

# UBS (Lux) Institutional Fund

B 154210

## *Management Regulations*

*1 July 2012*

UBS Fund Management (Luxembourg) S.A., hereinafter called the "Management Company", is a share company with registered office at 33A avenue J.F. Kennedy, L-1855 Luxembourg, which manages the Investment Fund UBS (Lux) Institutional Fund (hereinafter called the "Fund") pursuant to these Management Regulations. The Management Company is approved by the Luxembourg supervisory authority in accordance with Chapter 15 of the Law of 17 December 2010 on undertakings for collective investment (hereinafter the "Law of 2010") and is on the official list of Luxembourg management companies.

The assets of the Fund are deposited with UBS (Luxembourg) S.A., a company limited by shares under Luxembourg law, 33A avenue J.F. Kennedy, L-1855 Luxembourg (hereinafter called the "Custodian").

The respective rights and duties of the owners of the Fund units (hereinafter called "unitholders"), of the Management Company and of the Custodian Bank are governed by these Management Regulations.

By acquisition of units of the Fund any unitholder fully accepts these Management Regulations and any future amendments thereof.

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

The Fund is an open-ended investment fund without legally independent status under Luxembourg law and constitutes an unincorporated co-proprietorship of the unitholders in all securities and other assets of the Fund. Since 1 July 2011, the Fund has been subject to the provisions of the Law of 2010. The assets of the Fund, the amount of which shall not be limited, are held separate from those of the Management Company. The Fund constitutes a single and indivisible legal entity. Nonetheless each Subfund is regarded as being separate and the assets of a Subfund are only liable for commitments received by the relevant Subfund.

Investors are offered the choice between different Subfunds under one and the same umbrella structure investing in securities in accordance with their own investment policies.

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

The investment policy of each Subfund is defined by the Board of Directors of the Management Company, in accordance with the investment objectives and in the light of the economic, political and monetary environment. The Net Asset Value of each Subfund, as well as the Net Asset Value per unit of each Subfund are expressed in the reference currency defined by the Management Company.

## **Article 2. - Investment Policy and Restrictions**

The assets of the Subfunds shall be invested following the principle of risk spreading. The Subfunds shall invest their net assets in transferable securities and other assets which 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 (hereinafter referred to as "regulated market") in a European, American, Asian, African or Australasian country (hereinafter referred to as an "approved country"). Investments must comply with Art. 41(1) of the Law of 2010 as specified in sales prospectus. According to Art. 45 of the Law of 2010, the Subfunds may invest up to 100% of their assets in different transferable securities and money market instruments issued or guaranteed by a Member State of the European Union, its local authorities, a non-Member State of the European Union or public international bodies of which one or more Member States of the European Union are members. Furthermore, they may invest in other Subfunds of the Fund in accordance with Article 181(8) of the Law of 2010. They are also permitted to act as feeder or master Subfunds pursuant to Article 77 et seq. of the Law of 2010.

The Management Company may use, within the statutory limits defined for each Subfund, 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.

### **Combining investments**

The Board of Directors may permit an internal merging and/or common management of assets from particular Subfunds in the interests of efficiency. In this case, assets from different Subfunds will be managed together. The assets under common 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 the entirety or a part of the portfolio assets of two or more Subfunds (for this purpose, called "participating Subfunds" in the form of a pool. Such an asset pool is created by transferring cash and other assets (if these assets are in harmony with the investment policy of the pool concerned) from each participating Subfund to the asset pool. The Company can then make further transfers to the individual asset pools. Assets up to the amount of its participation can also be transferred back to a participating Subfund. The share of a participating Subfund in the respective asset pool is evaluated by reference to imputed units of the same value. When an asset pool is created, the Board of Directors shall specify the initial value of the imputed units (in a currency that the Board of Directors considers appropriate) and allot to the participating Subfund 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 Subfund 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 Board of Directors 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 Subfund in proportion to their respective share in the asset pool.

### **Common management**

To reduce the operating and management costs and at the same time to permit broader diversification of investments, the Board of Directors may decide to manage a part of or the entire assets of one or more Subfunds in combination with assets that belong to other Subfunds or to other undertakings for collective investment. In the following sections the term "**jointly managed entities**" is used to refer to the Subfunds and all units with or between which an arrangement for common 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 common management.

As part of the agreement on common 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 common 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 common management may result in the composition of the assets of the particular Subfund being affected by events which concern other jointly managed units, e.g. subscriptions and redemptions, unless the members of the Board of Directors or one of the entities commissioned by the Company resort to special measures.** If all other aspects are unchanged, subscriptions received by a unit under common management with the Subfund will therefore result in an increase in the cash reserve of this Subfund. Conversely, redemptions of a unit under common management with the Subfund will result in a reduction of the cash reserves of the Subfund. However, subscriptions and redemptions can be carried out on the special account that is opened for each jointly managed unit outside the agreement concerning common 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 Board of Directors or the entities commissioned by it to decide at any time to terminate the participation of the Subfund in the agreement concerning common management, the Subfund 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 Subfund 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 Subfund) might result in a violation of the investment restrictions applying to the particular Subfund, the relevant assets before implementing the change will be excluded from the agreement on common management so that they are not affected by the resulting adjustments.

Jointly managed assets of Subfunds 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 Subfund. 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 Subfund. 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 Subfund accurately at any time. Since the investment policy of the jointly managed units does not have to agree exactly with that of the individual Subfunds, it is possible that their common investment policy may be more restrictive than that of the other Subfunds.

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

Unitholders may enquire at any time at the registered offices of the Company to know the percentage of jointly managed assets and units with which there is an agreement on common management at the time of their enquiry.

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

Agreements on common management with non-Luxembourg units are permissible if (1) the agreement on common management in which the non-Luxembourg unit is involved is governed by Luxembourg law and Luxembourg jurisdiction or (2) each unit under common 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.

### **Article 3. - The Management Company and Administrative Agent**

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The Management Company manages the Subfunds for the exclusive interest of the unitholders.

The Management Company decides on the individual Subfunds constituting the Fund, determines their launching and, if this appears appropriate in the interest of the unitholders, determines their dissolution.

The Management Company is vested with the most extensive powers in order to perform all administrative and management actions in its name but for the account of the unitholders. It shall accordingly be entitled in particular to buy, sell, subscribe to, exchange and receive securities and other assets as well as to exercise all the rights directly or indirectly connected with the assets of the Fund.

The board of directors of the Management Company may appoint directors or agents or a committee, whose remuneration will be charged solely to the Management Company, with the implementation of the investment policy.

The Management Company may be assisted by portfolio managers and investment advisers.

### **Article 4. - The Custodian Bank**

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The Management Company has appointed UBS (Luxembourg) S.A. as Custodian Bank.

The Management Company or the Custodian Bank may terminate their contractual agreement at any time in writing with three months' notice given by one party to the other. The Management Company may however only terminate the Custodian Bank's contract, if a new custodian takes over the functions and responsibilities of the Fund's custodian. After such termination the Custodian Bank must continue to carry out its functions until the entire assets of the Fund have been transferred to the new custodian. In the event of the Custodian Bank giving notice, the Management Company shall be obliged to appoint a new custodian. In this event, the Custodian Bank must safeguard the interests of the Fund until its functions are transferred to the new Custodian Bank.

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

The Custodian Bank performs all customary banking duties relating to the Fund's accounts and securities as well as all routine administrative work in connection with the Fund's assets.

The Custodian Bank shall also:

- a) ensure that the sale, redemption, conversion and cancellation of units effected for the Fund's account or by the Management Company are in accordance with the provisions of the law and the Management Regulations;
- b) carry out all instructions issued by the Management Company, provided these are not in violation of the law or the Management Regulations;
- c) ensure that in the case of transactions relating to the Fund's assets consideration is provided in due time;
- d) ensure that the Fund's revenues/earnings are employed in accordance with the Management Regulations;
- e) ensure that the value of the units is calculated in accordance with the law and the Management Regulations.

The Custodian Bank is entitled to charge a commission in line with the scale of fees customarily applied by banks at the financial centre of Luxembourg. This fee will be charged to the Fund.

## Article 5. - Net Asset Value Calculation

The net asset value per unit of the individual Subfunds is calculated by the Management Company at least twice a month (but in principle on every working day in Luxembourg) in accordance with the present Management Regulations.

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 Article 6 of the Management Regulations "Suspension of the Net Asset Value Calculation". In addition, the Management Company is empowered to reject subscription applications at its discretion and to discretionary decide to accept subscription and conversion requests on any other Valuation Date.

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

For Subfunds in which different categories or classes of units have been issued, the net asset value per unit must be calculated for each category and each class of unit. The net asset value per unit of a specific category or class is calculated by dividing the total net assets of the Subfund applying to this category or class of unit by the number of units of this category or class in circulation.

The classes of units participate in the common net assets in the respective number of portfolio entitlement attributable to all classes. From the common net assets will be excluded the assets and liabilities of the Subfund which relate only to a particular class of units. This applies primarily for specific hedging instruments entered into for the benefit of the particular classes and related liabilities and the specific fees and expenses charged by the Portfolio Manager with respect to a specific class of units.

Net assets entitlements are allocated to or deducted from a particular class on the basis of

- (i) the Subfunds contributed to the common portfolio or paid out of the common net assets by reason of issues or repurchases of units of that class,
- (ii) the amounts paid in to or out of the common net assets upon disposition or acquisition of class specific assets upon payment of class specific liabilities, or upon realisation of profits, losses or income on class specific assets and
- (iii) dividends or other distributions paid on that class of units

The value of the total number of net assets entitlements attributed to a particular class on the given Valuation Day plus the value on that date of the class specific assets and liabilities relating to that class represents the total Net Asset Value attributable to that class of units on that Valuation Day.

If distribution and capitalisation units have been issued, the net asset value per unit of both categories remains the same as long as there has been no distribution of dividend. In case of a distribution, the net asset value of the distribution units is reduced by the amount of the distributed dividend.

If the total subscriptions or redemptions affecting all the unit classes of a Subfund on a single trading day comes to a net capital inflow or outflow, the net asset value of the Subfund may be increased or reduced respectively (Swinging Single Pricing, "SSP"). Further information on the maximum adjustment amount can be found in the most recent sales prospectus. Estimated transaction costs and tax charges that may be incurred by the Subfund as well as the estimated bid/offer spread of the assets in which the 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 board of directors can set a threshold value for each Subfund. 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 Subfund concerned. The net asset value would be adjusted only if this threshold were to be passed on a trading day.

**The total net assets of the Fund are expressed in EUR and correspond to the difference between the total assets of the Fund and its total liabilities. For the purpose of this calculation, the net assets of each Subfund, if they are not denominated in EUR, are converted into EUR and added together.**

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

- a) Liquid funds – whether in the form of cash, bank deposits, bills of exchange and sight securities and receivables, prepaid expenses, cash dividends and declared or accrued interest that has not yet been received – are valued at their full value unless it is unlikely that this value will be fully paid or received, in which case their value is determined by taking into consideration a deduction that seems appropriate in order to portray their true value.
- b) Securities, derivatives and other investments listed on an official stock exchange are valued at the last available market price. If the same security, derivative or other investment is quoted on several stock exchanges, the last available listing on the stock exchange that represents the major market for this security will apply; In the case of securities, derivatives and other investments that are little traded on a stock exchange but for which a secondary market among securities traders exists using usual market price formation methods, the Management Company may value these securities and investments based on these prices. Securities, derivatives and other investments that are not listed on an official stock exchange, but which are traded on another Regulated Market, are valued at the last available price on this market
- c) Units of other undertakings for collective investment in 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 UCIs may be valued on the basis of an estimate of their value provided by permissible service providers that are

independent of the Portfolio Manager or the Investment Adviser of the target funds (price estimate).

- d) Derivatives not listed on a stock exchange (OTC derivatives) are valued using independent resources. If only an independent resource is available for valuing a derivative, the plausibility of the valuation obtained is tested by means of model calculations acceptable to the Management Company and its auditors on the basis of the market value of the underlying instrument from which the derivative derives.
- e) In the event that any of the securities, derivatives or other investments held in the Fund's portfolio on the relevant day are not quoted or dealt in on any stock exchange or dealt in on any other Regulated Market or if, with respect of securities quoted or dealt in on any stock exchange or dealt in on any Regulated Market, the price as determined pursuant to the above is not representative of the relevant securities, the value of such securities will be determined based on a reasonable foreseeable price determined prudently and in good faith by the Management Company.
- f) Securities, derivatives and other investments that are denominated in a currency other than the reference currency of the relevant Subfund 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 swaps is calculated by an external service provider and a second independent valuation is provided by another external service provider. The calculation is based on the net present value of all cash flows, both inflows and outflows. **In some specific cases, internal calculations (based on models and market data made available from Bloomberg), and/or broker statement valuations may be used. The valuation methods depend on the respective security and are determined pursuant to the UBS Global Valuation Policy.**
- h) Time and fiduciary deposits are valued at their nominal value plus accrued interest.
- i) (i) If the Subfund is a money market fund,
  - money market instruments not traded on a stock exchange or on another regulated market open to the public will be valued on the basis of the relevant curves. The valuation based on the curves refers to the interest rate and credit spread components. The following principles are applied in this process: for each money market instrument, 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 the individual Subfunds between the order date concerned and the valuation date concerned is included in the valuation of the assets of the Subfund concerned. The asset value per share on a given valuation date therefore includes projected interest earnings.

(ii) For the other Subfunds that do not fall under the regulation in subsection f) (i), the following regulation shall apply: For money market instruments, the valuation price will be gradually adjusted to the redemption price, based on the net acquisition price and retaining the ensuing yield. In the event of a significant change in market conditions, the basis for the valuation of the individual investments is brought into line with the new market yields

For money market paper and debt stock rights with a residual maturity of less than 12 months, the valuation price will be gradually adjusted to the redemption price, based on the net acquisition price and retaining the ensuing yield. For „Floating Rate Notes“ (FRN) the rate of return will be adjusted with each interest payment.

For the Subfund 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 respective Subfund'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 authorised to temporarily apply other adequate valuation principles for the total assets of the Fund and of an individual Subfund if the aforementioned valuation criteria appear impossible or inappropriate due to extraordinary circumstances or events.

In the case of extraordinary circumstances, additional valuations may be carried out within one day if these are decisive for the prices of the units to be subsequently issued or redeemed. In such case the last valuation shall only be considered.

In the case of extensive redemption applications, the Management Company may establish the value of the units of the relevant Subfund on the basis of the prices at which the necessary sales of securities are effected. In such an event, the same basis for calculation shall be applied for issue and redemption applications submitted at the same time.

The Fund is a single entity and the assets of a particular Subfund are only applicable to the debts, engagements and obligations of that Subfund, unless other terms have been specifically agreed with its creditors. In respect of the relationship between the unitholders, each Subfund is treated as a separate entity.

## **Article 6. - Suspension of the Net Asset Value Calculation**

The Management Company may temporarily suspend calculation of the net asset value and the issue, conversion and redemption of units for one or more Subfunds when:

- one or more stock exchanges or markets in which the valuation of a major part of the net assets is based, or foreign exchange markets in whose currency the net asset value or a major part of the net assets is denominated are closed on days that are not customary holidays or trading is suspended or when these stock exchanges and markets are exposed to limitations or temporary severe fluctuations;
- events beyond the control, liability or influence of the Management Company make it impossible to access to the Subfund's assets under normal conditions or such access would be detrimental to the interests of the unitholders;
- disruptions in the communications network necessary for calculation of the net asset value or any other reason make it impossible to calculate with sufficient exactitude the value of a considerable part of the Subfund's net assets;
- if it is not possible for the Management Company to repatriate the funds to pay redemption applications in the Subfund in question, or if the transfer of funds from the sale or for the acquisition of investments or for payments resulting from redemptions of units cannot be carried out, in the view of the Management Company, at normal exchange rates;
- if political, economic, military or other circumstances outside the control of the Management Company makes the disposal of the assets of the Fund impossible under normal conditions without seriously harming the interests of the unitholders;
- when for any other reason the prices of investments of a Subfund cannot be promptly or accurately determined;
- when a decision by the Management Company for the purpose of the liquidation of the Fund has been published;
- to the extent that such a suspension is justified for the protection of the unitholders, after a report to the unitholders on a decision by the Management Company to merge one or more Subfunds was published; and
- if limitations on exchange operations or other transfers of assets render it impracticable for the Subfund to execute business transactions, or where purchases and sales of the Subfund's assets cannot be effected at the normal conversion rates.

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

Investors will be informed of the suspension of the valuation of the net current assets as well as of the issue, redemption and conversion of units in accordance with Article 8 thereunder.

## **Article 7. – Issue, Redemption and Conversion of Units**

The Management Company decides on the distribution policy and on the issue of accumulation and/or distribution units (hereinafter referred to as "category/ies of units") for each Subfund. In addition, the Management Company may decide to issue separate classes of units (the "classes"). The assets of the different classes will be commonly invested, but may have different fee structures, hedging policies, minimum subscription, minimum holding or any other characteristics.

The Management Company may decide to fix minimum subscription, conversion, redemption and holding for each Subfund, category and class of units. The Management Company may however at its discretion decide to waive the fixed minimum subscription, conversion, redemption and holding.

### ***Issue of Units***

The issue price of the units of a Subfund will be based on their net asset value defined according to Article 5 which prevails on the relevant Subscription Date. In addition, a subscription fee (the amount of which will be specified in the sales prospectus) will be charged for each Subfund by reference to their net asset value. Payment must be received by the Custodian Bank of the Fund within three business days in Luxembourg after the Order Date as specified in the sales prospectus.

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

The issue price is increased by the stamp duties or other levies incurred in the countries where the units are sold or subscribed to. In case of subscription, based on the net asset value, the fees (brokerage fees, etc.) which arise on an average for the Subfund in order to invest the amount subscribed, can be invoiced to the investor.

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. For certain category or classes of units, the Management Company has decided to issue bearer units. Fractions of units will be issued up to the third decimal, but no physical certificates will be issued for these fractions. 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 one 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 Subfund various unit classes with specific features.

The Management Company may also at any time reclaim Fund units from unitholders who are excluded from the acquisition or ownership of Fund. The unitholders cannot be obligated to make any other payment or provide any other performance in addition to the payment of the issue price described above.

At the investors' request, the Management Company may, at its discretion, accept subscriptions in kind, in whole or in part. However in this case the investments in kind must be in accordance with the respective Subfund's investment policy and restrictions. In addition these investments will be audited by the Fund's appointed auditor. The related fees will be borne by the investor.

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 relevant cut-off time is duly complied with by the distributor.

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.

The Management Company may

- (a) refuse at its discretion any application for Fund units, and,
- (b) at any time compulsory redeem Fund units held by unitholders who are excluded from purchasing or holding Fund units. Such redeemed units are reimbursed to the unitholder and thereby cease to be valid.

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

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

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

Immediately upon close of business on the date designated in the notification of purchase, the unitholder's ownership of the units designated in the notification of purchase shall end. For registered units, the name of the unitholder will be deleted from the register of unitholders; for bearer units, the certificate(s) or certificates that represent the units will be cancelled.
  - (2) The price to be paid for the units (hereinafter referred to as the "purchase price") is the net asset value, namely that prevailing on the last day determined by the Management Company as the valuation date for the redemption of units in the Subfund concerned before the day the notice of purchase becomes effective. It may also be that prevailing on the day after surrender of the unit certificate(s) listed in the



notification of purchase. This value will be determined in accordance with Article 5 of these Management Regulations and after deduction of the charges provided for therein.

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

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

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

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

#### ***Redemption of units***

The procedures for redeeming units are stipulated in the sales prospectus.

In the event of excessively large redemption volumes, the Management Company may decide to delay the execution of redemption applications until the necessary assets of the Subfund are sold without unnecessary delay. The redemption price will be calculated thereafter and payments for redemptions executed within five business days.

The Management Company at its discretion may accept redemptions in kind. The investor must explicitly agree with the proposed redemption in kind. In addition these redemption

(1) must not have negative effect for the investor.

(2) will be audited by the Fund's appointed auditor.

The related fees will be borne by the investor.

#### ***Conversion of Units***

The sales prospectus may set forth that a unitholder of a Subfund may convert some or all of his units into the units of another Subfund up to the countervalue of the units presented for conversion provided that the issue of units by this Subfund has not, as described above, been suspended. If provided for, the right to convert units shall be subject to compliance with any conditions (including minimum subscription amounts) applicable to the class or category of unit into which conversion is to be effected.

Conversions are based on the net asset value per unit of the respective Subfunds, plus or minus possible taxes, costs or other expenses and transaction charges. A conversion fee may be levied as further described in the Fund's sales prospectus. In case of conversion, based on the net asset value, the fees (brokerage fees, etc.) which arise on an average for the Subfund in order to invest/disinvest the amount converted, can be invoiced to the investor.

Furthermore, the sales prospectus may establish regulations on the conversion from units of a category or class into units of another category or class.

The same procedures apply to the submission of conversion applications as apply to the issue and redemption of units.

#### **Article 8. - Publications and Information to the unitholders**

The net asset value of the Fund units and the issue and redemption prices of the units of the individual Subfunds are published on each Subscription Date in Luxembourg at the registered offices of the Management Company and the custody bank.

The annual report can be obtained by unit holders from the head office of the Management Company and the Custody Bank. Any amendments of the Management Regulations are published with a notice of deposit in the "Mémorial" of the Grand Duchy of Luxembourg.

Notifications 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.

## **Article 9. - Financial Year, Audit**

The Fund's financial year shall always end on December 31. The annual report includes reports on the Fund in general and on the individual Subfunds. The annual statement of accounts of the Fund shall be audited by a certified auditor appointed by the Management Company.

## **Article 10. - Distribution Policy**

For each Subfund the Management Company may decide to issue distribution and/or accumulation units.

In case of accumulation units relevant net income and net capital gains shall not be distributed but shall increase the Net Asset Value of the relevant units (accumulation). However, for each Subfund the Management Company may decide to distribute all or part of the net income and/or net capital gains to both categories of units, by a majority decision of the unitholders of the relevant Subfund.

In case of distribution units the Management Company shall decide, per Subfund, whether and to what extent distributions are to be paid out of investment income and the net realised gains in the net asset value after deduction of all fees and expenses. The payment of distributions must not result in the net asset value of the Fund falling below the statutory minimum capital amount prescribed by law.

If a distribution is made, payment will be effected no later than two months after the end of the financial year or after the period determined by the Management Company. Entitlements to distributions and allocations not claimed within five years of the due date shall be forfeited and the corresponding assets returned to the respective Subfund. If the Subfund in question has already been liquidated, the distributions and allocations will accrue to the remaining Subfunds of the same 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 Fund units as well as to pay interim dividends.

## **Article 11 – Amendments to the Regulations**

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

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

## **Article 12. - Duration, Liquidation and Merging of the Fund and its Subfunds**

The Fund has been established for an indefinite period.

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

Unitholders, their heirs or other beneficiaries may not demand the division or liquidation of the entire Fund or one or more individual Subfunds. The Management Company is empowered, however, to liquidate existing Subfunds 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 investment policy reasons. The same applies if the total net asset value of a Subfund or of a unit class within a Subfund has fallen below a value, or has not reached that value, which is required for the economically efficient management of that Subfund or that unit class, or in the event of a substantial change in the political, economic and monetary environment, or as part of a rationalisation.

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

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

The unitholders holding registered Fund units will be informed in writing of the decision to liquidate a Subfund. If bearer units have been issued, the unitholders will be informed by publication in a daily Luxembourg newspaper. No units may be issued after the date of such a decision and any conversion into the concerned Subfund shall be suspended. The redemption of units or conversion out of the concerned Subfund 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 Subfund and are thus borne by all investors holding units of the Subfund at the time the decision to liquidate is made. In the event of liquidation, the Management Company will realise the Fund's assets in the best interests of the unitholders and instruct the Custodian Bank to distribute the net proceeds from the liquidation of the Subfunds to the unitholders of said Subfunds in proportion to their respective holdings. Any liquidation proceeds which cannot be distributed to the unitholders at the end of the liquidation process (which can take up to nine months), will be deposited immediately 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 will be given to the registered unitholders in writing and will be published in the "Mémorial", in at least two daily newspapers, at least one of which must be a

Luxembourg newspaper. The liquidation procedure is identical in both cases with the exception that, in the case of the Fund's liquidation, any liquidation proceeds which cannot be distributed to unitholders at the conclusion of the liquidation procedure are immediately deposited with the "Caisse de Consignation".

### ***Merger of one or more Subfunds***

Under the conditions described in the upper section of this Article, the Management Company may decide to cancel units of the specific Subfund and allocate units/units to be issued by another Subfund or another UCITS (Undertaking for collective Investment in transferable securities) subject to Part I of the Law of 2010 and/or Directive 2009/65/EC.

Holders of registered units will be informed of the decision to merge in writing. If bearer units have been issued, said decision will be published in a Luxembourg daily newspaper. During a 30-day period following the communication of such a decision, the unitholders are authorised to redeem all or part of their units at the then prevailing net asset value – free of charge – in accordance with the guidelines outlined in the section "Redemption of Units". Units not presented for redemption will be exchanged on the basis of the net asset value of the corresponding Subfund's or of the other UCI's units calculated for the day on which the merger takes effect.

## **Article 13. - Taxes and Expenses of the Fund**

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### ***Taxes***

In conformity with current legislation in the Grand Duchy of Luxembourg, the assets of the Fund are not subject to any Luxembourg withholding, income, capital gains or wealth taxes. In Luxembourg, the Company's assets are only subject to a so-called "taxe d'abonnement" of 0.05% p.a. on total net assets, which is payable quarterly. If any Subfund or any class of a Subfund is reserved to institutional investors, the "taxe d'abonnement" may be reduced to 0.01% p.a. on total net assets of that specific Subfund or class.

According to legislation currently in force, no unitholders are required to pay any income, wealth or other tax in Luxembourg, unless they are or were residents of Luxembourg or maintain a permanent establishment there with title to the Fund units.

Potential subscribers to the Fund should inform themselves on applicable laws and regulations (i.e. as to the possible tax requirements or foreign exchange control) of the countries of their citizenship, residence or domicile, and which might be relevant to the subscription, purchase, holding and redemption of units.

### ***Expenses***

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, each of the fund units will be charged according to what is described in the Fund prospectus.

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 brokerage fees and commissions usually incurred on security transactions;
- a commission calculated on the Subfund's net asset value and paid monthly for the Portfolio Manager and, if applicable, a "performance fee" payable to the Portfolio Manager as described in the Fund's prospectus;
- 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 Fund's auditors and legal advisers and all other similar expenses.

The costs involved in launching new Subfunds will be written off over a period of up to five years in the respective Subfunds only. Outstanding costs relating to the inception of the Fund will be amortised between the Subfunds launched at the inception of the Fund only.

Operational and administrative expenses are allocated among the Subfunds, 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).

## **Article 14. - Prescription, Applicable Law and Place of Jurisdiction**

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The claims of the unitholders against the Management Company or the Custodian Bank shall prescribe five years after the date of the occurrence giving rise to the claim.

The Management Regulations shall be governed by Luxembourg law.

The District Court of Luxembourg shall have competence to settle disputes arising between the unitholders, the Management Company and the Custodian Bank. Luxembourg law shall be applicable.

These Management Regulations will enter into force on 1 July 2012.

Luxembourg, 19 June 2012

UBS Fund Management (Luxembourg) S.A.  
*as Management Company*

UBS (Luxembourg) S.A.  
*as Custodian Bank*