

## **LUXEMBOURG SELECTION FUND**

*Société d'investissement à capital variable*

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

### **SALES PROSPECTUS**

February 2015

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

## INTRODUCTION

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

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

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

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

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

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

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

## SECTION I: DESCRIPTION OF THE SUBFUNDS

- List of available Subfunds

Subfund 1 –	LUXEMBOURG SELECTION FUND – Xantos
Subfund 2 –	LUXEMBOURG SELECTION FUND – SFPC European Property Securities
Subfund 3 –	LUXEMBOURG SELECTION FUND – Active Solar
Subfund 4 –	LUXEMBOURG SELECTION FUND – Asian Solar & Wind Fund
Subfund 5 –	LUXEMBOURG SELECTION FUND – Amares Strategy Fund – Balanced
Subfund 6 –	LUXEMBOURG SELECTION FUND – Atyartha Global Opportunities Fund
Subfund 7 –	LUXEMBOURG SELECTION FUND – PEF Protected Equity Fund
Subfund 8 –	LUXEMBOURG SELECTION FUND – PBF Protected Bond Fund
Subfund 9 –	LUXEMBOURG SELECTION FUND – Prognosia Galaxy
Subfund 10 –	LUXEMBOURG SELECTION FUND – Prognosia Supernova
Subfund 11 –	LUXEMBOURG SELECTION FUND – LSF Alternative UCITS Strategies
Subfund 12 –	LUXEMBOURG SELECTION FUND – LSF Enhanced Equity Exposure
Subfund 13 –	LUXEMBOURG SELECTION FUND – Nerrick US Equities

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

## **LUXEMBOURG SELECTION FUND – Xantos**

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

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### **Investor profile**

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

### **Risk profile**

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

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

### **Investment objective and policy**

The investment objective of this Subfund is long-term capital appreciation through investing in the equity securities of small and medium-sized companies worldwide, both in industrialised countries and emerging markets. These equity securities include, in particular, common stock or preferred shares and debt securities convertible into common stock (frequently referred to as convertible bonds).

The Subfund invests in transferable securities which are listed on a stock exchange or traded on a regulated market which is recognised, is open to the public and operates regularly. Because small and medium-sized companies may, to some degree, have lower liquidity and potentially are subject to substantial price fluctuations, the Subfund aims to diversify the individual investments over different countries, sectors, themes and styles in a manner appropriate for the product.

In negative market phases the Subfund may hold temporarily up to 100% in cash and/or hedge some or all of the investments by using options, swaps or futures. Furthermore, the Subfund is subject to the terms set out in the section "Investment restrictions".

Derivative financial instruments may be used for hedging or for purposes of sound portfolio management. The purchase or sale of call or put options on transferable securities/indices will allow the manager to increase or decrease the exposure to the underlying with respect to the market conditions/trends.

Up to 100% of the Subfund's investments may be made up of foreign currencies. The Subfund does not intend to systematically hedge foreign currencies. However, in the event of severe currency fluctuations or market uncertainty, the Subfund may hedge individual or all foreign currencies using futures contracts or derivatives.

The purchase or sale of futures contracts and derivative financial instruments must be made in accordance with the provisions in the section "Financial techniques and instruments". It is impossible to guarantee that the Subfund will achieve the set investment objective, and investment results may fluctuate considerably over time.

**Investor intention is drawn to the fact that investments made in emerging markets may be subject to risks different to those in industrialised countries, such as (a) monetary devaluations and exchange rate**

fluctuations, (b) political uncertainty and instability, (c) government interference in the economy, (d) higher inflation rates, (e) less regulated market for transferable securities, (f) possible unexpected market volatility, (g) investment and repatriation restrictions.

### Investment strategy

The aim of the investment strategy is to invest predominantly in undertakings which benefit disproportionately from social, economic, ecological and technological changes. However, the Subfund may also make opportunistic investments, such as in turnarounds or in undertakings which are attractively undervalued.

The investment strategy is based on a multi-stage process:

In the first step, trends and structural changes in the different areas like society, ecology/environment, economy, resources and technology are identified and analysed.

In the second step, an analysis is done of which sectors, industries or, if applicable, undertakings benefit from or are affected by such structural changes. This step allows the manager to filter in a focused way for undertakings which have a structural advantage.

The third step, in which actual stock selection takes place, is based on a multi-faceted analysis of each undertaking. In addition to the balance sheet and income statement, special attention is paid to the strategy, the products and the market position. In each case, the valuation of the undertaking plays an important role. The aim is to invest in undertakings which, given their growth potential, present an attractive evaluation.

The final step in the process involves portfolio construction and risk control. The aim of portfolio construction is to guarantee that the portfolio is adequately diversified with regard to securities risk. A focused portfolio, or on other words, an investment concentration pertaining to geography, sectors, industries, themes or styles, may however be desired.

Investments may exist in the form of bearer shares, registered shares, participation certificates and dividend certificates, warrants and securities of undetermined duration, such as convertible bonds and warrant bonds. To a certain extent (not to exceed 10% of the net assets of the Subfund), the Subfund may invest in private placements and shares of companies intending to seek listing on the stock exchange within one year. The Subfund may hold the assets of other UCITS or UCIs in the amount of up to 10% of its net assets.

The Subfund may hold temporarily up to 100% in cash or can use derivative financial market instruments to hedge the investments.

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

no greater than the contract value is deposited with a broker as an 'initial margin'. Subsequent payments from or to the broker will be made daily taking into account the variation, for example, of the index. The use of futures instead of investing in the underlying has the advantage of lower transaction fees.

### **Risks associated with the use of derivatives**

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

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

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

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

### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF circular 14/592 implementing ESMA guidelines 2014/937 (the "CSSF Circular 14/592").

### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-fund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

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

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

## **Portfolio management**

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

Wyss & Partner Vermögensverwaltung und Anlageberatung AG has been appointed as Portfolio Manager of this Subfund.

The total fees received by UBS Third Party Management Company S.A. amount to 1.50% for shares in class A per annum, and to 0.75 % for shares in classes B and C, which shall pay Wyss & Partner Vermögensverwaltung und Anlageberatung AG the full amount of these fees, in the form of a annual management fee. These annual management fees, paid monthly, will be calculated on the value of the average net assets of the Subfund during the month in question.

Wyss & Partner Vermögensverwaltung und Anlageberatung AG is a société anonyme under Swiss law created in 1997 and domiciled at Bahnhofstrasse 17, CH-7323 Wangs. Wyss & Partner Vermögensverwaltung und Anlageberatung AG is a management company specialised in discretionary management and investment consulting, with an international clientele of "high net worth individuals", with assets under management of CHF 500 million.

In addition, each 6 months, Wyss & Partners Vermögensverwaltung und Anlageberatung AG will receive, a performance fee equal to 10% on the portion superior to 6% of the total return, which will be calculated on the difference between the amount of the net asset value of shares in class A, B and C, on the last valuation day of the current period of six months, before payment of the performance fee and adjusted according to the amount of the Subfund's share subscription and redemption orders, and the last day of the preceding period of six months. If the difference is only 6% or less, no performance fee will be paid. The high water mark principle ensures that in case of a loss, no performance fee will be paid until the loss has been recovered.

The performance fee will be calculated at each calculation of net asset value. In accordance with the principle commonly referred to as the "high-water mark" and for purposes of calculating the performance fee, the following element will be taken into account: if the amount of the net assets falls during a six-month period under consideration, it will be carried forward so that no performance fee will be due until the net assets have reached the level of the last six-month period in which a performance fee was paid. As a result, the reference point becomes the historical high net asset value for purposes of calculating the performance fee, which will be paid at the beginning of a new six-month period following the six-month period under consideration.

For the first calculation of the performance fee, in consideration of the change in the investment strategy, which has changed its investment focus from large-cap companies to small - and medium-sized companies, the existing High Water Mark, in a nonrecurring manner, will be reset to zero. For the initial calculation of the performance fee will thus be considered the difference between the amount of the net assets on the last Valuation Day of the six-month period and the amount of the net assets on the 1<sup>st</sup> Valuation Day under this new strategy. If the difference is only 6% or less, no performance fee will be paid.

## **Investing in LUXEMBOURG SELECTION FUND – XANTOS**

### **General information**

- Reference currency: CHF. Currency in which the net asset value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.
- Dividend policy: this Subfund pursues a policy of accumulation.
- Share classes:
  - Class A shares are reserved for retail investors;
  - Class B shares are reserved for qualified investors as defined in the Swiss Federal Act of June 23rd, 2006 on Collective Investment Schemes (CISA) subscribing a minimum amount of CHF 3,000,000;
  - Class C shares are reserved for institutional investors subscribing a minimum amount of CHF 500,000.

The minimum for Class B and C must be observed for the initial subscription of each investor but not for subsequent subscriptions.

- Valuation Day: the net asset value per share is determined on Wednesday of each week, or if that Wednesday is not a Business Day, then on the following Business Day.
- Shares are issued exclusively in the form of registered shares. Upon request and against payment by the shareholder of all expenses incurred, certificates representing shares may be issued. The Board reserves the right to issue certificates representing shares in sets of 1 or more shares. However, fractional shares are not issued in the form of certificates representing shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.1% (with a minimum of EUR 30,000) per year, calculated on the average value of the net assets of the Subfund.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.10% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Subfund.

### **Subscriptions**

- Subscription fee: Up to 4% of the net asset value for shares in class A in favour of the distributors and sales agents.
- Subscription fee: none for shares in class B and class C
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.

### **Redemptions**

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

### **Conversions**

- Conversion fee: none

### **Past performance**

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

### **Portfolio turnover**

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

where

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

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

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

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

M = average monthly assets of the Subfund

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

- The TER, being equal to the ratio between the gross amount of Subfund fees and the average of its net assets, is included in the annual report. It includes the following fees: the custodian fee, the central administrative agent fee, the management fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, notary fees, launch fees paid to administrative and exchange authorities in



Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and launch of the Subfund.

# LUXEMBOURG SELECTION FUND – SFPC European Property Securities

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

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## **Investor profile**

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

## **Risk profile**

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

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

## **Investment objective and policy**

The investment objective of the Subfund is long-term capital appreciation through investing at least 70% of the net assets in listed shares of real estate companies that have their registered offices or conduct a majority of their business in Europe. The securities portfolio is broadly diversified by country and sector. The portfolio targets institutional and wealthy private investors with a medium to long-term investment horizon. The risk of the Subfund is located approximately between equity risk and bond risk.

The investment methodology applied consists primarily of a top-down approach that emphasises macro-economic factors in the various European countries. The situation on the real estate markets is then analysed directly. Given that investments in real estate shares replace direct investments in real estate, the third and final step of the process is the actual selection of positions. This selection is based on the analyses and opinions of the manager and on those of third parties with regard to the competitive advantages and the base competence of each company, as well as the risk factors. The portfolio is constructed by choosing the most attractive price/value opportunities identified and taking into account market sensitivity, the usual exposure factors, and sector and geographical weighting.

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

## **Investment strategy**

The transferable securities in which the Subfund will invest will be essentially listed on approved national or international stock exchanges, but they may also, to a certain extent, be traded on unlisted markets provided such markets are recognised as regulated markets that operate regularly and are recognised and open to the public. The equity securities may be in the form of bearer shares, registered shares, participation certificates and dividend certificates and warrants.

The Subfund may hold the assets of other UCITS or UCIs in the amount of up to 10% of its net assets.

The Subfund may hold liquid assets on an ancillary basis.

## Risks associated with the use of derivatives

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

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

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

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

## Limits concerning Global Exposure

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

## Leverage

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-fund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

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

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

## Portfolio management

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

UBS Third Party Management Company S.A. has delegated the management of the assets of this Subfund to Swiss Finance & Property Funds AG, domiciled at Seefeldstr. 275, CH-8008 Zurich, Switzerland. Swiss Finance

& Property Funds AG may delegate all or part of its mandate to third parties, subject to the prior agreement of UBS Third Party Management Company S.A., justifying the updating of the sales prospectus.

Swiss Finance & Property Funds AG is a société anonyme under Swiss law created in 2006. Swiss Finance & Property Funds AG is an investment fund management company pursuant to the Swiss Collective Investment Schemes Act (CISA). It is also authorised to carry out the discretionary management of external investment funds.

The annual management fee received by Swiss Finance & Property Funds AG will be 1.20% for share class "A" and 1.50% for share classes "B" and "C". This fee, paid monthly, will be calculated on the value of the average net assets of the Subfund during the quarter in question.

Swiss Finance & Property Funds AG, in its capacity as financial intermediary, is not authorised to accept cash for subscriptions in this Subfund. For this reason, payments for subscriptions are not made via the intermediary.

### **Investing in LUXEMBOURG SELECTION FUND – SFPC European Property Securities**

#### **General information**

- Reference currency: EUR. Currency in which the net asset value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.
- Dividend policy: this Subfund pursues either a capitalisation policy or a dividend distribution policy, depending on the share class.
- Valuation Day: the net asset value per share is determined daily.
- Shares are exclusively issued in the form of registered shares. Upon request and against payment by the shareholder of all expenses incurred, certificates representing shares may be issued. The Board reserves the right to issue certificates representing shares in sets of 1 or more shares. However, fractional shares are not issued in the form of certificates representing shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.15% (with a minimum of EUR 40,000) per year, calculated on the average value of the net assets of the Subfund.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function in the amount of 0.35% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Subfund.

#### **Subscriptions**

- Subscription fee: Up to 5% of the net asset value in favour of the distributors and sales agents.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- There are three share classes that differ as follows:
  - class "A": This class pursues a capitalisation policy and is intended for existing investors.
  - class "B": This class pursues a capitalisation policy and is intended for new investors.
  - class "C": This class pursues a dividend distribution policy and is intended for new investors.

#### **Redemptions**

- Redemption requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- Redemption fee: maximum 1%

#### **Conversions**

- Conversion fee: none

**Past performance**

- The performance of this Subfund is presented in a histogram included in the key investor information document. The benchmark index is the EPRA (European Property Real Estate) Index (UK adjusted to 25%)

**Portfolio turnover**

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

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

where

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

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

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

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

M = average monthly assets of the Subfund

**Total Expense Ratio (TER):**

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

## **LUXEMBOURG SELECTION FUND – Active Solar**

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

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### **Investor profile**

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

### **Risk profile**

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

### **Investment objective and policy**

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

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

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

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

### **Investment strategy**

The strategy of the Subfund is to invest in the best companies in the solar sector based on a detailed fundamental analysis. The strategy of the Subfund is not limited to a single type of technology or to a single market. Instead, it seeks to identify the leaders in each of the segments and each of the steps of the value chain.

The methodology of a fundamental analysis is applied to all the companies making up the investment universe. This procedure takes into account both macroeconomic and microeconomic factors. Each criterion of analysis is graded based on the analyst's judgement, and then weighted according to its relative importance in valuing the company. Each company is then given a grade that will define its position in the Subfund. The result of these analyses is then submitted to the investment committee, and the allocation of the Subfund is decided upon unanimously. The analyses and the strategy of the Subfund are also submitted to the Advisory Committee to refine the investment choices. The analyses are updated as required and the allocation of the Subfund is adjusted accordingly.

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

The Subfund may hold liquid assets on an ancillary basis.

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

#### **Risks associated with the use of derivatives**

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

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

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

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

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

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

## Leverage

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-fund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

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

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

## Portfolio management

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

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

The annual management fee paid monthly to Active Niche Funds S.A. is fixed at 1.5% per annum, calculated on the value of the average net assets of the Subfund during the month in question.

Active Niche Funds S.A. is a société anonyme under Swiss law created in 2007. Active Niche Funds S.A. is a management company specialised in the management of investment funds associated with the renewable energy sector.

In addition, each 3 months, Active Niche Funds S.A. will receive, charged directly to the Subfund, a performance fee equal to 15% of the difference between the amount of the net assets before payment of the performance fee and adjusted according to the amount of the Subfund's share subscription and redemption orders, with the last Valuation Day of a three-month period and the amount of the net assets on the first Valuation Day of the three-month period, in excess of the 3-month LIBOR, according to the currencies of reference (USD/CHF/EUR). For the initial calculation of the performance fee, reference will be made to the difference between the amount of the net assets of the last Valuation Day of the financial year, that is, on 30.04.2009, and the initial subscription price. If the difference is less than or equal to zero, no performance fee will be paid. Subsequently, the performance fee will be paid at the beginning of each 3-month period under consideration following the initial period. The performance fee will be calculated at each calculation of net asset value. In accordance with the principle commonly referred to as the "high-water mark" and for purposes of calculating the performance fee, the following element will be taken into account: if the amount of the net assets falls during a three-month period under consideration, it will be carried forward so that no performance fee will be due until the net assets have reached the level of the last three-month period in which a performance fee was paid. As a result, the reference point becomes the historical high net asset value for purposes of calculating the performance fee, which is paid at the beginning of a new three-month period following the three-month period under consideration.



## **Investing in LUXEMBOURG SELECTION FUND – Active Solar**

### **General information**

- Reference currency: USD. Currency in which the net asset value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.
- There are three share classes, which differ in their currency: USD, CHF and EUR.
- All these share classes participate in the portfolio according to their respective attributes. In general, the objective is to cover, on a monthly basis, exchange rates of the Share classes not denominated in USD, although no guarantee can be provided that this objective of hedging exchange rates will be realised. The determination of the hedging strategy will depend on the market expectations of the Portfolio Manager and remains at the sole discretion of the Portfolio Manager and in the best interest of the subfund's shareholders. In specific circumstances, a subfund could therefore either not be hedged or only partly. If any, hedging costs are charged to the share class in question, either in CHF or in EUR.
- Dividend policy: this Subfund pursues a policy of accumulation.
- Valuation Day: the net asset value per share is determined on each business day.
- Shares are exclusively issued in the form of registered shares. Upon request and against payment by the shareholder of all expenses incurred, certificates representing shares may be issued. The Board reserves the right to issue certificates representing shares in sets of 1 or more shares. However, fractional shares are not issued in the form of certificates representing shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.10% (with a minimum of EUR 30,000) per year, calculated on the average value of the net assets of the Subfund.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.20% (with a minimum of EUR 30,000) per year, calculated on the average value of the net assets of the Subfund.

### **Subscriptions**

- Subscription fee: Up to 3% of the net asset value in favour of the distributors and sales agents.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.

### **Redemptions**

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

### **Conversions**

- Conversion fee: none

### **Past performance**

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

### **Portfolio turnover**

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

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

where

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

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

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

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

**Total Expense Ratio (TER):**

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

# LUXEMBOURG SELECTION FUND – Asian Solar & Wind Fund

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

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## **Investor profile**

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

## **Risk profile**

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

Due to possible use of techniques and instruments relating to transferable securities and money market instruments for purposes of efficient portfolio management, investors may be exposed to greater risks and no assurance can be given that the objective sought from such use will be achieved. For further details about risks linked to instruments and techniques, please refer to the 'Risks associated with the use of derivative products' section. Finally, the attention of potential investors is drawn to the fact that the Subfund will invest in companies relevant in the renewable energy sector, predominantly in those based in the Asia zone.

## **Investment objective and policy**

The Subfund invests primarily in companies in the solar and wind energy sector, focusing on Asian operators in this growth sector. The investment decisions of the Subfund are the result of independent research based on both fundamental analysis and valuation analysis. While manufacturers of batteries/solar panels and wind turbines are the core of the investment universe of the Subfund, the Subfund may also invest, more generally, in companies engaged in activities related to the production, transport and distribution of renewable energy, in providers/manufacturers of related material and equipment, as well as in companies holding patents and key technologies. This may include, in particular, operators of wind farms and commercial solar power systems (photovoltaic or solar-thermal) or electricity plants that use geothermal, hydroelectric, wave or biomass energy, including waste-to-energy systems. Suppliers/manufacturers of equipment related to these sectors are also eligible. The fund may also invest in companies that manufacture energy-savings devices (e.g. heat pumps, LED lights) and high-tech energy-storage equipment (batteries, fuel cells) or companies that specialise in the construction of complex electrical networks or that design advanced electricity network management systems (intelligent networks, interactive monitoring of consumption).

The objective of the Subfund is to invest primarily in companies whose business is based in the following countries: China (including Taiwan), Japan, South Korea, India, Singapore, Malaysia, Thailand, Indonesia, Philippines, Vietnam, Australia and New Zealand. However, the Subfund may also invest in non-Asian companies in the renewable energy sector that operate in Asia and manufacture a significant portion of their products or generate a growing share of their turnover in this region. These may be, for example, European suppliers of specialised equipment (machines) whose main customers are operators of Chinese solar power plants.

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

Fundamental analysis and valuation analysis are applied to all companies comprising the investment universe. This methodology takes into account not only the macro- and micro-economic factors, but also quantitative and qualitative variables. Ideally, the Subfund's portfolio should have between 20 and 40 securities. It may not, in principle, hold fewer than 10 and more than 60 securities. Each investment in a security will be automatically limited to 10% of the Subfund's assets. In accordance with applicable regulations, the total value of assets held by the Subfund from companies in which it invests more than 5% of its assets may not exceed

40% of the total value of net assets of the Subfund. In addition, the Subfund may not invest more than 10% of its assets in other investment funds (UCITS and/or other UCIs) as defined below in Article 13(1)(A)(h).

The investments will be made in shares, American depositary receipts (ADRs), bonds that are convertible into shares, equity-linked notes, participating notes and stock options. In order to provide hedging and efficient portfolio management, the following instruments may be used (futures contracts on indices, forward exchange contracts on currency or other types of derivative instruments). The Subfund is also authorized, within the limits provided in Section II, General Provisions, Point 13. Investment restrictions, for purposes of hedging and/or efficient portfolio management, use techniques and instruments on transferable securities, money market instruments, indices, currencies and interest rates.

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

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

### **Risks associated with the use of derivatives**

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

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

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

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

### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The

risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-fund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

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

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

### **Portfolio management and investment advising**

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

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

The annual management fee received by FiNet Asset Management AG is fixed at 0.90% per annum for class A1, at 0.60% per annum for class A2, A3 and A4, at 0.50 % per annum for class A5 and at 0.40 % per annum for class A6, calculated on the value of the average net assets of the Subfund during the month in question.

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

The annual consulting fee received by Arcane is fixed at 1% per annum for class A1, at 0.80% per annum for class A2, A3 and A4, at 0.70 % per annum for class A5 and at 0.50 % per annum for class A 6 calculated on the value of the average net assets of the Subfund during the month in question.

In addition to their respective fees, the manager and the investment advisor will receive, as applicable, a performance fee (charged to the Subfund), split 50% - 50% between the two.

The performance fee will be calculated and fixed at each valuation date and these fixed amounts will be paid at the end of each month. The performance fee will be equal to 10% of the increase in NAV for Class A1, A2, A3, A4, and A5 and to 5 % of the increase in NAV for Class A6. The increase will be calculated by comparing the NAV (after deducting management commission, consultancy fees and current expenditure but before accounting for the performance fee) to the high water mark. The high water mark is equal to the highest NAV (after performance fees) reached on a previous valuation day, adjusted according to the amounts received for investments and the amounts payable for redemptions of the share class. The high-water-mark principle ensures that in case of loss, no performance fee will be paid until the loss has been recovered.

### **Distribution**

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

### **Investing in LUXEMBOURG SELECTION FUND – Asian Solar & Wind Fund**

#### **General information**

- Reference currency: EUR. Currency in which the net asset value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.
- Central Administration fee: the Central Administrative Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.07% (with a minimum of EUR 30,000) per year, calculated on the average value of the net assets of the Subfund.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function in the amount of 0.07% (with a minimum of EUR 30,000) per year, calculated on the average value of the net assets of the Subfund.
- Share classes:
  - class A1: share class reserved for qualified "retail" investors.
  - class A2: share class reserved for institutional investors (as defined by law and/or regulations applicable in Luxembourg) subscribing a minimum amount of EUR 100,000 (one hundred thousand euros).
  - class A3: share class reserved for institutional investors (as defined by law and/or regulations applicable in Luxembourg) subscribing a minimum amount of USD 100,000 (one hundred thousand US dollars).
  - class A4: share class reserved for institutional investors (as defined by law and/or regulations applicable in Luxembourg) subscribing a minimum amount of JPY 10,000,000 (ten million Yen).
  - class A5: share class reserved for institutional investors (as defined by law and/or regulations applicable in Luxembourg) subscribing a minimum amount of EUR 5,000,000 (five million euros).
  - class A6: share class reserved for institutional investors (as defined by law and/or regulations applicable in Luxembourg) subscribing a minimum amount of EUR 10,000,000 (ten million euros).

The minimum for Class A2, A3, A4, A5 and A6 must be observed for the initial subscription of each investor but not for subsequent subscriptions. Institutional investors may convert their class A1 shares into class A2, A3, A4, A5 and A6 shares.

- Dividend policy: all share classes of that compartment will pursue a policy of accumulation.
- Valuation Day: the net asset value of each share class is determined on each Business Day. Shares are issued in the form of registered shares without certificates representing the shares.

- India: Subfund shares will not be distributed to the public in India. Indian residents may not acquire Subfund shares without obtaining the prior consent of the competent supervisory authority of India (Securities and Exchange Board of India).

### **Subscriptions**

- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- Subscription fee: max. Up to 5% of the net asset value in favour of the distributors.
- Initial subscription price per share in class A3 is 100 USD (one hundred US dollars)
- Initial subscription price per share in class A4 is 1,000 JPY (one thousand YEN)
- Initial subscription price per share in class A5 and A 6 is 1,000 EUR (one thousand euros)

### **Redemptions**

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

### **Conversions**

- Conversion fee: none

### **Past performance**

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

### **Portfolio turnover**

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

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

where

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

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

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

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

M = average monthly assets of the Subfund

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

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

# LUXEMBOURG SELECTION FUND – Amares Strategy Fund - Balanced

*This section describes the characteristics of the Subfund LUXEMBOURG SELECTION FUND – Amares Strategy Fund -  
Balanced*

*and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## **Investor profile**

The Subfund is suitable for any type of investor, including those who are not interested in or informed about the capital markets, but who see investment funds as a convenient "savings product". It is also suitable for more experienced investors wishing to obtain defined investment objectives and seeking current income and stability along with modest potential for increase in the value of their investments over time. Experience with capital market products is not required. The investor must be able to accept moderate temporary losses. The Subfund is suitable for investors who can afford, as a general rule, to set aside their capital for a period of at least 2-3 years.

## **Risk profile**

The risks associated with investments in fixed-income securities can include significant fluctuations in their market value due to strong interest rate fluctuations (e.g. the value of any bonds held by the Subfund is likely to decline when interest rates rise; this risk is greater for bonds with long maturities).

Due to possible use of techniques and instruments relating to transferable securities and money market instruments for efficient portfolio management, investors might be exposed to greater risks and there can be no assurance that the objective sought to be obtained from such use will be achieved.

For further details about risks linked to instruments and techniques, please refer to the 'Risks associated with the use of derivative products' section.

## **Investment objective and policy**

The objective of the Subfund is to provide a regular income stream with an emphasis on a careful balance between bonds and short-term securities. There is also the intention to achieve long-term capital appreciation through investments in equity securities.

In accordance with the principle of risk diversification, the Subfund invests primarily through global markets in short-term securities, dividend certificates, bonds, notes, securities similar to fixed-income and floating-rate notes (debt securities and claims), convertible bonds, convertible notes and warrant bonds, shares and other certificates attesting capital participation, such as equities and equity rights. Debt securities and claims and equities and equity rights are defined as eligible investments referred to in Article 41(1) a), b), c) and d) of the 2010 Law, as long as this is required by the investment restrictions below (Chapter 13, Investment restrictions). The Subfund may hold liquid assets on an ancillary basis.

## **Use of futures and options**

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

- **Options on transferable securities/indices:** an option on transferable securities or on indices gives the purchaser, or "Holder", the right, but not the obligation, to purchase, in the case of a call option, or sell, in the case of a put option, a set amount of the underlying at a fixed price by a stated expiration date (or, in the case of certain shares, at that date). The Holder pays a commission (a 'premium') for the option but cannot lose more than this amount, plus associated transaction fees. Compared with futures, options only impose an obligation on the seller or 'Issuer'. If the option is exercised by the Holder, the Issuer is obliged to settle the transaction by surrendering the underlying asset or the cash, based on the value of the underlying asset. An option becomes worthless for the holder if it is not exercised within the period of



validity. Such options may be traded on the official listings of a stock market for transferable securities, or traded 'over-the-counter' with first-class financial institutions specialised in this type of transaction. When purchasing an OTC option, the holder will be subject to the default risk of the issuer; for this reason, the purchase of this type of option may require that a guarantee be provided in the form of a margin deposit.

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

### **Risks associated with the use of derivatives**

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

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

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

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

### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-fund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

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

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

### **Portfolio management and investment advising**

UBS Third Party Management Company S.A. has delegated the management of the assets of this Subfund to Pharos Management S.A., domiciled at Via Pollini 7, CH -6850 Mendrisio, Switzerland

The annual management fee received by Pharos Management S.A. is payable quarterly with a minimum of EUR 30 000.00 per annum, calculated prorata temporis on the quarter concerned.

The basis fee is fixed at 0.20% per annum, calculated on the average value of the net assets of the Subfund during the quarter concerned.

- Primus Gestione Patrimoniale S.A., domiciled at Via San Gottardo 10, CH-6900 Lugano, Switzerland, has been designated the investment advisor for the assets of this Subfund.

### **Distribution**

UBS Third Party Management Company S.A. has delegated the public distribution in Italy of the shares of this Subfund to Banca Reale S. p. A., domiciled at Corso Vittorio Emanuele 101, 10128 Torino.

### **Investing in LUXEMBOURG SELECTION FUND – Amares Strategy Fund - Balanced**

#### **General information**

- Reference currency: EUR. Currency in which the net asset value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.
- Dividend policy: this Subfund pursues a policy of accumulation.
- Valuation Day: the net asset value per share is determined each Wednesday, or if that Wednesday is not a Business Day, then on the following Business Day.
- Shares are exclusively issued in the form of registered shares. Upon request and against payment by the shareholder of all expenses incurred, certificates representing shares may be issued. The Board reserves the right to issue certificates representing shares in sets of 1 or more shares. However, fractional shares are not issued in the form of certificates representing shares.
- Portfolio management fee: Pharos Management S.A. is authorised to charge fees for the management of the portfolio in the amount of 0.20% per annum payable quarterly with a minimum of EUR 30 000.00 per annum. This management fee is calculated on the quarterly average net assets of the Subfund. The minimum fee is calculated prorata temporis on the quarter concerned
- Investment advisory fee: the Management Company is authorised to charge fees for investment advising in the amount of 1.50% per annum calculated during the month concerned on the monthly average net assets of the Subfund and payable monthly by the Subfund. The Management Company will pay fees equivalent to the investment advising fees to its Investment Advisor.
- Central Administration fee: the Central Administration Agent is authorised to receive administrative fees for a maximum amount of 0.15% (with a minimum of EUR 30,000) per year, calculated on the monthly average value of the net assets of the Subfund and payable monthly by the Subfund. The Management Company will pay these fees to the duly authorised Administrative Agent.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.10% (with a minimum of EUR 30,000) per year, calculated during the month in question on the average value of the net assets of the Subfund and payable monthly by the Subfund.

## Subscriptions

- Subscription fee: max. 2.5 %
- Subscription monies must be transferred to the Custodian Bank by a licensed bank for the benefit of the Fund.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- The initial subscription price per share equivalent to the price of the last net asset value of Luxembourg Investment Fund - Amares Strategy Fund - Balanced.
- Investors may subscribe for shares of a compartment using the Nominee services offered by distributors or by local sales agents or by applying directly to the Fund.
- In the case of "Nominee" service, the distributor provided authorised to do so by law, or the local sales agent will subscribe and hold Subfund shares in their own name, but for account of the investor. The distributor or the local sales agent will provide the investor with confirmation of the purchase of shares, specifically by means of a letter of confirmation.
- Distributors and sales agents are either located in countries that have ratified the resolutions adapted by the Financial Action Task Force (FATF) or that execute transactions through a correspondent bank located in an FATF country.
- By submitting, in writing, an appropriate request to the distributor or local sales agent, investors using Nominee services offered by the Nominee have the right to give instructions to the Nominee in respect of the exercise of voting rights attached to their shares. They may also request of the Nominee the direct ownership of their shares.

## Redemptions

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

## Conversions

- Conversion fee: none

## Past performance

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

## Portfolio turnover

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

where

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

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

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

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

M = average monthly assets of the Subfund

## Total Expense Ratio (TER):

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

# **LUXEMBOURG SELECTION FUND – Atyartha Global Opportunities Fund**

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

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## **Investor profile**

This Subfund is intended for investors seeking long-term capital appreciation with a level of volatility in line with that of the global equity markets. Taking into account the fact that the Subfund will invest primarily in equities, short-term movements on the equity markets could substantially affect the value of the Subfund's investments. Consequently, the Subfund should not be considered to be a source of income, much less as a regular source of income.

Investors must be willing to leave their capital invested for a period of more than six years and should not invest capital in this Subfund that will be needed over the short to medium term.

## **Risk profile**

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: marked variations in market prices, damaging information about issuers or markets, and subordination of shares to bonds and other debts issued by the same company. Potential investors should also consider fluctuations in exchange rates, the possibility of controls on foreign exchange and other restrictions.

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

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

## **Investment objective and policy**

The Subfund's investment objective is to produce consistently superior performance with a moderate level of volatility through the use of fundamental, quantitative and technical analyses and by investing primarily and globally in international equities (and other similar securities, such as certificates representing capital, warrants, etc.) as well as in ETFs. The manager may also invest in ETFs or certificates whose underlying is a precious metal and that meet the requirements of Article 2 of Commission Directive 2007/16/EC or whose underlying is a commodity or commodity index that meets the requirements of Article 2 of Commission Directive 2007/16/EC.

To this end, the manager may enter into full or partial positions in regions, sectors and equities that are different from the indices.

The goal is not to replicate general market movements, but rather to avoid the overvalued segments and enter into positions in neglected segments with more potential. As a result, the respective weightings within a sector or equity index will be of little importance. Nevertheless, the portfolio will always be constructed with a view to its volatility.

### **Investment focus**

Strategic and timely decisions as well as fundamental analysis will always be the basis of the investment methodology of the Subfund.

The manager will adopt an approach commonly known as the "step approach". This approach combines macro and micro aspects, portfolio construction techniques to maximise returns and disciplined goal setting, risk analysis and sufficient diversification for risk reduction.

The manager's step approach can be classified as follows:

1. companies that have a distinct advantage in the current economic environment;
2. companies considered to have an advantage in the medium to long term, taking into account structural or demographic changes;
3. companies that should thrive in most of the possible scenarios because they respond to a particular segment, need or trend;
4. restructuring of companies that have solid chances of success coupled with solid fundamentals; and
5. opportunities for transactions related to market overreactions.

The last step will be the smallest in the Subfund, to which a maximum of 10% of the net assets of the Subfund will be dedicated. Some equities in the Subfund's portfolio may fall into more than one category, but this will be useful in determining the overall structure. While the approach adopted by the manager will include a selection of individual equities based on the fundamentals of the target companies, the manager will use different analytical approaches to refine the selection process in order to construct a portfolio that generates good performance with moderate risk.

The analyses and tools that the manager will use are summarised below:

- macro-economic and geopolitical analyses and monitoring of demographics and developments in supply and demand in world trade.
- fundamental analysis of individual companies that the manager considers to be eligible for one of the five criteria. The criteria of how a company is positioned in its industry, the strength of its balance sheet and the quality of its management team are as important as the evaluation criteria to determine its eligibility as an investment. The fact that a given society is included on an index in a region or sector considered attractive will not be enough to consider it as an investment.
- quantitative analysis will be used to estimate the relative potential of the various equities that the manager intends to acquire, to determine their respective weighting in the portfolio and how they contribute to the risk profile of the portfolio. Statistical risk and performance analysis play an important role in the construction of a solid performing portfolio that adopts a moderate level of risk.
- technical analysis will also be used to determine appropriate entry or exit levels or when the best time to reduce or increase the Subfund's exposure to an equity, a sector or a market is.

### **Use of futures and options**

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

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

### **Risks associated with the use of derivatives**

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

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

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

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

### **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and

the net asset value of the Sub-fund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

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

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

### **Portfolio asset management**

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

UBS Third Party Management Company S.A. has delegated the management of the assets of this Subfund to LABHA Investment Advisors SA, domiciled at 301 Seefeldstrasse, CH-8008 Zurich, Switzerland. LABHA Investment Advisors SA (limited company under Swiss law created on 3 August 2005) is a company authorized by FINMA and empowered to engage in activities related to the collective management of assets. The annual management fee paid monthly to LABHA Investment Advisors SA is fixed at 1.5% per annum, calculated on the value of the average net assets of the Subfund during the month in question. Compensation of distributors and/or placement agents will be paid by UBS Third Party Management Company S.A. and will be levied on the annual management fee of LABHA Investment Advisors SA.

LABHA Investment Advisors SA will be entitled to a performance fee equal to 10% of the increase in net asset value of each share class. The concept commonly called "high water mark" will be applied to calculate the performance fee for each share class. For the first financial year, the "high water mark" applicable for each Valuation Day will be the initial subscription price. At the beginning of each following financial year, the "high water mark" applicable for each Valuation Day will be the net asset value of each share class on the last Valuation Day for which a Performance Fee was paid.

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

The performance fee will be equal to 10% of the increase in net asset value of each share class for each performance period under review. In other words, it will be the positive difference between the level of the net asset value of a share class at the end of a performance period (net of management fee and other charges but before deduction of the performance fee and adjusted pro rata for the subscription and redemption orders submitted during the performance period) and the level of the net asset value of the share class concerned on the date of payment of the last performance fee.

The performance fee will be accrued weekly and taken into account when calculating the net asset value of each share class on each Valuation Day, adjusted pro rata for the subscription and redemption orders submitted for each share class during the performance period. The performance fee related to each share class redeemed during a performance period will be deducted from the redemption price of the share class redeemed. The performance fee to be paid by share classes redeemed during a given performance period will equal the positive difference between the net asset value of the share class on the Valuation Day on which the redemption is effected and the net asset value of the share class concerned on the date of payment of the last performance fee.

## **Investing in LUXEMBOURG SELECTION FUND – Atyartha Global Opportunities Fund**

### **General information**

- Reference currency: CHF. Currency in which the net asset value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.
- Dividend policy: the Subfund will issue two classes of shares. Share Class "A" (reserved for retail investors) will pursue a policy of income accumulation. Share Class "B" (reserved for institutional investors) will also pursue a policy of income accumulation.
- Valuation Day: the net asset value per share is determined each Monday, or if that Monday is not a Business Day, then on the following Business Day based on the closing price of the Business Day preceding that Monday.
- Shares are exclusively issued in the form of registered shares.
- Central Administration fee: the Central Administrative Agent is authorised to receive administrative fees for a maximum amount of 0.10% (with a minimum of EUR 30,000) per year, calculated on the monthly average value of the net assets of the Subfund and payable monthly by the Subfund.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.25% per year, calculated during the month in question on the average value of the net assets of the Subfund and payable monthly by the Subfund.

### **Subscriptions**

- Subscription fee: maximum 2% in favour of the manager.
- Subscription monies must be transferred to the Custodian Bank by a licensed bank for the benefit of the Subfund.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- The initial subscription price per share is equivalent to the price of the last net asset value of the investment fund Cayman Atyartha Global Opportunities Fund.
- Investors may subscribe for shares of the Subfund using the Nominee services offered by distributors or by local sales agents or by applying directly to the Fund.

### **Redemptions**

- Redemption requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- Redemption fee: maximum 2% in favour of the manager.

### **Conversions**

- Conversion fee: none

### **Past performance**

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

### **Portfolio turnover**

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

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

where

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

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

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



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

**Total Expense Ratio (TER):**

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

# **LUXEMBOURG SELECTION FUND – PEF Protected Equity Fund**

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

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## **Investor profile**

The Subfund is suitable as a basic investment for private and institutional investors that have a long-term investment horizon and want to invest in the equity markets globally.

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

## **Risk profile**

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

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

## **Investment objective and policy**

The investment objective of the Subfund is to invest its assets primarily in stocks, equity ETFs, futures and options on equity indices as well as units of UCITS and/or other UCIs as described in art 41 (1) indent e of the 2010 Law which mainly invest in equity securities of companies that are traded in the global capital markets and/or in equity securities of companies that derive a significant portion of their income in those global equity markets.

On an ancillary basis the Subfund may invest in bonds instruments, including fixed or floating rates, zero-coupons, government and treasury bonds, AND/OR convertible bonds, options and warrants as well as units of UCITS and/or other UCIs that invest in bank deposits and money market instruments and transferable debt securities.

The Subfund will make use of put options to systematically protect the portfolio. This is not to be understood as a capital guarantee.

The Subfund may use on a regular basis techniques and financial derivative instruments to meet its investment objective as well as to hedge currency, market and interest rate risk provided that the provisions of the article 41 (1) g) of the 2010 Law and the provisions of the CSSF circular 11/512 are fulfilled. The Subfund shall ensure that the global exposure relating to derivative instruments of the Subfund does not exceed the total net asset value of the portfolio of the Subfund. Appropriate risk management process is employed to monitor and measure at any time the risk of its position.

The reference currency of the Subfund in EUR indicates solely the currency in which the net asset value of the sub-fund is calculated and not the investment currency of the Subfund.

Investments are made in those currencies which best benefit the performance of the Subfund. The Subfund may, while observing the following investment principles, buy and sell futures and options on financial

instruments or conduct transactions for non-hedging purposes involving options on transferable securities. The Subfund may hold liquid assets on an ancillary basis.

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

#### **Risks associated with the use of derivatives**

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

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

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

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

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

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

## Leverage

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-fund and is based on historical data (12.10.2011). Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund – PEF Protected Equity Fund	Relative VAR approach	400%	The reference index is a well-diversified portfolio comprising large and medium-cap stocks of developed as well as emerging countries.

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

## Portfolio management

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

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

Heron Asset Management S.A. is an asset manager with registered office at Via C. Maraini 39, 6902 Lugano. Heron Asset Management S.A. is authorised and regulated by the Swiss Financial Market Supervisory Authority ("FINMA") in Switzerland. The firm was founded as a public limited company in Switzerland. Heron Asset Management S.A. is active in the areas of asset management and investment advisory services in Europe.

Heron Asset Management S.A. as Portfolio Manager is entitled to a portfolio management commission detailed below, which is calculated (all taxes excluded) monthly on the average total net assets of the Subfund (excluding those net assets held in the form of investments in other investment funds managed or controlled by entities of the same portfolio manager). This fee is payable monthly in arrears by the Management Company out of the Sub-fund's assets.

Portfolio management commission regarding Class A1 shares due to Heron Asset Management S.A. is of a maximum of 1,25% per annum and the portfolio management fee regarding Class A2 shares and A3 shares is fixed at 1 % per annum.

In addition the Portfolio Manager Heron Asset Management S.A. shall be paid a performance fee of 15% of the positive difference between (1) The Net Asset Value per Share of the Fund (after accruals of all fees except Performance Fees) as of the Performance Fee Valuation Day (the last Valuation Day of the performance fee period as defined below), and (2) The High Water Mark.

The High Water Mark at a given valuation day is equal to the greater of (1) the initial subscription price and (2) the last end-of-period NAV per Share at which a performance fee has been paid (High Water mark principle).

The calculated performance fee will be adjusted for subscriptions and redemptions during the period.

In case of redemption, the accrued performance fee attributable to the redeemed shares will be crystallized and paid to the Portfolio Manager.

The calculation of the performance fee will be based on the Net Asset Value Per Share of the Subfund.

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

Heron Asset Management S.A. has appointed the Investment Advisor BCM & Partners LLP with registered office at 1 Vine Street, 5<sup>th</sup> Floor, London W1J 0AH, United Kingdom as Investment advisor to the Heron Asset Management S.A.. As a remuneration for its advisory services BCM & Partners LLP will receive an advisory fee of 0.10% of the relevant Subfund's net assets for the first EUR 80'000'000 and 0% for the relevant Subfund's net assets in excess of EUR 80'000'000, paid by the Subfund directly to BCM & Partners LLP.

### **Distribution**

Allfunds Bank S.A., with its registered office in Estafeta, 6 La Moraleja – Complejo Plaza de la Fuente-Edificio 3, 28109 Alcobendas, Madrid, Spain and Allfunds International S.A. with its registered office in, 2 Avenue Charles de Gaulle, L-1653 Luxembourg are in charge of the distribution of the shares of this Subfund. Furthermore, UBS Third Party Management Company S.A. has delegated the public distribution in Italy of the shares of this Subfund to UBS (Italia) S. p. A. domiciled at Via del Vecchio Politecnico, 3 I-20121 MILANO, Italy.

### **Investing in LUXEMBOURG SELECTION FUND – PEF Protected Equity Fund**

#### **General information**

- Reference currency for Class A1 shares and Class A2 shares: EUR.
- Reference currency for Class A3 shares: CHF

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

- Dividend policy: This Subfund pursues a policy of accumulation.
- Valuation Day: the net asset value per share is determined on Wednesday of each week, or if that Wednesday is not a Business Day, then on the following Business Day.
- Share classes:
  - Class A1 shares are available for non-institutional investors subscribing a minimum amount of EUR 25,000 (euros twenty five thousand).
  - Class A2 shares are only available for institutional investors.
  - Class A3 shares participate in the portfolio according to its entitlements. It will seek to benefit from a specific hedging complement under which the currency risks of non-CHF portfolio assets attributable to it are intended to be hedged against the CHF.
- Shares are exclusively issued in the form of registered shares. Upon request and against payment by the shareholder of all expenses incurred, certificates representing shares may be issued. The Board of Directors reserves the right to issue certificates representing shares in sets of one (1) or more shares. However, fractional shares are not issued in the form of certificates representing shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.06% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Subfund.

- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.055% per year, calculated on the average value of the net assets of the Subfund.

### **Subscriptions**

- Subscription fee: Up to 3% of the net asset value in favour of the distributors and sales agents.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.

### **Redemptions**

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

### **Conversions**

- Conversion fee: none

### **Past performance**

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

### **Portfolio turnover**

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

where

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

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

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

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

M = average monthly assets of the Subfund

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

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

# LUXEMBOURG SELECTION FUND - PBF Protected Bond Fund

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

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## **Investor profile**

The Subfund is suitable as a basic investment for private and institutional investors that have a long-term investment horizon and want to invest in the bond markets globally.

As a result, this Subfund is intended for investors who can afford, in principle, to set aside their capital as investment capital for a period of at least 3 years.

## **Risk profile**

The risks associated with investments made in bonds and other similar transferable securities can be summarised as follows: interest rate risk, the credit risk and the currency risk. Potential investors should in particular consider fluctuations in exchange rates, the possibility of controls on foreign exchange and other restrictions.

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

## **Investment objective and policy**

The investment objective of the Subfund is to invest its assets mainly in fixed income securities and to provide a consistent return. The Subfund will primarily invest in bond obligations, including fixed or floating rates, zero coupons, government and treasury bonds, convertible bonds and derivatives on all of the above as well as units of UCITS and/or other UCIs as described in art 41 (1) indent e of the 2010 Law which mainly invest in bank deposits, money market instruments and transferable debt securities.

The Subfund will make use of swaps, options and other derivatives to systematically protect the portfolio. This is not to be understood as a capital guarantee.

The Subfund may use on a regular basis techniques and financial derivative instruments to meet its investment objective as well as to hedge currency, market and interest rate risk provided that the provisions of the article 41 (1) g) of the 2010 Law and the provisions of the CSSF circular 11/512 are fulfilled.

Appropriate risk management process is employed to monitor and measure at any time the risk of its position.

The reference currency of the Subfund in EUR indicates solely the currency in which the net asset value of the sub-fund is calculated and not the investment currency of the Subfund.

Investments are made in those currencies which best benefit the performance of the Subfund.

The Subfund may, while observing the above investment principles, transact in derivatives on single financial instruments or portfolios of financial instruments both for hedging and non-hedging purposes.

The Subfund may hold liquid assets on an ancillary basis.

## Risks associated with the use of derivatives

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

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

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

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

## Limits concerning Global Exposure

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

## Leverage

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-fund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund – PBF Protected Bond Fund	Relative VaR approach	600%	The reference index is a composite investing in government and corporate bonds (including high yield) of developed countries

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



## **Portfolio management**

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

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

Heron Asset Management S.A. is an asset manager with registered office at Via C. Maraini 39, 6902 Lugano. Heron Asset Management S.A. is authorised and regulated by the Swiss Financial Market Supervisory Authority ("FINMA") in Switzerland. The firm was founded as a public limited company in Switzerland. Heron Asset Management S.A. is active in the areas of asset management and investment advisory services in Europe.

Heron Asset Management S.A. as Portfolio Manager is entitled to a portfolio management commission detailed below, which is calculated (all taxes excluded) monthly on the average total net assets of the Subfund (excluding those net assets held in the form of investments in other investment funds managed or controlled by entities of the same portfolio manager). This fee is payable monthly in arrears by the Management Company out of the Sub-fund's assets.

Portfolio management commission due to Heron Asset Management S.A. regarding Class A 1, Class A2 and Class A 3 shares is of a maximum of 0.80 % per annum.

Heron Asset Management S.A. has appointed the Investment Advisor BCM & Partners LLP with registered office at 1 Vine Street, 5<sup>th</sup> Floor, London W1J 0AH, United Kingdom as Investment advisor to the Heron Asset Management S.A. As a remuneration for its advisory services BCM & Partners LLP will receive an advisory fee of 0.10% of the relevant Subfund's net assets for the first EUR 80'000'000 and 0% for the relevant Subfund's net assets in excess of EUR 80'000'000, paid by the Subfund directly to BCM & Partners LLP.

## **Distribution**

Allfunds Bank S.A., with its registered office in Estafeta, 6 La Moraleja – Complejo Plaza de la Fuente-Edificio 3, 28109 Alcobendas, Madrid, Spain and Allfunds International S.A. with its registered office in, 2 Avenue Charles de Gaulle, L-1653 Luxembourg are in charge of the distribution of the shares of this Subfund. Furthermore, UBS Third Party Management Company S.A. has delegated the public distribution in Italy of the shares of this Subfund to UBS (Italia) S. p. A. domiciled at Via del Vecchio Politecnico, 3 I-20121 MILANO, Italy.

## **Investing in LUXEMBOURG SELECTION FUND – PBF Protected Bond Fund**

### **General information**

- Reference currency: for Class A1 shares and Class A 2 shares: EUR.
- Reference currency for Class A3 shares: CHF

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

- Dividend policy: This Subfund pursues a policy of capitalization.
- Valuation Day: the net asset value per share is determined on Wednesday of each week, or if that Wednesday is not a Business Day, then on the following Business Day.
- Share classes:

- Class A1 shares are available for non-institutional investors subscribing a minimum amount of EUR 25,000 (euros twenty five thousand).
  - Class A2 shares are only available for institutional investors.
  - Class A3 shares participate in the portfolio according to its entitlements. It will seek to benefit from a specific hedging complement under which the currency risks of non-CHF portfolio assets attributable to it are intended to be hedged against the CHF.
- Shares are issued in the form of registered shares. Upon request and against payment by the shareholder of all expenses incurred, certificates representing shares may be issued. The Board of Directors reserves the right to issue certificates representing shares in sets of one (1) or more shares. However, fractional shares are not issued in the form of certificates representing shares.
  - Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.06 % (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Subfund.
  - Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.055% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Subfund.

### **Subscriptions**

- Subscription fee: Up to 3% of the net asset value in favour of the distributors and sales agents.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.

### **Redemptions**

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

### **Conversions**

- Conversion fee: none

### **Past performance**

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

### **Portfolio turnover**

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

where

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

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

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

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

M = average monthly assets of the Subfund

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

- The TER, being equal to the ratio between the gross amount of Subfund fees and the average of its net assets, is included in the annual report. It includes the following fees: the custodian fee, the central

administration agent fee, the management fee, the advisory fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and launch of the Subfund.

# **LUXEMBOURG SELECTION FUND – Prognosia Galaxy**

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

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## **Investor profile**

The Subfund is suitable as a basic investment for private and institutional investors that have a long-term investment horizon and want to invest in the equity markets globally.

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

## **Risk profile**

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: sharp fluctuations in market price, negative information on issuers or markets and subordination of equities to bonds issued by the same enterprise, changes affecting economic factors such as employment, public expenditure and indebtedness, inflation, changes in the legal environment, changes in investor confidence in certain investment classes (e.g. equities), market, countries, industries and sectors and changes in the prices of raw materials. Potential investors should also consider fluctuations in exchange and interest rates, the possibility of controls on foreign exchange and other restrictions.

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

## **Investment objective and policy**

The Sub-Fund will generate long term capital appreciation through investments in a diversified global equity portfolio, mainly in equity-related instruments listed on developed markets.

The assets of the Subfund are invested following the principle of risk spreading. The Subfund invests up to 100% in equity ETFs, as well as units of UCITS and/or other UCIs as described in art 41 (1) indent e of the 2010 Law. In addition the Subfund may invest up to 49% directly worldwide in equities, other share-type capital participations such as cooperative shares, dividend-right certificates and profit participation certificates (equities and equity rights), short-term securities and money market instruments, as well as debt securities and claims. Debt securities and claims include bonds, notes, convertible bonds, convertible notes, warrant bonds and all other legally permissible assets. From time to time, and depending on market conditions, the Sub-Fund may invest up to 49% in fixed income instruments.

The Subfund may also invest in American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) and structured products linked to equities, such as equity-linked notes.

The currency of account of the individual Subfund refers only to the currency in which the net asset value of the Subfund is calculated and not to its investment currency. Investments are made in the currencies that are most suitable for the performance of the Subfund.

The Subfund may hold liquid funds on an ancillary basis.

The Sub-Fund may use on a regular basis techniques and financial derivative instruments to meet its investment objective as well as to hedge currency, market and interest rate risk provided that the provisions of

the article 41 (1) g) of the 2010 Law and the provisions of the CSSF circular 11/512 are fulfilled. The Sub Fund shall ensure that the global exposure relating to derivative instruments of the Sub-Fund does not exceed the total net asset value of the portfolio of the Sub-Fund. Appropriate risk management process is employed to monitor and measure at any time the risk of its position.

The reference currency of the Subfund in SEK indicates solely the currency in which the net asset value of the sub-fund is calculated and not the investment currency of the Subfund.

Investments are made in those currencies which best benefit the performance of the Subfund. The Subfund may, while observing the following investment principles, buy and sell futures and options on financial instruments or conduct transactions for non-hedging purposes involving options on transferable securities. The Subfund may hold liquid assets on an ancillary basis.

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

#### **Risks associated with the use of derivatives**

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

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

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

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

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

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute).

The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-fund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

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

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

### **Portfolio management**

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

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

Allra Pension AB is a financial institution specialized in asset management with registered office at Sveavägen 24-26, 111 57 Stockholm, Sweden. Allra Pension AB is an authorised investment manager incorporated under the laws of Sweden and regulated by the Financial Supervisory Authority in Sweden. The firm was founded as a private limited liability company on 26 March 2008. Allra Pension AB is active in the area of portfolio management services in Sweden.

The Portfolio Manager Allra Pension AB is entitled to a portfolio management commission detailed below, which is calculated (all taxes excluded) monthly on the average total net assets of the Sub-Fund (excluding those net assets held in the form of investments in other investment funds managed or controlled by entities of the same Portfolio Manager). This fee is payable monthly in arrears by the Management Company out of the Sub-fund's assets.

Portfolio Management commission due to Allra Pension AB is maximum 2.25% per annum.

### **Investing in LUXEMBOURG SELECTION FUND – Prognosia Galaxy**

#### **General information**

Reference currency: SEK. Currency in which the net asset value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.

- Dividend policy: This Subfund pursues a policy of accumulation.
- Valuation Day: the net asset value per share is determined on each business day.
- Share classes:
  - Class A shares are only available for investments deriving from the Swedish Pension Authority (Pensionsmyndigheten). Only registered shares are issued. The initial subscription price per share is SEK 100.- for class A shares.
- Shares are exclusively issued in the form of registered shares. Upon request and against payment by the shareholder of all expenses incurred, certificates representing shares may be issued. The Board of Directors reserves the right to issue certificates representing shares in sets of 1 or more shares. However, fractional shares are not issued in the form of certificates representing shares.
- Central Administration fee: the Central Administration Agent is authorised to receive an administration fee for exercising this function for a maximum amount of 0.04% (with a minimum of EUR 30,000) per year, calculated on the average value of the net assets of the Subfund. In addition the Central Administration Agent is authorised to receive a fee for domiciliation and supporting services of up to EUR 20,000 per year.
- Custodian bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.025% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Subfund.
- Taxe d'abonnement: This Subfund is submitted to the reduced "taxe d'abonnement" 0.01% as described in Section II, General Provisions, Point 10.

### **Subscriptions**

- Subscription fee: Up to 5% of the net asset value in favour of the distributors and sales agents.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- The Subfund will be launched on 17 October 2011.

### **Redemptions**

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

### **Conversions**

- Conversion fee: none

### **Past performance**

- The performance of this Subfund is presented in a histogram included in the KIID.

# LUXEMBOURG SELECTION FUND – Prognosia Supernova

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

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## **Investor profile**

The Subfund is suitable as a basic investment for private and institutional investors that have a long-term investment horizon and want to invest in the equity markets globally.

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

## **Risk profile**

The risks associated with investments made in equities and other similar transferable securities can be summarised as follows: sharp fluctuations in market price, negative information on issuers or markets and subordination of equities to bonds issued by the same enterprise, changes affecting economic factors such as employment, public expenditure and indebtedness, inflation, changes in the legal environment, changes in investor confidence in certain investment classes (e.g. equities), market, countries, industries and sectors and changes in the prices of raw materials. Potential investors should also consider fluctuations in exchange and interest rates, the possibility of controls on foreign exchange and other restrictions.

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

## **Investment objective and policy**

The Sub-Fund will generate long term capital appreciation through investments in a diversified global equity portfolio with a focus on growth sectors and markets, like emerging markets.

The assets of the Subfund are invested following the principle of risk spreading. The Subfund invests up to 100% in equity ETFs, as well as units of UCITS and/or other UCIs as described in art 41 (1) indent e of the 2010 Law. In addition the Subfund may invest up to 49% directly worldwide in equities, other share-type capital participations such as cooperative shares, dividend-right certificates and profit participation certificates (equities and equity rights), short-term securities and money market instruments, as well as debt securities and claims. Debt securities and claims include bonds, notes, convertible bonds, convertible notes, warrant bonds and all other legally permissible assets. The fund will mainly invest in equity-related instruments, but can from time to time, depending on market conditions, invest up to 49% in fixed income instruments.

The Subfund may also invest in American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) and structured products linked to equities, such as equity-linked notes.

The currency of account of the individual Subfund refers only to the currency in which the net asset value of the Subfund is calculated and not to its investment currency. Investments are made in the currencies that are most suitable for the performance of the Subfund.

The Subfund may hold liquid funds on an ancillary basis.

The Sub-Fund may use on a regular basis techniques and financial derivative instruments to meet its investment objective as well as to hedge currency, market and interest rate risk provided that the provisions of



the article 41 (1) g) of the 2010 Law and the provisions of the CSSF circular 11/512 are fulfilled. The Sub Fund shall ensure that the global exposure relating to derivative instruments of the Sub-Fund does not exceed the total net asset value of the portfolio of the Sub-Fund. Appropriate risk management process is employed to monitor and measure at any time the risk of its position.

The reference currency of the Subfund in SEK indicates solely the currency in which the net asset value of the sub-fund is calculated and not the investment currency of the Subfund.

Investments are made in those currencies which best benefit the performance of the Subfund. The Subfund may, while observing the following investment principles, buy and sell futures and options on financial instruments or conduct transactions for non-hedging purposes involving options on transferable securities. The Subfund may hold liquid assets on an ancillary basis.

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

### **Risks associated with the use of derivatives**

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

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

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

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

## Limits concerning Global Exposure

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

## Leverage

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Subfund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-fund and is based on historical data. Greater leverage amounts may be attained for the Subfund, under certain circumstances.

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

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

## Portfolio management

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

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

Allra Pension AB is a financial institution specialized in asset management with registered office at Sveavägen 24-26, 111 57 Stockholm, Sweden. Allra Pension AB is an authorised investment manager incorporated under the laws of Sweden and regulated by the Financial Supervisory Authority in Sweden. The firm was founded as a private limited liability company on 26 March 2008. Allra Pension AB is active in the area of portfolio management services in Sweden.

The Portfolio Manager Allra Pension AB is entitled to a portfolio management commission detailed below, which is calculated (all taxes excluded) monthly on the average total net assets of the Sub-Fund (excluding those net assets held in the form of investments in other investment funds managed or controlled by entities of the same Portfolio Manager). This fee is payable monthly in arrears by the Management Company out of the Sub-fund's assets.

Portfolio Management commission due to Allra Pension AB is maximum 2.25 % per annum.

## **Investing in LUXEMBOURG SELECTION FUND – Prognosia Supernova**

### **General information**

Reference currency: SEK. Currency in which the net asset value of shares in the Subfund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Subfund.

- Dividend policy: This Subfund pursues a policy of accumulation.
- Valuation Day: the net asset value per share is determined on each business day.
- Share classes:
  - Class A shares are only available for investments deriving from the Swedish Pension Authority (Pensionsmyndigheten). Only registered shares are issued. The initial subscription price per share is SEK 100.- for class A shares.
- Shares are exclusively issued in the form of registered shares. Upon request and against payment by the shareholder of all expenses incurred, certificates representing shares may be issued. The Board of Directors reserves the right to issue certificates representing shares in sets of 1 or more shares. However, fractional shares are not issued in the form of certificates representing shares.
- Central Administration fee: the Central Administration Agent is authorised to receive an administration fee for exercising this function for a maximum amount of 0.04% (with a minimum of EUR 30,000) per year, calculated on the average value of the net assets of the Subfund. In addition the Central Administration Agent is authorised to receive a fee for domiciliation and supporting services of up to EUR 20,000 per year.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.025% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Subfund.
- Taxe d'abonnement: This Subfund is submitted to the reduced "taxe d'abonnement" 0.01% as described in Section II, General Provisions, Point 10.

### **Subscriptions**

- Subscription fee: Up to 5% of the net asset value in favour of the distributors and sales agents.
- Subscription requests received by the Subfund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- The Subfund will be launched on 17 October 2011.

### **Redemptions**

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

### **Conversions**

- Conversion fee: none

### **Past performance**

The performance of this Subfund is presented in a histogram included in the KIID.

# LUXEMBOURG SELECTION FUND – LSF Alternative UCITS Strategies

*This section describes the characteristics of the Sub-Fund LUXEMBOURG SELECTION FUND – LSF Alternative UCITS Strategies and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## **Investor profile**

The Sub-Fund is particularly suited to investors with a medium to long term investment horizon and a higher risk tolerance who are interested in a relatively diversified portfolio of UCITS compliant funds using hedge fund strategies. The Sub-Fund mainly invests in actively managed collective investment schemes (hereinafter the “Target Funds”) whose investment focus is on taking long and short positions.

## **Risk profile**

An investment in the Sub-Fund entails various risks. The value of a fund unit may be subject to substantial fluctuations. No warranty or representation is given that the targeted investment objective can be attained. Any investment in UCITS funds using hedge fund strategies and thus in a fund of funds structure is only suitable for risk-tolerant investors with a long-term investment horizon and as an addition to a portfolio that is already broadly diversified.

Target funds and their managers (hereinafter “Target Fund Managers”) are subject to various risks, including but not limited to operational risks associated with the ability to provide the necessary target fund operating environment such as back office functions, trade processing, accounting, administration, risk management, valuation services and reporting. Target funds may also face competition from other funds, which may be more established, have larger capital reserves and larger numbers of qualified management and technical personnel. In addition, certain target funds may pursue different investment strategies over time, which may limit the Sub-Fund’s ability to achieve its long-term investment objectives.

By diversifying investments, the Sub-Fund’s Portfolio Manager seeks to partially reduce the negative impact of these risks on the value of the Sub-Fund.

## **Investment objective and policy**

This Sub-Fund may invest up to 100% of its assets in Target Funds implementing alternative investment strategies other than a simple long exposure to financial markets.

The Sub-Fund mainly invests in actively managed Target Funds whose investment focus is on taking long and short positions. The Sub-Fund principally focuses on UCITS Target Funds wishing to achieve growth by setting up long and short positions by investing in securities (long investment) and using derivatives.

The selection of Target Funds is made by the Sub-Fund’s Portfolio Manager following a close examination and selection process, and taking quantitative and qualitative assessments criteria into account.

The Sub-Fund may also invest in other permissible investments as described in this Prospectus.

## **General risk information**

### **Limited or no historical reference data for Target Fund Managers**

Certain Target Funds in which the Sub-Fund invests may be new. Investors may therefore have little or no historical information on which to base estimates of the future performance of the Sub-Fund. For this reason, such investments may involve greater risks than investments in more established Target Funds. The past investment performance of Target Funds in which the Sub-Fund intends to invest its assets should not be construed as an indication of the future results of any investment scheme. Instead, the investment strategy should be evaluated on the basis that there is no guarantee that the Sub-Fund’s Portfolio Manager’s

assessments of the short or long-term prospects of Target Fund investments will prove accurate or that the investment objectives will be achieved. The Sub-Fund may lose the entire amount of the capital invested in specific Target Funds.

### Net asset value

For the Sub-Fund, in case the net asset value per share is calculated on the basis of the estimated net asset value of different Target Funds available prior to the time of calculation of the net asset value of the Sub-Fund, the net asset value per share will not be adjusted in case of discrepancies between the estimated net asset value and the official net asset value of these Target Funds only available after the time of calculation of the net asset value of the Sub-Fund.

Shares or units of other undertakings for collective investment in transferable securities (UCITS) and/or undertakings for collective investment (UCI) are valued at their last-known net asset value. For the Sub-Fund, the shares or units of other UCITS and / or UCI may also be valued on the basis of the estimated net asset value for such shares or units available prior to the time of calculation of the net asset value of the Sub-Fund in case the estimated net asset value provides a more accurate value of these shares or units.

The net asset value calculated for the Sub-Fund will be published no later than on the third banking day after the corresponding Valuation Day.

### Economic conditions

Changes in economic conditions, including but not limited to changes affecting interest rates, the job market, the competitive environment, technological developments, political and diplomatic events and trends and tax laws, may have a significant adverse impact on the Sub-Fund's assets and earnings outlook. Such changes are beyond the Sub-Fund's Portfolio Manager's control and no guarantee or assurance can be given that the Sub-Fund's Portfolio Manager will be able to anticipate or react promptly to such developments.

### Limits concerning Global Exposure

The Global Risk Exposure calculation method in accordance with applicable laws and regulations is prepared on the commitment approach. The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

### Leverage

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Sub-Fund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-Fund. Greater leverage amounts may be attained for the Sub-Fund, under certain circumstances.

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

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

### **Portfolio management**

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

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

Heron Asset Management S.A. is an asset manager with registered office at Via C. Maraini 39, 6902 Lugano. Heron Asset Management S.A. is authorised and regulated by the Swiss Financial Market Supervisory Authority ("FINMA") in Switzerland. The firm was founded as a public limited company in Switzerland. Heron Asset Management S.A. is active in the areas of asset management and investment advisory services in Europe.

Heron Asset Management S.A. as Portfolio Manager is entitled to a portfolio management commission detailed below, which is calculated (all taxes excluded) monthly on the average total net assets of the Sub-Fund (excluding those net assets held in the form of investments in other investment funds managed or controlled by entities of the same portfolio manager). This fee is payable monthly in arrears by the Management Company out of the Sub-Fund's assets.

Portfolio management fee due to Heron Asset Management S.A. is of a maximum of 1.3% per annum.

In addition, the Portfolio Manager Heron Asset Management S.A. shall be paid a performance fee of 5% of the positive difference between (1) The Net Asset Value per Share of the Fund (after accruals of all fees except Performance Fees) as of the Performance Fee Valuation Day (the last Valuation Day of the performance fee period as defined below), and (2) The High Water Mark.

The High Water Mark at a given valuation day is equal to the greater of (1) the initial subscription price and (2) the last end-of-period NAV per Share at which a performance fee has been paid (High Water mark principle). The calculated performance fee will be adjusted for subscriptions and redemptions during the period. In case of redemption, the accrued performance fee attributable to the redeemed shares will be crystallized and paid to the Portfolio Manager.

The calculation of the performance fee will be based on the Net Asset Value per Share of the Sub-Fund.

The performance fee period is 1 year, ending on the 31st of December of each year. For the first year in the life of the Sub-Fund, the performance fee period starts on the inception date and ends on the 31st of December 2014.

Heron Asset Management S.A. may - at its own cost - appoint an Investment Advisor to this Sub-Fund.

### **Distribution**

Allfunds Bank S.A., with its registered office in Estafeta, 6 La Moraleja – Complejo Plaza de la Fuente-Edificio 3, 28109 Alcobendas, Madrid, Spain and Allfunds International S.A. with its registered office in, 2 Avenue Charles de Gaulle, L-1653 Luxembourg are in charge of the distribution of the shares of this Sub-Fund. Furthermore, UBS Third Party Management Company S.A. has delegated the public distribution in Italy of the shares of this Sub-Fund to UBS (Italia) S. p. A. domiciled at Via del Vecchio Politecnico, 3 I-20121 MILANO, Italy.

## **Investing in LUXEMBOURG SELECTION FUND – LSF Alternative UCITS Strategies**

### **General information**

- Reference currency of the Sub-Fund: EUR
  - Reference currency for Class A1 shares: EUR.
  - Reference currency for Class A2 shares: CHF

The Reference Currency is the currency in which the net asset value of shares in the Sub-Fund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Sub-Fund.

- Dividend policy: This Sub-Fund pursues a policy of accumulation.
- Valuation Day: the net asset value per share is determined on Wednesday of each week, or if that Wednesday is not a Business Day, then on the following Business Day.
- Share classes:
  - Class A1 and Class A2 shares are available for institutional investors with no minimum amount and for non-institutional investors subscribing a minimum amount of EUR 10,000 (euros ten thousand).
  - Class A2 shares participate in the portfolio according to its entitlements. It will seek to benefit from a specific hedging complement under which the currency risks of non-CHF portfolio assets attributable to it are intended to be hedged against the CHF.
- Shares are issued exclusively in the form of registered shares upon request, certificates representing shares will be issued. The Board of Directors reserves the right to issue certificates representing shares in sets of one (1) or more shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.04% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Sub-Fund.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.04% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Sub-Fund.

### **Subscriptions**

- Shares of Class A1 and Class A2 may be subscribed on between 22 December 2014 and 29 December 2014.
- The initial subscription price per shares of Class A1 amounts to EUR 100,- and of Class A2 amounts to CHF 100,-.
- Subscription fee: Up to 3% of the net asset value in favour of the distributors and sales agents.
- Subscription requests received by the Sub-Fund no later than 4 p.m. (Central European Time) five (5) Business Days preceding a Valuation Day shall be settled at the net asset value of the relevant Valuation Day, provided that the issue price is paid no later than five (5) Business Days before the relevant Valuation Day.

### **Redemptions**

- Redemption requests received by the Sub-Fund no later than 4 p.m. (Central European Time) five (5) Business Days preceding a Valuation Day shall be settled at the net asset value of the relevant Valuation Day. The countervalue for redeemed shares is paid no later than five (5) Business Days after the relevant Valuation Day unless legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Custodian Bank, make it impossible to transfer the redemption amount to the country in which the redemption application was submitted.

- Redemption fee: none

#### **Conversions**

- Conversion fee: none

#### **Past performance**

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

#### **Portfolio turnover**

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

where

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

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

Total 2 = total of transactions in shares of the Sub-Fund during the relevant period = S+T

Where S = subscriptions of shares of the Sub-Fund and T = redemptions of shares of the Sub-Fund

D = average daily assets of the Sub-Fund

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

- The TER, being equal to the ratio between the gross amount of Sub-Fund fees and the average of its net assets, is included in the annual report. It includes the following fees: the custodian fee, the central administration agent fee, the management fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and launch of the Sub-Fund.



# **LUXEMBOURG SELECTION FUND – LSF ENHANCED EQUITY EXPOSURE**

*This section describes the characteristics of the Sub-Fund LUXEMBOURG SELECTION FUND – LSF ENHANCED EQUITY EXPOSURE and all of the information contained therein should be read in conjunction with the General Provisions of the Prospectus.*

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## **Investor profile**

The Sub-Fund is suitable as a basic investment for private and institutional investors that have a long-term investment horizon and want to invest in the equity markets globally.

## **Risk profile**

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

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

## **Investment objective and policy**

The main investment objective of the Sub-Fund is to follow the benchmark performance, aiming to provide a positive net-of-fee alpha over the long-term. The customized benchmark of the Sub-Fund consists of an equally-weighted combination of the MSCI Europe Index and the MSCI World All Country Index.

The Sub-Fund will invest its assets primarily in ETFs, actively managed funds, single stocks, and certificates following the performance of selected equity indices.

The Sub-Fund will tend to be fully invested. Accordingly, the use of cash and cash-related instruments will be parsimonious. The portfolio manager aims at generating alpha at three possible levels: top-down asset allocation based on internal fundamental research, specialist selection of active fund managers based on external quantitative research and internal due diligence process, and internal stock picking decisions.

## **Limits concerning Global Exposure**

The Global Risk Exposure calculation method in accordance with applicable laws and regulations is prepared on the commitment approach. The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

## **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Sub-Fund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-Fund. Greater leverage amounts may be attained for the Sub-Fund, under certain circumstances.

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

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

### **Portfolio management**

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

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

Heron Asset Management S.A. is an asset manager with registered office at Via C. Maraini 39, 6902 Lugano. Heron Asset Management S.A. is authorised and regulated by the Swiss Financial Market Supervisory Authority ("FINMA") in Switzerland. The firm was founded as a public limited company in Switzerland. Heron Asset Management S.A. is active in the areas of asset management and investment advisory services in Europe.

Heron Asset Management S.A. as Portfolio Manager is entitled to a portfolio management commission detailed below, which is calculated (all taxes excluded) monthly on the average total net assets of the Sub-Fund (excluding those net assets held in the form of investments in other investment funds managed or controlled by entities of the same portfolio manager). This fee is payable monthly in arrears by the Management Company out of the Sub-Fund's assets.

Portfolio management fee due to Heron Asset Management S.A. is 1,00% per annum for all share classes

In addition, the Portfolio Manager Heron Asset Management S.A. shall be paid a performance fee of 15% of the positive difference between (1) The Net Asset Value per Share of the Fund (after accruals of all fees except Performance Fees) as of the Performance Fee Valuation Day (the last Valuation Day of the performance fee period as defined below), and (2) The High Water Mark.

The High Water Mark at a given valuation day is equal to the greater of (1) the initial subscription price and (2) the last end-of-period NAV per Share at which a performance fee has been paid (High Water mark principle). The calculated performance fee will be adjusted for subscriptions and redemptions during the period. In case of redemption, the accrued performance fee attributable to the redeemed shares will be crystallized and paid to the Portfolio Manager. The calculation of the performance fee will be based on the Net Asset Value per Share of the Sub-Fund.

The performance fee period is 1 year, ending on the 31st of December of each year. For the first year in the life of the Sub-Fund, the performance fee period starts on the inception date and ends on the 31st of December 2014.

### **Distribution**

Allfunds Bank S.A., with its registered office in Estafeta, 6 La Moraleja – Complejo Plaza de la Fuente-Edificio 3, 28109 Alcobendas, Madrid, Spain and Allfunds International S.A. with its registered office in, 2 Avenue

Charles de Gaulle, L-1653 Luxembourg are in charge of the distribution of the shares of this Sub-Fund. Furthermore, UBS Third Party Management Company S.A. has delegated the public distribution in Italy of the shares of this Sub-Fund to UBS (Italia) S. p. A. domiciled at Via del Vecchio Politecnico, 3 I-20121 MILANO, Italy.

### **Investing in LUXEMBOURG SELECTION FUND – LSF Enhanced Equity Exposure**

#### **General information**

- Reference currency of the Sub-Fund: EUR
  - Reference currency for Class A1 shares: EUR.
  - Reference currency for Class A2 shares: CHF

The Reference Currency is the currency in which the net asset value of shares in the Sub-Fund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Sub-Fund.

- Dividend policy: This Sub-Fund pursues a policy of accumulation.
- Valuation Day: the net asset value of each share class is determined on each Business Day.
- Share classes:
  - Class A1 and Class A2 shares are available for institutional investors with no minimum amount and for non-institutional investors subscribing a minimum amount of EUR 10,000 (euros ten thousand).
  - Class A2 shares participate in the portfolio according to its entitlements. It will seek to benefit from a specific hedging complement under which the currency risks of non-CHF portfolio assets attributable to it are intended to be hedged against the CHF.
- Shares are issued exclusively in the form of registered shares. Upon request, certificates representing shares will be issued. The Board of Directors reserves the right to issue certificates representing shares in sets of one (1) or more shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.04% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Sub-Fund.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.04% (with a minimum of EUR 20,000) per year, calculated on the average value of the net assets of the Sub-Fund.

#### **Subscriptions**

- Shares of Class A1 and Class A2 may be subscribed on between 22 December 2014 and 30 December 2014.
- The initial subscription price per shares of Class A1 amounts to EUR 100,- and of Class A2 amounts to CHF 100,-.
- Subscription fee: Up to 3% of the net asset value in favour of the distributors and sales agents.
- Subscription requests received by the Sub-Fund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.

#### **Redemptions**

- Redemption requests received by the Sub-Fund no later than 4 p.m. on the Business Day preceding a Valuation Day shall be settled at the net asset value of that Business Day calculated on the Valuation Day.
- Redemption fee: none

### **Conversions**

- Conversion fee: none

### **Past performance**

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

### **Portfolio turnover**

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

where

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

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

Total 2 = total of transactions in shares of the Sub-Fund during the relevant period = S+T

Where S = subscriptions of shares of the Sub-Fund and T = redemptions of shares of the Sub-Fund

D = average daily assets of the Sub-Fund

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

- The TER, being equal to the ratio between the gross amount of Sub-Fund fees and the average of its net assets, is included in the annual report. It includes the following fees: the custodian fee, the central administration agent fee, the management fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and launch of the Sub-Fund.

# LUXEMBOURG SELECTION FUND – NERRICK US Equities

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

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## **Investor profile**

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

## **Risk profile**

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

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

## **Investment objective and policy**

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

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

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

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

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

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

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

### **General risk information**

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

The Global Risk Exposure calculation method in accordance with applicable laws and regulations can be prepared based either on the commitment approach or the Value at Risk approach (relative or absolute). The risk management procedure shall also be applied within the scope of collateral management (see Section II point 13 Investment Restrictions - Collateral management) and the techniques and instruments for the efficient management of the portfolio (see Section II "Financial techniques and instruments") as set forth in the CSSF Circular 14/592.

#### **Leverage**

Leverage is defined pursuant to the applicable ESMA guidelines and CSSF circular 11/512 as the total of the nominal values of the derivatives used by the Sub-Fund. According to the definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

The expected leverage is expressed in the table below as a ratio between the total of the nominal value and the net asset value of the Sub-Fund. Greater leverage amounts may be attained for the Sub-Fund, under certain circumstances.

Active Subfunds	Risk Profile	Expected level of leverage (absolute value)	Reference Portfolio (Benchmark) <sup>1</sup>
Luxembourg Selection Fund – Nerrick US Equities	Commitment Approach	n.a.	S+P 100 Index (Bloomberg symbol OEX)

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

### **Portfolio management**

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

UBS Third Party Management Company S.A. has appointed PvB Pernet von Ballmoos AG as Portfolio Manager of this Sub-Fund. PvB Pernet von Ballmoos AG is an asset manager with registered office at is Bellerivestrasse 20, 8008 Zurich, Switzerland. PvB Pernet von Ballmoos AG is authorised and regulated by the Swiss Financial Market Supervisory Authority ("FINMA") in Switzerland. The firm was founded as a public limited company in Switzerland. The Portfolio Manager shall report regularly to the Board of Directors of UBS Third Party Management Company S.A. on their asset allocation key, the evolution of the assets, the adequate liquidity management of the Sub-Fund any risk of potential breach of the investment policy and on the transactions executed for the account of the Sub-Fund.

PvB Pernet von Ballmoos AG as Portfolio Manager is entitled to a portfolio management commission detailed below, which is calculated (all taxes excluded) monthly on the average total net assets of the Sub-Fund (excluding those net assets held in the form of investments in other investment funds managed or controlled by entities of the same portfolio manager). This fee is payable monthly in arrears by the Management Company out of the Sub-Fund's assets.

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

PVB Pernet von Ballmoos AG may - at its own cost - appoint an Investment Advisor to this Sub-Fund.

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

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

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

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

### **Distribution**

PVB Pernet von Ballmoos AG acts as distributor of the Sub-Fund's shares.

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

#### **General information**

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

The Reference Currency is the currency in which the net asset value of shares in the Sub-Fund is calculated. Investments will be made in the currencies that are most suitable for the performance of the Sub-Fund.

- Dividend policy: This Sub-Fund pursues a policy of accumulation.
- Valuation Day: the net asset value per share is determined on every business day.
- Share classes:
  - Class A shares are available for investors with a minimum holding amount of at least USD 1,000 (US Dollars one thousand).
  - Class I shares are available for investors with a minimum holding amount of at least USD 500,000 (US Dollars five hundred thousand).

- Shares are issued exclusively in the form of registered shares. Upon request, certificates representing shares will be issued. The Board of Directors reserves the right to issue certificates representing shares in sets of one (1) or more shares.
- Central Administration fee: the Central Administration Agent is authorised to receive a fee for exercising this function for a maximum amount of 0.08 % (with a minimum of EUR 30'000,-) per year, calculated on the average value of the net assets of the Sub-Fund.
- Custodian Bank fee: the Custodian Bank is authorised to receive a fee for exercising this function for a maximum amount of 0.050% (with a minimum of EUR 10,000) per year, calculated on the average value of the net assets of the Sub-Fund.

### **Subscriptions**

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

### **Redemptions**

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

### **Conversions**

- Conversion fee: none

### **Past performance**

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

### **Portfolio turnover**

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

where

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

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

Total 2 = total of transactions in shares of the Sub-Fund during the relevant period = S+T

Where S = subscriptions of shares of the Sub-Fund and T = redemptions of shares of the Sub-Fund

M = average monthly assets of the Sub-Fund



**Total Expense Ratio (TER):**

- The TER, being equal to the ratio between the gross amount of Sub-Fund fees and the average of its net assets, is included in the annual report. It includes the following fees: the custodian fee, the central administration agent fee, the management fee, the taxe d'abonnement, expenses for preparing and printing the Prospectus, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and launch of the Sub-Fund.

## SECTION II: GENERAL PROVISIONS

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### Management and Administration

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<b>Registered office</b>	33A avenue J.F. Kennedy L-1855 Luxembourg
<b>Board of Directors</b>	
<b>Chairman</b>	David Lahr Executive Director UBS (Luxembourg) S.A.
<b>Directors</b>	Alicia Zemanek Executive Director UBS (Luxembourg) S.A.
	Martin Baumert Managing Director UBS (Luxembourg) S.A.
<b>Management Company</b>	UBS Third Party Management Company S.A. 33A avenue J.F. Kennedy L-1855 Luxembourg
<b>Delegates charged with the day-to-day management of Management Company</b>	Pierre Goes Director UBS Third Party Management Company S.A.
	Olivier Humbert Director UBS Third Party Management Company S.A.
<b>Portfolio managers and advisers</b>	The name of the respective portfolio managers and advisers are disclosed for each Subfund under Section I.
<b>Custodian Bank and principal paying agent</b>	UBS (Luxembourg) S.A., 33A avenue J.F. Kennedy L-1855 Luxembourg
<b>Central Administrative Agent</b>	UBS Fund Services (Luxembourg) S.A., 33A avenue J.F. Kennedy L-1855 Luxembourg
<b>Réviser d'entreprises</b>	PricewaterhouseCoopers Luxembourg Société coopérative 2, rue Gerhard Mercator B.P. 1443 L-1014 Luxembourg

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## 1. THE FUND

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### STRUCTURE OF THE FUND

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LUXEMBOURG SELECTION FUND is a société d'investissement à capital variable (SICAV) with multiple Subfunds established in accordance with the provisions of the 2010 Law and the Luxembourg Law of 10 August 1915 on commercial companies, each as amended (the "**1915 Law**"). The Fund is subject in particular to the provisions of Part I of the 2010 Law, specifically for Collective Investment in Transferable Securities as defined in the European Directive 2009/65/EC of the European Parliament and of the Council of July 13, 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("**UCITS**") (the "**Directive 2009/65/EC**").

LUXEMBOURG SELECTION FUND is characterised by a structure with multiple Subfunds divided into several separate portfolios of assets called "**Subfunds**", within which different classes of shares may be issued. The assets of different classes in the same Subfund will be invested jointly pursuant to the investment policy of the compartment, but in which a specific fee structure, specific minimum investment amounts, a specific distribution policy, a specific accounting currency, special hedging or other features may be applied separately to each class.

The total net assets of the various Subfunds constitutes the total net assets of the Fund, which always corresponds to the capital of the Fund and consists of fully paid up and non-nominal shares (the "**Shares**").

At general meetings, shareholders have the right to one vote per share held, irrespective of the difference in value of Shares of the respective Subfunds. The Shares of a particular Subfund are entitled to one vote per share held when voting at meetings affecting that Subfund. The rights attached to shares are those contained in the 1915 Law, provided that they are not derogated by the 2010 Law.

The fund constitutes a single legal entity. It is specified, however, that in relations between shareholders, each Subfund is considered a separate entity constituting a separate pool of assets with its own objectives and represented by one or more separate classes. In addition, vis-à-vis third parties, and particularly vis-à-vis the creditors of the Fund, each Subfund shall be exclusively responsible for the commitments attributed to it.

The duration and the assets of the Fund are not restricted.

UBS Third Party Management Company S.A., is a société anonyme under Luxembourg law subject to the provisions of Section 15 of the 2010 Law, with its registered office at 33A avenue J.F. Kennedy, L-1855 Luxembourg, RCS Luxembourg B. 45 991, and which has been appointed Management Company of the Fund (the "**Management Company**").

The board of directors of the Management Company is currently composed of Mr Mark Porter, Managing Director UBS AG, Basel and Zurich, appointed as Chairman; plus Mr Court Taylour, Director, UBS AG, Basel and Zurich. and Mr. David Lahr, Executive Director, UBS (Luxembourg S.A.).

The Management Company, originally known as Schroeder Muenchmeyer Hengst Investment Luxembourg SA was incorporated 23 December 1993 in Luxembourg as a "société anonyme" for an indefinite period. Since 27 January 2006, the Management Company's name has been UBS Third Party Management Company S.A. and its capital has now been increased to the amount of CHF 1,750,000.00.

Under a services contract signed for an indefinite period between the Fund and the Management Company dated 2 May 2006 and called "Management Company Services Agreement" (hereinafter the "**Agreement**"), the Fund has appointed the Management Company to exercise the functions listed below.

In accordance with the provisions of the Agreement, the Management Company is responsible for the management, administration and distribution of the assets of the Fund. However, the Management Company is empowered to delegate, under its control and under its responsibility, some or all of these functions to third parties. In case of change or appointment of additional third-party entities, the Fund will undertake to update its sales prospectus.

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## LEGAL ASPECTS

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LUXEMBOURG SELECTION FUND (the "**Fund**") was established 9 October 2003 in an investment company with variable capital under the 1915 Law in the legal form of a société anonyme with the status of an

investment company with variable capital under Part I of the 2010 Law. The Fund is registered under number B 96.268 in the commercial register of Luxembourg.

Following an extraordinary general meeting of the shareholders held on 29 December, 2011, the Articles of Incorporation of the Fund (the "Articles of Incorporation") were amended in order to have the Fund regulated by the Part I of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the "Amendments to the Articles of Incorporation"). The Articles of Incorporation have been deposited with the Registrar of the Luxembourg District Court. The Amendments to the Articles of Incorporation will be published in the Memorial on 30 January 2012.

The Fund draws the investor's attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Fund (notably the right to participate in general shareholders' meetings), if the investor is registered himself and in his own name in the shareholders' register of the Fund. In cases where an investor invests in the Fund through an intermediary investing into the Fund in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the Fund. Investors are advised to take advice on their rights.

The Fund's financial year ends on the last day of April. The annual general meeting is held every year on second Wednesday of October at 11:00 a.m. at the registered office of the Fund or any other address indicated in the notice of the meeting. If such day is not a business day in Luxembourg, the annual general meeting will be held on the next business day.

The Board reserves the right at any time to launch new Subfunds and/or other classes of shares, whose investment policy, features and terms of offer will be communicated in due course by an update of this Prospectus. In compliance with the regulations laid down in "Dissolution and merger of the Fund and its Subfunds", the Board reserves the right to terminate or to merge certain Subfunds.

Variations in the Fund's capital may take place without further notice or consultation and without the need for publication or registration in the commercial register. The minimum required capital totals EUR 1,250,000. This minimum amount must be achieved within a period of six months following registration of the Fund on the official list of undertakings for collective investment.

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## **2. INVESTMENT OBJECTIVES AND POLICY**

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The Fund's objective is to offer investors the opportunity to invest in all types of securities through professionally managed Subfunds, each with its own objective and investment policies described in detail in Section I, in order to provide optimal capital appreciation while ensuring the security of capital and liquidity.

The Fund implements a risk management method that allows it at all times to monitor and measure the risk associated with positions and the contribution of the positions to the overall risk profile of the portfolio of each compartment. It will also use a method that will allow it to accurately and independently value derivatives traded over-the-counter.

The Fund will ensure the overall risk linked to derivative instruments does not exceed the total net value of its portfolio. Risks will be calculated taking account of the current value of the underlying assets, of the counterparty risk, the foreseeable changes in the markets and the time available for liquidating the positions.

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## **3. INVESTING IN LUXEMBOURG SELECTION FUND**

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### **Net Asset Value**

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Unless otherwise described under Section I, the Net Asset Value per share of the individual Subfunds is determined on each Business Day by the Central Administrative Agent (hereinafter a "**Valuation Day**").

"Business Day" in this context means the customary banking days (i.e. all days on which banks are open during normal office hours) in Luxembourg, with the exception of some non-regulatory holidays in Luxembourg and

days on which the exchanges of the principal host countries for investments are closed and/or 50% or more of the shares of the Subfund cannot be adequately valued.

Non-regulatory holidays means the days on which banks and financial institutions are closed.

The net asset value of each Subfund is equal to the total assets of that Subfund less its liabilities. The net asset value of each Subfund is expressed in the currency of that Subfund as described in detail in Section I, and is determined on each Valuation Day by dividing the total net assets of the compartment by the number of shares then in circulation. The net asset value per share of each Subfund is determined using the last known price (i.e. the closing price, or if that price does not reflect a reasonable market value for the Board, the last price known at the time of valuation) each Business Day, unless otherwise indicated in Section I.

For Subfunds for which different classes of shares have been issued, the net asset value per share is calculated for each share class. To this effect, the net asset value of the Subfund attributable to the corresponding class is divided by the total number of shares in issue of that class.

Accrued income upon issue of a share class is to be applied, in the accounts of the Fund, to the Subfund corresponding to that share class, provided that, where several classes of shares are outstanding in this Subfund, the corresponding amount increases the proportion of net assets of this Subfund attributable to the class of shares to be issued.

When the assets or liabilities of the Fund cannot be attributed to a particular Subfund, such assets or liabilities are attributed to all Subfunds in proportion to the net asset value of the corresponding share classes or as otherwise determined in good faith by the Board.

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

Without prejudice to the regulations of each Subfund, the value of the assets held by a Subfund is valued as follows:

- (a) based on the net acquisition price and calculating returns on a constant basis, the value of money market instruments with a residual maturity of less than one year is adjusted to the redemption price of these instruments. In the event of material changes in market conditions, the valuation basis is adjusted to reflect the new market yields;
- (b) debt securities with a residual maturity of more than one year and other securities are valued at the closing price, if they are listed on an official stock exchange. If a security is listed on several exchanges, the last known price on the primary market is the determinant;
- (c) debt securities with a residual maturity of more than one year and other securities, if they are not listed on an official stock exchange, but traded on another regulated market, which is recognised, open to the public and operating regularly, are valued at the last available price on this market;
- (d) shares of UCITS authorized according to Directive 2009/65/CE and/or other assimilated UCIs will be valued at the last known net asset value at the Valuation day;
- (e) time deposits with an original maturity exceeding 30 days can be valued at their respective rate of return, provided the corresponding agreement between the credit institution holding the time deposits and the Fund stipulates that these time deposits may be called at any time and that, if called for repayment, their cash value corresponds to this rate of return;
- (f) any cash in hand or on deposit, notes payable on demand, bills and accounts receivable, prepaid expenses, cash dividends, interests declared or accrued as aforesaid and not yet received shall be valued at their full nominal value, unless in any case the same is unlikely to be paid or received in full, in which case the Board may value these assets with a discount he may consider appropriate to reflect the true value thereof;
- (g) the value of swaps is calculated using a method based on the net present value of future cash flows, recognised by the Board and verified by the Company's auditor.
- (h) securities and other investments listed on a stock exchange are valued at the last known prices. If the same security or investment is listed on several stock exchanges, the closing price on the stock exchange that represents the primary market for this security will be used.

In the scenario where securities and other investments are traded on a stock exchange with low volume but are traded among market makers on a secondary market using price determination methods that are in line with market practice, the Fund may use the prices of this secondary market as the basis for valuing such securities and investments. Securities and other investments that are not listed on a stock exchange, but

which are traded on another regulated market which is recognised, open to the public and operating regularly, are valued at the last known price on this market.

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### **Issue and conversion of shares**

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Unless otherwise indicated in Section I, the Board is authorised without limitation to distribute and issue shares of each Subfund. The Board is also authorised to fix a minimum subscription, redemption and conversion amount, as well as a minimum holding for each Subfund.

Subscriptions can be made for an amount or for a number of shares; conversions and redemptions can be made for an amount or for a number of shares. The initial and subsequent minimum subscription and investment amounts, if applicable, are indicated in Section I for each Subfund.

Shares are issued in the form of registered shares. Fractions of shares are recognised to three decimal places. Upon request and against payment by the shareholder of all expenses incurred, certificates representing shares may be issued. The Board reserves the right to issue certificates representing shares in sets of 1 or more shares. However, fractional shares are not issued in the form of certificates. Such fractional shares are not entitled to vote but are entitled to participate in the net assets of the Fund with regard to the net proceeds from the dissolution of a Fund on a pro rata basis.

Investors are informed that the board of directors of the Management Company, acting on behalf of the Fund (the "**Board of Directors**"), is authorised to take all appropriate measures to prevent practices known as "market timing" in relation to investments in the Fund.

The Board of Directors will also ensure that the "cut-off time" applicable to any request for subscription, conversion and redemption of units be strictly respected, and therefore is authorised to take all appropriate measures to guard against the practice known as "late trading".

For claims vis-à-vis distributors, the Board of Directors will ensure in advance that the cut-off-time is duly respected by the distributors.

The Board of Directors is authorised to reject any requests for subscription and conversion in case of doubt or if it has knowledge of the existence of such practices.

In addition, the Board of Directors is authorised to take any further measures it deems appropriate to prevent the above-mentioned practices, without prejudice, however, to the provisions under Luxembourg law. The Board is further authorised to close any existing class of shares for further subscriptions with prior notice to the investors.

#### **Initial subscription**

The initial subscription period, the subscription fees and the price of shares of each Subfund and/or class(es) of shares are described in detail in Section I.

#### **Subsequent subscription**

After the closing of the initial offering period, shares will be issued at a price corresponding to the net asset value per share, plus any subscription fee to be determined for each Subfund by reference to the net asset value per share (and as indicated in Section I). Any taxes, duties and other charges incurred in the various countries in which Fund shares are sold will also be taken into account.

#### **Subscription procedures**

All requests for subscriptions, redemptions and conversions must be addressed to the distributors and/or sales agents, as described for each Subfund in Section I, or may be presented directly to the Fund.

The distributor and/or sales agents may, with the prior approval of the Fund, appoint additional distributors/sales agents based in a Member State of the Financial Action Task Force (FATF).

Duly completed and signed subscription requests received by the Fund no later than 4 p.m. on the Business Day in Luxembourg preceding a Valuation Day shall be settled at the issue price calculated on that Valuation Day. Subscription requests received after that time will take effect on the following Valuation Day.

Subscription requests must be submitted for payment in the reference currency as defined for each Subfund in Section I. The issue price is calculated in the relevant reference currency as defined for each Subfund in Section I.

Payment must be received by the Custodian Bank of the Fund at the latest two Business Days in Luxembourg after the Valuation Day.

The Fund may, at its discretion, accept subscriptions made in the form of payments in kind of securities, in part or in whole. However, the securities must be in accordance with the respective Subfund's investment policy and restrictions. In addition, these securities will be audited by the Fund's appointed auditor. The related fees are borne by the investor.

Distributors and sales agents of Fund units must respect the provisions of the Luxembourg law on the prevention of money laundering and particularly the law of 19 February 1973 on the sale of medicinal substances and the fight against drug addiction and the laws of 5 April 1993 on the financial sector, and of 12 November 2004 on the fight against money laundering and against the financing of terrorism, as well as any subsequent regulation issued by the Luxembourg government or supervisory authorities. Obligations were imposed on all financial sector professionals for the purpose of preventing the use of undertakings for collective investment in transferable securities for the purpose of money laundering.

Any investor wishing to subscribe or redeem shares of the Fund must, among other things, establish his identity vis-à-vis the distributor and/or sales agent who receives his subscription or redemption order. The distributor and/or sales agent will require the following identification of such investors:

The distributors and/or sales agents **physically met with** the investors:

- for individuals, a certified photocopy of passport/identity card (certified by the distributor and/or sales agent) and the identification of beneficial owners, i.e. the final shareholders.
- for corporations or other legal persons, a copy of the Articles of incorporation and an extract from the commercial register (both certified by the distributor and/or sales agent), a list of authorised signatures, a copy of the latest published annual accounts, the full identity of the beneficial owners, i.e. the final shareholders.

The distributors and/or sales agents **having not physically met with** the investors:

- for individuals, a certified photocopy of passport/identity card (certified by one of the following authorities: embassy, consulate, notary, police or police officer) and the identification of beneficial owners, i.e. the final shareholders
- for corporations or other legal persons, a copy of the Articles of incorporation and an extract from the commercial register (both certified by one of the following authorities: embassy, consulate, notary, police or police officer), a list of authorised signatures, a copy of the latest published annual accounts, the full identity of the beneficial owners, i.e. the final shareholders.

The distributors must ensure that the sales agents strictly observe the above identification procedure. UBS Fund Services (Luxembourg) S.A. and the Fund may at any time request assurance for compliance with the above requirements from the distributors/sales agents.

In addition, the distributors and sales agents must also respect all regulations regarding the prevention of money laundering in force in their respective countries.

Without prejudice to the above, the Fund reserves the right to (a) refuse any request for subscription, (b) issue new shares only if in the interest of the existing shareholders and (c) redeem outstanding shares held by investors who are not authorised to either buy or hold shares of the Fund.

The shares will be transferred to the investors concerned without delay upon receipt of payment of the full purchase price. They may be added to the shareholders' assets through the securities account of his choice.

The Fund may, in the course of its sales activities and at its discretion, terminate the issue of shares, refuse redemption requests and suspend or limit the sale of shares for specific periods or permanently to individuals or legal persons in particular countries or areas. In addition, the Fund may at any time redeem shares held by persons who are not authorised to purchase or hold Fund shares.

### **Conversion of shares**

Unless otherwise stipulated in Section I for each Subfund, the shareholders of a Subfund may convert part or all of their shares of one class into shares of the same or of another class (if there are no restrictions to this Section I) in another Subfund up to the countervalue of the shares presented with a view to conversion, provided that the issue of shares by this Subfund has not been suspended as described below. The Board is authorised to set a minimum conversion level for each Subfund, as set forth in Section I, if applicable. For further information regarding the conversion procedure and fees, please refer to the description of each Subfund in Section I.

The same procedures apply to the submission of conversion requests as apply to the issue and redemption of shares. The Fund calculates the number of shares to be allotted after conversion using the following formula:

$$A = [(B \times C) \times F] / (D + E)$$

- A = number of the shares of the new Subfund or the new class to be issued  
 B = number of shares of the existing Subfund or class  
 C = net asset value per share of the existing Subfund or class less any taxes, duties or other charges  
 D = net asset value per share of the new Subfund or class, plus any taxes, duties or other charges  
 E = conversion fee, if any (as further described for each Subfund in Section I)  
 F = exchange rate of the reference currencies of the two Subfunds or classes

The shareholder may request such a conversion by indicating the number of shares and the Subfund to be converted into. If share certificates have been delivered to the shareholder, all share certificates to be converted, including any coupons not yet due, must be delivered to the Fund. Otherwise, the conversion cannot be executed.

In addition, if on a Valuation Day conversion requests received by the Fund exceed 10% of the shares in circulation of a specific compartment, the Board may decide that all or part of the requests for conversion be deferred for a period and under conditions to be determined by the Board, with regard to the interests of the shareholders. On the Valuation Day following this period, these conversion requests will be given priority and settled ahead of applications received after this period.

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### Redemption of shares

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Requests for redemption must be received by the Fund by 4.00 p.m. on the Business Day in Luxembourg preceding a given Valuation Day. They shall be settled at the redemption price determined on that Valuation Day and submitted for payment in the reference currency as defined for each Subfund under Section I. All redemption requests received by the Fund after the deadline mentioned above will be settled at the redemption price calculated on the next Valuation Day. If share certificates have been delivered to the shareholders, they should be attached to the redemption request (including any coupons not yet due).

The redemption price is based on the net asset value per share. Any taxes, duties and other charges incurred in the various countries in which Fund shares are sold will be taken into account. Since provision must be made for an adequate supply of liquidity in the Fund's assets, under normal circumstances payment for Fund shares is effected within 2 Business Days after the calculation of the redemption price, unless legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Fund, make it impossible to transfer the redemption amount to the country in which the redemption application was submitted.

In case of massive redemption requests exceeding 10% of the shares in circulation of a specific compartment, the Board may decide that all or part of the requests for redemption be deferred for a period and under conditions to be determined by the Board, with regard to the interests of the shareholders. On the Valuation Day following this period, these redemption requests will be given priority and settled ahead of applications received after this period.

On payment of the redemption price, the corresponding Fund shares cease to be valid.

At its discretion, the Fund may at the request of the investor accept redemptions in kind. In addition, these redemptions (1) must not have any negative effect for the remaining investors and (2) will be audited by the Fund's appointed auditor. The related fees are borne by the investor.

The redemption price of Fund shares may be above or below the amount paid by the shareholder at the time of subscription, depending on whether the net asset value has risen or fallen.

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### Suspension of the calculation of net asset value and of the issue, conversion and redemption of shares

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The Fund may temporarily suspend calculation of the net asset value and hence the issue, conversion and redemption of shares for one or more Subfunds:



- a) during any period when any of the stock exchanges or other markets on which the valuation of a significant and substantial part (at least 50%) of any of the investments of the Fund is based, or any of the foreign-exchange markets in whose currency the net asset value any of the investments of the Fund or a significant portion of them is denominated, are closed – except on customary bank holidays – or during which trading and dealing on any such market is suspended or restricted, provided that such restriction or suspension affects the valuation of the investments of the Fund quoted thereon;
- b) if political, economic, military or other circumstances beyond the control, responsibility or influence of the Fund make it impossible to access the Fund's assets under normal conditions without seriously harming the interests of the shareholders;
- c) during any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments of the Fund or value on any stock exchange or other market in respect of the assets of the Fund;
- d) when for any other reason, the prices of a considerable part of the Fund portfolio (at least 50%) cannot promptly or accurately be ascertained;
- e) during any period when the Fund is unable to repatriate funds for the purpose of making payments on the redemption of Shares of the Fund, or during which any transfer of funds involved in the realization or acquisition of investments or payments due on redemption of Shares cannot, in the opinion of the Board, be effected at normal rates of exchange;
- f) upon the publication of a notice convening a general meeting of shareholders for the purpose of the liquidation of the Fund;
- g) in case of a feeder Sub-Fund, when the master UCITS temporarily suspends, on its own initiative or at the request of its competent authorities, the redemption, the reimbursement or the subscription of its units; in such a case the suspension of the calculation of the net asset value at the level of the feeder Sub-Fund will be for a duration identical to the duration of the suspension of the calculation of the net asset value at the level of the master UCITS.

Any such suspension in excess of five Valuation Days shall be published by the Fund and may be notified to shareholders having made an application for subscription, conversion or redemption of shares for which the calculation of the net asset value has been suspended.

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#### **4. DISSOLUTION AND MERGER OF THE FUND AND OF ITS SUBFUNDS**

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##### **Dissolution of the Fund**

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The Fund may be wound up at any time by a decision of the general meeting of shareholders, pursuant to the conditions set forth by the Luxembourg 1915 Law.

If the amount of the Fund's assets falls below two thirds of the prescribed minimum capital, the Board shall propose the dissolution of the Fund to the meeting of shareholders. The meeting of shareholders shall decide by a simple majority of the shares represented at the meeting, without any quorum requirements.

If the amount of the Fund's capital falls below one quarter of the prescribed minimum capital, the Board shall propose the dissolution of the Fund to the meeting of shareholders, which shall take the decision without any quorum requirement, and the dissolution may be declared by shareholders holding one quarter of the shares represented at the meeting.

The meeting must be convened in such a way that it is held within 40 days of the day on which it was ascertained that the net assets had fallen below two thirds or, as the case may be, one quarter of the prescribed minimum capital.

Liquidation is carried out by one or more liquidators who may be physical or legal persons and who are appointed with the approval of the supervisory authority by the meeting of shareholders, which also determines their powers and remuneration.

The net proceeds from the liquidation of the Subfunds are paid out by the liquidators to the shareholders of those Subfunds in proportion to the net asset value per share.

If the Fund is liquidated voluntarily or on account of a court decision, this liquidation must be carried out in accordance with the provisions of the 2010 Law. This 2010 Law specifies the measures to be taken to allow the shareholders to participate in the distribution of the proceeds of liquidation and it provides that any amounts unclaimed by the shareholders or which cannot be distributed to the shareholders at the completion of liquidation (which could last up to nine months) are immediately deposited at the "Caisse de Consignation" in Luxembourg.

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#### **Dissolution of a Subfund**

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In the case of dissolution of a Subfund, the Board may offer to the shareholders of such Subfund the redemption of their shares for cash at the net asset value per share (including all estimated expenses and costs relating to the liquidation) determined on the Valuation Day as described in the section "Redemption of shares".

In the event that for any reason the value of the assets in a Subfund or of any class(es) of shares has decreased to an amount determined by the Board from time to time to be the minimum level for the Subfund or class(es) of shares to be administered in an economically efficient manner, or if a change in the economic or political situation relating to the Subfund concerned would have material adverse consequences on the investments of that Subfund, the Board may decide to compulsorily redeem all the shares of the relevant class(es) issued in the Subfund at the net asset value per share (taking into account actual realisation prices of investments and realisation expenses), calculated on the Valuation Day at which such decision shall take effect. The Fund shall inform the shareholders of the Subfund or of the class(es) concerned before the compulsory redemption enters into force. A notice to this effect will indicate the reasons and the procedure of the redemption. Holders of registered shares will be notified in writing.

Unless it is otherwise decided in the interest of the shareholders or to maintain equal treatment between them, the shareholders of the Subfund or of the class(es) concerned may continue to request the redemption or conversion of their shares, free of charge, before the compulsory redemption coming into force.

Notwithstanding the powers conferred on the Board by the first paragraph below, the general meeting of shareholders of any or all class(es) of shares issued in a Subfund may take the decision to redeem all the shares issued in such class(es) of the Subfund and refund to the shareholders the net asset value of their shares (taking into account actual realisation prices of investments and realisation expenses) calculated on the Valuation Day at which such decision shall take effect. There shall be no quorum requirements for such general meeting of shareholders, which shall decide by resolution taken by simple majority of those present or represented.

Any liquidation proceeds which cannot be distributed to the shareholders at the completion of the liquidation (which could last up to nine months) are immediately deposited at the "Caisse de Consignation" in Luxembourg. All the shares redeemed in this manner will be cancelled.

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#### **Division of a Subfund**

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Under the same circumstances as provided in the previous chapter "Dissolution of a Subfund", the Board may decide to divide a Subfund into two or more Sub-Funds and/or share classes. Such decision will be duly published.

During the month following the publication of such a decision, shareholders are authorised to redeem all or a part of their shares at their net asset value - free of charge - in accordance with the guidelines outlined in the article 8 of the Articles. Shares not presented for redemption will be exchanged on the basis of the net asset value of the shares of the Subfund calculated for the day on which this decision will take effect.

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#### **MERGERS OF THE FUND OR OF SUB-FUNDS WITH ANOTHER UCITS OR OTHER SUB-FUNDS THEREOF; MERGERS OF ONE OR MORE SUB-FUNDS WITHIN THE FUND; DIVISION OF SUB-FUNDS**

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"Merger" means an operation whereby:

- a) one or more UCITS or sub-funds thereof, the "merging UCITS/ sub-fund", on being dissolved without going into liquidation, transfer all of their assets and liabilities to another existing UCITS or a sub-fund

thereof, the **"receiving UCITS"**, in exchange for the issue to their shareholders of shares of the receiving UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of those shares;

- b) two or more UCITS or sub-funds thereof, the **"merging UCITS/ sub-fund"**, on being dissolved without going into liquidation, transfer all of their assets and liabilities to a UCITS which they form or a sub-fund thereof, the **"receiving UCITS/ sub-fund"**, in exchange for the issue to their shareholders of shares of the receiving UCITS and, if applicable, a cash payment not exceeding 10% of the net asset value of those shares;
- c) one or more UCITS or sub-funds thereof, the **"merging UCITS/ sub-fund"**, which continue to exist until the liabilities have been discharged, transfer their net assets to another sub-fund of the same UCITS, to a UCITS which they form or to another existing UCITS or a sub-fund thereof, the **"receiving UCITS/ sub-fund"**.

Mergers can be performed in accordance with the form, modalities and information requirements provided for by the 2010 Law; the legal consequences of mergers are governed by and described in the 2010 Law.

Under the same circumstances as provided in the previous Section, the Board may decide to reorganise a Sub-fund and/or share class by means of a merger with another existing Sub-fund and/or share class within the Fund or with another UCITS established in Luxembourg or in another Member-State or to another sub-fund and/or share class within such other UCITS (the **"new fund/sub-fund"**) and to re-designate the shares of the relevant sub-fund or share class concerned as shares of another sub-fund and/or share class (following a split or consolidation, if necessary, and the payment of the amount corresponding to any fractional entitlement to shareholders). Such decision will be published in the same manner as described in the previous Section (and, in addition, the publication will contain information in relation to the new fund or sub-fund). During a period of thirty days following the publication of such a decision, shareholders may request redemption or conversion of their Shares free of charge.

Under the same circumstances as provided in the previous Section, the Board may decide to reorganise a Sub-fund and/or share class by means of a division into two or more sub-funds and/or share classes. Such decision will be published in the same manner as described herein (and, in addition, the publication will contain information about the two or more new sub-fund).

During a period of thirty days following the publication of such a decision, shareholders may request redemption or conversion of their Shares free of charge.

The shareholders of both, the merging and receiving sub-fund have the right to request, without any charge other than those retained by the sub-fund to meet disinvestment costs, the repurchase or redemption of their shares or, where possible, to convert them into shares of another Sub-fund of the Fund with similar investment policy or shareholders may also convert their shares into another UCITS managed by the Management Company or by any other company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding. This right shall become effective from the moment that the shareholders of the merging and those of the receiving sub-fund have been informed of the proposed merger and shall cease to exist five working days before the date for calculating the exchange ratio.

The Board may temporarily suspend the subscription, repurchase or redemption of shares, provided that any such suspension is justified for the protection of the shareholders.

If a Sub-fund of the Fund is the receiving sub-fund, the entry into effect of the merger shall be made public through all appropriate means by the Fund and shall be notified to the CSSF and, where appropriate, to the competent authorities of the home Member States of the European Union of the other UCITS involved in the merger.

Under the same circumstances as provided in the previous Section, the general meeting of shareholders of the Fund may decide with no quorum requirement and simple majority to merge the whole Fund with another UCITS established in Luxembourg or in another Member State of the European Union or with any sub-fund thereof.

A merger which has taken in accordance with the provisions of the 2010 Law cannot be declared null and void.

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## 5. DIVIDEND POLICY

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The dividend policy of each Subfund and/or classes of shares is described in detail in Section I.

The general meeting of shareholders of the various Subfunds shall determine, on the proposal of the Board and after closing the annual accounts for each Subfund, whether and to what extent distributions are to be

paid out of investment income and realised gains in the net asset value after deduction of all fees and expenses. Distributions may not cause the net assets of the Fund to fall below the minimum net asset value of the Fund provided for by the 2010 Law.

Entitlements to distributions and allocations not claimed within five years of expiry shall be forfeited and the corresponding assets returned to the respective Subfund. If the Subfund in question has already been liquidated, the distributions and allocations will accrue to the other Subfunds of the same Fund in proportion to their respective net assets. At the proposal of the Board, the general meeting of shareholders of a specific Subfund may decide to issue bonus shares as part of the distribution of net investment income and capital gains.

An income equalisation amount is calculated so that the distribution corresponds to the actual income entitlement.

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## **6. PROMOTER**

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The promoter of the Fund is UBS AG, Zurich & Basel, one of the world's leading financial institutions, which offers a full range of investment, risk management, trading and commercial services. UBS is a publicly traded shareholder-driven company, incorporated under Swiss law. It operates from five major geographical centres: Zurich, London, New York, Singapore and Tokyo and employs 69,000 people globally, located in over 400 offices world-wide.

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## **7. CUSTODIAN BANK**

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The rights and duties of the Custodian Bank pursuant to Article 34 of the 2010 Law have been assumed by UBS (Luxembourg) S.A., pursuant to the custodian agreement concluded between the Fund and the Custodian Bank.

UBS (Luxembourg) S.A., a fully-fledged bank founded on 20 August 1973, with registered office at 33A, avenue J.F. Kennedy, Luxembourg. In addition to international banking services, UBS (Luxembourg) S.A. is also active in private banking services and offers a wide range of client services, among them investment advisory and asset management services, time deposits as well as securities and foreign exchange.

The Custodian Bank holds all the liquid assets and securities comprising the Fund's assets in safekeeping for the shareholders. The Custodian Bank performs all customary banking duties relating to the Fund's accounts and securities as well as all routine administrative work in connection with the Fund's assets. The Custodian Bank also: The Custodian Bank shall also ensure that:

- the sale, redemption, conversion and cancellation of shares effected for the Fund's account are in accordance with the provisions of the law and the Articles;
- consideration is provided in due time in the case of transactions relating to the Fund's assets;
- ensures that the Fund's revenues/earnings are employed in accordance with the Articles.

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## **8. CENTRAL ADMINISTRATIVE AGENT**

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Pursuant to the central administrative agent and domiciliation agreement between the Management Company, the Fund and UBS Fund Services (Luxembourg) S.A., the Management Company has appointed UBS Fund Services (Luxembourg) S.A. as the administrative agent and domiciliary agent of the Fund. In this capacity, UBS Fund Services (Luxembourg) S.A. is responsible for the general administrative duties involved in managing the Fund and prescribed by Luxembourg law. These administrative services mainly include calculation of the net asset value per share, accounting and reporting. The administrative agent is entitled to charge a fee in line with the customary fees at the financial centre of Luxembourg. It also carries out the other tasks of central administration in accordance with applicable law in Luxembourg. It is responsible in particular for processing share subscriptions, redemptions and conversions, as well as for transferring the relevant monies.

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## 9. PORTFOLIO MANAGERS/ INVESTMENT ADVISORS

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The Fund is managed by the Management Company, which is responsible for the management and administration of the Fund, of its Subfunds, and, if applicable, of the share classes of those Subfunds. The Management Company is responsible for monitoring the investment policy and restrictions of the Subfunds of the Fund.

Within the framework of these functions, the Management Company may be assisted by portfolio managers and investment advisers, for each Subfund, according to their respective objective and investment policy, on the basis of delegation agreements.

The Management Company may appoint different portfolio managers in the framework of the portfolio management of the Subfunds. Portfolio Management comprises the active management of the Subfund's assets and the ongoing monitoring and adjusting of investments. The mandate is executed under the supervision and the responsibility of the Board.

In addition, the Management Company is authorised to appoint investment advisers with regard to investment recommendations, for instance, relating to the asset allocation among the authorised investment instruments. The Management Company shall transmit the investment advice received to the respective portfolio managers.

The names and designations of the advisors and managers, as well as the fees to which they are entitled, are described in detail in Section I. Unless provided for otherwise, this fee is expressed as a percentage of the average net asset value and is payable quarterly.

If the portfolio manager, subject to receiving the prior written consent of the Fund, delegates part or all of its functions to investment advisers, the Prospectus will be updated.

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## 10. TAXATION

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### **Taxation of the Fund**

In accordance with the legislation in force and current practice in the Grand Duchy of Luxembourg, the Fund is not liable to any withholding, income, capital gains or wealth tax. The Fund is, however, liable in Luxembourg to a tax of 0.05% per annum ("taxe d'abonnement") on the net asset value; this tax is payable quarterly on the basis of the value of the net assets of the Fund at the end of the each quarter. If any Subfund or any class of a Subfund is reserved to institutional investors, the "taxe d'abonnement" may be reduced to 0.01% p.a. on the net assets of that specific Subfund or class.

### **Taxation of shareholders**

It is brought to shareholders' attention that the Law of 21 June 2005 transposed into Luxembourg law the European Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "Savings Directive").

This resulted in the introduction, beginning 1 July 2005, of a withholding tax on savings income in the form of interest payments made in Luxembourg to beneficial owners who are individuals and who are tax residents of another Member State of the European Union.

Dividends distributed by a Subfund of the Fund will be subject to the Savings Directive if more than 15% of its assets are invested in debt claims as defined in the Directive. The income realised by the shareholders will be subject to withholding tax if more than 25% of the assets of the Subfund are invested in debt securities.

Provided that the Subfund concerned is not subject to the Savings Directive or when the shareholders are not subject to it, the shareholders are not subject to any withholding, capital gains, income, gift, wealth, inheritance or other tax in Luxembourg except for investors domiciled, resident or having a permanent establishment in Luxembourg and except for certain former residents of Luxembourg owning more than 10% of the shares in the Company. The above summary of the tax implications is not exhaustive. It is based on the law and regulation currently in force in the Grand Duchy of Luxembourg, which are subject to change. Potential shareholders are advised to inform themselves about the laws and regulations in force and, where appropriate, seek advice on the subscription, redemption, possession and sale of shares at their place of residence.

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## **11. Foreign Account Tax Compliance Act ("FATCA")**

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Under an Intergovernmental Agreement ("IGA") concluded between (fund domicile) and the United States of America ("U.S."), the Fund will be classified as a (Reporting Financial Institution/registered deemed-compliant Financial Institution / certified deemed-compliant Financial Institution – see below) for the purposes of FATCA. The main purpose of the legislation is to require Financial Institutions to identify and report the financial accounts of "Specified U.S. Persons", as defined by the IGA. In order to do so, shareholders may be required to provide further information regarding themselves on request. From 1 July 2014, the Fund will report the financial accounts held by Specified U.S. Persons to (name of local tax authorities), who will then provide such information to the U.S. Internal Revenue Services. Any shareholder refusing to provide the requisite information will also be reported.

Prospective investors should consult their own tax advisor with regard to the U.S. federal, state, local and non-U.S. tax reporting and certification requirements associated with an investment in the Fund.

Further, prospective investors should be aware that further automatic exchange of information regimes are due to be introduced and that these may apply to holdings in the Fund.

### **"Specified U.S. Person" for FATCA purposes**

The term "Specified U.S. Person" means a U.S. citizen or resident individual, a partnership or corporation organised in the U.S. or under the laws of the U.S. or any State thereof, a trust if i) a court within the U.S. would have authority under applicable law to render orders or judgments concerning substantially all issues regarding administration of the trust, and ii) one or more Specified U.S. Persons have the authority to control all substantial decisions of the trust, or an estate of a decedent that is a citizen or resident of the U.S. This section shall be interpreted in accordance with the U.S. Internal Revenue Code.

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## **12. CHARGES AND EXPENSES**

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Other than the *taxe d'abonnement* described above, for a period not to exceed five years the Fund will bear the launch expenses, which include expenses for preparing and printing the sales prospectus, notary fees, launch fees paid to administrative and exchange authorities in Luxembourg and abroad, expenses for printing certificates and/or other fees in relation to the establishment, promotion and launch of the Fund.

Costs in connection with the launch of a new Subfund are written off over a period not to exceed five years on the assets of the Subfund, in an annual amount determined by the Board on an equitable basis.

In addition, the Custodian Bank and the Central Administrative Agent will receive from the Fund a fee based, in principle, on the average net assets of the Fund, in accordance with customary practice in the Luxembourg financial market. Such fees shall be paid monthly.

The manager and/or investment advisor of each Subfund will receive a fee as described in detail in Section I.

All of the fees and expenses that cannot be attributed to a specific Subfund will either be allocated equitably to all Subfunds or will be charged pro rata on the net asset value of each Subfund, if the amount and reason justify doing so.

The Fund shall also bear the other operating costs, including, inter alia, the expenses purchasing and selling securities, government taxes and regulatory authority fees, the costs of exchange listings, the fees for the auditors and all legal advisors, the cost of translating any documents intended for foreign regulatory authorities, the cost of printing the sales prospectus and the share certificates, and expenses related to publications. All expenses are taken into account in the determination of the net asset value per Share of each class/Subfund.

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## **13. SHAREHOLDER INFORMATION AND COMPLAINTS HANDLING**

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The audited annual report will be made available to shareholders free of charge at the registered office of the Fund within four months of the end of the financial year. The annual report includes reports on the Fund in general and on each Subfund, as set forth in the CSSF Circular 14/592. It shall also contain details on the underlying assets focused on by the respective Subfund through the use of derivative financial instruments, the counterparties to these derivative transactions, as well as the collateral (and its scope) provided in favour of the sub-fund by its counterparties, in order to reduce credit risk.

Un-audited semi-annual reports of the Subfunds will be made available at the same places as the annual reports within two months of the end of the period to which they refer.

Other information on the Fund, as well as on the net asset value, the issue, conversion and redemption prices of the Fund's shares may be obtained on any Business Day at the registered office of the Fund and from the Custodian Bank. If necessary, any information relating to a suspension or resumption of the calculation of the net asset value, the issue or redemption price as well as all notifications to shareholders will be published in the "Mémorial" and in the "Luxemburger Wort", and, if applicable, in the different distribution countries.

Copies of the Articles may be obtained at the registered office of the Fund. Provisions of the agreements referred to in this Prospectus may be inspected during usual business hours on any Luxembourg Business Day at the registered office of the Fund.

In addition, the Articles, the Prospectus as well as the latest annual and semi-annual reports are available free of charge from the Custodian Bank. The issue and redemption prices as well as any documents mentioned above may also be obtained there.

The key investor information document is published on the website "<http://www.ubs.com/third-party-man-co-kiid>". Furthermore the key investor information documents will be supplied to shareholders on request and free of charge.

Complaints of shareholders may be filed with the Fund, the Custodian Bank and any paying agent or distributor. Complaints will be dealt with properly in a timely manner.

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#### 14. INVESTMENT RESTRICTIONS

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##### Investment restrictions

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For the purpose of this paragraph, the definition of "**Member State**" shall have the meaning set forth in Article 1 (13) of the 2010 Law.

The Fund's investments shall be subject to the following restrictions:

##### (1) Investment instruments

(A) In line with the investment policy of each Subfund, the assets of each Subfund may consist of:

(a) transferable securities and money market instruments admitted to or dealt in on a regulated market, as defined in Article 4 point 1 (14) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004;

(b) transferable securities and money market instruments traded on another market of a Member State that operates regularly and is recognised and open to the public;

(c) transferable securities and money market instruments admitted to official listing on a stock exchange in a non-Member State of the European Union (the „EU“) or dealt in on another regulated market in a non-Member State of the EU which operates regularly and is recognised and open to the public, provided that the choice of the stock exchange or the market are situated in Europe, America, Asia, Africa, Australasian or Oceania;

(d) recently issued transferable securities and money market instruments, provided that:

- the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or to another regulated market which operates regularly and is recognised and open to the public, provided that the choice of the stock exchange or the market is effectuated on a regulated market as described under paragraphs a) and c) here above;
- such admission is secured within one year of issue.

(e) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than twelve months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the *Commission de Surveillance du Secteur Financier* (the "CSSF") as equivalent to those laid down in Community law;

(f) derivative financial instruments, including similar instruments allowing cash settlements, that are traded on regulated markets of the kind specified in points a), b) and c) above, and/ over-the-counter derivative financial instruments, provided that:

- the use of derivatives is in accordance with the investment purpose and investment policy of the respective Subfund, and is suited towards achieving these;
- the underlying consists of instruments covered by Article 41(1) of the 2010 Law, financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives as stated in the Funds' instruments of association;
- the Subfunds ensure, through adequate diversification of the underlying assets, that the diversification requirements applicable to them and listed in the section entitled "Risk diversification" are adhered to;
- the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF and have been specifically approved by the Board;
- the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair market value at the Funds' initiative and
- the respective counterparty is not granted discretion regarding the composition of the portfolio managed by the respective Subfund (e.g. in the case of a total return swap or a derivative financial instrument with similar characteristics) or the underlying of the respective OTC derivative.

(g) money market instruments other than those dealt in on a regulated market and referred to in Article 1 of the 2010 Law, if the issue or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:

- issued or guaranteed by a central, regional or local administration, by a central bank of a Member State, by the European Central Bank, by the EU or by the European Investment Bank, by a non-Member State, or, in the case of a federal state, by one of the members composing the federation, or by an international public organisation to which one or more Member States belong; or
- issued by an undertaking whose securities are dealt in on regulated markets referred to in points a), b) or c) above; or
- issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF authority to be at least as stringent as those laid down by Community law, or
- issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount at least to ten million euros (EUR 10,000,000.-) and which presents and publishes its annual accounts in accordance with Fourth Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefits from a banking liquidity line;

(h) units of UCITS authorised under Directive 2009/65/EEC and/or other UCIs within the meaning of the Article 1(2), points a) and b) of Directive 2009/65/CE, whether or not established in a Member State or not, provided that:

- these other UCIs are approved in conformity with legislation stipulating that the entities are subject to supervision that the CSSF considers to be equivalent to that intended by Community legislation and that the cooperation between the authorities is adequately guaranteed;



- the level of protection guaranteed to shareholders of these other UCIs is equivalent to that intended for shareholders of a UCITS and, in particular, that the rules relating to the division of assets, borrowings, loans, short sales of transferable securities and money market instruments is equivalent to the requirements of Directive 2009/65/CE;
- the business of the other UCI is reported in semi-annual and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;
- the proportion of assets of the UCITS or of these other UCIs whose acquisition is planned, which in conformity with their formation documents can be wholly invested in units of other UCITS or other UCIs, does not exceed 10%.

(B) However, each Subfund may:

(a) invest no more than 10% of its net assets in transferable securities and money market instruments other than those referred to in point (A) above; or

(b) invest more than 10% of its net assets in debt instruments which are treated, because of their characteristics, as equivalent to transferable securities and money market instruments, and which are, *inter alia*, transferable, liquid and have a value which can be accurately determined on each Valuation Day;

The total of investments referred to (a) and (b) may not under any circumstances exceed 10% of each Subfund's net assets.

The Fund and/or each Subfund:

(a) may acquire securities and real estate necessary for the exercise of its activity;

(b) may not acquire either precious metals or certificates representing them;

(c) is authorised to invest up to 10% of the net assets of each Subfund in the following certificates:

- certificates that have a precious metal as their underlying and that satisfy the requirements of Article 2 of Council Directive 2007/16/EC on transferable securities
- certificates that have a commodity or a commodities index as their underlying and that satisfy the requirements of Article 2 of Council Directive 2007/16/EC on transferable securities.

(d) may hold ancillary liquid assets.

## **(2) Risk diversification**

(A) In accordance with the principle of risk diversification, each Compartment is not permitted to invest more than 10% of its assets in transferable securities or money market instruments issued by a single issuer. The counterparty risk of the Fund in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution referred to in paragraph (1) (A) f), or 5% of its assets in the other cases.

In addition, the total value of the transferable securities and money market instruments held by a Subfund in the issuing bodies in each of which it invests more than 5% of its assets must not exceed 40% of the value of its assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in the first paragraph of (A), the Fund shall not combine, where this would lead to investing more than 20% of its assets in a single entity, any of the following

- investments in transferable securities or money market instruments issued by that single entity,
- deposits made with that single entity, or
- risks arising from OTC derivative transactions undertaken with that single entity.

(B) The following exceptions are possible:

(a) The aforementioned limit of 10% can be raised to a maximum of 25% for various debt securities issued by credit institutions whose registered office is situated in a Member State and is subject by law to special public supervision for the purpose of protecting the holders of such debt securities. In particular, the amounts originating from the issue of the bonds must be invested, in accordance with the 2010 Law, in assets that

adequately cover, for the entire duration of the validity of the bonds, the resulting liabilities and that benefit from preferential right in the payment of interest incurred in the event of default by the issuer. If the Fund invests more than 5% of its assets in these bonds issued by a single issuer, the total value of these investments may not exceed 80% of the assets of the corresponding Subfund.

(b) The aforementioned limit of 10% can be raised to a maximum of 35% for transferable securities or money market instruments issued or guaranteed by a Member State, by its local authorities, by a non-EU Member State or by public international bodies of which one or more Member States are members.

The transferable securities referred to in exceptions (a) and (b) shall not be taken into account for the purpose of applying the limit of 40% laid down above in the second paragraph of point (A).

The limits stated under (A) and (B), above, may not be aggregated and, accordingly, investments in transferable securities issued by a single issuer effected in accordance with (A) and (B), may not, in any case, exceed a total of 35% of the Subfund's assets.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single entity for the purpose of calculating the limits contained in this point 2).

The Fund may invest cumulatively up to 20% of its assets in the transferable securities or money market instruments of a single group.

**(C) In derogation of the provisions of points (A) and (B) above, where the Subfund has invested in accordance with the principle of risk spreading in transferable securities issued or guaranteed by a Member State, by its local authorities, by a Member State of the Organisation for Economic Cooperation and Development or by public international bodies of which one or more Member States of the European Union are members, the Subfund is authorised to invest up to 100% of its assets in such securities, provided that the Subfund holds securities from at least six different issues and securities from one issue do not account for more than 30% of its total assets.**

(D) Each Subfund may also subscribe for, acquire and/or hold shares issued or to be issued by one or more other Subfunds of the Fund subject to additional requirements which may be specified in Chapter 1, if:

- (i) the target Subfund does not, in turn, invest in the Subfund invested in this target Subfund; and
- (ii) no more than 10% of the assets of the target Subfunds whose acquisition is contemplated may be invested in aggregate in shares of other Subfunds of the Fund; and
- (iii) voting rights, if any, attaching to the relevant securities are suspended for as long as they are held by the Subfund concerned; and
- (iv) in any event, for as long as these securities are held by the relevant Subfund, their value will not be taken into consideration for the purposes of verifying the minimum threshold of the net assets imposed by the UCI Law; and
- (v) there is no duplication of management/subscription or redemption fees between those at the level of the Subfund having invested in the target Subfund, and this target Subfund.

### **(3) Specific Rules for Master / Feeder structures**

(A) A feeder sub-fund is a sub-fund of the Fund, which has been approved to invest, by way of derogation from article 2, paragraph (2), first indent of the 2010 Law, at least 85% of its assets in units of another UCITS or sub-fund thereof (hereafter referred to as the "**master UCITS**").

(B) A feeder sub-fund may hold up to 15% of its assets in one or more of the following:

- a) ancillary liquid assets in accordance point (1) last paragraph above;
- b) financial derivative instruments, which may be used only for hedging purposes, in accordance with point (1) paragraph (g) above and Article 42, paragraphs (2) and (3) of the 2010 Law;
- c) movable and immovable property which is essential for the direct pursuit of its business.

(C) For the purposes of compliance with Article 42, paragraph (3) of the 2010 Law, the feeder sub-fund shall calculate its global exposure related to financial derivative instruments by combining its own direct exposure under point (3) (B) b) above, with:

- a) either the master UCITS' actual exposure to financial derivative instruments in proportion to the feeder sub-fund's investment into the master UCITS;
- b) or the master UCITS' potential maximum global exposure to financial derivative instruments provided for in the master UCITS management regulations or instruments of incorporation in proportion to the feeder sub-fund's investment into the master UCITS.

(D) A master UCITS is a UCITS, or a sub-fund thereof, which:

- a) has, among its shareholders, at least one feeder UCITS;
- b) is not itself a feeder UCITS; and
- c) does not hold units of a feeder UCITS.

(E) If a master UCITS has at least two feeder UCITS as shareholders, article 2, paragraph (2), first indent and Article 3, second indent of the 2010 Law shall not apply.

#### **(4) Investment limits**

(A) The Fund may acquire the units of UCITS and/or other UCIs referred to in points (1) A) h) above provided that no more than 20% of its assets are invested in a single UCITS or other UCI.

For the purpose of this investment limit, each compartment of a UCI with multiple compartments, within the meaning of Article 181 of the 2010 Law, shall be considered to be a separate issuer, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties.

a) Investments made in units of UCIs other than UCITS may not exceed, in aggregate, 30% of the assets of a UCITS.

b) When a UCITS invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the same management company or by any other company to which the Management Company is linked by common management or control or by a direct or indirect holding of more than 10% of the capital or voting rights, that management company or other company may not charge either a management fee or subscription or redemption fees on account of the investment by the UCITS in the units of other UCITS and/or other UCIs.

(B) The Fund may not acquire shares carrying voting rights which would enable it to exercise significant influence over the management of the issuer.

(C) The Fund may not acquire more than 10% of the non-voting shares of the same issuer, more than 10% of the bonds issued by the same issuer or more than 10% of money market instruments issued by the same issuer or more than 25% of the units of UCITS and/or other UCI. The limits laid down in the second, third and fourth indents may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated. The limits under (B) and (C) may be waived for:

a) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities,

b) transferable securities and money market instruments issued or guaranteed by a non-Member State of the EU,

c) transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members.

d) shares held by the Fund in the capital of a company incorporated in a non EU Member State and investing its assets primarily in securities of issuers having their registered office in that State, if under the legislation of that State such a holding represents the only way in which the Fund can invest in the securities of the issuers of that State. This derogation only applies if the company has an investment policy complying with the points 2(A) and (B) and 3(A) to (B) mentioned above. If the limits stated in points 2(A), 2(B) and 3(A) mentioned above are exceeded, the limit under (G) shall apply mutatis mutandis.

e) Shares held by the Fund in the capital of a subsidiary carrying on the business of management, advice or marketing in the country where the subsidiary is established, in regard to the repurchase of units at the request of unitholders exclusively on its or their behalf.

(D) Each Subfund may not borrow more than 10% of its total net assets, and then only from banks and as a temporary measure. However, each Subfund may acquire foreign currency by means of a back-to-back loan. Each Subfund may not purchase securities while borrowings are outstanding in relation to it, except to fulfil prior commitments and/or exercise subscription rights. However, each Subfund can borrow up to 10% of its net assets to make possible the acquisition of real estate essential for the direct pursuit of its business. In this case, these borrowings and those referred to above (temporary borrowings) may not in any case in total exceed 15% of the Subfunds' net assets.

(E) The Fund may not grant credits or act as guarantor on behalf of third parties. This restriction does not prevent the Management Company from purchasing securities that are not fully paid up, nor to lend securities as described below. This restriction does not apply to margin calls on options transactions and other similar transactions made in conformity with established market practices.

(F) Each Subfund may not purchase any transferable securities or money market securities as hedges (unless the Subfund may obtain such short-term credit as may be necessary for the hedging of purchases and sales of transferable securities or money market securities) or make short sales of securities or maintain a short position. Deposits on other accounts in connection with options, forwards or OTC contracts, are, however, permitted within the limits provided for below.

The Board is authorised to introduce further investment limits at any time in the interests of the shareholders, provided these are necessary to ensure compliance with the laws and regulations of those countries in which the Fund's shares are offered and sold.

(G) If any of the above limits are exceeded for reasons beyond the control of the Fund and/or each Subfund or as a result of the exercise of subscription rights, the Fund and/or each Subfund may adopt, as a priority objective, sales transactions in order to rectify that situation, taking due account of the interests of the shareholders.

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#### **Financial techniques and instruments**

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Under the conditions and within the limits laid down by the CSSF, the Fund is also authorised to employ techniques and instruments relating to transferable securities and money market instruments provided that such techniques (the "techniques") and instruments are used for the purpose of efficient portfolio management. If these operations concern the use of derivative products, these conditions and limits shall conform to the provisions laid down by the 2010 Law. The use of these techniques and instruments must be in accordance with the best interests of the investors.

In no case may these operations result in the Fund departing from its investment objectives. Equally, the use of these techniques may not cause the risk level of the Subfund in question to increase significantly with regard to its original risk level (i.e. without the use of these techniques).

The risks inherent to the use of these techniques are essentially comparable to the risks associated with the use of derivatives (in particular, counterparty risk). For this reason, reference is made here to the information contained in the above section entitled "Risks connected with the use of derivatives". The Fund ensures that it or its appointed service providers will monitor and manage the risks incurred through the use of these techniques, particularly counterparty risk, as part of the risk management procedure. The monitoring of potential conflicts of interest arising from transactions with companies associated with the Fund is primarily carried out through reviewing contracts and corresponding processes on a regular basis.

The Fund also ensures that, at any time, it can cancel any contract entered into within the framework of the use of the techniques and instruments for the efficient management of the portfolio and that the securities and/or liquid funds to the respective counterparty can be reclaimed by the Fund. In addition, the liquid funds should include the interest incurred up to the time of being reclaimed.

Furthermore, the Fund ensures that, despite the use of these techniques and instruments, the investors' redemption applications can be processed at any time.

Within in the framework of the use of techniques and instruments for the efficient management of the portfolio the Fund may also lend securities in its portfolio to third parties ("securities lending") pursuant to the regulations applicable to undertakings for collective investment, and in particular Circular 08/356 of the CSSF. The Fund may lend the securities it holds in portfolio either directly or through a standard securities-lending

scheme organised by an authorised securities clearing house or through a lending system organised by a leading financial institution subject to prudential supervision regulations considered by the CSSF to be equivalent to those set forth in Community law and specialising in operations of this nature.

The provisions of the section entitled "Collateral Management" shall apply accordingly to the management of collateral that was left to the Fund within the scope of securities lending.

Service providers that provide services to the Fund in the field of securities lending have the right to receive a fee in return for their services that is in line with the market standards. The amount of this fee is reviewed and adapted, where appropriate, by an independent body on an annual basis. The recipients of these and other direct and indirect fees, the amounts of the respective fees, as well as the findings as to whether the fee recipients are associated with the Fund and/or Custodian Bank can be found in the respective annual or semi-annual report.

Furthermore, the Fund has drawn up internal framework agreements regarding securities lending. These framework agreements contain, among other things, the relevant definitions, the description of the principles and standards of the contractual management of the securities lending transaction, the quality of the collateral, the approved counterparties, the risk management, the fees to be paid to third parties and fees to be received by the Fund, as well as the information to be published in the annual and semi-annual reports.

During a lending transaction, the Fund must, as a rule, receive a guarantee, the value of which at the time the lending contract is entered into must be at least equal to 90% of the total value (including interest, dividends and any other rights) of the securities lent. The guarantee furnished must conform to financial guarantees as defined by supervision regulations and in particular Circular 08/356 of the CSSF.

The Fund may, for any Subfund, also engage in repurchase agreements or reverse repurchase agreements on an ancillary basis. These agreements involve the sale/purchase of transferable securities where agreements have been reached to buy back/sell back the sold/bought securities at a (higher) price and within a set time.

All transactions are subject to the following conditions:

- the Fund may not purchase or sell securities under a repurchase agreement unless the counterparty is a first-class financial institution specialising in this kind of transaction;
- as long as the repurchase agreement is valid, the Fund may not sell the securities bought before the right to repurchase the securities has been exercised or the repurchase period has expired;
- Securities that serve as the underlyings of derivative financial instruments, that are lent or that have been taken under terms of reverse repurchase agreements may not be sold under the terms of repurchase agreements.

### **General**

In the context of OTC financial derivative transactions and efficient portfolio management techniques, the Fund may receive collateral with a view to reduce its counterparty risk. This section sets out the collateral policy applied by the Fund in such case. All assets received by the Fund in the context of efficient portfolio management techniques shall be considered as collateral for the purpose of this section.

If the Fund enters into OTC transactions, it may be exposed to risks related to the creditworthiness of the OTC counterparties: when the Fund enters into futures contracts or options or uses other derivative techniques it is subject to the risk that an OTC counterparty may not meet (or cannot meet) its obligations under a specific or multiple contracts. Counterparty risk can be reduced by depositing a security (collateral) (see above).

### **Eligible Collateral**

Collateral received by the Fund may be used to reduce its counterparty risk exposure if it complies with the criteria set out in applicable laws, regulations and CSSF-Circulars issued from time to time notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability. In particular, collateral should comply with the following conditions:

- (i) Any collateral received other than cash should be of high quality, highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;
- (ii) It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- (iii) It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- (iv) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the respective Sub-Fund's Net Asset Value to any single issuer on an aggregate basis, taking into account all collateral received.
- (v) It should be capable of being fully enforced by the Fund at any time without reference to or approval from the counterparty.

Subject to the abovementioned conditions, collateral received by the Fund may consist of:

- (i) Cash and cash equivalents, including short-term bank certificates and money market instruments;
- (ii) Bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope;
- (iii) Shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent;
- (iv) Shares or units issued by UCITS investing mainly in bonds/shares mentioned in lit. (e) and (f) of section 1 of Chapter 5, "Investment Restrictions", below;
- (v) Bonds issued or guaranteed by first class issuers offering adequate liquidity;
- (vi) Shares admitted to or dealt in on a regulated market of a Member State of the EU or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.

The Fund will only accept such financial instruments as collateral that would allow it (after objective and appropriate valuation) to liquidate these within an appropriate time period. The Fund, or a service provider appointed by the Fund, must assess the collateral's value at least once a day. The collateral's value must be higher than the value of the position of the respective OTC counterparty. However, this value may fluctuate between two consecutive valuations. After each valuation, however, it is ensured (where appropriate, by requesting additional collateral) that the collateral is increased by the desired amount to meet the value of the respective OTC counterparty's position (mark-to-market). In order to adequately take into account the risks related to the collateral in question, the Fund determines whether the value of the collateral to be requested should be increased, or whether this value should be depreciated by an appropriate, conservatively measured amount (haircut). The larger the collateral's value may fluctuate, the higher the markdown. The markdown is highest for equities. Securities deposited as collateral may not have been issued by the corresponding OTC

counterparty or have a high correlation with this OTC counterparty. For this reason, shares from the finance sector are not accepted as collateral. Securities deposited as collateral are held by the Custodian Bank in favour of the Fund and may not be sold, invested or pledged by the Fund.

The Fund shall ensure that the collateral transferred to it is adequately diversified, particularly regarding geographic dispersal, diversification across different markets and diversification of the concentration risk. The latter is considered to be sufficiently diversified if securities and money market instruments held as collateral and issued by a single issuer do not exceed 20% of the Fund's net assets.

Collateral that is deposited in the form of cash may be invested by the Fund. Re-investments may only be made in: sight deposits or deposits at notice in accordance with Section II - point 13 (1) "Investment Instruments"; high-quality government bonds; repurchase transactions within the meaning of Section "Special techniques and instruments relating to transferable securities and money market instruments", provided that the counterparty to this transaction is a credit institute within the meaning of point Section II point 13 (1) "Investment Instruments" and the Fund has the right to cancel the transaction at any time and to request the back transfer of the amount invested (incl. accrued interest); short-term money-market instruments within the meaning of CESR Guidelines 10-049 regarding the definition of European money-market instruments. The restrictions listed in the previous paragraph also apply to the diversification of the concentration risk.

If the Fund owes a security pursuant to an applicable agreement, such security shall be held in custody by the Custodian Bank in favour of the Fund. Bankruptcy and insolvency events or other credit events with the Custodian Bank or within its sub-custodian/correspondent bank network may result in the rights of the Fund in connection with the security to be delayed or restricted in other ways. If the Fund is owed a security pursuant to an applicable agreement, then any such security is to be transferred to the OTC counterparty as agreed between the Fund and the OTC counterparty. Bankruptcy and insolvency events or other credit events with the OTC counterparty, the Custodian Bank or within its sub-custodian/correspondent bank network may result in the rights or recognition of the Fund in connection with the security to be delayed, restricted or even eliminated, which would go so far as to force the Fund to fulfil its obligations in the framework of the OTC transaction, in spite of any security that had previously been made available to cover any such obligation. The Board of Directors of the Fund shall decide on an internal framework agreement that determines the details of the above-mentioned requirements and values, particularly regarding the types of collateral accepted the amounts to be added to and subtracted from the respective collateral, as well as the investment policy for liquid funds that are deposited as collateral. This framework agreement is reviewed and adapted where appropriate by the Board on a regular basis.

By way of derogation from the above paragraph, the Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, one or more of its local authorities, a third country or a public international body to which one or more Member States belong. In this case the Fund should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of the net assets of the Fund. The Fund has decided to make use of the aforementioned derogation and to accept collateral for more than 20% of the net asset value of the respective Sub-Fund in form of transferable securities and money market instruments issued or guaranteed by a Member State or by their local public authorities or by supranational institutions to which one or more Member States belong.

#### **Level of Collateral**

The Fund will determine the required level of collateral for OTC financial derivatives transactions and efficient portfolio management techniques by reference to the applicable counterparty risk limits set out in this Prospectus and taking into account the nature and characteristics of transactions, the creditworthiness and identity of counterparties and prevailing market conditions.

#### **Haircut Policy**

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts which will be determined by the Fund for each asset class based on its haircut policy. The policy takes into account a variety of factors, depending on the nature of the collateral received, such as the issuer's credit standing, the maturity, currency, price volatility of the assets and, where applicable, the outcome of liquidity stress tests carried out by the Fund under normal and exceptional liquidity conditions. No haircut will generally be applied to cash collateral.

According to the Funds' haircut policy the following discounts will be made:

1. Eligible assets/ haircuts which apply to collateral for securities lending transactions are the following :

Asset classes eligible for collateral	Haircut (% deducted from the market value)
Government bonds Securities issued or guaranteed by a G10 member states	2%
Corporate bonds Fixed or variable income securities with an actual long term rating of at least A2 (Moody's) or A (S&P)	5%
Equities  Austria - ATX Belgium - BEL20 Canada - SPTSX60 Denmark - C20 Europe (EURO STOXX 50) - SX5E Finland (OMX Helsinki 25) - HEX25 France (CAC 40) - CAC Germany - DAX Japan (NIKKEI 225) – NKY Luxembourg - LUXX Netherlands – AEX New Zealand - NZX Top 10 Norway - OBX Stock Sweden (OMX Stockholm 30) - OMX Switzerland (Swiss Market, SPI Swiss Performance) - SPI/SMI United Kingdom (FTSE 100) - UKX United States (Dow Jones, S&P 500)	15%

2. Eligible Assets/haircuts applicable to collateral for OTC are the following:

Asset classes eligible for collateral	Minimum Haircut (% deducted from the market value)
Cash	0%
Shares	15%
Bonds, notes and Money market paper	From 2% to 10% depending on the maturity
Investment fund units	5%

#### **Reinvestment of Collateral**

The collateral received is not reinvested.