UBS

# UBS (Lux) Institutional Fund

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

**September 2012**

# Sales prospectus

Fund units may be acquired on the basis of this sales prospectus, the Key Investor Information (the **"KII"**), 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.
Information on whether a sub-fund of UBS (Lux) Institutional Fund (hereinafter the "Fund") is listed on the Luxembourg Stock Exchange can be obtained from the Administrative Agent or the Luxembourg Stock Exchange website (www.bourse.lu).
The issue and redemption of units of the Fund are subject to the regulations prevailing in the country concerned. The Management Company of the Fund keeps all investor information confidential, unless otherwise required by statutory or regulatory provisions.
Units of this fund may not be offered, sold or delivered within the United States.
Units of this fund may not be offered, sold or delivered to citizens and/or residents of the United States of America and/or other persons or entities whose income and/or revenue is subject to US income tax, irrespective of its origin, including those deemed to be US persons under Regulation S of the US Securities Act of 1933 and/or the US Commodity Exchange Act, as amended.

## Management and administration

### Management Company

UBS Fund Management (Luxembourg) S.A., R.C. Luxembourg B 154 210 (the **"Management Company"**)
The Management Company has been established, on July 01, 2010, as a public limited company in Luxembourg for an unlimited duration. Its registered office is at 33A avenue J.F. Kennedy, L-1855 Luxembourg.
The articles of incorporation of the Management Company were published on 16 August 2010 by way of a notice of deposit in the"Mémorial, Recueil des Sociétés et Associations" (hereinafter referred to as the "Mémorial"). The consolidated version is deposited at 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 units of these products. At the date of this sales prospectus, in addition to the Fund, the Management Company also manages other undertakings for collective investment.
The share capital of the Management Company amounts to 10,000,000 EUR and is fully paid-in.

### Board of Directors

| | |
|---|---|
| Chairman: | Andreas Schlatter, Group Managing Director,<br>UBS AG, Basel and Zurich |
| Members: | Robert Lay, Managing Director,<br>UBS Global Asset Management (UK) Ltd, London<br>Mario Cueni, Group Managing Director,<br>UBS AG, Basel and Zurich<br>Martin Thommen, Managing Director,<br>UBS AG, Basel and Zurich<br>Gilbert Schintgen, Managing Director,<br>UBS Fund Management (Luxembourg) S.A., Luxembourg<br>Christian Eibel, Executive Director,<br>UBS AG, Basel and Zurich |

### Conducting Officers of the Management Company:

Gilbert Schintgen, Managing Director,
UBS Fund Management (Luxembourg) S.A., Luxembourg
Christel Müller, Executive Director,
UBS Fund Management (Luxembourg) S.A., Luxembourg

### Portfolio Management

| Name of Sub-fund | Portfolio Manager |
|---|---|
| Emerging Markets Equity<br>Euro Bonds<br>Euro Corporate Bonds<br>Euro Equity<br>Global Convertible Bonds<br>Global Equity (ex US)<br>Key Selection European Equity<br>Key Selection Global Equity<br>Key Selection US Equity<br>Mid Cap US Equity<br>Short Term EUR | UBS AG, UBS Global Asset Management, Basel and 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 Global Asset Management may transfer their mandates, fully or partially, to associated Portfolio Managers within UBS Global Asset Management. Responsibility in each case remains with the aforementioned Portfolio Manager assigned by the Management Company.

### Combining investments

The Management Company may permit an internal merging 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 the "pool" and are used exclusively for internal management purposes. The pools are not separate units and cannot be accessed directly by unitholders.

### Pooling

The Company can invest and manage all or a part of the portfolio assets of 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 cash and other assets (if these assets are in harmony with the investment policy of the pool concerned) from each participating sub-fund to the asset pool. The Company can then make further transfers to the individual asset pools. Assets up to the amount of its participation can also be transferred back to a participating sub-fund. The share of a participating sub-fund in the respective asset pool is evaluated by reference to imputed units of the same value. When an asset pool is created, the Management Company shall specify the initial value of the imputed units (in a currency that the Management Company considers appropriate) and allot to the participating sub-fund shares in the total value of the cash (or other assets) it has contributed. The value of the imputed units will then be determined by dividing the net assets of the asset pool by the number of existing imputed units.
If additional cash or assets are contributed to or withdrawn from an asset pool, the imputed units assigned to the participating sub-fund concerned increase or diminish by a number, which is determined by division of the contributed or withdrawn cash amount or assets by the current value of a unit. If cash is contributed to the asset pool, for calculation purposes it is reduced by an amount that the Management Company considers appropriate in order to take account of any tax expense and completion and acquisition and purchase 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. In the case of a liquidation of the Company, the assets of an asset pool are allocated to the participating sub-fund in proportion to their respective share in the asset pool.

### Joint management

To reduce the operating and management costs and at the same time to permit broader diversification of investments, the Management Company may decide to manage a part of or the entire 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 sections the term **"jointly managed entities"** is used to refer to the sub-funds and all units with or between which an arrangement for joint management would exist; the term **"jointly managed assets"** is used to refer to the entire assets of these jointly managed entities which are managed according to the aforementioned agreement concerning joint management.
As part of the agreement on joint management, the asset 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 Company's portfolio. 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 applies to all categories of investment which are held or acquired in the context of joint management. Decisions regarding investments and/or sales of investments shall have no effect on this participation arrangement and further investment will be allotted to the jointly managed units 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 units.
In the case of new subscriptions for one of the jointly managed units, the subscription proceeds are to be allocated to the jointly managed units in accordance with the changed participation arrangement resulting from the increase in net assets of the jointly managed unit which has benefited from the subscriptions; the level of the investments will be modified by the transfer of assets from the jointly managed unit to the other, and thus adapted to suit the altered participation arrangement. Similarly, in the case of redemptions for one of the jointly managed units, the necessary liquid funds shall be taken from the liquid funds of the jointly managed units in accordance with the altered participation arrangement resulting from the reduction in net assets of the jointly managed unit 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.

**Investors are alerted to the fact that the agreement on joint management may result in the composition of the assets of the particular sub-fund being affected by events which concern other jointly managed units, e.g. subscriptions and redemptions, unless the Management Company or one of the entities commissioned by the Management Company resort to special measures.**
If all other aspects are unchanged, subscriptions received by a unit under joint management with the sub-fund will therefore result in an increase in the cash reserve of this sub-fund. Conversely, redemptions of a unit under joint management with the sub-fund will result in a reduction of the cash reserves of the sub-fund. However, subscriptions and redemptions can be carried out on the special account that is opened for each jointly managed unit outside the agreement concerning joint management and through which subscriptions and redemptions must pass. Because of the possibility of posting extensive subscriptions and redemptions to these special accounts, and the capability of the Management Company or the entities commissioned by it to decide at any time to terminate the participation of the sub-fund in the agreement concerning joint management, the sub-fund concerned may avoid having to re-arrange its portfolio if this could adversely affect the interests of the Company and its unitholders.
If a change in the portfolio composition of the particular sub-fund as a result of redemptions or payments of fees and expenses referring to another jointly managed unit (i.e. which cannot be counted as belonging to the sub-fund) might result in a violation of the investment restrictions applying to the particular sub-fund, the relevant assets before implementing the change will be excluded from the agreement on joint management so that they are not affected by the resulting adjustments.
Jointly managed assets of sub-funds will only be managed in common with assets which are to be invested according to the same investment aims already applying to the jointly managed assets in order to ensure that investment decisions are reconcilable 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 investment 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 statutory requirements in all respects for the sub-fund. The custodian bank must always keep the assets of the Company separate from those of the other jointly managed units; this allows it to determine the assets of each individual sub-fund accurately at any time. Since the investment policy of the jointly managed units does not have to agree exactly with that of the individual sub-funds, it is possible that their common investment policy may be more restrictive than that of the other sub-funds.
The Management Company may decide to terminate the agreement on joint management at any time without giving prior notice.
Unitholders may enquire at any time at the registered offices of the Management Company to know the percentage of jointly managed assets and units with which there is an agreement on joint management at the time of their enquiry.
The composition and percentages of jointly managed assets must be stated in the annual reports.
Agreements on joint management with non-Luxembourg units are permissible if (1) the agreement on joint management in which the non-Luxembourg unit is involved is governed by Luxembourg law and Luxembourg jurisdiction or (2) each unit under joint management is equipped with such rights that no creditor and no insolvency or bankruptcy administrator of the non-Luxembourg unit has access to the assets or is authorised to freeze them.

### Custodian and main paying agent

Pursuant to a custodian bank and paying agency agreement, concluded with UBS (Luxembourg) S.A., a public limited liability company (société anonyme), having its registered office at 33A, avenue J. F. Kennedy, L-1855 Luxembourg (the **"Custodian"**), the Management Company has appointed the Custodian as the Fund's custodian bank and principal paying agent.
The Custodian carries out its duties and assumes the responsibilities resulting from the Law of 2010 as well as the Custodian Agreement as amended from time to time (the **"Custodian Agreement"**). Pursuant to the Law and the Custodian Agreement, the Custodian is responsible for (i) the general supervision of all assets of the Fund and, for (ii) the safekeeping of the assets entrusted to and held by the Custodian or on its behalf and (iii) the administrative work in connection with applicable obligations.

### Administrative agent

UBS Fund Services (Luxembourg) S.A., 33A avenue J.F. Kennedy, L-1855 Luxembourg (B.P. 91, L-2010 Luxembourg).
UBS Fund Services (Luxembourg) S.A. (the **"Administrative Agent"**) as the administrative agent is responsible for the general administrative duties involved in managing the fund and prescribed by Luxembourg law. These administrative services mainly include domiciliation, calculation of the net asset value per unit and the keeping of the Fund's accounts as well as reporting.

### Auditor of the Fund

Ernst & Young, 7, rue Gabriel Lippmann - Parc d'Activité Syrdall 2, L-5365 Munsbach (the **"Auditor"**)

### Auditor of the Management Company

Ernst & Young, 7, rue Gabriel Lippmann - Parc d'Activité Syrdall 2, L-5365 Munsbach (B.P. 780, L-2017 Luxembourg)

### Paying agents

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

### Sales agencies and distributors, sales agencies listed in the sales prospectus

UBS AG, Basel and Zurich, Switzerland, and other Paying Agents in the various distribution countries.

### Profile of the typical investor

The Fund is 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 KII.

## Historical performance

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

## Risk profile

Sub-fund investments may be subject to substantial fluctuations and no guarantee can be given that the value of a unit in the Fund 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
- 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 Portofolio 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".

## The Fund

### Fund Structure

The Fund 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 prospectus, which will be updated on the inception of each new Sub-fund.
The following sub-funds and unit classes are currently available (explanations are provided in the footnotes below the following tables):

| **Name of sub-fund (alphabetical order)** | **Reference currency sub-fund** | **Unit classes and Reference currency of each unit class** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **UBS (Lux) Institutional Fund** | | **AA** | **AD** | **BA** | **CA** | **CA-T1** | **DA** | **FA** | **XA** | **YA** | **AA-T1** | **AD-T2** |
| Emerging Markets Equity | USD | USD | | USD | | | | USD | USD | | USD | USD |
| Euro Bonds | EUR | EUR | | EUR | | | | EUR | EUR | | EUR | EUR |
| Euro Corporate Bonds | EUR | EUR | | EUR | CHF | | CHF | EUR | EUR | CHF | EUR | EUR |
| Euro Equity | EUR | EUR | | EUR | | | | EUR | EUR | | EUR | EUR |
| Global Convertible Bonds | EUR | EUR | | EUR | CHF | CHF | CHF | EUR | EUR | CHF | EUR | EUR |
| Global Equity (ex US) | EUR | EUR | | EURUSD | | | | EUR | EUR | | EUR | EUR |
| Key Selection European Equity | EUR | EUR | | EUR | | | | EUR | EUR | | EUR | EUR |
| Key Selection Global Equity | USD | USD<br>EUR | | USDEUR | | | | USD | USD<br>EUR | | USD<br>EUR | EUR |
| Key Selection US Equity | USD | USD<br>EUR | | USD<br>EUR | | | | USD<br>EUR | USD<br>EUR | | USD<br>EUR | USD<br>EUR |
| Mid Cap US Equity | USD | USD | | USD | | | | USD | USD | | USD | USD |
| Short Term EUR | EUR | EUR | EUR | EUR | | | | EUR | EUR | | EUR | EUR |

* The Management Company will decide to launch the sub-fund at a later stage

The Management Company can issue several classes of units for each of the sub-funds. All unit 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 Global Asset Management or one of its authorised delegates.
Currently, the following unit classes are offered:
- Unit class XA, YA for which the portfolio management, custody, distribution and administration fees are charged outside the fund, directly at the level of the agreement concluded by the investor.
- Unit class FA, for which the portfolio management, custody, distribution and administration fees are charged outside the fund, directly at the level of the agreement concluded by the investor. These units will have an issue price of 10 000 (in each funds reference currency). This class aims exclusively at financial products (i.e. Fund-of-Funds or other pooled structures according to various legislations). This unit 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 unit class XA.
- Unit class BA, for which the portfolio management and distribution fees are charged outside the Fund, directly at the level of the agreement concluded by the investor. Unit Class BA only bears operational and administrative expenses.
- Unit class DA, for which the portfolio management and distribution fees are charged outside the Fund, directly at the level of the agreement concluded by the investor. Unit Class DA only bears operational and administrative expenses. Unit Class DA hedges the foreign currency exposure of the respective sub-fund against their respective reference currency. Under normal circumstances the hedge ratio will be between 90% and 110% of the Unit classes NAV. Changes in underlying securities prices and/or large subscription redemptions in a particular unit class can result in a hedge ratio that is momentarily out of the limits defined above.
- Unit classes AA, AD, AA-T1, AD-T2 and CA for which the flat fee is directly deducted from the Fund's NAV and covers all expenses.
- Unit Class CA-T1, for which the portfolio management and distribution fees are charged at the sub-fund's level, in addition to the normal operational and admin-

istrative expenses. Unit Class CA-T1 hedges the foreign currency exposure of the respective sub-fund against their respective reference currency. Under normal circumstances the hedge ratio will be between 90% and 110% of the Unit classes NAV. Changes in underlying securities prices and/or large subscription redemptions in a particular unit class can result in a hedge ratio that is momentarily out of the limits defined above.

- Unit Classes CA and YA hedge the foreign currency exposure of the respective sub-fund against their respective reference currency. Under normal circumstances the hedge ratio will be between 90% and 110% of the Unit classes NAV. Changes in underlying securities prices and/or large subscription redemptions in a particular unit class can result in a hedge ratio that is momentarily out of the limits defined above.
- Unit classes AA, BA, DA, XA, FA, YA, AA-T1, CA-T1 and CA are reinvesting their dividends and other income, rather than distributing it on a regular basis.
- Units of class AD-T2 are distributing units, which entitle the unitholder to an annual distribution.
- Units Class AD are distributing units, which entitle the unitholder to a quarterly distribution.
- Unit classes AA, AD, BA, DA, XA, FA and CA will be issued in registered form only.

## Legal aspects

The UBS (Lux) Institutional Fund was established as an open-ended investment fund without legally independent status in the form of a collective investment fund (fonds commun de placement, FCP) pursuant to Part I of the Luxembourg law relating to Undertakings for Collective Investment of 20 December 2002. UBS (Lux) Institutional Fund originally established under the title UBS Brinson Portfolio has been approved on December 28, 1998. The Management Regulations were first published in the "Mémorial, Recueil des Sociétés et Associations", hereinafter called "Mémorial", the official gazette of the Grand Duchy of Luxembourg, on 21 January 1999, by way of a notice of deposit, on 17 April 2008, signed and coming into effect on 1 April 2008. Subsequent amendments to the management regulations were published in the Mémorial on 1 October 2010, 1 July 2011, 10 January 2012 and 20 August 2012.
The activities of the UBS Institutional Fund Management Company S.A. in its function as Management Company of the UBS (Lux) Institutional Fund expired with effect as of 30 September 2010.
On 1 October 2010, UBS Fund Management (Luxembourg) S.A. took over the function of the Management Company.
The Fund's Management Regulations may be amended in observance of the provisions of the law. Each amendment deposited will be published by means of a notice of deposit in the "Mémorial", in a Luxembourg daily newspaper and, if necessary, in the official publications specified for the respective countries in which Fund units are sold. The new Regulations enter into force upon by signing by the Management Company and the Custodian. The consolidated version is deposited at the Registre de Commerce et des Sociétés in Luxembourg.
The fund has no legal personality as an investment fund. The entire assets of each sub-fund are the undivided property of all unitholders who have equal rights in proportion to the number of units they hold. These assets are separate from the assets of the Management Company. The securities and other assets of the fund are managed by UBS Fund Management (Luxembourg) S.A. as separate trust assets in the interest and for the account of the unitholders.
The Management Regulations give the Management Company the authority to establish different sub-funds for the fund as well as different unit classes with specific characteristics within these sub-funds. This sales prospectus will be updated each time a new sub-fund or an additional unit class is issued.
There is no limit on the size of the net assets, the number of units, number of sub-funds or unit classes or the duration of the Fund or its sub-funds.
The fund forms an indivisible legal entity. With respect to the unitholders, 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.
The acquisition of fund units implies acceptance of the Management Regulations by the unitholder.
The Management Regulations do not provide for a general meeting of the unitholders.
The financial year of the Fund ends on December 31.
The Management Company draws the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Fund if he is registered himself and in his own name in the unitholders' register of the Fund. In cases where an investor invests in the Fund through an intermediary investing into the Fund in its own name but on behalf of the investor, it may not always be possible for the investor to exercise certain unitholder rights. Investors are advised to take advice on their rights.

## Investment objective and investment policy of the sub-funds

### Investment objective

The Fund 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 Fund will seek maximum capital appreciation (income plus capital gains) without undue risk.

### 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), similar fixed- and variable-rate interest-bearing transferable securities (debt securities and claims), 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 as well as all other legally permissible assets. Additionally, the sub-funds can invest in American Depositary Receipts, Global Depositary Receipts and structured products linked to equities like for instance Equity Linked Notes.
In its effort to achieve this objective the Management Company must observe the investment restrictions as described in the Management Regulations.
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 out in 1.1 g) and 4 of the investment guidelines, the Management Company may use, within the statutory limits defined for each sub-fund, special techniques and financial instruments whose underlyings are securities, money market instruments and other financial instruments as a central element of its efforts to achieve the investment policy.
The markets in derivative instruments are volatile; both the opportunity to achieve gains as well as the risk of suffering losses are higher than with investments in securities. These techniques and instruments will only be employed if they are in conformity with the investment policies of the individual sub-funds and do not adversely affect their quality. This also applies to options on securities.
The fund can invest in 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 then 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 bond 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
- 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 accessorily hold liquid assets in all currencies. 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 of a UCITS or other UCI.

**UBS (Lux) Institutional Fund – EMERGING MARKETS EQUITY**

UBS (Lux) Institutional Fund – Emerging Markets Equity actively invests its assets in equities and other equity shares of companies, which are domiciled in emerging market countries or carry out the major share of their economic activities in emerging market countries and included in the MSCI EMMA Index (the "Benchmark"). The objective is to achieve an excess performance relative to the benchmark. 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.

**The objective of the sub-fund is to achieve an excess performance relative to its benchmark**

Emerging markets are those markets included in the International Finance Corporation Composite Index and/or the MSCI Emerging Markets Index and other countries, which are at a comparable level of economic development or in which there are new stock markets.
Emerging markets are at an early stage of development and may suffer from increased risk of expropriation, nationalization and social, political and economic insecurity.
A non-comprehensive overview of the general risks entailed by involvement in emerging markets includes:

- Counterfeit securities - with the weakness in supervisory structures, it is possible for securities purchased by the sub-fund to be counterfeited. 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 the 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.
- Currency fluctuations - the currencies of countries in which the sub-fund invests, compared with the accounting currency of that 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 limit or temporarily suspend the export of currencies. Consequently, it is not possible for the sub-fund to draw any sales proceeds without delays. To minimize 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 markets countries are not as well developed as those in developed markets. Standards are not so high and the supervisory authorities do not have the same amount of experience. Consequently, it is possible for settlement to take place late, which may pose 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 shareholders has been exceeded. As well as this, 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 authorities responsible or to counter the neg-

ative 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 sub-funds may also buy or sell futures, swaps, non-deliverable forwards and options on currencies in order to:
- partially or entirely secure the foreign currency risk of the investments contained in the sub-fund's assets in respect of that sub-fund's currency of account. This can be achieved either directly (hedging a currency against the reference currency) or indirectly (hedging the currency against a third currency which is then hedged against the currency of account);
- build up currency positions against the currency of account, other freely convertible currencies or currencies included in the benchmark.

The non-deliverable forward market allows building up currency positions and to hedge exchange rate exposures on currencies, without any physical transfer of these currencies and without having to deal in the local market. Therefore, the local counterparty risk and the cost of holding accounts in local currencies can be avoided. Further, US dollar-settled NDF between two offshore counterparties are not generally subject to local monetary controls.

**UBS (Lux) Institutional Fund – EURO BONDS**

UBS (Lux) Institutional Fund – Euro Bonds actively invests mainly in fixed-term and floating rate debt securities and claims issued by public authorities and private borrowers and denominated or bearing an option in EUR (or its legacy currencies) and showing a credit quality of at least investment grade. The objective is to achieve an excess performance relative to the Barclays Euro Aggregate 500 Mio+ TR Index (the "benchmark").

**UBS (Lux) Institutional Fund – EURO CORPORATE BONDS**

UBS (Lux) Institutional Fund – Euro Corporate Bonds actively invests mainly in bond, notes and other fixed income and floating rate secured or unsecured investments issued by corporations and denominated in EUR. The credit quality covers the range from AAA to BBB– (Standard & Poor's Rating) respective from Aaa to Baa3 (Moody's Rating). The objective is to achieve an excess performance relative to the Barclays Euro Aggregate Corporate 500 Mio. TR index (the "benchmark").

**UBS (Lux) Institutional Fund – EURO EQUITY**

UBS (Lux) Institutional Fund – Euro Equity actively invests mainly in common and preferred stocks including ADR's, warrants on transferable securities and rights convertible into common stocks from companies domiciled or which are chiefly active in European Countries that have adopted the EUR as domestic currency. The objective is to achieve an excess performance relative to the MSCI EMU Index (the "benchmark"). This may result in investments in smaller and/or unlisted companies in compliance with Article 2 of the Management Regulations.
The markets of smaller and/or unlisted companies are more volatile and the possibility to realise gains, as well as the risk to suffer losses are higher.
The sub-fund may hold short-term fixed income transferable securities on an ancillary basis.

**UBS (Lux) Institutional Fund – GLOBAL CONVERTIBLE BONDS**

UBS (Lux) Institutional Fund – Global Convertible Bonds invests mainly in convertible, exchangeable bonds and warrant bonds as well as in preferred convertible securities worldwide. The objective is to achieve an excess performance relative to the UBS Global Convertible Index – Global Vanilla hedged (EUR) (the "benchmark"). The sub-fund invests in those currencies best suited to increase the sub-fund's net asset value. The investments can be implemented in any legal currency. The foreign exchange risk will be actively managed and if necessary completely hedged against EUR.
The sub-fund is suited for investors who wish to profit from the development of the global stock market but do not want to go without a certain level of security such as that afforded by the "bond floor" offered by a convertible bond.
The sub-fund can also invest directly in the aforementioned securities emitted by an issuer of the Russian Federation, provided that these securities are listed or traded on a securities exchange or another regulated market, which is recognized, open to the public and operating in a due and orderly fashion. Considered as a recognized market in the Russian Federation are at present "Russian Trading System Stock Exchange" and "Moscow Interbank Currency Exchange".
The sub-fund may not invest more than one third of its net assets in the above securities when these are issued or hedged by borrowers from emerging markets or borrowers who conduct a large proportion of their business operations on such markets or issue instruments that are associated with a credit risk in respect of emerging markets.
Investments in countries of the Commonwealth of Independent States (CIS), except the Russian Federation under provision for the aforementioned precondition, together with investments pursuing to "Investment Principles", section 1.2, may not exceed 10% of the net assets of the sub-fund.
The term "emerging markets" is used to describe those markets included in the International Finance Corporation Composite Index and/or the MSCI Emerging Markets Index and other countries which are at a comparable level of economic development or in which there are new capital markets. The emerging markets are still at an early stage of development and tend to suffer from heightened risks of expropriation, nationalization and social, political and economic insecurity.
There now follows a survey of the general risks associated with an exposure to the emerging markets (this is not an exhaustive list):
- Liquidity problems
- Exchange rate fluctuations
- Currency export restrictions
- Purchase and sales restrictions

The sub-fund may also buy or sell futures, swaps, non-deliverable forwards and options on currencies in order to:
- partially or entirely secure the foreign currency risk of the investments contained in the sub-fund's assets in respect of that sub-fund's currency of account. This can be achieved either directly (hedging a currency against the reference currency) or indirectly (hedging the currency against a third currency which is then hedged against the currency of account);
- build up currency positions against the currency of account, or any other legal currencies.

The non-deliverable forward market allows building up currency positions and to hedge exchange rate exposures on currencies, without any physical transfer of these currencies and without having to deal in the local market. Therefore, the local counterparty risk and the cost of holding accounts in local currencies can be avoided. Further, US dollar-settled NDF between two offshore counterparties are not generally subject to local monetary controls.

**UBS (Lux) Institutional Fund – GLOBAL EQUITY (EX US)**

UBS (Lux) Institutional Fund – Global Equity (ex US) actively invests mainly in common and preferred stocks including ADR's, warrants on transferable securities and rights convertible into common stocks of companies with domicile or which are chiefly active in the developed countries included in the MSCI World (ex USA) Index (the "benchmark"). The objective is to achieve an excess performance relative to the benchmark. This may result in investments in smaller and/or unlisted companies in compliance with Article 2 of the Management Regulations.
The markets of smaller and/or unlisted companies are more volatile and the possibility to realise gains, as well as the risk to suffer losses are higher.
The sub-fund may hold short term fixed income transferable securities on an ancillary basis.
The sub-fund aims at an active equity portfolio, which invests in a narrow selection of shares out of the investment universe. The focus is on consequent price/value ratio and follows a global, disciplined investment process. The research is based on a worldwide network of analysts. A team of strategists, which integrate the analyst's findings in the portfolio construction process, is responsible for the portfolio construction process.
The sub-fund may also buy or sell futures, swaps, non-deliverable forwards and options on currencies in order to:
- partially or entirely secure the foreign currency risk of the investments contained in the sub-fund's assets in respect of that sub-fund's currency of account. This can be achieved either directly (hedging a currency against the reference currency) or indirectly (hedging the currency against a third currency which is then hedged against the currency of account);
- build up currency positions against the currency of account, other freely convertible currencies or currencies included in the benchmark.

The non-deliverable forward market allows building up currency positions and to hedge exchange rate exposures on currencies, without any physical transfer of these currencies and without having to deal in the local market. Therefore, the local counterparty risk and the cost of holding accounts in local currencies can be avoided. Further, US dollar-settled NDF between two offshore counterparties are not generally subject to local monetary controls.

**UBS (Lux) Institutional Fund – KEY SELECTION EUROPEAN EQUITY**

UBS (Lux) Institutional Fund – Key Selection European Equity actively invests mainly in common and preferred stocks including ADR's, warrants on transferable securities and rights convertible into common stocks from companies domiciled or which are chiefly active in European Countries.. The objective is to achieve an excess performance relative to the MSCI Europe Index (the "benchmark"). This may result in investments in smaller and/or unlisted companies in compliance with Article 2 of the Management Regulations.
The markets of smaller and/or unlisted companies are more volatile and the possibility to realise gains, as well as the risk to suffer losses are higher.
The sub-fund may hold short-term fixed income transferable securities on an ancillary basis.
The sub-fund aims at an active equity portfolio, which invests in a narrow selection of shares out of the investment universe. The focus is on consequent price/value ratio and follows a global, disciplined investment process. The research is based on a worldwide network of analysts. The portfolio construction process is done by a team of strategists, which integrates the analyst's findings in the portfolio construction process.
The sub-fund may also buy or sell futures, swaps, non-deliverable forwards and options on currencies in order to:
- partially or entirely secure the foreign currency risk of the investments contained in the sub-fund's assets in respect of that sub-fund's currency of account. This can be achieved either directly (hedging a currency against the reference currency) or indirectly (hedging the currency against a third currency which is then hedged against the currency of account);
- build up currency positions against the currency of account, other freely convertible currencies or currencies included in the benchmark.

The non-deliverable forward market allows building up currency positions and to hedge exchange rate exposures on currencies, without any physical transfer of these currencies and without having to deal in the local market. Therefore, the local counterparty risk and the cost of holding accounts in local currencies can be avoided. Further, US dollar-settled NDF between two offshore counterparties are not generally subject to local monetary controls.

**UBS (Lux) Institutional Fund – KEY SELECTION GLOBAL EQUITY**

UBS (Lux) Institutional Fund – Key Selection Global Equity actively invests mainly in common and preferred stocks including ADR's, warrants on transferable securities and rights convertible into common stocks of companies with domicile or which are chiefly active in the developed countries included in the MSCI World Index (the "benchmark"). The objective is to achieve an excess performance relative to the benchmark. This may result in investments in smaller and/or unlisted companies in compliance with Article 2 of the Management Regulations.
The markets of smaller and/or unlisted companies are more volatile and the possibility to realise gains, as well as the risk to suffer losses are higher.
The sub-fund may hold short-term fixed income securities on an ancillary basis.
The sub-fund aims at an active equity portfolio, which invests in a narrow selection of shares out of the investment universe. The focus is on consequent price/value ratio and follows a global, disciplined investment process. The research is based on a worldwide network of analysts. A team of strategists, which integrate the ana-

lyst's findings in the portfolio construction process, is responsible for the portfolio construction process.
The sub-fund may also buy or sell futures, swaps, non-deliverable forwards and options on currencies in order to:
- partially or entirely secure the foreign currency risk of the investments contained in the sub-fund's assets in respect of that sub-fund's currency of account. This can be achieved either directly (hedging a currency against the reference currency) or indirectly (hedging the currency against a third currency which is then hedged against the currency of account);
- build up currency positions against the currency of account, other freely convertible currencies or currencies included in the benchmark.

The non-deliverable forward market allows building up currency positions and to hedge exchange rate exposures on currencies, without any physical transfer of these currencies and without having to deal in the local market. Therefore, the local counterparty risk and the cost of holding accounts in local currencies can be avoided. Further, US dollar-settled NDF between two offshore counterparties are not generally subject to local monetary controls.

**UBS (Lux) Institutional Fund – KEY SELECTION US EQUITY**

UBS (Lux) Institutional Fund – Key Selection US Equity actively invests mainly in common and preferred stocks including ADR's, warrants on transferable securities and rights convertible into common stocks from companies domiciled or which are chiefly active in US. The objective is to achieve an excess performance relative to the S&P 500 Index (the "benchmark"). This may result in investments in smaller and/or unlisted companies in compliance with Article 2 of the Management Regulations.
The markets of smaller and/or unlisted companies are more volatile and the possibility to realise gains, as well as the risk to suffer losses are higher.
The sub-fund may hold short term fixed income transferable securities on an ancillary basis.
The sub-fund aims at an active equity portfolio, which invests in a narrow selection of shares out of the investment universe. The focus is on consequent price/value ratio and follows a global, disciplined investment process. The research is based on a worldwide network of analysts. A team of strategists, which integrate the analyst's findings in the portfolio construction process, is responsible for the portfolio construction process.

**UBS (Lux) Institutional Fund – MID CAP US EQUITY**

UBS (Lux) Institutional Fund – Mid Cap US Equity invests mainly in stocks and other equity shares of medium or smaller size that are domiciled or chiefly active in the USA. The objective is to achieve an excess performance relative to the S&P Mid Cap 400 (the "benchmark").
The objective is to achieve an excess performance relative to the benchmark.
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.

**UBS (Lux) Institutional Fund – SHORT TERM EUR**

This sub-fund is a money market fund within the meaning of the CESR/ESMA guidelines 10-049 on a common definition of European money market funds. It aims to provide a return in line with money market rates. It invests in short-term fixed income securities such as bonds with a residual maturity of less than one year, Floating Rate Notes (FRN) (provided that they qualify as transferable securities within the meaning of Article 41 of the Law of 2010), Money Market Instruments, Euro Commercial Papers (ECP's) and Certificates of Deposits (CD's). All these investments are denominated in the currency mentioned in the sub-fund's name and rated minimum A3/A- (or A-2/P-2 as far as short-term credit ratings are applicable).
This sub-fund is suitable for investors seeking a broadly diversified portfolio of EUR short-term instruments with high quality and high liquidity.
Investment in securities is limited to those with a residual maturity until the legal redemption date of less than or equal to 2 years, provided that the time remaining until the next interest rate reset date is less than or equal to 397 days. The sub-fund's portfolio has a weighted average maturity (WAM) of no more than six months and a weighted average life (WAL) of no more than 12 months.
**Based on its specific investment policy, this sub-fund offers higher security and less volatile performance compared with other investments. Its units can be subscribed for and redeemed on each business day and thus represent a liquid investment. An investment in this sub-fund must not be assimilated to a bank deposit and is not insured or guaranteed by a bank or a public authority. The price of the securities held by this sub-fund may e.g. decrease in case of a rise in interest rates, a decline in the issuer's credit rating or the shortening of the security's maturity. Even for this type of sub-fund, it cannot be guaranteed that the investor will recover the capital invested.**

**Investments in other UCITS and UCI**

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 o fund 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.
Certain commission payments and expenses may occur more than once when investing in existing funds (for example, commission for the Custodian 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 AG or by a company with which it is associated by the virtue of joint 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 2.7) and "Costs paid by the Fund".

**Use of futures and options**

As long as the restrictions set forth in 4 "Special techniques and instruments relating to transferable securities and money market instruments" are observed, the Management Company may employ in relation to each sub-fund techniques and instruments that have securities, money market instruments and other financial instruments as the underlying in the context of the efficient management of the portfolio or to hedge the assets of each respective sub-fund. At no time may the liabilities resulting from such transactions exceed the value of the net assets of the sub-fund concerned.
By buying and/or selling futures on indices, the portfolio management is able to manage the flows of funds generated by subscriptions/redemptions as well as to increase or decrease market exposure.
By buying and/or selling call and put options on securities and indices, the portfolio management can increase resp. decrease the exposure for a corresponding security or market.
By buying warrants on securities, the portfolio management can increase the exposure for a corresponding security.

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

Derivative financial instruments are not stand-alone investment instruments; they are rights which valuation is primarily derived from the prices, price fluctuations and price expectations of an underlying financial instrument. Investments in derivatives entail market risk, management risk, credit risk and liquidity risk. Due to the especial features of the derivative instruments the expected risks can be different and sometimes higher than the risks associated with investments in the underlying financial instrument. Therefore the use of derivatives requires not only an understanding of the underlying instruments but also a sound knowledge of the derivative itself.
The credit risk of derivatives traded on an stock exchange is, generally speaking, lower than that of derivatives traded over-the-counter on the open market, because the clearing agents, that acts as issuer or counterparty of every market traded derivative accepts a settlement guarantee. To reduce the overall risk of default, such guarantee is supported by a daily payment system (i.e. cover requirements) maintained by the clearing agent. In the case of derivatives traded over-the-counter on the open market, there is no comparable clearing agent guarantee and in assessing the potential risk of default, the Management Company must take account of the creditworthiness of each counterparty in the case of derivatives that are traded over-the-counter on the open market.
There are liquidity risks as it is difficult to buy or sell certain instruments. When derivative transactions are particularly large, or the corresponding market is illiquid (as is the case with many derivatives traded over-the-counter on the open market), it might not possible to execute a transaction or liquidate a position at an attractive price.
The other risks associated with the use of derivatives include the risk of incorrectly valuing or determining the price of derivatives and that the derivatives fail to correlate perfectly with the underlying assets, interest rates and indices. Many derivatives are complex and frequently valued subjectively. Inappropriate valuations can result in higher cash payment requirements in relation to counterparties or in the loss of value for the relevant sub-fund. There is not always a direct or parallel relationship between a derivative and the value of the assets, interest rates or indices from which it is derived. For these reasons, the use of derivatives by the Fund is not always an effective means of attaining the relevant sub-fund's investment objective and can at times even have the opposite effect.

**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.

**Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the respective sub-fund. According to this definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.
If applicable, the expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the respective Sub-fund and is based on historical data. For sub-funds which have not yet been launched, the expected leverage value will be calculated on the basis of a model portfolio or on the investments of a comparable sub-fund. Greater leverage amounts may be attained for all sub-funds, under certain circumstances.

| Sub-funds | Global risk calculation method | Expected leverage value | Reference portfolio |
|---|---|---|---|
| UBS (Lux) Institutional Fund – Emerging Markets Equity | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Euro Bonds | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Euro Corporate Bonds | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Euro Equity | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Global Convertible Bonds | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Global Equity (ex US) | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Key Selection European Equity | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Key Selection Global Equity | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Key Selection US Equity | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Mid Cap US Equity | Commitment approach | n.a. | n.a. |
| UBS (Lux) Institutional Fund – Short Term EUR | Commitment approach | n.a. | n.a. |

**Collateral Management**

When the Fund conducts over-the-counter (OTC) transactions, it may be exposed to risks relating to the credit standing of its OTC counterparties and to their ability to fulfil the conditions of the contracts it enters into with them.
Therefore, while entering into futures, options and swap transactions or using other derivative techniques, the Fund might be subject to the risk of an OTC counterparty which might not (be in a position to) fulfil its obligations under a particular or several contract(s). The counterparty risk might be reduced by using collateral. In case collateral is owed under applicable agreements to the Fund, it would be held with the Custodian / Depositary for the benefit of the Fund. Bankruptcy, insolvency or other credit default events of the Custodian or its sub-custody / correspondent bank network may cause the Fund's/ rights with respect to the collateral to be delayed or otherwise limited. In case collateral is owed under applicable agreements by the Fund to the OTC counterparty, such collateral would have to be transferred to the OTC counterparty as agreed between the Fund and the OTC counterparty. Bankruptcy, insolvency or other credit default events of the OTC counterparty or its sub-custody / correspondent bank network may cause the Fund's rights or recognition with respect to the collateral to be delayed, limited or even excluded, which would result in the Fund being obliged to fulfil its obligation under the OTC transaction notwithstanding any collateral provided beforehand to cover such obligation.

## Investments in UBS (Lux) Institutional Fund

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

Sub-fund units are issued and redeemed on every business day. In this context, "business day" refers to the normal bank business days in Luxembourg (i.e. each day on which banks are open during normal business hours), except individual, non-statutory rest days and days on which stock exchanges in the main countries in which the 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 Management 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 units"**. In addition, the Management 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 Fund units held by unitholders who are not qualified to purchase or hold Fund units. Such redeemed units are reimbursed to the unitholder and thereby cease to be valid.

Subscription and redemption applications entered with the Administrative Agent or with UBS Global Asset Management – 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 following business day (valuation date) on the basis of the net asset value calculated for that day. As far as the sub-fund UBS (Lux) Institutional Fund - SHORT TERM EUR' is concerned, the cut-off-time is 12:00 hours CET, as far as the sub-fund UBS (Lux) Institutional Fund – KEY SELECTION US EQUITY is concerned the cut-off-time is 16:00 hours CET.

For the sub-fund **UBS (Lux) Institutional Fund – Emerging Markets Equity**, subscription and redemption applications entered with the Administrative Agent or with UBS Investment Bank – a unit of UBS AG – no later than by the cut-off time on a business day (order date) will be processed two business days after the order date (NAV calculation day) applying the net asset value per unit calculated as of the day immediately preceding the NAV calculation date.
For subscriptions and redemptions 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 valuation date on the basis of the last known prices (i.e. closing prices or if such do not reflect reasonable market value in the opinion of the Management Company, at the last prices available at the time of valuation). The individual valuation principles applied are described in the section that follows.
Investors are informed that the Management Company is entitled to take adequate measure in order to prevent practices known as "Market-Timing" in relation to investments in the Fund. The Management 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 Management Company will ensure that the distributor duly complies with the relevant cut-off time.
The Management 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 Management 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.

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

The net asset value and the issue, redemption and conversion price per unit of the different classes of any sub-fund are expressed in the currency of account of the sub-fund or the unit class concerned and are calculated every bank business day by dividing the overall net assets of the sub-fund to which the respective unit class is assigned by the number of units issued in the relevant class of this sub-fund.
The percentage of the overall net asset value to be assigned to a sub-fund's unit class is determined by the relationship between the units issued in each class and the total number of units issued by the sub-fund. This percentage rate changes in accordance with distributions made and the issue and redemption of units as follows:

– Each time a distribution is made on units of the following classes "AD-T2", the net asset value and issue and redemption price of units in this class are reduced by the amount of the distribution (which leads to a reduction in the percentage of the net asset value attributed to the class concerned). Meanwhile the net asset value of the other unit classes remains the same (leading to an increase in the percentage of the net asset value attributed to these classes).
– Each time units are issued or redeemed, the net asset value attributable to the unit class concerned is increased or reduced by the amount received or paid out.

If the total subscriptions or redemptions affecting all the unit 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 Fund 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 units of the Fund. It results in a reduction of net asset value if the net movements bring about a fall in the units. 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 fund assets 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 Management Company shall decide which sub-funds will be affected. Sub-funds 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 - either in hand or on deposit - as well as bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received 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 Management 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 Management Company according to other principles chosen by it in good faith on the basis of the likely sales prices.
d) 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).
e) 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 Management Company and the Auditor, based on the market value of the underlying instrument from which the derivative has been derived.
f) Securities, money market instruments, derivatives and other investments that are denominated in a currency other than the reference 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.
g) 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 UBS Global Valuation Policy.
h) Time deposits and fiduciary investments are valued at their nominal value plus accrued interest.
i) (i) For Sub-funds that are money market funds,
   – 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.
   – interest income earned by sub-funds between the Order Date concerned and the respective Settlement Date may be included in the valuation of the assets of the sub-funds concerned. The asset value per unit on a given valuation date may therefore include projected interest earnings.
   (ii) For the other Sub-funds 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 the sub-fund UBS (Lux) Institutional Fund – Short Term EUR, the part of the assets which is composed of short-term fixed income securities as described in the sub-fund's investment policy, shall be valued as follows:
Based on the net acquisition price and by keeping the calculated investment return constant, the value of these securities is successively adjusted to the redemption

price thereof. The valuation price can thus differ from the last known market price. The valuation price will be regularly compared to the market yields. In the event of material changes in market conditions, the valuation basis is adjusted on the new market yields.
The Management Company is authorized 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 units to be subsequently issued or redeemed, may be carried out within one day.

**Issue of units**

The issue prices of units of the sub-funds are calculated according to the paragraph "Net asset value, issue, redemption and conversion price".
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 is based on the net asset value per unit plus an issuing commission of maximum 3% of the net asset value in favour of the sales agencies. In case of a subscription the fees (brokerage fees, etc.), which arise on average for the 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 fund units 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 fund units are accepted at the issue price at the Management Company, the Administrative Agent as well as any other sales agencies. Payment must be received by the Custodian of the Fund at the latest three bank business days in Luxembourg after order date with the exception of UBS (Lux) Institutional Fund – SHORT TERM EUR with two bank business days after the relevant order date and UBS (Lux) Institutional Fund – Emerging Markets Equity with four bank business days after the relevant order date (the "Settlement Date"). The Fund units will be transferred to the investors concerned without delay upon payment of the full issue price. The units will be issued as non-certificated registered units, unless the Management Company decides for certain category or classes of units to issue bearer units. Fractions of units will be issued up to the third decimal. Upon request and against payment by the unitholder of all incurred expenses, the Management Company may also decide to issue unit certificates in physical form. The Management Company reserves the right to issue unit certificates in denominations of 1 or more units, however fractions of units, will not be issued in certificate form. All units issued and still outstanding have the same rights. However, the Management Regulations envisage the possibility of establishing within a sub-fund various unit classes with specific features.
Upon request of the investors, the Management 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 Fund's appointed auditor. The related costs are borne by the investor.

**Redemption of units**

Unitholders can request redemption of their units at any time by making an irrevocable redemption application to the Management Company, the Administrative Agent or to one of the other sales agencies authorized to accept such applications. Redemption applications must be accompanied by any certificates, which might have been issued.
The cash equivalent for redeemed sub-fund units is paid, in principle, three bank business days in Luxembourg after the order date with the exception of UBS (Lux) Institutional Fund – SHORT TERM EUR with two bank business days after the relevant order date and UBS (Lux) Institutional Fund – Emerging Markets Equity with four bank business days after the relevant 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 custodian, make it impossible to transfer the redemption amount to the country in which the redemption application was submitted.
Any taxes, commissions and other fees incurred in the respective countries in which fund units 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.
In the event of an excessively large volume of redemption applications, the custodian and the Management Company may decide to delay execution of the redemption applications until the corresponding assets of the 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 unitholders, the Management Company at its discretion may accept redemptions in kind, in whole or in part. However in this case the redemptions in kind must be in accordance with the respective sub-fund's investment policy and restrictions. In addition these redemptions will be audited by the Fund's appointed auditor. The related costs are borne by the investor.
If the value of the portion of a unit class on the total net asset value of a Subfund 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 unit 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 Subfund 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 Units**

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

- The conversion is only possible into units issued; no conversion is possible if the issue of units by the sub-fund has been suspended
- The right to convert units is subject to compliance with any conditions applicable to the class or category of unit into which conversion is to be effected
- Conversions can only be made for a definite number of units.
- Due to technical restrictions conversions from the following classes: AA, AD, CA, YA, DA, BA and XA units into the following classes: AA-T1, CA-T1 and AD-T2 units and vice versa are not possible.
- Conversions into Classes BA, DA, YA, XA units will only be executed at the Management Company's discretion, under the condition that the investor has signed an agreement as defined previously in this prospectus (page 4).

The same procedures apply to the submission of conversion applications as apply to the issue and redemption of units.
The number of units to convert into is calculated with the following formula:

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

where:

$\alpha$ = number of units of the new sub-fund or the unit class in which to convert
$\beta$ = number of units of the sub-fund or the unit class from which to convert
$\chi$ = net asset value of the units presented for conversion
$\delta$ = foreign exchange rate between the sub-funds or the unit classes concerned. If both sub-funds or unit classes are valued in the same currency of account, this coefficient equals 1
$\varepsilon$ = net asset value per unit of the sub-fund and/or unit 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 sales agencies must obey the provisions of the Luxembourg law of 12 November 2004 on the prevention of money laundering terrorist financing, as well as subsequent regulations issued by the Luxembourg government or supervisory authorities.
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 units, redeeming Fund units: 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. UBS Fund Services (Luxembourg) S.A. and the Management Company can, at any time, demand assurance from the sales agency that the procedures are being adhered to. UBS Fund Services (Luxembourg) S.A. 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 units**

The Management Company may temporarily suspend calculation of the net asset value and hence the issue and redemption of units for one or more sub-funds and the switching between the individual sub-funds:

- 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 Fund 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 or any of the investments of the Fund 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 Fund attributable to such sub-fund quoted thereon;
- during the existence of any state of affairs which constitutes an emergency in the opinion of the Management Company as a result of which disposal or valuation of assets owned by the Fund attributable to such sub-fund would be impracticable;
- 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;
- during any period when the Management Company is unable to repatriate funds for the purpose of making payments on the redemption of units of such sub-fund, or during which any transfer of funds involved in the realisation or acqui-

sition of investments or payments due on redemption of units cannot, in the opinion of the Management Company, be effected at normal rates of exchange;
– if political, economic, military or other circumstances beyond the control or influence of the Management Company make it impossible to access the sub-fund's assets under normal conditions without seriously harming the interests of the unitholders;
– when for any other reason the prices of any investments owned by the Fund attributable to such sub-fund cannot promptly or accurately be ascertained;
– upon the publication of a decision by the Management Company for the purpose of the liquidation of the Fund;
– to the extent that such suspension is justified by the necessity to protect the unitholders, upon publication of a notice informing the unitholders of the decision of the board of directors to merge the Fund or one or more of its sub-fund(s); or
– when restrictions on foreign exchange transactions or other transfers of assets render the execution of transactions for the Fund's account impossible.

A suspension of the calculation of the net asset value, a suspension of the issue or redemption of units and a suspension of the switching between sub-funds will be notified without delay to all the responsible authorities in those countries in which units of the Fund are approved for sale to the public and will be published in a Luxembourg daily newspaper as well as in the official publications specified for the respective countries in which fund units are sold.
In addition, the Management Company is at any time empowered
a) to refuse purchase applications at its own discretion;
b) to redeem units which were purchased in defiance of an exclusion order.

### Distribution of income

In accordance with article 10 of the Management Regulations, once the annual accounts are closed the Management Company will decide whether and to what extent distributions are to be paid out by each sub-fund. The payment of distributions must not result in the net assets of the fund falling below the minimum amount of fund assets prescribed by law. If a distribution is made, payment will be effected no later than two months after the end of the financial year.
The Management Company 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 concerned. If the sub-fund in question has already been liquidated, the distributions and allocations will accrue to the remaining sub-funds of the fund in proportion to their respective net assets. The Management Company may decide, in connection with the appropriation of net investment income and capital gains, to issue bonus units. An income equalization amount will be calculated so that the distribution corresponds to the actual income entitlement.
Where physical certificates have been issued, distributions are made upon submission of the relevant coupons. The Management Company determines the method of payment.

## Taxes and expenses

### Tax

The Fund is subject to Luxembourg legislation. In accordance with current legislation in the Grand Duchy of Luxembourg, the Fund is not subject to any Luxembourg withholding, income, capital-gains or wealth taxes.
From the total net assets of each sub-fund, however, a tax of 0.01% 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.
Unitholders should be aware that the Luxembourg Law of 21 June 2005 has transposed Council Directive 2003/48/EC dated 3 June 2003 concerning the taxation of interest into Luxembourg law. Since 1 July 2005, this Law has provided for the imposition of a withholding tax on cross-border interest payments to individuals domiciled in the EU or for an automatic information exchange. This applies, inter alia, to distributions and dividends payable by investment funds which invest more than 15%, and earnings from the assignment or repayment of units in investment funds which invest more than 25% in debt instruments and claims as defined by the EU taxation of interest. Where necessary, the sales agency or Distributor may, upon subscription, ask investors to give their tax identification number provided by the state in which they are domiciled for tax purposes.
The taxable values shown are based on the most recently available data at the time they were calculated.
Provided the sub-fund in question is not subject to EU taxation of interest or the unitholders are not affected thereby, unitholders are not required, under current tax law, to pay any income, gift, inheritance or other tax in Luxembourg unless they are domiciled in Luxembourg, have a residence in Luxembourg or maintain a permanent establishment there, or were previously domiciled in Luxembourg and hold more than 10% of the units in the Fund.
On 13 November 2008 the European Commission accepted a proposal for the amendment of the Savings Directive. If the amendment proposal is implemented, among other things, (i) the scope of the EU Savings Directive would be expanded to include payments distributed by certain intermediate structures (regardless of whether their registered office is in an EU Member State or not) and whose final beneficiary is a private person resident in the EU and (ii) the definition of interest that falls within the scope of the EU Savings Directive would be further established. The European Parliament approved an amended version of this proposal on 24 April 2009.
The aforementioned represents a summary of the fiscal effects and makes no claim to be exhaustive. It is the responsibility of purchasers of units to seek information on the laws and regulations governing the purchase, possession and sale of units in connection with their place of residence and their nationality.

### Investors in the United Kingdom

The Fund is an offshore fund for tax purposes within the meaning of the UK Offshore Funds (Tax) Regulations which were introduced with effect from 1 December 2009 and which amended the previous tax regulations which applied to investments in offshore funds.
Under the regulations UK investors will be subject to capital gains tax (or corporation tax on chargeable gains) and not income tax, on profits arising on a sale (e.g. by transfer or redemption) of units in a qualifying offshore fund.
UK investors may be liable to income tax (rather than tax on capital gains) on profits arising on a sale (e.g. by transfer or redemption) of units in a non qualifying offshore fund.
After 1 December 2009 and for a transitional period only, offshore funds can apply to HM Revenue & Customs (the UK tax authorities) for approval as a qualifying offshore fund with either "distributor" status or with "reporting fund" status.
The application can be made for one or more sub-funds within the umbrella or for one or more specified unit classes issued by a sub-fund. For UK tax purposes, an investment in a unit class which has distributor or reporting fund status will be treated as an investment in a qualifying offshore fund.
After the transitional period, only an investment in a sub-fund, or a unit class of a specific sub-fund which has reporting fund status will be treated as an investment in a qualifying offshore fund.
The Management Company may, at their discretion, apply for qualifying offshore fund status for specified sub-funds, or unit classes issued by the sub-funds.
Where such an application has been made, the Management Company intends to manage the Fund so that an investment in the specified unit classes will be treated as investment in a qualifying offshore fund for each accounting period and to satisfy HM Revenue & Customs that the relevant requirements have been or will be met.
However, the Management Company does not guarantee that these requirements will be met or that HM Revenue & Customs will confirm that they have been met.
The attention of persons ordinarily resident in the United Kingdom is drawn to the provisions of Part 13 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 unitholders who are domiciled or have their ordinary place of abode or residence in the UK. Profits distributed in this manner are taxable for all unitholders who hold a share of more than 10% of the distributed profit either individually or together with associated persons. The Management Company intends to make all reasonable efforts to ensure that the sub-fund(s) would not be classed as a "close 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 fund

The Fund will bear all the costs incurred in connection with the management, administration, portfolio management and safekeeping of the Fund's assets and the sale of the Fund as listed below:

| Name of sub-fund UBS (Lux) Institutional Fund (alphabetical order) | Unitclass | Maximum Fee per annum[4)] | Transaction fee[5)] |
|---|---|---|---|
| **Emerging Markets Equity** | AA[1)] and AA-T1[1)] | max. 1.28% | None |
| | BA[2)] | max. 0.18% | None |
| | FA[3)] and XA[3)] | None | None |
| | AD-T2[1)] | max. 0.88% | None |
| **Euro Bonds** | AA[1)] and AA-T1[1)] | max. 0.465% | None |
| | BA[2)] | max. 0.065% | None |
| | FA[3)] and XA[3)] | None | None |
| | AD-T2[1)] | max. 0.365% | None |
| **Euro Corporate Bonds** | CA[1)]; AA[1)] and AA-T1[1)] | max. 0.615% | None |
| | DA[2)]; BA[2)] | max. 0.065% | None |
| | YA[3)]; FA[3)] and XA[3)] | None | None |
| | AD-T2[1)] | max. 0.465% | None |
| **Euro Equity** | AA[1)] and AA-T1[1)] | max. 0.815% | None |
| | BA[2)] | max. 0.065% | None |
| | FA[3)] and XA[3)] | None | None |
| | AD-T2[1)] | max. 0.515% | None |
| **Global Convertible Bonds** | AA[1)]; CA[1)]; CA-T1[1)] and AA-T1[1)] | max. 0.665% | None |
| | BA)[2)] and DA [2)] | max. 0.065% | None |
| | FA[3)]; YA[3)] and XA[3)] | None | None |
| | AD-T2[1)] | max. 0.515% | None |
| **Global Equity (ex US)** | AA[1)]; and AA-T1[1)] | max. 0.815% | None |
| | BA[2)] | max. 0.065% | None |
| | FA[3)] and XA[3)] | None | None |
| | AD-T2[1)] | Max. 0.515% | None |
| **Key Selection European Equity** | AA[1)] and AA-T1[1)] | Max. 0.815% | None |
| | BA[2)] | Max. 0.065% | None |
| | FA[3)] and XA[3)] | None | None |
| | AD-T2[1)] | max. 0.515% | None |
| **Key Selection Global Equity** | AA (USD)[1)]; AA (EUR)[1)]; AA-T1 (USD)[1)] and AA-T1 (EUR)[1)] | max. 0.815% | None |
| | BA (USD)[2)] and BA (EUR)[2)] | max. 0.065% | None |
| | FA[3)] (USD); XA (USD)[2)] and XA (EUR)[3)] | None | None |
| | AD-T2 (EUR)[1)] | max. 0.565% | None |
| **Key Selection US Equity** | AA (USD)[1)]; AA (EUR)[1)], AA-T1 (USD)[1)] and AA-T1 (EUR)[1)] | max. 0.815% | None |
| | BA (USD)[2)] and BA (EUR)[2)] | max. 0.065% | None |
| | FA (USD)[3)]; FA (EUR)[3)]; XA (USD)[2)] and XA (EUR)[3)] | None | None |
| | AD-T2 (USD)[1)] and AD-T2 (EUR)[1)] | max. 0.515% | None |
| **Mid Cap US Equity** | AA[1)] and AA-T1[1)] | max. 1.065% | None |
| | BA[2)] | max. 0.065% | None |
| | FA[3)]; XA[3)] | None | None |
| | AD T2[1)] | max. 0.665% | None |
| **Short Term EUR** | AA[1)]; AD[1)] and AA-T1[1)] | max. 0.315% | None |
| | BA[2)] | max. 0.065% | None |
| | FA[3)]; XA[3)] | None | None |
| | AD-T2[1)] | max. 0.215% | None |

1) For this unit 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 units and payable monthly.

2) For this unit class, the portfolio management and distribution fees are charged outside the Fund, directly at the level of the agreement concluded by the investor with UBS Global Asset Management or one of its authorised delegates. Unit class BA only bears operational and administrative expenses. If a unitholder terminates the agreement with UBS Global Asset Management or one of its authorised delegates, the net asset value of the units will be redeemed to the unitholder.

3) For these unit classes, the fees for portfolio management, custody and administration and distribution are charged outside the fund, directly at the level of the agreement concluded by the investor with UBS Global Asset Management or one of its authorised delegates. If a unitholder terminates the agreement with UBS Global Asset Management or one of its authorised delegates, the net asset value of the units will be redeemed to the unitholder.

4) Calculated on the average total net assets of the sub-fund and paid monthly.

5) Investors are subject to a transaction fee on all purchases and redemptions of units. 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.

In addition, the Fund shall bear the following expenses:
– all taxes which may be payable on the Fund's assets or income and especially the "taxe d'abonnement";
– the customary commissions usually incurred on security transactions;
– the costs which may be incurred for extraordinary steps or measures in particular expert opinions or lawsuits which might be necessary for the protection of the Fund's assets;
– all costs relating to the setting-up of the fund;
– the cost of preparing, depositing and publishing agreements and other documents concerning the Fund, including fees for the notification of and registration with all authorities, the cost of preparing, translating, printing and distributing the periodical publications and all other documents which are required by the relevant legislation or regulations, the cost of preparing and distributing notifications to unitholders, the fees for the Auditor and legal advisers and all other similar expenses.

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 units pro rata to their respective net assets (or in a fair and reasonable manner as determined by the Management Company).
The Management Company shall not be remunerated out of the Fund's assets.
When investing in shares of funds which are managed by UBS AG 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 KII.

## Information to unitholders

### Regular reports and publications

An annual report is published for each sub-fund and the fund as a whole on 30 April and a semi-annual report on 31 August.
These reports contain a breakdown of each sub-fund or each unit class in the relevant currency of account. The consolidated breakdown of assets for the fund as a whole is given in EUR.
The annual report, which is published within four months of the end of the financial year, contains the annual accounts audited by the Auditor.
The audited annual report will be sent to unitholders free of charge at their address set forth in the register of unitholders within four months of the end of the financial year. Un-audited semi-annual reports of the Fund will be sent at the same place within two months of the end of the period to which they refer. If bearer units have been issued, the reports will be made available within the above-mentioned time frames at the Management Company's registered office and the Custodian.
The issue and redemption price of the units of each sub-fund is announced in Luxembourg at the registered office of the Management Company and the Custodian.
Notices to the unitholders, which may involve changes to the Management Regulations, will be sent to the unitholders at their addresses indicated in the register of unitholders. If bearer units have been issued, such notifications will be published in a Luxembourg newspaper.
The Fund may at its discretion decide to publish the net asset value, the issue, conversion and redemption price of the Fund's units in their respective reference currency and in any other currency considered to be of any interest to the investors. If necessary, any information relating to a suspension or resumption of the calculation of the net asset value, the issue or redemption price as well as all notifications to unitholders will be published in the "Mémorial" and in a Luxembourgian daily newspaper, and, if necessary in the different distribution countries.

### Keeping of documents

The following documents are available from the registered office of the Management Company:
1. the Management Regulations
2. the latest annual and semi-annual fund reports

The following documents are lodged at the registered office of the Management Company, where they are available for inspection:
1. the Articles of Incorporation of the Management Company
2. the agreements concluded between the Custodian and the Management Company.

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

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

### Liquidation of the Fund and its sub-funds

Unitholders, their heirs or other beneficiaries may not demand the division or liquidation of the entire fund or one or more individual sub-funds or unit classes. The Management Company is empowered, however, to liquidate the Fund or existing sub-funds 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 sub-fund or of a unit class within a sub-fund has fallen below a value or has not reached that value, which is required for the economically efficient management of that sub-fund 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 costs of the investment) as at the valuation day or date on which the decision takes effect.
The decision to liquidate a sub-fund or its unit classes shall be published in a Luxembourg daily newspaper and, if necessary, in the official publications specified for the respective countries in which fund units are sold as listed in this sales prospectus. No units may be issued after the date of such a decision and any conversion into the concerned sub-fund shall be suspended. The redemption of units or conversion out of the concerned sub-fund will still be possible even after this decision is implemented, so that it will be ensured that any liquidation costs will be taken into account by the sub-fund and are thus borne by all investors holding units of the sub-fund at the time the decision to liquidate is made. In the event of liquidation, the Management Company will dispose of the fund's assets in the best interests of the unitholders and instruct the custodian to distribute the net proceeds from the liquidation of the sub-funds to the unitholders of said sub-funds in proportion to their respective holdings. Any liquidation proceeds which cannot be distributed to the unitholders at the end of the liquidation procedure (which can last up to nine months) will be immediately deposited with the "Caisse de Consignation" in Luxembourg.
Liquidation of the Fund is mandatory in the cases prescribed by law and in the event of the Management Company being liquidated. Notice of such liquidation is published in at least two daily newspapers (one of them being a Luxembourg daily newspaper) as well as in the "Mémorial".

### Merger of the Fund or sub-funds with another undertaking for collective investment or with its sub-funds

**"Mergers"** are transactions in which
a) one or more UCITS or sub-funds of such UCITS, the **"absorbed UCITS"**, upon whose winding up without liquidation transfers all assets and liabilities to another existing UCITS or a sub-fund 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 sub-funds of such UCITS, the **"absorbed UCITS"**, upon whose winding up without liquidation transfers all assets and liabilities to another UCITS or a sub-fund 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 sub-funds of such UCITS, the **"absorbed UCITS"**, that continue to exist until liabilities have been paid off, transfers its net assets to another sub-fund of the same UCITS, to another UCITS formed by it or to another existing UCITS or a sub-fund of that UCITS, the **"absorbing UCITS"**.

Mergers are permissible under the conditions provided for in the Law of 2010. The legal consequences of a merger are based on the Law of 2010.
Under the conditions described in the section "Liquidation of the Fund and its sub-funds or unit classes", the Management Company may decide to allocate the assets of a sub-fund or of a unit class to another existing sub-fund or unit class of the Fund or to another undertaking for collective investment pursuant to Part I of the Law of 2010, be it domiciled either in Luxembourg or any other member state of the European Union, and the redesignation of the units of the sub-fund(s) or unit class in question as units of another sub-fund or of another unit class (as a result of the scission, 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 by way of a notice, which – if bearer units are issued – will be published in a Luxembourg daily newspaper and, as far as required, in the countries where the units of the affected sub-fund are registered for public distribution. If only registered units are issued, unitholders will be notified of above decision by registered mail.
Should the Management Company take such as decision, the merger shall be binding for all unitholders of the sub-fund 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 sub-fund concerned, calculated for the day on which the merger takes effect.

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

The Luxembourg District Court is the place of performance for all legal disputes between the unitholders, the Management Company and the Custodian. Luxembourg law applies. However, in matters concerning the claims of investors from other countries, the Management Company and/or the Custodian can elect to make themselves and the fund subject to the jurisdiction of the countries in which the fund units were bought and sold.
The English version of this sales brochure is the authoritative version. However, in the case of units sold to investors from the other countries in which fund units can be bought and sold, the Management Company and the Custodian may recognize approved translations (i.e. approved by the Management Company and the Custodian) into the languages concerned as binding upon themselves and the fund.

## Investment principles

The following terms shall also apply to the investments of each sub-fund:

### 1 Investment instruments

1.1 The sub-fund's investments principally consist of:
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 that 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 the Luxembourg supervisory authority of the financial sector ("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.

   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, 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 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;
   (ii) the counter-parties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF; and
   (iii) 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;

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 Article 1 of the Law of 2010, if the issue 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:
- each sub-fund may invest no more than 10% of its net assets in transferable securities and money market instruments other than those referred to in 1.1.
- a sub-fund may not acquire either precious metals or certificates representing them.

1.3 The Management Company must ensure that its global exposure relating to derivatives does not exceed the total net asset value of the Fund portfolio. As part of its investment strategy, each sub-fund, within the limits set out in 2.2 and 2.3, may invest in derivatives provided that its global exposure relating to the underlying assets does not exceed the investment limits cited in point 2 below.

1.4 Each sub-fund may hold liquid assets on an ancillary basis.

## 2 Risk diversification

2.1 In accordance with the principle of risk diversification, the Management Company may not invest more than 10% of the net assets of a sub-fund in transferable securities or money market instruments issued by the same body. The risk exposure to a counterparty of a sub-fund in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution as defined in 1.1 f) or 5% of its net assets in other cases.

2.2 The total value of the transferable securities and money market instruments held by the sub-fund in the issuing bodies in each of which it invests more than 5% of its net assets must not exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC derivative transactions made with institutions subject to prudential supervision.
Notwithstanding the individual limits laid down in paragraph (1), a sub-fund may not combine:
- investments in transferable securities or money market instruments issued by a single body,
- deposits made with a single body, and/or
- exposures arising from OTC derivates transactions undertaken with a single body,

in excess of 20% of its net assets.

2.3 The limit laid down in the first sentence of paragraph 2.1 is raised to a maximum of 35% for transferable securities or money market instruments that are issued or guaranteed by an EU Member State or its central, regional and local authorities, by another approved country, or by international organisations with public-law character of which one or more EU states are members.

2.4 The limit laid down in the first sentence of 2.1 may be of a maximum of 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State of the European Union and is subject by law, to special legislative supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with 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 case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest.
If a sub-fund invests more than 5% of its net assets in the bonds referred to in the first sub-paragraph and issued by one issuer, the total value of such assets may not exceed 80% of the value of the assets of the sub-fund.

2.5 The transferable securities and money market instruments referred to in paragraphs 2.3 and 2.4 are not included in the calculation of the limit of 40% referred to in paragraph 2.2.
The limits set out in 2.1, 2.2, 2.3 and 2.4 may not be combined and thus investments in transferable securities or money market instruments issued by the same body, in deposits or derivative instruments made with this body carried out in accordance with paragraphs 2.1, 2.2, 2.3 and 2.4 may not exceed a total of 35% of the net assets of a given 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 calculating limits set out in this section.
However, a sub-fund may cumulatively invest up to 20% of its net assets in transferable securities and money market instruments within the same group.
Without prejudice to the limits laid down in paragraph 3.1 to 3.3, the limits laid down in 2.1, 2.2, 2.3, 2.4 and 2.5 may be raised to a maximum of 20% for investments in shares and/or bonds issued by the same body when, according to the investment objective of a sub-fund, the aim of the sub-fund's investment policy is to replicate the composition of a certain stock or bond index which is recognised by the CSSF, on the following basis:
- the composition of the index is sufficiently diversified
- the index represents an adequate benchmark for the market to which it refers,
- it is published in an appropriate manner.

The before mentioned limit of 20% 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.

2.6 The Management Company is authorised, in the interests of risk diversification, to invest up to 100% of the net assets of a sub-fund in transferable securities and money market instruments from various offerings that are issued or guaranteed by an EU Member State or its central, regional and local authorities, by another OECD Member State, Russia, Brazil, Singapore, Indonesia or by international organisations with public-law character in which one or more EU Member States are members.
These transferable 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 A sub-fund may acquire the units of UCITS and or other UCIs referred to in 1.1 e), provided that no more than 20% of its net assets are invested in the units of a single UCITS or other UCI.
For the purpose of the application of this investment limit, compartment of a UCI with multiple compartments within the meaning of Article 181 of the Law of 2010 is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.
Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net assets of the sub-fund.
The assets of these UCITS or other UCIs shall not be included in the calculation of the maximum limits set out in 2.

If a sub-fund invests a substantial proportion of its assets in other UCITS or UCIs the maximum level of the management fees that may be charged both in the sub-fund itself and to the other UCITS and/or UCI in which it intends to invest will be disclosed in the relevant description of the sub-fund in the sales prospectus. In its annual report it shall indicate the maximum proportion of management fees charged both to the sub-fund itself and to the other UCITS and/or other UCIs in which it invests.

A sub-fund needs not comply with the above-mentioned limits when exercising subscription rights attaching to transferable securities or money market instruments which form part of the assets.

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

While ensuring observance of the principle of risk-spreading, recently authorized sub-funds may derogate from the investment restrictions stated above for a period of six months following the date of their authorisation.

2.8 Each sub-fund may also subscribe for, acquire and/or hold units issued or to be issued by one or more other sub-funds of the Fund 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 this sales prospectus or the articles of incorporation, be invested in aggregate in units/shares of other UCITS or other collective investment undertakings; 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.

## 3 Investment restrictions

The Management Company is prohibited from:

3.1 acquiring equities with voting rights that would enable it to exert a significant influence on the management of the borrower in question;

3.2 acquiring more than
- 10% of the non-voting shares of the same issuer,
- 10% of the debt securities of the same issuer,
- 25% of the units of the same UCITS and/or other UCI,
- 10% of the money market instruments of any single 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 bonds or of the money market instruments or the net amount of the instruments in issue cannot be determined.

3.3 Paragraphs (1) and (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 or its local authorities;
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 sub-funds 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 holdings represents the only way in which the sub-fund can invest in the securities of the 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, which, exclusively on its or their behalf carry on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the redemption of units at the request of unitholders.

3.4 Neither:
- the Management Company, nor
- the Custodian on behalf of a sub-fund may borrow.

However, a sub-fund may acquire foreign currency by means of a back-to-back loan. By way of derogation the aforementioned, a sub-fund may borrow the equivalent of:

a) up to 10% of its net assets provided that the borrowing is on a temporary basis;
b) up to 10% of its net assets provided that the borrowing is to make possible the acquisition of immovable property essential for the direct pursuit of their business; In this case, these borrowings and those referred to in sub-paragraph a) may not in any case in total exceed 15% of its net assets.

3.5 Without prejudice to the application of 1, neither
- the Management Company, nor
- the Custodian, acting on behalf of a sub-fund, may grant loans to or act as guarantor for third parties.

This restriction does not prevent the acquisition of transferable securities, money market instruments or the other instruments listed in 1.1 e) and 1.1 g) and 1.1 h) if not fully paid up;

3.6 Neither:
- the Management Company; nor
- the Custodian, acting on behalf of a sub-fund,

may carry out uncovered sales of transferable securities, money market instruments or other financial instruments referred to in 1.1 e, 1.1 g) and 1.1 h)

## 4 Special techniques and instruments relating to transferable securities and money market instruments

As set out in 1.1 g), the Management Company may, within the statutory conditions and limits defined for each sub-fund, use special techniques and financial instruments whose underlyings are securities, money market instruments and other financial instruments as a central element of its efforts to achieve the investment policy.

The Management Company must use a risk management process that enables it, at any time, to monitor and measure the risk associated with its investment positions and its share in the overall risk profile of the investment portfolio; furthermore, it must use a process that allows it to determine the value of the OTC derivatives in a precise and impartial manner. It must regularly notify the CSSF in accordance with the rules set by it (les règles détaillées) of the types of derivatives contained in the portfolio, the risks associated with the underlying securities, the investment limits and the methods used for measuring the risks associated with derivative transactions.

The Management Company is also entitled to employ techniques and instruments which feature securities and money market instruments, provided such techniques and instruments are used in the interests of efficient portfolio management subject to the conditions and limits defined by the CSSF. If such transactions relate to the use of derivatives, then the terms and limits must accord with the provisions of the Law of 2010.

The Management Company may under no circumstances deviate from its investment objectives for these transactions.

The Management Company ensures that the overall risk associated with derivatives does not exceed the total net value of its portfolio.

The following are taken into account in computing risk: the market value of the underlying instruments, the risk of default, future foreseeable market developments and the period within which the positions are to be liquidated.

As part of its investment strategy, the Management Company, within the limits set out in 1.1 g), may invest in derivatives provided that the overall risk of the underlying assets does not exceed the investment limits cited in section 2. Investments by a UCITS in index-based derivatives need not be taken into account in the case of the investment limits set forth under section 2.

If a derivative is embedded in a security or money market instrument, it has to be taken into account with regard to compliance with the rules of this Article.

The Management Company may also lend portions of its securities portfolio to third parties (**"securities lending"**). In general, securities lending may only be effected via recognised clearing houses such as Clearstream International or Euroclear, or through the intermediation of first-class financial institutions that specialise in this type of activity and by applying the procedural manner specified by them.

In the case of securities lending transactions, the Management 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 as permitted by the provisions of Luxembourg law. Such collateral is not required if the securities lending transaction is effected via Clearstream International or Euroclear or another organisation which guarantees that the value of the securities lent out will be refunded.

The Management Company may, for any sub-fund, engage on an ancillary basis in **repurchase transactions** ("repurchase agreements" or "reverse repurchase agreements") involving the purchase and sale of securities where the seller has the right or obligation to repurchase the securities sold from the buyer at a fixed price and within a certain period stipulated by both parties upon conclusion of the agreement.

The Management Company may effect repurchase transactions either as a buyer or a seller. However, any transactions of this kind are subject to the following guidelines:

- Securities may only be purchased or sold under a repurchase agreement if the counterparty is a prime financial institution specialising in this kind of transaction.
- As long as the repurchase agreement is valid, the securities bought cannot be sold before the right to repurchase the securities has been exercised or the repurchase period has expired.
- In addition, it must be ensured that the volume of repurchase agreements of each sub-fund is structured in such a way that the sub-fund can meet its redemption obligations towards its shareholders at any time.

### Further techniques and instruments

The above-mentioned techniques and instruments may be amended by the Management Company if new techniques and instruments are developed and offered on the financial market provided that they are in line with the respective sub-fund's investment policy and restrictions and in compliance with the Law of 2010.