

Information letter to unit holders of the Ellipsis Short Term Credit Fund

Paris, 3 May 2023

Subject: Merger-absorption of the Ellipsis Short Term Credit Fund

ISIN code IEUR : FR0011055409
ISIN code PEUR : FR0011055417
ISIN code Z : FR0011753854

Dear Sir or Madam,

You are a unit holder in the Ellipsis Short Term Credit Fund (hereinafter the "FCP") managed by the portfolio management company Ellipsis Asset Management (hereinafter the "Management Company") and we thank you for the trust you have placed in us.

What changes will occur in your fund?

We hereby wish to inform you that the Management Company has decided to merge your Ellipsis Short Term Credit Fund (hereinafter the "Absorbed Fund") into the Ellipsis High Yield Fund (hereinafter the "Absorbing Fund"), the latter also being managed by the Management Company.

Ellipsis Asset Management
Head office :
112 avenue Kléber
75116 Paris
France

www.ellipsis-am.com

Tel: +33 1 78 41 55 00

Portfolio management company approved by the AMF
under number GP11000014 - Public limited company
with a management board and supervisory board
with a share capital of 2,307,300 euros - RCS Paris
504 868 738
Intracommunity VAT FR 17 504 868 738

Indeed, in the absence of short or medium term commercial prospects for the Absorbed Fund in a context of rising interest rates and given its small size, the Management Company decided to merge the two funds in order to simplify the management framework. The Absorbed FCP and the Absorbing FCP are two bond funds made up of debt securities and money market instruments denominated in euros. Nevertheless, the Absorbing FCP has higher risk and expense levels: the merger operation thus leads to an increase in the risk/return profile due to the increased exposure to certain types of risk in the Absorbing FCP compared to the Absorbed FCP (i.e.: interest rate risk, equity risk, risk of default, etc.). This is due to the increased exposure to certain types of risk in the Absorbing FCP compared to the Absorbed FCP (i.e.: interest rate risk, equity risk, risk linked to investment in speculative and non-rated securities, senior financial bonds and government bonds) as well as exposure to certain new risks such as the risk linked to investment in contingent convertible bonds and securities with a maturity of more than 5 years. The Synthetic Risk Indicator (or SRI), on a scale of 1 to 7, increases by one notch from 2 for the Absorbed FCP to 3 for the Absorbing FCP.

When will the operation take place?

This transaction will be carried out on **14 June 2023** ("Merger Date") on the basis of the net asset values calculated on the same day on the basis of the closing prices on 13 June 2023.

Please note that, in order to ensure that this operation runs smoothly, you will not be able to subscribe to new units or request the redemption of your units from 9 June 2023 at 11:00 a.m. until 14 June 2023. As the fund is valued daily, the last net asset value (NAV) of the fund on which subscriptions or redemptions may be executed before the merger operation will be that of 8 June 2023, calculated on 9 June 2023.

If you are happy with this operation, no further action is required on your part.

If you do not agree with this operation, you can request the redemption of all or part of your units at any time, free of charge, until 11 a.m. on 8 June 2023.

What is the impact of this operation on the risk/return profile of your investment?

- **Change in yield/risk profile:** Yes
- **Increase in risk profile:** Yes
- **Fee increase:** Yes

- **Magnitude of change in risk/return profile:** Very significant¹



You will find in the Annex to this letter a comparative graph with the historical net asset values of the Absorbed Fund (IEUR share) and the Absorbing Fund (IEUR share).

What is the impact of this operation on your taxation?

There will be no immediate tax impact with regard to tax neutrality in the event of a merger. However, the tax situation of the holders of the Absorbed Fund is likely to change as a result of the merger. You will find further information in the Annex to this letter.

We invite you to contact your usual tax advisor to find out the consequences of this operation for your personal tax situation.

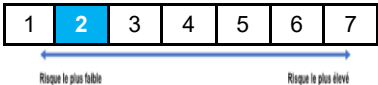
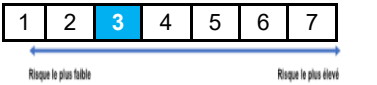
¹This indicator is based on the evolution of the SRI and the evolution of the exposure of the fund to one or more risk typologies.

What are the main differences between the Absorbed Fund and the Absorbing Fund?

Here are the main differences between your current fund and your future fund:






	Before Ellipsis Short Term Credit Fund (Absorbed)	After Ellipsis High Yield Fund (Absorbing)
Legal regime and investment policy		
Management objective	The management objective of each unit is to achieve, over a recommended investment period of at least eighteen months, an average annual performance net of management fees in excess of that of the reference money market for the unit's currency	The investment objective is to achieve, over the recommended investment period of 3 years, the best possible performance through active directional management of bonds denominated in euro, mainly from non-financial issuers, in speculative grade.
Benchmark	The €STR (ESTER or Euro Short-Term Rate) +0.085% for units denominated in euro	ICE BofAML BB-B Euro Non-Financial High Yield Constrained Index in Euro
Recommended investment period	18 months	3 years

Change in risk/return profile

Risk/return level on a scale of 1 to 7		
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Evolution of exposure to different risk categories* (%)	List with exposure ranges	List with exposure ranges	Contribution to the risk profile compared to the previous situation
Interest rate risk	[0 ; 2]	0; 6]	+
Securities - Maturity > 5 years	[0% ; 0%]	[0% ; 100%]	+
Speculative and non-rated securities	[0% ; 40%]	[0% ; 100%]	+
Senior financial obligations	[0% ; 60%]	[0% ; 100%]	+
Government bonds (sovereigns)	[0% ; 20%]	[0% ; 100%]	+
Actions	[0% ; 0%]	[0% ; 10%]	+
Contingent Convertible Bonds (CoCos)	[0% ; 0%]	[0% ; 10%]	+
Equity exposure via derivatives	[-5% ; 5%]	[-10% ; 10%]	+

*These changes were approved by the AMF on 25 April 2023

Fees			
Maximum fee	Maximum direct financial management fee including VAT :	Maximum direct financial management fee including VAT :	
	I Units: 0.5%.	I shares: 0.8%.	
	P shares: 0.8%.	P shares: 1.7%.	
	Z share: 0.15%.	Z share: 0.15%.	=
		S shares: 0.65%.	N/A
		J Units: 1%.	N/A
Current costs (year-end 2022)			
	I EUR share: 0.53%.	I EUR share: 0.81%.	
	P share EUR: 0.83%.	PEUR share: 1.70%.	
	Z share: 0.18%.	Z share: 0.15%.	
		ICHF share: 0.80%.	N/A
		JCHF share: 1%.	N/A
		JEUR share: 1%.	N/A

		SEUR share: 0.65%.	N/A
		PCHF share: 1.7%.	N/A
Outperformance fee	<p>IEUR units: 15% incl. tax above the capitalised €STR + 0.085% + 1% once the underperformance of the last 5 years has been offset.</p> <p>PEUR Units: 15% (incl. tax) above the capitalised €STR + 0.085% + 0.70 once the underperformance of the last 5 years has been fully compensated.</p> <p>Z unit: None</p>	<p>S, I, J, P units: 15% (incl. tax) of the annual outperformance net of fees of the fund compared to the ICE BofAML BB-B Euro Non-Financial High Yield Constrained Index in Euros, once the underperformance of the last 5 years has been offset.</p> <p>Z unit: None</p>	<p>↗</p> <p>↗</p> <p>=</p>

Subscription/Redemption Terms		
Swing Pricing	No	Yes
Practical information	Ellipsis Short Term Credit Fund	Ellipsis High Yield Fund
ISIN	<p>ISIN code : FR0011055409</p> <p>ISIN code PEUR: FR0011055417</p> <p>ISIN Code Z: FR0011753854</p>	<p>ISIN code IEUR: FR0011122019</p> <p>ISIN code JEUR: FR0011122001</p> <p>ISIN code SEUR: FR0011458728</p> <p>ISIN code PEUR: FR0011121995</p> <p>ICHF ISIN code: FR0011596980</p> <p>ISIN code JCHF: FR0012581882</p> <p>ISIN code PCHF: FR0012581908</p> <p>ISIN code Z: FR0011758309</p>

Key points for the investor to remember

Holders of the Absorbed mutual fund are invited to read the prospectus of the Absorbing mutual fund carefully.

The prospectus, the Key Investor Information Document (KIID) or the Key Information Document (KID) as well as the latest annual and periodical documents of the Absorbed Fund and the Absorbing Fund are available on the website www.ellipsis-am.com or are sent within eight working days upon written request by the holder to the following address

Ellipsis Asset Management
112 avenue Kleber - 75116 Paris
E-mail: client_service@ellipsis-am.com

Yours sincerely

Annex

1. Information on the calculation of the exchange ratio

On the day of the merger, the exchange ratio (i.e. the ratio between the net asset value of the Absorbed mutual fund and the net asset value of the Absorbing mutual fund) will be calculated according to the following table of concordance

Ellipsis Short Term Credit Fund	Ellipsis High Yield Fund
IEUR share: FR0011055409	IEUR share: FR0011122019
PEUR share: FR0011055417	PEUR share: FR0011121995
Z share: FR0011753854	Z share: FR0011758309

The number of units of the Absorbing FCP, Ellipsis High Yield Fund, to be created and allocated as remuneration for the contributions of the Absorbed FCP, Ellipsis Short Term Credit Fund, will be determined under the supervision of the auditors, according to the following calculation

Number of units held in the absorbed fund

X

$$\frac{\text{Net asset value as at 2023 of the absorbed fund}}{\text{Net asset value as at 2023 of the absorbing fund}} = \text{number of units of the absorbing fund allocated}$$

Given the exchange ratio thus determined and the possibility of acquiring fractions of units (thousandths of units) of the Absorbing mutual fund, each holder of a unit of the Absorbed mutual fund may receive the equivalent number of units in thousandths of units of the Absorbing mutual fund, depending on the exchange ratio.

For example: The IEUR units (FR0011055409) of the Ellipsis Short Term Credit Fund will be exchanged on the day of the merger for IEUR units (FR0011122019) of the Ellipsis High Yield Fund. The exchange parity will be defined on the basis of the net asset

values determined on the day before the merger. Thus, if the merger had taken place on 14 February 2023, the exchange ratio would have been

NAV IEUR share of the Absorbed mutual fund / NAV IEUR share of the Absorbing mutual fund = $1063.92 / 16,172.96 = 0.06578387630$.

Thus, if you hold 100,000 IEUR (FR0011055409) units of the Absorbed mutual fund, you would have received 6,578.387 IEUR (FR0011122019) units of the Absorbing mutual fund as well as a balancing payment of EUR 10.18.

2. Taxation :

Individuals domiciled in France for tax purposes

For the capital gains recorded at the time of the allocation of units of the Absorbing Ellipsis High Yield Fund, the unit holders of the Absorbed Ellipsis Short Term Credit Fund will automatically benefit from tax deferral.

As the exchange transaction is considered as an intercalary transaction, the capital gain realised will only be taxable for income tax purposes at the time of the subsequent sale of the units received in the exchange by reference to the cost price of the units of the Absorbed FCP. In the event of an exchange with a balancing payment, the tax deferral regime will only apply if the balancing payment received does not exceed 10% of the nominal value of the securities received, nor the amount of the capital gain realised.

Legal persons domiciled in France for tax purposes

In the case of legal entities subject to corporate income tax that realise a capital gain or loss on the exchange transaction, they must submit this result to the provisions of Article 38-5 bis of the General Tax Code (C.G.I.) and to the rules applicable under the provisions of Article 209-0 A 1°a of the C.G.I.

3. Comparison of net asset values of the Absorbed Fund (IEUR share, ISIN FR0011055409) and the Absorbing Fund (IEUR share, ISIN FR0011122019)

Valeurs Liquidatives quotidiennes de l'OPCVM absorbé et de l'OPCVM absorbant (rebasées)

