Action Task Force.
3. Countries are assigned a score based on the Transparency International – score for perceived level of public sector corruption.
4. The specific security is assigned a score based on its ESG characteristics (Sustainability linked, green, or other).
 - o For investments in UCITS and other UCIs (mainly money market funds and monetary type of UCITS and other UCIs within the limit set out by the 2010 Law)

The Sub-Fund will promote and attain the environmental and/or social characteristics by assigning an Arcano ESG score and a scoring band to every instrument.

1. Funds classified as Article 9 under the SFDR are included in Band 1 and considered sustainable investments.
2. Funds classified as Article 8 under the SFDR are generally included in band 2, 3 or 4 depending on:
 - a) Robustness of the negative screening policy;
 - b) Integration of ESG screening for all lines in the portfolio and/or commitment to engagement activities;
 - c) Commitment to realize a percentage of sustainable investments;
3. Funds not classified as Article 8 or Article 9 under the SFDR (Article 6 funds) are generally included in band 4 or 5 depending on the percentage of investments in sectors that are included in the Sub-Fund's negative screening list (no more than 10% exposure is allowed).

- Binding elements of the investment strategy used to select the investments

If, subsequent to investment, any company in the portfolio falls into Band 5 (company whose ESG score is lower than 20) due to the emergence of new information/a change in the committee appraisal of its ESG risk, the portfolio manager will have no more than three (3) months to dispose the totality of the position.

- Minimum share of (i) sustainable investments with an environmental objective that are not aligned with the EU Taxonomy and (ii) socially sustainable investments

The Sub-Fund will target a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy greater than 2.5%.

The Sub-Fund will target a minimum share of socially sustainable investments greater than 2.5%.

- Investment included under "#2 Other"

Following the above changes to the investment strategy of the Sub-Fund, investments in UCITS and other UCIs (mainly money market funds and monetary type of UCITS and other UCIs within the limit set out by the 2010 Law) will not be included under "#2 Other" but under "#1 Aligned with E/S characteristics" which includes the investments of the Sub-Fund used to attain the environmental or social characteristics promoted by the Sub-Fund.

III. Change in the definition of Business Day

As a reminder, unless otherwise described under Section I of the Prospectus, the Net Asset Value per share of the individual Sub-Funds is determined on each Business Day by the Central Administrative Agent.

The definition of "Business Day" will be amended, so that 24 and 31 December as well as individual, non-statutory days of rest in Luxembourg and days on which the stock exchanges in the main countries in which the Sub-Fund invests are closed will not be considered as business days anymore. "Non-statutory days of rest" shall mean days on which banks and financial institutions are closed.

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Shareholders disagreeing with the change described under section II of this notice may redeem their shares of the Sub-Funds free of any charge from the date of this notice until 22 January 2024.

The abovementioned changes will be reflected in an updated version of the Prospectus to be dated January 2024 which will be made available to the shareholders at the registered office of the Company.

The Board