

# LUXEMBOURG SELECTION FUND

*Société d'investissement à capital variable*

*33A, Avenue J.F. Kennedy, L-1855 Luxembourg*

## SALES PROSPECTUS

July 2021

Distribution of this sales prospectus is not authorised unless it is accompanied by a copy of the latest available annual report of LUXEMBOURG SELECTION FUND (the "Fund") containing the audited balance-sheet and a copy of the latest semi-annual report, if published after such annual report. The sales prospectus of the Fund (the "Prospectus") and the various annual and semi-annual reports may be obtained free of charge from all paying agents and sales agencies. It is prohibited to publish information concerning this Prospectus, the documents mentioned herein, the latest annual report. The English version of this Prospectus is binding.

VISA 2021/165428-3623-0-PC

L'apposition du visa ne peut en aucun cas servir

d'argument de publicité

Luxembourg, le 2021-07-05

Commission de Surveillance du Secteur Financier



## INTRODUCTION

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The Fund is a société d'investissement à capital variable ("SICAV") registered under Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the "**2010 Law**"). This registration may not be interpreted as a positive evaluation on the part of the supervisory authority as to the contents of this sales prospectus or as to the quality of the securities offered and held by the Fund. Any representation to the contrary is unauthorised and unlawful.

The Fund represents and warrants that its shares will not be offered, sold or delivered from within the United States or to investors who are US Persons. A US Person is any person who:

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

As US Person shall further be considered:

1. an "employee benefit plan" within the meaning of Section 3(3) of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA") that is subject to Title I of ERISA,
2. a "plan" within the meaning of Section 4975(e)(1) of the US Internal Revenue Code of 1986, as amended ("IRC"),
3. an entity whose underlying assets include "plan assets" subject to Title I of ERISA or Section 4975 of the IRC, or
4. a governmental plan or another type of plan (or an entity whose assets are considered to include the assets of any such governmental or other plan) that is subject to any law, rule or restriction that is similar to Section 406 of ERISA or Section 4975 of the IRC.

The Shares have not been registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"); they may therefore not be publicly offered or sold in the United States of America (the "**USA**"), or in any of its territories subject to its jurisdiction or to or for the benefit of a US Person. The Shares are not being offered in the USA, and may be so offered only pursuant to an exemption from registration under the 1933 Act, and have not been registered with the Securities and Exchange Commission or any state securities commission nor has the Fund been registered under the Investment Company Act of 1940, as amended (the "**1940 Act**"). No transfer or sale of the Shares shall be made unless, among other things, such transfer or sale is exempt from the registration requirement of the 1933 Act and any applicable state securities laws or is made pursuant to an effective registration statement under the 1933 Act and such state securities laws and would not result in the Fund becoming subject to registration or regulation under the 1940 Act. Shares may furthermore not be sold or held either directly by nor to the benefit of, among others, a citizen or resident of the USA, a partnership organized or existing in any state, territory or possession of the USA or other areas subject to its jurisdiction, an estate or trust the income of which is subject to United States federal income tax regardless of its source, or any corporation or other entity organized under the laws of or existing in the USA or any state, territory or possession thereof or other areas subject to its jurisdiction (a "**US Person**"). All purchasers must certify that the beneficial owner of such Shares is not a US Person and is purchasing such Shares for its own account, for investment purposes only and not with a view towards resale thereof.

No person is authorised to publish any information other than that contained in this Prospectus or in the documents referred to herein and that are available for consultation by the public. The board of directors of the Fund (the "**Board**") assumes responsibility for all information contained in this Prospectus as at the date of its publication.

Potential subscribers to the Fund should inform themselves about the laws and regulations in force in their country of citizenship, residence or domicile that may apply to the subscription, acquisition, holding, conversion or redemption of shares in the Fund.

In this Prospectus, all references to "EUR" are to the official currency of the European Union and all references to "CHF" are to the official currency of Switzerland.

This Prospectus may be updated to take into account significant changes made to this document. For this reason, it is recommended that subscribers inquire at the Fund with regard to the publication of any more recent Prospectus.

**The attention of potential subscribers is drawn to the fact this Prospectus is composed of Section I, on the regulations applicable to each Subfund, and Section II, on the regulations to which the Fund as a whole is subject.**

## **SECTION I: DESCRIPTION OF THE SUBFUNDS**

- List of available Subfunds:

Subfund 1 - LUXEMBOURG SELECTION FUND – Active Solar  
Subfund 2 - LUXEMBOURG SELECTION FUND – Solar & Sustainable Energy Fund  
Subfund 3 - LUXEMBOURG SELECTION FUND – Nerrick US Equities  
Subfund 4 - LUXEMBOURG SELECTION FUND – Psychology for Sustainable Yield ENPAP Selection Fund  
Subfund 5 - LUXEMBOURG SELECTION FUND – Arcano Low Volatility European Income Fund – ESG Selection  
Subfund 6 - LUXEMBOURG SELECTION FUND – Core Medio  
Subfund 7 - LUXEMBOURG SELECTION FUND – Core Medio Elevato  
Subfund 8 - LUXEMBOURG SELECTION FUND – UBS Asia Bond 2025  
Subfund 9 - LUXEMBOURG SELECTION FUND – Obersee

- Unless otherwise indicated in the tables below, each Subfund of the Fund is subject to the general regulations as set out in Section II of this Prospectus.

# LUXEMBOURG SELECTION FUND – Active Solar

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND – Active Solar and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## **Investor profile**

This Subfund is intended for investors considering an investment in the Subfund as a means of participating in the capital markets and who do not need regular income. Investors must be able to accept considerable annual volatility in order to possibly reap high returns in the long-term. As a result, this Subfund is intended for investors who can afford, in principle, to invest their capital as investment capital for a period of at least 6 years.

## **Risk profile**

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: marked variations in market prices, damaging information about issuers or markets, and subordination of shares to bonds and other debts issued by the same company. Potential investors should consider fluctuations in exchange rates, the possibility of controls on foreign exchange and other restrictions. Due to possible use of techniques and instruments relating to transferable securities and money market instruments for purposes of efficient portfolio management, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved. For more details on the risks associated with techniques and instruments, please refer to the section "Risks associated with the use of financial derivative instruments".

## **Investment objective and policy**

The investment objective of the Subfund is long-term capital appreciation through investing at least two thirds of the assets in shares of companies whose primary activity is associated with the solar industry.

The Subfund aims at complying with sustainable investment objectives and takes into account Sustainability Risks (as defined below) in the assessment of the companies. More specifically, the Subfund has an objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement.

The approach adopted by the Subfund is that solar energy is one of the least polluting sources of energy. When power is generated by a solar installation, it reduces the carbon emissions, because electric power is not generated by a more polluting source of electricity. Hence, by investing in companies throughout the solar value chain, the Subfund contributes to reducing carbon emissions, with the aim to reach net zero emissions by 2040.

The Subfund shall attain its investment objective by investing in solar companies that actively contribute to the reduction of carbon emissions in order to help countries to achieve the long-term global warming objectives of the Paris Agreement, as further described in paragraph "Investment strategy" below.

For the purpose of measuring the attainment of the above investment objective, the Subfund focuses on the following sustainability indicators:

- a) Environmental factors:
  - Sustainability of supply chain;
  - Energy usage;
  - Water usage;
  - Direct GHG emissions;
  - Global carbon footprint;
  - Waste management.

b) Social factors:

- Responsible employer;
- Health and safety;
- Impact on communities.

c) Governance factors:

- Governance structure;
- Board of directors;
- Risk management;
- Code of ethics.

At least 51% of the Subfund's net assets will be invested in equity participations according to § 2 (8) of the German Investment Tax Act (InvStG).

It is impossible to guarantee that the Subfund will be in a position to achieve the set investment objectives, and investment results may fluctuate considerably over time.

Pursuant to the section "Financial techniques and instruments", the Subfund may buy and sell futures contracts or options on financial instruments, as well as enter into transactions involving options on transferable securities for purposes of hedging or sound portfolio management. The purchase or sale of futures on indices will allow the manager to increase or decrease, at lower costs, the Subfund's market exposure. The purchase or sale of call or put options on transferable securities/indices will allow the manager to increase or decrease the exposure to the underlying with respect to the market conditions/trends.

**Investor attention is drawn to the fact that investments made in emerging markets may be subject to risks different to those in industrialised countries, such as (a) monetary devaluations and exchange rate fluctuations, (b) political uncertainty and instability, (c) government interference in the economy, (d) higher inflation rates, (e) less or different regulation of transferable security markets, (f) possible unexpected market volatility, (g) investment and repatriation restrictions on the funds invested.**

**Investment strategy**

The strategy of the Subfund is to invest in the best companies in the solar sector based on a detailed fundamental analysis and on the exclusion of companies that do not follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The strategy of the Subfund is not limited to a single type of technology or to a single market. Instead, it seeks to identify the leaders in each of the segments and each of the steps of the value chain in order to identify suitable investment opportunities that do not significantly harm any of the sustainable investment objectives referred to in article 2 (17) of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. Besides, in order to reach the net zero carbon emission objective, greenhouse gas emissions of investee companies will be measured and will need to decrease over time to reach net zero by 2040.

The methodology of a fundamental analysis is applied to all the companies making up the investment universe. This procedure takes into account both macroeconomic and microeconomic factors and integrates a risk assessment of the companies through a rating of the companies in a scorecard taking into account the aforementioned sustainability indicators. Each criterion of analysis is graded based on the analyst's judgement, and then weighted according to its relative importance in valuing the company. Each company is then given a grade that will define its position in the Subfund. The result of these analyses is then submitted to the investment committee of the Portfolio Manager who decides upon it unanimously the allocation of the Subfund. The analyses and the strategy of the Subfund are also submitted to the investment committee of the Portfolio Manager to refine the investment choices. The analyses are updated as required and the allocation of the Subfund is adjusted accordingly.

As part of the management process, the Subfund's portfolio manager actively monitors Sustainability Risks (as defined below) that represent potential or actual material risks. The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, region and asset class. As of the

date of this Prospectus, the global climate change risk is assessed to be low or even positive as solar companies are generally taking direct advantage of the current sustainable development. The overall impact of sustainability risks on the value of the portfolio is deemed positive.

Further general information about the likely impacts of Sustainability Risks on the returns of the Subfund is disclosed under "General risk information" below.

Investors are invited to consult the additional information available on the following website ([www.fundinfo.com](http://www.fundinfo.com)). Complementary information can be also found on the website of the Subfund's portfolio manager ([www.activesolar.ch](http://www.activesolar.ch)).

The transferable securities, primarily equities, in which the Subfund will invest, will be essentially listed on approved national or international stock exchanges, but they may also, to a certain extent, be traded on unlisted markets provided such markets are recognised as regulated markets that operate regularly and are recognised and open to the public.

The Subfund may hold liquid assets on an ancillary basis.

- **Options on transferable securities/indices:** an option on transferable securities or on indices gives the purchaser, or "Holder", the right, but not the obligation, to purchase, in the case of a call option, or sell, in the case of a put option, a set amount of the underlying at a fixed price by a stated expiration date. The Holder pays a commission (a 'premium') for the option but cannot lose more than this amount, plus associated transaction fees. Compared with futures, options only impose an obligation on the seller or 'Issuer'. If the option is exercised by the Holder, the Issuer is obliged to settle the transaction by surrendering the underlying asset or the cash, based on the value of the underlying asset. An option becomes worthless for the holder if it is not exercised within the period of validity. Such options may be traded on the official listings of a stock market for transferable securities, or traded 'over-the-counter' with first-class financial institutions specialised in this type of transaction. When purchasing an OTC option, the holder will be subject to the default risk of the issuer; for this reason, the purchase of this type of option may require that a guarantee be provided in the form of a margin deposit.
- **Futures:** a future is a bilateral contract conferring the purchase or sale of a fixed amount of financial instruments (such as index or other instrument) at a stated time in the future for a fixed price. Under these terms, a future has a specific redemption date at which the index value must be surrendered by the seller and acquired by the buyer. The purchase or sale of futures differs from the purchase or sale of transferable securities or other types of instrument in that no initial purchase price is paid. Instead, a variable cash sum no greater than the contract value is deposited with a broker as an 'initial margin'. Subsequent payments from or to the broker will be made daily taking into account the variation, for example, of the index. The use of futures instead of investing in the underlying has the advantage of lower transaction fees.

### **Securities financing transactions**

The Subfund uses securities financing transactions in the form of securities lending for efficient portfolio management purposes.

The use of such financial instruments is not expected to affect the Subfund's over-all risk profile.

A maximum of 100% of the assets held by the Subfund can be subject to securities lending transactions. The expected percentage of the assets subject to securities lending is between 0% and 50%.

All the revenues arising from securities financing transactions in the form of securities lending, the net of direct and indirect operational costs/fees, will be returned to the Subfund.

Any direct and indirect operational costs/fees arising from securities financing transactions in the form of securities lending, that may be deducted from the revenue delivered to the relevant Subfund must not include hidden revenue. Such direct and indirect operational costs/fees will be paid to the entities outlined in the annual and semi-annual report of the Fund, which shall indicate if the entities are related to the Management Company or the Depositary.

The Subfund will not make use of other securities financing transactions, i.e. (i) repurchase transactions (ii) commodities lending and securities or commodities borrowing (iii) buy-sell back transactions or sell-buy back transactions, (iv) margin lending transactions, and also not of total return swaps.

#### **Risks associated with the use of financial derivative instruments**

While the prudent use of financial derivative instruments may be beneficial, financial derivative instruments are also subject to different risks that, in certain cases, may be greater than the risks associated with more traditional investments. These include: market risk, which is associated with all types of investment; management risk, as the use of financial derivative instruments requires understanding not just of the underlying but also of the financial derivative instrument itself; credit risk, which is the result of the default risk, if the counterparty to the financial derivative instrument fails to respect the terms of the derivatives contract.

The credit risk for financial derivative instruments traded on a regulated market is generally lower than for OTC derivatives, because the clearing agents, which assume the function of issuer or counterparty in relation to each derivative traded over the counter, assume a performance guarantee. This guarantee is provided via the margin deposit requirements for purposes of reducing global credit risk. In the case of financial derivative instruments traded over-the-counter, there is no comparable clearing agent. As a result, the rating of each counterparty must be analysed in order to evaluate the potential credit risk.

Liquidity risk exists when a particular instrument is difficult to purchase or sell and it might not be possible to conclude the transaction or liquidate a position at an advantageous price.

The other risks associated with using financial derivative instruments include the valuation risk or the impossibility of perfectly correlating financial derivative instruments with the underlying assets and indices.

#### **Risk associated with the use of securities financing transactions in the form of securities lending**

Securities lending involve certain risks and there can be no assurance that the objective sought to be obtained from the use of such techniques will be achieved.

The principal risk when engaging in securities lending is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Subfund as required by the terms of the transaction. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Subfund. However, there are certain risks associated with collateral management, including difficulties in selling collateral and/or losses incurred upon realization of collateral, as described in Chapter 19, Investment Restrictions – Collateral Policy and Management of the Prospectus.

Securities lending also entail liquidity risks due, *inter alia*, to locking cash or securities positions in transactions of excessive size or duration relative to the liquidity profile of the Subfund or delays in recovering cash or securities paid to the counterparty. These circumstances may delay or restrict the ability of the Subfund to meet redemption requests. The Subfund may also incur operational risks such as, *inter alia*, non-settlement or delay in settlement of instructions, failure or delays in satisfying delivery obligations under sales of securities, and legal risks related to the documentation used in respect of such transactions.

#### **Sustainability Risks**

"Sustainability Risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by the Subfund.

Such Sustainability Risks are principally linked to climate-related events resulting from climate change (i.e. physical risks) or to the society's response to climate change (i.e. transition risks), which may potentially affect the Subfund's returns. Social events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behavior, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks.

In general, where a Sustainability Risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value. As such, for a company in which the Subfund invests, this may be because of damage

to its reputation resulting in a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. A company may also suffer the impact of fines and other regulatory sanctions. The time and resources of the company's management team may be diverted from furthering its business into dealing with the Sustainability Risk event, including changes to business practices and dealing with investigations and litigation. Sustainability Risk events may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by companies to which the Subfund is exposed may also be adversely impacted by a Sustainability Risk event.

A Sustainability Risk event may arise and impact a specific investment or may have a broader impact on an economic sector, geographical or political region or country.

### **Management of the Subfund and Benchmark**

The Subfund is actively managed with reference to a benchmark due to the calculation of performance fees based on performance against a reference benchmark index. The benchmark indicated below is being provided by the entity specified next to the name of the relevant benchmark in its capacity as administrator (as defined in the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmark Regulation**") of the benchmark (the "**Benchmark Administrator**"). Next to the name of the relevant Benchmark Administrator in the table below is set out the status of each Benchmark Administrator in relation to the register referred to in Article 36 of the Benchmark Regulation as of the date of this visa-stamped Prospectus.

Benchmark	Benchmark Administrator	Status of the Benchmark Administrator
MSCI WORLD NET TOTAL RETURN USD INDEX	MSCI Ltd	Not listed in the register referred to in article 36 of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation.

### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II Chapter 19 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the financial derivative instruments used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some financial derivative instruments 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.

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 Subfund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund - Active Solar	Commitment approach	n.a.	n.a.

<sup>1</sup> In accordance with CSSF Circular 11/512, reference portfolio must be disclosed for Subfunds for which the Global Risk Exposure is calculated using the Relative Value at Risk Approach.

### **Portfolio management**

UBS Third Party Management Company S.A., domiciled at 33A avenue J.F. Kennedy, L-1855 Luxembourg, has been designated as the Management Company of the Fund.

UBS Third Party Management Company S.A. has delegated the management of the assets of this Subfund to Active Niche Funds S.A., domiciled at Avenue de la Gare 1, CP 5117, CH-1002 Lausanne, which has been designated Fund Manager, and consequently assumes the management of the assets of this Subfund.

The annual portfolio management fee paid monthly to Active Niche Funds S.A. for Class A EUR shares, Class C CHF shares, Class C USD shares and Class C GBP shares is fixed at 1.5% per annum, 2.4% per annum for Class B shares and 0.9% per annum for Classes I USD, I EUR, I CHF and I GBP. The fee is calculated based on the assets of the share class, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.

As part of the remuneration for portfolio management, the Management Company may also pay the Portfolio Manager a performance fee out of the assets of the Subfund (hereinafter, the "**Performance Fee**"). The Performance Fee will be calculated in respect of each financial year ending on 30 April (the "**Calculation Period**"). The Performance Fee will be calculated and accrued as an expense of the Subfund at each Valuation Date and will be crystallised at the end of each Calculation Period and payable to the Portfolio Manager in arrears within thirty (30) calendar days of the end of each Calculation Period upon the final determination of the Administrative Agent.

For the avoidance of doubt and subject to this section, a performance fee will be paid regardless of whether the reference benchmark index itself has positive or negative performance for the applicable Calculation Period, and there may be instances when the reference benchmark index return is negative and the Portfolio Manager generates a positive net excess return, resulting in a performance fee accrual even if the absolute performance of the Subfund is negative.

For each Calculation Period, the Performance Fee rate will be equal to 15 per cent of any new net relative appreciation as at the end of such Calculation Period. The new net relative appreciation calculated at each Valuation Date shall equal the amount by which the Net Asset Value (after the deduction of any fixed portfolio management fee and before the deduction of any accrued Performance Fee) (hereinafter, the "**Total Net Assets**") exceeds the Aggregate Benchmark Amount (as defined below), adjusted for any loss carry forward. The "Aggregate Benchmark Amount" attributable to the Subfund, (either during such Calculation Period at each valuation date or as at the end of such Calculation Period), shall be equal to the sum of the Benchmark Capital Amount and the Period Benchmark Amount (as such terms are defined below).

In respect of the first Valuation Date of each Calculation Period, the "**Benchmark Capital Amount**" shall be the Total Net Assets after the deduction of any Performance Fees (hereinafter, the "**Net Assets**") as at the last Valuation Day of the previous Calculation Period (or the Valuation Date before the date of first implementation), increased for additional asset allocation inflows and reduced for asset allocation outflows from the Subfund as of the valuation date immediately before the relevant valuation date. For all other Valuation Dates, the "**Benchmark Capital Amount**" is the aggregate Benchmark Capital Amount as at the end of the previous Valuation Date, increased by the amount of any additional asset allocation inflows to the Portfolio Manager's sub-account and reduced proportionately for asset allocation outflows as of the valuation date immediately before the relevant valuation date from the Portfolio Manager's sub-account by being multiplied by a fraction, the numerator of which is the Net Assets immediately after, and the denominator of which is the Net Assets immediately prior to, the allocation of the net flows in the Net Assets of the relevant Valuation Date.

The "**Period Benchmark Amount**" for each Valuation Date equals the Benchmark Capital Amount increased by the loss carry forward and then multiplied by the Performance Fee Benchmark Return (as defined below).

The loss carry forward for the first Valuation Date of each Calculation Period shall be (i) where new net relative appreciation as at the end of the previous Calculation Period for such Calculation Period is greater than zero, zero; and (ii) where new net relative appreciation as at the end of the previous Calculation Period is less than zero, such new net relative appreciation reduced proportionately for asset allocation outflows from the Subfund by being multiplied by a fraction, the numerator of which is the Net Assets immediately after, and the denominator of which is the Net Assets immediately prior to, the allocation of the outflows in the Net Assets of the first Valuation Date of the relevant Calculation Period. For all other Valuation Dates, the loss carry forward shall be the loss carry forward as at the end of the previous Valuation Date proportionally reduced for any asset allocation outflows from the Subfund, as set out above, as at the relevant Valuation Date. For the avoidance of doubt, the loss carry forward as at each Valuation Date in the first Calculation Period and at the end of the first Calculation Period shall be zero.

The “**Performance Fee Benchmark Return**” for each Valuation Date shall be the percentage return of the performance fee benchmark index or, if an index disruption event occurs with respect to such index, such other equivalent index or indices as the Management Company may determine, calculated over the relevant Valuation Date.

In the event of asset allocation outflows from the Subfund on a Valuation Date other than the first Valuation Date of a Calculation Period, a Performance Fee (if accrued as of the Valuation Date immediately prior to the date of such asset allocation outflow) attributable to the portion of such asset allocation outflow shall be crystallised and payable to the Portfolio Manager at the end of the annual Calculation Period (or upon termination of the Portfolio Management Agreement, if earlier). If the appointment of a Portfolio Manager is terminated during a Calculation Period, the Performance Fee in respect of the then current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant period and the relevant Portfolio Manager shall not be reappointed during the same Calculation Period.

The applicable Performance Fee benchmark for the Subfund shall be the following:

Subfund	Performance Fee Benchmark
Luxembourg Selection Fund – Active Solar	MSCI WORLD NET TOTAL RETURN USD INDEX

Examples of Performance Fee calculation

		Scenarios 1 & 2 Portfolio Manager (PM) outperforms the Performance Fee Benchmark Index		Scenarios 3 & 4 Portfolio Manager (PM) underperforms the Performance Fee Benchmark Index			
		Scenario 1	Scenario 2	Scenario 3	Scenario 4		
		PM has positive performance and outperforms the Performance Fee Benchmark Index	PM has negative performance but outperforms the Performance Fee Benchmark Index	PM has positive performance but underperforms the Performance Fee Benchmark Index	PM has negative performance and underperforms the Performance Fee Benchmark Index		
Initial asset allocation to PM sub-account (Benchmark Capital Amount)	A		1000	1000	1000	1000	
<b>Performance of the Portfolio Manager sub-account</b>							
Period performance after deduction of management fees	B		20%	-20%	20%	-20%	
Total Net Assets of the PM sub-account	C	= A * (1 + B)	<u>1200</u>	<u>800</u>	<u>1200</u>	<u>800*</u>	J

		<b>Scenarios 1 &amp; 2</b> Portfolio Manager (PM) outperforms the Performance Fee Benchmark Index		<b>Scenarios 3 &amp; 4</b> Portfolio Manager (PM) underperforms the Performance Fee Benchmark Index			
		<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>	<u>Scenario 4</u>		
		<b>PM has positive performance and outperforms the Performance Fee Benchmark Index</b>	<b>PM has negative performance but outperforms the Performance Fee Benchmark Index</b>	<b>PM has positive performance but underperforms the Performance Fee Benchmark Index</b>	<b>PM has negative performance and underperforms the Performance Fee Benchmark Index</b>		
<b>Performance of the Benchmark</b>							
Benchmark Return	<b>D</b>		10%	-30%	30%	-10%	
Period Benchmark Amount	<b>E</b>	= A * D	100	-300	300	-100	
Aggregate Benchmark Amount	<b>F</b>	= A + E	<u>1100</u>	<u>700</u>	<u>1300</u>	<u>900</u>	
Net New Relative Appreciation	<b>G</b>	= C - F	100	100	-100	-100	
Performance Fee @ 15% of positive Net New Relative Appreciation (i.e. due amount for the payment of	<b>H</b>	= IF G > 0, then (15%* G) = IF G < 0, then 0	15	15	0	0	

			<b>Scenarios 1 &amp; 2</b> Portfolio Manager (PM) outperforms the Performance Fee Benchmark Index	<b>Scenarios 3 &amp; 4</b> Portfolio Manager (PM) underperforms the Performance Fee Benchmark Index			
			<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>	<u>Scenario 4</u>	
			<b>PM has positive performance and outperforms the Performance Fee Benchmark Index</b>	<b>PM has negative performance but outperforms the Performance Fee Benchmark Index</b>	<b>PM has positive performance but underperforms the Performance Fee Benchmark Index</b>	<b>PM has negative performance and underperforms the Performance Fee Benchmark Index</b>	
<b>the Performance Fee)</b>							
Loss Carry Forward to the next period	I	= IF G > 0, then 0 = IF G < 0, then G	0	0	-100	-100*	K

\* Total Net Assets and Loss Carry Forward from Scenario 4 carried forward to Scenarios 5 and 6 as "J" and "K" to illustrate the calculation in the subsequent period.

			<b>Scenarios 5 &amp; 6</b> Portfolio Manager (PM) has a Loss Carry Forward and outperforms the Performance Fee Benchmark Index
			<u>Scenario 5</u> <u>Scenario 6</u>
		<b>PM has a Loss Carry Forward, outperforms the Performance Fee Benchmark Index but does not make up the previous underperformance</b>	<b>PM has a Loss Carry Forward, outperforms the Performance Fee Benchmark Index and makes up the previous underperformance</b>
<i>Assume the subsequent period following from Scenario 4:</i>			
<i>Net Assets at the end of previous period</i>	<b>J</b>	= C from Scenario 4	800      800
<i>Loss Carry Forward at the end of previous period</i>	<b>K</b>	= I from Scenario 4	-100      -100
<i>Benchmark Capital Amount (Net Assets at the end of previous period)</i>	<b>L</b>	= J	800      800

<b>Performance of the Portfolio Manager sub-account</b>				
Period performance after deduction of management fees	<b>M</b>		30%	30%
Total Net Assets of the PM sub-account	<b>N</b>	= L * (1 + M)	<u>1040</u>	<u>1040</u>
<b>Performance of the Benchmark</b>				
Benchmark Return	<b>O</b>		20%	10%
Period Benchmark Amount	<b>P</b>	= (L - K) * O	180	90
Aggregate Benchmark Amount	<b>Q</b>	= L + P	<u>980</u>	<u>890</u>
Net New Relative Appreciation	<b>R</b>	= N - Q + K	-40	50
<b>Performance Fee @ 15% of positive Net New Relative Appreciation (i.e. due amount for the payment of the Performance Fee)</b>	<b>S</b>	= IF R > 0, then (15% * R) = IF R < 0, then 0	0	7.5
Loss Carry Forward to the next period	<b>T</b>	= IF R > 0, then 0 = IF R < 0, then R	-40	0

## Investing in LUXEMBOURG SELECTION FUND – Active Solar

### **General information**

- Reference currency: USD. Currency in which the Net Asset Value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.
- Share classes:
  - Class A EUR shares are available for retail and institutional investors (as defined by law and/or regulations applicable in Luxembourg) with a minimum initial investment of EUR 10,000 (ten thousand euros) and no limit on subsequent investments.
  - Class B EUR shares are for retail investors.
  - Class C CHF shares are for retail and institutional investors.
  - Class C USD shares are for retail and institutional investors.
  - Class C GBP shares are for retail and institutional investors.
  - Class I USD shares are available for institutional investors with a minimum initial investment of USD 2,000,000 (two million US dollars)<sup>1</sup> and no limit on subsequent investments.
  - Class I EUR shares are available for institutional investors with a minimum initial investment of EUR 2,000,000 (two million euros)<sup>2</sup> and no limit on subsequent investments.
  - Class I CHF shares are available for institutional investors with a minimum initial investment of CHF 2,000,000 (two million Swiss francs)<sup>3</sup> and no limit on subsequent investments.
  - Class I GBP shares are available for institutional investors with a minimum initial investment of GBP 2,000,000 (two million British pounds)<sup>4</sup> and no limit on subsequent investments.
- There are nine share classes, which differ in their currency: USD, CHF, GBP and EUR.
- All these share classes participate in the portfolio according to their respective attributes. In general, the objective is to cover, on a monthly basis, exchange rates of the Share classes not denominated in USD, although no guarantee can be provided that this objective of hedging exchange rates will be realised. The determination of the hedging strategy will depend on the market expectations of the Portfolio Manager and remains at the sole discretion of the Portfolio Manager and in the best interest of the Subfund's shareholders. In specific circumstances, a Subfund could therefore either not be hedged or only partly. If any, hedging costs are charged to the share class in question, either in CHF or in EUR.
- Dividend policy: this Subfund pursues a policy of accumulation.
- Valuation Day: the Net Asset Value per share is determined on each business day.
- Shares are exclusively issued in the form of registered shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.10% (with a minimum of EUR 30,000) per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.
- Depositary fee: the Depositary is authorised to receive a fee for exercising this function for a maximum amount of 0.10% (with a minimum of EUR 30,000) per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.
- The Management Company fee: the Management Company is authorised to receive an annual fee for its services of EUR 12,800, payable every six months during the month following the relevant semester directly out of the assets of the Subfund, subject to a maximum of 0.025% of the net assets of the Subfund at the end of the relevant semester.

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<sup>1</sup> The Board of Directors may decide to lower the minimum initial subscription amount for the initial subscriptions, provided that this is in the interest of the investors.

<sup>2</sup> The Board of Directors may decide to lower the minimum initial subscription amount for the initial subscriptions, provided that this is in the interest of the investors.

<sup>3</sup> The Board of Directors may decide to lower the minimum initial subscription amount for the initial subscriptions, provided that this is in the interest of the investors.

<sup>4</sup> The Board of Directors may decide to lower the minimum initial subscription amount for the initial subscriptions, provided that this is in the interest of the investors.

- Distribution fee: distributors are authorised to receive a fee for their services of an applicable amount of 0.30 % of the net assets of the Subfund per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.
- Additional fees may be charged to the Subfund for further services of the Central Administration Agent, the Depositary and the Management Company as reflected in Section "Total Expense Ratio (TER)" below.

### **Subscriptions**

- Subscription fee: Up to 2% of the Net Asset Value in favour of the distributors and sales agents.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.

### **Redemptions**

- Redemptions requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.
- Redemption fee: none

### **Conversions**

- Conversion fee: none

### **Past performance**

- The performance of this Subfund is presented in a histogram included in the key investor information document.

### **Portfolio turnover**

- The portfolio turnover rate is included in the annual report. It is calculated using the following formula:

$$\text{Portfolio turnover rate} = [(Total 1 - Total 2)/M] * 100$$

where

Total 1 = total of securities transactions during the relevant period = X+Y

Where X = purchases of securities and Y = sale of securities

Total 2 = total of transactions in shares of the Subfund during the relevant period = S+T

Where S = subscriptions of shares of the Subfund and T = redemptions of shares of the Subfund

M = average monthly assets of the Subfund

### **Total Expense Ratio (TER):**

- The TER, being equal to the ratio between the gross amount of Subfund fees and the average of its net assets, is included in the annual report. It includes among others the following fees: the custodian fee, the central administrative agent fee, the portfolio management fee, the management company fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, expenses for preparing and printing the KIID, costs in relation to the applicable due diligence procedures, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and operational costs in relation to the day to day management of the Subfund.

# LUXEMBOURG SELECTION FUND – Solar & Sustainable Energy Fund

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND –Solar & Sustainable Energy Fund and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## Investor profile

This Subfund is intended for investors considering an investment in the Subfund as a means of participating in the capital markets and who do not need regular income. Investors must be able to accept considerable annual volatility in order to possibly reap high returns in the long-term. As a result, this Subfund is intended for investors who can afford, in principle, to set aside their capital as investment capital for a period of at least 3 years.

## Risk profile

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: sharp fluctuations in market price, negative information on issuers or markets and subordination of equities to bonds issued by the same enterprise. Potential investors should also consider fluctuations in exchange rates, the possibility of controls on foreign exchange and other restrictions. Due to possible use of techniques and instruments relating to transferable securities and money market instruments for purposes of efficient portfolio management, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved. For further details about risks linked to instruments and techniques, please refer to the 'Risks associated with the use of financial derivative instruments' section. Finally, the attention of potential investors is drawn to the fact that the Subfund will invest in companies relevant in the renewable energy sector.

## Investment objective and policy

The Subfund invests in companies in the renewable energy sector, based on the thesis that the primary driver of the energy transition will be an accelerating worldwide switch to ever more cost-competitive solar energy. Apart from solar, other carbon-free sources of energy are also seen to help drive this transition, such as wind-power, hydro and geothermal energy. The Subfund therefore targets suitable investments in all such industries, as well as those which are involved in energy storage technologies and electric transportation.

Investment decisions are based on independent research, comprising both fundamental and valuation analysis. Companies in the investment universe of the Subfund comprise both equipment manufacturers (e.g. solar and wind) as well as power producers and, more generally, companies engaged in activities related to the production, transmission and distribution of sustainable energy. This may also include suppliers of materials, components, electronics, software and services, as well as companies holding patents and key technologies. The Subfund may also invest in companies that manufacture energy-saving devices (e.g. heat pumps, LED lights) and electric vehicles.

The transferable securities, primarily equities, in which the Subfund will invest, will be essentially listed on approved stock exchanges in Asia, Europe and the United States, but they may also, to a certain extent, be traded on unlisted markets provided such markets are recognised as regulated markets that operate regularly and are recognised and open to the public.

Fundamental analysis and valuation analysis are applied to all companies comprising the investment universe. This methodology takes into account not only macro- and micro-economic factors, but also quantitative and qualitative variables. Each investment in a security will be automatically limited to 10% of the Subfund's assets. In accordance with applicable regulations, the total value of assets held by the Subfund from companies in which it invests more than 5% of its assets may not exceed 40% of the total value of net assets of the Subfund. In addition, the Subfund may not invest more than 10% of its assets in other investment funds (UCITS and/or other UCIs) as defined below in Article 13(1)(A)(h).

The investments will be made in shares, American depositary receipts (ADRs), bonds that are convertible into shares, equity-linked notes, participating notes and stock options. In order to provide hedging and efficient portfolio management, the following instruments may be used (futures contracts on indices, forward

exchange contracts on currency or other types of financial derivative instruments. The Subfund is also authorized, within the limits provided in Section II, General Provisions, Chapter 19 Investment restrictions, for purposes of hedging and/or efficient portfolio management, use techniques and instruments on transferable securities, money market instruments, indices, currencies and interest rates.

At least 51% of the Subfund's net assets will be invested in equity participations according to § 2 (8) of the German Investment Tax Act (InvStG).

The objective of the Subfund is to invest the vast majority of its net assets in equities, but in some circumstances the manager may increase the cash/liquidity position to 49% of net assets.

- **Options on transferable securities/indices:** an option on transferable securities or on indices gives the purchaser, or "Holder", the right, but not the obligation, to purchase, in the case of a call option, or sell, in the case of a put option, a set amount of the underlying at a fixed price by a stated expiration date. The Holder pays a commission (a 'premium') for the option but cannot lose more than this amount, plus associated transaction fees. Compared with futures, options only impose an obligation on the seller or 'Issuer'. If the option is exercised by the Holder, the Issuer is obliged to settle the transaction by surrendering the underlying asset or the cash, based on the value of the underlying asset. An option becomes worthless for the holder if it is not exercised within the period of validity. Such options may be traded officially on a stock exchange or traded OTC with first-class financial institutions specialising in this type of transaction. When purchasing an OTC option, the holder will be subject to the default risk of the issuer; for this reason, the purchase of this type of option may require that a guarantee be provided in the form of a margin deposit.
- **Futures:** a future is a bilateral contract conferring the purchase or sale of a fixed amount of financial instruments (such as index or other instrument) at a stated time in the future for a fixed price. Under these terms, a future has a specific redemption date at which the index value must be surrendered by the seller and acquired by the buyer. The purchase or sale of futures differs from the purchase or sale of transferable securities or other types of instrument in that no initial purchase price is paid. Instead, a variable cash sum no greater than the contract value is deposited with a broker as an 'initial margin'. Subsequent payments from or to the broker will be made daily taking into account the variation, for example, of the index. The use of futures instead of investing in the underlying has the advantage of lower transaction fees.

### **Securities financing transactions**

The Subfund uses securities financing transactions in form of securities lending for efficient portfolio management purposes.

The use of such financial instruments is not expected to affect the Subfund's over-all risk profile.

A maximum of 100% of the assets held by the Subfund can be subject to securities lending transactions. The expected percentage of the assets subject to securities lending is between 0% and 50%.

All the revenues arising from securities financing transactions in the form of securities lending, the net of direct and indirect operational costs/fees, will be returned to the Subfund.

Any direct and indirect operational costs/fees arising from securities financing transactions in the form of securities lending, that may be deducted from the revenue delivered to the relevant Subfund must not include hidden revenue. Such direct and indirect operational costs/fees will be paid to the entities outlined in the annual and semi-annual report of the Fund, which shall indicate if the entities are related to the Management Company or the Depositary.

The Subfund will not make use of other securities financing transactions, i.e. (i) repurchase transactions (ii) commodities lending and securities or commodities borrowing (iii) buy-sell back transactions or sell-buy back transactions, (iv) margin lending transactions, and also not of total return swaps.

### **Risks associated with the use of financial derivative instruments**

While the prudent use of financial derivative instruments may be beneficial, financial derivative instruments are also subject to different risks that, in certain cases, may be greater than the risks associated with more traditional investments. These include: market risk, which is associated with all types of investment; management risk, as the use of financial derivative instruments requires understanding not just of the underlying but also of the financial derivative instrument itself; credit risk, which is the result of the default

risk, if the counterparty to the financial derivative instrument fails to respect the terms of the derivatives contract.

The credit risk for financial derivative instruments traded on a regulated market is generally lower than for OTC derivatives, because the clearing agents, which assume the function of issuer or counterparty in relation to each financial derivative instrument traded over the counter, assume a performance guarantee. This guarantee is provided via the margin deposit requirements for purposes of reducing global credit risk. In the case of financial derivative instruments traded over-the-counter, there is no comparable clearing agent. As a result, the rating of each counterparty must be analysed in order to evaluate the potential credit risk.

Liquidity risk exists when a particular instrument is difficult to purchase or sell and it might not be possible to conclude the transaction or liquidate a position at an advantageous price.

The other risks associated with using financial derivative instruments include the valuation risk or the impossibility of perfectly correlating financial derivative instruments with the underlying assets and indices.

#### **Risk associated with the use of securities financing transactions in the form of securities lending**

Securities lending involve certain risks and there can be no assurance that the objective sought to be obtained from the use of such techniques will be achieved.

The principal risk when engaging in securities lending is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Subfund as required by the terms of the transaction. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Subfund. However, there are certain risks associated with collateral management, including difficulties in selling collateral and/or losses incurred upon realization of collateral, as described in Chapter 19, Investment Restrictions – Collateral Policy and Management of the Prospectus.

Securities lending also entail liquidity risks due, *inter alia*, to locking cash or securities positions in transactions of excessive size or duration relative to the liquidity profile of the Subfund or delays in recovering cash or securities paid to the counterparty. These circumstances may delay or restrict the ability of the Subfund to meet redemption requests. The Subfund may also incur operational risks such as, *inter alia*, non-settlement or delay in settlement of instructions, failure or delays in satisfying delivery obligations under sales of securities, and legal risks related to the documentation used in respect of such transactions.

#### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II Chapter 19 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

#### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the financial derivative instruments used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some financial derivative instruments 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.

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 Subfund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund - Solar & Sustainable Energy Fund	Commitment approach	n.a.	n.a.

<sup>1</sup> In accordance with CSSF Circular 11/512, reference portfolio must be disclosed for Subfunds for which the Global Risk Exposure is calculated using the Relative Value at Risk Approach.

#### Portfolio management and investment advising

UBS Third Party Management Company S.A., domiciled at 33A avenue J.F. Kennedy, L-1855 Luxembourg, has been appointed Management Company of the Fund and has therefore assumed the management of the assets of this Subfund.

UBS Third Party Management Company S.A. has delegated the management of the assets of this Subfund to FiNet Asset Management AG, domiciled at Neue Kasseler Strasse 62 C-E, 35039 Marburg, Germany. FiNet Asset Management AG is a public limited company under German law created in 2007 by FiNet Financial Services Network AG, Marburg, Germany. FiNet Asset Management AG is a company authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht empowered to engage in the activities of investment advising and discretionary asset management for private clients and institutional investors.

The annual portfolio management received by FiNet Asset Management AG is fixed at 0.90% per annum for class A1, at 0.60% per annum for class A2, A3 and A4 and at 0.50 % per annum for class A5, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.

Arcane Capital Advisors Pte Ltd ("Arcane"), a company domiciled at One Raffles Place # 19-61, Singapore 048616 has been appointed investment advisor for the assets of this Subfund. Founded in 2005 as a private limited liability company, Arcane is registered under No. 200508721E with the "Accounting and Corporate Regulatory Authority" of Singapore. Arcane is also registered with the Monetary Authority of Singapore (MAS) as a provider of investment consulting, research and management under the "exemption" regime, meaning that Arcane does not need a license to exercise the above activities as long as it offers its business to only a limited number of accredited investors. Arcane will be responsible for monitoring the Subfund portfolio and will make recommendations to the manager based on its expertise for independent research in the renewable energy industry. The monitoring process comprises a detailed analysis of the financial soundness of each company, the quality of its management, its technical capacities compared to competitors, its competitiveness within the domestic market and within the global industry. The selection of companies will also involve extensive due diligence.

The annual consulting fee received by Arcane is fixed at 1% per annum for class A1, at 0.80% per annum for class A2, A3 and A4 and at 0.70 % per annum for class A5 calculated based on the assets of the share class, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund. In addition to their respective fees, the manager and the investment advisor will receive, as applicable, a performance fee (charged to the Subfund), split 50% - 50% between the two.

The performance fee will be calculated and fixed at each valuation date and these fixed amounts will be paid at the end of each month. The performance fee will be equal to 10% of the increase in NAV for Class A1, A2, A3, A4, and A5. The increase will be calculated by comparing the NAV (after deducting management commission, consultancy fees and current expenditure but before accounting for the performance fee) to the high water mark. The high water mark is equal to the highest NAV (after performance fees) reached on a previous valuation day, adjusted according to the amounts received for investments and the amounts payable for redemptions of the share class. The high-water-mark principle ensures that in case of loss, no performance fee will be paid until the loss has been recovered.

## **Distribution**

UBS Third Party Management Company S.A. has delegated the distribution in Germany of the shares of this Subfund to FiNet Asset Management AG, domiciled at Neue Kasseler Strasse 62 C-E, 35039 Marburg, Germany. FiNet Asset Management AG is authorised by the German supervisory authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin) in Germany to publicly distribute Subfund shares.

The distributor is entitled to receive a remuneration of EUR 250,- per month to be paid out of the assets of the Subfund.

## **Investing in LUXEMBOURG SELECTION FUND – Solar & Sustainable Energy Fund**

### **General information**

- Reference currency: EUR. Currency in which the Net Asset Value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.
- Central Administration fee: the Central Administrative Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.07% (with a minimum of EUR 30,000) per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.
- Depositary fee: the Depositary is authorised to receive a fee for exercising this function in the amount of 0.07% (with a minimum of EUR 30,000) per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.
- The Management Company fee: the Management Company is authorised to receive an annual fee for its services of EUR 12,800, payable every six months during the month following the relevant semester directly out of the assets of the Subfund, subject to a maximum of 0.025% of the net assets of the Subfund at the end of the relevant semester.
- An additional fee may be charged to the Subfund for further services of the Central Administration Agent, the Depositary and the Management Company as reflected in Section "Total Expense Ratio (TER)" below.
- Share classes:
  - class A1: share class reserved for qualified "retail" investors.
  - class A2: share class reserved for institutional investors (as defined by law and/or regulations applicable in Luxembourg) subscribing a minimum amount of EUR 100,000 (one hundred thousand euros).
  - class A3: share class reserved for institutional investors (as defined by law and/or regulations applicable in Luxembourg) subscribing a minimum amount of USD 100,000 (one hundred thousand US dollars).
  - class A4: share class reserved for institutional investors (as defined by law and/or regulations applicable in Luxembourg) subscribing a minimum amount of JPY 10,000,000 (ten million Yen).
  - class A5: share class reserved for institutional investors (as defined by law and/or regulations applicable in Luxembourg) subscribing a minimum amount of EUR 5,000,000 (five million euros).

The minimum for Class A2, A3, A4 and A5 shares must be observed for the initial subscription of each investor but not for subsequent subscriptions. Institutional investors may convert their class A1 shares into class A2, A3, A4 and A5 shares.

- Dividend policy: all share classes of that compartment will pursue a policy of accumulation.
- Valuation Day: the Net Asset Value of each share class is determined on each Business Day.
- Shares are issued in the form of registered shares without certificates representing the shares.
- India: Subfund shares will not be distributed to the public in India. Indian residents may not acquire Subfund shares without obtaining the prior consent of the competent supervisory authority of India (Securities and Exchange Board of India).

## **Subscriptions**

- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.
- Subscription fee: max. Up to 3% of the Net Asset Value in favour of the distributors.
- Initial subscription price per share in class A3 is 100 USD (one hundred US dollars)
- Initial subscription price per share in class A4 is 1,000 JPY (one thousand YEN)
- Initial subscription price per share in class A5 is 1,000 EUR (one thousand euros)

## **Redemptions**

- Redemption requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.
- Redemption fee: none

## **Conversions**

- Conversion fee: none

## **Past performance**

- The performance of this Subfund will be presented in a histogram included in the key investor information document.

## **Portfolio turnover**

- The portfolio turnover rate will be included in the annual report. It is calculated using the following formula one year after the launch of the Subfund:

$$\text{Portfolio turnover rate} = [(\text{Total 1} - \text{Total 2})/\text{M}] * 100$$

where

Total 1 = total of securities transactions during the relevant period = X+Y

Where X = purchases of securities and Y = sale of securities

Total 2 = total of transactions in shares of the Subfund during the relevant period = S+T

Where S = subscriptions of shares of the Subfund and T = redemptions of shares of the Subfund

M = average monthly assets of the Subfund

## **Total Expense Ratio (TER):**

- The TER, being equal to the ratio between the gross amount of Subfund fees and the average of its net assets, is included in the annual report. It includes among others the following fees: the custodian fee, the central administrative agent fee, the portfolio management fee, the management company fee, the distribution fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, expenses for preparing and printing the KIID, costs in relation to the applicable due diligence procedures, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and launch of the Subfund. The TER will be included into the annual report one year after the operational costs in relation to the day to day management of the Subfund.

# LUXEMBOURG SELECTION FUND – NERRICK US Equities

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND – Nerrick US Equities and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## Investor profile

This Subfund is intended for investors considering an investment in the Subfund as a means of participating in the US equity markets and who do not need regular income. Investors must be able to accept considerable annual volatility in order to possibly reap high returns in the long-term. As a result, this Subfund is intended for investors who can afford, in principle, to set aside their capital as investment capital for a period of at least 5 years.

## Risk profile

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: sharp fluctuations in market price, negative information on issuers or markets and subordination of equities to bonds issued by the same enterprise. Potential investors should also consider fluctuations in exchange rates, the possibility of controls on foreign exchange and other restrictions.

Due to the possible use of techniques and instruments relating to transferable securities and money market instruments for purposes of efficient portfolio management as well as currency hedging, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved. For more details on the risks associated with techniques and instruments, please refer to the section "Risks associated with the use of financial derivative instruments".

## Investment objective and policy

The Subfund invests primarily in companies based in North America which are listed on a stock exchange or in companies that are listed on a stock exchange and generate most of their profits or revenues from North America. The investment decisions of the Subfund are the result of secondary research based on both fundamental analysis and valuation analysis. Investment decisions are taken based on a value approach which means that the Subfund invests in companies where the current valuation of a company at the stock exchange is believed to be below the real value of the respective company. The Subfund will invest across all sectors and market capitalizations.

The objective of the Subfund is to invest primarily in companies whose business is based in the United States or in Canada. However, the Subfund may also invest in non-North-American companies that operate in North America or manufacture a significant portion of their products or generate a growing share of their turnover in North America.

The transferable securities, primarily equities, in which the Subfund will invest, will be essentially listed on approved stock exchanges in the United States or in Canada, but they may also, to a certain extent, be traded on other stock exchanges or in unlisted markets provided such markets are recognised as regulated markets that operate regularly and are recognised and open to the public.

Fundamental analysis and valuation analysis are applied to all companies comprising the investment universe. This methodology takes into account not only the macro- and micro-economic factors, but also quantitative and qualitative variables. Ideally, the Subfund's portfolio should have between fifty and seventy-five securities. It may not, in principle, hold fewer than twenty-five and more than hundred securities.

In addition, the Subfund may not invest more than 10% of its assets in other investment funds (UCITS and/or other UCIs).

The investments will be made in shares, American depositary receipts (ADRs), bonds that are convertible into shares, equity-linked notes and participating notes.

The objective of the Subfund is to invest the vast majority of its net assets in equities, but in some circumstances the manager may increase the cash/liquidity position to 50% of net assets.

**"Sustainability Risk"** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by each Subfund. Sustainability Risks are not systematically integrated due to the nature of the investment objective of the Subfund and they are also not a core part of the investment strategy. The Subfund does not promote particular Environmental, Social and Governance (ESG) characteristics or pursue a specific sustainability or impact objective. Sustainability Risks are not relevant due to the nature of the investment objective of the Subfund. Sustainability Risks are currently not expected to have a material impact on the returns of the Subfund.

### **Management of the Subfund and Benchmark**

The Subfund is actively managed with reference to a benchmark. The Subfund aims to outperform the S&P 100 Index but the portfolio and the performance of the Subfund can deviate from the benchmark based on the investment decisions of the Subfund as further specified above. The benchmark indicated below is being provided by the entity specified next to the name of the relevant benchmark in its capacity as administrator (as defined in the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmark Regulation**") of the benchmark (the "**Benchmark Administrator**"). Next to the name of the relevant Benchmark Administrator in the table below is set out the status of each Benchmark Administrator in relation to the register referred to in Article 36 of the Benchmark Regulation as of the date of this visa-stamped Prospectus.

Benchmark	Benchmark Administrator	Status of the Benchmark Administrator
S&P 100 Index	S&P Dow Jones Indices LLC	Listed in the register referred to in Article 36 of the Benchmark Regulation

### **Securities financing transactions and total return swaps**

The Subfund will not enter into total return swaps nor make use of securities financing transactions, i.e. (i) repurchase transactions (ii) securities or commodities lending and securities or commodities borrowing (iii) buy-sell back transactions or sell-buy back transactions, and (iv) margin lending transactions.

### **General risk information**

#### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II Chapter 19 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

#### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the financial derivative instruments used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some financial derivative instruments 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.

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 Subfund. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund – Nerrick US Equities	Commitment Approach	n.a.	n.a.

<sup>1</sup> In accordance with CSSF Circular 11/512, reference portfolio must be disclosed for Subfunds for which the Global Risk Exposure is calculated using the Relative Value at Risk Approach.

### **Portfolio management**

UBS Third Party Management Company S.A., domiciled at 33A avenue J.F. Kennedy, L-1855 Luxembourg, is the appointed Management Company of the Fund and has therefore assumed the management of the assets of this Subfund.

UBS Third Party Management Company S.A. has appointed PvB Pernet von Ballmoos AG as Portfolio Manager of this Subfund. PvB Pernet von Ballmoos AG is an asset manager with registered office at is Bellerivestrasse 36, 8008 Zurich, Switzerland. PvB Pernet von Ballmoos AG is authorised and regulated by the Swiss Financial Market Supervisory Authority ("FINMA") in Switzerland. The firm was founded as a public limited company in Switzerland. The Portfolio Manager shall report regularly to the Board of Directors of UBS Third Party Management Company S.A. on their asset allocation key, the evolution of the assets, the adequate liquidity management of the Subfund any risk of potential breach of the investment policy and on the transactions executed for the account of the Subfund.

PvB Pernet von Ballmoos AG as Portfolio Manager is entitled to a portfolio management commission detailed below, which is calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund (excluding those net assets held in the form of investments in other investment funds managed or controlled by entities of the same portfolio manager).

The portfolio management fee due to PvB Pernet von Ballmoos AG is of a maximum of 1.5% per annum for Class A shares of which a maximum of 0.75% per annum will be paid to distribution partners. The portfolio management fee for Class I shares is of a maximum of 1.0% per annum.

PvB Pernet von Ballmoos AG may - at its own cost - appoint an Investment Advisor to this Subfund.

PvB Pernet von Ballmoos AG will be entitled to a performance fee. The concept commonly called "high water mark" will be applied to calculate the performance fee for each share class. For the first financial year, the "high water mark" applicable for each Valuation Day will be the initial subscription price. At the beginning of each following financial year, the "high water mark" applicable for each Valuation Day will be the Net Asset Value of each share class on the last Valuation Day for which a Performance Fee was paid.

The performance fee will be paid annually in arrears after the performance period under review. The performance period will include each 12-month period of the financial year, except for the first period, which will begin on the date of the closing of the initial subscription period of the Subfund. The Performance Fee will normally be paid within 15 working days following the end of the performance period under review.

The performance fee will be equal to 10% on the outperformance of the Subfund versus the benchmark of the S+P 100 Index. In other words, it will be the positive difference between the level of the Net Asset Value of a share class at the end of a performance period (net of portfolio management and other charges but before deduction of the performance fee and adjusted pro rata for the subscription and redemption orders submitted during the performance period) and the performance of the benchmark of the S+P 100 Index at the same time.

The performance fee will be accrued daily and taken into account when calculating the Net Asset Value of each share class on each Valuation Day, adjusted pro rata for the subscription and redemption orders submitted for each share class during the performance period. The performance fee related to each share class redeemed during a performance period will be deducted from the redemption price of the share class redeemed. The performance fee to be paid by share classes redeemed during a given performance period will equal the positive difference between the Net Asset Value of the share class on the Valuation Day on which

the redemption is effected and the Net Asset Value of the share class concerned on the date of payment of the last performance fee.

### **Distribution**

PvB Pernet von Ballmoos AG acts as distributor of the Subfund's shares and will not receive a specific remuneration.

### **Investing in LUXEMBOURG SELECTION FUND – Nerrick US Equities**

#### **General information**

- Reference currency of the Subfund: USD
  - Reference currency for Class A and Class I shares: USD.

The Reference Currency is the currency in which the Net Asset Value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.

- Dividend policy: This Subfund pursues a policy of accumulation.
- Valuation Day: the Net Asset Value per share is determined on every business day.
- Share classes:
  - Class A shares are available for investors with a minimum holding amount of at least USD 1,000 (US Dollars one thousand).
  - Class I shares are available for investors with a minimum holding amount of at least USD 500,000 (US Dollars five hundred thousand).
- Shares are issued exclusively in the form of registered shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.08 % (with a minimum of EUR 30'000) per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.
- Depositary fee: the Depositary is authorised to receive a fee for exercising this function for a maximum amount of 0.050% (with a minimum of EUR 10,000) per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.
- Management Company fee: the Management Company is authorised to receive an annual fee for its services of 0.02% (with a minimum of EUR 15,000 per year), calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day. The fees are payable every six months during the month following the relevant semester directly out of the assets of the Subfund.

The initial set up fee of EUR 3,000 payable to the Management Company will be charged if the Subfund will be liquidated or dissolved during the first four years after the launch of the Subfund.

- Additional fees may be charged to the Subfund for further services of the Central Administration Agent, the Depositary and the Management Company as reflected in Section "Total Expense Ratio (TER)" below.

#### **Subscriptions**

- Shares of Class A and Class I may be subscribed on between 1 January 2015 and 15 January 2015.
- The initial subscription price per shares of Class A and Class I amounts to USD 150.
- Subscription amount: The minimum subscription amount is USD 1,000 (US Dollars one thousand) for Class A shares and USD 500,000 (US Dollars five hundred thousand) for Class I shares.
- Subscription requests received by the Subfund no later than 12 p.m. (Central European Time) on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day, provided that the issue price is paid no later than two (2) Business Days after the relevant Valuation Day.
- Subscription fee: none

## **Redemptions**

- Redemption amount: The minimum redemption amount is USD 1,000 (US Dollars one thousand) for Class A shares and USD 500,000 (US Dollars five hundred thousand) for Class I shares.
- Redemption requests received by the Subfund no later than 12 p.m. (Central European Time) on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day. The counter value for redeemed shares is paid no later than two (2) Business Days after the relevant Valuation Day unless legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Depositary, make it impossible to transfer the redemption amount to the country in which the redemption application was submitted.
- Redemption fee: none

## **Conversions**

- Conversion fee: none

## **Past performance**

- The past performance of this Subfund will be shown only once there is one full calendar year of performance history.

## **Portfolio turnover**

- The portfolio turnover rate is included in the annual report. It is calculated using the following formula:  
$$\text{Portfolio turnover rate} = [(Total 1 - Total 2)/M]*100$$

where

Total 1 = total of securities transactions during the relevant period = X+Y

Where X = purchases of securities and Y = sale of securities

Total 2 = total of transactions in shares of the Subfund during the relevant period = S+T

Where S = subscriptions of shares of the Subfund and T = redemptions of shares of the Subfund

M = average monthly assets of the Subfund

## **Total Expense Ratio (TER):**

- The TER, being equal to the ratio between the gross amount of Subfund fees and the average of its net assets, is included in the annual report. It includes among others the following fees: the custodian fee, the central administration agent fee, the portfolio management fee, the management company fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, expenses for preparing and printing the KIID, costs in relation to the applicable due diligence procedures, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and operational costs in relation to the day to day management of the Subfund.

## **Notice to Swiss prospective Shareholders**

The distribution of the Subfund in Switzerland as a foreign collective investment scheme pursuant to article 120-FF of the Swiss collective investment schemes Act of 23 June 2006 as amended from time to time ("CISA") has not been authorized by the Swiss Financial Market Supervisory Authority ("FINMA"). As a result, the Subfund offered hereby, this confidential memorandum and any other offering material relating thereto may only be distributed in Switzerland to qualified investors, contrary to what is stated in section II, Chapter 20. Notice to Swiss prospective Shareholders of the Prospectus.

In accordance with the provisions of the CISA and its related amendments, please note the following as it relates to the Fund:

### *Representative*

Contrary to what is stated in section II, Chapter 20. Notice to Swiss prospective Shareholders of the Prospectus, the representative in Switzerland is PVB Pernet Von Ballmoos AG, Bellerivestrasse 36, 8008 Zurich.

*Paying Agent*

Contrary to what is stated in section II, Chapter 20. Notice to Swiss prospective Shareholders of the Prospectus, the paying agent in Switzerland is Neue Helvetische Bank, Seefeldstrasse 215, 8008 Zurich.

*Reference point of important documents*

The Fund's confidential offering memorandum, articles of association as well as its audited financial statements may be obtained free of charge from the representative.

*Place of performance and court of jurisdiction*

For investors who have acquired the shares sold in and distributed from Switzerland, the place of performance and the court of jurisdiction have been established at the registered office of the representative.

*Domicile of the Fund*

Luxembourg

# LUXEMBOURG SELECTION FUND – Psychology for Sustainable Yield ENPAP Selection Fund

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND – Psychology for Sustainable Yield ENPAP Selection Fund and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## Investor profile

The Subfund is suitable as a basic investment for private and institutional investors that have a long-term investment horizon and intend to invest in a broad spectrum of asset types such as shares, global bonds, other investment funds, futures, options and money market instruments.

## Risk profile

Due to the possible use of techniques and instruments relating to transferable securities and money market instruments for purposes of efficient portfolio management as well as currency hedging, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved. For more details on the risks associated with techniques and instruments, please refer to the section "Risks associated with the use of financial derivative instruments".

This Subfund may enter into transactions relating to futures, swaps, options on transferable securities/indices and options on financial instruments for a purpose other than hedging in compliance with what is provided under section "Financial Techniques and Instruments" of Chapter 19. "Investment Restrictions". Due to their high volatility, futures and options are exposed to greater risks than direct investments in securities. The markets in futures, options and warrants are volatile and the possibility to realise gains, as well as the risk to suffer losses are higher than with investments in securities.

The list of risk factors (use of financial derivative instruments in general and use of option on transferable securities and / or indices, futures contracts) does not purport to be a complete explanation of the risks involved in shares of the Subfund. It should be remembered that the Net Asset Value of the Subfund can go down as well as up. An investor may not get back the amount he has invested, in particular if shares are redeemed soon after they have been issued. Prospective investors should carefully consider whether an investment in shares is suitable for them in the light of their own circumstances and financial resources.

## Investment objective and policy and restrictions

### 1. Multi-manager approach

#### a) Rationale

The name of the Subfund is linked to the potential financial opportunities and returns that the Subfund is expected to create with specific regard to the profession of the investors (psychologists) which will invest into the fund via "Ente Nazionale di Previdenza ed Assistenza per gli Psicologi" ("ENPAP"), the National Welfare and Assistance Unit for Psychologists in Italy.

The Subfund will employ a multi-manager approach. This means that the Management Company, in its sole discretion but upon consultation of the Advisory Committee, will select several portfolio managers, each of which will be attributed a specific portion of the Subfund's assets (each a "**Segment**") that will typically be linked to a specific asset class (i.e. bonds or equities). The multi-manager approach has been chosen in order to provide investors with exposure to and the benefit of the investment strategies and approaches offered by the different portfolio managers. This approach provides for greater flexibility and expertise through the specialised knowledge of each portfolio manager within the present Subfund, avoiding the need for investors to diversify their investments by investing in several different investment vehicles.

#### b) Selection of the portfolio managers and termination procedures

The portfolio manager for each Segment will be selected by the Management Company, upon consultation of the Advisory Committee, through a multi-step process which seeks to identify one or more portfolio managers

who are suitable and qualified to manage the assets of the relevant Segment in accordance with the overall strategy of the Subfund, either alone or together. These steps involve: screening the universe of potential managers, taking into account both quantitative information (such as performance data) and qualitative reports (such as an analysis of the stability of the investment team); after identifying a number of potential candidates, a further screening process is conducted (through on-site visits, questionnaires and other research tools), to seek to ensure that any portfolio manager selected will, when taken together, possess the requisite investment styles and track-records capable of realizing the Segment's investment objectives. In assessing a candidate portfolio manager's suitability for a particular Segment a number of factors will be considered, including: the overall organization of the candidate's business and its market standing and reputation; appropriateness of investment philosophy and processes; stability of the investment team and relevant experience of key individuals; extent of the advisory and research capabilities; integrity of portfolio construction models and risk management operations; and the reliability of its internal systems and compliance controls. The Management Company will negotiate the terms of the Portfolio Management Agreements to be entered into with each portfolio manager selected for the Segments and will arrange for the portfolio managers to be compensated.

The Management Company may, upon consultation of the Advisory Committee, supplement, replace or terminate the portfolio managers from time to time. In the event that a Portfolio Management Agreement with a portfolio manager is terminated, the Management Company will seek to replace that portfolio manager as soon as is reasonably practicable or, if appropriate, shall allocate the allocated assets of the departing portfolio manager to the remaining portfolio managers. The termination and/or replacement of a portfolio manager may require the implementation of appropriate transitional arrangements (including the appointment of a dedicated transition manager) the purpose of which is to ensure the continued compliance with the investment objectives and policies of the relevant Segment. In certain circumstances, whether at launch or following the termination of a portfolio manager a Segment may be managed by a single portfolio manager.

### c) Identity of the portfolio managers

The Management Company has appointed the following portfolio managers:

- MFS International (U.K) Limited, with registered office in England and Wales with the company number 03062718 with registered office at 1 Carter Lane, London, EC4V 0ER, United Kingdom;
- Muzinich & Co. Limited, with registered office at 8 Hanover Street, London, W1S 0YQ, United Kingdom;
- Morgan Stanley Investment Management Limited, with registered office at 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom;
- Quoniam Asset Management GmbH, with registered office at Westhafen Tower, Westhafenplatz 1, 60327 Frankfurt am Main, Germany;
- AGF International Advisors Co. Ltd, with registered office at 34 Molesworth Street, Dublin 2, Ireland;
- AGF International Advisors Co. Ltd. has sub-delegated the investment functions to AGF Investment Inc., 66 Wellington St. W., Suite 3100, Toronto, ON, M5K 1E9, Canada;
- Lyxor Asset Management S.A.S., with registered office at Tours Société Générale, 17 Cours Valmy, 92987 La Défense Paris, France;
- Nikko Asset Management Europe Limited, with registered office at City Tower, 40 Basinghall Street, London EC2V 5DE, United Kingdom;
- Danske Bank A/S, Holmens Kanal 2-12, 1092 København K, Denmark; and

- Franklin Templeton Investment Management Limited, with registered office at Cannon Place, 78 Cannon Street, London EC4N 6HL, United Kingdom.

d) Segment allocation and role of the Management Company

While the Management Company will develop, upon consultation with the Advisory Committee, the overall strategy for each Segment, including the establishment of appropriate investment guidelines, the portfolio managers will each be responsible for the day-to-day investment decisions of their respective Segment of the Subfund's assets.

The Management Company will, upon consultation with the Advisory Committee, allocate a specific Segment to each portfolio manager. The size of the allocated assets will be determined by the Management Company in its sole discretion, but the emphasis on any such allocation will always be to maintain and/or enhance compliance with the investment objectives and policies of each such Segment. The Management Company will monitor each Segment's investment activity and the portfolio managers' performance. The portfolio managers are responsible for compliance with all applicable rules and regulations pertaining to their investment activities, including in particular any applicable investment restrictions. Notwithstanding the foregoing, the Management Company will be responsible for ensuring the compliance of the entire Subfund's assets with applicable investment restrictions. The Management Company may reallocate assets of a Segment among the portfolio managers without prior notice to the Subfund's Shareholders in circumstances where the Management Company believes that such action is necessary or desirable.

Each of the portfolio managers has full discretion to acquire and dispose of securities and otherwise manage the assets in the Segment, subject always to the Management Company's responsibility for maintaining the Segment's compliance with the investment objectives, policies and applicable investment restrictions. While each of the portfolio managers' investment management activities (insofar as they concern their respective allocated assets) may not comply with the Subfund's investment objectives, policies and applicable investment restrictions, it is the blend of the various portfolio managers and the aggregate effect of the allocated assets which is intended to achieve this aim.

e) Benchmark

The Subfund is actively managed with reference to benchmarks, without being constrained by one benchmark index. The selected portfolio managers may use one or more indices to direct the implementation of specific components of the Subfund's segment allocation; in some cases deviations may be material. Where used, the indices and/or their weights may be updated according to the segment allocation at any point in time. The current indices and weights are disclosed in the table below; in some cases they may serve as parameter for the calculation of a performance fee.

The benchmarks listed in the table below are being provided by the entities specified next to the name of the relevant benchmark in their capacity as administrators (as defined in the Benchmark Regulation) of the relevant benchmark (each a "**Benchmark Administrator**"). Next to the name of the relevant Benchmark Administrator in the table below is set out the status of each Benchmark Administrator in relation to the register referred to in Article 36 of the Benchmark Regulation as of the date of this visa-stamped Prospectus.

Portfolio Manager(s)	Benchmark	Benchmark Administrator	Status of the Benchmark Administrator
Muzinich & Co. Limited, MFS International (UK) Limited	31,00% Corporate Emu – ERoo ICE BOFAML Emu Corporate	ICE Benchmark Administration Limited	Not listed in the register referred to in article 36 of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation

Muzinich & Co. Limited, MFS International (UK) Limited	46,00% Corporate world ex Emu – GCXZ ICE BOFAML Global Corporate ex Emu €hedged	ICE Benchmark Administration Limited	Not listed in the register referred to in article 36 of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation
Muzinich & Co. Limited, MFS International (UK) Limited	23,00% Bond High Yield – HWoo ICE BOFAML Global High Yield €hedged	ICE Benchmark Administration Limited	Not listed in the register referred to in article 36 of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation
AGF International Advisors Co. Ltd, Nikko Asset Management Europe Limited, Quomiam Asset Management GmbH	42,00% MXEU MSCI Europe NR	MSCI Limited	Not listed in the register referred to in article 36 of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation
AGF International Advisors Co. Ltd, Nikko Asset Management Europe Limited, Quomiam Asset Management GmbH	44,00% MXWOE MSCI World ex EUROPE NR	MSCI Limited	Not listed in the register referred to in article 36 of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation
AGF International Advisors Co. Ltd, Nikko Asset Management Europe Limited, Quomiam Asset Management GmbH	14,00% MSDEEEMN MSCI Emerging Markets in EURO NR	MSCI Limited	Not listed in the register referred to in article 36 of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation
Danske Bank A/S	JP Morgan EMBI Global Diversified Hedged EUR	JP Morgan Securities	Not listed in the register referred to in article 36

	– TR HGD	LLC	of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation
Morgan Stanley Investment Management Limited	JP Morgan Global ex EMU €Hedged	JP Morgan Securities LLC	Not listed in the register referred to in article 36 of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation
Morgan Stanley Investment Management Limited	JP Morgan EMBI + €Hedged	JP Morgan Securities LLC	Not listed in the register referred to in article 36 of the Benchmark Regulation, as it is an entity located in a country outside of the European Union and can be used in accordance with article 51(5) of the Benchmark Regulation

The segment allocation managed by Lyxor Asset Management S.A.S. is actively managed with reference to the benchmark index Italian Inflation Index + 1,5%. The portfolio manager only aims at outperforming the benchmark index without using this benchmark index for the purpose of defining the asset allocation of the portfolio managed by Lyxor Asset Management S.A.S. or for the purpose of computing any performance fee. The portfolio manager is not constrained by the benchmark index.

## 2. Management oriented to sustainable and responsible investments

For at least 50% of the Subfund's assets, the investment management is oriented towards sustainable and socially responsible investments in order to improve the risk/return investment profile in the medium/long term. More specifically, the Subfund aims at attaining the ESG characteristics it promotes by implementing this objective in the investment decision-making process of at least 50% of the Subfund's assets on a continuous basis as further described below. The ESG characteristics promoted by the Subfund are the "ESG" principles (Environmental, Social and Governance, i.e. the ways in which an economic operator manages the impacts of its economic activity in the environmental, social and government fields of the corporate structure) adopted by ENPAP (SRI principles). This investment approach aims, from an ethical point of view, to meet the professional sensitivities specific to the profession of the investors (psychologists) which will invest into the Subfund via ENPAP. Notwithstanding the above, the Subfund does not have sustainable investment as its objective.

For the purpose of assessing each potential investment and integrating Sustainability Risks (as defined below) into the Subfund's investment decisions, the appointed portfolio managers use the data provided by the market leader Vigeo Eiris, to assess the ESG compliance of investments. Vigeo Eiris assists the portfolio managers by providing them on a quarterly basis with a list containing potential target investments.

This list contains in principle the entire investment universe from the Vigeo Eiris perspective. For the purposes of investments by the Subfund, a filter is being applied by Vigeo Eiris, which identifies any investments on the list not being compliant with the SRI principles.

These detailed principles set up both exclusion criteria (i.e. negative criteria which, if present, prevent Subfund from making a certain investment), and inclusion criteria (i.e. criteria which must be met with respect to a potential investment in order for the Subfund to be allowed to make the investment). Investments which do not comply with the SRI principles are highlighted on the list as excluded. ESG Investments can be made by the Subfund only if they are not highlighted as excluded.

A part of the above screening process is the consideration of ESG ratings produced by Vigeo Eiris on the basis of the SRI principles (positive screening regarding the aforementioned inclusion criteria). The rating is established based on sustainability factors of the SRI principles (e.g. corruption & money laundering, pollution prevention, career management, freedom of association and collective bargaining). The positive screening is carried out with the view to looking at corporate ESG performance notably based on the policies adopted with respect to environment and corporate governance aiming at preventing the companies from negative behaviour (corruption, fraud, money laundering, false social communications, etc.) and impacts. The ratings provided by Vigeo Eiris are based on a conventional scale according to four levels of scores (weak, limited, robust and advanced). The portfolio managers may include companies that have an ESG rating equal or above "limited" (best-in-class approach).

A further part of the above screening process is a negative list of investments which may not be carried out in the context of the ESG investments (negative screening regarding the above mentioned exclusion criteria). The Subfund will not invest in:

- i) companies from countries not guaranteeing respect for civil rights (human rights and religious freedom) and for political freedom (freedom of expression and association);
- ii) companies involved in specific "controversial" sectors with an implicit reputational risk;
- iii) companies not respecting the International Labor Organization Convention related to child labor and/or the Universal Declaration of Human Rights;
- iv) companies that do not prevent any gender discrimination at workplace;
- v) companies that partially or totally develop, produce, stock or sell:
  - a. mass-destruction nuclear/biological/chemical weapons,
  - b. radioactive material/toxic chemical and biological agents,
  - c. mass-destruction armed missiles, and
  - d. fragmentation weapons and landmines;
- vi) companies that partially or totally (from revenue perspective) are involved in pornography;
- vii) companies that partially or totally (from revenue perspective) are involved in gambling; and
- viii) companies with severe violations in respect to:
  - a. money laundering, and
  - b. corruption.

The above list of exclusions may be not amended at the discretion of the portfolio managers.

As part of the management process, the Subfund's portfolio managers actively monitor Sustainability Risks (as defined below) that represent potential or actual material risks. The integration of Sustainability Risks is based on the negative screening and the best-in-class approach.

The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, region and asset class. The main Sustainability Risks specific to the Subfund generally revolve around the following themes:

a) Environment:

- Geographic exposure to natural disasters;
- Energy consumption;
- CapEx in places of risk;
- Greenhouse gas emissions;

b) Social:

- Importance placed on the area of human resources;
- Rotation of personnel;
- Restructuring provisions as a percentage of EBITDA (earnings before interest, taxes, depreciation, and amortization);
- Frequency in number of accidents;
- Social controversy level;

c) Governance:

- Nature of the shareholders;
- Separation of the figure of chairman and CEO;
- Independence of the board of directors;
- degree of independent members of the audit committee;
- Experience of the Board of Directors;
- Complexity of the shareholding structure.

Further general information about the likely impacts of Sustainability Risks on the returns of the Subfund is disclosed under "General risk information" below.

Investors are invited to consult the additional information available on the following website ([www.fundinfo.com](http://www.fundinfo.com)). For complementary information, the Subfund's promotor invites investors to also consult the detailed Subfund's ESG policy and additional information on the Subfund's promotion of ESG characteristics on its website (available on <https://www.enpap.it/trasparenza/patrimonio-e-investimenti/>)

The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, region and asset class. The main Sustainability Risks specific to the Subfund are detailed in the Subfund's ESG Policy available on <https://www.enpap.it/trasparenza/patrimonio-e-investimenti/>.

3. Further general information about the likely impacts of Sustainability Risks on the returns of the Subfund is disclosed under "General risk information" below.Investment objective and policy

The Subfund will invest into the most appropriate investment opportunities on a worldwide basis, in equity instruments, bond instruments, units in UCITS and/or UCIs, in financial derivative instruments and may hold liquid assets on an ancillary basis from which the Subfund will expect to acquire positive incomes for the purposes of a capital increase of the Subfund in the long term; in this respect, there is no minimum and/or maximum limit on the duration of products in which the asset of the Subfund are invested. The Subfund will also offer to its investors an easy access to emerging markets (as they are defined below), several of which can grant an interesting potential performance in different asset classes. In addition to the possibility for the Subfund to enter into transactions relating to futures, swaps, options on transferable securities/indices and options on financial instruments for the purposes further specified under point e) "Financial Derivative Instruments" below, the Subfund may more specifically, in the context of the use of financial derivative instruments for hedging purpose and on an ancillary basis, pursue a so-called risk overlay strategy in specific Segments (the "**Cash & Delta One Reference Portfolio Hedging Strategy**"), aiming at reducing the global exposure of the Subfund to the equity markets through the use of financial derivative instruments such as futures and options. The notional of such financial derivative instruments in the Cash & Delta One Reference

Portfolio Hedging Strategy (the “**Equity Notional to be Hedged**”) will be determined periodically according to the global exposure of the Subfund to the equity market (the “**Equity Notional**”) and to the hedge ratio to be implemented (decided by the Management Company upon consultation of the Advisory Committee) (the “**Hedge Ratio**”). Such investment strategy (as using financial derivative instruments) bears specific risks and may have an impact on the performance of the Subfund.

In order to achieve its investment objective, the Subfund will invest in bonds (sovereign, corporate and high yield) and equity on a worldwide basis and in all economic sectors. Furthermore, the Subfund will invest in units of UCITS and/or UCIs and may hold liquid assets on an ancillary basis.

(i) Bonds

The Subfund will invest in the following bond markets:

- instruments issued or guaranteed by EU member countries, OECD countries or by international organizations which are part of the EU member countries;
- government bonds of ex-EMU market countries;
- corporate bonds of companies located worldwide;
- High-Yield bonds.

In this context, emerging countries are defined as countries which are at the time of investment not considered by the International Monetary Fund, World Bank, International Finance Corporation (IFC), a leading index provider or by any other source, to be developed, high-income industrialized countries.

The Subfund's assets will be invested up to a maximum of 15% in high-yield bonds.

The Subfund's assets will be invested up to a maximum of 25% in bonds of emerging markets.

(ii) Equities

The Subfund's assets will furthermore be invested in equities and equity-type securities of companies worldwide, including units in closed-ended exchange traded funds (ETFs) as well as in UCI primarily taking exposure on the equity markets.

The Subfund's assets will be invested up to a maximum of 25% in equities of emerging markets.

(iii) Units of UCITS and/or other UCIs

The Subfund's assets will be invested in units of UCITS and/or other UCIs which fulfil the criteria set out in Chapter 19 – “Investment Restrictions” of Section II “General Provisions” under number 1 lit. A (h), including units in open-ended exchange traded funds (ETFs).

(iv) Liquid assets on an ancillary basis

The Subfund's assets may be invested on an ancillary basis in liquid assets in the form of bonds including floating rate notes, cash, short-term bank deposits and regularly traded money market instruments.

In particular, the Subfund may hold cash without any limitation for a limited period of time appropriate to meet liquidity needs if the portfolio managers consider this to be in the best interest of the shareholders.

(v) Financial derivative instruments

This Subfund may enter into transactions relating to futures, swaps, options on transferable securities/indices and options on financial instruments for a purpose other than hedging in compliance with what is provided under section “Financial Techniques and Instruments” of Chapter 19. “Investment Restrictions”. For hedging purposes and in the interest of the efficient management of the portfolio, the Subfund may also take exposure on the global markets by way of financial derivative instruments, such as futures, swaps and options on transferable securities/indices in compliance with what is provided under section “Financial techniques and Instruments” of Chapter 19 “Investment restrictions”. The Subfund may further use such instruments in order to mitigate its global exposure to equity, rates, or FX markets with the view to pursuing its risk overlay strategy.

- **Options on transferable securities/indices:** an option on transferable securities or on indices gives the purchaser, or "Holder", the right, but not the obligation, to purchase, in the case of a call option, or sell, in the case of a put option, a set amount of the underlying at a fixed price by a stated expiration date. The Holder pays a commission (a 'premium') for the option but cannot lose more than this amount, plus associated transaction fees. Compared with futures, options only impose an obligation on the seller or 'Issuer'. If the option is exercised by the Holder, the Issuer is obliged to settle the transaction by surrendering the underlying asset or the cash, based on the value of the underlying asset. An option becomes worthless for the holder if it is not exercised within the period of validity. Such options may be traded on the official listings of a stock market for transferable securities, or traded 'over-the-counter' with first-class financial institutions specialised in this type of transaction. When purchasing an OTC option, the holder will be subject to the default risk of the issuer; for this reason, the purchase of this type of option may require that a guarantee be provided in the form of a margin deposit.
- **Futures:** a future is a bilateral contract conferring the purchase or sale of a fixed amount of financial instruments (such as index or other instrument) at a stated time in the future for a fixed price. Under these terms, a future has a specific redemption date at which the index value must be surrendered by the seller and acquired by the buyer. The purchase or sale of futures differs from the purchase or sale of transferable securities or other types of instrument in that no initial purchase price is paid. Instead, a variable cash sum no greater than the contract value is deposited with a broker as an 'initial margin'. Subsequent payments from or to the broker will be made daily taking into account the variation, for example, of the index. The use of futures instead of investing in the underlying has the advantage of lower transaction fees.
- **Swaps:** The Subfund can use swaps such as for example Interest Rate Swaps, Currency Swaps, Credit Default Swaps and Zero Coupon Swaps.

#### 4. Investment restrictions

Notwithstanding the provisions of Chapter 19 - "Investment Restrictions" of Section II - General Provisions of this Prospectus, the Subfund cannot assume "leverage" positions or invest in "short selling" activities.

#### 5. Securities financing transactions

The Subfund uses securities financing transactions in form of securities lending for efficient portfolio management purposes.

The use of such financial instruments is not expected to affect the Subfund's over-all risk profile.

A maximum of 100% of the assets held by the Subfund can be subject to securities lending transactions. The expected percentage of the assets subject to securities lending is between 0% and 50%.

All the revenues arising from securities financing transactions in the form of securities lending, the net of direct and indirect operational costs/fees, will be returned to the Subfund.

Any direct and indirect operational costs/fees arising from securities financing transactions in the form of securities lending, that may be deducted from the revenue delivered to the relevant Subfund must not include hidden revenue. Such direct and indirect operational costs/fees will be paid to the entities outlined in the annual and semi-annual report of the Fund, which shall indicate if the entities are related to the Management Company or the Depositary.

The Subfund will not make use of other securities financing transactions, i.e. (i) repurchase transactions (ii) commodities lending and securities or commodities borrowing (iii) buy-sell back transactions or sell-buy back transactions, (iv) margin lending transactions, and also not of total return swaps.

#### General risk information

##### **Sustainability Risks**

"Sustainability Risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by the Subfund. Such Sustainability Risks are principally linked to climate-related events resulting from climate change (i.e. physical risks) or to the society's response to climate change (i.e. transition risks), which may potentially affect the Subfund's returns. Social events (e.g. inequality, inclusiveness, labour relations, investment in human

capital, accident prevention, changing customer behavior, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks.

In general, where a Sustainability Risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value. As such, for a company in which the Subfund invests, this may be because of damage to its reputation resulting in a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. A company may also suffer the impact of fines and other regulatory sanctions. The time and resources of the company's management team may be diverted from furthering its business into dealing with the Sustainability Risk event, including changes to business practices and dealing with investigations and litigation. Sustainability Risk events may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by companies to which the Subfund is exposed may also be adversely impacted by a Sustainability Risk event.

A Sustainability Risk event may arise and impact a specific investment or may have a broader impact on an economic sector, geographical or political region or country. For instance, sector and geographic Sustainability Risk events may have an impact on the investment value of the sovereign fixed income exposure of the Subfund.

### **Investments in equities**

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: sharp fluctuations in market price, negative information on issuers or markets and subordination of equities to bonds issued by the same enterprise. Potential investors should also consider fluctuations in exchange rates, the possibility of controls on foreign exchange and other restrictions.

### **Investments in Emerging Market Countries**

Investing in emerging markets may carry a higher risk than investing in developed markets. There may be a higher than usual risk of political, economic, social and religious instability and adverse changes in government regulations and laws in less developed or emerging markets, which could affect the investments in those countries. The assets of Subfunds investing in such markets, as well as the income derived from the Subfund, may also be effected unfavourably by fluctuations in currency rates and exchange control and tax regulations and consequently the Net Asset Value of Shares of these Subfunds may be subject to significant volatility. Also, there might be restrictions on the repatriation of the capital invested. Some of these markets may not be subject to accounting, auditing and financial reporting standards and practices comparable to those of more developed countries and the securities markets of such markets may be subject to unexpected closure. In addition, there may be less government supervision, legal regulation and less well defined tax laws and procedures than in countries with more developed securities markets.

Moreover, settlement systems in emerging markets may be less well organised than in developed markets. Thus, there may be a risk that settlement may be delayed and that cash or securities of the concerned Subfunds may be in jeopardy because of failures or of defects in the systems. In particular, market practice may require that payment shall be made prior to receipt of the security which is being purchased or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank through whom the relevant transaction is effected might result in a loss being suffered by the Subfunds investing in emerging market securities.

### **Risk associated with the investment in units of UCITS and/or UCIS and ETFs**

By investing in collective investment vehicles indirectly through the Subfund, the investor will bear not only his proportionate share of the management fee of the Subfund, but also indirectly, the management and administration expenses of the underlying collective investment vehicles. In the case of investment in closed-ended investment vehicles, shares may at times be acquired only at market prices representing premiums to their net asset values. Shares of such collective investment vehicles will be valued at their last available stock market value. Closed-ended investment vehicles which are not subject in their country of origin to permanent supervision by a supervisory authority set up by law in order to ensure the protection of investors may expose the Subfund investing in them to additional risks than if they were investing in collective investment vehicles

established in other jurisdictions more protective of the investors (for instance, less frequent opportunities for disposal, delayed payment or non-receipt of settlement monies, or less protective judicial structures).

The Subfund may invest in shares of collective investment schemes including exchange traded funds, closed-ended funds and UCITS – collectively, underlying funds. These funds may be advised or sub-advised by the Portfolio Manager, an affiliate manager or by an unaffiliated manager. The ability of the Subfund to invest in shares of an underlying fund or funds to achieve its investment objective may be directly related to the ability of the underlying funds to meet their investment objectives. The Subfund will be exposed to the risks to which the underlying funds are exposed. These risks may include liquidity risk where the ability of the Subfund to meet the liquidity requirements of its investment is directly linked to the ability of the underlying funds to meet their liquidity requirements.

#### **Risks associated with the use of financial derivative instruments**

While the prudent use of financial derivative instruments may be beneficial, financial derivative instruments are also subject to different risks that, in certain cases, may be greater than the risks associated with more traditional investments. These include: market risk, which is associated with all types of investment; management risk, as the use of financial derivative instruments requires understanding not just of the underlying but also of the financial derivative instrument itself; credit risk, which is the result of the default risk, if the counterparty to the financial derivative instrument fails to respect the terms of the derivatives contract.

The credit risk for financial derivative instruments traded on a regulated market is generally lower than for OTC derivatives, because the clearing agents, which assume the function of issuer or counterparty in relation to each derivative traded over the counter, assume a performance guarantee. This guarantee is provided via the margin deposit requirements for purposes of reducing global credit risk. In the case of financial derivative instruments traded over-the-counter, there is no comparable clearing agent. As a result, the rating of each counterparty must be analysed in order to evaluate the potential credit risk.

Liquidity risk exists when a particular instrument is difficult to purchase or sell and it might not be possible to conclude the transaction or liquidate a position at an advantageous price.

The other risks associated with using financial derivative instruments include the valuation risk or the impossibility of perfectly correlating financial derivative instruments with the underlying assets and indices.

The principal risk when engaging in OTC derivatives (such as non-exchange traded options, forwards, swaps or contracts for difference) is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations as required by the terms of the instrument. OTC derivatives may expose a Subfund to the risk that the counterparty will not settle a transaction in accordance with its terms, or will delay the settlement of the transaction, because of a dispute over the terms of the contract (whether or not *bona fide*) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Subfund. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to a Fund.

#### **Risk associated with the use of securities financing transactions in the form of securities lending**

Securities lending involve certain risks and there can be no assurance that the objective sought to be obtained from the use of such techniques will be achieved.

The principal risk when engaging in securities lending is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Subfund as required by the terms of the transaction. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Subfund. However, there are certain risks associated with collateral management, including difficulties in selling collateral and/or losses incurred upon realization of collateral, as described in Chapter 19, Investment Restrictions – Collateral Policy and Management of the Prospectus.

Securities lending also entail liquidity risks due, *inter alia*, to locking cash or securities positions in transactions of excessive size or duration relative to the liquidity profile of the Subfund or delays in recovering cash or securities paid to the counterparty. These circumstances may delay or restrict the ability of the Subfund to meet redemption requests. The Subfund may also incur operational risks such as, *inter alia*, non-settlement or

delay in settlement of instructions, failure or delays in satisfying delivery obligations under sales of securities, and legal risks related to the documentation used in respect of such transactions.

### Leverage

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the financial derivative instruments used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some financial derivative instruments 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.

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 Subfund. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund – Psychology for Sustainable Yield ENPAP Selection Fund	Commitment Approach	n.a.	n.a.

<sup>1</sup> In accordance with CSSF Circular 11/512, reference portfolio must be disclosed for Subfunds for which the Global Risk Exposure is calculated using the Relative Value at Risk Approach.

### Portfolio management

UBS Third Party Management Company S.A., domiciled at 33A avenue J.F. Kennedy, L-1855 Luxembourg, is the Management Company of the Fund and has therefore assumed the management of the assets of this Subfund.

UBS Third Party Management Company S.A. delegated the management of the Subfund to the following portfolio managers, each managing a particular Segment of the Subfund's portfolio as set out in the relevant portfolio management agreements:

- MFS International (U.K) Limited, with registered office in England and Wales with the company number 03062718 with registered office at 1 Carter Lane, London, EC4V 0ER, United Kingdom;
- Muzinich & Co. Limited, with registered office at 8 Hanover Street, London, W1S 0YQ, United Kingdom;
- Morgan Stanley Investment Management Limited, with registered office at 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom;
- Quoniam Asset Management GmbH, with registered office at Westhafen Tower, Westhafenplatz 1, 60327 Frankfurt am Main, Germany;
- AGF International Advisors Company Ltd, with registered office at 34 Molesworth Street, Dublin 2, Ireland;
- AGF International Advisors Co. Ltd. has sub-delegated the investment functions to AGF Investment Inc., 66 Wellington St. W., Suite 3100, Toronto, ON, M5K 1E9, Canada;
- Lyxor Asset Management S.A.S., with registered office at Tours Société Générale, 17 Cours Valmy, 92987 La Défense Paris, France;

- Nikko Asset Management Europe Limited, with registered office at City Tower, 40 Basinghall Street, London EC2V 5DE, United Kingdom;
- Danske Bank A/S, Holmens Kanal 2-12, 1092 København K, Denmark; and

Franklin Templeton Investment Management Limited, with registered office at Cannon Place, 78 Cannon Street, London EC4N 6HL, United Kingdom.

Each of the portfolio managers are authorized to receive a fee of up to 0,40% p.a. for exercising their function in relation to the relevant Segment of the Subfund managed by the respective portfolio manager. The services of all portfolio managers for the Subfund are subject to a global minimum fee of EUR 360,000 p.a.

Each of the sub-portfolio managers are authorized to receive a fee described in the relevant agreements for exercising their function in relation to the relevant Segment of the Subfund managed by the respective sub-portfolio manager. Each of the sub-portfolio managers will receive their fee from the relevant portfolio manager, who has appointed the respective sub-portfolio manager.

These fees are calculated based on the portion of the assets of the Subfund managed by each of the Portfolio Managers Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund (excluding any cash or funds for which the Portfolio Manager or an affiliate is acting as Portfolio Manager with the exception of Franklin Templeton Investment Management Limited) to the respective portfolio manager.

By way of derogation from the preceding sentence, as regards the Lyxor Segment "*Cash & Delta One Reference Portfolio Hedging Strategies*" (as further described under section 3. "Investment objective and policy"), the fee is calculated as a percentage of the Equity Notional to be Hedged. More precisely, the portfolio manager's remuneration shall be as follows:

*Portfolio manager fee = 0,23% x the Equity Notional to be Hedged;*  
*Equity Notional to be Hedged = Equity Notional x the Hedge Ratio.*

The Equity Notional to be Hedged is initially set at EUR 90,000,000.00, but may be modified during each Advisory Committee meeting. The fee will be calculated and accrued on each Valuation Day. The minimum fee for the first twelve months is set at EUR 100,000.00.

In addition, any delegated portfolio manager may, as set out in the relevant portfolio management agreement, receive a performance fee of up to 20% of the positive difference (if any) between:

- The total net assets of the Segment (after accruals of all fees except performance fees) as of the Performance Fee Valuation Day, and
- The Target Net Asset Value.

The total net assets of the Segment are equal to the value of the assets included in the Segment at a given Performance Fee Valuation Day.

The term "Target Net Asset Value" at a given valuation day is defined as being equal to the High Water Mark, augmented by the Benchmark in Money terms.

The Benchmark in Money terms corresponds to the index that has been indicated under paragraph e) "Benchmark" of the present supplement and in the portfolio management agreement entered into with each relevant portfolio manager. The Benchmark in Money terms is the yield which would have been realized by investing the High Water Mark - with relevant cash inflow/outflow taken into account as follows - in an investment vehicle replicating the performance of the index above mentioned over the relevant Performance Fee Period.

The Performance Fee Period is an annual period starting from the last end-of-period at which a performance fee has been paid; the first Performance Fee Period starts from the first date at which the Net Asset Value for the Subfund is calculated.

The Benchmark in Money Terms is calculated taking into account cash inflows and outflows over the performance period with the same methodology used to calculate the daily Net Asset Value of the Subfund. The Benchmark in money terms is reset on every Performance Fee Valuation Day which entitles the portfolio managers to the payment of a performance fee.

The High Water Mark at a given Valuation Day is equal to the greater of:

- the value of the total net assets included in the Segment at the initial subscription date, adjusted for cash inflows and cash outflows of the relevant period, and
- the last end-of-period the total net assets of the Segment at which a performance fee has been paid, adjusted for cash inflows and cash outflows of the period.

The above mentioned performance fee is capped at 4% per annum of the Net Asset Value for the Segment. In case of redemptions, the accrued performance fee attributable to the cash outflow will be crystallized and paid to the Portfolio Manager.

The performance fee period is 1 year, ending on the 31st of December of each year. For 2015, the performance fee period starts on the inception date and ends on the 31st of December.

### **Distribution**

UBS Third Party Management Company S.A. has delegated the distribution of shares of the Subfund to UBS (Italy) S.p.A., with its registered office in Italy, Via del Vecchio Politecnico 3, 20121 Milano (Italy).

UBS (Italy) S.p.A. will not receive any distribution fee for exercising its function as distributor of the Subfund.

### **Advisory Committee**

For this Subfund, the Management Company will create an Advisory Committee pursuant to Section 9 ("Advisory Committee") of this Prospectus with a maximum number of five (5) members. The members of the Advisory Committee will be fully disclosed in the latest audited annual report which is available free of charge at the registered office of the Company.

In addition to the provisions in Section 9 – "Advisory Committee" of Section II – General Provision of the Prospectus, following provisions shall apply in relation to the Advisory Committee for this Subfund:

In the event the Board wishes to modify the Prospectus, except amendments and modifications which are due to legislative and/or regulatory reasons, in a way that will impact the Subfund's investment guidelines, asset allocation, risk profile and the Subfund's profit and therefore in general, the rights and interests of the shareholders of the Subfund (each being a "Significant Modification"), the Board will proactively inform the Advisory Committee in good time in writing. The Advisory Committee will provide the Board with its view on the Significant Modification within 3 business days in writing. Upon receipt of such statement or after the aforementioned delay has expired, the Board will proceed with the relevant Significant Modification.

In addition, in the event the Management Company wishes to either (i) change the allocation with respect to a segment managed by a portfolio manager or (ii) terminate the appointment of a portfolio manager or (iii) appoint an additional or replacement portfolio manager, the Management Company will proactively inform the Advisory Committee in good time in writing. The Advisory Committee will provide the Management Company with its view on these intended changes within 3 business days in writing. Upon receipt of such statement or after the aforementioned delay has expired, the Board will proceed with the relevant changes.

Notwithstanding the provision of Section 9 – "Advisory Committee" of Section II – General Provision of the Prospectus, it is provided that, unless called by the Management Company, the convening notices for a meeting of the Advisory Committee of this Subfund will be sent at least five (5) days prior to the meeting by the chairman to discuss the general activity of the Subfund.

## **Investing in LUXEMBOURG SELECTION FUND – Psychology for Sustainable Yield ENPAP Selection Fund**

### **General information**

- Reference currency of the Subfund: EUR

The Reference Currency is the currency in which the Net Asset Value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.

- Dividend policy: This Subfund pursues a policy of distribution.
  - a) Share Classes:
    - a. Class A shares: are reserved to institutional investors; and subscribing (at the initial subscription) a minimum amount of EUR 10.000.000
    - b. Class B shares: are reserved to institutional and non-institutional investors subscribing a minimum amount of EUR 1.000.000.
- Valuation Day: the Net Asset Value per share is determined on each Business Day.
- Shares are issued exclusively in the form of registered shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function of up to 0.0416% (with a minimum amount of EUR 30.000) per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.
- Depositary fee: the Depositary is authorised to receive a fee for exercising this function of up to 0.03% (with a minimum amount of EUR 18.000) per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund.
- Management Company fee: the Management Company is authorised to receive a fee for its services of up to 0.0201% (with a minimum amount of EUR 17.500) per year, calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day. The fees are payable every six months during the month following the relevant semester directly out of the assets of the Subfund.
- Data Provider fee: the Subfund shall pay for the services rendered by the Data Provider an annual amount of EUR 26.000, in equal instalments of EUR 6.500 on a quarterly basis.
- Additional fees may be charged to the Subfund for further services of the Central Administration Agent, the Depositary and the Management Company as reflected in Section "Total Expense Ratio (TER)" below.

### **Subscriptions**

- Both Class A and B shares may be subscribed on between 21 December 2015 and 24 December 2015.
- The initial subscription price per shares of amounts to EUR 100.
- Subscription requests received by the Subfund no later than 12 p.m. (Central European Time) on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day, provided that the issue price is paid no later than two (2) Business Days after the relevant Valuation Day.
- Subscription fee: Class A shares: none; Class B shares: 5% of the Net Asset Value in favour of the sales agent

### **Redemptions**

- Redemption requests received by the Subfund no later than 12 p.m. (Central European Time) on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day. The counter value for redeemed shares is paid no later than two (2) Business Days after the relevant Valuation Day unless legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Depositary, make it impossible to transfer the redemption amount to the country in which the redemption application was submitted.
- Redemption fee: none.

### **Conversions**

- Conversion fee: none.

### **Past performance**

- The past performance of this Subfund will be shown only once there is one full calendar year of performance history.

### **Portfolio turnover**

- The portfolio turnover rate is included in the annual report. It is calculated using the following formula:

Portfolio turnover rate = the *minor* value between: (Total 1; and Total 2) / AA

where

Total 1 = total of transactions of purchase of assets during the relevant period

Total 2 = total of transactions of selling of assets during the relevant period

AA = annual average of assets of the Subfund

### **Total Expense Ratio (TER):**

- The TER, being equal to the ratio between the gross amount of Subfund fees and the average of its net assets, is included in the annual report. It includes among others the following fees: the custodian fee, the central administration agent fee, the portfolio management fee, the management company fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, expenses for preparing and printing the KIID, costs in relation to the applicable due diligence procedures, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment and operational costs in relation to the day to day management of the Subfund.

# LUXEMBOURG SELECTION FUND – Arcano Low Volatility European Income Fund – ESG Selection

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND – Arcano Low Volatility European Income Fund – ESG Selection and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## Investor profile

The Subfund is suitable for private and institutional investors seeking:

1. to maximize total investment returns via an approach emphasizing low volatility through fixed-rate and floating-rate fixed-income instruments selection;
2. a strategy focused on recurring income and capital appreciation;
3. active portfolio management and defensive investment criteria;
4. exposure to a diversified portfolio of European high-yield bonds, fixed-income corporate debt securities with fixed or variable interest rates.

This Subfund is intended for investors who can afford, in principle, to set aside their capital as investment capital for a period of at least three years.

## Risk profile

### **General risks**

The most relevant risks associated with the Subfund can be summarized as follows: credit risk, interest rate risk, market risk, asset liquidity risk, capital risk, counterparty risk, collateral risk, credit rating risk, currency risk, high yield investment risk, risk linked to discretionary portfolio management, inflation risk, UCITS investment risk, emerging countries risk, financial derivative instruments risk, structured finance securities risk, contingent convertibles instruments risk, contingent equity risk.

The capital invested may fluctuate up or down, and investors may not recover the entire value of the capital initially invested.

## Investment objective and policy

### **Objective**

The Subfund's objective is to offer a balanced low volatility investment strategy that generates attractive returns. As experienced fixed-rate and floating-rate fixed-income instruments investors with a proven track record in fixed income investing, the portfolio manager will apply its rigorous screening process to deliver a low volatility approach to the European Credit space. Fixed-income instruments selection will be complemented with an emphasis on floating rate instruments to achieve a strategy with shorter duration – duration being one of the main drivers of volatility. Furthermore, a focus on recurring income as opposed to price appreciation will contribute to a more resilient performance. The portfolio manager's investing approach is based on a bottoms-up philosophy – selectively handpicking credits to construct a high conviction portfolio underpinned by its own in-house exhaustive research analysis not only on the investment decision but on the ongoing monitoring of the fixed-rate and floating-rate fixed-income instruments in the portfolio. This rigorous fundamentals-based investment process will provide investors with a higher degree of principal stability than is typically available in a portfolio of lower rated fixed income investments.

The investment analysis performed by the portfolio manager aims at proactively integrating environmental, social and governance (ESG) screening, monitoring and engagement as a way to recognize, analyze and tackle factors of long term risk that may affect the performance of portfolio companies and of the society as a whole. More specifically, the Subfund aims at attaining the ESG characteristics promoted by the Subfund by

implementing this objective in the investment decision-making process on a continuous basis as further described under "Promotion of ESG characteristics" below. Typically, ESG characteristics promoted by the Subfund are the following:

- Environmental characteristics: Environmental characteristics include climate change, natural resource use, waste management and environmental opportunities.
- Social characteristics: Social characteristics include human capital management, product safety, social opportunities, as well as supply chain management.
- Governance characteristics: Governance characteristics include corporate governance, business ethics and governmental and public policy.

While the Subfund may make sustainable investments, it does not have as its objective a sustainable investment.

## Policy

The Subfund will seek to invest principally in a diversified portfolio of European high yield, fixed-income corporate debt securities with fixed or variable interest rates. At least two-thirds of the Subfund's assets will be invested in debt instruments denominated in euros or issued by corporations or entities with European exposure. These debt instruments will be issued principally by medium and large sized corporations but may also include, among others, governments or governmental agencies or instrumentalities. Moreover, on an ancillary basis, the portfolio manager may also invest in debt instruments issued in non-European currencies or by non-European entities. The issuers will principally be from countries which possess an investment grade rating from S&P, Moody's or Fitch, but the Subfund may also invest in issuers of countries which do not possess an investment grade rating.

## Promotion of ESG characteristics

The Subfund's investments are subject to a comprehensive ESG assessment in which ESG characteristics, such as environmental, social and governance concerns, each as determined by the portfolio manager in accordance with the Subfund's ESG policy available on the portfolio manager's website, are integrated into the fundamental analysis performed on each potential investment.

For the purpose of performing its analysis on each potential investment and integrating Sustainability Risks (as defined below) into the Subfund's investment decisions, the portfolio manager has developed a five-step approach:

1. Data gathering: The portfolio manager will collect data on the ESG performance of potential investments by performing an ESG due diligence on them. In addition to the internally performed due diligence, ESG factors may be evaluated by the portfolio manager using data from independent ESG research providers, which form part of the portfolio manager's investment analysis.

On the basis of the data gathered, the investment analysts of the portfolio manager determine the ESG compliance of companies in accordance with both negative criteria (i.e. negative criteria which, if present, prevent the Subfund from making a certain investment) and positive criteria (i.e. criteria which are considered with respect to a potential investment in order for the Subfund to be allowed to make the investment).

2. Application of negative criteria: The portfolio manager applies a negative screening policy by which it excludes from the Subfund's investment universe securities directly or indirectly linked to companies the primary business activity (as defined below) of which entails controversial practices, including but not limited to:
  - (a) production of or trade in weapons and firearms,
  - (b) extraction of oil and gas, thermal coal mining,
  - (c) tobacco,
  - (d) production of protected wildlife threatening substances which is banned by applicable global conventions and agreements,
  - (e) Pornography or prostitution,
  - (f) Gambling,

(g) Subprime lending or payday lending activities.

The portfolio manager also excludes from the investment universe of the Subfund companies which do not comply with the ten principles of the United Nations Global Compact (an UN corporate sustainability initiative formed on 26 July 2000) and which are rated with an insufficient internal ESG score in accordance with the Subfund's ESG policy available on the portfolio manager's website. For the purpose of the Subfund's ESG policy, "Primary Business Activity" is defined as any relevant business, trade or production from which the obligor derives more than 50% of its revenues.

3. Application of positive criteria/Assignment of an internal ESG score: The portfolio manager assigns an internal ESG score to every potential investment on the basis of the data collected. The scores range from 0 to 100, with 0 classified as the best possible score.
4. Impact of ESG scores on investment allocation: The internal ESG score limits the possible maximum exposure of the fund to (i) a certain potential investment, and (ii) total investments with regards to a certain category of investments as further described in the Subfund's ESG policy available on the portfolio manager's website. Regardless of the maximum exposure determined by the portfolio manager, the limits set by applicable regulatory laws and rules apply to each of the potential investments.
5. Monitoring and engagement: Reviews of assigned scores are carried out periodically, and may in addition occur on a punctual basis (triggered by news, events or by proposal of the competent persons as determined by the portfolio manager). At the time of the assignment of the ESG score, the portfolio manager sets engagement targets, upon which companies' performance is evaluated over time.

Investors are invited to consult the additional information available on the following website ([www.fundinfo.com](http://www.fundinfo.com)). For complementary information, the Subfund's portfolio manager invites investors to also consult the detailed Subfund's ESG policy and additional information on the Subfund's promotion of ESG characteristics on its website (available on <https://www.arcanopartners.com/gestion-de-activos/iicsgestionadas/arcanolowvolatility/> and <https://www.arcanopartners.com/gestion-de-activos/unpri/>).

The Subfund's portfolio manager actively monitors Sustainability Risks (as defined below) that represent a potential or actual material risk. The integration of Sustainability Risks is based on the negative screening and the engagement approach.

The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, region and asset class. The main Sustainability Risks specific to the Subfund are detailed in the Subfund's ESG Policy available on <https://www.arcanopartners.com/gestion-de-activos/iicsgestionadas/arcanolowvolatility/>. Further general information about the likely impacts of Sustainability Risks on the returns of the Subfund is disclosed under "General risk information" below.

## Ratings

Various credit rating agencies investment services rate some of the types of securities in which the Subfund may invest. Higher yields are ordinarily available from securities in the lower-rating categories and from unrated securities of comparable quality.

These ratings will be considered in connection with the Subfund's investment decisions, but will not necessarily be a determinative or limiting factor. The Subfund may invest in debt instruments regardless of their rating and in debt instruments which are not rated. It is the portfolio manager's expectation, however, that the Subfund will invest mostly in securities rated below investment grade (that is, securities rated below BBB- by S&P, Baa3 by Moody's or BBB- by Fitch). If the rating on a security held by the Subfund declines, the Subfund will consider such matters in its evaluation of the merits of retaining the security in its portfolio, but will not be obliged to dispose of the security should the portfolio manager consider this not to be in the investors' best interest.

### **Corporate bonds and transferable debt securities**

Up to 100% of the Subfund's assets may be invested in corporate bonds and transferable fixed and variable rate debt securities. The issuers may be listed companies or not listed companies. Such instruments may be issued in order to raise financing for a variety of reasons including but not limited to ongoing operations, M&A, or to expand business. They may trade in decentralized, dealer-based, over-the-counter markets and may be listed on exchanges and electronic communication networks.

The transferable debt securities in which the Subfund may invest may also include, among others, the following instruments: (i) securities issued or guaranteed by Member States and Non-Member States, their sub-divisions, agencies or instrumentalities (ii) collateralised loan obligations (CLO) and other asset-backed securities which are transferable securities that are collateralized by receivables or other assets, (iii) freely transferable structured notes, provided that they are in full compliance with the 2010 Law, and (iv) convertible bonds.

### **Cash and cash equivalents**

The Subfund may hold cash and cash equivalents on an ancillary basis appropriate to provide for redemptions or to meet other liquidity needs. These assets may consist of commercial paper and other money market instruments with a remaining maturity not in excess of 12 months, time deposits, demand deposit accounts, exchange-traded funds (ETFs) and monetary-type UCITS and other undertakings for collective investment (UCIs) (within the limit set out by the 2010 Law); as far as there are exceptional market conditions the Subfund may hold cash and cash equivalents temporarily without any limitation if the portfolio manager considers this to be in the best interest of the shareholders. Given their risk profile, cash and cash equivalents will not be considered investments and therefore be treated as cash. For the avoidance of doubt, cash and cash equivalents will not be considered in any concentration limits (including but not limited to geographic, issuer, single position).

### **Financial derivative instruments**

The Subfund may use all types of financial derivative instruments traded on a regulated market and/or over the counter (OTC) (such as but not limited to warrants, futures, options, swaps -including but not limited to total return swaps, contracts for difference-) and forwards for investment or hedging purposes, including but not limited to the following purposes:

- hedging of currency exposure;
- managing the duration exposure of the Subfund within the limits of efficient portfolio management through the use of bond/interest rate futures;
- hedging specific market or portfolio credit risk by entering into credit default swaps or other financial derivative instruments in order to buy protection;
- taking specific market risks by entering into credit default swaps in order to sell protection or through other derivative instruments;
- gaining exposure to financial indices; and
- gaining indirect exposures to loan participation and assignments by entering into cash settled credit default swaps in order to sell or buy protection.

The use of such financial instruments is not expected to affect the Subfund's over-all risk profile.

The Subfund will only enter into OTC derivative transactions with highly rated financial institutions specialized in this type of transaction and only in accordance with the standard terms laid down by the ISDA Master Agreement.

The maximum net exposure of the Subfund may not exceed 100% of its net assets.

### **Total return swaps**

A maximum of 100% of the assets held by the Subfund can be subject to total return swaps transactions, including contracts for difference. The expected percentage of the assets subject to total return swaps, including contracts for difference, is between 0% and 50%.

100% of the net return (i.e. at least 50% of the gross return) generated by total return swaps, including contracts for difference, the net of direct and indirect operational costs/fees, will be returned to the Subfund.

Any direct and indirect operational costs/fees arising from total return swaps, including contracts for difference, will be paid to the entities outlined in the annual and semi-annual report of the Fund, which shall indicate if the entities are related to the Management Company or the Depositary.

#### **Use of financial techniques and instruments**

The Subfund may make use of financial techniques and instruments relating to transferable securities and money market instruments, -including transferable securities and money market instruments embedding financial derivative instruments for the purpose of efficient portfolio management.

#### **Securities financing transactions**

The Subfund may more specifically make use of securities financing transactions -including but not limited to securities lending transactions, sale with the right of repurchase transactions, reverse repurchase and repurchase agreement transactions.

#### **Asset Backed Securities**

Up to 20% of the Subfund assets may be invested in asset-backed securities whether investment is grade or not. These will mainly comprise collateralised loan obligations but may also include, among others, asset-backed commercial paper, collateralised mortgage obligations, commercial mortgage-backed securities, credit-linked notes, real estate mortgage investment conduits, residential mortgage-backed securities and synthetic collateralised loan obligations. The underlying assets of the ABS and MBS may include loans, leases or receivables (such as credit card debt, automobile loans and student loans in the case of ABS and commercial and residential mortgages originating from a regulated and authorised financial institution in the case of MBS). Certain ABS may be structured by using a financial derivative instrument such as a credit default swap or a basket of such financial derivative instruments to gain exposure to the performance of securities of various issuers without having to invest in the securities directly.

#### **Structured Financial Instruments**

The Subfund may invest up to 30% of its assets in structured products embedding or not a financial derivative instrument. These structured products may be backed or linked to the performance of other assets (which may or may not be eligible) and may embed leverage. The aforementioned may include, among others, credit linked notes, convertible bonds, exchangeable bonds, structured financial instruments which are linked to the performance of an index or a basket of assets which may or may not be eligible. In any event, the Subfund may solely invest in structured financial instruments complying with the criteria of transferable securities.

#### **UCITS/UCIs**

The Subfund may invest up to 10% of its net assets in units and/or shares of UCITS and/or other UCIs. The Subfund may not invest in UCITS or other UCIs which invest more than 10% of their net assets in other UCITS and/or other UCIs.

#### **Convertible bonds and Contingent Convertible bonds ("CoCos") and related securities**

The Subfund may invest up to 10% of its assets in convertible bonds (which includes CoCos or related instruments). This strategy can enable the Subfund to take advantage of attractive opportunities in securities similar to conventional corporate bonds, with the benefit of an option on the underlying equity.

CoCos are unlimited, principally fixed-income bonds with a hybrid character which are issued as bonds with fixed coupon payments, but which upon a trigger event are mandatorily converted into company shares or written down, provided that respective trigger events are set out in the issuing terms of the CoCos. Coupon payments on certain CoCos may be entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. Contrary to typical capital hierarchy, CoCo investors may suffer a loss of capital before equity holders.

Most CoCos are issued as perpetual instruments which are callable at pre-determined dates. Perpetual CoCos may not be called on the predefined call date and investors may not receive return of principal on the call date or at any date.

There are no widely accepted standards for valuing CoCos. The price at which bonds are sold may therefore be higher or lower than the price at which they were valued immediately before their sale.

In certain circumstances finding a ready buyer for CoCos may be difficult and the seller may have to accept a significant discount to the expected value of the bond in order to sell it.

There are three types of CoCos with different percentage of risk weighted assets (RWA). The implemented legislation through the Capital Requirements Directive IV (CRD IV) and Capital Requirement Regulation (CRR) as with Basel III, mandates a change in the quantity of the highest quality capital layer Common Equity Tier 1 (CET1), increasing from what was effectively 2% to 4.5% of RWA. While the intent of the legislation is to ensure an increase in a bank's common equity, the regulation allows a financial institution to issue Additional Tier 1 (AT1) securities in non-CET1 capital but in the form of CoCos so that Tier 1 capital is at least 6% of RWA at all times. CoCos may also be issued as Tier 2 (T2) instruments so that total capital is at least 8% of RWA at all times.

## **Equities**

The Subfund may invest up to 25% of its assets in stocks listed on regulated markets or multilateral trading facilities. The Subfund may also be indirectly exposed to this asset category due to the sensitivity of convertible bonds influenced by the price of underlying equities. The Subfund may directly hold equities after exercising the conversion option attached to convertible bonds or following debt restructuration. Although such direct positions are not intended to be held over the long term, the Subfund is not required to sell them within a predefined period.

## **Other**

Look through approach applies to the determination of concentration percentages (including but not limited to geographic, issuer, single position) in considering investments in UCIs or other investments with more than one underlying asset.

## **Benchmark**

The Subfund does not aim to replicate any benchmark index so as to ensure it has the flexibility to build the best risk adjusted return portfolio composition given current market conditions without any restrictions. Following a benchmark would limit investment decisions and interfere with the portfolio manager's strategy of applying a bottom-up and fundamental approach with a view to selectively lending to strong companies. As a result the Subfund's performance may significantly deviate from high yield indices.

## **General risk information**

### **Sustainability Risks**

"Sustainability Risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by the Subfund. Such Sustainability Risks are principally linked to climate-related events resulting from climate change (i.e. physical risks) or to the society's response to climate change (i.e. transition risks), which may potentially affect the Subfund's returns. Social events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behavior, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks.

In general, where a Sustainability Risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value. As such, for a company in which the Subfund invests, this may be because of damage to its reputation resulting in a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of

capital. A company may also suffer the impact of fines and other regulatory sanctions. The time and resources of the company's management team may be diverted from furthering its business into dealing with the Sustainability Risk event, including changes to business practices and dealing with investigations and litigation. Sustainability Risk events may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by companies to which the Subfund is exposed may also be adversely impacted by a Sustainability Risk event.

A Sustainability Risk event may arise and impact a specific investment or may have a broader impact on an economic sector, geographical or political region or country. For instance, sector and geographic Sustainability Risk events may have an impact on the investment value of the sovereign fixed income exposure of the Subfund.

#### **Risks associated with the use of financial derivative instruments**

Due to the possible use of techniques and instruments relating to transferable securities for purposes of efficient portfolio management as well as currency hedging, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved.

While the prudent use of financial derivative instruments may be beneficial, financial derivative instruments are also subject to different risks that, in certain cases, may be greater than the risks associated with more traditional investments. These include: market risk, which is associated with all types of investment; management risk, as the use of financial derivative instruments requires understanding not just of the underlying but also of the financial derivative instrument itself; credit risk, which is the result of the default risk, if the counterparty to the financial derivative instrument fails to respect the terms of the derivatives contract.

As regards OTC derivatives, various mechanisms were introduced successively in the past years, with the aim to reduce counterparty risk associated with the use of such OTC derivatives (i.e. mandatory clearing, mandatory margin exchange). Nevertheless, some OTC derivatives are likely to be more risky than financial derivative instruments traded on a regulated market.

EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation or EMIR) requires certain eligible OTC derivatives to be submitted for clearing to regulated central clearing counterparties and the reporting of certain details to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty risk in respect of OTC derivatives which are not subject to mandatory clearing. Ultimately, these requirements are likely to include the exchange and segregation of collateral by the parties, including by the Fund. More precisely, the Fund will generally, to the extent required by law, require the counterparty to an OTC derivative to post collateral in favour of a Subfund representing, at any time during the lifetime of the agreement, up to 100% of a Subfund's exposure under the transaction, and the Fund will be required to do so vice-versa. This guarantee is provided via the margin deposit requirements for purposes of reducing global credit risk. As a result, the rating of each counterparty must be analyzed in order to evaluate the potential credit risk.

Liquidity risk exists when a particular instrument is difficult to purchase or sell and it might not be possible to conclude the transaction or liquidate a position at an advantageous price.

The other risks associated with using financial derivative instruments include the valuation risk or the impossibility of perfectly correlating financial derivative instruments with the underlying assets and indices.

#### **Risk associated with the use of total return swaps**

Total return swaps involve certain risks and there can be no assurance that the objective sought to be obtained from the use of such techniques will be achieved.

The principal risk when engaging in total return swaps is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Subfund as required by the terms of the transaction. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Subfund. However, there are certain risks associated with collateral management,

including difficulties in selling collateral and/or losses incurred upon realization of collateral, as described in Chapter 19, Investment Restrictions – Collateral Policy and Management of the Prospectus.

Total return swaps also entail liquidity risks due, *inter alia*, to locking cash or securities positions in transactions of excessive size or duration relative to the liquidity profile of the Subfund or delays in recovering cash or securities paid to the counterparty. These circumstances may delay or restrict the ability of the Subfund to meet redemption requests. The Subfund may also incur operational risks such as, *inter alia*, non-settlement or delay in settlement of instructions, failure or delays in satisfying delivery obligations under sales of securities, and legal risks related to the documentation used in respect of such transactions.

### **Risk Associated with investments in Asset-Backed/ Mortgage-Backed Securities (ABS/MBS)**

Asset-backed securities (ABS) are securities issued by special purpose vehicles (SPV) and are backed by a pool of assets, such as corporate loans, auto, student, home equity and other loans, credit card receivables or similar that provide funds for interest payments to the ABS investors and for the repayment of the invested principal. In case of mortgage-backed securities (MBS), the securities are backed by a pool of mortgages. The SPV is established with the sole purpose to issue and administer the ABS/MBS and is fully independent from the entity granted the underlying receivables ("off-balance sheet"). One of the main purposes of ABS/MBS is to reallocate credit and prepayment risks among investors which is achieved by creating different tranches within the securities that have a senior-subordinated structure as regards the credit and pre-payment risks. The attention of the investors is drawn to the fact that the structure of the ABS/MBS and the pools backing them are often intransparent and the Subfund may expose a greater credit and prepayment risks (extension or contraction risks) depending on which tranche of ABS/MBS is purchased by the Subfund.

### **Risks Relating to Repurchase Agreements**

If the other party to a repurchase agreement, with which collateral has been held, should default, the Subfund might suffer a loss to the extent that the proceeds from the sale of the other collateral held by the Fund in connection with repurchase agreement are less than the repurchase price.

In addition, in the event of bankruptcy or similar proceedings of the party to a repurchase agreement or its failure otherwise to perform its obligations on the repurchase date, the Fund could suffer losses, as there may be delays in recovering collateral placed out or costs associated with delay and enforcement of the repurchase agreement.

The use of repurchase agreements may have a significant effect, either negative or positive, on a Subfund's NAV although repurchase agreements do in general not have a material impact on the Fund's performance.

### **Structured Products**

Structured products, such as certificates, credit-linked notes, equity-linked notes or other similar products involve an issuer structuring the product whose value is intended to replicate, to track, to peg or to be linked in any other way to another security, a basket of securities, an index or to a direct or a synthetic position. To be eligible, the structured products must be sufficiently liquid and issued by first-class financial institutions (or by issuers that offer investor protection comparable to that provided by first-class financial institutions). Structured products must qualify as securities pursuant to Art. 41 (1) of the 2010 Law and must be valued regularly and transparently on the basis of independent sources. If the source for valuation is not independent or done by the issuer itself, the Fund or an agent duly appointed by the Fund shall verify the valuation provided.

Different types of risk may apply to structured products since the term encompasses a broad scope of different structuring possibilities. Given that structured products are often unsecured and are only backed by the credit of the issuer, they are subject to credit risk of the issuer. In addition, the structured products may be highly customised. Accordingly, particular attention shall be paid to whether the envisaged structured product is eligible for an investment and suits the Fund's investment objective and investment policy appropriately.

### **Risk associated with investment in CoCos**

**Trigger level risk:** CoCo which qualify as AT1 ("additional tier 1capital") can be converted in Common Equity (CET1 or Tier 1 common equity capital) if certain level are triggered. So CoCos which are AT1 carry de facto an equity risk. The amount of CET1 varies depending on the issuer while trigger levels differ depending on the

specific terms of issuance. The trigger could be activated either through a material loss in capital as represented in the numerator or an increase in risk weighted assets as measured in the denominator.

**Coupon cancellation:** Coupon payments on AT1 instruments are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

While all CoCos (AT1 and T2) are subject to conversion or write down when the issuing bank reaches the trigger level, for AT1s there is an additional source of risk for the investor in the form of coupon cancellation in a going concern situation. Coupon payments on AT1 instruments are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The cancellation of coupon payments on AT1 CoCos does not amount to an event of default. Cancelled payments do not accumulate and are instead written off. This significantly increases uncertainty in the valuation of AT1 instruments and may lead to mispricing of risk. Perhaps most challenging to investors, given the required absence of dividend stoppers/pushers, the AT1 holders may see their coupons cancelled while the issuer continues to pay dividends on its common equity and variable compensation to its workforce.

**Capital structure inversion risk:** contrary to classic capital hierarchy, CoCo investors may suffer a loss of capital when equity holders do not.

In certain scenarios, holders of CoCos will suffer losses ahead of equity holders, e.g., when a high trigger principal write-down CoCo is activated. This cuts against the normal order of capital structure hierarchy where equity holders are expected to suffer the first loss. This is less likely with a low trigger CoCo when equity holders will already have suffered loss. Moreover, high trigger Tier 2 CoCos may suffer losses not at the point of gone concern but conceivably in advance of lower trigger AT1s and equity.

**Call extension risk:** AT1 CoCos are issued as perpetual instruments, callable at pre-determined levels only with the approval of the competent authority.

It cannot be assumed that the perpetual CoCos will be called on call date. AT1 CoCos are a form of permanent capital. The investor may not receive return of principal if expected on call date or indeed at any date.

**Unknown risk** the structure of the instruments is innovative yet untested.

In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform. In the event a single issuer activates a trigger or suspends coupons, will the market view the issue as an idiosyncratic event or systemic. In the latter case, potential price contagion and volatility to the entire asset class is possible. This risk may in turn be reinforced depending on the level of underlying instrument arbitrage. Furthermore in an illiquid market, price formation may be increasingly stressed.

**Yield/Valuation risk:** investors's awareness has to be drawn on instruments such as CoCos which often offer an attractive yield but which may be viewed as carrying a complexity premium.

Yield has been a primary reason this asset class has attracted strong demand, yet it remains unclear whether investors have fully considered the underlying risks. Relative to more highly rated debt issues of the same issuer or similarly rated debt issues of other issuers, CoCos tend to compare favourably from a yield standpoint. The concern is whether investors have fully considered the risk of conversion or, for AT1 CoCos, coupon cancellation.

**Liquidity Risk:** CoCos tend to have higher price volatility and greater liquidity risk than other securities which do not expose investors to the aforementioned risks.

### **Limits concerning Global Exposure and leverage**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations is prepared based on the commitment approach. The risk management procedure shall also be applied within the scope of collateral management (see Chapter 19, Investment Restrictions – Collateral Policy and Management of the Prospectus) and the techniques and instruments for the efficient management of the portfolio (see Chapter

19, Investment Restrictions - Financial techniques and instruments of the Prospectus) as set forth in the CSSF Circular 14/592.

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF Circular 11/512 as the total of the nominal values of the financial derivative instruments used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some financial derivative instruments 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.

The expected maximum leverage is expressed in the table below as a ratio between the total of the nominal value and the Net Asset Value of the Subfund. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfund	Expected Risk Profile	Expected maximum level of leverage (absolute level)	Expected Reference Portfolio (Benchmark) <sup>5</sup>
Luxembourg Selection Fund – Arcano Low Volatility European Income Fund – ESG Selection	Commitment Approach	n.a.	n.a.

#### Portfolio management

UBS Third Party Management Company S.A., domiciled at 33A avenue J.F. Kennedy, L-1855 Luxembourg, has been appointed the Management Company of the Fund and has therefore assumed the management of the assets of this Subfund.

UBS Third Party Management Company S.A. has appointed Arcano Capital SGIIC S.A.U. as portfolio manager of this Subfund (the "Portfolio Manager"). The Portfolio Manager shall report regularly to the board of directors of UBS Third Party Management Company S.A. on their asset allocation key, the evolution of the assets, the adequate liquidity management of the Subfund any risk of potential breach of the investment policy and on the transactions executed for the account of the Subfund.

Arcano Capital SGIIC S.A.U. is an asset manager with registered office at Calle Jose Ortega y Gasset 29, 4<sup>th</sup> floor, E-28006 Madrid, Spain. Arcano Capital SGIIC S.A.U. is authorised and regulated by the Spanish Securities and Markets Authority ("CNMV") in Spain. The firm was founded in Spain on the 6<sup>th</sup> of March of 2015 and is active in the areas of asset management and investment advisory services in Europe.

#### Distribution

UBS Third Party Management Company S.A. has delegated the global distribution of the shares of the Subfund to Arcano Capital SGIIC S.A.U., with its registered office in Calle Jose Ortega y Gasset 29, 4th floor, E-28006 Madrid, Spain. Furthermore, Arcano Capital SGIIC S.A.U. may enter into sub-distribution agreements in jurisdictions where the Subfund may be distributed.

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<sup>5</sup> In accordance with CSSF Circular 11/512, reference portfolio must be disclosed for Subfunds for which the Global Risk Exposure is calculated using the Relative Value at Risk Approach.

## Investing in LUXEMBOURG SELECTION FUND – Arcano Low Volatility European Income Fund – ESG Selection

### General information

- The reference currency is the currency in which the Net Asset Value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund. All non-Euro share classes are hedged against the Euro.
- Dividend policy: This Subfund pursues either an accumulation policy or a dividend distribution policy, depending on the share class.
- Valuation Day: The Net Asset Value per share is determined daily.
- Swing pricing: In case of significant subscriptions or redemptions, various costs for investment and divestment made accordingly within the Subfund may affect their respective net asset values. These costs can be derived from taxes, brokerage fees, dealing spreads and other market and trading considerations (the "Costs"). To protect the interests of existing shareholders, the Board may apply a swing pricing policy to the net asset value of the Subfund. In such case, the proceeds will be for the benefit of the Subfund. Swing pricing policy aims at more closely reflecting the Costs, when the net balance of subscriptions and redemptions for the Subfund is greater than a predetermined threshold percentage of the Subfund's assets. In general, the net asset value will be adjusted upward when there is strong demand to buy shares of a Subfund and downward when there is a strong demand to redeem the shares of the Subfund. These NAV adjustments will normally not exceed 2% of the original NAV. The Board may decide to increase this adjustment limit in specific circumstances to protect shareholders' interests.

### Share classes

Share Class	Reference Currency	Minimum Investment	Distribution Accumulation	Management Fee		Subscription Fee
				Fixed	Variable <sup>(1)</sup>	
CE-A	EUR	[EUR 1]	Accumulation	[0,70%]	none	[Max 2.5%]
CC-A	CHF	[CHF 1]	Accumulation	[0,70%]	none	[Max 2.5%]
CU-A	USD	[USD 1]	Accumulation	[0,70%]	none	[Max 2.5%]
CG-A	GBP	[GBP 1]	Accumulation	[0,70%]	none	[Max 2.5%]
CE-D	EUR	[EUR 1]	Distribution – Quarterly	[0,70%]	none	[Max 2.5%]
CC-D	CHF	[CHF 1]	Distribution – Quarterly	[0,70%]	none	[Max 2.5%]
CU-D	USD	[USD 1]	Distribution – Quarterly	[0,70%]	none	[Max 2.5%]
CG-D	GBP	[GBP 1]	Distribution – Quarterly	[0,70%]	none	[Max 2.5%]
RE-A	EUR	[EUR 1]	Accumulation	[1,30%]	none	[Max 3.0%]
RC-A	CHF	[CHF 1]	Accumulation	[1,30%]	none	[Max 3.0%]
RU-A	USD	[USD 1]	Accumulation	[1,30%]	none	[Max 3.0%]
RG-A	GBP	[GBP 1]	Accumulation	[1,30%]	none	[Max 3.0%]
RE-D	EUR	[EUR 1]	Distribution – Quarterly	[1,30%]	none	[Max 3.0%]
RC-D	CHF	[CHF 1]	Distribution – Quarterly	[1,30%]	none	[Max 3.0%]
RU-D	USD	[USD 1]	Distribution – Quarterly	[1,30%]	none	[Max 3.0%]
RG-D	GBP	[GBP 1]	Distribution – Quarterly	[1,30%]	none	[Max 3.0%]
VE-AP	EUR	[EUR 1.000.000]	Accumulation	[none]	[18%]	[Max 2.5%]
VC-AP	CHF	[CHF 1.000.000]	Accumulation	[none]	[18%]	[Max 2.5%]
VU-AP	USD	[USD 1.000.000]	Accumulation	[none]	[18%]	[Max 2.5%]
VG-AP	GBP	[GBP 1.000.000]	Accumulation	[none]	[18%]	[Max 2.5%]
VE-DP	EUR	[EUR 1.000.000]	Distribution – Quarterly	[none]	[18%]	[Max 2.5%]
AE-A	EUR	[EUR 1]	Accumulation	[none]	[none]	[Max 3.0%]
AE-D	EUR	[EUR 1]	Distribution – Quarterly	[none]	[none]	[Max 3.0%]
E-A	EUR	[EUR 1]	Accumulation	[none]	[none]	[Max 3.0%]
E-D	EUR	[EUR 1]	Distribution – Quarterly	[none]	[none]	[Max 3.0%]

<sup>(1)</sup> Variable management fee applies only when returns are greater than 0%

- Shares classes CE-A, CC-A, CU-A, CG-A, CE-D, CC-D, CU-D, CG-D, VE-AP, VC-AP, VU-AP, VG-AP and VE-DP are available to:
  - financial intermediaries which, according to regulatory requirements are not allowed to accept and keep trail commissions (in the European Union this will include financial intermediaries providing discretionary portfolio management or investment advice on an independent basis);

- financial intermediaries rendering non-independent advice and which according to individual fee arrangements with their clients are not allowed to accept and keep trail commissions;
- Institutional investors investing on their own account. With respect to investors that are incorporated in the European Union institutional investor means Eligible Counterparty/Professional Investors per se.
- Share classes AE-A and AE-D are reserved for (i) funds managed by the same portfolio manager and (ii) employees, directors, shareholders, officers and members of any entity of Arcano Partners group, as well as their respective spouses, ascendants, descendants and siblings..
- Share classes E-A and E-D are reserved for the Spanish feeder fund managed by the same portfolio manager.
- A minimum subscription amount of 1,000,000 (in the currency in which the share of the share class is denominated) is required to activate any inactive share class. The minimum subscription amount can be comprised of several subscriptions. This minimum subscription amount may be waived at the discretion of the Board of Directors.
- The minimum subscription amount for each share class will not be applicable for the employees, directors, officers and members of Arcano Group, and affiliates thereof.

### **Subscriptions**

- Subscription fee is as a percentage of the Net Asset Value shall be in favor of the distributors and sales agents.
- Initial subscription price per share is 100 (in the currency in which the share of the share class is denominated).
- Subscription requests received by the Subfund no later than 12 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.

### **Redemptions**

- Redemption fee: none
- Redemption requests received by the Subfund no later than 12 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.

### **Conversions**

- Conversion fee: none

### **Past performance**

The performance of this Subfund is included in the key investor information document.

### **Portfolio turnover**

The portfolio turnover rate is included in the annual report. It is calculated using the following formula:

Portfolio turnover rate =  $[(\text{Total 1} - \text{Total 2})/\text{M}] * 100$

where

Total 1= total of securities transactions during the relevant period = X+Y

Where X = purchases of securities and Y = sale of securities

Total 2 = total of transactions in Shares of the Subfund during the relevant period = S+T

Where S = subscriptions of Shares of the Subfund and T = redemptions of Shares of the Subfund  
M = average monthly assets of the Subfund

#### **Total Expense Ratio (TER)**

The TER, being equal to the ratio between the gross amount of the Subfund fees and the average of its net assets, is included in the annual report. It includes among others the following fees: the depositary fee, the central administrative agent fee, the portfolio management fee, the management company fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, expenses for preparing and printing the KIID, costs in relation to the applicable due diligence procedures, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and operational costs in relation to the day to day management of the Subfund.

#### **Fees & Expenses**

**Management Fee:** Classes of Shares in the Subfund will be charged a Management Fee as detailed in the share classes table above, which is calculated (all taxes excluded) monthly on the average total net assets of the Subfund (excluding those net assets held in the form of investments in other investment funds managed or controlled by entities of the same portfolio manager). This fee is payable monthly in arrears directly out of the Subfund's assets. The Management Fee includes the Portfolio Management Fee and the Distribution Fee.

Where there is a Variable Management Fee, this will be subject to the following conditions:

- The Variable Management Fee is calculated separately for each class of shares that has a Variable Management Fee structure as per the above table. It shall be accrued daily, deducted and paid annually for each class of shares;
- The Variable Management Fee amounts to the set percentage per share class (as detailed in the share classes table) of the respective annual performance (on a calendar year basis) of the Net Asset Value per unit of each class, as long as the performance is positive. The performance of any share classes that distribute any dividends is calculated considering the reinvestment of dividends.
- The annual reset of the Variable Management Fee takes place on January 1, of each year.
- In case of redemption or cash distribution, the proportion of the accrued provision corresponding to the number of shares redeemed or the amount corresponding to the cash distribution, shall be immediately crystallized and due to the Portfolio Manager.
- The crystallisation process consists in freezing the portion of Variable Management Fee connected to a redemption request of an investor during the investment period.

**Portfolio Management:** Arcano Capital SGIIC S.A.U. as portfolio manager is entitled to a Portfolio Management Fee as further detailed in the Portfolio Management Agreement. The Portfolio Management Fee will be deducted from the Management Fee.

The Portfolio Manager will also be entitled to reimbursement of reasonable out-of-pocket expenses properly incurred in carrying out its duties in the management of the Subfund.

On any Variable Management Fee payment date, the Portfolio Manager may agree, at its sole discretion, to leave in the Subfund any portion of the Variable Management Fee earned. This amount would be kept at the Subfund as an additional Variable Management Fee provision in order to insure the highest alignment of interest with the investors of the relevant share class. Any daily negative performance of the relevant share class would deduct from the value of this reinvested Variable Management Fee up until the totality of the provision is used. At any reset date the Portfolio Manager retains the right to cash-in any outstanding amount of the earned Variable Management Fee which has not been cashed-in yet and that has not been used.

**Distribution:** Arcano Capital SGIIC S.A.U. as distributor is entitled to a Distribution Fee as further detailed in the Distribution Agreement (the "Distributor"). The Distribution Fee will be deducted from the Management Fee.

The Distributor may be entitled to reimbursement of a reasonable proportion of the costs of marketing and advertising and especially those incurred directly in connection with the offering of the Shares of the Subfund.

Moreover, distribution platforms may be entitled to fees granted as a compensation for the distribution of the Subfund through the relevant platforms. Such fees will be deducted from the Management Fee and/or the Variable Management Fee, as the case may be. The distribution platform fee depends on the amount requested by every distribution platform, which may differ depending on the service provider.

Notwithstanding the former, specifically with regards to share classes V, in the unlikely event that the amount of the distribution platform fee of the share classes V is higher than the Variable Management Fee, the Subfund will compensate the missing amount through an additional expense borne by the Subfund itself, provided that this additional expense may not exceed 10 bps.

**Management Company:** The Management Company will be entitled to receive out of the assets of the Subfund an annual fee equal to a percentage of the Net Asset Value of the Subfund subject to a minimum per Subfund. Such fee will be calculated by reference to the Net Asset Value of the Subfund subject to a rate of up to 0.05% p.a. with a minimum fee of EUR 15,000 per annum for the 1st year after launch and a minimum of EUR 30,000 per annum from the 2nd year onwards. The Management Company Fee is charged to the Subfunds on a pro rata basis on each Valuation Day and paid every six months during the month following the relevant semester. The Management Company will also be entitled to reimbursement of reasonable out-of-pocket expenses properly incurred in carrying out its duties. Further fees may be payable to the Management Company in consideration of ancillary services rendered to the Fund and relating to the core services of the Management Company.

**Central Administration:** the Central Administrative Agent will be entitled to receive out of the assets of the Subfund an annual fee equal to a percentage of the Net Asset Value of the Subfund subject to a minimum per Subfund. Such fee will be calculated by reference to the Net Asset Value of the Subfund subject to a rate of up to 0.045% p.a. with a minimum fee of EUR 15,500 per annum for the 1st year after launch and a minimum of EUR 30,000 per annum from the 2nd year onwards. The Central Administrative Agent fee is accrued on each Valuation Day and shall be payable monthly in arrears. The Central Administrative Agent will also be entitled to the reimbursement of reasonable out-of-pocket expenses properly incurred in carrying out its duties. Further fees may be payable to the Central Administrative Agent in consideration of ancillary services rendered to the Fund and relating to the core services of the Central Administrative Agent.

**Depositary:** the Depositary will be entitled to receive out of the assets of the Subfund an annual fee equal to a percentage of the Net Asset Value of the Subfund subject to a minimum per Subfund. Such fee will be calculated by reference to the Net Asset Value of the Subfund subject to a rate of up to 0.05% p.a. with a minimum fee of EUR 15,000 per annum for the 1st year after launch and a minimum of EUR 20,000 per annum from the 2nd year onwards. The Depositary fee is accrued on each Valuation Day and shall be payable monthly in arrears. The Depositary will also be entitled to transaction fees charged on the basis of the investments made by each Subfund consistent with market practice in Luxembourg. Fees paid to the Depositary may vary depending on the nature of the investments of each Subfund and the countries and/or markets in which the investments are made. The Depositary will also be entitled to reimbursement of reasonable out-of-pocket expenses properly incurred in carrying out its duties. Further fees may be payable to the Depositary in consideration of ancillary services rendered to the Fund and relating to the core services of the Depositary.

**ESG data providers and audit fee:** the Subfund may pay for the services rendered by the ESG service providers (mainly including ESG research and independent ESG audits) an annual amount not exceeding EUR 30,000 p.a.. Information in relation to the selected ESG providers can be found in the Subfund's ESG policy available on the portfolio manager's website at <https://en.arcanolowvolatility/#>.

# LUXEMBOURG SELECTION FUND – CORE MEDIO

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND – Core Medio and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## Investor profile

This Subfund is suitable for investors seeking capital appreciation in medium- to a long-term investment horizon. This Subfund invests in a broadly diversified and actively managed flexible portfolio.

As a result, this Subfund is intended for investors who can afford, in principle, to invest their capital as investment capital for a period of at least 4 years.

## Investment objective and policy

### **Objective**

The aim of this Subfund is to provide investors with an opportunity to invest in different asset classes through a flexible asset allocation approach and a broadly diversified portfolio of units of other UCITS and/or UCIs, debt and equity securities, commodities related securities and money market instruments in worldwide markets and currencies. The Subfund investment strategy is designed to increase initial investment with an opportunistic approach.

### **Policy**

The Subfund will mainly seek to invest in units of other UCITS and/or other UCIs. The Subfund may also directly invest in money market instruments and fixed and floating rate securities issued by governments, government agencies, supra national and corporate entities, including emerging markets.

In addition, the Subfund may directly invest in equities, equity rights and warrants as well as equity shares, other equity shares and dividend-right certificates acquired through the exercise of conversion and subscription rights or warrants, or warrants remaining after the separate sale of ex-issues and any equities acquired with these warrants.

The Subfund may invest its assets worldwide and the investments will also be broadly diversified in terms of sectors, issuers and ratings. The Subfund may invest up to 30% of its assets in instruments with a rating below investment grade (lower than "BBB-" by S&P or "Baa3" by either Moody's or similarly by another internationally recognized rating service or determined to be of similar creditworthiness by the Portfolio Manager). If the rating on a security held by the Subfund declines, the Subfund will consider such matters in its evaluation of the merits of retaining the security in its portfolio, but will not be obliged to dispose of the security, should the portfolio manager consider this not to be in the best interest of the investors.

The Subfund limits of exposure to the asset classes shall be considered on a consolidated basis, i.e. either by investment in other funds or by direct investment.

The reference currency of the Subfund is the EUR. Financial instruments are denominated in Euro, American Dollar, Canadian Dollar, UK Sterling, Yen and Swiss Franc.

The Subfund may invest up to 10% in other currencies. The risks related with the investment in currencies other than the reference currency may be hedged partially or in full. Therefore, the Net Asset Value per share of the Subfund may be influenced by the movements in the exchange rates of the invested currencies.

**"Sustainability Risk"** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by each Subfund. Sustainability Risks are not systematically integrated due to the nature of the investment objective of the Subfund and they are also not a core part of the investment strategy. The Subfund does not promote particular Environmental, Social and Governance (ESG) characteristics or pursue a specific sustainability or impact objective. Sustainability Risks are not relevant due to the nature of the investment objective of the Subfund. Sustainability Risks are currently not expected to have a material impact on the returns of the Subfund.

## **Investment strategy**

### **Investments in units of other UCITS and/or other UCIs**

To achieve the investment objectives and ensure a broad diversification of all investments by asset classes, markets, sectors, issuers, ratings and companies, the Subfund may invest up to 100% of its net assets in units of existing UCITS. Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the assets of the Subfund, provided that these are UCITS eligible instruments in particular according to article 50(1)(e) of the UCITS Directive as amended.

The Subfund may invest in units of other existing UCITS and/or UCIs with the emphasis on commodities, on condition that these in turn invest exclusively through a participation in commodity indices and are UCITS eligible.

Subfunds whose net assets are partially or fully invested in units of other existing UCITS and/or other UCIs in accordance with their particular investment policies have either partially or fully the structure of a fund of funds.

The general advantage of a fund of funds structure as compared to a structure of funds that make direct investments in assets is the efficient risk diversification. With a fund of funds, the risk of insufficient investment diversification is not just limited on the basis of the various positions (target funds) in the portfolio, but also because of the strict risk spreading requirements to which the target funds are subject. For this reason, when investing in a fund of funds, the investor enjoys the advantage of a product that undertakes risk diversification by means of which the risk inherent in each individual product is substantially minimized. A fund of funds also offers investors the opportunity to invest in numerous securities by means of a single product. Investors should note that with funds of funds, certain fees and expenses may be payable more than once (e.g. fees for the Depositary Bank and the central Administrative Agency and/or administration fees, management and/or consulting commissions, fees for the issue/redemption of target fund units). These fees may be charged both by the target funds and within the fund of funds.

The general expenses as well as costs incurred when investing in existing funds are dealt with in the Chapter 12 "Charges and Expenses" of the general part of the Prospectus.

### **Investments in debt instruments and bonds**

If it appears to be appropriate to reach the investment objectives, the Subfund may invest up to 100% of its assets in debt instruments. Within this asset class, the Subfund may invest up to 100% of its assets in state-guaranteed (governments or public issuers) or corporate bonds.

### **Investments in equities**

The Subfund may invest up to 40% in equity. This limit of exposure shall be considered on a consolidated basis, i.e. either by investment in other funds or by direct investment.

### **Investments in commodity related instruments**

In addition, the Subfund may invest up to 10% in commodity related instruments, provided that these are UCITS eligible instruments.

The Subfund may invest in exchange-traded funds (ETFs) replicating the price performance of commodity indices, provided that these are UCITS eligible investments in particular according to article 50(1)(e) of the UCITS Directive as amended and the general part of the Prospectus. The Portfolio Manager may also invest in exchange-traded note (ETN) and exchange-traded commodity (ETC) securities replicating the price performance of either commodity indices or individual commodities, provided that these are eligible investments for UCITS.

The Portfolio Manager must ensure at all times that physical delivery to the Subfund is excluded.

### **Use of cash and money market instruments**

In negative market phases, the Subfund may hold temporarily up to 100% in cash and/or in money market instruments.

## **Use of financial derivative instruments**

In negative market phases, the Subfund may also hedge some or all of the investments by using financial derivative instruments such as options or futures. Furthermore, the Subfund is subject to the terms set out in the Section II – Chapter 19 "Investment restrictions".

Pursuant to the section II, Chapter 19 "Investment Restrictions" – "Financial techniques and instruments", the Subfund may buy and sell futures contracts or options on financial instruments, as well as enter into transactions involving options on transferable securities for purposes of hedging or sound portfolio management. The purchase or sale of futures on indices will allow the manager to increase or decrease, at lower costs, the Subfund's market exposure. The purchase or sale of call or put options on transferable securities/indices will allow the manager to increase or decrease the exposure to the underlying with respect to the market conditions/trends.

- **Options on transferable securities/indices:** an option on transferable securities or on indices gives the purchaser, or "Holder", the right, but not the obligation, to purchase, in the case of a call option, or sell, in the case of a put option, a set amount of the underlying at a fixed price by a stated expiration date (or, in the case of certain shares, at that date).

The Holder pays a commission (a 'premium') for the option but cannot lose more than this amount, plus associated transaction fees. Compared with futures, options only impose an obligation on the seller or 'Issuer'. If the option is exercised by the Holder, the Issuer is obliged to settle the transaction by surrendering the underlying asset or the cash, based on the value of the underlying asset. An option becomes worthless for the holder if it is not exercised within the period of validity. Such options may be traded on the official listings of a stock market for transferable securities, or traded 'over-the-counter' with first-class financial institutions specialized in this type of transaction. When purchasing an OTC option, the holder will be subject to the default risk of the issuer; for this reason, the purchase of this type of option may require that a guarantee be provided in the form of a margin deposit.

- **Futures:** a future is a bilateral contract conferring the purchase or sale of a fixed amount of financial instruments (such as index or other instrument) at a stated time in the future for a fixed price. Under these terms, a future has a specific redemption date at which the index value must be surrendered by the seller and acquired by the buyer. The purchase or sale of futures differs from the purchase or sale of transferable securities or other types of instrument in that no initial purchase price is paid. Instead, a variable cash sum no greater than the contract value is deposited with a broker as an 'initial margin'. Subsequent payments from or to the broker will be made daily taking into account the variation, for example, of the index. The use of futures instead of investing in the underlying has the advantage of lower transaction fees.

## **Use of Securities Financing Transaction and total return swaps**

The Subfund will not enter into total return swaps nor make use of securities financing transactions, i.e. (i) repurchase transactions (ii) securities or commodities lending and securities or commodities borrowing (iii) buy-sell back transactions or sell-buy back transactions, and (iv) margin lending transactions.

## **General risk information**

Investors should understand that any investment involves risk and there will be neither a guarantee against loss resulting from an investment in the Subfund nor a commitment that the Subfund's investment objective will be achieved. As with any investment, the value of an investment in the Subfund may fall as well as rise, depending on a multitude of factors that may affect the value of the asset portfolio of the Subfund, including general economic conditions, regulatory changes, market factors and currency exchange rates. In addition, investment decisions will not always be profitable or may not always turn out to have been correct.

The capital invested may fluctuate up or down, and investors may not recover the entire value of the capital initially invested.

## **Risk associated with the investment in units of UCITS and/or other UCIs and ETFs**

By investing in collective investment vehicles indirectly through the Subfund, the investor will bear not only his proportionate share of the management fee of the Subfund, but also indirectly, the management and

administration expenses of the underlying collective investment vehicles. In the case of investment in closed-ended investment vehicles, shares may at times be acquired only at market prices representing premiums to their net asset values. Shares of such collective investment vehicles will be valued at their last available stock market value. Closed-ended investment vehicles which are not subject in their country of origin to permanent supervision by a supervisory authority set up by law in order to ensure the protection of investors may expose the Subfund investing in them to additional risks than if they were investing in collective investment vehicles established in other jurisdictions more protective of the investors (for instance, less frequent opportunities for disposal, delayed payment or non-receipt of settlement monies, or less protective judicial structures).

The Subfund may invest in shares of collective investment schemes including exchange-traded funds, closed-ended funds and UCITS – collectively, underlying funds. These funds may be advised or sub-advised by the Portfolio Manager, an affiliate manager or by an unaffiliated manager. The ability of the Subfund to invest in shares of an underlying fund or funds to achieve its investment objective may be directly related to the ability of the underlying funds to meet their investment objectives. The Subfund will be exposed to the risks to which the underlying funds are exposed. These risks may include liquidity risk where the ability of the Subfund to meet the liquidity requirements of its investment is directly linked to the ability of the underlying funds to meet their liquidity requirements.

#### **Risks associated with the investments in equities**

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: sharp fluctuations in market price, negative information on issuers or markets and subordination of equities to bonds issued by the same enterprise.

Potential investors should also consider fluctuations in exchange rates, the possibility of controls on foreign exchange and other restrictions.

#### **Risks associated with investments in debt securities and bonds**

The risks associated with investments made in bonds and other similar transferable securities can be summarised as follows: interest rate risk, credit risk, liquidity risk and currency risk.

The value of debt securities may change significantly depending on economic and interest rate conditions as well as the credit worthiness of the issuer. Issuers of debt securities may fail to meet payment obligations or the credit rating of debt securities may be downgraded. These risks are typically increased for sub-investment grade debt securities which may also be subject to higher volatility and lower liquidity than investment grade debt securities.

#### **Risks associated with investments in commodity related instruments**

The risks associated with investments made in commodity related instruments can be summarized as follow: sharp fluctuations in market price of commodity, high volatility in prices, prices of commodities influenced by factors other than only financials.

Potential investors should in particular consider fluctuations in exchange rates, the possibility of controls on foreign exchange currencies and other restrictions.

#### **Risk associated with the use of techniques and instruments relating to transferable securities and money market instruments**

Due to possible use of techniques and instruments relating to transferable securities and money market instruments for purposes of efficient portfolio management, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved. For more details on the risks associated with techniques and instruments, please refer to the section "Risks associated with the use of financial derivative instruments".

#### **Risks associated with the use of financial derivative instruments**

While the prudent use of derivatives may be beneficial, derivatives are also subject to different risks that, in certain cases, may be greater than the risks associated with more traditional investments. These include: market risk, which is associated with all types of investment; management risk, as the use of derivatives requires understanding not just of the underlying but also of the derivative itself; credit risk, which is the result of the default risk, if the counterparty to the derivative fails to respect the terms of the derivatives contract. The credit risk for derivatives traded on a regulated market is generally lower than for OTC derivatives, because the clearing agents, which assume the function of issuer or counterparty in relation to each derivative

traded over the counter, assume a performance guarantee. This guarantee is provided via the margin deposit requirements for purposes of reducing global credit risk. In the case of derivatives traded over-the-counter, there is no comparable clearing agent. As a result, the rating of each counterparty must be analysed in order to evaluate the potential credit risk.

Liquidity risk exists when a particular instrument is difficult to purchase or sell and it might not be possible to conclude the transaction or liquidate a position at an advantageous price.

The other risks associated with using derivatives include the valuation risk or the impossibility of perfectly correlating derivatives with the underlying assets and indices. A poor valuation may result in supplementary cash margin deposit requirements, which means a loss for the Subfund.

#### **Risks associated with investments in emerging market countries**

Investing in emerging markets may carry a higher risk than investing in developed markets.

There may be a higher than usual risk of political, economic, social and religious instability and adverse changes in government regulations and laws in less developed or emerging markets, which could affect the investments in those countries. The assets of Subfunds investing in such markets, as well as the income derived from the Subfund, may also be effected unfavourably by fluctuations in currency rates and exchange control and tax regulations and consequently the Net Asset Value of Shares of these Subfunds may be subject to significant volatility. Also, there might be restrictions on the repatriation of the capital invested.

Some of these markets may not be subject to accounting, auditing and financial reporting standards and practices comparable to those of more developed countries and the securities markets of such markets may be subject to unexpected closure. In addition, there may be less government supervision, legal regulation and less well defined tax laws and procedures than in countries with more developed securities markets.

Moreover, settlement systems in emerging markets may be less well organised than in developed markets. Thus, there may be a risk that settlement may be delayed and that cash or securities of the concerned Subfunds may be in jeopardy because of failures or of defects in the systems. In particular, market practice may require that payment shall be made prior to receipt of the security which is being purchased or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank through whom the relevant transaction is effected might result in a loss being suffered by the Subfunds investing in emerging market securities.

#### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based on either the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II Chapter 19 "Investment Restrictions" – "Collateral management") and the techniques and instruments for the efficient management of the portfolio (see Section II, Chapter 19 "Investment Restrictions" - "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

#### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512, as amended by CSSF circular 18/698 on substance, as the total of the nominal values of the derivatives used by the Subfund. According to the 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.

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 Subfund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund - CORE MEDIO	Commitment approach	n.a.	n.a.

<sup>1</sup> In accordance with CSSF Circular 11/512, reference portfolio must be disclosed for Subfunds for which the Global Risk Exposure is calculated using the Relative Value at Risk Approach.

### **Portfolio asset management**

UBS Third Party Management Company S.A., domiciled at 33A avenue J.F. Kennedy, L-1855 Luxembourg, has been designated as the Management Company of the Fund.

UBS Third Party Management Company S.A. has delegated the management of the assets of this Subfund to Optima S.p.A. SIM. Optima S.p.A. SIM (Modena Italy) belongs to the banking group "BPER Banca S.p.A.". Optima S.p.A. SIM was authorized by the *Commissione nazionale per le società e la Borsa* (CONSOB) with Resolution no. 18418 of 19 December 2012 to the investment portfolio management service and to register with the Register of SIMs. Registration in the Register of the SIM at n.284 took place on February 1, 2013. OPTIMA S.p.A. SIM provides a direct portfolio management service to professional clients and on the delegation of the banks of the BPER Banca S.p.A. and by proxy of UBS Third Party Management Company S.A..

### **Distribution**

UBS Third Party Management Company S.A. has delegated the distribution of shares of the Subfund in Ireland and Italy to Allfunds Bank International S.A. with registered office in 2 Avenue Charles de Gaulle, L-1653 Luxembourg ("Allfunds").

For the share classes distributed via the Allfunds Bank platform, Allfunds is entitled to receive an intermediation fee of 0,02% calculated on the total net assets of the Subfund booked on the platform. The fee will be paid quarterly out of the Subfund's net assets.

### **Investing in LUXEMBOURG SELECTION FUND – CORE MEDIO**

#### **General information**

- Institutional and retail Share Class: Shares of "Class I" issued in the Accounting Currency which is an accumulating class dedicated to retail and institutional investors as defined from time to time by the Luxembourg laws and regulations.
- Accounting Currency: EUR
- Distribution Policy of the "Class I" Shares is: Accumulating
- Valuation Day: Each business day in Luxembourg
- Flat Fee: The Subfund's share Class I is subject to a "Management Fee" of 0.20% p.a. calculated daily on the average total net assets of the respective class during the month concerned.

#### **Subscriptions**

- Subscription fee: no subscription fees.
- Subscription monies must be transferred to the Custodian Bank by a licensed bank for the benefit of the Subfund.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- The initial subscription price per share is EUR 100.
- Investors may subscribe for shares of the Subfund using the Nominee services offered by distributors or by local sales agents or by applying directly to the Fund.

## **Redemptions**

- Redemption requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.
- Redemption fee: no redemption fees.

## **Historical performance**

The performance of the Subfund is outlined in the key investor information document relating to the Subfund.

## **Portfolio turnover**

The portfolio turnover rate is included in the annual report. It is calculated using the following formula:

$$\text{Portfolio turnover rate} = [(Total 1 - Total 2)/M] * 100$$

where

Total 1 = total of securities transactions during the relevant period = X+Y

Where X = purchases of securities and Y = sale of securities

Total 2 = total of transactions in shares of the Subfund during the relevant period = S+T

Where S = subscriptions of shares of the Subfund and T = redemptions of shares of the Subfund

M = average monthly assets of the Subfund

## **Total Expense Ratio (TER):**

The TER, being equal to the ratio between the gross amount of Subfund fees and the average of its net assets, is included in the annual report one year after launch. It will include among others the following fees: the custodian fee, the central administration agent fee, the portfolio management fee, the management company fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, expenses for preparing and printing the KIID, costs in relation to the applicable due diligence procedures, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and/or abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and operational costs in relation to the day to day management of the Subfund.

# LUXEMBOURG SELECTION FUND –

## CORE MEDIO ELEVATO

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND – Core Medio Elevato and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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### **Investor profile**

This Subfund is suitable for investors seeking capital appreciation in a long term investment horizon. This Subfund invests in a broadly diversified and actively managed flexible portfolio.

As a result, this Subfund is intended for investors who can afford, in principle, to invest their capital as investment capital for a period of at least 5 years.

### **Investment objective and policy**

#### **Objective**

The aim of this Subfund is to provide investors with an opportunity to invest in different asset classes through a flexible asset allocation approach and a broadly diversified portfolio of units of other UCITS and/or UCIs, debt and equity securities, commodities related securities and money market instruments in worldwide markets and currencies. The Subfund investment strategy is designed to increase initial investment with an opportunistic approach.

#### **Policy**

The Subfund will mainly seek to invest in units of other UCITS and/or other UCIs. The Subfund may also directly invest in money market instruments and fixed and floating rate securities issued by governments, government agencies, supra national and corporate entities, including emerging markets.

In addition, the Subfund may directly invest in equities, equity rights and warrants as well as equity shares, other equity shares and dividend-right certificates acquired through the exercise of conversion and subscription rights or warrants, or warrants remaining after the separate sale of ex-issues and any equities acquired with these warrants.

The Subfund may invest its assets worldwide and the investments will also be broadly diversified in terms of sectors, issuers and ratings. The Subfund may invest up to 30% of its assets in instruments with a rating below investment grade (lower than "BBB-" by S&P or "Baa3" by either Moody's or similarly by another internationally recognized rating service or determined to be of similar creditworthiness by the Portfolio Manager). If the rating on a security held by the Subfund declines, the Subfund will consider such matters in its evaluation of the merits of retaining the security in its portfolio, but will not be obliged to dispose of the security, should the portfolio manager consider this not to be in the best interest of the investors.

The Subfund limits of exposure to the asset classes shall be considered on a consolidated basis, i.e. either by investment in other funds or by direct investment.

The reference currency of the Subfund is the EUR. Financial instruments are mainly denominated in Euro, American Dollar, Canadian Dollar, UK Sterling, Yen and Swiss Franc.

The Subfund may invest up to 10% in other currencies. The risks related with the investment in currencies other than the reference currency may be hedged partially or in full. Therefore, the Net Asset Value per share of the Subfund may be influenced by the movements in the exchange rates of the invested currencies.

**"Sustainability Risk"** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by each Subfund. Sustainability Risks are not systematically integrated due to the nature of the investment objective of the Subfund and they are also not a core part of the investment strategy. The Subfund does not promote particular Environmental, Social and Governance (ESG) characteristics or pursue a specific sustainability or impact objective. Sustainability Risks are not relevant due to the nature of the investment objective of the Subfund. Sustainability Risks are currently not expected to have a material impact on the returns of the Subfund.

## **Investment strategy**

### **Investments in units of other UCITS and/ or other UCIs**

To achieve the investment objectives and ensure a broad diversification of all investments by asset classes, markets, sectors, issuers, ratings and companies, the Subfund may invest up to 100% of its net assets in units of existing UCITS. Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the assets of the Subfund, provided that these are UCITS eligible instruments in particular according to article 50(1)(e) of the UCITS Directive as amended.

The Subfund may also invest in units of other existing UCITS and/or other UCIs with the emphasis on commodities on condition that these in turn invest exclusively through a participation in commodity indices.

Subfunds whose net assets are partially or fully invested in units of other existing UCITS and/or other UCIs in accordance with their particular investment policies have either partially or fully the structure of a fund of funds.

The general advantage of a fund of funds structure as compared to a structure of funds that make direct investments in assets is the efficient risk diversification. With a fund of funds, the risk of insufficient investment diversification is not just limited on the basis of the various positions (target funds) in the portfolio, but also because of the strict risk spreading requirements to which the target funds are subject. For this reason, when investing in a fund of funds, the investor enjoys the advantage of a product that undertakes risk diversification by means of which the risk inherent in each individual product is substantially minimized. A fund of funds also offers investors the opportunity to invest in numerous securities by means of a single product. Investors should note that with funds of funds, certain fees and expenses may be payable more than once (e.g. fees for the Depositary Bank and the central Administrative Agency and/or administration fees, management and/or consulting commissions, fees for the issue/redemption of target fund units). These fees may be charged both by the target funds and within the fund of funds.

The general expenses as well as costs incurred when investing in existing funds are dealt with in the Chapter 12 "Charges and Expenses" of the general part of the Prospectus.

### **Investments in debt instruments and bonds**

If it appears to be appropriate to reach the investment objectives, the Subfund may invest up to 100% of its assets in debt instruments. Within this asset class, the Subfund may invest up to 100% of its assets in state-guaranteed (governments or public issuers) or corporate bonds.

### **Investments in equities**

The Subfund may invest up to 60% in equity. This limit of exposure shall be considered on a consolidated basis, i.e. either by investment in other funds or by direct investment.

### **Investments in commodity related instruments**

In addition, the Subfund may invest up to 20% in commodity related instruments provided that these are UCITS eligible instruments.

The Subfund may invest in exchange-traded funds (ETFs) replicating the price performance of commodity indices, provided that these are UCITS eligible investments in particular according to article 50(1)(e) of the UCITS Directive as amended and the general part of the Prospectus. The Portfolio Manager may also invest in exchange-traded note (ETN) and exchange-traded commodity (ETC) securities replicating the price performance of either commodity indices or individual commodities, provided that these are UCITS eligible investments.

The Portfolio Manager must ensure at all times that physical delivery to the Subfund is excluded.

### **Use of cash and money market instruments**

In negative market phases, the Subfund may hold temporarily up to 100% in cash and/or in money market instruments.

### **Use of financial derivative instruments**

In negative market phases, the Subfund may also hedge some or all of the investments by using options or futures. Furthermore, the Subfund is subject to the terms set out in the section "Investment restrictions".

Pursuant to the section II, Chapter 19 "Investment Restrictions" – "Financial techniques and instruments", the Subfund may buy and sell futures contracts or options on financial instruments, as well as enter into transactions involving options on transferable securities for purposes of hedging or sound portfolio management. The purchase or sale of futures on indices will allow the manager to increase or decrease, at lower costs, the Subfund's market exposure. The purchase or sale of call or put options on transferable securities/indices will allow the manager to increase or decrease the exposure to the underlying with respect to the market conditions/trends.

- **Options on transferable securities/indices:** an option on transferable securities or on indices gives the purchaser, or "Holder", the right, but not the obligation, to purchase, in the case of a call option, or sell, in the case of a put option, a set amount of the underlying at a fixed price by a stated expiration date (or, in the case of certain shares, at that date).

The Holder pays a commission (a 'premium') for the option but cannot lose more than this amount, plus associated transaction fees. Compared with futures, options only impose an obligation on the seller or 'Issuer'. If the option is exercised by the Holder, the Issuer is obliged to settle the transaction by surrendering the underlying asset or the cash, based on the value of the underlying asset. An option becomes worthless for the holder if it is not exercised within the period of validity. Such options may be traded on the official listings of a stock market for transferable securities, or traded 'over-the-counter' with first-class financial institutions specialized in this type of transaction. When purchasing an OTC option, the holder will be subject to the default risk of the issuer; for this reason, the purchase of this type of option may require that a guarantee be provided in the form of a margin deposit.

- **Futures:** a future is a bilateral contract conferring the purchase or sale of a fixed amount of financial instruments (such as index or other instrument) at a stated time in the future for a fixed price. Under these terms, a future has a specific redemption date at which the index value must be surrendered by the seller and acquired by the buyer. The purchase or sale of futures differs from the purchase or sale of transferable securities or other types of instrument in that no initial purchase price is paid. Instead, a variable cash sum no greater than the contract value is deposited with a broker as an 'initial margin'. Subsequent payments from or to the broker will be made daily taking into account the variation, for example, of the index. The use of futures instead of investing in the underlying has the advantage of lower transaction fees.

#### **Use of Securities Financing Transaction and total return swaps**

The Subfund will not enter into total return swaps nor make use of securities financing transactions, i.e. (i) repurchase transactions (ii) securities or commodities lending and securities or commodities borrowing (iii) buy-sell back transactions or sell-buy back transactions, and (iv) margin lending transactions.

#### **General risk information**

Investors should understand that any investment involves risk and there will be neither a guarantee against loss resulting from an investment in the Subfund nor a commitment that the Subfund's investment objective will be achieved. As with any investment, the value of an investment in the Subfund may fall as well as rise, depending on a multitude of factors that may affect the value of the asset portfolio of the Subfund, including general economic conditions, regulatory changes, market factors and currency exchange rates. In addition, investment decisions will not always be profitable or may not always turn out to have been correct.

The capital invested may fluctuate up or down, and investors may not recover the entire value of the capital initially invested.

#### **Risk associated with the investment in units of UCITS and/or other UCIs and ETFs**

By investing in collective investment vehicles indirectly through the Subfund, the investor will bear not only his proportionate share of the management fee of the Subfund, but also indirectly, the management and administration expenses of the underlying collective investment vehicles. In the case of investment in closed-ended investment vehicles, shares may at times be acquired only at market prices representing premiums to their net asset values. Shares of such collective investment vehicles will be valued at their last available stock market value. Closed-ended investment vehicles which are not subject in their country of origin to permanent supervision by a supervisory authority set up by law in order to ensure the protection of investors may expose the Subfund investing in them to additional risks than if they were investing in collective investment vehicles

established in other jurisdictions more protective of the investors (for instance, less frequent opportunities for disposal, delayed payment or non-receipt of settlement monies, or less protective judicial structures).

The Subfund may invest in shares of collective investment schemes including exchange traded funds, closed-ended funds and UCITS – collectively, underlying funds. These funds may be advised or sub-advised by the Portfolio Manager, an affiliate manager or by an unaffiliated manager. The ability of the Subfund to invest in shares of an underlying fund or funds to achieve its investment objective may be directly related to the ability of the underlying funds to meet their investment objectives. The Subfund will be exposed to the risks to which the underlying funds are exposed. These risks may include liquidity risk where the ability of the Subfund to meet the liquidity requirements of its investment is directly linked to the ability of the underlying funds to meet their liquidity requirements.

#### **Risks associated with the investments in equities**

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: sharp fluctuations in market price, negative information on issuers or markets and subordination of equities to bonds issued by the same enterprise.

Potential investors should also consider fluctuations in exchange rates, the possibility of controls on foreign exchange currencies and other restrictions.

#### **Risks associated with investments in debt securities and bonds**

The risks associated with investments made in bonds and other similar transferable securities can be summarised as follows: interest rate risk, credit risk, liquidity risk and currency risk.

The value of debt securities may change significantly depending on economic and interest rate conditions as well as the credit worthiness of the issuer. Issuers of debt securities may fail to meet payment obligations or the credit rating of debt securities may be downgraded. These risks are typically increased for sub-investment grade debt securities which may also be subject to higher volatility and lower liquidity than investment grade debt securities.

#### **Risks associated with investments in commodity related instruments**

The risks associated with investments made in commodity related instruments can be summarized as follow: sharp fluctuations in market price of commodity, high volatility in prices, prices of commodities influenced by factors other than only financials.

Potential investors should in particular consider fluctuations in exchange rates, the possibility of controls on foreign exchange and other restrictions.

#### **Risk associated with the use of techniques and instruments relating to transferable securities and money market instruments**

Due to possible use of techniques and instruments relating to transferable securities and money market instruments for purposes of efficient portfolio management, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved. For more details on the risks associated with techniques and instruments, please refer to the section "Risks associated with the use of financial derivative instruments".

#### **Risks associated with the use of financial derivative instruments**

While the prudent use of derivatives may be beneficial, derivatives are also subject to different risks that, in certain cases, may be greater than the risks associated with more traditional investments. These include: market risk, which is associated with all types of investment; management risk, as the use of derivatives requires understanding not just of the underlying but also of the derivative itself; credit risk, which is the result of the default risk, if the counterparty to the derivative fails to respect the terms of the derivatives contract.

The credit risk for derivatives traded on a regulated market is generally lower than for OTC derivatives, because the clearing agents, which assume the function of issuer or counterparty in relation to each derivative traded over the counter, assume a performance guarantee. This guarantee is provided via the margin deposit requirements for purposes of reducing global credit risk. In the case of derivatives traded over-the-counter, there is no comparable clearing agent. As a result, the rating of each counterparty must be analysed in order to evaluate the potential credit risk.

Liquidity risk exists when a particular instrument is difficult to purchase or sell and it might not be possible to conclude the transaction or liquidate a position at an advantageous price.

The other risks associated with using derivatives include the valuation risk or the impossibility of perfectly correlating derivatives with the underlying assets and indices. A poor valuation may result in supplementary cash margin deposit requirements, which means a loss for the Subfund.

#### **Risks associated with investments in emerging market countries**

Investing in emerging markets may carry a higher risk than investing in developed markets.

There may be a higher than usual risk of political, economic, social and religious instability and adverse changes in government regulations and laws in less developed or emerging markets, which could affect the investments in those countries. The assets of Subfunds investing in such markets, as well as the income derived from the Subfund, may also be effected unfavourably by fluctuations in currency rates and exchange control and tax regulations and consequently the Net Asset Value of Shares of these Subfunds may be subject to significant volatility. Also, there might be restrictions on the repatriation of the capital invested.

Some of these markets may not be subject to accounting, auditing and financial reporting standards and practices comparable to those of more developed countries and the securities markets of such markets may be subject to unexpected closure. In addition, there may be less government supervision, legal regulation and less well defined tax laws and procedures than in countries with more developed securities markets.

Moreover, settlement systems in emerging markets may be less well organised than in developed markets. Thus, there may be a risk that settlement may be delayed and that cash or securities of the concerned Subfunds may be in jeopardy because of failures or of defects in the systems. In particular, market practice may require that payment shall be made prior to receipt of the security which is being purchased or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank through whom the relevant transaction is effected might result in a loss being suffered by the Subfunds investing in emerging market securities.

#### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based on either the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II Chapter 19 "Investment Restrictions" – "Collateral management") and the techniques and instruments for the efficient management of the portfolio (see Section II, Chapter 19, "Investment Restrictions" - "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

#### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as amended by CSSF circular 18/698 on substance, as the total of the nominal values of the derivatives used by the Subfund. According to the 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.

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 Subfund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund – Core Medio Elevato	Commitment approach	n.a.	n.a.

<sup>1</sup> In accordance with CSSF Circular 11/512, reference portfolio must be disclosed for Subfunds for which the Global Risk Exposure is calculated using the Relative Value at Risk Approach.

## **Portfolio asset management**

UBS Third Party Management Company S.A., domiciled at 33A avenue J.F. Kennedy, L-1855 Luxembourg, has been designated as the Management Company of the Fund.

UBS Third Party Management Company S.A. delegated the management of the assets of the Subfund to Optima S.p.A. SIM, Optima S.p.A. SIM (Modena Italy) belongs to the banking group "BPER Banca S.p.A.". Optima S.p.A. SIM was authorized by the *Commissione nazionale per le società e la Borsa* (CONSOB) with Resolution no. 18418 of 19 December 2012 to the investment portfolio management service and to register with the Register of SIMs. Registration in the Register of the SIM at n.284 took place on February 1, 2013. Optima S.p.A. SIM provides a direct portfolio management service to professional clients and on the delegation of the banks of the BPER Banca S.p.A. and by proxy of UBS Third Party Management Company S.A..

## **Distribution**

UBS Third Party Management Company S.A. has delegated the distribution of shares of the Subfund in Ireland and Italy to Allfunds Bank International S.A. with registered office in, 2 Avenue Charles de Gaulle, L-1653 Luxembourg ("Allfunds").

For the share classes distributed via the Allfunds Bank platform, Allfunds is entitled to receive an intermediation fee of 0,02% calculated on the total net assets of the Subfund booked on the platform. The fee will be paid quarterly out of the Subfund's net assets.

## **Investing in LUXEMBOURG SELECTION FUND – CORE MEDIO ELEVATO**

### **General information**

- Institutional and retail Share Class: Shares of "Class I" issued in the Accounting Currency which is an accumulating class dedicated to retail and institutional investors as defined from time to time by the Luxembourg laws and regulations.
- Accounting Currency: EUR
- Distribution Policy of the "Class I" Shares is: Accumulating
- Valuation Day: Each business day in Luxembourg
- **Flat Fee:** The Subfund's share Class I is subject to a "Management Fee" of 0.20% p.a. calculated daily on the average total net assets of the respective class during the month concerned.

### **Subscriptions**

- Subscription fee: no subscription fees.
- Subscription monies must be transferred to the Custodian Bank by a licensed bank for the benefit of the Subfund.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.
- The initial subscription price per share is EUR 100.
- Investors may subscribe for shares of the Subfund using the Nominee services offered by distributors or by local sales agents or by applying directly to the Fund.

### **Redemptions**

- Redemption requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.
- Redemption fee: no redemption fees.

### **Historical performance**

The performance of the Subfund is outlined in the key investor information document relating to the Subfund.

## Portfolio turnover

- The portfolio turnover rate is included in the annual report. It is calculated using the following formula:

$$\text{Portfolio turnover rate} = [(Total 1 - Total 2)/M] * 100$$

where

Total 1 = total of securities transactions during the relevant period = X+Y

Where X = purchases of securities and Y = sale of securities

Total 2 = total of transactions in shares of the Subfund during the relevant period = S+T

Where S = subscriptions of shares of the Subfund and T = redemptions of shares of the Subfund

M = average monthly assets of the Subfund

## Total Expense Ratio (TER):

The TER, being equal to the ratio between the gross amount of Subfund fees and the average of its net assets, is included in the annual report one year after launch. It will include among others the following fees: the custodian fee, the central administration agent fee, the portfolio management fee, the management company fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, expenses for preparing and printing the KIID, costs in relation to the applicable due diligence procedures, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and/or abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and operational costs in relation to the day to day management of the Subfund.

# LUXEMBOURG SELECTION FUND – UBS Asia Bond 2025

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND – UBS Asia Bond 2025 and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## Investor profile and maturity of the Subfund

This Subfund is suitable for institutional investors seeking to invest primarily in a diversified portfolio of bonds and whose investment horizon generally corresponds to the investment horizon of the Subfund. The currency exposure is largely hedged against the EUR.

The Subfund will, following its launch that occurred on 10 December 2020, invest in bonds with a fixed maturity of up to five years. The Subfund may at a later stage also invest in bonds with a shorter maturity, in view of a contemplated end of maturity of all financial instruments in which the Subfund is invested at least five (5) Business Days before the maturity of the Subfund on 31 December 2025 (the "**Subfund Maturity Date**"). As such, the Subfund is suitable for investors who wish to invest in a diversified portfolio of bonds issued in the Asia Pacific markets and whose investment horizon extends to the Subfund Maturity Date.

If the liquidation of the Subfund at the end of the term results in an adverse situation for the value of the portfolio due to prevailing market conditions, the Management Company may bring forward or postpone the liquidation and payment of the final maturity amount in the interests of the investors in accordance with the provisions in accordance with Chapter 4. "*Dissolution and merger of the fund and of its Subfunds*" of the Section II "General Provisions" of the Prospectus, and article 24 of the articles of incorporation.

Six (6) months before the Subfund Maturity Date (the "**Decision Period**"), the Management Company shall assess whether the continuation of the Subfund beyond the Subfund Maturity Date for an unlimited time or the extension of the Subfund Maturity makes sense from an economical and investment perspective.

If the conclusion is that such continuation does not make sense from an economical perspective, the Subfund shall be liquidated on a date that shall be no later than six (6) months after the Subfund Maturity Date, in accordance with Chapter 4. "*Dissolution and merger of the fund and of its Subfunds*" of the Section II "General Provisions" of the Prospectus, and article 24 of the articles of incorporation.

Should the conclusion be that the continuation of the Subfund makes sense from an economical perspective, than this shall be understood to constitute a change of the Subfund's investment strategy.

In the latter case the Board will inform the Subfund's investors of (i) the reasons for changing the investment policy, (ii) the effective date of the change of the investment policy, and (iii) of the options available to them (which would notably include the investors' right to redeem their shares free of charge during a one month period).

Investors should be aware that the Net Asset Value of the shares at the Subfund Maturity Date or thereafter may be less than the Net Asset Value at the time of the original investment as a consequence of the market movements. While it is intended that the Subfund will hold bonds until maturity, the portfolio manager of the Subfund has the discretion to sell them prior to their maturity.

## Risk profile

The Subfund is exposed to the risk of default on the payment of coupon or principal by issuers it holds in the underlying portfolio. Should any such default event occur, the value of the Subfund will be negatively impacted. During the Subfund's life, its Net Asset Value will be impacted by interest rate and credit spread movements affecting its underlying bond holdings. Typically, a bond's value is negatively impacted by rising interest rates and/or credit spread widening. Depending on the credit quality, the default risk is higher in the case of high yield bonds than with investment grade corporate and government bonds. Emerging markets are

at an early stage of development, which can typically involve a high level of price volatility and other specific risks, such as lower market transparency, regulatory hurdles, corporate governance as well as political and social challenges. The Subfund does not provide any guarantee on pay-outs of income and final Net Asset Value. There is no specific estimate of the fund's value as of maturity. This value depends on repayments of the bonds purchased by the Subfund and the reinvestment of undistributed interest income. All investments are subject to market fluctuations.

Every fund has specific risks, which may increase considerably in unusual market conditions. This requires corresponding risk tolerance and capacity. The Subfund may hold up to 100% of its assets in liquid funds, money market instruments and money market funds during the Initial Subscription Period (as further defined below) and up to twelve 12 months prior to the Subfund Maturity Date, given that the targeted bonds will not all mature exactly at the same time, and that, as a consequence, the Subfund will, during the mentioned limited periods, need to invest amounts resulting from already matured bonds for a short time period until the Subfund Maturity Date. There might also be specific risks related to high yield and emerging markets. Depending on the credit quality, the default risk is higher in the case of high yield bonds than with investment grade corporate and government bonds. Emerging markets are at an early stage of development, which can typically involve a high level of price volatility and other specific risks, such as lower market transparency, regulatory hurdles, corporate governance as well as political and social challenges.

### **Investment objective and policy**

#### **Objective**

The investment objective of the Subfund is to achieve total return by investing primarily in a portfolio of USD-denominated fixed income securities (including but not limited to bonds, notes or other similar fixed-income or floating-rate securities) issued by sovereigns, quasi-sovereigns and corporates in the Asia Pacific region. The Subfund will in general take a buy-and-hold to maturity approach, investing in a diversified portfolio of fixed income securities (including but not limited to bonds). There can be no assurance that the Subfund will achieve its investment objective.

#### **Policy**

The Subfund will seek to achieve its investment objective by investing primarily in USD-denominated fixed income securities issued by sovereigns, quasi-sovereigns and corporates in the Asia Pacific region.

The Subfund may invest in both investment grade and non-investment grade fixed income securities across different sectors. The portfolio manager will, in general, adopt a buy-and-hold to maturity approach but will actively monitor and review all the securities in the Subfund's portfolio on a regular basis and take appropriate action where necessary (including but not limited to re-investing proceeds from securities that have matured prior to the Subfund's maturity date).

In constructing the Subfund's portfolio, the portfolio manager will conduct fundamental credit analysis of individual securities to determine if the credit quality of the securities in question is appropriate for a held-to-maturity mandate. A relative-value approach to country/sector allocation and security selection is also adopted in order to select the most suitable investments for the Subfund, rather than by attempting to predict the future direction of underlying bond yields.

The Subfund may hold temporarily up to 100% of the Subfund's assets in money market instruments and money market funds, and/or in money market like instruments, such as treasury bills and notes, during the Initial Subscription Period (as further defined below), on an ancillary basis. The latter period corresponds to the build-up phase of the Subfund. Once the Initial Subscription Period (as further defined below) completed, this threshold will be limited to up to 10% of the Subfund's assets during the life of the Subfund until twelve months before the Subfund Maturity Date, period during which it may hold up to 100% in money market like instruments again (as described above).

Apart from money market instruments, all the instruments used shall take account of the end of the Subfund's term in respect of their maturity and have no maturities occurring later than the end of the Subfund's term. At all time during which the Subfund will invest in money market instruments, the portfolio manager of the

Subfund will ensure that it will not fall within the scope of the Regulation (EU) 2017/1131 of 14 June 2017 on money market funds.

### **Sustainability-related disclosure**

The Subfund's portfolio manager categorizes this subfund as an ESG Integration fund which does not promote particular ESG characteristics or pursues a specific sustainability or impact objective.

The Subfund's portfolio manager aims to achieve investors' financial objectives while incorporating sustainability into the investment process. The Subfund's portfolio manager defines sustainability as the ability to leverage the Environmental, Social and Governance (ESG) factors of business practices seeking to generate opportunities and mitigate risks that contribute to the long-term performance of issuers ('Sustainability'). The Subfund's portfolio manager believes that consideration of these factors will deliver better-informed investment decisions. **Unlike funds which promote ESG characteristics or with a specific sustainability or impact objective that may have a focused investment universe, ESG Integrated Funds are investment funds that primarily aim at maximizing financial performance, whereby ESG aspects are input factors within the investment process.** Investment universe restrictions applied on all actively managed funds are captured in the Sustainability Exclusion Policy. The Sustainability Exclusion Policy of the portfolio manager outlines the exclusions applied to all active investment strategies and therefore restricts the investment universe of actively managed funds (more information can be found on <https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html>).

ESG integration is driven by taking into account material ESG risks as part of the research process. For corporate issuers, this process utilizes the ESG Material Issues framework that identifies the financially relevant factors per sector that can impact investment decisions. This orientation toward financial materiality ensures that analysts focus on sustainability factors that can impact the financial performance of the company and therefore investment returns. ESG integration can also identify opportunities for engagement to improve the company's ESG risk profile and thereby mitigate the potential negative impact of ESG issues on the company's financial performance. The Subfund's portfolio manager employs a proprietary ESG Risk Dashboard that combines multiple ESG data sources in order to identify companies with material ESG risks. An actionable risk signal highlights ESG risks to the Subfund's portfolio manager for incorporation in their investment decision-making process. For non-corporate issuers, the Subfund's portfolio manager may apply a qualitative or quantitative ESG risk assessment that integrates data on the most material ESG factors. The analysis of material sustainability/ESG considerations can include many different aspects, such as the following among others: the carbon footprint, health and well-being, human rights, supply chain management, fair customer treatment and governance.

The "UBS Sustainability Report" is the medium for UBS' sustainability disclosures. Published annually, the report aims to openly and transparently disclose UBS' sustainability approach and activities, consistently applying UBS' information policy and disclosure principles (more information can be found on <https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html>).

### **Bonds**

Bonds are subject to actual and perceived measures of creditworthiness. Bonds, and in particular high-yield bonds, may be impaired by negative headlines and an unfavourable perception on the part of investors; such perceptions may not be based on a fundamental analysis, and may have a negative effect on the value and liquidity of the bond. The Subfund may invest up to 50% of its net assets in high-yield bonds.

### **Financial derivative instruments**

The Subfund shall not use derivatives traded on the stock exchange or over the counter (OTC) except for forwards to hedge the portfolio against currency risk since the assets of the Subfund are mainly denominated in USD, while the Subfund and Share Class currency is EUR.

The maximum net exposure of the Subfund may not exceed 100 % of its net assets.

## **Distressed securities**

The Subfund will not seek to directly invest into distressed securities. However, it may not be excluded that securities which are invested by the Subfund may become distressed securities over time and, as a result, the Subfund may incidentally hold distressed securities.

## **Use of Securities Financing Transaction and total return swaps**

The Subfund will not enter into total return swaps nor make use of securities financing transactions, i.e. (i) repurchase transactions (ii) securities or commodities lending and securities or commodities borrowing (iii) buy-sell back transactions or sell-buy back transactions, and (iv) margin lending transactions.

## **Cash and cash equivalents**

The Subfund may hold cash and cash equivalents on an ancillary basis appropriate to provide for redemptions or to meet other liquidity needs. These assets may consist of commercial paper and other money market instruments with a remaining maturity not in excess of 12 months, time deposits, demand deposit accounts, exchange-traded funds (ETFs) and monetary-type UCITS and other undertakings for collective investment (UCIs) (within the limit set out by the 2010 Law); as far as there are exceptional market conditions the Subfund may hold cash and cash equivalents temporarily without any limitation if the portfolio manager considers this to be in the best interest of the shareholders. Given their risk profile, cash and cash equivalents will not be considered investments and therefore be treated as cash. For the avoidance of doubt, cash and cash equivalents will not be considered for determining any concentration limits (including but not limited to geographic, issuer, single position).

## **Other**

Look through approach applies to the determination of concentration percentages (including but not limited to geographic, issuer, single position) in considering investments in UCIs or other investments with more than one underlying asset.

## **Benchmark**

The Subfund is managed without reference to a benchmark. As such, there are no fixed geographical or sectorial weightings in the allocation of assets in the Subfund.

## **Investment and borrowing restrictions**

The Subfund will not utilise leverage through borrowing cash for investment purposes but may borrow up to 10% of its Net Asset Value for the purposes of payment of its ongoing operational costs and/or redemption proceeds. Cash may be borrowed from banks and other financial institutions. The Subfund's assets may be charged or pledged as security for any such borrowings. If any of the investment and borrowing restrictions set out above are breached, the management company and/or portfolio manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interests of investors.

## **General risk information**

### **Sustainability Risks**

"Sustainability Risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by the Subfund. Such Sustainability Risks are principally linked to climate-related events resulting from climate change (i.e. physical risks) or to the society's response to climate change (i.e. transition risks), which may potentially affect the Subfund's returns. Social events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behavior, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks.

In general, where a Sustainability Risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value. As such, for a company in which the Subfund invests, this may be because of damage to its reputation resulting in a consequential fall in demand for its products or services, loss of key personnel,

exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. A company may also suffer the impact of fines and other regulatory sanctions. The time and resources of the company's management team may be diverted from furthering its business into dealing with the Sustainability Risk event, including changes to business practices and dealing with investigations and litigation. Sustainability Risk events may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by companies to which the Subfund is exposed may also be adversely impacted by a Sustainability Risk event.

A Sustainability Risk event may arise and impact a specific investment or may have a broader impact on an economic sector, geographical or political region or country. For instance, sector and geographic Sustainability Risk events may have an impact on the investment value of the sovereign fixed income exposure of the Subfund.

#### **Credit risk**

As the Subfund may invest in fixed income instruments, it will be exposed to the creditworthiness of the issuers of the instruments and their ability to make principal and interest payments when due in accordance with the terms and conditions of the instruments. The creditworthiness or perceived creditworthiness of an issuer may affect the market value of fixed income instruments. Issuers with higher credit risk typically offer higher yields for this added risk, whereas issuers with lower credit risk typically offer lower yields. Generally, government debt is considered to be the safest in terms of credit risk, while corporate debt involves a higher credit risk. Related to that is the risk of downgrade by a rating agency. Rating agencies are private undertakings providing ratings for a variety of fixed income instruments based on the creditworthiness of their issuers. The agencies may change the rating of issuers or instruments from time to time due to financial, economic, political, or other factors, which, if the change represents a downgrade, can adversely impact the market value of the affected instruments.

#### **Risks associated with investments in high-yield bonds**

Investing in debt instruments involves interest-rate, sector, security and credit risk. Compared with investment-grade bonds, high-yield bonds generally attract a lower rating and usually offer higher yields in order to offset the lower credit rating or higher default risk associated with these securities. High-yield bonds involve a greater risk of capital erosion through default or in the case of an effective interest rate that is below the current rate of interest. Economic conditions and changes in the level of interest rates may have a considerable impact on the value of these bonds. In addition, high-yield bonds may be exposed to greater credit or default risk than bonds with a high rating. These bonds tend to react more to developments affecting market and credit risk than securities with a higher rating. The value of high-yield bonds may be negatively affected by overall economic conditions, such as an economic downturn or a period of rising interest rates. High-yield bonds may be less liquid and more difficult to sell or value at a favourable point in time or price than bonds with a higher rating. In particular, high-yield bonds are often issued by smaller, less creditworthy and more indebted companies that are generally less able to pay capital and interest on schedule than financially sound companies.

#### **Interest rate risk**

The Subfund's investments in fixed income securities are subject to interest rate risk. Generally, the value of fixed income securities is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Long-term fixed income securities in general are subject to higher sensitivity to interest rate changes than short-term fixed income securities. When interest rates are falling, some fixed income securities provide that the issuer may repay them earlier than the maturity date, and if this occurs, the Subfund may have to reinvest these repayments at lower interest rates.

#### **Risks associated with the use of financial derivative instruments**

Due to the possible use of financial derivative instruments for purposes of currency hedging, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved.

While the prudent use of financial derivative instruments may be beneficial, financial derivative instruments are also subject to different risks that, in certain cases, may be greater than the risks associated with more traditional investments. These include: market risk, which is associated with all types of investment; management risk, as the use of financial derivative instruments requires understanding not just of the underlying but also of the financial derivative instrument itself; credit risk, which is the result of the default risk, if the counterparty to the financial derivative instrument fails to respect the terms of the derivatives contract.

The credit risk for financial derivative instruments traded on a regulated market is generally lower than for OTC derivatives, because the clearing agents, which assume the function of issuer or counterparty in relation to each derivative traded over the counter, assume a performance guarantee. This guarantee is provided via the margin deposit requirements for purposes of reducing global credit risk. In the case of financial derivative instruments traded over-the-counter, there is no comparable clearing agent. As a result, the rating of each counterparty must be analysed in order to evaluate the potential credit risk.

As regards OTC derivatives, various mechanisms were introduced successively in the past years, with the aim to reduce counterparty risk associated with the use of such OTC derivatives (i.e. mandatory clearing, mandatory margin exchange). Nevertheless, some OTC derivatives are likely to be more risky than financial derivative instruments traded on a regulated market. Liquidity risk exists when a particular instrument is difficult to purchase or sell and it might not be possible to conclude the transaction or liquidate a position at an advantageous price. The principal risk when engaging in OTC derivatives (such as non-exchange traded options, forwards, swaps or contracts for difference) is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations as required by the terms of the instrument. OTC derivatives may expose a Subfund to the risk that the counterparty will not settle a transaction in accordance with its terms, or will delay the settlement of the transaction, because of a dispute over the terms of the contract (whether or not *bona fide*) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Subfund. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to a Fund. EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation or EMIR) requires certain eligible OTC derivatives to be submitted for clearing to regulated central clearing counterparties and the reporting of certain details to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty risk in respect of OTC derivatives which are not subject to mandatory clearing. Ultimately, these requirements are likely to include the exchange and segregation of collateral by the parties, including by the Fund. More precisely, the Fund will generally, to the extent required by law, require the counterparty to an OTC derivative to post collateral in favour of a Subfund representing, at any time during the lifetime of the agreement, up to 100% of a Subfund's exposure under the transaction, and the Fund will be required to do so vice-versa. This guarantee is provided via the margin deposit requirements for purposes of reducing global credit risk. As a result, the rating of each counterparty must be analyzed in order to evaluate the potential credit risk.

Liquidity risk exists when a particular instrument is difficult to purchase or sell and it might not be possible to conclude the transaction or liquidate a position at an advantageous price.

The other risks associated with using financial derivative instruments include the valuation risk or the impossibility of perfectly correlating financial derivative instruments with the underlying assets and indices.

### **Liquidity risk**

The Subfund may invest in securities that subsequently prove difficult to sell due to reduced liquidity. This may have a negative effect on their market price and consequently on the Subfund's Net Asset Value. The reduced liquidity of these securities may be due to unusual or extraordinary economic or market events such as a deterioration in the credit rating of an issuer or the lack of an efficient market. In extreme market situations, there may be few willing buyers and it may not be easy to sell the investments at the chosen time; in addition, the Subfund may have to agree to a lower price in order to sell the investments, or they may not be able to sell the investments at all. Trading in certain securities or other instruments may be suspended or restricted by the relevant exchange or by a governmental or regulatory body, which may cause the Subfund to incur a loss. The

inability to sell a portfolio position may have a disadvantageous effect on the value of these subfunds or prevent them from being able to exploit other investment opportunities. In order to meet redemption requests, the Subfund may be forced to sell investments at unfavourable times and/or on unfavourable terms.

#### **Risks associated with investments in emerging market countries**

Investing in emerging markets may carry a higher risk than investing in developed markets.

There may be a higher than usual risk of political, economic, social and religious instability and adverse changes in government regulations and laws in less developed or emerging markets, which could affect the investments in those countries. The assets of Subfunds investing in such markets, as well as the income derived from the Subfund, may also be effected unfavourably by fluctuations in currency rates and exchange control and tax regulations and consequently the Net Asset Value of Shares of these Subfunds may be subject to significant volatility. Also, there might be restrictions on the repatriation of the capital invested.

Some of these markets may not be subject to accounting, auditing and financial reporting standards and practices comparable to those of more developed countries and the securities markets of such markets may be subject to unexpected closure. In addition, there may be less government supervision, legal regulation and less well defined tax laws and procedures than in countries with more developed securities markets.

Moreover, settlement systems in emerging markets may be less well organised than in developed markets. Thus, there may be a risk that settlement may be delayed and that cash or securities of the concerned Subfunds may be in jeopardy because of failures or of defects in the systems. In particular, market practice may require that payment shall be made prior to receipt of the security which is being purchased or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank through whom the relevant transaction is effected might result in a loss being suffered by the Subfunds investing in emerging market securities.

In addition, in certain markets, local regulations may limit investment into local securities to certain qualifying foreign institutions and investors through licensing requirements and may also limit investment through quotas granted by local authorities. Potential investors should note that there is no guarantee that the Subfund will benefit from quotas granted to such qualifying institutions and investors nor that, if it does, that it will always be available to the Subfund. Withdrawal or failure to obtain a renewal of any such quota may have material adverse consequences to the Subfund. A further consequence of investing via such quota may be that there is a limit on the amount that the Subfund, and/or foreign investors as a whole, can own of the equity capital of a particular company. The actions of other foreign investors independent of the Subfund can therefore impact the position of the Subfund. Use of quotas often requires the transmission of funds through government designated service providers and accounts. Mandatory use of such providers may not provide the Subfund with terms as advantageous as those which would be available if the selections were made on an open market basis.

#### **Foreign exchange risk and currency risk**

The Subfund may invest in securities denominated in currencies other than its reference currency. Currency may be subject to foreign exchange risk. As the assets of the Subfund are valued in its reference currency, changes in the value of the reference currency compared to other currencies will affect the value, in the reference currency, of any securities denominated in such other currencies. Foreign exchange exposure may increase the volatility of investments relative to investments denominated in the reference currency. In accordance with its investment objective and policy, the Subfund may attempt to hedge or reduce foreign exchange risk, generally through the use of derivatives. However, it may not be possible or practical to hedge or reduce such risk at all times.

#### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations is prepared based on the commitment approach. The risk management procedure shall also be applied within the scope of collateral management (see Chapter 19, Investment Restrictions – Collateral Policy and Management of the Prospectus) and the techniques and instruments for the efficient management of the portfolio (see Chapter

19, Investment Restrictions - Financial techniques and instruments of the Prospectus) as set forth in the CSSF Circular 14/592.

### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF Circular 11/512 as the total of the nominal values of the financial derivative instruments used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some financial derivative instruments 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.

The expected maximum leverage is expressed in the table below as a ratio between the total of the nominal value and the Net Asset Value of the Subfund. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfund	Expected Risk Profile	Expected maximum level of leverage (absolute level)	Expected Reference Portfolio (Benchmark) <sup>6</sup>
Luxembourg Selection Fund – UBS Asia Bond 2025	Commitment Approach	n.a.	n.a.

### **Portfolio management**

UBS Third Party Management Company S.A., domiciled at 33A avenue J.F. Kennedy, L-1855 Luxembourg, has been designated as the Management Company of the Fund.

UBS Third Party Management Company S.A. delegated the management of the assets of the Subfund to UBS Asset Management (Singapore) Ltd., with registered office is One Raffles Quay, #50-01 North Tower, Singapore 048583. UBS Asset Management (Singapore) Ltd., a subsidiary of UBS Asset Management AG incorporated in Singapore, is regulated by the Monetary Authority of Singapore. UBS Asset Management (Singapore) Ltd. has been managing collective investment schemes and discretionary funds since 1993.

The Portfolio Manager shall report regularly to the Board of Directors of UBS Third Party Management Company S.A. on their asset allocation key, the evolution of the assets, the adequate liquidity management of the Subfund any risk of potential breach of the investment policy and on the transactions executed for the account of the Subfund.

### **Repackaging of the Subfund's units**

Darta Saving Life Assurance dac, Maple House, Temple Road, Blackrock, Co. Dublin, Ireland, an entity of the Allianz group (the "Assurance Company") is an investor in the Subfund, whose shares may be repackaged and become part of insurance products distributed in Italy by making units of the Subfund available in unit-linked insurance plans to its clients.

### **Investing in LUXEMBOURG SELECTION FUND – UBS Asia Bond 2025**

#### **General information**

- Institutional Share Class: Shares of "Class I" issued in the Accounting Currency.
- Reference currency of the Subfund: EUR

The Subfund's reference currency is the currency in which the Net Asset Value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.

- Dividend policy: This Subfund pursues a policy of accumulation.

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<sup>6</sup> In accordance with CSSF Circular 11/512, reference portfolio must be disclosed for Subfunds for which the Global Risk Exposure is calculated using the Relative Value at Risk Approach.

- Valuation Day: The Net Asset Value is determined on each Business day.
- Assurance Company fee: The Subfund may pay to the Assurance Company an Assurance Company fee up to 2.5% of the total subscription amount ("Assurance Company Fee") out of the assets of the Subfund. The Assurance Company Fee is determined as a fixed amount per share which shall in particular serve as a compensation for the placement activities. The Assurance Company Fee is paid in a single instalment on the first Valuation Day after the expiry of the subscription period ("Payment Date") and at the same time booked to the Subfunds assets as prepaid expenses. The Net Asset Value on the Payment Date is therefore not impacted by the Assurance Company Fee. The Subfunds position of pre-paid expenses is then amortized over a period of 5 years ("Amortization Period") on a semi-annual basis from the Payment Date. The remaining position of prepaid-expenses per share is calculated by decreasing the fixed amount per share over the Amortization Period on a semi-annual basis. After expiration of the Amortization Period the remaining position of prepaid expenses per share is zero by definition.
- Exit fee: An exit fee of up to 2.5% is applied to redemptions and is retained by the Subfund ("Exit Fee"). The Exit fee is calculated as a fixed amount per share, which is reduced on a semi-annual basis by 0.25%. Shareholders who redeem their shares before the end of the Amortization Period will leave those parts of the paid Assurance Company Fee in the Subfund which are not yet fully amortized. The Exit Fee aims not to harm shareholders holding in the Subfund until or later the end of the Amortization Period.
- Swing pricing: Shares are generally issued and redeemed based on a single price: the Net Asset Value. To reduce the effects of dilution, the Net Asset Value per share is nevertheless adjusted on valuation days as described below; this takes place irrespective of whether the Subfund is in a net subscription or net redemption position on the relevant valuation day. If no trading is taking place in any Subfund or class of a Subfund on a particular valuation day, the unadjusted Net Asset Value per share is applied. The circumstances in which such a dilution adjustment takes is made are determined at the discretion of the Board of Directors. The requirement to carry out a dilution adjustment generally depends on the scale of subscriptions or redemptions of shares in the relevant Subfund. The Board of Directors may carry out a dilution adjustment if, in its view, the existing shareholders (in the case of subscription) or remaining shareholders (in the case of redemptions) could be put at a disadvantage. The dilution adjustment may take place if:
  - (a) a Subfund records a steady fall (i.e. a net outflow due to redemptions);
  - (b) a Subfund records a considerable volume of net subscriptions relative to its size;
  - (c) a Subfund shows a net subscription or net redemption position on a particular valuation day; or
  - (d) in all other cases in which the Board of Directors believes a dilution adjustment is necessary in the interests of the shareholders.

When a valuation adjustment is made, a value is added to or deducted from the Net Asset Value per share depending on whether the Subfund is in a net subscription or net redemption position; the extent of the valuation adjustment shall, in the opinion of the Board of Directors, adequately cover the fees and charges as well as the spreads of buy and sell prices. In particular, the Net Asset Value of the respective Subfund will be adjusted (upwards or downward) by an amount that (i) reflects the estimated tax expenses, (ii) the trading costs that may be incurred by the Subfund, and (iii) the estimated bid-ask spread for the assets in which the Subfund invests. As some equity markets and countries may show different fee structures on the buyer and seller side, the adjustment for net inflows and outflows may vary. The adjustments are generally limited to a maximum of 2% of the prevailing Net Asset Value per share at the time. The Board of Directors may decide to temporarily apply a dilution adjustment of more than 2% of the prevailing Net Asset Value per share at the time in respect of any Subfund and/or valuation date in exceptional circumstances (e.g. high market volatility and/or liquidity, exceptional market conditions, market disruption, etc.), provided the Board of Directors can justify that this is representative of the prevailing market conditions and that it is in the best interest of the shareholders. This dilution adjustment will be calculated in accordance with the method determined by the Board of Directors. Shareholders will be informed via the usual communication channels when the temporary measures are introduced and when they end.

The Net Asset Value of each class of the Subfund is calculated separately. However, dilution adjustments affect the Net Asset Value of each class to the same degree in percentage terms. The dilution adjustment is made at sub-fund level and relates to capital activity, but not to the specific circumstances of each individual investor transaction.

### **Subscriptions**

- **Initial Subscription Period:** The Subfund is launched in the Initial Subscription Period which runs up to 1 week. To achieve the Subfund's investment objective, the Board may cease issuing shares in the Subfund at any time following the Initial Subscription Period. The Subfund Maturity Date will be determined by the Board as part of the launch process of the Subfund; it will then be included under "Investor profile and maturity of the Subfund" above.

Subscription orders registered with the administrative agent by 15:00 CET ("cut-off time") on a business day ("Order Date") will be processed on the basis of the net asset value calculated for that day after the cut-off time ("Valuation Date").

### **Redemptions**

- **Redemption orders registered with the administrative agent by 15:00 CET ("cut-off time") on a business day ("Order Date")** will be processed on the basis of the net asset value calculated for that day after the cut-off time ("Valuation Date"). Shares may be redeemed at any time up to five (5) Business Days before the end of the Subfund Maturity Date pursuant to the procedure described in Chapter 3, "Investing in Luxembourg Selection Fund" of Section II "General Provisions" of the Prospectus.
- **Compulsory redemption in case of liquidation of the Subfund on the Subfund Maturity Date:** In case of liquidation of the Subfund on the Subfund Maturity Date, the Board will compulsorily redeem all outstanding Shares as if investors had submitted a redemption request. Upon such compulsory redemption, each investor whose Shares are being redeemed will be entitled to receive the redemption price, less any redemption fee, if any, and other fees to be imposed, in accordance with the Section "Redemption of shares" of the general part of the Prospectus. From the day on which such compulsory redemption is effected, the relevant Shareholder shall have no other rights except the right to receive the redemption price, less any redemption fee, if any, and other fees to be imposed and the right to receive any dividends (if any) declared but not yet paid.

### **Past performance**

The performance of this Subfund is included in the key investor information document.

### **Portfolio turnover**

The portfolio turnover rate is included in the annual report. It is calculated using the following formula:

Portfolio turnover rate = [(Total 1 – Total 2)/M]\*100

where

Total 1 = total of securities transactions during the relevant period = X+Y

Where X = purchases of securities and Y = sale of securities

Total 2 = total of transactions in Shares of the Subfund during the relevant period = S+T

Where S = subscriptions of Shares of the Subfund and T = redemptions of Shares of the Subfund

M = average monthly assets of the Subfund

### **Fees & Expenses**

- **Management Fee:** The Management Company will be entitled to receive out of the assets of the Subfund an annual fee equal to a percentage of the Net Asset Value of the Subfund subject to a minimum per Subfund. Such fee will be calculated by reference to the Net Asset Value of the Subfund subject to a rate of up to 0.085 % p.a.. This fee is accrued on each Valuation Day and shall be payable monthly in arrears. The Management Fee includes the Central Administration fee. The Central Administrative Agent will also be entitled to the reimbursement of reasonable out-of-pocket expenses properly incurred in carrying out its duties. Further fees may be payable to the Central Administrative Agent in consideration

of ancillary services rendered to the Fund and relating to the core services of the Central Administrative Agent.

- **Portfolio Management Fee:** UBS Asset Management (Singapore) Ltd., Singapore, as portfolio manager is entitled to a Portfolio Management Fee as further detailed in the portfolio management agreement entered into with the Management Company. The Portfolio Management Fee will amount to 0.20% p.a., calculated based on the assets of the Subfund, calculated and accrued at each Valuation Day and payable on a monthly basis during the following month directly out of the assets of the Subfund. The portfolio manager of the Subfund will also be entitled to reimbursement of reasonable out-of-pocket expenses properly incurred in carrying out its duties in the management of the Subfund. No performance fee will be paid to the portfolio manager of the Subfund.
- **Distributor Fee:** N/A.
- **Depositary Fee:** the Depositary will be entitled to receive out of the assets of the Subfund an annual fee equal to a percentage of the Net Asset Value of the Subfund subject to a minimum per Subfund. Such fee will be calculated by reference to the Net Asset Value of the Subfund subject to a rate of up to 0.075% p.a. with a minimum fee of EUR 20,000 per annum. The Depositary fee is accrued on each Valuation Day and shall be payable monthly in arrears. The Depositary will also be entitled to transaction fees charged on the basis of the investments made by each Subfund consistent with market practice in Luxembourg. Fees paid to the Depositary may vary depending on the nature of the investments of each Subfund and the countries and/or markets in which the investments are made. The Depositary will also be entitled to reimbursement of reasonable out-of-pocket expenses properly incurred in carrying out its duties. Further fees may be payable to the Depositary in consideration of ancillary services rendered to the Fund and relating to the core services of the Depositary.
- **Additional fees:** Additional fees may be charged to the Subfund for further services of the Central Administration Agent, the Depositary and the Management Company as reflected in Section "Total Expense Ratio (TER)" below.

#### **Total Expense Ratio (TER)**

The TER, being equal to the ratio between the gross amount of the Subfund fees and the average of its net assets, is included in the annual report. It includes among others the following fees: the depositary fee, the central administrative agent fee, the portfolio management fee, the management company fee, the *taxe d'abonnement*, expenses for preparing and printing the Prospectus, expenses for preparing and printing the KIID, costs in relation to the applicable due diligence procedures, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and operational costs in relation to the day to day management of the Subfund.

# LUXEMBOURG SELECTION FUND – OBERSEE

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND – Obersee and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## Investor profile

This Subfund is suitable for investors seeking capital appreciation in a long term investment horizon. This Subfund invests in a broadly diversified and actively managed flexible portfolio.

As a result, this Subfund is intended for investors who can afford, in principle, to invest their capital as investment capital for a period of at least 5 years.

## Investment objective and policy

### **Objective**

The aim of this Subfund is to provide investors with an opportunity to invest in different asset classes through a flexible asset allocation approach and a broadly diversified portfolio of units of other UCITS and/or UCIs, debt and equity securities, commodities related securities and money market instruments in worldwide markets and currencies. The Subfund investment strategy is designed to increase initial investment with an opportunistic approach.

### **Policy**

The Subfund will seek to invest in units of other UCITS and/or other UCIs as well as in equities, equity rights, warrants and equity shares, other equity shares and dividend-right certificates acquired through the exercise of conversion and subscription rights or warrants, or warrants remaining after the separate sale of ex-issues and any equities acquired with these warrants. The Subfund may also invest in money market instruments and fixed and floating rate securities issued by governments, government agencies, supra national and corporate entities, including emerging markets.

The Subfund may invest its assets worldwide and the investments will also be broadly diversified in terms of sectors, issuers and ratings. The Subfund may invest up to 30% of its assets in instruments with a rating below investment grade (lower than "BBB-" by S&P or "Baa3" by either Moody's or similarly by another internationally recognized rating service or determined to be of similar creditworthiness by the Portfolio Manager). If the rating on a security held by the Subfund declines, the Subfund will consider such matters in its evaluation of the merits of retaining the security in its portfolio, but will not be obliged to dispose of the security, should the portfolio manager consider this not to be in the best interest of the investors.

The Subfund limits of exposure to the asset classes shall be considered on a consolidated basis, i.e. either by investment in other funds or by direct investment.

The reference currency of the Subfund is the USD. Financial instruments are mainly denominated in American Dollar, EUR, Canadian Dollar, UK Sterling, Yen and Swiss Franc.

Up to 100% of the Subfund's investments may be made up of foreign currencies. The risks related with the investment in currencies other than the reference currency may be hedged partially or in full. Therefore, the Net Asset Value per share of the Subfund may be influenced by the movements in the exchange rates of the invested currencies.

**"Sustainability Risk"** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by each Subfund. Sustainability Risks are not systematically integrated due to the nature of the investment objective of the Subfund and they are also not a core part of the investment strategy. The Subfund does not promote particular Environmental, Social and Governance (ESG) characteristics or pursue a specific sustainability or impact objective. Sustainability Risks are not relevant due to the nature of the investment objective of the Subfund. Sustainability Risks are currently not expected to have a material impact on the returns of the Subfund.

## **Investment strategy**

### **Investments in units of other UCITS and/or other UCIs**

To achieve the investment objectives and ensure a broad diversification of all investments by asset classes, markets, sectors, issuers, ratings and companies, the Subfund may invest up to 100% of its net assets in units of existing UCITS. Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the assets of the Subfund, provided that these are UCITS eligible instruments in particular according to article 50(1)(e) of the UCITS Directive as amended.

The Subfund may also invest in units of other existing UCITS and/or other UCIs with the emphasis on commodities on condition that these in turn invest exclusively through a participation in commodity indices.

A particular advantage of, *inter alia*, investing in units of other existing UCITS and/or other UCIs is the efficient risk diversification. Investments in units of other existing UCITS and/or other UCIs also offer investors the opportunity to invest in numerous securities by means of a single product. As far as the Subfund's investments in target funds are concerned, certain fees and expenses may arise at the level of both the Subfund and a target fund (e.g. fees for the Depositary Bank and the central Administrative Agency and/or administration fees, management and/or consulting commissions, fees for the issue/redemption of target fund units). However, in the case the Subfund invests in the units of other UCITS and/or UCIs that are managed, directly or by delegation, by the Management Company or by any other company with which the Management Company is linked by common or control, or by a substantial direct or indirect holding, the Management Company or that other company may not charge subscription or redemption fees on account of the Subfund investment in the units of such other UCITS and/or other UCIs. Moreover, where the Subfund invests a substantial proportion of its assets in other UCITS and/or other UCIs, the management fee that may be charged both to the Subfund and to the other UCITS and/or other UCIs in which it intends to invest amounts to up to 2.5% p.a. This maximum is included in the All-In Fee (as defined below).

The general expenses as well as costs incurred when investing in existing funds are dealt with in the Chapter 12 "Charges and Expenses" of the general part of the Prospectus.

### **Investments in debt instruments and bonds**

If it appears to be appropriate to reach the investment objectives, the Subfund may invest up to 100% of its assets in debt instruments. Within this asset class, the Subfund may invest up to 100% of its assets in state-guaranteed (governments or public issuers) or corporate bonds.

### **Investments in equities**

The Subfund may invest up to 100% in equity. This limit of exposure shall be considered on a consolidated basis, i.e. either by investment in other funds or by direct investment.

### **Investments in commodity related instruments**

In addition, the Subfund may invest up to 20% in commodity related instruments provided that these are UCITS eligible instruments.

The Subfund may invest in exchange-traded funds (ETFs) replicating the price performance of commodity indices, provided that these are UCITS eligible investments in particular according to article 50(1)(e) of the UCITS Directive as amended and the general part of the Prospectus. The Subfund may also invest in exchange-traded note (ETN) and exchange-traded commodity (ETC) securities replicating the price performance of either commodity indices or individual commodities, provided that these are UCITS eligible investments and that they do not contain underlying derivative instruments.

The Portfolio Manager must ensure at all times that physical delivery to the Subfund is excluded.

### **Use of cash and money market instruments**

In negative market phases, the Subfund may hold temporarily up to 100% in cash and/or in money market instruments.

### **Use of financial derivative instruments**

In negative market phases, the Subfund may also hedge some or all of the investments by using options or futures. Furthermore, the Subfund is subject to the terms set out in the section "Investment restrictions".

Pursuant to the section II, Chapter 19 "Investment Restrictions" – "Financial techniques and instruments", the Subfund may buy and sell futures contracts or options on financial instruments, as well as enter into transactions involving options on transferable securities for purposes of hedging or sound portfolio management. The purchase or sale of futures on indices will allow the manager to increase or decrease, at lower costs, the Subfund's market exposure. The purchase or sale of call or put options on transferable securities/indices will allow the manager to increase or decrease the exposure to the underlying with respect to the market conditions/trends.

- **Options on transferable securities/indices:** an option on transferable securities or on indices gives the purchaser, or "Holder", the right, but not the obligation, to purchase, in the case of a call option, or sell, in the case of a put option, a set amount of the underlying at a fixed price by a stated expiration date (or, in the case of certain shares, at that date).

The Holder pays a commission (a 'premium') for the option but cannot lose more than this amount, plus associated transaction fees. Compared with futures, options only impose an obligation on the seller or 'Issuer'. If the option is exercised by the Holder, the Issuer is obliged to settle the transaction by surrendering the underlying asset or the cash, based on the value of the underlying asset. An option becomes worthless for the holder if it is not exercised within the period of validity. Such options may be traded on the official listings of a stock market for transferable securities, or traded 'over-the-counter' with first-class financial institutions specialized in this type of transaction. When purchasing an OTC option, the holder will be subject to the default risk of the issuer; for this reason, the purchase of this type of option may require that a guarantee be provided in the form of a margin deposit.

- **Futures:** a future is a bilateral contract conferring the purchase or sale of a fixed amount of financial instruments (such as index or other instrument) at a stated time in the future for a fixed price. Under these terms, a future has a specific redemption date at which the index value must be surrendered by the seller and acquired by the buyer. The purchase or sale of futures differs from the purchase or sale of transferable securities or other types of instrument in that no initial purchase price is paid. Instead, a variable cash sum no greater than the contract value is deposited with a broker as an 'initial margin'. Subsequent payments from or to the broker will be made daily taking into account the variation, for example, of the index. The use of futures instead of investing in the underlying has the advantage of lower transaction fees.

### **Use of Securities Financing Transaction and total return swaps**

The Subfund will not enter into total return swaps nor make use of securities financing transactions, i.e. (i) repurchase transactions (ii) securities or commodities lending and securities or commodities borrowing (iii) buy-sell back transactions or sell-buy back transactions, and (iv) margin lending transactions.

### **General risk information**

Investors should understand that any investment involves risk and there will be neither a guarantee against loss resulting from an investment in the Subfund nor a commitment that the Subfund's investment objective will be achieved. As with any investment, the value of an investment in the Subfund may fall as well as rise, depending on a multitude of factors that may affect the value of the asset portfolio of the Subfund, including general economic conditions, regulatory changes, market factors and currency exchange rates. In addition, investment decisions will not always be profitable or may not always turn out to have been correct.

The capital invested may fluctuate up or down, and investors may not recover the entire value of the capital initially invested.

### **Risk associated with the investment in units of UCITS and/or other UCIs and ETFs**

By investing in collective investment vehicles indirectly through the Subfund, the investor will bear not only his proportionate share of the management fee of the Subfund, but also indirectly, the management and administration expenses of the underlying collective investment vehicles. In the case of investment in closed-ended investment vehicles, shares may at times be acquired only at market prices representing premiums to their net asset values. Shares of such collective investment vehicles will be valued at their last available stock market value. Closed-ended investment vehicles which are not subject in their country of origin to permanent supervision by a supervisory authority set up by law in order to ensure the protection of investors may expose the Subfund investing in them to additional risks than if they were investing in collective investment vehicles

established in other jurisdictions more protective of the investors (for instance, less frequent opportunities for disposal, delayed payment or non-receipt of settlement monies, or less protective judicial structures).

The Subfund may invest in shares of collective investment schemes including exchange traded funds, closed-ended funds and UCITS – collectively, underlying funds. These funds may be advised or sub-advised by the Portfolio Manager, an affiliate manager or by an unaffiliated manager. The ability of the Subfund to invest in shares of an underlying fund or funds to achieve its investment objective may be directly related to the ability of the underlying funds to meet their investment objectives. The Subfund will be exposed to the risks to which the underlying funds are exposed. These risks may include liquidity risk where the ability of the Subfund to meet the liquidity requirements of its investment is directly linked to the ability of the underlying funds to meet their liquidity requirements.

#### **Risks associated with the investments in equities**

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: sharp fluctuations in market price, negative information on issuers or markets and subordination of equities to bonds issued by the same enterprise.

Potential investors should also consider fluctuations in exchange rates, the possibility of controls on foreign exchange currencies and other restrictions.

#### **Risks associated with investments in debt securities and bonds**

The risks associated with investments made in bonds and other similar transferable securities can be summarised as follows: interest rate risk, credit risk, liquidity risk and currency risk.

The value of debt securities may change significantly depending on economic and interest rate conditions as well as the credit worthiness of the issuer. Issuers of debt securities may fail to meet payment obligations or the credit rating of debt securities may be downgraded. These risks are typically increased for sub-investment grade debt securities which may also be subject to higher volatility and lower liquidity than investment grade debt securities.

#### **Risks associated with investments in commodity related instruments**

The risks associated with investments made in commodity related instruments can be summarized as follow: sharp fluctuations in market price of commodity, high volatility in prices, prices of commodities influenced by factors other than only financials.

Potential investors should in particular consider fluctuations in exchange rates, the possibility of controls on foreign exchange and other restrictions.

#### **Risk associated with the use of techniques and instruments relating to transferable securities and money market instruments**

Due to possible use of techniques and instruments relating to transferable securities and money market instruments for purposes of efficient portfolio management, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved. For more details on the risks associated with techniques and instruments, please refer to the section "Risks associated with the use of financial derivative instruments".

#### **Risks associated with the use of financial derivative instruments**

While the prudent use of derivatives may be beneficial, derivatives are also subject to different risks that, in certain cases, may be greater than the risks associated with more traditional investments. These include: market risk, which is associated with all types of investment; management risk, as the use of derivatives requires understanding not just of the underlying but also of the derivative itself; credit risk, which is the result of the default risk, if the counterparty to the derivative fails to respect the terms of the derivatives contract.

The credit risk for derivatives traded on a regulated market is generally lower than for OTC derivatives, because the clearing agents, which assume the function of issuer or counterparty in relation to each derivative traded over the counter, assume a performance guarantee. This guarantee is provided via the margin deposit requirements for purposes of reducing global credit risk. In the case of derivatives traded over-the-counter, there is no comparable clearing agent. As a result, the rating of each counterparty must be analysed in order to evaluate the potential credit risk.

Liquidity risk exists when a particular instrument is difficult to purchase or sell and it might not be possible to conclude the transaction or liquidate a position at an advantageous price.

The other risks associated with using derivatives include the valuation risk or the impossibility of perfectly correlating derivatives with the underlying assets and indices. A poor valuation may result in supplementary cash margin deposit requirements, which means a loss for the Subfund.

#### **Risks associated with investments in emerging market countries**

Investing in emerging markets may carry a higher risk than investing in developed markets.

There may be a higher than usual risk of political, economic, social and religious instability and adverse changes in government regulations and laws in less developed or emerging markets, which could affect the investments in those countries. The assets of Subfunds investing in such markets, as well as the income derived from the Subfund, may also be effected unfavourably by fluctuations in currency rates and exchange control and tax regulations and consequently the Net Asset Value of Shares of these Subfunds may be subject to significant volatility. Also, there might be restrictions on the repatriation of the capital invested.

Some of these markets may not be subject to accounting, auditing and financial reporting standards and practices comparable to those of more developed countries and the securities markets of such markets may be subject to unexpected closure. In addition, there may be less government supervision, legal regulation and less well defined tax laws and procedures than in countries with more developed securities markets.

Moreover, settlement systems in emerging markets may be less well organised than in developed markets. Thus, there may be a risk that settlement may be delayed and that cash or securities of the concerned Subfunds may be in jeopardy because of failures or of defects in the systems. In particular, market practice may require that payment shall be made prior to receipt of the security which is being purchased or that delivery of a security must be made before payment is received. In such cases, default by a broker or bank through whom the relevant transaction is effected might result in a loss being suffered by the Subfunds investing in emerging market securities.

#### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based on either the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II Chapter 19 "Investment Restrictions" – "Collateral management") and the techniques and instruments for the efficient management of the portfolio (see Section II, Chapter 19, "Investment Restrictions" - "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

#### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as amended by CSSF circular 18/698 on substance, as the total of the nominal values of the derivatives used by the Subfund. According to the 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.

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 Subfund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund – Obersee	Commitment approach	n.a.	n.a.

<sup>1</sup> In accordance with CSSF Circular 11/512, reference portfolio must be disclosed for Subfunds for which the Global Risk Exposure is calculated using the Relative Value at Risk Approach.

### **Portfolio asset management**

UBS Third Party Management Company S.A., domiciled at 33A avenue J.F. Kennedy, L-1855 Luxembourg, has been designated as the Management Company of the Fund.

UBS Third Party Management Company S.A. delegated the management of the assets of the Subfund to SIA Funds AG with registered office at Alpenblickstrasse 25, CH-8853 Lachen, Switzerland. SIA Funds AG is an authorized Asset Manager of collective investment schemes, regulated by the Swiss Financial Market Supervisory Authority (FINMA) since 18 December 2014. Before that, SIA Funds AG was an authorized Fund Management Company regulated by the Swiss Financial Market Supervisory Authority (FINMA) since 13 July 2006. The firm was founded as a public limited company in Switzerland. The Portfolio Manager shall report regularly to the Board of Directors of UBS Third Party Management Company S.A. on their asset allocation key, the evolution of the assets, the adequate liquidity management of the Subfund any risk of potential breach of the investment policy and on the transactions executed for the account of the Subfund.

### **Distribution**

UBS Third Party Management Company S.A. has delegated the distribution in Switzerland of the shares of this Subfund to SIA Funds AG with registered office at Alpenblickstrasse 25, CH-8853 Lachen, Switzerland.

Any remuneration of the distributor, if applicable, will be paid from the portfolio manager's fees.

### **Investing in LUXEMBOURG SELECTION FUND – OBERSEE**

#### **General information**

- Institutional Share Class: Shares of "Class I" issued in the Accounting Currency which is an accumulating class dedicated to institutional investors as defined from time to time by the Luxembourg laws and regulations.
- Accounting Currency: USD
- Distribution Policy of the "Class I" Shares is: Accumulating
- Valuation Day: Each business day in Luxembourg
- All-In fee: The Subfund's share Class I is subject to an "**All-In Fee**" of up to 0.35% p.a.

The All-In Fee includes the Management Company fee (which includes the Central Administration fee), the Custodian fee and the portfolio management fee (which includes the distribution fee).

The All-In Fee is subject to a minimum amount of EUR 95,000 p.a. for the Management Company fee and the Custodian fee. Further, the All-In Fee is subject to an additional minimum amount of USD 150,000 p.a. for the portfolio management fee (which amounts to a maximum of 0.15% p.a. after the minimum amount is reached).

The All-In Fee is calculated and accrued on each Valuation Day based on the average total net assets of the respective class during the month concerned and is directly paid out of the total net assets of the Subfund's respective class on a monthly basis. The Management Company will allocate the received amount to its relevant delegates in proportion to the fees to which they are entitled.

#### **Subscriptions**

- Subscription fee: no subscription fees.
- Subscription monies must be transferred to the Custodian Bank by a licensed bank for the benefit of the Subfund.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.
- The initial subscription price per share is USD 100.
- Institutional investors may subscribe for shares of the Subfund for their own account by using the distribution services offered by SIA Funds AG or by applying directly to the Fund.

## Redemptions

- Redemption requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the Net Asset Value of that Business Day calculated on the Valuation Day.
- Redemption fee: no redemption fees.

## Historical performance

The performance of the Subfund is outlined in the key investor information document relating to the Subfund.

## Portfolio turnover

- The portfolio turnover rate is included in the annual report. It is calculated using the following formula:

$$\text{Portfolio turnover rate} = [(Total 1 - Total 2)/M] * 100$$

where

Total 1 = total of securities transactions during the relevant period = X+Y

Where X = purchases of securities and Y = sale of securities

Total 2 = total of transactions in shares of the Subfund during the relevant period = S+T

Where S = subscriptions of shares of the Subfund and T = redemptions of shares of the Subfund

M = average monthly assets of the Subfund

## Research Account Provision

The managing board of the Subfund's portfolio manager, the Board and the Management Company have reviewed the requirements of EU Directive 2014/65 and the delegated rules and regulations (MiFID II) applicable to the payment of research expenditure. They have concluded that a carefully chosen selection of appropriate investment research services, competitively priced and assessed in terms of their benefit to specific individual investment strategies, should be included in an annual research budget (the "**Research Budget**") and charged to clients via a Research Payment Account (a "**RPA**").

The RPA is funded by using the "transactional method", incorporating commission sharing agreements ("**CSA**") in order to independently select trading partners and research providers. This method allows distinguishing research from execution by unbundling gross trading commissions into two pieces: an execution payment (the "**Execution Commission**") and a contribution to a research/services pool (the "**Research Commission**"). The Execution Commission is directly retained by the executing broker, while the Research Commissions from various research providers are pooled and afterwards allocated to the relevant research providers. The Subfund's portfolio manager considers this approach as enabling a better management and control of the Research Budget.

The RPA is set with regard to the specific third-party research services that the Subfund's portfolio manager believes will be most important in enabling it to deliver the investment objectives of the Subfund or each client mandate. As of the date of this visa-stamped Prospectus, investment in equities is the most important strategy of the Subfund for which the RPA shall be set. Where the Subfund invests in equities (either by investment in other funds or by direct investment) and/or uses financial derivative instruments whose underlying assets are equity type of asset, an Execution Commission of 0.05% of the transaction's price and a Research Commission of 0.15% of the transaction's price will be charged until the Research Budget is reached. As soon as it has been identified that the Research Budget is reached, only the Execution Commission of 0.05% of the transaction's price will be charged. The difference between the Research Budget and all collected Research Commissions is monitored on a regular basis with the help of a tool developed by the RPA's administrator, Commcise.

In order to be paid by the RPA, Research Commissions must relate to eligible research. Eligible research means the benefits received at a corporate level from brokers, research providers and other related entities and is a material or a service received related to a potential investment, and capable of contributing to better investment decisions from the Subfund's portfolio manager and benefiting the Subfund. Such research services may include, but are not limited to, published research notes, models or reports, other material or services suggesting or recommending trade ideas, macroeconomic analysis, and access to research analysts or industry experts (including expert networks). The Subfund's portfolio manager considers that access to such

research services and materials is integral to the Subfund's investment selection process, and that such research services and materials will enlighten, and add value to, the portfolio manager's investment decisions made on behalf of the Subfund for the purpose of fulfilling the investment policy and objective of the Subfund. The Subfund's portfolio manager is not constrained by any research materials or services.

In view of the above, the Research Budget for the RPA is set as a total EUR amount by the Subfund's portfolio manager and approved by the Board and the Management Company. Based on a reasonable and fair assessment of the investment needs, the Research Budget will be reassessed annually by the Subfund's portfolio manager and any proposed changes will be notified to the Board and the Management Company before taking effect. It is generally not expected that the Research Budget applicable to the Subfund will exceed EUR 70.000,- per annum. The Subfund's portfolio manager may however at its own discretion propose a higher Research Budget to the Board and the Management Company for their approval.

The RPA will be administered by Commcise under the supervision of the Subfund's portfolio manager, and only the Subfund's portfolio manager can authorise payments from the RPA to research providers. This will provide the Subfund's portfolio manager with the ability to summarise providers paid from the RPA, the total amounts paid over defined periods, to describe the benefits and services received by the Subfund's portfolio manager and the variance of spend versus Research Budget.

If the Research Budget cannot be reached at the end of the annual period, the Subfund's portfolio manager will pay out of its own capital the difference between the Research Budget and all collected Research Commissions to all research partners. The internal administration and management of the Research Budget, the monitoring of prices per provider and the ongoing payment of charges is the responsibility of the Subfund's portfolio manager and the RPA shall be operated in accordance with the requirements of EU Directive 2014/65 and the delegated rules and regulations (MiFID II).

**Total Expense Ratio (TER):**

- The TER, being equal to the ratio between the gross amount of Subfund fees and the average of its net assets, is included in the annual report one year after launch. It will include among others the following fees: the custodian fee, the central administration agent fee, the portfolio management fee, the management company fee, the *taxe d'abonnement*, expenses for preparing and printing the Prospectus, expenses for preparing and printing the KIID, costs in relation to the applicable due diligence procedures, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and/or abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and operational costs in relation to the day to day management of the Subfund. For the sake of clarity, the Net Asset Value of the Subfund (which is equal to the total assets of the Subfund less its liabilities) also includes the TER of targeted UCIs in which the Subfund may invest. For further information, please refer to the above paragraph "Risk associated with the investment in units of UCITS and/or other UCIs and ETFs".

## SECTION II: GENERAL PROVISIONS

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### Management and Administration

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<b>Registered office</b>	33A, Avenue J.F. Kennedy L-1855 Luxembourg
<b>Board of Directors</b>	
<b>Chairman</b>	David Lahr Executive Director UBS Europe SE, Luxembourg Branch
<b>Directors</b>	Alicia Zemanek Executive Director UBS Europe SE, Luxembourg Branch
	Madhu Ramachandran Executive Director UBS Europe SE, Luxembourg Branch
	Geoffrey Lahaye Executive Director UBS Fund Management (Luxembourg) S.A.
<b>Management Company</b>	UBS Third Party Management Company S.A. 33A avenue J.F. Kennedy L-1855 Luxembourg
<b>Board of Directors of the Management Company</b>	
<b>Chairman</b>	Eugène Del Cioppo Managing Director UBS AG
<b>Directors</b>	Francesca Prym Managing Director UBS Fund Management (Luxembourg) S.A.
	Ulrich Schläpfer Executive Director UBS Fund Management (Luxembourg) S.A.
	Gilbert Schintgen Independent Director
<b>Delegates charged with the day-to-day management of Management Company</b>	Federica Ghirlandini Executive Director UBS Third Party Management Company S.A.
	Valérie Bernard Executive Director UBS Third Party Management Company S.A.

Geoffrey Lahaye  
Executive Director  
UBS Third Party Management Company S.A.

Olivier Humbert  
Director  
UBS Third Party Management Company S.A.

**Portfolio managers and advisers**

The name of the respective portfolio managers and advisers are disclosed for each Subfund under Section I.

**Depositary and principal paying agent**

UBS Europe SE, Luxembourg Branch  
33A, avenue J.F. Kennedy  
L-1855 Luxembourg

**Central Administrative Agent**

Northern Trust Global Services SE  
10 rue du Château d'Eau  
L-3364 Leudelange

**Réviseur d'entreprises**

PricewaterhouseCoopers Luxembourg, Société coopérative  
2, rue Gerhard Mercator  
B.P. 1443  
L-1014 Luxembourg

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## 1. THE FUND

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### STRUCTURE OF THE FUND

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The Fund is a *société d'investissement à capital variable* (SICAV) with multiple Subfunds established in accordance with the provisions of the 2010 Law and the Luxembourg Law of 10 August 1915 on commercial companies, each as amended (the "**1915 Law**"). The Fund is subject in particular to the provisions of Part I of the 2010 Law, specifically for Collective Investment in Transferable Securities as defined in the European Directive 2009/65/EC of the European Parliament and of the Council of July 13, 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("UCITS") (the "**Directive 2009/65/EC**").

The Fund is characterised by a structure with multiple Subfunds divided into several separate portfolios of assets called "**Subfunds**", within which different classes of shares may be issued. The assets of different classes in the same Subfund will be invested jointly pursuant to the investment policy of the compartment, but in which a specific fee structure, specific minimum investment amounts, a specific distribution policy, a specific accounting currency, special hedging or other features may be applied separately to each class.

The total net assets of the various Subfunds constitutes the total net assets of the Fund, which always corresponds to the capital of the Fund and consists of fully paid up and non-nominal shares (the "**Shares**").

At general meetings, shareholders have the right to one vote per share held, irrespective of the difference in value of Shares of the respective Subfunds. The Shares of a particular Subfund are entitled to one vote per share held when voting at meetings affecting that Subfund. The rights attached to shares are those contained in the 1915 Law, provided that they are not derogated by the 2010 Law.

The fund constitutes a single legal entity. It is specified, however, that in relations between shareholders, each Subfund is considered a separate entity constituting a separate pool of assets with its own objectives and represented by one or more separate classes. In addition, vis-à-vis third parties, and particularly vis-à-vis the creditors of the Fund, each Subfund shall be exclusively responsible for the commitments attributed to it.

The duration and the assets of the Fund are not restricted.

UBS Third Party Management Company S.A., is a *société anonyme* under Luxembourg law subject to the provisions of Section 15 of the 2010 Law, with its registered office at 33A avenue J.F. Kennedy, L-1855 Luxembourg, RCS Luxembourg B. 45 991, and which has been appointed Management Company of the Fund (the "**Management Company**").

The board of directors of the Management Company is currently composed of Mr Eugène Del Cioppo, Managing Director, UBS AG, Basel and Zurich, appointed as Chairman, Mrs. Francesca Prym, Executive Director, UBS Fund Management (Luxembourg) S.A., Luxembourg, Mr. Ulrich Schläpfer, Director, UBS Fund Management (Luxembourg) S.A., Luxembourg and Mr. Gilbert Schintgen, Independent Director.

The Management Company, originally known as Schroeder Muenchmeyer Hengst Investment Luxembourg SA was incorporated 23 December 1993 in Luxembourg as a "*société anonyme*" for an indefinite period. Since 27 January 2006, the Management Company's name has been UBS Third Party Management Company S.A. and its capital has now been increased to the amount of CHF 1,750,000.00.

Under a services contract signed for an indefinite period between the Fund and the Management Company dated 2 May 2006 and called "Management Company Services Agreement" (hereinafter the "**Agreement**"), the Fund has appointed the Management Company to exercise the functions listed below.

In accordance with the provisions of the Agreement, the Management Company is responsible for the management, administration and distribution of the assets of the Fund. However, the Management Company is empowered to delegate, under its control and under its responsibility, some or all of these functions to third parties. In case of change or appointment of additional third-party entities, the Fund will undertake to update its sales prospectus.

The Management Company also acts as domiciliation and corporate secretary agent of the Fund. In carrying its domiciliation and corporate secretary services, the Management Company may be supported by UBS Europe SE, Luxembourg Branch.

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### LEGAL ASPECTS

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The Fund was established on 9 October 2003 under the 1915 Law in the legal form of a *société anonyme* with the status of an investment company with variable capital under Part I of the 2010 Law. The Fund is registered under number B 96.268 in the commercial register of Luxembourg.

Following an extraordinary general meeting of the shareholders held on 29 December 2011, the articles of incorporation of the Fund (the "**Articles of Incorporation**") were amended in order to have the Fund regulated by Part I of the 2010 Law (the "**Amendments to the Articles of Incorporation**"). The Articles of Incorporation have been deposited with the Registrar of the Luxembourg District Court. The Amendments to the Articles of Incorporation were published in the Memorial on 30 January 2012.

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

The Fund's financial year ends on the last day of April. The annual general meeting is held every year on second Wednesday of October at 11:00 a.m. at the registered office of the Fund or any other address indicated in the notice of the meeting. If such day is not a business day in Luxembourg, the annual general meeting will be held on the next business day.

The Board reserves the right at any time to launch new Subfunds and/or other classes of shares, whose investment policy, features and terms of offer will be communicated in due course by an update of this Prospectus. In compliance with the regulations laid down in "Dissolution and merger of the Fund and its Subfunds", the Board reserves the right to terminate or to merge certain Subfunds.

Variations in the Fund's capital may take place without further notice or consultation and without the need for publication or registration in the commercial register. The minimum required capital totals EUR 1,250,000. This minimum amount must be achieved within a period of six months following registration of the Fund on the official list of undertakings for collective investment.

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## 2. INVESTMENT OBJECTIVES AND POLICY

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The Fund's objective is to offer investors the opportunity to invest in all types of securities through professionally managed Subfunds, each with its own objective and investment policies described in detail in Section I, in order to provide optimal capital appreciation while ensuring the security of capital and liquidity.

The Fund implements a risk management method that allows it at all times to monitor and measure the risk associated with positions and the contribution of the positions to the overall risk profile of the portfolio of each compartment. It will also use a method that will allow it to accurately and independently value financial derivative instruments traded over-the-counter.

The Fund will ensure the overall risk linked to financial derivative instruments does not exceed the total net value of its portfolio. Risks will be calculated taking account of the current value of the underlying assets, of the counterparty risk, the foreseeable changes in the markets and the time available for liquidating the positions.

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## 3. INVESTING IN LUXEMBOURG SELECTION FUND

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### Net Asset Value

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Unless otherwise described under Section I, the Net Asset Value per share of the individual Subfunds is determined on each Business Day by the Central Administrative Agent (hereinafter a "**Valuation Day**").

"Business Day" In this context means the customary banking days (i.e. all days on which banks are open during normal office hours) in Luxembourg, with the exception of some non-regulatory holidays in Luxembourg and days on which the exchanges of the principal host countries for investments are closed and/or 50% or more of the shares of the Subfund cannot be adequately valued.

Non-regulatory holidays means the days on which banks and financial institutions are closed.

The net asset value of each Subfund is equal to the total assets of that Subfund less its liabilities (the "**Net Asset Value**"). The Net Asset Value of each Subfund is expressed in the currency of that Subfund as described in detail in Section I, and is determined on each Valuation Day by dividing the total net assets of the

compartment by the number of shares then in circulation. The Net Asset Value per share of each Subfund is determined using the last known price (i.e. the closing price, or if that price does not reflect a reasonable market value for the Board, the last price known at the time of valuation) each Business Day, unless otherwise indicated in Section I.

For Subfunds for which different classes of shares have been issued, the Net Asset Value per share is calculated for each share class. To this effect, the Net Asset Value of the Subfund attributable to the corresponding class is divided by the total number of shares in issue of that class.

Accrued income upon issue of a share class is to be applied, in the accounts of the Fund, to the Subfund corresponding to that share class, provided that, where several classes of shares are outstanding in this Subfund, the corresponding amount increases the proportion of net assets of this Subfund attributable to the class of shares to be issued.

When the assets or liabilities of the Fund cannot be attributed to a particular Subfund, such assets or liabilities are attributed to all Subfunds in proportion to the Net Asset Value of the corresponding share classes or as otherwise determined in good faith by the Board.

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

Without prejudice to the regulations of each Subfund, the value of the assets held by a Subfund is valued as follows:

- (a) based on the net acquisition price and calculating returns on a constant basis, the value of money market instruments with a residual maturity of less than one year is adjusted to the redemption price of these instruments. In the event of material changes in market conditions, the valuation basis is adjusted to reflect the new market yields;
- (b) debt securities with a residual maturity of more than one year and other securities are valued at the closing price, if they are listed on an official stock exchange. If a security is listed on several exchanges, the last known price on the primary market is the determinant;
- (c) debt securities with a residual maturity of more than one year and other securities, if they are not listed on an official stock exchange, but traded on another regulated market, which is recognised, open to the public and operating regularly, are valued at the last available price on this market;
- (d) shares of UCITS authorized according to Directive 2009/65/CE and/or other assimilated UCIs will be valued at the last known Net Asset Value at the Valuation day;
- (e) time deposits with an original maturity exceeding 30 days can be valued at their respective rate of return, provided the corresponding agreement between the credit institution holding the time deposits and the Fund stipulates that these time deposits may be called at any time and that, if called for repayment, their cash value corresponds to this rate of return;
- (f) any cash in hand or on deposit, notes payable on demand, bills and accounts receivable, prepaid expenses, cash dividends, interests declared or accrued as aforesaid and not yet received shall be valued at their full nominal value, unless in any case the same is unlikely to be paid or received in full, in which case the Board may value these assets with a discount he may consider appropriate to reflect the true value thereof;
- (g) the value of swaps is calculated using a method based on the net present value of future cash flows, recognised by the Board and verified by the Fund's auditor;
- (h) securities and other investments listed on a stock exchange are valued at the last known prices. If the same security or investment is listed on several stock exchanges, the closing price on the stock exchange that represents the primary market for this security will be used.

In the scenario where securities and other investments are traded on a stock exchange with low volume but are traded among market makers on a secondary market using price determination methods that are in line with market practice, the Fund may use the prices of this secondary market as the basis for valuing such securities and investments. Securities and other investments that are not listed on a stock exchange, but which are traded on another regulated market which is recognised, open to the public and operating regularly, are valued at the last known price on this market.

## Issue and conversion of shares

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Unless otherwise indicated in Section I, the Board is authorised without limitation to distribute and issue shares of each Subfund. The Board is also authorised to fix a minimum subscription, redemption and conversion amount, as well as a minimum holding for each Subfund.

Subscriptions can be made for an amount or for a number of shares; conversions and redemptions can be made for an amount or for a number of shares. The initial and subsequent minimum subscription and investment amounts, if applicable, are indicated in Section I for each Subfund.

Shares are issued in the form of registered shares. Fractions of shares are recognised to three decimal places.

Investors are informed that the board of directors of the Management Company, acting on behalf of the Fund (the "**Board of Directors**"), is authorised to take all appropriate measures to prevent practices known as "market timing" in relation to investments in the Fund.

The Board of Directors will also ensure that the "cut-off time" applicable to any request for subscription, conversion and redemption of units be strictly respected, and therefore is authorised to take all appropriate measures to guard against the practice known as "late trading".

For claims vis-à-vis distributors, the Board of Directors will ensure in advance that the cut-off-time is duly respected by the distributors.

The Board of Directors is authorised to reject any requests for subscription and conversion in case of doubt or if it has knowledge of the existence of such practices.

In addition, the Board of Directors is authorised to take any further measures it deems appropriate to prevent the above-mentioned practices, without prejudice, however, to the provisions under Luxembourg law. The Board is further authorised to close any existing class of shares for further subscriptions with prior notice to the investors.

### **Initial subscription**

The initial subscription period, the subscription fees and the price of shares of each Subfund and/or class(es) of shares are described in detail in Section I.

### **Subsequent subscription**

After the closing of the initial offering period, shares will be issued at a price corresponding to the Net Asset Value per share, plus any subscription fee to be determined for each Subfund by reference to the Net Asset Value per share (and as indicated in Section I). Any taxes, duties and other charges incurred in the various countries in which Fund shares are sold will also be taken into account.

### **Subscription procedures**

All requests for subscriptions, redemptions and conversions must be addressed to the distributors and/or sales agents, as described for each Subfund in Section I, or may be presented directly to the Fund.

The distributor and/or sales agents may, with the prior approval of the Fund, appoint additional distributors/sales agents based in a Member State of the Financial Action Task Force (FATF).

Duly completed and signed subscription requests received by the Fund no later than 4 p.m. on the Business Day in Luxembourg preceding a Valuation Day shall be settled at the issue price calculated on that Valuation Day. Subscription requests received after that time will take effect on the following Valuation Day.

Subscription requests must be submitted for payment in the reference currency as defined for each Subfund in Section I. The issue price is calculated in the relevant reference currency as defined for each Subfund in Section I.

Payment must be received by the Depositary of the Fund at the latest two Business Days in Luxembourg after the Valuation Day.

The Fund may, at its discretion, accept subscriptions made in the form of payments in kind of securities, in part or in whole. However, the securities must be in accordance with the respective Subfund's investment policy and restrictions. In addition, these securities will be audited by the Fund's appointed auditor. The related fees are borne by the investor.

Distributors and sales agents of Fund units must respect the provisions of the Luxembourg law on the prevention of money laundering as further described under Chapter 17 "Fight against money laundering and terrorist financing", and particularly the law of 19 February 1973 on the sale of medicinal substances and the

fight against drug addiction and the laws of 5 April 1993 on the financial sector, and of 12 November 2004 on the fight against money laundering and against the financing of terrorism, as well as any subsequent regulation issued by the Luxembourg government or supervisory authorities. Obligations were imposed on all financial sector professionals for the purpose of preventing the use of undertakings for collective investment in transferable securities for the purpose of money laundering.

Any investor wishing to subscribe or redeem shares of the Fund must, among other things, establish his identity vis-à-vis the distributor and/or sales agent who receives his subscription or redemption order as further described under Chapter 17 "Fight against money laundering and terrorist financing". The distributor and/or sales agent will require the following identification of such investors:

The distributors and/or sales agents **physically met with** the investors:

- for individuals, a certified photocopy of passport/identity card (certified by the distributor and/or sales agent) and the identification of beneficial owners, i.e. the final shareholders.
- for corporations or other legal persons, a copy of the Articles of incorporation and an extract from the commercial register (both certified by the distributor and/or sales agent), a list of authorised signatures, a copy of the latest published annual accounts, the full identity of the beneficial owners, i.e. the final shareholders.

The distributors and/or sales agents **having not physically met with** the investors:

- for individuals, a certified photocopy of passport/identity card (certified by one of the following authorities: embassy, consulate, notary, police or police officer) and the identification of beneficial owners, i.e. the final shareholders
- for corporations or other legal persons, a copy of the Articles of incorporation and an extract from the commercial register (both certified by one of the following authorities: embassy, consulate, notary, police or police officer), a list of authorised signatures, a copy of the latest published annual accounts, the full identity of the beneficial owners, i.e. the final shareholders.

The distributors must ensure that the sales agents strictly observe the above identification procedure. The Fund may at any time request assurance for compliance with the above requirements from the distributors/sales agents.

In addition, the distributors and sales agents must also respect all regulations regarding the prevention of money laundering in force in their respective countries.

Without prejudice to the above, the Fund reserves the right to (a) refuse any request for subscription, (b) issue new shares only if in the interest of the existing shareholders and (c) redeem outstanding shares held by investors who are not authorised to either buy or hold shares of the Fund.

The shares will be transferred to the investors concerned without delay upon receipt of payment of the full purchase price. They may be added to the shareholders' assets through the securities account of his choice.

The Fund may, in the course of its sales activities and at its discretion, terminate the issue of shares, refuse redemption requests and suspend or limit the sale of shares for specific periods or permanently to individuals or legal persons in particular countries or areas. In addition, the Fund may at any time redeem shares held by persons who are not authorised to purchase or hold Fund shares.

### **Conversion of shares**

Unless otherwise stipulated in Section I for each Subfund, the shareholders of a Subfund may convert part or all of their shares of one class into shares of the same or of another class (if there are no restrictions to this Section I) in another Subfund up to the countervalue of the shares presented with a view to conversion, provided that the issue of shares by this Subfund has not been suspended as described below. The Board is authorised to set a minimum conversion level for each Subfund, as set forth in Section I, if applicable. For further information regarding the conversion procedure and fees, please refer to the description of each Subfund in Section I.

The same procedures apply to the submission of conversion requests as apply to the issue and redemption of shares. The Fund calculates the number of shares to be allotted after conversion using the following formula:

$$A = [(B \times C) \times F] / (D + E)$$

A = number of the shares of the new Subfund or the new class to be issued

B = number of shares of the existing Subfund or class  
 C = Net Asset Value per share of the existing Subfund or class less any taxes, duties or other charges  
 D = Net Asset Value per share of the new Subfund or class, plus any taxes, duties or other charges  
 E = conversion fee, if any (as further described for each Subfund in Section I)  
 F = exchange rate of the reference currencies of the two Subfunds or classes

The shareholder may request such a conversion by indicating the number of shares and the Subfund to be converted into. If share certificates have been delivered to the shareholder, all share certificates to be converted, including any coupons not yet due, must be delivered to the Fund. Otherwise, the conversion cannot be executed.

In addition, if on a Valuation Day conversion requests received by the Fund exceed 10% of the shares in circulation of a specific compartment, the Board may decide that all or part of the requests for conversion be deferred for a period and under conditions to be determined by the Board, with regard to the interests of the shareholders. On the Valuation Day following this period, these conversion requests will be given priority and settled ahead of applications received after this period.

#### **Redemption of shares**

Requests for redemption must be received by the Fund by 4.00 p.m. on the Business Day in Luxembourg preceding a given Valuation Day. They shall be settled at the redemption price determined on that Valuation Day and submitted for payment in the reference currency as defined for each Subfund under Section I. All redemption requests received by the Fund after the deadline mentioned above will be settled at the redemption price calculated on the next Valuation Day. If share certificates have been delivered to the shareholders, they should be attached to the redemption request (including any coupons not yet due).

The redemption price is based on the Net Asset Value per share. Any taxes, duties and other charges incurred in the various countries in which Fund shares are sold will be taken into account. Since provision must be made for an adequate supply of liquidity in the Fund's assets, under normal circumstances payment for Fund shares is effected within 2 Business Days after the calculation of the redemption price, unless legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Fund, make it impossible to transfer the redemption amount to the country in which the redemption application was submitted.

In case of massive redemption requests exceeding 10% of the shares in circulation of a specific compartment, the Board may decide that all or part of the requests for redemption be deferred for a period and under conditions to be determined by the Board, with regard to the interests of the shareholders. On the Valuation Day following this period, these redemption requests will be given priority and settled ahead of applications received after this period.

On payment of the redemption price, the corresponding Fund shares cease to be valid.

At its discretion, the Fund may at the request of the investor accept redemptions in kind. In addition, these redemptions (1) must not have any negative effect for the remaining investors and (2) will be audited by the Fund's appointed auditor. The related fees are borne by the investor.

The redemption price of Fund shares may be above or below the amount paid by the shareholder at the time of subscription, depending on whether the Net Asset Value has risen or fallen.

#### **Suspension of the calculation of Net Asset Value and of the issue, conversion and redemption of shares**

The Fund may temporarily suspend calculation of the Net Asset Value and hence the issue, conversion and redemption of shares for one or more Subfunds:

- during any period when any of the stock exchanges or other markets on which the valuation of a significant and substantial part (at least 50%) of any of the investments of the Fund is based, or any of the foreign-exchange markets in whose currency the Net Asset Value of any of the investments of the Fund 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, provided that such restriction or suspension affects the valuation of the investments of the Fund quoted thereon;
- if political, economic, military or other circumstances beyond the control, responsibility or influence of the Fund make it impossible to access the Fund's assets under normal conditions without seriously harming the interests of the shareholders;

- c) during any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments of the Fund or value on any stock exchange or other market in respect of the assets of the Fund;
- d) when for any other reason, the prices of a considerable part of the Fund portfolio (at least 50%) cannot promptly or accurately be ascertained;
- e) during any period when the Fund is unable to repatriate funds for the purpose of making payments on the redemption of Shares of the Fund, or during which any transfer of funds involved in the realization or acquisition of investments or payments due on redemption of Shares cannot, in the opinion of the Board, be effected at normal rates of exchange;
- f) upon the publication of a notice convening a general meeting of shareholders for the purpose of the liquidation of the Fund;
- g) in case of a feeder Subfund, when the master UCITS temporarily suspends, on its own initiative or at the request of its competent authorities, the redemption, the reimbursement or the subscription of its units; in such a case the suspension of the calculation of the Net Asset Value at the level of the feeder Subfund will be for a duration identical to the duration of the suspension of the calculation of the Net Asset Value at the level of the master UCITS.

Any such suspension in excess of five Valuation Days shall be published by the Fund and may be notified to shareholders having made an application for subscription, conversion or redemption of shares for which the calculation of the Net Asset Value has been suspended.

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#### **4. DISSOLUTION AND MERGER OF THE FUND AND OF ITS SUBFUND**

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##### **Dissolution of the Fund**

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The Fund may be wound up at any time by a decision of the general meeting of shareholders, pursuant to the conditions set forth by the Luxembourg 1915 Law.

If the amount of the Fund's assets falls below two thirds of the prescribed minimum capital, the Board shall propose the dissolution of the Fund to the meeting of shareholders. The meeting of shareholders shall decide by a simple majority of the shares represented at the meeting, without any quorum requirements.

If the amount of the Fund's capital falls below one quarter of the prescribed minimum capital, the Board shall propose la dissolution of the Fund to the meeting of shareholders, which shall take the decision without any quorum requirement, and the dissolution may be declared by shareholders holding one quarter of the shares represented at the meeting.

The meeting must be convened in such a way that it is held within 40 days of the day on which it was ascertained that the net assets had fallen below two thirds or, as the case may be, one quarter of the prescribed minimum capital.

Liquidation is carried out by one or more liquidators who may be physical or legal persons and who are appointed with the approval of the supervisory authority by the meeting of shareholders, which also determines their powers and remuneration.

The net proceeds from the liquidation of the Subfunds are paid out by the liquidators to the shareholders of those Subfunds in proportion to the Net Asset Value per share.

If the Fund is liquidated voluntarily or on account of a court decision, this liquidation must be carried out in accordance with the provisions of the 2010 Law. This 2010 Law specifies the measures to be taken to allow the shareholders to participate in the distribution of the proceeds of liquidation and it provides that any amounts unclaimed by the shareholders or which cannot be distributed to the shareholders at the completion of liquidation (which could last up to nine months) are immediately deposited at the "Caisse de Consignation" in Luxembourg.

##### **Dissolution of a Subfund**

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In the case of dissolution of a Subfund, the Board may offer to the shareholders of such Subfund the redemption of their shares for cash at the Net Asset Value per share (including all estimated expenses and

costs relating to the liquidation) determined on the Valuation Day as described in the section "Redemption of shares".

In the event that for any reason the value of the assets in a Subfund or of any class(es) of shares has decreased to an amount determined by the Board from time to time to be the minimum level for the Subfund or class(es) of shares to be administered in an economically efficient manner, or if a change in the economic or political situation relating to the Subfund concerned would have material adverse consequences on the investments of that Subfund, the Board may decide to compulsorily redeem all the shares of the relevant class(es) issued in the Subfund at the Net Asset Value per share (taking into account actual realisation prices of investments and realisation expenses), calculated on the Valuation Day at which such decision shall take effect. The Fund shall inform the shareholders of the Subfund or of the class(es) concerned before the compulsory redemption enters into force. A notice to this effect will indicate the reasons and the procedure of the redemption. Holders of registered shares will be notified in writing.

Unless it is otherwise decided in the interest of the shareholders or to maintain equal treatment between them, the shareholders of the Subfund or of the class(es) concerned may continue to request the redemption or conversion of their shares, free of charge, before the compulsory redemption coming into force.

Notwithstanding the powers conferred on the Board by the first paragraph below, the general meeting of shareholders of any or all class(es) of shares issued in a Subfund may take the decision to redeem all the shares issued in such class(es) of the Subfund and refund to the shareholders the Net Asset Value of their shares (taking into account actual realisation prices of investments and realisation expenses) calculated on the Valuation Day at which such decision shall take effect. There shall be no quorum requirements for such general meeting of shareholders, which shall decide by resolution taken by simple majority of those present or represented.

Any liquidation proceeds which cannot be distributed to the shareholders at the completion of the liquidation (which could last up to nine months) are immediately deposited at the "Caisse de Consignation" in Luxembourg. All the shares redeemed in this manner will be cancelled.

#### **Division of a Subfund**

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Under the same circumstances as provided in the previous chapter "Dissolution of a Subfund", the Board may decide to divide a Subfund into two or more Subfunds and/or share classes. Such decision will be duly published.

During the month following the publication of such a decision, shareholders are authorised to redeem all or a part of their shares at their Net Asset Value - free of charge - in accordance with the guidelines outlined in the article 8 of the Articles. Shares not presented for redemption will be exchanged on the basis of the Net Asset Value of the shares of the Subfund calculated for the day on which this decision will take effect.

#### **Mergers of the Fund or of Subfunds with another UCITS or other Subfunds thereof; mergers of one or more Subfunds within the Fund; division of Subfunds**

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"Merger" means an operation whereby:

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

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

Under the same circumstances as provided in the previous Section, the Board may decide to reorganise a Subfund and/or share class by means of a merger with another existing Subfund and/or share class within the Fund or with another UCITS established in Luxembourg or in another Member-State or to another Subfund and/or share class within such other UCITS (the "**new fund/Subfund**") and to re-designate the shares of the relevant Subfund or share class concerned as shares of another Subfund and/or share class (following a split or consolidation, if necessary, and the payment of the amount corresponding to any fractional entitlement to shareholders). Such decision will be published in the same manner as described in the previous Section (and, in addition, the publication will contain information in relation to the new fund or Subfund). During a period of thirty days following the publication of such a decision, shareholders may request redemption or conversion of their Shares free of charge.

Under the same circumstances as provided in the previous Section, the Board may decide to reorganise a Subfund and/or share class by means of a division into two or more Subfunds and/or share classes. Such decision will be published in the same manner as described herein (and, in addition, the publication will contain information about the two or more new Subfund).

During a period of thirty days following the publication of such a decision, shareholders may request redemption or conversion of their Shares free of charge.

The shareholders of both, the merging and receiving Subfund have the right to request, without any charge other than those retained by the Subfund to meet disinvestment costs, the repurchase or redemption of their shares or, where possible, to convert them into shares of another Subfund of the Fund with similar investment policy or shareholders may also convert their shares into another UCITS managed by the Management Company or by any other company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding. This right shall become effective from the moment that the shareholders of the merging and those of the receiving Subfund have been informed of the proposed merger and shall cease to exist five working days before the date for calculating the exchange ratio.

The Board may temporarily suspend the subscription, repurchase or redemption of shares, provided that any such suspension is justified for the protection of the shareholders.

If a Subfund of the Fund is the receiving Subfund, the entry into effect of the merger shall be made public through all appropriate means by the Fund and shall be notified to the CSSF and, where appropriate, to the competent authorities of the home Member States of the European Union of the other UCITS involved in the merger.

Under the same circumstances as provided in the previous Section, the general meeting of shareholders of the Fund may decide with no quorum requirement and simple majority to merge the whole Fund with another UCITS established in Luxembourg or in another Member State of the European Union or with any Subfund thereof.

A merger which has taken in accordance with the provisions of the 2010 Law cannot be declared null and void.

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## 5. DIVIDEND POLICY

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The dividend policy of each Subfund and/or classes of shares is described in detail in Section I.

The general meeting of shareholders of the various Subfunds shall determine, on the proposal of the Board and after closing the annual accounts for each Subfund, whether and to what extent distributions are to be paid out of investment income and realised gains in the Net Asset Value after deduction of all fees and expenses. Distributions may not cause the net assets of the Fund to fall below the minimum Net Asset Value of the Fund provided for by the 2010 Law.

Entitlements to distributions and allocations not claimed within five years of expiry 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 other Subfunds of the same Fund in proportion to their respective net assets. At the proposal of the Board, the general meeting of shareholders of a specific Subfund may decide to issue bonus shares as part of the distribution of net investment income and capital gains.

An income equalisation amount is calculated so that the distribution corresponds to the actual income entitlement.

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## 6. DEPOSITORY

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

The Depositary is a Luxembourg established branch of UBS Europe SE, a European Company (Societas Europaea), having its registered office in Frankfurt am Main, Germany, registered with the trade and companies register of the district court of Frankfurt am Main under number HRB 107046. The Depositary has its address at 33A, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Company Register under number B 209.123.

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

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

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

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

In order to avoid any potential conflicts of interest, the Depositary does not appoint any sub-custodians and does not allow the appointment of any sub-delegate which is part of the UBS Group, unless such appointment is in the interest of the shareholders and no conflict of interest has been identified at the time of the sub-custodian's or sub-delegate's appointment. Irrespective of whether a given sub-custodian or sub-delegate is part of the UBS Group or not, the Depositary will exercise the same level of due skill, care and diligence both in relation to the selection and appointment as well as in the on-going monitoring of the relevant sub-custodian or sub-delegate. Furthermore, the conditions of any appointment of a sub-custodian or sub-delegate that is member of the UBS Group will be negotiated at arm's length in order to ensure the interests of the Fund and its Shareholders. Should a conflict of interest occur and in case such conflict of interest cannot be mitigated, such conflict of interest as well as the decisions taken will be disclosed to Shareholders. An up-to-date description of any safekeeping functions delegated by the Depositary and an up-to-date list of these delegates and sub-delegate(s) can be found on the following webpage: <https://www.ubs.com/global/en/legalinfo2/luxembourg.html>.

Where the law of a third country requires that financial instruments are held in custody by a local entity and no local entity satisfies the delegation requirements of article 34bis, paragraph 3, lit. b) i) of the 2010 Law, the Depositary may delegate its functions to such local entity to the extent required by the law of that third

country for as long as there are no local entities satisfying the aforementioned requirements. In order to ensure that its tasks are only delegated to sub-custodians providing an adequate standard of protection, the Depositary has to exercise all due skill, care and diligence as required by the 2010 Law in the selection and the appointment of any sub-custodian to whom it intends to delegate parts of its tasks and has to continue to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any sub-custodian to which it has delegated parts of its tasks as well as of any arrangements of the sub-custodian in respect of the matters delegated to it. In particular, any delegation is only possible when the sub-custodian at all times during the performance of the tasks delegated to it segregates the assets of the Fund from the Depositary's own assets and from assets belonging to the sub-custodian in accordance with the 2010 Law. The Depositary's liability shall not be affected by any such delegation, unless otherwise stipulated in the 2010 Law and/or the Depositary Agreement.

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

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

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

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

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## 7. CENTRAL ADMINISTRATIVE AGENT

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Northern Trust Global Services SE, 10 rue du Château d'Eau, L-3364 Leudelange, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B 129 936 is acting as the administrative agent. In this capacity, the administrative agent of the Fund is responsible for the general administrative duties involved in managing the Fund and prescribed by Luxembourg law. These administrative services mainly include calculation of the Net Asset Value per share, accounting and reporting. The administrative agent is entitled to charge a fee in line with the customary fees at the financial centre of Luxembourg. It also carries out the other tasks of central administration in accordance with applicable law in Luxembourg. It is responsible in particular for processing share subscriptions, redemptions and conversions, as well as for transferring the relevant monies.

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## 8. PORTFOLIO MANAGERS/ INVESTMENT ADVISORS

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The Fund is managed by the Management Company, which is responsible for the management and administration of the Fund, of its Subfunds, and, if applicable, of the share classes of those Subfunds. The Management Company is responsible for monitoring the investment policy and restrictions of the Subfunds of the Fund.

Within the framework of these functions, the Management Company may be assisted by portfolio managers and investment advisers, for each Subfund, according to their respective objective and investment policy, on the basis of delegation agreements.

The Management Company may appoint different portfolio managers in the framework of the portfolio management of the Subfunds. Portfolio Management comprises the active management of the Subfund's assets and the ongoing monitoring and adjusting of investments. The mandate is executed under the supervision and the responsibility of the Board.

The portfolio manager may, subject to the terms and conditions of the portfolio management agreement, be authorised to appoint investment advisors with regard to investment recommendations, for instance, relating to the asset allocation among the authorised investment instruments.

The names and designations of the delegates of the Management Company, as well as the fees to which they are entitled, are described in detail in Section I. Unless provided for otherwise, this fee is expressed as a percentage of the Net Asset Value and is payable quarterly.

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## 9. ADVISORY COMMITTEE

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The Management Company may establish an advisory committee (the "**Advisory Committee**") in relation to one or several Subfunds.

The Advisory Committee may express its views on the general investment strategy and investment policy to be implemented by the Management Company within the limits of the investment objective of the relevant Subfund. The Advisory Committee may furthermore be consulted in relation to all or part of the investment decisions to be taken by the Management Company or the delegate portfolio managers. The Management Company may submit every investment decision, or any other decision in regards to the general investment strategy and investment policy of the Subfund to be taken, to the Advisory Committee for approval.

The Advisory Committee of the relevant Subfund shall be composed of a number of members as determined by the Management Company.

The Management Company will ensure that, based on the individual curriculum vitae, each of the Advisory Committee's members possesses sufficient know how with reference to the investments to be carried out by the relevant Subfund.

The members of the Advisory Committee shall be appointed by the Management Company. The Shareholders of the respective Subfund may suggest one or more persons to be appointed as members of the Advisory Committee. The Advisory Committee's members shall accept their appointment in writing and may resign at any time.

The Advisory Committee shall elect a chairman from among its members. The Advisory Committee's members shall hold their office for a period of three (3) years from their appointment; such term may be renewed.

Should a member of the Advisory Committee cease to hold its office for any reason, the Management Company shall appoint a new Advisory Committee member; the Shareholders of the respective Subfund may suggest one or more persons to be appointed as member of the Advisory Committee. The rules applicable to the appointment of Advisory Committee members apply by way of analogy to the appointment of such new members.

The Management Company may replace any member of the Advisory Committee at any time.

Representatives of the Management Company and of the portfolio manager(s) may participate in meetings of the Advisory Committee without being granted any voting power.

Unless it is called by the Management Company or otherwise indicated in the Subfund section of the relevant Subfund, convening notices for a meeting of the Advisory Committee will be sent at least fifteen (15) days prior to the meeting by the chairman to discuss the general activity of the relevant Subfund.

Advisory Committee's meetings shall be validly held if the majority of the Advisory Committee's members in office is present or represented. Relevant resolutions shall be adopted with the favourable vote of the majority of attendees. In case of an even number of attendees, the chairman shall have the casting vote.

Resolutions of the Advisory Committee may also be adopted by way of circular documents if no meeting is called. In this case, the relevant document shall clearly set out the subject matter of the resolution and the date and signature of the relevant members of the Advisory Committee.

The Management Company shall convene the Advisory Committee meeting for the following reasons:

(a) to seek the non-binding advice of the Advisory Committee in relation to: (i) strategic, macroeconomic and market issues; (ii) the overall investment strategy and the drafting and/or revision of the respective Subfund's investment policy and investment restrictions; (iii) significant investment decisions in investments which present a conflict of interests with the Management Company, the Portfolio Manager(s) and/or any of the Shareholders; (iv) the appointment of a new Portfolio Manager and/or the replacement of the existing Portfolio Managers, or the sub-delegation of the assets of the Subfund amongst the relevant Portfolio Manager(s); (v) the supervision of the compliance of the Portfolio Managers with the investment guidelines

applicable to each Subfund; (vi) the supervision of the compliance of any other entity involved in the day-by-day activities of the Subfund (inter alia, the Management Company, the Board of the Fund, the Central Administrative Agent, the Depositary and principal paying agent, etc) with the rules applicable to the relevant Subfund, as set out under this Prospectus as well as with any laws and regulation applicable to each of them; (vii) the decision about the potential distribution of a dividend to the Shareholders and (viii) any significant modification to be adopted on the overall structure of the Subfund which might have an impact on the Subfund's performance or functioning and/or on the interests of the Shareholders.

- (b) to request a consent to subscribe for shares in an affiliated fund;
- (c) to inform and seek advice from the members of the Advisory Committee about the recent performance of the relevant Subfund, the asset allocation, the level of leverage and the compliance with the investment restrictions set forth in this Prospectus, and
- (d) to inform, in due time in advance (to the extent that this would be legally possible), about events which might have a significant impact on the Subfund's performance or functioning.

In this respect, the Advisory Committee shall have the right to request periodic detailed reports and information from the Management Company and/or from the Portfolio Manager(s) about the asset allocation and the risk profile assumed by the relevant Subfund.

In compliance with the terms and conditions set forth in this Prospectus, the members of the Advisory Committee shall be entitled to request the reimbursement, at the respective Subfund's expense, of all documented out-of-pocket expenses reasonably incurred in connection with their office.

Terms and conditions of the remuneration of the Advisory Committee's members shall be resolved by the Management Company prior to their appointment.

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## 10. TAXATION

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### **Taxation of the Fund**

In accordance with the legislation in force and current practice in the Grand Duchy of Luxembourg, the Fund is not liable to any withholding, income, capital gains or wealth tax. The Fund is, however, liable in Luxembourg to a tax of 0.05% per annum ("taxe d'abonnement") on the Net Asset Value; this tax is payable quarterly on the basis of the value of the net assets of the Fund at the end of the each quarter. 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 the net assets of that specific Subfund or class.

### **Taxation of shareholders**

It is brought to shareholders' attention that the Law of 21 June 2005 transposed into Luxembourg law the European Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "Savings Directive").

This resulted in the introduction, beginning 1 July 2005, of a withholding tax on savings income in the form of interest payments made in Luxembourg to beneficial owners who are individuals and who are tax residents of another Member State of the European Union.

Dividends distributed by a Subfund of the Fund will be subject to the Savings Directive if more than 15% of its assets are invested in debt claims as defined in the Directive. The income realised by the shareholders will be subject to withholding tax if more than 25% of the assets of the Subfund are invested in debt securities.

Provided that the Subfund concerned is not subject to the Savings Directive or when the shareholders are not subject to it, the shareholders are not subject to any withholding, capital gains, income, gift, wealth, inheritance or other tax in Luxembourg except for investors domiciled, resident or having a permanent establishment in Luxembourg and except for certain former residents of Luxembourg owning more than 10% of the shares in the Fund. The above summary of the tax implications is not exhaustive. It is based on the law and regulation currently in force in the Grand Duchy of Luxembourg, which are subject to change. Potential shareholders are advised to inform themselves about the laws and regulations in force and, where appropriate, seek advice on the subscription, redemption, possession and sale of shares at their place of residence.

In March 2014, the European Council adopted a new directive amending and broadening the scope of the Savings Directive in various respects, including extending the Savings Directive to non-UCITS and non-UCITS

equivalent funds. However, on 10 November 2015 the Savings Directive (as amended in March 2014) was repealed by the European Council with effect from 1 January 2016 following the new automatic exchange of information regime, referred to below, to be implemented under the CRS Directive.

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## 11. AUTOMATIC EXCHANGE OF INFORMATION

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### DAC6 – Disclosure requirements for reportable cross-border tax arrangements

On 25 June 2018, Council Directive (EU) 2018/822 ("DAC6") entered into force introducing rules regarding the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements ("RCBAs"). DAC6 is intended to provide the tax authorities of EU member states with comprehensive and relevant information about potentially aggressive tax-planning arrangements with the aim that this information will enable the authorities to react promptly against harmful tax practices and close loopholes by enacting legislation or by undertaking adequate risk assessments and carrying out tax audits.

The DAC6 obligations apply from 1 July 2020, but may require reporting of arrangements implemented between 25 June 2018 and 30 June 2020. The DAC6 generally requires EU intermediaries to report to their local tax authorities information about RCBAs, including details of the arrangement as well as identification information about the involved intermediaries and relevant taxpayers, i.e. the persons to whom the RCBA is made available. Subsequently, the local tax authorities exchange the information with the tax authorities of other EU member states. As such, the Fund may be legally required to file information that is within its knowledge, possession or control on any RCBA to the respective tax authorities. This legislation is capable of applying to arrangements that do not necessarily constitute aggressive tax planning.

### FATCA and the Common Reporting Standard

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

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

Drawing extensively on the intergovernmental approach to implementing FATCA, the OECD developed the Common Reporting Standard ("CRS") to address the issue of offshore tax evasion on a global basis. Pursuant to the CRS, financial institutions based in participating CRS jurisdictions (such as the Fund) must report to their local tax authorities personal and account information of investors and, where appropriate, controlling persons resident in other participating CRS jurisdictions which have an agreement in place with the financial institution's jurisdiction to exchange information. Tax authorities in participating CRS jurisdictions will exchange such information on an annual basis. The first information exchanges were expected to begin in 2017. Luxembourg has enacted legislation to implement the CRS. As a result, the Fund will be required to comply with the CRS due diligence and reporting requirements adopted by Luxembourg.

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

Detailed guidance as to the mechanics and scope of FATCA and the CRS is continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future operations of the Fund. Prospective investors should consult their own tax advisor with regard to FATCA and the CRS and the potential consequences of such automatic exchange of information regimes.

#### **"Specified U.S. Person" for FATCA purposes**

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

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#### **12. CHARGES AND EXPENSES**

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Costs in connection with the launch of a new Subfund which include expenses for preparing and printing the sales prospectus, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, and/or other fees in relation to the establishment, promotion and launch of the Subfund are written off over a period not to exceed five years on the assets of the Subfund, in an annual amount determined by the Board on an equitable basis.

In addition, the Depositary and the Central Administrative Agent will receive from the Fund a fee based, in principle, on the average net assets of the Fund, in accordance with customary practice in the Luxembourg financial market as described in Section I.

The Portfolio Manager and/or investment advisor of each Subfund will receive a fee as described in detail in Section I.

The Management Company will receive a fee as described in detail in Section I.

The distributor (if any) will receive a fee as described in detail in Section I.

The Fund shall also bear the other operating costs, including, *inter alia*, the expenses purchasing and selling securities, all taxes which may be payable on the Fund's assets or income and especially "taxed d'abonnement" and regulatory authority fees, the costs of exchange listings, 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, the fees for the auditors and all legal advisors, costs incurred indirectly in connection with the offer, advertising and sale of shares, the cost of translating any documents intended for foreign regulatory authorities, the cost of printing the Prospectus and the share certificates, expenses related to the preparation, deposition and publications of 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 and regulations, expenses for preparing and printing the KIIDs, the costs of preparing and distributing notifications to the Shareholders, the costs for the provision of services relating to the appointment of the *Responsable du contrôle du respect des obligations (RC)* in view of the Fund's anti-money laundering obligations, and operational costs in relation to the day to day management of the Fund. All expenses are taken into account in the determination of the Net Asset Value per Share of each class/Subfund. Operational and administrative expenses are allocated among the Subfunds, the categories and the classes of Shares pro rata to their respective net assets (or in a fair and reasonable manner as determined by the Fund).

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#### **13. SHAREHOLDER INFORMATION AND COMPLAINTS HANDLING**

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The audited annual report will be made available to shareholders free of charge at the registered office of the Fund within four months of the end of the financial year. The annual report includes reports on the Fund in general and on each Subfund, as set forth in the CSSF Circular 14/592. It shall also contain details on the underlying assets focused on by the respective Subfund through the use of financial derivative instruments, the counterparties to these derivative transactions, as well as the collateral (and its scope) provided in favour of the Subfund by its counterparties, in order to reduce credit risk.

Un-audited semi-annual reports of the Subfunds will be made available at the same places as the annual reports within two months of the end of the period to which they refer.

Other information on the Fund, as well as on the Net Asset Value, the issue, conversion and redemption prices of the Fund's shares may be obtained on any Business Day at the registered office of the Fund and from the Depositary. If necessary, any information relating to a suspension or resumption of the calculation of the Net Asset Value, the issue or redemption price will be published on the Management Company's website "[http://www.ubs.com/global/en/asset\\_management/fundservices/solutions/ubs-third-party-management-company.html](http://www.ubs.com/global/en/asset_management/fundservices/solutions/ubs-third-party-management-company.html)", and, if applicable, in the appropriate media in the different distribution countries.

Copies of the Articles may be obtained at the registered office of the Fund. Material provisions of the agreements referred to in this Prospectus may be inspected during usual business hours on any Luxembourg Business Day at the registered office of the Fund.

In addition, the Articles, the Prospectus as well as the latest annual and semi-annual reports are available free of charge from the Depositary. The issue and redemption prices as well as any documents mentioned above may also be obtained there.

The key investor information document is published on the website "<http://www.ubs.com/third-party-man-co-kiid>". Furthermore the key investor information documents will be supplied to shareholders on request and free of charge.

Shareholder information, in particular any notice to the shareholders, will be published on the Management Company's website [http://www.ubs.com/global/en/asset\\_management/fundservices/solutions/ubs-third-party-management-company.html](http://www.ubs.com/global/en/asset_management/fundservices/solutions/ubs-third-party-management-company.html). Notices to the shareholders shall additionally be published in Luxembourg in the "Luxemburger Wort", if it is mandatory required under the provisions of the Luxembourg Law of 1915 or other applicable laws and regulations required. If shares are offered outside the Grand Duchy of Luxembourg, and if there is a legal requirement to do so, notices to the shareholders will also be published in the appropriate media.

Any shareholder having a complaint to make about the operations of the Fund may file a complaint by writing to the Management Company. Details on the complaints handling procedure may be obtained from the Management Company upon request and on [https://www.ubs.com/global/en/asset\\_management/fundservices/solutions/ubs-third-party-management-company.html](https://www.ubs.com/global/en/asset_management/fundservices/solutions/ubs-third-party-management-company.html).

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#### **14. BENCHMARK**

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##### **Management of Subfund and Benchmark**

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Unless otherwise stated in the Subfunds' supplements under section I, the Subfunds are actively managed without reference to any benchmark.

##### **Use of Benchmarks**

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Unless otherwise disclosed in this Prospectus, the indices used as benchmarks by the Subfunds (as "use" is defined in Regulation (EU) 2016/1011 (the "**Benchmark Regulation**")) are, as at the date of this Prospectus, provided by benchmark administrators who are making use of the transitional arrangements afforded under the Benchmark Regulation and accordingly do not appear on the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. Updated information whether the benchmark is provided by an administrator included in the ESMA register of EU benchmark administrators and third country benchmarks is available from <https://www.esma.europa.eu/benchmarks-register>. The Management Company maintains a written plan setting out the actions that will be taken in the event that a benchmark materially changes or ceases to be provided (the "**Contingency Plan**"), as required by Article 28 (2) of the Benchmark Regulation. Shareholders may access the Contingency Plan free of charge upon request at the registered office of the Management Company.

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#### **15. REMUNERATION POLICY**

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The board of directors of the Management Company has adopted a remuneration policy, the objectives of which are to ensure that the remuneration is in line with the applicable regulations, and more specifically with the provisions defined under (i) the UCITS Directive 2014/91/EU, the ESMA final report on sound remuneration policies under the UCITS Directive and AIFMD published on 31 March 2016, (ii) the Alternative Investment Fund Managers (AIFM) Directive 2011/61/EU, transposed into the Luxembourg AIFM Law dated from 12 July 2013, as amended from time to time, the ESMA guidelines on sound remuneration policies under the AIFM

published on 11 February 2013 and (iii) the CSSF Circular 10/437 on Guidelines concerning the remuneration policies in the financial sector issued on 1 February 2010; and to comply with the UBS AG Remuneration policy framework. Such remuneration policy is reviewed at least annually.

The policy promotes a sound and effective risk management environment, is in line with the interests of the investor and discourages risk-taking which is inconsistent with the risk profiles rules or instruments of incorporation of such Collective Investment in Transferable Securities (UCITS)/Alternative Investment Funds (AIFs).

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

This approach furthermore focuses amongst others on:

- The assessment of performance which is set in a multi-year framework appropriate to the holding periods recommended to the investors of the Subfunds in order to ensure that the assessment process is based on the longer-term performance of the Fund and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period.
- The remuneration of all staff members which is appropriately balanced between fixed and variable elements. The fixed component of the remuneration represents a sufficient high proportion of the total remuneration and allows a fully flexible bonus strategy, including the possibility to pay no variable remuneration component. The fixed remuneration is determined by taking into consideration the role of the individual employee, including responsibility and job complexity, performance and local market conditions. It is also to be noted that the company may, on its own discretion, offer fringe benefits to some employees which are an integral component of the fixed remuneration.

Any relevant disclosures shall be made in the annual reports of the Management Company in accordance with the provisions of the UCITS Directive 2014/91/EU.

Investors can find more details about the up-to-date remuneration policy of the Management Company, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee (if any), are available on

[https://www.ubs.com/global/en/asset\\_management/fundservices/solutions/ubs-third-party-management-company.html](https://www.ubs.com/global/en/asset_management/fundservices/solutions/ubs-third-party-management-company.html).

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

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## 16. CONFLICTS OF INTEREST

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

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

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

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

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

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

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

[https://www.ubs.com/global/en/asset\\_management/fundservices/solutions/ubs-third-party-management-company.html](https://www.ubs.com/global/en/asset_management/fundservices/solutions/ubs-third-party-management-company.html). Respective information will also be available free of charge at the registered office of the Management Company.

In addition, it has to be taken into account that the Management Company and the Depositary are members of the same group. Thus, both have put in place policies and procedures ensuring that they (i) identify all conflicts of interests arising from that link and (ii) take all reasonable steps to avoid those conflicts of interest. Where a conflict of interest arising out of the group link between the Management Company and the Depositary cannot be avoided, the Management Company or the Depositary will manage, monitor and disclose that conflict of interest in order to prevent adverse effects on the interests of the Fund and of the shareholders.

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

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

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## **17. FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING**

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Pursuant to the applicable provisions of Luxembourg laws and regulations in relation to the fight against money laundering and terrorist financing ("AML/CFT"), obligations have been imposed on the Fund as well as on other professionals of the financial sector to prevent the use of funds for money laundering and financing of terrorism purposes.

The Fund and the Management Company will ensure their compliance with the applicable provisions of the relevant Luxembourg laws and regulations, including but not limited to the Luxembourg Law of 12 November 2004 on the fight against money laundering and terrorist financing as amended (the "**2004 AML/CFT Law**"), the Grand-Ducal Regulation of 1 February 2010 providing detail on certain provisions of the 2004 AML/CFT Law (the "**2010 AML/CFT Regulation**"), CSSF Regulation N°12-02 of 14 December 2012 on the fight against money laundering and terrorist financing ("**CSSF Regulation 12-02**") and relevant CSSF Circulars in the field of AML/CFT, including but not limited to CSSF Circular 18/698 on the authorization and organization of investment fund managers incorporated under Luxembourg law (the "**CSSF Circular 18/698**" and the above collectively referred to as the "**AML/CTF Rules**").

In accordance with the AML/CTF Rules, the Fund and the Management Company are required to apply due diligence measures on the investors (including on their ultimate beneficial owner(s)), their delegates and the assets of the Fund in accordance with their respective policies and procedures put in place from time to time.

Among others, the AML/CTF Rules require a detailed verification of a prospective investor's identity. In this context, the Fund and the Management Company, or the Central Administrative Agent or any distributor, nominee or any other type of intermediary (as the case may be), acting under the responsibility and supervision of the Fund and the Fund will require prospective investors to provide them with any information, confirmation and documentation deemed necessary in their reasonable judgment, applying a risk-based approach, to proceed such identification.

The Fund and the Management Company reserve the right to request such information as is necessary to verify the identity of a prospective or current investor. In the event of delay or failure by a prospective investor

to produce any information required for verification purposes, the Fund and the Management Company are entitled to refuse the application and will not be liable for any interest, costs or compensation. Similarly, when Shares are issued, they cannot be redeemed or converted until full details of registration and anti-money laundering documents have been completed.

The Fund and the Management Company moreover reserve the right to reject an application, for any reason, in whole or in part in which event the application monies (if any) or any balance thereof will, to the extent permissible, be returned without unnecessary delay to the prospective investor by transfer to the prospective investor's designated account or by post at the prospective investor's risk, provided the identity of the prospective investor can be properly verified pursuant to the AML/CTF Rules. In such event, the Fund and the Management Company will not be liable for any interest, costs or compensation.

In addition, the Fund and the Management Company, or the Central Administrative Agent or any distributor, nominee or any other type of intermediary (as the case may be), acting under the responsibility and supervision of the Fund and the Management Company, may request investors to provide additional or updated identification documents from time to time pursuant to on-going client due diligence requirements under the AML/CTF Rules, and investors shall be required and accept to comply with such requests.

Failure to provide proper information, confirmation or documentation may, among others, result in (i) the rejection of subscriptions, (ii) the withholding of redemption proceeds by the Fund or (iii) the withholding of outstanding dividend payments. Moreover, prospective or current investors who fail to comply with the above requirements may be subject to additional administrative or criminal sanctions under applicable laws, including but not limited to the laws of the Grand Duchy of Luxembourg. None of the Fund, the Management Company, the Central Administrative Agent or any distributor, nominee or any other type of intermediary (as the case may be) has any liability to an investor for delays or failure to process subscriptions, redemptions or dividend payments as a result of the investor providing no or only incomplete documentation. The Fund and the Management Company moreover reserve all rights and remedies available under applicable law to ensure their compliance with the AML/CTF Rules.

Pursuant to the Luxembourg Law of 13 January 2019 on the register of beneficial owners (the "**RBO Law**"), the Fund is required to collect and make available certain information on its beneficial owner(s) (as defined in the AML/CTF Rules). Such information includes, among others, first and last name, nationality, country of residence, personal or professional address, national identification number and information on the nature and the scope of the beneficial ownership interest held by each beneficial owner in the Fund. The Fund is further required, among others, (i) to make such information available upon request to certain Luxembourg national authorities (including the *Commission de Surveillance du Secteur Financier*, the *Commissariat aux Assurances*, the *Cellule de Renseignement Financier*, Luxembourg tax and other national authorities as defined in the RBO Law) and upon motivated request of other professionals of the financial sector subject to the AML/CTF Rules, and (ii) to register such information in a publicly available central register of beneficial owners (the "**RBO**").

That being said, the Fund or a beneficial owner may however, on a case by case basis and in accordance with the provisions of the RBO Law, formulate a motivated request with the administrator of the RBO to limit the access to the information relating to them, e.g. in cases where such access could cause a disproportionate risk to the beneficial owner, a risk of fraud, kidnapping, blackmail, extortion, harassment or intimidation towards the beneficial owner, or where the beneficial owner is a minor or otherwise incapacitated. The decision to restrict access to the RBO does, however, not apply to the Luxembourg national authorities, nor to credit instructions, financial institutions, bailiffs and notaries acting in their capacity as public officers, which can thus always consult the RBO.

In light of the above RBO Law requirements, any persons willing to invest in the Fund and any beneficial owner(s) of such persons (i) are required to provide, and agree to provide, the Fund and the case being the Management Company, the Central Administrative Agent or their distributor, nominee or any other type of intermediary (as the case may be), with the necessary information in order to allow the Fund to comply with its obligations in terms of beneficial owner identification, registration and publication under the RBO Law (regardless of applicable rules regarding professional secrecy, banking secrecy, confidentiality or other similar rules or arrangements), and (ii) accept that such information will be made available among others to Luxembourg national authorities and other professionals of the financial sector as well as to the public, with certain limitations, through the RBO.

Under the RBO Law, criminal sanctions may be imposed on the Fund in case of its failure to comply with the obligations to collect and make available the required information, but also on any beneficial owner(s) that fail to make all relevant necessary information available to the Fund.

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## 18. DATA PROTECTION

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In accordance with the applicable Luxembourg data protection law and, as of 25 May 2018, the Regulation n°2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("Data Protection Law"), the Fund, as data controller, collects, stores and processes, by electronic or other means, the data supplied by investors for the purpose of fulfilling the services required by the investors and complying with its legal and regulatory obligations. The data processed includes in particular the name, contact details (including postal or email address), banking details, invested amount and holdings in the Fund of investors ("Personal Data"). The investor may at his/her discretion refuse to communicate Personal Data to the Fund. In this case, however, the Fund may reject a request for Shares. Each investor has a right to access his/her Personal Data and may ask for Personal Data to be rectified where it is inaccurate or incomplete by writing to the Fund at its registered office.

Personal Data supplied by investors is processed in order to subscribe for Shares in the Fund, for the legitimate interests of the Fund and to comply with the legal obligations imposed on the Fund. In particular, the Personal Data supplied by investors is processed for the purposes of processing subscriptions, redemptions and conversions of Shares and payments of dividends to investors, account administration, client relationship management, performing controls on excessive trading and market timing practices, tax identification as may be required under Luxembourg or foreign laws and regulations (including laws and regulations relating to FATCA or CRS) and compliance with applicable AML/CFT rules. Data supplied by shareholders is also processed for the purpose of maintaining the register of shareholders of the Fund. In addition, Personal Data may be processed for the purposes of marketing. Each investor has the right to object to the use of its Personal Data for marketing purposes by writing to the Fund.

The Personal Data may also be processed by the Fund's data processors (the "Processors") which, in the context of the above mentioned purposes, refer to the Management Company, the Depositary, the Central Administrative Agent, the portfolio managers, the distributors and the auditor. The Processors may be located either inside or outside the European Union and, in particular, in the United States of America, Norway and Switzerland. Any transfer of Personal Data to the Processors located in the United States of America, Norway and Switzerland relies on adequacy decisions of the EU Commission pursuant to which the United States of America, Norway and Switzerland are considered to offer an adequate level of protection for Personal Data. The Fund may also transfer Personal Data to third- parties such as governmental or regulatory agencies, including tax authorities, in or outside the European Union, in accordance with applicable laws and regulations. In particular, such Personal Data may be disclosed to the Luxembourg tax authorities, which in turn may act as data controller, disclose the same to foreign tax authorities.

In accordance with the conditions laid down by the Data Protection Law, the investors acknowledge their right to:

- access their Personal Data;
- correct their Personal Data where it is inaccurate or incomplete;
- object to the processing of their Personal Data;
- ask for erasure of their Personal Data;
- ask for Personal Data portability.

The investors may exercise the above rights by writing to the Fund at its registered office.

The investors also acknowledge the existence of their right to lodge a complaint with the National Commission for Data Protection ("CNPD") at the following address: 1, avenue du Rock'n'Roll, L-4361 Esch-sur-Alzette, Grand Duchy of Luxembourg.

Personal Data will not be retained for a period longer than necessary for the purpose of the data processing, subject to applicable legal minimum retention periods.

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## 19. INVESTMENT RESTRICTIONS

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### Investment restrictions

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For the purpose of this paragraph, the definition of "Member State" shall have the meaning set forth in Article 1 (13) of the 2010 Law.

The Fund's investments shall be subject to the following restrictions:

**(1) Investment instruments**

(A) In line with the investment policy of each Subfund, the assets of each Subfund may consist of:

(a) transferable securities and money market instruments admitted to or dealt in 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 traded on another market of a Member State that operates regularly and is recognised and open to the public;

(c) transferable securities and money market instruments admitted to official listing on a stock exchange in a non-Member State of the European Union (the "EU") or dealt in on another regulated market in a non-Member State of the EU which operates regularly and is recognised and open to the public, provided that the choice of the stock exchange or the market are situated in Europe, America, Asia, Africa, Australasian or Oceania;

(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 which operates regularly and is recognised and open to the public, provided that the choice of the stock exchange or the market is effectuated on a regulated market as described under paragraphs a) and c) here above;
- such admission is secured within one year of issue.

(e) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than twelve 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 *Commission de Surveillance du Secteur Financier* (the "CSSF") as equivalent to those laid down in Community law;

(f) financial derivative instruments, including similar instruments allowing cash settlements, that are traded on regulated markets of the kind specified in points a), b) and c) above, and/ over-the-counter financial derivative instruments, provided that:

- the use of financial derivative instruments is in accordance with the investment purpose and investment policy of the respective Subfund, and is suited towards achieving these;
- the underlying consists of instruments covered by Article 41(1) of the 2010 Law, financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives as stated in the Funds' instruments of association;
- the Subfunds ensure, through adequate diversification of the underlying assets, that the diversification requirements applicable to them and listed in the section entitled "Risk diversification" are adhered to;
- the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF and have been specifically approved by the Board;
- the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair market value at the Funds' initiative; and
- the respective counterparty is not granted discretion regarding the composition of the portfolio managed by the respective Subfund (e.g. in the case of a total return swap or a financial derivative instrument with similar characteristics) or the underlying of the respective OTC derivative.

(g) money market instruments other than those dealt in on a regulated market and referred to in Article 1 of the 2010 Law, if the issue or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:

- issued or guaranteed by a central, regional or local administration, by a central bank of a Member State, by the European Central Bank, by the EU or by the European Investment Bank, by a non-Member State, or, in the case of a federal state, by one of the members composing the federation, or by an international public organisation to which one or more Member States belong; or
- issued by an undertaking whose securities are dealt in on regulated markets referred to in points a), b) or c) above; or
- 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 complies with prudential rules considered by the CSSF authority to be at least as stringent as those laid down by Community law, or
- 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 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 benefits from a banking liquidity line;

(h) units of UCITS authorised under Directive 2009/65/EEC and/or other UCIs within the meaning of the Article 1(2), points a) and b) of Directive 2009/65/CE, whether or not established in a Member State or not, provided that:

- these other UCIs are approved in conformity with legislation stipulating that the entities are subject to supervision that the CSSF considers to be equivalent to that intended by Community legislation and that the cooperation between the authorities is adequately guaranteed;
- the level of protection guaranteed to shareholders of these other UCIs is equivalent to that intended for shareholders of a UCITS and, in particular, that the rules relating to the division of assets, borrowings, loans, short sales of transferable securities and money market instruments is equivalent to the requirements of Directive 2009/65/CE;
- the business of the other UCI is reported in semi-annual and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;
- the proportion of assets of the UCITS or of these other UCIs whose acquisition is planned, which in conformity with their formation documents can be wholly invested in units of other UCITS or other UCIs, does not exceed 10%.

(B) However, each Subfund may:

- (a) invest no more than 10% of its net assets in transferable securities and money market instruments other than those referred to in point (A) above; or
- (b) invest no more than 10% of its net assets in debt instruments which are treated, because of their characteristics, as equivalent to transferable securities and money market instruments, and which are, inter alia, transferable, liquid and have a value which can be accurately determined on each Valuation Day;

The total of investments referred to (a) and (b) may not under any circumstances exceed 10% of each Subfund's net assets.

The Fund and/or each Subfund:

- (a) may acquire securities and real estate necessary for the exercise of its activity;
- (b) may not acquire either precious metals or certificates representing them;
- (c) is authorised to invest up to 10% of the net assets of each Subfund in the following structured products:

- structured products that have a precious metal as their underlying and that satisfy the requirements of Article 2 of Council Directive 2007/16/EC on transferable securities
- structured products that have a commodity or a commodities index as their underlying and that satisfy the requirements of Article 2 of Council Directive 2007/16/EC on transferable securities.

(d) may hold ancillary liquid assets.

## **(2) Risk diversification**

(A) In accordance with the principle of risk diversification, each Compartment is not permitted to invest more than 10% of its assets in transferable securities or money market instruments issued by a single issuer. The counterparty risk of the Fund in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution referred to in paragraph (1) (A) f), or 5% of its assets in the other cases.

In addition, the total value of the transferable securities and money market instruments held by a Subfund in the issuing bodies in each of which it invests more than 5% of its assets must not exceed 40% of the value of its assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in the first paragraph of (A), the Fund shall not combine, where this would lead to investing more than 20% of its assets in a single entity, any of the following

- investments in transferable securities or money market instruments issued by that single entity,
- deposits made with that single entity, or
- risks arising from OTC derivative transactions undertaken with that single entity.

(B) The following exceptions are possible:

(a) The aforementioned limit of 10% can be raised to a maximum of 25% for various debt securities issued by credit institutions whose registered office is situated in a Member State and is subject by law to special public supervision for the purpose of protecting the holders of such debt securities. In particular, the amounts originating from the issue of the bonds must be invested, in accordance with the 2010 Law, in assets that adequately cover, for the entire duration of the validity of the bonds, the resulting liabilities and that benefit from preferential right in the payment of interest incurred in the event of default by the issuer. If the Fund invests more than 5% of its assets in these bonds issued by a single issuer, the total value of these investments may not exceed 80% of the assets of the corresponding Subfund.

(b) The aforementioned limit of 10% can be raised to a maximum of 35% for transferable securities or money market instruments issued or guaranteed by a Member State, by its local authorities, by a non-EU Member State or by public international bodies of which one or more Member States are members.

The transferable securities referred to in exceptions (a) and (b) shall not be taken into account for the purpose of applying the limit of 40% laid down above in the second paragraph of point (A).

The limits stated under (A) and (B), above, may not be aggregated and, accordingly, investments in transferable securities issued by a single issuer effected in accordance with (A) and (B), may not, in any case, exceed a total of 35% of the Subfund's assets.

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 entity for the purpose of calculating the limits contained in this point 2).

The Fund may invest cumulatively up to 20% of its assets in the transferable securities or money market instruments of a single group.

**(C) In derogation of the provisions of points (A) and (B) above, where the Subfund has invested in accordance with the principle of risk spreading in transferable securities issued or guaranteed by a Member State, by its local authorities, by a Member State of the Organisation for Economic Cooperation and Development or by public international bodies of which one or more Member States of the European Union are members, the Subfund is authorised to invest up to 100% of its assets in such securities, provided that the Subfund holds securities from at least six different issues and securities from one issue do not account for more than 30% of its total assets.**

(D) Each Subfund may also subscribe for, acquire and/or hold shares issued or to be issued by one or more other Subfunds of the Fund subject to additional requirements which may be specified in Chapter 1, if:

- (i) the target Subfund does not, in turn, invest in the Subfund invested in this target Subfund; and
- (ii) no more than 10% of the assets of the target Subfunds whose acquisition is contemplated may be invested in aggregate in shares of other Subfunds of the Fund; and
- (iii) voting rights, if any, attaching to the relevant securities are suspended for as long as they are held by the Subfund concerned; and
- (iv) in any event, for as long as these securities are held by the relevant Subfund, their value will not be taken into consideration for the purposes of verifying the minimum threshold of the net assets imposed by the UCI Law; and
- (v) there is no duplication of management/subscription or redemption fees between those at the level of the Subfund having invested in the target Subfund, and this target Subfund.

### **(3) Specific Rules for Master / Feeder structures**

(A) A feeder Subfund is a Subfund of the Fund, which has been approved to invest, by way of derogation from article 2, paragraph (2), first indent of the 2010 Law, at least 85% of its assets in units of another UCITS or Subfund thereof (hereafter referred to as the "**master UCITS**").

(B) A feeder Subfund may hold up to 15% of its assets in one or more of the following:

- a) ancillary liquid assets in accordance point (1) last paragraph above;
- b) financial derivative instruments, which may be used only for hedging purposes, in accordance with point (1) paragraph (g) above and Article 42, paragraphs (2) and (3) of the 2010 Law;
- c) movable and immovable property which is essential for the direct pursuit of its business.

(C) For the purposes of compliance with Article 42, paragraph (3) of the 2010 Law, the feeder Subfund shall calculate its global exposure related to financial derivative instruments by combining its own direct exposure under point (3) (B) b) above, with:

- a) either the master UCITS' actual exposure to financial derivative instruments in proportion to the feeder Subfund's investment into the master UCITS;
- b) or the master UCITS' potential maximum global exposure to financial derivative instruments provided for in the master UCITS management regulations or instruments of incorporation in proportion to the feeder Subfund's investment into the master UCITS.

(D) A master UCITS is a UCITS, or a Subfund thereof, which:

- a) has, among its shareholders, at least one feeder UCITS;
- b) is not itself a feeder UCITS; and
- c) does not hold units of a feeder UCITS.

(E) If a master UCITS has at least two feeder UCITS as shareholders, article 2, paragraph (2), first indent and Article 3, second indent of the 2010 Law shall not apply.

### **(4) Investment limits**

(A) The Fund may acquire the units of UCITS and/or other UCIs referred to in points (1) A) h) above provided that no more than 20% of its assets are invested in a single UCITS or other UCI.

For the purpose of this investment limit, each compartment of a UCI with multiple compartments, within the meaning of Article 181 of the 2010 Law, shall be considered to be a separate issuer, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties.

a) Investments made in units of UCIs other than UCITS may not exceed, in aggregate, 30% of the assets of a UCITS.

b) When a UCITS invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the same management company or by any other company to which the Management Company is linked by common management or control or by a direct or indirect holding of more than 10% of the capital or voting rights, that management company or other company may not charge either a portfolio management or subscription or redemption fees on account of the investment by the UCITS in the units of other UCITS and/or other UCIs.

(B) The Fund may not acquire shares carrying voting rights which would enable it to exercise significant influence over the management of the issuer.

(C) The Fund may not acquire more than 10% of the non-voting shares of the same issuer, more than 10% of the bonds issued by the same issuer or more than 10% of money market instruments issued by the same issuer or more than 25% of the units of UCITS and/or other UCI. 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 the debt securities or of the money market instruments or the net amount of the securities in issue cannot be calculated. The limits under (B) and (C) may be waived for:

- a) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities,
- b) transferable securities and money market instruments issued or guaranteed by a non-Member State of the EU,
- c) transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members,
- d) shares held by the Fund in the capital of a company incorporated in a non EU Member State and investing its assets primarily in securities of issuers having their registered office in that State, if under the legislation of that State such a holding represents the only way in which the Fund can invest in the securities of the issuers of that State. This derogation only applies if the company has an investment policy complying with the points 2(A) and (B) and 3(A) to (B) mentioned above. If the limits stated in points 2(A), 2(B) and 3(A) mentioned above are exceeded, the limit under (G) shall apply mutatis mutandis,
- e) Shares held by the Fund in the capital of a subsidiary carrying on the business of management, advice or marketing in the country where the subsidiary is established, in regard to the repurchase of units at the request of unitholders exclusively on its or their behalf.

(D) Each Subfund may not borrow more than 10% of its total net assets, and then only from banks and as a temporary measure. However, each Subfund may acquire foreign currency by means of a back-to-back loan. Each Subfund may not purchase securities while borrowings are outstanding in relation to it, except to fulfil prior commitments and/or exercise subscription rights. However, each Subfund can borrow up to 10% of its net assets to make possible the acquisition of real estate essential for the direct pursuit of its business. In this case, these borrowings and those referred to above (temporary borrowings) may not in any case in total exceed 15% of the Subfunds' net assets.

(E) The Fund may not grant credits or act as guarantor on behalf of third parties. This restriction does not prevent the Management Company from purchasing securities that are not fully paid up, nor to lend securities as described below. This restriction does not apply to margin calls on options transactions and other similar transactions made in conformity with established market practices.

(F) Each Subfund may not purchase any transferable securities or money market securities as hedges (unless the Subfund may obtain such short-term credit as may be necessary for the hedging of purchases and sales of transferable securities or money market securities) or make short sales of securities or maintain a short position. Deposits on other accounts in connection with options, forwards or OTC contracts, are, however, permitted within the limits provided for below.

The Board is authorised to introduce further investment limits at any time in the interests of the shareholders, provided these are necessary to ensure compliance with the laws and regulations of those countries in which the Fund's shares are offered and sold.

(G) If any of the above limits are exceeded for reasons beyond the control of the Fund and/or each Subfund or as a result of the exercise of subscription rights, the Fund and/or each Subfund may adopt, as a priority objective, sales transactions in order to rectify that situation, taking due account of the interests of the shareholders.

#### **Financial techniques and instruments**

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Under the conditions and within the limits laid down by the CSSF, the Fund is also authorised to employ techniques and instruments relating to transferable securities and money market instruments provided that such techniques (the "techniques") and instruments are used for the purpose of efficient portfolio management. If these operations concern the use of financial derivative instruments, these conditions and

limits shall conform to the provisions laid down by the 2010 Law. The use of these techniques and instruments must be in accordance with the best interests of the investors.

In no case may these operations result in the Fund departing from its investment objectives. Equally, the use of these techniques may not cause the risk level of the Subfund in question to increase significantly with regard to its original risk level (i.e. without the use of these techniques).

The risks inherent to the use of these techniques are essentially comparable to the risks associated with the use of financial derivative instruments (in particular, counterparty risk). For this reason, reference is made here to the information contained in the above section entitled "Risks connected with the use of financial derivative instruments". The Fund ensures that it or its appointed service providers will monitor and manage the risks incurred through the use of these techniques, particularly counterparty risk, as part of the risk management procedure. The monitoring of potential conflicts of interest arising from transactions with companies associated with the Fund is primarily carried out through reviewing contracts and corresponding processes on a regular basis.

The Fund also ensures that, at any time, it can cancel any contract entered into within the framework of the use of the techniques and instruments for the efficient management of the portfolio and that the securities and/or liquid funds to the respective counterparty can be reclaimed by the Fund. In addition, the liquid funds should include the interest incurred up to the time of being reclaimed.

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

#### Securities financing transactions and total return swaps

##### A. General Information

Within the framework of the use of techniques and instruments for the efficient management of the portfolio the Fund may also make use of securities financing transactions, i.e. (i) repurchase transactions (ii) securities lending (iii) buy-sell back transactions or sell-buy back transactions (iv) margin lending transactions and total return swaps pursuant to the regulations, applicable laws, and CSSF circulars issued from time to time, in particular, but not limited to the Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 in accordance with its investment objective and policy and the conditions set out in this section

Such securities and instruments will be safe-kept with the Depositary.

The counterparties to the securities financing transactions and total return swaps will be selected among financial institutions from OECD member states subject to prudential supervision (such as credit institutions or investment firms) and specialised in the relevant type of transaction, being of good reputation and having a minimum rating of BBB. The identity of the counterparties will be disclosed in the annual report or semi-annual report.

The provisions of the section entitled "Collateral Management" as set out below shall apply accordingly to the management of collateral that was left to the Fund within the scope of securities financing transactions and total return swaps.

Each of the Subfunds may incur costs and fees in connection with efficient portfolio management techniques. In particular, a Subfund may pay fees to agents and other intermediaries, which may be affiliated with the Depositary, the Portfolio Manager or the Management Company in consideration for the functions and risks they assume. The amount of these fees may be fixed or variable. Information on direct and indirect operational costs and fees incurred by each Subfund in this respect, as well as the identity of the entities to which such costs and fees are paid and any affiliation they may have with the Depositary, the Portfolio Manager or the Management Company, if applicable, may be available in the annual report and, to the extent relevant and practicable, in each Supplement. All revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs and fees, will be returned to the respective Subfund.

## **B. Total return swaps**

A total return swap is an agreement in which one party (total return payer) transfers the total economic performance of a reference obligation to the other party (total return receiver). Total economic performance includes income from interest and fees, gains or losses from market movements, and credit losses.

## **C. Securities lending**

Securities lending transactions consist in transactions whereby a lender transfers securities or instruments to a borrower, subject to a commitment that the borrower will return equivalent securities or instruments on a future date or when requested to do so by the lender, such transaction being considered as securities or lending for the party transferring the securities or instruments and being considered as securities borrowing for the counterparty to which they are transferred.

The Fund may lend the securities it holds in portfolio either directly or through a standard securities-lending scheme organised by an authorised securities clearing house from an OECD member state or through a lending system organised by a leading financial institution from an OECD member state subject to prudential supervision regulations considered by the CSSF to be equivalent to those set forth in Community law and specialising in operations of this nature and be of good reputation and have a minimum rating of BBB.

The Fund may only enter into securities lending transactions provided that it is entitled at any time, under the terms of the agreement, to request the return of the securities lent or to terminate the agreement.

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

During a lending/borrowing transaction, the Fund must, as a rule, receive a guarantee, the value of which at the time the lending contract is entered into must be at least equal to 90% of the total value (including interest, dividends and any other rights) of the securities lent. The guarantee furnished must conform to financial guarantees as defined by supervision regulations and in particular Circular 08/356 of the CSSF.

## **D. Securities financing transactions- repurchase agreements and buy-sell back or sell-buy back transactions**

The Fund may, for any Subfund, also engage in repurchase agreements or reverse repurchase agreements on an ancillary basis. These agreements involve the sale/purchase of transferable securities where agreements have been reached to buy back/sell back the sold/bought securities at a (higher) price and within a set time.

Repurchase agreements consist of transactions governed by an agreement whereby a party sells securities or instruments to counterparty subject to a commitment to repurchase them, or substituted securities or instruments of the same description, from the counterparty at a specified price on a future date specified, or to be specified, by the transferor. Such transactions are commonly referred to as repurchase agreements for the party selling the securities or instruments, and reverse repurchase agreements for the party selling the securities or instruments, and reverse repurchase agreements for the counterparty buying them.

Buy-sell back transactions consist of transactions, not being governed by a repurchase agreement or a reverse repurchase agreement as described above, whereby a party buys or sells securities or instruments to a counterparty, agreeing, respectively, to sell to or buy back from that counterparty securities or instruments of the same description at a specified price on a future date. Such transactions are commonly referred to as buy-sell back transactions for the party buying the securities or instruments, and sell-buy back transactions for the counterparty selling them.

All repurchase agreements and buy-sell back or sell-buy back transactions are subject to the following conditions:

- the Fund may not purchase or sell securities under a repurchase agreement unless the counterparty is a first-class financial institution from OECD member states specialising in this kind of transaction being of good reputation and having a minimum rating of BBB;
- as long as the repurchase agreement is valid, the Fund may not sell the securities bought before the right to repurchase the securities has been exercised or the repurchase period has expired;

- securities that serve as the underlying of financial derivative instruments, that are lent or that have been taken under terms of reverse repurchase agreements may not be sold under the terms of repurchase agreements; and
- the Fund must be able, at any time, to terminate the agreement or recall the full amount of cash in a reverse repurchase agreement buy-sell back transaction (on either an accrued basis or a mark-to-market basis) or any securities or instruments subject to a repurchase agreement buy-sell back transaction. Fixed-term transactions that do not exceed seven days should be considered as arrangements on terms that allow cash or assets to be recalled at any time.

#### **E. Risk diversification securities financing transactions and total return swaps**

Securities financing transactions and total return swaps involve certain risks and there can be no assurance that the objective sought to be obtained from the use of such techniques will be achieved.

The principal risk when engaging in securities financing transactions and total return swaps is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Subfund as required by the terms of the transaction. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Subfund. However, there are certain risks associated with collateral management, including difficulties in selling collateral and/or losses incurred upon realization of collateral, as described below.

Securities financing transactions and total return swaps also entail liquidity risks due, *inter alia*, to locking cash or securities positions in transactions of excessive size or duration relative to the liquidity profile of the Subfund or delays in recovering cash or securities paid to the counterparty. These circumstances may delay or restrict the ability of the Fund to meet redemption requests. The Subfund may also incur operational risks such as, *inter alia*, non-settlement or delay in settlement of instructions, failure or delays in satisfying delivery obligations under sales of securities, and legal risks related to the documentation used in respect of such transactions.

#### **Currency hedging on share class level**

For share classes whose reference currencies are not identical to the currency of account of the respective Subfund, the fluctuation risk of the price for those share classes in the reference currency of the relevant share class is hedged against the reference currency of the relevant Subfund. Provision is made for the amount of the hedging to be between 95% and 105% of the Net Asset Value of the share class in foreign currency. Changes in the market value of the portfolio, as well as in subscriptions and redemptions of share classes in foreign currencies, can result in the hedging temporarily surpassing the aforementioned range. The Fund and the Portfolio Manager will then take all the necessary steps to bring the hedging back within the aforementioned limits. Given that there is no segregation of liabilities between share classes, there is a risk that, under certain circumstances, currency hedging transactions in relation to share classes which have "hedged" in their name could result in liabilities which might affect the Net Asset Value of the other share classes of the same Subfund.

### **General**

In the context of OTC derivative transactions and efficient portfolio management techniques, the Fund may receive collateral with a view to reduce its counterparty risk. This section sets out the collateral policy applied by the Fund in such case. All assets received by the Fund in the context of efficient portfolio management techniques shall be considered as collateral for the purpose of this section.

If the Fund enters into OTC derivative transactions, it may be exposed to risks related to the creditworthiness of the OTC counterparties: when the Fund enters into futures contracts or options or uses other derivative techniques it is subject to the risk that an OTC counterparty may not meet (or cannot meet) its obligations under a specific or multiple contracts. Counterparty risk can be reduced by depositing a security (collateral) (see above).

### **Eligible Collateral**

Collateral received by the Fund may be used to reduce its counterparty risk exposure if it complies with the criteria set out in applicable laws, regulations and CSSF-Circulars issued from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability. In particular, collateral should comply with the following conditions:

- (i) Any collateral received other than cash should be of high quality, highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;
- (ii) It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- (iii) It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- (iv) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the respective Subfund's Net Asset Value to any single issuer on an aggregate basis, taking into account all collateral received.
- (v) It should be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.

Subject to the abovementioned conditions, collateral received by the Fund may consist of:

- (i) Cash and cash equivalents, including short-term bank certificates and money market instruments;
- (ii) Bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope;
- (iii) Shares or units issued by money market UCIs calculating a daily Net Asset Value and being assigned a rating of AAA or its equivalent;
- (iv) Shares or units issued by UCITS investing mainly in bonds/shares mentioned in lit. (e) and (f) of Section II – Chapter 19 (1), "Investment Restrictions", below;
- (v) Bonds issued or guaranteed by first class issuers offering adequate liquidity;
- (vi) Shares admitted to or dealt in on a regulated market of a Member State of the EU or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.

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

highest for equities. Securities deposited as collateral may not have been issued by the corresponding OTC counterparty or have a high correlation with this OTC counterparty. For this reason, shares from the finance sector are not accepted as collateral. Securities deposited as collateral are held by the Depositary in favour of the Fund and may not be sold, invested or pledged by the Fund.

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

Collateral that is deposited in the form of cash may be invested by the Fund. Re-investments may only be made in: sight deposits or deposits at notice in accordance with Section II - point 16 (1) "Investment Instruments"; high-quality government bonds; repurchase transactions within the meaning of Section "Special techniques and instruments relating to transferable securities and money market instruments", provided that the counterparty to this transaction is a credit institute within the meaning of point Section II point 16 (1) "Investment Instruments" and the Fund has the right to cancel the transaction at any time and to request the back transfer of the amount invested (incl. accrued interest); short-term money-market instruments within the meaning of CESR Guidelines 10-049 regarding the definition of European money-market instruments. The restrictions listed in the previous paragraph also apply to the diversification of the concentration risk.

If the Fund owes a security pursuant to an applicable agreement, such security shall be held in custody by the Depositary in favour of the Fund. Bankruptcy and insolvency events or other credit events with the Depositary or within its sub-custodian/respondent bank network may result in the rights of the Fund in connection with the security to be delayed or restricted in other ways. If the Fund is owed a security pursuant to an applicable agreement, then any such security is to be transferred to the OTC counterparty as agreed between the Fund and the OTC counterparty. Bankruptcy and insolvency events or other credit events with the OTC counterparty, the Depositary or within its sub-custodian/respondent bank network may result in the rights or recognition of the Fund in connection with the security to be delayed, restricted or even eliminated, which would go so far as to force the Fund to fulfil its obligations in the framework of the OTC transaction, in spite of any security that had previously been made available to cover any such obligation. The Board of Directors of the Fund shall decide on an internal framework agreement that determines the details of the above-mentioned requirements and values, particularly regarding the types of collateral accepted the amounts to be added to and subtracted from the respective collateral, as well as the investment policy for liquid funds that are deposited as collateral. This framework agreement is reviewed and adapted where appropriate by the Board on a regular basis.

By way of derogation from the above paragraph, the Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country or a public international body to which one or more Member States belong. In this case the Fund should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of the net assets of the Fund. The Fund has decided to make use of the aforementioned derogation and to accept collateral for more than 20% of the Net Asset Value of the respective Subfund in form of transferable securities and money market instruments issued or guaranteed by a Member State or by their local public authorities or by supranational institutions to which one or more Member States belong.

#### **Level of Collateral**

The Fund will determine the required level of collateral for OTC derivatives transactions and efficient portfolio management techniques by reference to the applicable counterparty risk limits set out in this Prospectus and taking into account the nature and characteristics of transactions, the creditworthiness and identity of counterparties and prevailing market conditions.

#### **Haircut Policy**

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts which will be determined by the Fund for each asset class based on its haircut policy. The policy takes into account a variety of factors, depending on the nature of the collateral received, such as the issuer's credit standing, the maturity, currency, price volatility of the assets and, where applicable, the outcome of liquidity stress tests carried out by the Fund under normal and exceptional liquidity conditions. No haircut will generally be applied to cash collateral.

According to the Fund's haircut policy the following discounts will be made:

- Eligible assets/ haircuts which apply to collateral for securities lending transactions are the following:

Asset classes eligible for collateral	Haircut (% deducted from the market value)
Government bonds Securities issued or guaranteed by a G10 member states	2%
Corporate bonds Fixed or variable income securities with an actual long term rating of at least A2 (Moody's) or A (S&P)	5%
Equities Austria - ATX Belgium - BEL20 Canada - SPTSX60 Denmark - C20 Europe (EURO STOXX 50) - SX5E Finland (OMX Helsinki 25) - HEX25 France (CAC 40) - CAC Germany - DAX Japan (NIKKEI 225) – NKY Luxembourg - LUXX Netherlands – AEX New Zealand - NZX Top 10 Norway - OBX Stock Sweden (OMX Stockholm 30) - OMX Switzerland (Swiss Market, SPI Swiss Performance) - SPI/SMI United Kingdom (FTSE 100) - UKX United States (Dow Jones, S&P 500)	15%

- Eligible Assets/haircuts applicable to collateral for OTC are the following:

Asset classes eligible for collateral	Minimum Haircut (% deducted from the market value)
Cash	0%
Shares	15%
Bonds, notes and Money market paper	From 2% to 10% depending on the maturity
Investment fund units	5%

#### **Reinvestment of Collateral**

The collateral received is not reinvested.

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## **20. NOTICE TO SWISS PROSPECTIVE SHAREHOLDERS**

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The distribution of the Subfunds in Switzerland as a foreign collective investment scheme pursuant to article 120-FF of the Swiss collective investment schemes Act of 23 June 2006 as amended from time to time ("CISA") has been authorized by the Swiss Financial Market Supervisory Authority ("FINMA"). As a result, the Subfunds offered hereby, this confidential memorandum and any other offering material relating thereto may be distributed to qualified and non-qualified investors in and from Switzerland, unless otherwise specified in the relevant part of the respective Subfunds.

In accordance with the provisions of the CISA and its related amendments, please note the following as it relates to the Fund.

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### **Representative**

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Unless otherwise specified in the relevant parts of the respective Subfunds, the representative in Switzerland is Carnegie Fund Services S.A., 11 rue du Général-Dufour, 1204 Geneva, Switzerland.

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### **Paying Agent**

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Unless otherwise specified in the relevant parts of the respective Subfunds, the paying agent of the Fund in Switzerland is UBS Switzerland AG, Bahnhofstrasse 45, CH 8001 Zurich.

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### **Reference point of important documents**

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The Fund's confidential offering memorandum, articles of association as well as its audited financial statements may be obtained free of charge from the representative.

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### **Place of performance and court of jurisdiction**

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For investors who have acquired the shares sold in and distributed from Switzerland, the place of performance and the court of jurisdiction have been established at the registered office of the representative.

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### **Domicile of the Fund**

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The Fund is domiciled in the Grand Duchy of Luxembourg.