

SWING PRICING POLICY

In order to preserve the long-term interests of its investors, Ellipsis AM set up a Swing Pricing mechanism in accordance with the procedures recommended in the French Asset Management Association's charter (1) in replacement of subscription and redemption fees. This mechanism concerns some of our core funds.

The purpose of this document is to answer the various questions investors may have on how swing pricing works and its effects.

WHAT IS DILUTION?

Subscriptions and redemptions of shares generate buy and sell transactions in financial instruments that may cause existing unitholders to suffer the effects of dilution. This means that while the net asset value (NAV) reflects the mid-price of financial instruments, purchase and sale levels may vary. This liquidity cost is borne by all unitholders and impacts the fund's performance. This is what dilution refers to in this context.

HOW DOES SWING PRICING REDUCE THE EFFECTS OF DILUTION?

Swing pricing is an anti-dilution mechanism aimed at protecting long-standing unitholders from the cost of portfolio transactions generated by subscriptions or redemptions, using a single NAV that takes net flows into account.

The swing pricing principle ensures that incoming/outgoing investors bear the costs related to transactions on the assets side, within the framework of matching assets to liabilities.

HOW IS THE "SWUNG" NAV CALCULATED?

The calculation of the "swung" NAV can be broken down into two stages:

- the estimation of the total cost to the fund relating to subscriptions or redemptions;
- then the spreading of this total cost between the existing, incoming or outgoing unitholders.

The swing factor is applied on a flat-rate basis and reflects the fund's costs relating to subscription/redemption transactions. It is calculated as a percentage of the fund's net assets, which is adjusted upward in the case of net inflows to the fund, or downward in the case of net outflows.

WHEN IS THE SWING PRICING MECHANISM TRIGGERED?

Ellipsis AM has decided to apply the "partial swing" method with a swing threshold.

This means that the net asset value is adjusted only on valuation days when net inflows exceed a pre-determined threshold. In these cases, all units of the same fund are "swung".

HOW SWING FACTORS AND SWING THRESHOLDS ARE ESTABLISHED

A committee has been set up to determine the swing pricing parameters. It includes at least one representative from the Management Board, Middle Office and Independent Risk Control, and the Head of Compliance and Internal Control. The Management Board is the Swing Pricing Committee's final decision-maker.

The Committee meets at least once a semester to review the swing pricing parameters for each fund concerned. A meeting may be requested by any of its members in order to review the swing pricing parameters if the liquidity conditions change in one of the underlying markets of a fund that applies swing pricing.

To determine how the swing factor parameters are set, the Swing Pricing Committee uses surveys from the fund managers. For the swing thresholds, it uses analyses of the impact of swing pricing on fund risk/return ratios.

DOES THE USE OF SWING PRICING GENERATE AN ADDITIONAL COST?

Swing Pricing does not increase fund's costs; rather it means that the costs are spread differently between the unitholders.

WHAT IS THE IMPACT OF SWING PRICING ON THE RISK AND PERFORMANCE MEASUREMENTS INCLUDED IN THE FUND REPORTS?

The risk and performance indicators are calculated on the basis of a single net asset value, which may “swung”. The application of this mechanism therefore has an impact on a fund's volatility level, and may occasionally affect the calculation of the performance level.

As the occasional effect of swing pricing on the net asset value is not related to management, the performance fees are calculated before the application of swing factors.

IS IT POSSIBLE TO FIND OUT WHAT THE SWING PRICING PARAMETERS ARE?

The swing pricing parameters are confidential and not disclosed.

Ellipsis AM has put in place procedures aimed (i) at restricting access to the swing pricing parameters and to the subscription/redemption flows, and (ii) at identifying any use of this sensitive information to obtain more advantageous subscription or redemption conditions.

WHERE CAN I FIND MORE INFORMATION?

Investors can contact their usual salesperson for any further information or send their request to client_service@ellipsis-am.com.

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