

Tailor-made Overlay solutions

Hedging ♦ Yield Enhancement

March 2023

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www.ellipsis-am.com



OVERLAY PORTFOLIO SOLUTIONS

A tailor-made portfolio solution in line with your investment objectives

ADDRESSING THE ISSUES OF AN INSTITUTIONAL PORTFOLIO

1

EXPOSURE TO EXTREME SCENARIOS

Traditional portfolios are exposed to the risk of market downturns.

This risk is even greater in the event of an extreme scenario (*tail-risk*).

For regulatory reasons, institutional investors must hedge against this type of risk.

2

EXPOSURE TO THE VOLATILITY

Traditional portfolios are also exposed to the volatility of the different asset classes held in the portfolio.

A change in the volatility regime in the markets negatively impacts the portfolio from a risk management perspective.

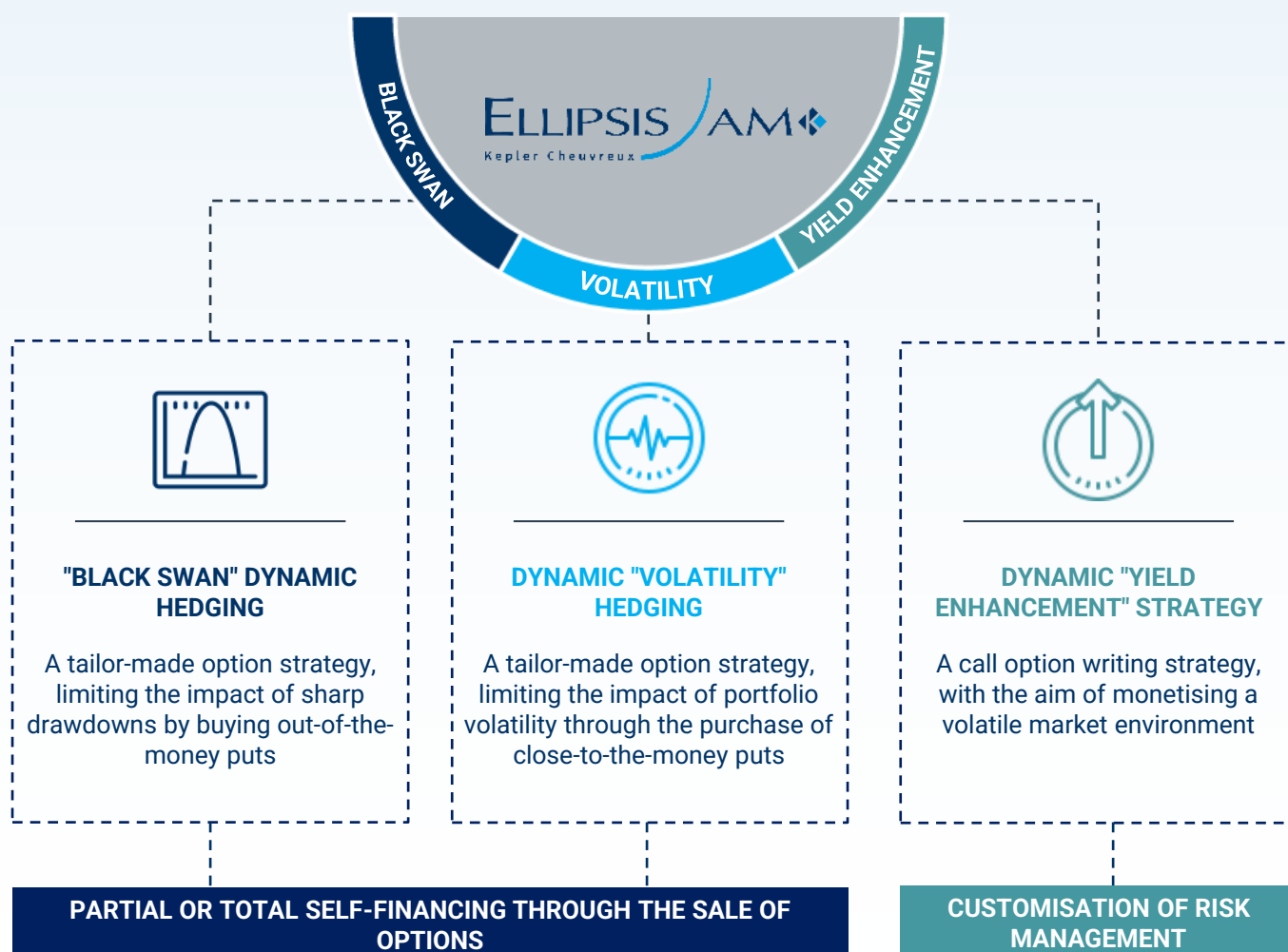
3

LOW RETURNS

Traditional portfolios are sometimes very defensive and, in the case of a low interest rate environment for example, struggle to extract the return desired by the investor.

Investors are therefore looking for solutions to create returns, while limiting risk-taking.

LIMIT THE RISK OR IMPROVE THE PORTFOLIO'S YIELD : ELLIPSIS AM'S OFFER



OVERLAY PORTFOLIO SOLUTIONS

Why choose Ellipsis AM?

A SPECIALISED MANAGEMENT COMPANY & A DEDICATED TEAM

19 YEARS OF MANAGEMENT HISTORY

Specialised management of value-added niche asset classes in two areas: Convertibles & Credit, Overlay & Customised Portfolio Solutions.

Ellipsis AM has a **long history of managing convertibles**, which places it in the top 5* of benchmark managers of European convertibles.

EXPERTISES
ELLIPSIS
AM

Convertibles & Credit

Overlay & Customised
Portfolio Solutions

14 YEARS OF OVERLAY EXPERTISE

This division is dedicated to providing solutions that meet the needs and constraints of our clients. Our expertise in listed derivatives and options favours a top-down approach with primarily quantitative processes, enhanced by a discretionary approach.

1.3 bn

of euros covered

3

dedicated experts

3 EXPERTS DEDICATED TO TAILOR-MADE SOLUTIONS



Alexandre RYO

Head of Overlay &
Customised Solutions
& Development



Nicolas BLANC

Head of Allocation &
Portfolio Manager



Pierre GALLICE

Head of Overlay
& Portfolio Manager

2008

Launch of the overlay
expertise

2016

Launch of Solvency II mandate
with a leading French insurer

2018

Launch of the first Swiss
Pension Fund mandate

2019

Launch of a China &
Emerging Markets Overlay
mandate

A MODEL FOCUSED ON TRANSPARENCY AND ROBUSTNESS



Best price execution,
thanks to a single
market access through
more than 20
counterparties



Guaranteed transparency
through the exclusive use
of listed derivatives on the
most liquid indices and
securities



Continuous valuation,
thanks to Ellipsis AM's
internal pricing models
and constant stress tests

“

We believe that performance is created through transparency.

We specialise in finding liquid solutions that provide diversification, convexity and additional return for our clients, across a cross-asset spectrum

”



1/ DYNAMIC "BLACK SWAN" HEDGING

A tailor-made option strategy, limiting the impact of sharp drawdowns

WHO IS THIS STRATEGY FOR?

REGULATORY OPTIMISATION

This strategy is currently being implemented with several European insurers with the objective of reducing their Equity SCR through a systematic hedge

FINANCIAL OPTIMISATION

In the long term, the mitigation of maximum drawdown allows for the optimisation of compounding returns. The optimisation of convexity is a key advantage of this strategy

STRUCTURE

PURCHASE OF HEDGING OPTIONS

A systematic strategy buying out-of-the-money puts on the equity portfolio, reducing the maximum drawdown

CONTINUED MANAGEMENT

Optimisation of hedging through continuous management of hedging levels and portfolio duration

SELF-FINANCING

A discretionary strategy underwriting call options, aiming at funding all or part of the hedging costs

USE CASES



FRENCH
INSURER

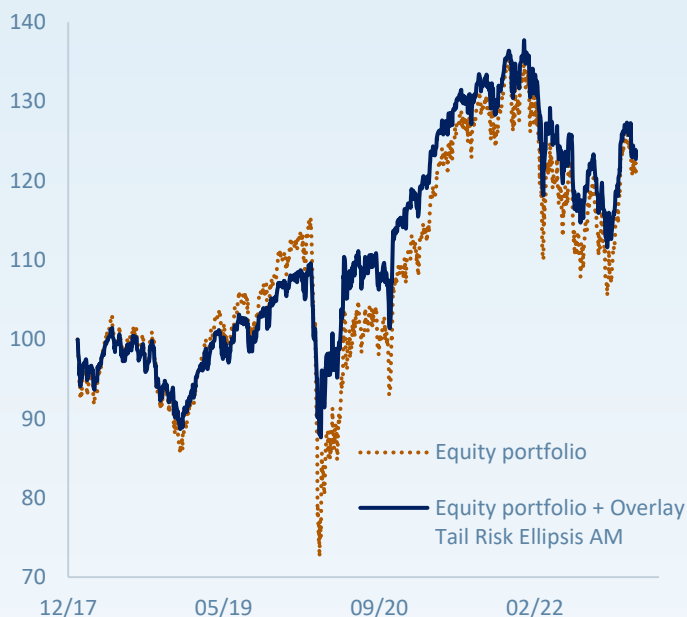


MANAGEMENT
DELEGATION



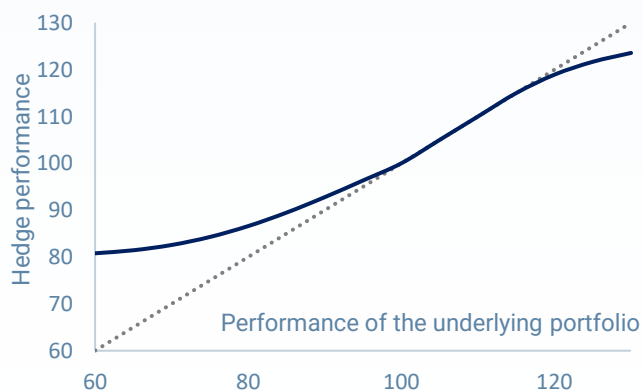
LAUNCHED IN
DECEMBER 2017

HISTORICAL PERFORMANCE

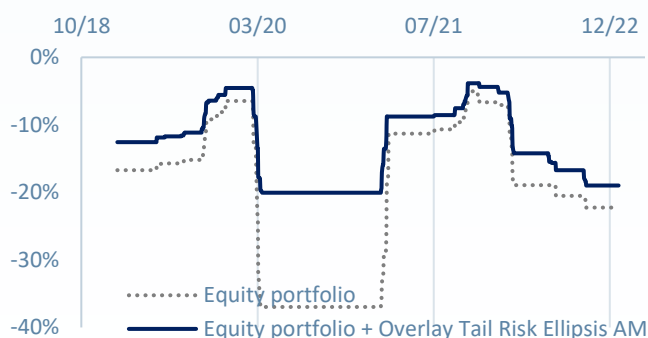


2018-2022	Equity portfolio	Portfolio + Overlay "Black Swan"
Annualised performance	3.91%	4.26%
Annualised volatility	19.62%	13.36%
Maximum drawdown	-36.99%	-20.03%
Recovery	246 days	51 days

PERFORMANCE PROFILE



MAXIMUM LOSSES 1 YEAR





2/ DYNAMIC "VOLATILITY" HEDGING

A tailor-made option strategy, limiting the impact of volatility

WHO IS THIS STRATEGY FOR?

RISK MANAGEMENT & ALLOCATION

A strategy limiting the impact of small declines or a structural bearish market performance. Adjusting the hedge ratio allows to adjust of the overall portfolio exposure, without having to adjust the underlying portfolio

FINANCIAL OPTIMISATION

Strategy implemented by long-term investors (pension funds, retirement funds, etc.) wishing to increase their equity exposure for a limited risk

STRUCTURE

SELF-FINANCED HEDGE

A systematic strategy buying near-the-money puts on the underlying portfolio, financed by selling out-of-the-money puts

CONTINUED MANAGEMENT

Hedging optimisation through continuous management of hedging levels and portfolio duration

SELF-FINANCING

An additional discretionary call option underwriting strategy to finance all or part of the strategy if it does not self-finance

USE CASES



PENSION FUND
SWITZERLAND

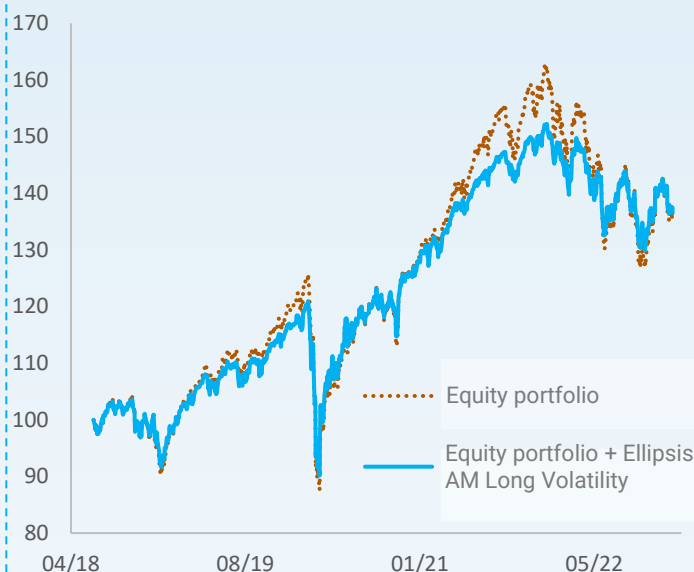


MANAGEMENT
DELEGATION



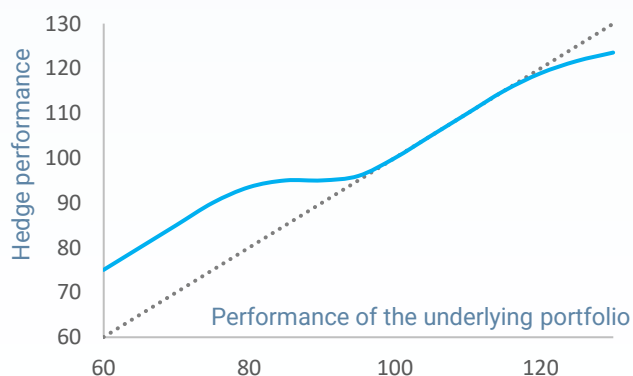
LAUNCHED IN
APRIL 2018

HISTORICAL PERFORMANCE

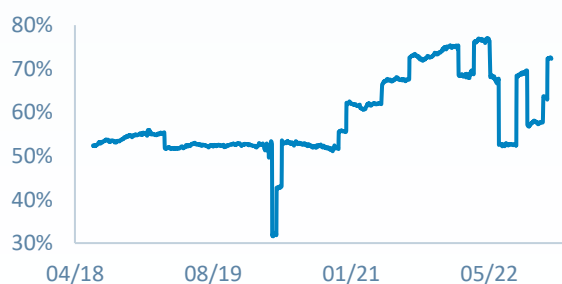


2018-2022	Equity portfolio	Portfolio + "Volatility" overlay
Annualised performance	6.79%	6.95%
Annualised volatility	16.50%	13.52%
Sharpe Ratio	0.45	0.57
Sortino Ratio	0.42	0.53

PERFORMANCE PROFILE



HEDGING RATIO





3/ « YIELD ENHANCEMENT »

Monetising a volatile market environment

WHO IS THIS STRATEGY FOR?

RISK MANAGEMENT & ALLOCATION

A strategy that allows any long-term investor to improve portfolio performance through a derivatives strategy

MANAGED RISK

A strategy that is engineered to accept a potential underperformance in bull markets, but taking advantage of many opportunities in volatile periods

STRUCTURE

PERFORMANCE GENERATION

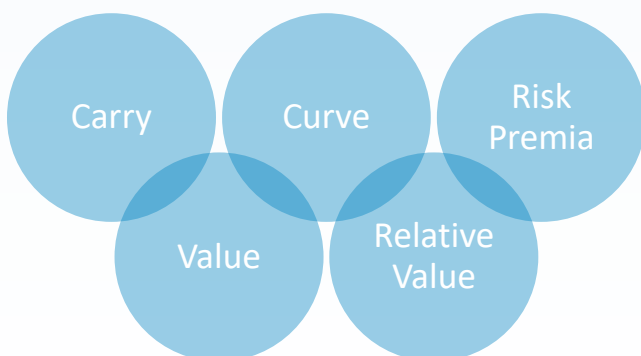
A discretionary strategy underwriting call options on the equity portfolio, aiming to add yield compared to a "long only" portfolio

CUSTOMISATION OF THE RISK/RETURN PROFILE

A performance target in line with the client's risk acceptance. For example, the perimeter can be defined without increasing the risk in case of a market downturn

OPPORTUNISTIC TACTICAL MANAGEMENT WITH A PROPRIETARY SCREENING TOOL

Various complementary and opportunistic strategies are implemented for optimal risk management. The Ellipsis AM teams can therefore adjust their strategy according to market configurations



USE CASES

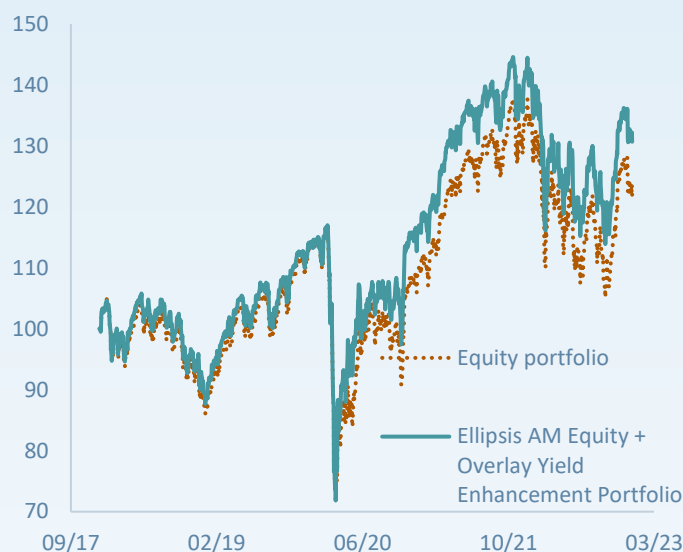


ELLIPSIS AM OPEN-
END FUND



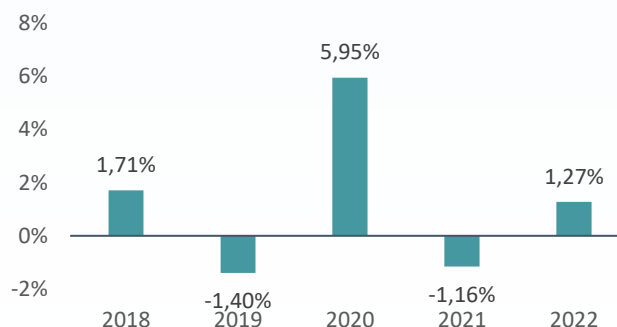
LAUNCHED IN
SEPT. 2017

HISTORICAL PERFORMANCE



2018-2022	Equity portfolio	Portfolio + Yield Enhancement Overlay
Annualised performance	3.94%	5.37%
Annualised volatility	20.59%	20.70%
Maximum drawdown	-38.24%	-38.62%

PERFORMANCE GENERATION



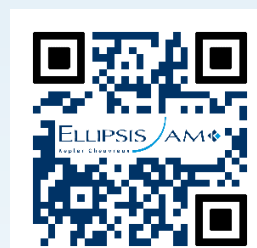
OPEN FUND UCITS (launched in S2 2023)

- Alternative UCITS - Equity Hedge
- Objective of absolute performance uncorrelated with the markets over the medium term

DEDICATED FUND

CREATION OF DEDICATED FUNDS

- Creation of a benchmark that can mix different asset classes
- Alpha - combination of overlay strategies to improve risk/return
- UCITS or AIFM format



More information on expertise

MANAGEMENT DELEGATION

FOCUS ON OVERLAY STRATEGIES

- Mandate allowing Ellipsis AM to trade derivatives directly in the client's accounts
- Low capital consumption to hedge or add yield to an existing portfolio
- Financial, regulatory & accounting solution



More information on expertise

ACTIVELY MANAGED CERTIFICATE*.

A FLEXIBLE SOLUTION

- Creation of actively managed quantitative overlay strategies within AMC
- Solution allowing the use of our overlay strategies via certificates that can be housed in different portfolios
- Ease of implementation



More information on Kepler Cheuvreux Solutions

RISKS

The strategy implemented is likely to generate an underperformance of the fund in the event of small changes in the equity index, in return for an outperformance in the event of a large decrease in this index. The Fund is exposed to a model risk linked to the core strategy implemented which is based on a systematic principle. There is a risk that this model may not be efficient. In addition, the fund is exposed to credit risk, counterparty risk and risk related to the use of forward financial instruments. These various elements may lead to a decrease in the net asset value of the fund, which is not guaranteed or protected.

DISCLAIMERS

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Warning related to overlay solutions: the objective is to reduce the risks of a given portfolio without totally eliminating them and does not aim to offer any guarantee or protection of the portfolio, which therefore remains exposed to a risk of capital loss. This solution is more particularly exposed to a model risk linked to the implementation of the main risk reduction objective, which is based on a systematic principle. There is a risk that this model is not efficient. Finally, in addition to the specific risks related to the existing portfolio, this solution introduces an exposure to risks related to the use of financial futures instruments as well as an operational risk. Due to the existence of the hedge, the potential return could be lower due to the impact of hedging costs and the fact that the portfolio could only partially participate in the upside if the markets rebound.

Additional information for Switzerland: The country of origin of the fund is France. In Switzerland, the representative is ACOLIN Fund Services SA, Leutschenbachstrasse 50, CH-8050 Zurich, and the paying agent is Banque Cantonale de Genève, 17 quai de l'Île, CH-1204 Geneva. The prospectus, key investor information, regulations or articles of association, annual and semi-annual reports may be obtained free of charge from the representative. This is an advertising document. Historical performance is not an indicator of current or future performance. The performance data does not take into account commissions and fees charged on the issue and redemption of units.

UN PRI : United Nations Principles for Responsible Investment.

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ELLIPSIS AM - 112 avenue Kléber - 75 116 Paris - France
Portfolio management company approved by the AMF under number GP -
11000014

S.A. à directoire et conseil de surveillance au capital social de 2 307 300 euros
RCS Paris 504 868 738

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Kepler Cheuvreux