



SWING PRICING

OCTOBER 2023

MONITORING THE PROCEDURE

Type of document	Procedure
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History

Version	Author	Date	Comment	Reviewed by
0	Risk Control	December 2018	Document creation	PT/BN
1	Control of Risks	June 2020	Update	PT/BN
2	Control of Risks	December 2022	Update	DCR/BN
3	Control of Risks	July 2023	Update - Diversification period	DCR
4	Control of Risks	October 2023	Addition of the CC29 Fund	DCR

1. SCOPE OF APPLICATION

The information contained in this document refers to the CARMIGNAC's funds range, as defined in the Annex, managed by an entity of the Carmignac Group.

For these portfolios, a *Swing Pricing* mechanism has been implemented to protect existing holders/shareholders from performance dilution effects that may affect them following transactions carried out by other investors in the fund/share.

Reference to the *Swing Pricing* mechanism applied is made in the prospectus of each fund concerned. Accordingly, this document is intended to provide answers to the most frequently asked questions about the Fund's approach to *Swing Pricing* and is subject to the provisions of the Fund's Articles of Incorporation and/or Prospectus and the discretion of the Fund's Directors.

2. SWING PRICING MECHANISM

To mitigate the impact of transaction costs associated with capital inflows or outflows, the net asset value (NAV) of a fund can be adjusted using an anti-dilution mechanism known as *Swing Pricing*. The fund's single price can be adjusted upwards in the event of large inflows and downwards in the event of large outflows, which will have an impact on investors buying or selling rather than on existing investors in the fund.

If a fund experiences net subscriptions or redemptions above a predetermined level (the "trigger level") on any trading day, *Swing Pricing mechanism* will be applied.

As a result, the adjustment to a fund's net asset value (or NAV) allows the costs of the underlying transactions to be passed on to active shareholders, thereby protecting investors remaining in the fund from the costs of these transactions.

Swing pricing aims to protect the overall performance of funds in the interests of existing shareholders. Investors should be aware that adjusting the net asset value (NAV) per share may increase the fund's tracking error and create volatility in daily prices. However, this should not be interpreted as increasing portfolio risk.

3. TRIGGER THRESHOLD

The trigger level is a predetermined level, expressed as a percentage of the fund's net asset value (or NAV), above which the *Swing Pricing mechanism* is activated. If a fund's net inflows or outflows exceed this level, its net asset value (NAV) is adjusted by a predetermined amount (the "Swing Factor").

In the case of net inflows, the NAV is adjusted upwards to ensure that the cost of rebalancing the portfolio is borne by the new investors. Conversely, when there are net outflows, NAV is adjusted downward so that outgoing investors bear this cost.

The adjustment decision is not specific to any particular client or share class but is based on the total net inflows and outflows of all investors in the fund. The net asset value (or NAV) per share is adjusted for all share classes in a fund, not just those that experience inflows or outflows on a given day.

The determination of the threshold, as well as the other parameters of the mechanism, are defined within the framework of the Carmignac Group's Swing Pricing Governance (hereafter referred to as the "Governance").

4. GOVERNANCE

Governance is overseen by the Valuation Committee, chaired by a representative of the Carmignac Group's General Management.

The governance is ensured by representatives of the Risk Department, the Middle Office Funds Department, the Trading Desk and the Compliance and Internal Control Department, who have the technical and functional expertise to define the parameters of the *Swing pricing mechanism*.

Its role is to review, on a quarterly basis or whenever an external event or market conditions require such a review (e.g. liquidity crisis), all the characteristics necessary to determine the Swing Pricing parameters.

The objective is to ensure an appropriate level of protection for existing investors while seeking to minimize NAV volatility.

The trigger threshold is determined by the governance to ensure that flows that would significantly dilute the Fund's performance are neutralized.

Carmignac does not publish trigger levels as this could compromise the integrity of the *Swing Pricing mechanism* and undermine the objective of protecting existing investors from the dilutive effect of large net outflows. This position complies with current regulatory guidelines and market conventions.

5. ADJUSTMENT COEFFICIENT (SWING FACTOR)

The amount by which the net asset value (or NAV) is adjusted is called the "Swing Factor". It varies according to the type of assets in which the fund invests.

For example, a local currency emerging bond fund is likely to have a higher adjustment factor than a US investment grade bond fund due to the higher costs and bid-ask spreads associated with buying and selling securities in emerging markets.

The adjustment coefficient is calculated based on the fund's transaction cost analysis.

To determine the adjustment coefficient to be applied on a quarterly basis - or more frequently if circumstances (external events, market conditions) so require - Carmignac's teams use a tactical calculation tool based on an Excel spreadsheet developed internally. This tool allows to document and archive the calculation data each time it is updated.

The adjustment coefficient is calculated by the Middle Office team using a weighted average calculation., considering the following factors:

- The exposure/weight of the assets in the portfolio on the closing date,
- The bid/ask spreads for these assets obtained during the trading session from the Trading Desk team.

For the calculation, before being applied to the weight, the spreads are expressed in relative terms and adjusted by half to reflect the portfolio's mid-market valuation ($\sim 0.5 * \text{"bid/ask spread"}/\text{"mid"}$).

Risk Control then reviews and validates the adjustment coefficient calculation before the Middle Office team forwards it to the Accounting Officer for application.

6. DISTRIBUTION AND USE OF THE NET ASSET VALUE

Where applicable, the *Swing Factor-Adjusted* Net Asset Value (or NAV) is the fund's only official net asset value. Consequently, only this net asset value (or net asset value/ NAV) will be published. Similarly, performance and risk indicators (including the Fund's SRRI) will be calculated using the Swing Factor-adjusted net asset value (or NAV).

As an exception to the above, where the fund documentation provides for the possibility of charging a performance fee, this will be calculated before the swing factor is applied to the net asset value (or NAV).

7. DEROGATION FROM THE APPLICATION OF SWING PRICING

The Swing Pricing mechanism may be suspended on a temporary basis in several situations, provided that they do not create any conflict of interest:

- The launch (or "ramp-up") period, which is a period of portfolio construction.
- The diversification period, which is a temporary period defined in the prospectus. This period allows the fund to reach a target AUM that fully justifies applying Swing Pricing.
- Merger of funds
- Liquidation of funds

The decision to apply a waiver to the *Swing Pricing mechanism* is taken by the Carmignac Group's Valuation Committee.

In particular, the Valuation Committee ensures that the waiver is appropriate and in line with the Carmignac Group's valuation principles, and defines the conditions of the waiver, the period of application and any exceptional circumstances that may suspend its early application.

Once the decision has been taken, the appropriate departments ensure its implementation.

8. ADDITIONAL INFORMATION

Information on the application of the *Swing Pricing mechanism* is available in the annual report for each portfolio concerned.

9. MANAGING AND PREVENTING CONFLICTS OF INTEREST

As part of its mutual fund management business, Carmignac uses anti-dilution methods. These mechanisms enable the costs of restructuring portfolios to be borne by the incoming/outgoing shareholders rather than by those remaining in the portfolio.

However, implementing such a mechanism requires the deployment of strict formal governance to prevent:

- The choice of portfolios on which a "swing pricing" mechanism is not carried out on a subjective basis.
- Determining the economic components of the mechanism could lead to situations where these could undermine the principles of equal treatment of holders (for example, by involving the payment of fees exceeding the costs of restructuring the portfolio).

To avoid such situations, Carmignac has established a :

- Product development governance, which allows Carmignac's product range to be developed based on objective criteria that are shared with all stakeholders in this governance.
- Governance overseeing the determination of the components and characteristics of the mechanisms. This governance ensures that the variables are defined on an objective basis in line with established principles (particularly frequency).
- Carmignac maintains the confidentiality of the economic variables to avoid any unfair treatment of unitholders.
- The teams responsible for managing the management company's own funds are not involved in the management of the *Swing Pricing mechanism*.
- Transactions relating to portfolio rebalancing are carried out in accordance with the Carmignac Group's best execution policy.

Carmignac has also established the possibility of derogating from the swing pricing principles. The implementation of a derogation follows the same principles as the determination of the components and is decided by the Governance established on the basis of objective criteria.

SCHEDULE -

List of funds currently covered by the Carmignac Group's swing pricing policy.

Funds	Legal structure	Management company	Financial manager
Carmignac Portfolio Credit	Sub-fund of the Luxembourg SICAV Carmignac Portfolio	Carmignac Gestion Luxembourg	Carmignac Gestion
Carmignac Portfolio EM Debt	Sub-fund of the Luxembourg SICAV Carmignac Portfolio	Carmignac Gestion Luxembourg	Carmignac Gestion
Carmignac Crédit 2025	French mutual fund (FCP)	Carmignac Gestion	Carmignac Gestion
Carmignac Crédit 2027	French mutual fund (FCP)	Carmignac Gestion	Carmignac Gestion
Carmignac Crédit 2029	French mutual fund (FCP)	Carmignac Gestion	Carmignac Gestion