

# ELLIPSIS HIGH YIELD FUND

## ISIN codes

**SEUR unit:** FR0011458728

**SCHF unit:** FR001400P0W0

**SUSD unit:** FR001400P0X8

**IEUR unit:** FR0011122019

**JEUR unit:** FR0011122001

**PEUR unit:** FR0011121995

**ICHF unit:** FR0011596980

**JCHF unit:** FR0012581882

**PCHF unit:** FR0012581908

**PUSD unit:** FR0012581882

**YEUR unit:** FR001400P116

**YCHF unit:** FR001400P124

**YUSD unit:** FR001400P132

**Z unit:** FR0011758309

UCITS compliant with European directive 2009/65/EC (UCITS IV)

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**RULES**

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**PROSPECTUS**  
**ELLIPSIS HIGH YIELD FUND**  
UCITS compliant with European directive 2009/65/EC (UCITS IV)

## 1. GENERAL CHARACTERISTICS

### Structure of the UCITS:

#### Name

ELLIPSIS HIGH YIELD FUND

#### Legal form and Member State in which the Fund was established

The UCITS is a French mutual fund (Fonds Commun de Placement, FCP)

#### Creation date and intended lifetime

The Fund was approved by the AMF on 7 October 2011 and launched on 15 November 2011 for a duration of 99 years.

### Fund overview

| Units | ISIN         | Initial net asset value | Allocation of distributable sums | Currency | Target investors   | Minimum initial investment   |
|-------|--------------|-------------------------|----------------------------------|----------|--|------------------------------|
| SEUR  | FR0011458728 | EUR 100,000             | Accumulation                     | EUR      | All investors, more specifically intended for institutional investors  | EUR 10,000,000 <sup>1</sup>  |
| S CHF | FR001400P0W0 | CHF 100,000             |                                  | CHF      |  | CHF 10,000,000 <sup>1</sup>  |
| S USD | FR001400P0X8 | USD 100,000             |                                  | USD      |  | USD 10,000,000 <sup>1</sup>  |
| IEUR  | FR0011122019 | EUR 10,000              | Accumulation                     | EUR      | All investors, more specifically intended for institutional investors, funds of funds, pension funds, retirement funds or for investors dealing for their own account  | EUR 1,000,000 <sup>1</sup>   |
| ICHF  | FR0011596980 | CHF 10,000              |                                  | CHF      |  | CHF 1,000,000 <sup>1</sup>   |
| IUSD  | FR001400MAH9 | USD 10,000              |                                  | USD      |  | USD 1,000,000 <sup>1</sup>   |
| JEUR  | FR0011122001 | EUR 10,000              | Accumulation                     | EUR      | All investors, more specifically intended for investors who subscribe through distributors or intermediaries :<br>- providing a service of investment advisory or of portfolio management within a discretionary mandate<br>- exclusively remunerated by the investors | None                         |
| JCHF  | FR0012581882 | CHF 10,000              |                                  | CHF      |  |                              |
| JUSD  | FR001400MAI7 | USD 10,000              |                                  | USD      |  |                              |
| PEUR  | FR0011121995 | EUR 100                 | Accumulation                     | EUR      | All investors  | None                         |
| PCHF  | FR0012581908 | CHF 100                 |                                  | CHF      |  |                              |
| PUSD  | FR0013134822 | USD 100                 |                                  | USD      |  |                              |
| YEUR  | FR001400P116 | EUR 100,000             | Accumulation                     | EUR      | All investors, more specifically intended for institutional investors, funds of funds, pension funds, retirement funds or for investors dealing for their own account  | EUR 1,000,000 <sup>1 2</sup> |
| YCHF  | FR001400P124 | CHF 100,000             |                                  | CHF      |  | CHF 1,000,000 <sup>1 2</sup> |
| YUSD  | FR001400P132 | USD 100,000             |                                  | USD      |  | USD 1,000,000 <sup>1 2</sup> |
| Z     | FR0011758309 | EUR 10,000              | Accumulation                     | EUR      | Reserved for entities of the Kepler Cheuvreux group, mutual funds and mandates managed by the management company, as well as for its employees   | None                         |

<sup>1</sup> Amount not applicable to Kepler Cheuvreux group entities and UCIs. Subscriptions by entities belonging to a single group may be aggregated.

<sup>2</sup> Subscription of the Y unit classes will be closed to all new investors as soon as the AUM of the FCP (all currencies combined) reach €100 million. Only existing investors will then be able to continue to subscribe to this class of units. The Asset Management Company may suspend/reopen this class of units for subscription after informing unitholders in advance by any means (e.g. website).

### Place where the latest annual report or periodic statement can be obtained

The latest annual and periodic documents are available on the website [www.ellipsis-am.com](http://www.ellipsis-am.com) or can be posted within eight business days if the investor sends a written request to the following address:

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

Additional information can be obtained from your usual point of contact.

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

## 2. DIRECTORY

### Portfolio management company

Ellipsis Asset Management  
Société anonyme (public limited company) with a board of directors and a supervisory board  
Portfolio management company authorised by the AMF under number GP 11-000014 on 2 May 2011  
112 av. Kleber -75116 Paris

### Depositary and custodian

**Société Générale**

Bank founded on 8 May 1864 pursuant to an Authorisation Decree signed by Napoleon III

Registered office: 29 Boulevard Haussmann - 75009 Paris

Postal address: 75886 Paris cedex 18

The services provided by the depositary 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 depositary and custodian shall endeavour to prevent the occurrence of conflicts of interest.

The safeguarding of the Fund's assets may be delegated by the depositary and custodian. To that end, the depositary 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.

**Bank responsible for centralising subscription and redemption requests and Registrar, as delegated by the Management Company**

Société Générale

32 rue du Champ de Tir - 44000 Nantes

**Statutory Auditor**

PricewaterhouseCoopers Audit

Represented by Frederic Sellam

63 rue de Villiers - 92200 Neuilly-sur-Seine

**Promoters**

Ellipsis Asset Management

Exane Derivatives

This is not a comprehensive list of promoters as, in particular, the Fund is admitted for trading on Euroclear. Accordingly, some promoters may not be known to the management company.

**Representatives**

Ellipsis Asset Management will assume sole responsibility for the investment management of the Fund.

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

SOCIETE GENERALE

Registered office: 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.

**Advisers**

None

**3. MANAGEMENT AND ADMINISTRATION PROCEDURES**

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**3.1 General provisions**

**CHARACTERISTICS OF THE UNITS OR SHARES:**

Nature of rights attached to the units: each unitholder has a co-ownership right in and to the net assets of the FCP proportional to the number of units held.

Custodian duties: the depositary acts as custodian. The Fund is listed on Euroclear France.

Voting rights: as the FCP is a co-ownership of transferable securities, no voting rights are attached to units held. Decisions regarding the Fund are taken by Ellipsis AM in unitholders' best interests.

Type of units: Units are issued in bearer form.

Decimalisation of units: each unit may be divided into thousandths of units.

**YEAR-END**

Last NAV calculation day in December. First year-end: 31 December 2012.

**TAX REGIME INFORMATION**

Investors should be aware that the following information is only a general overview of the tax regime applicable to investors in a French fund according to current French legislation. Investors are therefore advised to assess their personal situation with their usual tax adviser.

**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 so that income received and earned by the Fund 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 advised to assess their personal situation with their usual tax adviser.

### **3.2 Specific provisions**

#### **a. ISIN codes**

|                  |              |
|------------------|--------------|
| ISIN IEUR units: | FR0011122019 |
| ISIN JEUR units: | FR0011122001 |
| ISIN PEUR units: | FR0011121995 |
| ISIN SEUR units: | FR0011458728 |
| ISIN YEUR units: | FR001400P116 |
| ISIN ICHF units: | FR0011596980 |
| ISIN JCHF units: | FR0012581882 |
| ISIN PCHF units: | FR0012581908 |
| ISIN SCHF units: | FR001400P0W0 |
| ISIN YCHF units: | FR001400P124 |
| ISIN IUSD units: | FR001400MAH9 |
| ISIN JUSD units: | FR001400MAI7 |
| ISIN PUSD units: | FR0013134822 |
| ISIN SUSD units: | FR001400P0X8 |
| ISIN YUSD units: | FR001400P132 |
| ISIN Z units:    | FR0011758309 |

#### **b. Classification**

Euro-denominated bond and other debt securities fund.

#### **c. Investment objective**

The investment objective aims to generate the best possible performance over a recommended investment period of three years by applying an active, directional management approach to euro-denominated bonds, predominantly from non-financial issuers and rated speculative grade.

#### **d. Benchmark**

The Fund's performance may be compared ex-post with that of the benchmark index, the ICE BofAML BB-B Euro Non-Financial High Yield Constrained Index in euro. This index reflects the performance of euro-denominated speculative grade bonds (from non-financial corporate issuers) rated B-/B3. Performance is calculated at closing prices with coupons reinvested. This index is available on the website of Intercontinental Exchange (ICE): <https://www.theice.com/market-data/indices> (Ticker HEC5).

This benchmark does not limit the Fund's management. The Fund's performance may therefore be very different from that of its benchmark.

In accordance with Regulation (EU) 2016/1011 of the European Parliament and the Council of 8 June 2016, ICE Data Indices, the benchmark administrator of ICE BofAML BB-B Euro Non-Financial High Yield Constrained Index benchmark indicator 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 BMR Regulation, the management company has a procedure in place regarding the oversight of the benchmarks used which describes the measures to implement in case of substantial changes to or cessation of a benchmark.

#### **e. Investment strategy**

The investment strategy is based on a discretionary management approach. The investment process follows a bottom-up approach based on two performance drivers:

- "Core" pocket, favouring the carry: the selection of bonds which analysis, conducted by the fund managers, highlights an attractive risk/reward profile for the funds over a medium and long term period.
- "Tactical" pocket, favouring the change in spread: with the selection of issuers having, according to the analysis conducted by the fund managers, good prospects in terms of credit, the Fund seek to benefit from any tightening of spreads, which may be particularly significant for high yield securities. The analysis conducted aims not only at selecting the best issuers but also at identifying and avoiding those presenting a real risk of default. The main strategies applied by the Fund include in particular the

award of an investment grade rating, takeover by an investment grade issuer, the repayment of high yield debt at the time of an IPO, and deleveraging.

The inclusion of environmental, social and governance (ESG) criteria in the analysis contributes to the overall assessment of the instruments's risk/return profile.

Credit risk and duration are managed through the choice of securities (issuer, maturity) and the placement of up to 40% of the Fund's assets in lower risk investments.

The portfolio's average modified duration is between 0 and +6.

Using the Weighted Average Rating Factors (WARF) method, the Fund has a weighted average rating higher than B-/B3 for rated securities.

To achieve its investment objective, the Fund may invest up to 100% of its net assets in euro-denominated debt securities and money market instruments from investment grade and speculative grade corporate or government issuers in countries of the OECD, G20 and European Economic Area. The Fund shall not invest in loans.

The Fund holds between 60% and 100% of its net assets in speculative grade securities issued by corporate entities (with a rating inferior to BBB-/Baa3 from official rating agencies or equivalent rating assigned by the management company, which do not rely exclusively nor mechanically to ratings assigned by these agencies).

The allocation is made without any geographic concentration on the main euro-denominated debt markets, and without any limitation on the type of debt (fixed or floating rate, seniority, fixed-maturity or perpetual bonds, etc.). Exposure to speculative grade financial bonds is less than 10%. Furthermore, the proportion of securities that are unrated or have a rating below B-/B3 is less than 20%.

The Fund holds between 0% and 40% of its net assets in investment grade securities issued by government or corporate entities (with a rating inferior to BBB-/Baa3 from official rating agencies or equivalent rating assigned by the management company, which do not rely exclusively nor mechanically to ratings assigned by these agencies). The exposure of the Fund to equity risk is not superior to 10% of the net assets.

Derivatives and instruments with embedded derivatives are used in order to create synthetic exposure to one or more risks, in line with the investment objective, but without exceeding an overall exposure limit of 110% of net assets. Derivatives may also be used to perform arbitrage transactions as well as to hedge the portfolio. The Fund may also enter into temporary securities purchases and sales transactions to optimise its income.

|  |  |
|--|--|
| Range of modified duration within which the Fund is managed:               | Between 0 and +6   |
| Currencies of securities in which the Fund is invested:                    | Euro 100% of the Fund's net assets<br>Foreign currencies: none   |
| Level of currency risk borne by the Fund:                                  | Nil, the Fund is not exposed to currency risk. Only units denominated in CHF and in USD may be exposed to a residual risk related to the set-up of a EUR/CHF hedge or EUR/USD hedge. |
| Geographic zone of the issuers of securities to which the Fund is exposed: | Member countries of the OECD, G20 and European Economic Area   |

#### 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 reporting in the financial services sector, the fund belongs to the category of products promoting environmental and/or social features (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 lead to a decrease in the net asset value of the fund. It is taken into account in investment decisions through :

1/ Exclusion policies: these focus on sensitive sectors linked to the fight against climate change and the defense of human rights, and are based on lists of excluded issuers established by the BNP Paribas Group. In addition, the Fund undertakes not to detain in its portfolio issuers on 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: it allows the exclusion of issuers for which the sustainability risk - and particularly governance risk - could call into question the sustainability of the company's economic and financial model, have a significant impact on its stock market value or lead to a significant downgrading by the rating agencies. 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 average ESG rating of the portfolio must be better than that of its benchmark. The ESG analysis of the securities held in the portfolio covers more than 90% of the securities held in the portfolio, all 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>

#### **f. Assets used**

- Debt securities and money market instruments

Up to 100% of the Fund's assets may be exposed to euro-denominated debt securities and money market instruments of any kind from investment grade or speculative grade corporate or government issuers in countries of the OECD, G20 and European Economic Area. The considered issue size is superior to EUR 100 million, except for 10% of the net assets for which no issue size limit is applied.

In particular, the Fund may invest in the following securities:

- Fixed, floating or adjustable rate bonds
- EMTN (Euro Medium Term Notes)
- Bond-like convertible bonds (offering a yield comparable to that on the bond market, where first order sensitivity to equity risk is not significant).
- French government bonds (OAT).
- Short and middle term negotiable securities,
- Other: participation certificates, constant maturity treasuries, subordinated debt
- Index-linked bonds (inflation, constant maturity swaps, etc.)

The Fund may invest up to 10% of its net assets in contingent convertible bonds (CoCos).

CoCos are subordinated debt securities that can be converted into shares or incur a capital loss if certain triggers predefined in the prospectus (e.g. breaching a certain capital ratio of the issuer) are activated.

- Shares and equity securities

The Fund does not aim to hold equities directly except where they result from a conversion or exchange involving a convertible bond or subordinated debt. The Fund's exposure to pure equities is limited to 10% of the net assets.

- 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 in accordance with Directive 2009/65/EC;
- French or foreign UCIs in accordance with Directive 2011/61/EU or foreign investment funds meeting 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:

- perform credit and interest rate arbitrage transactions,
- expose the portfolio to interest rate and credit risk with a view to creating synthetic exposure to one or more risks in line with its investment objective, as well as, limited to 5% of the net assets, to equity risk,
- hedge the portfolio against interest rate, credit risk, currency risk as well as equity risk.

Eligible derivatives are listed below:

- Interest rate futures and bond or equity futures;
- Options on interest rate futures and on bond or equity futures;
- Options on ETFs (exchanged traded funds);
- Forward rate agreements and currency forwards;
- Interest rate swaps and currency swaps;
- Performance swaps (Total Return Swaps on a specific issuer or index);
- Credit derivatives (Credit Default Swaps on a specific issuer or index).

In pursuit of its investment objective, the Fund may use total return swaps (TRSs) for the purposes of hedging or exposure (long or short).

A TRS is an over-the-counter swap contract in which two parties exchange flows: from the seller's perspective, the asset's interest rate plus any increase in its value; from the buyer's perspective, a periodic premium plus any depreciation in the value of the asset.

The TRSs that the Fund can use are contracts on individual securities or bond indexes in which the Fund can invest in accordance with its investment objectives in exchange for a periodic payment indexed to a benchmark money market rate.

The TRS counterparty can determine neither the composition or management of the Fund's portfolio, nor the underlying asset of the TRS. Furthermore, the counterparty's approval is not required for any transaction pertaining to the Fund's portfolio.

- Derivative counterparty selection criteria:

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”.

- 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, contingent convertible bonds, callable or puttable bonds, subscription certificates, warrants) to expose the portfolio to interest rate or credit 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.

- 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 10% of its net assets. It is expected that 0-10% 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

For redemptions, the Fund reserves the right to borrow a cash amount up to 10% of the net asset value.

#### **g. 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 FCP 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.

#### **h. Total exposure**

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

The strategy implemented in the Fund does not aim to generate overexposure to the markets. However, the Fund may reach total exposure bordering on 110% of its net assets owing to the use of derivatives, securities with embedded derivatives and cash borrowing.

#### **i. 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 relating to discretionary management

The discretionary management approach is based on expectations of changes in the different markets or strategies pursued by the Fund. There is a risk that the product may not be invested in the best performing markets or financial instruments at all times.

- Credit risk

Credit risk represents the possibility of an issuer being downgraded or even defaulting, and the negative impact on the valuation or price of the affected security. When it materialises, credit risk has a direct negative impact on the net asset value (NAV) of the Fund. The Fund's investment strategy may expose the Fund to a high credit risk.

- Risk associated with investment in speculative securities

The Fund is invested in low-rated speculative securities. Falls in the price of these securities may be quicker and steeper than for investment grade securities, causing the net asset value to fall more quickly and more steeply.

- Interest rate risk

Interest rate risk relates to the possibility of bond yields rising. Such an eventuality would cause the price or valuation of bonds to fall, thereby decreasing the net asset value of the Fund. The portfolio's average modified duration is between 0 and +6, i.e. for a 1% upward shift in the yield curve, the Fund may fall by up to 6%.

- Risk associated with holding small issues

The Fund may be invested in bonds issued in small volumes. Such bonds may therefore be illiquid and issued by companies that, for specific reasons, may present risks to investors. These considerations may lead to a fall in the NAV of the UCITS.

- Risk associated with subordinated debt

Compared with senior debt, subordinated debt presents a higher risk of capital loss and non payment of coupons. Investment in subordinated debt may therefore have a negative effect on the NAV.

- 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.

- Risk associated with financial instruments

The Fund is exposed to risks associated with 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.

- 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. This risk is tempered by the counterparty selection process implemented by Ellipsis AM. The significance of this risk for the holder of the Fund will depend on the level of allocation realised in the underlying strategies subjected to this type of risk.

- Operational risk

The risk that the FCP may suffer losses owing to the inadequacy of internal processes and to failures attributable to the portfolio management company's personnel or systems, or resulting from external events, including legal risk and documentation risk, as well as the risk associated with trading, settlement and valuation procedures applied on behalf of the FCP.

- Risk of potential conflicts of interest

The risk associated with over-the-counter transactions during which the FCP's counterparty and/or financial intermediary is an entity linked to the group to which the management company belongs.

- Ancillary risk: Equity risk

This relates to the risk of a change in the price of equities to which the portfolio may be exposed due to the possible conversion of convertible bonds, subordinated debt or to the use of derivative instruments. The UCITS may also have minority exposure to convertible bonds if these present attractive opportunities. Equity sensitivity to convertible bonds is generally negligible but changes

in the markets and, in particular, a rise in the equity underlying the convertible bond may leave residual equity sensitivity. Accordingly, there is, at the level of this exposure, a risk of downfall of the NAV of the UCITS.

- Ancillary risk: Currency risk

As the securities are denominated in euro, the fund's assets are not exposed to currency risk.

Units denominated in currencies (except EUR) are fully hedged against currency risk. However, up to 5% of the unit's net assets may still be exposed to a residual currency risk.

- Risks associated with contingent convertible bonds (CoCos):

o trigger level risk:

CoCos have loss absorption mechanisms which are described in their issue prospectuses and which tend to be activated if the issuer's capital ratio drops below a certain threshold, or trigger.

The conversion risk may vary, for example depending on the difference between the issuer's solvency ratio and the conversion trigger. The occurrence of the contingent event may lead to these bonds being converted into shares or to a temporary or permanent reduction in all or part of the capital.

o coupon cancellation risk:

For certain types of CoCo, the payment of coupons is wholly discretionary and may be cancelled by the issuer indefinitely at any moment;

o capital structure inversion risk:

Unlike with traditional and secured debt, CoCo investors may, in certain exceptional circumstances, incur a capital loss before the shareholders. This is particularly the case if the conversion trigger is high.

o call extension risk or risk that the issuer does not exercise the call:

CoCos are perpetual debt securities with an early call option for the issuer. Investors may not recover their capital on the call dates set out in the terms and conditions of issue or indeed at all.

o yield/valuation risk:

The attractive yield offered by this type of instrument should not be the sole motive for investment; it must be understood as a premium of complexity and additional risk compared with a traditional debt instrument.

o risk associated with the immaturity of CoCos:

Since these innovative instruments are relatively recent, their behaviour during times of market stress may be unpredictable.

- 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.

#### **j. Guarantee or Protection**

The Fund does not guarantee or protect the capital invested.

#### **k. Target investors and investor profile**

S units: All investors, and particularly institutional investors

I units: All investors, more specifically intended for institutional investors, funds of funds, pension funds, retirement funds or for investors dealing for their own account

J units: All investors, more specifically intended for investors who subscribe through distributors or intermediaries :

- providing a service of investment advisory or of portfolio management within a discretionary mandate,
- exclusively remunerated by the investors

P units: All investors

Y units: All investors, and particularly institutional investors

Z units: Reserved for entities of the Kepler Cheuvreux group, mutual funds and mandates managed by the management company and its employees

Minimum recommended investment period: more than three years

The UCITS is intended to investors seeking a bond reward during the minimum recommended investment period, gained notably from a portfolio composed of speculative bonds and debt instruments.

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).
- Pursuant to the provisions of EU Regulation No. 833/2014, the subscription of units of this fund is prohibited to any Russian or Belarusian national, to any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus, except to nationals of a Member State and to 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 under FATCA;
- Financial institutions that are not Financial Institutions or equivalent concept under DAC/CRS.

The definition 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/2015/1/2/MAEJ1431068D/jo/texte>
- DAC : <http://eur-lex.europa.eu/legal-content/EN/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 FCP, 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.

## **I. 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.

All unit classes: Accumulation.

### **m. Frequency of distributions**

All unit classes: None.

### **n. Characteristics of the units**

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

Units are denominated in euro, except in the case of ICHF, JCHF, PCHF and YCHF units, which are denominated in Swiss Francs, of IUSD, JUSD, PUSD and YUSD units, which are denominated in US Dollars.

### **o. 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 and on non-trading days at Target. 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 11:00 for that day's NAV to apply.

Subscription and redemption orders are centralised and executed on the basis of the next NAV calculated on the basis of that day's closing prices. They are executed in accordance with the following table:

| D   | D   | D: NAV calculation date            | D+1 working day    | D+2 working days            | D+2 working days          |
|---|---|------------------------------------|--------------------|-----------------------------|---------------------------|
| Centralisation of subscription orders before 11:00am <sup>1</sup> | Centralisation of redemption orders before 11:00am <sup>1</sup> | Execution of order no later than D | 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:

- EUR / CHF / USD 3,000,000 for S unit classes, except for the Kepler Cheuvreux group entities and UCIs. Subscriptions by entities belonging to a single group may be aggregated.
- EUR / CHF / USD 1,000,000 for I unit classes except for the Kepler Cheuvreux group entities and UCIs. Subscriptions by entities belonging to a single group may be aggregated.
- No minimum threshold for J, P and Z units classes.

Subsequent subscriptions: 1 thousandth of a unit

Subscription of the Y unit classes will be closed to all new investors as soon as the AUM of the FCP (all currencies combined) reach €100 million. Only existing investors will then be able to continue to subscribe to this class of units. The Asset Management Company may suspend/reopen this class of units for subscription after informing unitholders in advance by any means (e.g. website).

- 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 distributors.

| 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 | 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 management and administration 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 charged 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                            | I units: 0.8%<br>J units: 1%<br>P units: 1.50%<br>S units: 0.65%<br>Y units: 0.50%<br>Z units: 0.15%  |
| 2 | Administrative fees external to the management company (statutory auditor, depositary, valuation agent, account holder, technical distribution fees, 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 50€ maximum including taxes perceived by the depositary<br>From 0 to 50€ maximum including taxes perceived by the Management Company  |
| 5 | Performance fee  | Net assets                            | S, I, J, P and Y 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 been offset.<br>Z units: none |

Financial research fees may be charged to the Fund.

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.

#### *Details of the performance fee*

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, 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 date of launch 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%<br>(A) | -7%<br>(A + B1) | -10%<br>(A + B1 + B2) | -4%<br>(A + B1 + B2 + B3) | -4%<br>(A + B1 + B2 + B3 + B4) | 1%<br>(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.

*Proceeds of temporary purchases and sales of securities:*

Temporary purchases or sales of securities, and securities lending and borrowing, will be carried out on market conditions with any income payable in full to the Fund. Should it be the case, fees and costs generated by these operations will be borne by the management company.

For further information, unitholders should refer to the Fund's annual report.

*Procedure for selecting 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

ESG (Environmental, Social and Governance) criteria do not form simultaneously the basis of all investment choices made when managing this fund. Information on the application of ESG criteria can be found at [www.ellipsis-am.com](http://www.ellipsis-am.com).

Prospectus and latest annual and periodic reports:

Further information on the Fund (prospectus/annual report/half-yearly documents) can be obtained free of charge in French by writing to Ellipsis Asset Management, 6 rue Menars, 75002 Paris, emailing [client\\_service@ellipsis-am.com](mailto:client_service@ellipsis-am.com) or by visiting the [www.ellipsis-am.com](http://www.ellipsis-am.com) website.

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 commitment approach as defined in article 411-73 s. of the AMF general regulation is used to calculate the overall risk attached to financial contracts held by the Fund.

## 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 UCIs accounting standards set out in the decree of the Minister of the Economy of 6 May 1993 and amended by accounting regulations committee regulation 2014-01 of 14 January 2014.

### 8.1 Method of valuing financial instruments

#### 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**

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 using models that have been validated by the Management Company and use market data supplied by specialist data providers.

- ✓ 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 transactions involving futures 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 daily at market price, in accordance with the provisions of the section "Asset valuation and recognition 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**

Securities purchased are recorded at their acquisition price excluding fees, and securities sold are recorded at their sale price excluding fees.

**8.3 Method used to calculate distributable income**

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, one 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 Directives 2011/61/EU and 2014/91/EU amending Directive 2009/65/EC, as well as the provisions of articles 319-10 and 321-125 of the AMF's General Regulation, the Management Company has implemented a remuneration 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 members of the Management Board, the Compliance and Internal Control Officer, risk controllers, portfolio managers, sales staff and 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 Remuneration 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 remuneration 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. The Management Company's updated remuneration policy, which describes the method of calculating remuneration and benefits and the composition of the Remuneration Committee responsible for the allocation thereof, is available free of charge on request from the registered office of the Management Company and online at [www.ellipsis-am.com](http://www.ellipsis-am.com).

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## RULES ELLIPSIS HIGH YIELD 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 income for the financial year is equal to the amount of interest, arrears, dividends, premiums and prizes, directors' fees as well as all proceeds generated by the securities held in the portfolio of the Fund, plus income generated by temporary cash holdings, less management fees and borrowing costs.

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.

The sums mentioned in points 1° and 2° may be distributed, in whole or in part, independently of each other. The precise procedures for allocating distributable sums are defined in the prospectus.

For all types of Fund unit, distributable sums are accumulated in full except where the law requires a dividend to be paid.

### **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.

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