

## **MANAGEMENT REGULATIONS FOR THE INVESTMENT FUND UBS (LUX) BOND FUND**

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The Management Company UBS Fund Management (Luxembourg) S.A. (hereinafter referred to as the Management Company) is a public limited company with its registered office in Luxembourg, which manages the UBS (Lux) Bond Fund (hereinafter referred to as the Fund) and issues units in the form of certificates (hereinafter referred to as units) in accordance with these Management Regulations. The Management Company is approved by the Luxembourg supervisory authority in accordance with Chapter 15 of the Law of 17 December 2010 (hereinafter "Law of 2010") on undertakings for collective investment and is on the official list of Luxembourg management companies.

The Fund's assets are deposited in Luxembourg at UBS (Luxembourg) S.A., a limited company under Luxembourg law (hereinafter referred to as the Custodian Bank).

The rights and obligations of the owners of the units (hereinafter referred to as the unitholders), of the Management Company and of the Custodian Bank are governed by these Management Regulations.

Ownership of a unit entails acceptance of the Management Regulations and of any amendments duly made.

### **Article 1 - The Fund and Subfunds**

The Fund is an open-ended investment fund organised under Luxembourg law and is a legally dependent community of unitholders in respect of the ownership of all of the Fund's securities and other assets. Effective 1 July 2011, the Fund will be subject to the provisions of the Law of 2010. The assets of the Fund, the amount of which is not subject to a limit, are maintained separately from those of the Management Company. The Fund forms a legal entity. Nonetheless, each Subfund is regarded as being separate and the assets of a Subfund are only liable for commitments entered into by the relevant Subfund.

Investors can choose from one or more Subfunds grouped under a single fund investing in securities and other assets in accordance with their own individual investment policies.

The Management Company may establish new Subfunds at any time, liquidate existing Subfunds and establish unit classes with specific characteristics within a Subfund.

The investment policy of each Subfund shall be set by the Board of Directors of the Management Company within the framework of the investment objectives.

The net assets of each Subfund or unit class and the net asset value of the units of each Subfund or unit class are expressed in the currency determined by the Management Company.

### **Article 2 – Investment policy**

The Fund is organised as an undertaking for collective investment in transferable securities (hereinafter referred to as "**UCITS**"),

- the sole object of which is the collective investment in transferable securities and/or in other liquid financial assets permissible pursuant to Directive 2009/65/EC of capital raised from the public and which operates on the principle of risk-spreading; and
- the units of which are, at the request of holders, redeemed or paid out, directly or indirectly, out of those UCITS' assets.

The Subfunds' assets are invested in accordance with the investment policy described in the current valid sales prospectus.

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

## 1 Permitted investments of the Fund

1.1 The Subfunds' investments must consist exclusively of:

- a) securities and money market instruments which are listed or traded on a regulated market as defined in the European Parliament and Council Directive 2004/39/EC of 21 April 2004 on markets for financial instruments;
- b) Securities and money market instruments which are traded in a Member State on another market which operates regularly and is recognised and open to the public. The term "Member State" designates a Member State of the European Union; states that are parties to the agreement on the European Economic Area but are not Member States of the European Union are considered the same as Member States of the European Union, within the limits of that agreement and its related agreements;
- c) securities and money-market instruments admitted to official listing on a stock exchange in a non-Member State or traded there on another market of a European, American, Asian, African or Australasian country (hereinafter "approved country") which operates regularly and is recognised and open to the public;
- d) newly issued securities and money market instruments provided that the terms of issue contain a clause that an application will be made for an official listing on one of the securities exchanges or a licence to trade on one of the regulated markets mentioned under 1.1 a) to 1.1 c), and that this listing/licence is to be granted within one year of the issue of the securities.
- e) Units of UCITS admitted pursuant to Directive 2009/65/EC and/or other UCI within the meaning of Article 1(2) a) and b) of Directive 2009/65/EC with registered office in a Member State as defined in the Law of 2010 or a non-Member State, provided that:
  - such other UCI have been approved in accordance with statutory rules subjecting them to supervision that, in the opinion of the Commission de Surveillance du Secteur Financier (hereinafter "CSSF"), is equivalent to that which applies under Community law, and that adequate provision exists for ensuring cooperation between authorities;
  - the level of protection afforded to shareholders in the other UCI is equivalent to that afforded to unit holders in the Fund and, in particular, rules apply to the separate holding of assets, borrowing, lending and the short-selling of securities and money market instruments that are equivalent to the requirements set forth in Directive 2009/65/EC;
  - the business operations of the other UCI are the subject of annual and semi-annual reports that permit an assessment to be made of the assets and liabilities, income and transactions arising during the reporting period,
  - the UCITS or such other UCI the units of which are to be acquired, may invest, pursuant to its Management Regulations or its founding documents, a maximum of 10% of its assets in units of another UCITS or UCI.

The Subfund invests a maximum of 10% of its assets in other UCITS or UCIs, unless stipulated to the contrary in the investment policy of the relevant Subfund.

- f) sight deposits or deposits at notice at credit institutions with a term of up to 12 months, provided the institution concerned has its head office in an EU Member State, or — if the institution's head office is located in a non-EU state — it is subject to supervisory regulations which the Luxembourg supervisory authority deems equivalent to those under Community law;
- g) derivative financial instruments ("derivatives"), including equivalent cash instruments, which are traded on one of the stock exchanges listed in a), b) and c) above, and/or derivatives which are not traded on a stock exchange ("OTC derivatives"), provided that:
  - the underlying securities constitute instruments as defined by Article 41(1) of the Law of 2010 are financial indices, such as macroeconomic indices, interest rates, exchange rates or currencies in which investments may be made in line with the investment policy of the Subfund directly or indirectly via other existing UCI/UCITS;
  - in transactions concerning OTC derivatives, the counterparties are institutions which are subject to official supervision and are in categories approved by the Luxembourg supervisory authority the "Commission de Surveillance du Secteur Financier" (hereinafter the "CSSF"); and
  - and the OTC derivatives are valued in a reliable and verifiable manner on a daily basis and may be sold, at any time, upon the Fund's initiative at the appropriate market value, liquidated or settled by means of a back-to-back transaction.
- h) money market instruments as defined under Art. 1 of the Law of 2010 which are not traded on a regulated market, provided that the issuance or issuer of these instruments is governed by rules providing protection for investors and investments and on condition that such instruments are:
  - issued or guaranteed by a central, regional or local authority or the central bank of an EU Member State, the European Central Bank, the European Union or European Investment Bank, by a non-Member State, or, in the case of a federal state, a Member State of the federation or by a public international body of which at least one Member State is a member; or
  - issued by an undertaking whose securities are traded on the regulated markets mentioned in points 1.1 a), b) and c);

- issued or guaranteed by an institution that is subject to official supervision in accordance with the criteria laid down by Community law or by an institution that is subject to supervision that, in the opinion of the CSSF, is at least as stringent as that provided for by Community law and complies with it or
  - are issued by other issuers belonging to a category approved by the CSSF, provided that investor protection rules apply to investments in such instruments, which are equivalent to those of the first, second or third listed point above and provided the issuers constitute either a company with equity capital amounting to at least 10 million euros (EUR 10,000,000), which prepares its annual accounts under the provisions of the Fourth Council Directive 78/660/EEC, or an entity within a group encompassing one or more listed companies and responsible for its financing, or an entity which is to fund the underlying securities for obligations by the use of a credit line made available by a bank.
- 1.2 Contrary to the investment restrictions set out in 1.1, each Subfund may invest up to 10% of its net assets in securities and money market instruments other than those named in 1.1.
- 1.3 The Management Company ensures that the overall risk associated with derivatives does not exceed the overall net value of the Fund portfolio. As part of its investment strategy, each Subfund may make investments in derivatives within the limits laid down in points 2.2 and 2.3, provided the overall risk of the underlying instruments does not exceed the investment limits stipulated in point 2.
- 1.4 Each Subfund may hold liquid funds on an ancillary basis.

## 2 Risk diversification

- 2.1 In accordance with the principle of risk diversification, the Management Company is not permitted to invest more than 10% of the net assets of a Subfund in securities or money market instruments from a single institution. The Management Company may not invest more than 20% of the net asset value of a Subfund in deposits with a single institution. In transactions by a Subfund in OTC derivatives, the risk of loss must not exceed 10% of the assets of the Subfund concerned if the counterparty is a credit institution as defined in 1.1 f). The maximum allowable risk of loss is reduced to 5% in transactions with other counterparties. The total value of all positions in the securities and money market instruments of those institutions accounting for more than 5% of the net assets of a Subfund may not exceed 40% of the net assets of the respective Subfund. Such limitation shall not apply to deposits and transactions in OTC derivatives with financial institutions which are subject to supervision.
- 2.2 Regardless of the maximum limits set out in 2.1, each Subfund may not invest more than 20% of its net assets in a single institution in a combination of:
- securities and money market instruments issued by such institution
  - deposits with this institution and/or
  - OTC derivatives traded with such an institution
- 2.3 Contrary to the above, the following applies:
- a) The limit of 10% mentioned in 2.1 may be raised to 25% for various debt instruments issued by credit institutions domiciled in an EU Member State and subject, in that particular country, to special legislative supervision of public authorities that would ensure the protection of investors. In particular, funds originating from the issue of such bonds must, in accordance with the law, be invested in assets which provide sufficient cover for the obligations arising from them during the entire term of the bonds and, in the event of insolvency of the issuer, provide a preference right in respect of the payment of capital and interest. If a Subfund invests more than 5% of its net assets in bonds of a single issuer, then the total value of these investments may not exceed 80% of the value of the net assets of the Subfund.
- b) This limit of 10% can be raised to 35% for securities or money market instruments issued or guaranteed by an EU Member State or its central, regional and local authorities, by another approved state, or by international organisations with public-law character of which one or more EU States are members. Securities and money-market instruments that come under the special ruling given in 2.3 a) and b) are not counted when calculating the abovementioned 40% risk-diversification ceiling.
- c) The limits set out in 2.1, 2.2, 2.3 a) and b) may not be accumulated; therefore the investments listed in the said paragraphs made in securities or money market instruments of a single issuer or in deposits with the said institution or in its derivatives may not exceed 35% of the net assets of a given Subfund.
- d) Companies that belong to the same group of companies in that they prepare their consolidated accounts under the rules of Council Directive 83/349/EEC or according to recognised international accounting principles must be treated as a single issuer for the calculation of the investment limits set out in this Article. However, investments by a Subfund in securities and money market instruments of a single group of companies may together make up to 20% of the assets of the Subfund concerned.
- e) **In the interests of risk diversification, the Management Company is authorised to invest up to 100% of a Subfund's net assets in securities and money market instruments from various issues that are guaranteed or issued by an EU Member State or its local authorities, by another approved country or by international**

**organisations under public law to which one or more EU Member States belong. These securities or money market instruments must be divided into at least six different issues, with securities or money market instruments from a single issue not exceeding 30% of the total net assets of a Subfund.**

- 2.4 The following provisions apply with regard to investments in other UCITS or UCI, subject to the provisions of point 5:
- a) The Management Company may invest up to 20% of the net assets of a Subfund in units in a single UCITS or other UCI. In implementing this investment limit, each Subfund of a UCI consisting of a number of Subfunds is treated as an independent issuer if it can be guaranteed that said Subfunds are individually liable in respect of third parties.
  - b) Investments in units of UCI other than UCITS may not exceed 30% of the Subfund's net assets. The assets invested in the UCITS or other UCI are not included in the calculation of the maximum limits set out in 2.1, 2.2 and 2.3.
  - c) For Subfunds which, in line with their investment policy, invest a significant portion of their assets in units of other UCITS and/or UCIs, the maximum flat fees chargeable by the Subfund itself and by the other UCITS and/or UCI in which it invests are described in sales prospectus in the section "Expenses paid by the Fund".
- 2.5 The Subfunds may subscribe, acquire and/or hold units that are to be issued by or have been issued by one or more other subfunds, provided that:
- the target subfund does not itself invest in the Subfund that is investing in that target subfund; and
  - the total share of the assets which the target subfunds to be acquired may invest in units of other target subfunds of the same UCI may not, in accordance with their sales prospectuses or articles of incorporation, exceed 10%; and
  - any voting rights associated with the securities in question is suspended for the period they are held by the Subfund in question, regardless of their appropriate evaluation in the financial statements and periodic reports; and
  - in any case, as long as these securities are held by the Subfund, that their value is not taken into consideration in the calculation of net asset value under the Law of 2010 for purposes of verifying the minimum net assets under the Law of 2010; and
  - there is no multiple charging of fees for management/subscription or redemption either at the level of the Subfund that has invested in the target subfund or at the level of the target subfund.
- 2.6 The Fund may invest a maximum of 20% of the investments of a Subfund in equities and/or debt securities of a single issuer if the investment policy of the Subfund in questions provides for the Subfund objective of replicating a specific equity or debt security index recognised by the CSSF, provided that:
- the composition of the index is sufficiently diversified;
  - the index represents an appropriate benchmark for the market to which it refers;
  - the index is published appropriately.

The limit is 35% provided this is justified based on exceptional market conditions, and in particular on regulated markets on which certain securities or money market instruments are in a strongly dominant position. Investment up to this upper limit is only permitted in the case of a single issuer.

The Subfund invests a maximum of 10% of its assets in other UCITS or UCI, unless stipulated to the contrary in the investment policy of the relevant Subfund.

If the limits mentioned in points 1 and 2 are exceeded unintentionally or due to the exercise of subscription rights, the Management Company must attach top priority in its sales of securities to normalising the situation while, at the same time, considering the best interests of the unitholders.

Provided that they continue to observe the principle of risk diversification, newly founded Subfunds and absorbing UCITS may deviate from the specific risk diversification restrictions mentioned above for a period of six months after being approved by the authorities or from the effective date of the merger.

### **3 Investment restrictions**

The Management Company is prohibited from:

- 3.1 acquiring securities on behalf of the Fund, the subsequent sale of which is subject to any restrictions arising from contractual agreements;
- 3.2 acquiring equities with voting rights that would enable the Management Company, possibly in collaboration with other investment funds under its supervision, to exert a significant influence on the management of the borrower in question;
- 3.3 acquiring more than the below:
  - 10% of the non-voting shares of a single issuer,
  - 10% of the debt instruments of a single issuer,
  - 25% of the units of a single UCITS or UCI;
  - 10% of the money market instruments of a single issuer,

In the latter three cases, the restrictions on acquiring securities need not be observed if the gross amount of the debt instruments or the money market instruments and the net amounts of the issued units cannot be determined at the time of acquisition.

Exempt from the provisions of 3.2 and 3.3 are:

- Securities and money market instruments issued or guaranteed by a Member State of the EU or its local authorities or by another approved state;
  - Securities and money market instruments issued or guaranteed by a non-Member State of the European Union;
  - securities and money market instruments issued by public international bodies to which one or more Member States of the European Union belong;
  - shares held in the capital of a company incorporated in a non-member State investing its assets mainly in the securities of issuing bodies having their registered offices in that non-member State, where under the legislation of that non-member State such a holding represents the only way in which investments may be made in the securities of issuing bodies of that non-Member State. In doing so, the provisions of the Law of 2010 must be complied with; and
  - Shares held in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unitholders' request exclusively on behalf of the Company.
- 3.4 short-selling securities, money market securities or other instruments listed in 1.1 e), g) and h);
  - 3.5 acquiring precious metals or related certificates;
  - 3.6 investing in real estate and purchasing or selling commodities or commodities contracts;
  - 3.7 taking out loans, unless
    - they are in the form of a back-to-back loan for the purchase of foreign currency;
    - it is only temporary and does not exceed 10% of the net assets of the Subfund in question;
  - 3.8 granting loans or acting as guarantor for third parties. This restriction does not prevent the acquisition of securities, money market instruments or the other instruments listed in 1.1 e), g) and h) if these are not fully paid up.

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

### **4 Derivatives and hedging techniques**

Subject to the conditions and restrictions laid down in the sales prospectus, the Management Company may

- (i) use derivative techniques and instruments which have securities as their underlying assets, provided such techniques and instruments are used in the interests of efficient portfolio management of the Subfunds concerned; and
- (ii) use techniques and instruments to hedge interest-rate, credit and currency risks as part of the management of the assets of the Subfunds concerned.

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

## **5 Specific rules for Subfunds organised as a master/feeder structure**

- 5.1 A feeder UCITS is a UCITS which, in derogation of Article 2 bullet point 2, first indent of the Law of 2010, invests at least 85% of its assets in units of another UCITS or a Subfund of another UCITS ("Master UCITS").
- 5.2 A feeder UCITS may invest up to 15% of its assets in one or more other of the following assets:
- a) liquid assets pursuant to Article 41, point 2, sub-section 2 of the Law of 2010;
  - b) derivative financial instruments pursuant Article 41, point 1, let. g) and Article 42, point 2 and 3 of the Law of 2010, that may be used exclusively for hedging purposes.
- For the purposes of compliance with Article 42 point 3 of the Law of 2010, the feeder UCITS calculates its global risk in connection with derivative financial instruments using a combination of its own direct risk pursuant to the rules of Article 42 of the Law 2010 and of the Article 2, point 5.2, paragraph (b) of these management regulations;
- either with the actual risk of the master UCITS with respect to derivative financial instruments in relation to the investment of the feeder UCITS in the master UCITS, or
  - with the potential maximum global risk of the master UCITS with respect to derivative financial instruments pursuant to the management regulations or the articles of incorporation of the master fund in relation to the investment of the feeder UCITS in the master UCITS.
- 5.3 A master UCITS is a UCITS or a Subfund of a UCITS, that
- has at least one feeder UCITS among its unitholders,
  - is not itself a feeder UCITS, and
  - does not hold units in a feeder UCITS.
- 5.4 If a Subfund acts as a master UCITS and the Subfund in question has at least two feeder UCITS as unitholders, Article 2(2), first indent and Article 3, second indent of the Law of 2010 shall not apply.
- 5.5 If a Subfund acts as a master UCITS, it may not charge the feeder UCITS any subscription or redemption fees.

### **Article 3 – The Management Company**

The Management Company manages the Fund for the account of and exclusively in the interests of the unitholders according to the principle of risk spreading and pursuant to the provisions of the Management Regulations.

The Management Company defines the individual Subfunds or unit classes which make up the Fund, determines their launch, if applicable their specific investment policy and investment limits and, if deemed to be in the interests of the unitholders, their termination or merger.

The Management Company is equipped with the broadest possible powers to execute all administrative and management tasks in its own name for the account of the unitholders. In particular, it is empowered to purchase, sell, subscribe for, swap and take delivery of securities and other assets and to exercise all rights which are directly or indirectly associated with the Fund's assets.

The Board of Directors of the Management Company may appoint directors, agents or a committee, whose remuneration will be charged solely to the Management Company, for the day-to-day implementation of investment policy.

### **Article 4 – The Custodian Bank**

The Custodian shall be appointed by the Management Company.

UBS (Luxembourg) S.A. has been appointed Custodian Bank.

The Custodian Bank and Management Company may terminate this contract at any time by written notice to the other party, giving three months' notice.

Dismissal of the Custodian Bank by the Management Company is only admissible, however, if a new Custodian Bank assumes the functions and responsibilities of a custodian bank as defined in these Management Regulations. Furthermore,

the Custodian Bank must continue carrying out its functions as long as necessary after dismissal in order to transfer the entire Fund assets to the new Custodian Bank.

If the Custodian Bank terminates its contact, the Management Company must nominate a new custodian bank which will assume the functions and responsibilities of a custodian bank in accordance with the Management Regulations. In this case, the Custodian Bank will also continue to fulfil its functions until the Fund assets have been transferred to the new Custodian Bank.

The Custodian Bank holds the fund assets for the account of the Fund. With the agreement of the Management Company, it may entrust part or all of the assets for safekeeping to other banks, financial institutions or recognised clearing houses which fulfil the statutory requirements.

The Custodian Bank will fulfil the conventional banking obligations in respect of the accounts and securities and will undertake all day-to-day administrative tasks relating to the Fund assets.

In addition, the Custodian Bank must:

- a) ensure that the sale, redemption, conversion and cancellation of units executed for the account of the Fund or by the Management Company comply with the provisions of the law and the Management Regulations;
- b) ensure that the value of the units is calculated in accordance with the statutory provisions and the Management Regulations;
- c) execute all instructions from the Management Company unless they are in breach of the law or the Management Regulations;
- d) ensure that transactions relating to the Fund assets are paid for on time;
- e) ensure that the Fund income/receipts is/are used in accordance with the Management Regulations.

The Custodian Bank also performs other duties provided for in the Law of 2010.

## **Article 5 – Net asset value**

The net asset value of a unit is calculated by the Management Company for each Subfund on each business day of the Administrative Agent on the basis of the last known prices. In this connection, “business days” are regular bank working days (i.e., each day on which banks are open during the regular working hours) in Luxembourg with the exception of individual non-statutory rest days in Luxembourg and/or customary holidays in countries with stock exchanges and markets upon which the valuation of more than half of the Subfund’s net assets is based.

The net asset value of a unit in a Subfund is expressed in the currency in which the Subfund is denominated and is calculated by dividing the total net assets of the Subfund by the number of units of the Subfund in circulation. The net assets of each Subfund correspond to the difference between the total credit balance of the Subfund and the total obligations of that Subfund.

For Subfunds which contain a number of unit classes, the net asset value of a unit must, where applicable, be calculated per unit class. To this end, the net assets of the Subfund attributable to that unit class are divided by the total units of that unit class which are in circulation and managed separately.

According to their specific characteristics, the unit classes in a Subfund may have different net asset values.

### **Merging assets**

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

### **Pooling**

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

The share of a participating Subfund in the respective asset pool is evaluated by reference to notional units of the same value. When an asset pool is created, the Board of Directors shall specify the initial value of the notional units (in a currency that the Board of Directors considers appropriate) and allot to each participating Subfund notional units in the total value of the cash (or other assets) it has contributed. The value of the notional units will then be determined by dividing the net assets of the asset pool by the number of existing notional units.

If additional cash or assets are contributed to or withdrawn from an asset pool, the notional units assigned to the participating Subfund concerned increase or diminish by a number, which is determined by dividing the contributed or

withdrawn cash amount or assets by the current value of the holding of the participating Subfund in the pool. If cash is contributed to the asset pool, for calculation purposes it is reduced by an amount that the Board of Directors considers appropriate in order to take account of any tax expenses as well as the closing charges and acquisition costs relating to the investment of the cash concerned. If cash is withdrawn, a corresponding deduction may be made in order to take account of any costs related to the disposal of securities or other assets of the asset pool.

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

### **Joint management**

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

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

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

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

If a change in the portfolio composition of the particular Subfund 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 Subfund) might result in a violation of the investment restrictions applying to the particular Subfund, the relevant assets before implementing the change will be excluded from the agreement so that they are not affected by the resulting adjustments.

Jointly managed assets of Subfunds will only be managed jointly with assets which are to be invested according to the same investment aims that apply to the jointly managed assets in order to ensure that investment decisions are reconcilable in all respects with the investment policy of the particular Subfund. Jointly managed assets may only be managed 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 Custodian Bank also acts as a depositary so as to ensure that the Custodian Bank is capable of performing its functions and responsibilities assumed in accordance with the Law of 2010 and the additional statutory requirements in all respects for the Fund and its Subfunds. The Custodian Bank must always keep the assets of the Fund separate from those of the other jointly managed entities; this allows it to determine the assets of each individual Subfund accurately at any time. Since the investment policy of the jointly managed entities does



not have to correspond exactly with that of the Subfunds, it is possible that their joint investment policy may be more restrictive than that of the Subfunds.

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

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

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

Joint management agreements with non-Luxembourg entities are permissible if

(1) the agreement in which the non-Luxembourg entity is involved is governed by Luxembourg law and Luxembourg jurisdiction or

(2) each jointly managed entity is equipped with such rights that no creditor and no insolvency or bankruptcy administrator of the non-Luxembourg entity has access to the assets or is authorised to freeze them.

If the total subscriptions or redemptions of all the unit classes of a Subfund on a single trading day come to a net capital inflow or outflow, the respective Subfund's net asset value may be increased or reduced accordingly. The maximum adjustment ensues from the current version of the sales prospectus. Estimated transaction costs and tax charges that may be incurred by the Subfund as well as the estimated bid/offer spread of the assets in which the Subfund invests may be taken into account. The adjustment leads to an increase in net asset value if the net movements result in a rise in the number of units in the Subfund concerned. It results in a reduction of net asset value if the net movements bring about a fall in the number of units. The Board of Directors can set a threshold value for each Subfund. This may consist in the net movement on a trading day in relation to the net Fund assets or to an absolute amount in the currency of the Subfund concerned. The net asset value would be adjusted only if this threshold were to be exceeded on a trading day.

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

- a) Liquid funds - whether in the form of cash, bank deposits, bills of exchange and sight securities and receivables, prepaid expenses, cash dividends and declared or accrued interest that has not yet been received - are valued at their full value unless it is unlikely that this value will be fully paid or received, in which case their value is determined by taking into consideration a deduction that seems appropriate in order to portray their true value.
- b) Securities, derivatives and other investments listed on a stock exchange are valued at the last-known market prices. If these securities, derivatives or other investments are listed on several stock exchanges, the latest available price on the stock exchange that represents the major market for that security will apply.

In the case of securities, derivatives and other investments infrequently traded on a stock exchange and for which a secondary market among securities traders exists with pricing in line with the market, the Management Company may value these securities, derivatives and other investments based on these prices. Securities, derivatives and other investments not listed on a stock exchange but which are traded on another regulated market which operates regularly and is recognised and open to the public are valued at the last available price on this market.

- c) Securities and other investments that are not listed on a stock exchange or traded on another regulated market, and for which no appropriate price can be obtained, are valued by the Management Company according to other principles chosen by it in good faith on the basis of the likely sales prices.
- d) Derivatives not listed at a stock exchange (OTC derivatives) are valued on the basis of independent pricing sources. In case only one independent pricing source of a derivative is available, the plausibility of the valuation obtained will be verified by means of calculation methods recognised by the Management Company and the Fund's auditors, based on the market value of the underlying instrument from which the derivative originates.
- e) Units of other undertakings for collective investment in transferable securities (UCITS) and/or undertakings for collective investment (UCI) are valued at their last-known net asset value.
- f) (i) If the Subfund is a money market fund,
  - money market instruments not traded on a stock exchange or on another regulated market open to the public will be valued on the basis of the relevant curves. The valuation based on the curve is with reference to the two components of interest rate and credit spread. The following principles are applied in this process: for each money market instrument, the interest rates nearest the residual maturity are interpolated. The interest rate calculated in this way is converted into a market price by adding a credit spread that reflects the underlying borrower. This credit spread is adjusted if there is a significant change in the credit rating of the borrower.
  - interest income earned by Subfunds between the order date concerned and the valuation date concerned is included in the valuation of the assets of the Subfund concerned. The asset value per share on a given valuation date therefore includes projected interest earnings.

(ii) For the other Subfunds that do not fall under the regulation in subsection f) (i), the following regulation shall apply:

For money market instruments, the valuation price will be gradually adjusted to the redemption price, based on the net acquisition price and retaining the ensuing yield. In the event of a significant change in market conditions, the basis for the valuation of the individual investments is brought into line with the new market yields.

For Subfunds that predominantly invest in money market instruments, securities with a residual maturity of less than 12 months are also valued in accordance with the guidelines for money market instruments.

- g) Securities, money market instruments, derivatives and other investments denominated in a currency other than the reference currency of the relevant Subfund and not hedged by foreign-exchange transactions, are valued at the middle-market rate of exchange (midway between the bid and offer rate) known in Luxembourg or, if not available, on the most representative market for this currency.
- h) Fixed-term deposits and fiduciary investments are valued at their nominal value plus accumulated interest.
- i) The value of swaps is calculated by an external service provider and a second independent valuation is provided by another external service provider. The calculation is based on the net present value of all cash flows, both inflows and outflows. In some specific cases, internal calculations (based on models and market data made available from Bloomberg), and/or broker statement valuations may be used. The valuation methods depend on the respective security and are determined pursuant to the Global Valuation Policy.

The Management Company is authorised to apply other generally recognised and 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 aforementioned regulations proves to be unfeasible or inaccurate.

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

#### **Article 6 – Suspension of the calculation of net asset value**

The Management Company is authorised temporarily to suspend the calculation of the net asset value and the issue, conversion and redemption of the units of one or more or all Subfunds in the following circumstances:

- one or more stock exchanges or other markets which provide the basis for valuing a substantial portion of the net assets, or foreign exchange markets in whose currency the net asset value or a major part of the net assets of the Fund is denominated, are closed other than for normal holidays or if dealings therein are suspended, or if these stock exchanges or markets are subject to restrictions or to major price fluctuations in the short term;
- events beyond the control, liability or influence of the Management Company make it impossible to access the assets of the Fund under normal conditions and such access would be detrimental to the interests of the unitholders;
- the communications network or calculation usually used to produce the net asset value breaks down or if for any other reason the net asset value cannot be determined accurately enough;
- if it is not possible for the Management Company to repatriate the funds to pay redemption applications in the Subfund in question, or if the transfer of funds from the sale or for the acquisition of investments or for payments resulting from redemptions of units cannot be carried out, in the view of the Management Company, at normal exchange rates;
- if political, economic, military or other circumstances outside the control of the Management Company makes the disposal of the assets of the Fund impossible under normal conditions without seriously harming the interests of the unitholders;
- when for any other reason the prices of investments of a Subfund cannot be promptly or accurately determined;
- when a decision by the Management Company for the purpose of the liquidation of the Fund has been published;
- to the extent that such a suspension is justified for the protection of the unitholders, after a report to the unitholders on a decision by the Board of Directors of the Company to merge one or more Subfunds was published; and
- restrictions on foreign exchange transactions or capital movements or other transfers of assets render the settle of transactions for account of the Fund impossible.

In addition, the feeder Subfund is entitled to suspend the redemption, pay-out, subscription or conversion of its units, regardless of the above conditions, during the same time period as its master UCITS.

Notice of the suspension of calculation of net asset value and the suspension of the issue, redemption and conversion of units will be published in accordance with Article 8 below.

#### **Article 7 – Issue, redemption and conversion of units**

For each Subfund, units are issued on the basis of the net assets of that Subfund.

The Management Company shall transfer the requisite number of units to investors as soon as the appropriate purchase price has been paid.

Units are made out to bearer and are credited to a custody account indicated by the investor. Unitholders may apply to have their units certificates delivered as global certificates. Fractional units, however, will not be issued in certificate form. Unit certificates will be delivered via the Fund's paying agents and sales agencies.

Certificates are delivered with coupon sheets and in denominations of one or more units. Each unit certificate bears the signatures of the Management Company and the Custodian Bank, either of which may be substituted by facsimile signatures. Each certificate indicates which Subfund or unit class the units belong to.

Furthermore, fractional units can be issued for all Subfunds/unit classes. However, no physical certificates will be issued for these fractions; they shall instead be booked to the securities custody account of the unitholder's choice. Fractions of units will be rounded to a maximum of three decimal places and will grant entitlement to a distribution or a proportionate distribution of the liquidation proceeds should the Subfund/unit class concerned be liquidated.

The issue price is based on the net asset value of each Subfund or unit class calculated in accordance with Article 5. In addition, an issuing commission of no more than 6% of the net asset value may be charged for the distributor.

The issue price must be paid within seven business days of the day of subscription; this period of seven days can, however, be reduced by resolution of the Board of Directors of the Management Company.

However, beginning from September 2012, the Board of Directors of the Management Company reserves the right to issue registered units only. This means that the unitholder status of the investor in the Fund with all associated rights and obligations will be based on the respective investor's entry in the Fund's register. Bearer units shall be converted into the registered units. Any certificates in circulation at that time certifying the investor's ownership of the bearer units shall become certificates certifying the right of the relevant investor to convert his bearer units into registered units and will be withdrawn by the Fund upon redemption by the investor. The Board of Directors of the Management Company shall decide on the precise date of conversion and inform the unitholders in due course. If the Board of Directors of the Management Company determines that units will be issued in the form of registered units only, unitholders may not request the conversion of registered units into bearer units. The unitholders should bear in mind that the registered units may be also cleared via recognised external clearing houses like Clearstream and Euroclear.

The issue price may be increased in respect of taxes, fees and other charges payable in the countries in which the units are offered for subscription.

The Management Company may, at its discretion, from time to time suspend, restrict or completely stop the issue of the units of one or more Subfunds or unit classes to certain natural or legal persons from particular countries or regions.

In addition, the Management Company is empowered: to refuse purchase applications for units at its own discretion; to redeem at any time units which were purchased in defiance of an exclusion order.

The Management Company may restrict the ownership of units in the Fund by any natural or legal person or Management Company if the Management Company considers that such ownership could harm the Fund, or if it could be a violation of Luxembourg or foreign laws or regulations, or if it would subject the Fund to foreign tax laws. For this purpose, the Management Company may:

- a) refuse to issue units or refuse to enter the transfer of units in the unit register if it has grounds for believing that such an entry or such a transfer leads or may lead to the legal or beneficial ownership of these units passing to persons who are excluded from owning units or who hold units in a volume that exceeds a particular percentage of the assets of the Fund or Subfund to be laid down by the Management Company at an appropriate time ("unauthorised persons");
- b) at any time require any person whose name is entered in the register of units or who requests to register the transfer of units in the register of unitholders to furnish the Company with any information, supported by affidavit, which it may consider necessary for the purpose of determining whether or not beneficial ownership of such units rests with an unauthorised person, or whether such registration will result in beneficial ownership of such units by an unauthorised person; and
- c) if the Management Company has grounds for believing that the beneficial owner of units is an unauthorised person, either alone or together with other persons, force the redemption by the unitholder of all units or those units held by that unitholder on behalf of an unauthorised person, or if an unauthorised person is the economic owner of units, force the redemption by the unitholder of all units held by that person. This shall be done in the following manner:
  - (1) The Management Company presents the unitholder owning the units, or the person who is listed in the unit register as the holder of units to be bought, a notice (hereinafter referred to as the "notification of purchase") in which the units to be bought are listed together with the method of calculating the purchase price and the name of the buyer.

Such notification will be sent by registered post to the last known address of the unitholder or to the address listed in the Company's books. The unitholder is then obligated to surrender the unit certificate(s) listed in the notification of purchase to the Company.

Immediately upon close of business on the date designated in the notification of purchase, the unitholder's ownership of the units designated in the notification of purchase shall end. For registered units, the name of the unitholder will be deleted from the register of unitholders; for bearer units, the certificate(s) or certificates that represent the units will be cancelled.

(2) The price to be paid for the units (hereinafter referred to as the "purchase price") is the net asset value, namely that prevailing on the last day determined by the Management Company as the valuation date for the redemption of units in the Subfund concerned before the day the notice of purchase becomes effective. It may also be that prevailing on the day after surrender of the unit certificate(s) listed in the notification of purchase. This value will be determined in accordance with Article 5 of these Management Regulations and after deduction of the charges provided for therein.

(3) The purchase price shall normally be made available to the previous owner of the units in the currency determined by the Management Company for the payment of the redemption price of the units. After final determination, this price will be deposited by the Management Company with a bank (mentioned in the notification of purchase) located in Luxembourg or abroad; it will be made available for pay-out to that owner against surrender of the unit certificate mentioned in the notification of purchase together with any profit participation certificates that have not yet matured.

After the notification of purchase has been provided in accordance with the procedure outlined above, the previous owner no longer has any claim against the Fund or the Fund's assets related to these units, with the exception of the right to repayment of the purchase price (without interest) from the bank mentioned against actual surrender of the unit certificate(s) as described above. Amounts to which the unitholder is entitled in accordance with the provisions of this paragraph that are not claimed within a period of five years after the date indicated in the notification of purchase can then no longer be claimed and revert to the Subfund in question. The Management Company is authorised to take all necessary steps to complete the return of these amounts.

(4) The exercise of the powers by the Management Company in accordance with this Article may in no way be called into question or declared invalid because the ownership of units was not sufficiently proven or that the ownership conditions did not correspond to the assumptions made by the Management Company on the date of the notification of purchase, provided that the Management Company exercised the above-named powers in good faith.

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

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

The Management Company may split or merge units within each Subfund.

Unitholders may request the redemption of their units at any time. If units have been delivered in the form of physical certificates, these must be submitted with the redemption application. The redemption price is based on the net asset value calculated in accordance with Article 5. The redemption price is reduced by any taxes, fees and other deductions that may apply in the countries in which the units are sold. In addition, an issuing commission of no more than 2% of the net asset value may be charged for the distributor. Under normal circumstances, payment is made without delay and at the latest within seven business days following the redemption day.

For each Subfund the Management Company must ensure that a sufficient quantity of liquid assets is maintained to enable units to be redeemed within the periods stipulated in this Article.

The Central Administration or the Custodian Bank are obliged to redeem units and make the corresponding payments only if the provisions of the law, especially with regard to foreign currency, or events which lie outside their control, do not prevent them from transferring and paying out the requisite amount in the country from which the redemption application has been made.

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

The Management Company may offer investors full or partial redemptions in kind at its own discretion. In this case, the capital redeemed in kind must correspond with the investment policy and restrictions of the relevant Subfund. These payments will also be audited by the auditors assigned by the Management Company and must not have any negative impact on unitholders remaining with the Fund. The associated costs will 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.

Unitholders of a Subfund may convert some or all of their units into units of another Subfund up to the countervalue of the units presented. This conversion will be made on the basis of the net asset value per unit of the Subfund concerned, plus or minus any taxes, fees or other charges and any conversion commissions charged by the distributors and set by the Management Company at not more than 3% of the net asset value.

Units of one unit class may be converted into units of another unit class within a Subfund, unless the Management Company provides for various restrictions relating to conversion between the unit classes. Such conversions are carried out on the basis of the net asset values of the corresponding unit classes. The same procedures apply to the submission of conversion applications as to the issue and redemption of units.

Conversion procedures are laid down by the Management Company and described in the sales prospectus.

### **Article 8 – Publications**

The net asset value and the issue and redemption price of the units of each Subfund or unit class are published every business day at the head office of the Management Company and the Custodian Bank.

The annual report, which is audited by an external auditor, and the semi-annual reports, which do not have to be audited, can be obtained at no charge by unitholders from the head offices of the Management Company and Custodian Bank.

Any amendments to the Management Regulations are published by way of a notice of deposit in the “Mémorial” of the Grand Duchy of Luxembourg.

Notices to the unitholders, including those concerning amendments to the Management Regulations, will be published in a Luxembourg daily newspaper and, if necessary, in foreign newspapers.

### **Article 9 – Financial year, auditing**

The financial year of the Fund ends on 31 March each year.

The annual accounts of the Management Company are audited by one or more external auditors. The annual accounts of the Fund are audited by an authorised external auditor appointed by the Management Company. The consolidated breakdown of assets for the Fund as a whole is given in EUR.

### **Article 10 – Distributions**

Any dividends that the Management Company decides to pay per Subfund and per unit class come from investment income and the realised net gains/losses in net asset value after deduction of all costs and fees. The payment of distributions must not result in the net assets of the Fund falling below the minimum capital laid down by law. In this context, net income can include accrued income as well as net income from the Fund's investments.

Subject to the same conditions, the Management Company may authorise the issue of bonus units.

The Management Company is entitled to determine whether interim dividends are paid and whether distribution payments are suspended.

Entitlements to distributions and allocations not claimed within five years of falling due shall lapse and be paid back into the Subfund or unit class concerned. If the Subfund or unit class concerned has already been liquidated, the distributions and allocations shall accrue to the other Subfunds of the Fund in proportion to their respective net asset values.

Where the units are denominated in physical certificates, distributions will be made upon submission of the relevant coupons. The Management Company will determine the method of payment.

## Article 11 – Amendments to the Management Regulations

Subject to compliance with the provisions of the law, the Management Company, with the approval of the Custodian Bank, may amend the Management Regulations.

Notice of each amendment must be published as stipulated in Article 8 and it shall enter into legal force on the date of signature by the Management Company and the Custodian Bank.

## Article 12 - Liquidation and merger of the Fund and its Subfunds, conversion of existing Subfunds into feeder UCITS and change of existing Subfunds organised as master UCITS

### 12.1 Liquidation of the Fund and its Subfunds or unit classes

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

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

In addition, a feeder Subfund will be liquidated when its master UCITS is liquidated, split or merged with other UCITS, unless the CSSF approves the investment of at least 85% of the assets of the feeder Subfund in units of another master UCITS or in units of the master UCITS resulting from the scission or merger or changes to the Terms and Conditions to convert the feeder Subfund into a non-feeder Subfund.

If a Subfund is organised as a master UCITS, it may be liquidated, regardless of specific legal provisions with regard to obligatory liquidation, no earlier than three months after all of its unitholders and the competent authorities of the Member States of origin of the feeder UCITS through the binding decision to liquidate.

The decision to liquidate a Subfund or a unit class shall be published in a Luxembourg daily newspaper and, if necessary, in foreign newspapers. As of the date of the resolution to liquidate the Subfund, no more units will be issued, converted or redeemed. In the event of liquidation, the Management Company will realise the Fund's assets in the best interests of the unitholders and instruct the Custodian Bank to distribute the net proceeds from the liquidation of the Subfund/unit class to the unitholders of said Subfund/unit class in proportion to their respective holdings. At the latest nine months after the decision to initiate the liquidation, (i) any liquidation proceeds which cannot or could not be distributed to the unitholders on completing the liquidation will be deposited with the "Caisse de Consignation" in Luxembourg until expiry of the limitation period, and (ii) the liquidation will be completed.

Liquidation of the Fund is mandatory in the cases prescribed by law and in the event of the Management Company being liquidated. Any such liquidation will be published in the "Mémorial", a Luxembourg daily newspaper and, if necessary, in the official publications of the individual distribution countries. The liquidation procedure is identical for the Fund and its Subfunds with the exception that, in the case of the Fund, any liquidation proceeds which cannot be distributed to unitholders at the end of the liquidation procedure are immediately deposited with the "Caisse de Consignation".

### 12.2 Merger of the Fund or of a Subfund with another undertaking for collective investment ("UCITS") or with its Subfunds; merger of one or more Subfunds of a Fund

The Management Company may, with the approval of the corresponding supervisory authority, decide to merge the Fund or one or more Subfunds with a domestic or foreign UCITS or its Subfunds as well as the merger of a Subfund with one or more Subfunds.

"Mergers" are transactions in which

- a) one or more UCITS or Subfunds of such UCITS, the "**absorbed UCITS**", upon whose winding up without liquidation transfers all assets and liabilities to another existing UCITS or a Subfund of that UCITS, the "**absorbing UCITS**", and whose unitholders receive in return units in the absorbing UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of such units;
- b) two or more UCITS or Subfunds of such UCITS, the "**absorbed UCITS**", upon whose winding up without liquidation transfers all assets and liabilities to another UCITS or a Subfund of that UCITS formed by it, the "**absorbing UCITS**", and whose unitholders receive in return units in the absorbing UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of such units;

c) one or more UCITS or Subfunds of such UCITS, the "**absorbed UCITS**", that continue to exist until liabilities have been paid off, transfers its net assets to another Subfund of the same UCITS, to another UCITS formed by it or to another existing UCITS or a Subfund of that UCITS, the "**absorbing UCITS**".

Such mergers may be carried out in the forms provided for in the Law of 2010 and taking into account the modalities and reporting obligations provided for in that Law; the legal effects of a merger are regulated by the Law of 2010.

If a Subfund is organised as a master UCITS, a merger can only be effective if the Subfund concerned provides the legally required information to its unitholders and the competent authorities of the Member State of origin of its feeder UCITS by 60 days before the proposed effective date. In this case, the Subfund concerned also grants the feeder UCITS the possibility of redeeming or paying out its units before the merger takes effect, unless the competent authorities of the Member State of origin of its feeder UCITS approve the investment in units of the master UCITS created by the merger.

The unitholders of both the absorbed and the absorbing UCITS have the right, at no cost other than that charged by the UCITS to cover its liquidation costs, to resell or to redeem their units or, if possible, to convert them into units of another UCITS with a similar investment policy managed by the same Management Company or another company with which the Management Company is related by common management or control, or by a substantial direct or indirect holding. This right becomes effective from the date on which the unitholders of the absorbed UCITS and the unitholders of the absorbing UCITS have been informed of the planned merger, and it expires five working days before the date of calculation of the conversion ratio.

In addition, the Management Company may temporarily suspend the subscription, redemption or pay-out of units in the Subfunds concerned if such suspension is justified in order to protect the unitholders.

The effectiveness of the merger will be announced with all appropriate means as provided for in the legal provisions of the Member State of origin of the absorbing UCITS and notified to the competent authorities of the Member States of origin of the absorbing and the absorbed UCITS. A merger that becomes effective pursuant to the provisions of the Law of 2010 may no longer be declared invalid.

Under the conditions described in the section "Liquidation of the Fund and its Subfunds/unit classes", the Management Company may decide to allocate the assets of a Subfund or of a unit class to another existing Subfund or unit class of the Company or to another UCI pursuant to Part I of the Law of 2010 and the redesignation of the units of the Subfund(s) or unit class in question as units of another Subfund or of another unit class (as a result of the consolidation, if necessary, and through the payment of an amount that corresponds to the pro rata entitlement of the unitholders).

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

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

### **12.3 Conversion of existing Subfunds into feeder UCITS and change of existing Subfunds organised as master UCITS**

On the conversion of existing Subfunds into feeder UCITS and the change of existing Subfunds organised as master UCITS, the unitholders must be provided with the legally required information within the legal deadlines. Within 30 days thereafter, unitholders have the right to demand the redemption at no charge or the pay-out of their units, not including sales costs.

### **Article 13 – Fund costs**

The Fund pays for each of the Subfunds a monthly flat fee calculated on the average net asset value of the Subfunds or unit classes. The costs of the Management Company, the Administrator, the Custodian Bank, the Portfolio Manager, and the distribution of the Subfunds are paid out of this commission, the amount of which is indicated in the current version of the sales prospectus for each Subfund and unit class.

Out of the aforementioned flat fee, the Fund will bear all costs incurred in connection with the administration, portfolio management and safekeeping of the Fund's assets as well as distribution of the investment fund, such as:

- annual fees and expenses for approving and supervising the Fund in Luxembourg and abroad;
- other fees charged by the supervisory authorities;
- printing of the regulations, prospectuses and annual and semi-annual reports;
- Production of the KII or the corresponding documents for the Fund's sales countries;
- price publications and publication of notices to investors;

- fees incurred in connection with the listing of the Fund and sales within Luxembourg and abroad;
- commission and expenses of the Custodian Bank for the safekeeping of the Fund's assets, dealing with payments and other duties, as required under the Law of 2010;
- fees and other expenses for the payment of dividends to investors;
- auditor's fees.

The Custodian Bank, Administrative Agent and Management Company are nevertheless entitled to be reimbursed the costs of non-routine arrangements made by them in the interests of the investors; otherwise such expenses will be charged directly to the Fund.

The Fund will also bear all transaction expenses arising in connection with the administration of the Fund assets (brokerage commission in line with the market, fees, fiscal charges, etc.).

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

Commissions that are allocated to the individual unit classes are indicated in the current version of the sales prospectus. All costs which can be allocated to individual Subfunds will be charged to these Subfunds. Costs which can be allocated to unit classes will be charged to these unit classes. If costs pertain to several or all Subfunds/unit classes, however, these costs will be charged to the Subfunds/unit classes concerned in proportion to their relative net asset values.

For the Subfunds of the Fund that may invest in other UCI and/or UCITS, fees may be incurred both at the level of the relevant UCI and/or UCITS as well as at the level of the relevant Subfunds of UBS (Lux) Bond Fund. The total flat fees chargeable at the level of the Subfunds or the unit classes and the Management Company can be found in the current sales prospectus.

#### **Article 14 – Statute of limitations**

Any claims of unitholders on the Management Company or the Custodian Bank shall expire five years after the date of the event which gave rise to such claims.

#### **Article 15 - Applicable law, place of performance and authoritative language**

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

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

These Management Regulations enter into force on 27 August 2012

Luxembourg, August 2012

UBS Fund Management (Luxembourg) S.A.

UBS (Luxembourg) S.A.