

# Ellipsis Optimal Solutions - Liquid Alternative

Our expertise in overlay management within a  
UCITS alternative fund

April 2024



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[www.ellipsis-am.com](http://www.ellipsis-am.com)



# ELLIPSIS OPTIMAL SOLUTIONS - LIQUID ALTERNATIVE

## Ellipsis AM : 15 years' expertise in hedging strategies and institutional overlays

The mission of the Overlay & Customised Portfolio Solutions division is to design solutions that meet the needs and constraints of institutional investors.

Its expertise in listed derivatives and options favours a "top-down" approach with primarily quantitative processes, enhanced by a discretionary approach.

1.4bn

of euros covered

10+

mandates and overlay funds implemented

2

dedicated experts

Data as of 28/03/2024



**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

### A range of tailor-made solutions based on 3 pillars

1

Hedging solutions for extreme scenarios

2

Solutions to reduce volatility

3

Yield generation solutions

### A dedicated team with complementary expertise



**Alexandre RYO**

Head of Alternative & Overlay Solutions



**Pierre GALLICE**

Head of Overlay Strategies & Portfolio Manager

## The quest for performance is a question of principles

At Ellipsis AM, the quest for long-term performance is based on 3 key principles

### Quantitative and qualitative management

A holistic approach aiming towards maximising decorrelated performance, based on quantitative signals and the expertise of the management team



### Flexible management with several abilities

A dynamic and flexible approach, enabling the management team to adjust the sources of fund performance (underlyings, level of exposure) with reactivity



### Responsible management promoting a responsible and unifying culture

Stock selection incorporating ESG criteria. Non-financial analysis is an essential driver to obtain a 360° vision of companies.

All our funds are classified Article 8, SFDR<sup>1</sup>

## A performance decorrelated with the markets

Target equity market sensitivity<sup>1</sup>  
**25%**

Performance target<sup>1</sup>  
**6-8% p.a.**

Target volatility<sup>1</sup>  
**6% p.a.**

Maximum decrease target<sup>1</sup>  
**10%**

### INVESTMENT STRATEGIES

### OVERLAY STRATEGY

#### EQUITY RISK PREMIA

**0% - 50%**

Exposure to the equity market through various channels

- **Theme:** Mainly invested in companies aiming to reduce their carbon footprint or helping to preserve biodiversity.
- **Quality:** companies with strong profitability and solid balance sheets
- **Growth:** companies with high growth potential

#### MOMENTUM SPREAD

**0% - 50%**

Flexible exposure to the Investment Grade ESG bond market through a quantitative "Momentum spread" strategy

- This allocation is lightly invested when the risk of early default is high.
- This allocation is invested up to 50% when the risk of default is low.

#### DYNAMIC HEDGING « BLACK SWAN »



A dynamic, optimized hedge option strategy designed to generate a 10% return in the event of an extreme market downturn.

Quantitative, diversified portfolio construction, managed on a discretionary basis.

This hedging helps to limit the maximum decrease of the fund in the event of an extreme market downturn.

A strategy based on the expertise developed since 2008 in the funds and management mandates of the Overlay division.

#### YIELD ENHANCEMENT STRATEGY



A discretionary return strategy using liquid listed derivatives to manage the risks of the systematic hedging strategy.

this strategy aims to **reduce the cost of dynamic hedging** and **allows to have a flexible exposure to implied volatility, interest rates or dividends to be modulated.**

An allocation based on various risk factors

## A thematic equity exposure based on Quality and Growth

#### EQUITY RISK PREMIA

- ✓ A selection of thematic indexes based on the **reduction of CO2 emissions and biodiversity**. Because of their construction and given the sector bias, **these indexes are exposed to Quality and Growth factors.**

**Current context:** the continuing flow of investors towards decarbonising their portfolios is associated with a need for quality equities. As interest rates rise, growth stocks could make a comeback.

**Main risk:** the Equity Risk Premia part is exposed to the risk of a decrease of the equity market, which could have a negative impact on the investment strategy.

#### Thematic indexes



#### Quality Factor



#### Diversified factorial exposure



#### Growth Factor





## Active discretionary management: Relying on Ellipsis AM's DNA to extract a performance that is decorrelated from the markets

Past performance does not predict future returns

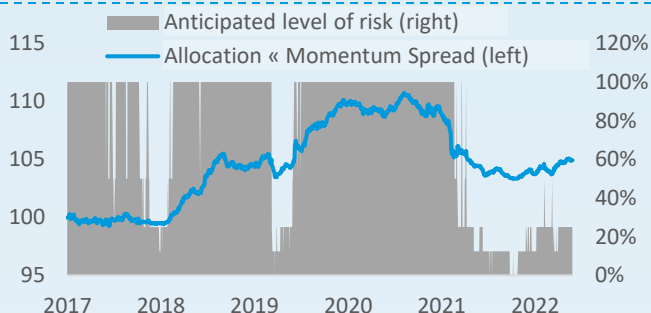
### MOMENTUM SPREAD

- ✓ A tactical liquid allocation to limit the volatility of the Momentum Spread allocation and reduce the maximum loss held by the fund.

**Current context :** The 'Momentum Spread' allocation is mainly invested in liquidity, given the current volatility on the fixed-income market.

**Main risk :** This allocation may underperform in the event of increased volatility on the credit market, preventing the strategy from being reactive in the investment/divestment phases.

*Simulation of strategy performance. The scenarios presented are for illustrative purposes only. They are calculated on the basis of past data relating to market movements and are not an exact indicator. What you get will depend on the final characteristics of the investment or product, market trends and how long you hold the investment or product. The investment may result in a total or partial financial loss.*

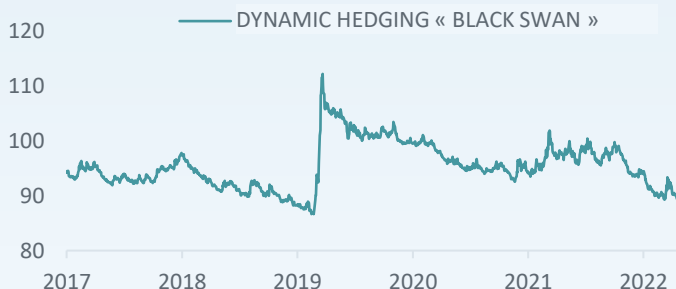


### DYNAMIC HEDGING « BLACK SWAN »

- ✓ Hedging against liquidity stress, at low or no cost.
- ✓ Generating a return of around 10% in the event of a sharp fall in the markets affecting the investment strategy.
- ✓ Interest rate and credit market exposures are also hedged.

**Current context :** Market parameters are similar to those for 2019. The high degree of leverage available means that hedging can be optimised.

**Main risk :** dynamic hedging may incur a cost in a stable or rising market environment, which could adversely affect the fund's overall performance.



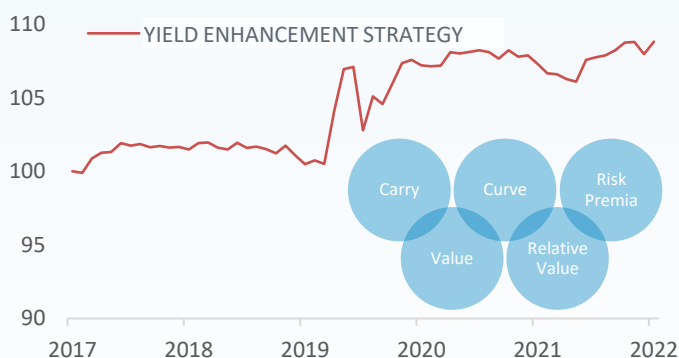
*Actual history of a dynamic "Black Swan" hedge implemented for a French insurer.*

### YIELD ENHANCEMENT STRATEGY

- ✓ A search for diversified returns in terms of asset classes without altering the strategy's risk profile
- ✓ A successful strategy in a volatile environment (2020, 2018, 2022)

**Current context :** The interest-rate environment makes the sale of call options attractive. The high degree of dispersion in the equity market means that we can take advantage of opportunities.

**Main risk :** the strategy is likely to underperform, particularly in the event of a sharp rise in the equity market.



*Actual track record based on implementation in Ellipsis AM open-ended funds and mandates managed on behalf of clients since 2016.*

## Additional risks

The Fund is also exposed to **volatility risk**, **counterparty risk** and risk associated with the use of **forward financial instruments**. These risks may lead to a fall in the net asset value of the fund, which is not guaranteed or protected in any way.

## CHARACTERISTICS

Type of fund  
**Mutual Fund**  
Management style  
**Alternative UCITS**  
Management team<sup>1</sup>



**Pierre Gallice**

Benchmark

**Share in EUR : ESTER capitalized +1%**  
**Share in CHF : SARON capitalized + 1%**  
**Share in USD : SOFR capitalized +1%**

Recommended investment period  
**5 years minimum.**

Net asset value frequency  
**Daily<sup>2</sup>**  
Assets under management

**39M€ (the 28/03/2024)**

SFDR<sup>3</sup> Classification  
**Article 8**

Recording



Custodian  
**Société Générale**

Outperformance fees<sup>4</sup>

**E and I share classes: 15% of the Fund's annual outperformance, net of fees, relative to its performance indicator, provided that underperformance over the last 5 years has been compensated.**

**J and P Share classes: 20% of the Fund's annual outperformance, net of fees, relative to its performance indicator, provided that the underperformance of the last 5 years has been offset.**

**S Share classes: none**

## AVAILABLE SHARES

Share	ISIN Code	Minimum initial subscription	Original net asset value	Management fees
<b>I-D-EUR</b> <b>I-C-EUR</b>	FR0013197993 FR0013198009	1 000 000 EUR	10 000 EUR	<b>0.65% max.</b>
<b>JEUR</b> <b>JCHF</b> <b>JUSD</b>	FR001400CB74 FR001400CB90 FR001400CB82	-	100 EUR 100 CHF 100 USD	<b>0.85% max.</b>
<b>PUSD</b> <b>PEUR</b>	FR001400CBA3 FR001400CWU7	-	100 USD 100 EUR	<b>1.40% max.</b>

## WARNINGS

This advertising document is for information purposes only and does not constitute investment advice on financial products. Due to its simplified nature, the information contained in this document may only be partial. It may be subjective and is subject to change without notice. All data has been established in good faith on the basis of market information. No guarantee can be given as to the accuracy of any information obtained from external sources.

The investment is in units of a collective investment scheme and not in the underlying assets. UCIs do not offer a capital guarantee.

The offer of units of UCIs may be restricted or prohibited by law in certain jurisdictions. Before making any offer, it is advisable to check in which countries the UCI(s) referred to in this document are registered for marketing. The UCI may not be subscribed or held by a Non-Eligible Person or a Non-Eligible Intermediary (see the section on "Relevant subscribers" in the prospectus).

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### Additional information for Switzerland :

The fund's country of origin is France. In Switzerland, the representative is Acolin Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich, and the paying agent is Banque Cantonale de Genève, quai de l'Île 17, CH-1204 Geneva. The prospectus, the basic information sheets resp. the key information for investors, the regulations and the annual and semi-annual reports may be obtained free of charge from the representative.

1. Management team as at 28/03/2024 subject to change during the life of a fund. 2. Except French public holidays and days on which TARGET is closed. | 3. European regulation (EU) No 2019/2088 known as Sustainable Finance Disclosure (SFDR). For more information on our ESG policy (environmental, social and governance criteria): [https://www.ellipsis-am.com/publication/ComplianceDoc/Fr\\_Rapport-LEC-Ellipsis-AM.pdf](https://www.ellipsis-am.com/publication/ComplianceDoc/Fr_Rapport-LEC-Ellipsis-AM.pdf) | 4. The performance fee is calculated on the basis of the Fund's financial year, is provisioned on each net asset value and is deducted annually after the end of the calculation period. The provision is deducted in the event of disinvestment during the calculation period.

## SRI RISK INDICATOR

(Share I – C EUR of reference)

1	2	3	4	5	6	7
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The risk indicator assumes that you hold the product for the recommended investment period. The actual risk may be very different if you opt to exit before maturity, and you may get less in return. The main risks to which the product is exposed are credit risk, interest rate risk and the risk associated with the subordination of certain securities. Risks linked to the low liquidity of certain securities, forward financial instruments and counterparty risks are not taken into account in the calculation of the risk indicator. As this product does not provide protection against the vagaries of the market, you could lose all or part of your investment.

# GLOSSARY

Terms	Definitions
<b>Black Swan</b>	A "Black Swan" is an extremely rare and unpredictable event that has a major and often negative impact on the financial markets or on the company in question.
<b>Equity Risk Premia</b>	Equity Risk Premia represents the source of risk and return expected from an equity investment. Factors such as Quality or Value are part of the Equity Risk Premia family.
<b>ESG</b>	Environmental, social and governance criteria used to assess the sustainable and responsible performance of a company or investment.
<b>Factors</b> (« Factorial » exposure)	A management method based on the financial or technical profile of a share (a factor): its growth, financial strength, size, share price trend or any other characteristics likely to affect its performance.
<b>Momentum Spread</b>	A management method that varies its exposure to the credit market according to the level and trend of anticipated risk (spreads).
<b>Top-down</b>	A method of portfolio management that involves making decisions by focusing first on macroeconomic and sectoral factors and then guiding the selection of specific assets.







# ELLIPSIS AM

Kepler Cheuvreux

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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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