Swing Pricing

Swing pricing is a mechanism that seeks to enhance the protection offered to shareholders from the impact of dilution caused by shareholder activity. This section is designed to assist investors on the theory of swing pricing and address questions regarding its application within the sub funds of Eaton Vance International (Ireland) Funds plc[1] (the "UCITS Funds").

Following a comprehensive review, it has been decided to implement swing pricing on the UCITS Funds with an effective date of 24th February 2020.

<u>What is Swing Pricing?</u>
Swing pricing is a widely accepted industry practice that seeks to treat all investors fairly and aid the interests of long-term investors by protecting them from the potential effects of dilution as a result of significant subscription and redemption requests.

<u>What is Fund Dilution?</u>
Dilution is caused when the value of an individual investment is reduced as a result of dealing costs generated by other investors buying into or selling out of a fund.

Investors buying into or selling out of an actively managed fund may expect to suffer dilution caused by the investment manager's trading activities. Investors should not however expect to suffer dilution caused by the trading activity influenced by other investors trading into or out of the fund.

<u>How Does Swing Pricing Work?</u>
The swing effects on the net asset value ("NAV") per Share are considered by the fund administrator during the process of calculating the NAV of the fund. The administrator calculates the NAV as normal and then adjusts ("swing") the NAV by a pre-determined amount (the "Swing Factor") if the net dealing activity is above a pre-determined level (the "Swing Threshold")

The direction of the swing will depend on whether there are net subscriptions or redemptions in the relevant fund on the relevant Dealing Day that exceed the Swing Threshold, while the magnitude of the swing will be based on pre-determined estimates of the average trading costs in the relevant asset class(es) in which the fund is invested.

For example, if the relevant fund is experiencing net subscriptions, where the Swing Threshold has been reached, its NAV will be swung upwards, so that the incoming investor(s) is effectively bearing the costs of the dealing that their subscription generates, by paying a higher NAV per share than they would otherwise be charged.

Conversely, where there are net redemptions in the fund and the Swing Threshold has been reached, the NAV will be swung downwards, so that the outgoing investor(s) is effectively bearing the costs of the dealing that their redemption generates by receiving a lower NAV per share than they would otherwise receive.

If the net cash flow into or out of a fund on a Dealing Day is below the Swing Threshold, a dilution adjustment will not be applied.

<u>Illustrative Example of the Swing Pricing Mechanism</u>
To illustrate, we assume the NAV per share of a hypothetical XYZ fund is constant at $100 and we also assume that there is no market movement during the period. The swing factor for the XYZ fund is set at 0.05% (5 basis points) and the swing threshold for the same fund is set at 5% of assets.

> <u>Case 1: A net inflow of 10% of the total NAV</u>
> The XYZ fund receives dealing requests resulting in a net cash inflow (net subscriptions) above 5% of the NAV from the previous dealing day. Price will swing to $100 plus 0.05% swing adjustment.
>
> Result: price swings upwards and all trades for the day will be priced at $100.05.
>
> <u>Case 2: A net outflow of 10% of the total NAV</u>
> The XYZ fund receives dealing requests resulting in a net cash outflow (net redemptions) above 5% of the NAV from the previous dealing day. Price will swing to $100 minus 0.05% swing adjustment.
>
> Result: price swings downwards and all trades for the day will be priced at $99.95.
>
> <u>Case 3: A Subscription or Redemption order of 2% of the total NAV is received</u>
> The XYZ fund receives dealing requests resulting in a net cash inflow or outflow below 5% of the NAV from the previous dealing day. Price will not swing.
>
> Result: price will not swing and all trades for the day will be priced at $100.

<u>Swing Factor and Swing Threshold</u>
The Swing Factor and Swing Threshold level for each of the sub-funds will be reviewed and approved by the Eaton Vance Anti-Dilution

Committee ("the Committee") on a quarterly basis. In exceptional market conditions the Committee will meet and review the Swing Factor and Swing Threshold more frequently.

When determining the Swing Factor, the Committee will review and analyse the bid/offer spreads, broker commissions, fiscal and other applicable trading charges, as well as foreign exchange costs where relevant. The Swing Threshold will be determined on a fund by fund basis and will consider the level at which capital activity and related trading within the relevant sub-fund will be material and dilute the value of investors' holdings.

The Swing Factor and Swing Threshold will therefore vary across the UCITS funds depending on the underlying asset class, trading costs and regional market exposure of each fund. For example an emerging market equity fund will likely have a higher swing factor than a U.S. equity fund given the higher spreads and costs associated with buying and selling securities in these particular markets.

Is Swing Pricing not an Additional Charge for Investor?
No. Swing pricing is not a charge levied on the fund or investors. It is a tool that ensures that existing non-dealing investors in the fund do not bear the trading costs associated with the investment manager having to trade due to the material activity of other shareholders dealing into and out of the fund. Essentially, it is apportioning costs of trading to the investors that cause them.

These swings are intended to protect non-dealing investors from the impact of trading costs triggered by dealing investors and do not create a monetary benefit for Eaton Vance.

Which Products Use Swing Pricing?
The sub-funds of the Eaton Vance International (Ireland) Funds PLC use swing pricing.

How Can I Find Out More About Swing Pricing?
For further information please review the relevant section of your investment's prospectus and supplement or contact your local Eaton Vance representative.

[1] Eaton Vance International (Ireland) Funds Plc sub-funds:

- Eaton Vance International (Ireland) Global Macro Fund
- Eaton Vance International (Ireland) U.S. High Yield Bond Fund
- Eaton Vance International (Ireland) Global Macro Fund
- Eaton Vance International (Ireland) Global Macro Fund
- Eaton Vance International (Ireland) U.S. High Yield Bond Fund
- Eaton Vance International (Ireland) Global High Yield Bond Fund
- Eaton Vance International (Ireland) U.S. Value Fund
- Eaton Vance International (Ireland) Emerging Markets Local Income Fund
- Eaton Vance International (Ireland) Emerging Markets Debt Opportunities
- Eaton Vance International (Ireland) Emerging Markets Debt Fund
- Eaton Vance International (Ireland) Hexavest Global Equity Fund
- Eaton Vance International (Ireland) Hexavest All-Country Global Equity Fund
- Eaton Vance International (Ireland) Parametric Emerging Markets Fund
- Eaton Vance International (Ireland) Parametric Global Defensive Equity Fund

INTERNATIONAL HEADQUARTERS
125 Old Broad Street
London, EC2N 1AR
United Kingdom

Marketing Communication

Publication details: Thursday, October 19, 2023 8:46 AM
Page ID: 36297 - https://www.eatonvance.jp/swing-pricing.php