

# UBS (Lux) Bond SICAV

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Investment company under Luxembourg law (the "Company")

March 2016

## Sales Prospectus

Shares in the Company may be acquired on the basis of this sales prospectus, the Company's Articles of Incorporation, the latest annual report and, if already published, the subsequent semi-annual report.

Only the information contained in the sales prospectus and the aforementioned documents shall be deemed to be valid. Furthermore, a Key Investor Information (**KII**) document is made available to investors before subscribing to shares. Information on whether a Subfund of the Company 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 Company shares are subject to the regulations prevailing in the country concerned. The Company keeps all investor information confidential, unless otherwise required by statutory or regulatory provisions.

Shares in this Company may not be offered, sold or delivered within the United States.

Shares in this Company may not be offered, sold or delivered to citizens of the USA or persons resident in the USA and/or other natural or legal persons whose income and/or returns, regardless of origin, are subject to US income tax, as well as persons who are considered to be US persons pursuant to Regulation S of the US Securities Act of 1933 and/or the US Commodity Exchange Act, each as amended.

## Management and administration

### Registered office

33A avenue J.F. Kennedy, L-1855 Luxembourg, B.P. 91, L-2010 Luxembourg

### Board of Directors of the Company

Chairman	Thomas Rose, Managing Director, UBS AG, Basel and Zurich
Members	Michael Kehl, Managing Director, UBS AG, Basel and Zurich
	Thomas Portmann, Executive Director, UBS Fund Management (Switzerland) AG, Basel
	Kai Gammelin, Executive Director, UBS AG, Basel and Zurich

### Management Company

UBS Fund Management (Luxembourg) S.A., R.C.S. Luxembourg 154.210 (the "**Management Company**").

The Management Company was established as a public-limited company in Luxembourg for an unlimited duration on 1 July 2010. 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 is deposited at the Trade and Companies Register (*Registre de Commerce et des Sociétés*) in Luxembourg for inspection. One of the purposes of the Management Company is to manage undertakings for collective investment under Luxembourg law and to issue/redeem units in these products. In addition to this Company, the Management Company currently manages other undertakings for collective investment as well. The Management Company has fully paid-up equity capital of EUR 13,000,000.

The Management Company shall take all reasonable steps to identify any conflicts of interest which may arise in connection with the management of funds, as well as introduce and keep in place effective organisational and administrative measures to take all reasonable steps to identify, prevent, manage and monitor conflicts of interest, with the aim of preventing these from adversely affecting the interests of the funds and their investors.

In order to adequately identify and manage conflicts of interest, the Management Company has determined a strategy for dealing with conflicts of interest, which includes the following:

- a procedure for identifying potential conflicts of interest;
- provisions on organisational measures for the prevention, suitable regulation and disclosure of conflicts of interest.

The Management Company shall keep records of the details of possible existing or potential conflicts of interest and update these on a regular basis.

The Management Company shall take all reasonable steps to prevent conflicts of interest from harming the interests of investors. If the Management Company cannot exclude the possibility that a conflict of interest may adversely affect investor interests, the Management Company must disclose the source thereof on the following website:

[http://www.ubs.com/lu/en/asset\\_management.html](http://www.ubs.com/lu/en/asset_management.html)

### **Board of Directors of the Management Company**

Chairman	Andreas Schlatter, Group Managing Director, UBS AG, Basel and Zurich
Members	Pascal Kistler, Managing Director, UBS AG, Basel and Zurich
	Martin Thommen, Managing Director, UBS AG, Basel and Zurich
	Gilbert Schintgen, Managing Director, UBS Fund Management (Luxembourg) S.A., Luxembourg
	Christian Eibel, Executive Director, UBS AG, Basel and Zurich

### **Executive Board of the Management Company**

Members	Gilbert Schintgen, Managing Director, UBS Fund Management (Luxembourg) S.A., Luxembourg
	Valérie Bernard, Executive Director, UBS Fund Management (Luxembourg) S.A., Luxembourg
	Geoffrey Lahaye, Director, UBS Fund Management (Luxembourg) S.A., Luxembourg

**Portfolio Manager**

UBS (Lux) Bond SICAV – Convert Global (EUR) UBS (Lux) Bond SICAV – EUR Corporates (EUR) UBS (Lux) Bond SICAV – Short Term EUR Corporates (EUR) UBS (Lux) Bond SICAV – Short Term USD Corporates (USD) UBS (Lux) Bond SICAV – EUR Inflation-linked (EUR)	UBS AG, UBS Asset Management, Basel and Zurich
UBS (Lux) Bond SICAV – USD Corporates (USD) UBS (Lux) Bond SICAV – USD High Yield (USD) UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (CHF) UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (CHF) UBS (Lux) Bond SICAV – Emerging Markets Bonds 2016 (EUR) UBS (Lux) Bond SICAV – Emerging Markets Bonds 2017 (EUR) UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (EUR) UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (EUR) UBS (Lux) Bond SICAV – Emerging Markets Bonds 2017 (USD) UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (USD) UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (USD) UBS (Lux) Bond SICAV – Emerging Economies Local Currency Bond (USD) UBS (Lux) Bond SICAV – Emerging Europe (EUR) UBS (Lux) Bond SICAV – Emerging Economies Corporates (USD) UBS (Lux) Bond SICAV – Global Opportunities Unconstrained (USD) UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (CHF) UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (EUR) UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (EUR) UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (USD) UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (USD)	UBS Asset Management (Americas) Inc., Chicago, USA
UBS (Lux) Bond SICAV – Brazil (USD)	UBS Asset Management (Americas) Inc., Chicago, USA
UBS (Lux) Bond SICAV – Currency Diversifier (USD) UBS (Lux) Bond SICAV – Global Corporates (USD) UBS (Lux) Bond SICAV – Global Dynamic (USD)  UBS (Lux) Bond SICAV – Global Inflation-linked (USD) UBS (Lux) Bond SICAV – Short Duration High Yield (USD)	UBS Asset Management (UK) Ltd., London, UK
UBS (Lux) Bond SICAV – Asian Local Currency Bond (USD) UBS (Lux) Bond SICAV – Asian High Yield (USD) UBS (Lux) Bond SICAV – Asian Investment Grade Bonds (USD)	UBS Asset Management (Singapore) Ltd., Singapore

The Portfolio Manager is commissioned to manage the securities portfolio under the supervision and responsibility of the Management Company, and carries out all relevant transactions while adhering to the prescribed investment restrictions.

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

**Custodian Bank and main paying agent**

Pursuant to the Custodian Bank and Paying Agency Agreement entered into with UBS (Luxembourg) S.A., a joint-stock company (*société anonyme*) with its registered office at 33A, avenue J.F. Kennedy, L-1855 Luxembourg (the "**Custodian Bank**"), the Company has appointed the Custodian Bank as Custodian Bank and main paying agent of the Company.

The Custodian Bank fulfils its obligations and assumes the responsibilities arising from the Law of 17 December 2010 relating to undertakings for collective investment (the "**Law of 2010**") and the custodian bank agreement (the

"**Custodian Bank Agreement**"), as amended. Pursuant to the Law of 2010 and the Custodian Bank Agreement, the Custodian Bank is responsible for (i) the general supervision of all Company assets and (ii) the safekeeping of the Company assets entrusted to the Custodian Bank and held by the Custodian Bank or in its name and (iii) administrative activities in connection with the corresponding obligations.

#### **Administrative Agent**

UBS Fund Services (Luxembourg) S.A., 33A avenue J.F. Kennedy, L-1855 Luxembourg (B.P. 91, L-2010 Luxembourg).

As the Administrative Agent, UBS Fund Services (Luxembourg) S.A. is responsible for the general administrative duties involved in managing the Company and prescribed by Luxembourg law. These administrative services mainly include the calculation of the net asset value per share and the keeping of the Company's accounts, as well as reporting.

#### **Auditor of the Company**

PricewaterhouseCoopers, Société Coopérative, 2, rue Gerhard Mercator, L-2182 Luxembourg.

#### **Paying agents**

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

#### **Sales agents and distributors, referred to as sales agents in the sales prospectus**

UBS AG, Basel and Zurich, and other sales agents in the various distribution countries.

#### **Profile of the typical investor**

##### **UBS (Lux) Bond SICAV – Asian Local Currency Bond (USD)**

The Subfund is suitable for investors who wish to invest in a broadly diversified portfolio of bonds issued primarily in Asia and who are prepared to accept the interest-rate, currency and credit risk resulting from the different economic and financial market cycles. Investors must be prepared to accept average risk and have a three to five-year investment horizon.

##### **UBS (Lux) Bond SICAV – Asian High Yield (USD)**

The Subfund is suitable for investors who wish to invest in a broadly diversified portfolio of high-yield bonds with a low rating issued primarily in Asia and who are prepared to accept the interest-rate, currency and credit risk resulting from the different economic and financial market cycles.

##### **UBS (Lux) Bond SICAV – Asian Investment Grade Bonds (USD)**

The Subfund is suitable for investors who wish to invest in a broadly diversified portfolio of fixed-income, investment-grade securities from issuers in the Asia region (excluding Japan).

**UBS (Lux) Bond SICAV – Emerging Markets Bonds 2017 (USD)** (end of term: 07/08/2017)

**UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (USD)** (end of term: 17/12/2018)

##### **UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (USD)**

The Subfunds are suitable for investors who wish to invest in a broadly diversified portfolio of bonds with a focus on emerging markets and whose investment horizon extends to the end of the respective Subfund's term. The end of term will be determined by the Board of Directors as part of the launch process for the respective Subfund; it will then be included under "Profile of the typical investor".

**UBS (Lux) Bond SICAV – Emerging Markets Bonds 2016 (EUR)** (end of term: 31/08/2016)

**UBS (Lux) Bond SICAV – Emerging Markets Bonds 2017 (EUR)** (end of term: 07/08/2017)

**UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (EUR)** (end of term: 17/12/2018)

##### **UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (EUR)**

The Subfund is suitable for investors who wish to invest in a broadly diversified portfolio of bonds with a focus on emerging markets. The investors prefer an investment horizon that extends to the end of the Subfund's term. The end of term will be determined by the Board of Directors as part of the launch process for the respective Subfund; it will then be included under "Profile of the typical investor". The currency exposure is largely hedged against the EUR.

**UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (CHF)** (end of term: 17/12/2018)

##### **UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (CHF)**

The Subfund is suitable for investors who wish to invest in a broadly diversified portfolio of bonds with a focus on emerging markets. The investors prefer an investment horizon that extends to the end of the Subfund's term. The end of term will be determined by the Board of Directors as part of the launch process for the respective Subfund; it will then be included under "Profile of the typical investor". The currency exposure is largely hedged against the CHF.

##### **UBS (Lux) Bond SICAV – Brazil (USD)**

The Subfund is suitable for risk-tolerant investors who wish to invest in a diversified portfolio of bonds issued by

Brazilian borrowers and are prepared to accept the risks inherent in an exposure to Brazilian reals in connection with the Subfund's currency strategy.

**UBS (Lux) Bond SICAV – Convert Global (EUR)**

The Subfund is suitable for investors who wish to invest in a globally diversified portfolio of convertible bonds.

**UBS (Lux) Bond SICAV – Currency Diversifier (USD)**

The Subfund is suitable for investors who wish to invest in a portfolio of short to medium-term bonds in currencies of developed countries with high credit ratings. Investors are prepared to accept the risk mainly resulting from the currency positions.

**UBS (Lux) Bond SICAV – EUR Corporates (EUR)**

**UBS (Lux) Bond SICAV – USD Corporates (USD)**

The Subfunds are suitable for investors who wish to invest in a broadly diversified portfolio of European or US corporate bonds.

**UBS (Lux) Bond SICAV – Global Corporates (USD)**

The Subfund is suitable for moderately risk-tolerant investors who wish to invest globally in a broadly diversified portfolio of corporate bonds.

**UBS (Lux) Bond SICAV – Emerging Europe (EUR)**

The Subfund is suitable for investors who wish to invest in a broadly diversified portfolio of bonds and benefit from the European convergence process.

**UBS (Lux) Bond SICAV – Short Term EUR Corporates (EUR)**

**UBS (Lux) Bond SICAV – Short Term USD Corporates (USD)**

The Subfunds are suitable for investors who wish to invest cash in a portfolio with a duration that is continuously adjusted to suit the prevailing market situation and does not exceed three years.

**UBS (Lux) Bond SICAV – Short Duration High Yield (USD)**

The Subfund is suitable for investors who wish to invest in a broadly diversified portfolio of high-yield bonds with short terms and low ratings.

Investors in this Subfund are prepared to accept the higher risks associated with these assets compared to investments in bonds of first-class issuers.

**UBS (Lux) Bond SICAV – USD High Yield (USD)**

The Subfund is suitable for investors who wish to invest in a broadly diversified USD portfolio of high-yield corporate bonds with low ratings.

**UBS (Lux) Bond SICAV – EUR Inflation-linked (EUR)**

The Subfund is suitable for risk-conscious investors who wish to invest in a broadly diversified portfolio of EUR inflation-linked bonds issued by international or supranational organisations and public-sector, semi-public or private borrowers.

**UBS (Lux) Bond SICAV – Global Inflation-linked (USD)**

The Subfund is suitable for risk-conscious investors who wish to invest in a globally diversified portfolio of inflation-linked bonds issued by international or supranational organisations and public-sector, semi-public or private borrowers.

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (EUR)** (end of term: 17/12/2018)

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (EUR)**

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (USD)** (end of term: 17/12/2018)

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (USD)**

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (CHF)**

The Subfunds are suitable for investors who wish to invest in a diversified portfolio of bonds, particularly high-yield bonds with lower ratings issued in emerging countries and whose investment horizon extends to the end of the respective Subfund's term. The end of the term will be determined by the Board of Directors as part of the launch process for the respective Subfund; it will then be included under "Profile of the typical investor".

**UBS (Lux) Bond SICAV – Emerging Economies Local Currency Bond (USD)**

The Subfund is suitable for investors who wish to invest in a broadly diversified portfolio of bonds predominantly issued in emerging markets and are willing to accept the associated interest-rate, currency and credit risk resulting from the different economic and financial market cycles.

**UBS (Lux) Bond SICAV – Emerging Economies Corporates (USD)**

The Subfund is suitable for investors who wish to invest in a broadly diversified portfolio of corporate bonds issued by borrowers from emerging markets, and are prepared to accept the associated risk.

### **UBS (Lux) Bond SICAV – Global Opportunities Unconstrained (USD)**

The Subfund is suitable for investors who wish to invest in a very actively and flexibly managed global bond portfolio which seeks to make use of attractive yield opportunities in the global interest, credit and currency environment and also uses derivative financial instruments for this purpose. These investors must be prepared to accept the risk associated with these investments.

### **UBS (Lux) Bond SICAV – Global Dynamic (USD)**

This Subfund is suitable for investors with a long-term investment horizon who wish to participate in the growth and yield potential of the global fixed-income securities markets by means of broad diversification.

### **Historical performance**

The historical performance of the individual Subfunds is outlined in the KII or in the corresponding document for the Company's distribution countries in the section relating to each Subfund.

### **Risk profile**

Subfund investments may be subject to substantial fluctuations and no guarantee can be given that the value of a Company share will not fall below its value at the time of acquisition.

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

- company-specific changes;
- changes in interest rates;
- changes in exchange rates;
- changes in the prices of raw materials and energy resources;
- changes affecting economic factors such as employment, public expenditure and indebtedness, inflation;
- changes in the legal environment; and
- changes in investor confidence in certain asset classes (e.g. equities), markets, countries, industries and sectors.

By diversifying investments, the Portfolio Manager seeks to partially reduce the negative impact of these risks on the value of the Subfund.

For Subfunds which are subject to specific risks due to their investments, relevant risk alerts are included in the investment policy of the relevant Subfund.

### **Legal aspects**

#### **The Company**

The Company offers investors various Subfunds ("**umbrella structure**") which invest in accordance with the investment policy described in this sales prospectus. The specific details on each Subfund are defined in this sales prospectus, which will be updated on the launch of each new Subfund.

Name of the Company:	UBS (Lux) Bond SICAV		
Legal form:	Open-ended investment fund in the legal form of a " <i>Société d'investissement à Capital Variable</i> " (" <b>SICAV</b> ") established in accordance with Part I of the Law of 2010.		
Date of incorporation:	7 October 1996		
Number in the Luxembourg Trade and Companies Register:	R.C.S. B 56.385		
Financial year:	1 June to 31 May		
Ordinary general meeting:	Annually on 20 September at 11:30 at the registered office of the Company; from 2012, annually on 24 November at 11:30 at the registered office of the Company. Should 20 September (or 24 November, from 2012 onwards) occur on a day which is not a business day in Luxembourg (i.e. a day on which banks in Luxembourg are open during normal business hours), then the general meeting will be held on the next business day.		

Articles of Incorporation:	Initial publication	8 November 1996	Published in the Mémorial
	Amendments	27 October 1997	Published in the Mémorial on 17 November 1997
		5 December 2005	Published in the Mémorial on 24 March 2006
		10 June 2011	Published in the Mémorial on 24 August 2011

Management Company	UBS Fund Management (Luxembourg) S.A., R.C.S. Luxembourg B 154.210.
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The consolidated version of the Articles of Association of the Company is deposited at the Trade and Companies Register (*Registre de Commerce et des Sociétés*) in Luxembourg for inspection. Any amendments are published by means of a notice of deposit in the *Mémorial*, in a Luxembourg daily newspaper and, if necessary, in the official publications of the individual distribution countries. Amendments become legally binding following their approval by the general meeting of shareholders.

The entirety of the individual Subfunds' net assets forms the total net assets of the Company, which corresponds, at all times, to the share capital of the Company and consists of fully-paid up, no-par value shares (the "**shares**"). The Company asks investors to note that they will only benefit from shareholder rights – particularly the right to participate in general meetings – when they have been entered in their own name in the register of shareholders following their investment in the Company. However, if the investor invests in the Company indirectly via an intermediary body which makes the investment in its own name on behalf of the investor, and as a result, said intermediary is entered into the register of shareholders instead of the investor, the aforementioned shareholder rights may be granted to the intermediary and not the investor. Investors are therefore advised to seek advice on their investor rights before making an investment decision.

At general meetings, shareholders have the right to one vote per share held, irrespective of the difference in value of shares in the respective Subfunds. Shares of a particular Subfund carry the right of one vote per share held when voting at meetings affecting this Subfund.

The Company forms a legal entity. With respect to the shareholders, each Subfund is regarded as being independent from the others. The assets of a Subfund can be used to offset only the liabilities which the Subfund concerned has assumed.

The Company is empowered, at all times, to liquidate existing Subfunds and/or to establish new Subfunds as well as different share classes with specific characteristics within these Subfunds. This sales prospectus will be updated each time a new Subfund or additional share class is launched.

The Company is unlimited with regard to duration and total assets.

UBS (Lux) Bond SICAV was established on 7 October 1996 as an open-ended investment fund in the form of a SICAV pursuant to Part I of the Luxembourg Law of 30 March 1988 relating to undertakings for collective investment and was adapted in December 2005 to conform to the provisions of the Law of 2002; it has been subject to the Law of 2010 since 1 July 2011. With effect from 15 June 2011, the Company has appointed UBS Fund Management (Luxembourg) S.A. as its Management Company.

## **Share classes**

Various share classes can be offered for the Subfunds. Information on which share classes are available for which Subfund can be obtained from the Administrative Agent or at [www.ubs.com/funds](http://www.ubs.com/funds).

"P"	Shares in classes with "P" in their name are available to all investors. Their smallest tradable unit is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100.
"N"	Shares in classes with "N" in their name (shares with restrictions on the distribution partners or countries) are issued exclusively through sales agents domiciled in Spain, Italy, Portugal and Germany authorised by UBS AG, as well as, where appropriate, through sales agents in further distribution countries, provided this has been decided by the Company. Their smallest tradable unit is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100.
"K-1"	Shares in classes with "K-1" in their name are available to all investors. Their smallest tradable unit is 0.1. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 5 million, CAD 5 million, CHF 5 million, CZK 100 million, EUR 3 million, GBP 2.5 million, HKD 40 million, JPY 500 million, PLN 25 million, RMB 35 million, RUB 175 million, SEK 35 million, SGD 5 million or USD 5 million.
"K-X"	Shares in classes with "K-X" in their name are exclusively reserved for investors who have signed a written agreement on investing in one or more Subfunds of this umbrella fund with UBS AG or UBS Asset Management (a business division of UBS AG). The costs for asset management, fund administration (comprising the costs of the Company, administration and Custodian Bank) and distribution are charged to investors under the aforementioned agreements. Their smallest tradable unit is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100.

"F"	<p>Shares in classes with "F" in their name are exclusively available to UBS AG or one of its subsidiaries. The shares may only be acquired by UBS AG or one of its subsidiaries for their own account or as part of discretionary asset management mandates concluded with UBS AG or one of its subsidiaries. In the latter case, the shares will be returned to the Company at the prevailing net asset value at no charge upon termination of the mandate. The smallest tradable unit of these shares is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100.</p>
"Q"	<p>Shares in classes with "Q" in their name are available</p> <ol style="list-style-type: none"> <li>1) for distribution in an eligible country as defined by "List A"; or</li> <li>2) to investors domiciled in other countries, if they are professionals of the financial sector and a written agreement exists with UBS AG; and who make the following investments in their own name and: <ol style="list-style-type: none"> <li>(a) on their own behalf;</li> <li>(b) on behalf of their clients within a (discretionary) asset management agreement; or</li> <li>(c) on behalf of their clients within the framework of an advisory relationship established in writing, in return for payment; or</li> <li>(d) on behalf of a collective investment managed by a professional of the financial sector.</li> </ol> </li> </ol> <p>In cases (b), (c) and (d), said professional has been duly authorised by the supervisory authority to which he/she is subject to carry out such transactions, and is domiciled in an eligible country as defined by "List B" or is operating in their own name and on behalf of another professional of the financial sector who has been authorised in writing by UBS AG and is domiciled in one of the countries covered by "List B" or "List C" in cases (b) and (c) respectively.</p> <p>Admission of investors in further distribution countries (changes to lists A, B and C) shall be decided by the Board of Directors at its sole discretion and disclosed on <a href="http://www.ubs.com/funds">www.ubs.com/funds</a>.</p> <p>The smallest tradable unit of these shares is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100.</p>
"I-A1"	<p>Shares 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. Their smallest tradable unit is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100.</p>
"I-A2"	<p>Shares 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. Their smallest tradable unit is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100. The minimum subscription amount for these shares is CHF 10 million (or the corresponding currency equivalent).</p> <p>Upon subscription,</p> <ol style="list-style-type: none"> <li>(i) a minimum subscription must be made pursuant to the list above,</li> <li>(ii) based on a written agreement of the institutional investor with UBS AG (or with one its authorised counterparties), the investor's total assets managed by UBS or its portfolio in collective capital investments of UBS must be more than CHF 30 million (or the corresponding currency equivalent), or</li> <li>(iii) the institutional investor is an occupational pension institution of the UBS Group AG or one of their wholly-owned group companies.</li> </ol>
"I-A3"	<p>Shares 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. Their smallest tradable unit is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100. The minimum subscription amount for these shares is CHF 30 million (or the corresponding currency equivalent).</p> <p>Upon subscription,</p> <ol style="list-style-type: none"> <li>(i) a minimum subscription must be made pursuant to the list above,</li> <li>(ii) based on a written agreement of the institutional investor with UBS AG (or with one its authorised counterparties), the investor's total assets managed by UBS or its portfolio in collective capital investments of UBS must be more than CHF 100,000,000 (or the corresponding currency equivalent), or</li> <li>(iii) the institutional investor is an occupational pension institution of the UBS Group AG or one of their wholly-owned group companies.</li> </ol>
"I-B"	<p>Shares 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 on investing in one or more Subfunds of this umbrella fund with UBS AG or one of its authorised counterparties. A fee covering the costs for fund administration (comprising the costs of the Company, administration and</p>



	Custodian Bank) is charged directly to the Subfund. The costs for asset management and distribution are charged to investors under the aforementioned agreements. Their smallest tradable unit is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100.
"I-X"	Shares 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 on investing in one or more Subfunds of this umbrella fund with UBS AG or one of its authorised counterparties. The costs for asset management, fund administration (comprising the costs of the Company, administration and Custodian Bank) and distribution are charged to investors under the aforementioned agreements. Their smallest tradable unit is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 100, GBP 100, HKD 1,000, JPY 10,000, PLN 500, RMB 1,000, RUB 3,500, SEK 700, SGD 100 or USD 100.
"U-X"	Shares 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 on investing in one or more Subfunds of this umbrella fund with UBS AG or one of its authorised counterparties. The costs for asset management, fund administration (comprising the costs of the Company, administration and Custodian Bank) and distribution are charged to investors under the aforementioned agreements. This share class is exclusively geared towards financial products (i.e. fund of funds or other pooled structures in accordance with various legislation). Their smallest tradable unit is 0.001. Unless the Company decides otherwise, the initial issue price of these shares amounts to AUD 10,000, CAD 10,000, CHF 10,000, CZK 200,000, EUR 10,000, GBP 10,000, HKD 100,000, JPY 1 million, PLN 50,000, RMB 100,000, RUB 350,000, SEK 70,000, SGD 10,000 or USD 10,000.

Additional characteristics:	
"UKdist"	The aforementioned share classes can be issued as those with "UKdist" in their name. In these cases, the 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 share classes are subject to these reporting fund rules. The Company does not intend to make available taxable values in other countries for these share classes, as they are intended for investors whose investment in the share class is liable to tax in the UK.
Currency	The share classes may be denominated in AUD, CAD, CHF, CZK, EUR, GBP, HKD, JPY, PLN, RMB, RUB, SEK, SGD or USD. For share classes issued in the currency of account of the respective Subfund, the respective currency will not be included in the share class name. The currency of account features in the name of the relevant Subfund.
"hedged"	For share classes with "hedged" in their name and denominated in a currency other than the Subfund's currency of account, foreign exchange transactions and currency forwards are conducted in order to hedge the net asset value of the Subfund, calculated in the currency of account, against the net asset values of the share classes denominated in other currencies. Although it will not be possible to fully hedge the total net asset value of a share class against currency fluctuations of the currency of account, the aim is to secure a currency hedge for the currency of account against the corresponding currency of the share classes equivalent to between 90% and 110% of the net asset value. Changes in the value of the hedged sections of the portfolios and the volume of subscription and redemption orders for shares not denominated in the reference currency may, however, result in the level of currency hedging temporarily surpassing the stated limits. The Company and Portfolio Manager will take all the necessary steps to bring the hedging back within the aforementioned limits.
"RMB hedged"	Investors should note that the renminbi (ISO 4217 currency code: CNY), the official currency of the People's Republic of China (the "PRC"), is traded on two markets, namely as onshore RMB (CNY) in mainland China and offshore RMB (CNH) outside mainland China. Shares in classes with "RMB hedged" in their name are shares 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. RMB 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 regulatory or 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

	<p>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.</p> <p>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 Subfunds offering the RMB classes would be in a currency other than offshore RMB (CNH), the ability of the relevant Subfund to make redemption payments in offshore RMB (CNH) would be subject to the Subfund'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.</p> <p>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 reinvestment risk due to liquidation of a share class and/or the Subfund in accordance with the section "Liquidation of the Company and its Subfunds; merger of Subfunds".</p>
"DH"	<p>In share classes with "DH" (duration hedged) in their name, derivative instruments (e.g. exchange-traded interest-rate futures or OTC interest-rate swaps) are held to reduce the duration of the net asset value of the DH share class, with the value not falling below zero. For this, these positions and the associated earnings or losses are considered exclusively for calculating the net asset value of the DH share classes. Duration is an instrument for measuring the price elasticity of bonds with regard to interest-rate changes. The higher the duration of a bond portfolio, the stronger its market value reacts to changes in interest rates; the lower the duration of a bond portfolio, the weaker its market value reacts to changes in interest rates. The duration of the net asset value of DH share classes will not be higher than that of share classes without "DH" in their name. Therefore, the net asset value of DH share classes will react to interest changes in the same way or not as strongly as the net asset value of share classes without "DH" in their name.</p>
"acc"	<p>For share classes with "-acc" in their name, income is not distributed unless the Company decides otherwise.</p>
"dist"	<p>For share classes with "-dist" in their name, income is distributed unless the Company decides otherwise.</p>
"qdist"	<p>Shares in classes with "-qdist" in their name may make quarterly distributions, excluding fees and expenses. They may also make distributions out of capital and realised capital gains. Distributions out of capital result in the reduction of an investor's original capital invested in the Subfund. Furthermore, any distributions from the income and/or involving the capital and/or capital gains result in an immediate reduction in the net asset value per share of the Subfund. 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) share classes. Investors may be taxed on income and capital arising from accumulating (-acc) share classes at a later point in time than is the case with distributing (-dist) share classes. Investors should seek their own tax advice.</p>
"mdist"	<p>Share classes with "-mdist" in their name may make monthly distributions, excluding fees and expenses. They may also make distributions out of capital and realised capital gains. Distributions out of capital result in the reduction of an investor's original capital invested in the Subfund. Furthermore, any distributions from the income and/or involving the capital and/or capital gains result in an immediate reduction in the net asset value per share of the Subfund. 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) share classes. Investors may be taxed at a later point in time on income and capital arising on accumulating (-acc) share classes compared to distributing (-dist) share classes. Investors should seek their own tax advice. The maximum issuing commission for shares in classes with "-mdist" in their name is 6%.</p>
"2% ", "4% ", "6% ", "8% "	<p>Shares 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 share 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 share classes are suitable for investors who wish for more stable distributions, unrelated to past or expected returns or income.</p> <p>Distributions may thus also be made out of capital and realised capital gains. Distributions out of capital result in the reduction of an investor's original capital invested in the Subfund. Furthermore, any distributions from the income and/or involving the capital and/or capital gains result in an immediate reduction of the net asset value per share of the Subfund. 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) share classes. Investors may be taxed at a later point in time on income and capital arising</p>

	on accumulating (-acc) share classes compared to distributing (-dist, -qdist, -mdist) share classes. Investors should seek their own tax advice.
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## **Investment objective and investment policy of the Subfunds**

### **Investment objective**

The aim of the Company is to achieve high current earnings, while giving due consideration to capital security and the liquidity of the Company's assets.

### **General investment policy**

As part of the investment policy, priority will be given to diversification, issuer rating and maturity structures in line with interest-rate expectations.

The Subfunds mainly invest their assets in debt securities and claims.

Debt securities and claims include bonds, notes (including loan participation notes), secured loans, all types of 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 Subfunds may also invest their assets in money market instruments and convertible, exchangeable and warrant bonds, as well as in convertible debentures and equities, equity rights and warrants.

Furthermore, the Subfunds may invest in collateralized debt obligations (CDO), credit default notes (CDN) and inflation-linked notes (ILN).

Secured loans are senior, transferable securities secured by a pledge that are generally interest-bearing on a floating-rate basis.

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 (CDN) are fixed-income securities into which a credit derivative is embedded that is handled in a similar way to credit default swaps (see point 4 of the investment principles). Investments in CDN are subject to the provisions in point 4 of the "General investment principles".

Inflation-linked notes (ILN) are fixed-income and floating-rate securities whose interest income is linked to an inflation rate.

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

The aforementioned securities and book-entry securities are securities as defined in Article 41 of the Law of 2010 where this is required under the terms of the investment restrictions detailed below.

The currency of account of the individual Subfunds refers only to the currency in which the net asset value of the respective Subfund is calculated and not to its investment currency. Investments are made in the currencies that are most suitable for the performance of the Subfunds.

As stipulated in points 1.1(g) and 5 of the investment principles, the Company may use special techniques and financial instruments whose underlying assets are securities, money market instruments and other financial instruments, within the statutory limits, as a main element in achieving the investment policy for each Subfund.

### **The markets in options, futures and swaps are volatile; both the opportunity to achieve gains as well as the risk of suffering losses are greater than with investments in securities.**

These techniques and instruments will be employed only if they are compatible with the investment policies of the individual Subfunds and do not diminish their quality.

Each Subfund may hold liquid funds on an ancillary basis.

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

Any Subfund that has a share class with "UK distributor status" may only invest up to 5% of its assets in UCITS and UCI that are classed as "non-qualifying offshore UCI" according to British law. This investment restriction also forms an integral part of the investment policy of the Subfunds concerned.

A "non-qualifying offshore UCI" is an open-ended undertaking for collective investment which is either (a) a company domiciled outside of the United Kingdom, or (b) a unit trust whose trustees are not domiciled in the UK, or (c) another agreement which takes effect according to the law of a region outside the UK and which according to this law gives

rise to a claim in the form of a joint ownership and which is not authorised as a "distributing fund" for the purpose of taxation in the United Kingdom, nor which can be approved as such.

In practice, this restriction means that in principle each Subfund to which these restrictions apply cannot invest in other UCITS and UCI which are not determined for sale to British investors.

### **The Subfunds and their special investment policies**

Pursuant to the investment policy described above, the Subfund **UBS (Lux) Bond SICAV – Asian Local Currency Bond (USD)** invests a majority of its assets in debt securities and claims issued by international and supranational organisations, public-sector and semi-sovereign institutions and companies whose registered offices are in Asia or who are predominantly active in Asia. Derivatives are used to adjust the composition of the portfolio to the economic and financial market cycles in relation to interest-rate, currency and credit risks.

Investors can participate in the performance of the local Asian currencies either directly through the acquisition of securities denominated in local Asian currencies or indirectly through the use of derivative instruments, or by a combination of both methods.

The medium to long-term investment objective of the Fund is to achieve a competitive total yield. The Portfolio Manager seeks to achieve this through active asset allocation, duration management, interest-rate curve positioning and their selection of countries, currencies and securities. This may include long positions for increasing exposure and growth or synthetic short positions for hedging purposes in the form of legally permissible financial derivatives. The Subfund may not at any time conduct physical short-selling.

To achieve the investment objective, the Subfund may, within the legal framework, buy or sell futures, swap contracts (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 also be used for hedging purposes and for participation in the anticipated market development.

Non-deliverable forwards (NDF) can be used to build up currency positions and hedge against exchange-rate risks without the need to physically transfer these currencies or currency transactions on a local market. With this method, counterparty risks, costs and export restrictions connected to the holding of local foreign currency can be reduced to a minimum. In all cases, local trade in NDFs in USD between two foreign business partners is not subject to the supervision of the authorities of the respective country.

The Subfund may invest in non-investment grade bonds with which above-average high yields can be obtained. However, the credit risk associated with such investments is higher than that of bonds issued by first-class issuers. The Subfund may invest a maximum of 10% of its assets in bonds with a rating below CCC or with a comparable rating.

**Investments in emerging markets can record a more volatile performance and may be less liquid than investments in developed markets. Furthermore, public regulation may be less efficient in countries where the Subfund invests than in other states, and the accounting, auditing and reporting methods employed may not meet the standards used in more developed countries. For these reasons, the Subfund is particularly suitable for investors who are aware of these risks.**

The Subfund can invest in all financial derivatives listed in the section "Special techniques and instruments that have securities and money market instruments as underlying assets", provided the restrictions specified in this section are observed. Permitted underlyings include, in particular, the instruments specified under points 1.1(a) and (b) ("Permitted investments of the Company").

**Currency of account:** USD

#### **Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.400% (1.120%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.900% (0.720%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.520% (0.420%)
Share classes with "Q" in their name	0.800% (0.640%)
Share classes with "I-A1" in their name	0.680% (0.540%)
Share classes with "I-A2" in their name	0.620% (0.500%)
Share classes with "I-A3" in their name	0.520%

	(0.420%)
Share classes with "I-B" in their name	0.115% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfund **UBS (Lux) Bond SICAV – Asian High Yield (USD)** invests the majority of its assets in debt securities and claims issued by companies whose registered offices are in Asia or who are predominantly active there, or issued by international and supranational organisations, as well as public-sector and semi-sovereign institutions.

Investors can participate in the performance of the local Asian currencies either directly through the acquisition of securities denominated in local Asian currencies or indirectly through the use of derivative instruments, or by a combination of both methods.

**Investments in Asian countries may post a more volatile performance and may, in certain circumstances, be less liquid than investments in American or European countries. Furthermore, public regulation may be less stringent in countries where the Subfund invests than in other states, and the accounting, auditing and reporting methods employed may not meet the standards used in other countries. For these reasons, the Subfund is particularly suitable for investors who are aware of these risks.**

At least two-thirds of investments in debt securities and claims have lower ratings and therefore have a maximum rating of BBB (Standard & Poor's), a comparably low 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 comparably low internal UBS rating.

**Investments with lower ratings may carry an above-average yield, but also a higher credit risk than investments in securities of first-class borrowers.**

The Subfund may invest a maximum of 25% of its assets in convertible, exchangeable and warrant-linked bonds as well as convertible debentures. In addition, after deducting cash and cash equivalents, the Subfund 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 warrants, in addition to warrants remaining after the separate sale of ex-issues 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 Subfund may not at any time conduct physical short-selling.

As part of efficient asset management or in order to hedge interest-rate, currency and credit risks, the Subfund may invest in all derivative financial instruments listed in the section "Special techniques and instruments that have securities and money market instruments as underlying assets", provided the restrictions specified in this section are observed. Permitted underlyings include, in particular, the instruments specified under points 1.1(a) and (b) ("Permitted investments of the Company").

The Subfund may invest in ABS and MBS, with the exception of US MBS, US CMBS, US ABS or US CDO.

**Currency of account:** USD

#### Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.400% (1.120%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.900% (0.720%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.520% (0.420%)
Share classes with "Q" in their name	0.800% (0.640%)
Share classes with "I-A1" in their name	0.680% (0.540%)
Share classes with "I-A2" in their name	0.620% (0.500%)
Share classes with "I-A3" in their name	0.520% (0.420%)
Share classes with "I-B" in their name	0.115% (0.000%)

Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfund **UBS (Lux) Bond SICAV – Asian Investment Grade Bonds (USD)** invests primarily in debt securities and claims with an investment-grade rating issued by international and supranational organisations, public-sector and quasi-government institutions and/or companies that are predominantly active in Asia (excluding Japan) or whose registered offices are in Asia.

The Subfund invests primarily in debt securities rated between AAA and BBB- (Standard & Poor's) or with a similar rating from another recognised agency or – for a new issue that does not yet have an official rating – a comparable internal UBS rating.

The portion of investments in foreign currencies not hedged against the currency of account of the respective Subfund may not exceed 5% of assets. The currency of account is the USD.

After deducting cash and cash equivalents, the Subfunds may invest up to one third of their assets in money market instruments.

**While investments with a lower rating may generate above-average returns, they may also carry a higher credit risk than investments in securities issued by first-class issuers.**

**Investments in Asian securities can record a more volatile performance and may be less liquid than investments in developed markets. Moreover, public regulation may be less efficient in countries where the Subfund invests than in more developed states and the accounting, auditing and reporting methods employed may not meet the standards used in states with more developed markets. For these reasons, the Subfund is particularly suitable for investors who are aware of these risks.**

As part of efficient asset management or in order to hedge interest-rate, currency and credit risks, the Subfund may invest in all derivative financial instruments listed in the section "Special techniques and instruments that have securities and money market instruments as underlying assets", provided the restrictions specified in this section are observed. Permitted underlyings include, in particular, the instruments specified under points 1.1(a) and (b) ("Permitted investments of the Company").

The Subfund may buy or sell ABS, MBS, futures, swap contracts (including 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.

**Currency of account:** USD

#### Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.140% (0.910%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.600% (0.480%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.360% (0.290%)
Share classes with "Q" in their name	0.600% (0.480%)
Share classes with "I-A1" in their name	0.500% (0.400%)
Share classes with "I-A2" in their name	0.450% (0.360%)
Share classes with "I-A3" in their name	0.360% (0.290%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfunds **UBS (Lux) Bond SICAV – Emerging Markets Bonds 2017 (CHF)**, **UBS (Lux) Bond SICAV – Emerging**

**Markets Bonds 2018 (CHF) and UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (CHF)** are set up for the term specified in their names. To achieve the Subfunds' investment objectives, the Board of Directors may cease issuing shares in the Subfunds at any time following the initial issue. The final day of the Subfunds' term shall hereinafter be referred to as the "end of term". The redemption of shares shall be possible at any time until five working days before the end of term using the procedure described in "Redemption of shares" in this sales prospectus.

Within the scope of the general investment policy, the Subfunds invest at least two-thirds of their assets in bonds, notes and similar fixed or floating-rate securities, convertible bonds, convertible notes, warrant bonds and, on an ancillary basis, warrants on bonds, issued or guaranteed by borrowers from emerging markets or which carry out the majority of their economic activities in emerging markets or which issue instruments that involve credit exposure in respect of emerging markets. The term "emerging markets" is used to describe markets included in the International Finance Corporation Composite Index and/or the MSCI Emerging Markets Index, as well as other countries which are at a comparable level of economic development or in which there are new capital markets.

**Emerging markets are at an early stage of development and suffer from increased risk of expropriation, nationalisation and social, political and economic insecurity. The risks associated with such investments are listed in the section "Risk information". For these reasons, these Subfunds are especially suitable for risk-conscious investors.**

After deducting cash and cash equivalents, the Subfunds may invest up to one-third of their assets in money market instruments. The Subfunds may not invest in US MBS, US CMBS, US ABS or CDO.

The currency of account is the USD. Investments are made in the currencies deemed best suited for good performance, although the proportion of investments in foreign currencies not hedged against the currency of account (USD) may not exceed 20% of assets.

Apart from money market instruments, all the instruments used shall take account of the end of the Subfunds' term with regard to their maturity and have no maturities occurring later than the end of the Subfunds' term. As a consequence of the investment policy described, the Subfunds may hold up to 100% of their assets in liquid funds, money market instruments and money market funds around six months prior to the end of the term. If the liquidation of the assets at the end of the term results in an adverse situation for the value of the portfolio due to extraordinary market circumstances, the Company may postpone the payment of the final maturity amount by up to two months in the interests of the investors in accordance with the provisions set out in the section "Redemption of shares" in this sales prospectus.

**Currency of account:** USD

#### **Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	0.900% (0.720%)
Share classes with "N" in their name	1.000% (0.800%)
Share classes with "K-1" in their name	0.550% (0.440%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.420% (0.340%)
Share classes with "Q" in their name	0.650% (0.520%)
Share classes with "I-A1" in their name	0.540% (0.430%)
Share classes with "I-A2" in their name	0.480% (0.380%)
Share classes with "I-A3" in their name	0.420% (0.340%)
Share classes with "I-B" in their name	0.115% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfunds **UBS (Lux) Bond SICAV – Emerging Markets Bonds 2016 (EUR), (Lux) Bond SICAV – Emerging Markets Bonds 2017 (EUR), UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (EUR) and UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (EUR)** are set up for the term specified in their names. To achieve the Subfunds' investment objectives, the Board of Directors may cease issuing shares in the Subfunds at any time following the initial issue. The final day of the Subfunds' term shall hereinafter be referred to as the "end of the term". The redemption of shares shall be possible at any time until five working days before the end of the term using the

procedure described in the section "Redemption of shares" in this sales prospectus. Within the scope of the general investment policy, the Subfunds invest at least two-thirds of their assets in bonds, notes and similar fixed or floating-rate securities, convertible bonds, convertible notes, warrant bonds and, on an ancillary basis, warrants on bonds, issued or guaranteed by borrowers from emerging markets or which carry out the majority of their economic activities in emerging markets or which issue instruments that involve credit exposure in respect of emerging markets. The term "emerging markets" is used to describe markets included in the International Finance Corporation Composite Index and/or the MSCI Emerging Markets Index, as well as other countries which are at a comparable level of economic development or in which there are new capital markets.

**Emerging markets are at an early stage of development and suffer from increased risk of expropriation, nationalisation and social, political and economic insecurity. The risks associated with such investments are listed in the section "Risk information". For these reasons, these Subfunds are especially suitable for risk-conscious investors.**

After deducting cash and cash equivalents, the Subfunds may invest up to one-third of their assets in money market instruments. The Subfunds may not invest in US MBS, US CMBS, US ABS or US CDO.

The currency of account of the Subfunds is the EUR. Investments are made in the currencies deemed best suited for good performance, although the proportion of investments in foreign currencies not hedged against the currency of account (EUR) may not exceed 10% of assets.

Apart from the money market instruments, all the instruments used shall take account of the end of the Subfunds' term in respect of their maturity and have no maturities occurring later than the end of the Subfunds' term. As a consequence of the investment policy described above, the Subfunds may hold up to 100% of their assets in liquid funds and money market instruments around six months prior to the end of the term. If the liquidation of the assets at the end of the term results in an adverse situation for the value of the portfolio due to extraordinary market circumstances, the Company may postpone the payment of the final maturity amount by up to two months in the interests of the investors in accordance with the provisions set out in the section "Redemption of shares" in this sales prospectus.

**Currency of account:** EUR

#### Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	0.900% (0.720%)
Share classes with "N" in their name	1.000% (0.800%)
Share classes with "K-1" in their name	0.550% (0.440%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.420% (0.340%)
Share classes with "Q" in their name	0.650% (0.520%)
Share classes with "I-A1" in their name	0.540% (0.430%)
Share classes with "I-A2" in their name	0.480% (0.380%)
Share classes with "I-A3" in their name	0.420% (0.340%)
Share classes with "I-B" in their name	0.115% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfunds **UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (CHF)** and **(Lux) Bond SICAV – Emerging Markets Bonds 2020 (CHF)** are set up for the term specified in their names. To achieve the Subfunds' investment objectives, the Board of Directors may cease issuing shares in the Subfunds at any time following the initial issue. The final day of the Subfunds' term shall hereinafter be referred to as the "end of the term".

The redemption of shares shall be possible at any time until five working days before the end of the term using the procedure described in the section "Redemption of shares" in this sales prospectus. Within the scope of the general investment policy, the Subfunds invest at least two-thirds of their assets in bonds, notes and similar fixed or floating-rate securities, convertible bonds, convertible notes, warrant bonds and, on an ancillary basis, warrants on bonds,



issued or guaranteed by borrowers from emerging markets or which carry out the majority of their economic activities in emerging markets or which issue instruments that involve credit exposure in respect of emerging markets. The term "emerging markets" is used to describe markets included in the MSCI Emerging Markets Index, as well as other countries which are at a comparable level of economic development or in which there are new capital markets. **Emerging markets are at an early stage of development and suffer from increased risk of expropriation, nationalisation and social, political and economic insecurity. The risks associated with such investments are listed in the section "Risk information". For these reasons, these Subfunds are especially suitable for risk-conscious investors.**

After deducting cash and cash equivalents, the Subfunds may invest up to one-third of their assets in money market instruments. The Subfunds may not invest in US MBS, US CMBS, US ABS or US CDO. The currency of account of the Subfunds is the CHF. Investments are made in the currencies deemed best suited for good performance, although the proportion of investments in foreign currencies not hedged against the currency of account (CHF) may not exceed 10% of assets.

Apart from the money market instruments, all the instruments used shall take account of the end of the Subfunds' term in respect of their maturity and have no maturities occurring later than the end of the Subfunds' term. As a consequence of the investment policy described above, the Subfunds may hold up to 100% of their assets in liquid funds and money market instruments around six months prior to the end of the term. If the liquidation of the assets at the end of the term results in an adverse situation for the value of the portfolio due to extraordinary market circumstances, the Company may postpone the payment of the final maturity amount by up to two months in the interests of the investors in accordance with the provisions set out in the section "Redemption of shares" in this sales prospectus.

**Currency of account:** CHF

#### Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	0.900% (0.720%)
Share classes with "N" in their name	1.000% (0.800%)
Share classes with "K-1" in their name	0.550% (0.440%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.420% (0.340%)
Share classes with "Q" in their name	0.650% (0.520%)
Share classes with "I-A1" in their name	0.540% (0.430%)
Share classes with "I-A2" in their name	0.480% (0.380%)
Share classes with "I-A3" in their name	0.420% (0.340%)
Share classes with "I-B" in their name	0.115% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

In accordance with the investment policy described above, the Subfund **UBS (Lux) Bond SICAV – Brazil (USD)** invests at least two-thirds of its assets in debt securities and claims issued by the Brazilian government, international and supranational organisations, public entities and private and semi-private issuers domiciled or chiefly active in Brazil.

If investments are made in government bonds, the Subfund may invest up to 100% of its assets in issues of a single government. These government bonds must be divided into at least six different issues, with government bonds from a single issue not exceeding 30% of the net assets of the Subfund.

After deducting cash and cash equivalents, the Subfund 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 Subfund 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 warrants, in addition to warrants remaining after the separate sale of ex-issues 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 currency of account is the USD. However, investments are made in the currencies that are deemed most suitable for the performance of the Subfund.

An essential component of the currency strategy of this Subfund is the building up of currency exposure to the Brazilian real.

To this end, the Subfund may also buy or sell futures, swaps, forwards, non-deliverable forwards and currency options in order to:

- wholly or partially hedge the currency risk of investments forming part of the Subfund's assets against the reference currency of the Subfund. This can be achieved directly (hedging a currency against the reference currency) or indirectly (hedging a currency against a third currency, which is then hedged against the reference currency);
- build up currency positions against the currency of account or other currencies.

Non-deliverable forwards ("NDF") enable currency positions to be built up and hedged against exchange-rate risks without the need to physically transfer these currencies or to carry out a transaction on a local market. This makes it possible to avoid the local counterparty risk as well as the risks and costs of holding local currencies arising from any currency export restrictions. Moreover, there are generally no local exchange controls on NDFs in US dollars between two offshore contractual partners. **Investments in Brazil may post a more volatile performance and be more illiquid than investments in other countries. Moreover, the official regulatory systems may be less efficient in the country in which the Subfund invests, and the accounting, auditing and reporting methods employed cannot be compared with the standards used in more developed countries. The currency of the assets in which the Subfund invests may undergo substantial fluctuations. Such fluctuations may have a negative effect on the Subfund's income. For this reason, the Subfund is especially suitable for risk-tolerant investors.**

**Currency of account:** USD

## Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.500% (1.200%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.900% (0.720%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.500% (0.400%)
Share classes with "Q" in their name	0.800% (0.640%)
Share classes with "I-A1" in their name	0.560% (0.450%)
Share classes with "I-A2" in their name	0.540% (0.430%)
Share classes with "I-A3" in their name	0.500% (0.400%)
Share classes with "I-B" in their name	0.115% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfund **UBS (Lux) Bond SICAV – Convert Global (EUR)** invests at least two-thirds of its assets in convertible, exchangeable and warrant-linked bonds as well as convertible debentures worldwide. The Subfund is suitable for investors who wish to profit from the development of the global 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 Subfund may invest a total of up to one-third of its assets in the above securities when these are issued or guaranteed by borrowers from emerging markets or borrowers which conduct a large proportion of their business operations on such markets or issue instruments associated with a credit risk in respect of emerging markets. Investments in states of the former Soviet Union together with the investments described in 1.2 of the "Investment principles" may never exceed 10% of the Subfund's net assets.

The term "emerging markets" is used to describe markets included in the International Finance Corporation Composite

Index and/or the MSCI Emerging Markets Index and other countries which are at a comparable level of economic development, or in which there are new capital markets.

**Emerging markets are at an early stage of development and suffer from increased risk of expropriation, nationalisation and social, political and economic insecurity. The risks associated with such investments are listed in the section "Risk information". For these reasons, the Subfund is especially suitable for risk-conscious investors.**

After deducting cash and cash equivalents, the Subfund may invest up to one-third of its assets in money market instruments. In addition, after deducting cash and cash equivalents, the Subfund 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 warrants, in addition to warrants remaining after the separate sale of ex-issues 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, this Subfund may only invest up to 5% of its assets in UCITS and/or UCI that are classed as "non-qualifying offshore UCI" according to British law.

The currency of account is the EUR. Investments are made in the currencies deemed best suited for good performance, although the proportion of investments in foreign currencies not hedged against the currency of account (EUR) may not exceed 20% of assets.

The Subfund may buy or sell futures, swaps, non-deliverable forwards and currency options in order to:

- wholly or partially hedge the currency risk of investments forming part of the Subfund's assets against the reference currency of the Subfund. This can be achieved directly (hedging a currency against the reference currency) or indirectly (hedging a currency against a third currency, which is then hedged against the reference currency);
- build up currency positions against the currency of account or other currencies.

Non-deliverable forwards enable currency positions to be built up and hedged against exchange-rate risks without the need to physically transfer these currencies or to carry out a transaction on a local market. This makes it possible to avoid the local counterparty risk as well as the risks and costs of holding local currencies arising from any currency export restrictions. Moreover, there are generally no local exchange controls on NDFs in US dollars between two offshore contractual partners.

**Currency of account:** EUR

#### Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.800% (1.440%)
Share classes with "N" in their name	2.100% (1.680%)
Share classes with "K-1" in their name	1.020% (0.820%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.480% (0.380%)
Share classes with "Q" in their name	0.900% (0.720%)
Share classes with "I-A1" in their name	0.600% (0.480%)
Share classes with "I-A2" in their name	0.560% (0.450%)
Share classes with "I-A3" in their name	0.480% (0.380%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfund **UBS (Lux) Bond SICAV – Currency Diversifier (USD)** largely invests its assets in bonds with short to medium-term maturities. These instruments are mainly denominated in currencies of developed countries with comparatively high credit ratings. The Subfund may invest 100% of its assets in government bonds. The Subfund is also allowed to invest opportunistically in non-government bonds including high-quality corporate bonds. The Subfund may invest in ABS and MBS, with the exception of US MBS, US CMBS, US ABS or US CDO.

As part of efficient asset management and to achieve the investment policy's aims, the Subfund may invest in all the derivative financial instruments listed in the section "Special techniques and instruments that have securities and money

market instruments as underlying assets" subject to the provisions and guidelines set forth therein. In particular, the Subfund is permitted to conduct active currency management.

The reference currency of the Subfund is the USD. The exchange-rate risk of investments in currencies other than the reference currency is not hedged. Therefore, it is expected that the asset value per share of the Subfund shall be substantially influenced by the performance of the invested currencies compared to the reference currency.

**Currency of account:** USD

**Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	0.900% (0.720%)
Share classes with "N" in their name	1.600% (1.280%)
Share classes with "K-1" in their name	0.550% (0.440%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.320% (0.260%)
Share classes with "Q" in their name	0.500% (0.400%)
Share classes with "I-A1" in their name	0.420% (0.340%)
Share classes with "I-A2" in their name	0.380% (0.300%)
Share classes with "I-A3" in their name	0.320% (0.260%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

In line with the investment policy described above, the Subfunds **UBS (Lux) Bond SICAV – EUR Corporates (EUR)** and **UBS (Lux) Bond SICAV – USD Corporates (USD)** invest at least two-thirds of their assets in debt securities and claims (as defined above) issued by companies. At least two-thirds of the Subfund's investments must be rated between AAA and BBB- (Standard & Poor's) or have a similar rating from another recognised agency or – insofar as a new issue that does not yet have an official rating is concerned – a comparable internal UBS rating. Investments in bonds with a rating below BBB- or similar may not exceed 20% of the Subfunds' assets. At least two-thirds of the investments are denominated in the currency indicated in the respective Subfund's name.

The portion of investments in foreign currencies not hedged against the currency of account of the respective Subfund may not exceed 10% of assets.

After deducting cash and cash equivalents, the Subfunds 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 Subfunds 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 warrants, in addition to warrants remaining after the separate sale of ex-issues 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.

**UBS (Lux) Bond SICAV – EUR Corporates (EUR)**

**Currency of account:** EUR

**UBS (Lux) Bond SICAV – USD Corporates (USD)**

**Currency of account:** USD

**Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.140% (0.910%)
Share classes with "N" in their name	1.750%

	(1.400%)
Share classes with "K-1" in their name	0.600% (0.480%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.360% (0.290%)
Share classes with "Q" in their name	0.600% (0.480%)
Share classes with "I-A1" in their name	0.500% (0.400%)
Share classes with "I-A2" in their name	0.450% (0.360%)
Share classes with "I-A3" in their name	0.360% (0.290%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

In line with the general investment policy, the Subfund **UBS (Lux) Bond SICAV – Global Corporates (USD)** invests at least two-thirds of its assets worldwide in debt securities and claims issued by companies. At least two-thirds of the Subfund's investments must be rated between AAA and BBB- (Standard & Poor's) or have a similar rating from another recognised agency or – insofar as a new issue that does not yet have an official rating is concerned – a comparable internal UBS rating. Investments in bonds with a rating below BBB- or similar may not exceed 20% of the Subfund's assets. All rating rules apply to the purchases made by the Portfolio Manager.

After deducting cash and cash equivalents, the Subfund may invest up to one-third of its assets in liquid funds and money market instruments. Up to 25% of the 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 Subfund 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 warrants, in addition to warrants remaining after the separate sale of ex-issues 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.

Within the scope of the aforementioned investment limits, the Subfund may invest a total of up to one-third of its assets in the above-mentioned legally permissible investment instruments, provided these are issued or guaranteed by borrowers from emerging markets or borrowers which conduct a large proportion of their business operations on such markets or issue instruments associated with a credit risk in respect of emerging markets. The term "emerging markets" is used to describe markets included in the International Finance Corporation Composite Index and/or the MSCI Emerging Markets Index and other countries which are at a comparable level of economic development, or in which there are new capital markets.

**Emerging markets are at an early stage of development and suffer from increased risk of expropriation, nationalisation and social, political and economic insecurity. The risks associated with such investments are listed in the section "Risk information". For these reasons, the Subfund is especially suitable for risk-conscious investors.**

The Subfund may not invest in securitised liabilities such as US MBS, US CMBS, US ABS or CDO.

The currency of account is the USD. Investments are made in the currencies deemed best suited for good performance, although the proportion of investments in foreign currencies not hedged against the currency of account (USD) may not exceed 20% of assets.

**Currency of account:** USD

#### **Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.140% (0.910%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.600% (0.480%)
Share classes with "K-X" in their name	0.000% (0.000%)

Share classes with "F" in their name	0.440% (0.350%)
Share classes with "Q" in their name	0.600% (0.480%)
Share classes with "I-A1" in their name	0.550% (0.440%)
Share classes with "I-A2" in their name	0.510% (0.410%)
Share classes with "I-A3" in their name	0.440% (0.350%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

In accordance with the investment policy described above, the Subfund **UBS (Lux) Bond SICAV – Emerging Europe (EUR)** invests at least two-thirds of its assets in debt securities and claims (as defined above) issued by international and supranational organisations, public entities, private borrowers and semi-public issuers from European convergence countries.

The term "European convergence country" within the meaning of this Subfund denotes all Central and Eastern European countries (including Turkey) which have high growth potential, are aiming for an equivalent level of development to that of the industrialised countries of Western Europe and/or are on the point of joining the European Union (EU), or have already done so, but have not yet adopted the euro as their national currency.

The Subfund mainly invests in assets denominated in the currencies of EU Member States (the euro in particular) or in freely convertible local currencies of European convergence states. Investments are made in the currencies deemed best suited for good performance, although the currency risk is not systematically hedged against the currency of account (EUR).

After deducting cash and cash equivalents, the Subfund may invest up to one-third of its assets in bonds, notes and similar fixed-income or floating-rate secured or unsecured debt securities (including floating rate notes) that are denominated in freely convertible currencies and are not covered by the aforementioned two-thirds rule, as well as 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 whose warrants entitle the holder to subscribe to securities, issued by the aforementioned European convergence countries or other European countries.

Furthermore, after deducting cash and cash equivalents, the Subfund may invest no more than 10% of its assets in equities, equity rights and warrants as well as shares, other equity shares such as cooperative shares and profit participation certificates denominated in freely convertible currencies and also in shares, other equity shares and dividend-right certificates acquired through the exercise of conversion and subscription rights or warrants, warrants remaining after the separate sale of ex-issues 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.

Direct investments in local markets in CIS countries (Commonwealth of Independent States), together with investments pursuant to point 1.2 of the "Investment principles", must not exceed 10% of the Subfund's net assets.

Furthermore, the Subfund may buy or sell futures, swaps, non-deliverable forwards and currency options in order to:

- wholly or partially hedge the currency risk of investments forming part of the Subfund's assets against the reference currency of the Subfund. This can be achieved directly (hedging a currency against the reference currency) or indirectly (hedging a currency against a third currency, which is then hedged against the reference currency);
- build up currency positions against the currency of account or other currencies.

Non-deliverable forwards enable currency positions to be built up and hedged against exchange-rate risks without the need to physically transfer these currencies or to carry out a transaction on a local market. This makes it possible to avoid the local counterparty risk as well as the risks and costs of holding local currencies arising from any currency export restrictions. Moreover, there are generally no local exchange controls on NDFs in US dollars between two offshore contractual partners.

Certain countries in which the Subfund invests are still at an early stage of development and may suffer from an increased risk of expropriation, nationalisation and social, political and economic insecurity. Further general risks associated with exposure to such countries include but are not restricted to:

- liquidity problems
- fluctuations in exchange rates
- currency export controls
- restrictions on buying and selling

**Currency of account:** EUR

**Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.320% (1.060%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.700% (0.560%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.380% (0.300%)
Share classes with "Q" in their name	0.720% (0.580%)
Share classes with "I-A1" in their name	0.520% (0.420%)
Share classes with "I-A2" in their name	0.480% (0.380%)
Share classes with "I-A3" in their name	0.380% (0.300%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

In line with the investment policy described above, the Subfunds **UBS (Lux) Bond SICAV – Short Term EUR Corporates (EUR)** and **UBS (Lux) Bond SICAV – Short Term USD Corporates (USD)** invest at least two-thirds of their assets in debt securities and claims (as defined above) issued by companies. The duration of the portfolios is continually adapted to the prevailing market situation, but may not exceed three years ("short term"). At least two-thirds of the investments are denominated in the currency indicated in the respective Subfund's name.

However, the portion of investments in foreign currencies not hedged against the currency of account of the respective Subfund may not exceed 10% of assets.

After deducting cash and cash equivalents, the Subfunds 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 Subfunds 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 warrants, in addition to warrants remaining after the separate sale of ex-issues 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.

**UBS (Lux) Bond SICAV – Short Term EUR Corporates (EUR)**

**Currency of account:** EUR

**UBS (Lux) Bond SICAV – Short Term USD Corporates (USD)**

**Currency of account:** USD

**Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	0.900% (0.720%)
Share classes with "N" in their name	1.600% (1.280%)
Share classes with "K-1" in their name	0.550% (0.440%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.340% (0.270%)
Share classes with "Q" in their name	0.500% (0.400%)

Share classes with "I-A1" in their name	0.480% (0.380%)
Share classes with "I-A2" in their name	0.420% (0.340%)
Share classes with "I-A3" in their name	0.340% (0.270%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

In line with the investment policy above, the Subfund **UBS (Lux) Bond SICAV – USD High Yield (USD)** invests at least two-thirds of its assets in debt securities and claims as defined above, with at least two-thirds of its assets invested in bonds with a rating of between BB+ and CCC (Standard & Poor's), a similar rating from another recognised agency or – insofar a new issue that does not yet have an official rating is concerned – a comparable internal UBS rating. Investments in bonds with a rating below CCC or similar may not exceed 10% of the Subfund's assets. Care is given to achieve broad diversification of such investments in terms of sectors and borrowers. Investments with lower ratings may carry an above-average yield, but also a higher credit risk than investments in securities of first-class borrowers. At least two-thirds of investments are denominated in USD.

However, the portion of investments in foreign currencies not hedged against the currency of account (USD) may not exceed 10% of assets.

After deducting cash and cash equivalents, the Subfund 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 Subfund 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 warrants, in addition to warrants remaining after the separate sale of ex-issues 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.

**Currency of account:** USD

#### Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.260% (1.010%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.700% (0.560%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.520% (0.420%)
Share classes with "Q" in their name	0.720% (0.580%)
Share classes with "I-A1" in their name	0.620% (0.500%)
Share classes with "I-A2" in their name	0.580% (0.460%)
Share classes with "I-A3" in their name	0.520% (0.420%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

In line with the investment policy above, the Subfund **UBS (Lux) Bond SICAV – Short Duration High Yield (USD)** invests at least two-thirds of its assets in debt securities and claims issued by issuers, with at least two-thirds of its assets



invested in bonds with a rating of between BBB+ and CCC (Standard & Poor's), a similar rating from another recognised agency or – insofar as a new issue that does not yet have an official rating is concerned – a comparable internal UBS rating. At least 50% of investments are denominated in USD. The portion of investments in foreign currencies not hedged against the currency of account of the Subfund, however, may not exceed 10% of the assets. The average duration of the Subfund's net assets shall not exceed three years.

After deducting cash and cash equivalents, the Subfund 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 Subfund 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 warrants, in addition to warrants remaining after the separate sale of ex-issues 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 Subfund may not invest in US MBS, US CMBS, US ABS or CDO.

**Currency of account:** USD

### Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.260% (1.010%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.700% (0.560%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.500% (0.400%)
Share classes with "Q" in their name	0.720% (0.580%)
Share classes with "I-A1" in their name	0.600% (0.480%)
Share classes with "I-A2" in their name	0.550% (0.440%)
Share classes with "I-A3" in their name	0.500% (0.400%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

In line with the general investment policy, the Subfund **UBS (Lux) Bond SICAV – EUR Inflation-linked (EUR)** invests at least two-thirds of its assets in inflation-linked debt securities and claims issued by international or supranational organisations, public-sector, semi-public or private borrowers and denominated in the currency of the respective Subfund. The Subfund 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 Subfund may invest up to one-third of its assets in money market instruments. It may not invest in US MBS, US CMBS, US ABS or CDO. The Subfund invests its assets in instruments such as inflation-linked and other debt securities and all types of money market instruments, and uses futures, credit default swaps, interest rate swaps, inflation swaps and currency derivatives such as forwards, futures and options. As part of efficient asset management and to achieve the investment policy's aims, the Subfund may invest in all the derivative financial instruments listed in the section "Special techniques and instruments that have 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 points 1.1(a) and (b) ("Permitted investments of the Company"). In line with this investment policy, the Subfund may invest more than 35% of its assets in securities and money market instruments issued or guaranteed by a member state of the European Union or by a member state of the OECD.

**Currency of account:** EUR

## Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	0.900% (0.720%)
Share classes with "N" in their name	1.600% (1.280%)
Share classes with "K-1" in their name	0.550% (0.440%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.340% (0.270%)
Share classes with "Q" in their name	0.500% (0.400%)
Share classes with "I-A1" in their name	0.460% (0.370%)
Share classes with "I-A2" in their name	0.400% (0.320%)
Share classes with "I-A3" in their name	0.340% (0.270%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfund **UBS (Lux) Bond SICAV – Global Inflation-linked (USD)** invests at least two-thirds of its assets in inflation-linked debt securities and claims issued by international or supranational organisations, public-sector, semi-public or private borrowers. After deducting cash and cash equivalents, the Subfund may invest up to one-third of its assets in money market instruments. The Subfund may not invest in US MBS, US CMBS, US ABS or CDO. It invests its assets in instruments such as inflation-linked and other debt securities and all types of money market instruments, and uses futures, credit default swaps, interest rate swaps, inflation swaps and currency derivatives such as forwards, futures and options.

The currency of account is the USD. Investments are made in the currencies deemed best suited for good performance, although the proportion of investments in foreign currencies not hedged against the currency of account (USD) may not exceed 20% of assets.

As part of efficient asset management and to achieve the investment policy's aims, the Subfund may invest in all the derivative financial instruments listed in the section "Special techniques and instruments that have 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 points 1.1(a) and (b) ("Permitted investments of the Company").

**Currency of account:** USD

## Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	0.900% (0.720%)
Share classes with "N" in their name	1.600% (1.280%)
Share classes with "K-1" in their name	0.550% (0.440%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.420% (0.340%)
Share classes with "Q" in their name	0.500% (0.400%)
Share classes with "I-A1" in their name	0.520% (0.420%)
Share classes with "I-A2" in their name	0.480% (0.380%)
Share classes with "I-A3" in their name	0.420%

	(0.340%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfunds **UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (EUR)**, **UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (EUR)**, **UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (USD)**, **UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (USD)** and **UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (CHF)** are set up for the term specified in their names. The Subfunds invest mainly in bonds, notes or other similar fixed-income or floating-rate securities. The Portfolio Manager positions the individual Subfunds based on the attractiveness of specific bond markets during the launch period.

The Subfund may also invest indirectly via structured products (e.g. certificates, ABS, MBS). Investments in structured products may not exceed 20% of the Subfund's net assets. The Subfund will not purchase any structured products issued by borrowers domiciled in the US.

Apart from the money market instruments, all the instruments used shall take account of the end of the Subfunds' term in respect of their maturity and have no maturities occurring later than the end of the Subfunds' term. As a result, the Subfunds may hold up to 100% of their assets in liquid funds, money market instruments and money market funds around six months prior to the end of the term.

To achieve the Subfunds' investment objectives, the Board of Directors may cease issuing shares in the Subfunds at any time following the initial issue. The redemption of shares shall be possible at any time until five working days before the end of the Subfunds' term using the procedure described in the section "Redemption of shares" in this sales prospectus. If the liquidation of the assets at the end of the term results in an adverse situation for the value of the portfolio due to extraordinary market circumstances, the Company may postpone the payment of the final maturity amount by up to two months in the interests of the investors in accordance with the provisions set out in the section "Redemption of shares" in this sales prospectus.

Under the terms of their investment policies, the Subfunds may invest up to 100% of their assets in debt securities issued by borrowers in emerging markets and 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. The term "emerging markets" is used, for example, for describing the countries included in the JP Morgan Emerging Markets Indices (or the respective successor indices). Emerging markets are at an early stage of development and suffer from increased risk of expropriation, nationalisation and social, political and economic insecurity. The risks associated with such investments are listed in the section "Risk information". For these reasons, these Subfunds are especially suitable for risk-conscious investors.**

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (EUR)**

Currency of account: EUR

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (EUR)**

Currency of account: EUR

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (USD)**

Currency of account: USD

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (USD)**

Currency of account: USD

**UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (CHF)**

Currency of account: CHF

**Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.050% (0.840%)
Share classes with "N" in their name	1.200% (0.960%)
Share classes with "K-1" in their name	0.800% (0.640%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.420%

	(0.340%)
Share classes with "Q" in their name	0.750% (0.600%)
Share classes with "I-A1" in their name	0.540% (0.430%)
Share classes with "I-A2" in their name	0.480% (0.380%)
Share classes with "I-A3" in their name	0.420% (0.340%)
Share classes with "I-B" in their name	0.115% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

In accordance with the investment policy described above, the Subfund **UBS (Lux) Bond SICAV – Emerging Economies Local Currency Bond (USD)** invests at least two-thirds of its assets in debt instruments and claims issued by international and supranational organisations, public entities, private borrowers and semi-public issuers domiciled in or chiefly active in emerging markets. Using derivatives, the composition of the portfolio can be adapted to the economic and financial market cycles in terms of interest rates, currency and credit risk.

The term "emerging markets" is used to describe markets included in the International Finance Corporation Composite Index and/or the MSCI Emerging Markets Index, as well as other countries which are at a comparable level of economic development or in which there are new capital markets.

**Emerging markets are at an early stage of development and suffer from increased risk of expropriation, nationalisation and social, political and economic insecurity. The risks associated with such investments are listed in the section "Risk information". For these reasons, the Subfund is especially suitable for risk-conscious investors.**

After deducting cash and cash equivalents, no more than 25% of the Subfund's 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 Subfund 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 warrants, in addition to warrants remaining after the separate sale of ex-issues 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 Subfund may also invest indirectly via structured products (e.g. certificates, ABS, MBS, credit-linked notes). Investments in structured products may not exceed 20% of the Subfund's net assets. The Subfund will not purchase any structured products issued by borrowers domiciled in the US.

The reference currency of the Subfund is the USD. However, investments are made in the currencies that are deemed most suitable for the good performance of the Subfund. An essential component of the currency strategy of this Subfund is the building up of currency exposure in local emerging market currencies. Investors can participate in the performance of local emerging market currencies either directly through the acquisition of securities denominated in local emerging market currencies or indirectly through the use of derivative instruments, or by a combination of both methods.

To achieve its investment objective, the Subfund may use derivative instruments traded on a stock exchange or over the counter (OTC), in particular futures, swaps (including IRS/NDIRS, TRS, CDS, index CDS and NDS), forwards/non-deliverable forwards, options, total-return bonds and bonds with embedded derivatives, e.g. convertible bonds.

Moreover, the Subfund may, to the extent permitted by law, buy or sell money market instruments, liquid funds and other suitable, legally permissible investment instruments. These investment instruments may also be used for hedging purposes and for participation in the anticipated market development.

To achieve its investment objective, the Subfund may also use the techniques and instruments listed in the section "Special techniques and instruments that have securities and money market instruments as underlying assets".

**Currency of account:** USD

#### Fees

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.500% (1.200%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.900% (0.720%)
Share classes with "K-X" in their name	0.000%

	(0.000%)
Share classes with "F" in their name	0.560% (0.450%)
Share classes with "Q" in their name	0.800% (0.640%)
Share classes with "I-A1" in their name	0.630% (0.500%)
Share classes with "I-A2" in their name	0.600% (0.480%)
Share classes with "I-A3" in their name	0.560% (0.450%)
Share classes with "I-B" in their name	0.115% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The objective of the Subfund **UBS (Lux) Bond SICAV – Emerging Economies Corporates (USD)** is to generate above-average long-term returns with a portfolio of corporate bonds issued by borrowers from emerging markets. To achieve this objective, the Subfund invests predominantly in fixed-income and floating-rate securities issued by companies domiciled or chiefly active in emerging markets. These securities do not need a rating from a recognised rating agency (e.g. Moody's, S&P or Fitch). To achieve the investment objective, the Subfund may also use derivative instruments traded on the stock exchange or over the counter (OTC). These investment instruments may be used for hedging purposes and/or for participation in the anticipated market development. Furthermore, the Subfund may, to the extent permitted by law, invest in money market instruments, structured products and other suitable, legally permitted investment instruments. The securities are denominated either in USD or other currencies, including the national currencies of emerging markets in which the Fund invests. The currency of account of the Subfund is the USD. The Subfund invests primarily in securities which focus on emerging markets. This means that the Subfund is exposed to specific risks which may be greater than the normal risks inherent in investments in industrialised nations. Emerging markets are countries which are developing into modern industrialised nations. They generally have low or medium average income and high growth rates. Emerging markets comprise, for example, countries included in the JP Morgan Emerging Markets Indices (or their successor indices).

**Emerging markets are at an early stage of development and suffer from increased risk of expropriation, nationalisation and social, political and economic insecurity. The risks associated with such investments are listed in the section "Risk information". For these reasons, the Subfund is especially suitable for risk-conscious investors.**

**Currency of account:** USD

#### **Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.800% (1.440%)
Share classes with "N" in their name	2.000% (1.600%)
Share classes with "K-1" in their name	1.020% (0.820%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.650% (0.520%)
Share classes with "Q" in their name	0.980% (0.780%)
Share classes with "I-A1" in their name	0.750% (0.600%)
Share classes with "I-A2" in their name	0.700% (0.560%)
Share classes with "I-A3" in their name	0.650% (0.520%)
Share classes with "I-B" in their name	0.115% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)

Share classes with "U-X" in their name	0.000% (0.000%)
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The Subfund **UBS (Lux) Bond SICAV – Global Opportunities Unconstrained (USD)** seeks to achieve attractive long-term returns. To reach this investment objective, the Subfund invests in a wide range of fixed-interest securities, currencies and derivatives to achieve attractive yields under changing market conditions and in different economic cycles.

The Subfund pursues a globally oriented long/short strategy in connection with fixed-income securities and currencies. It seeks to spread capital across strategies that offer the best opportunities at any given time and on any given market or sector. Consequently, it is anticipated that the exposure to worldwide bond and currency markets may change over time at the discretion of the portfolio manager. Strategies may be pursued on an individual or relative basis. With a relative approach, long and short exposures are built up to exploit improving or worsening performance in different markets or sectors.

The investment team identifies the best risk-adjusted opportunities based on their forecasts and analyses of interest rates, credit spreads and currencies. First, disparities within markets and across markets are determined and areas identified – on an absolute and relative basis – where prices differ from the fundamental values. Each potential strategy is analysed using its individual risk/return profile and its impact on portfolio growth. Next, the team attempts to exploit these investment opportunities with the most suitable instruments. The portfolio is built up in such a way that it is spread over different exposures and correlation/cross-market shifts are controlled.

The Subfund may invest in fixed-income securities and/or currencies from developed or developing countries, as well as in derivatives which enable exposures to such fixed-income securities and/or currencies. Derivative strategies seen as key to achieving the investment objectives. The Subfund's investment strategy may at times lead to comparatively extensive positions being set up in certain markets, industries and sectors. All strategies depend on the Subfund's risk budget to keep risk moderate overall. Although the Subfund's Portfolio Manager manages the Fund's overall risk and volatility prudently, it is nevertheless possible that the Subfund may generate negative returns in a particular month, quarter or year. The Subfund may invest in currencies from developed or developing countries directly or via currency or fixed-interest instruments denominated in national currencies.

The Subfund invests primarily in fixed-income securities and/or currencies and derivatives which make it possible to gain exposure to fixed-income securities. Investments in fixed-income securities comprise, *inter alia*, securities issued by countries, or their institutions and local authorities, debt securities of supranational organisations and corporations, including convertible bonds, mortgage-backed securities, asset-backed securities, inflation-linked securities, debt securities, bonds (investment grade or lower) as well as other securitised or collateralised debt securities.

The Subfund may invest in fixed-income securities with any credit rating, including high-yield securities. While investments with a lower rating may generate above-average returns, they may also carry a higher credit risk than investments in securities issued by first-class issuers. The Subfund's investments in fixed-income securities may be associated with all conditions related to interest payments and interest fixing, including fixed and variable interest rates, zero coupons, coupon payments in kind and interest rates fixed by way of an auction procedure. Interest payments in kind may be accepted by the Subfund only if they comprise securities which are eligible for the Subfund, i.e. if they are permissible pursuant to the investment policy and serve to achieve the investment objective. Any interest payments in kind must be audited by an independent auditor if required by the prevailing laws or regulations. Any such payments will be decided upon at the discretion of the Company's Board of Directors. Furthermore, fixed-income securities acquired by the Subfunds may have any term or duration and be denominated in any currency and their coupons may be paid out in any currency.

The Subfund may build up both long and short positions (on a gross or net basis) at portfolio level and in various market sectors. The volume of the Subfund's short positions built up using derivatives may be larger than or equal to the long positions, so that the Subfund can achieve positive yields even if the underlying securities, derivatives or financial indices lose value.

Neither the absolute sum of all long exposures nor the absolute sum of all short exposures on the ABS, MBS and CDO/CLO ("collateralised loan obligation") markets may exceed 50% of the Sub-fund's net assets. Investors are advised that investing in these products 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 they are mortgages), with the receivables issued by an institution founded exclusively for this purpose (special purpose vehicle) 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 special repayments for the underlying receivables increase or decrease as a result due to better or worse refinancing options for the debtors.

The average term of Subfund investments in ABS/MBS papers 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. The Subfund invests in securities with an average term of 0 to 30 years. ABS/MBS papers originate from different countries with differing legal structures. The Subfund may invest in ABS/MBS securities from all member states of the European Economic Area, Switzerland, the US, Australia and Canada.

Investments in other countries may be considered if the underlying securities are permitted by the Subfund guidelines and the securities meet the research-based criteria laid down by the advisers.

The Subfund invests in securities of recognised issuers of collateralised ABS/MBS assets or similar stocks. ABS/MBS may be investment-grade, non-investment-grade rating or have no rating.

The Subfund may, up to 15% (gross), take short positions (via derivatives) or long positions in legally permitted ordinary and preferred shares, warrants, convertible bonds, American depository receipts (ADR) and global depository receipts (GDR). Investments in these instruments may enable the Subfund to gain the Portfolio Manager's preferred exposure to fixed-income securities or sectors and serve to hedge or adjust the risks of the Subfund's positions in fixed-income securities.

The Subfund intends to use derivatives to a large extent and thus pursue the above-mentioned worldwide-oriented long/short strategy in conjunction with fixed-interest securities and currencies. The Subfund intends to use derivatives to achieve returns and increase yields and to control and adjust its risk profile. Derivatives are used to supplement direct investments and/or exposures to specific markets and to potentially increase liquidity and flexibility.

The Subfund 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 interest rates or individual interest curves. Through the use of derivatives the Subfund seeks to implement (i) directional strategies to exploit parallel movements of interest curves, or (ii) curve positioning strategies to exploit non-parallel movements of interest curves. Through the use of options and swaptions, the Subfund implements non-linear directional strategies in relation to the interest curve.

In the case of a net long duration, the Subfund can be expected to achieve a negative (or positive) performance if interest rates rise (or fall). In the case of a net short duration, the Subfund can be expected to achieve a positive (or negative) performance if interest rates rise (or fall).

The Subfund may use credit derivatives such as credit-linked securities, credit default swaps on issuers or credit indices or ABS indices and credit default swaptions to build up net short or net long exposures in individual market segments (region, sector, rating), currencies or specific issuers.

In the case of a net long duration in a specific market segment or issuer, the Subfund can be expected to achieve a negative (or positive) performance if the credit spread rises (or falls). In the case of a net short duration in a specific market segment or issuer, the Subfund can be expected to achieve a positive (or negative) performance if the credit spread rises (or falls).

The Subfund may use total return swaps on bond indices to build up short or long exposures to a specific bond market.

The Subfund may use currency derivatives such as currency forwards, non-deliverable forwards (NDF), currency swaps, currency options and currency futures to increase or reduce exposure in different currencies, with the option of entering into net short or net long overall positions in individual currencies. In the case of net long exposure in a specific currency, the Subfund can be expected to achieve a positive (or negative) performance if the currency gains (or falls) against the Subfund's currency of account or the relevant share class appreciates (or depreciates) in value. In the case of net short exposure in a specific currency, the Subfund can be expected to achieve a positive (or negative) performance if the currency falls (or gains) against the Subfund's currency of account or the relevant share class depreciates (or appreciates) in value.

The Subfund may use currency forwards, NDF and currency futures to manage currency-hedged share classes.

The Subfund may invest 100% of its assets in cash and cash equivalents and in fixed-interest and floating-rate money market instruments, including certificates of deposit and fixed-interest and floating-rate commercial papers (classified as investment-grade or higher by a major rating agency such as S&P, Moody's or Fitch Investor Service), cash contributions denominated in one or more currencies determined by the portfolio manager and in money market funds subject to the 10% limit set out in the general investment policy for investing in funds.

**Emerging markets are countries which are in a transitional phase towards becoming modern industrial nations. These countries are characterised by a low or medium average income and generally high growth rates. The term "emerging markets" is used, for example, for describing the countries included in the JP Morgan Emerging Markets Indices (or the respective successor indices). Investments in emerging markets can record a more volatile performance and may be less liquid than investments in industrialised countries. In certain countries investments may be adversely affected by expropriation, confiscation, equivalent taxation or political or social instability. The quality of financial reporting, auditing and reporting methods may not be comparable to the standards of industrial nations. Furthermore, the regulation of stock exchanges, financial institutions and issuers as well as the state supervision may be less reliable than in industrial nations. Under certain conditions, the billing and settlement conditions in emerging markets may not be very well organised. Due to this, there is a risk that transactions could be delayed and the Subfund's liquid funds or securities jeopardised. The Subfund and its shareholders bear these and similar risks associated with these markets.**

**Currency of account:** USD

**Fees**

	Maximum flat fee (maximum management fee), p.a.
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Share classes with "P" in their name	1.700% (1.360%)
Share classes with "N" in their name	1.900% (1.520%)
Share classes with "K-1" in their name	1.020% (0.820%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.600% (0.480%)
Share classes with "Q" in their name	0.980% (0.780%)
Share classes with "I-A1" in their name	0.700% (0.560%)
Share classes with "I-A2" in their name	0.650% (0.520%)
Share classes with "I-A3" in their name	0.600% (0.480%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

The Subfund **UBS (Lux) Bond SICAV – Global Dynamic (USD)** seeks to achieve attractive returns by investing in the worldwide bond markets while controlling overall portfolio risk.

It seeks to spread capital across strategies that offer the best opportunities at any given time and on any given market or sector. Consequently, it is anticipated that the exposure to worldwide bond and currency markets may change over time at the discretion of the portfolio manager. By using legally permissible instruments such as direct investments, derivatives and UCIs or UCITS with exposure to the worldwide bond markets, the Subfund invests in different types of fixed-income securities, including government, corporate, high-yield, emerging market and convertible bonds as well as ABS/MBS and CDO/CLO (collateralised loan obligations). Derivative strategies seen as key to achieving the investment objectives. All strategies depend on the Subfund's risk budget to keep risk moderate overall. Although the Subfund's Portfolio Manager manages the Fund's overall risk and volatility prudently, it is nevertheless possible that the Subfund may generate negative returns in a particular month, quarter or year.

The investment process is organised as follows: The investment team follows an investment process consisting of four stages, combining top-down and bottom-up analyses. The most important macro-economic drivers are then identified to ascertain the wider global investment context. Investment opportunities and trading ideas are identified that are in line with the global investment context and filtered based on the potential risk/return profile. Next, the most efficient procedure for implementing the trading ideas is determined using quantitative and qualitative inputs. Lastly, the team assesses the impact on overall portfolio risk and diversification by carrying out stress tests to record extreme events and identify and control extreme risks. Investors should note that the investment process is regularly reviewed to identify potential changes or room for improvement and that it may therefore be changed without prior notice.

At least 50% of total Subfund assets are invested in securities or money market instruments with an investment-grade rating, while up to 50% of its net assets may be used for investments in high-yield, emerging market and convertible bonds as well as ABS/MBS and CDO/CLO or a combination thereof. While investments with a lower rating may generate above-average returns, they may also carry a higher solvency risk than investments in bonds issued by investment-grade issuers.

The value of investments in ABS, MBS and CDO/CLO may not exceed 35% of the Subfund's net assets. Investors are advised that investing in these products 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 they are mortgages), with the receivables issued by an institution founded exclusively for this purpose (special purpose vehicle) 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 as a result due to better or worse refinancing options for the debtors.

The average term of Subfund investments in ABS/MBS papers 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. The Subfund invests in securities with an average term of 0 to 30 years.



ABS/MBS papers originate from different countries with differing legal structures. The Subfund may invest in ABS/MBS securities from all member states of the European Economic Area, Switzerland, the US, Australia and Canada. Investments in other countries may be considered if the underlying securities are permitted by the Subfund guidelines and the securities meet the research-based criteria laid down by the advisers.

The Subfund invests in securities of recognised issuers of collateralised ABS/MBS assets or similar stocks. ABS/MBS may be investment-grade, non-investment-grade rating or have no rating.

The Subfund may hold up to 100% of its assets in cash or other near-money market securities.

Up to 25% of its assets may be invested in convertible, exchangeable and warrant bonds as well as convertible debentures. Furthermore, the Subfund may invest up to 10% of its assets in equities, equity rights and warrants as well as securities, other equity-like securities and dividend-right certificates acquired through the exercise of conversion and subscription rights or warrants, as well as in warrants remaining after the separate sale of ex-issues and any equities acquired with these warrants. The equities acquired through the exercise of conversion and subscription rights must be sold no later than 12 months after they were acquired.

The Subfund does not engage in physical short-selling.

The use of derivatives is a core element in achieving the investment objectives. The derivatives will be used to build and hedge the portfolio's market exposure. 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. After using interest-rate and credit derivatives the Fund has a net long duration overall.

The Subfund 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 curves, provided that a net long duration is maintained at overall fund level. Through the use of derivatives the Subfund seeks to implement (i) directional strategies to exploit parallel movements of interest curves, or (ii) curve positioning strategies to exploit non-parallel movements of interest curves. Through the use of options and swaptions, the Subfund implements non-linear directional strategies in relation to the interest curve.

In the case of a net long duration, the Subfund can be expected to achieve a negative (or positive) performance if interest rates rise (or fall).

The Subfund 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.

In the case of a net long duration in a specific market segment or issuer, the Subfund can be expected to achieve a negative (or positive) performance if the credit spread rises (or falls). In the case of a net short duration in a specific market segment or issuer, the Subfund can be expected to achieve a positive (or negative) performance if the credit spread rises (or falls).

The Subfund may use total return swaps on bond indices to build up short or long exposures to a specific bond market. The Subfund 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. In the case of net long exposure in a specific currency, the Subfund can be expected to achieve a positive (or negative) performance if the currency gains (or falls) against the Subfund's currency of account or the relevant share class appreciates (or depreciates) in value. In the case of net short exposure in a specific currency, the Subfund can be expected to achieve a positive (or negative) performance if the currency falls (or gains) against the Subfund's currency of account or the relevant share class depreciates (or appreciates) in value.

The Subfund may use currency forwards and non-deliverable forwards to manage currency-hedged share classes.

The currency of account is the USD; however, investments are made in the currencies deemed to be most favourable for performance. The currency strategy involves building up 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.

**Emerging markets are countries which are in a transitional phase towards becoming modern industrial nations. These countries are characterised by a low or medium average income and generally high growth rates. The term "emerging markets" is used, for example, for describing the countries included in the JP Morgan Emerging Markets Indices (or the respective successor indices). Investments in emerging markets can record a more volatile performance and may be less liquid than investments in industrialised countries. In certain countries investments may be adversely affected by expropriation, confiscation, equivalent taxation or political or social instability. The quality of financial reporting, auditing and reporting methods may not be comparable to the standards of industrial nations. Furthermore, the regulation of stock exchanges, financial institutions and issuers as well as the state supervision may be less reliable than in industrial nations. Under certain conditions, the billing and settlement conditions in emerging markets may not be very well organised. Due to this, there is a risk that transactions could be delayed and the Subfund's**

liquid funds or securities jeopardised. The Subfund and its shareholders bear these and similar risks associated with these markets.

**Currency of account:** USD

**Fees**

	Maximum flat fee (maximum management fee), p.a.
Share classes with "P" in their name	1.400% (1.120%)
Share classes with "N" in their name	1.750% (1.400%)
Share classes with "K-1" in their name	0.900% (0.720%)
Share classes with "K-X" in their name	0.000% (0.000%)
Share classes with "F" in their name	0.550% (0.440%)
Share classes with "Q" in their name	0.800% (0.640%)
Share classes with "I-A1" in their name	0.650% (0.520%)
Share classes with "I-A2" in their name	0.600% (0.480%)
Share classes with "I-A3" in their name	0.550% (0.440%)
Share classes with "I-B" in their name	0.065% (0.000%)
Share classes with "I-X" in their name	0.000% (0.000%)
Share classes with "U-X" in their name	0.000% (0.000%)

**General risk information**

**Risk information**

Emerging markets are at an early stage of development and suffer from increased risk of expropriation, nationalisation and social, political and economic insecurity.

The following is an overview of the general risks entailed by investing in the emerging markets:

- Counterfeit securities – due to the weakness in supervisory structures, securities purchased by the Subfund may be counterfeit. Hence it is possible to suffer losses.
- Liquidity difficulties – the buying and selling of securities can be costlier, lengthier and in general more difficult than is the case in 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 have a more volatile performance.
- Currency fluctuations – the currencies of countries in which the Subfund invests, compared with the currency of account of the Subfund, can undergo substantial fluctuations once the Subfund has invested in these currencies. Such fluctuations may have a significant effect on the Subfund'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 excluded that emerging markets may limit or temporarily suspend the export of currencies. Consequently, it would not be possible for the Subfund to draw any sales proceeds without delays. To minimise the possible impact on redemption applications, the Subfund will invest in a large number of markets.
- Settlement and custody risks – the settlement and custody systems in emerging market countries are not as well developed as 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 buying of securities by foreign investors. Some equities are thus not available to the Subfund 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 Subfund 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 Subfund 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 by companies in emerging markets differ from those in developed markets in respect of content, quality and the deadlines for providing information to investors. It may thus be difficult to correctly evaluate the investment options.**

### **Investments in UCI and UCITS**

Subfunds that have invested at least half of their assets in existing UCI and UCITS in accordance with their particular investment policies have the structure of a fund of funds.

The general advantage of a fund of funds compared with funds investing directly is the broader diversification or spread of risk. 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 which 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 UCI in which most investments are made being required to accord as far as possible with the Company's investment policy. The Company additionally permits investment in a single product, by which means the investor gains an indirect investment in numerous securities.

Certain commission payments and expenses may occur more than once when investing in existing funds (for example, commission for the Custodian Bank and the central Administrative Agency, management/advisory fees and issuing/redemption commission of the UCI and/or UCITS in which an 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 Subfunds may also invest in UCI and/or UCITS managed by UBS AG or by a company with which it is associated through common management or control or through a substantial direct or indirect stake. In this case, no issuing or redemption commission will be charged on subscription to or redemption of these units. The twofold charging of commission and expenses referred to above does, however, remain.

The section "Expenses paid by the Company" presents the general costs and the expenses of investing in existing funds.

### **Use of derivatives**

While observing the restrictions stipulated in Section 2 "Risk diversification", the Company may employ derivative financial instruments for each Subfund. Derivative financial instruments are instruments that derive their value from other finance instruments (so-called underlyings).

Derivatives may be conditional or unconditional. Conditional derivatives (contingent claims) are those that give a party to the legal transaction the right, but not the obligation, to use a derivative instrument (e.g. an option). Unconditional derivatives (futures) impose the obligation on both parties to provide the service owed at a specific time defined in the contract (e.g. forwards, futures, swaps).

The derivatives are traded on stock exchanges (exchange-traded derivatives), as well as over the counter (OTC derivatives). In the case of derivatives traded on a stock exchange (e.g. futures), the stock exchange itself is also one of the parties in each transaction. These transactions are cleared and settled through a clearing house (clearing agent). OTC derivatives (e.g. forwards and swaps) are entered into directly by two parties, whereas exchange-traded derivatives are entered into using a middleman.

Derivative transactions (e.g. credit derivatives), may be used to hedge against the default risk associated with a third party. To do this, the parties may participate in so-called credit default swaps (**CDS**), in which the seller compensates the losses of the buyer associated with the default of a third party and, in return, receives a recurring premium from the buyer. This compensation may be provided through the delivery of defined securities or cash payments. This type of derivative transaction is similar to insurance and can be entered into by any Subfund, either as a buyer or seller. Credit derivatives may thus be used by Subfunds for hedging (from the buyer's point of view) or investment (from the seller's point of view) purposes. Since 2014, CDS have been settled through a central clearing house.

### **Risks connected with the use of derivatives**

Investments in derivatives are subject to general market risk, settlement risk, credit risk and liquidity risk.

However, the nature of these risks may be altered as a result of the special features of the derivative financial instruments, and may in some cases be higher than the risks associated with an investment in the underlying instruments.

For this reason, the use of derivatives requires not only an understanding of the underlying instrument, but also in-depth knowledge of the derivatives themselves.

With derivatives, the credit risk is the risk that a party may not meet (or cannot meet) its obligations under a specific or multiple contracts. The credit risk for derivatives traded on a stock exchange is, generally speaking, lower than that of OTC derivatives traded on the open market, because the clearing agent that acts as counterparty of every exchange-traded derivative (see above) accepts a settlement guarantee. To reduce the overall risk of default, the guarantee is supported by a daily payment system maintained by the clearing agent, in which the assets required for cover are calculated (see below). Despite derivatives not possessing any such settlement guarantee, their default risk is generally limited by the investment restrictions set out in the section entitled "Investment principles", sub-section "Risk diversification". Even in cases where the difference between the mutually owed payments (e.g. interest rate swaps, total return swaps) is owed, as opposed to the delivery or exchange of the underlying assets (e.g. options, forwards, credit default swaps), the Fund's potential loss is limited to this difference in the event of default by the counterparty.

The credit risk can be reduced by depositing collateral. To trade derivatives on a stock exchange, participants must deposit collateral with a clearing agent in the form of liquid funds (initial margin). The clearing agent will evaluate (and settle, where appropriate) the outstanding positions of each participant, as well as re-evaluate the existing collateral on a daily basis. If the collateral's value falls below a certain threshold (maintenance margin), the participant in question will be required by the clearing agent to bring this value up to its original level by paying in additional collateral (variation margin). With OTC derivatives, this credit risk may also be reduced by the respective counterparty providing collateral (see below), by offsetting different derivative positions that were entered into with this counterparty, as well as through a careful selection process for counterparties (see the section entitled "Investment principles", sub-section "Permitted investments of the Company", point 1.1(g), indent 4).

There are also liquidity risks, as it may be difficult to buy or sell certain instruments. When derivative transactions are particularly large, or the corresponding market is illiquid (as may be the case with OTC derivatives on the open market), it may in some cases not always be possible to fully execute a transaction, or else it may only be possible to liquidate a position subject to increased costs.

Other risks associated with the use of derivatives include the risk of incorrectly valuing or determining the price of derivatives. There is also the possibility that derivatives may not completely correlate with their underlying assets, interest rates or indices. Many derivatives are complex and are frequently subjectively valued. Inappropriate valuations can result in higher cash payment requirements in relation to counterparties or in a loss of value for the respective Subfund.

## Risk management

Risk management in accordance with the commitment approach and the value-at-risk approach is applied pursuant to the applicable laws and regulatory provisions. Pursuant to CSSF circular 13/559 (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 "Collateral management" below) and the techniques and instruments for the efficient management of the portfolio (see the section entitled "Special techniques and instruments that have 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 Subfund. Shareholders should note that this definition may lead to artificially high leverage which does not 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 calculated according to the sum-of-notionals approach;
- The duration of interest rate derivatives is not taken into consideration. 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 using the VaR approach is covered by 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 Subfund 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 Subfund in question. Greater leverage amounts may be attained for all Subfunds, under certain circumstances.

Subfund	Global risk calculation method	Expected leverage bandwidth	Reference portfolio
UBS (Lux) Bond SICAV – Convert Global (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – EUR Corporates (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Short Term EUR Corporates (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Short Term USD Corporates (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – EUR Inflation-linked (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – USD Corporates (USD)	Commitment approach	n/a	n/a

UBS (Lux) Bond SICAV – USD High Yield (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Currency Diversifier (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Global Corporates (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Global Inflation-linked (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Short Duration High Yield (USD)	Relative VaR approach	0–2	The reference portfolio reflects the properties of a broadly diversified portfolio of US corporate bonds with ratings below investment grade.
UBS (Lux) Emerging Markets Bonds 2016 (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Europe (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Brazil (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Asian Local Currency Bond (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Asian High Yield (USD)	Relative VaR approach	0–2	The reference portfolio reflects the properties of a broadly diversified portfolio of Asian corporate bonds (excluding Japan) with ratings below investment grade.
UBS (Lux) Bond SICAV – Emerging Economies Local Currency Bond (USD)	Relative VaR approach	0–2	The reference portfolio reflects the properties of a broadly diversified portfolio of emerging market equities.
UBS (Lux) Bond SICAV – Emerging Markets Bonds 2017 (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets Bonds 2017 (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Economies Corporates (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Global Opportunities Unconstrained (USD)	Absolute VaR approach	0–15	n/a
UBS (Lux) Bond SICAV – Global Dynamic (USD)	Absolute VaR approach	0–15	n/a
UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (CHF)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (CHF)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets Bonds 2018 (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets Bonds 2020 (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (EUR)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2018 (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (USD)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Emerging Markets High Yield Bonds 2020 (CHF)	Commitment approach	n/a	n/a
UBS (Lux) Bond SICAV – Asian Investment Grade Bonds (USD)	Commitment approach	n/a	n/a

### Collateral management

If the Company enters into OTC transactions, it may be exposed to risks related to the creditworthiness of the OTC counterparties: when the Company enters into futures contracts or options or uses other derivative techniques, it is subject to the risk that an OTC counterparty may not meet (or cannot meet) its obligations under a specific or multiple 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 Company 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 Company, or a service provider appointed by the Company, 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 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 Company shall decide on an internal framework agreement that determines 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, as well as the investment policy for liquid funds that are deposited as collateral. This framework agreement is reviewed and adapted where appropriate by the Company on a regular basis.

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

The following haircuts are accepted as collateral from OTC derivative transactions:

<b>Asset class</b>	<b>Minimum haircut (% deduction from market value)</b>
<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 1 year) issued by one of the following countries (Australia, Austria, Belgium, Denmark, Germany, France, Japan, Norway, Sweden, UK, USA) and the issuing country has a minimum rating of A.	1%
Instruments which fulfil the same criteria as above and have a medium-term maturity (1 – 5 years).	3%
Instruments which fulfil the same criteria as above and have a long-term maturity (5 – 10 years).	4%
Instruments which fulfil the same criteria as above and have a very long-term maturity (more than 10 years).	5%
US TIPS (Treasury inflation protected securities) with a maturity of up to 10 years	7%
US Treasury strips or zero coupon bonds (all maturities)	8%
US TIPS (Treasury inflation protected securities) with a maturity of more than 10 years	10%

The haircuts to be used on collateral from securities lending are, as applicable, described in Section 5 entitled "Special techniques and instruments that have securities and money market instruments as underlying assets".

Securities deposited as collateral may not have been issued by the corresponding OTC counterparty nor have a high correlation with this OTC counterparty. For this reason, shares from the finance sector are not accepted as collateral. Securities deposited as collateral are held by the Custodian Bank/Custodian in favour of the Company and may not be sold, invested or pledged by the Company.

The Company shall ensure that the collateral transferred to it is adequately diversified, particularly regarding geographic dispersal, diversification across different markets and diversification of the 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 net assets of the respective Subfund.

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 different transferable securities and money market instruments issued or guaranteed by an EU member state, one or more of its local authorities, a third country, or a public international body to which one or more member states of the European Union 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 Subfund.

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

Collateral that is deposited in the form of liquid funds may be invested by the Company. 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 Company"; high-quality government bonds; repurchase transactions within the meaning of Section 5 "Special techniques and instruments that have securities and money market instruments as underlying assets", provided that the counterparty to this transaction is a credit institution within the meaning of point 1.1(f) of Section 1 "Permitted investments of the Company" and the Company 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 diversification of the concentration risk. Bankruptcy and insolvency events or other credit events involving the Custodian Bank or within its subcustodian/correspondent bank network may result in the rights of the Company in connection with the collateral being delayed or restricted in other ways. If the Company 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 Company and the OTC counterparty. Bankruptcy and insolvency events or other credit events involving the OTC counterparty, the Custodian Bank or its subcustodian/correspondent bank network may result in the rights or recognition of the Company in connection with the collateral being delayed, restricted or even eliminated, which would go so far as to force the Company to fulfil its obligations within the framework of the OTC transaction, in spite of any collateral that had previously been made available to cover any such obligation. The Company shall decide on an internal framework agreement that determines 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, as well as the investment policy for liquid funds that are deposited as collateral. This framework agreement is reviewed and adapted where appropriate by the Company on a regular basis.

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

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

Subfund shares are issued and redeemed on every business day. In this context for all Subfunds, "business day" refers to normal bank business days in Luxembourg (i.e. each day on which the banks are open during normal business hours) except individual, non-statutory rest days and days on which stock exchanges in the main countries in which the Subfund invests are closed, or on which 50% or more of the respective Subfund's investments cannot be adequately valued.

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

No issues or redemptions will be effected on days on which the Company has decided not to calculate net asset values, as described in "Suspension of the net asset value calculation and of the issue, redemption and conversion of shares". In addition, the Company is empowered to reject subscription applications at its discretion.

The Company does not permit any transactions which it considers could jeopardise the interests of shareholders, such as "market timing" or "late trading". It is entitled to refuse any application for subscription or conversion that it considers to be allied to such practices. The Company is further entitled to take any actions it deems necessary in order to protect the shareholders from such practices.

**Subscription and redemption applications ("orders") registered with the Administrative Agent no later than 15:00 CET (cut-off time) on a business day (order date) will be processed on the following business day (valuation date) on the basis of the net asset value calculated for that day.** All orders sent by fax must be received by the Administrative Agent one hour prior to the stated cut-off time of the respective Subfund on a business day, at the latest. However, cut-off times earlier than those specified above may be applied by the central settling agent of UBS AG in Switzerland, the sales agents or other intermediaries vis-à-vis their clients in order to ensure the correct submission of orders to the Administrative Agent. Information on these may be obtained at the central settling agent of UBS AG in Switzerland, the sales agents concerned or other intermediaries.

For orders registered with the Administrative Agent after the relevant cut-off time on a business day, the order date is considered to be the following business day.

The same applies to the conversion of shares of a Subfund into shares of another Subfund of the Company, performed on the basis of the net asset values of the Subfunds concerned.

This means that the net asset value for settlement purposes is not known when the order is placed (forward pricing). It will be calculated on the valuation date on the basis of the latest market prices (i.e. closing prices or, if they do not reflect a reasonable market value in the opinion of the Management Company, at the most recent prices available at the time of valuation). The individual valuation principles applied are described in the section below.

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

The net asset value and the issue, redemption and conversion price per share of each Subfund or share class are expressed in the reference currency of the Subfund or share class concerned and are calculated every business day by dividing the overall net assets of the Subfund attributable to each share class by the number of shares in circulation in this share class of the Subfund.

The percentage of the net asset value attributable to each share class of a Subfund changes each time shares are issued or redeemed. It is determined by the ratio of the shares in circulation in each share class to the total number of Subfund

shares in circulation, taking into account the fees charged to that share class.

If the total subscriptions or redemptions of all the share classes of a Subfund on a single trading day come to a net capital inflow or outflow, the respective Subfund's net asset value may be increased or reduced accordingly (so-called single swing pricing). The maximum adjustment amounts to 2% of the net asset value. Estimated transaction costs and tax charges that may be incurred by the Subfund as well as the estimated bid/offer spread of the assets in which the Subfund invests may be taken into account. The adjustment leads to an increase in net asset value if the net movements result in a rise in the number of shares in the Subfund concerned. It results in a reduction of net asset value if the net movements bring about a fall in the number of shares. The Board of Directors of the Management Company can set a threshold value for each Subfund. This may consist in the net movement on a trading day in relation to the net fund assets or to an absolute amount in the currency of the Subfund concerned. The net asset value would be adjusted only if this threshold were to be exceeded on a trading day.

The value of the assets held by each Subfund is calculated as follows:

- a) Liquid funds - whether in the form of cash, bank deposits, bills of exchange and sight securities and receivables, prepaid expenses, cash dividends and declared or accrued interest that has not yet been received - are valued at their full value unless it is unlikely that this value will be fully paid or received, in which case their value is determined by taking into consideration a deduction that seems appropriate in order to portray their true value.
- b) Securities, derivatives and other investments listed on a stock exchange are valued at the last-known market prices. If these securities, derivatives or other assets are listed on several stock exchanges, the latest available price on the stock exchange that represents the major market for these investments will 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 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 which are traded on another regulated market which operates regularly and is recognised and open to the public are valued at the last available price on this market.
- c) Securities and other investments that are 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 Company according to other principles chosen by it in good faith on the basis of the likely sales prices.
- d) Derivatives not listed on a stock exchange (OTC derivatives) are valued on the basis of independent pricing sources. In case only one independent pricing source of a derivative is available, the plausibility of the valuation obtained will be verified by means of calculation methods recognised by the Company and the Company's auditors, based on the market value of the underlying instrument from which the derivative originates.
- e) Units of other undertakings for collective investment in transferable securities (UCITS) and/or undertakings for collective investment (UCI) are valued at their last-known net asset value. Certain units or shares of other UCITS and/or UCI can be valued on the basis of an estimation of their value that has been provided by reliable service providers, which are independent from the portfolio manager or the investment advisor (value estimation).
- 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. The valuation based on the curves refers to the interest rate and credit spread components. The following principles are applied in this process: for each money market instrument, the interest rates nearest the residual maturity are interpolated. The interest rate calculated in this way is converted into a market price by adding a credit spread that reflects the underlying borrower. This credit spread is adjusted if there is a significant change in the credit rating of the borrower.  
Interest income earned by Subfunds between the order date concerned and the value date concerned is included in the valuation of the assets of the Subfund concerned. The asset value per share on a given valuation date therefore includes projected interest earnings.
- g) Securities, money market instruments, derivatives and other assets denominated in a currency other than the reference currency of the relevant Subfund and not hedged by foreign-exchange transactions, are valued at the middle-market rate of exchange (midway between the bid and offer rate) known in Luxembourg or, if not available, on the most representative market for this currency.
- h) Fixed-term deposits and fiduciary investments 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. The calculation is 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 methods depend on the respective security and are determined pursuant to the UBS Global Valuation Policy.

The Company is authorised to apply other generally recognised and verifiable valuation criteria in order to achieve an appropriate valuation of the net assets if, due to extraordinary circumstances, a valuation in accordance with the aforementioned regulations proves to be unfeasible or inaccurate.

In extraordinary circumstances, additional valuations can be carried out over the course of the day. These new valuations will then be authoritative for subsequent issues and redemptions of shares.

### **Issue of shares**

The issue price of shares in the Subfunds is calculated according to the provisions in the section "Net asset value, issue, redemption and conversion price".



After the initial issue, the issue price is based on the net asset value per share plus a maximum issuing commission of 2% of the net asset value (or 2.5% for the Subfund UBS (Lux) Bond SICAV – Convert Global (EUR)) in favour of the sales agents, unless otherwise provided for in the section "Share classes". Any taxes, commissions and other fees incurred in the respective distribution countries will also be charged.

Subscriptions for shares in the Company are accepted at the issue price of the Subfunds by the Company, the Administrative Agent and the Custodian Bank as well as at the sales and paying agents, which forward them to the Company.

Subject to applicable laws and regulations, the Custodian Bank 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 Subfund and the subscription currency of share 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 shares denominated in RMB shall be made in RMB (CNH) only. No other currency will be accepted for the subscription of these share classes.

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

The issue price of Subfund shares is paid no later than on the third business day following the order date ("**value date**") into the Custodian Bank account in favour of the Subfund.

A local Paying Agent will submit transactions on behalf of the final investor on a nominee basis. Costs incurred for such services may be charged to the investor.

At the shareholders' request, the Company may accept full or partial subscriptions in kind at its own discretion. In this case, the capital subscribed in kind must correspond with the investment policy and restrictions of the relevant Subfund. These investments will also be audited by the auditor assigned by the Company. The associated costs will be charged to the investor.

Shares are issued as registered shares only. This means that the shareholder status of the investor in the Company with all associated rights and obligations will be based on the respective investor's entry in the Company's register. A conversion of registered shares into bearer shares may not be requested. The shareholders should bear in mind that the registered shares may also be cleared via recognised external clearing houses like Clearstream and Euroclear.

All shares issued have the same rights. The Articles of Incorporation nonetheless provide for the possibility of issuing various share classes with specific features within a particular Subfund.

Furthermore, fractions of shares can be issued for all Subfunds/share classes. Fractions of shares will be expressed with up to a maximum of three decimal places and do not confer the right to vote at general meetings, but will grant entitlement to a distribution or a proportionate distribution of the liquidation proceeds should the Subfund/share class concerned be liquidated.

### **Redemption of shares**

Redemption orders, accompanied by any certificates that may have been issued, are accepted by the Management Company, the Administrative Agent, the Custodian Bank or another suitably authorised sales or paying agent.

The countervalue for redeemed Subfund shares is paid at the latest on the third business day after the order date ("**value date**") unless legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Custodian Bank, make it impossible to transfer the redemption amount to the country in which the redemption application was submitted.

If the value of a share class in relation to the total net asset value of a Subfund has fallen below or not reached a level that the Board of Directors of the Company has fixed as the minimum level for the economically efficient management of a share class, the Board of Directors of the Company may decide that all shares of this class are to be redeemed, upon payment of the redemption price, on a business day determined by the Board. Investors of the class/Subfund concerned shall not have to bear any additional costs or other financial burdens as a result of this redemption. Where applicable, the single swing pricing principle described in the section "**Net asset value, issue, redemption and conversion price**" shall apply.

For Subfunds with several share classes denominated in different currencies, shareholders may, in principle, only receive the equivalent value of their redemption in the currency of the respective share class or currency of account of the respective Subfund.

Subject to applicable laws and regulations, the Custodian Bank 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 Subfund and the currency of the share 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 and other fees incurred in the respective distribution countries will be charged to the relevant investor and deducted from the

redemption proceeds. Notwithstanding the above, payment of redemption proceeds for shares denominated in RMB shall be made in RMB (CNH) only. The investor may not request payment of the redemption proceeds in any other currency than RMB (CNH).

Any taxes, commissions and other fees incurred in the respective distribution countries will also be charged.

However, no redemption commission may be levied.

The development of the net asset value determines whether the redemption price is higher or lower than the issue price paid by the shareholder.

In the event of an excessively large volume of redemption orders, the Company may decide to delay execution of redemption orders until the corresponding assets of the Company have been sold without unnecessary delay. Should such a measure be necessary, all redemption orders received on the same day will be calculated at the same price.

A local Paying Agent will submit transactions on behalf of the final investor on a nominee basis. Costs incurred for such services may be charged to the investor.

At the shareholders' request, the Company may offer investors full or partial redemptions in kind at its own discretion. In this case, the capital redeemed in kind must correspond with the investment policy and restrictions of the relevant Subfund. These payments will also be audited by the auditor assigned by the Company and must not have any negative effect upon the shareholders remaining with the Company. The associated costs will be charged to the investor.

### **Conversion of shares**

With the exception of share classes denominated in RMB, shareholders may convert from one Subfund into another or from one share class into another share class within the same Subfund at any time. The same procedures apply to the submission of conversion orders as to the issue and redemption of shares.

Conversion of share classes denominated in RMB is only possible between the Subfunds or share classes of which the currency of account or subscription currency is the RMB.

The number of shares into which the shareholder would like to convert his/her shares is calculated according to the following formula:

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

where:

- $\alpha$  = number of shares of the new Subfund or share class into which conversion is required
- $\beta$  = number of shares of the Subfund or share class from which conversion is required
- $\chi$  = net asset value of the shares presented for conversion
- $\delta$  = foreign-exchange rate between the Subfunds or share classes concerned. If both Subfunds or share classes are valued in the same currency of account, this coefficient equals 1
- $\varepsilon$  = net asset value of the shares in the Subfund or share class into which the conversion is to be performed plus any taxes, commissions or other fees

For the conversion, a maximum commission equalling the amount of the maximum issuing commission of the respective Subfund or share class (calculated on the net asset value of the shares of the Subfund or share class into which the conversion is performed) may be charged in favour of the sales agents. In this event, no redemption commission is levied, in accordance with the provisions of the section entitled "Redemption of shares".

Subject to applicable laws and regulations, the Custodian Bank 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 Subfund and/or the subscription currency of the share 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 Subfund conversion are charged to the shareholders.

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

The Company's sales agents must observe 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 the applicable circulars of the CSSF.

Accordingly, investors must provide proof of their identity to the sales agent or distributor that accepts their subscription. The sales agent or distributor must request, at a minimum, the following identification documents from subscribers: for individuals – a certified copy of the passport/identity card (certified by the sales agent or distributor or by the local administrative authority); for companies or other legal entities – 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. The sales agent or distributor must request,

depending on the case, additional identification documents from investors requesting subscriptions or redemptions. The sales agent must ensure that the distributors adhere strictly to the aforementioned identification procedures. The Administrative Agent and the Company may, at any time, demand assurance from the sales agent 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 sales agent and its distributors must obey all regulations to prevent money laundering and terrorist financing which are in force in the respective countries.

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

The Company may temporarily suspend the calculation of the net asset value and hence the issue and redemption of shares for one or more Subfunds, as well as the conversion between individual Subfunds if:

- one or more stock exchanges or other markets which provide the basis for valuing a substantial portion of the net assets, or foreign exchange markets in whose currency the net asset value or a major part of the net assets is denominated, are closed other than for normal holidays or if dealings therein are suspended, or if these stock exchanges or markets are subject to restrictions or to major price fluctuations in the short term;
- events beyond the control, liability or influence of the Company and/or Management Company make it impossible to access the net assets under normal conditions or such access would be detrimental to the interests of the shareholders;
- disruptions in the communications network or any other reason make it impossible to calculate the value of a considerable part of the net assets;
- it is not possible for the Company to repatriate the funds to pay redemption orders in the Subfund in question, or if the transfer of funds from the sale or for the acquisition of investments or for payments resulting from redemptions of shares cannot be carried out, in the view of the Board of Directors of the Company, at normal exchange rates;
- political, economic, military or other circumstances outside the control of the Company make the disposal of the Company's assets impossible under normal conditions without seriously harming the interests of the shareholders;
- for any other reason, the prices of investments of a Subfund cannot be promptly or accurately determined;
- the convocation of an extraordinary general shareholders' meeting for the winding up of the Company was published;
- such a suspension is justified for the protection of the shareholders, after the convocation of an extraordinary general shareholders' meeting for the merger of the Company or of a Subfund or a notice to the shareholders on a decision by the Board of Directors of the Company to merge one or more Subfunds was published; and
- the Company can no longer transact its business due to restrictions on foreign exchange and capital movements.

A suspension of the calculation of the net asset value, a suspension of the issue or redemption of shares and a suspension of conversion between Subfunds will be notified without delay to all the responsible authorities in the countries in which shares of the Company are approved for sale to the public in addition to being published in a Luxembourg daily newspaper and, if necessary, in the official publications of the individual distribution countries.

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

- a) return their shares within 30 calendar days in accordance with the provisions on redemption of shares; or
  - b) transfer their shares to a person who meets the aforementioned requirements for acquisition in the share class;
- or
- c) convert their shares into shares in another share class of the relevant Subfund whose acquisition requirements they are able to fulfil.

In addition, the Company is empowered:

- a) refuse purchase applications for shares at its own discretion;
- b) to redeem at any time shares which were purchased in defiance of an exclusion clause.

### **Distributions**

The general meeting of shareholders of the respective Subfund decides, at the proposal of the Board of Directors of the Company and after closing the annual accounts, whether and to what extent distributions are to be paid out by the respective Subfunds or share classes. Distributions may be composed of income (e.g. dividend income and interest income), capital and capital gains 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) share classes. Investors may be taxed at a later point in time on income and capital arising on accumulating (-acc) share classes compared to distributing (-dist) share classes. Investors should seek their own tax advice. Any distribution results in an immediate reduction of the net asset value per share of the Subfund. The payment of distributions must not result in the net assets of the Company falling below the minimum amount for company 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 Board of Directors of the Company is entitled to determine whether interim dividends are paid and whether distribution payments are suspended.

Entitlements to distributions and allocations not claimed within five years of falling due will lapse and be paid back into the relevant Subfund or its share class. If said Subfund or share class has already been liquidated, the distributions and allocations will accrue to the remaining Subfunds of the Company or the remaining share classes of the Subfund concerned in proportion to their respective net assets. At the proposal of the Company's Board of Directors, the general meeting may decide, in connection with the appropriation of net investment income and capital gains, to issue bonus shares. An income equalisation amount will be calculated so that the distribution corresponds to the actual income entitlement.

## **Taxes and expenses**

### **Taxation**

The Company is subject to Luxembourg law. In accordance with current legislation in the Grand Duchy of Luxembourg, the Company is not subject to any Luxembourg withholding, income, capital-gains or wealth taxes. From the total net assets of each Subfund, 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 share 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 Subfund at the end of every quarter.

Shareholders should be aware that the Luxembourg Law of 21 June 2005 has transposed into Luxembourg law Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments. Since 1 July 2005, this Law has provided for the imposition of a withholding tax on cross-border interest payments to individuals domiciled in the EU or for an automatic information exchange. This applies, inter alia, to distributions and dividends payable by investment funds which invest more than 15%, and earnings from the assignment or repayment of shares in investment funds which invest more than 25% in debt instruments and claims as defined by the EU taxation of interest income. Where necessary, the sales agent or distributor may, upon subscription, ask investors to give their tax identification number ("**TIN**") provided by the state in which they are domiciled for tax purposes.

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

Provided the Subfund in question is not subject to EU taxation of interest or the shareholders are not affected thereby, shareholders are not required, under current tax law, to pay any income, gift, inheritance or other tax in Luxembourg unless they are domiciled in Luxembourg, have a residence in Luxembourg or maintain a permanent establishment there, or were previously domiciled in Luxembourg and hold more than 10% of the shares in the Company.

On 13 November 2008, the European Commission accepted a proposal for the amendment of the Savings Taxation Directive. If the amendment proposal is implemented, among other things, (i) the scope of the EU Savings Taxation Directive would be expanded to include payments distributed by certain intermediary structures (regardless of whether their registered office is in an EU Member State or not) and whose final beneficiary is a private person resident in the EU and (ii) the definition of interest that falls within the scope of the EU Savings Taxation Directive would be further extended. At the time of writing of this sales prospectus, it is not yet known if or on what date the proposed amendment will enter into force.

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

### **Foreign Account Tax Compliance Act ("FATCA")**

For the purposes of FATCA, the Company is classed as a "deemed compliant financial institution", in accordance with the terms of the Intergovernmental Agreement ("IGA") between Luxembourg and the United States of America (USA). The main aim of FATCA is to oblige financial institutions to report and disclose information on accounts held by "specified U.S. persons" as defined in the IGA. In order to fulfil this obligation, shareholders may be asked to provide additional personal information. As of 1 July 2014, the Company shall provide information regarding financial accounts held by specified U.S. persons to the Luxembourg tax authorities, who shall pass said information on to the US tax authorities (IRS). Shareholders who refuse to provide the information requested shall also be reported.

Potential investors should consult their personal tax adviser with respect to US tax reporting at federal, state, local and non-US level, as well as regarding certification requirements in connection with investing in the Company.

Furthermore, potential investors should be aware that additional information exchange systems will be introduced in future and these may apply to stakes in the Company.

### **"Specified U.S. person" as defined by FATCA**

The term "specified U.S. person" refers to a US citizen, a resident of the USA, or a corporation or trust company in the form of a partnership or limited company domiciled in the USA or incorporated under US federal or state law, if (i) a US court were allowed, pursuant to applicable law, to issue orders or judgements in connection with any aspect of the management of the trust company, or (ii) one or more specified U.S. persons are authorised to take all essential decisions regarding the trust company or the estate of a testator who was a US citizen or resident of the USA. The section must be in line with the US Internal Revenue Code.

### **Investors in the United Kingdom**

The Company is an offshore fund for tax purposes within the meaning of the UK Offshore Funds (Tax) Regulations which were introduced with effect from 1 December 2009 and which amended the previous tax regulations which applied to investments in offshore funds.

Under the regulations, UK investors will be subject to capital gains tax (or corporation tax on chargeable gains) and not income tax on profits arising on a sale (e.g. by transfer or redemption) of units in a qualifying offshore fund.

UK investors may be liable for income tax (rather than tax on capital gains) on profits arising from a sale (e.g. by transfer or redemption) of units in a non-qualifying offshore fund.

Since 1 December 2009 and for a transitional period only, offshore funds may apply to HM Revenue & Customs (the UK tax authorities) for approval as a qualifying offshore fund with either "distributor" status or with "reporting fund" status.

The application may be made for one or more Subfunds within the umbrella or for one or more specified share classes issued by a Subfund. For UK tax purposes, an investment in a share class which has distributor or reporting fund status will be treated as an investment in a qualifying offshore fund.

After the transitional period, only an investment in a Subfund, or a share class of a specific Subfund which has reporting fund status will be treated as an investment in a qualifying offshore fund.

The Company may, at its discretion, apply for qualifying offshore fund status for specified Subfunds, or share classes issued by the Subfunds.

Where such an application has been made, the Board of Directors of the Company intends to manage the Company so that an investment in the specified share classes will be treated as an investment in a qualifying offshore fund for each accounting period, and to satisfy HM Revenue & Customs that the relevant requirements have been or will be met. However, the members of the Board of Directors of the Company cannot guarantee that these requirements will be met or that HM Revenue & Customs will confirm that they have been met.

For share classes with "UKdist" in their name and which have "reporting fund" status, the Company intends to distribute, on an annual basis, a sum which corresponds to 100% of the reportable income within the meaning of the UK reporting fund rules. The Company does not intend to make available taxable values in other countries in respect of the "UKdist" share classes.

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 they may be subject to income tax in relation to income and profits arising within a Subfund(s) which is not received or 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 1992, which govern the distribution of chargeable gains of companies which are not resident in the United Kingdom and which would be "close companies" if they were resident in the UK. These gains are distributed to investors who are domiciled or have their ordinary place of abode or residence in the UK. Profits distributed in this manner are taxable for all investors who hold a share of more than 10% of the distributed profit either individually or together with associated persons. The Company intends to make all reasonable efforts to ensure that the Subfund(s) 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 examining the effects of Section 13 of the Taxation of Chargeable Gains Act 1992, it is important to ensure that the regulations of the double taxation agreement between the United Kingdom and Luxembourg are taken into account.

### **Expenses paid by the Company**

The Company pays a maximum monthly flat fee for share classes "P", "N", "K-1", "F", "Q", "I-A1", "I-A2" and "I-A3", calculated on the average net asset value of the Subfunds.

This shall be used as follows:

1. For the management, administration, portfolio management and distribution of the Company (if applicable), as well as for all the tasks of the Custodian Bank, such as the safekeeping and supervision of the Company's assets, the

handling of payment transactions and all other tasks listed in the section "Custodian Bank and main paying agent", a maximum flat fee based on the net asset value of the Company is paid from the Company's assets, in accordance with the following provisions: This fee is charged to the Company's assets on a pro rata basis upon every calculation of the net asset value and is paid on a monthly basis (maximum flat fee).

The relevant maximum flat fee will not be charged until the corresponding share classes have been launched. An overview of the maximum flat fees can be seen in "The Subfunds and their special investment policies".

The actual maximum rate applied to the flat fee 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 charged to the Company:
  - a) all additional expenses related to management of the Company's assets for the sale and purchase of assets (bid/offer spread, brokerage fees in line with the market, commissions, fees, etc.). These expenses are generally 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 single swing pricing principle pursuant to the section entitled "Net asset value, issue, redemption and conversion price";
  - b) fees of the supervisory authority for the establishment, modification, liquidation and merger of the Company, as well as all fees of the supervisory authorities and any stock exchanges on which the Subfunds are listed;
  - c) auditor's fees for the annual audit and certification in connection with the establishment, modification, liquidation and merger of the Company, as well as any other fees paid to the auditor for the services it provides in relation to the administration of the Fund and as permissible by law;
  - d) fees for legal and tax advisers, as well as notaries, in connection with the establishment, registration in distribution countries, modification, liquidation and merger of the Company, as well as for the general safeguarding of the interests of the Company and its investors, insofar as this is not expressly prohibited by law;
  - e) costs for the publication of the Company's net asset value and all costs for notices to investors, including translation costs;
  - f) costs for the Company's legal documents (prospectuses, KIID, annual and semi-annual reports, as well as all other documents legally required in the countries of domiciliation and distribution);
  - g) costs for the Company's registration with any foreign supervisory authorities, if applicable, including fees, translation costs and fees for the foreign representative or paying agent;
  - h) expenses incurred through use of voting or creditors' rights by the Company, including fees for external advisers;
  - i) costs and fees related to any intellectual property registered in the Company's name or usufructuary rights of the Company;
  - j) all expenses arising in connection with any extraordinary measures taken by the Management Company, Portfolio Manager or Custodian Bank for protecting the interests of the investors;
  - k) if the Management Company participates in class-action suits in the interests of investors, it may charge the Company's assets for the expenses arising in connection with third parties (e.g. legal and Custodian Bank costs). Furthermore, the Management Company may charge for all administrative costs, provided these are verifiable and disclosed, and taken into account in the disclosure of the Company's total expense ratio (TER).
3. The Management Company may pay retrocessions in order to cover the distribution activities of the Company.

All taxes levied on the income and assets of the Company, particularly the *taxe d'abonnement*, will also be borne by the Company.

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

Costs in connection with the services to be performed for share classes "I-X", "K-X" and "U-X" pertaining to asset management, fund administration (comprising the costs of the Company, the administration and the Custodian Bank) and distribution will be settled via the compensation to which UBS AG is entitled under a separate contract with the investor.

All costs which can be allocated to individual Subfunds will be charged to these Subfunds.

Costs which can be allocated to share classes will be charged to these share classes. If costs pertain to several or all Subfunds/share classes, however, these costs will be charged to the Subfunds/share classes concerned in proportion to their relative net asset values.

In the Subfunds that may invest in other UCI or UCITS under the terms of their investment policies, fees may be incurred both at the level of the Subfund as well as at the level of the relevant target fund. The upper limit for management fees of the target fund in which the assets of the Subfund are invested amounts to a maximum of 3%, taking into account any trail fees.

In the case of investments in units of funds managed directly or indirectly by the Management Company or another company related to it by common management or control, or by a substantial direct or indirect holding, the Subfunds making the investment may not be charged any of the target fund's issue or redemption commissions.

Details on the ongoing charges of the Company can be found in the KII.

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## **Information to shareholders**

### **Regular reports and publications**

An annual report is published for each Subfund and the Company as at 31 May and a semi-annual report as at 30 November. The above-mentioned reports contain a breakdown of each Subfund, or respectively, each share class in the relevant currency of account. The consolidated breakdown of assets for the Company as a whole is given in USD.

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 focused on by the respective Subfund through the use of derivative financial instruments, the counterparties to these derivative transactions, as well as the collateral (and its scope) provided in favour of the Subfund by its counterparties, in order to reduce credit risk.

These reports are available to shareholders at the registered office of the Company and the Custodian Bank.

The issue and redemption price of shares in each Subfund is made available in Luxembourg at the registered office of the Company and the Custodian Bank.

Notices to shareholders will be sent by post to the shareholder's address stated in the register of shareholders and/or published in a Luxembourg daily newspaper and, if necessary, in foreign daily newspapers.

### **Depositing of documents**

The following documents are lodged at the registered office of the Company and/or Management Company, where they are available for inspection:

- 1) the Articles of Incorporation of the Company and the Articles of Association of the Management Company;
- 2) the agreements concluded between the Custodian Bank and the Company. The above-mentioned agreements may be amended by common consent of the parties involved.

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

In accordance with Luxembourg laws and regulations, the Management Company provides additional information on handling complaints, the strategy for exercising voting rights, remuneration policy and best execution 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)

## **Liquidation of the Company and its Subfunds; merger of Subfunds**

### **Liquidation of the Company and its Subfunds**

The Company may be liquidated at any time by the general meeting of shareholders in due observance of the legal provisions governing the quorum and necessary majority.

If the total net assets of the Company fall below two-thirds or one-quarter of the prescribed minimum capital, the Board of Directors of the Company must ask for a vote by the general meeting of shareholders on whether to liquidate the Company. If the Company is dissolved, the liquidation will be carried out by one or more liquidators to be designated by the general meeting of shareholders, which will also determine their sphere of responsibility and remuneration. The liquidators will realise the Company's assets in the best interests of the shareholders and distribute the net proceeds from the liquidation of the Subfunds to the shareholders of said Subfunds or share classes in proportion to their respective holdings. Any liquidation proceeds which cannot be distributed to the shareholders at the end of the liquidation process (which can take up to nine months), will be deposited immediately at the *Caisse de Consignation* in Luxembourg.

Term Subfunds are automatically wound up and liquidated upon expiry of their respective terms.

If the total net asset value of a Subfund or of a share class within a Subfund has fallen below a value or has not reached that value, which is required for the economically efficient management of that Subfund or that share class, or in the event of a substantial change in the political, economic and monetary environment, or as part of a rationalisation, the Company may decide to redeem and cancel all shares of the corresponding share class(es) at the net asset value (taking into account the actual realisation prices and realisation cost of the investment) as at the valuation day or date on which the decision takes effect.

Notwithstanding the powers of the Board of Directors of the Company, the general meeting of shareholders of a Subfund can reduce the Company capital at the proposal of the Board of Directors of the Company by withdrawing shares issued by said Subfund and refunding shareholders with the net asset value of their shares. The net asset value is calculated for the day on which the decision comes into force, taking into account the actual price realised on liquidating the Subfund's assets and any costs arising from this liquidation.

The shareholders of the Subfund concerned will be informed of the decision of the general meeting of shareholders or of the Board of Directors of the Company to redeem and cancel the shares via a publication to this effect in the Mémorial and in a Luxembourg daily newspaper as well as, if necessary, in the official publications of the individual distribution countries. The countervalue of the net asset value of shares liquidated which have not been presented by shareholders for redemption will be deposited immediately at the *Caisse de Consignation* in Luxembourg.

### **Merger of the Company or of Subfunds with another undertaking for collective investment ("UCI") or with its subfunds; merger of Subfunds**

"Mergers" are transactions in which

- a) one or more UCITS or Subfunds of such UCITS, the "**absorbed UCITS**", upon being wound up without liquidation, transfer all assets and liabilities to another existing UCITS or a Subfund of that UCITS, the "**absorbing UCITS**", and the shareholders of the absorbed UCITS receive in return shares in the absorbing UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of such shares;
- b) two or more UCITS or Subfunds 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 a Subfund of that UCITS, the "**absorbing UCITS**", and the shareholders of the absorbed UCITS receive in return shares in the absorbing UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of such shares;
- c) one or more UCITS or Subfunds of such UCITS, the "**absorbed UCITS**", that continue to exist until liabilities have been paid off, transfer all net assets to another Subfund of the same UCITS, to another UCITS formed by them or to another existing UCITS or a Subfund 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 based on the Law of 2010.

Under the conditions described in the section "Liquidation of the Company and its Subfunds", the Board of Directors of the Company may decide to allocate the assets of a Subfund or of a share class to another existing Subfund or share class of the Company or to another Luxembourg UCI pursuant to Part I of the Law of 2010 or to a foreign UCITS pursuant to the provisions of the Law of 2010 and the redesignation of the shares of the Subfund or share class in question as shares of another Subfund or of another share 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 shareholders). Notwithstanding the powers of the Board of Directors of the Company mentioned in the previous section, the decision to merge Subfunds, as described above, may also be taken by the general meeting of the shareholders of the Subfund in question.

The shareholders will be informed of the decision to merge in the same way as previously described for the redemption and cancellation of shares. During the 30 days following the publication of such a decision, shareholders will have the right to redeem all or a part of their shares at the prevailing net asset value, free of redemption commission or other administration charges, in accordance with the established procedure outlined in "Redemption of shares". Shares not presented for redemption will be exchanged on the basis of the net asset value of the relevant subfund, calculated for the day on which the decision takes effect. In the event of the allocation of units in a collective investment fund (*fonds commun de placement*), the decision is binding only for the investors who voted in favour of the allocation.

### **General meeting of the Company or of the shareholders of the Subfund concerned**

For both the liquidation and merger of Subfunds, no minimum quorum is required at the general meeting of the Company or of the shareholders of the Subfund in question, and decisions can be approved by a simple majority of the shares present or represented at this general meeting.

### **Applicable law, place of performance and authoritative language**

The District Court of Luxembourg is the place of performance for all legal disputes between the shareholders, the



Company, the Management Company and the Custodian Bank. Luxembourg law applies. However, in matters concerning the claims of investors from other countries, the Company and/or the Custodian Bank may elect to make themselves subject to the jurisdiction of the countries in which the shares were bought and sold.

The German version of this sales prospectus is the authoritative version. However, in matters concerning shares sold to investors in the countries in which Company shares may be bought and sold, the Company may recognise translations which it has approved into the languages concerned as binding.

## **Investment principles**

The following conditions also apply to the investments made by each Subfund:

### **1 Permitted investments of the Company**

1.1 The investments of the Company may consist exclusively of one or more of the following components:

- a) securities and money market instruments which 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 which are traded in a Member State on another market which operates regularly and is recognised and open to the public. The term "**Member State**" designates a Member State of the European Union; states that are parties to the agreement on the European Economic Area but are not Member States of the European Union are considered the same as 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 that the terms of issue contain a clause that an application is made for an official listing on one of the securities exchanges or a licence to trade on one of the regulated markets mentioned under 1.1(a) to 1.1(c), and that this listing/licence is granted within one year of the issue of the securities;
- e) units of UCITS admitted pursuant to Directive 2009/65/EC and/or other UCI 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 a non-Member State, provided that:
  - such other UCI have been approved in accordance with statutory rules subjecting them to 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 in the other UCI is equivalent to that afforded to shareholders in the Company and, in particular, rules apply to the separate holding of fund assets, borrowing, lending and the short-selling of securities and money market instruments that are equivalent to the requirements set forth in Directive 2009/65/EC;
  - the business operations of the other UCI 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; and
  - 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 UCI.The Subfund invests a maximum of 10% of its assets in other UCITS or UCI, unless stipulated to the contrary in the investment policy of the relevant Subfund.
- f) sight deposits or deposits at notice at credit institutions with a term of up to 12 months, provided the institution concerned has its registered office in an EU Member State, or — if the institution's registered office is located in a non-EU state — it is subject to supervisory regulations which the CSSF authority deems equivalent to those under Community law.
- g) derivative financial instruments ("**derivatives**"), including equivalent cash-settled instruments, which are traded on one of the regulated markets listed in (a), (b) and (c) above, or derivatives which are not traded on a stock exchange ("**OTC derivatives**"), provided that:
  - the use of derivatives is in accordance with the investment purpose and investment policy of the respective Subfund, and is suited towards achieving these;
  - the underlying securities are instruments in accordance with the definition given in points 1.1(a) and 1.1(b) or financial or macroeconomic indices, interest rates, currencies or other underlying instruments in which the Company's investment policy allows it to invest directly or via other existing UCI or UCITS;
  - the Subfunds 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 official supervision and belonging to the categories admitted by the CSSF and expressly approved by the Company. The approval process by the Company is based on the principles drawn up by UBS AM Credit Risk and relating to, inter alia,

- the credit worthiness, reputation and experience of the counterparty in question in settling transactions of this type, as well as their willingness to provide capital. The Company maintains a list of counterparties it has approved;
- the OTC derivatives are valued in a reliable and verifiable manner on a daily basis and may be sold, liquidated or settled by means of a back-to-back transaction at any time, upon the Company's initiative and at the appropriate market value; and
  - the respective counterparty is not granted discretion regarding the composition of the portfolio managed by the respective Subfund (e.g. in the case of a total return swap or a derivative financial instrument with similar characteristics) or the underlying of the respective OTC derivative.
- h) money market instruments as defined under "Investment policy", 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 authority or the central bank of a Member State, the European Central Bank, the European Union or European Investment Bank, by a non-Member State, or, in the case of a federal state, a Member State of the federation or by a public international body of which at least one Member State is a member;
  - issued by an undertaking whose securities are traded on the regulated markets mentioned in points 1.1(a), (b) and (c);
  - issued or guaranteed by an institution that is subject to official supervision in accordance with the criteria laid down by Community law or by an institution that is subject to and complies with supervision that, in the opinion of the CSSF, is at least as stringent as that provided for by Community law, or are issued by other issuers belonging to a category approved by the CSSF, provided that investor protection rules apply to investments in such instruments, which are equivalent to those of the first, second or third listed point above and provided the issuers constitute either a company with equity capital amounting to at least 10 million euros (EUR 10,000,000), which prepares and publishes its annual accounts according to the provisions of 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 which is to fund the underlying securities for obligations by the use of a credit line made available by a bank.
- 1.2 Contrary to the investment restrictions set out in 1.1, each Subfund may invest up to 10% of its net assets in securities and money market instruments other than those named in 1.1.
- 1.3 The Company ensures that the overall risk associated with derivatives does not exceed the overall net value of the Company portfolio. As part of its investment strategy, each Subfund may make investments in derivatives within the limits laid down 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 Subfund may hold liquid funds on an ancillary basis.

## 2 Risk diversification

- 2.1 In accordance with the principle of risk diversification, the Company is not permitted to invest more than 10% of the net assets of a Subfund in securities or money market instruments from a single institution. The Company may not invest more than 20% of the net assets of a Subfund in deposits with a single institution. In transactions by a Subfund in OTC derivatives, the risk of loss must not exceed 10% of the assets of the Subfund concerned if the counterparty is a credit institution as defined in 1.1(f). The maximum allowable risk of loss 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 accounting for more than 5% of the net assets of a Subfund may not exceed 40% of the net assets of the respective Subfund. Such limitation shall not apply to deposits and transactions in OTC derivatives with financial institutions which are subject to supervision.
- 2.2 Regardless of the maximum limits set out in 2.1, each Subfund may not invest more than 20% of its net assets in a single institution in a combination of:
- securities and money market instruments issued by such institution,
  - deposits with such institution and/or
  - OTC derivatives traded with such institution.
- 2.3 Contrary to the above, the following applies:
- a) The limit of 10% mentioned in 2.1 may be 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 legislative supervision by public authorities that would ensure the protection of investors. In particular, funds originating from the issue of such bonds must, in accordance with the law, be invested in assets which provide sufficient cover for the obligations arising from them during the entire term of the bonds and, in the event of insolvency of the borrower, provide a preferential right in respect of the payment of capital and interest. If a Subfund invests more than 5% of its net assets in bonds of a single issuer, then the total value of these investments may not exceed 80% of the value of the net assets of the Subfund.
  - b) This limit of 10% can be raised to 35% for securities or money market instruments issued or guaranteed by an EU Member State or its central, regional and local authorities, by another approved state, or by international organisations with public-law character of which one or more EU States are members. Securities and money market instruments that come under the special ruling given in 2.3(a) and (b) are not counted when calculating the above-mentioned 40% risk-diversification ceiling.

- c) The limits set out in 2.1, 2.2, 2.3(a) and (b) may not be accumulated; therefore, the investments listed in these paragraphs made in securities or money market instruments of a single issuer or in deposits with that institution or in its derivatives may not exceed 35% of the net assets of a given Subfund.
- d) Companies which belong to the same group of companies in that they prepare their consolidated accounts under the rules of Council Directive 83/349/EEC or according to recognised international accounting principles, must be treated as a single issuer for the calculation of the investment limits set out in this section. However, investments by a Subfund in securities and money market instruments of a single group of companies may together make up to 20% of the assets of the Subfund concerned.
- e) In the interests of risk diversification, the Company is authorised to invest up to 100% of a Subfund'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, Russia, Brazil, Indonesia or Singapore, or by international organisations under public law to which one or more EU Member States belong. These securities or 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 net assets of a Subfund.**
- 2.4 The following provisions apply with regard to investments in other UCITS or UCIs:
- The Company may invest up to 20% of the net assets of a Subfund in units in a single UCITS or other UCI. In implementing this investment limit, each Subfund of a UCI consisting of a number of Subfunds is treated as an independent issuer if it can be guaranteed that said Subfunds are individually liable in respect of third parties.
  - Investments in units of UCI other than UCITS may not exceed 30% of the Subfund's net assets. The assets of the UCITS or other UCI invested in are not included in the calculation of the maximum limits set out in 2.1, 2.2 and 2.3.
  - For Subfunds which, in line with their investment policy, invest a significant portion of their assets in units of other UCITS and/or other UCI, the maximum flat fees chargeable by the Subfund itself and by the other UCITS and/or other UCI in which it intends to invest are described in the section "Expenses paid by the Company".
- 2.5 The Subfunds may subscribe, acquire and/or hold shares that are to be issued by or have been issued by one or more other subfunds of the Company, provided that:
- the target subfund does not itself invest in the Subfund that is investing in that target subfund; and
  - the total share of the assets which the target subfunds to be acquired may invest in units of other UCI may not, in accordance with their sales prospectuses or articles of incorporation, exceed 10%; and
  - any voting rights associated with the securities in question is suspended for the period they are held by the Subfund in question, regardless of their appropriate evaluation in the financial statements and periodic reports; and
  - in any case, as long as these securities are held by the Subfund, their value is taken into consideration in the calculation of net asset value under the Law of 2010 for the purposes of verifying the minimum net assets under the Law of 2010; and
  - there is no multiple charging of fees for administration/subscription or redemption either at the level of the Subfund that has invested in the target subfund or at the level of the target subfund.
- 2.6 The Company may invest a maximum of 20% of the investments of a Subfund in equities and/or debt securities of a single issuer if the investment policy of the Subfund in question provides for the Subfund objective of replicating a specific equity or debt security index recognised by the CSSF, provided that:
- the composition of the index is sufficiently diversified;
  - the index represents an appropriate benchmark for the market to which it refers;
  - the index is published appropriately.
- The limit is 35% provided this is justified based on exceptional market conditions, and in particular on regulated markets on which certain securities or money market instruments are in a strongly dominant position. 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 due to the exercise of subscription rights, the Company must attach top priority in its sales of securities to normalising the situation while, at the same time, considering the best interests of the shareholders.

Provided that they continue to observe the principle of risk diversification, newly launched Subfunds may deviate from the specific restrictions indicated regarding risk diversification for a period of six months after being approved by the authorities.

### 3 Investment restrictions

The Company is prohibited from:

- 3.1 acquiring securities, the subsequent sale of which is subject to any restrictions arising from contractual agreements;
- 3.2 acquiring equities with voting rights that would enable the Company, possibly in collaboration with other investment funds under its supervision, 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 last three cases, the restrictions on acquiring securities need not be observed if the gross amount of the debt instruments or the money market instruments or the net amounts of the issued units cannot be determined at the time of acquisition.

Exempt from the provisions of 3.2 and 3.3 are:

- securities and money market instruments which are issued or guaranteed by an EU Member State or its central, regional and local authorities or by another approved state;
  - securities and money market instruments issued or guaranteed by a non-Member State of the European Union;
  - securities and money market instruments issued by public international bodies to which one or more Member States of the European Union belong;
  - shares held in the capital of a company incorporated in a non-member state and investing its assets mainly in the securities of issuing bodies domiciled in that non-member State, where under the legislation of that non-member State such a stake represents the only way in which investments may be made in the securities of issuing bodies of that non-member state. In doing so, the provisions of the Law of 2010 must be complied with; and
  - shares held in the capital of subsidiary companies, which carry out certain administrative, advisory or sales services with regard to the repurchase of units at shareholders' request in the country they are located and exclusively on behalf of the Company.
- 3.4 short-selling securities, money market instruments or other instruments listed in 1.1(e), (g) and (h);
- 3.5 acquiring precious metals or related certificates;
- 3.6 investing in real estate and purchasing or selling commodities or commodities contracts;
- 3.7 taking out loans, unless
- these are in the form of a back-to-back loan for the purchase of foreign currency;
  - the loan is only temporary and does not exceed 10% of the net assets of the Subfund 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 points 1.1(e), (g) and (h) if these are not fully paid up.
- 3.9 Notwithstanding the aforementioned prohibited investments, the Company is entitled to invest in the following financial instruments:
- certificates, in the broader sense, which have individual precious metals as underlying assets, comply with the securities requirements stipulated in Article 2 of Directive 2007/16/EC and do not contain any embedded derivatives linked to the performance of an index.
  - certificates, in the broader sense, which have individual commodities or commodity indices as underlying assets, comply with the securities requirements stipulated in Article 2 of Directive 2007/16/EC and do not contain any embedded derivatives linked to the performance of an index.

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

#### 4 Merging assets

The Company may permit internal merging and/or the joint management of assets from particular Subfunds in the interests of efficiency. In this case, assets from different Subfunds are managed together. The assets under joint management are referred to as a "**pool**"; pools are used exclusively for internal management purposes. Pools are not separate units and cannot be accessed directly by shareholders.

#### Pooling

The Company may invest and manage all or part of the portfolio assets of two or more Subfunds (for this purpose referred to as "**participating Subfunds**") in the form of a pool. Such an asset pool is created by transferring cash and other assets (if these assets are in line with the investment policy of the pool concerned) from each participating Subfund to the asset pool. The Company can then make further transfers to the individual asset pools. Equally, assets up to the amount of its participation can also be transferred back to a participating Subfund.

The share of a participating Subfund in the respective asset pool is evaluated by reference to notional units of the same value. When an asset pool is created, the Company shall specify the initial value of the notional units (in a currency that the Company considers appropriate) and allot to each participating Subfund notional units in the total value of the cash (or other assets) it has contributed. The value of the notional units will then be determined 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 participating Subfund concerned increase or diminish by a number, which is determined by dividing the contributed or withdrawn cash amount or assets by the current value of the holding of the participating Subfund in the pool. If cash is contributed to the asset pool, for calculation purposes it is reduced by an amount that the Company considers appropriate in order to take account of any tax expenses as well as the closing charges and acquisition costs relating to

the investment of the cash concerned. If cash is withdrawn, a corresponding deduction may be made in order to take account of any costs related to the disposal of securities or other assets of the asset pool.

Dividends, interest and other income-like distributions, which are obtained from the assets of an asset pool, are allocated to the asset pool concerned and thus lead to an increase in the respective net assets. If the Company is liquidated, the assets of an asset pool are allocated to the participating Subfunds in proportion to their respective share in the asset pool.

### **Joint management**

To reduce operating and management costs and at the same time to permit broader diversification of investments, the Company may decide to manage part or all of the assets of one or more Subfunds in combination with assets that belong to other Subfunds or to other undertakings for collective investment. In the following paragraphs, the term "**jointly managed entities**" refers to the Company and each of its Subfunds and all entities with or between which a joint management agreement might exist; the term "**jointly managed assets**" refers to the entire assets of these jointly managed entities which are managed according to the aforementioned agreement.

As part of the joint management agreement, the respective Portfolio Manager is entitled, on a consolidated basis for the relevant jointly managed entities, to make decisions on investments and sales of assets which have an influence on the composition of the portfolio of the Company and of its Subfunds. Each jointly managed entity holds a share in the jointly managed assets which is in proportion to the share of its net assets in the aggregate value of the jointly managed assets. This proportionate holding (for this purpose referred to as "**participation arrangement**") applies to all investment categories which are held or acquired within the context of joint management. Decisions regarding investments and/or sales of assets have no effect on this participation arrangement, and further investments are allotted to the jointly managed entities in the same proportions. In the event of a sale of assets, these will be subtracted proportionately from the jointly managed assets held by the individual jointly managed entities.

In the case of new subscriptions for one of the jointly managed entities, the subscription proceeds are to be allocated to the jointly managed entities in accordance with the changed participation arrangement resulting from the increase in net assets of the jointly managed entity having benefited from the subscriptions. The level of the investments will be modified by the transfer of assets from the one jointly managed entity to the other, and thus adapted to suit the altered participation arrangement. Similarly, in the case of redemptions for one of the jointly managed entities, the necessary liquid funds shall be taken from the liquid funds of the jointly managed entities in accordance with the altered participation arrangement resulting from the reduction in net assets of the jointly managed entity which has been the subject of the redemptions, and in this case the particular level of all investments will be adjusted to suit the altered participation arrangement.

Shareholders are alerted to the fact that the joint management agreement may result in the composition of the assets of a particular Subfund being affected by events which concern other jointly managed entities, e.g. subscriptions and redemptions, unless the Company or one of the entities commissioned by the Company resort to special measures. If all other aspects remain unchanged, subscriptions received by an entity under joint management with the Subfund will therefore result in an increase in the cash reserve of this Subfund. Conversely, redemptions of an entity under joint management with the Subfund will result in a reduction of the cash reserves of the Subfund. However, subscriptions and redemptions can be executed on the special account that is opened for each jointly managed entity outside the agreement and through which subscriptions and redemptions must pass. Because of the possibility of posting extensive subscriptions and redemptions to these special accounts, and the possibility that the Company or the entities commissioned by it may decide at any time to terminate the participation of the Subfund in the joint management agreement, the Subfund concerned may avoid rearranging its portfolio if this could adversely affect the interests of the Company and its shareholders.

If a change in the portfolio composition of the Company or one or more of its Subfunds, occurring as a result of redemptions or payments of fees and expenses associated with another jointly managed entity (i.e. which cannot be counted as belonging to the Company or respective Subfund), could result in a violation of the investment restrictions applying to the Company or respective Subfund, the relevant assets before implementing the change will be excluded from the agreement so that they are not affected by the resulting adjustments.

Jointly managed assets of Subfunds will only be managed jointly with assets which are to be invested according to the same investment objectives in order to ensure that investment decisions are reconcilable in all respects with the investment policy of the particular Subfund. Jointly managed assets may only be managed together with assets for which the same Portfolio Manager is authorised to make decisions on investments and the sale of assets, and for which the Custodian Bank also acts as a depositary so as to ensure that the Custodian Bank is capable of performing its functions and responsibilities, assumed in accordance with the Law of 2010 and the applicable statutory requirements, in all respects for the Company and its Subfunds. The Custodian Bank must always keep the assets of the Company separate from those of the other jointly managed entities; this allows it to accurately determine the assets of each individual Subfund at any time. Since the investment policy of the jointly managed entities does not have to correspond exactly with that of the Subfunds, it is possible that their joint investment policy may be more restrictive than that of the individual Subfunds.

The Company may decide to terminate the joint management agreement at any time without giving prior notice.

Shareholders may enquire at any time at the Company's registered office as to the percentage of jointly managed assets and entities with which there is a joint management agreement at the time of their enquiry.

The composition and percentages of jointly managed assets must be stated in the annual reports.

Joint management agreements with non-Luxembourg entities are permissible if (i) the agreement in which the non-Luxembourg entity is involved is governed by Luxembourg law and Luxembourg jurisdiction or (ii) each jointly managed entity is equipped with such rights that no creditor and no insolvency or bankruptcy administrator of the non-Luxembourg entity has access to the assets or is authorised to freeze them.

## **5 Special techniques and instruments that have securities and money market instruments as underlying assets**

The Company is entitled to employ techniques and instruments which feature securities and money market instruments, provided such techniques and instruments are used in the interests of efficient portfolio management (the "techniques") subject to the conditions and limits defined by the CSSF. If such transactions relate to the use of derivatives, the terms and limits must comply with the provisions of the Luxembourg Law of 2010. . The use of these techniques and instruments must be in accordance with the best interests of the investors.

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

The risks inherent to the use of these techniques are essentially comparable to the risks associated with the use of derivatives (in particular, counterparty risk). For this reason, reference is made here to the information contained in the section entitled "Risks connected with the use of derivatives".

The 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 Company and the Management Company is primarily carried out through reviewing the contracts and corresponding processes on a regular basis.

The Company also ensures that, at any time, it can cancel any contract entered into within the framework of the use of the techniques and instruments for the efficient management of the portfolio or that the securities and/or liquid funds transferred to the respective counterparty can be reclaimed by the Company. In addition, the liquid funds should include the interest incurred up to the time of being reclaimed.

Furthermore, the Company ensures that, despite the use of these techniques and instruments, the investors' redemption orders can be processed at any time.

Within the framework of the use of techniques and instruments for the efficient management of the portfolio, the Company may lend portions of its securities portfolio to third parties ("**securities lending**"). In general, 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 Company 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 Company 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 Company within the scope of securities lending. In derogation from the provisions of the section entitled "Collateral management", shares from the finance sector are accepted as securities within the framework of securities lending.

Service providers that provide services to the Company 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, by an independent body on an annual basis. The recipients of these and other direct and indirect fees, the amounts of the respective fees, as well as the findings as to whether the fee recipients are associated with the Company, the Management Company and/or Custodian Bank can be found in the respective annual or semi-annual report.

Furthermore, the 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 Company, as well as the information to be published in the annual and semi-annual reports.

The Board of Directors of the 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 (apart from the USA, 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 USA, 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
U.K. (FTSE 100 INDEX)	UKX
U.S. (DOW JONES INDUS. AVG)	INDU
U.S. (NASDAQ 100 STOCK INDX)	NDX
U.S. (S&P 500 INDEX)	SPX
U.S. (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.

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

The Company may, for a Subfund, also engage in repurchase transactions ("**repurchase agreements**" or "**reverse repurchase agreements**") involving the sale/purchase of securities, where agreements have been reached to buy

back/sell back the sold/bought securities at a (higher) price and within a set time. Any repurchase agreements are subject to the following conditions:

- securities may only be sold/purchased under a repurchase agreement if the counterparty is a first-class financial institution specialising in this kind of transaction;
- for as long as the repurchase agreement is valid, the securities bought cannot be sold before the right to repurchase the securities has been exercised or the repurchase period has expired;
- securities that serve as underlying assets to derivative financial instruments, are lent or have been taken under terms of reverse repurchase agreements may not be sold under the terms of repurchase agreements.

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