

# UBS (Lux) Bond Fund

Investment fund under Luxembourg law (“Fonds commun de placement”)

December 2021

## Sales Prospectus

Units of UBS (Lux) Bond Fund (hereinafter also referred to as the “**Fund**”) may be acquired on the basis of this sales prospectus, the Management Regulations, the latest annual report and, if already published, the subsequent semi-annual report.

Only the information contained in the Sales Prospectus and in one of the documents referred to in the Sales Prospectus shall be deemed valid.

Furthermore, a Key Investor Information Document (“**KIID**”) is made available to investors before subscribing to units. Information on whether a sub-fund of the Fund is listed on the Luxembourg Stock Exchange can be obtained from the administrative agent or the Luxembourg Stock Exchange website ([www.bourse.lu](http://www.bourse.lu)).

The issue and redemption of Fund units is subject to the regulations prevailing in the country where this takes place. The Fund treats all investor information with the strictest confidentiality, unless its disclosure is required pursuant to statutory or supervisory provisions.

Units in this Fund may not be offered, sold or delivered within the United States.

Units of this Fund may not be offered, sold or delivered to investors who are US Persons. A US Person is any person who:

- (i) is a United States person within the meaning of Section 7701(a)(30) of the US Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder;
- (ii) is a US person within the meaning of Regulation S under the US Securities Act of 1933 (17 CFR § 230.902(k));
- (iii) is not a Non-United States person within the meaning of Rule 4.7 of the US Commodity Futures Trading Commission Regulations (17 CFR § 4.7(a)(1)(iv));
- (iv) is in the United States within the meaning of Rule 202(a)(30)-1 under the US Investment Advisers Act of 1940, as amended; or
- (v) is any trust, entity or other structure formed for the purpose of allowing US Persons to invest in the Fund.

## **Management and administration**

### **Management Company**

UBS Fund Management (Luxembourg) S.A., RCS Luxembourg B 154.210 (the “**Management Company**”).

The Management Company was established in Luxembourg on 1 July 2010 as an Aktiengesellschaft (public limited company) for an indefinite period. Its registered office is located at 33A, avenue J.F. Kennedy, L-1855 Luxembourg.

The Articles of Association of the Management Company were published on 16 August 2010 by way of a notice of deposit in the Mémorial, Recueil des Sociétés et Associations (the “**Mémorial**”).

The consolidated version of the Articles of Incorporation may be consulted at the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés). The corporate purpose of the Management Company is to manage undertakings for collective investment pursuant to Luxembourg law and to issue/redeem units or shares in these products, among other activities. In addition to the Fund, the Management Company currently also manages other undertakings for collective investment. The Management Company has fully paid-up equity capital of EUR 13,000,000.

## **Board of Directors of the Management Company (the “Board of Directors”)**

Chairman

André Valente,

	CEO, UBS Fund Management (Switzerland) AG, Basel, Switzerland
Members	Francesca Prym, CEO, UBS Fund Management (Luxembourg) S.A., Luxembourg, Grand Duchy of Luxembourg
	Gilbert Schintgen, Independent Director, Dudelange, Grand Duchy of Luxembourg
	Christian Maurer, Head of Product Management, UBS Asset Management Switzerland AG, Zurich, Switzerland

### Conducting Officers of the Management Company

Valérie Bernard, UBS Fund Management (Luxembourg) S.A., Luxembourg, Grand Duchy of Luxembourg
Geoffrey Lahaye, UBS Fund Management (Luxembourg) S.A., Luxembourg, Grand Duchy of Luxembourg
Federica Ghirlandini, UBS Fund Management (Luxembourg) S.A., Luxembourg, Grand Duchy of Luxembourg
Olivier Humbert, UBS Fund Management (Luxembourg) S.A., Luxembourg, Grand Duchy of Luxembourg

### Portfolio Manager

Sub-fund	Portfolio Manager
UBS (Lux) Bond Fund – AUD	UBS Asset Management (Australia) Ltd., Sydney
UBS (Lux) Bond Fund – CHF	UBS Asset Management Switzerland AG, Zurich
UBS (Lux) Bond Fund – Convert Europe (EUR)	
UBS (Lux) Bond Fund – EUR Flexible	UBS Asset Management (UK) Ltd., London
UBS (Lux) Bond Fund – Euro High Yield (EUR)	
UBS (Lux) Bond Fund – Global Flexible	
UBS (Lux) Bond Fund – Full Cycle Asian Bond (USD)	UBS Asset Management (Hong Kong) Limited, Hong Kong
UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (USD)	UBS Asset Management (Americas) Inc., Chicago
UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (EUR)	UBS Switzerland AG, Zurich

The Portfolio Manager has been assigned the management of the securities portfolio under the supervision and responsibility of the Management Company; to this end, it carries out all transactions relevant hereto in accordance with the prescribed investment restrictions.

The Portfolio Management entities of UBS Asset Management may transfer their mandates, fully or in part, to associated Portfolio Managers within UBS Asset Management. Responsibility in each case remains with the aforementioned Portfolio Manager assigned by the Management Company.

If the above table states that UBS Asset Management (Americas) Inc. and UBS Switzerland AG (“UBS GWM”) have been appointed Portfolio Managers for the sub-funds, the following division of responsibilities applies in addition:

For UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (USD) and UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (EUR), UBS Switzerland AG assumes the task of providing the sustainability profile (UBS in-house sustainability rating) of the investments, as well as the sectors to be excluded from investment. UBS Asset Management (Americas) Inc. uses the information supplied by UBS Switzerland AG, together with the results of its own fundamental research, to determine the sub-funds’ investments. UBS Asset Management (Americas) Inc. conducts all relevant transactions in compliance with the prescribed investment parameters.

### Depositary and Main Paying Agent

UBS Europe SE, Luxembourg Branch, 33A avenue J.F. Kennedy, L-1855 Luxembourg, (B.P. 2, L-2010 Luxembourg)  
UBS Europe SE, Luxembourg Branch, has been appointed depositary of the Fund (the “**Depositary**”). The Depositary will also provide paying agent services to the Fund.

The Depositary is a Luxembourg branch office of UBS Europe SE, a European company (societas Europaea – SE) with its registered office in Frankfurt am Main, Germany, listed in the trade and companies register of the Frankfurt am Main district court (Handelsregister des Amtsgerichts Frankfurt am Main) under number HRB 107046. The Depositary is located at 33A, avenue J.F. Kennedy, L-1855 Luxembourg, and is entered in the Luxembourg trade and companies register under B 209.123.

The Depositary has been assigned the safekeeping of those financial instruments of the Company that can be held in custody, as well as the record keeping and verification of ownership for other assets held by the Fund. The Depositary shall also ensure the effective and proper monitoring of the Fund's cash flows pursuant to the provisions of the Law of 17 December 2010 on undertakings for collective investment ("**Law of 2010**") and the depositary agreement (hereinafter referred to as the "**Depositary Agreement**"), each as amended.

Assets held in custody by the Depositary shall not be reused for their own account by the Depositary or any third party to whom custody has been delegated, unless such reuse is expressly permitted by the Law of 2010.

In addition, the Depositary shall also ensure that (i) the sale, issue, repurchase, redemption and cancellation of units is carried out in accordance with Luxembourg law, the Sales Prospectus and the Management Regulations; (ii) the value of the units is calculated in accordance with Luxembourg law; (iii) the instructions of the Management Company are carried out, unless they conflict with applicable Luxembourg law, the Sales Prospectus and/or the Management Regulations; (iv) for transactions involving the Fund's assets, any consideration is remitted to the Fund within the usual time limits; and (v) the Fund's income is appropriated in accordance with Luxembourg law, the Sales Prospectus and the Management Regulations.

In accordance with the provisions of the Depositary Agreement and the Law of 2010, the Depositary may appoint one or more sub-depositaries. Subject to certain conditions and with the aim of effectively fulfilling its duties, the Depositary may thus delegate all or part of the safekeeping of those financial instruments that can be held in custody as entrusted to it, and/or all or part of its duties regarding the record keeping and verification of ownership of other assets of the Fund.

In accordance with the applicable laws and regulations, as well as the directive on conflicts of interest, the Depositary shall assess potential conflicts of interest that may arise from the delegation of its safekeeping tasks to a sub-depositary or sub-delegate before any such appointing takes place. The Depositary is part of the UBS Group: a global, full-service private banking, investment banking, asset management and financial services organisation that is a major player on the global financial markets. As such, conflicts of interest may arise in connection with the delegation of its safekeeping tasks, because the Depositary and its affiliates engage in various business activities and may have diverging direct or indirect interests.

Unitholders may obtain additional information free of charge by addressing a written request to the Depositary.

Irrespective of whether a sub-depositary or sub-delegate is part of the UBS Group, the Depositary will exercise the same level of due skill, care and diligence both in the selection and appointment as well as in the on-going monitoring of the respective sub-depositary or sub-delegate. Furthermore, the conditions determining the appointment of any sub-depositary or sub-delegate that is member of the UBS Group will be negotiated at arm's length in order to protect the interests of the Fund and its unitholders. Should a conflict of interest arise and prove impossible to mitigate, such conflict of interest will be disclosed to the unitholders, together with all decisions taken pertaining thereto. An up-to-date description of all custody tasks delegated by the Depositary, alongside an up-to-date list of these delegates and sub-delegates can be found on the following webpage: <https://www.ubs.com/global/en/legalinfo2/luxembourg.html>

Where the law of a third country requires that financial instruments be held in custody by a local entity and no local entity satisfies the delegation requirements of Article 34 bis, Paragraph 3, lit. b) i) of the Law of 2010, the Depositary may delegate its tasks to such local entity to the extent required by the law of such third country for as long as there are no local entities satisfying the aforementioned requirements. In order to ensure that its tasks are only delegated to sub-depositaries providing an adequate standard of protection, the Depositary must exercise all due skill, care and diligence as required by the Law of 2010 in the selection and appointment of any sub-depositary to which it intends to delegate a portion of its tasks. Furthermore, it must continue to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any sub-depositary to which it has delegated a portion of its tasks and of any arrangements entered into by the sub-depositary in respect of the matters delegated to it. In particular, delegation is only permitted if the sub-depositary keeps the assets of the Fund separate from the Depositary's own assets and the assets belonging to the sub-depositary at all times during performance of the delegated tasks pursuant to the Law of 2010. The Depositary's liability shall not be affected by any such delegation, unless otherwise stipulated in the Law of 2010 and/or the Depositary Agreement.

The Depositary is liable to the Fund and its unitholders for the loss of a financial instrument held in custody within the meaning of Article 35 (1) of the Law of 2010 and Article 12 of Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing the UCITS Directive with regard to the obligations of depositaries (the "**Deposited Fund Assets**") by the Depositary and/or a sub-depositary (the "**Loss of a Deposited Fund Asset**").

In the event of the Loss of a Deposited Fund Asset, the Depositary must provide a financial instrument of the same type or value to the Fund without undue delay. In accordance with the provisions of the Law of 2010, the Depositary will not be liable for the Loss of a Deposited Fund Asset if this was the result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Depositary shall be liable to the Fund and its unitholders for all other direct losses suffered by them as a result of the Depositary's carelessness, negligence or intentional failure to properly fulfil its duties in accordance with applicable law, in particular the Law of 2010 and the Depositary Agreement.

The Management Company and the Depositary may terminate the Depositary Agreement at any time by giving three (3) months' notice via registered letter. Should the Depositary decide to end its mandate or should it be removed from its role by the Management Company, the Depositary must be replaced before expiry of this notice period by a successor who shall take delivery of the Fund's assets and assume the functions and responsibilities of the Depositary. If the Management Company does not name another depositary as its successor within this time, the Depositary may notify the Luxembourg supervisory authority (Commission de Surveillance du Secteur Financier – "**CSSF**") of the situation.

#### **Administrative agent**

Northern Trust Global Services SE, 10, rue du Château d'Eau, L-3364 Leudelange

The administrative agent is responsible for the general administrative tasks involved in managing the Fund as prescribed by Luxembourg law. These administrative services mainly include calculating the net asset value per unit, keeping the Fund's accounts and carrying out reporting activities.

**Auditor of the Fund**

Ernst & Young S.A., 35E avenue John F. Kennedy, L-1855 Luxembourg

**Auditor of the Management Company**

Ernst & Young S.A., 35E avenue John F. Kennedy, L-1855 Luxembourg

**Paying agents**

UBS Europe SE, Luxembourg Branch, 33A avenue J.F. Kennedy, L-1855 Luxembourg, (B.P. 2, L-2010 Luxembourg) and other paying agents in the various distribution countries.

**Distributors and other sales agents, referred to as “distributors” in the Sales Prospectus.**

UBS Asset Management Switzerland AG, Zurich, and other distributors in the various distribution countries.

**Profile of the typical investor****UBS (Lux) Bond Fund – CHF****UBS (Lux) Bond Fund – AUD**

The actively managed sub-funds are suitable for investors who wish to invest in a diversified portfolio of debt securities and claims issued by international and supranational organisations or private, semi-public or public borrowers.

**UBS (Lux) Bond Fund – EUR Flexible**

The actively managed sub-fund is suitable for investors who wish to invest in a diversified portfolio of debt securities and claims, mainly denominated in EUR and issued by international and supranational organisations or private, semi-public or public borrowers.

**UBS (Lux) Bond Fund – Convert Europe (EUR)**

The actively managed sub-fund is suitable for risk-conscious investors who wish to invest in a diversified convertible bond portfolio and profit from the development of the European stock market, but do not want to relinquish a certain level of security such as that afforded by the “bond floor” offered by a convertible bond.

**UBS (Lux) Bond Fund – Euro High Yield (EUR)**

The actively managed sub-fund is suitable for investors who wish to invest in a diversified portfolio of high-yield bonds with low ratings denominated in EUR.

**UBS (Lux) Bond Fund – Full Cycle Asian Bond (USD)**

The actively managed sub-fund is suitable for investors who wish to invest in a diversified portfolio of bonds issued primarily in Asia ex Japan that is adapted to economic and financial market cycles in terms of interest rate risk and credit risk by means of derivatives. Investors should have a medium level of risk tolerance.

**UBS (Lux) Bond Fund – Global Flexible**

The actively managed sub-fund is suitable for investors who wish to invest in a globally diversified portfolio of bonds.

**UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (USD)**

The actively managed sub-fund is suitable for investors who wish to invest in a diversified portfolio of bonds and whose investment horizon generally accords with that of the sub-fund. The sub-fund promotes environmental and/or social characteristics. The end of the term will be determined by the Board of Directors as part of the launch process for the sub-fund; it will then be included under “Profile of the typical investor”.

**UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (EUR)**

The actively managed sub-fund is suitable for investors who wish to invest in a diversified portfolio of bonds and whose investment horizon generally accords with that of the sub-fund. The sub-fund promotes environmental and/or social characteristics. The end of the term will be determined by the Board of Directors as part of the launch process for the sub-fund; it will then be included under “Profile of the typical investor”. The currency exposure is largely hedged against the EUR.

**Historical performance**

The historical performance of the individual sub-funds is outlined in the KIID of the relevant unit class or in the corresponding sub-fund-specific document for the Fund’s distribution countries.

**Risk profile**

Sub-fund investments may be subject to substantial fluctuations and no guarantee can be given that the value of a Fund unit will not fall below its value at the time of acquisition.

Factors that can trigger such fluctuations or influence their magnitude include but are not limited to:

- Company-specific changes
- Changes in interest rates
- Changes in exchange rates
- Changes affecting economic factors such as employment, public expenditure and indebtedness, and inflation
- Changes in the legal environment
- Changes in investor confidence in certain asset classes (e.g. equities), markets, countries, industries and sectors
- Changes in commodity prices. By diversifying investments, the Portfolio Manager seeks to partly reduce the negative impact of these risks on the value of the sub-funds.

The Portfolio Manager may use special techniques and financial instruments whose underlying assets are securities, money market instruments and other financial instruments. These instruments may be of crucial importance for certain sub-funds. The risks associated with such techniques are described in this Sales Prospectus under "Risks connected with the use of derivatives" and "Use of futures and options".

Where sub-funds are exposed to specific risks due to their investments, information on these risks is included in the investment policy of this sub-fund.

## The Fund

### Fund structure

The Fund offers investors various sub-funds ("umbrella structure") that invest in accordance with the investment policy described in this Sales Prospectus. The specific features of each sub-fund are defined in this Sales Prospectus, which will be updated each time a new sub-fund is launched.

### Description of unit class types

Not all the types of unit class described below have to be offered at all times. Information on the unit classes available can be obtained from the administrative agent or at [www.ubs.com/funds](http://www.ubs.com/funds).

"P"	Units in classes with "P" in their name are available to all investors. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000.
"N"	Units in classes with "N" in their name (units with restrictions on distribution partners or countries) are issued exclusively through distributors authorised by UBS Asset Management Switzerland AG and domiciled in Spain, Italy, Portugal and Germany, or in other distribution countries insofar as this has been decided by the Board of Directors. There are no entry charges for these classes, even if they have additional characteristics. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000.
"K-1"	Units in classes with "K-1" in their name are available to all investors. Their smallest tradable unit is 0.1. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 5 million, BRL 20 million, CAD 5 million, CHF 5 million, CZK 100 million, DKK 35 million, EUR 3 million, GBP 2.5 million, HKD 40 million, JPY 500 million, NOK 45 million, PLN 25 million, RMB 35 million, RUB 175 million, SEK 35 million, SGD 5 million, USD 5 million, NZD 5 million or ZAR 40 million.
"K-B"	Units in classes with "K-B" in their name are exclusively reserved for investors who have signed a written agreement with UBS Asset Management Switzerland AG or one of its authorised distributors on investing in one or more sub-funds of this umbrella fund. The costs for asset management are charged to investors under the aforementioned agreements. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, NZD 100, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100 or ZAR 1,000.
"K-X"	Units in classes with "K-X" in their name are exclusively reserved for investors who have signed a written agreement with UBS Asset Management Switzerland AG or one of its authorised contractual partners on investing in one or more sub-funds of this umbrella fund. The costs for asset management, fund administration (comprising the costs incurred by the Management Company, administrative agent and the Depositary) and distribution are charged to investors under the aforementioned agreements. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000.
"F"	Units in classes with "F" in their name are exclusively reserved for UBS Group AG affiliates. The maximum flat fee for this class does not include distribution costs. These units may only be acquired by UBS Group AG affiliates, either for their own account or as part of discretionary asset management mandates concluded with UBS Group AG companies. In the latter case, the units will be returned to the Fund upon termination of the mandate at the prevailing net asset value and without being subject to charges. The smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000.
"Q"	Units in classes with "Q" in their name are exclusively reserved for financial intermediaries that: (i) invest for their own account, and/or (ii) receive no distribution fees in accordance with regulatory requirements, and/or (iii) can only offer their clients retrocession-free classes where these are available in the investment fund in question, in accordance with written agreements or agreements on fund savings plans concluded with them. Investments that no longer meet the above conditions may be forcibly redeemed at the prevailing net asset value or exchanged for another class of the sub-fund. The Management Company is not liable for any tax consequences that may result from a forcible redemption or exchange. The smallest

	tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000.
"I-A1"	Units in classes with "I-A1" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010. The maximum flat fee for this class does not include distribution costs. The smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000.
"I-A2"	Units in classes with "I-A2" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010. The maximum flat fee for this class does not include distribution costs. The smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000. The minimum subscription amount for these units is CHF 10 million (or foreign currency equivalent). Upon subscription (i) a minimum subscription must be made in accordance with the list above; (ii) based on a written agreement between the institutional investor and UBS Asset Management Switzerland AG (or one of its authorised contractual partners) or written approval by UBS Asset Management Switzerland AG (or one its authorised contractual partners), the investor's total assets managed by UBS or its holdings in UBS collective investment schemes must be more than CHF 30 million (or foreign currency equivalent); or (iii) the institutional investor must be an institution for occupational retirement provision that is part of UBS Group AG or must be one of its wholly-owned group companies.
"I-A3"	Units in classes with "I-A3" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010. The maximum flat fee for this class does not include distribution costs. The smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000. The minimum subscription amount for these units is CHF 30 million (or foreign currency equivalent). Upon subscription (i) a minimum subscription must be made in accordance with the list above; (ii) based on a written agreement between the institutional investor and UBS Asset Management Switzerland AG (or one of its authorised contractual partners) or written approval by UBS Asset Management Switzerland AG (or one its authorised contractual partners), the investor's total assets managed by UBS or its holdings in UBS collective investment schemes must be more than CHF 100,000,000 (or foreign currency equivalent); or (iii) the institutional investor must be an institution for occupational retirement provision that is part of UBS Group AG or must be one of its wholly-owned group companies.
"I-B"	Units in classes with "I-B" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010 who have signed a written agreement with UBS Asset Management Switzerland AG or one of its authorised contractual partners on investing in one or more sub-funds of this umbrella fund. A fee covering the costs for fund administration (comprising the costs of the Management Company, the administrative agent and the Depositary) is charged directly to the sub-fund. The costs for asset management and distribution are charged to investors under the aforementioned agreements. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000.
"I-X"	Units in classes with "I-X" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010 who have signed a written agreement with UBS Asset Management Switzerland AG or one of its authorised contractual partners on investing in one or more sub-funds of this umbrella fund. The costs for asset management, fund administration (comprising the costs incurred by the Management Company, administrative agent and the Depositary) and distribution are charged to investors under the aforementioned agreements. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, BRL 400, CAD 100, CHF 100, CZK 2,000, DKK 700, EUR 100, GBP 100, HKD 1,000, JPY 10,000, NOK 900, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100, USD 100, NZD 100 or ZAR 1,000.
"U-X"	Units in classes with "U-X" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010 who have signed a written agreement with UBS Asset Management Switzerland AG or one of its authorised contractual partners on investing in one or more sub-funds of this umbrella fund. The costs for asset management, fund administration (comprising the costs incurred by the Management Company, administrative agent and the Depositary) and distribution are charged to investors under the aforementioned agreements. This unit class is exclusively geared towards financial products (i.e. funds of funds or other pooled structures under various legislative frameworks). Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 10,000, BRL 40,000, CAD 10,000, CHF 10,000, CZK 200,000, DKK 70,000, EUR 10,000, GBP 10,000, HKD 100,000, JPY 1 million, NOK 90,000

	PLN 50,000, RMB 100,000, RUB 350,000, SEK 70,000, SGD 10,000, USD 10,000, NZD 10,000 or ZAR 100,000.
Additional characteristics:	
Currencies	The unit classes may be denominated in AUD, BRL, CAD, CHF, CZK, DKK, EUR, GBP, HKD, JPY, NOK, PLN, RMB, RUB, SEK, SGD, USD, NZD or ZAR. For unit classes issued in the currency of account of the sub-fund, this currency will not be included in the unit class name. The currency of account features in the name of the relevant sub-fund.
"hedged"	For unit classes with "hedged" in their name and with reference currencies different to the sub-fund's currency of account (" <b>unit classes in foreign currencies</b> "), the risk of fluctuations in the value of the reference currency is hedged against the sub-fund's currency of account. This hedging shall be between 95% and 105% of the total net assets of the unit class in foreign currency. Changes in the market value of the portfolio, as well as subscriptions and redemptions of unit classes in foreign currencies, can result in the hedging temporarily surpassing the aforementioned range. The Management Company and the Portfolio Manager will take all necessary steps to bring the hedging back within the aforementioned limits. The hedging described has no effect on possible currency risks resulting from investments denominated in a currency other than the sub-fund's currency of account.
"BRL hedged"	The Brazilian real (ISO 4217 currency code: BRL) may be subject to exchange control regulations and repatriation limits set by the Brazilian government. Prior to investing in BRL classes, investors should also bear in mind that the availability and tradability of BRL classes, and the conditions under which they may be available or traded, depend to a large extent on the political and regulatory developments in Brazil. The risk of fluctuations is hedged as described above under "hedged". Potential investors should be aware of the risks of reinvestment, which could arise if the BRL class has to be liquidated early due to political and/or regulatory circumstances. This does not apply to the risk associated with reinvestment due to liquidation of a unit class and/or the sub-fund in accordance with the section "Liquidation and merger of the Fund and its sub-funds or unit classes".
"RMB hedged"	Investors should note that the renminbi (ISO 4217 currency code: CNY), the official currency of the People's Republic of China (the " <b>PRC</b> "), is traded on two markets, namely as onshore RMB (CNY) in mainland China and offshore RMB (CNH) outside mainland China. Units in classes with "RMB hedged" in their name are units whose net asset value is calculated in offshore RMB (CNH). Onshore RMB (CNY) is not a freely convertible currency and is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government. Offshore RMB (CNH), on the other hand, may be traded freely against other currencies, particularly EUR, CHF and USD. This means the exchange rate between offshore RMB (CNH) and other currencies is determined on the basis of supply and demand relating to the respective currency pair. Convertibility between offshore RMB (CNH) and onshore RMB (CNY) is a regulated currency process subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government in coordination with offshore supervisory and governmental agencies (e.g. the Hong Kong Monetary Authority). Prior to investing in RMB classes, investors should bear in mind that the requirements relating to regulatory reporting and fund accounting of offshore RMB (CNH) are not clearly regulated. Furthermore, investors should be aware that offshore RMB (CNH) and onshore RMB (CNY) have different exchange rates against other currencies. The value of offshore RMB (CNH) can potentially differ significantly from that of onshore RMB (CNY) due to a number of factors including, without limitation, foreign exchange control policies and repatriation restrictions imposed by the PRC government at certain times, as well as other external market forces. Any devaluation of offshore RMB (CNH) could adversely affect the value of investors' investments in the RMB classes. Investors should therefore take these factors into account when calculating the conversion of their investments and the ensuing returns from offshore RMB (CNH) into their target currency. Prior to investing in RMB classes, investors should also bear in mind that the availability and tradability of RMB classes, and the conditions under which they may be available or traded, depend to a large extent on the political and regulatory developments in the PRC. Thus, no guarantee can be given that offshore RMB (CNH) or the RMB classes will be offered and/or traded in future, nor can there be any guarantee as to the conditions under which offshore RMB (CNH) and/or RMB classes may be made available or traded. In particular, since the currency of account of the relevant sub-funds offering the RMB classes would be in a currency other than offshore RMB (CNH), the ability of the relevant sub-fund to make redemption payments in offshore RMB (CNH) would be subject to the sub-fund's ability to convert its currency of account into offshore RMB (CNH), which may be restricted by the availability of offshore RMB (CNH) or other circumstances beyond the control of the Management Company. The risk of fluctuations is hedged as described above under "hedged". Potential investors should be aware of the risks of reinvestment, which could arise if the RMB class has to be liquidated early due to political and/or regulatory circumstances. This does not apply to the risk associated with reinvestment due to liquidation of a unit class and/or the sub-fund in accordance with the section "Liquidation and merger of the Fund and its sub-funds or unit classes".
"acc"	The income of unit classes with "-acc" in their name is not distributed unless the Management Company decides otherwise.
"dist"	The income of unit classes with "-dist" in their name is distributed unless the Management Company decides otherwise.
"qdist"	Units in classes with "-qdist" in their name may make quarterly distributions, gross of fees and expenses. Distributions may also be made out of the capital (this may include, inter alia, realised and unrealised net gains in net asset value) (" <b>capital</b> "). Distributions out of capital result in the reduction of an investor's

	original capital invested in the sub-fund. Furthermore, any distributions from the income and/or involving the capital result in an immediate reduction of the net asset value per unit of the sub-fund. Investors in certain countries may be subject to higher tax rates on distributed capital than on any capital gains from the sale of fund units. Some investors may therefore prefer to subscribe to accumulating (-acc) rather than distributing (-dist, -qdist) unit classes. Investors may be taxed at a later point in time on income and capital arising on accumulating (-acc) unit classes compared with distributing (-dist) unit classes. Investors should consult qualified experts for tax advice regarding their individual situation.
"mdist"	Units in classes with "-mdist" in their name may make monthly distributions, gross of fees and expenses. Distributions may also be made out of capital. Distributions out of capital result in the reduction of an investor's original capital invested in the sub-fund. Furthermore, any distributions from the income and/or involving the capital result in an immediate reduction of the net asset value per unit of the sub-fund. Investors in certain countries may be subject to higher tax rates on distributed capital than on any capital gains from the sale of fund units. Some investors may therefore prefer to subscribe to accumulating (-acc) rather than distributing (-dist, -mdist) unit classes. Investors may be taxed at a later point in time on income and capital arising on accumulating (-acc) unit classes compared with distributing (-dist) unit classes. Investors should consult qualified experts for tax advice regarding their individual situation. The maximum entry costs for units in classes with "-mdist" in their name is 6%.
"UKdist"	The aforementioned unit classes can be issued as those with "UKdist" in their name. In these cases, the Management Company intends to distribute a sum which corresponds to 100% of the reportable income within the meaning of the <b>UK reporting fund</b> rules when the unit classes are subject to these reporting fund rules. The Management Company does not intend to make taxable values for these unit classes available in other countries, as they are intended for investors whose investment in the unit class is liable to tax in the UK.
"2% ", "4% ", "6% ", "8% "	Units in classes with "2%" / "4%" / "6%" / "8%" in their name may make monthly (-mdist), quarterly (-qdist) or annual (-dist) distributions at the respective aforementioned annual percentage rates, gross of fees and expenses. The distribution amount is calculated based on the net asset value of the respective unit class at the end of the month (in the case of monthly distributions), financial quarter (in the case of quarterly distributions) or financial year (in the case of annual distributions). These unit classes are suitable for investors who wish for more stable distributions, unrelated to the past or expected returns or income of the respective sub-fund. Distributions may thus also be made from the capital. Distributions out of capital result in the reduction of an investor's original capital invested in the sub-fund. Furthermore, any distributions from the income and/or involving the capital result in an immediate reduction of the net asset value per unit of the sub-fund. Investors in certain countries may be subject to higher tax rates on distributed capital than on any capital gains from the sale of fund units. Some investors may therefore choose to invest in the accumulating (-acc) instead of the distributing (-dist, -qdist, -mdist) unit classes. Investors may be taxed at a later point in time on income and capital arising on accumulating (-acc) unit classes compared with distributing (-dist, -qdist, -mdist) unit classes. Investors should consult qualified experts for tax advice regarding their individual situation.
"seeding"	Units with "seeding" in their name are only offered during a limited time period. Further subscriptions are prohibited after the end of this period, unless otherwise decided by the Management Company. However, units can still be redeemed in accordance with the conditions for unit redemptions. Unless otherwise decided by the Management Company, the smallest tradeable unit, the initial issue price and the minimum subscription amount shall correspond to the characteristics of the unit classes listed above.

## Legal aspects

The Fund was established as an open-ended investment fund without legally independent status in the form of a collective investment fund ("fonds commun de placement" - FCP) pursuant to Part I of the Luxembourg Law relating to undertakings for collective investment of 30 March 1988 and was adapted in April 2005 to conform to the requirements of the Luxembourg Law of 20 December 2002 relating to undertakings for collective investment. Since 1 July 2011, the Fund has been subject to the Law of 2010. It was originally established under the name SBC Bond Portfolio in compliance with the Management Regulations approved by the Board of Directors of UBS Bond Fund Management Company S.A. (formerly SBC Bond Portfolio Management Company S.A.) on 26 June 1991.

The name of SBC Bond Portfolio was changed to UBS (Lux) Bond Fund on 1 April 1999.

The activities of UBS Bond Fund Management Company S.A. in its function as Management Company of the Fund ended on 14 November 2010. On 15 November 2010, UBS Fund Management (Luxembourg) S.A. assumed the function of Management Company.

The Management Regulations were initially lodged with the Trade and Companies Register of the District Court in Luxembourg on 1 July 1991 and amendments thereto were last published on 27 July 2018 in the "Recueil Electronique des Sociétés et Associations" ("**RESA**").

The Fund's Management Regulations may be amended, subject to compliance with applicable law. Any amendments thereto shall be notified by way of a notice of deposit in RESA, as well as by any other means described below in the section entitled "Regular reports and publications". The new Management Regulations shall enter into force on the date of signature by the Management Company and the Depositary. The consolidated version may be consulted at the Trade and Companies Register (Registre de Commerce et des Sociétés).

The Fund has no legal personality as an investment fund. The entire net assets of each sub-fund are the undivided property of all unitholders who have equal rights in proportion to the number of units they hold. These assets are separate from the assets of the Management Company. The securities and other assets of the Fund are managed by the Management Company as separate trust assets in the interests and for the account of the unitholders.



The Management Regulations give the Management Company the authority to establish different sub-funds for the Fund as well as different unit classes with specific characteristics within these sub-funds. This Sales Prospectus will be updated each time a new sub-fund or additional unit class is launched.

There is no limit on the size of the net assets, the number of units, number of sub-funds and number of unit classes or the duration of the Fund and its sub-funds.

The Fund forms a legal unit. As regards the association between unitholders, however, each sub-fund is considered to be independent of the others. The assets of a sub-fund are only liable for liabilities incurred by that sub-fund. As no division of liabilities is made between unit classes, there is a risk that, under certain conditions, currency hedging transactions for unit classes with "hedged" in their name may result in liabilities that affect the net asset value of other unit classes of the same sub-fund.

The acquisition of Fund units implies acceptance of the Management Regulations by the unitholder.

The Management Regulations do not provide for a general meeting of the unitholders.

The Management Company asks investors to note that they only benefit from their rights as unitholders if they have been entered in their own name in the register of unitholders of the Fund following their investment in the Fund. However, if investors buy Fund units indirectly through an intermediary that makes the investment in its own name on behalf of the investor, and as a result, said intermediary is entered into the register of unitholders instead of the investor, the aforementioned rights as unitholders may be granted to the intermediary and not the investor. Investors are therefore advised to enquire as to their investor rights before making an investment decision.

The financial year of the Fund ends on the last day of the month of March.

## **Investment objective and investment policy**

### **Investment objective**

The Fund aims to generate a high current income, while giving due consideration to broad diversification of the investments and the liquidity of the Fund's assets.

### **General investment policy**

The assets of the sub-funds are invested following the principle of risk diversification. The sub-funds mainly invest their assets in debt securities and claims.

Debt securities and claims include bonds, notes (including loan participation notes), asset-backed securities and similar fixed and floating-rate secured or unsecured debt instruments issued by international and supranational organisations, public entities, private borrowers and semi-public issuers, as well as similar securities.

The sub-funds may also invest their assets, in accordance with the following investment principles, in money market instruments and convertible, exchangeable and warrant-linked bonds, as well as in convertible debentures and equities, equity rights and warrants on securities.

Furthermore, the sub-funds may invest in collateralised debt obligations (CDOs), credit default notes (CDNs) and inflation-linked notes (ILNs).

Convertible debentures entitle the holders and/or the issuers of a bond to exchange the bond for shares on a predetermined date in the future.

Credit default notes (CDNs) are fixed-income securities into which a credit derivative is embedded that is handled in a similar way to credit default swaps. Investments in CDN are subject to the provisions in point 1 of the "General investment principles".

Inflation-linked notes (ILNs) are fixed-income and floating-rate securities with interest income that is linked to an inflation rate.

Equities and equity rights refer to shares and share-type securities.

The aforementioned debt securities and claims are securities as defined in Article 41 of the Law of 2010 insofar as this is required under the terms of the investment restrictions detailed below.

As set out in Point 1.1(g) and Point 5 of the investment principles, the Management Company may, as a main element in achieving the investment policy for each sub-fund and within the statutory limits defined, use special techniques and financial instruments whose underlying assets are securities, money market instruments and other financial instruments.

**The markets in options, futures and swaps are volatile; both the opportunity to achieve gains as well as the risk of suffering losses are higher than with investments in securities. These techniques and instruments will be employed only if they are compatible with the investment policies of the individual sub-funds and do not diminish their quality. The same applies to warrants entitling the holder to subscribe to securities.**

Each sub-fund may hold liquid funds on an ancillary basis in all currencies in which investments are made.

With the sub-funds, care is also taken to ensure that investments are broadly diversified in terms of markets, sectors, borrowers, ratings and companies. For this purpose, the sub-funds may invest up to 10% of their assets in existing UCITS and UCIs, unless otherwise defined in the individual sub-funds' investment policy.

### **ESG integration**

UBS Asset Management categorises certain sub-funds as ESG Integration funds. The Portfolio Manager aims to achieve investors' financial objectives while incorporating sustainability into the investment process. The Portfolio Manager defines sustainability as the ability to leverage the Environmental, Social and Governance (ESG) factors of business practices seeking to generate opportunities and mitigate risks that contribute to the long-term performance of issuers ("Sustainability"). The Portfolio Manager believes that consideration of these factors will deliver better informed investment decisions. **Unlike funds which promote ESG characteristics or with a specific sustainability or impact objective that may have a focused investment universe, ESG Integrated Funds are investment funds that primarily aim at maximising financial performance, whereby ESG aspects are input factors within the investment process.** Investment universe restrictions applied on all actively managed funds are captured in the Sustainability Exclusion Policy. Further binding factors, if applicable, are outlined in the Investment Policy of the sub-fund.

ESG integration is driven by taking into account material ESG risks as part of the research process. For corporate issuers, this process utilises the ESG Material Issues framework which identifies the financially relevant factors per sector that can impact investment decisions. This orientation toward financial materiality ensures that analysts focus on sustainability factors that can impact the financial performance of the company and therefore investment returns. ESG integration can also identify opportunities

for engagement to improve the company's ESG risk profile and thereby mitigate the potential negative impact of ESG issues on the company's financial performance. The Portfolio Manager employs a proprietary ESG Risk Dashboard that combines multiple ESG data sources in order to identify companies with material ESG risks. An actionable risk signal highlights ESG risks to the Portfolio Manager for incorporation in their investment decision making process. For non-corporate issuers, the Portfolio Manager may apply a qualitative or quantitative ESG risk assessment that integrates data on the most material ESG factors. The analysis of material sustainability/ESG considerations can include many different aspects, such as the following among others: the carbon footprint, health and well-being, human rights, supply chain management, fair customer treatment and governance.

### **Sustainability Exclusion Policy**

The Sustainability Exclusion Policy of the Portfolio Manager outlines the exclusions applied to all active investment strategies and therefore restricts the investment universe of actively managed funds.

<https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html>

### **Sustainability Annual Reporting**

The "UBS Sustainability Report" is the medium for UBS' sustainability disclosures. Published annually, the report aims to openly and transparently disclose UBS' sustainability approach and activities, consistently applying UBS' information policy and disclosure principles.

<https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html>

### **Sustainability Focus/Impact Funds**

UBS Asset Management categorises certain sub-funds as Sustainability Focus/Impact Funds. Sustainability Focus/Impact Funds promote ESG characteristics or have a specific sustainability objective which is defined in the investment policy.

### **The sub-funds and their special investment policies**

#### **UBS (Lux) Bond Fund – CHF**

#### **UBS (Lux) Bond Fund – AUD**

Currency of account: The currency of account features in the name of the respective sub-fund.

UBS Asset Management categorises these sub-funds as ESG Integration funds that do not promote particular ESG characteristics or pursue a specific sustainability or impact objective.

The actively managed sub-funds use the benchmark SBI® Foreign AAA-BBB (TR) Index or Bloomberg AusBond Composite Index as a reference for portfolio construction, performance comparison and for risk management. For unit classes with "hedged" in their name, currency-hedged versions of the relevant benchmark (if available) are used. It is expected that a substantial portion of a sub-fund's investments will be part of that sub-fund's benchmark. The Portfolio Manager can use its own discretion to invest in companies or sectors that are not included in the sub-fund's benchmark in order to take advantage of specific investment opportunities. In particular, in periods of heightened market volatility or uncertainty, and if opportunistic investments could add unwanted risks to the portfolio, it is expected that a sub-fund's risk/return profile will be relatively similar to its benchmark.

Within the scope of the general investment policy, these sub-funds invest at least two-thirds of their assets in debt securities and claims as defined above, issued by international and supranational organisations, public-sector, semi-public or private borrowers and denominated in the currency of the respective sub-fund or with an option on the currency of the respective sub-fund.

Furthermore, each sub-fund may invest up to one-third of its assets in debt securities and claims denominated in a currency other than the one which features in its name.

After deducting cash and cash equivalents, the sub-funds may invest up to one third of their assets in money market instruments. Up to 25% of their assets may be invested in convertible, exchangeable and warrant-linked bonds as well as convertible debentures.

In addition, after deducting cash and cash equivalents, the sub-funds may invest up to 10% of their assets in equities, equity rights and warrants as well as shares, other equity shares and dividend-right certificates acquired through the exercise of conversion rights, subscription rights or options, in addition to warrants remaining after the separate sale of ex-warrant bonds and any equities acquired with these warrants.

The equities acquired by exercise of rights or through subscription must be sold no later than 12 months after they were acquired. The sub-funds may invest a total of up to 20% of their net assets in ABS, MBS, CMBS and CDOs/CLOs. The associated risks are specified in the section "Risks connected with the use of ABS/MBS" or "Risks connected with the use of CDOs/CLOs".

As part of efficient asset management, the sub-funds may invest in all the derivative financial instruments listed in the section "Special techniques and instruments with securities and money market instruments as underlying assets" subject to the provisions and guidelines set forth therein. Permitted underlyings include, in particular, the instruments specified under Point 1.1(g) ("Permitted investments of the Fund").

The investments underlying these financial products do not take into account the EU criteria for environmentally sustainable economic activities.

#### **UBS (Lux) Bond Fund – CHF**

**Currency of account:** CHF

#### **UBS (Lux) Bond Fund – AUD**

**Currency of account:** AUD

	Maximum flat fee (maximum management fee) p.a.	Maximum flat fee (maximum management fee) p.a. for unit classes with "hedged" in their name
Unit classes with "P" in their name	0.900% (0.720%)	0.950% (0.760%)
Unit classes with "N" in their name	1.000% (0.800%)	1.050% (0.840%)
Unit classes with "K-1" in their name	0.550% (0.440%)	0.580% (0.460%)
Unit classes with "K-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "K-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "F" in their name	0.340% (0.270%) For the sub-fund UBS (Lux) Bond Fund – CHF 0.250% (0.200%)	0.370% (0.300%) For the sub-fund UBS (Lux) Bond Fund – CHF 0.280% (0.220%)
Unit classes with "Q" in their name	0.500% (0.400%)	0.550% (0.440%)
Unit classes with "I-A1" in their name	0.460% (0.370%)	0.490% (0.390%)
Unit classes with "I-A2" in their name	0.400% (0.320%) For the sub-fund UBS (Lux) Bond Fund – CHF 0.340% (0.270%)	0.430% (0.340%) For the sub-fund UBS (Lux) Bond Fund – CHF 0.370% (0.300%)
Unit classes with "I-A3" in their name	0.340% (0.270%) For the sub-fund UBS (Lux) Bond Fund – CHF 0.250% (0.200%)	0.370% (0.300%) For the sub-fund UBS (Lux) Bond Fund – CHF 0.280% (0.220%)
Unit classes with "I-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "I-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "U-X" in their name	0.000% (0.000%)	0.000% (0.000%)

### **UBS (Lux) Bond Fund – EUR Flexible**

UBS Asset Management categorises this sub-fund as an ESG Integration fund that does not promote particular ESG characteristics or pursues a specific sustainability or impact objective.

The actively managed sub-fund uses the benchmark Bloomberg Euro Aggregate 500mio+ Index as a reference for portfolio construction and performance evaluation. For unit classes with "hedged" in their name, currency-hedged versions of the benchmark (if available) are used. Although a portion of the portfolio may be invested in the same instruments and in the same weightings as the benchmark, the Portfolio Manager is not bound by the benchmark in its selection of instruments. In particular, the Portfolio Manager may, at its own discretion, invest in bonds from issuers not included in the benchmark and/or set the proportion of investments in sectors differently to their weighting in the benchmark in order to take advantage of investment opportunities. Therefore, in times when market volatility is high, sub-fund performance may differ greatly from the benchmark.

Within the scope of the general investment policy, the sub-fund invests at least two-thirds of its assets in debt securities and claims, denominated either in EUR and/or in all currencies of the EMU participating countries for as long as these national currencies remain legal tender, and issued by international or supranational organisations, public-sector, semi-public or private borrowers. Furthermore, the sub-fund may invest up to one-third of its assets in debt securities and claims denominated in a currency other than those mentioned above. The sub-fund may invest no more than 20% of its net assets in fixed-income instruments denominated in RMB and traded on the China Interbank Bond Market ("CIBM") or through Bond Connect. These instruments may include securities issued by governments, quasi-public corporations, banks, corporations and other institutions in the People's Republic of China ("PRC" or "China") that are authorised to be traded directly on the CIBM or through Bond Connect. The associated risks are described in the sections "Risk information on investments traded on the China Interbank Bond Market" and "Risk information on investments traded on the CIBM via the Northbound Trading Link through Bond Connect".

The sub-fund may invest up to 20% of its net assets in ABS, MBS, CMBS and CDOs/CLOs. The associated risks are specified in the section "Risks connected with the use of ABS/MBS" or "Risks connected with the use of CDOs/CLOs". After deducting cash and cash equivalents, the sub-fund may invest up to one third of its assets in money market instruments. Up to 25% of its assets may be invested in convertible, exchangeable and warrant-linked bonds as well as convertible debentures.

In addition, after deducting cash and cash equivalents, the sub-fund may invest up to 10% of its assets in equities, equity rights and warrants as well as shares, other equity shares and dividend-right certificates acquired through the exercise of conversion rights, subscription rights or options, in addition to warrants remaining after the separate sale of ex-warrant bonds and any equities

acquired with these warrants. The equities acquired by exercise of rights or through subscription must be sold no later than 12 months after they were acquired.

Furthermore, the sub-fund may invest up to one third of its assets in emerging market bonds. Emerging markets are countries which are in a transitional phase towards becoming modern industrial nations. They are typically characterised by low or medium average income and their growth rates are generally high.

**Emerging markets are at an early stage of development and suffer from higher risks of expropriation and nationalisation, as well as social, political and economic instability. The risks associated with investments in emerging markets are listed in the section entitled "Risk information". For the reasons mentioned, this sub-fund is particularly suitable for risk-conscious investors.**

Furthermore, the sub-fund may invest up to one-third of its assets in debt securities and claims with lower ratings. Investments with lower ratings may carry an above-average yield, but also a higher credit risk than investments in securities of first-class issuers. As part of efficient asset management, the sub-fund may invest in all the derivative financial instruments listed in the section "Special techniques and instruments with securities and money market instruments as underlying assets" subject to the provisions and guidelines set forth therein. Permitted underlyings include, in particular, the instruments specified under Point 1.1(g) ("Permitted investments of the Fund").

**The use of derivatives plays a key role in achieving the investment objectives of the sub-fund. To implement the investment strategy, it is assumed that the Portfolio Manager will acquire derivatives in order to invest in legally permissible assets included in the investment policy, without directly acquiring the underlying instruments. Derivatives are used in order to build up and hedge the portfolio's market exposure. The total exposure of the sub-fund is measured using the absolute VaR method. The average leverage for the sub-fund is 1,000% of the net asset value over an average period of one year; however, this level may occasionally be exceeded. Leverage is calculated as the sum of notional exposure of the derivatives used, and is not necessarily representative of the level of investment risk within the sub-fund. The sum-of-notionals approach does not allow netting of derivative positions, which may include hedge transactions and other risk mitigation strategies. Derivative strategies using instruments with high leverage may increase the leverage of the sub-fund, but this will have little to no effect on the overall risk profile of the sub-fund, which is monitored and controlled in accordance with the UCITS Directive. Investors should also note the risks described in the section "Use of financial derivative transactions", which are of particular significance in this case due to the high leverage.** The sub-fund may use interest rate derivatives such as interest rate futures, bond futures, interest rate swaps, options on interest rate futures, options on bond futures and swaptions to build up net short or net long positions in relation to individual interest rate curves, provided that a net long duration is maintained at overall Fund level. The sub-fund may use credit derivatives such as credit-linked securities, credit default swaps on different types of underlying assets (specific issuers, credit indices, ABS indices or other bond indices) to build up net short or net long exposures in individual market segments (region, sector, rating), currencies or specific issuers, provided that a net long duration is maintained at overall Fund level. The sub-fund may use total return swaps on bond indices to build up short or long exposures to a specific bond market. Furthermore, the sub-fund shall invest in to-be-announced trades (TBAs), i.e. forward-settling mortgage-backed securities (MBS). These are highly liquid contracts used to purchase or sell US government MBS at a specified time in the future. MBS are usually traded in the United States as TBAs. The main aspect of a TBA trade is that the actual security that will be delivered to the buyer is not specified at the time the trade is made, which helps ensure a liquid futures market. Within the limits defined above, the Portfolio Manager of the sub-fund may adopt an opportunistic approach and take active positions on currencies in order to generate additional value for the portfolio. The currency strategy includes building positions in national currencies. The following options are available for participating in the performance of national currencies: direct participation by purchasing securities denominated in national currencies, indirect participation by means of derivatives or a combination of both these methods. The sub-fund may use currency derivatives such as currency forwards, non-deliverable forwards (NDF), currency swaps and currency options to increase or reduce exposure in different currencies, with the option of entering into net short or net long overall positions in individual currencies.

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

**Currency of account:** EUR

#### Fees

	Maximum flat fee (maximum management fee) p.a.	Maximum flat fee (maximum management fee) p.a. for unit classes with "hedged" in their name
Unit classes with "P" in their name	0.900% (0.720%)	0.950% (0.760%)
Unit classes with "N" in their name	1.600% (1.280%)	1.650% (0.840%)
Unit classes with "K-1" in their name	0.550% (0.440%)	0.580% (0.460%)
Unit classes with "K-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "K-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "F" in their name	0.340% (0.270%)	0.370% (0.300%)
Unit classes with "Q" in their name	0.500% (0.400%)	0.550% (0.440%)

Unit classes with "I-A1" in their name	0.460% (0.370%)	0.490% (0.390%)
Unit classes with "I-A2" in their name	0.400% (0.320%)	0.430% (0.340%)
Unit classes with "I-A3" in their name	0.340% (0.270%)	0.370% (0.300%)
Unit classes with "I-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "I-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "U-X" in their name	0.000% (0.000%)	0.000% (0.000%)

### **UBS (Lux) Bond Fund – Convert Europe (EUR)**

UBS Asset Management categorises this sub-fund as an ESG Integration fund that does not promote particular ESG characteristics or pursues a specific sustainability or impact objective.

The actively managed sub-fund uses the benchmark Refinitiv Eurozone Convertible Bond Index (EUR) as a reference for performance comparison and for risk management. For unit classes with "hedged" in their name, currency-hedged versions of the benchmark (if available) are used. Although a portion of the portfolio may be invested in the same instruments and in the same weightings as the benchmark, the Portfolio Manager is not bound by the benchmark in its selection of instruments. In particular, the Portfolio Manager may, at its own discretion, invest in convertible, exchangeable and warrant-linked bonds from issuers not included in the benchmark and/or set the proportion of investments in sectors differently to their weighting in the benchmark in order to take advantage of investment opportunities. Therefore, in times when market volatility is high, sub-fund performance may differ greatly from the benchmark.

The sub-fund invests at least two-thirds of its assets in convertible bonds and warrant-linked bonds issued by companies domiciled in Europe.

After deducting cash and cash equivalents, the sub-fund may invest up to one third of its assets in money market instruments.

In addition, after deducting cash and cash equivalents, the sub-fund may invest up to 10% of its assets in equities, equity rights and warrants as well as shares, other equity shares and dividend-right certificates acquired through the exercise of conversion rights, subscription rights or options, in addition to warrants remaining after the separate sale of ex-warrant bonds and any equities acquired with these warrants.

The equities acquired by exercise of rights or through subscription must be sold no later than 12 months after they were acquired. As part of efficient asset management, the sub-fund may invest in all the derivative financial instruments listed in the section "Special techniques and instruments with securities and money market instruments as underlying assets" subject to the provisions and guidelines set forth therein. Permitted underlyings include, in particular, the instruments specified under Point 1.1(g) ("Permitted investments of the Fund").

The sub-fund is suitable for investors who wish to profit from the development of the European stock market, but do not want to relinquish a certain level of security such as that afforded by the "bond floor" offered by a convertible bond.

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

**Currency of account:** (EUR)

### **Fees**

	Maximum flat fee (maximum management fee) p.a.	Maximum flat fee (maximum management fee) p.a. for unit classes with "hedged" in their name
Unit classes with "P" in their name	1.800% (1.440%)	1.850% (1.480%)
Unit classes with "N" in their name	2.100% (1.680%)	2.150% (1.720%)
Unit classes with "K-1" in their name	1.020% (0.820%)	1.050% (0.840%)
Unit classes with "K-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "K-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "F" in their name	0.400% (0.320%)	0.430% (0.340%)
Unit classes with "Q" in their name	0.900% (0.720%)	0.950% (0.760%)
Unit classes with "I-A1" in their name	0.500% (0.400%)	0.530% (0.420%)
Unit classes with "I-A2" in their name	0.460% (0.370%)	0.490% (0.390%)
Unit classes with "I-A3" in their name	0.400% (0.320%)	0.430% (0.340%)

Unit classes with "I-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "I-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "U-X" in their name	0.000% (0.000%)	0.000% (0.000%)

### **UBS (Lux) Bond Fund – Euro High Yield (EUR)**

UBS Asset Management categorises this sub-fund as an ESG Integration fund that does not promote particular ESG characteristics or pursues a specific sustainability or impact objective.

The actively managed sub-fund uses the benchmark ICE BofAML EUR High Yield 3% Constrained Index as a reference for portfolio construction, performance comparison and for risk management. For unit classes with "hedged" in their name, currency-hedged versions of the benchmark (if available) are used. Although a portion of the portfolio may be invested in the same instruments and in the same weightings as the benchmark, the Portfolio Manager is not bound by the benchmark in its selection of instruments. In particular, the Portfolio Manager may, at its own discretion, invest in bonds from issuers not included in the benchmark and/or set the proportion of investments in sectors differently to their weighting in the benchmark in order to take advantage of investment opportunities. Therefore, in times when market volatility is high, sub-fund performance may differ greatly from the benchmark. In line with the general investment policy, the sub-fund invests at least two thirds of its assets in debt securities and claims as defined above, denominated in EUR or with an option in EUR and that have a rating between CCC and BB+ (Standard & Poor's), a similar rating from another recognised rating agency or – insofar as a new issue that does not yet have an official rating or an issue without any rating at all is concerned – a comparable internal UBS rating. Investments in bonds with a rating below CCC or similar may not exceed 10% of the sub-fund's assets.

Investments with lower ratings may carry an above-average yield, but also a higher credit risk than investments in first-class issuers. Investments in EUR also include all the currencies of the EMU participating countries for as long as these national currencies remain legal tender.

- Furthermore, the sub-fund may invest up to one-third of its assets in debt securities and claims denominated in a currency other than EUR.
- After deducting cash and cash equivalents, the sub-fund may invest up to one third of its assets in money market instruments. Up to 25% of its assets may be invested in convertible, exchangeable and warrant-linked bonds as well as convertible debentures.
- In addition, after deducting cash and cash equivalents, the sub-fund may invest up to 10% of its assets in equities, equity rights and warrants as well as shares, other equity shares and dividend-right certificates acquired through the exercise of conversion rights, subscription rights or options, in addition to warrants remaining after the separate sale of ex-warrant bonds and any equities acquired with these warrants.

The equities acquired by exercise of rights or through subscription must be sold no later than 12 months after they were acquired. The sub-fund may invest up to 20% of its net assets in ABS, MBS, CMBS and CDOs/CLOs. The associated risks are specified in the section "Risks connected with the use of ABS/MBS" or "Risks connected with the use of CDOs/CLOs".

As part of efficient asset management, the sub-fund may invest in all the derivative financial instruments listed in the section "Special techniques and instruments with securities and money market instruments as underlying assets" subject to the provisions and guidelines set forth therein. Permitted underlyings include, in particular, the instruments specified under Point 1.1(g) ("Permitted investments of the Fund").

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

### **Currency of account: EUR**

#### **Fees**

	Maximum flat fee (maximum management fee) p.a.	Maximum flat fee (maximum management fee) p.a. for unit classes with "hedged" in their name
Unit classes with "P" in their name	1.260% (1.010%)	1.310% (1.050%)
Unit classes with "N" in their name	1.750% (1.400%)	1.800% (1.440%)
Unit classes with "K-1" in their name	0.700% (0.560%)	0.730% (0.580%)
Unit classes with "K-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "K-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "F" in their name	0.520% (0.420%)	0.550% (0.440%)
Unit classes with "Q" in their name	0.720% (0.580%)	0.770% (0.620%)
Unit classes with "I-A1" in their name	0.620% (0.500%)	0.650% (0.520%)

Unit classes with "I-A2" in their name	0.580% (0.460%)	0.610% (0.490%)
Unit classes with "I-A3" in their name	0.520% (0.420%)	0.550% (0.440%)
Unit classes with "I-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "I-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "U-X" in their name	0.000% (0.000%)	0.000% (0.000%)

### **UBS (Lux) Bond Fund – Full Cycle Asian Bond (USD)**

UBS Asset Management categorises this sub-fund as an ESG Integration fund that does not promote particular ESG characteristics or pursues a specific sustainability or impact objective.

The actively managed sub-fund uses the benchmark JP Morgan Asia Credit Index (JACI) USD as a reference for portfolio construction, performance comparison and for risk management. For unit classes with "hedged" in their name, currency-hedged versions of the benchmark (if available) are used. Although a portion of the portfolio may be invested in the same instruments and in the same weightings as the benchmark, the Portfolio Manager is not bound by the benchmark in its selection of instruments. In particular, the Portfolio Manager may, at its own discretion, invest in bonds from issuers not included in the benchmark and/or set the proportion of investments in sectors differently to their weighting in the benchmark in order to take advantage of investment opportunities. Therefore, in times when market volatility is high, sub-fund performance may differ greatly from the benchmark. In accordance with the general investment policy described above, the sub-fund invests the majority of its assets in debt instruments and claims issued by international and supranational organisations, public and semi-public bodies, and companies based in Asia or which are predominantly active in the region. In terms of interest rate and credit risk, the portfolio should be adapted to economic and financial market cycles by means of derivatives.

The sub-fund may invest no more than 20% of its net assets in fixed-income instruments denominated in RMB and traded on the China Interbank Bond Market ("CIBM") or through Bond Connect. These instruments may include securities issued by governments, quasi-public corporations, banks, corporations and other institutions in the People's Republic of China ("PRC" or "China") that are authorised to be traded directly on the CIBM or through Bond Connect. The associated risks are described in the sections "Risk information on investments traded on the China Interbank Bond Market" and "Risk information on investments traded on the CIBM via the Northbound Trading Link through Bond Connect".

The medium to long-term investment objective of the Fund is to achieve a competitive total yield. The Portfolio Manager may reach this goal by means of dynamic asset allocation, involving the anticipation of predictable changes in market conditions. This may include long positions in view of increasing exposure and/or value or synthetic short positions for hedging purposes, achieved by means of legally permissible derivative financial instruments. At no time may the sub-fund conduct physical short-selling.

To achieve the investment objective, the sub-fund may, within the legal framework, buy or sell futures, swaps (including IRS/NDIRS, TRS, CDS, index CDS and NDS), forwards/non-deliverable forwards, options, total return bonds, credit-linked notes, convertible bonds, money market papers/liquid funds and other suitable, legally permitted investment instruments. These investment instruments may, as a result, both be used for hedging purposes and in view of benefiting from expected market developments. Non-deliverable forwards (NDFs) enable currency positions to be built up and hedged against exchange rate risks without the need to physically transfer these currencies or conduct currency transactions on the corresponding markets. Using this method, both counterparty risk and costs incurred by holding local currencies, as well as certain export restrictions, may be reduced to a minimum. In all cases, local trade in NDFs in USD between two foreign business partners is not subject to prudential supervision by the authorities of the respective country.

The sub-fund may invest in bonds that are not investment grade by means of which above-average yields may be gained. However, such investments entail a higher credit risk than those in first-class issuers. The sub-fund may invest a maximum of 10% of its assets in bonds with a rating below CCC or with a comparable rating.

The sub-fund may invest up to 20% of its net assets in ABS, MBS, CMBS and CDOs/CLOs. The associated risks are specified in the section "Risks connected with the use of ABS/MBS" or "Risks connected with the use of CDOs/CLOs".

**Investments in Asian countries may be more volatile and less liquid than investments in European countries. Furthermore, public regulation may be less stringent in countries where the sub-fund invests than in more developed states and the accounting, auditing and reporting methods employed may not meet the standards used in more developed countries. For the reasons given, the sub-fund is particularly suitable for investors who are aware of these risks.**

The sub-fund may invest in any derivative financial instruments listed in the section "Special techniques and instruments with securities and money market instruments as underlying assets", provided the restrictions specified therein are observed. Permitted underlyings include, in particular, the instruments specified under Point 1.1(g) ("Permitted investments of the Fund").

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

**Currency of account:** USD

### **Fees**

	Maximum flat fee (maximum management fee) p.a.	Maximum flat fee (maximum management fee) p.a. for unit classes with "hedged" in their name
Unit classes with "P" in their name	1.500% (1.200%)	1.550% (1.240%)

Unit classes with "N" in their name	1.750% (1.400%)	1.800% (1.440%)
Unit classes with "K-1" in their name	0.900% (0.720%)	0.930% (0.740%)
Unit classes with "K-B" in their name	0.115% (0.000%)	0.115% (0.000%)
Unit classes with "K-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "F" in their name	0.520% (0.420%)	0.550% (0.440%)
Unit classes with "Q" in their name	0.800% (0.640%)	0.850% (0.680%)
Unit classes with "I-A1" in their name	0.680% (0.540%)	0.710% (0.570%)
Unit classes with "I-A2" in their name	0.620% (0.500%)	0.650% (0.520%)
Unit classes with "I-A3" in their name	0.520% (0.420%)	0.550% (0.440%)
Unit classes with "I-B" in their name	0.115% (0.000%)	0.115% (0.000%)
Unit classes with "I-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "U-X" in their name	0.000% (0.000%)	0.000% (0.000%)

### **UBS (Lux) Bond Fund – Global Flexible**

UBS Asset Management categorises this sub-fund as an ESG Integration fund that does not promote particular ESG characteristics or pursues a specific sustainability or impact objective.

The actively managed sub-fund uses the benchmark Bloomberg Global Aggregate TR (CHF hedged) Index as a reference for portfolio construction and performance comparison. For unit classes with "hedged" in their name, currency-hedged versions of the benchmark (if available) are used. Although a portion of the portfolio may be invested in the same instruments and in the same weightings as the benchmark, the Portfolio Manager is not bound by the benchmark in its selection of instruments. In particular, the Portfolio Manager may, at its own discretion, invest in bonds from issuers not included in the benchmark and/or set the proportion of investments in sectors differently to their weighting in the benchmark in order to take advantage of investment opportunities. Therefore, in times when market volatility is high, sub-fund performance may differ greatly from the benchmark.

Within the scope of the general investment policy, this sub-fund invests at least two-thirds of its assets in debt securities and claims as defined above. These include agency mortgage-backed securities (MBS), residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), asset-backed securities (ABS) and CDOs. Agency MBS are issued by public and semi-public bodies such as the Government National Mortgage Association (also known as GNMA or Ginnie Mae), the Federal National Mortgage Association (also known as FNMA or Fannie Mae) or the Federal Home Loan Mortgage Corp. (also known as Freddie Mac). GNMA bonds are secured by the unlimited creditworthiness of the US government and are therefore subject to the low default risk. By contrast, for FNMA and Freddie Mac securities, there is no comparable hedging, meaning that the default risk is therefore also considered to be low. Investments in MBS, RMBS, CMBS, ABS and CDOs may not exceed 40% of the sub-fund's net assets. Investments in products such as MBS, ABS and CDOs, etc. may exhibit heightened complexity and less transparency. These products have exposures to a pool of claims (for ABS, these claims may be car or student loans or other claims resulting from credit card contracts; for MBS, these are mortgage loans) and are issued by an entity which was exclusively founded for such issues and which is completely separate from the lender of the claims in the pool from a legal, accounting and economic standpoint. The payment flows from the underlying claims (comprising interest, amortisation of the claim and any early special payments thereon) are passed on to investors of the ABS, MBS, etc. products. These products comprise different tranches which are subject to a hierarchy that defines the order of inflow of the amortisations, as well as any early special payments and interest payments among the tranches. In the event of decreased or increased interest rates, if special payments on the underlying claims tend to be higher or lower due to the increased or decreased refinancing possibilities of the debtors, investors are subject to an increased or decreased repayment and reinvestment risk. Additional risks associated with investments in ABS/MBS and CDOs are described in the section "Risks connected with the use of ABS/MBS" or "Risks connected with the use of CDOs/CLOs".

Furthermore, the sub-fund shall invest in to-be-announced trades (TBAs), i.e. forward-settling mortgage-backed securities (MBS). These are highly liquid contracts used to purchase or sell US government MBS at a specified time in the future. MBS are usually traded in the United States as TBAs. The main aspect of a TBA trade is that the actual security that will be delivered to the buyer is not specified at the time the trade is made, which helps ensure a liquid futures market.

The currency specification of this sub-fund indicates the currency of account of the sub-fund and does not necessarily form the focus of investment. The currency of account is therefore also the currency in which subscriptions and redemptions are settled, all distributions are made and performance is calculated.

After deducting cash and cash equivalents, the sub-fund may invest up to one third of its assets in money market instruments. Up to 25% of its assets may be invested in convertible, exchangeable and warrant-linked bonds as well as convertible debentures.

The sub-fund may invest no more than 20% of its net assets in fixed-income instruments denominated in RMB and traded on the China Interbank Bond Market ("CIBM") or through Bond Connect. These instruments may include securities issued by governments, quasi-public corporations, banks, corporations and other institutions in the People's Republic of China ("PRC" or "China") that are authorised to be traded directly on the CIBM or through Bond Connect. The associated risks are described in the sections "Risk information on investments traded on the China Interbank Bond Market" and "Risk information on investments traded on the CIBM via the Northbound Trading Link through Bond Connect".



In addition, after deducting cash and cash equivalents, the sub-fund may invest up to 10% of its assets in equities, equity rights and warrants as well as shares, other equity shares and dividend-right certificates acquired through the exercise of conversion rights, subscription rights or options, in addition to warrants remaining after the separate sale of ex-warrant bonds and any equities acquired with these warrants.

The equities acquired by exercise of rights or through subscription must be sold no later than 12 months after they were acquired. Furthermore, the sub-fund may invest up to one third of its assets in emerging market bonds.

Emerging markets are countries which are in a transitional phase towards becoming modern industrial nations. They are typically characterised by low or medium average income and their growth rates are generally high.

**Emerging markets are at an early stage of development and suffer from higher risks of expropriation and nationalisation, as well as social, political and economic instability. The risks associated with investments in emerging markets are listed in the section entitled "Risk information". For the reasons mentioned, this sub-fund is particularly suitable for risk-conscious investors.**

Furthermore, the sub-fund may invest up to one-third of its assets in debt securities and claims with lower ratings. Investments with lower ratings may carry an above-average yield, but also a higher credit risk than investments in securities of first-class issuers. As part of efficient asset management, the sub-fund may invest in all the derivative financial instruments listed in the section "Special techniques and instruments with securities and money market instruments as underlying assets" subject to the provisions and guidelines set forth therein. Permitted underlyings include, in particular, the instruments specified under Point 1.1(g) ("Permitted investments of the Fund"). The use of derivatives plays an important role in achieving the investment objectives. Derivatives shall be used to both increase and decrease the market exposure of the portfolio. To implement the investment strategy, it is assumed that the Portfolio Manager will acquire derivatives in order to invest in legally permissible assets included in the investment policy, without directly acquiring the underlying instruments.

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

**Currency of account:** CHF

**Fees**

	Maximum flat fee (maximum management fee) p.a.	Maximum flat fee (maximum management fee) p.a. for unit classes with "hedged" in their name
Unit classes with "P" in their name	1.140% (0.910%)	1.190% (0.950%)
Unit classes with "N" in their name	1.600% (1.280%)	1.650% (1.320%)
Unit classes with "K-1" in their name	0.650% (0.520%)	0.680% (0.540%)
Unit classes with "K-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "K-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "F" in their name	0.320% (0.260%)	0.350% (0.280%)
Unit classes with "Q" in their name	0.600% (0.480%)	0.650% (0.520%)
Unit classes with "I-A1" in their name	0.450% (0.360%)	0.480% (0.380%)
Unit classes with "I-A2" in their name	0.380% (0.300%)	0.410% (0.330%)
Unit classes with "I-A3" in their name	0.320% (0.260%)	0.350% (0.280%)
Unit classes with "I-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "I-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "U-X" in their name	0.000% (0.000%)	0.000% (0.000%)

**UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (USD)**

**UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (EUR)**

UBS Asset Management categorises this sub-fund as a Sustainability Focus Fund. The actively managed sub-funds mainly invest in bonds of issuers that have a sound ESG (environmental, social and governance) profile as described below. The sub-funds are set up for a specified term. The sub-funds invest mainly in bonds, notes or similar fixed-income or floating-rate securities as well as in liquid funds and money market instruments. The sub-funds are actively managed without reference to a benchmark.

The investments of the individual sub-funds are based on the attractiveness of specific bond markets during the launch period and on the ESG profile of issuers. The portfolio is constructed at the time of launch and pursues a buy-and-hold strategy. The sub-funds may deviate from this strategy, either for reinvestment purposes or to avoid losses in periods of major volatility on the markets. The ESG profile of the sub-funds is determined when the sub-funds are launched. Following launch of the sub-funds,

the average credit rating, ESG score and allocation can change due to reinvestments, maturities and cash flows. Such changes do not trigger any adjustment to the portfolio.

The sub-funds will generally exclude corporate issuers with risks identified in the ESG Risk Dashboard (described in the ESG Integration section).

In addition to this data-based risk assessment, ESG risks are assessed using a qualitative analysis that rates issuers on a five-point scale (1 – negligible, 2 – low, 3 – medium, 4 – high and 5 – severe ESG risk). Issuers with a rating of 5 are excluded when the sub-funds are launched.

In addition, the investments of the individual sub-funds are geared toward the sustainability criteria of UBS Switzerland AG ("UBS GWM") (UBS in-house sustainability profile). The UBS GWM sustainability profile is based on a systematic approach regarding the procurement and processing of sustainability data. UBS GWM uses sustainability data from external data providers covering over 500 ESG indicators. These indicators gauge how a company deals with ESG risks and opportunities, economic prospects and potential reputation risks. The ESG indicators are grouped into multiple thematic areas, such as Environmental protection and waste, Climate change, Water, People, Products and services and Governance, and rated on a scale of 0 to 10 (highest value). The ratings for these themes are weighted based on the relevance of a particular theme to each industry sector. This results in an individual sustainability profile. The UBS GWM sustainability profile is expressed on a scale of 1-10, with 10 having the best sustainability profile. The portfolio will show an average rating of above 5 when the sub-funds are launched.

In addition to the Sustainability Exclusion Policy described in the general investment policy, the sub-funds also exclude companies or sectors that manufacture products or carry out business activities which the GWM analysis highlights as entailing significant negative social or environmental risks. The sub-funds do not invest directly in companies generating a substantial proportion of their turnover from the production of tobacco, adult entertainment, alcohol, gambling, genetically modified organisms (GMOs), arms, nuclear power or coal-based power.

In addition, under Regulation (EU) 2020/852 (the "Taxonomy Regulation") a financial product categorised in accordance with Article 8(1) SFDR that promotes environmental characteristics must make additional disclosures as of 1 January 2022 on such objective and a description of how and to what extent its investments are in economic activities that qualify as environmentally sustainable under Article 3 of the Taxonomy Regulation. However, due to the absence of reliable, timely and verifiable data, the sub-fund is unable to make required disclosures as of 1 January 2022. The sub-fund does not commit to making a minimum proportion of investments which qualify as environmentally sustainable under Article 3 of the Taxonomy Regulation. Taking into account the recent and evolving aspects of sustainable finance at the European level, such information will be updated once the Management Company has the necessary data. An update of the sales prospectus will be made where relevant to describe how and to what extent the investments underlying the financial product are in economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.

The sub-funds may invest a significant portion of their assets in debt securities issued by borrowers in emerging markets and/or in high yield debt securities. Emerging markets are countries which are in a transitional phase towards becoming modern industrial nations. They are typically characterised by low or medium average income and their growth rates are generally high. Emerging markets are at an early stage of development and suffer from higher risks of expropriation and nationalisation, as well as social, political and economic instability. The risks associated with investments in emerging markets are listed in the section entitled "Risk information".

For these reasons, these sub-funds are particularly suitable for risk-conscious investors. Investments with lower ratings (high yield) may carry an above-average yield, but also a higher credit risk than investments in securities of first-class issuers.

The investments are made in the currencies deemed best suited for performance, although the proportion of investments in foreign currencies not hedged against the currency of account may not exceed 10% of the assets. The currency of account is included in the name of the sub-fund. The sub-funds may also invest indirectly via structured products (e.g. certificates, ABS, MBS).

Investments in structured products may not exceed 20% of the sub-funds' net assets. The risks associated with investments in ABS/MBS are listed in the section entitled "Risk information".

The sub-funds may, to a lesser extent, use credit derivatives such as credit-linked securities, total return swaps, credit default swaps on different types of underlying assets (specific issuers, credit indices, ABS indices or other bond indices) to build up net short or net long exposures in individual market segments (region, sector, rating), currencies or specific issuers.

Apart from money market instruments, all the instruments used shall take account of the end of the sub-funds' term in respect of their maturity and have no maturities occurring later than the end of the sub-funds' term. As a result, the sub-funds may hold up to 50% of fund assets in liquid assets, money market instruments and money market funds between 12 and 6 months before maturity and up to 100% of fund assets in the last 6 months before maturity.

If the liquidation of the respective sub-fund at the end of the term would have an adverse impact on the value of the portfolio due to prevailing market circumstances, the Management Company may bring forward the liquidation and payment of the final maturity amount in the interests of the investors in accordance with the provisions set out in the "Redemption of units" section of this Sales Prospectus. To achieve the sub-funds' investment objectives, the Board of Directors may cease issuing units in the sub-funds at any time following the initial issuing period. The redemption of units shall be possible at any time until five working days before the end of the sub-funds' term using the procedure described in the section "Redemption of units" in this Sales Prospectus.

## Fees

	Maximum flat fee (maximum management fee) p.a.	Maximum flat fee (maximum management fee) p.a. for unit classes with "hedged" in their name
Unit classes with "P" in their name	0.490% (0.390%)	0.540% (0.430%)
Unit classes with "N" in their name	0.590% (0.470%)	0.640% (0.510%)
Unit classes with "K-1" in their name	0.390% (0.310%)	0.420% (0.330%)
Unit classes with "K-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "K-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "F" in their name	0.290% (0.230%)	0.320% (0.250%)
Unit classes with "Q" in their name	0.350% (0.280%)	0.400% (0.320%)
Unit classes with "I-A1" in their name	0.340% (0.270%)	0.370% (0.290%)
Unit classes with "I-A2" in their name	0.320% (0.260%)	0.350% (0.280%)
Unit classes with "I-A3" in their name	0.290% (0.230%)	0.320% (0.250%)
Unit classes with "I-B" in their name	0.065% (0.000%)	0.065% (0.000%)
Unit classes with "I-X" in their name	0.000% (0.000%)	0.000% (0.000%)
Unit classes with "U-X" in their name	0.000% (0.000%)	0.000% (0.000%)

### **General risk information:**

**Emerging markets are at an early stage of development and suffer from higher risks of expropriation and nationalisation, as well as social, political and economic instability.**

The following is an overview of the general risks associated with investing in the emerging markets:

- ▶ **Counterfeit securities** – due to inadequate supervisory structures, it is possible that securities purchased by the sub-fund could be counterfeit. It is therefore possible to suffer losses.
- ▶ **Illiquidity** – the buying and selling of securities can be costlier, more time-consuming and generally more difficult than on more developed markets. Difficulties with liquidity can also increase price volatility. Many emerging markets are small, have low trading volumes and suffer from low liquidity and high price volatility.
- ▶ **Volatility** – investments in emerging markets may post more volatile performances.
- ▶ **Currency fluctuations** – compared to the sub-fund's currency of account, the currencies of countries in which the sub-fund invests may be subject to substantial fluctuations after the sub-fund has invested in these currencies. Such fluctuations may have a significant impact on the sub-fund's income. It is not possible to apply currency risk hedging techniques to all currencies in emerging market countries.
- ▶ **Currency export restrictions** – it cannot be ruled out that emerging markets may limit or temporarily suspend the export of currencies. Consequently, it would not be possible for the sub-fund to draw any sales proceeds without delays. To minimise the possible impact on redemption applications, the sub-fund will invest in a large number of markets.
- ▶ **Settlement and custody risks** – the settlement and custody systems in emerging market countries are less well developed than those in developed markets. Standards are not as high and the supervisory authorities not as experienced. Consequently, settlement may be delayed, thereby posing disadvantages for liquidity and securities.
- ▶ **Restrictions on buying and selling** – in some cases, emerging markets can place restrictions on the purchase of securities by foreign investors. Some equities are thus not available to the sub-fund because the maximum number allowed to be held by foreign shareholders has been exceeded. In addition, the participation of foreign investors in the net income, capital and distributions may be subject to restrictions or government approval. Emerging markets may also limit the sale of securities by foreign investors. Should the sub-fund be barred due to such a restriction from selling its securities in an emerging market, it will try to obtain an exceptional approval from the relevant authorities

or to counter the negative impact of this restriction through its investments in other markets. The sub-fund will only invest in markets in which the restrictions are acceptable. However, it is not possible to prevent additional restrictions from being imposed.

► **Accounting – the accounting, auditing and reporting standards, methods, practices and disclosures required of companies in emerging markets differ from those in developed markets in terms of content, quality and the deadlines for providing information to investors. It may thus be difficult to correctly evaluate the investment options.**

The risks described above apply in particular to investments in the People's Republic of China ("PRC").

#### **ESG risks**

A "sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. If a sustainability risk associated with an investment materialises, it could lead to the loss in value of an investment.

#### **Risk information on investments traded on the China Interbank Bond Market**

The bond market in mainland China comprises the interbank bond market and the listed bond market. The China Interbank Bond Market ("CIBM") was established in 1997 as an over-the-counter ("OTC") market, and it accounts for over 90% of all bond trades in China. Primarily, government bonds, corporate bonds, bonds issued by state-owned banks and medium-term debt instruments are traded on this market. In accordance with applicable regulations in mainland China, foreign institutional investors wishing to invest directly in the CIBM, must do so via an onshore settlement agent with responsibility for filing the required registration and opening an account with the relevant authorities. There are no quota restrictions of any kind.

The CIBM is undergoing a phase of development and internationalisation. Market volatility and a potential lack of liquidity due to low trade volumes can lead to dramatic fluctuations in certain debt securities traded on this market. Sub-funds that invest in this market are therefore exposed to liquidity and volatility risk, and may suffer losses from mainland Chinese bond trades. In particular, the bid and offer spread of mainland Chinese bonds may be wide, and selling such investments may thus generate considerable trading and realisation costs for the sub-fund in question. The relevant sub-fund may also be exposed to risks in connection with settlement processes and counterparty default. It is possible that the sub-fund may enter into transactions with counterparties who are then unable to fulfil their obligations by delivering or paying for the appropriate securities.

The CIBM is also subject to regulatory risk.

#### **Risk information on investments traded on the CIBM via the Northbound Trading Link through Bond Connect**

Bond Connect is a new initiative started in July 2017 enabling mutual bond market access between Hong Kong and mainland China ("Bond Connect") that was founded by the China Foreign Exchange Trade System & National Interbank Funding Centre ("CFETS"), the China Central Depository & Clearing Co. Ltd ("CCDC"), the Shanghai Clearing House ("SCH"), the Hong Kong Stock Exchange ("HKEx") and the Central Moneymarkets Unit ("CMU"). In accordance with applicable regulations in mainland China, eligible foreign investors can invest in bonds on the CIBM through the Northbound Trading Link of Bond Connect. There is no investment quota for the Northbound Trading Link. Within the framework of the Northbound Trading Link, eligible foreign investors must name CFETS or another institute approved by the People's Bank of China ("PBC") as their registration agent in order to be able to file for registration with the PBC.

The Northbound Trading Link refers to the trading platform located outside mainland China and linked to CFETS that enables eligible foreign investors to transmit their trading orders for bonds listed on the CIBM through Bond Connect. HKEx and CFETS work with electronic offshore bond trading platforms to provide electronic trading services and platforms that enable direct trading between eligible foreign investors and approved onshore traders in mainland China on CFETS.

Eligible foreign investors can transmit trading orders for bonds listed on the CIBM through the Northbound Trading Link made available by electronic offshore trading platforms (such as Tradeweb and Bloomberg). These in turn transmit their requests for quotations to CFETS. CFETS sends the requests for quotations to a range of authorised onshore traders (including market makers and other parties involved in market making) in mainland China. The authorised onshore traders respond to the requests for quotations through CFETS, and CFETS transmits their responses via the same electronic offshore bond trading platforms to the eligible foreign investors. If an eligible foreign investor accepts the offer, the trade is closed on the CFETS.

Settlement and custody of bonds traded through Bond Connect on CIBM are handled via the settlement and custody link between the CMU as the offshore depository, and the CCDC and SCH as the onshore depositories and clearing houses in mainland China. Gross settlement of confirmed trades is carried out by CCDC or SCH onshore via the settlement link, and the CMU executes the instructions of CMU members regarding bond settlement on behalf of eligible foreign investors in accordance with the applicable rules.

In accordance with applicable regulations in mainland China, as the offshore depository approved by the Hong Kong Monetary Authority ("HKMA"), the CMU opens collective nominee accounts with the onshore depository approved by the PBC (i.e. the CCDC and Hong Kong Interbank Clearing Limited). All bonds traded by eligible foreign investors are registered in the name of the CMU, which holds these bonds as nominee.

#### **Segregation of assets**

In connection with Bond Connect, assets are held at the onshore and offshore central securities depositories ("CSD") on three strictly segregated levels. Investors using Bond Connect must hold their bonds at an offshore depository in a segregated account in the name of the end investor. Bonds acquired through Bond Connect are held in the name of HKMA in onshore accounts at the CCDC. The bonds are recorded in separate accounts at the CMU in Hong Kong for the beneficial owners.

### **Clearing and settlement risk**

The CMU and the CCDC have set up a clearing network and each has become a clearing partner of the other in order to facilitate clearing and settlement of cross-border transactions. For cross-border transactions initiated on one of the markets, the clearing agent in this market clears and settles the trade with its own clearing participants, and on the other side, undertakes to fulfil the clearing and settlement duties of its clearing participants with the counterparty's clearing agent. As the national central counterparty for the PRC securities market, the CCDC operates a comprehensive clearing, settlement and depository network for bonds. The CCDC has established framework conditions and a catalogue of measures for risk management, which were approved and are monitored by the PBC. The likelihood of a payment default by the CCDC is considered extremely low. In the unlikely event of a payment default by the CCDC, the duties of the CMU in relation to bonds traded through Bond Connect under their market contracts with the clearing participants is limited to providing support for the clearing participants in enforcing their receivables from the CCDC. The CMU will attempt in good faith to recover the outstanding bonds and cash amounts from the CCDC via the available legal channels or via the liquidation of the CCDC. In this case, the relevant sub-fund may experience recovery delays or may potentially be unable to recover its losses in full from the CCDC.

### **Regulatory risk**

Bond Connect is a new concept. The current provisions have therefore not yet been tested and there is no certainty as to how they will be interpreted in practice. Moreover, the current provisions may be subject to amendments that may be retrospectively applied, and there is no guarantee that Bond Connect will remain in operation permanently. Over time, new laws may be issued by the regulatory authorities of the PRC and Hong Kong in relation to trading activities, the legal enforcement of claims and cross-border trading through Bond Connect. Amendments of this kind may therefore have a negative impact on the relevant sub-fund. Any reform or modification of overall economic policy, for example, monetary or fiscal policy, may have an impact on interest rates. This may also have a corresponding impact on the prices and yields of bonds held in the portfolio.

### **Foreign exchange risk**

Sub-funds denominated in currencies other than RMB may also be exposed to currency risk, as conversion into RMB is necessary for investments in bonds traded on the CIBM through Bond Connect. Such currency exchanges may also lead to conversion costs for the relevant sub-fund. The exchange rate may be subject to fluctuations; in the event of a devaluation of the RMB, the relevant sub-fund may incur losses when exchanging its proceeds from the sale of CIBM bonds into its domestic currency.

Further information on Bond Connect can be found online at <http://www.chinabondconnect.com/en/index.htm>.

### **Investments in UCIs and UCITS**

Sub-funds, which have invested at least half of their assets in existing UCIs and UCITS in accordance with their special investment policies, are structured as a fund of funds.

The general advantage of a fund of funds over funds investing directly is the greater level of diversification (or risk spreading). In a fund of funds, portfolio diversification extends not only to its own investments because the investment objects (target funds) themselves are also governed by the stringent principles of risk diversification. A fund of funds enables the investor to invest in a product that spreads its risks on two levels and thereby minimises the risks inherent in the individual investment objects, with the investment policy of the UCITS and UCIs in which most investments are made being required to accord as far as possible with the Fund's investment policy. The Fund additionally permits investment in a single product, by which means the investor gains an indirect investment in numerous securities.

Certain fees and charges may be incurred more than once when investing in existing funds (such as Depositary and central administrative agent fees, management/advisory fees and issuing/redemption charges of the UCI and/or UCITS in which the investment is made). Such commission payments and expenses are charged at the level of the target fund as well as of the fund of funds.

The sub-funds may also invest in UCIs and/or UCITS managed by UBS Fund Management (Luxembourg) S.A. or by a company linked to UBS Fund Management (Luxembourg) S.A. through common management or control, or through a substantial direct or indirect holding. In this case, no issuing or redemption charge will be charged on subscription to or redemption of these units.

The section titled "Expenses paid by the Fund" presents the general costs and expenses associated with investing in existing funds.

### **Risks connected with the use of ABS/MBS**

Investors are advised that investing in ABS, MBS and CMBS may involve higher complexity and lower transparency. These products involve exposure in a pool of receivables (for ABS, these receivables may be car or student loans or other receivables based on credit card agreements; for MBS or CMBS, they are mortgages), with the receivables issued by an institution founded exclusively for this purpose and which is independent from the lender of the receivables in the pool from a legal, bookkeeping and economic perspective. The payment flows from the underlying receivables (including interest, repayment of receivables and any unscheduled repayments) are passed on to the investors in the products. These products include various tranches subject to a hierarchy. This structure determines the order of repayments and any unscheduled special repayments within the tranches. If interest rates rise or fall, investors are subject to a higher or lower repayment or reinvestment risk if the unscheduled special repayments for the underlying receivables increase or decrease due to better or worse refinancing options for the debtors.

The average term of sub-fund investments in ABS/MBS often differs from the maturity date set for the bonds. The average term is generally shorter than the final maturity date and depends on the dates of repayment flows, which are normally based on the structure of the security and the priority of cash inflows and/or borrower's behaviour in respect of refinancing, repayment and default. ABS/MBS originate from different countries with differing legal structures. ABS/MBS may be investment grade, non-investment grade or have no rating.

### **Risks connected with the use of CDOs/CLOs**

Investors are advised that some sub-funds may invest in certain kinds of asset-backed security known as collateralised debt obligations (**CDOs**) or, where the underlying is a loan, collateralised loan obligations (**CLOs**). Typical CDO or CLO structures have multiple tranches with varying levels of seniority, the most senior tranche having first access to the interest and principal payments out of the pool of underlyings, then the next-senior tranche and so on until the remaining (equity) tranche, which has last access

to the interest and principal. CDOs/CLOs may be affected by a loss of value in the underlying assets. Due to their complex structure, they can additionally be hard to value and their behaviour may be unpredictable in different market situations.

### **Use of financial derivative transactions**

Financial derivative transactions are not in themselves investment instruments but rights whose valuation mainly derives from the price and the price fluctuations and expectations of an underlying instrument. Investments in financial derivative transactions are subject to the general market risk, settlement risk, credit and liquidity risk.

Depending on the specific characteristics of financial derivative transactions, however, the aforementioned risks may be of a different kind and occasionally turn out to be higher than the risks with an investment in the underlying instruments. The use of leveraged financial derivatives may lead to fluctuations in the net asset value of the sub-fund in question that are greater than those resulting from direct investments in the underlying instruments. Relatively small price movements in the underlying of a financial derivative may therefore lead to considerable losses due to the leverage effect.

That is why the use of financial derivative transactions not only requires an understanding of the underlying instrument but also in-depth knowledge of the financial derivative transactions themselves.

The risk of default in the case of financial derivative transactions traded on an exchange is generally lower than the risk associated with financial derivative transactions that are traded over-the-counter on the open market, because the clearing agents, which assume the function of issuer or counterparty in relation to each financial derivative transaction traded on an exchange, assume a performance guarantee. To reduce the overall risk of default, such guarantee is supported by a daily payment system maintained by the clearing agent, in which the assets required for cover are calculated. In the case of financial derivative transactions traded over-the-counter on the open market, there is no comparable clearing agent guarantee and in assessing the potential risk of default, the Management Company must take account of the creditworthiness of each counterparty.

There are also liquidity risks since it may be difficult to buy or sell certain financial derivative instruments. When financial derivative transactions are particularly large, or the corresponding market is illiquid (as may be the case with financial derivative transactions traded over-the-counter on the open market), it may under certain circumstances not always be possible to fully execute a transaction or it may only be possible to liquidate a position by incurring increased costs.

Additional risks connected with the use of financial derivative transactions lie in the incorrect determination of prices or valuation of financial derivative transactions. There is also the possibility that financial derivative transactions do not completely correlate with their underlying assets, interest rates or indices. Many financial derivative transactions are complex and frequently valued subjectively. Inappropriate valuations can result in higher demands for cash by counterparties or in a loss of value for the Fund. There is not always a direct or parallel relationship between a financial derivative transaction and the value of the assets, interest rates or indices from which it is derived. For these reasons, the use of financial derivative transactions by the Management Company is not always an effective means of attaining the Fund's investment objective and can at times even have the opposite effect.

### **Swap Agreements**

A sub-fund may enter into swap agreements (including total return swaps and contracts for differences) with respect to various underlyings, including currencies, interest rates, securities, collective investment schemes and indices. A swap is a contract under which one party agrees to provide the other party with something, for example a payment at an agreed rate, in exchange for receiving something from the other party, for example the performance of a specified asset or basket of assets. A sub-fund may use these techniques for example to protect against changes in interest rates and currency exchange rates. A sub-fund may also use these techniques to take positions in or protect against changes in securities indices and specific securities prices.

In respect of currencies, a sub-fund may utilise currency swap contracts where the sub-fund may exchange currencies at a fixed rate of exchange for currencies at a floating rate of exchange or vice versa. These contracts allow a sub-fund to manage its exposures to currencies in which it holds investment but also to obtain opportunistic exposure to currencies. For these instruments, the sub-fund's return is based on the movement of currency exchange rates relative to a fixed currency amount agreed by the parties.

In respect of interest rates, a sub-fund may utilise interest rate swap contracts where the sub-fund may exchange a fixed rate of interest against a variable rate (or the other way round). These contracts allow a sub-fund to manage its interest rate exposures. For these instruments, the sub-fund's return is based on the movement of interest rates relative to a fixed rate agreed by the parties. The sub-fund may also utilise caps and floors, which are interest rate swap contracts in which the return is based only on the positive (in the case of a cap) or negative (in the case of a floor) movement of interest rates relative to a fixed rate agreed by the parties.

In respect of securities and securities indices a sub-fund may utilise total return swap contracts where the sub-fund may exchange interest rate cash flows for cash flows based on the return of, for example, a unit or fixed income instrument, or a securities index. These contracts allow a sub-fund to manage its exposures to certain securities or securities indices. For these instruments, the sub-fund's return is based on the movement of interest rates relative to the return on the relevant security or index. The sub-fund may also use swaps in which the sub-fund's return is relative to the volatility of price of the relevant security (a volatility swap, which is a forward contract whose underlying is the volatility of a given product. This is a pure volatility instrument allowing investors to speculate solely upon the movement of a unit's volatility without the influence of its price) or to the variance (the square of the volatility) (a variance swap that is a type of volatility swap where the payout is linear to variance rather than volatility, with the result that the payout will rise at a higher rate than volatility).

Where a sub-fund enters into total return swaps (or invests in other financial derivative instruments with the same characteristics) it will only do so on behalf of the sub-fund with counterparties that are entities with legal personality, typically located in OECD jurisdictions. These counterparties will be subject to a credit assessment. Where the counterparty is subject to a credit rating by any agency registered and supervised by ESMA, that rating shall be taken into account in the credit assessment. Where a counterparty is downgraded to A2 or below (or comparable rating) by such a credit rating agency, a new credit assessment in respect of the counterparty will be undertaken without delay. Subject to compliance with those conditions, the Portfolio Manager has full discretion as to the appointment of counterparties when entering into total return swaps in furtherance of the relevant sub-fund's investment objective and policies.

A credit default swap ("CDS") is a derivative instrument which is a mechanism for transferring and transforming credit risk between purchaser and seller. The protection buyer purchases protection from the protection seller for losses that might be incurred as a result of a default or other credit event in relation to an underlying security. The protection buyer pays a premium for the protection and the protection seller agrees to make a payment to compensate the protection buyer for losses incurred upon the occurrence of any one of a number of possible specified credit events, as set out in the CDS agreement. In relation to the use of CDS, the sub-

fund may be a protection buyer and/or a protection seller. A credit event is an event linked to the deteriorating creditworthiness of an underlying reference entity in a credit derivative. The occurrence of a credit event usually triggers full or partial termination of the transaction and a payment from protection seller to protection buyer. Credit events include, but are not limited to, bankruptcy, failure to pay, restructuring, and obligation default.

#### **Insolvency risk on swap counterparties**

Margin deposits made in relation to swap contracts will be held with brokers. Though there are provisions in the structure of these contracts intended to protect each party against the insolvency for the other, these provisions may not be effective. This risk will further be mitigated by the exclusive choice of reputable swap counterparties.

#### **Potential illiquidity of exchange traded instruments and swap contracts**

It may not always be possible for the Management Company to execute a buy or sell order on exchanges at the desired price or to liquidate an open position due to market conditions including the operation of daily price fluctuation limits. If trading on an exchange is suspended or restricted, the Management Company may not be able to execute trades or close out positions on terms that the Portfolio Manager believes are desirable.

Swap contracts are over-the-counter contracts with a single counterparty and may as such be illiquid. Although swap contracts may be closed out to realise sufficient liquidity, such closing out may not be possible or may be very expensive for the Fund in extreme market conditions.

#### **Liquidity risk**

A sub-fund may invest in securities that subsequently prove difficult to sell due to reduced liquidity. This may have an adverse effect on their market price and consequently affect the net asset value of the sub-fund. The reduced liquidity of these securities may be due to unusual or extraordinary economic or market events such as a deterioration in the credit rating of an issuer or the lack of an efficient market. In extreme market situations, there may be few willing buyers and it may not be easy to sell the investments at the time and price desired; in addition, these sub-funds may have to agree to a lower price in order to sell the investments, or they may not be able to sell the investments at all. Trading in certain securities or other instruments may be suspended or restricted by the relevant exchange or by a governmental or supervisory authority, which may cause the sub-fund to incur a loss. The inability to sell a portfolio position may have a negative effect on the value of these sub-funds or prevent them from being able to exploit other investment opportunities. In order to meet redemption requests, these sub-funds may be forced to sell investments at unfavourable times and/or on unfavourable terms.

#### **Bonds**

Bonds are subject to actual and perceived measures of creditworthiness. Bonds, and in particular high-yield bonds, may be impaired by negative headlines and an unfavourable perception on the part of investors; such perceptions may not be based on a fundamental analysis, and may have a negative effect on the value and liquidity of the bond.

#### **High yield bonds**

Investing in debt instruments involves interest-rate, sector, security and credit risk. Compared with investment-grade bonds, high yield bonds generally attract a lower rating and usually offer higher yields in order to offset the lower credit rating or higher default risk associated with these securities. High yield bonds involve a greater risk of capital erosion through default or in the case of an effective interest rate that is below the current rate of interest. Economic conditions and changes in the level of interest rates may have a considerable impact on the value of these bonds. In addition, high yield bonds may be exposed to greater credit or default risk than bonds with a high rating. These bonds tend to react more to developments that affect market and credit risk than securities with a higher rating. The value of high yield bonds may be negatively affected by overall economic conditions, such as an economic downturn or a period of rising interest rates. High yield bonds may be less liquid and more difficult to sell or value at a favourable point in time or price than bonds with a higher rating. In particular, high yield bonds are often issued by smaller, less creditworthy and more indebted companies that are generally less able to pay capital and interest on schedule than financially sound companies.

#### **Risks connected with the use of efficient portfolio management techniques**

A sub-fund may enter into repurchase agreements and reverse repurchase agreements as a buyer or as a seller subject to the conditions and limits set out in Section 5 entitled "Special techniques and instruments with securities and money market instruments as underlying assets". If the other party to a repurchase agreement or reverse repurchase agreement should default, the sub-fund might suffer a loss to the extent that the proceeds from the sale of the underlying securities and/or other collateral held by the sub-fund in connection with the repurchase agreement or reverse repurchase agreement are less than the repurchase price or, as the case may be, the value of the underlying securities. In addition, in the event of bankruptcy or similar proceedings of the other party to the repurchase agreement or reverse repurchase agreement or its failure otherwise to perform its obligations on the repurchase date, the sub-fund could suffer losses, including loss of interest on or principal of the security and costs associated with delay and enforcement of the repurchase agreement or reverse repurchase agreement.

A sub-fund may enter into securities lending transactions subject to the conditions and limits set out in Section 5 entitled "Special techniques and instruments with securities and money market instruments as underlying assets". Securities transactions entail a counterparty risk, including the risk that the securities lent will not or cannot be returned on time. If the securities borrower does not return the securities lent by a sub-fund, there is a risk that the securities received will be realised for a lower amount than the securities lent, whether due to the imprecise pricing of the securities, unfavourable market movements, a deterioration in the security issuer's credit standing, illiquidity of the market on which the securities are traded, the negligence or insolvency of the depositary holding the securities or the termination of legal agreements, for instance on the grounds of insolvency, which may have adverse effects on the sub-fund's performance. If the other party to a securities lending transaction should default, the sub-fund might suffer a loss to the extent that the proceeds from the sale of the collateral held by the Fund in connection with the securities lending transaction are less than the value of the securities lent. In addition, in the event of the bankruptcy or similar proceedings of the other party to the securities lending transaction or its failure to return the securities as agreed, the sub-fund could suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the securities lending agreement.

The sub-funds will only use repurchase agreements, reverse repurchase agreements or securities lending transactions for the purpose of either reducing risks (hedging) or generating additional capital or income for the relevant sub-fund. When using such techniques, the sub-fund will comply at all times with the provisions set out in Section 5 entitled "Special techniques and instruments with securities and money market instruments as underlying assets". The risks arising from the use of repurchase agreements, reverse repurchase agreements and securities lending transactions will be closely monitored and techniques (including collateral management) will be employed to seek to mitigate those risks. Although it is expected that the use of repurchase agreements, reverse repurchase agreements and securities lending transactions will generally not have a material impact on a sub-fund's performance, the use of such techniques may have a significant effect, either negative or positive, on a sub-fund's net asset value.

#### Exposure to securities financing transactions

The sub-funds' exposure to total return swaps, repurchase agreements/reverse repurchase agreements and securities lending transactions is set out below (in each case as a percentage of net asset value):

Sub-fund	Total Return Swaps		Repurchase agreements/reverse repurchase agreements		Securities Lending	
	Expected	Maximum	Expected	Maximum	Expected	Maximum
UBS (Lux) Bond Fund – AUD	0%	0%	0%	0%	20%	50%
UBS (Lux) Bond Fund – CHF	0-10%	20%	0%	10%	20%	50%
UBS (Lux) Bond Fund – Convert Europe (EUR)	0%	5%	0%	5%	0%	50%
UBS (Lux) Bond Fund – EUR Flexible	0%-20%	50%	0%	10%	20%	75%
UBS (Lux) Bond Fund – Euro High Yield (EUR)	0%-7%	15%	0%	10%	10%	50%
UBS (Lux) Bond Fund – Full Cycle Asian Bond (USD)	0%-10%	40%	0%	10%	30%	75%
UBS (Lux) Bond Fund – Global Flexible	0%-20%	50%	0%	10%	30%	75%
UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (USD)	0%	15%	0%	10%	20%	50%
UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (EUR)	0%	15%	0%	10%	20%	50%

#### Risk management

Risk management in accordance with the commitment approach and the value-at-risk approach is carried out pursuant to the applicable laws and regulatory provisions. Pursuant to CSSF circular 14/592 (on the ESMA guidelines on ETFs and other UCITS issues), the risk management procedure will also be applied within the scope of collateral management (see section entitled "Collateral management" below) and techniques and instruments for the efficient management of the portfolio (see Section 5, "Special techniques and instruments with securities and money market instruments as underlying assets").

#### Leverage

The leverage for UCITS using the value-at-risk ("VaR") approach is defined pursuant to CSSF circular 11/512 as the "sum of the notionals" of the derivatives used by the respective sub-fund. Unitholders should note that this definition may lead to artificially high leverage which may not correctly reflect the actual economic risk due to, inter alia, the following reasons:

- Regardless of whether a derivative is used for investment or hedging purposes, it increases the leverage amount calculated according to the sum-of-notionals approach;
- The duration of interest rate derivatives is not taken into account. A consequence of this is that short-term interest rate derivatives generate the same leverage as long-term interest rate derivatives, even though short-term ones generate a considerably lower economic risk.

The economic risk of UCITS pursuant to the VaR approach is determined as part of a UCITS risk management process. This contains (among other things) restrictions on the VaR, which includes the market risk of all positions, including derivatives. The VaR is supplemented by a comprehensive stress-test programme.

The average leverage for each sub-fund using the VaR approach is expected to be within the range stated in the table below. Leverage is expressed as a ratio between the sum of the notionals and the net asset value of the sub-fund in question. Greater leverage amounts may be attained for all sub-funds, under certain circumstances.

Sub-fund	Global risk calculation method	Expected range of leverage	Reference portfolio
UBS (Lux) Bond Fund – AUD	Commitment approach	n.a.	n.a.
UBS (Lux) Bond Fund – CHF	Commitment approach	n.a.	n.a.
UBS (Lux) Bond Fund – Convert Europe (EUR)	Commitment approach	n.a.	n.a.
UBS (Lux) Bond Fund – EUR Flexible	Absolute VaR approach	0-10	n.a.
UBS (Lux) Bond Fund – Euro High Yield (EUR)	Commitment approach	n.a.	n.a.
UBS (Lux) Bond Fund – Full Cycle Asian Bond (USD)	Relative VaR approach	0-2	JP Morgan Asia Credit Index (JACI) USD



UBS (Lux) Bond Fund – Global Flexible	Absolute VaR approach	0-10	n.a.
UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (USD)	Commitment approach	n.a.	n.a.
UBS (Lux) Bond Fund – Fixed Maturity Sustainable Series 1 (EUR)	Commitment approach	n.a.	n.a.

### Collateral management

If the Fund enters into OTC transactions, it may be exposed to risks associated with the creditworthiness of these OTC counterparties: should the Fund enter into futures or options contracts, or use other derivative techniques, it shall be subject to the risk that an OTC counterparty might not meet (or cannot meet) its obligations under one or more contracts.

Counterparty risk can be reduced by depositing a security (“**collateral**”, see above). Collateral may be provided in the form of liquid assets in highly liquid currencies, highly liquid equities and first-rate government bonds. The Fund will only accept such financial instruments as collateral, which would allow it (after objective and appropriate valuation) to liquidate these within an appropriate time period. The Fund, or a service provider appointed by the Fund, must assess the collateral’s value at least once a day. The collateral’s value must be higher than the value of the position of the respective OTC counterparty. However, this value may fluctuate between two consecutive valuations.

After each valuation, however, it is ensured (where appropriate, by requesting additional collateral) that the collateral is increased by the desired amount to meet the value of the respective OTC counterparty’s position (mark-to-market). In order to adequately take into account the risks related to the collateral in question, the Management Company determines whether the value of the collateral to be requested should be increased, or whether this value should be depreciated by an appropriate, conservatively measured amount (haircut). The larger the collateral’s value may fluctuate, the higher the markdown.

The Management Company shall set up internal regulations determining the details of the above-mentioned requirements and values, particularly regarding the types of collateral accepted, the amounts to be added to and subtracted from the respective collateral, and the investment policy for liquid funds that are deposited as collateral. This framework agreement is reviewed and adapted where appropriate by the Management Company on a regular basis.

The Management Company has approved instruments of the following asset classes as collateral in OTC derivative transactions and determined the following haircuts to be used on these instruments:

Asset class	Minimum haircut (% deduction from market value)
<b>Fixed and variable-rate interest-bearing instruments</b>	
Liquid funds in the currencies CHF, EUR, GBP, USD, JPY, CAD and AUD.	0%
Short-term instruments (up to one year) issued by one of the following countries (Australia, Austria, Belgium, Denmark, Germany, France, Japan, Norway, Sweden, UK, US) and the issuing country has a minimum rating of A	1%
Instruments that fulfil the same criteria as above and have a medium-term maturity (one to five years).	3%
Instruments that fulfil the same criteria as above and have a long-term maturity (five to ten years).	4%
Instruments that fulfil the same criteria as above and have a very long-term maturity (more than ten years).	5%
US TIPS (Treasury inflation protected securities) with a maturity of up to ten years	7%
US Treasury strips or zero coupon bonds (all maturities)	8%
US TIPS (Treasury inflation protected securities) with a maturity of over ten years	10%

The haircuts to be used on collateral from securities lending, as the case may be, are described in Section 5 entitled “Special techniques and instruments with securities and money market instruments as underlying assets”.

Securities deposited as collateral may not have been issued by the respective OTC counterparty or be highly correlated with this OTC counterparty. For this reason, shares from the finance sector are not accepted as collateral. Securities deposited as collateral shall be held in safekeeping by the Depositary on behalf of the Fund and may not be sold, invested or pledged by the Fund.

The Fund shall ensure that the collateral received is adequately diversified, particularly regarding geographical dispersion, diversification across different markets and the spreading of concentration risk. The latter is considered to be sufficiently diversified if securities and money market instruments held as collateral and issued by a single issuer do not exceed 20% of the Fund’s net assets.

In derogation to the above paragraph and in accordance with the modified Point 43(e) of the ESMA Guidelines on ETFs and other UCITS issues of 1 August 2014 (ESMA/2014/937), the Company may be fully collateralised in various transferable securities and money market instruments issued or guaranteed by an EU Member State, one or more of its local authorities, a non-Member State, or a public international body to which one or more EU Member States belong. If this is the case, the Company must ensure that it receives securities from at least six different issues, but securities from any single issue may not account for more than 30% of the net assets of the respective sub-fund.

**The Management Company has decided to make use of the exemption clause described above and accept collateralisation of up to 50% of the net assets of the respective sub-fund in government bonds that are issued or guaranteed by the following countries: the US, Japan, the UK, Germany and Switzerland.**

Collateral that is deposited in the form of liquid funds may be invested by the Fund. Investments may only be made in: sight deposits or deposits at notice in accordance with Point 1.1(f) of Section 1 "Permitted investments of the Fund"; high-quality government bonds; repurchase agreements within the meaning of Section 5 "Special techniques and instruments with securities and money market instruments as underlying assets", provided the counterparty in such transactions is a credit institution within the meaning of Point 1.1(f) of Section 1 "Permitted investments of the Fund" and the Fund has the right to cancel the transaction at any time and to request the back transfer of the amount invested (incl. accrued interest); short-term money market funds within the meaning of CESR Guidelines 10-049 regarding the definition of European money market funds.

The restrictions listed in the previous paragraph also apply to the spreading of concentration risk. Bankruptcy and insolvency events or other credit events involving the Depositary or within its sub-depositary/correspondent bank network may result in the rights of the Fund in connection with the collateral being delayed or restricted in other ways. If the Fund owes collateral to the OTC counterparty pursuant to an applicable agreement, then any such collateral is to be transferred to the OTC counterparty as agreed between the Fund and the OTC counterparty. Bankruptcy and insolvency events or other credit default events involving the OTC counterparty, the Depositary or its sub-depositary/correspondent bank network may result in the rights or recognition of claims of the Fund in connection with the collateral being delayed, restricted or even eliminated, which would even go so far as to force the Fund to fulfil its obligations within the framework of the OTC transaction, regardless of any collateral that had previously been provided to cover any such obligation.

#### **Net asset value, issue, redemption and conversion price**

The net asset value and the issue, redemption and conversion price per unit of each sub-fund or unit class are expressed in the currency of account of the respective sub-fund or unit class, and are calculated each business day by dividing the overall net assets of the sub-fund attributable to each unit class by the number of units issued in this unit class of the sub-fund. However, the net asset value of a unit may also be calculated on days where no units are issued or redeemed, as described in the following section. In this case, the net asset value may be published, but it may only be used for the purpose of calculating performance, statistics or fees. Under no circumstances should it be used as a basis for subscription and redemption orders.

The percentage of the net asset value attributable to each unit class of a sub-fund changes each time units are issued or redeemed. It is determined by the ratio of issued units in each unit class in relation to the total number of sub-fund units issued, taking into account the fees charged to that unit class.

The value of the assets of each sub-fund is calculated as follows:

- a) Liquid assets (whether in the form of cash and bank deposits, bills of exchange, cheques, promissory notes, expense advances, cash dividends and declared or accrued interest still receivable) are valued at face value, unless this value is unlikely to be fully paid or received, in which case their value is determined by deducting an amount deemed appropriate to arrive at their real value.
- b) Securities, derivatives and other assets listed on a stock exchange are valued at the most recent market prices available. If these securities, derivatives or other assets are listed on several stock exchanges, the most recently available price on the stock exchange that represents the major market for this asset shall apply.  
In the case of securities, derivatives and other assets not commonly traded on a stock exchange and for which a secondary market among securities traders exists with pricing in line with the market, the Management Company may value these securities, derivatives and other investments based on these prices. Securities, derivatives and other investments not listed on a stock exchange, but traded on another regulated market that operates regularly and is recognised and open to the public, are valued at the most recently available price on this market.
- c) Securities and other investments not listed on a stock exchange or traded on another regulated market, and for which no appropriate price can be obtained, are valued by the Management Company according to other principles chosen by it in good faith on the basis of probable market prices.
- d) Derivatives not listed on a stock exchange (OTC derivatives) are valued on the basis of independent pricing sources. If only one independent pricing source is available for a derivative, the plausibility of the valuation obtained will be verified using calculation models that are recognised by the Management Company and the Fund's auditors, based on the market value of that derivative's underlying.
- e) Units of other undertakings for collective investment in transferable securities (UCITS) and/or undertakings for collective investment (UCIs) are valued at their last known asset value.
- f) Money market instruments not traded on a stock exchange or on another regulated market open to the public will be valued on the basis of the relevant curves. Curve-based valuations are calculated from interest rates and credit spreads. The following principles are applied in this process: The interest rate nearest the residual maturity is interpolated for each money market instrument. Thus calculated, the interest rate is converted into a market price by adding a credit spread that reflects the creditworthiness of the underlying borrower. This credit spread is adjusted if there is a significant change in the borrower's credit rating.
- g) Securities, money market instruments, derivatives and other assets denominated in a currency other than the relevant sub-fund's currency of account, and not hedged by foreign exchange transactions, are valued using the average exchange rate (between the bid and ask prices) known in Luxembourg or, if none is available, using the rate on the most representative market for that currency.
- h) Term and fiduciary deposits are valued at their nominal value plus accumulated interest.
- i) The value of swaps is calculated by an external service provider and a second independent valuation is provided by another external service provider. Such calculations are based on the net present value of all cash flows (both inflows and outflows). In some specific cases, internal calculations (based on models and market data made available by Bloomberg) and/or broker

statement valuations may be used. The valuation method depends on the security in question and is chosen pursuant to the applicable UBS valuation policy.

The Management Company is authorised to apply other generally recognised and verifiable valuation criteria in good faith to arrive at an appropriate valuation of the net assets if, due to extraordinary circumstances, a valuation in accordance with the foregoing provisions proves unfeasible or inaccurate.

In extraordinary circumstances, additional valuations may be made throughout the day. Such new valuations shall apply for subsequent issues and redemptions of units.

Due to fees and charges as well as the buy-sell spreads for the underlying investments, the actual costs of buying and selling assets and investments for a sub-fund may differ from the last available price or, if applicable, the net asset value used to calculate the net asset value per unit. These costs have a negative impact on the value of a sub-fund and are termed "dilution". To reduce the effects of dilution, the Board of Directors may at its own discretion make a dilution adjustment to the net asset value per unit (swing pricing).

Units are issued and redeemed based on a single price: the net asset value per unit. To reduce the effects of dilution, the net asset value per unit is nevertheless adjusted on valuation days as described below; this takes place irrespective of whether the sub-fund is in a net subscription or net redemption position on the relevant valuation day. If no trading is taking place in a sub-fund or class of a sub-fund on a particular valuation day, the unadjusted net asset value per unit is applied. The Board of Directors has discretion to decide under which circumstances such a dilution adjustment should be made. The requirement to carry out a dilution adjustment generally depends on the scale of subscriptions or redemptions of units in the relevant sub-fund. The Board of Directors may apply a dilution adjustment if, in its view, the existing unitholders (in the case of subscriptions) or remaining unitholders (in the case of redemptions) could otherwise be put at a disadvantage. The dilution adjustment may take place if:

- (a) a sub-fund records a steady fall (i.e. a net outflow due to redemptions);
- (b) a sub-fund records a considerable volume of net subscriptions relative to its size;
- (c) a sub-fund shows a net subscription or net redemption position on a particular valuation day; or
- (d) In all other cases in which the Board of Directors believes a dilution adjustment is necessary in the interests of the unitholders.

When a valuation adjustment is made, a value is added to or deducted from the net asset value per unit depending on whether the sub-fund is in a net subscription or net redemption position; the extent of the valuation adjustment shall, in the opinion of the Board of Directors, adequately cover the fees and charges as well as the buy-sell spreads. In particular, the net asset value of the respective sub-fund will be adjusted (upwards or downwards) by an amount that (i) reflects the estimated tax expenses, (ii) the trading costs that may be incurred by the sub-fund, and (iii) the estimated bid-ask spread for the assets in which the sub-fund invests. As some equity markets and countries may show different fee structures on the buyer and seller side, the adjustment for net inflows and outflows may vary. Generally speaking, adjustments shall be limited to a maximum of 2% of the relevant applicable net asset value per unit. Under exceptional circumstances (e.g. high market volatility and/or illiquidity, extraordinary market conditions, market disruptions etc.), the Board of Directors may decide to apply temporarily a dilution adjustment of more than 2% of the relevant applicable net asset value per unit in relation to each sub-fund and/or valuation date, provided that the Board of Directors is able to justify that this is representative of prevailing market conditions and is in the unitholders' best interest. This dilution adjustment shall be calculated according to the procedure specified by the Board of Directors. Unitholders shall be informed through the normal channels whenever temporary measures are introduced and once the temporary measures have ended.

The net asset value of each class of the sub-fund is calculated separately. However, dilution adjustments affect the net asset value of each class to the same degree in percentage terms. The dilution adjustment is made at sub-fund level and relates to capital activity, but not to the specific circumstances of each individual investor transaction.

## **Investing in UBS (Lux) Bond Fund**

### **Conditions for the issue and redemption of units**

Sub-fund units are issued and redeemed on every business day. A "**business day**" is a normal bank business day in Luxembourg (i.e. a day when the banks are open during normal business hours), except for 24 and 31 December, individual, non-statutory days of rest in Luxembourg and days on which stock exchanges in the main countries in which the respective sub-fund invests are closed, or on which 50% or more of the investments of the sub-fund cannot be adequately valued.

"**Non-statutory days of rest**" are days on which banks and financial institutions are closed.

No units will be issued or redeemed on days for which the Management Company has decided not to calculate any net asset values, as described in the section "Suspension of net asset value calculation, and suspension of the issue, redemption and conversion of units". In addition, the Management Company is entitled to reject subscription orders at its discretion.

The Management Company prohibits all transactions that it deems potentially detrimental to unitholder interests, including market timing and late trading. It is entitled to refuse any application for subscription or conversion that it considers to be allied to such practices. The Management Company is also entitled to take any action it deems necessary to protect unitholders from such practices.

**Subscription and redemption orders (“orders”) registered with the administrative agent by 15:00 CET (“cut-off time”) on a business day (“order date”) will be processed on the basis of the net asset value calculated for that day after the cut-off time (“valuation date”).**

All orders sent by fax must be received by the administrative agent at least one hour prior to the stated cut-off time of the respective sub-fund on a business day. However, the central settling agent of UBS AG in Switzerland, the distributors and other intermediaries may apply other cut-off times that are earlier than those specified above vis-à-vis their clients in order to ensure the timely submission of orders to the administrative agent. Information on this may be obtained from the central settlement agent of UBS AG in Switzerland, as well as from the respective distributors and other intermediaries.

For orders registered with the administrative agent after the respective cut-off time on a business day, the order date is considered to be the following business day.

The same applies to requests for the conversion of units of a sub-fund into units of another sub-fund of the Fund, carried out on the basis of the net asset values of the respective sub-funds.

This means that the net asset value used for settlement is not known at the time the order is placed (forward pricing). It will be calculated on the basis of the last-known market prices (i.e. using the latest available market prices or closing market prices, provided these are available at the time of calculation). The individual valuation principles applied are described in the section above.

Unless required otherwise under the applicable law or regulations, the distributors charged with receiving orders request and accept subscription, redemption and/or conversion orders from investors on the basis of a written agreement, a written order form or in an equivalent manner, including the receipt of electronic orders. The usage of such equivalent means to written form must be approved in advance in writing by the Management Company and/or by UBS Asset Management Switzerland AG at its discretion.

### **Issue of units**

The issue price of sub-fund units is calculated according to the provisions in the section “Net asset value, issue, redemption and conversion price”.

Unless otherwise defined in the section titled “Unit classes”, depending on the various distributors that informed the investors beforehand of the method applied, entry costs of up to 3%, and up to 4% in the case of the sub-fund UBS (Lux) Bond Fund – Convert Europe (EUR), may be deducted from (or taken in addition to) the investor’s capital commitment or added to the net asset value and paid to these distributors and/or financial intermediaries involved in the distribution of the sub-fund’s units.

Any taxes, charges or other fees incurred in the relevant country of distribution will also be charged. Please refer to the local offering documents where applicable for more information.

A local paying agent will carry out the requisite transactions on behalf of the final investor on a nominee basis. Costs for services of the Paying Agent may be imposed on the investor.

Subscriptions for units in the Fund are accepted by the Management Company, the administrative agent and the Depositary as well as at any other distributor.

Subject to applicable laws and regulations, the Depositary and/or the agents entrusted with receiving subscription payments may, at their discretion and upon investors’ request, accept the payment in currencies other than the currency of account of the respective sub-fund and the subscription currency of the unit class to be subscribed. The exchange rate used will be determined by the respective agent on the basis of the bid-ask spread of the relevant currency pair. Investors shall bear all fees associated with currency exchange. Notwithstanding the above, payment of subscription prices for units denominated in RMB shall be made in RMB (CNH) only. No other currency will be accepted for the subscription of these unit classes.

The units may also be subscribed through savings plans, payment plans or conversion plans, in accordance with the locally prevailing market standards. Further information on this can be requested from the local distributors.

The issue price of sub-fund units is paid into the Depositary’s account in favour of the sub-fund no later than three days after the (“**settlement date**”).

If, on the settlement date or any day between the order date and the settlement date, banks in the country of the currency of the relevant unit class are not open for business or the relevant currency is not traded in an interbank settlement system, these days are disregarded for the purposes of calculating the settlement date. The settlement date can only be a day on which these banks are open or these settlement systems are available for transactions in the relevant currency.

At the request of unitholders, the Management Company may accept full or partial subscriptions in kind for units at its own discretion. In such cases, the contribution in kind must suit the investment policy and restrictions of the relevant sub-fund. Such payments in kind will also be appraised by the auditor selected by the Management Company. The costs incurred will be charged to the relevant investor.

Units are issued as registered units only. This means that the unitholder status of an investor in the Fund with all associated rights and obligations will be based on that investor’s entry in the Fund register. A conversion of registered units into bearer units may not be requested.

All units issued have the same rights. The Management Regulations nonetheless provide for the possibility of issuing various unit classes with specific features within a particular sub-fund.

Furthermore, fractions of units can be issued for all sub-funds/unit classes. Fractions of units are expressed up to three decimal places. If the relevant sub-fund or unit class is liquidated, fractional units entitle the holder to a distribution or proportionate share of the liquidation proceeds.

### **Redemption of units**

Redemption orders are accepted by the Management Company, the administrative agent, the Depositary or another authorised sales or paying agent.

Consideration for sub-fund units submitted for redemption is paid no later than the third day after the order date (“**settlement date**”) unless legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Depositary, make it impossible to transfer the redemption amount to the country in which the redemption order has been submitted.

If, on the settlement date or any day between the order date and the settlement date, banks in the country of the currency of the relevant unit class are not open for business or the relevant currency is not traded in an interbank settlement system, these days are disregarded for the purposes of calculating the settlement date. The settlement date can only be a day on which these banks are open or these settlement systems are available for transactions in the relevant currency.

If the value of a unit class in relation to the total net asset value of a sub-fund has fallen below, or failed to reach, a level that the Board of Directors of the Company has fixed as the minimum level for the economically efficient management of a unit class, the Board of Directors of the Company may decide that all units in this class are to be redeemed against payment of the redemption price on a business day determined by the Board. Investors of the class/sub-fund concerned shall not have to bear any additional costs or other financial burdens as a result of this redemption. Where applicable, the swing pricing principle described in the Section “Net asset value, issue, redemption and conversion price” shall apply.

For sub-funds with multiple unit classes that are denominated in different currencies, unitholders may, in principle, only receive any consideration for their redemption in the currency of the respective unit class.

Subject to applicable laws and regulations, the Depositary and/or the agents entrusted with paying the redemption proceeds may, at their discretion and upon investors’ request, make the payment in currencies other than the currency of account of the respective sub-fund and the currency of the unit class redeemed. The exchange rate used will be determined by the respective agent on the basis of the bid-ask spread of the relevant currency pair.

Investors shall bear all fees associated with currency exchange. These fees, as well as any taxes, commissions or other fees that may be incurred in the relevant country of distribution and, for example, levied by correspondent banks, will be charged to the relevant investor and deducted from the redemption proceeds. Notwithstanding the above, payment of redemption proceeds for units denominated in RMB shall be made in RMB (CNH) only. The investor may not request payment of the redemption proceeds in any currency other than RMB (CNH).

Any taxes, charges or other fees incurred in the relevant country of distribution (including those levied by correspondent banks) will be charged.

However, no redemption charged may be levied.

Net asset value performance shall determine whether the redemption price is higher or lower than the issue price paid by the investor.

The Management Company reserves the right not to execute redemption and conversion orders in full (redemption gate) on any order date on which this would lead to outflows of more than 10% of the total net asset value of a sub-fund on that date. In this case, the Management Company may decide to only partially execute redemption and conversion orders, and to postpone the redemption and conversion orders for the order date that have not been executed for a period generally not to exceed 20 business days, giving them priority status.

In the event of a large volume of redemption orders, the Depositary and the Management Company may decide to postpone the execution of any redemption order until equivalent Fund assets have been sold (without undue delay). Should such a measure be necessary, all redemption orders received on the same day will be processed at the same price.

A local paying agent will carry out the requisite transactions on behalf of the final investor on a nominee basis. Costs for services of the Paying Agent as well as fees that are levied by correspondent banks may be imposed on the investor.

At the request of unitholders, the Management Company may offer investors full or partial redemptions in kind for units at its own discretion.

In such cases, it must be ensured that after the capital is redeemed in kind, the remaining portfolio still complies with the investment policy and restrictions of the relevant sub-fund, and that the remaining investors in the sub-fund are not disadvantaged by the redemption in kind.

Such payments in kind will be appraised by the auditor selected by the Management Company, and must have no negative impact on the remaining unitholders of the Fund. The costs incurred will be charged to the relevant investor.

### Conversion of units

At any time, unitholders may convert their units into those of another unit class within the same sub-fund, and/or may convert their units into those of another sub-fund. Conversion orders are subject to the same procedures as the issue and redemption of units.

The number of units resulting from the conversion of a unitholder’s existing units is calculated according to the following formula:

$$\alpha = \frac{\beta * \chi * \delta}{\varepsilon}$$

where:

$\alpha$  = number of units of the new sub-fund or unit class into which conversion is requested

$\beta$  = number of units of the sub-fund or unit class from which conversion is requested

- $\chi$  = net asset value of the units submitted for conversion
- $\delta$  = foreign-exchange rate between the sub-funds or unit classes in question. If both sub-funds or unit classes are valued in the same currency of account, this coefficient equals 1
- $\epsilon$  = net asset value of the units in the sub-fund or unit class into which conversion is requested plus any taxes, charges or other fees

Depending on the various distributors that informed the investors beforehand of the method applied, a maximum conversion fee in the amount of the maximum entry costs may be deducted from (or taken in addition to) the investor's capital commitment or added to the net asset value and paid to these distributors and/or financial intermediaries involved in the distribution of the sub-fund's units. No redemption charge is applied in such cases, in accordance with the information in the section titled "Redemption of units".

Subject to applicable laws and regulations, the Depositary and/or the agents entrusted with receiving conversion payments may, at their discretion and upon investors' request, accept the payment in currencies other than the currency of account of the respective sub-fund and/or the subscription currency of the unit class, into which the conversion will take place. The exchange rate used will be determined by the respective agent on the basis of the bid-ask spread of the relevant currency pair. These commissions, as well as any fees, taxes and stamp duties incurred in the individual countries for a sub-fund conversion, are charged to the unitholders.

### **Prevention of money laundering and terrorist financing**

The Fund's distributors must comply with the provisions of the Luxembourg Law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended, as well as the relevant statutory provisions and applicable circulars of the CSSF.

Accordingly, investors must provide proof of their identity to the distributor or sales agent receiving their subscription. The distributor or sales agent must request the following identifying documents from investors as a minimum: natural persons must provide a certified copy of their passport/identity card (certified by the distributor or sales agent or by the local administrative authority); companies and other legal entities must provide a certified copy of the articles of incorporation, a certified copy of the extract from the trade and companies register, a copy of the most recently published annual accounts and the full name of the beneficial owner.

Depending on the circumstances, the distributor or sales agent must request additional documents or information from investors requesting subscriptions or redemptions. The distributor must ensure that the sales agents strictly adhere to the aforementioned identification procedures. The administrative agent and the Management Company may, at any time, demand assurance from the distributor that the procedures are being adhered to. The administrative agent will monitor compliance with the aforementioned provisions for all subscription and redemption orders they receive from sales agents or distributors in countries in which such sales agents or distributors are not subject to requirements equivalent to Luxembourg or EU law on fighting money laundering and terrorist financing.

Furthermore, the distributor and its sales agents must comply with all the regulations for the prevention of money laundering and terrorist financing in force in the respective countries.

### **Suspension of net asset value calculation, and suspension of the issue, redemption and conversion of units**

The Management Company may temporarily suspend the calculation of the net asset value of one or more sub-funds, as well as the issue and redemption of units, and conversions between individual sub-funds, for one or more business days due to the following:

- the closure, other than for customary holidays, of one or more stock exchanges or other markets used to value a substantial portion of the net assets, or of foreign exchange markets in whose currency the net asset value, or a substantial portion of the Fund's assets, is denominated, or if trade on these stock exchanges or markets is suspended, or if these stock exchanges or markets become subject to restrictions or experience major short-term price fluctuations;
- events beyond the control, liability or influence of the Management Company that prevent access to the net assets under normal conditions without causing severe detriment to unitholder interests;
- disruptions in the communications network or any other event that prevents the value of a substantial portion of the net assets from being calculated;
- where it is impossible for the Management Company to repatriate funds to pay redemption orders in the sub-fund in question, or, in its esteem, to transfer funds from the sale or for the acquisition of investments, or for payments following unit redemptions, at normal exchange rates;
- political, economic, military or other circumstances beyond the Management Company's control that prevent the disposal of the Fund's assets under normal conditions without seriously harming the interests of the unitholders;
- for any other reason the value of assets held by a sub-fund cannot be promptly or accurately determined;
- the publication of the Management Company's decision to liquidate the Fund;

- the publication of the Management Company's decision to merge one or more sub-funds, justifying such a suspension for the protection of the unitholders; and
- the Fund can no longer settle its transactions due to restrictions on foreign exchange and capital movements.

Should the calculation of the net asset value, the issue and redemption of units, or the conversion of units between sub-funds be suspended, this will be notified without delay to all the relevant authorities in the countries where units of the Fund are approved for distribution to the public; in addition, notification will be published in the manner described below in the section titled "Regular reports and publications".

If investors no longer meet the requirements of a unit class, the Management Company is further obliged to request that the investors concerned:

- a) return their units within 30 calendar days in accordance with the provisions on the redemption of units; or
- b) transfer their units to a person who meets the aforementioned requirements for acquiring units in this class; or
- c) convert their units into those of another unit class of the respective sub-fund for which they are eligible in accordance with the acquisition requirements of this unit class.

In addition, the Management Company is authorised to:

- a) refuse a request to buy units, at its own discretion;
- b) redeem, at any time, units subscribed or purchased in defiance of an exclusion clause.

### **Distributions**

In accordance with Article 10 of the Management Regulations, the Management Company will decide the amount of distributions to be paid out by each sub-fund after closure of the annual accounts. Distributions may be composed of income (e.g. dividend income and interest income) or capital and they may include or exclude fees and expenses.

Investors in certain countries may be subject to higher tax rates on distributed capital than on any capital gains from the sale of fund units. Some investors may therefore prefer to subscribe to accumulating (-acc) rather than distributing (-dist, -mdist) unit classes. Investors may be taxed at a later point in time on income and capital arising on accumulating (-acc) unit classes compared with distributing (-dist) unit classes. Investors should consult qualified experts for tax advice regarding their individual situation. Any distribution results in an immediate reduction of the net asset value per unit of the sub-fund. The payment of distributions must not result in the net assets of the Fund falling below the minimum amount for fund assets laid down by the Law of 2010. If distributions are made, payment will be effected within four months of the end of the financial year.

The Management Company is entitled to decide whether interim dividends will be paid and whether distribution payments will be suspended.

Entitlements to distributions and allotments not claimed within five years of falling due will lapse and be paid back into the respective sub-fund or unit class. If said sub-fund or unit class has already been liquidated, the distributions and allocations will accrue to the remaining sub-funds of the Fund or the remaining unit classes of the sub-fund concerned in proportion to their respective net assets. The Management Company may decide, in connection with the appropriation of net investment income and capital gains, to issue bonus units. An income equalisation amount will be calculated so that the distribution corresponds to the actual income entitlement.

### **Taxes and expenses**

#### **Taxation**

The Fund is subject to Luxembourg law. In accordance with current legislation in the Grand Duchy of Luxembourg, the Fund is not subject to any Luxembourg withholding, income, capital gains or wealth taxes. From the total net assets of each sub-fund, however, a tax of 0.05% p.a. ("taxe d'abonnement") payable to the Grand Duchy of Luxembourg is due at the end of every quarter (reduced taxe d'abonnement amounting to 0.01% p.a. for unit classes F, I-A1, I-A2, I-A3, I-B, I-X and U-X). This tax is calculated on the total net assets of each sub-fund at the end of every quarter. In the event that the competent tax authority changes an investor's tax status, all units in classes F, I-A1, I-A2, I-A3, I-B, I-X and U-X may be taxed at the rate of 0.05%.

The taxable values provided are based on the most recently available data at the time they were calculated.

Unitholders are not required, under current tax law, to pay any income, gift, inheritance or other tax in Luxembourg, unless they are domiciled or resident or maintain their usual place of abode in Luxembourg, or were previously resident in Luxembourg and hold more than 10% of the units in the Fund.

The aforementioned represents a summary of the fiscal impact and makes no claim to be exhaustive. It is the responsibility of purchasers of units to seek information on the laws and regulations governing the purchase, possession and sale of units in connection with their place of residence and their nationality.

#### **Automatic exchange of information – FATCA and the Common Reporting Standard**

As an investment fund established in Luxembourg, the Fund is bound by certain agreements on the automatic exchange of information – such as those described below (and others that may be introduced in future, as the case may be) – to collect specific

information on its investors and their tax status, and to share this information with the Luxembourg tax authority, which may then exchange this information with the tax authorities in the jurisdictions in which the investors are resident for tax purposes.

According to the US Foreign Account Tax Compliance Act and the associated legislation ("**FATCA**"), the Fund must comply with extensive due diligence obligations and reporting requirements, established to ensure the US Treasury is informed of financial accounts belonging to specified US persons as defined in the Intergovernmental Agreement ("**IGA**") between Luxembourg and the US. Failure to comply with these requirements may subject the Fund to US withholding taxes on certain US-sourced income and, with effect from 1 January 2019, gross proceeds. In accordance with the IGA, the Fund has been classed as "compliant" and is not charged any withholding tax if it identifies financial accounts belonging to specified US persons and immediately reports these to the Luxembourg tax authorities, which then provide this information to the US Internal Revenue Service.

Drawing extensively on the intergovernmental approach to implementing FATCA, the OECD developed the Common Reporting Standard ("**CRS**") to combat offshore tax evasion on a global scale. Pursuant to the CRS, financial institutions established in participating CRS jurisdictions (such as the Fund) must report to their local tax authorities all personal and account information of investors, and where appropriate controlling persons, resident in other participating CRS jurisdictions that have concluded an agreement for the exchange of information with the jurisdiction governing the financial institution. Tax authorities in participating CRS jurisdictions will exchange such information on an annual basis. Luxembourg has enacted legislation to implement the CRS. As a result, the Fund is required to comply with the CRS due diligence and reporting requirements adopted by Luxembourg.

In order to enable the Fund to meet its obligations under FATCA and the CRS, prospective investors are required to provide the Fund with information about their person and tax status prior to investment, and to update this information on an ongoing basis. Prospective investors should note that the Fund is obliged to disclose this information to the Luxembourg tax authorities. The investors accept that the Fund may take any action it deems necessary regarding their stake in the Fund to ensure that any withholding tax incurred by the Fund and any other related costs, interest, penalties and other losses and liabilities arising from the failure of an investor to provide the requested information to the Fund are borne by this investor. This may include making this investor liable for any resulting US withholding taxes or penalties arising under FATCA or the CRS, and/or the compulsory redemption or liquidation of this investor's stake in the Fund.

Prospective investors should consult qualified experts for tax advice regarding FATCA and the CRS and the potential consequences of such automatic exchange of information regimes.

#### **"Specified US person" as defined by FATCA**

The term "specified US person" refers to any citizen or resident of the United States, and any company or trust established in the US or under US federal or state law in the form of a partnership or corporation, provided (i) a court within the United States is authorised, pursuant to applicable law, to issue orders or pass rulings in connection with all aspects of the administration of the trust, or (ii) one or more specified US persons are authorised to take all essential decisions regarding the trust or the estate of a testator who was a US citizen or resident. The section must comply with the US Internal Revenue Code.

#### **Taxation in the PRC**

When investing in onshore bonds in the PRC, either directly on the CIBM or through Bond Connect, the sub-fund may be subject to withholding and other taxes imposed in the PRC.

##### **a) Corporate income tax:**

Pursuant to general tax law in the PRC, if the sub-fund is considered tax resident in the PRC, it will be subject to corporate income tax ("CIT") of 25% on its worldwide taxable income. If the sub-fund is considered non-resident in the PRC but has a place of establishment ("PE") in the PRC, the profits attributable to that PE are subject to CIT of 25% in the PRC. If the sub-fund is considered non-tax resident in the PRC and has no PE there, the sub-fund's income from PRC onshore bonds will generally be subject to withholding income tax ("WIT") of 10% on the income earned in the PRC, including but not limited to passive income (e.g. interest) and gains arising from transfers of PRC onshore bonds, if this income is not exempt from such tax pursuant to an applicable double taxation treaty or a specific provision of domestic tax law.

The Portfolio Manager intends to operate the sub-fund in such a manner that the sub-fund will not be treated as tax resident in the PRC or non-tax resident with a PE in the PRC for CIT purposes. However, due to uncertainty surrounding the tax laws and practices in the PRC, this cannot be guaranteed.

##### **Interest**

Where the tax law and regulations in the PRC or the relevant tax treaty do not specifically provide for an exemption or reduction, non-tax resident companies with no PE in the PRC will generally be subject to CIT in the form of a withholding tax of 10%. On 22 November 2018, the Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT") of the PRC jointly released the Caishui [2018] No 108 circular ("Circular 108") to address the tax issues in relation to interest income on bonds earned by foreign institutional investors from investments in the PRC bond market. In accordance with Circular 108, interest income on bonds earned by foreign institutional investors with no PE in the PRC (or with a PE in the PRC, but where such income generated in the PRC is not effectively related to that PE) between 7 November 2018 and 6 November 2021 is temporarily exempt from CIT. As this exemption is only temporary according to Circular 108, it remains unclear whether such an exemption will also apply after 6 November 2021. Pursuant to applicable tax law in the PRC, interest on government bonds issued by the competent Finance Bureau of the State Council and/or local government bonds approved by the State Council is exempt from CIT.

##### **Capital gains**

There are no specific regulations on the taxation of capital gains made by foreign investors from trading PRC onshore bonds. In the absence of specific regulations, the application of CIT is governed by the general tax provisions of CIT law in the PRC and is subject to the interpretation of the PRC tax authorities. With regard to the capital gains on the disposal of PRC onshore bonds, the PRC tax authorities have on numerous occasions said that such gains are not considered to have been made in the PRC and are therefore not subject to the WIT applicable in the PRC. However, there is no specific written tax provision confirming this. In practice, no WIT is currently applied to capital gains made by foreign investors from trading PRC onshore bonds. Should the PRC tax authorities decide to tax such income in the future, the portfolio manager would request the PRC tax authorities to treat the sub-fund as tax resident in Luxembourg and invoke the capital gains tax exemption provided for in the double taxation treaty between the PRC and Luxembourg, although this cannot be guaranteed.



#### b) Value added tax ("VAT"):

According to the Caishui [2016] No. 36 circular ("Circular 36") on the last phase of the VAT reform that came into force on 1 May 2016, gains on the transfer of PRC onshore securities became subject to VAT as of 1 May 2016, unless a special exemption applies. According to Circular 36 and the Caishui [2016] No. 70 circular ("Circular 70"), gains made on the transfer of PRC onshore bonds by foreign institutional investors that have been granted direct access to the CIBM by the People's Bank of China ("PBOC") are exempt from VAT. Interest income earned by foreign investors on investments in PRC onshore bonds are subject to 6% VAT where no special exemption applies (see notes to Circular 108 below). According to Circular 36, interest income on deposits is not liable for VAT, and interest income on government bonds is exempt from VAT. Circular 108 regulates the exemption from VAT on interest income on bonds earned by foreign institutional investors investing in the Chinese bond market between 7 November 2018 and 6 November 2021. As this exemption is only temporary according to Circular 108, it remains unclear whether such an exemption will also apply after 6 November 2021. Where VAT is payable, additional taxes also apply (including the urban construction and maintenance tax, the education surcharge and the regional education surcharge) amounting to up to 12% of the applicable VAT.

#### **Tax risk in the PRC**

There are risks and uncertainties associated with the applicable tax laws and regulations and the current tax practice in the PRC for capital gains and interest income realised for the sub-fund's investments in PRC securities (that may apply retroactively). Higher tax liabilities for the Fund may have a negative impact on the Fund's value.

Based on professional independent tax advice, the sub-fund applies the following principles when providing for tax liabilities:

- For the 10% WIT, a provision is made for non-government PRC onshore bonds for any interest income earned before 7 November 2018 that was not subject to the WIT as a withholding tax by the issuer in the PRC.
- For the 6.3396% VAT (including surcharges), a provision is made for non-government PRC onshore bonds for any interest income earned before 7 November 2018 that was not subject to the VAT as a withholding tax by the issuer in the PRC (this VAT regime is applicable as of 1 May 2016).

Any portion of the real tax liability for the sub-fund's assets not covered by the tax provision detracts from the sub-fund's NAV. The real tax liability may be lower than the tax provision. Depending on the timing of their subscriptions and/or redemptions, investors may be adversely affected by a deficit in the tax provision/will not be entitled to a portion of any surplus. Shareholders should consult their tax advisers with regard to their own tax liability for their investments in the sub-fund.

#### **Taxation in the United Kingdom**

##### **Reporting sub-funds**

Within the meaning of the UK Taxation (International and Other Provisions) Act 2010 (hereinafter referred to as "TIOPA"), special provisions apply to investments in offshore funds. The individual unit classes of these offshore funds are treated as separate offshore funds for this purpose. The taxation of unitholders in a reporting unit class is different to the taxation of unitholders in non-reporting unit classes. The individual taxation systems are explained below. The Board of Directors reserves the right to apply for reporting fund status for individual unit classes.

##### **Unitholders in non-reporting unit classes**

Each individual unit class is an offshore fund within the meaning of the TIOPA and the UK Offshore Funds (Tax) Regulations 2009 that came into force on 1 December 2019. Within this framework, all income from the sale, disposal or redemption of offshore fund units held by persons resident or ordinarily resident in the United Kingdom at the time of sale, disposal or redemption is taxed as income and not as capital gains. However, this is not the case if the fund is treated as a reporting fund by the UK tax authorities during the period in which the units are held. Unitholders who are resident or ordinarily resident in the United Kingdom for tax purposes and invest in non-reporting unit classes may be obliged to pay income tax on the proceeds from the sale, disposal or redemption of units. Such income is therefore taxable, even if investors would be exempt from capital gains tax under general or special provisions, which may lead to some UK investors having to bear a proportionally higher tax burden. Unitholders who are resident or ordinarily resident in the United Kingdom may offset losses on the disposal of units in non-reporting unit classes against capital gains.

##### **Unitholders in reporting unit classes**

Each individual unit class is an offshore fund within the meaning of the TIOPA. Within this framework, all income from the sale, disposal or redemption of offshore fund units at the time of the sale, disposal or redemption are taxed as income and not as capital gains. These provisions do not apply if the fund is accorded reporting fund status and maintains this status during the period in which units are held.

For a unit class to qualify as a reporting fund, the Management Company must apply to the UK tax authorities for the inclusion of the sub-fund in this category. The unit class must then report 100% of the income of the unit class for each financial year. The corresponding report is available for investors to access on the UBS website. Private investors resident in the United Kingdom should include the reportable income in their income tax return. They will then be assessed on the basis of the declared income, whether the income has been distributed or not. In order to determine the income, the income for accounting purposes is adjusted for capital and other items and is based on the reportable income of the corresponding sub-fund. Unitholders are hereby informed that income from trading (but not from investment activities) is classified as reportable income. The key criterion is the type of business activity. Given the lack of clarity in the guidelines concerning the difference between trading and investment activities, there is no guarantee that the proposed activities are not trading activities. Should the activities of the Fund be partly or wholly classified as trading activities, then the annual reportable income for unitholders and the corresponding tax burden would probably be significantly higher than would otherwise be the case. Provided that the relevant unit class fulfils the status of a reporting sub-fund, the income from this unit class will be taxed as a capital gain and not as income, unless the investor is a securities trader.

Such gains may therefore be exempt from capital gains tax under general or special provisions, which may lead to some UK investors bearing a comparatively lower tax burden.

In accordance with Chapter 6 of Part 3 of the Offshore Funds (Tax) Regulations 2009 (hereinafter referred to as “**2009 Regulations**”), certain transactions of a regulated sub-fund such as the Company are generally not treated as trading activities for the purpose of calculating the reportable income for reporting sub-funds that fulfil a genuine diversity of ownership conditions. In this respect, the Board of Directors confirms that all unit classes are primarily for private and institutional investors and are offered to these target groups. Regarding the 2009 Regulations, the Board of Directors confirms that the units of the Fund can be easily acquired and are marketed and made available in such a way that they reach and attract the targeted categories of investors.

The attention of persons ordinarily resident in the United Kingdom is drawn to the provisions of Part 13(2) of the Income Tax Act 2007 (“Transfer of Assets Abroad”), which provide that under certain circumstances, these persons may be subject to income tax in connection with non-distributed income and profits arising on investments in sub-fund(s), or similar income and profits, which is not receivable in the United Kingdom by those persons.

In addition, it is important to note the provisions of Section 13 of the Taxation of Chargeable Gains Act of 1992, which govern the distribution of chargeable gains of companies that are not resident in the United Kingdom and that would be considered “close companies” if they were resident in the UK. These gains are distributed to investors who are domiciled or have their ordinary place of residence in the UK. Profits distributed in this manner are taxable for all investors holding a share of more than 10% of the distributed profit either individually or together with associated persons.

The members of the Board of Directors intend to make all reasonable efforts to ensure that the sub-fund or sub-funds are not classed as a “close company” within the meaning of Section 13 of the Taxation of Chargeable Gains Act if domiciled in the United Kingdom. Moreover, when determining the impact of Section 13 of the Taxation of Chargeable Gains Act of 1992, it is important to ensure that the regulations of the double taxation treaty between the United Kingdom and Luxembourg are taken into account.

### **Partial exemption under the German Investment Tax Act of 2018**

All sub-funds are to be regarded as “**other funds**” within the meaning of the German Investment Tax Act (**InvStG**), and therefore no partial exemption is possible pursuant to § 20 InvStG.

### **DAC 6 – Disclosure requirements for reportable cross-border tax arrangements**

On 25 June 2018 Council Directive (EU) 2018/822 (“DAC 6”), which introduces rules on the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements, entered into force. DAC 6 is intended to enable EU Member States’ tax authorities to obtain comprehensive and relevant information about potentially aggressive tax planning arrangements and to enable authorities to react promptly against harmful tax practices and to close loopholes by enacting legislation or by undertaking adequate risk assessments and carrying out tax audits.

While the requirements laid down by DAC 6 will only apply from 1 July 2020, any arrangements implemented between 25 June 2018 and 30 June 2020 must be reported. The Directive obliges intermediaries in the EU to pass on information to the local tax authorities concerning reportable cross-border arrangements, including specific details concerning the arrangement and information enabling the intermediaries involved and the relevant taxpayers to be identified, i.e. the persons to whom the reportable cross-border arrangement is made available. The local tax authorities then exchange this information with the tax authorities from the other EU Member States. The Fund may therefore be obliged by law to disclose to the competent tax authorities any information in its possession or under its control concerning reportable cross-border arrangements. These legal provisions may also apply to arrangements that do not necessarily constitute aggressive tax planning.

### **Expenses paid by the Fund**

The Fund pays a maximum monthly flat fee for unit classes “P”, “N”, “K-1”, “F”, “Q”, “I-A1”, “I-A2” and “I-A3”, calculated on the average net asset value of the sub-funds.

This shall be used as follows:

1. In accordance with the following provisions, a maximum flat fee based on the net asset value of the Fund is paid from the Fund’s assets for the management, administration, portfolio management and distribution of the Fund (if applicable), as well as for all Depositary tasks, such as the safekeeping and supervision of the Fund’s assets, the processing of payment transactions and all other tasks listed in the “Depositary and Main Paying Agent” section. This fee is charged to the Fund’s assets pro rata temporis upon every calculation of the net asset value, and is paid on a monthly basis (maximum flat fee). The maximum flat fee for unit classes with “hedged” in their name may contain fees for hedging currency risk. The relevant maximum flat fee will not be charged until the corresponding unit classes have been launched. An overview of the maximum flat fees can be found under “The sub-funds and their special investment policies”.  
The maximum flat fee effectively applied can be found in the annual and semi-annual reports.
2. The maximum flat fee does not include the following fees and additional expenses, which are also taken from the Fund assets:
  - a) All other Fund asset management expenses for the sale and purchase of assets (bid-ask spread, market-based brokerage fees, commissions, fees, etc.); As a rule, these expenses are calculated upon the purchase or sale of the respective assets. In derogation hereto, these additional expenses, which arise through the sale and purchase of assets in connection with the settlement of the issue and redemption of units, are covered by the application of the swing pricing principle pursuant to the section titled “Net asset value, issue, redemption and conversion price”.

- b) Fees of the supervisory authority for the establishment, modification, liquidation and merger of the Fund, as well as all charges payable to the supervisory authorities and any stock exchanges on which the sub-funds are listed;
  - c) Auditor's fees for the annual audit and for authorisations in connection with creations, alterations, liquidations and mergers within the Fund, as well as any other fees paid to the audit firm for services provided in relation to the administration of the Fund and as permitted by law;
  - d) Fees for legal consultants, tax consultants and notaries in connection with the creation, registration in distribution countries, alteration, liquidation and merger of the Fund, as well as for the general safeguarding of the interests of the Fund and its investors, insofar as this is not expressly prohibited by law;
  - e) Costs for publishing the Fund's net asset value and all costs for notices to investors, including translation costs;
  - f) Costs for the Fund's legal documents (prospectuses, KIIDs, annual and semi-annual reports, and other documents legally required in the countries of domiciliation and distribution);
  - g) Costs for the Fund's registration with any foreign supervisory authorities (if applicable), including fees payable to the foreign supervisory authorities, as well as translation costs and fees for the foreign representative or paying agent;
  - h) Expenses incurred through use of voting or creditors' rights by the Fund, including fees for external advisers;
  - i) Costs and fees related to any intellectual property registered in the Fund's name, or to the Fund's rights of usufruct;
  - j) All expenses arising in connection with any extraordinary measures taken by the Management Company, Portfolio Manager or Depositary to protect the interests of the investors;
  - k) If the Management Company participates in class-action suits in the interests of investors, it may charge expenses arising in connection with third parties (e.g. legal and Depositary costs) to the Fund's assets. Furthermore, the Management Company may bill for all administrative costs, provided these are verifiable, and disclosed and accounted for in the Fund's published total expense ratio (TER);
3. The Management Company may pay trailer fees for the distribution of the Fund.

All taxes on the Fund's income and assets, particularly the *taxe d'abonnement*, shall also be borne by the Fund. For purposes of general comparability with fee rules of different fund providers that do not have a flat fee, the term "maximum management fee" is set at 80% of the flat fee.

For unit class "I-B", a fee is charged to cover the costs of fund administration (comprising the costs of the Management Company, the administrative agent and the Depositary). The costs for asset management and distribution are charged outside of the Fund under a separate contract concluded directly between the investor and UBS Asset Management Switzerland AG or one of its authorised representatives.

Costs relating to the services performed for unit classes I-X, K-X and U-X for asset management, fund administration (comprising the costs of the Management Company, the administrative agent and the Depositary) and distribution are covered by the compensation to which UBS Asset Management Switzerland AG is entitled under a separate contract with the investor.

Costs relating to the asset management services to be provided for unit classes "K-B" are covered by the compensation to which UBS Asset Management Switzerland AG or one of its authorised distributors is entitled under a separate agreement with the investor.

All costs that can be allocated to specific sub-funds will be charged to those sub-funds.

Costs that can be allocated to individual unit classes will be charged to those unit classes. Costs pertaining to some or all sub-funds/unit classes will be charged to those sub-funds/unit classes in proportion to their respective net asset values.

With regard to sub-funds that may invest in other UCIs or UCITS under the terms of their investment policies, fees may be incurred both at the level of the sub-fund as well as at the level of the relevant target fund. The management fees of the target fund in which the assets of the sub-fund are invested may amount to a maximum of 3%, taking into account any trailer fees.

Should a sub-fund invest in units of funds that are managed directly or by delegation by the Management Company itself or by another company linked to the Management Company through common management or control or through a substantial direct or indirect holding, no issue or redemption charges may be charged to the investing sub-fund in connection with these target fund units.

Details on the Fund's ongoing charges can be found in the KIIDs.

## **Information for unitholders**

### **Regular reports and publications**

An annual report is published for each sub-fund and the Fund as at 31 March and a semi-annual report as at 30 September.

The aforementioned reports contain a breakdown of each sub-fund, or respectively, each unit class in the relevant currency of account. The consolidated breakdown of assets for the Fund as a whole is given in EUR.

The annual report, which is published within four months of the end of the financial year, contains the annual accounts audited by the independent auditors. It also contains details on the underlying assets to which the respective sub-funds are exposed through the use of derivative financial instruments and the counterparties involved in these derivative transactions, as well as the amount and type of collateral provided in favour of the sub-fund by the counterparties in order to reduce the credit risk.

These reports are available to unitholders at the registered office of the Management Company and the Depositary.

The issue and redemption prices of each sub-fund are made available in Luxembourg at the registered office of the Management Company and the Depositary.

Notices to unitholders will be published at [www.ubs.com/lu/en/asset\\_management/notifications](http://www.ubs.com/lu/en/asset_management/notifications) and can be sent by email to those unitholders who have provided an email address for this purpose. Paper copies of such notices will be mailed to those unitholders who have not provided an email address at the postal address recorded in the unitholder registry. Paper copies will also be mailed to unitholders where required by Luxembourg law or supervisory authorities, or legally required in the relevant countries of distribution, and/or published in another form permitted by Luxembourg law.

### **Inspection of documents**

The following documents are kept at the registered office of the Management Company, where they can be viewed:

1. the articles of association of the Management Company
2. Depositary Agreement
3. Portfolio Management Agreement
4. Administrative Agent Agreement

The aforementioned agreements may be amended by common consent of the parties involved.

The following documents are available from the registered office of the Management Company:

1. the Management Regulations
2. the latest annual and semi-annual reports for the Fund.

### **Handling complaints, strategy for exercising voting rights and best execution**

In accordance with Luxembourg laws and regulations, the Management Company provides additional information on procedures for handling complaints and best execution, as well as the strategy for exercising voting rights on the following website: [http://www.ubs.com/lu/en/asset\\_management/investor\\_information.html](http://www.ubs.com/lu/en/asset_management/investor_information.html)

### **Remuneration policy of the Management Company**

The Board of Directors has adopted a remuneration policy that aims to ensure remuneration complies with the applicable regulations – in particular the provisions defined under (i) UCITS Directive 2014/91/EU, the ESMA final report on sound remuneration policies under the UCITS Directive and AIFMD published on 31 March 2016, (ii) the Alternative Investment Fund Managers (AIFM) Directive 2011/61/EU, enacted into Luxembourg national law by the AIFM Law of 12 July 2013, as amended, the ESMA guidelines on sound remuneration policies under the AIFMD, published on 11 February 2013 and (iii) the CSSF Circular 10/437 on Guidelines concerning the remuneration policies in the financial sector, issued on 1 February 2010 – as well as the guidelines of the UBS Group AG remuneration policy. This remuneration policy is reviewed at least annually.

The remuneration policy promotes a solid and effective risk management framework, is aligned with the interests of investors, and prevents risks from being taken that do not comply with the risk profiles, the Management Regulations, or the Articles of Incorporation of this UCITS/AIF.

The remuneration policy also ensures compliance with the strategies, objectives, values and interests of the Management Company and the UCITS/AIF, including measures to prevent conflicts of interest.

Furthermore, this approach aims to:

- evaluate performance over a multi-year period that is suitable to the recommended holding period of investors in the sub-fund, in order to ensure that the evaluation process is based on the Fund's long-term performance and investment risks, and that performance-related remuneration is actually paid out over the same period;
- provide employees with remuneration that comprises a balanced mix of fixed and variable elements. The fixed remuneration component represents a sufficiently large portion of the total remuneration amount, which allows for a flexible bonus strategy. This includes the option not to pay any variable remuneration. This fixed remuneration is determined according to the individual employee's role, which includes their responsibilities and the complexity of their work, their performance, and the local market conditions. Furthermore, it should be noted that the Management Company may, at its own discretion, offer benefits to employees. These form an integral part of the fixed remuneration.

All information relevant hereto shall be disclosed in the annual reports of the Management Company in accordance with the provisions of UCITS Directive 2014/91/EU.

Unitholders can find more details about the current remuneration policy, including, but not limited to, the description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee (if any), are available at [http://www.ubs.com/lu/en/asset\\_management/investor\\_information.html](http://www.ubs.com/lu/en/asset_management/investor_information.html).

This information can also be requested in hard copy from the Management Company free of charge.

### **Conflicts of interest**

The Management Company, the Portfolio Manager, the Depositary, the administrative agent and the other service providers of the Fund, and/or their respective affiliates, associates, employees or any person connected with them may be subject to various conflicts of interest in their relationships with the Fund.

The Management Company, the Portfolio Manager, the administrative agent and the Depositary have adopted and implemented a policy on conflicts of interest. They have taken suitable organisational and administrative measures to identify and manage conflicts of interest so as to minimise the risk of the Fund's interests being prejudiced, as well as to ensure that the Fund's unitholders are treated fairly in the event that a conflict of interest cannot be prevented.

The Management Company, the Depositary, the Portfolio Manager, the principal distributor, the securities lending transaction broker and the service provider executing securities lending transactions are part of the UBS Group (hereinafter referred to as "Affiliated Person").

The Affiliated Person is a global, full-service private banking, investment banking, asset management and financial services organisation that is a major player in the global financial markets. As such, the Affiliated Person is engaged in various business activities and may have other direct or indirect interests in the financial markets in which the Fund invests.

The Affiliated Person (as well as its subsidiaries and branches) may serve as the counterparty in financial derivative contracts entered into with the Fund. Conflicts of interest may also potentially arise if the Depositary is closely associated with a legally independent entity of the Affiliated Person that provides other products or services to the Fund.

In the conduct of its business, the Affiliated Person shall endeavour to identify, manage and where necessary prohibit any action or transaction that may lead to a conflict of interest between the various business activities of Affiliated Person and the Fund or its unitholders. The Affiliated Person endeavours to manage any conflicts in a manner consistent with the highest standards of integrity and fair dealing. To this end, the Affiliated Person has implemented procedures to ensure that any business activities giving rise to a conflict that could harm the interests of the Fund or its unitholders, are carried out with an appropriate level of independence and that any conflicts are resolved fairly. Unitholders may obtain additional information on the Management Company and/or the Fund's policy on conflicts of interest free of charge by addressing a written request to the Management Company.

Despite the Management Company's best efforts and due care, there remains the risk that the organisational or administrative measures taken by the Management Company for the management of conflicts of interest may not be sufficient to ensure, with reasonable confidence, that all risks of damage to the interests of the Fund or its unitholders are eliminated. If this should be the case, any non-mitigated conflicts of interest and any decisions taken in relation thereto will be notified to unitholders on the following website of the Management Company: [http://www.ubs.com/lu/en/asset\\_management/investor\\_information.html](http://www.ubs.com/lu/en/asset_management/investor_information.html).

This information is also available free of charge at registered office of the Management Company.

In addition, it must be taken into account that the Management Company and the Depositary are members of the same group. Accordingly, both these entities have put in place policies and procedures to ensure that they (i) identify all conflicts of interests arising from this relationship and (ii) take all reasonable steps to avoid such conflicts of interest.

Where a conflict of interest arising out of the relationship between the Management Company and the Depositary cannot be avoided, the Management Company or the Depositary will manage, monitor and disclose that conflict of interest in order to prevent adverse effects on the interests of the Fund and of the unitholders.

A description of all custody tasks delegated by the Depositary, as well as a list of all delegates and sub-delegates of the Depositary can be found on the following webpage: <https://www.ubs.com/global/en/legalinfo2/luxembourg.html>. Up-to-date information on this will be made available to unitholders upon request.

### **Data protection**

In accordance with the provisions of the Luxembourg Law of 1 August 2018 on the organisation of the National Data Protection Commission and the general data protection framework, as amended, and Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "data protection legislation"), the Fund acts as a data controller and collects, stores and processes, by electronic or other means, the data provided by investors for the purpose of performing the services required by investors and in order to meet the Fund's legal and supervisory obligations.

The data processed includes in particular the investor's name, contact details (including their postal or email address), bank account details, the amount and the nature of the investments in the Fund (and if the investor is a legal entity, the data of natural persons connected with this legal entity, such as its contact person(s) and/or beneficial owner(s)) ("personal data").

Investors may decline to transfer personal data to the Fund at their own discretion. However, in this case the Fund is entitled to reject orders to subscribe units.

Investors' personal data is processed when they enter into a relationship with the Fund and in order to carry out the subscription of units (i.e. to fulfil a contract), to safeguard the Fund's legitimate interests and to meet the Fund's legal obligations. Personal data is processed for the following purposes in particular: (i) to carry out subscriptions, redemptions and conversions of units, pay dividends to investors and administer client accounts; (ii) to manage client relationships; (iii) to carry out checks relating to excess trading and market timing practices and for tax identification that may be mandated by Luxembourg or foreign legislation and regulations (including laws and regulations relating to FATCA and the CRS); (iv) to comply with applicable anti-money laundering regulations. Data provided by unitholders is also processed, (v) to administer the Fund's register of unitholders. In addition, personal data may be used (vi) for marketing purposes.

The above-mentioned legitimate interests include:

- the purposes listed in points (ii) and (vi) of the previous paragraph of this data protection section for which data may be processed;
- meeting the accounting and supervisory obligations of the Fund in general;
- carrying out the Fund's business in accordance with appropriate market standards.

For this purpose and in accordance with the provisions of the Data Protection Act, the Fund may transmit personal data to its data recipients (hereinafter "recipients"), which are related and third-party companies providing support for the Fund's activities as regards the previously mentioned purposes. These include in particular the management company, the administrative agent, the distributors, the depositary, the paying agent, the investment manager, the domiciliary agent, the global distributor, the auditor and the legal advisor of the Fund.

The recipients may pass on the personal data on their own responsibility to their representatives and/or agents (the "sub-recipients"), who may process the personal data solely for the purpose of assisting the recipients in performing their services for the Fund and/or in meeting their legal obligations.

The recipients and sub-recipients may be located in countries inside or outside the European Economic Area (EEA) where data protection legislation may not provide an appropriate level of protection.

When transferring personal data to recipients and/or sub-recipients located in a country outside the EEA which does not have appropriate data protection standards, the Fund shall establish contractual safeguards to ensure that investors' personal data is afforded the same protection as that provided by the data protection legislation and may use the model clauses approved by the European Commission to do so. Investors are entitled to request copies of the relevant documents that enable the transfer of personal data to these countries by sending a written request to the Management Company's address listed above.

When subscribing to units, every investor is explicitly reminded that their personal data may be transferred to and processed by the above-mentioned recipients and sub-recipients, including companies located outside the EEA and in particular in countries that may not offer an appropriate level of protection.

The recipients and sub-recipients may process the personal data as processors when handling the data on the Fund's instructions, or as controllers in their own right when processing the personal data for their own purposes, i.e. to meet their own legal obligations. The Fund may also transfer personal data to third parties in accordance with the applicable legislation and regulations, such as government and supervisory authorities, including tax authorities inside or outside the EEA. In particular, personal data

may be passed on to the Luxembourg tax authorities which in turn act as controllers and can forward this data to foreign tax authorities.

In accordance with the provisions of the data protection legislation, every investor has the right, by sending a written request to the Management Company's address listed above, to the following:

- Information on their personal data (i.e. the right to a confirmation from the Fund about whether their personal data is being processed, the right to certain information about how the fund is processing their personal data, the right to access this data and the right to a copy of the personal data that has been processed (subject to statutory exemptions));
- To have their personal data corrected if it is incorrect or incomplete (i.e. the right to request the Fund to update and correct incomplete or incorrect personal data or errors);
- To restrict usage of their personal data (i.e. the right to demand that the processing of their personal data is restricted under certain circumstances until they have given consent for this data to be stored);
- To object to the processing of their personal data, including prohibiting processing of their personal data for marketing purposes (i.e. the right to prohibit the Fund, for reasons relating to the investor's particular situation, from processing data in order to carry out a task in the public interest or based on its legitimate interests; the Fund will then cease to process this data, unless it can demonstrate that there are legitimate and overriding grounds for processing the data which take precedence over the interests, rights and freedoms of the investor, or that processing the data is necessary to enforce, implement or defend legal claims);
- To have their personal data deleted (i.e. the right to request the deletion of their personal data in certain circumstances, in particular if the Fund no longer needs to process this data for the purpose for which it was collected or processed);
- Data portability (i.e. the right, if technically feasible, to request the transfer of the data to the investor or another controller in a structured, widely-used and machine-readable format).

Investors also have the right to lodge a complaint with the National Data Protection Commission at 1, Avenue du Rock'n'Roll, L-4361 Esch-sur-Alzette, Grand Duchy of Luxembourg, or with another national data protection authority if they are resident in another Member State of the European Union.

Personal data will not be stored for longer than required for the purpose for which the data is being processed. The relevant statutory time limits for data storage shall apply.

### **Index provider**

#### **J.P. Morgan**

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### **Benchmark Regulation**

The indices used by the sub-fund as a benchmark ("use" as defined according to Regulation (EU) 2016/1011 (the "Benchmark Regulation")) are provided with reference to the date of this Sales Prospectus by:

(i) benchmark administrators included in the register of administrators and benchmarks kept by ESMA pursuant to Article 36 of the Benchmark Regulation. Up-to-date information as to whether the benchmark is provided by an administrator included in the ESMA register of EU benchmark administrators and third country benchmarks is available at <https://registers.esma.europa.eu>; and/or

(ii) benchmark administrators that have been approved under the terms of the Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 of the United Kingdom ("UK Benchmark Regulations"), have the status of third country benchmark

administrators under the terms of the Benchmark Regulation and have been included in a register of benchmark administrators kept by the FCA, which is available at <https://register.fca.org.uk/BenchmarksRegister>; and/or

(i) benchmark administrators that fall under the transitional provisions contained in the Benchmark Regulation and accordingly have not yet been included in the register of benchmark administrators kept by the ESMA under the terms of the Benchmark Regulation.

The transition period for benchmark administrators and the deadline within which they must obtain approval or registration as an administrator under the terms of the Benchmark Regulation are dependent both on the classification of the relevant benchmark as well as the registered office of the benchmark administrator.

In the event that a benchmark significantly changes or is no longer provided, the Management Company maintains a written plan setting out actions to be taken in such an eventuality ("Contingency Plan"), as required under Article 28(2) of the Benchmark Regulation. Unitholders may consult the Contingency Plan free of charge upon request at the registered office of the Management Company.

## **Liquidation and merger of the Fund and its sub-funds or unit classes**

### **Liquidation of the Fund and its sub-funds or unit classes**

Unitholders, their heirs and other beneficiaries may not demand the division or liquidation of the Fund, a sub-fund or a unit class. The Management Company, however, is authorised to liquidate the Fund, sub-funds and unit classes provided that, taking into account the unitholders' interests, such liquidation is deemed appropriate or necessary to protect the Management Company or the Fund, or due to the investment policy.

Defined maturity sub-funds are automatically wound up and liquidated upon expiry of their respective terms.

If the total net asset value of a sub-fund, or unit class within a sub-fund, has fallen below or failed to reach a value required for that sub-fund or unit class to be managed with economic efficiency; or in the event of a substantial change in the political, economic or monetary environment; or as part of a rationalisation; the Management Company may decide to redeem all units of the corresponding unit class(es) at the net asset value (taking into account the actual investment realisation rates and expenses) as at the valuation date or time at which this decision takes effect.

Any resolution to liquidate a sub-fund or unit class will be published in the manner described above in the section titled "Regular reports and publications". No units may be issued after the date of such a decision and all conversions into the sub-fund/unit class will be suspended. The redemption of units or conversion from the sub-fund/unit class concerned will still be possible even after this decision has been implemented and it shall be ensured that the sub-fund or relevant unit class will take any liquidation costs into account. Those holding units in the sub-fund/relevant unit class at the time the decision to liquidate is taken will consequently bear such costs. In the event of liquidation, the Management Company will realise the Fund's assets in the best interests of the unitholders and instruct the Depositary to distribute the net proceeds from the liquidation of the sub-fund or unit class to the unitholders of that sub-fund or unit class in proportion to their respective holdings.

At the latest nine months after the decision to initiate the liquidation, (i) any liquidation proceeds that cannot or could not be distributed to the unitholders upon completing the liquidation will be deposited with the *Caisse de Consignation* in Luxembourg until expiry of the statute of limitations, and (ii) the liquidation process must be completed.

Liquidation of the Fund is mandatory in the cases prescribed by law and in the event of the liquidation of the Management Company. Notice of such liquidation will be published on the RESA as well as a Luxembourg daily newspaper, and, if necessary, in the official publications of the individual countries of distribution. The liquidation procedure is identical for the Fund and its sub-funds with the exception that, in the case of the Fund, any liquidation proceeds that cannot be distributed to unitholders at the end of the liquidation procedure are immediately deposited with the *Caisse de Consignation*.

### **Merger of the Fund or of sub-funds with another undertaking for collective investment ("UCI") or with a sub-fund thereof; merger of sub-funds**

"Mergers" are transactions in which

- a) one or more UCITS or sub-funds of such UCITS (the "**absorbed UCITS**"), upon being wound up without liquidation, transfer all assets and liabilities to another existing UCITS or a sub-fund of that UCITS (the "**absorbing UCITS**"), and in return, the unitholders of the absorbed UCITS receive units in the absorbing UCITS and (if applicable) a cash payment not exceeding 10% of the net asset value of those units;
- b) two or more UCITS or sub-funds of such UCITS (the "**absorbed UCITS**"), upon being wound up without liquidation, transfer all their assets and liabilities to another UCITS formed by them or by a sub-fund of that UCITS (the "**absorbing UCITS**"), and the unitholders of the absorbed UCITS receive in return units in the absorbing UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of such units;
- c) one or more UCITS or sub-funds of such UCITS (the "**absorbed UCITS**") that continue to exist until liabilities have been paid off transfer all net assets to another sub-fund of the same UCITS, to another UCITS formed by them or to another existing UCITS or a sub-fund of that UCITS (the "**absorbing UCITS**").

Mergers are permissible under the conditions provided for in the Law of 2010. The legal consequences of a merger are defined in the Law of 2010.

Under the conditions described in the section "Liquidation of the Fund and its sub-funds or unit classes", the Management Company may decide to allocate the assets of a sub-fund or unit class to another existing sub-fund or unit class of the Fund, or to another Luxembourg UCI pursuant to Part 1 of the Law of 2010 or to a foreign UCITS pursuant to the provisions of the Law of 2010. The Management Company may also decide to redesignate the units of the sub-fund or unit class in question as units of another sub-fund or unit class (as a result of the scission or consolidation, if necessary, and through the payment of an amount that corresponds to the pro rata entitlement of the unitholders).

The unitholders will be informed of the decision by the Management Company to merge in the same way as described above in the section "Liquidation of the Fund and its sub-funds or unit classes" for the redemption of units.

Should the Management Company make such a decision, the merger shall be binding for all unitholders of the relevant sub-fund after a period of 30 days commencing on the date on which the decision is published. During this period, unitholders may submit their units for redemption without having to pay any redemption fee or administrative costs. Units not presented for redemption will be exchanged based on the net asset values of the sub-funds concerned, calculated for the same day as the one used to determine the conversion ratio.

### **Applicable law, place of performance and legally binding document language**

The Luxembourg District Court shall have jurisdiction to hear all legal disputes between the unitholders, the Management Company and the Depositary. Luxembourg law shall apply. However, in matters concerning the claims of investors from other countries, the Management Company and/or the Depositary may elect to make themselves and the Fund subject to the jurisdiction of the countries in which the units were bought and sold.

The German-language version of this Sales Prospectus is legally binding. However, the Management Company and the Depositary may recognise translations (they themselves have approved) into the languages of the countries in which units are bought or sold to investors as binding upon themselves and the Fund in matters concerning those units.

### **Investment principles**

The following conditions also apply to the investments made by each sub-fund:

#### **1. Permitted investments of the Fund**

1.1 The sub-funds' investments must consist exclusively of:

- a) Securities and money market instruments that are listed or traded on a regulated market, as defined in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments;
- b) Securities and money market instruments that are traded in a Member State on another market that is recognised, regulated, operates regularly and is open to the public. The term "**Member State**" designates a member country of the European Union; countries that are parties to the agreement on the European Economic Area but are not Member States of the European Union are considered equivalent to Member States of the European Union, within the limits of said agreement and its related agreements;
- c) Securities and money market instruments admitted to official listing on a stock exchange in a non-Member State or traded on another market of a European, American, Asian, African or Australasian country (hereinafter "**approved state**") which operates regularly and is recognised and open to the public;
- d) Newly issued securities and money market instruments, provided the terms of issue stipulate that an application must be made for admission to official listing on one of the securities exchanges or regulated markets mentioned under Points 1.1(a)–(c), and that this admission must be granted within one year of the issue of the securities;
- e) Units of UCITS admitted pursuant to Directive 2009/65/EC and/or other UCIs within the meaning of Article 1(2)(a) and (b) of Directive 2009/65/EC with their registered office in a Member State as defined in the Law of 2010, or in a non-Member State, provided that:
  - such other UCIs have been approved in accordance with legislation subjecting them to prudential supervision that, in the opinion of the CSSF, is equivalent to that which applies under Community law, and that adequate provision exists for ensuring cooperation between authorities;
  - the level of protection afforded to unitholders of the other UCIs is equivalent to that afforded to unitholders of a UCITS and, in particular, regulations apply that are equivalent to those in Directive 2009/65/EC governing the segregation of the fund assets, borrowing, lending and the short-selling of securities and money market instruments,
  - the business operations of the other UCIs are the subject of annual and semi-annual reports that permit an assessment to be made of the assets and liabilities, income and transactions arising during the reporting period;
  - the UCITS or such other UCI, the units of which are to be acquired, may invest, pursuant to its Management Regulations or its founding documents, a maximum of 10% of its assets in units of other UCITS or UCIs.

Each sub-fund may invest no more than 10% of its assets in other UCITS or UCIs, unless otherwise stipulated in the investment policy of that sub-fund.

- f) Sight deposits or deposits at notice at credit institutions with a term of up to 12 months, provided the credit institution has its registered office in an EU Member State, or (if the credit institution's registered office is located in a non-Member State) it is subject to supervisory regulations that the Luxembourg supervisory authority deems equivalent to those under Community law;
- g) Derivative financial instruments ("**derivatives**"), including equivalent cash-settled instruments, that are traded on one of the regulated markets listed in (a), (b) and (c) above, and/or derivatives that are not traded on a stock exchange or regulated market ("**OTC derivatives**"), provided that



- the use of derivatives is in accordance with the investment purpose and investment policy of the respective sub-fund and is suited to achieving their goals;
  - the underlyings constitute instruments as defined by Article 41(1) of the Law of 2010 or are financial indices, such as macroeconomic indices, interest rates, exchange rates or currencies in which investments may be made in line with the investment policy of the sub-fund directly or indirectly via other existing UCIs/UCITS.
  - the sub-funds ensure, through adequate diversification of the underlying assets, that the diversification requirements applicable to them and listed in the section entitled "Risk diversification" are adhered to;
  - the counterparties in transactions involving OTC derivatives are institutions subject to prudential supervision and belonging to the categories admitted by the CSSF and expressly approved by the Board of Directors. The approval process by the Board of Directors is based on the principles drawn up by UBS AM Credit Risk and concerning, inter alia, the creditworthiness, reputation and experience of the relevant counterparty in settling transactions of this type, as well as their willingness to provide capital. The Board of Directors maintains a list of counterparties it has approved;
  - the OTC derivatives are valued daily in a reliable and verifiable manner and may be sold, liquidated or settled by means of a back-to-back transaction at any time, upon the Fund's initiative and at the appropriate fair value; and
  - the counterparty is not granted discretion regarding the composition of the portfolio managed by the relevant sub-fund (e.g. in the case of a total return swap or a derivative financial instrument with similar characteristics), or regarding the underlying of the relevant OTC derivative.
- h) Money market instruments within the meaning of Article 1 of the Law of 2010, which are not traded on a regulated market, provided that the issuance or issuer of these instruments is governed by rules providing protection for investors and investments and on condition that such instruments are:
- issued or guaranteed by a central, regional or local entity or the central bank of a Member State, the European Central Bank, the European Union or European Investment Bank, a non-Member State, or, in the case of a federal state, a Member State of the federation, or by a public international institution of which at least one Member State is a member;
  - issued by an undertaking whose securities are traded on the regulated markets listed under Point 1.1(a), (b) and (c);
  - issued or guaranteed by an institution that is subject to prudential supervision in accordance with the criteria laid down by Community law or by an institution that is subject to supervision that, in the opinion of the CSSF, is at least as stringent as that provided for by Community law and complies with it; or
  - issued by other issuers belonging to a category authorised by the CSSF, provided that regulations protecting investors that are equivalent to those in the first, second or third points above apply to investments in these instruments, and provided that the issuers constitute either a company with equity capital amounting to at least 10 million euro (EUR 10,000,000) that prepares and publishes its annual accounts in accordance with the Fourth Council Directive 78/660/EEC, or an entity within a group encompassing one or more listed companies and responsible for its financing, or an entity that is to fund the securitisation of liabilities by means of a credit line provided by a bank.
- 1.2 In derogation of the investment restrictions set out in Point 1.1, each sub-fund may invest up to 10% of its net assets in securities and money market instruments other than those named in Point 1.1.
- 1.3 The Management Company ensures that the overall risk associated with derivatives does not exceed the overall net value of the Fund portfolio. As part of its investment strategy, each sub-fund may invest in derivatives within the limits set out in Points 2.2 and 2.3, provided the overall risk of the underlying instruments does not exceed the investment limits stipulated in Point 2.
- 1.4 Each sub-fund may hold liquid assets on an ancillary basis.

## **2. Risk diversification**

- 2.1 In accordance with the principle of risk diversification, the Management Company is not permitted to invest more than 10% of the net assets of a sub-fund in securities or money market instruments from a single institution. The Management Company may not invest more than 20% of the net assets in deposits with a single institution. In transactions by a sub-fund in OTC derivatives, counterparty risk must not exceed 10% of the assets of that sub-fund if the counterparty is a credit institution as defined in Point 1.1(f). The maximum allowable counterparty risk is reduced to 5% in transactions with other counterparties. The total value of all positions in the securities and money market instruments of those institutions that account for more than 5% of the net assets of a sub-fund may not exceed 40% of the net assets of that sub-fund. This restriction does not apply to deposits and transactions in OTC derivatives with financial institutions that are subject to prudential supervision.
- 2.2 Regardless of the maximum limits set out in Point 2.1, each sub-fund may not invest more than 20% of its net assets through a combination of

- securities and money market instruments issued by this institution,
- Deposits with that institution and/or
- OTC derivative contracts with this institution.

2.3 In derogation of the above, the following applies:

- a) The maximum limit of 10% mentioned in Point 2.1 is raised to 25% for certain debt instruments issued by credit institutions domiciled in an EU Member State and subject, in that particular country, to special prudential supervision by public authorities designed to protect the holders of these instruments. In particular, funds originating from the issue of such debt instruments must, in accordance with the law, be invested in assets that provide sufficient cover for the obligations arising from them during the entire term of the bonds and that provide a preferential right to payment of the capital and interest in the event of insolvency of the issuer. If a sub-fund invests more than 5% of its net assets in debt instruments of a single issuer, then the total value of these investments may not exceed 80% of the value of the net assets of the sub-fund.
- b) The maximum limit of 10% is raised to 35% for securities or money market instruments issued or guaranteed by an EU Member State or its local authorities, by another approved state, or by public international bodies of which one or more EU Member States are members. Securities and money market instruments that come under the special ruling referenced in Point 2.3(a) and (b) are not accounted for in calculating the aforementioned 40% maximum limit pertaining to risk diversification.
- c) The limits set out in Points 2.1, 2.2, 2.3(a) and (b) may not be aggregated; therefore, the investments listed in these paragraphs made in securities or money market instruments of a single issuing institution, or in deposits with that institution or derivatives thereof, may not exceed 35% of the net assets of a given sub-fund.
- d) Companies belonging to the same group for the purposes of consolidated accounts, as defined by Council Directive 83/349/EEC or recognised international accounting rules, must be treated as a single issuer for the calculation of the investment limits set out in this section.  
However, investments by a sub-fund in securities and money market instruments of a single corporate group may total up to 20% of the assets of that sub-fund.
- e) **In the interest of risk diversification, the Management Company is authorised to invest up to 100% of a sub-fund's net assets in securities and money market instruments from various issues that are guaranteed or issued by an EU Member State or its local authorities, another authorised OECD member state, China, Russia, Brazil, Indonesia or Singapore, or by public international bodies of which one or more EU Member States are members. These securities and money market instruments must be divided into at least six different issues, with securities or money market instruments from a single issue not exceeding 30% of the total net assets of a sub-fund.**

2.4 The following provisions apply with regard to investments in other UCITS or UCIs:

- a) The Management Company may invest up to 20% of the net assets of a sub-fund in units of a single UCITS or other UCI. In implementing this investment limit, each sub-fund of a UCI comprising multiple sub-funds is treated as an independent issuer, provided each of these sub-funds is individually liable in respect of third parties.
- b) Investments in units of UCIs other than UCITS may not exceed 30% of the sub-fund's net assets. The assets of the UCITS or other UCI in which a sub-fund has invested are not included when calculating the maximum limits set out in Points 2.1, 2.2 and 2.3.
- c) For sub-funds that, in accordance with their investment policies, invest a significant portion of their assets in units of other UCITS and/or other UCIs, the maximum management fees chargeable by the sub-fund itself and by the other UCITS and/or other UCIs in which it invests are listed in the "Expenses paid by the Fund" section.

2.5 The sub-funds may subscribe, acquire and/or hold units that are to be issued by or have been issued by one or more other sub-funds of the Fund, provided that:

- the target sub-fund does not itself invest in the sub-fund that is investing in that target sub-fund; and
- the target sub-funds to be acquired may, in accordance with their sales prospectuses or articles of incorporation, invest no more than 10% of their own assets in units of other target sub-funds of the same UCI; and
- any voting rights associated with the securities in question are suspended for the period they are held by the sub-fund in question, regardless of their appropriate valuation in financial accounts and periodic reports; and
- as long as these securities are held by the sub-fund, their value is not, in any event, included in the calculation of the sub-fund's net asset value described in the Law of 2010 to verify the minimum net assets in accordance with that law; and
- no administration/subscription or redemption fees are double charged at the level of the sub-fund and that of the target sub-fund in which it invests.

- 2.6 The Fund may invest up to 20% of a sub-fund's assets in equities and/or debt securities of a single issuer if, according to that sub-fund's investment policy, the sub-fund's objective is to replicate a specific equity or bond index recognised by the CSSF. This is subject to the following conditions:
- the composition of the index is sufficiently diversified;
  - the index is an appropriate benchmark for the market it represents;
  - the index is published in an appropriate manner.

The limit is 35% provided this is justified due to exceptional market conditions; particularly on regulated markets heavily predominated by certain securities or money market instruments. Investment up to this upper limit is only permitted in the case of a single issuer.

If the limits mentioned in Points 1 and 2 are exceeded unintentionally or as a consequence of the exercise of subscription rights, the Management Company must manage the sale of its securities so as to give top priority to amending the situation while working in the best interests of the unitholders.

For a period of six months after they are officially approved, newly launched sub-funds may deviate from the particular restrictions pertaining to risk diversification indicated, provided that they continue to observe the principle of risk diversification.

### **3. Investment restrictions**

The Management Company is prohibited from:

- 3.1 Acquiring securities for the Fund, if the subsequent sale of these is restricted in any way by contractual agreements;
- 3.2 Acquiring shares with voting rights that would enable the Management Company, possibly in collaboration with other investment funds under its management, to exert a significant influence on the management of an issuer;
- 3.3 Acquiring more than:
  - 10% of the non-voting shares of a single issuer;
  - 10% of the debt instruments of a single issuer;
  - 25% of the units of a single UCITS or UCI;
  - 10% of the money market instruments of a single issuer.

In the latter three cases, the restrictions on acquiring securities need not be observed if, at the time of acquisition, it is impossible to determine the gross sum of debt instruments or money market instruments, and the net sum of units issued.

The following are exempt from the provisions of Points 3.2 and 3.3:

- Securities and money market instruments issued or guaranteed by an EU Member State or its local authorities, or by another approved state;
  - securities and money market instruments issued or guaranteed by a non-Member State;
  - securities and money market instruments issued by public international bodies to which one or more Member States of the European Union belong;
  - shares in a company in a non-Member State that primarily invests its assets in the securities of issuers domiciled in that non-Member State, where under that non-Member State's law, holding such shares is the only way to legally invest in the securities of that non-Member State's issuers. In doing so, the provisions of the Law of 2010 must be complied with; and
  - shares in subsidiary companies carrying out certain administrative, advisory or sales activities surrounding unit redemption at the behest of unitholders, in the country in which they are located and exclusively on behalf of the Company.
- 3.4 Short-selling securities, money market instruments or other instruments listed in Point 1.1(f) and (g);
  - 3.5 Acquiring precious metals or related certificates;
  - 3.6 Investing in real estate and buying or selling commodities or commodities contracts;
  - 3.7 Taking out loans, unless
    - the loan is a back-to-back loan to purchase foreign currency;
    - the loan is only temporary and does not exceed 10% of the net assets of the sub-fund in question;

- 3.8 Granting loans or acting as guarantor for third parties. This restriction does not prevent the acquisition of securities, money market instruments or the other instruments listed in Point 1.1(e), (g) and (h) if these are not fully paid up.

The Management Company is authorised to introduce additional investment restrictions at any time in the interests of the unitholders, provided these are necessary to ensure compliance with the laws and regulations of those countries in which Fund units are offered and sold.

#### 4. Asset pooling

The Board of Directors may permit internal merging and/or the collective management of assets from particular sub-funds in the interest of efficiency. In such cases, assets from different sub-funds are managed collectively. A group of collectively managed assets is referred to as a “**pool**”; pooling is used exclusively for internal management purposes. Pools are not official entities and cannot be accessed directly by unitholders.

##### Pools

The Management Company may invest and manage all or part of the portfolio assets of two or more sub-funds (referred to as “**participating sub-funds**” in this context) in the form of a pool. Such an asset pool is created by transferring cash and other assets (provided these assets suit the relevant pool’s investment policy) from each participating sub-fund to the asset pool. From then on, the Management Company can make transfers to that asset pool. Assets can also be returned to a participating sub-fund, up to the full amount equivalent to its participation.

A participating sub-fund’s share in a particular asset pool is calculated in terms of notional units of equal value. When an asset pool is created, the Board of Directors must specify a starting value for the units (in a currency that the Board of Directors deems appropriate) and allot to each participating sub-fund notional units equivalent to the cash (or other assets) it has contributed. The value of a notional unit is then calculated by dividing the net assets of the asset pool by the number of existing notional units.

If additional cash or assets are contributed to or withdrawn from an asset pool, the notional units assigned to the relevant participating sub-fund are increased or reduced by a figure that is arrived at by dividing the cash or assets contributed or withdrawn by the participating sub-fund by the current value of that participating sub-fund’s share in the pool. If cash is contributed to the asset pool, it is reduced for the purposes of calculation by an amount that the Board of Directors deems appropriate to cover any tax expenses, as well as for the closing charges and acquisition costs for the cash investment. If cash is withdrawn, a corresponding deduction may be made to account for any costs incurred in the disposal of securities or other assets of the asset pool.

Dividends, interest and other income-like distributions obtained from the assets of an asset pool are allocated to that asset pool, and thus increase its net assets. If the Fund is liquidated, the assets of an asset pool are allocated to the participating sub-funds in proportion to their respective shares in the asset pool.

##### Collective management

To reduce operating and management costs while enabling broader diversification of investments, the Board of Directors may decide to manage part or all of the assets of one or more sub-funds collectively with those of other sub-funds or other undertakings for collective investment. In the following paragraphs, the term “**collectively managed entities**” refers to the Fund and each of its sub-funds, as well as any entities between which a collective management agreement might exist. The term “**collectively managed assets**” refers to the whole of the assets of these collectively managed entities, which is managed in accordance with the aforementioned collective management agreement.

As part of the collective management agreement, the respective portfolio manager is entitled, on a consolidated basis for the relevant collectively managed entities, to make decisions on investments and sales of assets that affect the composition of the portfolio of the Fund and its sub-funds. Each collectively managed entity holds a share in the collectively managed assets in proportion with its own net assets’ contribution to the aggregate value of the collectively managed assets. This proportion held (referred to in this context as a “**proportionate share**”) applies to all asset classes held or acquired under collective management. Investment and/or divestment decisions have no effect on a collectively managed entity’s proportionate share, and future investments are allotted in proportion with it. When assets are sold, they are subtracted proportionately from the collectively managed assets held by each collectively managed entity.

When a new subscription is made with one of the collectively managed entities, subscription proceeds are allocated to each collectively managed entity taking into account the adjusted proportionate share of the jointly managed entity to which the subscription applies; this adjustment corresponds to the increase in that entity’s net assets. Allocating assets from that collectively managed entity to the others changes the net asset total of each in line with its adjusted proportionate share. By the same token, when a redemption is ordered from one of the collectively managed entities, the requisite cash is taken from the collectively managed entities’ cash reserves based on the proportionate shares as adjusted for the decrease in the net assets of the collectively managed entity to which the redemption applies. In this case, too, the total net assets of each will change to match its adjusted proportionate share.

Unitholders are alerted to the fact that the collective management agreement may lead to the composition of the assets of a particular sub-fund being affected by events (e.g. subscriptions and redemptions) that concern other collectively managed entities unless extraordinary measures are taken by the Board of Directors or an entity commissioned by the Management Company. Thus, all other things being equal, subscriptions received by an entity that is collectively managed with a sub-fund will result in an increase in that sub-fund’s cash reserves. Conversely, redemptions received by an entity that is collectively managed with a sub-fund will serve to reduce that sub-fund’s cash reserves. However, subscriptions and redemptions can be executed on the special account opened for each collectively managed entity outside the scope of the agreement, through which subscriptions and redemptions must pass. Because a large volume of subscriptions and redemptions may be ordered to these special accounts and because the

Board of Directors or entities it commissions may decide to end a sub-fund's participation in the collective management agreement at any time, that sub-fund may avoid restructuring its portfolio if this could adversely affect the interests of the Fund and its unitholders.

If a change in a given sub-fund's portfolio, occurring as a result of redemptions or payments of fees and expenses associated with another collectively managed entity (i.e. one that cannot be counted as belonging to the sub-fund concerned), could cause a breach of the investment restrictions on that sub-fund, the relevant assets will be excluded from the agreement before the change takes effect so that they are not impacted by the resulting adjustments.

Collectively managed assets of sub-funds will only be managed collectively with assets to be invested in pursuit of the same investment objectives. This serves to ensure that investment decisions can be reconciled with the investment policy of the relevant sub-fund in every respect. Collectively managed assets may only be managed together with assets for which the same portfolio manager is authorised to make investment and divestment decisions, and for which the Depositary also acts as depositary. This serves to ensure that the Depositary is capable of fully fulfilling its obligations to the Fund and its sub-funds in accordance with the Law of 2010 and other legal requirements. The Depositary must always keep the assets of the Fund separate from those of the other collectively managed entities; this allows it to accurately determine the assets of each sub-fund at any time. As the investment policies of the collectively managed entities need not correspond exactly with that of an individual sub-fund, the collective investment policy for these entities may be more restrictive than that of the sub-fund.

The Board of Directors may decide to terminate the collective management agreement at any time without giving prior notice.

At any time, unitholders may enquire at the Management Company's registered office as to the percentage of collectively managed assets and entities with which there is a collective management agreement at the time of their enquiry. The composition and percentages of collectively managed assets must be stated in the annual reports.

Collective management agreements with non-Luxembourg entities are permissible if (i) the agreement involving the non-Luxembourg entity is governed by Luxembourg law and subject to Luxembourg jurisdiction or (ii) each collectively managed entity is endowed with such rights that no insolvency or bankruptcy administrator, or creditor, of the non-Luxembourg entity has access to the assets or is authorised to freeze them.

## 5. Special techniques and instruments with securities and money market instruments as underlying assets

Subject to the conditions and limits set out in the Law of 2010, the Fund and its sub-funds may use repurchase agreements, reverse repurchase agreements, securities lending agreements and/or other techniques and instruments that have securities and money market instruments as underlying assets for efficient portfolio management purposes in accordance with the requirements defined by the CSSF (the "**techniques**"). If such transactions relate to the use of derivatives, the terms and limits must comply with the provisions of the Law of 2010. The techniques described in the section titled "Exposure to securities financing transactions" are constantly applied although, depending upon market conditions, it may be decided from time to time to suspend or reduce exposure to securities financing transactions. The use of these techniques and instruments must be in accordance with the best interests of the investors.

Repurchase agreements are transactions in which one party sells a security to the other party with a simultaneous agreement to repurchase the security at a fixed future date at a stipulated price reflecting a market rate of interest unrelated to the coupon rate of the securities. A reverse repurchase agreement is a transaction whereby a sub-fund purchases securities from a counterparty and simultaneously commits to resell the securities to the counterparty at an agreed upon date and price. A securities lending agreement is an agreement whereby title to the "loaned" securities is transferred by a "lender" to a "borrower" with the borrower contracting to deliver "equivalent securities" to the lender at a later date ("**securities lending**").

Securities lending may be effected only via recognised clearing houses such as Clearstream International or Euroclear, or using first-class financial institutions that specialise in such activities and following the procedure specified by them.

In the case of securities lending transactions, the Fund must, in principle, receive collateral, the value of which must at least correspond to the total value of the securities lent out and any accrued interest thereon. This collateral must be issued in a form of financial collateral permitted by the provisions of Luxembourg law. Such collateral is not required if the transaction is effected via Clearstream International or Euroclear, or another organisation which guarantees the Fund that the value of the securities lent will be refunded.

The provisions of the section entitled "Collateral management" shall apply accordingly to the management of collateral that was left to the Fund within the scope of securities lending. In derogation of the provisions of the section entitled "Collateral management", units from the finance sector are accepted as securities within the framework of securities lending.

Service providers that provide services to the Fund in the field of securities lending have the right to receive a fee in return for their services that is in line with the market standards. The amount of this fee is reviewed and adapted, where appropriate, on an annual basis.

Currently, 60% of the gross revenues obtained in relation to securities lending transactions at arm's length conditions are credited to the sub-fund concerned, whilst 40% of the gross revenues are retained as costs/fees by UBS Europe SE, Luxembourg Branch as the securities lending transaction broker and by UBS Switzerland AG as the service provider executing securities lending transactions. All costs/fees associated with the implementation of the securities lending programme are paid out of the securities lending transaction broker's share of the gross revenues. This covers all direct and indirect costs/fees arising in relation to securities lending activities. UBS Europe SE, Luxembourg Branch and UBS Switzerland AG are part of the UBS Group.

Furthermore, the Management Company has drawn up internal framework agreements regarding securities lending. These framework agreements contain, among other things, the relevant definitions, the description of the principles and standards of the contractual management of the securities lending transactions, the quality of the collateral, the approved counterparties, the

risk management, the fees to be paid to third parties and fees to be received by the Fund, as well as the information to be published in the annual and semi-annual reports.

The Board of Directors of the Management Company has approved instruments of the following asset classes as collateral from securities lending transactions and determined the following haircuts to be used on these instruments:

<b>Asset class</b>	<b>Minimum haircut (% deduction from market value)</b>
<b>Fixed and variable-rate interest-bearing instruments</b>	
Instruments issued by a state belonging to the G-10 (excluding the US, Japan, the UK, Germany and Switzerland, including their federal states and cantons as issuers) and with a minimum rating of A**	2%
Instruments issued by the US, Japan, the UK, Germany and Switzerland, including their federal states and cantons**	0%
Bonds with a minimum rating of A	2%
Instruments issued by supranational organisations	2%
Instruments issued by an entity and belonging to an issue with a minimum rating of A	4%
Instruments issued by a local authority and with a minimum rating of A	4%
<b>Shares</b>	8%
Shares listed on the following indexes are accepted as permissible collateral:	Bloomberg ID
Australia (S&P/ASX 50 INDEX)	AS31
Austria (AUSTRIAN TRADED ATX INDX)	ATX
Belgium (BEL 20 INDEX)	BEL20
Canada (S&P/TSX 60 INDEX)	SPTSX60
Denmark (OMX COPENHAGEN 20 INDEX)	KFX
Europe (Euro Stoxx 50 Pr)	SX5E
Finland (OMX HELSINKI 25 INDEX)	HEX25
France (CAC 40 INDEX)	CAC
Germany (DAX INDEX)	DAX
Hong Kong (HANG SENG INDEX)	HSI
Japan (NIKKEI 225)	NKY
Netherlands (AEX-Index)	AEX
New Zealand (NZX TOP 10 INDEX)	NZSE10
Norway (OBX STOCK INDEX)	OBX
Singapore (Straits Times Index STI)	FSSTI
Sweden (OMX STOCKHOLM 30 INDEX)	OMX
Switzerland (SWISS MARKET INDEX)	SMI
Switzerland (SPI SWISS PERFORMANCE IX)	SPI
UK (FTSE 100 INDEX)	UKX
US (DOW JONES INDUS. AVG)	INDU
US (NASDAQ 100 STOCK INDX)	NDX
US (S&P 500 INDEX)	SPX
US (RUSSELL 1000 INDEX)	RIY

\* In this table, "rating" refers to the rating scale used by S&P. Ratings by S&P, Moody's and Fitch are used with their corresponding scales. If the ratings given to a certain issuer by these rating agencies are not uniform, then the lowest rating shall apply.

\*\* Unrated issues by these states are also permissible. No haircut is applied to these either.

In general, the following requirements apply to repurchase/reverse repurchase agreements and securities lending agreements:

- (i) Counterparties to a repurchase/reverse repurchase agreement or securities lending agreement will be entities with legal personality typically located in OECD jurisdictions. These counterparties will be subject to a credit assessment. Where the counterparty is subject to a credit rating by any agency registered and supervised by ESMA, that rating shall be taken into account in the credit assessment. Where a counterparty is downgraded to A2 or below (or comparable rating) by such a credit rating agency, a new credit assessment in respect of the counterparty will be undertaken without delay.
- (ii) The Management Company must be able at any time to recall any security that has been lent out or terminate any securities lending agreement into which it has entered.
- (iii) When the Management Company enters into a reverse repurchase agreement it must ensure that it is able at any time to recall the full amount of cash (including the interest incurred up to the time of being recalled) or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement should be used for the calculation of the Net Asset Value of the relevant sub-fund. Fixed-term reverse repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Management Company.

- (iv) When the Company enters into a repurchase agreement it must ensure that it is able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered. Fixed-term repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Company.
- (v) Repurchase/reverse repurchase agreements or securities lending do not constitute borrowing or lending for the purposes of the UCITS Directive.
- (vi) All the revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs/fees, will be returned to the relevant sub-fund.
- (vii) Any direct and indirect operational costs/fees arising from efficient portfolio management techniques that may be deducted from the revenue delivered to the relevant sub-fund must not include hidden revenue. Such direct and indirect operational costs/fees will be paid to the entities outlined in the respective annual or semi-annual report of the Fund, which shall indicate the amounts of the respective fees and whether the entities are related to the Management Company or the Depositary.

As a general rule, the following applies for total return swaps:

- i) one hundred percent (100%) of the net returns achieved by the total return swaps, less direct and indirect operational costs/fees, are remitted to the sub-fund.
- (ii) All direct and indirect operational costs/fees arising in relation to total return swaps are paid to the company mentioned in the Fund's annual and semi-annual reports.
- (iii) No fee-sharing agreements have been concluded in relation to total return swaps.

The Fund and its sub-funds may under no circumstances deviate from their investment objectives for these transactions. Equally, the use of these techniques may not cause the risk level of the sub-fund in question to increase significantly with regard to its original risk level (i.e. without the use of these techniques).

With regards to the risks inherent to the use of these techniques, reference is made here to the information contained in the section entitled "Risks connected with the use of efficient portfolio management techniques".

The Management Company ensures that it or one of its appointed service providers will monitor and manage the risks incurred through the use of these techniques, particularly counterparty risk, as part of the risk management procedure. The monitoring of potential conflicts of interest arising from transactions with companies associated with the Fund, the Management Company and the Depositary is primarily carried out through reviewing the contracts and corresponding processes on a regular basis. Furthermore, the Management Company ensures that, despite the use of these techniques and instruments, the investors' redemption orders can be processed at any time.

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