

# UBS (CH) Equity Fund – Switzerland Enhanced (CHF)

Investment fund under Swiss law  
(Art “Category Other Funds for Traditional Investments”)

Prospectus with integrated fund contract

November 2017

## Part I Prospectus

This prospectus, together with the fund contract, which forms an integral part thereof, the Key Investor Information Document and the latest annual or semi-annual report (if published after the latest annual report), serves as the basis for all subscriptions of units of the investment fund. Only the information contained in the prospectus, the Key Investor Information Document or the fund contract shall be deemed to be valid.

### 1 Information about the investment fund

#### 1.1 General information on the fund

UBS (CH) Equity Fund – Switzerland Enhanced (CHF) is an investment fund governed by Swiss law established under the “Other funds for traditional investments” category of the Swiss Collective Investment Schemes Act (CISA) of 23 June 2006. The fund contract was drawn up by the fund management company and, with the agreement of the custodian bank, submitted to the Swiss Financial Market Supervisory Authority (FINMA) which approved it for the first time in 2013.

The fund is based upon a collective investment contract (fund contract) under which the fund management company is obliged to provide investors with a stake in the fund in proportion to the fund units acquired by them and to manage this fund at its discretion and in its own name in accordance with the provisions of the law and the fund contract. The custodian bank is party to the contract in accordance with the tasks conferred upon it by law and the fund contract.

In accordance with the fund contract, the fund management company is entitled to establish, liquidate or merge unit classes at any time, subject to the agreement of the custodian bank and the approval of the supervisory authority.

The current unit classes are:

Unit tradable p.a.	Currency	Initial custody	Launch ation of	Minimum	Smallest	Commis- account	Form of price	Appropri- date* tion	lot	class	of	issue income	period/ subscrip-
P	CHF	100	Not yet known	n/a	0.001	0.900% <sup>2</sup> (0.720%)	Bearer	Distributing					
K-1	CHF	5 000 000	Not yet known	n/a	0.1	0.700% <sup>2</sup> (0.5600%)	Bearer	Distributing					
Q	CHF	100	Not yet known	n/a	0.001	0.650% <sup>3</sup> (0.520%)	Bearer	Distributing					
F	CHF	100	20 January 2014	n/a	0.001	0.400% <sup>4</sup> (0.320%)	Registered <sup>7</sup>	Distributing					
I-A1 <sup>8</sup>	CHF	100	Not yet known	n/a	0.001	0.500% <sup>5</sup> (0.400%)	Registered <sup>7</sup>	Distributing					
I-A2	CHF	100	Not yet known	10 000 000 <sup>9</sup>	0.001	0.450% <sup>5</sup> (0.360%)	Registered <sup>7</sup>	Distributing					
I-A3	CHF	100	Not yet known	30 000 000 <sup>10</sup>	0.001	0.400% <sup>5</sup> (0.320%)	Registered <sup>7</sup>	Distributing					
I-B <sup>8</sup>	CHF	100	Not yet known	n/a	0.001	0.055% <sup>5</sup>	Registered <sup>7</sup>	Distributing					
I-X <sup>8</sup>	CHF	100	Not yet known	n/a	0.001	0.000% <sup>6</sup>	Registered <sup>7</sup>	Distributing					
U-X	CHF	10 000	Not yet known	n/a	0.001	0.000% <sup>6</sup>	Registered <sup>7</sup>	Distributing					

<sup>2</sup> – Flat fee charged by the fund management company. This is used for the management, asset management and distribution of the fund and also for all tasks of the custodian bank. The amount in brackets indicates the level of the management fee, which accounts for 80% of the flat fee.

<sup>3</sup> Flat fee charged by the fund management company. This is used for the management and asset management of the fund and for all tasks of the custodian bank. The amount in brackets indicates the level of the management fee, which accounts for 80% of the flat fee.

<sup>4</sup> Flat fee charged by the fund management company. This is used for the management and asset management of the fund and for all tasks of the custodian bank. An additional fee is charged as stated in the written asset management mandate which the investor has concluded with UBS AG or one of its related entities (cf. § 6 prov. 4). The amount in brackets indicates the level of the management fee, which accounts for 80% of the flat fee.

<sup>5</sup> Commission charged by the fund management company. The costs incurred in fund administration (including fund management company, administrator and custodian bank) are charged directly to the investment fund's assets via commission. The costs incurred in asset management are charged to investors under a separate agreement with UBS AG or one of its authorised contracting partners (see § 6 prov. 4).

<sup>6</sup> Commission charged by the fund management company. Costs arising in connection with the services provided for class “I-X” and “U-X” units are covered by payments due to UBS AG under a separate agreement with the investor (see § 6 prov. 4).

<sup>7</sup> The registered units must be booked and held in custody at UBS Switzerland AG.

<sup>8</sup> The allocation to a unit class shall take place in consultation with the investor based on their mandate relationship with UBS AG or one of its authorised contracting partners.

<sup>9</sup> For a subscription, the following criteria must be met:

(i) A minimum subscription must be carried out in accordance with the table (or the corresponding currency equivalent) or

(ii) It must be based on a written agreement between the qualified investor and UBS AG or one of its authorised contracting partners; its total assets held with UBS or its minimum holdings in UBS collective investment schemes must amount to more than CHF 30,000,000 (or the corresponding currency equivalent).

<sup>10</sup> For a subscription, the following criteria must be met:

(i) A minimum subscription must be carried out in accordance with the table (or the corresponding currency equivalent) or

(ii) It must be based on a written agreement between the qualified investor and UBS AG or one of its authorised contracting partners; its total assets held with UBS or its minimum holdings in UBS collective investment schemes must amount to more than CHF 100,000,000 (or the corresponding currency equivalent).

\* In the table above, the note “not yet known” refers to those unit classes which were not yet launched on the date this prospectus was published, or for which a launch date has not yet been set. Investors should contact their investment advisor for further details.

Lists A, B and C of unit class “Q” in accordance with § 6 prov. 4 B ltr. a) of the fund contract:

A. –

B. Switzerland

C. Switzerland

The fund management company shall have sole authority to decide on the approval of investors in other countries (amendments to Lists A, B and C).

Detailed information on the unit classes is contained in the fund contract (see Part II, § 6 prov. 4).

The unit classes are not segregated. Accordingly, the possibility that a unit class may be liable for the liabilities of another unit class cannot be ruled out,

even though costs as a rule may be charged only to the specific unit class benefiting from a specific service.

## 1.2 Investment objective and investment policy of the fund

### 1.2.1 Investment objective

The investment objective of UBS (CH) Equity Fund – Switzerland Enhanced (CHF) is principally to achieve a superior return compared with the benchmark over the long term. In order to achieve this investment objective, it aims to outperform the benchmark using the “Enhanced Strategy” with a targeted over-/underweighting of individual securities compared to their index weightings. In order to improve return opportunities, investments will also be made in securities positions not included in the benchmark. A moderate risk shall thus be entered into relative to the benchmark. The MSCI Switzerland will be used as the benchmark. There can be no guarantee that the fund will achieve its investment objective.

### 1.2.2 Investment policy

This fund invests primarily in equities issued by companies that are either included in the MSCI Switzerland or in equities issued by companies which have their registered office in Switzerland, or which, as holding companies, mainly invest in companies with their registered office in Switzerland, or which conduct most of their business in Switzerland. The fund also invests in collective investments, derivatives and structured products. If the latter cannot be divided, only a negligible amount as a proportion of the fund assets may be used. In doing so, the fund management company shall ensure that, on a consolidated basis, at least two-thirds of the total fund assets are invested in the aforementioned investments. The fund may also invest its assets in other investments as permitted under the fund contract.

The investment process is based on quantitative models which allow discrepancies in valuations to be identified and risks to be controlled. The valuation criteria required for this are based on a selection of statistical data and valuation-theory-based indicators. These quantitative models are used to generate forecasts of expected price developments in each individual stock in relation to the development of the overall market and individual sectors. The individual forecasts are used in combination with an algorithm for portfolio construction, with the restriction that no unnecessary risks are created in respect of individual securities, sectors or factors.

The MSCI Switzerland is a market-capitalisation equity index comprising publicly traded stocks in companies domiciled in Switzerland. It maintains a balanced mix of investments in the securities of large, mid and small cap listed companies (excluding investment funds) across all sectors of the economy for which there are no restrictions on circulation.

The fund management company may, including derivatives and structured products, invest no more than 10% of the fund's assets in securities and money market instruments issued by one and the same issuer. Notwithstanding the limit of up to 10% given above, when acquiring securities of an issuer included in the benchmark index, the fund management company may hold an overweight of up to 5 percentage points or 125% of the issuer's percentage weighting in the benchmark index. This can lead to a concentration of the fund's investments in only a few securities which make up the benchmark index, thereby creating an overall risk for the fund which exceeds that of the benchmark index (market risk). Investments must be spread over at least 12 issuers.

The currency mentioned in the name of the fund merely indicates the currency in which the fund's performance is calculated, and does not indicate the fund's investment currency. Investments are made in those currencies which best benefit the performance of the fund.

#### **Collateral strategy for securities lending or transactions with derivative financial instruments:**

Counterparty risks may arise in connection with securities lending or transactions with derivative financial instruments. These risks are minimised as follows:

#### **Level of collateral:**

All loans relating to securities lending transactions must be collateralised in full, and the value of the collateral must amount to at least 105% of the market value of the loaned securities. In addition, individual collateral may be valued at a discount. This discount is based on the volatility of the markets and the forecast liquidity of the security. Derivative transactions are collateralised in line with the applicable provisions governing the settlement of these types of transactions. Derivative transactions that are processed centrally are always subject to collateralisation. The scope and extent are geared toward the relevant provisions of the central counterparty or the clearing agent.

In the case of derivative transactions that are not settled centrally, the fund management company or its agents may conclude mutual collateral agreements with the counterparties. The value of the collateral exchanged must at all times be at least equivalent to the replacement value of the outstanding derivative transactions. In addition, individual collateral may be valued at a discount. This discount is based on the volatility of the markets and the forecast liquidity of the security.

#### **The following types of collateral are permitted:**

- Shares, provided they are traded on a stock exchange or another market open to the public, have a high level of liquidity, and are part of a representative index.
- The following are deemed equivalent to shares: listed ETFs in the form of securities funds, other funds for traditional investments pursuant to Swiss law or UCITS, provided they track one of the indices above and physically replicate the index. Swap-based, synthetically replicated ETFs are not permitted.
- Bonds, provided they are traded on a stock exchange or another market open to the public and the issuer has a first-class credit rating. No rating is required for sovereigns from the US, Japan, the UK, Germany and Switzerland (including the federal states and cantons).
- The following are deemed equivalent to sovereigns: tradable treasury savings notes and treasury bills with a state guarantee, provided the country or the issue has a first-class credit rating or is issued by the US, Japan, the UK, Germany or Switzerland (including the federal states and cantons).
- Money market funds, provided they comply with the SFAMA guideline or the CESR guideline for money market funds, can be redeemed on a daily basis, and the investments are of high quality or are classified as first-class by the fund management company.
- Cash collateral, provided this is in a freely convertible currency.

#### **Collateral margins**

The following minimum discounts apply when collateralising lending within the scope of securities transactions (% discount versus the market value):

- |                                                                                                                                                                                     |    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| – Listed shares and ETFs                                                                                                                                                            | 8% |
| – Sovereigns (including treasury bills and treasury savings notes) issued or guaranteed by the US, the UK, Japan, Germany or Switzerland (including the cantons and municipalities) | 0% |
| – Other sovereigns (incl. treasury bills and treasury savings notes)                                                                                                                | 2% |
| – Corporate bonds                                                                                                                                                                   | 4% |
| – Cash collateral, provided it is not in the fund currency                                                                                                                          | 3% |
| – Money market funds                                                                                                                                                                | 4% |

The following minimum discounts apply when collateralising derivatives that are not settled centrally (% discount versus the market value), provided a collateral agreement has been concluded with the counterparty:

- |                                                         |      |
|---------------------------------------------------------|------|
| – Cash                                                  | 0%   |
| – Sovereigns with a residual term of up to 1 year       | 1–3% |
| – Sovereigns with a residual term of 1-5 years          | 3–5% |
| – Sovereigns with a residual term of 5-10 years         | 4–6% |
| – Sovereigns with a residual term of more than 10 years | 5–7% |

#### **Cash collateral can be reinvested as follows and subject to the following risks:**

Sight deposits or deposits that can be terminated at short notice, sovereigns with a high credit rating, money market instruments with counterparties that have a high credit rating, and money market funds that are subject to the SFAMA guideline or the CESR guideline for money market funds. Cash collateral must always be invested in the same currency in which the collateral was accepted. The fund management company monitors the risks arising from reinvesting the cash collateral on a regular basis. Nevertheless, these investments are prone to credit risk and the value can be adversely impacted by fluctuations in value. In addition, a certain level of liquidity risk cannot be excluded.

### 1.2.3 Material risks

The investment fund's main risks are as follows: The net asset value of the fund's investments is geared towards their respective market values. The net asset value can fluctuate substantially depending on the general stock market trend and the performance of securities held in the fund portfolio. It is possible that the value will fall over a longer period of time. There is no guarantee that investors will achieve a specific return, or that they will be able to submit units to the fund management company for redemption at a specific price.

### 1.2.4 Use of derivatives

The fund management company may make use of derivatives. However, even under extraordinary market circumstances the use of derivatives must not alter the fund's investment goals or lead to a change in its investment profile. The Commitment Approach I is used for the measurement of risk.

Derivatives form part of the investment strategy and are used not only for hedging investment positions. In connection with collective investment schemes, derivatives may be used only for currency hedging purposes, with the exception of the hedging of market, interest rate and credit risks in the case of collective investment schemes for which the risks can be determined and measured unequivocally.

Only basic forms of derivatives, i.e. call or put options, credit default swaps (CDS), swaps and forward transactions (futures and forwards), may be used as described in detail in the fund contract (cf. section 12), provided their underlying securities are permissible investments in accordance with the investment policy. The derivatives can be traded on a stock exchange or another regulated market open to the public or concluded as over-the-counter (OTC) transactions. Besides market risk, derivatives are also subject to counterparty risk, i.e. the risk that the contracting party is unable to meet its obligations and causes a financial loss as a result.

With a CDS, the default risk of a credit position is transferred from the risk seller to the risk buyer, who receives compensation in the form of a premium. The level of this premium depends on a number of factors including the likelihood of a loss occurring and the maximum size of the loss; as a rule both factors are difficult to assess, which in turn increases the risk associated with CDSs. The investment fund may act as a risk buyer or seller.

Use of these instruments, even under extraordinary market conditions, may not result in the fund's assets being leveraged nor be tantamount to a short sell.

### 1.3 Profile of the typical investor

The fund is appropriate for investors with a long-term horizon who are primarily seeking to achieve capital growth. Investors must be able to accept larger fluctuations and a longer-lasting decline in the net asset value of the fund units. They are aware of the considerable risks an equity investment entails.

### 1.4 Tax regulations relevant for the fund

The investment fund has no legal personality in Switzerland. It is subject to neither income tax nor capital gains tax.

The fund management company may apply for a refund of all Swiss federal withholding tax levied on the fund's domestic income on behalf of the fund. Any income and capital gains realised abroad may be subject to the relevant withholding tax deductions imposed by the country of investment. These taxes are, as far as possible, reclaimed by the fund management company on behalf of investors resident in Switzerland under the terms of double taxation treaties or other such agreements.

Income distributions made by the fund (to investors domiciled in Switzerland and abroad) are subject to Swiss federal withholding tax (tax at source) at a rate of 35%. The separately reported capital gains are not subject to withholding tax.

Investors domiciled in Switzerland may reclaim Swiss withholding tax by declaring it in their tax returns, or by submitting a separate application for a refund. Investors domiciled outside Switzerland may reclaim Swiss withholding tax under the terms of a double taxation treaty between Switzerland and the respective investor's country of residence, provided such a treaty exists. Withholding tax cannot be reclaimed in the absence of any such agreement.

The tax information stated above is based on the current legal situation and practice and is expressly subject to changes in legislation, jurisdiction and ordinances and the practices of tax authorities.

**Taxation and other tax implications for investors who hold, buy or sell fund units are defined by the tax laws and regulations in the investor's country of domicile. For information in this regard, please contact your tax advisor.**

#### Tax status of the fund:

#### The international automatic exchange of information on tax matters (automatic exchange of information)

This fund qualifies as being for the purpose of the automatic exchange of information within the meaning of the collective reporting and due diligence standard prescribed by the Organisation for Economic Co-operation and Development (OECD) for information on finance accounts (GMS) as a non-reporting financial entity.

#### FATCA

The investment fund is registered with the tax authorities in the United States as a Registered Deemed-Compliant Financial Institution under a Model 2 IGA as provided for by Sections 1471 – 1474 of the U.S. Internal Revenue Code (Foreign Account Tax Compliance Act, including related ordinances, FATCA).

#### Partial tax exemption according to German Investment Tax Act

At least 51% of the fund's assets shall be invested in equities that are listed or traded on a "regulated market" as defined in Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

## 2 Information on the fund management company

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### 2.1 General information on the fund management company

The fund management company, UBS Fund Management (Switzerland) AG, is domiciled in Basel and has been active in the fund business since its formation as a limited company in 1959.

The subscribed share capital of the fund management company is CHF 1 million. The share capital is divided into registered shares and is fully paid up. UBS Fund Management (Switzerland) AG is a wholly owned subsidiary of UBS Group AG.

#### Board of Directors

André Müller-Wegner, Chairman

Managing Director, UBS AG, Basel and Zurich

Reto Ketterer, Vice Chairman

Managing Director, UBS AG, Basel and Zurich

André Valente, Delegate

Managing Director, UBS Fund Management (Switzerland) AG, Basel

Franz Gysin

Independent Member

Thomas Rose

Managing Director, UBS AG, Basel und Zürich

Andreas Schlatter

Independent Member

#### Executive Board

André Valente, Managing Director and Delegate of the Board of Directors

Dr Daniel Brüllmann, Head of Real Estate Funds

Eugène Del Cioppo, Head of Business Development & Client Management

Christel Müller, Head of ManCo Oversight & Risk Management

Thomas Reisser, Head of Compliance

Beat Schmidlin, Head of Legal Services

On 31 December 2016, the fund management company managed a total of 285 securities funds and 6 real estate funds in Switzerland with assets totalling CHF 214 billion.

The fund management company also provides the following services:

- Administration services for collective investments
- Representation of foreign collective investments

## 2.2 Delegation of investment decisions

Investment decisions in respect of the fund have been delegated to UBS Global Asset Management, a business group of UBS AG, Basel and Zurich. UBS AG is a bank and is therefore subject in Switzerland to supervision by the Swiss Financial Market Supervisory Authority FINMA.

UBS AG has many years of experience in asset management services and comprehensive knowledge of the investment markets of the fund. The precise duties involved are set out in an asset management agreement between UBS Fund Management (Switzerland) AG and UBS AG.

## 2.3 Delegation of administration

The administration of the investment funds, particularly accounting, the calculation of net asset values, tax statements, the operation of IT systems and the drafting of performance reports, has been delegated to Northern Trust Switzerland AG, Basel. The precise duties involved are set out in an agreement between the parties.

All other fund management duties and the monitoring of other delegated duties are carried out in Switzerland.

## 2.4 Exercising membership and creditors' rights

The fund management company exercises the membership and creditors' rights associated with the investments of the managed funds independently and exclusively in the interests of the investors. Upon request, the fund management company shall provide investors with information on the exercise of membership and creditors' rights.

Regarding existing routine business, it is up to the fund management company whether to exercise the membership and creditors' rights itself or whether to delegate them to the custodian bank or a third party.

For all other matters that could affect the long-term interests of investors, for example when exercising membership and creditors' rights accruing to the fund management company as shareholder or creditor of the custodian bank or any other related legal entity, the fund management company shall exercise the voting right itself or give clear instructions. In so doing, it may use information received from the custodian bank, the portfolio manager, the company, voting rights advisors or other third parties, or information that has appeared in the press.

It is up to the fund management company to decide whether to waive its entitlement to exercise membership and creditors' rights.

## 3 Information on the custodian bank

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UBS Switzerland AG acts as custodian bank. The bank was founded in 2014 as a stock corporation with its registered office in Zurich and with effect from 14 June 2015 took over the Private and Corporate Banking business as well as the Wealth Management business booked in Switzerland of UBS AG.

As a universal bank, UBS Switzerland AG offers a wide range of banking services.

UBS Switzerland AG is a subsidiary of UBS AG. With consolidated total assets of CHF 935,016 million and published capital and reserves of CHF 53,621 million as at 31 December 2016, UBS AG is financially one of the strongest banks in the world. It employs 60,785 staff worldwide and has an extensive network of offices.

The custodian bank may delegate the safekeeping of the fund's assets to third-party or collective depositaries in Switzerland or abroad, provided that this is in the interests of efficient management. For financial instruments, the fund's assets may be transferred only to third-party or collective depositaries subject to supervision. This provision shall not apply in cases where assets have to be held in safekeeping at a location at which the transfer of the assets to third-party or collective depositaries subject to supervision is not possible, in particular in light of mandatory legislation or to the particular arrangements for the investment product in question.

The effect of the use of third-party and collective depositaries is that the fund management company no longer has sole ownership of deposited securities, but only co-ownership. Moreover, if the third-party and collective depositaries are not supervised, they are unlikely to meet the organisational requirements placed on Swiss banks.

The custodian bank shall be liable for any losses caused by the agent unless it can demonstrate that it exercised due care and diligence in selecting, instructing and monitoring the latter.

The custodian bank is registered with the tax authority in the United States as a Reporting Financial Institution under a Model 2 IGA as provided for by Sections 1471–1474 of the U.S. Internal Revenue Code (Foreign Account Tax Compliance Act, including related ordinances, FATCA).

## 4 Information on third parties

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### 4.1 Paying agents

The paying agents are UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, and its branches in Switzerland.

### 4.2 Distributor

UBS AG, Basel and Zurich, is responsible for the distribution of the fund.

### 4.3 External auditors

The fund assets will be audited by Ernst & Young Ltd., Basel.

## 5 Further information

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### 5.1 Key data

Swiss securities no.	Unit class "P" 22628779
Swiss securities no.	Unit class "K-1" 22628780
Swiss securities no.	Unit class "Q" 22628780
Swiss securities no.	Unit class "F" 22628789
Swiss securities no.	Unit class "I-A1" 22628792
Swiss securities no.	Unit class "I-A2" 22628795
Swiss securities no.	Unit class "I-A3" 22628796
Swiss securities no.	Unit class "I-B" 22628797
Swiss securities no.	Unit class "I-X" 22628799
Swiss securities no.	Unit class "U-X" 22628800
ISIN	Unit class "P" CH0226287792
ISIN	Unit class "K-1" CH0226287800
ISIN	Unit class "Q" CH0226287883
ISIN	Unit class "F" CH0226287891
ISIN	Unit class "I-A1" CH0226287925
ISIN	Unit class "I-A2" CH0226287958
ISIN	Unit class "I-A3" CH0226287966
ISIN	Unit class "I-B" CH0226287974

ISIN	Unit class "I-X" CH0226287990
ISIN	Unit class "U-X" CH0226288006
Listing	None; units of the fund are issued and redeemed daily.
Financial year	1 July to 30 June
Term to maturity	Unlimited
Accounting currency	Swiss franc (CHF)
Units	Unit classes "P", "K-1", "Q" made to the bearer; units are not certificated, but are dealt with on a book-entry basis only.
Units	Unit classes "F", "I-A1", "I-A2", "I-A3", "I-B", "I-X", "U-X" registered in the name of the unitholder; units are not certificated, but are dealt with on a book-entry basis only.
Appropriation of income	In principle, net income will be distributed to investors within four months of the close of the financial year at no charge. As a rule, capital gains are not distributed but are retained in the fund for reinvestment.

## 5.2 Terms for the issue and redemption of fund units

Fund units may be issued or redeemed on every bank business day (Monday to Friday). No issue or redemption will take place on Swiss public holidays (Easter, Whitsun, Christmas, New Year, the Swiss national holiday [1 August] etc.), or on days when the stock exchanges/markets in the fund's principal investment countries are closed, or when 50% or more of the fund's investments cannot be valued in an adequate manner, or under the exceptional circumstances defined under § 17 prov. 4 of the fund contract. The fund management company and the custodian bank are entitled to reject applications for subscription at their own discretion.

Issue and redemption orders entered at the custodian bank by 3:00 p.m. at the latest (cut-off time) on a bank business day (order day) will be settled on the following bank business day (validation day) on the basis of the asset value calculated on this date. Earlier cut-off times may apply to the submission of orders for those orders placed with distributors in Switzerland and abroad in order to ensure that these can be forwarded on to the custodian bank in time. These cut-off times may be obtained from the respective distributors. The net asset value taken as the basis for the settlement of orders is therefore not yet known when the order is placed (forward pricing). It is calculated on the valuation day based on closing prices or, if in the fund management company's view these do not reflect appropriate market values, at the latest available prices at the time of the valuation, or using other recognised valuation models and principles. The fund management company is entitled to apply other generally recognised and verifiable valuation criteria in order to make an appropriate valuation of the fund's net assets if, due to extraordinary circumstances, a valuation in accordance with the regulations stated above proves to be unfeasible or inaccurate.

The net asset value of a unit of a class represents the percentage constituted by the unit class concerned of the market value of the fund assets, less all the liabilities of this fund allocated to the respective unit class, divided by the number of units of the relevant class in circulation. The figure shall be rounded to CHF 0.01.

The issue price corresponds to the net asset value calculated on the valuation day plus any issuing commission. The issuing commission is defined under prov. 5.3 below.

The redemption price corresponds to the net asset value calculated on the valuation day.

Incidental costs relating to the purchase and sale of investments (bid/ask spreads, brokerage at standard market rates, commissions, duties, etc.) and incurred by the fund in connection with the investment of the amount paid in or with a sale of a portion of the assets corresponding to the units redeemed will be covered by the application of swinging single pricing as outlined in § 16 prov. 7 of the fund contract.

The issue and redemption prices are rounded to CHF 0.01. Payment will be made no later than 3 bank business days after the order date (value date max. 3 days).

Units shall not take the form of actual certificates but shall exist purely as book entries.

## 5.3 Remuneration and incidental costs

### 5.3.1 Remuneration and incidental costs payable by the investor (excerpt from § 18 of the fund contract)

Issuing commission accruing to the fund management company,  
custodian bank and/or distributors in  
Switzerland and abroad maximum of 3%

### 5.3.2 Remuneration and incidental costs charged to the fund's assets (excerpt from § 19 of the fund contract)

Detailed information on the remuneration and incidental costs charged to the fund assets is set out in prov. 1.1 of this prospectus.

The commission is used for the management, asset management and, where applicable, distribution of the fund and the performance of the duties outlined in § 6 prov. 4 ltr. B e) – g) of the fund contract and for all tasks of the custodian bank such as the safekeeping of the fund assets, the execution of payment transactions and the other duties assigned to it as described in § 4.

A detailed breakdown of the charges and incidental costs not included in the flat fee is set out in § 19 prov. 2 of the fund contract.

To ensure ease of comparability with the remuneration rules of different fund providers who are not familiar with the flat fee, the term 'management fee' is taken as being equivalent to 80% of the flat fee.

### 5.3.3 Payment of retrocessions and discounts

The fund management company and its agents may pay retrocessions as compensation for the distribution activities in respect of fund units in or from Switzerland. This compensation may be used in particular to cover the following services:

- all activities that are intended to promote the distribution or brokering of fund units,
- such as the organising of road shows;
- attending conferences and trade fairs;
- producing promotional materials and
- training sales staff, etc.

Retrocessions do not constitute discounts even if they are ultimately passed on to investors wholly or in part.

The recipients of retrocessions undertake to ensure transparent disclosure and to inform investors free of charge with regard to the amount of the compensation that they may receive for the distribution.

The recipients of retrocessions shall, upon request, disclose the amounts they have effectively received from these investors for the distribution of the collective investments.

The fund management company and its agents may, upon request, pay discounts directly to investors as part of distribution in or from Switzerland.

Discounts may serve to reduce fees or costs charged to the respective investors. Discounts are permitted provided they are

- paid from the fund management company's fees and therefore do not generate any additional costs for the fund assets;
- granted on the basis of objective criteria;
- granted at the same time and on equal terms to all investors who meet the objective criteria and request discounts.

The objective criteria for the granting of discounts by the fund management company shall be the following:

- the amount subscribed by the investor or the total amount held by the investor in the collective investment scheme, or possibly in the product range of the promoter;
- the amount of fees generated by the investor;
- the investment behaviour practised by the investor (e.g. expected duration of their investment);
- investor willing to provide support during the collective investment scheme's inception phase.

The fund management company shall disclose the amount of each discount free of charge upon request of the investor.

### 5.3.4 Total expense ratio

The coefficient of the entire costs charged on an ongoing basis to the fund assets (total expense ratio or TER) stood at:

unit class	2014	2015	2016
F	0,41 %	0,41 %	0,41 %
I-A1	0,41 %	0,41 %	
I-A2	0,41 %	0,41 %	
I-A3	0,41 %	0,41 %	
I-B	0,41 %	0,41 %	
I-X	0,41 %	0,41 %	
K-1	0,41 %	0,41 %	
P	0,41 %	0,41 %	
Q	0,41 %	0,41 %	
U-X	0,41 %	0,41 %	

### 5.3.5 Commission sharing agreements and soft commissions

The fund management company has not concluded any commission sharing agreements.

The fund management company has not concluded any agreements relating to "soft commissions".

### 5.3.6 Investments in associated collective investments

No issuing and redemption commission is charged for investments in collective investments that are managed directly or indirectly by the fund management company itself or by a company with which it is associated through common management or by control or by a significant direct or indirect shareholding.

## 5.4 Publications of official notices

Further information on the fund may be found in the latest annual or semi-annual report. Up-to-date information is also available on the Internet at [www.ubs.com/funds](http://www.ubs.com/funds).

The prospectus with integrated fund contract, the Key Investor Information Document and the annual and semi-annual reports may be obtained free of charge from the fund management company, custodian bank and all distributors.

Notification of changes to the fund contract, a change of fund management company or custodian bank, as well as the liquidation of the fund shall be published by the fund management company with Swiss Fund Data AG ([www.swissfunddata.ch](http://www.swissfunddata.ch)).

Prices are published for all unit classes on each day units are issued or redeemed (daily) on the website of Swiss Fund Data AG at [www.swissfunddata.ch](http://www.swissfunddata.ch), on the Internet at [www.ubs.com/funds](http://www.ubs.com/funds), in other electronic media and in Swiss and foreign newspapers.

## 5.5 Sales restrictions

When issuing and redeeming units of this fund abroad, the provisions valid in the country in question shall apply. There are currently no authorisations for distribution outside Switzerland.

Units of this fund may not be offered, sold or delivered within the United States.

A US person is someone who:

- (i) is a United States person within the meaning of paragraph 7701(a)(30) of the US Internal Revenue Code of 1986 (as amended) and the Treasury Regulations enacted in the Code;
- (ii) is a US person within the meaning of regulation S in the US Securities Act of 1933 (17 CFR § 230.902(k));
- (iii) is a non-US person within the meaning of rule 4.7 of the US Commodity Futures Trading Commission Regulations (17 CFR § 4.7(a)(1)(iv));
- (iv) resides in the United States of America within the meaning of rule 202(a)(30)-1 of the US Investment Advisers Act of 1940 (as amended); or
- (v) is a trust, a legal entity or another structure founded for the purpose of enabling US persons to invest in this fund.

## 5.6 Detailed regulations

Further information on the fund, such as the valuation of the fund's assets, a list of all incidental costs and commissions charged to investors and the fund and the appropriation of net income, is set out in detail in the fund contract.

The fund management company: UBS Fund Management (Switzerland) AG, Basel

The custodian bank: UBS Switzerland AG, Zurich

# Part II Fund contract

## I. Basis

### § 1 Name; name and domicile of the fund management company, custodian bank and asset manager

1. A contractually-based investment fund of the type "Other funds for traditional investments" (the "fund") has been established under the name of UBS (CH) Equity Fund – Switzerland in accordance with Art. 25 ff in association with Art. 68 ff. of the Swiss Collective Investment Schemes Act (CISA) of 23 June 2006.
2. The fund management company is UBS Fund Management (Switzerland) AG, Basel.
3. The custodian bank is UBS Switzerland AG, Zurich.
4. The asset manager is UBS Asset Management, a business group of UBS AG, Basel and Zurich.

## II. Rights and obligations of the contracting parties

### § 2 Fund contract

The legal relationship between the investor on the one hand and the fund management company and the custodian bank on the other is governed by this fund contract and the applicable provisions of Swiss legislation concerning collective investment schemes.

### § 3 Fund management company

1. The fund management company manages the fund at its own discretion and in its own name, but for the account of the investors. In particular, it shall make all decisions relating to the issuing of units, the investments and their valuation. It calculates the net asset value, sets the issue and redemption prices of units and also determines the distribution of income. The fund management company shall exercise all rights associated with the fund.
2. The fund management company and its agents shall act in good faith and have a duty to exercise due diligence and provide information. They shall act independently and exclusively in the interests of investors. They shall take any organisational steps that may be required to ensure the proper conduct of business and shall ensure transparent accounting and the supply of appropriate information regarding the fund. They shall disclose all fees and costs charged, directly or indirectly, to investors and disclose how such fees and costs are used. They shall provide investors with full, accurate and comprehensible information on compensation payments for the distribution of collective investments in the form of commissions, brokerage

commissions and other soft commissions.

3. The fund management company can delegate investment decisions and specific tasks, provided that this is in the interest of efficient management. It shall delegate responsibilities only to individuals who are qualified to discharge their duties properly and shall ensure that such duties are discharged correctly with regard to both the instructions provided and monitoring and control.  
Investment decisions may be delegated only to asset managers which are subject to recognised supervision.  
If foreign law requires an agreement on cooperation and the exchange of information with foreign supervisory authorities, the fund management company may delegate investment decisions to asset managers abroad only if such an agreement exists between FINMA and the relevant foreign supervisory authorities for the investment decisions concerned.  
The fund management company shall be liable for the actions of its agents as if they were its own.
4. The fund management company may, subject to the consent of the custodian bank, submit amendments to this fund contract to the supervisory authority (cf. § 26).
5. The fund management company can merge any of the funds it manages pursuant to the provisions set down under § 24 and can liquidate any of the funds it manages pursuant to the provisions set down under § 25.
6. The fund management company is entitled to receive the remuneration stipulated in §§ 18 and 19. It is further entitled to be released from any liabilities assumed in the proper performance of its duties and to be reimbursed for expenses incurred in connection with such liabilities.

#### **§ 4 Custodian bank**

1. The custodian bank shall be responsible for the safekeeping of the fund's assets. The custodian bank shall be responsible for the issue and redemption of fund units as well as payments on behalf of the fund.
2. The custodian bank and its agents shall act in good faith and have a duty to exercise due diligence and provide information. They shall act independently and exclusively in the interests of investors. They shall take any organisational steps that may be required to ensure the proper conduct of business and shall ensure transparent accounting and the supply of appropriate information regarding the fund. They shall disclose all fees and costs payable directly or indirectly by the investors and how said fees and costs have been used. They shall also provide investors with full, clear and accurate information about any compensation paid for distributing collective investments in the form of commission, brokerage fees and other monetary benefits.
3. The custodian bank shall be responsible for the fund's account and custody account maintenance, but may not independently access its assets.
4. In the case of transactions which relate to the fund assets, the custodian bank shall ensure that the countervalue is transferred to it within the customary periods. It shall inform the fund management company if the countervalue is not provided within the customary period and request that the counterparty replace the affected fund assets where this is possible.
5. The custodian bank shall manage the required records and accounts in such a way that it can differentiate between the assets of the individual funds held in safekeeping at all times.  
In the case of assets which cannot be held in safekeeping, the custodian bank shall check the ownership of the fund management company and maintain corresponding records.
6. The custodian bank may delegate the safekeeping of the fund's assets to third-party or collective depositaries in Switzerland or abroad, provided that this is in the interests of efficient management. It shall check and monitor whether the third-party or collective depositary to which it has delegated the safekeeping of the fund's assets:
  - a) has an appropriate business organisation, financial guarantees and the specialist qualifications required for the type and complexity of the assets with which it has been entrusted;
  - b) is subject to a regular external audit which ensures that the financial instruments are in its possession;
  - c) keeps the assets received from the custodian bank in safekeeping in such a way that they can be clearly identified at all times as belonging to the fund assets by means of a regular reconciliation of holdings by the custodian bank;
  - d) adheres to the regulations applicable to the custodian bank as regards the performance of the tasks delegated to it and the avoidance of conflicts of interest.The custodian bank shall be liable for losses caused by the agent provided it cannot be demonstrated that it exercised due care and diligence in selecting, instructing and monitoring the respective depositary. Information on the risks associated with the transfer of the safekeeping of assets to third-party and collective depositaries is set out in the prospectus.  
For financial instruments, the fund's assets may be transferred only to third-party or collective depositaries subject to supervision in accordance with the paragraph above. This provision shall not apply in cases where assets have to be held in safekeeping at a location at which the transfer of the assets to third-party or collective depositaries subject to supervision is not possible, in particular in light of requirements imposed by law or the terms of the investment product. The investors are informed about the safekeeping of the assets by third-party or collective depositaries not subject to supervision in the prospectus.
7. The custodian bank shall ensure that the fund management company complies with the law and the fund contract. It shall check whether the calculation of net asset value, issue and redemption prices of units and investment decisions are being carried out in accordance with the law and the fund contract, and whether the net income is appropriated as stipulated in the fund contract. The custodian bank shall not be responsible for any investment selection made by the fund management company within the scope of the investment guidelines.
8. The custodian bank shall be entitled to receive the remuneration stipulated in §§ 18 and 19. It is further entitled to be released from any liabilities assumed in the proper performance of its duties and to be reimbursed for expenses incurred in connection with such liabilities.
9. The custodian bank shall not be responsible for the safekeeping of assets of the target funds in which this fund invests unless it has been assigned this task.

#### **§ 5 Investors**

1. There are no restrictions as regards investors. Restrictions for individual classes are possible in accordance with § 6 prov. 4.  
The fund management company and custodian bank shall together ensure that investors meet the investor group requirements.
2. Upon execution of the contract and remittance of a cash payment, the investor shall acquire a claim against the fund management company for an interest in the fund's assets and income. This claim shall be evidenced in the form of units.
3. Investors are only obliged to remit payment for the units of the fund subscribed by them. Investors shall not be held personally liable in respect of the liabilities of the fund.
4. Investors may at any time request that the fund management company supply them with information regarding the basis on which the net asset value per unit is calculated. The fund management company shall also supply further information regarding specific transactions it has carried out, such as the exercise of membership and creditors' rights or about risks management, to any investor claiming an interest in such matters at any time. Investors shall be entitled to submit an application to the court having jurisdiction in the domicile of the fund management company for the external auditors, or another entity with appropriate expertise, to investigate and report on any facts or circumstances for which disclosure is required.
5. Investors shall be entitled to terminate the fund contract at any time and request payment in respect of units held in the fund in cash.
6. Upon request, the investors are obliged to provide the fund management company, the custodian bank and its agents with documentary proof that they meet/continue to meet the legal and contractual requirements necessary to be able to participate in the investment fund or a unit class. In addition, they are obliged to immediately notify the fund management company, the custodian bank and its agents if they no longer meet these requirements.
7. An investor's units must be compulsorily redeemed at the prevailing redemption price by the fund management company in collaboration with the custodian bank if:
  - a) this is required to safeguard the reputation of the financial centre, notably in relation to combating money laundering;
  - b) the investor no longer meets the legal or contractual requirements to participate in this fund.
8. In addition, an investor's units may be compulsorily redeemed at the prevailing redemption price by the fund management company in collaboration with the custodian bank if:
  - a) the investor's participation in the fund may materially affect the economic interests of the other investors, particularly if their participation may result in tax disadvantages for the fund in Switzerland or abroad;
  - b) investors have acquired or hold units in breach of the provisions of domestic or foreign legislation or provisions of this fund contract or prospectus applicable to them;
  - c) the economic interests of investors are affected, particularly in cases in which individual investors attempt to acquire benefits for their portfolio by systematically subscribing and immediately thereafter redeeming units, exploiting time differences between the setting of closing prices and the

valuation of the fund's assets (market timing).

## § 6 Units and unit classes

1. The fund management company may establish, merge or liquidate different unit classes, subject to the agreement of the custodian bank and the approval of the supervisory authority. All unit classes shall confer entitlement to a share in the undivided assets of the fund, which are not segmented. This share may vary due to class-specific costs charged or distributions or on account of class-specific income, and the net asset value per unit may therefore vary from class to class. Any class-specific costs charged shall be met by the aggregate assets of the fund.
2. The creation, liquidation or merger of unit classes shall be announced in the official publication. Only mergers of unit classes shall be deemed to constitute an amendment to the fund contract pursuant to § 26.
3. The various unit classes may, in particular, differ in terms of cost structure, reference currency, currency hedging, distribution or reinvestment of income, minimum investments and investor group.  
Remuneration and costs shall be charged only to unit classes that benefit from the services they cover. Costs which cannot be unequivocally attributed to a particular unit class shall be charged to the individual unit classes in proportion to their share of the fund's assets.
4. There are currently the following unit classes: "P", "K-1", "Q", "F", "I-A1", "I-A2", "I-A3", "I-B", "I-X" and "U-X".
  - A) The following unit classes are not restricted to certain types of investors:
    - a) "P": Class "P" units are offered to all investors. There is no minimum subscription or holding. Unit class "P" differs from unit class "K-1" in the level of the flat fee, the initial subscription price and the smallest tradable lot, as set out in the prospectus (prov. 1.1, table). Class "P" units are only issued as bearer units.
    - b) "K-1": Class "K-1" units are offered to all investors. There is no minimum subscription or holding. Unit class "K-1" differs from unit classes "P" in the level of the flat fee, the initial subscription price and the smallest tradeable lot, as set out in the prospectus (prov. 1.1, table). Class "K-1" units are only issued as bearer units.
  - B) The following unit classes are restricted to certain types of investors:
    - a) "Q": Class "Q" units are exclusively offered:
      - 1) for investors in a permitted country as defined in "List A";
      - 2) Contractual partners of UBS AG, acting through their business area Asset Management, and other regulated financial service providers, which were duly authorised by the supervisory authority to which they are subject and make investments and act in their own name:
        - for their own account; or
        - on behalf of their clients as part of a written (i) investment management mandate or (ii) advisory contract or (iii) comparable long-term contract in exchange for payment in which investments in unit classes without remuneration are expressly governed; or
        - for a collective investment scheme; or
        - for other regulated financial service providers acting for their clients in accordance with the specified framework.In the case of 2), the investor is domiciled in a permitted country as defined in "List B" provided the framework conditions specified in (i) apply, and is domiciled in a permitted country as defined in "List C" provided the framework conditions specified in (ii) and (iii) apply.  
The fund management shall have sole authority to decide on the approval of investors in other distribution countries (amendments to Lists A and B). Lists A, B and C are listed in the prospectus.  
Unit class "Q" differs from unit classes "F", "I-A1", "I-A2", "I-A3", "I-B", "I-X" and "U-X" in the level of commission and from unit classes "F", "I-B", "I-X" and "U-X" in the commission structure. Further, unit class "Q" differs from unit classes "I-A2" and "I-A3" in that there is no minimum subscription or holding and from unit class "U-X" in the initial subscription price as set out in the prospectus (prov. 1.1, table). 1.1, table). Class "Q" units are issued only in the form of bearer units.
    - b) "F": Class "F" units are issued only to investors who have concluded a written asset management mandate with UBS AG of its related entities. Unit class "F" differs from unit classes "Q", "I-A1", "I-A2", "I-B", "I-X" and "U-X" in the level of commission and from unit classes "Q", "I-A1", "I-A2", "I-A3", "I-B", "I-X" and "U-X" in the commission structure. Further, unit class "F" differs from unit classes "I-A2" and "I-A3" in that there is no minimum subscription or holding and from unit class "U-X" in the initial subscription price as set out in the prospectus (prov. 1.1, table). 1.1, table). Class "F" units are issued registered form only.
    - c) "I-A1": Class "I-A1" units are offered exclusively to qualified investors in accordance with Article 10 para. 3 and 3ter CISA. Unlike unit classes "I-A2" and "I-A3", there is no minimum subscription or holding for this unit class. Unit class "I-A1" differs from unit classes "Q", "F", "I-A2", "I-A3", "I-B", "I-X" and "U-X" in the level of the commission charged. Unit class "I-A1" differs from unit classes "F", "I-B", "I-X" and "U-X" in the commission structure and from unit class "U-X" in the initial subscription price, as set out in the prospectus (prov. 1.1, table). Class "I-A1" units are only issued as registered units.
    - d) "I-A2", "I-A3": Units in these unit classes are offered exclusively to qualified investors in accordance with Art. 10, para. 3 CISA who have signed a written agreement with UBS AG or one of its authorised contracting partners for the purposes of investing in the assets of this fund. Unit classes "I-A2" and "I-A3" differ from each other in the level of the flat fee and in the minimum subscription or holding level required. Unit class "I-A2" differs from unit classes "Q", "F", "I-A1", "I-B", "I-X" and "U-X" and unit class "I-A3" from unit classes "Q", "I-A1", "I-B", "I-X" and "U-X" in the level of commission. Moreover, unit classes "I-A2" and "I-A3" differ from unit classes "Q", "F", "I-A1", "I-B", "I-X" and "U-X" in that a minimum subscription and holding is required. Both unit classes differ from unit classes "F", "I-B", "I-X" and "U-X" in the commission structure and from unit class "U-X" in the initial subscription price, as set out in the prospectus (prov. 1.1, table). 1.1, table). These classes of units are issued only as registered shares.
    - e) "I-B": Class "I-B" units are offered exclusively to qualified investors in accordance with Article 10 para. 3 CISA who have signed a written agreement with UBS AG or one of its authorised contracting partners for the purposes of investing in the assets of this fund. The costs incurred for the fund administration (consisting of the fund management company, administrator and custodian bank) are charged directly to the fund's assets in the form of a commission. The additional costs incurred in asset management as well as distribution are charged directly to the investor under the written agreement. Unit class "I-B" differs from unit classes "Q", "F", "I-A1", "I-A2", "I-A3", "I-X" and "U-X" in the level and structure of the commission charged, from unit classes "I-A2", "I-A3" in that no minimum subscription or holding is required, and from unit class "U-X" in the initial subscription price as set out in the prospectus (prov. 1.1, table). Class "I-B" units are only issued as registered shares.
    - f) "I-X": Class "I-X" units are offered exclusively to qualified investors in accordance with Art. 10 para. 3 CISA who have signed a written agreement with UBS AG or one of its authorised contracting partners for the purposes of investing in the assets of this fund. The costs incurred in asset management, fund administration (consisting of the fund management company, administrator and custodian bank) and distribution are charged directly to the investor under the written agreement. Unit class "I-X" differs from unit classes "Q", "F", "I-A1", "I-A2", "I-A3", and "I-B" in the level and structure of the commission charged, from unit classes "I-A2", "I-A3" in that no minimum subscription or holding is required, and from unit class "U-X" in the initial subscription price as set out in the prospectus (prov. 1.1, table). 1.1, table). Class "I-X" units are only issued as registered shares.
    - g) "U-X": Class "U-X" units are offered exclusively to qualified investors in accordance with Art. 10 para. 3 CISA who have signed a written agreement with UBS AG or one of its authorised contracting partners for the purposes of investing in the assets of this fund. The costs incurred for asset management, fund administration (consisting of the fund management company, administrator and custodian bank) and distribution are charged directly to the investor under the written agreement. This unit class is exclusively geared towards financial products (i.e. funds of funds or other pooled structures pursuant to different legislation in various countries). Unit class "U-X" differs from unit classes "Q", "F", "I-A1", "I-A2", "I-A3" and "I-B" in the level and structure of the commission charged, from unit classes "I-A2", "I-A3" in that no minimum subscription or holding is required, and from unit classes "Q", "F", "I-A1", "I-A2", "I-A3", "I-B" and "I-X" in the initial subscription price as set out in the prospectus (prov. 1.1, table). Class "U-X" units are only issued as registered shares.  
Investors who no longer meet the requirements to hold a class of units forfeit the right to remain invested in an individual sub-fund via the relevant unit class.
5. Units shall not take the form of actual certificates but shall exist purely as book entries. The investor is not entitled to request the issue of a unit certificate in his/her or in the owner's name. If unit certificates were issued, these must be returned at the latest with the redemption request.
6. The fund management company and the custodian bank are obliged to ask investors who no longer meet the requirements to invest in a unit class to redeem their units within 30 calendar days pursuant to § 17, to transfer them to an individual who does meet the stated requirements or to convert the units into another class whose requirements they do meet. If investors fail to comply with this request, the fund management company, in conjunction



with the custodian bank, must proceed with a forced conversion into another class of units in this fund or, where this is not possible, forced redemption of the units in question in accordance with § 5 prov. 7.

### III. Investment policy guidelines

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#### A Investment principles

##### § 7 Compliance with investment guidelines

1. In selecting individual investments the fund management company must adhere to the principle of balanced risk diversification and must observe the percentage limits defined below. These relate to fund assets at market values and are to be observed at all times.
2. If the limits are exceeded due to changes in the market, the investments must be reduced to the permitted level within a reasonable period of time, taking due account of the investors' interests. If limits in connection with derivatives pursuant to § 12 below are exceeded through a change in the delta, the permitted levels must be restored within three bank business days at the latest, taking due account of the investors' interests.

##### § 8 Investment policy

1. The currency mentioned in the name of the fund merely indicates the currency in which the fund's performance is calculated, and does not indicate the fund's investment currency. Investments are made in those currencies which best benefit the performance of the fund.  
The fund management company may invest the assets of this fund in the following investments. The risks associated with these investments shall be disclosed in the prospectus.
  - a) Securities, i.e. securities issued on a large scale and uncertificated rights with a similar function (uncertified stock), which are listed on a stock exchange or traded on another regulated market open to the public and which embody an equity or a debt security right or the right to acquire such securities and rights via subscription or exchange, such as warrants;  
Investments in securities from new issues shall only be permitted if they are intended for admission to a stock exchange or other regulated market open to the public under the terms of issue. If such investments have not been admitted to a stock exchange or other regulated market open to the public within one year of purchase, the securities must be sold within one month or included under the restrictions set out in prov. 1 h).
  - b) Derivatives, if (i) they are based on underlying financial instruments in the form of securities as specified in a), derivatives as specified in b), structured products as specified in c), units in collective investments as specified in d) and e), money market instruments as specified in f), or financial indices, interest rates, exchange rates, loans or currencies and (ii) the underlying securities are permitted investments under the fund contract. Derivatives shall be traded either on a stock exchange or another regulated market open to the public, or OTC.  
OTC transactions shall only be permitted if (i) the counterparty is a financial intermediary specialising in this type of transaction and subject to supervision, and (ii) the OTC derivatives are tradable daily or may be submitted to the issuers for redemption at any time. In addition, the valuations of such instruments must be reliable and transparent. The use of derivatives shall be subject to the provisions of § 12.
  - c) Structured products, if (i) they are based on underlying financial instruments in the form of securities as specified in a), derivatives as specified in b), structured products as specified in c), units in collective investments as specified in d) and e), money market instruments as specified in f), or financial indices of all types, interest rates, exchange rates, loans or currencies and (ii) the underlying securities are permitted investments under the fund contract. Structured products shall be traded either on a stock exchange or another regulated market open to the public, or OTC.  
OTC transactions shall be permitted only if (i) the counterparty is a financial intermediary specialising in this type of transaction and subject to supervision, and (ii) the OTC products are tradable daily or may be submitted to the issuers for redemption at any time. In addition, the valuations of such instruments must be reliable and transparent.
  - d) Units of other collective investments (target funds) if (i) their documentation restricts investments in other target funds to a maximum of 10%; (ii) the same provisions apply for these target funds as for securities funds with regard to purpose, organisation, investment policy, investor protection, risk diversification, separate custody of fund assets, borrowing, lending, short selling of securities and money market instruments, issue and redemption of units and content of semi-annual and annual reports and (iii) these target funds have been approved as collective investments in the country of domicile and supervision in that country is equivalent to that in Switzerland in respect of the protection afforded to investors and international official assistance is granted.
  - e) Units of other domestic and foreign collective investments that belong to the category "Other funds for traditional investments" or correspond to this category and supervision in that country is equivalent to that in Switzerland in respect of the protection afforded to investors and international official assistance is granted.
  - f) Money market instruments which are fungible and marketable at any time and which are traded on a stock exchange or other regulated market open to the public; money market instruments which are not traded on a stock exchange or other regulated market open to the public may only be acquired provided that the issue or issuer is subject to provisions governing creditor and investor protection and the money market instruments are issued or guaranteed by issuers pursuant to Art. 74 para. 2 CISO.
  - g) Sight or time deposits with a maturity not exceeding twelve months with banks domiciled in Switzerland or in a member state of the European Union or in another country provided that the bank in such country is subject to supervision equivalent to the supervision in Switzerland.
  - h) Investments other than the investments specified in a) to g) above not exceeding 10% of the fund's assets in aggregate. The following are not permitted: (i) investments in precious metals, precious metal certificates, commodities and commodities certificates and (ii) short selling in relation to investments of all kinds.
2. a) After deducting liquid assets, the fund management company shall invest at least two-thirds of the fund assets in:
  - aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies which are included in the benchmark, are named in the prospectus and in companies that have their registered office in Switzerland or, as holding companies, mainly invest in companies which have their registered office in Switzerland or which conduct the majority of their business in Switzerland.
  - ab) units of other collective investments as specified in prov. 1 d) and e) that according to their documentation invest their assets in accordance with the guidelines of this investment fund or parts thereof.
  - ac) derivatives (including warrants) on the investments mentioned above.
  - ad) structured products denominated in freely convertible currencies such as certificates from issuers worldwide on the above investments.  
For investments in other collective investments pursuant to ltr. ab) above and in structured products pursuant to ltr. ad) above, the fund management company ensures that on a consolidated basis at least two-thirds of total fund assets are invested in the investments noted under ltr. aa) above.
- b) Subject to ltr. c) and following the deduction of liquid assets, the fund management company may also invest up to one-third of the fund's assets in:
  - equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies which do not meet the requirements stipulated in prov. 2 aa);
  - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
  - derivatives (including warrants) on the investments mentioned above;
  - units of other collective investments as specified in prov. 1 d) and e) that do not meet the requirements as stated in prov. 2 ab);
  - sight and time deposits at banks.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the fund assets following the deduction of liquid assets:
  - no more than 10% in other collective investments.

##### § 9 Liquid assets

The fund management company may also hold liquid assets in an appropriate amount in the fund's accounting currency and in any other currency in which investments are permitted. Liquid assets comprise bank deposits and claims from securities repurchase agreements at sight or on demand with maturities of up to twelve months.

#### B Investment techniques and instruments

##### § 10 Securities lending

1. The fund management company may lend all types of securities which are listed on an exchange or are traded on another regulated market open to the public. However, securities that have been taken over as part of a reverse repo transaction may not be lent. However, it may not lend securities that

- have been taken over as part of a reverse repo transaction.
2. The fund management company may lend the securities to a borrower in its own name and for its own account ("principal transaction"), or may appoint an intermediary to make the securities available to a borrower either indirectly in a fiduciary capacity ("agent transaction") or directly ("finder transaction").
3. The fund management company shall enter into securities lending transactions only with first-class, supervised borrowers and agents specialising in transactions of this type, such as banks, brokers and insurance companies, as well as approved, recognised central counterparties and central custodians which can guarantee the proper execution of the securities lending transactions.
4. If the fund management company must observe a period of notice (which may not exceed 7 bank business days) before it may again legally repossess the securities lent, it may not lend more than 50% of a particular type of security eligible for lending. However, if the borrower or the intermediary provides the fund management company with a contractual assurance that the latter may legally repossess the securities lent on the same or the next bank business day, the fund management company may lend its entire holdings of a particular type of security eligible for lending.
5. The fund management company shall conclude an agreement with the borrower or intermediary whereby the latter shall pledge or transfer collateral in order to secure the restitution of securities in favour of the fund management company in accordance with Art. 51 Collective Investment Schemes Ordinance issued by FINMA. The value of the collateral must at all times be adequate and equal to at least 105% of the market value of the securities lent. The collateral issuer must have a high credit rating and the collateral may not be issued by the counterparty or by any company belonging to or dependent on the corporate group of the counterparty. The collateral must be highly liquid, it must be traded at a transparent price on an exchange or other regulated market open to the public, and it must be subject to valuation at least on each trading day. In managing the collateral, the fund management company and its agents must satisfy the obligations and requirements listed under Art. 52 CISO-FINMA. In particular, they must adequately diversify collateral in terms of countries, markets and issuers, with the adequate diversification of issuers meaning that the collateral held from any one issuer may not exceed 20% of the net asset value. This does not affect exceptions for assets that are publicly guaranteed or issued in accordance with Art. 83 CISO. In addition, in the event of default by the counterparty, the fund management company and its agents must be able to obtain the power and authority of disposal over the furnished collateral at all times and without the counterparty's involvement or consent. The furnished collateral is to be held in safekeeping by the custodian bank. The furnished collateral may be held in safekeeping on behalf of the fund management company by a supervised third-party custodian, provided ownership of the collateral is not transferred and the third-party custodian is independent of the counterparty.
6. The borrower or intermediary is liable for ensuring the prompt, unconditional payment of any income accruing during the securities lending period, for asserting other financial rights and for the return of securities of the same type, amount and quality such that the contractual terms are complied with.
7. The custodian bank shall ensure that the securities lending transactions are conducted in a secure manner and that the contractual terms are complied with and shall monitor compliance with the collateral requirements. For the duration of the lending transactions it shall also be responsible for the administrative duties assigned to it under the custody account regulations and for asserting all rights pertaining to the securities lent, unless they have been assigned in line with the applicable framework agreement.
8. The prospectus has further details on the collateral strategy.

## **§ 11 Securities repurchase agreements**

1. The fund management company may enter into securities repurchase agreements ("repos") for the fund's account. Securities repurchase agreements may be concluded as either repos or reverse repos.  
A repo is a legal transaction in which one party (lender) temporarily transfers ownership of securities to another party (borrower) in return for payment and the borrower undertakes to reimburse securities of the same type, quantity and quality as well any income accrued throughout the course of the repurchase agreement to the lender upon maturity. The lender bears the price risk of the securities throughout the course of the repurchase agreement. From the perspective of the counterparty (borrower), a repo is a reverse repo. Reverse repos are an instrument used by the fund management company to invest cash, whereby it buys securities and at the same time agrees to reimburse securities of the same type, amount and quality as well any income accrued throughout the course of the repurchase agreement.
2. The fund management company may conclude repo transactions with a counterparty in its own name and for its own account ("principal transaction") or may instruct an intermediary to conclude repo transactions with a counterparty either indirectly in a fiduciary capacity ("agent transaction") or directly ("finder transaction").
3. The fund management company shall conclude repo transactions only with first-class, supervised counterparties and intermediaries specialising in transactions of this type, such as banks, brokers and insurance companies or approved, recognised central counterparties and central custodians which can ensure the proper execution of the repo transactions.
4. The custodian bank shall ensure that the securities lending transactions are conducted in a secure manner and the contractual terms are complied with. It shall ensure that fluctuations in the value of securities used in the repo transactions are compensated daily in cash or securities (mark-to-market), and shall also be responsible for the administrative duties assigned to it under the custody account regulations during the period in which repo transactions are carried out and for asserting all rights pertaining to the securities used in the repo transactions unless they have been assigned in line with the applicable framework agreement.
5. The fund management company may use all types of securities which are listed on an exchange or are traded on another regulated market open to the public. However, securities that were taken over as part of a reverse repo transaction may not be used for repos.
6. If the fund management company must observe a period of notice (which may not exceed 7 bank business days) before it may again legally repossess the securities used in the repo transaction, it may not lend for repos more than 50% of its holdings of a particular security eligible for repos. However, if the counterparty or the intermediary provides the fund management company with a contractual assurance that the latter may legally repossess the securities used in the repo transaction on the same or the next bank business day, the fund management company may use its entire holdings of a particular security eligible for repo transactions.
7. Engaging in repo transactions shall be deemed to constitute borrowing for the purposes of § 13, unless the money received is used to acquire securities of the same type, quality, credit rating and maturity in conjunction with the conclusion of a reverse repo.
8. With regard to reverse repos, the fund management company may only acquire securities in accordance with Art. 51 CISO-FINMA. The collateral issuer must have a high credit rating and the collateral may not be issued by the counterparty or by any company belonging to or dependent on the corporate group of the counterparty. The collateral must be highly liquid, it must be traded at a transparent price on an exchange or other regulated market open to the public, and it must be subject to valuation at least on each trading day. In managing the collateral, the fund management company and its agents must satisfy the obligations and requirements listed under Art. 52 CISO-FINMA. In particular, they must adequately diversify collateral in terms of countries, markets and issuers, with the adequate diversification of issuers meaning that the collateral held from any one issuer may not exceed 20% of the net asset value. This does not affect exceptions for assets that are publicly guaranteed or issued in accordance with Art. 83 CISO. In addition, in the event of default by the counterparty, the fund management company and its agents must be able to obtain the power and authority of disposal over the furnished collateral at all times and without the counterparty's involvement or consent. The furnished collateral is to be held in safekeeping by the custodian bank. The furnished collateral may be held in safekeeping on behalf of the fund management company by a supervised third-party custodian, provided ownership of the collateral is not transferred and the third-party custodian is independent of the counterparty.
9. Claims arising from reverse repos shall be deemed to be liquid assets pursuant to § 9 and not loans pursuant to § 13.
10. The prospectus has further details on the collateral strategy.

## **§ 12 Derivatives**

1. The fund management company may make use of derivatives. It shall ensure that the effect of such derivatives alters neither the investment objectives, as stated in this fund contract, in the prospectus and in the Key Investor Information Document, nor the fund's investment profile, even in exceptional market circumstances. In addition, the securities underlying the derivatives must be permitted investments under this fund contract. In connection with collective investment schemes, derivatives may be used only for currency hedging purposes, with the exception of the hedging of market, interest rate and credit risks in the case of collective investment schemes for which the risks can be determined and measured unequivocally.
2. The Commitment Approach I is used for the measurement of risk. Taking into account the cover required under this paragraph, the use of derivatives does not exert a leverage effect on the fund's assets or amount to short selling.
3. Only basic forms of derivatives may be used. These include:

- a) Call or put options, the expiration value of which has a linear dependence on the positive or negative difference between the market value of the underlying and the strike price and is zero if the difference is preceded by the opposite sign;
- b) credit default swaps (CDSs);
- c) Swaps with non-path-dependent payoffs which have a linear dependence on the value of the underlying or an absolute value;
- d) Futures and forwards whose value has a linear dependence on the value of the underlying.
4. The economic effect of using derivatives is similar to either a sale (derivatives that reduce exposure) or a purchase (derivatives that increase exposure) of an underlying security.
5. a) In the case of derivatives that reduce exposure, the commitments entered into shall be covered by the securities underlying the derivatives at all times subject to b) and d).
- b) In the case of derivatives that reduce exposure, assets other than the underlying securities may be used for cover if they are in the name of an index which
  - is calculated by an external, independent body;
  - is representative of the investments used as cover;
  - is correlated sufficiently with these assets.
- c) The fund management company must have unrestricted access to these underlying securities or assets at all times.
- d) A delta weighting may be used for an exposure-reducing derivative to calculate the relevant underlying securities.
6. For exposure-increasing derivatives, the underlying equivalent of a derivative position shall be covered at all times by cash equivalents pursuant to Art. 34 (5) CISO-FINMA. In the case of futures, options, swaps, and forwards, the underlying equivalent is determined in accordance with attachment 1 CISO-FINMA.
7. The fund management company shall comply with the following rules when netting derivatives positions:
  - a) Counter positions on the same underlying may be netted, irrespective of the maturity date of the derivatives, provided that the derivative transaction was concluded with the sole purpose of eliminating the risks associated with the derivatives or investments acquired, no material risks are disregarded in the process, and the conversion amount of the derivatives is determined pursuant to Art. 35 CISO-FINMA.
  - b) If the derivatives in hedging transactions do not relate to the same underlying as the asset to be hedged, in addition to the rules under a), the requirement that the derivative transactions may not be based on an investment strategy that serves the purpose of the appropriation of income must also be fulfilled. The derivative must also lead to a proven reduction in the risk, the risks associated with the derivative must be offset, the derivatives, underlying instruments or assets to be offset must relate to the same category of financial instruments and the hedging policy must also be effective even under extraordinary market conditions.
  - c) Derivatives that are used purely to hedge foreign currency risks and do not lead to a leverage effect or involve additional market risks can be offset without the requirements under b) in the calculation of the total derivatives exposure.
  - d) Hedging transactions may be covered by interest rate derivatives. Convertible bonds may be excluded from the calculation of derivatives exposure.
8. The fund management company may use both standardised and non-standardised derivatives. It may engage in derivatives transactions on a stock exchange or other regulated market open to the public or in OTC (over-the-counter) trading.
9. a) The fund management company may engage in OTC transactions only with financial intermediaries subject to supervision which specialise in these transactions and can ensure proper execution. If the counterparty is not the custodian bank, the counterparty or its guarantor must have a high credit rating.
- b) An OTC derivative must be subject to reliable and verifiable valuation on a daily basis and it must be possible to sell or liquidate it or close it out with an opposite transaction at market value at any time.
- c) If no market price is available for an OTC derivative, the price must be verifiable using an appropriate, recognised valuation model on the basis of the market value of the underlying securities from which the derivative was derived. Before concluding a contract for derivatives of this type, specific offers must be obtained from at least two counterparties, whereby the contract must be concluded with the counterparty offering the most favourable price. Deviations from this principle are permitted for reasons related to risk diversification or if additional contract elements such as credit rating or the service portfolio of the counterparty make another offer appear more favourable overall for the investors. Moreover, the requirement of obtaining offers from at least two potential counterparties can be waived in exceptional cases if this is in the investors' best interest. Justification of this decision as well as the transaction concluded and the price set must be clearly documented.
- d) In the context of OTC transactions, the fund management company and its agents may only accept collateral that satisfies the requirements under Art. 51 CISO-FINMA. The collateral issuer must have a high credit rating and the collateral may not be issued by the counterparty or by any company belonging to or dependent on the corporate group of the counterparty. The collateral must be highly liquid, it must be traded at a transparent price on an exchange or other regulated market open to the public, and it must be subject to valuation at least on each trading day. In managing the collateral, the fund management company and its agents must satisfy the obligations and requirements listed under Art. 52 CISO-FINMA. In particular, they must adequately diversify collateral in terms of countries, markets and issuers, with the adequate diversification of issuers meaning that the collateral held from any one issuer may not exceed 20% of the net asset value. This does not affect exceptions for assets that are publicly guaranteed or issued in accordance with Art. 83 CISO. The fund management company and its agents must further be able to obtain power of disposal over, and authority to dispose of, the collateral received at any time in the event of default by the counterparty, without involving the counterparty or obtaining its consent. The furnished collateral is to be held in safekeeping by the custodian bank. The furnished collateral may be held in safekeeping on behalf of the fund management company by a supervised third-party custodian, provided ownership of the collateral is not transferred and the third-party custodian is independent of the counterparty.
10. Due account must be taken of the derivatives prescribed in the legislation concerning collective investment schemes when complying with statutory and contractual investment restrictions (maximum and minimum limits).
11. The prospectus contains further details on:
  - the implications of derivatives within the investment strategy;
  - the effect of using derivatives on the fund's risk profile;
  - the counterparty risks associated with derivatives;
  - credit derivatives;
  - the collateral strategy.

### **§ 13 Borrowing and lending**

1. The fund management company may not grant loans for the fund's account. Securities lending transactions pursuant to § 10 and repurchase agreements as reverse repos in accordance with § 11 are not deemed loans for the purposes of this paragraph.
2. The fund management company may temporarily borrow the equivalent of up to 10% of net fund assets. Repurchase agreements as repos in accordance with § 11 are deemed borrowing for the purposes of this paragraph, unless the money received is used as part of an arbitrage transaction to acquire securities of the same type, quality, rating and maturity in conjunction with the conclusion of a reverse repo.

### **§ 14 Encumbrance of the fund's assets**

1. The fund management company may not pledge or transfer by way of security more than 60% of net fund assets with respect to the fund.
2. The fund's assets may not be encumbered with guarantees. An exposure-increasing credit derivative is not deemed to be a guarantee for the purposes of this paragraph.

### **C Investment restrictions**

#### **§ 15 Risk diversification**

1. The following are to be included in the risk diversification provisions:
  - a) investments pursuant to § 8 with the exception of index-based derivatives as long as the index is sufficiently diversified, representative of the market which it covers and published in an appropriate manner;
  - b) liquid assets pursuant to § 9;
  - c) claims against counterparties arising from OTC transactions.
2. Companies that make up a group according to international accounting standards shall be treated as a single issuer.
3. a) Including derivatives and structured products, no more than 10% of the fund assets may be invested in securities and money market instruments issued by one and the same issuer.

- b) Notwithstanding ltr. a) above, when acquiring securities of an issuer included in the benchmark index, the fund management company may hold an overweight of up to 5 percentage points or 125% of the issuer's percentage weighting in the benchmark index.  
This can lead to a concentration of the fund's investments in only a few securities which make up the benchmark index, thereby creating an overall risk for the fund which exceeds that of the benchmark index (market risk).
- c) Investments must be spread over at least 12 issuers.
4. The fund management company may not invest more than 20% of the fund assets in sight or time deposits at one and the same bank. This restriction includes both liquid assets pursuant to § 9 and investments in bank assets pursuant to § 8.
  5. The fund management company may not invest more than 10% of fund assets in OTC transactions of one and the same counterparty. Should the counterparty be a bank with its headquarters in Switzerland or in a member state of the European Union or in another country in which it is subject to supervision equivalent to the supervision in Switzerland, this restriction is increased to 20% of fund assets.  
If claims from OTC transactions are covered by collateral in the form of liquid assets in accordance with Art. 50 to 55 CISO-FINMA, the claims shall be excluded from the calculation of counterparty risk.
  6. Investments, deposits and claims pursuant to prov. 3 to 5 of the same issuer or borrower may not in total exceed 30% of the fund's assets,
  7. Investments pursuant to prov. 3 above in the same group of companies may not in total exceed 30% of the fund's assets,
  8. The fund management company may invest up to 10% of the fund assets in units of the same target fund.
  9. The fund management company may not acquire participation rights which in total represent more than 10% of voting rights or which would enable the fund management company to exert a significant influence on an issuer's management,
  10. The fund management company may not acquire for the fund's assets more than 10% of the non-voting equity, debt and/or money market instruments of a single issuer or more than 25% of the units of other collective investments.  
These restrictions shall not apply if at the time of acquisition the gross amount of debt instruments, money market instruments or the units of other collective investments cannot be calculated.
  11. The restrictions as set out under prov. 9 and 10 above shall not apply if the securities and money market instruments are issued or guaranteed by a state or public-law institution from the OECD or by international organisations with public-law character to which Switzerland or a member state of the European Union belongs.  
The following organisations are acceptable as issuers or guarantors: the European Union (EU), OECD states, the Council of Europe, the International Bank for Reconstruction and Development (World Bank), the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the Asian Development Bank and Eurofima (European Company for the Financing of Railroad Rolling Stock).

#### IV. Calculation of net asset value and issue and redemption of units

##### § 16 Calculation of net asset value

1. The fund's net asset value and the proportion of assets of the individual classes (percentages) are calculated in Swiss francs (CHF) at the market value at the end of the financial year and for each day on which units are issued or redeemed (valuation net asset value). The fund's assets will not be valued on days when the stock exchanges of the main investment countries of the fund are closed (e.g. bank or stock market holidays).
2. Investments listed on a stock exchange or traded on another regulated market open to the public shall be valued at the current prices paid on the main market. Other investments or investments for which no current market price is available shall be valued at the price likely to be obtained if a sale were conducted with proper care at the time of the valuation. In such cases the fund management company shall use appropriate and recognised valuation models and principles to determine the market value.
3. Open-end collective investments shall be valued using their redemption price or net asset value. If they are listed on a stock exchange or regularly traded on another regulated market open to the public, the fund management company may value them pursuant to prov. 2.
4. The value of money market instruments which are not listed on a stock exchange or traded on another regulated market open to the public shall be calculated as follows: The valuation price of such investments is based on the respective interest rate curve. The valuation based on the interest curve comprises an interest rate component and a spread component. The following principles shall be applied: For each money market instrument, the closest rates of interest to the residual term shall be interpolated. The rate of interest thus established shall be converted into a market rate, adding a spread which reflects the creditworthiness of the underlying borrower. This spread is adjusted in the event of a significant change in the borrower's credit rating.
5. Bank deposits shall be valued using their exposure amount plus accrued interest. In the event of significant changes in market conditions or the credit rating, the valuation basis for bank deposits on demand shall be adjusted in line with the new conditions.
6. The net asset value of a unit of a class represents the percentage constituted by the unit class concerned of the market value of the fund assets, less all the liabilities of this fund allocated to the respective unit class, divided by the number of units of the relevant class in circulation. The figure shall be rounded to CHF 0.01.
7. If, on any one order day, the sum of subscriptions and redemptions of units in the fund result in a net inflow or outflow, the fund's valuation net asset value will be increased or reduced accordingly (swinging single pricing). The maximum adjustment level amounts to 2% of the valuation net asset value. This covers the incidental costs (bid/ask spread, brokerage at standard market rates, commissions, duties, etc.) that accrue to the fund on average from the investment of a net inflow or from the sale of a portion of investments corresponding to the net outflow. The adjustment results in an increase of the valuation net asset value if net movements lead to an increase in the number of units in the fund. Conversely, the adjustment will result in a reduction of the valuation net asset value if net movements lead to a reduction in the number of units. The net asset value calculated on the basis of swinging single pricing is thus a modified, or "swung", net asset value as set out in the first sentence of this paragraph.
8. The percentages of the market value of the net fund assets (fund assets less liabilities) which are to be attributed to the respective unit classes are determined for the first time with the initial issue of several unit classes (if they are issued simultaneously) or the initial issue of an additional unit class on the basis of the inflows to the fund for each unit class. The percentage shall be recalculated in any of the following events:
  - a) upon issue and redemption of units;
  - b) on the cut-off date for distributions, provided (i) such distributions accrue only to individual unit classes (distribution classes) or provided (ii) the distributions of various unit classes as a percentage of the respective net asset value differ, or provided (iii) different commission or cost charges accrue on the distributions of various unit classes as a percentage of the distribution;
  - c) for the calculation of the net asset value, in the context of the allocation of liabilities (including costs and commissions which are due or have accrued) to the various unit classes, provided the liabilities of the various unit classes vary as percentages of their respective net asset values, namely if (i) different commission rates are applied for the different unit classes or if (ii) class-specific cost charges arise;
  - d) for the calculation of net asset value, in the context of the allocation of income or investment income to the various unit classes, provided the income or investment income accrues from transactions which were carried out in the interest of one unit class or in the interest of several unit classes, but not in proportion to their share of net fund assets.

##### § 17 Issue and redemption of units

1. Subscription or redemption orders for units shall be accepted on the order day up to a specific time mentioned in the prospectus. The price used for the issue and redemption of units is calculated at the earliest on the bank business day (valuation date) following the order day (forward pricing). The prospectus sets out the details.
2. The issue and redemption prices of units shall be based on the net asset value per unit as defined in § 16 calculated on the valuation day in conjunction with the closing prices of the previous day. Upon issuing units, an issuing commission may be added to the net asset value pursuant to § 18. Incidental costs relating to the purchase and sale of investments (bid/ask spreads, brokerage at standard market rates, commissions, taxes and duties, etc.) and incurred on average by the fund in connection with the investment of the amount paid in or with a sale of a portion of the assets corresponding to the units redeemed will be covered by the application of swinging single pricing as outlined in § 16 prov. 7.
3. The fund management company may suspend the issue of units at any time and can also reject applications for unit subscriptions or conversions.
4. The fund management company may temporarily and by way of exception suspend the redemption of fund units in the interest of all investors if:
  - a) a market which is the basis for the valuation of a significant proportion of the fund's assets is closed, or if trading on such a market is limited or suspended;
  - b) a political, economic, military, monetary or other emergency occurs;
  - c) owing to exchange controls or restrictions on other asset transfers, the fund is no longer able to transact its business;
  - d) large-scale unit redemptions take place that could significantly affect the interests of the remaining investors.

5. The fund management company shall immediately apprise the external auditors and the supervisory authority of any decision to suspend redemptions. It shall also notify the investors in an appropriate manner.
6. No units shall be issued as long as the redemption of units is suspended for the reasons stipulated under prov. 4 ltr a) – c).

## V. Remuneration and incidental costs

### § 18 Remuneration and incidental costs charged to the investor

Upon the issue of units, investors may be charged an issuing commission accruing to the fund management company, the custodian bank and/or distributors in Switzerland and abroad, which in total shall not exceed 3% of the net asset value. The current maximum applicable rate is stated in the prospectus.

### § 19 Remuneration and incidental costs charged to the fund's assets

1. For the management, asset management and, where applicable, distribution of the funds or the performance of the duties outlined in § 6 prov. 4 ltr. B e) – g) and for all tasks of the custodian bank such as the safekeeping of the fund assets, the execution of payment transactions and the other duties assigned to it as described in § 4, the fund management company charges the fund a maximum flat-rate fee or commission as a percentage of the fund's net asset value as stated below, which is charged to the fund's assets pro rata temporis each time the fund's net asset value is calculated and paid monthly (flat fee or commission).
  - Class "P" units  
Flat fee charged by the fund management company for management, asset management, distribution and remuneration of the custodian bank 1.44% p.a.
  - Class "K-1" units  
Flat fee charged by the fund management company for management, asset management, distribution and remuneration of the custodian bank 0.96% p.a.
  - Class "Q" units  
Flat fee charged by the fund management company for management, asset management and remuneration of the custodian bank 0.96% p.a.
  - Class "F" units  
Flat fee charged by the fund management company for management, asset management and remuneration of the custodian bank 0.48% p.a.
  - Class "I-A1" units  
Flat fee charged by the fund management company for management, asset management, distribution and remuneration of the custodian bank 0.60% p.a.
  - Class "I-A2" units  
Flat fee charged by the fund management company for management, asset management, distribution and remuneration of the custodian bank 0.54% p.a.
  - Class "I-A3" units  
Flat fee charged by the fund management company for management, asset management, distribution and remuneration of the custodian bank 0.48% p.a.
  - Class "I-B" units  
Commission charged by the fund management company for fund administration (fund management company, administrator and custodian bank) 0.066% p.a.

In addition, costs are incurred in asset management and distribution under a separate agreement with UBS AG or one of its authorised contracting partners (cf. § 6 prov. 4)

  - Class "I-X" units  
Commission charged by the fund management company 0.00% p.a.

The costs incurred in asset management, fund administration and distribution are charged to investors under a separate agreement with UBS AG or one of its authorised contractual partners (cf. § 6 prov. 4) 4)

  - Class "U-X" units  
Commission charged by the fund management company 0.00% p.a.

The costs incurred in asset management, fund administration and distribution are charged to investors under a separate agreement with UBS AG or one of its authorised contractual partners (cf. § 6 prov. 4) 4)

The actual rate applying to the flat fee or commission is stated in the annual and semi-annual reports.
2. Not included in the flat fee or commission are the following remuneration and incidental costs of the fund management company and the custodian bank, which are charged separately to the fund assets:
  - a) Any incidental costs relating to the purchase and sale of investments (bid/ask spread, brokerage at standard market rates, commissions, duties, etc.) which may be incurred in connection with the management of the fund's assets. These costs shall be directly offset against the cost/selling price of the investments in question, with the exception of incidental costs incurred in connection with the purchase/sale of investments during unit issuing and redemption, which shall be covered by the application of swinging single pricing as set out in § 16 prov. 7.
  - b) Fees paid to the supervisory authority for the foundation, amendment, dissolution or merger of the fund;
  - c) Annual fee paid to the supervisory authority;
  - d) Fees paid to external auditors for annual audits and for certificates in connection with the foundation, amendment, dissolution or merger of the fund;
  - e) Fees paid to legal and tax advisors in connection with the foundation, amendment, dissolution or merger of the fund and for the general representation of the interests of the fund and its investors;
  - f) Costs incurred in connection with the publication of the investment fund's net asset value and all costs related to messages sent to investors, including translation costs, that are not attributable misconduct on the part of the fund management company;
  - g) Costs incurred in connection with the printing of legal documents as well as annual and semi-annual reports of the investment fund;
  - h) Costs incurred in connection with the investment fund's registration with a foreign supervisory authority, specifically for the commissions charged by the foreign supervisory authority, translation costs as well as for the remuneration of the foreign representative or paying agent;
  - i) Costs in connection with the exercising of voting and creditors' rights by the fund, including fees for external advisors;
  - j) Costs and fees connected to intellectual property rights registered in the fund's name or to the fund's rights of use;
  - k) All costs incurred as a result of exceptional measures taken by the fund management company, the asset manager for collective investments or the custodian bank to protect the interests of the investors;
  - l) Third-party costs (e.g. attorneys' fees and custodian bank fees) arising from participation in class actions in the interest of investors may be charged to the fund assets by the fund management company. Furthermore, the fund management company may charge all administrative costs, provided these can be proven and are reported and included in the disclosure of the fund's TER.
3. The fund management company and its agents as well as the custodian bank may, in accordance with the provisions set forth in the prospectus, pay retrocessions to cover distribution activities in respect of the fund units and discounts to reduce any fees and costs attributable to the investor which are charged to the fund.
4. Any management commission charged by the target funds in which investments are made may not exceed 3%, taking into account any retrocessions

and discounts. The annual report shall indicate the maximum rate for the management fee of the target funds invested in, factoring in any retrocessions and discounts.

5. If the fund management company invests in units of other collective investments managed directly or indirectly by itself or by a company with which it is affiliated through common management or control or by a significant direct or indirect shareholding ("affiliated target funds"), it must not charge any issuing or redemption commission of the affiliated target funds to the fund's assets.

## **VI. Financial statements and external audits**

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### **§ 20 Financial statements**

1. The fund's accounting currency is the Swiss franc (CHF).
2. The financial year shall run from 1 July to 30 June.
3. The fund management company shall publish an audited annual report for the fund within four months of the closing of the financial year.
4. The fund management company shall publish a semi-annual report within two months of the close of the first half of the financial year.
5. The foregoing does not affect the investor's right to information as specified under § 5 clause 4.

### **§ 21 Audits**

The external auditors shall examine whether the fund management company and the custodian bank have acted in compliance with the statutory and contractual provisions as well as the code of professional ethics of the Swiss Funds & Asset Management Association (SFAMA). The annual report shall contain a short report by the external auditors on the published annual financial statements.

## **VII. Appropriation of net income**

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### **§ 22**

1. The net income of the fund will be distributed to the investors annually for each unit class within four months of the close of the financial year in the accounting currency Swiss franc (CHF).  
The fund management company may make additional interim distributions from the income.
2. Up to 30% of the net income of a unit class can be carried forward to a new account. The distribution can be waived and the entire net income can be carried forward to new account if
  - the net income of the current financial year and the income carried forward from earlier financial years of the collective investment scheme or a unit class amounts to less than 1% of the net asset value of the collective investment scheme or the unit class, and
  - the net income of the current financial year and the income carried forward from earlier financial years of the collective investment scheme or a unit class amounts to less than one unit of the accounting currency of the collective investment scheme or the unit class.
3. Capital gains realised on the sale of assets and rights may be distributed by the fund management company or retained for the purpose of reinvestment.

## **VIII. Publications of official notices**

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### **§ 23**

1. Official notices regarding the fund shall be published in the print or electronic media specified in the prospectus. Any change in the official publication is to be specified in the official publication.
2. The official publication shall in particular include notices regarding any material amendments to the fund contract in summary form, indicating the locations where the full wording of such amendments may be obtained free of charge, any change of fund management company and/or custodian bank, the creation, liquidation or merger of unit classes and the dissolution of fund. Any amendments required by law which do not affect the interests of investors or only concern matters of form may be exempted from the duty of disclosure subject to the approval of the supervisory authority.
3. Each time units are issued or redeemed, the fund management company shall publish both the issue/redemption prices or the net asset value (when swinging single pricing pursuant to § 16 prov. 7 has resulted in a modified net asset value) of all unit classes together with the footnote "excluding commission" in the print or electronic medium specified in the prospectus. The prices shall be published at least twice per month. The weeks and weekdays on which such prices shall be published shall be specified in the prospectus.
4. The prospectus with integrated fund contract, the Key Investor Information Document and the current annual and semi-annual reports may be obtained free of charge from the fund management company, the custodian bank and from any distributor.

## **IX. Restructuring and dissolution**

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### **§ 24 Merger**

1. Subject to the agreement of the custodian bank, the fund management company may merge funds by transferring the assets and liabilities of the fund(s) being acquired to the acquiring fund. The investors of the fund being acquired shall receive the corresponding number of units in the acquiring fund. The fund being acquired shall be dissolved without liquidation when the merger takes place, and the fund contract of the acquiring fund shall also apply to the fund being acquired.
2. Funds may only be merged if:
  - a) the applicable fund contracts provide for such a merger;
  - b) they are managed by the same fund management company;
  - c) the following provisions of the applicable fund contracts are essentially identical with regard to:
    - investment policy, investment techniques, risk diversification and the risks associated with the investment
    - appropriation of net income and capital gains from the sale of property and rights,
    - the type, value and method of calculating any remuneration, issue and redemption commission and incidental costs relating to the purchase and sale of investments (brokerage, fees, duties) which may be charged to the fund's assets or the investors;
    - the conditions of redemption
    - the duration of the contract and conditions for its dissolution;
  - d) the valuation of both funds' assets, the calculation of the exchange ratio and the transfer of assets and liabilities must take place on the same day;
  - e) no costs may be incurred by the fund or the investors, subject to the provisions of § 19 prov. 2.
3. If it is anticipated that the merger shall take more than one day, the supervisory authority may authorise a temporary suspension of unit redemptions for the funds concerned.
4. The fund management company must submit the proposed merger together with the merger schedule to the supervisory authority for review at least one month before the planned publication of the intended changes to the fund contract. The merger schedule must contain information on the reasons for the merger, the investment policies of the funds involved and any differences between the acquiring fund and the fund being acquired, the calculation of the exchange ratio, any differences with regard to remuneration and any tax implications for the funds, as well as a statement from the audit firm responsible in accordance with the legislation on the collective investment legislation.
5. The fund management company shall publish notice of proposed changes to the fund contract in accordance with § 23 prov. 2, as well as notice of any proposed merger, together with merger schedule and plan, at least two months before the definitive planned date in the official publication of the funds affected. Such notice shall advise investors that they may lodge an objection to the proposed amendments to the fund contract with the supervisory authority within 30 days of the notice, or request redemption of their units in cash.
6. The external auditors must check immediately that the merger is being carried out correctly, and shall submit a report containing their comments in this regard to the fund management company and the supervisory authority.
7. The fund management company shall notify the supervisory authority that the merger has been completed and publish a notice to this effect, together with a statement from the external auditors confirming that the merger was executed correctly and the exchange ratio without delay in the official publication of the funds involved.
8. The fund management company must make reference to the merger in the next annual report of the acquiring fund and in its semi-annual report if

published prior to the annual report. Unless the merger takes place on the last day of the usual financial year, an audited closing statement must be produced for the fund(s) being acquired.

#### **§ 25 Life of the fund and dissolution**

1. The fund has been established for an indefinite period.
2. The fund management company or custodian bank may dissolve the fund by terminating the fund contract without notice.
3. The fund may be dissolved by order of the supervisory authority, for example if the fund does not have net assets of at least five million Swiss francs (or the equivalent) no later than one year after its launch, or a longer period specified by the supervisory authority at the request of the custodian bank and the fund management company.
4. The fund management company shall notify the supervisory authority of such dissolution immediately and publish a notice to this effect in the official publication for the fund.
5. Upon termination of the fund contract, the fund management company may liquidate the fund forthwith. If the supervisory authority ordered the dissolution of the fund, the fund must be liquidated immediately. The custodian bank shall be responsible for paying the liquidation proceeds to the investors. If the liquidation proceedings are protracted, payment may be made in instalments. Prior to the final payment, the fund management company must obtain authorisation from the supervisory authority.

### **X. Amendment to the fund contract**

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#### **§ 26**

If any amendments are made to this fund contract, or in the event of a proposed merger of unit classes or change of fund management company or custodian bank, investors may lodge objections with the supervisory authority within 30 days of the notice being published.

In the publication, the fund management company shall inform investors to which fund contract changes the examination and ascertainment of legal conformity by FINMA extend.

In the event of any amendment to the fund contract (including merger of unit classes), investors may also request redemption of their units in cash subject to the period stipulated in this contract. The foregoing is subject to the cases as specified under § 23, prov. 2, which are, subject to the approval of the supervisory authorities, exempted from the duty of disclosure.

### **XI. Applicable law and place of jurisdiction**

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#### **§ 27**

1. The fund shall be governed by Swiss law and in particular the Swiss Collective Investment Schemes Act of 23 June 2006, the Swiss Collective Investment Schemes Ordinance of 22 November 2006 and the Collective Investment Schemes Ordinance issued by FINMA of 21 December 2006.  
The place of jurisdiction shall be the domicile of the fund management company.
2. The German version shall be binding for the interpretation of the fund contract.
3. This fund contract takes effect on 27 February 2017.
4. This fund contract replaces the fund contract dated 14 June 2015.
5. In approving the fund contract, FINMA shall exclusively examine the provisions in accordance with Article 35a para, 1 a) – g) CISO and ascertain their legal conformity.

The fund management company: UBS Fund Management (Switzerland) AG, Basel  
The custodian bank: UBS Switzerland AG, Zurich