



UBS (Lux) Medium Term Bond Fund

Fondo di investimento di diritto lussemburghese ("Fonds commun de placement")

Prospetto

Giugno 2015

UBS (Lux) Medium Term Bond Fund

Investment fund under Luxembourg law ("*fonds commun de placement*")

June 2015

Sales Prospectus

Units of UBS (Lux) Medium Term Bond Fund (the Fund) may be acquired on the basis of this sales prospectus, the Management Regulations, the latest annual report and, if already published, the subsequent semi-annual report. Only the information contained in the sales prospectus and in one of the documents referred to in the sales prospectus shall be deemed valid.

Furthermore, a Key Investor Information (KII) document is made available to investors before subscribing to units. Information on whether a Subfund of the Fund is listed on the Luxembourg Stock Exchange can be obtained from the Administrative Agent or the Luxembourg Stock Exchange website (www.bourse.lu).

The issue and redemption of Fund units are subject to the regulations prevailing in the country concerned. The Fund keeps all investor information confidential, unless otherwise required by statutory or regulatory provisions.

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

Units in this Fund 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

Management Company

UBS Fund Management (Luxembourg) S.A., R.C.S. B 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) 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 Fund, 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 specifies a strategy for handling 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

Board of Directors

Chairman	Andreas Schlatter, Group Managing Director, UBS AG, Basel and Zurich
Members	Mario Cueni, Group 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

Portfolio Manager

UBS Global Asset Management (Australia) Ltd., Sydney	UBS (Lux) Medium Term Bond Fund – AUD
UBS Global Asset Management (Americas) Inc., Chicago, IL	UBS (Lux) Medium Term Bond Fund – US Government (USD)
UBS AG, UBS Global Asset Management, Basel and Zurich	UBS (Lux) Medium Term Bond Fund – CAD
	UBS (Lux) Medium Term Bond Fund – CHF
	UBS (Lux) Medium Term Bond Fund – EUR
	UBS (Lux) Medium Term Bond Fund – GBP
	UBS (Lux) Medium Term Bond Fund – USD

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

Custodian Bank and main paying agent

UBS (Luxembourg) S.A., 33A avenue J.F. Kennedy, L-1855 Luxembourg, (B.P. 2, L-2010 Luxembourg)
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 Management Company has appointed the Custodian Bank as Custodian Bank and main paying agent of the Fund.

The Custodian Bank fulfils its obligations and assumes the responsibilities arising from the Law of 2010 on undertakings for collective investment 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 Fund assets and (ii) the safekeeping of the assets of the Fund 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 Fund and prescribed by Luxembourg law. These administrative services mainly include domiciliation, the calculation of the net asset value per unit and the keeping of the Fund's accounts, as well as reporting.

Auditor of the Fund

Ernst & Young S.A., 7, rue Gabriel Lippmann – Parc d'Activité Syrdall 2, L-5365 Munsbach

Auditor of the Management Company

Ernst & Young S.A., 7, rue Gabriel Lippmann – Parc d'Activité Syrdall 2, L-5365 Munsbach

Paying agents

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

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

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

Profile of the typical investor

UBS (Lux) Medium Term Bond Fund – AUD

UBS (Lux) Medium Term Bond Fund – CAD

UBS (Lux) Medium Term Bond Fund – CHF

UBS (Lux) Medium Term Bond Fund – EUR

UBS (Lux) Medium Term Bond Fund – GBP

UBS (Lux) Medium Term Bond Fund – USD

The Subfunds are suitable for investors who wish to invest in a broadly diversified portfolio of bonds, but who want to restrict interest-rate risk to the short and medium-term segment.

UBS (Lux) Medium Term Bond Fund – US Government (USD)

The Subfund is suitable for investors with a medium-term investment horizon who wish to invest in a broadly diversified portfolio of US debt securities and rights issued or guaranteed by the US government or one of its agencies or instrumentalities.

Historical performance

The historical performance of the individual Subfunds is outlined in the KII of the corresponding unit class or in the corresponding document for the Fund'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 Fund unit 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 affecting economic factors such as employment, public expenditure and indebtedness, inflation

- changes in the legal environment
- changes in investor confidence in certain asset classes (e.g. equities), markets, countries, industries and sectors
- changes in the prices of raw materials.

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

The Portfolio Manager may use special techniques and financial instruments whose underlying assets are securities, money market instruments and other financial instruments. These instruments may be of crucial importance for certain Subfunds. The risks associated with such techniques are described in this sales prospectus in the sections entitled "Risks connected with the use of derivatives" and "Use of futures and options".

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.

The Fund

Fund structure

The Fund 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.

Unit classes

Not all the types of unit class described below have to be offered at all times. Information on which unit classes are available can be obtained from the Administrative Agent or at www.ubs.com/funds.

"P"	Units in classes with "P" in their name are available to all investors. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, 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"	Units in classes with "N" in their name (units 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 Management Company. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units 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"	Units in classes with "K-1" in their name are available to all investors. Their smallest tradable unit is 0.1. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 5 million, 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"	Units 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 Global Asset Management (a business division of UBS AG). The costs for asset management, fund administration (comprising the costs of the Management Company, administration and Custodian Bank) and distribution are charged to investors under the aforementioned agreements. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, 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, USD 100 or ZAR 1,000.
"F"	Units in classes with "F" in their name are exclusively available to UBS AG or one of its affiliated companies. The units 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 units will be returned to the Fund at the prevailing net asset value at no charge upon termination of the mandate. The smallest tradable unit of these units is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units 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.

Q	<p>Units in classes with "Q" in their name are available</p> <ol style="list-style-type: none"> 1) for distribution from an eligible country as defined by "List A"; 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"> (a) on their own behalf; (b) on behalf of their clients within a (discretionary) asset management agreement; or (c) on behalf of their clients within the framework of an advisory relationship established in writing, in return for payment; or (d) on behalf of a collective investment managed by a professional of the financial sector. <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" and/or is operating in the 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 Management Company at its sole discretion. The corresponding information is published at www.ubs.com/funds.</p> <p>The smallest tradable unit of these units is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units 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>Units in classes with "I-A1" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units 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>Units in classes with "I-A2" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units 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 units is AUD 10 million, CAD 10 million, CHF 10 million, CZK 200 million, EUR 5 million, GBP 5 million, HKD 80 million, JPY 1 billion, PLN 50 million, RMB 70 million, RUB 350 million, SEK 70 million, SGD 10 million or USD 10 million.</p> <p>Upon subscription,</p> <ol style="list-style-type: none"> (i) a minimum subscription must be made pursuant to the list above, or (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).
"I-A3"	<p>Units in classes with "I-A3" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, CAD 100, CHF 100, CZK 2,000, EUR 200, 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 units amounts to AUD 30 million, CAD 30 million, CHF 30 million, CZK 600 million, EUR 20 million, GBP 20 million, HKD 240 million, JPY 3 billion, PLN 150 million, RMB 210 million, RUB 1.05 billion, SEK 210 million, SGD 30 million or USD 30 million.</p> <p>Upon subscription,</p> <ol style="list-style-type: none"> (i) a minimum subscription must be made pursuant to the list above, or (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).
"I-B"	<p>Units in classes with "I-B" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010 who have signed a written agreement 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 Management Company, administration and 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 Management Company decides otherwise, the initial issue price of these units 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-X"	<p>Units in classes with "I-X" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010 who have signed a written agreement 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 Management Company, administration and Custodian Bank) and distribution are charged to investors under the aforementioned agreements. Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 100, 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>

"U-X"	Units in classes with "U-X" in their name are exclusively reserved for institutional investors within the meaning of Article 174(2)(c) of the Law of 2010 who have signed a written agreement 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 Management Company, administration and Custodian Bank) and distribution are charged to investors under the aforementioned agreements. This unit class is exclusively geared towards financial products (i.e. fund of funds or other pooled structures in accordance with different legislation). Their smallest tradable unit is 0.001. Unless the Management Company decides otherwise, the initial issue price of these units amounts to AUD 10,000, 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.
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Additional characteristics:	
"UKdist"	The aforementioned unit classes can be issued as those with "UKdist" in their name. In these cases, the Management Company intends to distribute a sum which corresponds to 100% of the reportable income within the meaning of the UK reporting fund rules when the unit classes are subject to the reporting fund rules. The Management Company does not intend to make available taxable values in other countries for this unit class, as these unit classes are intended for investors whose investment in the unit class is liable to tax in the UK.
Currency	The unit classes may be denominated in AUD, CAD, CHF, CZK, EUR, GBP, HKD, JPY, PLN, RMB, RUB, SEK, SGD or USD. For unit classes issued in the currency of account of the respective Subfund, the respective currency will not be included in the unit class name. The currency of account features in the name of the relevant Subfund.
"hedged"	For unit 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 unit classes denominated in other currencies. Although it will not be possible to fully hedge the total net asset value of a unit 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 unit 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 units not denominated in the reference currency may, however, result in the level of currency hedging temporarily surpassing the stated limits. The Management 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. Units in classes with "RMB hedged" in their name are units whose net asset value is calculated in offshore RMB (CNH). Onshore RMB (CNY) is not a freely convertible currency and is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government. Offshore RMB (CNH), on the other hand, may be traded freely against other currencies, particularly EUR, CHF and USD. This means the exchange rate between offshore RMB (CNH) and other currencies is determined on the basis of supply and demand relating to the respective currency pair. 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 other external market forces. Any devaluation of offshore RMB (CNH) could adversely affect the value of investors' investments in the RMB classes. Investors should therefore take these factors into account when calculating the conversion of their investments and the ensuing returns from offshore RMB (CNH) into their target currency. Prior to investing in RMB classes, investors should also bear in mind that the availability and tradability of RMB classes, and the conditions under which they may be available or traded, depend to a large extent on the political and regulatory developments in the PRC. Thus, no guarantee can be given that offshore RMB (CNH) or the RMB classes will be offered and/or traded in future, nor can there be any guarantee as to the conditions under which offshore RMB (CNH) and/or RMB classes may be made available or traded. In particular, since the currency of account of the relevant 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. 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

	unit class and/or the Subfund in accordance with the section "Liquidation and merger of the Fund and its Subfunds or unit classes".
DH	In unit 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 unit 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 unit classes. Duration is an instrument for measuring the price elasticity of bonds with regard to interest-rate fluctuations. The higher the duration of a bond portfolio, the stronger its market value reacts to interest changes; the lower the duration of a bond portfolio, the weaker its market value reacts to interest changes. The duration of the net asset value of DH unit classes will not be higher than that of unit classes without "DH" in their name. Therefore, the net asset value of DH unit classes will react in the same way or weaker to interest changes as the net asset value of unit classes without "DH" in their name.
"acc"	For unit classes with "-acc" in their name, income is not distributed unless the Management Company decides otherwise.
"dist"	For unit classes with "-dist" in their name, income is distributed unless the Management Company decides otherwise.
"qdist"	Units 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 will result in an immediate reduction in the net asset value per unit 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) unit classes. Investors may be taxed on income and capital arising from accumulating (-acc) unit classes at a later point in time than is the case with distributing (-dist) unit classes. Investors should seek their own tax advice.
"mdist"	Unit 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 will result in an immediate reduction in the net asset value per unit 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) unit classes. Investors may be taxed on income and capital arising from accumulating (-acc) unit classes at a later point in time than is the case with distributing (-dist) unit classes. Investors should seek their own tax advice. The maximum issuing commission for units in classes with "-mdist" in their name is 6%.
«2%», «4%», «6%», «8%»	Units in classes with "2%" / "4%" / "6%" / "8%" in their name may make monthly (-mdist), quarterly (-qdist) or annual (-dist) distributions at the respective aforementioned annual percentage rates, gross of fees and expenses. The distribution amount is calculated based on the net asset value of the respective unit class at the end of the month (in the case of monthly distributions), financial quarter (in the case of quarterly distributions) or financial year (in the case of annual distributions). These unit classes are suitable for investors who wish for more stable distributions, unrelated to past or expected returns or income. Distributions can 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 will result in an immediate reduction in the net asset value per unit 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) unit classes. Investors may be taxed at a later point in time on income and capital arising on accumulating (-acc) unit classes compared to distributing (-dist, -qdist, -mdist) unit classes. Investors should seek their own tax advice.

Legal aspects

The UBS (Lux) Medium Term Bond Fund was established as an open-ended investment fund without legally independent status in the form of a collective investment fund ("fonds commun de placement" - FCP) and is subject to Part I of the Luxembourg Law of 2010. It was originally established under the name UBS (Lux) Medium Term Invest in compliance with the Management Regulations approved by the Board of Directors of UBS Medium Term Bond Fund Management Company S.A. (formerly UBS Medium Term Bond Invest Management Company S.A.) on 1 July 1995. The name of UBS (Lux) Medium Term Invest was changed to UBS (Lux) Medium Term Bond Fund on 1 March 1999.

The activities of UBS Medium Term Bond Fund Management Company S.A. in its function as Management Company of UBS (Lux) Medium Term Bond Fund ended on 14 November 2010.

On 15/11/2010, UBS Fund Management (Luxembourg) S.A. assumed the function of Management Company.

The Management Regulations were published by way of a notice of deposit in the Luxembourg "Mémorial" on 27 June 1995, and amendments were published on 14 May 1996, 16 April 1997, 30 September 1998, 3 March 1999, 13

November 1999, 1 March 2001, 30 May 2003, 8 November 2006, 15 November 2010, 10 January 2012, 20 August 2012 and most recently on 14 January 2015.

Each amendment deposited is announced in the "Mémorial". The new Management Regulations come into force on the date they are deposited with the Trade and Companies Register of the District Court of Luxembourg.

The consolidated version is deposited at the Trade and Companies Register (Registre de Commerce et des Sociétés) for inspection.

The Fund has no legal personality as an investment fund. The entire net assets of each Subfund are the undivided property of all unitholders who have equal rights in relation to the unit classes they hold. These assets are separate from the assets of the Management Company. The securities and other assets of the Fund are managed by UBS Fund Management (Luxembourg) S.A. as separate trust assets in the interests and for the account of the unitholders.

The Management Regulations give the Management Company the authority to establish different Subfunds for the Fund as well as different unit classes with specific characteristics within these Subfunds. This sales prospectus will be updated each time a new Subfund or additional unit class is launched.

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

The Fund forms an indivisible legal entity. With respect to the unitholders, each Subfund is regarded as being separate from the others. The assets of a Subfund can, however, be used to offset only the liabilities which the Subfund concerned has assumed.

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

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

The Management Company asks investors to note that they will only benefit from unitholders rights if they have been entered in their own name in the register of unitholders following their investment in the Fund. However, if the investor invests in the Fund 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 unitholders instead of the investor, the aforementioned 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.

The Fund's financial year ends on the last day of February.

Investment objective and investment policy

General investment objective

The aim of the Fund is to achieve high current earnings, while giving due consideration to capital security and the liquidity of the Fund's assets. The average term of the Subfund's investments should be in the medium capital market maturities segment, in other words, generally between one and six years. The residual maturity of the individual investments must not exceed 10 years. For floating-rate debt securities and claims, maturity is considered to be the date of the next interest-rate adjustment.

General investment policy

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-income and floating-rate secured or unsecured debt instruments.

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 on securities.

Furthermore, the Subfunds may invest in collateralised 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. Investments in CDN are subject to the provisions in point 1 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.

Equities and equity claims include shares and share-type securities.

The average residual maturity of the Subfunds' investments must not exceed six years, whereby the residual maturity of the individual investments may not exceed 10 years. For floating-rate debt securities and claims, maturity is considered to be the date of the next interest-rate adjustment.

The aforementioned securities and book-entry securities are securities as defined in Article 41(1) of the Law of 2010 where this is required under the terms of the investment restrictions detailed below.

In line with the investment principles below, each Subfund may buy and sell futures and options, enter into swap transactions (swaps, total return swaps, credit default swaps and inflation swaps) on financial instruments as described in point 1.1(g) of the "Investment principles" and conduct transactions involving options on securities other than for hedging purposes.

In the case of the "US Government" Subfund, this also includes eurodollar deposits.

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 in all currencies in which investments are permitted.

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 net assets in existing UCITS and UCI, unless otherwise defined in the individual Subfunds' investment policy.

The Subfunds and their special investment policies

UBS (Lux) Medium Term Bond Fund – AUD

UBS (Lux) Medium Term Bond Fund – CAD

UBS (Lux) Medium Term Bond Fund – CHF

UBS (Lux) Medium Term Bond Fund – EUR

UBS (Lux) Medium Term Bond Fund – GBP

UBS (Lux) Medium Term Bond Fund – USD

Currency of account: The respective currency of account features in the name of the respective Subfund.

These Subfunds invest at least two-thirds of their assets in debt securities and claims as defined above, issued by public-sector, semi-public or private borrowers and denominated in the currency of the respective Subfund or with an option on the currency of the respective Subfund. In the case of UBS (Lux) Medium Term Bond Fund – EUR, these investments also include all the currencies of the EMU participating countries for as long as these national currencies remain legal tender.

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

After deducting cash and cash equivalents, the Subfunds may invest up to one-third of their net assets in money market instruments. Up to 25% of their net 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 net 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 average residual maturity of the Subfunds' investments must not exceed six years, whereby the residual maturity of the individual investments may not exceed 10 years. For floating-rate debt securities and claims, maturity is considered to be the date of the next interest-rate adjustment.

Fees

	Maximum fee (maximum management fee) p.a.
Unit classes with "P" in their name	0.900% (0.720%)
Unit classes with "N" in their name	1.600% (1.280%)
Unit classes with "K-1" in their name	0.550% (0.440%)
Unit classes with "K-X" in their name	0.000% (0.000%)
Unit classes with "F" in their name	0.340% (0.270%)
Unit classes with "Q" in their name	0.500% (0.400%)
Unit classes with "I-A1" in their name	0.460% (0.370%)
Unit classes with "I-A2" in their name	0.400% (0.320%)
Unit classes with "I-A3" in their name	0.340% (0.270%)
Unit classes with "I-B" in their name	0.065% (0.00%)
Unit classes with "I-X" in their name	0.00% (0.00%)
Unit classes with "U-X" in their name	0.00% (0.00%)

UBS (Lux) Medium Term Bond Fund - US Government (USD)

This Subfund invests at least two-thirds of its assets in debt securities and claims as defined above and issued or guaranteed by the US government or one of its agencies or instrumentalities. These investments mainly comprise US Treasury bonds and mortgage-backed securities, including mortgage pass-throughs, collateralised mortgage obligations (CMO), real-estate mortgage investment conduits (REMIC) and stripped mortgage-backed securities (SMBS). In addition to issues of the US government, consideration will primarily be given to securities issued by the Federal National Mortgage Association (Fannie Mae or FNMA) and the Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC). Issues by the FNMA and FHLMC are not officially guaranteed by the US government. The guarantee of the issuer and accordingly its creditworthiness are, however, reinforced by its right to demand credit from the US government.

Generally, mortgage-backed securities represent a direct or indirect participation in mortgages secured by real estate. Mortgage-backed securities are secured or payable by means of the latter. Every issue of mortgage-backed securities (identified by a pool number in the case of mortgage-pass-throughs or by a serial number in the case of CMOs, REMICs or SMBSs) has the exclusive right to the cash flow from the mortgage loans or securities securing the issue by means of a pledge or otherwise. Accordingly, each issue is actually legally independent and is viewed, when observing the relevant investment restrictions, as a separate issuer.

After deducting cash and cash equivalents, the Subfund may invest up to one-third of its net assets in money market instruments. Up to 25% of its net 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 net 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 average residual maturity of the Subfunds' investments must not exceed six years, whereby the residual maturity of the individual investments may not exceed 10 years. For floating-rate debt securities and claims, maturity is considered to be the date of the next interest-rate adjustment.

To hedge against fluctuations in interest rates, the Subfund may moreover enter into various interest-rate transactions, including swaps, caps and floors.

Taking into account the investment restrictions in the prospectus, the Subfund may also hold certain short-term investments, including commercial papers, banker's acceptances, fixed deposits and certificates of deposit.

The prices of the securities in which the Subfund invests tend to move in the opposite direction to interest rates. Furthermore, although the securities are issued or guaranteed by the US government or one of its agencies or instrumentalities, these guarantees in no way apply to the units in the Fund, and it is expected that the net asset value per unit will fluctuate in proportion to the fluctuations in the US bond and mortgage markets.

Currency of account: USD

Fees

	Maximum fee (maximum management fee) p.a.
Unit classes with "P" in their name	0.900% (0.720%)
Unit classes with "N" in their name	1.000% (0.800%)
Unit classes with "K-1" in their name	0.550% (0.440%)
Unit classes with "K-X" in their name	0.000% (0.000%)
Unit classes with "F" in their name	0.340% (0.270%)
Unit classes with "Q" in their name	0.500% (0.400%)
Unit classes with "I-A1" in their name	0.460% (0.370%)
Unit classes with "I-A2" in their name	0.400% (0.320%)
Unit classes with "I-A3" in their name	0.340% (0.270%)
Unit classes with "I-B" in their name	0.065% (0.00%)
Unit classes with "I-X" in their name	0.00% (0.00%)
Unit classes with "U-X" in their name	0.00% (0.00%)

General risk information

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 Fund's investment policy. The Fund additionally permits investment in a single product, by which means the investor gains an indirect investment in numerous securities.

Certain 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 section "Expenses paid by the Fund" 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 Management Company may employ derivative financial instruments for each Subfund. Derivative financial instruments are instruments that derive their value from other financial 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 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 Fund", 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. Unitholders should note that this definition may lead to artificially high leverage which may not correctly reflect the actual economic risk due to, inter alia, the following reasons:

- Regardless of whether a derivative is used for investment or hedging purposes, it increases the leverage 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) Medium Term Bond Fund – AUD	Commitment approach	n.a.	n.a.
UBS (Lux) Medium Term Bond Fund – CAD	Commitment approach	n.a.	n.a.
UBS (Lux) Medium Term Bond Fund – CHF	Commitment approach	n.a.	n.a.
UBS (Lux) Medium Term Bond Fund – EUR	Commitment approach	n.a.	n.a.
UBS (Lux) Medium Term Bond Fund – GBP	Commitment approach	n.a.	n.a.
UBS (Lux) Medium Term Bond Fund – USD	Commitment approach	n.a.	n.a.
UBS (Lux) Medium Term Bond Fund – US Government (USD)	Commitment approach	n.a.	n.a.

Collateral Management

If the Fund enters into OTC transactions, it may be exposed to risks related to the creditworthiness of the OTC counterparties: when the Fund 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 Fund will only accept such financial instruments as collateral, which would allow it (after objective and appropriate valuation) to liquidate these within an appropriate time period. The Fund, or a service provider appointed by the Fund, must assess the collateral's value at least once a day. The collateral's value must be higher than the value of the position of the respective OTC counterparty. However, this value may fluctuate between two consecutive valuations. After each valuation, however, it is ensured (where appropriate, by requesting additional collateral) that the collateral is increased by the desired amount to meet the value of the respective OTC counterparty's position (mark-to-market). In order to adequately take into account the risks related to the collateral in question, the Management Company determines whether the value of the collateral to be requested should be increased, or whether this value should be depreciated by an appropriate, conservatively measured amount (haircut). The larger the collateral's value may fluctuate, the higher the markdown. The Management Company shall 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 Management Company on a regular basis.

The Management 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:

Asset class	Minimum haircut (% deduction from market value)
Fixed and variable-rate interest-bearing instruments	
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/depositary in favour of the Fund and may not be sold, invested or pledged by the Fund. The Fund 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 Fund's net assets.

In derogation to the above paragraph and in accordance with the modified point 43(e) of the ESMA Guidelines on ETFs and other UCITS issues of 1 August 2014 (ESMA/2014/937), the Fund 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 Fund 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 Management 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 Fund. Investments may only be made in: sight deposits or deposits at notice in accordance with point 1.1(f) of Section 1 "Permitted investments of the Fund"; high-quality government bonds; repurchase 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 Fund" and the Fund has the right to cancel the transaction at any time and to request the back transfer of the amount invested (incl. accrued interest); short-term money-market funds within the meaning of CESR Guidelines 10-049 regarding the definition of European money-market funds. The restrictions listed in the previous paragraph also apply to the 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 Fund in connection with the collateral being delayed or restricted in other ways. If the Fund owes collateral to the OTC counterparty pursuant to an applicable agreement, then any such security is to be transferred to the OTC counterparty as agreed between the Fund 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 Fund in connection with the collateral being delayed, restricted or even eliminated, which would go so far as to force the Fund 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.

Net asset value, issue, redemption and conversion price

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

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

If the total subscriptions or redemptions of all the unit 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 units 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 units. The Board of Directors 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 Management Company may value these securities, derivatives and other investments based on these prices. Securities, derivatives and other investments not listed on a stock exchange but 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 Management Company according to other principles chosen by it in good faith on the basis of the likely sales prices.
 - d) Derivatives not listed at 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 Management Company and the Fund'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.
 - 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 unit 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 Global Valuation Policy.

The Management Company is authorised to apply other generally recognised and verifiable valuation criteria in good faith 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 units.

Investing in UBS (Lux) Medium Term Bond Fund

Conditions for the issue and redemption of units

Subfund units are issued and redeemed on every business day. In this context, "business day" refers to regular 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 respective Subfund invests are closed, or on which 50% or more of the investments of the Subfund 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 Management 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 units". In addition, the Management Company is empowered to reject subscription applications at its discretion.

The Management Company does not permit any transactions which it considers could jeopardise the interests of unitholders, for instance "market timing" and "late trading". It is entitled to refuse any application for subscription or

conversion that it considers to be allied to such practices. The Management Company is further entitled to take any actions it deems necessary in order to protect the unitholders from such practices.

Subscription and redemption applications (orders) registered with the Administrative Agent no later than 16:00 CET (or 15:00 CET from 1 July 2015 onwards) (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 subscription and redemption 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 units of a Subfund into units of another Subfund of the Fund 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 below.

Issue of units

The issue price of units 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 unit plus a maximum issuing commission of 2% of the net asset value in favour of the sales agents, unless otherwise provided for in the "Unit classes" section. Any taxes, commissions and other fees incurred in the respective distribution countries will also be charged.

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.

Subscriptions for Fund units are accepted at the issue price of the Subfunds at the Management Company, the Administrative Agent or the Custodian Bank as well as any other sales agent.

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 the unit class to be subscribed. The exchange rate used will be determined by the respective agent on the basis of the bid-ask spread of the relevant currency pair. Investors shall bear all fees associated with currency exchange. Notwithstanding the above stated, payment of subscription prices for units denominated in RMB shall be made in RMB (CNH) only. No other currency will be accepted for the subscription of these unit classes. The units may also be subscribed through savings plans, payment plans or conversion plans, in accordance with the locally prevailing market standards. Further information on this subject can be requested from local sales agents.

The issue price of Subfund units 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.

At the unitholders' request, the Management 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 Management Company. The associated costs will be charged to the investor.

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

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

Furthermore, fractions of units can be issued for all Subfunds/unit classes. Fractions of units will be expressed with up to a maximum of three decimal places and will grant entitlement to a distribution or a proportionate distribution of the liquidation proceeds should the Subfund/unit class concerned be liquidated.

Redemption of units

Redemption orders are accepted by the Management Company, the Administrative Agent, the Custodian Bank or another authorised sales or paying agent.

The countervalue for redeemed Subfund units 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 order was submitted.

If the value of a unit 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 has fixed as the minimum level for the economically efficient management of a unit class, the Board of Directors may decide that all units 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 unit classes denominated in different currencies, unitholders may, in principle, only receive the equivalent value of their redemption in the currency of the respective unit class. 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 unit class redeemed. The exchange rate used will be determined by the respective agent on the basis of the bid-ask spread of the relevant currency pair. Investors shall bear all fees associated with currency exchange. These fees, as well as any taxes, commissions 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 stated, payment of redemption proceeds for units denominated in RMB shall be made in RMB (CNH) only. The investor may not request payment of the redemption proceeds in any other currency than RMB (CNH).

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

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.

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 investor.

In the event of an excessively large volume of redemption orders, the Custodian Bank and Management Company may decide to delay execution of redemption orders until the corresponding assets of the Fund 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.

At the unitholders' request, the Management Company may offer investors full or partial redemptions in kind at its own discretion. These payments will be audited by the auditor assigned by the Management Company and must not have any negative effect upon the unitholders remaining with the Fund. The associated costs will be charged to the investor.

Conversion of units

With the exception of unit classes denominated in RMB, unitholders may convert from one Subfund into another or from one unit class into another unit 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 units. Conversion of unit classes denominated in RMB is only possible between the Subfunds or unit classes of which the currency of account or subscription currency is the RMB.

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

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

where:

α =	number of units of the new Subfund or unit class into which conversion is required
β =	number of units of the Subfund or unit class from which conversion is required
χ =	net asset value of the units presented for conversion
δ =	foreign-exchange rate between the Subfunds or unit classes concerned. If both Subfunds or unit classes

	are valued in the same currency of account, this coefficient equals 1
$\epsilon =$	net asset value of the units in the Subfund or unit 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 unit class 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 units".

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 unit class, into which the conversion will take place. The exchange rate used will be determined by the respective agent on the basis of the bid-ask spread of the relevant currency pair. These commissions, as well as any fees, taxes and stamp duties incurred in the individual countries for a Subfund conversion are charged to the unitholders.

Prevention of money laundering and terrorist financing

The Fund'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 Luxembourg supervisory authority "Commission de Surveillance du Secteur Financier" (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. UBS Fund Services (Luxembourg) S.A. and the Management Company may, at any time, demand assurance from the sales agent that the procedures are being adhered to. UBS Fund Services (Luxembourg) S.A. 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 units

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

- one or more stock exchanges or other markets which provide the basis for valuing a substantial portion of the net assets 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 Management Company make it impossible to access the net assets under normal conditions or such access would be detrimental to the interests of the unitholders;
- 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 Management 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 units cannot be carried out, in the view of the Management Company, at normal exchange rates;
- political, economic, military or other circumstances outside the control of the Management Company make the disposal of the assets of the Fund impossible under normal conditions without seriously harming the interests of the unitholders;
- for any other reason the prices of investments of a Subfund cannot be promptly or accurately determined;
- a decision by the Management Company regarding the liquidation of the Fund has been published;
- such a suspension is justified for the protection of the unitholders, after a report to the unitholders on a decision by the Management Company to merge one or more Subfunds was published; and

– the Fund 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 units and a suspension of conversion between Subfunds will be notified without delay to all the responsible authorities in the countries in which units of the Fund 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 unit class, the Management Company is further obliged to request that the investors concerned:

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

In addition, the Management Company is empowered:

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

Distribution

In accordance with Article 10 of the Management Regulations, once the annual accounts are closed, the Management Company will decide to what extent distributions are to be paid out by each Subfund. 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) unit classes. Investors may be taxed on income and capital arising from accumulating (-acc) unit classes at a later point in time than is the case with distributing (-dist) unit classes. Investors should seek their own tax advice. Any distribution results in an immediate reduction of the net asset value per unit of the Subfund. The payment of distributions must not result in the net assets of the Fund falling below the minimum amount for fund assets laid down by law. If distributions are made, payment will be effected within four months of the end of the financial year.

The Management 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 unit class. If said Subfund has already been liquidated, the distributions and allocations will accrue to the remaining Subfunds of the Fund or the remaining unit classes of the Subfund concerned in proportion to their respective net assets. The Management Company may decide, in connection with the appropriation of net investment income and capital gains, to issue bonus units. An income equalisation amount will be calculated so that the distribution corresponds to the actual income entitlement.

Taxes and expenses

Taxation

The Fund is subject to Luxembourg law. In accordance with current legislation in the Grand Duchy of Luxembourg, the Fund is not subject to any Luxembourg withholding, income, capital-gains or wealth taxes. From the total net assets of each 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 unit classes F, I-A1, I-A2, I-A3, I-B, I-X and U-X). This tax is calculated on the total net assets of each Subfund at the end of every quarter.

Unitholders 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 units in investment funds which invest more than 25% in debt instruments and claims as defined by the EU taxation of interest. 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 unitholders are not affected thereby, unitholders 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 units in the Fund.

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 units to seek information on the laws and regulations governing the purchase, possession and sale of units in connection with their place of residence and their nationality.

Foreign Account Tax Compliance Act ("FATCA")

For the purposes of FATCA, the Fund 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, unitholders may be asked to provide additional personal information. As of 1 July 2014, the Management 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). Unitholders 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 Fund.

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

"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 Fund 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 unit classes issued by a Subfund. For UK tax purposes, an investment in a unit 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 unit class of a specific Subfund which has reporting fund status will be treated as an investment in a qualifying offshore fund.

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

Where such an application has been made, the Management Company intends to manage the Fund such that an investment in the specified unit 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 Management Company cannot guarantee that these requirements will be met or that HM Revenue & Customs will confirm that they have been met.

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 Management 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 Fund

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

This shall be used as follows:

1. For the management, administration, portfolio management and distribution of the Fund (if applicable), as well as for all the tasks of the Custodian Bank, such as the safekeeping and supervision of the Fund's assets, the handling of payment transactions and all other tasks listed in the section entitled "Custodian Bank and main paying agent", a maximum flat fee based on the net asset value of the Fund is paid from the Fund's assets, in accordance with the following provisions: This fee is charged to the Fund'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 unit 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 Fund:
 - a) all additional expenses related to management of the Fund'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 Fund, 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 Fund, 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 Fund, as well as for the general safeguarding of the interests of the Fund and its investors, insofar as this is not expressly prohibited by law;
 - e) costs for the publication of the Fund's net asset value and all costs for notices to investors, including translation costs;
 - f) costs for the Fund's legal documents (prospectuses, 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 Fund'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 Fund, including fees for external advisers;
 - i) costs and fees related to any intellectual property registered in the Fund's name or usufructuary rights of the Fund;
 - 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 Fund'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 Fund's TER.
3. The Management Company may pay retrocessions in order to cover the distribution activities of the Fund.

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

For purposes of general comparability with fee rules of different fund providers that do not have a flat fee, the term "maximum management fee" is set at 80% of the flat fee.

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

Costs in connection with the services to be performed for unit classes "I-X", "K-X" and "U-X" pertaining to asset management, Fund administration (comprising the costs of the Management 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 individual unit classes will be charged to these unit classes.

If costs pertain to several or all Subfunds/unit classes, however, these costs will be charged to the Subfunds/unit 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 relevant investment fund as well as at the level of the respective Subfund. 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 itself 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 with any of the target fund's issue or redemption commissions.

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

Information to unitholders

Regular reports and publications

An annual report is published for each Subfund and the Fund as at 28 or 29 February and a semi-annual report as at 31 August.

The abovementioned reports contain a breakdown of each Subfund, respectively each unit class in the relevant currency of account. The consolidated breakdown of assets for the Fund as a whole is given in EUR.

The annual report, which is published within four months of the end of the financial year, contains the annual accounts audited by the independent auditors. It also contains details on the underlying assets 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 unitholders at the registered office of the Management Company and the Custodian Bank.

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

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

Depositing of documents

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

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

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

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

Handling complaints, strategy for exercising voting rights 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 and best execution on the following website:

http://www.ubs.com/lu/en/asset_management.html

Liquidation and merger of the Fund and its Subfunds or unit classes

Liquidation of the Fund and its Subfunds or unit classes

Unitholders, their heirs or other beneficiaries may not demand the division or liquidation of either the Fund or an individual Subfund or unit class. The Management Company is empowered, however, to liquidate the Fund or the Subfunds and unit classes provided that, taking into account the interests of the unitholders, such liquidation is considered reasonable or necessary for the protection of the Management Company and the Fund or for reasons of investment policy.

If the total net asset value of a Subfund or of a unit 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 unit class, or in the event of a substantial change in the political, economic and monetary environment, or as part of a rationalisation, the Management Company may decide to redeem all units of the corresponding unit class(es) at the net asset value (taking into account the actual realisation prices and realisation cost of the investment) as at the valuation day or time on which the decision takes effect. The decision to liquidate a Subfund or unit class will be published in a Luxembourg daily newspaper and, if necessary, in the official publications specified for the respective distribution countries listed in this prospectus. No units may be issued after the date of such a decision and all conversions into the Subfund/unit class concerned will be suspended. The redemption of units or conversion from the Subfund/unit class concerned will still be possible even after this decision has been implemented and it shall be ensured that the Subfund or unit class will take any liquidation costs into account. Those holding units in the Subfund/unit class at the time the decision to liquidate is taken will consequently bear such costs. In the event of liquidation, the Management Company will realise the Fund's assets in the best interests of the unitholders and instruct the Custodian Bank to distribute the net proceeds from the liquidation of the Subfund/unit class to the unitholders of said Subfund/unit class in proportion to their respective holdings. Any liquidation proceeds which cannot be distributed to the unitholders 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.

Liquidation of the Fund is mandatory in the cases prescribed by law and in the event of the Management Company being liquidated. Any such liquidation will be published in the "Mémorial", a Luxembourg daily newspaper and, if necessary, in the official publications of the individual distribution countries.

Merger of the Fund 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 unitholders of the absorbed UCITS receive in return units in the absorbing UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of such units;
- 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 unitholders of the absorbed UCITS receive in return units in the absorbing UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of such units;
- c) one or more UCITS or 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 Fund and its Subfunds/unit classes", the Management Company may decide to allocate the assets of a Subfund or of a unit class to another existing Subfund or unit class of the Fund 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 units of the Subfund or unit class in question as units of another Subfund or of another unit class (as a result of the scission or consolidation, if necessary, and through the payment of an amount that corresponds to the pro rata entitlement of the unitholders).

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

Should the Management Company take such a decision, the merger shall be binding for all unitholders of the Subfund concerned after expiry of a 30-day period commencing on the date on which the decision is published. During this period, unitholders may submit their units for redemption without having to pay any redemption fee or administration costs. Units not presented for redemption will be exchanged on the basis of the net asset value of the Subfund concerned, calculated for the day for which the exchange ratio is calculated.

Applicable law, place of performance and authoritative language

The District Court of Luxembourg is the place of performance for all legal disputes between the unitholders, the Management Company and the Custodian Bank. Luxembourg law applies. However, in matters concerning the claims of investors from other countries, the Management Company and/or the Custodian Bank may elect to make themselves and the Fund subject to the jurisdiction of the countries in which the units were bought and sold.

The German version of this sales prospectus is the authoritative version. However, in matters concerning units sold to investors in the countries in which Fund units may be bought and sold, the Management Company and the Custodian Bank may recognise translations which they have approved into the languages concerned as binding upon themselves and the Fund.

Investment principles

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

1 Permitted investments of the Fund

1.1) The Subfunds' investments must consist exclusively of:

- a) securities and money market instruments which are listed or traded on a regulated market, as defined in European Parliament and Council Directive 2004/39/EC of 21 April 2004 on markets for 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 *Commission de Surveillance du Secteur Financier* ("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 unitholders in the Fund 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 85/611/EEC;
 - 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,
 - 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 Luxembourg supervisory 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, and/or derivatives which are not traded on a stock exchange or regulated market ("OTC derivatives"), provided that:
- the use of derivatives is in accordance with the investment purpose and investment policy of the respective Subfund, and is suited towards achieving these;
 - the underlyings constitute instruments as defined by Article 41(1) of the Law of 2010 or are financial indices, such as macroeconomic indices, interest rates, currencies or macroeconomic indices in which investments may be made in line with the investment policy of the Subfund directly or indirectly via other existing UCI/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 Board of Directors. The approval process by the Board of Directors is based on the principles drawn up by UBS Global 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 Board of Directors 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 within the meaning of Article 1 of the Law of 2010, which are not traded on a regulated market, provided 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; or
 - 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 supervision that, in the opinion of the CSSF, is at least as stringent as that provided for by Community law and complies with it, or
 - 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 euro (EUR 10,000,000), which prepares and publishes its annual accounts under 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 securitisation of liabilities 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 Management Company ensures that the overall risk associated with derivatives does not exceed the overall net value of the Fund portfolio. As part of its investment strategy, each 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 Management 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 Management Company may not invest more than 20% of the net fund 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 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 issuer, 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 abovementioned 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 Management 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 total net assets of a Subfund.**
- 2.4 The following provisions apply with regard to investments in other UCITS or UCIs:

- a) The Management Company may invest up to 20% of the net assets of a 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.
 - b) 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.
 - c) 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 management 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 Fund".
- 2.5 The Subfunds may subscribe, acquire and/or hold units that are to be issued by or have been issued by one or more other subfunds of the Fund, 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 target subfunds of the same 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 Fund 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;
 - index represents an appropriate benchmark for the market to which it refers;
 - 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 Management 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 unitholders.

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 Management Company is prohibited from:

- 3.1 acquiring securities on behalf of the Fund, 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 Management 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 and money market instruments and 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 unitholders' 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(f) and (g);
- 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 1.1(e), (g) and (h) if these are not fully paid up.

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

Merging assets

4 Merging assets

The Board of Directors 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 unitholders.

Pooling

The Management 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 Management 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 Board of Directors shall specify the initial value of the notional units (in a currency that the Board of Directors 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 Board of Directors 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 Fund 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 Board of Directors 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 Fund 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 Fund 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.

Unitholders 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 members of the Board of Directors or one of the entities commissioned by the Management 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 Board of Directors 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 Fund and its unitholders.

If a change in the portfolio composition of a particular Subfund, 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 respective Subfund), could result in a violation of the investment restrictions applying to the particular 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 depositary so as to ensure that the Custodian Bank is capable of performing its functions and responsibilities assumed in accordance with the Law of 17 December 2010 on Undertakings for Collective Investment ("Law of 2010") and additional statutory requirements in all respects for the Fund and its Subfunds. The Custodian Bank must always keep the assets of the Fund separate from those of the other jointly managed entities; this allows it to accurately determine the assets of each Subfund at any time. Since the investment policy of the jointly managed entities does not have to correspond exactly with that of the individual Subfunds, it is possible that their joint investment policy may be more restrictive than that of the individual Subfunds.

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

Unitholders may enquire at any time at the Management 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
(1) the agreement in which the non-Luxembourg entity is involved is governed by Luxembourg law and Luxembourg jurisdiction or
(2) 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 Management 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 Subfunds may under no circumstances deviate from their investment objectives for these transactions. Equally, the use of these techniques may not cause the risk level of the 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" above. The Management Company ensures that it or one of its appointed service providers will monitor and manage the risks incurred through the use of these techniques, particularly counterparty risk, as part of the risk management procedure. The monitoring of potential conflicts of interest arising from transactions with companies associated with the Management Company is primarily carried out through reviewing the contracts and corresponding processes on a regular basis.

The Management 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 Management Company. In addition, the liquid funds should include the interest incurred up to the time of being reclaimed.

Furthermore, the Management 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 Fund 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 Fund must, in principle, receive collateral, the value of which must at least correspond to the total value of the securities lent out and any accrued interest thereon. This collateral must be issued in a form of financial collateral permitted by the provisions of Luxembourg law. Such collateral is not required if the transaction is effected via Clearstream International or Euroclear, or another organisation which guarantees the Fund that the value of the securities lent will be refunded. The provisions of the section entitled "Collateral management" shall apply accordingly to the management of collateral that was left to the Fund within the scope of securities lending. In derogation 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 Fund in the field of securities lending have the right to receive a fee in return for their services that is in line with the market standards. The amount of this fee is reviewed and adapted, where appropriate, 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 Management Company and/or Custodian Bank can be found in the respective annual or semi-annual report.

Furthermore, the Management Company has drawn up internal framework agreements regarding securities lending. These framework agreements contain, among other things, the relevant definitions, the description of the principles and standards of the contractual management of the securities lending transactions, the quality of the collateral, the approved counterparties, the risk management, the fees to be paid to third parties and fees to be received by the Fund, as well as the information to be published in the annual and semi-annual reports.

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

Asset class	Minimum haircut (% deduction from market value)
Fixed and variable-rate interest-bearing instruments	
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%
Shares	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 Management Company may 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 transactions 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.
