

# ELLIPSIS GLOBAL CONVERTIBLE FUND

## ISIN Codes

YEUR Unit: FR0013416278

YCHF Unit: FR0013416286

SEUR Unit: FR0013423225

SCHF Unit: FR0013423233

IEUR Unit: FR0013423241

ICHF Unit: FR0013423258

IUSD Unit: FR0013416294

JEUR Unit: FR0013423266

JUSD Unit: FR0013423274

KUSD Unit: FR001400RI62

PEUR Unit: FR0013423282

PUSD Unit: FR0013423290

PCHF Unit: FR001400RI47

P-D EUR Unit: FR001400RI54

P2EUR Unit: FR001400VTY5

P2USD Unit: FR001400VU03

P2CHF Unit: FR001400VTZ2

Z Unit: FR0013423308

UCITS under European Directive 2009/65/EC (UCITS IV)

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**REGULATION**

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# PROSPECTUS

## ELLIPSIS GLOBAL CONVERTIBLE FUND

### UCITS under European Directive 2009/65/EC (UCITS IV)

#### 1. GENERAL CHARACTERISTICS

##### Form of the UCITS:

##### Denomination

ELLIPSIS GLOBAL CONVERTIBLE FUND

##### Legal form and Member State in which the UCITS was created

The UCITS is a mutual fund (Fonds Commun de Placement) under French law.

##### Date of creation and expected lifespan

The UCITS was approved by the French Financial Markets Authority on May 17, 2019 and was created on July 2, 2019 for a duration of 99 years.

##### Summary of the management proposal

| Unit  | ISIN Code  | Initial net asset value   | Appropriation of distributable amounts   | Currency                                      | Subscribers concerned  | Minimum amount of initial subscription   |
|---|--|---|--|---|--|--|
| YEUR<br>YCHF  | FR0013416278<br>FR0013416286   | EUR 100,000<br>CHF 100,000  | Capitalisation   | EUR<br>CHF                                    | All subscribers, more specifically destined to institutional investors   | EUR 30,000,000 <sup>1</sup><br>CHF 30,000,000 <sup>1</sup>                       |
| SEUR<br>SCHF  | FR0013423225<br>FR0013423233   | EUR 100,000<br>CHF 100,000  | Capitalisation   | EUR<br>CHF                                    | All subscribers, more specifically destined to institutional investors   | EUR 5,000,000 <sup>1</sup><br>CHF 5,000,000 <sup>1</sup>                         |
| I EUR<br>I CHF<br>I USD                                     | FR0013423241<br>FR0013423258<br>FR0013416294   | EUR 100,000<br>CHF 100,000<br>USD 100,000   | Capitalisation   | EUR<br>CHF<br>USD                             | All subscribers, more specifically destined to institutional investors   | EUR 500,000 <sup>1</sup><br>CHF 500,000 <sup>1</sup><br>USD 500,000 <sup>1</sup> |
| KUSD  | FR001400RI62   | USD 100,000   | Capitalisation   | USD   | All subscribers, more specifically destined to institutional investors   | USD 500,000 <sup>1</sup>   |
| J EUR<br>J USD  | FR0013423266<br>FR0013423274   | EUR 10,000<br>USD 10,000  | Capitalisation   | EUR<br>USD                                    | All subscribers, more specifically destined to institutional investors subscribing via distributors or intermediaries:<br>- providing an investment advisory service or portfolio management under discretionary mandate and,<br>- remunerated exclusively by investors. | None   |
| P EUR<br>P-DEUR<br>P USD<br>PCHF<br>P2EUR<br>P2CHF<br>P2USD | FR0013423282<br>FR001400RI54<br>FR0013423290<br>FR001400RI47<br>FR001400VTY5<br>FR001400VTZ2<br>FR001400VU03 | EUR 1,000<br>EUR 1,000<br>USD 1,000<br>CHF 1,000<br>EUR 1,000<br>CHF 1,000<br>USD 1,000 | Capitalisation<br>Distribution<br>Capitalisation<br>Capitalisation<br>Capitalisation | EUR<br>EUR<br>USD<br>CHF<br>EUR<br>CHF<br>USD | All subscribers<br><br>All subscribers   | None<br><br>None   |
| Z   | FR0013423308   | EUR 10,000  | Capitalisation   | EUR   | Reserved from Kepler Cheuvreux Group entities, mutual funds and mandates managed by the management company as well as its employees  | None   |

<sup>1</sup> Amounts non applicable to mutual funds and entities of Kepler Cheuvreux Group. Subscriptions made by entities belonging to a same group may be accumulated.

##### Place where the latest annual report or periodical review can be obtained:

The prospectus, KIID and most recent annual and interim reports are available at [www.ellipsis-am.com](http://www.ellipsis-am.com) or can be sent within eight business days upon written request from the holder to the following address:

Ellipsis Asset Management  
112 av. Kleber-75116 Paris  
E-mail : [client\\_service@ellipsis-am.com](mailto:client_service@ellipsis-am.com)

Further information can be obtained from your usual representative.

The AMF website ([www.amf-france.org](http://www.amf-france.org)) contains further information on the list of regulatory documents.

#### 2. PARTIES INVOLVED

Ellipsis Asset Management

Limited company with a management board and supervisory board  
Portfolio management company approved by the AMF under the no. GP 11-000014 dated 2 May 2011  
112 av. Kleber-75116 Paris

#### **Depository and custodian**

Société Générale  
Credit establishment created on 8 May 1864 by the Authorisation Decree signed by Napoleon III  
Head offices: 29 Boulevard Haussmann - 75009 Paris  
Postal address: 75886 Paris cedex 18

The services provided by the depository and custodian include keeping a register and safeguarding the Fund's assets, ensuring that the decisions taken by the Management Company are in keeping with the law, and performing optional ancillary services, such as managing liabilities. The depository and custodian shall endeavour to prevent the occurrence of conflicts of interest.

The safeguarding of the Fund's assets may be delegated by the depository and custodian. To that end, the depository and custodian shall (i) ensure that the sub-custodian is duly authorised to manage and safeguard the financial instruments and (ii) supervise the transactions carried out. The list of sub-custodians and further details are available at [www.ellipsis-am.com](http://www.ellipsis-am.com) and a paper copy is available free-of-charge on request. Updated information will also be provided to investors on request.

#### **Establishment in charge of centralising subscription and redemption orders and Establishment in charge of holding unit registers, delegated by the Management Company**

Société Générale  
32 rue du Champ de Tir - 44000 Nantes

#### **Statutory Auditors**

PricewaterhouseCoopers Audit  
Represented by Frédéric Sellam  
63 rue de Villiers - 92200 Neuilly-sur-Seine

#### **Commercialisers**

Ellipsis Asset Management

The list of commercialisers is not exhaustive in that, in particular, the UCITS is admitted for circulation on Euroclear. As such, the management company may not know certain commercialisers.

#### **Delegates**

Ellipsis Asset Management will ensure the fund's financial management alone.

Accounting and valuation is delegated to the administrative and accounting manager:

SOCIETE GENERALE  
Head offices: 29 boulevard Haussmann – 75009 PARIS  
Postal address: 189 rue d'Aubervilliers – 75886 PARIS Cedex 18

The services provided by the administrative manager and accountant include the calculation of the Fund's net asset value. Once determined, the net asset value must be approved by the Management Company before publication. The administrative manager and accountant's obligations are best efforts obligations. The administrative manager and accountant shall endeavour to prevent the occurrence of conflicts of interest.

#### **Advisors**

None

### **3. OPERATING AND MANAGEMENT TERMS**

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#### **3.1 General characteristics**

Type of rights attached to units: each unitholder has a co-ownership right for assets in the fund proportional to the number of units owned.

Management of liabilities: liabilities are handled by the depository. The fund is admitted by Euroclear France.

Voting rights: since the fund is a co-ownership of marketable securities, no voting rights are attached to the units held. Decisions concerning the fund are taken by Ellipsis Asset Management in the interest of unitholders.

Type of units: bearer

Decimalisation of units: each unit can be divided into thousandths of units

#### **CLOSING DATE**

Last day of calculation of Net Asset Value in September. First closing date for the fund: Last day of calculation of Net Asset Value in September 2020.

#### **TAX REGIME INFORMATION**

Investors should be aware that the following information is only a general summary of the tax regime applicable, as things currently stand in French legislation, to investors in a French FCP. Investors are therefore advised to assess their personal situation with their usual tax advisor.

#### Taxation at Fund level

Due to their co-ownership structure, FCPs are ipso jure outside the scope of application of corporation tax in France; they therefore enjoy a certain level of transparency. Therefore, income received and earned by the FCP in the course of its investment activities is not taxable at this level.

Abroad (in the investment countries of the Fund), gains realised on the sale of foreign transferable securities and foreign income received by the Fund in connection with its investment activities may in some cases be taxable (generally in the form of withholding tax). Foreign taxes may, in limited cases, be reduced or eliminated if any tax treaties apply.

#### Taxation at unitholder level

The tax regime applicable to amounts paid out by the Fund or to capital gains or losses realised or unrealised by the Fund depends on tax arrangements applicable to the investor's individual situation and/or the jurisdiction in which the Fund is invested. Investors are invited to study their specific situation with their usual tax advisor.

### 3. Specific provisions

#### a. ISIN Code

|               |              |
|---------------|--------------|
| Y CHF Unit:   | FR0013416286 |
| Y EUR Unit:   | FR0013416278 |
| S EUR Unit:   | FR0013423225 |
| S CHF Unit:   | FR0013423233 |
| I EUR Unit:   | FR0013423241 |
| I CHF Unit:   | FR0013423258 |
| I USD Unit:   | FR0013416294 |
| J EUR Unit:   | FR0013423266 |
| J USD Unit:   | FR0013423274 |
| K USD Unit:   | FR001400RI62 |
| P EUR Unit:   | FR0013423282 |
| P-D EUR Unit: | FR001400RI54 |
| P USD Unit:   | FR0013423290 |
| P CHF Unit:   | FR001400RI47 |
| P2 EUR Unit:  | FR001400VTY5 |
| P2 CHF Unit:  | FR001400VTZ2 |
| P2 USD Unit:  | FR001400VU03 |
| Z Unit:       | FR0013423308 |

#### b. Management objective

The management objective is to generate a higher performance than that of the Refinitiv Global Focused Hedged Convertible Bond index, through active directional management of international convertible bonds, over the recommended investment period of 5 years.

#### c. Benchmark indicator

The benchmark indicators for each unit are the following:

##### • EUR Units:

The benchmark indicator for these units is the Refinitiv Global Focus Hedged Convertible Bond (EUR) (code Bloomberg UCBIFX14), hedged against currency risk relative to the euro, net coupons reinvested.

Refinitiv Global Focus Convertible Bond Hedged Index is representative of the performance of international convertible bonds respecting minimum liquidity criteria and a balanced risk profile (shares/bonds). It is hedged against currency risk and calculated by Refinitiv Benchmark Services (UK) Limited, a subsidiary of the Thomson Reuters group and available on the website <https://www.refinitiv.com/en/financial-data/indices/convertible-indices> as well as on the Bloomberg terminal.

##### • CHF Units:

The benchmark indicator for the fund is the Refinitiv Global Focus Hedged Convertible Bond (CHF) (code Bloomberg UCBIFX28) against currency risk relative to the Swiss franc, net coupons reinvested.

Refinitiv Global Focus Convertible Bond Hedged Index is representative of the performance of international convertible bonds respecting minimum liquidity criteria and a balanced risk profile (shares/bonds). It is hedged against currency risk and calculated by Refinitiv Benchmark Services (UK) Limited, a subsidiary of the Thomson Reuters group and available on the website <https://www.refinitiv.com/en/financial-data/indices/convertible-indices> as well as on the Bloomberg terminal.

##### • USD Units:

The benchmark indicator for the fund is the Refinitiv Global Focus Hedged Convertible Bond (USD) (code Bloomberg UCBIFX02) against currency risk relative to the US dollar, net coupons reinvested.

Refinitiv Global Focus Convertible Bond Hedged Index is representative of the performance of international convertible bonds respecting minimum liquidity criteria and a balanced risk profile (shares/bonds). It is hedged against currency risk and calculated by Refinitiv Benchmark Services (UK) Limited, a subsidiary of the Thomson Reuters group and available on the website <https://www.refinitiv.com/en/financial-data/indices/convertible-indices> as well as on the Bloomberg terminal.

The fund's management is not restricted by these benchmark indicators, such that the fund's performance can differ significantly from that of the indicators.

In accordance with Regulation (EU) 2016/1011 of the European Parliament and the Council of 8 June 2016, Refinitiv Benchmark Services (UK) Limited, the benchmark administrator of Refinitiv Global Focus Hedged Convertible Bond (EUR), Refinitiv Global Focus Hedged Convertible Bond (CHF) and Refinitiv Global Focus Hedged Convertible Bond (USD) benchmark indicators is subject to the transitional provisions described in Article 51 of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (hereinafter the "BMR Regulation") and is not currently registered on the register of administrators and benchmark indices maintained by the European Securities and Markets Authority (ESMA).

In accordance with the BMR Regulation, the management company has a procedure to monitor the benchmark indices uses describing the measures to implement in the event of substantial changes made to an index or if supply of the index is halted.

#### **d. Investment strategy**

The investment strategy is based on discretionary management that favours stock picking based on an assessment of financial and extra-financial criteria.

- Firstly, qualitative analysis of credit risk aims to ensure the sustainable nature of the issuer's financial and business model. This analysis is based on an assessment of the credit quality, supplemented by a systematic assessment of the quality of governance (e.g. management integrity, independence of the Board of Directors, accounting and tax practices etc.), reputation risks and regulatory risks. As such, each criterion contributes to the qualitative assessment of credit risk without necessarily being disqualifying when taken individually. The aim is to avoid issuers that could be sanctioned by the market in the short or medium term for their default risk, governance practices, the impact of regulatory changes on their business model. This first level of analysis may lead to the stock's exclusion.
- Secondly, a multicriteria 360° assessment, along 3 axes
  - Fundamental analysis of the underlying share and its upside potential as well as analysis of the convertible bond issuer's credit, with integration of ESG criteria (see paragraph d.1 below);
  - Quantitative analysis based on assessment of the technical profile (convexity, yield on maturity, bond floor distance, equity/credit/volatility/rates sensitivity) and relative valuations and on analysis of the contractual clauses;
  - Analysis of information flows, of the balance between supply and demand and liquidity.

This 360° multi-criteria analysis leads to the selection of convertible bonds and the weighting of positions.

- Finally, the last stage of the portfolio construction aims to adjust exposure levels to equities, credit and fixed-income markets as well as to thematic and sector risks. They are managed in coherence with the macro-economic analysis developed within Ellipsis AM.

##### **d.1 Integration of ESG criteria into the investment strategy**

The fund does not have a sustainable investment objective.

Under the European Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, the fund falls into the category of products promoting environmental and/or social characteristics (so-called "Article 8").

The performance of the fund may be affected by environmental, social or governance events affecting the convertible issuers to which the fund is exposed. This sustainability risk may result in a decrease in the net asset value of the fund. It is taken into account in investment decisions through:

1/ Exclusion policies: these relate to sensitive sectors linked to the fight against climate change and protection of human rights and are based on lists of excluded issuers established by the BNP Paribas Group. In addition, regarding the coal sector, the FCP undertakes not to hold any issuers of the exclusion list of the Swiss Association for Responsible Investments SVVK-ASIR: <https://svvk-asir.ch/fr/liste-d-exclusion> in its portfolio, unless it can justify this by an internal analysis of the environmental characteristics of the instrument or the issuer.

2/ A selective approach: this aims to favour companies with good ESG practices by systematically eliminating at least 50% among minimum 15% of the lowest rated stocks in the investment universe represented by the benchmark. ESG ratings are established by the manager-analyst team, based on external extra-financial research and internal discretionary assessment. Controversy analysis is a central tool in the assessment of sustainability risk. The rating methodology addresses the 3 criteria: Environmental, Social and Governance.

3/ A "rating improvement" approach: the portfolio's average ESG rating must be better than the rating of its benchmark indicator. The ESG analysis covers more than 90% of convertible bonds held in the portfolio, all credit risk categories combined (investment grade, high yield).

This financial product promotes environmental and social characteristics. However, the underlying investments of this financial product do not take into account the European Union criteria for environmentally sustainable economic activities within the meaning of Regulation (EU) 2020/852 (hereinafter the "Taxonomy Regulation") and it is not currently in a position to make a commitment from its portfolio on a minimum of activities aligned with the Taxonomy Regulation. The percentage of assets aligned with the Taxonomy Regulation should be considered 0%. Therefore, the "do no material harm" principle does not apply to the underlying investments of this financial product.

The "Principal adverse impacts" (PAI) on sustainability factors within the meaning of Article 7 of the SFDR Regulation, are not currently taken into account in the investment decisions of the fund due to the lack of available and reliable data in the current state of the market.

For more information, please visit: <https://www.ellipsis-am.com/esg>

The fund is mainly invested in convertible bonds, exchangeable bonds and assimilated securities in all regions, including in emerging markets, denominated in euros or other foreign currencies.

The fund is hedged against exchange rate risk, which corresponds to the risk of a variation in the denomination currency for each financial instrument relative to the reference currency of the fund. In addition, each unit in the fund is hedged against exchange rate risk which corresponds to the risk of a variation in the reference currency of the fund relative to denomination currency of the unit. This exchange rate hedging cannot be perfect such that a residual exchange rate risk may nevertheless remain and represent up to 5% of net assets.

With a view to diversifying or improving the fund's technical profile, the fund may invest in so-called synthetic convertible bonds or exchangeable bonds issued by banks.

It may also allocate part of its assets to bonds, debt securities and monetary instruments up to 40% maximum of net assets as well as to use derivatives and instruments with embedded derivatives with a view to hedging the portfolio or rebuilding synthetic exposure to one or more risks in compliance with the management objective.

Allocation is made with no geographical, sectoral or size predominance among the main global markets and with no rating restrictions.

The portfolio's average sensitivity to underlying shares stands at between 10% and 90% and can move between 30% and 70% of the fund's net assets in normal market conditions. The fund's average sensitivity to rates stands at between 0 and +7.

The fund may enter into temporary purchases and sales of securities transactions in order to optimise its revenues.

#### **e. Assets used**

##### **• Convertible bonds and assimilated stocks**

The fund is permanently exposed at a minimum of 60% of net assets to international convertible bonds and assimilated stocks, including those of emerging markets, of public or private sector issuers, with no rating restrictions.

This exposure is implemented either via direct holding of securities or through the replication of a convertible bond profile by associating a bond and a derivative instrument, in the event the pool of convertible bonds is not sufficiently well balanced, as well as with a view to optimising diversification and improving the fund's technical profile.

The instruments that can be used are the following:

- Convertible bonds,
- Bonds convertible into shares with equity warrants (French OCABSA),
- Bonds convertible or exchangeable into new or existing shares (French OCEANE),
- Bonds redeemable in shares (French ORA, ORANE, ORABSA),
- Bonds exchangeable for shares,
- Bonds with equity warrants (OBSA, OBSAR).

##### **• Debt securities and money market instruments**

The fund can be exposed up to 40% maximum to bonds, negotiable debt securities and money-market instruments of public or private issuers with no geographical or rating restrictions. These investments are primarily used to manage cash or diversify the portfolio.

The fund can notably invest in the following securities and instruments:

- Fixed-rate bonds,
- Variable-rate bonds,
- Bonds convertible or exchangeable into shares at the holder's option,
- Bonds assimilated with cash,
- Others: participating shares, constant maturity rates, subordinated securities,
- Indexed bonds (inflation, constant maturity swap, ...),
- Short or medium-term negotiable securities
- EMTN.

##### **• Shares and equity securities**

The Fund does not aim to hold equities directly except when they result from a conversion or exchange or where they are used to replicate the performance of a convertible bond.

##### **• Units and shares of UCIs or investment funds**

The Fund may invest up to 10% of its net assets in shares or units of the following UCIs or investment funds:

- French or foreign UCIs compliant with Directive 2009/65/EC
- French or foreign UCIs compliant with Directive 2011/61/EU or foreign investment funds that meet the four conditions set out in article R214-13 of the French Monetary and Financial Code.

These UCIs may be managed by the Management Company or one of its affiliates.

##### **• Derivative instruments:**

The Fund may hold derivatives traded on regulated, organised or over-the-counter markets in order to:

- expose the portfolio to equity, interest rate, credit and currency risk with a view to recreating synthetic exposure to one or more risks in line with its investment objective with a view to diversification;
- hedge the portfolio against equity, interest rate, credit and currency risk.

The derivatives that can be used are listed below:

- Interest rate futures and bond or equity futures;
- Options on interest rate futures and on bond or equity futures;
- Forward rate agreements and currency forwards;
- Interest rate swaps and currency swaps;
- Equity contracts for difference (CFD) on a specific issuer or index;
- Performance swaps (Total Return Swaps on a specific issuer or index);
- Credit derivatives (Credit Default Swaps on a specific issuer or index).

In order to deliver its management objective, the fund may use total return swaps (TRS) for hedging and exposure purchases (buy or sell).

A Total Return Swap is an over-the-counter contract by which the two parties exchange flows representing, for the seller, remuneration for an asset, increased if relevant, by its appreciation, and for the buyer, a periodic premium, increased if relevant, by the depreciation in the asset.

The TRS that the fund may use are contracts on individual securities, baskets of individual securities, equity indices or bond indices in which the fund may invest in accordance with its investment objectives in return for a periodic payment indexed to a benchmark reference monetary rate.

The TRS counterparty has no discretionary power either over the composition or management of the fund's portfolio or the underlying assets of the TRS. The counterparty's approval is not required either for any transactions relative to the fund's portfolio.

The maximum proportion of assets likely to be subject to TRS will not exceed 20% of the fund's net assets. The proportion of assets under management likely to be the object of these operations will represent between 0% and 20% of net assets.

▪ Selection criteria for counterparties to derivative instruments:

These transactions are carried out with French or international counterparties, such as credit institutions or providers of investment services, whose registered offices are located in member countries of the OECD, Hong Kong or Singapore, and whose rating must not be lower than investment category (securities rated higher than or equal to BBB- or Baa3 by official rating agencies). These counterparties may also belong to a group to which the management company belongs.

There is an operational risk and counterparty risk associated with these transactions subject to the exchange of financial guarantees. Cash financial guarantees received by the UCITS may be reinvested in accordance with the provisions of the paragraph "Collateral Management Policy" of this prospectus.

• Securities with embedded derivatives

The Fund may use instruments with embedded derivatives (e.g.: certificates, structured EMTN and middle term negotiable securities, synthetic convertible bonds, callable bonds, puttable bonds, subscription certificates, warrants) to expose the portfolio to equity, interest rate, credit or currency risk in order to recreate synthetic exposure to one or more risks in line with its investment objective.

• Deposits

When investing its cash, the Fund may make deposits in accordance with the terms of article R214-14 of the French Monetary and Financial Code

• Temporary purchases and sales of securities

The Fund may enter into temporary purchase (reverse repurchase and borrowing) and sale (repurchase and lending) of securities to optimise its income.

These operations aim at selling or purchasing temporarily debt securities, money market instruments, as well as shares and equity securities with the aim of optimising the fund's income.

- The Fund may engage in securities purchasing transactions up to 100% of its net assets. It is expected that 10% of assets under management will be involved in such transactions.
- The Fund may engage in the temporary sale of securities up to 50% of its net assets. It is expected that 0-20% of assets under management will be involved in such transactions. It is expected that 0-20% of assets under management will be involved in such transactions.

Proceeds from the temporary purchase or sale of securities are payable in full to the Fund.

These transactions are carried out with French or international counterparties, such as credit institutions or providers of investment services, whose registered offices are located in member countries of the OECD, Hong Kong or Singapore, and whose rating must not be lower than investment category (securities rated higher than or equal to BBB- or Baa3 by official rating agencies). These counterparties may also belong to a group to which the management company belongs.

There is an operational risk and counterparty risk associated with these transactions subject to the exchange of financial guarantees. Cash financial guarantees received by the UCITS may be reinvested in accordance with the provisions of the paragraph "Collateral Management Policy".

• Cash borrowing

The Fund may occasionally be overdrawn by up to 10% of its assets.

**f. Collateral Investment Policy**

Collateral denotes all the assets pledged as security as part of derivatives transactions traded OTC or as part of effective portfolio management operations (temporary purchases and sales of securities).

To this end, collateral received in order to reduce counterparty risk must meet, inter alia, the liquidity, evaluation and issuer credit quality criteria, as well as correlation and diversification criteria reiterated in the regulations, particularly in AMF position 2013-06.

The types of eligible assets used include liquid assets, government bonds, private debt instruments, company shares or any other asset agreed between the parties when concluding the transaction, up to the limit authorised in the regulations. These assets are valued at market value on a daily basis pursuant to the provisions of the section entitled "Asset valuation and accounting rules" and are subject to daily variation margins. A discount policy has been drawn up by the management company and configured for each type of asset received depending on the market value. It is based on an extreme risk measure (VaR 95%) over an investment horizon in line with the point at which these positions will be closed. Assets received by the fund are held by the custodian.

The management company reserves the right to reject any collateral assets it deems inappropriate based on internal criteria. A list of assets or types of asset to be rejected is kept up-to-date by the management company Ellipsis AM. Any additions or deletions of a security or asset category are validated by the risk committee.

Cash collateral paid by a counterparty must be reinvested in accordance with the prevailing regulations. The risks associated with reinvestments in cash depend on the asset type and/or transaction type and may include counterparty risk, operational risk and liquidity risk.

**g. Total exposure**

Total risk exposures resulting from securities commitments and positions may not exceed 200% of the net assets.

However, the strategy implemented by the fund does not aim to generate overexposure to the market.

**h. Risk profile**

Your money shall be invested mainly in financial instruments selected by the Management Company. These instruments shall be subject to the evolution and fluctuations of the market.

- Risk that investors may not recover the full amount of their initial investment

The Fund does not provide a capital guarantee. As such, there is a risk that Fund unitholders may not recover the full amount of their initial investment on maturity or at any other time. Potential investors should be aware that their subscriptions and the Fund's investments are subject to normal market fluctuations as well as other risks inherent in any investment in transferable securities. Accordingly, only investors with a sufficient knowledge and understanding of financial markets and who are able to bear the loss of their initial investment should invest in the Fund. There is no guarantee or certainty that the value of investments and deposits made by the Fund will rise or that the Fund's investment objectives will actually be achieved. The value of investments and subsequent returns may rise or fall sharply and, in the latter case, present a significant risk of Fund unitholders losing their initial investment.

- Risk associated with discretionary management

The discretionary management style is based on expectations of changes in the various markets and various strategies followed by the UCITS. There is a risk that the product may not be invested at all times in the most high performing markets and financial instruments.

- Risk associated with an investment in convertible bonds

The value of convertible bonds depends on several factors: interest rate levels, changes in the price of underlying equities, changes in the price of the derivative embedded in the convertible bond. These various considerations may lead to a fall in the NAV of the UCITS.

- Credit risk

Risk of a deterioration in the quality of credit or default risk of an issuer that could negatively impact the valuation or price of the assets affected. Credit risk, when it materialises, therefore has a direct negative impact on the fund's net asset value. The fund's investment strategy can expose it to high credit risk, especially since the fund may be invested in speculative securities with low or no ratings. Downward price trends in these securities may be faster and more violent than for non-speculative securities thereby prompting a faster and strong decline in NAV.

- Interest rate risk

Risk of a rise in rate on bond markets. This move results in a decline in the price or valuation of the bonds and consequently a decrease in the net asset value of the fund.

- Equity risk

If the event of a decline in equities underlying convertible bonds and assimilated stocks, the shares held directly in the portfolio and the indices to which the portfolio is exposed, the fund's NAV could also fall.

- Volatility risk

This risk is linked to an asset's propensity to rise or fall sharply for specific reasons or due to general financial market trends. The greater this asset's propensity to move sharply over short periods of time, the more this asset is said to be volatile and therefore risky.

- Counterparty risk

Counterparty risk relates to the possible failure to pay a flow (or liability) by a counterparty with which positions have been exchanged and undertakings signed. Ellipsis AM's counterparty selection process mitigates this risk. For fund unitholders, the extent of this risk will depend on the amount allocated to the underlying strategies exposed to this type of risk.

- Risk related to the low liquidity of certain securities

The fund may be invested in securities that have a low issue size. As such, liquidity of these securities may be low, generating an amplification in market trends on the upside or the downside.

- Currency risk

The fund is hedged against exchange rate risk which corresponds to the risk of a variation in the denomination currency for each financial instrument relative to the reference currency of the fund. In addition, each unit in the fund is hedged against exchange rate risk which corresponds to the risk of a variation in the reference currency of the fund relative to denomination currency of the unit. Nevertheless, the fund may be exposed to residual exchange rate risk of less than 5% of net assets.

- Emerging markets risk

The fund may be exposed to emerging markets. Emerging markets are stock markets with liquidity and security features that do not always correspond to usual standards in major international markets and may imply higher risks, especially market risks, in liquidity and currencies.

- Risks associated with derivative financial instruments

The Fund is exposed to risks associated with derivative financial instruments, in particular:

- rises and falls in the price of financial instruments in line with changes in the price of their underlying,
- divergences between the price of financial instruments and the value of these instruments' underlying,
- the possibility that these instruments' liquidity may occasionally be reduced on the secondary market,
- a counterparty default risk (see Counterparty risk).

The use of financial instruments may therefore lead to specific losses for the Fund, which would not have occurred if such strategies had not been applied.

- Operational risk

The Fund may incur the risk of loss resulting from inadequate internal processes, human error or failed systems of the Portfolio Management Company, or resulting from external events, as well as legal risk and documentation risk, and the risk resulting from trading procedures, and regulation and evaluation procedures implemented on behalf of the Fund.

- Potential conflicts of interest risk

Risk associated with over-the-counter transactions where the Fund's counterparty is an entity associated with a group to which the Management Company belongs and risk associated with potential conflicts between holders and clients. This risk is managed by a conflicts of interest management system, the main provisions of which are available at [www.ellipsis-am.com](http://www.ellipsis-am.com).

• Risks associated with the temporary purchase and sale of securities, total return swaps and collateral management:

The temporary purchase and sale of securities and use of total return swaps may increase or decrease the fund's net asset value.

The risks associated with these transactions and with collateral management are credit risk, counterparty risk and liquidity risk, as defined above.

Operational and legal risks are extremely limited because of an appropriate operational process, the fund's depositary having custody of collateral received, and this type of transaction being governed by framework agreements entered into with each counterparty.

Lastly, collateral reuse risk is very low because only cash collateral is reused, and that is in accordance with the fund's rules.

**i. Guarantee or Protection**

The fund offers no guarantee or protection.

**j. Target investors and investor profile**

Y units classes: All subscribers, more specifically destined to institutional investors.

S units classes: All subscribers, more specifically destined to institutional investors.

I units classes: All subscribers, more specifically destined to institutional investors.

J units classes: All subscribers, more specifically destined to institutional investors subscribing via distributors or intermediaries:

- providing an investment advisory service or portfolio management under discretionary mandate and,
- remunerated exclusively by investors.

P and P2 units classes: All subscribers.

Z units classes: Reserved for Kepler Cheuvreux Group entities, mutual funds and mandates managed by the management company as well as its employees.

The fund's risk profile makes it likely to be subscribed to by holders aiming to be exposed to international convertible bonds markets, including in emerging markets.

Minimum recommended investment duration: more than 5 years.

The appropriate amount to be invested in the fund depends on the personal situation of the investor. To determine this amount, investors should take account of their personal wealth and/or assets, cash requirements now and over the life of the Fund and their degree of risk appetite or aversion. Investors are also advised to sufficiently diversify their investments to avoid being exposed only to the risks of this fund.

Although the units of this fund are open to all subscribers, the Ineligible Persons, as well as the Ineligible Intermediaries as defined hereunder are not authorised to subscribe nor to hold directly units of the UCITS, nor to be registered with the Bank responsible for centralising subscription and redemption requests and Registrar Fund's register or the local transfer agent's register.

Ineligible Persons:

- "U.S. Persons", as defined by U.S. Regulation S of the SEC (Part 230-17 CFR 230.903): the Fund is not, and will not be, registered under the U.S. Securities Act of 1933 nor under the Investment Company Act of 1940. Any resale or disposal of units to the United States of America or to a "U.S. Person", as defined by U.S. Regulation S may constitute a violation of U.S. law and requires the prior written consent of the Management Company. The unit offering has not been authorised or rejected by the SEC, the special commission of a U.S. State or any other U.S. regulatory authority, nor have the aforementioned authorities given an opinion or recognised the merits of this offering, nor the accuracy or adequacy of the documents relating to this offer. Any assertion in this respect is contrary to law;
- Specified U.S. Person in the sense of the Foreign Account Tax Compliance Act (FATCA) of 2010, defined by the intergovernmental agreement signed between France and the United States on 14 November 2013;
- Reportable Person and Passive Non Financial Entity (NFE) with Controlling Persons who are Reportable Persons under Directive 2014/107/UE of 9 December 2014 amending Directive 2011/16/UE as regards mandatory automatic exchange of information in the field of taxation (DAC), or any equivalent concept under the multilateral competent authority agreement on automatic exchange of financial account information signed by France on 29 October 2014 (CRS).
- In accordance with the provisions of EU Regulation No. 833/2014, the subscription of shares in this fund is prohibited for any Russian or Belarusian national, any natural person residing in Russia or Belarus, or any legal person, entity, or body established in Russia or Belarus, except for nationals of a Member State and natural persons holding a temporary or permanent residence permit in a Member State.

Ineligible Intermediaries:

- Financial institutions that are not Participating Financial Institutions under FATCA, as well as Passive Non-Financial Foreign Entities.
- Financial institutions that are not Financial Institutions or equivalent concept under DAC/CRS.

The definitions of these concepts are available through the following links:

- Regulation S: <http://www.sec.gov/rules/final/33-7505.htm>
- FATCA: <https://www.legifrance.gouv.fr/eli/decret/2015/12/2/MAEJ1431068D/jo/texte>
- DAC: <http://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32014L0107&from=FR>
- CRS: <http://www.oecd.org/tax/exchange-of-tax-information/multilateral-competent-authority-agreement.pdf>

Investors wishing to acquire or subscribe FCP units must, where necessary, certify in writing that they are not "U.S. Persons" as per Regulation S, Specified US Persons as per FATCA and/or Reportable Persons or any equivalent concept as per DAC/CRS.

All unitholders must immediately inform the Management Company in the event of them becoming an Ineligible Person. Any unitholder that becomes an Ineligible Person will no longer be permitted to purchase new units. The Management Company reserves the right to carry out a compulsory redemption of any units held directly or indirectly by an Ineligible Person or via an Ineligible Intermediary, or if the holding of the units by any person is contrary to law or to the best interests of the UCITS.

Unitholders are informed that, when appropriate, the Management Company, the Registrar or any other intermediary account holder may have to communicate to any financial authority or equivalent body personal information of the unitholders, such as names, tax identification numbers, addresses, birth dates, account numbers as well as any financial information concerning the accounts in question (balances, values, amounts, gains etc...).

FATCA status of the fund, as defined by the intergovernmental agreement signed on 14 November 2013 between France and the United States is non-reporting deemed compliant financial institution (Annex II, II, B of the aforementioned agreement).

DAC/CRS status of the FCP is non-reporting financial institution from the category Investment Entity, qualifying for the exempt collective investment vehicle regime.

#### k. Procedures for determining and allocating distributable sums

Distributable sums are composed of:

- 1° The net income plus retained earnings, plus or minus the balance of the income equalisation account;
- 2° Realised gains, net of fees, minus realised losses, net of fees, recognised during the financial year, plus net realised gains of the same type recognised during previous financial years, which have not been distributed or accrued, plus or minus the balance of the capital gains equalisation account.

P-DEUR unit : Distribution

Other unit classes: Capitalisation

#### l. Distribution frequency

P-DEUR unit : Annual distribution

Other unit classes: None

#### m. Characteristics of units and shares

Subscriptions are for a given amount or number of units. Redemptions are for a given number of units. Units are divided into thousandths of units.

Units are denominated in euro, except for YCHF, SCHF, ICHF, PCHF and P2CHF units, which are denominated in Swiss francs, as well as the IUSD, JUSD, KUSD, PUSD and P2 USD units, which are denominated in US dollars.

#### n. Subscription and redemption procedures

##### - Date and frequency of net asset value calculations

The net asset value is calculated daily on the basis of closing prices, except on French public holidays, on non-trading days at Target and days when the New York stock exchange is closed. In this case, the NAV will be calculated on the basis of the closing price on the next business day.

Subscription/redemption requests are received up to 17:00 CET for that day's NAV to apply, according to the table below:

| D-1   | D-1   | D working day: day NAV is established | D+1 working day    | D+2 working days            | D+2 working days          |
|---|---|---------------------------------------|--------------------|-----------------------------|---------------------------|
| Centralisation of subscription orders before 17h <sup>1</sup> | Centralisation of redemption orders before 17h <sup>1</sup> | Execution of order on D at the latest | Publication of NAV | Settlement of subscriptions | Settlement of redemptions |

<sup>1</sup> Unless a specific time frame has been agreed with your bank.

Special attention should be paid to the technical time frames of financial intermediaries or promoters who enforce an earlier deadline for receiving subscription/redemption orders to allow for the time needed to send these orders to the fund's depositary.

##### - Minimum investment:

Initial subscription:

- No minimum investment amount for J, P, P2 and Z unit classes.
- EUR/CHF 30,000,000 for YEUR/YCHF units, except for the Kepler Cheuvreux Group entities and UCIs. Subscriptions made by entities belonging to a same group may be accumulated.
- EUR/CHF 10,000,000 for SEUR/SCHF units, except for the Kepler Cheuvreux Group entities and UCIs. Subscriptions made by entities belonging to a same group may be accumulated.
- EUR/CHF/USD 1,000,000 for IEUR/ICHF/IUSD units, except for the Kepler Cheuvreux Group entities and UCIs. Subscriptions made by entities belonging to a same group may be accumulated.

Subsequent subscriptions: 1 thousandth of a unit

- Address to which subscription and redemption requests should be sent:

Société Générale  
32 rue du Champ de Tir - 44000 Nantes  
+33 (0)2 51 85 57 09

- Arrangements for the publication or communication of the NAV:

The NAV will be available on the [www.ellipsis-am.com](http://www.ellipsis-am.com) website and via leading financial data providers. The NAV will also be published at the premises of the management company at the following address:

Ellipsis Asset Management  
112 av. Kleber-75116 Paris

- Cap on Redemption Mechanism ("gates")

In exceptional circumstances, the absence of a cap on redemptions may result in the inability of the UCITS to meet redemption requests, thereby increasing the risk of a complete suspension of subscriptions and redemptions for this UCITS.

## 4. FEES AND EXPENSES

### 4.1 Fund subscription and redemption fees

The Fund's subscription fees increase the subscription price paid by the investor, while redemption fees decrease the redemption price. The fees payable to the Fund serve to cover the costs incurred by the Fund to invest and disinvest investors' monies. Fees not payable to the Fund are allocated to the management company and/or distributor.

| Fees and expenses payable by the investor at the time of subscriptions and redemptions | Basis                           | Rate  |
|--|---------------------------------|---|
| Subscription fee payable to third parties  | NAV* number of units subscribed | Shares P2: 3% maximum<br>Other unit classes: None |
| Subscription fee payable to the fund   | NAV* number of units subscribed | None  |
| Redemption fee payable to third parties  | NAV* number of units redeemed   | None  |
| Redemption fee payable to the fund   | NAV* number of units redeemed   | None  |

### 4.2 Fund administration and management fees

Management and administration fees include all fees charged directly to the fund except transaction costs. Transaction costs include intermediary fees (brokerage, stock market taxes, etc.) as well as transaction fees, if any, that may be charged by the depositary and the management company in particular.

For more information on the fees actually invoiced to the fund, please refer to the Key Investor Information Document.

| Fees invoiced to the fund  | Basis                                 | Rate   |
|--|---------------------------------------|--|
| 1 Financial management fees (maximum annual rate inclusive of tax)<br>Provisions will be made for these fees on each NAV calculation day, recorded on the Fund income statement and debited quarterly. | Net assets                            | P, P2 & P-D units: maximum 1.40% incl. tax<br>J units: maximum 1.00% incl. tax<br>I units: maximum 0.80% incl. tax<br>K units: maximum 0.95% incl. tax<br>S units: maximum 0.65% incl. tax<br>Y units: maximum 0.45% incl. tax<br>Z units: maximum 0.15% incl. tax |
| 2 Administrative fees external to the management company (statutory auditor, depositary, valuation agent, account holder, technical fees of distribution, lawyers, benchmark license fees...)          | Net assets                            | Borne entirely by the management company   |
| 3 Maximum indirect fees (management fees and charges)  | Net assets                            | Not significant  |
| 4 Transaction fees   | Fixed fee payable on each transaction | From €0 to €100 maximum incl. tax charged by the depositary<br>From €0 to €100 maximum incl. tax charged by the Management Company   |
| 5 Outperformance fee   | Net assets                            | Y, I, J, P, P-D, P2 and S units: 15% incl. tax of the annual outperformance net of fund's fees compared to the benchmark indicator once the underperformance of the last 5 years has all been offset.<br>Z & K Units: None   |

Financial research fees may be charged to the Fund.

Only the fees referred to below may be excluded from the five blocks of fees mentioned above:

- contributions owed for the management of the fund in accordance with section II, paragraph 3 d) of Article 621-5-3 of the French Monetary and Financial Code;
- one-off and non-recurring taxes, charges, fees and government duties (relating to the Fund);
- one-off and non-recurring costs associated with debt recovery or a procedure to assert a right (e.g. share class procedure);

Information relating to these fees is also set out ex post in the fund's annual report.

*How the outperformance fee works*

Variable management fees will be levied for the benefit of the Management Company as follows:

- 15% including tax of the annual performance net of fees, excluding provisions for variable management fees above the benchmark indicator of each unit. The provision for variable management fees is adjusted on the occasion of each calculation of the net asset value, on the basis of 15% including tax of the positive outperformance of the unit compared to its benchmark indicator. The provisions for variable management fees will only be applied when the performance of the fund is higher than that of its index and simply on the positive difference in performance. In the event of an underperformance of the UCITS compared to the benchmark indicator, this provision is readjusted through reversals of provisions. Reversals of provisions are capped at the level of the allocations;
- The outperformance of a unit will be calculated for the first time from the day on which this unit is launched;
- The crystallization of variable management fees by the management company is carried out annually, on the last net asset value of the accounting year; these variable management fees are deducted annually by the management company after the end of the financial year;
- In the event of redemption of units, if there is a provision for variable management fees, the portion proportional to the redeemed units is crystallized and acquired by the management company; the variable management fees thus crystallized during a financial year may be charged by the management company at the end of each quarter;
- Investors' attention is drawn to the fact that the variable management fees are acquired by the Management Company even if the end-of-year net asset value is lower than the closing net asset value of the previous year of the fund;
- Any underperformance of the fund compared to the benchmark is compensated for before outperformance fees become due. To this end, the duration of the performance reference period is set at 5 years;
- For units launched during the financial year, the first performance calculation period will run from the launch date of the unit until the end of the next financial year;
- The outperformance commission is calculated over a period of at least 12 months.

The methodology applied for the calculation of outperformance fees is based on the reference asset calculation method which makes it possible to simulate a reference asset subject to the same subscription and redemption conditions as the original fund, while benefiting from the performance of the chosen index. This fictitious asset is then compared with the performance of the real assets of the sub-fund. The difference between the two assets therefore gives the outperformance of the unit compared to its benchmark indicator.

The examples below illustrate the methodology applied for the calculation of the performance fees described above:

**Figure 1: General operation**

|  | Year 1   | Year 2   | Year 3  | Year 4   | Year 5   |
|--|--|--|---|--|--|
| Performance of the Fund's units  | 10%  | -4%  | -7%   | 6%   | 3%   |
| Performance of the benchmark   | 5%   | -5%  | -3%   | 4%   | 0%   |
| Over/under performance   | 5%   | 1%   | -4%   | 2%   | 3%   |
| Cumulative performance of the Fund over the observation period   | 10%  | -4%  | -7%   | -1%  | 2%   |
| Cumulative performance of the benchmark over the observation period  | 5%   | -5%  | -3%   | 1%   | 1%   |
| Cumulative over/under performance over the observation period  | 5%   | 1%   | -4%   | -2%  | 1%   |
| Do you charge a commission?  | Yes  | Yes  | No as the fund underperformed the benchmark                   | No as the Fund has underperformed over the whole of the current observation period, starting in year 3 | Yes  |
| Start of a new observation period?   | Yes, a new observation period starts in year 2 | Yes, a new observation period starts in year 3 | No, the observation period is extended to cover years 3 and 4 | No, the observation period is extended to cover years 3, 4 and 5                                       | Yes, a new observation period starts in year 6 |
| NB: To facilitate understanding of the example, we have indicated here the performance of the Fund and the benchmark in percentage terms. In reality, the over/under performance will be measured in amount, by the difference between the net assets of the Fund and the assets as described in the methodology above |  |  |   |  |  |

Figure 2: Treatment of uncompensated performance beyond 5 years

|   | Year 1   | Year 2       | Year 3             | Year 4                 | Year 5                      | Year 6                     |
|---|----------|--------------|--------------------|------------------------|-----------------------------|----------------------------|
| Performance of the Fund's units                           | 0%       | 5%           | 3%                 | 6%                     | 1%                          | 5%                         |
| Performance of the benchmark                              | 10%      | 2%           | 6%                 | 0%                     | 1%                          | 1%                         |
| A: Over/under performance current year                    | -10%     | 3%           | -3%                | 6%                     | 0%                          | 4%                         |
| B1: Carry-over of uncompensated underperformance Year 1   | N/A      | -10%         | -7%                | -7%                    | -1%                         | Out of scope               |
| B2: Carry-over of uncompensated underperformance Year 2   | N/A      | N/A          | 0%                 | 0%                     | 0%                          | 0%                         |
| B3: Uncompensated underperformance carried forward Year 3 | N/A      | N/A          | N/A                | -3%                    | -3%                         | -3%                        |
| B4: Carry-over of uncompensated underperformance Year 4   | N/A      | N/A          | N/A                | N/A                    | 0%                          | 0%                         |
| B5: Uncompensated underperformance carried forward Year 5 | N/A      | N/A          | N/A                | N/A                    | N/A                         | 0%                         |
| Over/under performance observation period                 | -10% (A) | -7% (A + B1) | -10% (A + B1 + B2) | -4% (A + B1 + B2 + B3) | -4% (A + B1 + B2 + B3 + B4) | 1% (A + B2 + B3 + B4 + B5) |
| Do you charge a commission?                               | No       | No           | No                 | No                     | No                          | Yes                        |

The underperformance generated in year 1 and partially compensated in subsequent years is forgotten in year 6.

#### Remuneration of temporary purchases and sales of securities

Temporary purchases or sales of securities as well as those of securities lending and borrowing will all be made in market conditions and eventual revenue is all fully earned by the fund. The fees and costs generated by these operations will be borne by the management company where relevant.

For all further information, unitholders can refer to the fund's annual report.

#### Procedure to choose financial intermediaries

Financial intermediaries are selected by Ellipsis Asset Management according to the following criteria (not cumulative):

- the provision of liquidity: the ability to make prices, to keep the contributions sent
- commercial quality: the ability of the financial intermediary to solicit our managers appropriately
- the reliability of the confirmation, settlement / delivery, invoicing processes
- the efficiency of the search for the best result.

## 5. COMMERCIAL INFORMATION

Information on the application of ESG criteria can be found at [www.ellipsis-am.com](http://www.ellipsis-am.com).

#### Full prospectus and latest annual and semi-annual reports:

The fund's information documents (prospectus/annual and interim reports) are available in French on simple request from the management company Ellipsis Asset Management, 112 av. Kleber, 75116 Paris, by email [client\\_service@ellipsis-am.com](mailto:client_service@ellipsis-am.com) or at [www.ellipsis-am.com](http://www.ellipsis-am.com).

#### Information on subscription and redemption requests

The depositary centralises all Fund subscription and redemption requests:

Société Générale

32 rue du Champ de Tir - 44000 Nantes  
+33 (0)2 51 85 57 09

Information on the disclosure of the composition of the assets:

To allow some investors to calculate the regulatory requirements related to Directive 2009/138/EC (Solvency II) in particular, the Fund may disclose the composition of its assets, in accordance with the policy determined by the "Autorité des marchés financiers" in its position n°2004-07 concerning "market timing" and "late trading" practices.

## 6. INVESTMENT RULES

The Fund is a UCITS complying with the provisions of Directive 2009/65/EC. It respects the regulatory ratios set out in articles R.214-9 et seq. of the French Monetary and Financial Code.

## 7. OVERALL RISK

The UCITS uses the commitment approach to calculate the overall risk attached to its financial contracts as defined by article 411-73 and following of the AMF's General Regulation.

## 8. ASSET VALUATION AND ACCOUNTING RULES

The portfolio's accounting currency is the euro.

The Fund complies with accounting rules applicable under current regulations, in particular those on UCITS.

### 8.1 Method used to record trading costs

#### a. Exchange rates

The exchange rate used to value the assets in the Fund's accounting currency is supplied by a specialist data provider.

#### b. Financial instruments and transferable securities traded on a regulated or organised market

Equities and exchange traded funds (ETFs): equities and ETFs are valued based on the NAV date closing prices published by the markets in question. For multi-venue securities (those admitted and listed on several marketplaces), the Management Company ensures that the accounting manager uses the most liquid venue. If the venue configured by the accounting manager is not adequate, the Management Company reserves the right to request configuration of the most representative venue.

Bonds and convertible bonds: bond prices are retrieved by a specialist data provider or benchmark calculation agent and calculated using external contributors' prices on the NAV date.

Negotiable debt securities and money market instruments: these are supplied by a specialist data provider using external contributors' prices on the NAV date. Instruments with a residual life of 3 months or less may be valued using the straight-line method, provided they have no particular sensitivity.

#### c. Units or shares of CIS

Units and shares of undertakings for collective investment are measured at the NAV date net asset value. In the absence of a definitive net asset value within the time frames compatible with the Fund's valuation, the Fund is valued at the most recent known NAV. In the specific case of funds of funds, only the valuation date NAV is used.

#### d. Temporary purchases and sales of securities

Temporary sales of securities: loaned and repurchased securities are removed from their original item and the corresponding receivable is recorded at market value on the asset side of the balance sheet. Interest on the transaction is recognised on a straight-line basis using the reference rate.

Temporary purchases of securities: borrowed and reverse repurchased securities are measured at market value. The debt representing the redelivery obligation is also valued at the securities' market value. Interest on the transaction is recognised on a straight-line basis using the reference rate.

#### e. Futures or options traded on a regulated French and foreign market (listed futures and options)

These instruments are valued at their NAV date settlement price on the various futures markets.

#### f. Futures or options traded over the counter

These instruments are valued on the basis of models validated by the management company, using market data fed by specialised data suppliers.

- ✓ CFDs on equities, ETFs, bonds or convertible bonds: CFDs are valued at the difference between the NAV date closing price and the purchase price of the underlying asset, adjusted for the borrowing cost.
- ✓ Index TRSs: these are valued at the difference between the performance of the total return leg and that of the monetary leg corresponding to accrued interest.
- ✓ Options traded over the counter: options are valued using an internal model in accordance with the Black & Scholes formula and by modelling forward curves and volatility ranges.
- ✓ Currency forwards: Currency forwards are valued at the difference between the negotiated forward exchange rate and a theoretical forward exchange rate using NAV date market data (interpolated interest rate and spot exchange rate of the currency pair).

- ✓ CDSs: valued based on the ISDA algorithm using spread and rate data.

#### g. Assets pledged as collateral

Collateral denotes all the assets pledged as security as part of Financial transactions traded OTC or as part of effective portfolio management operations (temporary purchases and sales of securities).

The types of eligible assets used include liquid assets, government bonds, private debt instruments, company shares or any other asset agreed between the parties when concluding the transaction, up to the limit authorised in the regulations. These assets are valued at market value on a daily basis pursuant to the provisions of the section entitled "Asset valuation and accounting rules".

#### h. Alternative practical methods

In the absence of the financial data needed to value a financial instrument, or in the event that the retrieved price of a financial instrument is not representative of market conditions, particularly in the absence of significant transactions, the management company may value the financial instrument at its probable trading value. These valuations and their justifications are provided to the Statutory Auditor when it carries out its work.

#### i. Main market data providers

The main specialist data providers used for valuations are Bloomberg and Reuters. The management company is liable to change this list.

### 8.2 Method used to record trading costs

Entries in the portfolio are recorded at their acquisition price excluding fees and exits at their sale price excluding fees.

### 8.3 Method used to calculate distributable sums

Income is recorded on a cash basis.

Income consists of:

- income from transferable securities,
- dividends and interest received at the currency rate for transferable securities,
- proceeds from cash deposits, loans, repurchase agreements and other investments,
- flows paid on swaps: if the flows on a swap are of a different nature, the investment objective will determine whether the flows are recorded as capital or income,
- balance received on a swap contract with asymmetric terms: when a settlement received is intended to rebalance the flows exchanged, the investment objective will determine whether the flows are recorded as capital or income.

The following are deducted from this income:

- management fees,
- financial costs and charges on securities lending and borrowing and other investments,
- flows paid on swaps: if the flows on a swap are of a different nature, the investment objective will determine whether the flows are recorded as capital or income,
- balance paid on a swap contract with asymmetric terms: when a settlement paid is intended to rebalance the flows exchanged, the investment objective will determine whether the flows are recorded as capital or income.

### 8.4 Method used to adjust the net asset value related to partial swing pricing

The Fund can undergo a decline of its net asset value ("NAV") due to subscription / redemption orders carried out by investors, at a value which does not reflect the costs of adjustment associated with the operations of investment or disinvestment of the portfolio.

In order to reduce the impact of this dilution and to protect the interests of the existing unit holders, the Fund sets up a mechanism of partial swing pricing. This mechanism, supervised by a swing pricing policy, allows the management company to ensure to make bear the costs of adjustment to the investors who ask for the subscription or the redemption of the Fund units, while protecting the unit holders who remain within the Fund.

If, on a day of calculation of the NAV, the total net amount of the subscription / redemption orders carried out by investors on all the unit classes of the Fund exceeds a pre-established threshold, determined on the basis of objective criteria by the management company in percentage of the net assets of the Fund, the NAV can be adjusted upwards or downwards, in order to take into account the attributable costs of adjustment respectively to the net subscription / redemption orders. The NAV of every unit class is separately calculated but any adjustment has, in percentage, an identical impact on all the set of NAVs of the unit classes of the Fund. Parameters of costs and threshold are determined by the management company and revised periodically, this period which cannot exceed 6 months. These costs are estimated by the management company on the basis of transaction fees, bid-ask spreads, as well as possible taxes applicable to the Fund.

As far as this adjustment is bound to the net balance of the subscriptions / redemptions within the Fund, it is not possible to predict with accuracy if it will be made application of the swing pricing at some point in the future. Consequently, it is not either possible to predict with accuracy the frequency at which the management company will have to make such adjustments, which could not exceed 2% of the NAV. Investors are informed that the volatility of the NAV of the Fund is likely not to reflect only that of the securities held in the portfolio because of the application of the swing pricing.

## 9. REMUNERATION POLICY

In accordance with the provisions of Directive 2011/61/EU and 2014/91/EU amending Directive 2009/65/EC, and Articles 319-10 and 321-125 of the AMF General Regulation, the Management Company has implemented a compensation policy for the categories of employees whose professional activities have a significant impact on the risk profile of the Management Company or the UCI that it manages. These categories of employees include managers, members of the Management Board, the head of compliance and internal control, risk controllers, fund managers, sales staff as well as managers of support functions, and, in general, all employees whose professional activities have a

significant impact on the risk profile of Ellipsis AM or the investment funds that it manages, and whose overall compensation is in the same category as that of the Management Board and risk takers.

The Compensation Committee is organised in accordance with internal regulations, in compliance with the principles set out in Directives 2011/61/EU and 2014/91/EU amending Directive 2009/65/EC. The Management Company's compensation policy was developed to promote the proper management of risks and to discourage risk-taking above the level of risk that it can handle, taking into account the investment profiles of the funds managed and by implementing measures to prevent conflicts of interest.

The compensation policy is reviewed every year. Details of the management company's updated policy, including a description of the method used to calculate compensation and benefits, and the composition of the compensation committee responsible for the allocation of compensation and benefits, is available at [www.ellipsis-am.com](http://www.ellipsis-am.com) and on request.

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## RULES

### ELLIPSIS GLOBAL CONVERTIBLE FUND

#### TITLE I ASSETS AND UNITS

##### Article 1 - Co-ownership units

The co-owners' rights are represented by units, with each unit corresponding to the same fraction of the Fund's assets. Each unitholder has a co-ownership right in and to the assets of the Fund proportional to the number of units held.

The life of the Fund is 99 years except in the cases of early dissolution provided for in the regulations.

The characteristics of the various classes of units and their eligibility requirements are described in the Fund prospectus.

The different unit classes may:

- Benefit from different dividend policies;
- Be denominated in different currencies;
- Be charged different management fees;
- Be charged different subscription and redemption fees;
- Have a different par value;
- Be systematically hedged, either partially or completely, as described in the prospectus. Risk is hedged via financial instruments that minimise the impact of hedging transactions on the UCITS' other unit classes;
- Be reserved for one or more distribution networks.

The Fund reserves the right to combine or split units. Units are divided into thousandths, called fractions of units.

The provisions of the regulations governing the issue and redemption of units shall apply to fractions of units, whose value shall always be proportionate to that of the unit they represent. Unless stipulated otherwise, all other provisions of the regulations relating to units shall apply to fractions of units without any need to make a specific provision to that end.

Lastly, the management company's management board may decide, at its own discretion, to sub-divide the units by issuing new units, which shall be allocated to unitholders in exchange for their existing units.

##### Article 2 - Minimum amount of assets

Units may not be redeemed if the Fund's assets fall below EUR 300,000. Should the assets remain below this amount for thirty days, the management company will take the necessary measures to liquidate the fund concerned or carry out one of the procedures mentioned in article 411-16 of the AMF's General Regulation (change of fund).

##### Article 3 - Issue and redemption of units

Units are issued each time a subscription request is received on the basis of their net asset value plus a subscription fee, where applicable. Subscriptions and redemptions are executed in accordance with the conditions and procedures defined in the prospectus. Where applicable, the minimum subscription amount will be shown in the prospectus.

Units of the Fund may be admitted to an official stock exchange listing in accordance with the regulations in force.

Subscriptions must be fully paid up on the day the net asset value is determined. Subscriptions may be made in cash and/or by a contribution in kind in the form of financial instruments. The management company is entitled to refuse any securities tendered and, for that purpose, must announce its decision within seven days of the date on which the securities were tendered. If they are accepted, the securities tendered are valued according to the rules laid down in article 4, and the subscription is based on the first net asset value following acceptance of the securities concerned.

Redemptions can be made in cash and/or in kind. If the in-kind redemption corresponds to a representative share of portfolio assets, the Fund or the Management Company need obtain only the signed written consent of the departing investor. If the in-kind redemption does not correspond to a representative share of portfolio assets, all investors need to give their written consent to the departing investor redeeming their units against certain specific assets, as explicitly defined in the agreement.

By derogation from the above, if the Fund is an ETF, redemptions on the primary market may, with the agreement of the portfolio management company and in the interests of the unitholders, be made in kind in the terms and conditions set out in the Fund's rules or prospectus. The assets are then delivered by the issuance account keeper within the terms and conditions set out in the Fund's prospectus.

Redeemed assets are generally valued using the rules set out in article 4 and the in-kind redemption is carried out based on the first NAV after the securities in question have been accepted.

The redemptions are settled by the issuance account keeper within five days of the valuation day of the units.

However, if in exceptional circumstances the redemption requires the prior sale of assets held in the Fund, this deadline may be extended to a maximum of 30 days.

With the exception of a succession or an inter vivos gift, the sale or transfer of units between unitholders, or unitholders and third parties, is treated as a redemption followed by a subscription; if this involves a third party, the sale or transfer amount must, where applicable, be supplemented by the beneficiary in order to reach at least the minimum subscription amount stipulated by the prospectus.

Pursuant to article L.214-8-7 of the French Monetary and Financial Code, the management company may temporarily suspend the redemption of units or the issue of new units by the Fund when exceptional circumstances and the interests of the unitholders so require.

If the net assets of the Fund have fallen below the minimum threshold set by the regulations, no redemptions may be carried out.

In application of the third paragraph of article L.214-8-7 of the French Monetary and Financial Code, the fund may stop issuing some or all units temporarily or permanently in objective situations leading to the closure of subscriptions, such as a maximum number of units issued, a maximum amount of assets reached or the expiry of a fixed subscription period. Existing unitholders will be informed of this decision by any means, as well as of the trigger point and the objective situation that led to the partial or complete closure. In the case of partial closure, this notification will specifically mention the means by which existing unitholders may continue to subscribe during the period of partial closure. The management company also informs unitholders by any means of a decision to end the partial or total closure of subscriptions (when they fall below the trigger point again), or not to end it (if the trigger point is changed or there is a development in the objective situation that led to the closure decision). A change in the objective situation cited or the trigger point must always be made in unitholders' best interests. Information stating the exact reasons for these changes may be given by any means.

The Fund's Management Company may restrict or prohibit (i) ownership of Fund units by any natural person or legal entity for whom it is forbidden to hold Fund units in the "target subscribers" section of the prospectus (hereinafter, an "Ineligible Person"), and/or (ii) the registration with the Bank responsible for centralising subscription and redemption requests and Registrar Fund's register or the local transfer agent's register (the "Registers") of any Intermediary mentioned in the "target subscribers" section of the prospectus ("Ineligible Intermediary").

To this end, the Fund's Management Company may:

- 1° refuse to issue any units if it appears that such an issue could or would lead to those units being held directly or indirectly by an Ineligible Person or Ineligible Intermediary or entered into the Registers;
- 2° at any moment require an intermediary whose name appears in the Registers to provide any information, accompanied by a sworn statement, that it deems necessary for the purposes of determining whether or not the beneficial owner of the units in question is an Ineligible Person; and
- 3° if it appears that the beneficial owner of the units is an Ineligible Person or an Ineligible Intermediary is entered into the Registers of unitholders, carry out a compulsory redemption of all of the units held by the Ineligible Person or Ineligible Intermediary following a period of ten business days. The compulsory redemption will be carried out using the last known net asset value, less any charges, fees and commissions that may be applicable, which will remain the responsibility of the Person affected by the redemption.

#### **Article 4 - Calculation of the net asset value**

The net asset value is calculated in accordance with the valuation rules specified in the prospectus.

Contributions in kind may comprise only stocks, securities, or contracts admissible as assets of UCITS; contributions and redemptions in kind are valued according to the valuation rules governing the calculation of the net asset value.

## **TITLE II MANAGEMENT OF THE FUND**

#### **Article 5 - The Management Company**

The Fund is managed by the management company Ellipsis Asset Management in accordance with the Fund's investment objectives.

The Management Company shall act in all circumstances in the sole interest of the unitholders and has the exclusive right to exercise the voting rights attached to the securities held in the Fund.

#### **Article 5a - Operating rules**

The instruments and deposits in which the UCITS' net assets may be invested, as well as the investment rules, are described in the prospectus.

#### **Article 6 - The depositary**

The depositary performs the tasks incumbent upon it under laws and regulations in force, as well as those contractually agreed. In particular, it must ensure that decisions taken by the portfolio management company are lawful. Where applicable, it must take all protective measures that it deems necessary. In the event of a dispute with the management company, it shall inform the AMF.

#### **Article 7 - The statutory auditor**

A statutory auditor is appointed by the governance body of the management company for a term of six financial years with the approval of the AMF.

It shall certify the regularity and fairness of the accounts. The statutory auditor's mandate may be renewed.

The statutory auditor is required to inform the AMF as soon as possible of any event or decision involving the undertaking for collective investment in transferable securities discovered when exercising its task that is likely to:

- 1° Constitute a violation of the legal or regulatory provisions applicable to this undertaking and likely to have a material impact on the financial position, result or assets;
- 2° Adversely affect its operating conditions or continuity;
- 3° Lead to the issuance of reserves or refusal to certify the accounts.

Assets will be valued and exchange ratios will be determined for the purpose of any conversion, merger or split under the statutory auditor's supervision.

The statutory auditor assesses any contribution or redemption in kind under its responsibility, except when an ETF is redeemed in kind on the primary market.

It shall check the composition of the assets and other information before any publication.

The statutory auditor's fees are determined by mutual agreement between the statutory auditor and the management board of the Management Company on the basis of an agenda indicating all duties deemed necessary.

The statutory auditor certifies positions that serve as the basis for the payment of interim dividends. The statutory auditor's fees are included in the management fees.

#### **Article 8 - The financial statements and the management report**

At the end of each financial year, the portfolio management company prepares the financial statements and a report on the management of the Fund during the last financial year.

The portfolio management company establishes a list of the Fund's assets at least biannually and under the supervision of the depositary.

The portfolio management company shall make these documents available to unitholders within four months of the financial year-end and shall inform them of the amount of income attributable to them: these documents shall be sent by post if expressly requested by the unitholders, or made available to them at the offices of the portfolio management company.

### **TITLE III ALLOCATION OF INCOME**

#### **Article 9 - Procedures for allocating distributable sums**

The net result for the fiscal year equals the amount of interest, arrears, dividends, premiums, and winnings, directors' fees, as well as all income related to the securities comprising the fund's portfolio, increased by the proceeds from temporarily available funds, and decreased by management fees and borrowing costs.

The distributable amounts consist of:

- 1° The net result increased by retained earnings and adjusted by the balance of the income equalization account;
- 2° Realized capital gains, net of expenses, reduced by realized capital losses, net of expenses, recorded during the fiscal year, increased by net capital gains of the same nature recorded in previous fiscal years that have not been distributed or capitalized, and adjusted by the balance of the capital gains equalization account.

The amounts mentioned in 1 and 2 may be distributed, in whole or in part, independently of each other. The precise allocation methods of the distributable amounts are defined in the prospectus.

For each category of shares, if applicable, the prospectus stipulates that the fund adopts one of the following formulas for each of the amounts mentioned in 1 and 2 above:

- Pure capitalization: the distributable amounts are fully capitalized except for those that are mandatorily distributed by law,
- Pure distribution: the distributable amounts are fully distributed, rounded as necessary,
- For share categories that provide the option to capitalize and/or distribute, the management company decides each year on the allocation of the distributable amounts.

The precise allocation methods of the distributable amounts are defined in the prospectus.

### **TITLE IV MERGER - SPLIT - DISSOLUTION - LIQUIDATION**

#### **Article 10 - Merger - Split**

The management company may either transfer all or part of the assets contained in the Fund to another fund, or split the Fund into two or more other mutual funds.

Such mergers or splits may only be carried out after unitholders have been notified. Such mergers or splits give rise to the issue of a new certificate indicating the number of units held by each unitholder.

#### **Article 11 - Dissolution - Extension**

If the assets of the Fund remain below the amount set in article 2 above for thirty days, the Management Company shall inform the AMF and shall dissolve the Fund, except in the event of a merger with another fund.

The management company may dissolve the Fund before term. It shall inform the unitholders of its decision, after which no further subscription or redemption requests shall be accepted.

The management company shall also dissolve the Fund if a request is made for the redemption of all of the units, if the depositary's appointment is terminated and no other depositary has been appointed, or upon expiry of the Fund's term, unless such term is extended.

The management company shall inform the AMF by post of the dissolution date and procedure. It shall then send the statutory auditor's report to the AMF.

The Fund's extension may be decided by the management company subject to the agreement of the depositary. Its decision must be taken at least three months before the expiry of the Fund's term and must be notified to the unitholders and the AMF.

#### **Article 12 - Liquidation**

In the event of dissolution, the management company acts as liquidator; failing this, interested parties may ask the courts to appoint a liquidator. To this end, they shall be granted the broadest powers to realise assets, reimburse any creditors and allocate the available balance among the unitholders in the form of cash or securities.

The statutory auditor and the depositary shall continue to perform their functions until the end of the liquidation.

### **TITLE V**

## DISPUTES

### **Article 13 - Jurisdiction - Address for service**

All disputes relating to the Fund that may arise during the term of the Fund or during its liquidation, either among the unitholders or between the unitholders and the management company or the depositary, shall be submitted to the courts having jurisdiction