EASTSPRING INVESTMENTS (SICAV SUB-FUNDS)

PRICE ADJUSTMENT / SWING PRICING

JUNE 2022

Swing pricing involves an adjustment to the net asset value of a Sub-Fund's shares on a given business day to adjust for transaction costs incurred as a result of significant net inflows or outflows. Such transaction costs may adversely affect existing investors in the Sub-Fund, an issue which is referred to as dilution. On the other hand, under a Swing pricing adjustment, it is the investors transacting in a Sub-Fund's shares that would bear the dealing costs of such transactions.

The purpose of Swing pricing is to protect existing investors in the Sub-Fund by preventing or reducing the performance dilution that may occur to the value of a Sub-Fund's shares due to significant levels of net inflows or outflows on a given business day.

Under the Swing pricing policy, the Board of Directors expect to implement Swing pricing only where the net inflows or outflows of a Sub-Fund exceeds a specified level, which may vary among Sub-Funds. Swing pricing is part of the net asset valuation process and is not a separate fee. Swing pricing does not impact the investment management of the Sub-Funds and has a number of advantages for clients including:

- Protection against dilution– without Swing pricing, large-scale redemptions or subscriptions of Sub-Fund units result in transaction costs which must be borne by the remaining investors.
- Liability Principle – Swing pricing adaptation will only affect investors who buy or sell units on a given day.
- Protection against speculation – transaction costs are borne only by those who caused them. Medium to long-term investors who retain their investments in the Sub-Fund are not affected.

SWING PRICING Q&A

1.Who will be affected by Swing pricing?

Only those investors who buy or sell Sub-Fund units on the relevant day of that share class. Investors who remain invested in the Sub-Fund will not be economically affected.

2. Is Swing pricing not just an additional charge for the investor?

No, Swing pricing is a tool that ensures that existing investors in a particular Sub-Fund do not bear the trading costs associated with the portfolio manager having to trade due to the material activity of other shareholders investing significantly in or out of a Sub-Fund. Essentially, it is allocating costs of trading to the shareholders that cause the swing adjustment.

3. What advantages do Swing pricing have for investors?

- Protection against investors who speculate on short-term price volatility.
- Long-term protection against dilution, as major subscriptions or redemptions lead to transaction expenses which would have to be borne by the remaining investors otherwise.
- Transaction expenses are borne only by those who cause them. Medium to long-term investors who remain invested in the Sub-Fund will not be affected.
- Transparent functioning: Swing pricing adjustments will only affect investors who buy or sell Sub-Fund units on the relevant date of that share class.

4. Will the trade confirmation notes specifically indicate when Swing pricing kicks in for a given Sub-Fund on a given date?

No, there would be no indication on the confirmation note or any other communication when Swing pricing kicks in for a given Sub-Fund on a given date. There would only be the NAVs published for the Sub-Fund.

5. Which Sub-Funds would be impacted?

The Swing pricing mechanism is intended to be implemented across the entire range of the Eastspring Investments SICAV Sub-Funds. At this stage there are no Sub-Funds that are considered to be exempted from the Swing pricing mechanism within the SICAV umbrella range.

THE DILUTION EFFECT OF TRADING ACTIVITY

Swing pricing is aimed to protect investors from the impact of trading costs which has emerged as a key industry challenge, particularly as investment time horizons shorten.

This methodology protects the interests of long-term shareholders from the impact of transaction costs resulting from significant subscription or redemption activity within the Sub-Funds.

Why does Eastspring prefer Partial Swing pricing?

In line with many of its peers in the industry, Eastspring has adopted the "partial swing" method. Therefore, if the net trading in one of the Luxemburg-based Sub-Funds does not meet the swing threshold then no swing occurs, as trading costs will not have any material impact on other shareholders.

Eastspring favours this method because there is normally a lower impact on NAV volatility, given that the price is not swung on each valuation date. Additionally, having a threshold recognises that smaller deals can frequently be managed within existing cash levels.

How is the swing factor decided?

Practically, the price swings in accordance with the pre-determined swing threshold and the swing factor is set individually for each Sub-Fund based on market conditions, as well as other elements that influence the overall transaction costs (such as bid/ask spreads, commissions, taxes and other fiscal charges). The swing factor represents the magnitude of the swing, while its direction depends on whether the Sub-Fund is receiving net inflows or outflows on any particular dealing day:

- If the day's dealings within the Sub-Fund results in a net inflow, the share class NAV is adjusted upwards.
- If it results in a net outflow, the share class NAV is adjusted downwards.

How is the Swing threshold set?

The threshold levels are calculated on a Sub-Fund-by-Sub-Fund basis considering the level at which capital activity and related trading within the Sub-Fund becomes material and dilutes the value of shareholders' holdings. The threshold level depends on the underlying asset class and size of the Sub-Fund and can therefore vary across the SICAV range.

EASTSPRING'S GOVERNANCE ON SWING PRICING

Swing thresholds and swing factors are set by Eastspring's Swing pricing committee, which meets semi-annually, but may do so more regularly if market conditions require. These meetings capture our best estimate of actual trading costs and review the current levels of protection provided by swinging to understand if they remain relevant. We intend to keep the thresholds confidential, as is generally the case in the industry, in order to prevent any attempt to avoid a price swing by dealing in an amount just below the threshold.

Swing factors might have to be increased, and/or thresholds lowered, by the Swing pricing committee depending on market events or any other legitimate reasons in order to provide the appropriate level of protection to investors.

CONCLUSION

Eastspring Investments has determined that the application of the Swing pricing mechanism in the Luxembourg SICAV Sub-Funds is the optimal solution to protect long-term shareholders from the dilution effect of significant trading activity. The Swing pricing mechanism is to ensure that investors subscribing or redeeming from a particular Sub-Fund bear the related trading costs associated with their activity and therefore protecting the interests of existing shareholders.

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