

UBS (Lux) Institutional SICAV

Investment company under Luxembourg law
("Société d'Investissement à Capital Variable")
(the "Company")

Sales prospectus

Shares may be acquired on the basis of this sales prospectus, the articles of incorporation of the Company, the latest annual report and, if it has already been published, the subsequent semi-annual report.

Only the information contained in the sales prospectus and in one of the documents referred to therein shall be deemed to be valid.

In addition, a document with key investor information (the "**KIID**") shall be made available to potential investors prior to their investment in the Company.

Information on whether a sub-fund of the Company is listed on the Luxembourg Stock Exchange can be obtained from the Administrative Agent or the Luxembourg Stock Exchange website (www.bourse.lu).

The issue and redemption of shares of the Company are subject to the regulations prevailing in the country concerned.

The Company keeps all investor information confidential, unless otherwise required by statutory or regulatory provisions.

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

Shares of this Company may not be offered, sold or delivered to investors who are US Persons.

A US Person is any person who:

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

Management and administration

Registered office

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

Board of Directors of the Company (the "Board of Directors")

Chairman:

Thomas Portmann, Managing Director, UBS Fund Management

Members:

Iris Eberhard, Managing Director, UBS Asset Management

VISA 2021/162192-4214-0-PC

L'apposition du visa ne peut en aucun cas servir
d'argument de publicité
Luxembourg, le 2021-02-17
Commission de Surveillance du Secteur Financier

Tobias Meyer, Executive Director, UBS Asset Management Switzerland AG, Zurich
 Thomas Rose, Managing Director, UBS Asset Management Switzerland AG, Zurich
 Robert Süttinger, Managing Director, UBS Asset Management Switzerland AG, Zurich

Management Company

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

The Management Company has been incorporated in Luxembourg on 1 July 2010 in the legal form of a public limited company (Société Anonyme) for unlimited duration. Its registered office is in 33A avenue J.F. Kennedy, L-1855 Luxembourg.

The articles of incorporation of the Management Company have been published by reference on 16 August 2010 in the "Mémorial, Recueil des Sociétés et Associations" (the "**Mémorial**").

The consolidated version of the articles of incorporation has been deposited for inspection with the Register of Trade and Companies (Registre de Commerce et des Sociétés) in Luxembourg.

The corporate object of the Management Company is, inter alia, the management of Luxembourg undertakings for collective investment as well as the issue and redemption of shares of these products. At the date of this sales prospectus, in addition to the Company, the Management Company also manages other undertakings for collective investment.

The share capital of the Management Company amounts to 13,000,000 EUR and is fully paid-in.

Board of Directors of the Management Company

Chairman

André Müller-Wegner Managing Director, UBS Asset Management Switzerland) AG, Zurich

Members

Pascal Kistler, Managing Director, UBS Business Solutions AG, Zurich

Gilbert Schintgen, Director, Luxembourg, Grand Duchy of Luxembourg

Andreas Schlatter, Mathematician (PhD) Independent Director, Küttigen, Switzerland

Executive Board of the Management Company

Members

Valérie Bernard, Executive Director, UBS Fund Management (Luxembourg) S.A., Luxembourg

Geoffrey Lahaye, Executive Director, UBS Fund Management (Luxembourg) S.A., Luxembourg

Federica Ghirlandini, Director, UBS Fund Management (Luxembourg) S.A., Luxembourg

Portfolio Manager

Sub-funds	Portfolio Manager
UBS (Lux) Institutional SICAV - Emerging Markets Equity Passive (USD)	UBS Asset Management (UK) Ltd, London
UBS (Lux) Institutional SICAV – Equities Global (ex USA) Passive	
UBS (Lux) Institutional SICAV - Equities Europe (ex Switzerland) Passive	UBS Asset Management Switzerland AG, Zurich
UBS (Lux) Institutional SICAV – Equities Europe (ex Switzerland) Passive II	UBS Asset Management Switzerland AG, Zurich

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

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

Depository and main paying agent

UBS Europe SE, Luxembourg Branch, 33A, avenue J.F. Kennedy, L-1855 Luxembourg (B.P. 2, L-2010 Luxembourg).

UBS Europe SE, Luxembourg Branch, has been appointed as depository of the Company (the "**Depository**"). The Depository will also provide paying agent services to the Company.

The Depository is a Luxembourg established branch of UBS Europe SE, a European Company (Societas Europaea, SE), having its registered office in Frankfurt am Main, Germany, registered with the commercial register of the District Court Frankfurt am Main under number HRB 107046. The Depository has its address at 33A avenue J.F. Kennedy, L-1855 Luxembourg, registered with the Luxembourg trade and companies register under number B 209.123.

The Depository has been appointed for the safe-keeping of financial instruments of the Company that can be held in custody, for the record keeping and verification of ownership of other assets of the Company as well as to ensure for the effective and proper monitoring of the Company's cash flows in accordance with the provisions of the law of 17 December 2010 on undertakings for collective investment (the "**Law of 2010**") and the Depository Agreement as amended from time to time (the "**Depository Agreement**"). Assets held in custody by the Depository shall not be reused by the Depository, or any third party to which the custody function has been delegated, for their own account, unless such reuse is expressly allowed by the Law of 2010.

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

Company's incomes are applied in accordance with Luxembourg law, the Prospectus and the Articles of Incorporation.

In compliance with the provisions of the Depository Agreement and the Law of 2010, the Depository may, subject to certain conditions and in order to effectively conduct its duties, delegate part or all of its safe-keeping duties in relation to financial instruments that can be held in custody, duly entrusted to the Depository for custody purposes, and/or all or part of its duties regarding the record keeping and verification of ownership of other assets of the Company to one or more sub-custodian(s), as they are appointed by the Depository from time to time. The Depository does not allow its sub-custodians to make use of sub-delegates which have not been approved by the Depository in advance.

Prior to the appointment of any sub-custodian and sub-delegate and on an ongoing basis based on applicable laws and regulations as well as its conflict of interests policy the Depository shall assess potential conflicts of interests that may arise from the delegation of its safekeeping functions. The Depository is part of the UBS Group, a worldwide, full-service private banking, investment banking, asset management and financial services organization which is a major participant in the global financial markets. As such, potential conflicts of interest from the delegation of its safekeeping functions could arise as the Depository and its affiliates are active in various business activities and may have differing direct or indirect interests.

Shareholders may obtain additional information free of charge by addressing their request in writing to the Depository.

In order to avoid any potential conflicts of interest, the Depository does not appoint any sub-custodians and does not allow the appointment of any sub-delegate which is part of the UBS Group, unless such appointment is in the interest of the shareholders and no conflict of interest has been identified at the time of the sub-custodian's or sub-delegate's appointment.

Irrespective of whether a given sub-custodian or sub-delegate is part of the UBS Group or not,

the Depositary will exercise the same level of due skill, care and diligence both in relation to the selection and appointment as well as in the on-going monitoring of the relevant sub-custodian or sub-delegate.

Furthermore, the conditions of any appointment of a sub-custodian or sub-delegate that is member of the UBS Group will be negotiated at arm's length in order to ensure the interests of the Company and its shareholders. Should a conflict of interest occur and in case such conflict of interest cannot be mitigated, such conflict of interest as well as the decisions taken will be disclosed to the shareholders. An up-to-date description of any safekeeping functions delegated by the Depositary and an up-to-date list of these delegates and sub-delegate(s) can be found on the following website:
<https://www.ubs.com/global/en/legalinfo2/luxembourg.html>.

Where the law of a third country requires that financial instruments are held in custody by a local entity and no local entity satisfies the delegation requirements of article 34bis, paragraph 3, lit. b) i) of the Law of 2010, the Depositary may delegate its functions to such local entity to the extent required by the law of that third country for as long as there are no local entities satisfying the aforementioned requirements. In order to ensure that its tasks are only delegated to sub-custodians providing an adequate standard of protection, the Depositary has to exercise all due skill, care and diligence as required by the Law of 2010 in the selection and the appointment of any sub-custodian to whom it intends to delegate parts of its tasks and has to continue to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any sub-custodian to which it has delegated parts of its tasks as well as of any arrangements of the sub-custodian in respect of the matters delegated to it. In particular, any delegation is only possible when the sub-custodian at all times during the performance of the tasks delegated to it segregates the assets of the Company from the Depositary's own assets and from assets belonging to the sub-custodian in accordance with the Law of 2010. The Depositary's liability shall not be affected by any such delegation, unless otherwise stipulated in the Law of 2010 and/or the Depositary Agreement.

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

In case of Loss of a Fund Custodial Asset, the Depositary has to return a financial instrument of an identical type or the corresponding amount to the Company without undue delay. In accordance with the provisions of the Law of 2010, the Depositary will not be liable for the Loss of a Fund Custodial Asset, if such Loss of a Fund Custodial Asset has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

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

The Company and the Depositary may terminate the Depositary Agreement at any time by giving three (3) months' notice by registered letter. In case of a voluntary withdrawal of the Depositary or of its removal by the Company, the Depositary must be replaced before maturity of such notice period by a successor depositary to whom the Company's assets are to be delivered and who will take over the functions and responsibilities of the Depositary. If the Company does not name such successor depositary in time the Depositary may notify the Luxembourg supervisory authority "Commission de Surveillance du Secteur Financier" (the "**CSSF**") of the situation.

Administrative agent

Northern Trust Global Services SE 6, rue Lou Hemmer, L-1748 Senningerberg

The administrative agent (the "Administrative Agent") is responsible for the general administrative duties involved in managing the Company and prescribed by Luxembourg law. These administrative services mainly include calculation of the net asset value per share and the keeping of the Company's accounts as well as reporting.

Auditor of the Company

Ernst & Young S.A., 35E, avenue J.F. Kennedy, L-1855 Luxembourg (the "**Auditor**").

Paying agents

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

Distributors and other sales agents, referred to as "distributors" in the sales prospectus UBS Asset Management Switzerland AG, Zurich, and other distributors in the various distribution countries.

Profile of the typical investor

The sub-funds are suitable for investors who wish to invest in a broadly diversified portfolio. A detailed description of the individual sub-fund's typical investor profile is to be found in the KIID.

Historical performance

The historical performance of the individual sub-funds is outlined in the KIID.

Risk profile

Sub-fund investments may be subject to substantial fluctuations and no guarantee can be given that the value of a share in the Company will not fall below its value at the time of acquisition. Factors that can trigger such fluctuations or influence their extent include but are not limited to:

- Company-specific changes;
- Changes in interest rates;
- Changes in exchange rates;
- Credit risk: degradation of the credit quality of a determined security;
- Changes affecting economic factors such as employment, public expenditure and indebtedness, inflation;
- Changes in the legal environment;
- Changes in investor confidence in investment classes (e.g. equities), markets, countries, industries and sectors and
- 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 sub-fund.

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

Legal aspects

The Company

The Company offers investors various sub-funds ("**umbrella structure**") which invest in accordance with the investment policy described in this sales prospectus. The specific details on each sub-fund are defined in this sales prospectus which will be updated on the inception of each new sub-fund.

Name of the Company:	UBS (Lux) Institutional SICAV
Legal form:	Open-ended investment company in the legal form of a Société d'Investissement à Capital Variable ("SICAV") in accordance with Part I of the Law of 2010.
Date of Incorporation:	30 March 2006
Number in the Luxembourg trade and companies register:	R.C.S. B 115.477
Financial year:	1 January to 31 December
Annual general meeting:	Yearly on 20 March at 10.00 a.m. at the registered office of the Company. If the aforementioned day is not a bank business day in Luxembourg, the annual general meeting will be held on the next Luxembourg bank business day.
Articles of Incorporation	
First publication	14 April 2006 Published in the Mémorial
Amendments	14 September 2006 Published in the Mémorial 9 May 2011 Published in the Mémorial
Management Company	UBS Fund Management (Luxembourg) S.A., R.C.S. Luxembourg B 154.210

Each amendment to the Company's articles of incorporation (the "**Articles of Incorporation**") will be published in the "Recueil Electronique des Sociétés et Associations" ("**RESA**"). Such amendments become legally binding in respect of all shareholders subsequent to their approval by the general meeting of shareholders.

The entirety of the individual sub-funds' net assets forms the total net assets of the company, which at any time correspond to the share capital of the company and consist of fully paid-in and non-par-value shares (the "**shares**").

The Company draws the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Company, notably the right to participate in general meetings of shareholders, if he is registered himself and in his own name in the shareholders' register of the Company. In cases where an investor invests in the Company through an intermediary investing into the Company in its own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights. Investors are advised to take advice on their rights.

At general meetings, the shareholder has the right to one vote per share held, irrespective of the difference in value of shares in the respective sub-funds. Shares of a particular sub-fund carry the right of one vote per share held when voting at meetings affecting this sub-fund.

The Company is a single legal entity. With respect to the shareholders, each sub-fund is regarded as being separate from the others. The assets of a sub-fund can only be used to offset the liabilities which the sub-fund concerned has assumed. Given that there is no segregation of liabilities between share classes, there is a risk that, under certain circumstances, currency hedging transactions in relation to share classes which have "hedged" in their name could result

in liabilities which might affect the net asset value of the other share classes of the same sub-fund.

The Board of Directors is empowered at any time to establish new sub-funds and/or to liquidate existing ones, as well as to establish different share classes with specific characteristics within these sub-funds. This sales prospectus will be updated each time a new sub-fund or an additional equity class is issued. The Company is unlimited with regard to duration and total assets.

Share classes

The Company can issue several share classes for each of the sub-funds. In general, all share classes presently in issue are reserved to institutional investors having concluded an agreement (such as, but not limited to a portfolio management agreement) with UBS Asset Management Switzerland AG or one of its authorised delegates. Currently, the following share classes are offered:

Name of the sub-fund	Share Classes and Reference currency of each share class						
	AA	CA	BA	FA	GA	XA	YA
UBS (Lux) Institutional SICAV							
Emerging Markets Equity Passive	USD		USD	USD		USD, EUR, GBP	
Equities Europe (ex Switzerland) Passive	CHF		CHF	CHF		CHF	
Equities Europe (ex Switzerland) Passive II	CHF		CHF	CHF		CHF	
Equities Global (ex USA) Passive	USD, EUR	CHF, EUR, USD	USD, EUR	USD, EUR	CHF, EUR, USD,	USD, EUR	CHF, EUR, USD

- Share classes AA, CA for which the flat fee is directly deducted from the sub-fund's NAV and covers all expenses. These shares will have an issue price of 100 (in each sub-fund's reference currency).
- Share class BA, for which the portfolio management and distribution fees are charged outside the Company, directly at the level of the agreement concluded by the investor. The share classes only bear operational and administrative expenses such as administration and Depositary fees. These shares will have an issue price of 100 (in each sub-fund's reference currency).
- Share classes FA, GA for which the portfolio management, distribution, custody and administration fees are charged outside the Company, directly at the level of the agreement concluded by the investor. These shares will have an issue price of 10'000 (in each sub-fund's reference currency). This class aims exclusively at financial products (i.e. fund-of-funds or other pooled structures according to various legislations). This share class has a high initial value aiming at facilitating day-to-day operations of these pooled structures. In addition, it features the same characteristics as the share class XA.
- Share classes XA, YA for which the portfolio management, distribution, custody and administration fees are charged outside the Company, directly at the level of the agreement concluded by the investor. These shares will have an issue price of 100 (in each sub-fund's reference currency).

The share classes offered have the following characteristics:

- Share classes AA, CA, BA, FA, GA, YA and XA are reinvesting their dividends and other income, rather than distributing it on a regular basis.
- All share classes will be issued in registered form only.
- Unit classes CA, GA and YA hedge the foreign currency exposure of the respective sub-fund against their respective reference currency.
- Shares in classes with "seeding" in their name are only offered for a limited period of time. At the end of this period, no further subscriptions are permitted unless the Company decides otherwise. However, these shares may still be redeemed in accordance

with the conditions for the redemption of shares. Unless the Company decides otherwise, the smallest tradeable unit, the initial issue price and the minimum subscription amount are those of the aforementioned asset classes.

Investment objective and investment policy of the sub-funds

Investment objective

The Company provides investors with an opportunity for investment in all types of assets through professionally managed sub-funds, each with their own specific investment objective and policy as more fully described under investment policy in order to achieve long term capital growth. The Company will seek maximum capital appreciation (income plus capital gains) without undue risk.

General investment policy

The assets of the sub-funds shall be invested following the principle of risk spreading. The sub-funds shall invest their net assets worldwide in debentures, notes (incl. Loan Participation Notes), convertible bonds, convertible notes, preferred convertible securities, exchangeable bonds, bonds cum warrant, warrants on transferable securities, equities, other certificates such as cooperative society shares and participation certificates (equities and equity rights), short-term transferable securities and other participation certificates and any other legally permitted investments.

Additionally, the sub-funds can invest in American Depositary Receipts (ADR), Global Depositary Receipts (GDR) and structured products linked to equities like for instance Equity Linked Notes.

Debt securities and claims, as well as participatory instruments and claims, are defined as those securities described in Article 41 of the Law of 2010, as long as this is required by the investment restrictions detailed below.

The currency of account of the individual sub-funds indicates solely the currency in which the net asset value of the respective sub-fund is calculated and not the investment currency of the sub-fund concerned. Investments are made in those currencies which best benefit the performance of the sub-funds.

As set forth in 1.1 g) and 4 of the Investment Principles, the Company is allowed to employ techniques and instruments relating to transferable securities and money market instruments as core element for each sub-fund provided that they are in line with the respective sub-fund's investment policy and restrictions and in compliance with the Law of 2010.

The markets derivatives are volatile; both the opportunity to achieve gains as well as the risk of suffering losses are higher than with investments in securities. The sub-funds can invest all type of securitized assets, like mortgage backed securities and asset backed securities, where payments of coupons and principal are provided by the collateral assets rather than the issuing company itself. The issuing entity might have no or limited liabilities towards such securities impacting their credit risk.

The mortgage backed, mortgage-related and asset-backed securities are collateralized or backed by mortgages, other real property or any kind of notes/receivables against assets other than real estate and may have all types of interest rate payment and rest terms, including fixed rate, adjustable and floating rate, pay-in-kind and auction rate features. These fixed income securities may include:

- Government agency and privately issued mortgage-backed securities;
- Commercial mortgage backed securities;
- Collateralized mortgage and debt obligations;
- Real Estate Mortgage Investment Conduits (REMICs) collateralized by agency and private label pass-through securities (Fixed and adjustable rate);
- Home equity loan asset-backed securities and

- Manufactured housing asset-backed securities.

Commercial mortgage backed securities are issued by private companies and covered through mortgage loans on property. Payment of the individual property investments serves to settle interest and repay loans. Asset backed securities are used for refinancing purposes and valued by rating agencies. They are covered by a pool of loans and/or assets, the repayment of which is effected through yields from the pool. Loans in this context may include mortgages, credit card debts and corporate credit or lease charges. The aforementioned securities correspond to securities in accordance with Article 41 of the Law of 2010.

Each sub-fund may accessorially hold liquid assets in all currencies in which investments are effected.

The sub-funds pay special attention to reach a broad diversification of all investments among industries, debtors and ratings. For this purpose, they may unless defined otherwise in the investment policy of the concerned sub-fund, invest no more than 10% of the net assets of a sub-fund in units or shares of UCITS or other UCI.

The sub-funds and their special investment policies

UBS (Lux) Institutional SICAV - Emerging Markets Equity Passive (USD)

This sub-fund replicates as closely as possible - to the extent market conditions permit - the MSCI EMMA Index (the "benchmark"). Sustainability risks are not considered as part of the index selection process. Therefore, sustainability risks are not systematically integrated due to the nature of the investment objective of the sub-fund and the Portfolio Manager aims to track the index in line with the limits set out in the investment policy of the sub-fund. The objective is to return the performance of the benchmark.

The index administrator is included in the public register of EU benchmark administrators and third country benchmarks established and maintained by ESMA. Further information on the index and the Management Company's use of indices is set out in the section "Benchmark Regulation" of this sales prospectus.

Investments are primarily made in common and preferred stocks including ADR's, warrants on transferable securities and rights convertible into common stocks. The sub-fund may hold short-term fixed income transferable securities on an ancillary basis. At least 51% of the value of the sub-fund shall be invested in equities that are not shares of investment funds and that are listed or traded on a "regulated market" as defined in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments. Investors should note that the sub-fund's investment exposure may also include Chinese A-shares traded via Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. Chinese A-shares are renminbi-denominated A-shares of companies domiciled in mainland China; these are traded on Chinese stock exchanges such as the Shanghai Stock Exchange and the Shenzhen Stock Exchange. **This sub-fund may invest in emerging market countries (Emerging Markets). The risks associated therewith are described in the section "General risk information". In addition to the aforementioned, investors should read, be aware of and take into account the risks associated with investments traded via Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. Information on this topic is provided after the section "General risk information". For these reasons, the sub-fund is especially suitable for risk-conscious investors.**

Currency of the account : USD

UBS (Lux) Institutional SICAV - Equities Europe (ex Switzerland) Passive

This sub-fund replicates as closely as possible - to the extent market conditions permit - the MSCI Europe (ex Switzerland) Index (the "benchmark"). Sustainability risks are not considered as part of the index selection process. Therefore, sustainability risks are not systematically integrated due to the nature of the investment objective of the sub-fund and the Portfolio

Manager aims to track the index in line with the limits set out in the investment policy of the sub-fund. The objective is to return the performance of the benchmark. The index administrator is included in the public register of EU benchmark administrators and third country benchmarks established and maintained by ESMA. Further information on the index and the Management Company's use of indices is set out in the section "Benchmark Regulation" of this sales prospectus. Investments are primarily made in common and preferred stocks including ADRs, warrants on transferable securities and rights convertible into stocks. The sub-fund may hold short-term fixed income transferable securities on an ancillary basis. At least 51% of the value of the sub-fund shall be invested in equities that are not shares of investment funds and that are listed or traded on a "regulated market" as defined in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

Direct investments in index securities:

the sub-fund holds a portfolio almost entirely composed of securities of the underlying index. Exceptions to this may arise due to various factors, such as the costs and expenses incurred. This can also be affected by the concentration limits and other legal or regulatory restrictions set out in the "Investment principles" section. The illiquidity of certain securities is another reason why it may not be possible to acquire all index securities in their respective weightings, or to even acquire them at all. In these cases, the sub-fund seeks to hold a representative selection of securities comprising the underlying index selected by the portfolio manager through quantitative methods (stratified sampling strategy). This can include considering the inclusion of individual securities in the sub-fund on the basis of their investment characteristics and liquidity. Exposure to the index through physical replication may be affected by the cost of rebalancing, especially if the index undergoes a significant rebalancing or if the securities it contains are not very liquid or not fully accessible. The cost of rebalancing shall depend on the frequency at which the underlying index undergoes rebalancing, the weighting adjustments in respect of the securities it contains and/or the number of securities replaced on each rebalancing date, and the transaction costs incurred in implementing such changes. High rebalancing costs generally mean that the sub-fund will generate a lower relative performance compared to the index. The frequency of rebalancing for each sub-fund is set out in the "Description of the index" section.

Tracking error:

the sub-fund's portfolio manager shall endeavour, under normal market conditions, to keep the tracking error (the divergence between the yield of the sub-fund and that of the tracked index) below 1%. However, this may exceed 1% in exceptional circumstances.

Description of the index:

The MSCI Europe (ex Switzerland) Index is a market capitalisation-weighted index. The Index captures large and mid cap representation across 14 Developed Markets countries in Europe. With 403 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding Switzerland (data from July 2019). The index methodology is based on the MSCI Global Investable Market Indexes (GIMI) Methodology. This is a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalization size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability. The index is reviewed quarterly: in February, May, August and November, with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the index is rebalanced and the large and mid capitalization cutoff points are recalculated.

Index methodology:

The index construction methodology is available at <https://www.msci.com/index-methodology>

Index factsheet:

The index factsheet is available at <https://www.msci.com/index-solutions>

Publication of the index value:

The closing price of the underlying index is available on Bloomberg.

Publication of the index composition:

The composition of the underlying index is available at <https://www.msci.com/constituents>

Currency of the account : CHF

UBS (Lux) Institutional SICAV – Equities Europe (ex Switzerland) Passive II

This sub-fund replicates as closely as possible - to the extent market conditions permit - the MSCI Europe (ex Switzerland) Index (the "benchmark"). Sustainability risks are not considered as part of the index selection process. Therefore, sustainability risks are not systematically integrated due to the nature of the investment objective of the sub-fund and the Portfolio Manager aims to track the index in line with the limits set out in the investment policy of the sub-fund. The objective is to return the performance of the benchmark. The index administrator is included in the public register of EU benchmark administrators and third country benchmarks established and maintained by ESMA. Further information on the index and the Management Company's use of indices is set out in the section "Benchmark Regulation" of this sales prospectus. Investments are primarily made in common and preferred stocks including ADRs, warrants on transferable securities and rights convertible into stocks. The sub-fund may hold short-term fixed income transferable securities on an ancillary basis. At least 51% of the value of the sub-fund shall be invested in equities that are not shares of investment funds and that are listed or traded on a "regulated market" as defined in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

Direct investments in index securities:

The sub-fund holds a portfolio almost entirely composed of securities of the underlying index. Exceptions to this may arise due to various factors, such as the costs and expenses incurred. This can also be affected by the concentration limits and other legal or regulatory restrictions set out in the "Investment principles" section. The illiquidity of certain securities is another reason why it may not be possible to acquire all index securities in their respective weightings, or to even acquire them at all. In these cases, the sub-fund seeks to hold a representative selection of securities comprising the underlying index selected by the portfolio manager through quantitative methods (stratified sampling strategy). This can include considering the inclusion of individual securities in the sub-fund on the basis of their investment characteristics and liquidity. Exposure to the index through physical replication may be affected by the cost of rebalancing, especially if the index undergoes a significant rebalancing or if the securities it contains are not very liquid or not fully accessible. The cost of rebalancing shall depend on the frequency at which the underlying index undergoes rebalancing, the weighting adjustments in respect of the securities it contains and/or the number of securities replaced on each rebalancing date, and the transaction costs incurred in implementing such changes. High rebalancing costs generally mean that the sub-fund will generate a lower relative performance compared to the index. The frequency of rebalancing for each sub-fund is set out in the "Description of the index" section.

Tracking error:

The sub-fund's portfolio manager shall endeavour, under normal market conditions, to keep the tracking error (the divergence between the yield of the sub-fund and that of the tracked index) below 1%. However, this may exceed 1% in exceptional circumstances.

Description of the index:

The MSCI Europe (ex Switzerland) Index is a market capitalisation-weighted index. The Index captures large and mid cap representation across 14 Developed Markets countries in Europe. With 403 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding Switzerland (data from July 2019). The index methodology is based on the MSCI Global Investable Market Indexes (GIMI) Methodology. This is a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalization size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability. The index is reviewed quarterly: in February, May, August and November, with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the index is rebalanced and the large and mid capitalization cutoff points are recalculated.

Index methodology:

The index construction methodology is available at <https://www.msci.com/index-methodology>

Index factsheet:

The index factsheet is available at <https://www.msci.com/index-solutions>

Publication of the index value:

The closing price of the underlying index is available on Bloomberg.

Publication of the index composition:

The composition of the underlying index is available at <https://www.msci.com/constituents>

Currency of the account : CHF

UBS (Lux) Institutional SICAV – Equities Global (ex USA) Passive

This sub-fund replicates as closely as possible - to the extent market conditions permit - the MSCI World ex USA Index (the "benchmark"). Sustainability risks are not considered as part of the index selection process. Therefore, sustainability risks are not systematically integrated due to the nature of the investment objective of the sub-fund and the Portfolio Manager aims to track the index in line with the limits set out in the investment policy of the sub-fund. The objective is to return the performance of the benchmark. The index administrator is included in the public register of EU benchmark administrators and third country benchmarks established and maintained by ESMA. Further information on the index and the Management Company's use of indices is set out in the section "Benchmark Regulation" of this sales prospectus. Investments are primarily made in common and preferred stocks including ADR stocks, warrants on transferable securities and rights convertible into stocks. The sub-fund may hold short-term fixed income transferable securities on an ancillary basis. At least 51% of the value of the sub-fund shall be invested in equities that are not shares of investment funds and that are listed or traded on a "regulated market" as defined in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

Direct investments in index securities:

the sub-fund holds a portfolio almost entirely composed of securities of the underlying index. Exceptions to this may arise due to various factors, such as the costs and expenses incurred. This can also be affected by the concentration limits and other legal or regulatory restrictions set out in the "Investment principles" section. The illiquidity of certain securities is another reason why it may not be possible to acquire all index securities in their respective weightings, or to even acquire them at all. In these cases, the sub-fund seeks to hold a representative selection of securities comprising the underlying index selected by the portfolio manager through quantitative methods (stratified sampling strategy). This can include considering the inclusion of individual securities in the sub-fund on the basis of their investment characteristics and liquidity. Exposure to the index through physical replication may be affected by the cost of rebalancing, especially if the index undergoes a significant rebalancing or if the securities it contains are not very liquid or not fully accessible. The cost of rebalancing shall depend on the frequency at which the underlying index undergoes rebalancing, the weighting adjustments in respect of the securities it contains and/or the number of securities replaced on each rebalancing date, and the transaction costs incurred in implementing such changes. High rebalancing costs generally mean that the sub-fund will generate a lower relative performance compared to the index. The frequency of rebalancing for each sub-fund is set out in the "Description of the index" section.

Tracking error:

The sub-fund's portfolio manager shall endeavour, under normal market conditions, to keep the tracking error (the divergence between the yield of the sub-fund and that of the tracked index) below 1%. However, this may exceed 1% in exceptional circumstances.

Description of the index:

The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets countries – excluding the United States. With 1,013 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each Country (data from July 2019).

The index methodology is based on the MSCI Global Investable Market Indexes (GIMI) Methodology. This is a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalization size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability. The index is reviewed quarterly: in February, May, August and November, with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the index is rebalanced and the large and mid capitalization cutoff points are recalculated.

Index methodology:

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Publication of the index value:

The closing price of the underlying index is available on the Bloomberg.

Publication of the index composition:

The composition of the underlying index is available at <https://www.msci.com/constituents>

Currency of the account : USD

General risk information

Investments in emerging markets

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

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

- Counterfeit securities - due to the weakness in supervisory structures, securities purchased by the sub-fund may be counterfeit. Hence it is possible to suffer losses.
- Liquidity difficulties - the buying and selling of securities can be costlier, lengthier and in general more difficult than is the case in more developed markets. Difficulties with liquidity can also increase price volatility. Many emerging markets are small, have low trading volumes and suffer from low liquidity and high price volatility.
- Volatility Investments in emerging markets may have a more volatile performance.
- Currency fluctuations - the currencies of countries in which the sub-fund invests, compared with the currency of account of the sub-fund, can undergo substantial fluctuations once the sub-fund has invested in these currencies. Such fluctuations may have a significant effect on the sub-fund's income. It is not possible to apply currency risk hedging techniques to all currencies in emerging market countries.
- Currency export restrictions - it cannot be excluded that emerging markets may limit or temporarily suspend the export of currencies. Consequently, it would not be possible for the sub-fund to draw any sales proceeds without delays. To minimise the possible impact on redemption applications, the
 - sub-fund will invest in a large number of markets.
- Settlement and custody risks - the settlement and custody systems in emerging market countries are not as well developed as those in developed markets.
- Standards are not as high and the supervisory authorities not as experienced. Consequently, settlement may be delayed, thereby posing disadvantages for liquidity and securities.
- Restrictions on buying and selling - in some cases, emerging markets can place restrictions on the buying of securities by foreign investors. Some equities are thus not available to the sub-fund because the maximum number allowed to be held by foreign unitholders has been exceeded. In addition, the participation of foreign investors in the net income, capital and distributions may be subject to restrictions or government approval. Emerging markets may also limit the sale of securities by foreign investors. Should the sub-fund be barred due to such a restriction from selling its securities in an emerging market, it will try to obtain an exceptional approval from the relevant authorities or to counter the negative impact of this restriction through its investments in other markets. The sub-fund will only invest in markets in which the restrictions are acceptable. However, it is not possible to prevent additional restrictions from being imposed.
- Accounting - the accounting, auditing and reporting standards, methods, practices and disclosures required by companies in emerging markets differ from those in developed markets in respect of content, quality and the deadlines for providing information to investors. It may thus be difficult to correctly evaluate the investment options.

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

Risk information on investments traded via Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect ("Stock Connect"):

Risks relating to securities trading in mainland China via Stock Connect

If the sub-fund's investments in mainland China are traded via Stock Connect, there are additional risk factors in relation to these transactions. In particular, investors should note that Stock Connect is a new trading programme. There is currently no empirical data. Furthermore, the corresponding provisions could change in future. Stock Connect is subject to quota limits that could restrict the sub-fund's ability to perform transactions in a timely manner via Stock Connect. This could impair the sub-fund's ability to effectively implement its investment strategy. The scope of Stock Connect initially encompasses all securities included on the SSE 180 Index and SSE 380 Index, as well as all Chinese A-shares listed on the Shanghai Stock Exchange ("**SSE**"). It also extends to all securities included in the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index with a market capitalisation of at least RMB 6 billion, as well as to all Chinese A-shares listed on the Shenzhen Stock Exchange ("**SZSE**"). Investors should also note that under the applicable regulations, a security can be removed from the Stock Connect programme. This could have an adverse effect on the sub-fund's ability to achieve its investment objective, for example if the Portfolio Manager wishes to acquire a security that has been removed from the Stock Connect programme.

Beneficial owner of SSE and/or SZSE shares

Stock Connect consists of the northbound link, through which investors in Hong Kong and abroad – such as the sub-fund – may acquire and hold Chinese A-shares listed on the SSE ("**SSE shares**") and/or SZSE ("**SZSE shares**"), and the southbound link, through which investors in mainland China may acquire and hold shares listed on the Hong Kong Stock Exchange ("**SEHK**"). The sub-fund trades in SSE shares and/or SZSE shares through its broker, which is associated with the Company's sub-custodian and admitted to the SEHK. After settlement by brokers or depositaries (the clearing agents), these SSE shares and/or SZSE shares shall be held in accounts in the Hong Kong Central Clearing and Settlement System ("**CCASS**") maintained by Hong Kong Securities and Clearing Company Limited ("**HKSCC**"), the central securities depository in Hong Kong and the nominee. HKSCC in turn holds the SSE shares and/or SZSE shares of all participants in a "Single Nominee Omnibus Securities Account", which is registered in its name with ChinaClear, the central securities depository in mainland China. Since HKSCC is only the nominee and not the beneficial owner of the SSE shares and/or SZSE shares, if HKSCC were to be wound down in Hong Kong, the SSE shares and/or SZSE shares would not be deemed part of HKSCC's general assets available for distribution to creditors, even under PRC law. However, HKSCC is not required to take legal measures or initiate legal proceedings to enforce rights on behalf of investors in SSE shares and/or SZSE shares in mainland China. Foreign investors - such as the sub-fund in question – who invest through Stock Connect and hold SSE shares and/or SZSE shares via HKSCC are the beneficial owners of the assets and are therefore entitled to exercise their rights exclusively through the nominee.

Not protected by the Investor Compensation Fund

Investors should note that neither northbound nor southbound transactions via Stock Connect are covered by the Investor Compensation Fund in Hong Kong or the China Securities Investor Protection Fund. Investors are therefore not protected against these measures. The Investor Compensation Fund in Hong Kong was set up to compensate investors of any nationality who sustain monetary damages as a result of a licensed intermediary or an authorised financial institution defaulting on payments in connection with exchange-traded products in Hong Kong. Examples of payment defaults are insolvency, bankruptcy or winding up, breach of fiduciary duty, misappropriation, fraud or unlawful transactions.

Risk of quotas being used up

Once the daily quotas for northbound and southbound transactions have been reached, acceptance of corresponding purchase orders will be immediately suspended and no further purchase orders will be accepted for the rest of the day. Purchase orders that have already been accepted are not affected in the event the daily quota is used up. Sell orders will continue to be accepted.

Risk of ChinaClear payment default

ChinaClear has set up a risk management system and has taken measures that have been approved by the China Securities Regulatory Commission ("**CSRC**") and that are subject to its supervision. Under the general CCASS rules, should ChinaClear (as the central counterparty) not meet its obligations, HKSCC shall attempt, where applicable, in good faith to claim the outstanding Stock Connect securities and ChinaClear funds via the available legal channels and during the winding up of ChinaClear.

HKSCC shall, in turn, distribute the Stock Connect securities and/or funds that can be reclaimed pro rata to qualified participants in accordance with the regulations of the competent Stock Connect authority. Investors should be aware of these regulations and the potential risk of a payment default by ChinaClear before investing in the sub-fund and its participation in northbound trading.

Risk of HKSCC payment default

Should HKSCC be delayed in fulfilling its obligations, or even fail to do so altogether, this could lead to settlement default or the loss of Stock Connect securities and/or associated funds. The sub-fund and its investors could incur losses as a result. Neither the sub-fund nor the Portfolio Manager is responsible or liable for such losses.

Ownership of Stock Connect securities

Stock Connect securities are unsecuritised and held by HKSCC on behalf of their holders. The physical deposit and withdrawal of Stock Connect securities are not available to the sub-fund under northbound trading.

The ownership and ownership rights of the sub-fund and entitlements to Stock Connect securities (regardless of the legal nature thereof, in equity jurisprudence or otherwise) are subject to the applicable requirements, including the laws on the disclosure of interests and the restrictions on foreign share ownership. It is unclear whether the Chinese courts recognise investors and would grant them standing to initiate legal proceedings against Chinese companies in the event of disputes. This is a complex legal area and investors should seek independent professional advice.

Currency risk of the RMB

If the currency of account of the sub-fund is USD, the sub-fund will be directly exposed to any fluctuation in the exchange rate between USD and RMB.

In this scenario, the sub-fund invests primarily in securities denominated in RMB but its net asset value, subscription and redemption will be quoted in USD.

The PRC government's control of currency exposure and future movements in exchange rates may adversely affect the operations and financial results of companies invested in by the sub-fund. RMB is not a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC government. If such policies or restrictions change in the future, the position of the sub-fund or its investors may be adversely affected.

Conversion between RMB and other currencies is subject to policy restrictions and promulgations relating to RMB and relevant regulatory requirements. Relevant policies may have an impact on the ability of the sub-fund to convert between

RMB and other currencies in respect of its onshore and offshore investments, applicable exchange rate and cost of conversion. There is no assurance that conversion will not become

more difficult or impossible, or that the RMB will not be subject to devaluation, revaluation or shortages in its availability.

Investments in other UCITS and UCIs

Sub-funds, which invest at least half of their net 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 these funds as compared with funds investing directly is broader diversification and the fact that they spread the risk. A fund of funds diversifies the investment portfolio not just in respect of its own investments, since the investments objects (target funds) are also subject to strict risk diversification rule; a fund of funds therefore gives the investor access to a product, which spreads the risk at two levels and thereby minimises the risks inherent in the individual investments. The investment policy of the UCITS and UCI, in which the sub-funds invest for the most part, has to be in compliance with the investment policy of the Company to the greatest possible extent.

Certain commission payments and expenses may occur more than once when investing in existing funds (for example, commission for the Depositary and the Administrative Agent, management/consultation fees and issue/redemption commission for UCI and/or UCITS investments). These commissions and payments are charged at the level of the target fund as well as at the level of the fund of funds.

The sub-funds may also invest in UCIs and UCITS managed by UBS Fund Management (Luxembourg) S.A. or by a company with which it is associated by the virtue of common management control or through a substantial direct or indirect holding. In this case subscription or redemption of shares would not entail any issue or redemption commission.

The general expenses as well as costs incurred when investing in existing funds are dealt with in the sections "Investment principles" under 2.8) and "Costs paid by the Company".

Tracking accuracy of passively managed sub-funds

The sub-fund is not expected to track the relevant underlying index with the same accuracy as an instrument that invests in each security comprising the index. However, the difference between the performance of the shares of a sub-fund (before costs) and that of the index should generally not exceed 1%, but this is not guaranteed. Most sub-funds are expected to have a difference of less than 1%; however, exceptional circumstances may arise which can cause this figure to exceed 1%. In addition, due to the composition of the respective index of certain sub-funds, it may be virtually impossible to achieve such a degree of accuracy, for example as a result of the Company's investment restrictions. For sub-funds where such tracking accuracy is virtually impossible, the normal annual difference is expected not to exceed 5%.

Since the different share classes of a sub-fund will each have different fee structures, the tracking accuracy may vary with respect to different share classes of the same sub-fund. The following factors may adversely affect the tracking of a sub-fund's index:

- the sub-fund is subject to various expenses that are not incurred by the underlying index (this may include costs for derivative transactions);
- in certain sub-funds, the securities held are not identical to those in the underlying index. However, these other securities were selected with the aim of achieving as close a performance as possible. Their investment performance may differ from that of the index;
- the management of certain sub-funds may be limited to a representative selection of index securities. This method may, in some cases, adversely affect the replication of the index. The "Investment principles" section lists concentration limits for index securities and other securities. This limitation may also have an adverse effect on the replication of the index, as the sub-fund may not be able to hold the optimal percentage of certain securities;

- a sub-fund must comply with statutory restrictions, such as the Company's investment restrictions, which do not affect the calculation of the relevant index;
- the existence of uninvested assets in the sub-funds (including cash and prepaid expenses);
- the fact that a sub-fund may be subject to foreign withholding tax different from that applicable to the index;
- Income from securities lending where applicable.
- Although the portfolio manager will regularly monitor the tracking accuracy of the share classes of the sub-fund in question, no assurance can be given as to how accurately any share class of the sub-fund replicates the performance of the underlying index.

Index risk

No assurance can be given that each index will continue to be calculated and published in the manner described in this Sales Prospectus, or that it will not be substantially altered. The past performance of the individual indices is no guarantee of future performance. An index provider is not obliged to take into account the needs of the Company or the shareholders when determining, composing or calculating an index. An index provider is neither responsible for nor involved in determining the launch date or the prices and quantities at the time of listing the shares. Nor does it have any influence on the determination or calculation of the equation according to which the shares can be redeemed for cash or in kind.

Use of financial derivative transactions

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

Depending on the specific characteristics of financial derivative transactions, however, the aforementioned risks may be of a different kind and occasionally turn out to be higher than the risks with an investment in the underlying instruments.

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

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

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

Additional risks connected with the use of financial derivative transactions lie in the incorrect determination of prices or valuation of financial derivative transactions. There is also the possibility that financial derivative transactions do not completely correlate with their underlying

assets, interest rates or indices. Many financial derivative transactions are complex and frequently valued subjectively. Inappropriate valuations can result in higher demands for cash by counterparties or in a loss of value for the Company. There is not always a direct or parallel relationship between a financial derivative transaction and the value of the assets, interest rates or indices from which it is derived. For these reasons, the use of financial derivative transactions by the Company is not always an effective means of attaining the Company's investment objective and can at times even have the opposite effect.

Swap Agreements

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

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

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

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

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

A credit default swap ("CDS") is a derivative instrument which is a mechanism for transferring and transforming credit risk between purchaser and seller. The protection buyer purchases protection from the protection seller for losses that might be incurred as a result of a default or other credit event in relation to an underlying security. The protection buyer pays a premium for the protection and the protection seller agrees to make a payment to compensate the protection buyer for losses incurred upon the occurrence of any one of a number of possible specified credit events, as set out in the CDS agreement. In relation to the use of CDS, the sub-fund may be a protection buyer and/or a protection seller. A credit event is an event linked to the deteriorating credit worthiness of an underlying reference entity in a credit derivative. The occurrence of a credit event usually triggers full or partial termination of the transaction and a payment from protection seller to protection buyer. Credit events include, but are not limited to, bankruptcy, failure to pay, restructuring, and obligation default.

Insolvency risk on swap counterparties

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

Potential illiquidity of exchange traded instruments and swap contracts

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

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

Risks connected with the use of efficient portfolio management techniques

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

A sub-fund may enter into securities lending transactions subject to the conditions and limits set out in Section 5 entitled "Special techniques and instruments relating to transferable securities and money market instruments". If the other party to a securities lending transaction should default, the sub-fund might suffer a loss to the extent that the proceeds from the sale of the collateral held by the Company in connection with the securities lending transaction are less than the value of the securities lent. In addition, in the event of the bankruptcy or similar proceedings of the other party to the securities lending transaction or its failure to return the securities as agreed, the sub-fund could suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the securities lending agreement.

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

Exposure to securities financing transactions

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

<i>Sub-fund</i>	<i>Total Return Swap</i>		<i>Repurchase Agreements/Reverse Repurchase Agreements</i>		<i>Security lending</i>	
	<i>Expected</i>	<i>Maximum</i>	<i>Expected</i>	<i>Maximum</i>	<i>Expected</i>	<i>Maximum</i>
<i>– Emerging Markets Equity Passive</i>	0%	15%	0%	100%	0-50%	100%
<i>– Equities Europe (ex Switzerland) Passive</i>	0%	15%	0%	0%	0-50%	100%
<i>– Equities Europe (ex Switzerland) Passive II</i>	0%	15%	0%	0%	0%	0%
<i>– Equities Global (ex USA) Passive</i>	0%	15%	0%	0%	0-50%	100%

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 14/592 (on the ESMA Guidelines on ETFs and other UCITS issues), the risk management procedure is also 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 section 5 "Special techniques and instruments relating to transferable securities and money market instruments").

Leverage

Leverage on UCITS under the Value-at-Risk approach ("VaR" or "VaR approach") is defined pursuant to CSSF circular 11/512 as the "sum of notional" values of the derivatives used by the respective sub-fund. Shareholders should note that this definition may result in artificially high levels of leverage which may not reflect the actual economic risk inter alia for the following reasons:

- Whether or not a derivative is used for exposure or hedging purposes, it will increase the leverage calculated as per the "sum of notional" approach;
- Duration of interest rate derivatives is not taken into account. One consequence is that short term interest rate derivatives will generate the same level of leverage as long term interest rate derivatives despite the fact that short term interest rate derivatives generate significantly lower economic risk. Economic risk of UCITS under the VaR approach is captured through a UCITS risk control framework. This framework includes, amongst others, restrictions on VaR which captures market risk on all positions, including

derivatives. The VaR is supplemented by a comprehensive Stress Testing program. The average level of leverage per sub-fund under the VaR approach is expected to lie within a bandwidth as outlined in the table below. Leverage is expressed as a ratio between the "sum of notional" and the net asset value of the respective sub-fund. Greater leverage amounts may be attained for all sub-funds, under certain circumstances.

Sub-funds	Global risk calculation method	Expected leverage bandwidth	Reference portfolio
- Emerging Markets Equity Passive	Commitment approach	n.a.	n.a.
- Equities Europe (ex Switzerland) Passive	Commitment approach	n.a.	n.a.
- Equities Europe (ex Switzerland) Passive II	Commitment approach	n.a.	n.a.
- Equities Global (ex USA) Passive	Commitment approach	n.a.	n.a.

Collateral Management

If the Company enters into OTC transactions, it may be exposed to risks related to the creditworthiness of the OTC counterparties: when the Company enters into futures contracts or options or uses other derivative techniques it is subject to the risk that an OTC counterparty may not meet (or cannot meet) its obligations under a specific or multiple contracts. Counterparty risk can be reduced by depositing a security ("collateral" see above). Collateral may be provided in the form of liquid assets in highly liquid currencies, highly liquid equities and first-rate government bonds. The Company will only accept such financial instruments as collateral that would allow it (after objective and appropriate valuation) to liquidate these within an appropriate time period. The Company, or a service provider appointed by the Company, must assess the collateral's value at least once a day. The collateral's value must be higher than the value of the position of the respective OTC counterparty. However, this value may fluctuate between two consecutive valuations. After each valuation, however, it is ensured (where appropriate, by requesting additional collateral) that the collateral is increased by the desired amount to meet the value of the respective OTC counterparty's position (mark-to-market). In order to adequately take into account the risks related to the collateral in question, the 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 markdown is highest for equities. Securities deposited as collateral may not have been issued by the corresponding OTC counterparty or 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 Depositary in favour of the Company and may not be sold, invested or pledged by the Company.

The Company shall ensure that the collateral transferred to it is adequately diversified, particularly regarding geographic dispersal, diversification across different markets and diversification of the concentration risk. The latter is considered to be sufficiently diversified if securities and money market instruments held as collateral and issued by a single issuer do not exceed 20% of the Company's net assets.

By way of derogation from the aforementioned sub-paragraph and in accordance with the revised para. 43(e) of the ESMA Guidelines on ETFs and other UCITS issues dated 1 August 2014 (ESMA/2014/937), the Company may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a EU Member State, one or more of its

local authorities, a third country, or a public international body to which one or more EU Member States belong. In such case, the Company shall ensure that it receives securities from at least six different issues, whereas securities from any single issue should not account for more than 30% of the sub-fund's net assets.

The Board of Directors of the Company has decided to make use of the aforementioned derogation and to accept a collateralisation in transferable securities and money market instruments, issued or guaranteed by a EU Member State, one or more of its local authorities, a third country, or a public international body to which one or more EU Member States belong, of up to 50% of the following countries: United States, Japan, United Kingdom, Germany and Switzerland.

Collateral that is deposited in the form of liquid funds may be invested by the Company.

Investments may only be made in:

sight deposits or deposits at notice in accordance with point 1.1(f) of Section 1 "Permitted investments of the Company"; high-quality government bonds; repurchase transactions within the meaning of Section 4 "Special techniques and instruments that have securities and money market instruments as underlying assets", provided that the counterparty to this transaction is a credit institute within the meaning of point 1.1(f) of Section 1 "Permitted investments of the Company" and the Company has the right to cancel the transaction at any time and to request the back transfer of the amount invested (incl. accrued interest); short-term money-market instruments within the meaning of CESR Guidelines 10-049 regarding the definition of European money-market instruments. The restrictions listed in the previous paragraph also apply to the diversification of the concentration risk. If the Company is owed a security pursuant to an applicable agreement, such security shall be held in custody by the Depositary in favour of the Company. Bankruptcy and insolvency events or other credit events with the Depositary or within their sub-custodian/correspondent bank network may result in the rights of the Company in connection with the security to be delayed or restricted in other ways. If the Company is owed a security pursuant to an applicable agreement, then any such security is to be transferred to the OTC counterparty as agreed between the Company and the OTC counterparty. Bankruptcy and insolvency events or other credit events with the OTC counterparty, the Depositary or within their sub-custodian/correspondent bank network may result in the rights or recognition of the Company in connection with the security to be delayed, restricted or even eliminated, which would go so far as to force the Company to fulfil its obligations in the framework of the OTC transaction, in spite of any security that had previously been made available to cover any such obligation.

The Board of Directors of 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 Board of Directors of the Management Company on a regular basis.

The Board of Directors of 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:

Asset class	Minimal 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,	1%

Germany, France, Japan, Norway, Sweden, UK, USA) and the issuing country has a minimum rating of A	
Instruments which fulfil the same criteria as above and have an average duration (1 – 5 years).	3%
Instruments which fulfil the same criteria as above and have a long duration (5 – 10 years).	4%
Instruments which fulfil the same criteria as above and have a very long duration (more than 10 years).	5%
US TIPS (Treasury inflation protected securities) with a duration of up to 10 years	7%
US Treasury strips or zero coupon bonds (all durations)	8%
US TIPS (Treasury inflation protected securities) with a duration of more than 10 years	10%

The haircuts eligible to be used as collateral from securities lending are, insofar as they are usable, described in section 5 "Special techniques and instruments relating to transferable securities and money market instruments".

Investments in UBS (Lux) Institutional SICAV

Net asset value, issue, redemption and conversion price

The net asset value and the issue, redemption and conversion price per share of the different classes of any sub-fund are expressed in the currency of account of the sub-fund or the share class concerned and are calculated every business day by dividing the overall net assets of the sub-fund to which the respective share class is assigned by the number of shares issued in the relevant class of this sub-fund. However, the net asset value of a share may also be calculated on days on which no shares are issued or redeemed in accordance with the following section. Such net asset value may be published but may only be used for performance calculations and statistics or fee calculations, but in no case as a basis for subscription and redemption orders. The percentage of the overall net asset value to be assigned to a sub-fund's share class is determined by the relationship between the shares issued in each class and the total number of shares issued by the sub-fund. This percentage rate changes in accordance with distributions made and the issue and redemption of shares as follows:

- Each time shares are issued or redeemed, the net asset value attributable to the share class concerned is increased or reduced by the amount received or paid out.

If the total subscriptions or redemptions affecting all share classes of a sub-fund on a single trading day comes to a net capital inflow or outflow, the net asset value of the sub-fund may be increased or reduced respectively (Single Swing Pricing, "SSP"). The maximum adjustment amounts to 2% of the net asset value. Estimated transaction costs and tax charges that may be incurred by the sub-fund as well as the estimated bid/offer spread of the assets in which the sub-funds 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 all shares of a sub-fund. It results in a reduction of net asset value if the net movements bring about a fall in the shares. The board of directors of the Management Company can set a threshold value for each sub-fund. This may consist of the net movement on a trading day in relation to the net assets of the sub-fund or to an absolute amount in the currency of the sub-fund concerned. The net asset value would be adjusted only if this threshold were to be passed on a trading day.

When deciding about the introduction of SSP, the board of directors of the Management Company shall decide which sub-funds will be affected. Sub-fund for which SSP is introduced will not have transaction fees payable and vice-versa.

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

- a) The value of any cash is deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discount as may be considered appropriate in such case to reflect the true value thereof.
- b) Securities, derivatives and other investments listed on an official stock exchange are valued at the last known market prices. If the same security, derivative or other investment is quoted on several stock exchanges, the last available quotation on the stock exchange that represents the major market for this investment will apply. In the case of securities, derivatives and other investments where trading of these assets on the stock exchange is thin but which are traded between securities dealers on a secondary market using standard market price formation methods, the Company can use the prices on this secondary market as the basis for their valuation of these securities and other investments. Securities, derivatives and other investments that are not listed on a stock exchange, but that are traded on another regulated market which is recognised, open to the public and operates regularly, in a due and orderly fashion, 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 any other regulated market, and for which no reliable and appropriate price can be obtained, will be valued by the Company according to other principles chosen by it in good faith on the basis of the likely sales prices.
- d) The valuation of derivatives that are not listed on a stock exchange (OTC derivatives) is made by reference to independent pricing sources. In case only one independent pricing source of a derivative is available, the plausibility of the valuation price obtained will be verified by employing methods of calculation recognised by the Company and the auditors, based on the market value of the underlying instrument from which the derivative has been derived.
- e) Units or shares of other undertakings for collective investment in transferable securities ("UCITS") and/or undertakings for collective investment ("UCI") will be valued at their last net asset value. Certain units or shares of other UCITS and/or UCI may be valued based on an estimate of the value provided by a reliable price provider independent from the target fund's investment manager or investment adviser (Estimated Pricing).
- f) The value of money market instruments which are not listed on a stock exchange or traded on another regulated market open to the public is based on the appropriate 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.
- g) Securities, money market instruments, derivatives and other investments that are denominated in a currency other than the currency of account of the relevant sub-fund and which are not hedged by means of currency transactions are valued at the middle currency rate (midway between the bid and offer rate) known in Luxembourg or, if not available, on the most representative market for this currency.
- h) Time deposits and fiduciary investments are valued at their nominal value plus accumulated interest.
- i) The value of swap transactions is calculated by an external service provider, and a second independent valuation is made available 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 available from Bloomberg and/or broker statement valuations may be used. The valuation methods depend on the respective security and are determined pursuant to the applicable UBS valuation policy.

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

In the case of extraordinary circumstances, additional valuations, which will affect the prices of the shares to be subsequently issued or redeemed, may be carried out within one day. Conditions for the issue and redemption of shares Shares in sub-funds are issued and redeemed on every business day. In this context, "business day" refers to the normal bank business days (i.e. each day on which banks are open during normal business hours) in Luxembourg, with the exception of 24 and 31 December and of individual, non-statutory rest days and days on which stock exchanges in the main countries in which the sub-fund invests are closed or 50% or more sub-fund investments cannot be adequately valued. "Non-statutory rest days" are days, on which several banks and financial institutions are closed. No issue or redemption will take place on days on which the Company has decided not to calculate net asset value as described in the section "Suspension of the net asset value calculation and of the issue, redemption and conversion of shares". In addition, the Company is empowered to:

- a) Reject a subscription application at its discretion and to discretionary decide to accept subscription and conversion requests on any other valuation date
- b) At any time redeem shares held by shareholders who are not qualified to purchase or hold shares. Such redeemed shares are reimbursed to the shareholder and thereby cease to be valid.

Subscription and redemption applications ("orders") entered with the Administrative Agent or with UBS Investment Bank – a unit of UBS AG – no later than by 15:00 hours Central European Time ("cut-off time") on a business day ("Order Date") will be processed on the basis of the net asset value calculated as per the business day ("Valuation Date") immediately following the Order Date.

All orders sent by fax must be received by the Administrative Agent one hour prior to the stated cut-off time of the respective sub-fund 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 or other intermediaries vis-à-vis their clients in order to ensure a proper submission of subscription orders to the Administrative Agent.

Information may be obtained from the central settling agent of UBS AG in Switzerland or other intermediaries. For orders received by the Administrative Agent or the central settlements agency of UBS Investment Bank in Switzerland – a unit of UBS AG - after the above mentioned cut-off times, the following business day will be treated as the order date. Earlier closing times for receipt of orders can apply to orders placed with sales agencies in Luxembourg or abroad to ensure punctual forwarding to the Administrative Agent or central processing unit of UBS Investment Bank in Switzerland. The earlier closing times can be requested from the relevant sales agencies.

This means that net asset value for settlement purposes is not known when the order is placed (forward pricing). It will be calculated on the basis of the last-known market prices (i.e. at the most recent market prices available or closing market prices if they are available at the time of calculation). The individual valuation principles applied are described in the preceding section.

Investors are informed that the Company is entitled to take adequate measure in order to prevent practices known as "Market-Timing" in relation to investments in the sub-fund. The Company will also ensure that the relevant cut-off time for requests for subscription, redemption and conversion are strictly complied with and will therefore take adequate measures to prevent practices known as "Late Trading". In the event of recourse to distributors, the Company will ensure that the distributor duly complies with the relevant cut-off time.

The Company is entitled to reject requests for subscription and conversion in the event that it has knowledge or suspicions of the existence of such practices. In addition, the Company is authorized to take any further measures deemed appropriate to prevent the above mentioned practices, without prejudice however to the provisions under Luxembourg law.

Issue of shares

The issue prices of shares of the sub-funds are calculated according to the paragraph "Net asset value, issue, redemption and conversion price".

After the initial issue, the issue price is based on the net asset value per share plus a maximum issuing commission of 3% of the net asset value in favor of the sales agencies. In case of a subscription, the fees (brokerage fees, etc.), which arise on average for the sub-fund in order to invest the amount subscribed, can be invoiced to the investor. Any taxes, commissions and other fees incurred in the respective countries in which shares are sold 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 shares of the Company are accepted at the issue price of the sub-funds by the Company, the Administrative Agent as well as any other sales agency. Subject to applicable laws and regulations, the Depositary and/or the agents entrusted with receiving subscription payments may, at their discretion and upon investors' request, accept such payments in currencies other than the currency of account of the respective sub-fund and the subscription currency of the share class to be subscribed. The exchange rate used will be determined by the respective agent on the basis of the bid-ask spread of the relevant currency pair. Investors shall bear all fees associated with currency exchange.

Payment must be received by the Depositary at the latest four days after the Order Date ("**Settlement Date**"). If, on the Settlement Date or any date between Order Date and Settlement Date, banks in the country of the currency of the relevant share class are not open for business or the respective currency is not traded on an interbank settlement system, these days are disregarded for the purposes of calculating the settlement date. The settlement date can only be a day on which these banks are open or these settlement systems are available for transactions in the relevant currency.

The shares will be transferred to the investors concerned without delay upon payment of the full issue price. The shares will be issued as non-certificated registered shares. Fractions of shares will be issued up to the third decimal. Upon request and against payment by the shareholder of all incurred expenses, the company may also decide to issue share certificates in physical form. The Company reserves the right to issue share certificates in denominations of 1 or more shares, however fractions of shares, will not be issued in certificate form. All shares issued and still outstanding have the same rights.

However, the Articles of Incorporation envisage the possibility of establishing within a sub-fund various share classes with specific features.

Upon request of the investors, the Company at its discretion may accept subscriptions in kind, in whole or in part. However in this case the investments in kind must be in accordance with the respective sub-fund's investment policy and restrictions. In addition these investments will be audited by the Auditor. The related costs are borne by the investor.

Redemption of shares

Shareholders can request redemption of their shares at any time by making an irrevocable redemption application to the Company, the Administrative Agent or to one of the other sales agencies authorised to accept such applications. Redemption applications must be accompanied by any certificates, which might have been issued.

The cash equivalent for redeemed sub-fund shares is paid no later than four days after the Order Date (the "**Settlement Date**"), unless legal provisions, such as foreign exchange controls or

restrictions on capital movements, or other circumstances beyond the control of the Depositary, make it impossible to transfer the redemption amount to the country in which the redemption application was submitted.

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

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

Any taxes, commissions and other fees incurred in the respective countries in which sub-fund shares are sold will 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.

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

The Company reserves the right not to be bound to completely execute applications for redemptions or conversions on any order date when the aggregated applications amount in an outflow of more than 10% of the total net assets of the sub-fund on such order date (redemption gate). In these circumstances the Company may scale down pro rata all redemptions and conversions and defer in priority the non-executed redemptions and conversions of the order date for a period normally not exceeding 20 business days.

In the event of an excessively large volume of redemption applications, the Depositary and the Company may decide to delay execution of the redemption applications until the corresponding assets of the sub-fund are sold without unnecessary delay. If such a measure is necessary, all redemption orders received on the same day will be settled at the same price.

Upon request of the shareholders the Company at its discretion may accept redemptions in kind, in whole or in part. These redemptions must not have negative effect for the remaining investors and will be audited by the Auditor. The related costs are borne by the investor.

If the value of the portion of a share class on the total net asset value of a sub-fund falls below or has not reached a certain level set by the Board of Directors as the minimum level for an economically efficient management of this share class, the Board of Directors may decide to redeem all shares of this class - upon payment of the redemption price - on a business day to be determined by the Board of Directors. In no event, investors of both the class concerned and other investors in the relevant sub-fund shall bear any additional costs or suffer any other financial disadvantages as a result of this redemption. Where applicable, the single swing pricing described in the section "Net asset value, issue, redemption and conversion price" shall apply.

Conversion of shares

Generally, the shareholder may convert any time into another sub-fund or share class of the same sub-fund. However, the following exceptions apply:

- The conversion is only possible into shares issued; no conversion is possible if the issue of shares by the sub-fund has been suspended

- The right to convert shares is subject to compliance with any conditions applicable to the share class or category of share into which conversion is to be effected
- Conversions can only be made for a definite number of shares.
- Conversions into classes BA and XA shares will only be executed at the Company's discretion, under the condition that the investor has signed an agreement with UBS Asset Management Switzerland AG or one of its authorised delegates.

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

The number of shares to convert into is calculated with the following formula:

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

α ▶ number of shares of the new sub-fund or the share class in which to convert

β ▶ number of shares of the sub-fund or the shares class from which to convert

χ ▶ net asset value of the shares presented for conversion

δ ▶ foreign exchange rate between the sub-funds or the share classes concerned. If both sub-funds or share classes are valued in the same currency of account, this coefficient equals 1

ε ▶ net asset value per share of the sub-fund and/or share class in which the conversion shall be performed plus any taxes, commissions or other fees.

In case of conversion, based on the net asset value, the fees (brokerage fees, etc.) which arise on an average for the sub-fund in order to invest/disinvest the amount converted, can be invoiced to the investor.

Prevention of money laundering and terrorist financing

The Company's sales agencies must observe the provisions of the Luxembourg law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended, as well as the relevant statutory provisions and the applicable circulars of the CSSF.

Amongst other things, the subscriber must furnish proof of his or her identity to the sales agency or the distributor which accepts his or her subscription. The sales agency or distributor is to request the following identification documents from the person buying and, in case of bearer shares, redeeming Company shares: for individuals a certified copy of the passport/identity card (certified by the Administrative Agent or the sales agency 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 commercial register, a copy of the most recently published annual accounts, the complete name of the material beneficial owner, i.e. the final shareholders. As the case may be the sales agency or the distributor must request from subscribers additional documents and/or information.

The sales agency must ensure that the distributors adhere strictly to the aforementioned identification procedures. The Administrative Agent and the Company can, at any time, demand assurance from the sales agency that the procedures are being adhered to. The Administrative Agent controls adherence to the aforementioned provisions for all subscription and redemption applications which they receive from sales agencies or distributors in countries, which do not impose on such intermediary an obligation to identify investors equivalent to that required under Luxembourg or EU laws for the prevention of money laundering and terrorist financing.

Furthermore, the sales agency and its distributors must obey all regulations to prevent money laundering and terrorist financing which are in force in their respective countries.

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

The Company may temporarily suspend calculation of the net asset value and hence the issue and redemption of shares for one or more sub-funds and the switching between the individual sub-funds on one or several business days when:

- a) during any period when any of the stock exchanges or other markets on which the valuation of a significant and substantial part of any of the investments of the Company attributable to such sub-fund from time to time is based, or any of the foreign-exchange markets in whose currency the net asset value any of the investments of the Company attributable to such sub-fund from time to time or a significant portion of them is denominated, are closed – except on customary bank holidays – or during which trading and dealing on any such market is suspended or restricted or if such markets are temporarily exposed to severe fluctuations, provided that such restriction or suspension affects the valuation of the investments of the Company attributable to such sub-fund quoted thereon;
- b) during the existence of any state of affairs which constitutes an emergency in the opinion of the Board of Directors as a result of which disposal or valuation of assets owned by the Company attributable to such sub-fund would be impracticable;
- c) during any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments of such sub-fund or the current price or value on any stock exchange or other market in respect of the assets attributable to such sub-fund;
- d) during any period when the Company is unable to repatriate funds for the purpose of making payments on the redemption of shares of such sub-fund, or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemption of shares cannot, in the opinion of the Board of Directors, be effected at normal rates of exchange;
- e) if political, economic, military or other circumstances beyond the control or influence of the Company make it impossible to access the Company's assets under normal conditions without seriously harming the interests of the shareholders;
- f) when for any other reason, the prices of any investments owned by the Company attributable to such sub-fund, cannot promptly or accurately be ascertained;
- g) upon the publication of a notice convening a general meeting of shareholders for the purpose of the liquidation of the Company;
- h) to the extent that such suspension is justified by the necessity to protect the shareholders, upon publication of a notice convening a general meeting of shareholders for the purpose of the merger of the Company or one or more of its sub-funds, or upon publication of a notice informing the shareholders of the decision of the board of directors to merge one or more sub-fund(s); or
- i) when restrictions on foreign exchange transactions or other transfers of assets render the execution of the Company's transactions impossible.

A suspension of the calculation of the net asset value, a suspension of the issue or redemption of shares and a suspension of the switching between sub-funds will be notified without delay to all the responsible authorities in those countries in which shares of the Company are approved for sale to the public and will be published as further described below in section "Regular reports and publications".

In addition, the Company is at any time empowered:

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

Distributions

The general meeting of shareholders of the respective sub-fund shall decide, upon the proposal of the Board of Directors and after closing the annual accounts per sub-fund, whether and to what extent distributions are to be paid out by each sub-fund and/or share class.

The payment of distributions must not result in the net assets of the Company falling below the minimum amount of assets prescribed by law. If a distribution is made, payment will be effected no later than four months after the end of the financial year. Distributions may be composed of income (e.g. dividend income and interest income) or capital and they may include or exclude fees and expenses. Investors in certain countries may be subject to higher tax rates on distributed capital than on any capital gains from the sale of Company shares. Some investors may therefore choose to invest in the accumulating (-acc) instead of the distributing (- dist, -mdist) share classes. Investors may be taxed at a later point in time on income and capital arising on accumulating (-acc) share classes compared to distributing (-dist) share classes. Investors should seek their own tax advice. Every distribution results in an immediate decrease in the net asset value per share of the sub-fund.

The Board of Directors is authorized to pay interim dividends and to suspend the payment of distributions.

Entitlements to distributions and allocations not claimed within five years of falling due shall lapse and be paid back into the sub-fund and/or share class concerned. If the sub-fund or the share class in question has already been liquidated, the distributions and allocations will accrue to the remaining sub-funds of the Company and/or the remaining share classes of the sub-fund concerned in proportion to their respective net assets. Upon the proposal of the Board of Directors, the general meeting of shareholders may decide, in connection with the appropriation of net investment income and capital gains, to issue bonus shares. An income equalization amount will be calculated so that the distribution corresponds to the actual income entitlement.

Taxes and expenses

Tax

The Company is subject to Luxembourg legislation. In accordance with current legislation in the Grand Duchy of Luxembourg, the Company is not subject to any Luxembourg withholding, income, capital-gains or wealth taxes.

From the total net assets of each sub-fund, however, a tax of 0.01% p.a. ("taxe d'abonnement") payable to the Grand Duchy of Luxembourg is due at the end of every quarter. This tax is calculated on the net assets of each sub-fund at the end of every quarter. The following are exempt from this "Taxe d'abonnement":

- sub-funds, categories and/or classes:

- (i) whose securities are listed or traded on at least one stock exchange or another regulated market operating regularly, recognised and open to the public; and
- (ii) whose exclusive object is to replicate the performance of one or more indices.

Where several classes of securities exist within the sub-fund, the exemption only applies to classes fulfilling the conditions as above. The taxable values shown are based on the most recently available data at the time they were calculated.

The shareholders are not required, under current tax law, to pay any income, gift, inheritance or other tax in Luxembourg unless they are domiciled in Luxembourg, have a residence in Luxembourg or maintain a permanent establishment there, or were previously domiciled in Luxembourg and hold more than 10% of the shares in the Company.

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

Automatic Exchange of Information - FATCA and the Common Reporting Standard

As an investment entity established in Luxembourg, the Company is required by automatic exchange of information regimes, such as those described below (and others as may be introduced from time to time), to collect certain information about each investor and their tax status and to share that information with the Luxembourg tax authorities, who may then exchange it with tax authorities in the jurisdictions in which the investor is tax resident.

Pursuant to the U.S. Foreign Account Tax Compliance Act and associated legislation ("**FATCA**"), the Company is required to comply with extensive due diligence and reporting requirements designed to inform the U.S. Department of the Treasury of financial accounts of "Specified U.S. Persons", as defined by the Intergovernmental Agreement ("**IGA**") concluded between Luxembourg and the U.S. Failure to comply with these requirements may subject the Company to U.S. withholding taxes on certain U.S. sourced income and, effective 1 January 2019, gross proceeds. Pursuant to the IGA, the Company will be deemed compliant and not subject to withholding tax if it identifies and reports financial accounts held by Specified U.S. Persons directly to the Luxembourg tax authorities, who will then provide it to the U.S. Internal Revenue Service.

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

Prospective investors will be required to provide to the Company information about themselves and their tax status prior to investment in order to enable the Company to satisfy its obligations under FATCA and the CRS, and to update that information on a continuing basis. Prospective investors should note the Company's obligation to disclose such information to the Luxembourg tax authorities. Each investor acknowledges that the Company may take such action as it considers necessary in relation to such investor's holding in the Company to ensure that any withholding tax suffered by the Company and any other related costs, interest, penalties and other losses and liabilities arising from such investor's failure to provide the requested information to the Company is economically borne by such investor. This may include subjecting

an investor to liability for any resulting U.S. withholding taxes or penalties arising under FATCA or the CRS and/or the compulsory redemption or liquidation of such investor's interest in the Company.

Prospective investors should consult their own tax advisor with regard to FATCA and the CRS and the potential consequences of such automatic exchange of information regimes.

"Specified U.S. Person" for FATCA purposes

The term "Specified U.S. Person" means a U.S. citizen or resident individual, a partnership or corporation organised in the U.S or under the laws of the U.S or any State thereof, a trust if i) a court within the U.S would have authority under applicable law to render orders or judgments concerning substantially all issues regarding administration of the trust, and ii) one or more Specified U.S. Persons have the authority to control all substantial decisions of the trust, or an estate of a decedent that is a citizen or resident of the U.S. This section shall be interpreted in accordance with the U.S. Internal Revenue Code.

Investments in Chinese A-shares via Stock Connect

On 14 November 2014, the Chinese authorities published Caishui circular [2014] No. 81, stating that with effect from 17 November 2014, capital gains made by foreign investors from trading in Chinese A-shares via the Stock Connect exchange connection would be temporarily exempt from the corporation tax applicable in the PRC as well as personal income and trade taxes. Foreign investors are obliged to pay the 10% dividends withholding tax applicable in the PRC. This will be withheld by companies listed in the PRC and remitted to the competent tax authorities in the PRC. Investors resident for tax purposes in a jurisdiction that has a tax treaty with the PRC can apply for a refund of excess withholding tax paid, provided that the tax treaty in question provides for a lower withholding tax on dividends in the PRC.

The Company is subject to the stamp duty of 0.1% applicable in the PRC when disposing of Chinese A-shares via Stock Connect.

Investors in the United Kingdom

Reporting sub-funds

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

Shareholders in non-reporting share classes

Each individual share class is an offshore fund within the meaning of the TIOPA and the UK Offshore Funds (Tax) Regulations 2009 that came into force on 1 December 2009. Within this framework, all income from the sale, disposal or redemption of offshore fund units held by persons resident or ordinarily resident in the United Kingdom at the time of the sale, disposal or redemption are taxed as income and not as capital gains. However, this is not the case if the fund is approved as a reporting fund by the UK tax authorities for the period in which units are held. Shareholders who are resident or ordinarily resident in the United Kingdom for tax

purposes and invest in non-reporting share classes may be obliged to pay income tax on the income from the sale, disposal or redemption of shares. Such income is therefore taxable, even if investors would be exempt from capital gains tax under general or special provisions, which may lead to some UK investors bearing a comparatively higher tax burden. Shareholders who are resident or ordinarily resident in the United Kingdom can offset losses on the disposal of shares in non-reporting share classes against capital gains.

Shareholders in reporting share classes

Each individual share class is an offshore fund within the meaning of the TIOPA. Within this framework, all income from the sale, disposal or redemption of offshore fund units at the time of the sale, disposal or redemption are taxed as income and not as capital gains. These provisions do not apply if the fund is accorded reporting fund status and maintains this status during the period in which units are held. For a share class to qualify as a reporting fund, the Company must apply to the UK tax authorities for the inclusion of the sub-fund in this category. The share class must then report 100% of the income of the share class for each financial year. The corresponding report can be consulted by investors on the UBS website. Private investors resident in the United Kingdom should include the reportable income in their income tax return. They will then be assessed on the basis of the declared income, whether the income was distributed or not. In determining the income, the income for accounting purposes is adjusted for capital and other items and is based on the reportable income of the corresponding sub-fund. Shareholders are hereby informed that income from trading (but not from investment activities) is classified as reportable income. The key criteria is the business activity. Given the lack of clarity in the guidelines concerning the difference between trading and investment activities, there is no guarantee that the proposed activities are not trading activities. Should the activities of the Company be partly or wholly classified as trading activities, then the annual reportable income for shareholders and the corresponding tax burden would probably be significantly higher than would otherwise be the case. Provided that the relevant share class fulfils the status of a reporting sub-fund, the income from this share class will be taxed as a capital gain and not as income, unless the investor is a securities trader. Such gains may therefore be exempt from capital gains tax under general or special provisions, which may lead to some UK investors bearing a comparatively lower tax burden. In accordance with Part 3 Chapter 6 of the Offshore Funds (Tax) Regulations 2009 (hereinafter the "2009 Regulations"), certain transactions of a regulated sub-fund such as the Company are generally not treated as trading activities in the calculation of reportable income for reporting sub-funds that fulfil a genuine diversity of ownership condition. In this respect, the Board of Directors confirms that all share classes are primarily for private and institutional investors and are offered to these target groups. Regarding the 2009 Regulations, the Board of Directors confirms that the shares of the Company can be easily acquired and are marketed and made available in order to reach and attract the targeted categories of investors.

The attention of persons ordinarily resident in the United Kingdom is drawn to the provisions of Part 13 Chapter 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 sub-fund(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 shareholders who are domiciled or have their ordinary place of abode or residence in the UK. Profits distributed in this manner are taxable for all shareholders who hold a share of more than 10% of the distributed profit either individually or together with associated persons.

The members of the Board of Directors intend to make all reasonable efforts to ensure that the sub-fund(s) would not be classed as a "closed company" if domiciled in the United Kingdom. Moreover, when examining the effects of Section 13 of the Taxation of Chargeable Gains Act 1992, it is important to ensure that the regulations of the double taxation agreement between the United Kingdom and Luxembourg are taken into account.

Expenses paid by the Company

For the management, administration, portfolio management and distribution of the Company (if applicable), as well as for all the tasks of the Depositary, such as the safekeeping and supervision of the Company's assets, the handling of payment transactions and all other tasks listed in the section "Depositary and main paying agent", a maximum flat fee based on the net asset value of the Company is charged to the Company in accordance with the following provisions: this fee is charged to the Company's assets on a pro rata basis upon every calculation of net asset value and paid on a monthly basis (maximum flat fee). The relevant maximum flat fee will only be charged upon launch of the corresponding share classes. The actual rate applied to the maximum flat fee can be found in the annual and semi-annual reports.

Name of sub-fund UBS (Lux) Institutional SICAV	Share class	Maximum flat fee p.a.	Transaction fee
- Emerging Markets Equity Passive*	AA ¹⁾	max. 0.63%	max. 1.00% ⁴⁾
	BA ²⁾	max. 0.18%	max. 1.00% ⁴⁾
	FA ³⁾	none	max. 1.00% ⁴⁾
	XA ³⁾	none	max. 1.00% ⁴⁾
– Equities Europe (ex Switzerland) Passive*	AA ¹⁾	max. 0.22%	max. 1.00% ⁴⁾
	BA ²⁾	max. 0.065%	max. 1.00% ⁴⁾
	FA ³⁾	0.00%	max. 1.00% ⁴⁾
	XA ³⁾	0.00%	max. 1.00% ⁴⁾
- Equities Europe (ex Switzerland) Passive II*	AA ¹⁾	max. 0.22%	max. 1.00% ⁴⁾
	BA ²⁾	max. 0.065%	max. 1.00% ⁴⁾
	FA ³⁾	0.00%	max. 1.00% ⁴⁾
	XA ³⁾	0.00%	max. 1.00% ⁴⁾
– Equities Global (ex USA) Passive*	AA ¹⁾	max. 0.24%	max. 1.00% ⁴⁾
	CA ¹⁾	max. 0.24%	max. 1.00% ⁴⁾
	BA ²⁾	max. 0.065%	max. 1.00% ⁴⁾
	FA ³⁾	0.00%	max. 1.00% ⁴⁾
	GA ³⁾	0.00%	max. 1.00% ⁴⁾
	XA ³⁾	0.00%	max. 1.00% ⁴⁾
	YA ³⁾	0.00%	max. 1.00% ⁴⁾

* Costs in connection to the index license payments may occur and will be charged at sub-fund's level.

- 1) For this share class, the portfolio management and distribution fees are charged at the sub-fund's level, in addition to operational and administrative expenses, calculated on the average net assets attributable to class AA shares and payable monthly.
- 2) For this share class, the portfolio management and distribution fees are charged outside the Company, directly at the level of the agreement concluded by the investor with UBS Asset Management Switzerland AG or one of its authorised delegates. Class BA shares only bear operational and administrative expenses. If a shareholder terminates the agreement with UBS Asset Management Switzerland AG or one of its authorised delegates, the net asset value of the shares will be redeemed to the shareholder.
- 3) For these share classes, the fees for portfolio management, distribution, custody and administration are charged outside the Company, directly at the level of the agreement concluded by the investor with UBS Asset Management Switzerland AG or one of its authorised delegates. If a shareholder terminates the agreement with UBS Asset Management Switzerland AG or one of its authorised delegates, the net asset value of the shares will be redeemed to the shareholder.
- 4) Instead of a swinging single pricing the investors are subject to a transaction fee on all purchases and redemptions of shares. The proceeds of the transaction fee are retained by the sub-fund to offset trading costs associated with purchase and redemptions to protect the other clients from asset dilution. The transaction fee will be waived in case of a subscription or redemption in kind.

The maximum flat fee does not include the following fees and additional expenses, which are also charged to the Company's assets:

- a) all additional expenses related to management of the Company's assets for the sale and purchase of assets (bid/offer spread, brokerage fees in line with the market, commissions, fees, taxes, levies 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 sections "Net asset value, issue, redemption and conversion price" and "Conditions for the issue and redemption of shares";
- b) fees of the supervisory authority for the establishment, amendment, liquidation and merger of the Company, as well as all fees of the supervisory authorities and any stock exchanges on which the sub-funds are listed;
- c) auditor's fees for the annual audit and certification in connection with the establishment, amendment, liquidation and merger of the Company, as well as any other fees paid to the auditor for the services it provides in relation to the administration of the Company 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, amendment, liquidation and merger of the Company, as well as for the general safeguarding of the interests of the Company and its investors, insofar as this is not expressly prohibited by law;
- e) costs for the publication of the Company's net asset value and all costs for notices to investors, including translation costs;
- f) costs for the Company's legal documents (prospectuses, KIID, annual and semi-annual reports, as well as all other documents legally required in the countries of domiciliation and distribution);
- g) costs for the Company's registration with any foreign supervisory authorities, if applicable, including fees, translation costs and fees for the foreign representative or paying agent;
- h) expenses incurred through use of voting or creditors' rights by the Company, including fees for external advisers;
- i) costs and fees related to any intellectual property registered in the Company's name;
- j) all expenses arising in connection with any extraordinary measures taken by the Management Company, Portfolio Manager(s) or Depositary for protecting the interests of the investors;

- k) if the Management Company participates in class-action suits in the interests of investors, it may charge the Company's assets for the expenses arising in connection with third parties (e.g. legal and Depositary costs). Furthermore, the Management Company may charge for all administrative costs, provided these are verifiable and disclosed, and taken into account in the disclosure of the Company's total expense ratio.

The Management Company may pay retrocessions in order to cover the distribution activities of the Company.

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

The costs involved in launching new sub-funds will be written off over a period of up to five years in the respective sub-funds only.

Operational and administrative expenses are allocated among the sub-funds, the categories and the classes of shares pro rata to their respective net assets (or in a fair and reasonable manner as determined by the Company).

When investing in shares of funds which are managed by UBS Fund Management (Luxembourg) S.A. or a company it controls, no issue or redemption commission is chargeable on subscription to or redemption of these shares. The upper limit for management fees of target funds in which the sub-funds' assets are invested amounts to a maximum of 3%, taking into account any trail fees.

If sub-funds invest in funds which refund either entirely or partly the fees charged to their assets by means of payment, such payments will be added in full to the assets of the sub-funds concerned.

The details of expenses paid by the relevant sub-fund are disclosed in the KIID.

Information to shareholders

Regular reports and publications

An annual report is published for each sub-fund and the company as a whole on 31 December and semi-annual report on 30 June.

These reports contain a breakdown of each sub-fund or each share class in the relevant currency of account. The consolidated breakdown of assets for the Company 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 Auditor.

It also contains details on the underlying assets focused on by the respective sub-fund 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 sub-fund by its counterparties, in order to reduce credit risk.

The audited annual report will be sent to shareholders free of charge at their address set forth in the register of shareholders within four months of the end of the financial year. Un-audited semi-annual reports of the Company will be sent at the same place within two months of the end of the period to which they refer. If bearer shares have been issued, the reports will be made available within the above-mentioned time frames at the Company's registered office and the Depositary.

The issue and redemption price of the shares of each sub-fund is announced in Luxembourg at the registered office of the Company and the Depositary.

Notices to shareholders are published on the website www.ubs.com/lu/en/asset_management/notifications and may be sent via e-mail to those shareholders who have provided an e-mail address for this purpose. If shareholders have not provided an e-mail address, or if stipulated in Luxembourg law, by the Luxembourg supervisory authority or in the respective distribution countries, notices will be sent by post to the shareholder's address stated in the register of shareholders and/or published in any other manner permitted by Luxembourg law.

Keeping of documents

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

1. the latest annual and semi-annual reports.

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

1. the articles of incorporation of the Company;
2. the Depositary Agreement;
3. the management company agreement;
4. the portfolio management agreement(s);
5. the central administration agreement.

These 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/investor_information.html

Remuneration policy of the Management Company

The Board of Directors of the Management Company has adopted a remuneration policy, the objectives of which are to ensure that the remuneration is in line with the applicable regulations, and more specifically with the provisions defined under (i) the UCITS Directive 2014/91/EU, the ESMA final report on sound remuneration policies under the UCITS Directive and AIFMD published on 31 March 2016, (ii) the Alternative Investment Fund Managers (AIFM) Directive 2011/61/EU, transposed into the Luxembourg AIFM Law dated from 12 July 2013, as amended from time to time, the ESMA guidelines on sound remuneration policies under the AIFM published on 11 February 2013 and (iii) the CSSF Circular 10/437 on Guidelines concerning the remuneration policies in the financial sector issued on 1 February 2010; and to comply with the UBS Group AG remuneration policy framework. Such remuneration policy is reviewed at least annually.

The remuneration policy promotes a sound and effective risk management environment, is in line with the interests of the investor and discourages risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of such UCITS/AIFs. The remuneration policy

furthermore fosters compliance with the Management Company's and the UCITS'/AIFs' strategies, objectives, values and interests including measures to avoid conflicts of interest.

This approach furthermore focuses amongst others on:

The assessment of performance which is set in a multi-year framework appropriate to the holding periods recommended to the investors of the Sub-Funds in order to ensure that the assessment process is based on the longer-term performance of the Company and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period;

The remuneration of all staff members is appropriately balanced between fixed and variable elements. The fixed component of the remuneration represents a sufficient high proportion of the total remuneration and allows a fully flexible bonus strategy, including the possibility to pay no variable remuneration component. The fixed remuneration is determined by taking into consideration the role of the individual employee, including responsibility and job complexity, performance and local market conditions. It is also to be noted that the Management Company may, on its own discretion, offer fringe benefits to some employees which are an integral component of the fixed remuneration. Any relevant disclosures shall be made in the annual reports of the Management Company in accordance with the provisions of the UCITS Directive 2014/91/EU. Shareholders can find more details about the up-to-date remuneration policy of the Management Company, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee (if any), are available on http://www.ubs.com/lu/en/asset_management/investor_information.html

A paper copy of such document is available free of charge from the Management Company upon request.

Conflicts of interest

The Board of Directors, the Management Company, the Portfolio Manager, the Depositary, the Administrative Agent and the other service providers of the Company, and/or their respective affiliates, members, employees or any person connected with them may be subject to various conflicts of interest in their relationships with the Company.

The Management Company, the Company, the Portfolio Manager, the Administrative Agent and the Depositary have adopted and implemented a conflicts of interest policy and have made appropriate organisational and administrative arrangements to identify and manage conflicts of interests so as to minimise the risk of the Company's interests being prejudiced, and if they cannot be avoided, ensure that the Company's shareholders are treated fairly.

The Management Company, the Depositary, the Portfolio Manager and the main distributor are part of the UBS Group (the "**Affiliated Person**").

The Affiliated Person is a worldwide, full-service private banking, investment banking, asset management and financial services organization and a major participant in the global financial markets. As such, the Affiliated Person is active in various business activities and may have other direct or indirect interests in the financial markets in which the Company invests.

The Affiliated Person including its subsidiaries and branches may act as counterparty and in respect of financial derivative contracts entered into by the Company. A potential conflict may further arise as the Depositary is related to a legal entity of the Affiliated Person which provides other products or services to the Company.

In the conduct of its business, the Affiliated Person's policy is to identify, manage and where necessary prohibit any action or transaction that may pose a conflict between the interests of the Affiliated Persons' various business activities and the Company or its shareholders. The Affiliated Person strives to manage any conflicts in a manner consistent with the highest standards of integrity and fair dealing. For this purpose, the Affiliated Person has implemented procedures that shall ensure that any business activities involving a conflict which may harm the interests of the Company or its shareholders, are carried out with an appropriate level of independence and that any conflicts are resolved fairly. Shareholders may obtain additional information on the Management Company and/or Company's policy related to conflict of interests free of charge by addressing their request in writing to the Management Company.

Notwithstanding its due care and best effort, there is a risk that the organizational or administrative arrangements made by the Management Company for the management of conflicts of interest are not sufficient to ensure with reasonable confidence, that risks of damage to the interests of the Company or its shareholders will be prevented. In such case these non-mitigated conflicts of interest as well as the decisions taken will be reported to the shareholders on the following website of the Management Company:

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

Respective information will also be available free of charge at the registered office of the Management Company.

In addition, it has to be taken into account that the Management Company and the Depositary are members of the same group. Thus, both have put in place policies and procedures ensuring that they (i) identify all conflicts of interests arising from that link and (ii) take all reasonable steps to avoid those conflicts of interest.

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

A description of the safekeeping functions delegated by the Depositary, the list of delegates and sub-delegates of the Depositary can be found on the following website:

<https://www.ubs.com/global/en/legalinfo2/luxembourg.html>, and up-to-date information in relation thereto will be made available to the shareholders upon request.

Benchmark Regulation

The indices used as benchmarks by the sub-funds (as "use" is defined in Regulation (EU) 2016/1011 (the "**Benchmark Regulation**")) are, as at the date of this sales prospectus, provided by benchmark administrators who appear on the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. Updated information whether the benchmark is provided by an administrator included in the ESMA register of EU benchmark administrators and third country benchmarks is available from <https://www.esma.europa.eu/benchmarks-register>. The Management Company maintains a written plan setting out the actions that will be taken in the event that a benchmark materially changes or ceases to be provided (the "**Contingency Plan**"), as required by Article 28 (2) of the Benchmark Regulation. Shareholders may access the Contingency Plan free of charge upon request at the registered office of the Management Company.

Data protection

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

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

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

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

The above-mentioned legitimate interests include:

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

For this purpose and in accordance with the provisions of the data protection legislation, the Company may transfer personal data to its data recipients (the "recipients"), who may be affiliated or external companies that assist the Company in its activities in relation to the above-mentioned purposes. These include in particular the management company, the administrative agent, the distributors, the depositary, the paying agent, the investment manager, the domiciliary agent, the global distributor, the auditor and the legal advisor of the Company.

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

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

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

relevant documents that enable the transfer of personal data to these countries by sending a written request to the Company's address listed above.

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

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

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

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

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

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

Liquidation of the Company and its sub-funds, merging of sub-funds

Liquidation of the Company and its sub-funds

The Company can be dissolved at any time by the general meeting of shareholders in due observance of the legal conditions governing the quorum and necessary majority.

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

If the value of the net assets of the respective sub-fund and/or share class remains at or falls to a level that no longer allows it to be managed in an economically reasonable way or if the political or economic environment changes as well as in the course of a rationalisation, the Board of Directors may demand the liquidation of one or more sub-funds.

The shareholders of the respective sub-fund will be informed of the decision of the general meeting of shareholders or the Board of Directors as further described above in section "Regular reports and publications".

Merger of the Company or of sub-funds or one sub-fund with another undertaking for collective investment (UCI) or with sub-funds thereof; Merger of sub-funds

"**Merger**" means an operation whereby:

- a) one or more UCITS or sub-funds thereof, the "**merging UCITS**", on being dissolved without going into liquidation, transfer all of their assets and liabilities to another existing UCITS or a sub-fund thereof, the "**receiving UCITS**", in exchange for the issue to their shareholders of shares of the receiving UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of those shares;
- b) two or more UCITS or sub-funds thereof, the "**merging UCITS**", on being dissolved without going into liquidation, transfer all of their assets and liabilities to a UCITS which they form or a sub-fund thereof, the "**receiving UCITS**", in exchange for the issue to their shareholders of shares of the receiving UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of those shares;
- c) one or more UCITS or sub-funds thereof, the "**merging UCITS**", which continue to exist until the liabilities have been discharged, transfer their net assets to another sub-fund of the same UCITS, to a UCITS which they form or to another existing UCITS or a sub-fund thereof, the "**receiving UCITS**".

Mergers can be performed in accordance with the form, modalities and information requirements provided for by the Law of 2010; the legal consequences of mergers are governed by and described in the Law of 2010.

Under the same circumstances as provided in the section "Liquidation of the Company and its sub-funds", the Board of Directors may decide to allocate the assets of any sub-fund and/or

share class to those of another existing sub-fund and/or share class within the Company or to another Luxembourg undertaking for collective investment in transferable securities subject to Part I of the Law of 2010 or to another sub-fund and/or share class within such other undertaking for collective investment in transferable securities subject to Part I of the Law of 2010 or, in accordance with the provisions of the Law of 2010, to a foreign undertaking for collective investment in transferable securities or sub-fund and/or share class thereof and to re-designate the shares of the relevant sub-fund or share class concerned as shares of another sub-fund and/or share

class (following a split or consolidation, if necessary, and the payment of the amount corresponding to any fractional entitlement to shareholders). Regardless of the powers conferred on the Board of Directors in this paragraph, the decision to merge funds as described herein may also be taken by a general meeting of shareholders of the sub-fund concerned.

The shareholders will be informed of the decision to merge in the same way as described above in section "Regular reports and publications". During thirty days following the communication of such a decision, shareholders are authorised to redeem all or a part of their shares at their valid net asset value in accordance with the guidelines outlined in the section "Redemption of shares" and without calculating redemption commission or any other administrative fee. Shares not presented for redemption will be exchanged on the basis of the net asset value of the shares of the sub-fund concerned calculated for the day on which the merger will take effect. If the shares or shares to be allocated are shares of an investment fund taking the legal form of a "fonds commun de placement", the decision is only binding for investors who voted in favour of this allocation.

General meeting of shareholders in the Company or the relevant sub-fund

For both liquidations and mergers of sub-funds, there shall be no quorum requirements for such general meeting of shareholders in the Company or the relevant sub-fund and it will decide upon such a merger or division by resolution taken with the simple majority of the shares present and/or represented.

Applicable law, place of performance and authoritative language

The Luxembourg District Court is the place of performance for all legal disputes between the shareholders, the Company, the Management Company and the Depositary. Luxembourg law applies. However, in matters concerning the claims of investors from other countries, the company and/or the Depositary can elect to make themselves and the company subject to the jurisdiction of the countries in which the company shares were bought and sold.

The English version of this sales brochure is the authoritative version. However, in the case of shares sold to investors from the other countries in which company shares can be bought and sold, the company and the Depositary may recognise approved translations (i.e. approved by the Company and the Depositary) into the languages concerned as binding upon themselves and the company.

Investment principles

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

1 *Investment instruments*

1.1 The sub-funds' investments comprise only one or more of the following:

- a) transferable securities and money market instruments that are listed or traded on a regulated market, as defined in Article 4 point 1 (14) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004;
- b) transferable securities and money market instruments that are traded on another regulated market in a Member State which operates regularly and is recognised and open to the public. The term "**Member State**" refers to a Member State of the European Union, it being understood that the States that are contracting parties to the Agreement creating the European Economic Area other than the Member States of the European Union, within the limits set forth by this agreement and related acts, are considered as equivalent to Member States of the European Union;
- c) transferable securities and money market instruments admitted to official listing on a stock exchange in a non-Member State of the European Union or traded on another regulated market in a non-Member State of the European Union which operates regularly and is recognised and open to the public, such stock exchange or market being located within any European, American, Asian, African, Australasian or Oceania country (hereinafter referred to as an "**approved state**");
- d) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or to another regulated market referred to under paragraphs a) to c) above and that such admission is secured within one year of issue;
- e) units of UCITS authorised according to Directive 2009/65/EC and/or other UCIs within the meaning of the first and second indent of Article 1(2), points a) and b) of Directive 2009/65/EC, whether or not established in a Member State, provided that:
 - (i) such other UCIs have been approved in accordance with a law subjecting them to supervision which is considered by CSSF as equivalent to that laid down in Community law, and that co-operation between authorities is sufficiently ensured.
 - (ii) the level of guaranteed protection for unitholders in such other UCIs is equivalent to the level of protection provided for the unitholders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money-market instruments that are equivalent to the requirements of Directive 2009/65/EC;
 - (iii) the business operations of the other UCIs is reported in semi-annual and annual reports to enable an assessment to be made of the assets and liabilities, income, transactions and operations during the reporting period;
 - (iv) no more than 10% of the UCITS or other UCIs whose acquisition is envisaged can, in accordance with their respective sales prospectus, management regulations or articles of incorporation, be invested in aggregate in units of other UCITS or UCIs.
 - (v) Any sub-fund that has a distributing share class for the United Kingdom may invest up to 5% of its net assets in UCI that are classed as "Non-qualifying Offshore UCI" according to British law. This "Non-qualifying Offshore UCI" is an open undertaking for collective investment which is either (a) a Company domiciled outside of the United Kingdom, or (b) a unit trust whose trustees are not domiciled in the United Kingdom, or (c) another agreement which takes effect according to the law of a region outside of the United Kingdom and which according to this law gives rise to a claim in the form of a joint ownership and is not authorised as a "distribution fund".

If not otherwise provided in the investment policy of the relevant sub-fund, each sub-fund will not invest more than 10% of its assets in other UCITS or UCI.

- f) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law;
- g) financial derivative instruments ("**derivatives**"), including equivalent cash-settled instruments, dealt in on a regulated market referred to in paragraphs a), b) and c) above and/or financial derivative instruments dealt in over-the-counter ("**OTC derivatives**"), provided that:
 - (i) the use of derivatives is in accordance with the investment purpose and investment policy of the respective sub-fund, and is suited towards achieving These;
 - (ii) the underlying consists of instruments covered by paragraphs a) to h), financial indices, interest rates, foreign exchange rates or currencies, in which the Company may invest according to the investment objectives of its sub-funds;
 - (iii) the sub-funds ensure, through adequate diversification of the underlying assets, that the diversification requirements applicable to them and listed in the section entitled "Risk diversification" are adhered to;
 - (iv) the counterparties to OTC derivative transactions are institutions that are subject to prudential supervision, and belonging to the categories approved by the CSSF and have been specially approved by the Board of Directors. The approval process by the Board of Directors is based on the principles drawn up by UBS AM Credit Risk and 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;
 - (v) the OTC derivatives are subject to reliable and verifiable valuation on a weekly basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company' s initiative; and
 - (vi) the respective counterparty is not granted discretion regarding the composition of the portfolio managed by the respective sub-fund (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 other than those dealt in on a regulated market as referred to in paragraphs a) to c) above and which fall under this Article 17.1, if the issuer or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that these instruments are:
 - (i) issued or guaranteed by a central, regional or local authority, a central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a non-Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong; or
 - (ii) issued by an undertaking any securities of which are dealt in on regulated markets referred to in paragraphs a), b) or c) above; or
 - (iii) issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by Community law or by an establishment which is subject to and comply with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community law; or
 - (iv) issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection

equivalent to that laid down in the first, the second or the third indent of this paragraph h) and provided that the issuer is a company whose capital and reserves amount at least to ten million Euros (EUR 10,000,000.-) and which presents and publishes its annual accounts in accordance with fourth Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

1.2 However:

- a) the Company may invest no more than 10% of its assets in transferable securities and money market instruments other than those referred to in paragraph 1.1;
- b) the Company may acquire movable and immovable property which is essential for the direct pursuit of its business;
- c) the company may not acquire either precious metals or certificates representing them.

1.3 The Company may hold ancillary liquid assets.

1.4 The Company must ensure that the overall risk associated with derivatives does not exceed the total net value of the company portfolio. As part of its investment strategy, each sub-fund, within the limits set out in 2.2 to 2.4, may invest in derivatives provided that the overall risk of the underlying assets does not exceed the investment limits cited in point 2 below.

2 Risk diversification

2.1 A sub-fund may invest no more than 10% of its assets in transferable securities or money market instruments issued by the same body. A sub-fund may not invest more than 20% of its assets in deposits made with the same body. The risk exposure to a counterparty of the company in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution referred to in paragraph 1.1. f), or 5% of its assets in the other cases. The total value of the transferable securities and money market instruments held by a sub-fund in the issuing bodies in each of which it invests more than 5% of its assets must not exceed 40% of the value of its assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

2.2 Notwithstanding the individual limits laid down in paragraph 2.1, a sub-fund shall not combine, where this would lead to investing more than 20% of its assets in a single body, any or the following:

- investments in transferable securities or money market instruments issued by that body,
- deposits made with that body and/or
- exposures arising from OTC derivative transactions undertaken with that body.

2.3 The limit laid down in paragraph 2.1, first sentence, is raised to a maximum of 35% if the transferable securities or money market instruments are issued or guaranteed by a Member

State, by its local authorities, by a non-Member State or by public international bodies to which one or more Member States are members.

2.4 The limit laid down in paragraph 2.1, first sentence, is raised to a maximum of 25% for certain bonds where they are issued by a credit institution whose registered office is situated in a Member State and which is subject by law to special public supervision designed to protect the bondholders. In particular, sums deriving from the issue of those bonds must be invested pursuant to the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of bankruptcy of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

If a sub-fund invests more than 5% of its assets in the bonds referred to in first sub-paragraph and issued by a single issuer, the total value of such investments may not exceed 80% of the value of the sub-fund's assets.

2.5 The transferable securities and money market instruments referred to in paragraphs 2.3 and 2.4 shall be taken into account for the purpose of applying the limit of 40% referred to in paragraph 2.2.

The limits set out in paragraphs 2.1, 2.2, 2.3 and 2.4 may not be combined; thus, investments in transferable securities or money market instruments issued by the same body or in deposits or derivative instruments made with this body in accordance with paragraphs 2.1, 2.2, 2.3 and 2.4 may not exceed a total of 35% of the assets of the sub-fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules are regarded as a single body for the purpose of calculating the limits contained in the present section 2.

Each sub-fund may invest in aggregate up to 20% of its assets in transferable securities and money market instruments with the same Group.

2.6 By way of derogation from the paragraphs 2.1, 2.2, 2.3, 2.4 and 2.5, a sub-fund may invest in accordance with the principle of risk-spreading up to 100% of its assets in different transferable securities and money market instruments issued or guaranteed by a Member State, its local authorities, an OECD Member State, China, Russia, Brazil, Indonesia or Singapore or public international bodies of which one or more Member States of the European Union are members.

These securities or money market instruments must be divided into at least six different issues, with securities or money market instruments from one and the same issue not exceeding 30% of the total net assets of a sub-fund.

2.7 The limits laid down in 2.1 and 2.2 are raised to a maximum 20% for investments in shares and/or debt instruments issued by the same body when, according to the sub-fund's investment policy, the aim of the sub-fund is to replicate the composition of a certain stock or debt securities index which is recognised by the CSSF, on the following basis:

- the index's composition is sufficiently diversified;
- the index represents an adequate benchmark for the market to which it refers;
- it is published in an appropriate manner.

This limit is raised to 35% where that proves to be justified by exceptional market conditions, in particular in regulated markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

2.8 Regarding investments in other UCITS or other UCIs the following conditions apply:

- a) The Company may invest up to 20% of the net assets of a sub-fund in units of one and the same UCITS or UCI.
- b) For the interpretation of this investment limit, each sub-fund of a UCI with several sub-funds shall be regarded as an independent issuer provided that each sub-fund bears individual responsibility in respect of third parties.
- c) Total investments in shares of other UCI as a UCITS may not exceed 30% of the sub-fund's net assets. The assets invested in the UCITS or other UCI shall not be included in the calculation of the maximum limits set out above.
- d) For sub-funds which in line with their investment policy invest a significant portion of their assets in units of other UCITS and/or UCI, the maximum management fees chargeable by the sub-fund itself and by the other UCITS and/or UCI in which it invests are described in the chapter "Expenses paid by the Company".

Provided the particular sub-fund's investment policy does not specify otherwise, it may invest no more than 10% of its assets in other UCITS or UCI.

2.9 Each sub-fund may also subscribe for, acquire and/or hold shares issued or to be issued by one or more other

sub-funds of the Company subject to additional requirements which may be specified in the sales prospectus, if:

- a) the target sub-fund does not, in turn, invest in the sub-fund invested in this target sub-fund; and
- b) no more than 10% of the assets of the target sub-funds whose acquisition is contemplated may, pursuant to their respective sales prospectus or articles of incorporation, be invested in aggregate in units/shares of other target sub-funds of the same UCITS or UCI; and
- c) voting rights, if any, attaching to the relevant securities are suspended for as long as they are held by the sub-fund concerned; and
- d) in any event, for as long as these securities are held by the relevant sub-fund, their value will not be taken into consideration for the purposes of verifying the minimum threshold of the net assets imposed by the Law of 2010; and
- e) there is no duplication of management/subscription or redemption fees between those at the level of the sub-fund having invested in the target sub-fund, and this target sub-fund.

If the limits mentioned under paragraphs 2.1 and 2.2 are exceeded unintentionally or due to the exercise of subscription rights, the company must attach top priority in its sales of securities to normalizing the situation while, at the same time, considering the best interests of the shareholders.

Provided that they continue to observe the principle of risk diversification, newly established sub-funds may deviate from the restrictions set forth under paragraphs 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7 and 2.8 for a period of six months after being approved by the authorities.

3 *Investment restrictions*

3.1 The Company may not acquire any shares, the sale of which is subject to restrictions due to contractual arrangements;

3.2 The Company may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.

3.3 Moreover, the company may acquire no more than:

- 10% of the non-voting shares of the same issuer;
- 10% of the debt securities of the same issuer;
- 25% of the shares of the same UCITS and/or other UCI;
- 10% of the money market instruments of the same issuer.

The limits laid down in the second, third and fourth indents may be disregarded at the time of acquisition if at that time the gross amount of debt securities or money market instruments, or the net amount of the securities in issue, cannot be calculated.

3.4 Paragraphs 3.1 and 3.2 are waived as regards:

- a) transferable securities and money market instruments issued or guaranteed by a Member State of the European Union or its local authorities;
- b) transferable securities and money market instruments issued or guaranteed by a non-Member State of the European Union;
- c) transferable securities and money market instruments issued by public international bodies of which one or more Member States of the European Union are members;
- d) shares held by UCITS in the capital of a company incorporated in a non-Member State of the European Union which invests its assets mainly in the securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents the only way in which the UCITS can invest in the securities of issuing bodies of that State. The provisions of the Law of 2010 have to be complied with;
- e) shares held by one or more investment companies in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country/state where the subsidiary is located, in regard to the repurchase of shares at shareholders' request exclusively on its or their behalf.

3.5 The Company may not borrow more than 10% of the total net assets of a sub-fund, and then only from financial institutions and on a temporary basis. The company may, however, acquire foreign currency by means of a back-to-back loan. However, the company can borrow

up to 10% of the net assets of each sub-fund to make possible the acquisition of immovable property essential for the direct pursuit of its business. In this case, these borrowings and those referred to above (temporary borrowings) may not in any case in total exceed 15% of the sub-funds' net assets.

3.6 The Company may not grant loans or act as a guarantor on behalf of third parties. However, 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 not fully paid up;

3.7 The Company may not carry out uncovered sales of transferable securities, money market instruments or other financial instruments referred to in 1.1 e) g) and h).

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

4 *Pooling of assets*

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

Pooling

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

The participation of a participating sub-fund in an asset pool is evaluated by reference to notional shares of the same value in the relevant asset pool. When an asset pool is created, the Company shall specify the initial value of the notional shares (in a currency that the Company considers appropriate) and allot to each participating sub-fund notional shares having an aggregate value equal to the amount of the cash (or other assets) it has contributed. Thereafter, the value of the notional shares will then be determined by dividing the net assets of the asset pool by the number of existing notional shares.

If additional cash or assets are contributed to or withdrawn from an asset pool, the notional shares assigned to the participating sub-fund concerned will increase or diminish, as the case may be, by a number, which is determined by dividing the amount of cash or the value of assets contributed or withdrawn by the current value of the participating sub-fund's participation in the asset pool. If cash is contributed to the asset pool, for calculation purposes it is reduced by an amount that the Company considers appropriate in order to take account of any tax expenses as well as the closing charges and acquisition costs relating to the investment of the

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

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

Joint management

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

As part of the joint management agreement, the relevant company's portfolio manager(s) will, on a consolidated basis for the relevant jointly managed entities, be entitled to make decisions on investments and sales of assets which have an influence on the composition of the Company's and its sub-funds' portfolio. Each jointly managed entity holds a portion in the jointly managed assets corresponding to the proportion of its net assets to the total value of the jointly managed assets. This proportionate holding (for this purpose called the "participation arrangement") applies to each and all investment categories which are held or acquired in the context of joint management. Decisions regarding investments and/or sales of investments have no effect on this participation arrangement: further investments will be allotted to the jointly managed entities in the same proportions and, 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 in 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 one jointly managed entity to the other, and thus adapted to suit the changed 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 changed 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 changed participation arrangement.

Shareholders should be aware that the joint management agreement may result in the composition of the assets of a particular sub-fund being affected by events which concern other jointly managed entities, e.g. subscriptions and redemptions, unless the members of the Company or one of the duly appointed agents of the Company resort to special measures. If all other aspects remain unchanged, subscriptions received by an entity under joint management with the sub-fund will therefore result in an increase in the cash reserve of this sub-fund. Conversely, redemptions of an entity under joint management with the sub-fund will result in a reduction of the cash reserve of this sub-fund. However, subscriptions and redemptions can be executed on the special account that is opened for each jointly managed entity outside the joint management agreement and through which subscriptions and redemptions must pass. Because of the possibility of posting extensive subscriptions and redemptions to these special accounts,

and the possibility that the Company or one of the duly appointed agents of the Company may decide at any time to terminate the participation of the sub-fund in the joint management agreement, the sub-fund concerned may avoid having to rearrange its portfolio if this could adversely affect the interests of the Company, its sub-funds and its shareholders.

If a change in the portfolio composition of the Company or one or several of its relevant sub-funds as a result of redemptions or payments of fees and expenses referring to another jointly managed entity (i.e. which cannot be counted as belonging to the Company or the sub-fund concerned) might result in a violation of the investment restrictions applying to the Company or the particular sub-fund, the relevant assets will be excluded from the joint management agreement before implementing the change so that they are not affected by the resulting adjustments.

Jointly managed assets of a particular sub-fund will only be managed in common with assets intended to be invested according to the same investment objectives that apply to the jointly managed assets in order to ensure that investment decisions are compatible in all respects with the investment policy of the particular sub-fund. Jointly managed assets may only be managed in common with assets for which the same portfolio manager is authorised to make decisions in investments and the sale of investments, and for which the Depositary also acts as a depositary so as to ensure that the Depositary is capable of performing its functions and responsibilities in accordance with the Law of 2010 and statutory requirements in all respects for the Company and its sub-funds. The Depositary must always keep the assets of the Company separate from those of the other jointly managed entities; this allows it to determine the assets of the Company and of each individual sub-fund accurately at any time. Since the investment policy of the jointly managed entities does not have to correspond exactly with that of a sub-fund, it is possible that their joint investment policy may be more restrictive than that of that sub-fund.

The Company may decide to terminate the joint management agreement at any time without giving prior notice. Shareholders may enquire at any time at the Company's registered office as to the percentage of jointly managed assets and entities with which there is a joint management agreement at the time of their enquiry. The composition and percentages of jointly managed assets must be stated in the annual reports. Joint management agreements with non-Luxembourg entities are permissible if (i) the agreement in which the non-Luxembourg entity is involved is governed by Luxembourg law and Luxembourg jurisdiction or (ii) each jointly managed entity is equipped with such rights that no creditor and no insolvency or bankruptcy administrator of the non-Luxembourg entity has access to the assets or is authorised to freeze them.

5 Special techniques and instruments relating to transferable securities and money market instruments

Subject to the conditions and limits set out in the Law of 2010, the Company and its sub-funds may use repurchase agreements, reverse repurchase agreements, securities lending agreements and/or other techniques and instruments that have securities and money market instruments as underlying assets for efficient portfolio management purposes in accordance with the requirements defined by the CSSF (the "**techniques**"). If such transactions relate to the use of derivatives, the terms and limits must comply with the provisions of the Law of 2010. The use of these techniques and instruments must be in accordance with the best interests of the investors.

Repurchase agreements are transactions in which one party sells a security to the other party with a simultaneous agreement to repurchase the security at a fixed future date at a stipulated price reflecting a market rate of interest unrelated to the coupon rate of the securities. A reverse repurchase agreement is a transaction whereby a sub-fund purchases securities from a

counterparty and simultaneously commits to resell the securities to the counterparty at an agreed upon date and price. A securities lending agreement is an agreement whereby title to the "loaned" securities is transferred by a "lender" to a "borrower" with the borrower contracting to deliver "equivalent securities" to the lender at a later date ("**securities lending**").

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

In the case of securities lending transactions, the Company must, in principle, receive collateral, the value of which must at least correspond to the total value of the securities lent out and any accrued interest thereon. This collateral must be issued in a form of financial collateral permitted by the provisions of Luxembourg law. Such collateral is not required if the transaction is effected via Clearstream International or Euroclear, or another organisation which guarantees the Company that the value of the securities lent will be refunded. The provisions of the section entitled "Collateral management" shall apply accordingly to the management of collateral that was left to the Company within the scope of securities lending.

In derogation from the provisions of the section entitled "Collateral management", shares from the finance sector are accepted as securities within the framework of securities lending.

Service providers that provide services to the Company in the field of securities lending have the right to receive a fee in return for their services that is in line with the market standards.

The amount of this fee is reviewed and adapted, where appropriate, by an independent body on an annual basis. Furthermore, the Company has drawn up internal framework agreements regarding securities lending. These framework agreements contain, among other things, the relevant definitions, the description of the principles and standards of the contractual management of the securities lending transaction, the quality of the collateral, the approved counterparties, the risk management, the fees to be paid to third parties and fees to be received by the Company, as well as the information to be published in the annual and semi-annual reports. The Board of Directors of the Company has approved instruments of the following asset classes as collateral from securities 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 by these rating agencies to a certain issuer 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.

- (i) Counterparties to a repurchase/reverse repurchase agreement or securities lending agreement will be entities with legal personality typically located in OECD jurisdictions and will be subject to a credit assessment. Where the counterparty is subject to a credit rating by any agency registered and supervised by ESMA, that rating shall be taken into account in the credit assessment. Where a counterparty is downgraded to A2 or below (or comparable rating) by such a credit rating agency, a new credit assessment in respect of the counterparty will be undertaken without delay.
- (ii) The Company must be able at any time to recall any security that has been lent out or terminate any securities lending agreement into which it has entered.

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

The Company and its sub-funds may under no circumstances deviate from their investment objectives for these transactions. Equally, the use of these techniques may not cause the risk level of the sub-fund in question to increase significantly with regard to its original risk level (i.e. without the use of these techniques). With regards to the risks inherent to the use of these techniques, reference is made here to the information contained in the section entitled "Risks connected with the use of efficient portfolio management techniques".

The Company ensures that it or its appointed service providers will monitor and manage the risks incurred through the use of these techniques, particularly counterparty risk, as part of the risk management procedure. The monitoring of potential conflicts of interest arising from transactions with companies associated with the Company, the Management Company and the Depositary is primarily carried out through reviewing the contracts and corresponding processes on a regular basis.

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