

**CANDRIAM BONDS**  
Société d'Investissement à Capital Variable (the « SICAV ») under Luxembourg law  
14, Porte de France  
L-4360 Esch-sur-Alzette  
R.C.S. Luxembourg number B-30659

**REGISTERED**

Name and address  
Shareholder

Luxembourg, February 20, 2017

**NOTICE TO SHAREHOLDERS**

Dear Shareholder,

Shareholders are advised that the Board of Directors of the SICAV has decided to make the following changes to the Prospectus of the SICAV:

**1.1 Introduction section of the Prospectus**

- The paragraph concerning "U.S. Persons" is amended to clarify that the SICAV reserves the right to make private placement of its shares with a limited number of "U.S. Persons" to the extent permitted under current U.S. law.
- The following sentence is deleted: *"Any offer, sales, resale or transfer of shares in the SICAV to a U.S. benefit plan investor requires the prior consent of the Board of Directors of the SICAV."*

**1.2 Counterparties in transactions in OTC derivative instruments.**

The Prospectus specifies that counterparties in these transactions are validated by the Management Company's Risk Management Department and, when the transactions are initiated, have a minimum rating of BBB-/Baa3 from at least one recognised rating agency or are considered to be of equivalent quality by the Management Company. These counterparties are entities subject to prudential supervision and belonging to the categories authorised by the CSSF (credit institution, investment company, etc.), and which specialise in this type of transaction. The counterparties are located in an OECD member state.

**1.3 Temporary suspension of redemptions**

The following clause is added to chapter 14 of the Prospectus:

*"If the total redemption orders\* received for a sub-fund on a given valuation date concern more than 10% of the total net assets of the sub-fund in question, the Board of Directors or Management Company may decide on behalf of the fund to defer all or some of these orders for a period deemed by the Board of Directors or Management Company to be in the best interests of the sub-fund although not in principle more than ten (10) working days for each pending redemption.*

*Any redemption order deferred in this way will be treated as a priority over redemption orders on following valuation days.*

*The price applied to these deferred redemptions will be the net asset value of the sub-fund on the date the orders are satisfied (i.e. the net asset value calculated after the period of deferral).*

*\* including conversion orders from one sub-fund to another sub-fund of the SICAV."*

- 1.4 Level of financial guarantees:** for the securities lending activity, the financial guarantees required shall represent 102% of the value of the securities lent.
- 1.5 Operational and administrative charges:** it is specified that operational and administrative charges do not cover credit facility fees.
- 1.6 Stock exchange listing**

It is a matter for the discretion of the Board of Directors whether to list the shares of the SICAV on the Luxembourg Stock Exchange.

**1.7 Hedging policy within the share classes**

The Prospectus specifies that each share class may apply a specific hedging policy, as identified in the fact sheets of the sub-funds, namely,

- hedging against fluctuations in the reference currency: such hedging aims to reduce the effect of fluctuations in exchange rates between the reference currency of the sub-fund and the currency in which the share class is denominated. This type of hedging aims to obtain a reasonably comparable performance (adjusted for the difference in interest rates between the two currencies) for the hedged class and the (equivalent) class denominated in the reference currency of the sub-fund. This type of hedging will be identified by the addition of the suffix "H" in the naming of the class.

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- Hedging against exchange risk of the assets forming the portfolio: this kind of hedging aims to reduce the effect of fluctuations in exchange rates between the currencies in which the assets of the sub-fund are held and the currency in which the class is denominated. This type of hedging will be identified by the addition of the suffix "AH" in the naming of the class.

These two types of hedging have as their objective the mitigation of exchange risk.

Investors must be aware that the process of hedging exchange risk cannot be total or permanent, and therefore cannot completely neutralise the exchange risk and differences in performance may still arise.

All gains and losses arising from the hedging process accrue to, or are borne by, holders of these classes separately.

### 1.8 Closure of the following share class:

In compliance with article twenty-seven of the articles of incorporation of the SICAV, the Board of Directors has decided to close the following share class in order to rationalise the range of products offered to investors.

Sub-fund	Class of securities	Type of shares	ISIN code
Candriam Bonds Emerging Markets	I, denominated in USD, fully or partly hedged against a rise in US government rates	Capitalisation	LU0688317683

A provision for the liquidation fees for this share class will be made by the date of publication of this notice.

Shareholders may opt to redeem their shares until **March 29, 2017**.

Shareholders who do not request redemption of their shares within the stated timeframes will automatically receive a repayment based on the net asset value as at **March 31, 2017** calculated on **April 3, 2017**.

The redemptions will take place free of charge for the shareholder.

Assets that could not be distributed to their beneficiaries on completion of the liquidation proceedings shall be paid to the Caisse de Consignation.

Shareholders are advised to consult their usual financial adviser for suggestions regarding reinvestment.

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These changes will take effect on **March 31, 2017**.

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 **February 22, 2017**.

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The Prospectus dated **March 31, 2017**, and the key investor information documents will be available free of charge from the registered office of the SICAV or may be viewed free of charge on the website: [www.candriam.com](http://www.candriam.com).

The Board of Directors

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**1.10 Counterparties in transactions in OTC derivative instruments.**

The Prospectus specifies that counterparties in these transactions are validated by the Management Company's Risk Management Department and, when the transactions are initiated, have a minimum rating of BBB-/Baa3 from at least one recognised rating agency or are considered to be of equivalent quality by the Management Company. These counterparties are entities subject to prudential supervision and belonging to the categories authorised by the CSSF (credit institution, investment company, etc.), and which specialise in this type of transaction. The counterparties are located in an OECD member state.

**1.11 Temporary suspension of redemptions**

The following clause is added to chapter 14 of the Prospectus:

*"If the total redemption orders\* received for a sub-fund on a given valuation date concern more than 10% of the total net assets of the sub-fund in question, the Board of Directors or Management Company may decide on behalf of the fund to defer all or some of these orders for a period deemed by the Board of Directors or Management Company to be in the best interests of the sub-fund although not in principle more than ten (10) working days for each pending redemption.*

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**1.12 Level of financial guarantees:** for the securities lending activity, the financial guarantees required shall represent 102% of the value of the securities lent.

**1.13 Operational and administrative charges:** it is specified that operational and administrative charges do not cover credit facility fees.

**1.14 Stock exchange listing**

It is a matter for the discretion of the Board of Directors whether to list the shares of the SICAV on the Luxembourg Stock Exchange.

**1.15 Hedging policy within the share classes**

The Prospectus specifies that each share class may apply a specific hedging policy, as identified in the fact sheets of the sub-funds, namely,

- hedging against fluctuations in the reference currency: such hedging aims to reduce the effect of fluctuations in exchange rates between the reference currency of the sub-fund and the currency in which the share class is denominated. This type of hedging aims to obtain a reasonably comparable performance (adjusted for the difference in interest rates between the two currencies) for the hedged class and the (equivalent) class denominated in the reference currency of the sub-fund. This type of hedging will be identified by the addition of the suffix "H" in the naming of the class.

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- Hedging against exchange risk of the assets forming the portfolio: this kind of hedging aims to reduce the effect of fluctuations in exchange rates between the currencies in which the assets of the sub-fund are held and the currency in which the class is denominated. This type of hedging will be identified by the addition of the suffix "AH" in the naming of the class.

These two types of hedging have as their objective the mitigation of exchange risk.

Investors must be aware that the process of hedging exchange risk cannot be total or permanent, and therefore cannot completely neutralise the exchange risk and differences in performance may still arise.

All gains and losses arising from the hedging process accrue to, or are borne by, holders of these classes separately.

**1.16 Candriam Bonds Euro Inflation Linked sub-fund: change of name and adjustment of investment policy**

- Following a change in management process, the Board of Directors of Candriam Bonds has decided to change the name of the sub-fund to **Candriam Bonds Global Inflation Short Duration**. The investment policy has also been amended: the sub-fund's assets will now be principally invested in inflation-indexed debt securities (bonds and other equivalent securities), which can notably be fixed or variable rate, with a maturity of less than 5 years. These securities are issued or guaranteed by governments, international and supranational organisations, public sector entities and semi-public issuers and/or private sector issuers in developed and/or emerging countries. The assets are denominated in all currencies of both developed and emerging countries. The remainder of the assets may be invested in securities or money-market instruments other than those described above, or in cash.

The sub-fund may invest a maximum of 10% of its assets in UCIs and UCITS.

Investors are advised in particular that in order to implement its strategy, the sub-fund may make use of derivative financial instruments on the regulated or over-the-counter markets (especially swaps, forwards, options or futures) for the purpose of exposure, hedging and/or arbitrage. In so doing, exposure to derivative financial instruments can be high. For example the asset manager may make extensive use of these instruments in order to actively manage the duration of the portfolio and to take currency exposures on the basis of market predictions.

The underlyings of these derivative financial instruments can be currencies, interest rates, credit spreads and volatility.

- The total exposure will no longer be calculated using the commitment approach but using the relative VaR approach as described in the section entitled *Risk management* of the Prospectus. The Barclays World Government Inflation Linked TR Hedged Euro 1-5 Years index is used as the benchmark for the VaR. As an indication, the expected leverage of this sub-fund is a maximum of 350% of net assets. The sub-fund could, however, be exposed temporarily to a higher leverage. The leverage is calculated for each derivative instrument according to the notional value method and is added to the securities portfolio of the sub-fund.
- Shareholders are advised to read carefully the risk factors for this sub-fund, which have been updated to reflect this change.

**1.17 Closure of the following classes of shares:**

In compliance with article twenty-seven of the articles of incorporation of the SICAV, the Board of Directors has decided to close the following share classes in order to rationalise the range of products offered to investors.

Sub-fund	Class of securities	Type of shares	ISIN code
Candriam Bonds Euro Inflation Linked	Classique, denominated in EUR, hedged against a rise in interest rates	Capitalisation	LU0467895719
Candriam Bonds Euro Inflation Linked	Classique, denominated in EUR, hedged against a rise in interest rates	Distribution	LU0467897681
Candriam Bonds Euro Inflation Linked	I, denominated in EUR, hedged against a rise in interest rates	Capitalisation	LU0416395985

A provision for the liquidation fees for these classes of shares will be made by the date of publication of this notice.

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