

UBS (CH) Institutional Fund 2

Investment fund under Swiss law with multiple sub-funds
(Umbrella funds) for qualified investors of the category "Other funds for traditional investments"
(exclusively for BVG-recognised Swiss pension schemes)

Fund contract with appendix

February 2017

Fund contract

I. Basis

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

1. A contractually based umbrella fund of the "Other funds for traditional investments" category (the "umbrella fund") has been established under the name of UBS (CH) Institutional Fund 2 in accordance with Art. 25 et seqq. in association with Art. 68 et seqq. in conjunction with Art. 92 et seqq. of the Swiss Collective Investment Schemes Act (CISA) of 23 June 2006, which is divided into the following sub-funds:
 - Equities Global Passive
 - Equities Global Passive II
 - Equities Global (ex Switzerland) Quantitative
 - Equities Global (ex Switzerland) Quantitative II
 - Equities International (ex Switzerland)
 - Equities Japan Passive II
 - Equities USA Passive
 - Equities USA Passive II
 - Equities Global Small Cap Passive II
 - Global Real Estate Securities
 - Global Real Estate Securities Passive II
2. Pursuant to Art. 10 para. 5 CISA, the Swiss Financial Market Supervisory Authority FINMA has agreed, at the request of the fund management company and with the approval of the custodian bank, that the fund management company is exempted from the regulations relating to the obligation to draw up a prospectus and to publish the Key Investor Information Document, the obligation to publish prices, and the obligation to publish a semi-annual report. In addition, instead of acquiring fund units against payments in cash, the fund management company may agree in individual cases to allow the investor to pay for fund units using permissible investments. Redemptions may also be carried out by returning permissible investments to investors instead of making payments in cash.
In place of the prospectus, the fund management company shall provide investors with supplementary details in the appendix to this fund contract regarding, in particular, the investment objective, any delegation of investment decisions, any exemption pursuant to Art. 31 para. 3 CISA and delegation of further duties of the fund management company, as well as regarding paying agents, distributors and the external auditors of the umbrella fund. The investor shall be entitled to obtain additional details and information on the sub-fund of the investment fund from the fund management company at any time.

3. UBS Fund Management (Switzerland) AG, Basel, is the fund management company.
4. UBS Switzerland AG, Zurich, is the custodian bank.
5. The asset manager for all sub-funds is UBS Asset Management, a business division of UBS AG, Basel and Zurich.

II. Rights and obligations of the contracting parties

§ 2 The fund contract

The legal relationship between the investors¹ on the one hand and the fund management company and the custodian bank on the other shall be governed by this fund contract and the applicable provisions of Swiss legislation concerning collective investment schemes.

§ 3 The fund management company

1. The fund management company shall manage the sub-funds at its own discretion and in its own name, but for the account of the investors. In particular, it shall make all decisions relating to the issuing of units, the investments and their valuation. It shall calculate the net asset values of the sub-funds, set the issue and redemption prices of units, and determine the distribution of income. The fund management company shall exercise all rights associated with the umbrella fund and the sub-funds.
2. The fund management company and its agents shall be subject to the duties of loyalty, due diligence and disclosure. They shall act independently and exclusively in the interests of investors. They shall take any organisational steps that may be required to ensure the proper conduct of business and shall ensure transparent accounting and the supply of appropriate information regarding the umbrella fund and the sub-funds. They shall disclose all fees and costs payable directly or indirectly by the investors and how said fees and costs have been used. They shall also provide investors with full, clear and accurate information about any compensation paid for distributing collective investments in the form of commission, brokerage fees and other monetary benefits.
3. The fund management company may delegate investment decisions and specific tasks for all or some of the sub-funds, provided that this is in the interests of efficient management. It shall only delegate responsibilities to individuals who are qualified to discharge their duties properly and shall ensure that such duties are discharged correctly with regard to both the instructions provided and monitoring and control. The fund management company may delegate investment decisions only to asset managers who are subject to a recognised supervisory regime. If foreign law requires an agreement on cooperation and the exchange of information with foreign supervisory authorities, the fund management company may delegate investment decisions to asset managers abroad only if such an agreement exists between FINMA and the relevant foreign supervisory authorities for the investment decisions concerned. The fund management company shall be liable for the actions of its agents as if they were its own actions.
4. The fund management company may, subject to the consent of the custodian bank, submit amendments to this fund contract to the supervisory authority for approval (see § 26).

¹ In the interests of readability, this document does not distinguish between genders. Any terms referring to persons shall denote both male and female persons.

5. The fund management company may merge individual sub-funds with other sub-funds or other investment funds pursuant to the provisions set down under § 24 and may liquidate individual sub-funds pursuant to the provisions set down under § 26.
6. The fund management company shall be entitled to receive the remuneration stipulated in §§ 18 and 19 in discharge of the liabilities it has incurred in the due performance of its tasks and reimbursement for expenses in meeting these liabilities.

§ 4 The custodian bank

1. The custodian bank is responsible for the safekeeping of the sub-funds' assets. It is further responsible for the issue and redemption of fund units and payments on behalf of the sub-funds.
2. The custodian bank and its agents shall act in good faith and have a duty to exercise due diligence and provide information. They shall act independently and exclusively in the interests of investors. They shall take any organisational steps that may be required to ensure the proper conduct of business and shall ensure transparent accounting and the supply of appropriate information regarding the umbrella fund and the sub-funds. They shall disclose all fees and costs payable directly or indirectly by the investors and how said fees and costs have been used. They shall also provide investors with full, clear and accurate information about any compensation paid for distributing collective investments in the form of commission, brokerage fees and other monetary benefits.
3. The custodian bank shall be responsible for managing the account and assets of the sub-fund, but may not access the fund's assets in its own right.
4. In the case of transactions that relate to the assets of the sub-funds, the custodian bank shall ensure that the countervalue is transferred to it within the customary periods. It shall inform the fund management company if the countervalue is not provided within the customary period and request that the counterparty replace the asset concerned where possible.
5. The custodian bank shall manage the required records and accounts in such a way that it can differentiate between the assets of the individual sub-funds held in safekeeping at all times.
The custodian bank shall verify that assets that cannot be deposited are the property of the fund management company and record the information accordingly.
6. The custodian bank may delegate responsibility for the safekeeping of the sub-funds' assets to third-party or collective depositaries in Switzerland or abroad, provided that this is in the interest of proper safekeeping. The custodian bank shall verify and monitor the third-party and collective depositaries to whom the task has been delegated to ensure that it:
 - a) has an appropriate business organisation, financial guarantees and the specialist qualifications required for the type and complexity of the assets with which it has been entrusted;
 - b) is subject to a regular external audit that ensures that the financial instruments are in its possession;
 - c) keeps the assets received from the custodian bank in safekeeping in such a way that they can be clearly identified at all times as belonging to the sub-fund's assets by means of regular reconciliation of holdings by the custodian bank;
 - d) adheres to the regulations applicable to the custodian bank as regards the performance of the tasks delegated to it and the avoidance of conflicts of interest.

The custodian bank shall be liable for losses caused by the agent unless it can demonstrate that due care was exercised in the selection, instruction and supervision of the agent. The prospectus contains information about the risks associated with delegating safekeeping duties to third-party and collective depositaries.

The custodian bank may only delegate the safekeeping of the fund's financial instruments to third-party or collective depositaries subject to regulatory supervision. This provision shall not apply in cases where assets have to be held in safekeeping at a location at which the transfer of the assets to third-party or collective depositaries subject to supervision is not possible, in particular in light of requirements imposed by law or the specific characteristics of the investment product. The investors shall be informed in the product documentation about the safekeeping of the assets by third-party or collective depositaries not subject to supervision.

7. The custodian bank shall ensure that the fund management company complies with the law and the fund contract. It shall check whether the calculation of net asset value, issue and redemption prices of units and investment decisions are being carried out in accordance with the law and the fund contract and whether the net income is appropriated as stipulated in the fund contract. The custodian bank shall not be responsible for any investment selection made by the fund management company within the scope of the investment guidelines.
8. The custodian bank shall be entitled to receive the remuneration stipulated in §§ 18 and 19 in discharge of the liabilities it has incurred in the due performance of its tasks and reimbursement for expenses in meeting these liabilities.
9. The custodian bank shall not be responsible for the safekeeping of assets of the target funds in which the sub-funds invest unless it has been assigned this task.

§ 5 Investors

- A.**
- **Equities Global Passive**
 - **Equities Global Passive II**
 - **Equities Global (ex Switzerland) Quantitative**
 - **Equities Global (ex Switzerland) Quantitative II**
 - **Equities International (ex Switzerland)**
 - **Equities USA Passive**
 - **Equities USA Passive II**
 - **Equities Global Small Cap Passive II**
 - **Global Real Estate Securities**
 - **Global Real Estate Securities Passive II**

1. The circle of approved qualified investors is limited to fiscally acknowledged Swiss pension institutions, which fulfill the requirements of the mutual agreement of November 25 / December 3, 2004 on the Switzerland - USA double taxation treaty of December 19, 1997 (DBA USA). The mutual agreement mentioned above is aimed at clarifying the conditions under which the acknowledged Swiss pension institutions can ensure full exemption from US withholding tax on dividends in accordance with Article 10 section 3 of the DBA USA. The fund management company plans to declare the sub-funds of the investment fund as a transparent investment instrument to the US tax authorities to allow for full withholding tax exemption in accordance with Article 10 section 3 of the DBA USA. The fund management company and custodian bank shall together ensure that investors meet the investor group requirements.

B. - Equities Japan Passive II

1. The circle of approved qualified investors is limited to fiscally acknowledged Swiss pension institutions, which fulfill the conditions of the correspondence of May 21, 2010 between the Swiss Federal Council and the Government of Japan on the Switzerland - Japan double taxation treaty of 07 September, 2012 (DBA Japan). The DBA Japan is aimed at clarifying the conditions under which the acknowledged Swiss pension institutions can ensure full exemption from Japanese withholding tax on dividends in accordance with Article 10 section 3 of the DBA Japan. The fund manage-

ment company plans to declare the sub-funds of the investment fund as a transparent investment instrument to the Japanese tax authorities to allow for full withholding tax exemption in accordance with Article 10 section 3 of the DBA Japan.

The fund management company and custodian bank shall together ensure that investors meet the investor group requirements.

2. Upon execution of the contract and remittance of a cash payment, the investors acquire a claim against the fund management company for an interest in the assets and income of the sub-fund in the umbrella fund. Instead of remitting a cash payment, the investor may request and make, subject to the agreement of the fund management company, a contribution in kind in accordance with § 17 prov. 7. This claim is evidenced in the form of units.
3. Investors are only entitled to an interest in the assets and income of the sub-fund in which they hold units. Any liabilities attributable to individual sub-funds shall be borne solely by the individual sub-fund concerned.
4. Investors are only obliged to remit payment for the units of the sub-fund to which they subscribe. They shall not be held personally liable in respect of the liabilities of the umbrella fund and/or sub-fund.
5. Investors may at any time request that the fund management company supply them with information regarding the basis on which the net asset value per unit is calculated. The fund management company shall also supply further information regarding specific transactions it has carried out, such as the exercise of membership and creditors' rights, risk management, or contributions and redemptions in kind, to any investor claiming an interest in such matters at any time. Investors shall be entitled to submit an application to the court having jurisdiction in the domicile of the fund management company for the external auditors, or another entity with appropriate expertise, to investigate and report on any facts or circumstances for which disclosure is required.
6. Investors shall be entitled to terminate the fund contract at any time and request payment in respect of units held in the corresponding sub-fund in cash. Instead of payment in cash, the investor may request and make, subject to the agreement of the fund management company, a contribution in kind in accordance with § 17 prov. 7.
7. Upon request, investors shall be obliged to provide the fund management company, the custodian bank and its agents with documentary proof that they meet/continue to meet the legal and contractual requirements necessary to be able to participate in the sub-fund or unit class. In addition, they are obliged to immediately notify the fund management company, the custodian bank and its agents if they no longer meet these requirements.
8. An investor's units must be compulsorily redeemed at the prevailing redemption price by the fund management company in collaboration with the custodian bank if:
 - a) this is required to safeguard the reputation of the financial centre, notably in relation to combating money laundering;
 - b) investors no longer meet the legal or contractual requirements for participation in a sub-fund.
9. In addition, an investor's units may be compulsorily redeemed at the prevailing redemption price by the fund management company in collaboration with the custodian bank if:
 - a) the investor's participation in a sub-fund may materially affect the economic interests of the other investors, particularly if this participation may result in tax disadvantages for the umbrella fund or a sub-fund in Switzerland or abroad;

- b) investors have acquired or hold units in breach of the provisions of domestic or foreign legislation or provisions of this fund contract or appendix applicable to them;
- c) the economic interests of investors are jeopardised, particularly in cases in which individual investors attempt to acquire benefits for their portfolio by systematically subscribing and immediately thereafter redeeming units, exploiting time differences between the setting of closing prices and the valuation of the sub-funds' assets (market timing).

§ 6 Units and unit classes

1. The fund management company may, subject to the approval of the custodian bank and the supervisory authority, create different unit classes, or merge or liquidate unit classes, for any sub-fund. All unit classes shall be entitled to a share in the undivided assets of the relevant sub-fund, which are not segregated. This share may vary due to class-specific costs charged or distributions made or on account of class-specific income, and the net asset value per unit may therefore vary from class to class within a sub-fund. Any class-specific costs charged shall be met by the aggregate assets of the sub-fund.
2. The creation, liquidation or merger of unit classes shall be announced in the official publication. Only mergers of unit classes shall be deemed to constitute an amendment to the fund contract pursuant to § 26.
3. The various unit classes of the sub-funds may, in particular, differ in terms of cost structure, reference currency, currency hedging, distribution or reinvestment of income, minimum investments and investor group.
Remuneration and costs shall only be charged to the specific unit class benefiting from a specific service. Remuneration and costs that cannot be unequivocally attributed to a particular unit class are charged to the individual unit classes in proportion to their share of the sub-fund's assets.
4. There are currently the following unit classes for all the sub-funds "I-A1", "I-A2", "I-A3", "I-B", "I-X", "I-P" and "U-X".

For the following sub-funds

- Equities Global Passive
- Equities Global Passive II
- Equities Global (ex Switzerland) Quantitative
- Equities Global (ex Switzerland) Quantitative II
- Equities International (ex Switzerland)
- Equities USA Passive
- Equities USA Passive II
- Equities Global Small Cap Passive II
- Global Real Estate Securities
- Global Real Estate Securities Passive II

the following unit classes are offered: "I-A1", "I-A2", "I-A3", "I-B", "I-X", "I-P" and "U-X".

For the sub-fund

- Equities Japan Passive II

the following unit classes are offered: "I-A1", "I-A2", "I-A3", "I-B", "I-X", and "U-X".

All unit classes are offered exclusively to qualified investors pursuant to Art. 10 CISA who have signed a written agreement with UBS or one of its authorised contractual partners for the purposes of investing in one or more of the sub-funds of this investment fund.

All unit classes are issued only in the form of registered shares.

The differences between the unit classes are as follows:

- a) "I-A1": The costs incurred for asset management, distribution and fund administration (including the fund management company, administrator and custodian bank) are charged to the sub-fund's assets via an administration commission. Unlike for unit classes "I-A2" and "I-A3", there is no minimum investment requirement for this unit class.
 - b) "I-A2": The costs incurred for asset management, distribution and fund administration (including the fund management company, administrator and custodian bank) are charged to the sub-fund's assets via an administration commission. Unlike for unit class "I-A1", there is a minimum investment requirement, which is noted in the appendix. The minimum investment is lower than it is for unit class "I-A3".
 - c) "I-A3": The costs incurred for asset management, distribution and fund administration (including the fund management company, administrator and custodian bank) are charged to the sub-fund's assets via an administration commission. Unlike for unit class "I-A1", there is a minimum investment requirement, which is noted in the appendix. The minimum investment is higher than it is for unit class "I-A2".
 - d) "I-B": The costs incurred for fund administration (including the fund management company, administrator and custodian bank) are charged to the sub-fund's assets via an administration commission. The costs incurred for asset management and distribution are charged to the investor under the written agreement mentioned above. This written agreement concluded with the investor covers only the costs for the services for asset management and distribution, but not those for fund administration, for which the assets of the sub-funds will be charged directly. There is no minimum investment requirement.
 - e) "I-X": The costs for asset management, distribution and fund administration (including the fund management company, administrator and custodian bank) are charged to investors under the written agreement mentioned above. This written agreement concluded with the investor covers the costs for the services of asset management and distribution, as well as those for fund administration. There is no minimum investment requirement.
 - f) "I-P": The costs incurred for asset management, distribution and fund administration (including the fund management company, administrator and custodian bank) are charged to the sub-fund's assets via an administration commission. There is no minimum investment requirement. The unit class also differs from all other unit classes in that there is a performance fee, which is mentioned in the table under prov. 1 of the appendix.
 - g) "U-X": The costs for asset management, distribution and fund administration (including the fund management company, administrator and custodian bank) are charged to investors under the written agreement mentioned above. This written agreement concluded with the investor covers the costs for the services of asset management and distribution, as well as those for fund administration. There is no minimum investment requirement.
The unit class also differs from all other unit classes through the higher initial subscription price, and it is available only to other collective investment schemes (regardless of their legal form) for the purpose of simplifying administration.
5. Units shall not take the form of actual certificates but shall exist exclusively as book entries and shall be held exclusively in a custody account with the custodian bank. The investor is not entitled to request the issue of a registered or bearer unit certificate.

6. The fund management company and the custodian bank are obliged to ask investors who no longer meet the requirements for investing in a unit class to redeem their units within 30 calendar days pursuant to §17, to transfer them to a person who does meet the stated requirements or to convert the units into another class of the respective sub-fund for which they do meet requirements. If investors fail to comply with this request, the fund management company, in collaboration with the custodian bank, must proceed with a forced conversion into another unit class within the respective sub-fund or, where this is not possible, forced redemption of the units in question in accordance with § 5 prov. 8.

III. Investment policy guidelines

A Investment principles

§ 7 Compliance with investment guidelines

1. In selecting the individual investments of the various sub-funds, the fund management company shall adhere to the principle of balanced risk diversification and observe the percentage limits defined below. These relate to the fund assets of the individual sub-funds at market values and must be observed at all times. The individual sub-funds must comply with the investment restrictions six months following the expiry of the subscription period (inception).
2. If the limits are exceeded due to changes in the market, the investments must be restored to the permitted level within a reasonable period of time, in due consideration of investors' interests. If the limits relating to derivatives pursuant to § 12 below are exceeded as a result of a change in the delta, this is to be rectified within three bank business days at the latest, in due consideration of investors' interests.

§ 8 Investment policy

1. Within the scope of each sub-fund's investment policy as specified in prov. 3, the fund management company may invest the individual sub-funds' assets in the following.
 - a) Securities, i.e. securities issued on a large scale and in uncertificated rights with a similar function (uncertified stock) that are listed on a stock exchange or traded on another regulated market open to the public and that embody an equity or a debt security right or the right to acquire such securities and uncertified stock via subscription or exchange, such as warrants;
Investments in securities from new issues shall be permitted only if they are intended for admission to a stock exchange or another regulated market open to the public under the terms of issue. If such investments have not been admitted to a stock exchange or another regulated market open to the public within one year of purchase, the securities shall be sold within one month or included under the restrictions set out in prov. 1 h).
 - b) Derivatives, if (i) they are based on underlying financial instruments in the form of securities as specified in a), derivatives as specified in b), units in collective investments as specified in c), d) and e), money market instruments as specified in f), or financial indices, interest rates, exchange rates, loans or currencies, and (ii) the underlying securities are permitted investments under the fund contract. Derivatives shall be traded either on a stock exchange or another regulated market open to the public, or OTC.
OTC transactions shall be permitted only if (i) the counterparty is a financial intermediary specialising in this type of transaction and subject to supervision, and (ii) the OTC derivatives are tradable daily or may be submitted to the issuers for re-

demption at any time. In addition, they must be capable of reliable and transparent valuation. The use of derivatives shall be subject to the provisions of § 12.

- c) Units of other collective investments (target funds) if (i) their documentation restricts investments in other target funds to a maximum of 10%; (ii) the same provisions apply for these target funds as for securities funds with regard to purpose, organisation, investment policy, investor protection, risk diversification, separate custody of fund assets, borrowing, lending, short selling of securities and money market instruments, issue and redemption of units and content of semi-annual and annual reports and (iii) these target funds have been approved as collective investments in the country of domicile, investors enjoy equivalent regulatory protection in that country to that in Switzerland and international official assistance is granted.
- d) Units of other collective investments (with the same level of supervision) that are of, or correspond to, the category "Other funds for traditional investments".
- e) Units of other collective investments (with the same level of supervision) that are of, or correspond to, the category "Real estate funds".
- f) Structured products, if (i) they are based on underlying financial instruments in the form of securities as specified in a), derivatives as specified in b), structured products as specified in f), units in collective investments as specified in d), money market instruments as specified in g), or financial indices, interest rates, exchange rates, loans or currencies, and (ii) the underlying securities are permitted investments under the fund contract. Structured products shall be traded either on a stock exchange or another regulated market open to the public, or OTC. OTC transactions shall be permitted only if (i) the counterparty is a financial intermediary specialising in this type of transaction and subject to supervision, and (ii) the OTC products are tradable daily or may be submitted to the issuers for redemption at any time. In addition, they must be capable of reliable and transparent valuation. The use of derivatives shall be subject to the provisions of § 12.
- g) Money market instruments that are fungible and marketable and that are listed on a stock exchange or traded on another regulated market open to the public; money market instruments that are not traded on a stock exchange or other regulated market open to the public may only be acquired provided that the issue or issuer is subject to the provisions governing creditor and investor protection and the money market instruments are issued or guaranteed by issuers pursuant to Art. 74 para. 2 of the Swiss Collective Investment Schemes Ordinance (CISO).
- h) Sight or time deposits with a maturity not exceeding twelve months with banks domiciled in Switzerland or in a member state of the European Union or in another country, provided that the bank in such country is subject to supervision equivalent to that in Switzerland.
- i) Investments other than the investments specified in a) to g) above not exceeding 10% of the individual sub-fund's assets in aggregate. The following are not permitted: (i) investments in precious metals, precious metal certificates, commodities and commodities certificates and (ii) genuine short selling in investments of all types set out in a) to f) above.

I. UBS (CH) Institutional Fund 2 – Equities Global Passive

- 2. a) After deducting liquid assets, the fund management company shall invest at least two thirds of the sub-fund's assets in:
 - aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies worldwide;

- ab) units in other collective investments within the meaning of prov. 1 c) and d) that according to their documentation invest their assets in accordance with the guidelines of this sub-fund or parts thereof;
- ac) derivatives (including warrants) on the investments mentioned above;
- ad) structured products denominated in a freely convertible currency such as certificates from issuers worldwide on the above investments.

For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in equity-based investments (no convertible bonds or warrant issues).

- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:
 - bonds, convertible bonds, convertible notes, warrant issues and notes denominated in freely convertible currencies as well as other fixed-income or floating-rate debt paper and rights issued by private borrowers and borrowers under public law (domestic and foreign issuers);
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;
 - units in other collective investments within the meaning of prov. 1 c) and d) that do not meet the requirements as stated in prov. 3 ab);
 - bank deposits.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the sub-fund's assets following the deduction of liquid assets:
 - no more than 100% in other collective investments.

II. UBS (CH) Institutional Fund 2 – Equities Global Passive II

- 2. a) After deducting liquid assets, the fund management company shall invest at least two thirds of the sub-fund's assets in:
 - aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies worldwide;
 - ab) units in other collective investments within the meaning of prov. 1 c) and d) that according to their documentation invest their assets in accordance with the guidelines of this sub-fund or parts thereof;
 - ac) derivatives (including warrants) on the investments mentioned above;
 - ad) structured products denominated in a freely convertible currency such as certificates from issuers worldwide on the above investments.

For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in equity-based investments (no convertible bonds or warrant issues).
- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:
 - bonds, convertible bonds, convertible notes, warrant issues and notes denominated in freely convertible currencies as well as other fixed-income or floating-rate debt paper and rights issued by private borrowers and borrowers under public law (domestic and foreign issuers);
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;

- units in other collective investments within the meaning of prov. 1 c) and d) that do not meet the requirements as stated in prov. 3 ab);
 - bank deposits.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the sub-fund's assets following the deduction of liquid assets:
- no more than 100% in other collective investments;
 - securities lending: the sub-fund may not engage in securities lending.

III. UBS (CH) Institutional Fund 2 – Equities Global (ex Switzerland) Quantitative

2. a) After deducting liquid assets, the fund management company shall invest at least two thirds of the sub-fund's assets in:
- aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies worldwide, with the exception of Switzerland;
 - ab) units in other collective investments within the meaning of prov. 1 c) and d) that according to their documentation invest their assets in accordance with the guidelines of this sub-fund or parts thereof;
 - ac) derivatives (including warrants) on the investments mentioned above;
 - ad) structured products denominated in freely convertible currencies such as certificates from issuers worldwide on the above investments.
- For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in the investments pursuant to aa) above.
- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:
- equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies that do not meet the requirements set out in prov. 3 aa);
 - bonds, convertible bonds, convertible notes, warrant issues and notes denominated in freely convertible currencies as well as other fixed-income or floating-rate debt paper and rights issued by private borrowers and borrowers under public law (domestic and foreign issuers);
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;
 - units in other collective investments within the meaning of prov. 1 c) and d) that do not meet the requirements as stated in prov. 3 ab);
 - bank deposits.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the sub-fund's assets following the deduction of liquid assets:
- no more than 10% in other collective investments.

IV. UBS (CH) Institutional Fund 2 – Equities Global (ex Switzerland) Quantitative II

3. a) After deducting liquid assets, the fund management company shall invest at least two thirds of the sub-fund's assets in:
- aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies worldwide, with the exception of Switzerland;

- ab) units in other collective investments within the meaning of prov. 1 c) and d) that according to their documentation invest their assets in accordance with the guidelines of this sub-fund or parts thereof;
 - ac) derivatives (including warrants) on the investments mentioned above;
 - ad) structured products denominated in freely convertible currencies such as certificates issued by domestic and foreign borrowers on the above investments.
- For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in the investments pursuant to aa) above.
- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:
 - equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies that do not meet the requirements set out in prov. 3 aa);
 - convertible bonds, convertible notes and warrant issues denominated in freely convertible currencies and issued by domestic and foreign borrowers;
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;
 - units in other collective investments within the meaning of prov. 1 c) and d) that do not meet the requirements as stated in prov. 3 ab);
 - sight and time deposits at banks.
 - c) In addition, the fund management company must comply with the investment restrictions below, which relate to the sub-fund's assets following the deduction of liquid assets:
 - no more than 10% in other collective investments;
 - securities lending: the sub-fund may not engage in securities lending.

V. UBS (CH) Institutional Fund 2 – Equities International (ex Switzerland)

- 2. a) After deducting liquid assets, the fund management company shall invest at least two thirds of the sub-fund's assets in:
 - aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies worldwide, with the exception of Switzerland, and included in the benchmark as well as those not included in the benchmark but for which, based on their earnings, there is a strong likelihood that they will be included in the benchmark at its next adjustment;
 - ab) units in other collective investments within the meaning of prov. 1 c) and d) that according to their documentation invest their assets in accordance with the guidelines of this sub-fund or parts thereof;
 - ac) derivatives (including warrants) on the investments mentioned above;
 - ad) structured products denominated in freely convertible currencies, such as certificates, that are based on the benchmark or parts thereof.

For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in the investments pursuant to aa) above.
- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:

- equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies that do not meet the requirements set out in prov. 3 aa);
 - bonds, convertible bonds, convertible notes, warrant issues and notes denominated in freely convertible currencies as well as other fixed-income or floating-rate debt paper and rights issued by private borrowers and borrowers under public law (domestic and foreign issuers);
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;
 - units in other collective investments within the meaning of prov. 1 c) and d) that do not meet the requirements as stated in prov. 3 ab);
 - bank deposits.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the sub-fund's assets following the deduction of liquid assets:
- no more than 100% in other collective investments.

VI. UBS (CH) Institutional Fund 2 – Equities Japan Passive II

2. a) The fund management company shall invest, after deducting liquid assets, at least 90% of the assets of the sub-fund in:
- aa) Equity securities and participation rights (shares, dividend-right certificates, shares in cooperatives, participation certificates or similar) of companies which have their registered office in Japan or conduct the majority of their business activity in Japan and which are included in the reference index, as well as those which are not included in the reference index, but are in all likelihood expected to be registered on the reference index during the next adjustment based on their earnings development;
 - ab) Shares in other collective capital investments in accordance with paragraph 1 letters c and d, which in accordance with their documents invest their assets according to the guidelines of this sub-fund or parts thereof;
 - ac) Derivatives (including warrants) on the investments mentioned above.
- In the case of investments in other collective capital investments in accordance with letter ab above, the fund management company ensures that at least 90% of the sub-fund is invested in assets according to letter aa above.
- b) The fund management company additionally can, after deducting liquid assets, invest at least 10% of the assets of the sub-fund in:
- ba) Equity securities and participation rights (shares, dividend-right certificates, shares in cooperatives, participation certificates or similar) of companies which do not satisfy the requirements mentioned in Section 2 letter aa.
 - bb) bonds, convertible bonds, convertible notes, option bonds and notes, as well as other fixed or variable rate debt instruments and securities denominated in freely convertible currencies of public-sector, public-private or private borrowers of domestic and foreign issuers;
 - bc) money market instruments of domestic and foreign issuers denominated in freely convertible currencies;
 - bd) Derivatives (including warrants) on the investments mentioned above.
 - be) Shares in other collective capital investments in accordance with Section 1 letters c and d, which do not satisfy the requirements mentioned in Section 2 letter ab above and the assets of which are prevalingly invested in one of the assets mentioned in letters ba and bc;
 - bf) Bank deposits.

- c) In addition, the fund management company is to comply with the following investment restrictions, which refer to the assets of the sub-fund after deduction of liquid assets:
 - other collective capital investments up to a maximum of 10%;
 - Securities Lending: The sub-fund may not conduct any securities lending;
 - Repurchase agreements: The sub-fund may not conduct any repurchase agreements

VII. UBS (CH) Institutional Fund 2 – Equities USA Passive

- 2. a) After deducting liquid assets, the fund management company shall invest at least two thirds of the sub-fund's assets in:
 - aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies that have their registered office in the US, that, as holding companies, mainly invest in companies that have their registered office in the US, or that have their principal business activity in the US;
 - ab) units in other collective investments within the meaning of prov. 1 c) and d) that according to their documentation invest their assets in accordance with the guidelines of this sub-fund or parts thereof;
 - ac) derivatives (including warrants) on the investments mentioned above;
 - ad) structured products denominated in freely convertible currencies such as certificates from issuers worldwide on the above investments.

For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in the investments pursuant to aa) above.
- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:
 - equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) that, with respect to the registered office, principal interest or principal business activity, do not sufficiently meet the requirements noted above;
 - bonds, convertible bonds, convertible notes, warrant issues and notes denominated in freely convertible currencies as well as other fixed-income or floating-rate debt paper and rights issued by private borrowers and borrowers under public law (domestic and foreign issuers);
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;
 - units in other collective investments within the meaning of prov. 1 c) and d) that do not meet the requirements as stated in prov. 3 ab);
 - bank deposits.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the sub-fund's assets following the deduction of liquid assets:
 - no more than 49% in other collective investments.

VIII. UBS (CH) Institutional Fund 2 – Equities USA Passive II

- 2. a) After deducting liquid assets, the fund management company shall invest at least two thirds of the sub-fund's assets in:
 - aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies that

have their registered office in the US, that, as holding companies, mainly invest in companies that have their registered office in the US, or that have their principal business activity in the US;

- ab) units in other collective investments within the meaning of § 8 prov. 1 c) and d) that according to their documentation invest their assets in accordance with the guidelines of this sub-fund or parts thereof;
- ac) derivatives (including warrants) on the investments mentioned above;
- ad) structured products denominated in freely convertible currencies such as certificates from issuers worldwide on the above investments.

For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in the investments pursuant to aa) above.

- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:
 - equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) that, with respect to the registered office, principal interest or principal business activity, do not sufficiently meet the requirements noted above;
 - bonds, convertible bonds, convertible notes, warrant issues and notes denominated in freely convertible currencies as well as other fixed-income or floating-rate debt paper and rights issued by private borrowers and borrowers under public law (domestic and foreign issuers);
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;
 - units in other collective investments within the meaning of prov. 1 c) and d) that do not meet the requirements as stated in prov. 3 ab);
 - bank deposits.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the sub-fund's assets following the deduction of liquid assets:
 - no more than 49% in other collective investments;
 - securities lending: the sub-fund may not engage in securities lending.

IX. UBS (CH) Institutional Fund 2 – Equities Global Small Cap Passive II

- 2. a) After deducting liquid assets, the fund management company shall invest at least two thirds of the sub-fund's assets in:
 - aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies worldwide that are included in the benchmark;
 - ab) units in other collective investments within the meaning of prov. 1 c) and d) that according to their documentation invest their assets in accordance with the guidelines of this sub-fund or parts thereof;
 - ac) derivatives (including warrants) on the investments mentioned above;
 - ad) structured products denominated in freely convertible currencies such as certificates from issuers worldwide on the above investments.
- For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in the investments pursuant to aa) above.

- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:
 - equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) that do not meet the requirements set out in prov. 3 aa);
 - bonds, convertible bonds, convertible notes, warrant issues and notes denominated in freely convertible currencies as well as other fixed-income or floating-rate debt paper and rights issued by private borrowers and borrowers under public law (domestic and foreign issuers);
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;
 - units in other collective investments within the meaning of prov. 1 c) to d) that do not meet the requirements as stated in prov. 3 ab);
 - bank deposits.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the sub-fund's assets following the deduction of liquid assets:
 - no more than 10% in other collective investments.
 - securities lending: the sub-fund may not engage in securities lending.

X. UBS (CH) Institutional Fund 2 – Global Real Estate Securities

- 2. a) After deducting liquid assets, the fund management company shall invest at least two thirds of the sub-fund's assets in:
 - aa) securities of companies, the main activity of which is in the buying, selling, acquisition, development, use and management of properties and real estate, or companies that own or manage holdings in properties and real estate for the purpose of securing most of their income. These include listed, closed-end real estate investment funds such as real estate investment trusts (REITs) as well as other similar real estate management companies;
 - ab) Units in other collective investments within the meaning of prov. 1 e) that according to their documentation invest their assets in accordance with the guidelines of this sub-fund or parts thereof;
 - ac) derivatives (including warrants) on the investments mentioned above;
 - ad) structured products denominated in freely convertible currencies such as certificates from issuers worldwide on the above investments.

For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in the investments pursuant to aa) above.
- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:
 - equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) worldwide.
 - bonds, convertible bonds, convertible notes, warrant issues and notes denominated in freely convertible currencies as well as other fixed-income or floating-rate debt paper and rights issued by private borrowers and borrowers under public law (domestic and foreign issuers);
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;
 - units in other collective investments as defined under prov. 1 c) and d);

- bank deposits.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the sub-fund's assets following the deduction of liquid assets:
 - no more than 49% in other collective investments.

XI. UBS (CH) Institutional Fund 2 – Global Real Estate Securities Passive II

2. a) After deducting liquid assets, the fund management company invests at least two thirds of the sub-fund's assets in:
 - aa) equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies worldwide. In addition, the companies in which investments are made must operate primarily in the real estate sector. These include listed, closed-end real estate investment funds such as real estate investment trusts (REITs) as well as other similar real estate management companies;
 - ab) units in other collective investments within the meaning of § 8 prov. 1 c), d) and e) that according to their documentation invest their assets in accordance with the guidelines of this investment fund or parts thereof;
 - ac) derivatives (including warrants) on the investments mentioned above;
 - ad) structured products denominated in freely convertible currencies such as certificates from issuers worldwide on the above investments.

For investments in other collective investments pursuant to ab) above and in structured products pursuant to ad) above, the fund management company ensures that on a consolidated basis at least two thirds of the sub-fund's assets are invested in the investments pursuant to aa) above.
- b) Subject to c), the fund management company may also invest up to one third of the sub-fund's assets, after deducting liquid assets, in:
 - equity paper and rights (shares, dividend-right certificates, cooperative shares, participation certificates and similar instruments) issued by companies that do not meet the requirements set out in prov. 3 aa);
 - bonds, convertible bonds, convertible notes, warrant issues and notes denominated in freely convertible currencies as well as other fixed-income or floating-rate debt paper and rights issued by domestic and foreign borrowers;
 - money market instruments issued by domestic and foreign borrowers in freely convertible currencies;
 - derivatives (including warrants) on the investments mentioned above;
 - units in other collective investments within the meaning of § 8 prov. 1 c) and d) that do not meet the requirements as stated in prov. 3 ab);
 - bank deposits.
- c) In addition, the fund management company must comply with the investment restrictions below, which relate to the fund assets following the deduction of liquid assets:
 - no more than 30% in other collective investments.
 - securities lending: the sub-fund may not engage in securities lending.

§ 9 Liquid assets

For each sub-fund, the fund management company may also hold liquid assets in an appropriate amount in the sub-fund's accounting currency and in any other currency in which investments are permitted for that particular sub-fund. Liquid assets comprise bank deposits and claims from securities repurchase agreements on demand or with a maturity of up to twelve months.

B Investment techniques and instruments

§ 10 Securities lending

1. The fund management company may lend for the account of all sub-funds (with the exception of those sub-funds where securities lending is expressly prohibited pursuant to § 8 prov. 3 c) all types of securities (securities lending) that are listed on a stock exchange or traded on another regulated market open to the public. However, securities that have been acquired under a reverse repo transaction may not be lent.
2. The fund management company may lend securities in its own name and for its own account to a borrower ("principal"), or appoint an intermediary to put the securities at the disposal of the borrower either indirectly on a fiduciary basis ("agent") or directly ("finder").
3. The fund management company shall carry out securities lending transactions exclusively with first-class borrowers or intermediaries that specialise in transactions of this type, such as banks, brokers and insurance companies, as well as with recognised central counterparties and collective depositaries that can guarantee the proper execution of the security lending transactions.
4. If the fund management company is required to observe a notice period, which may not exceed seven bank business days, before it may again have legal control of the securities lent, it may not lend more than 50% of a particular security eligible for lending for each sub-fund. However, should the borrower or the intermediary provide the fund management company with a contractual assurance that the latter may have legal control of loaned securities on the same or next bank business day, the fund management company may lend its entire holdings of a particular type of security eligible for lending.
5. The fund management company shall conclude an agreement with the borrower or intermediary whereby the latter shall pledge or transfer collateral in order to secure the restitution of securities in favour of the fund management company in accordance with Art. 51 CISO-FINMA. The value of the collateral must be adequate and at all times equal to at least 105% of the market value of the securities lent. The collateral issuer must have a high credit rating and the collateral may not be issued by the counterparty or by any company belonging to or dependent on the corporate group of the counterparty. The collateral must be highly liquid, it must be traded at a transparent price on a stock exchange or other regulated market open to the public, and it must be subject to valuation at least on each trading day. In managing the collateral, the fund management company and its agents must satisfy the obligations and requirements listed under Art. 52 CISO-FINMA. In particular, they must adequately diversify collateral in terms of countries, markets and issuers, with the adequate diversification of issuers meaning that the collateral held from any one issuer may not exceed 20% of the net asset value. This does not affect exceptions for assets that are publicly guaranteed or issued in accordance with Art. 83 CISO. In addition, in the event of default by the counterparty, the fund management company and its agents must be able to obtain the power and authority of disposal over the furnished collateral at all times and without the counterparty's involvement or consent. The furnished collateral is to be held in safekeeping by the custodian bank. The furnished collateral may be held in safekeeping on behalf of the fund management company by a supervised third-party custodian, provided ownership of the collateral is not transferred and the third-party custodian is independent of the counterparty.
6. The borrower or intermediary is liable for ensuring the prompt, unconditional payment of any income accruing during the securities lending period, as well as for the assertion of other proprietary rights, and for the contractually agreed return of securities of the same type, quantity and quality.

7. The custodian bank shall ensure that the securities lending transactions are settled in a secure manner, in line with the agreements, and, in particular, monitors compliance with the requirements relating to collateral. In addition, it shall carry out the administrative duties assigned to it under the safe-custody regulations during the term of the lending transaction and asserts all rights associated with the lent securities, unless such duties have been ceded under the terms of the applicable framework agreement.

§ 11 Securities repurchase agreements

1. The fund management company may enter into securities repurchase agreements ("repos") for the sub-fund's account. Securities repurchase agreements may be concluded as either repos or reverse repos.
A repo is a legal transaction in which one party (borrower) temporarily transfers ownership of securities in return for payment to another party (lender); the borrower undertakes to reimburse securities of the same type, quantity and quality, as well any income accrued throughout the course of the repurchase agreement, to the lender upon maturity. During the term of the repurchase agreement, the price risk associated with the securities is borne by the borrower.
From the perspective of the counterparty (lender), a repo is a reverse repo. By means of a reverse repo, the fund management company acquires securities for investment purposes and at the same time agrees to return securities of the same type, quantity and quality, as well as all income received during the term of the reverse repurchase agreement.
2. The fund management company may conclude repurchase agreements in its own name and for its own account with a counterparty ("principal"), or may appoint an intermediary to conclude repurchase agreements with a counterparty either indirectly on a fiduciary basis ("agent") or directly ("finder").
3. The fund management company shall conclude repo transactions only with first-class, supervised counterparties and intermediaries specialising in transactions of this type, such as banks, brokers and insurance companies, as well as approved, recognised central counterparties and collective depositaries that can ensure the proper execution of the repo transactions.
4. The custodian bank ensures that the repurchase transactions are settled in a secure manner and in line with the agreements. It ensures on a daily basis that fluctuations in the value of the securities used in repo transactions are compensated for in cash or securities (marked to market). In addition, during the term of the repurchase transaction it carries out the administrative duties assigned to it under the safe-custody regulations, and asserts all rights associated with the securities used in the repo transaction, unless such duties have been ceded under the applicable framework agreement.
5. For repo transactions, the fund management company may use all types of securities that are listed on a stock exchange or are traded on another regulated market open to the public. It may not use securities acquired under a reverse repo for repo purposes.
6. If the fund management company is required to observe a notice period, which may not exceed seven bank business days, before it may once again have legal control of the securities under the repurchase agreement, it may not use more than 50% of its holdings of a particular security eligible for repo transactions for each sub-fund. However, if the counterparty or intermediary provides a contractual guarantee to the fund management company that the latter may again have legal control of the secu-

- rities under the repurchase agreement on the same or next bank business day, then the entire holding of a particular security eligible for repo transactions may be used.
7. Repurchase transactions in the form of repos are deemed to be borrowing pursuant to § 13, unless the money received is used to acquire securities of the same type, quality, credit rating, and maturity in conjunction with the conclusion of a reverse repo.
 8. As part of a reverse repo, the fund management company may acquire only collateral that meets the requirements set down in Art. 51 CISO-FINMA. The collateral issuer must have a high credit rating and the collateral may not be issued by the counterparty or by any company belonging to or dependent on the corporate group of the counterparty. The collateral must be highly liquid, it must be traded at a transparent price on a stock exchange or another regulated market open to the public, and it must be subject to valuation at least on each trading day. In managing the collateral, the fund management company and its agents must satisfy the obligations and requirements listed under Art. 52 CISO-FINMA. In particular, they must adequately diversify collateral in terms of countries, markets and issuers, with the adequate diversification of issuers meaning that the collateral held from any one issuer may not exceed 20% of the net asset value. This does not affect exceptions for assets that are publicly guaranteed or issued in accordance with Art. 83 CISO. In addition, in the event of default by the counterparty, the fund management company and its agents must be able to obtain the power and authority of disposal over the furnished collateral at all times and without the counterparty's involvement or consent. The furnished collateral is to be held in safekeeping by the custodian bank. The furnished collateral may be held in safekeeping on behalf of the fund management company by a supervised third-party custodian, provided ownership of the collateral is not transferred and the third-party custodian is independent of the counterparty.
 9. Claims in connection with reverse repos are deemed to be liquid assets pursuant to § 9, and are not deemed to constitute the granting of a loan pursuant to § 13.

§ 12 Derivatives

A. Commitment approach I

Section A is applicable to the following sub-funds:

- Equities USA Passive
 - Equities USA Passive II
 - Equities Global Passive
 - Equities Global Passive II
 - Equities Japan Passive II
 - Global Real Estate Securities Passive II
 - Equities Global Small Cap Passive II
1. The fund management company may make use of derivatives. It shall ensure that, even in exceptional market conditions, the financial effect of using derivatives does not result in a deviation from the investment objectives set out in the present fund contract and in the prospectus, and that it does not change the investment character of the sub-funds. In addition, the securities underlying the derivatives must be permitted investments under this fund contract for the relevant sub-fund.
In connection with collective investment schemes, derivatives may be used only for currency hedging purposes, with the exception of the hedging of market, interest rate and credit risks in the case of collective investment schemes for which the risks can be determined and measured unequivocally.
 2. Commitment approach I shall be used to measure risk. Taking into account the necessary coverage set out in this paragraph, the use of derivatives does not result in a leverage effect on the fund assets, neither does it correspond to short selling.

- The provisions stipulated in this paragraph shall apply to the individual sub-funds.
3. Only basic forms of derivatives may be used. These include:
 - a) call or put options, the expiration value of which is linearly dependent on the positive or negative difference between the market value of the underlying and the strike price, and is zero if the difference is preceded by the opposite sign;
 - b) credit default swaps (CDSs);
 - c) swaps with non-path-dependent payoffs that have a linear dependence on the value of the underlying or an absolute value;
 - d) futures and forwards, the value of which has a linear dependence on the value of the underlying.
 4. The financial effect of the use of derivatives is similar to that of a sale (exposure-reducing derivative) or a purchase (exposure-increasing derivative) of an underlying.
 5.
 - a) In the case of derivatives that reduce exposure, the commitments entered into shall be covered by the securities underlying the derivatives at all times subject to b) and d);
 - b) In the case of derivatives that reduce exposure, assets other than the underlying securities may be used for cover if they are in an index that
 - is calculated by an external, independent body;
 - is representative of the investments used as cover;
 - is correlated sufficiently with these assets.
 - c) The fund management company must have unrestricted access to these underlying securities or assets at all times.
 - d) A delta weighting may be used for an exposure-reducing derivative to calculate the relevant underlying securities.
 6. In the case of exposure-increasing derivatives, the underlying equivalent of a derivative position must be covered at all times by near-money assets pursuant to Art. 34 para. 5 CISO-FINMA. In the case of futures, options, swaps, and forwards, the underlying equivalent is determined in accordance with appendix 1 of CISO-FINMA.
 7. The fund management company shall comply with the following rules when netting derivative positions:
 - a) Counter positions in derivatives based on the same underlying as well as counter positions in derivatives and in investments in the same underlying may be netted, irrespective of the maturity date of the derivatives, provided that the derivative transaction was concluded with the sole purpose of eliminating the risks associated with the derivatives or investments acquired, no material risks are disregarded in the process, and the conversion amount of the derivatives is determined pursuant to Art. 35 CISO-FINMA.
 - b) If the derivatives in hedging transactions do not relate to the same underlying as the asset to be hedged, in addition to the rules under a), the requirement that the derivative transactions may not be based on an investment strategy that serves the purpose of the appropriation of income must also be fulfilled. The derivative must also lead to a proven reduction in the risk, the risks associated with the derivative must be offset, the derivatives, underlying instruments or assets to be offset must relate to the same category of financial instruments and the hedging policy must also be effective even under extraordinary market conditions.
 - c) Derivatives that are used purely to hedge foreign currency risks and do not lead to a leverage effect or involve additional market risks can be offset without the requirements under b) in the calculation of the total derivatives exposure.
 - d) Covered hedging transactions by interest rate derivatives are permitted. Convertible bonds do not have to be taken into account when calculating the overall exposure to derivatives.

8. The fund management company may use both standardised and non-standardised derivatives. It may conclude transactions in derivative financial instruments on a stock exchange or another regulated market open to the public, or OTC (over-the-counter).
9.
 - a) The fund management company may engage in OTC transactions only with financial intermediaries subject to supervision that specialise in these transactions and can ensure proper execution. If the counterparty is not the custodian bank, the counterparty or its guarantor must have a high credit rating.
 - b) An OTC derivative must be subject to reliable and verifiable valuation on a daily basis and it must be possible to sell, liquidate or close out the derivative with an opposite transaction at market value at any time.
 - c) If no market price is available for an OTC derivative, it must be possible to determine the price at any time based on the market value of the underlying securities from which the derivative was derived, using an appropriate valuation model that is recognised in practice. Before concluding a contract for derivatives of this type, specific offers must be obtained from at least two counterparties, whereby the contract must be concluded with the counterparty offering the most favourable price. Deviations from this rule shall be permitted in order to diversify risk or if other contractual components, such as credit quality or the service offering of the counterparty, make the overall offer of the counterparty appear more favourable to the investor. In addition, the requirement to obtain offers from at least two potential counterparties may be waived in exceptional cases if this is in the best interests of the investors. The reasons for this as well as the conclusion of the contract and the setting of the prices must be clearly documented.
 - d) In the context of OTC transactions, the fund management company and its agents may only accept collateral that satisfies the requirements under Art. 51 CISO-FINMA. The collateral issuer must have a high credit rating and the collateral may not be issued by the counterparty or by any company belonging to or dependent on the corporate group of the counterparty. The collateral must be highly liquid, it must be traded at a transparent price on a stock exchange or other regulated market open to the public, and it must be subject to valuation at least on each trading day. In managing the collateral, the fund management company and its agents must satisfy the obligations and requirements listed under Art. 52 CISO-FINMA. In particular, they must adequately diversify collateral in terms of countries, markets and issuers, with the adequate diversification of issuers meaning that the collateral held from any one issuer may not exceed 20% of the net asset value. This does not affect exceptions for assets that are publicly guaranteed or issued in accordance with Art. 83 CISO. In addition, in the event of default by the counterparty, the fund management company and its agents must be able to obtain the power and authority of disposal over the furnished collateral at all times and without the counterparty's or consent. The furnished collateral is to be held in safekeeping by the custodian bank. The furnished collateral may be held in safekeeping on behalf of the fund management company by a supervised third-party custodian, provided ownership of the collateral is not transferred and the third-party custodian is independent of the counterparty.
10. Due account must be taken of the derivatives in accordance with the legislation concerning collective investment schemes when complying with statutory and contractual investment restrictions (maximum and minimum limits).

B. Commitment approach II

Section B is applicable to the following sub-funds:

- Equities Global (ex Switzerland) Quantitative
- Equities Global (ex Switzerland) Quantitative II

- Equities International (ex Switzerland)
 - Global Real Estate Securities
1. The fund management company may make use of derivatives. It shall ensure that the financial effect of derivatives does not alter the investment objectives as stated in the present fund contract or alter the investment profile of the sub-funds, even in exceptional market circumstances. Furthermore, the securities underlying the derivatives shall be permitted investments under this fund contract.
In connection with collective investment schemes, derivatives may be used only for currency hedging purposes, with the exception of the hedging of market, interest rate and credit risks in the case of collective investment schemes for which the risks can be determined and measured unequivocally.
 2. Commitment approach II shall be used to measure risk. A sub-fund's overall exposure to derivatives may not exceed 100% of its net assets, and overall exposure may not exceed a total of 200% of net fund assets. Taking into account the possibility of borrowing amounting to no more than 25% of the sub-fund's net assets, as described in § 13 prov. 2, the sub-fund's overall exposure may amount to a maximum of 225% of its net assets. The overall exposure is calculated on the basis of Art. 35 CISO-FINMA.
The provisions stipulated in this paragraph shall apply to the individual sub-funds.
 3. The fund management company may, in particular, use basic forms of derivatives such as call or put options, the expiration value of which is linearly dependent on the positive or negative difference between the market value of the underlying and the strike price, and is zero if the difference is preceded by the opposite sign (+ or -), credit default swaps (CDS), swaps, the payments of which are dependent on the value of the underlying or on an absolute amount in both a linear and a path-independent manner, as well as future and forward transactions, the value of which is linearly dependent on the value of the underlying. The fund management company may also use combinations of basic forms of derivatives and derivatives whose effect cannot be equated with one of the basic forms or a combination of basic forms (exotic derivatives).
 4.
 - a) Counter positions in derivatives based on the same underlying as well as counter positions in derivatives and in investments in the same underlying may be netted, irrespective of the maturity date of the derivatives, provided that the derivative transaction was concluded with the sole purpose of eliminating the risks associated with the derivatives or investments acquired, no material risks are disregarded in the process, and the conversion amount of the derivatives is determined pursuant to Art. 35 CISO-FINMA.
 - b) If the derivatives in hedging transactions do not relate to the same underlying as the asset to be hedged, in addition to the rules under a), the requirement that the derivative transactions may not be based on an investment strategy that serves the purpose of the appropriation of income must also be fulfilled. The derivative must also lead to a proven reduction in the risk, the risks associated with the derivative must be offset, the derivatives, underlying instruments or assets to be offset must relate to the same category of financial instruments and the hedging policy must also be effective even under extraordinary market conditions.
 - c) If mainly interest rate derivatives are used, the amount of the total investment to be offset by derivative positions may be calculated using internationally recognised duration netting rules, provided the rules lead to the correct determination of the investment fund's risk profile, the main risks are taken into consideration, the application of these rules does not lead to an unjustified leverage effect, no interest arbitration strategies are pursued and the leverage effect of the fund is increased

- neither by the application of these rules nor by investments in short-term positions.
- d) Derivatives that are used purely to hedge foreign currency risks and do not lead to a leverage effect or involve additional market risks can be offset without the requirements under b) in the calculation of the total derivatives exposure.
 - e) Payment obligations arising from derivatives must be covered at all times with cash or cash equivalents, debt securities and rights, or equities, which are listed on a stock exchange or traded on another regulated market open to the public in accordance with the legislation concerning collective investment schemes.
 - f) If the fund management company enters into physical delivery obligations relating to an underlying instrument arising from derivatives, these must be covered at all times by equivalent underlyings, or by other investments, if the investments and underlyings are highly liquid and can be bought or sold at any time if delivery is required. The fund management company must have unrestricted access to these underlying securities or assets at all times.
5. The fund management company may use both standardised and non-standardised derivatives. It may conclude transactions in derivative financial instruments on a stock exchange or another regulated market open to the public, or OTC (over-the-counter).
6. a) The fund management company may engage in OTC transactions only with financial intermediaries subject to supervision that specialise in these transactions and can ensure proper execution. If the counterparty is not the custodian bank, the counterparty or its guarantor must have a high credit rating.
- b) An OTC derivative must be subject to reliable and verifiable valuation on a daily basis and it must be possible to sell, liquidate or close out the derivative with an opposite transaction at market value at any time.
- c) If no market price is available for an OTC derivative, it must be possible to determine the price at any time based on the market value of the underlying securities from which the derivative was derived, using an appropriate valuation model that is recognised in practice. Before concluding a contract for derivatives of this type, specific offers must be obtained from at least two counterparties, whereby the contract must be concluded with the counterparty offering the most favourable price. Deviations from this rule shall be permitted in order to diversify risk or if other contractual components, such as credit quality or the service offering of the counterparty, make the overall offer of the counterparty appear more favourable to the investor. In addition, the requirement to obtain offers from at least two potential counterparties may be waived in exceptional cases if this is in the best interests of the investors. The reasons for this as well as the conclusion of the contract and the setting of the prices must be clearly documented.
- d) In the context of OTC transactions, the fund management company and its agents may only accept collateral that satisfies the requirements under Art. 51 CISO-FINMA. The collateral issuer must have a high credit rating and the collateral may not be issued by the counterparty or by any company belonging to or dependent on the corporate group of the counterparty. The collateral must be highly liquid, it must be traded at a transparent price on a stock exchange or other regulated market open to the public, and it must be subject to valuation at least on each trading day. In managing the collateral, the fund management company and its agents must satisfy the obligations and requirements listed under Art. 52 CISO-FINMA. In particular, they must adequately diversify collateral in terms of countries, markets and issuers, with the adequate diversification of issuers meaning that the collateral held from any one issuer may not exceed 20% of the net asset value. This does not affect exceptions for assets that are publicly guaranteed or issued in accordance with Art. 83 CISO. In addition, in the event of default by the

counterparty, the fund management company and its agents must be able to obtain the power and authority of disposal over the furnished collateral at all times and without the counterparty's involvement or consent. The furnished collateral is to be held in safekeeping by the custodian bank. The furnished collateral may be held in safekeeping on behalf of the fund management company by a supervised third-party custodian, provided ownership of the collateral is not transferred and the third-party custodian is independent of the counterparty.

7. Due account must be taken of the derivatives in accordance with the legislation concerning collective investment schemes when complying with statutory and contractual investment restrictions (maximum and minimum limits).

§ 13 Borrowing and lending

1. The fund management company may not grant loans for the account of the sub-funds. Securities lending transactions according to § 10 and repurchase agreements as reverse repos according to § 11 are not deemed to be credit extensions within the meaning of this paragraph.
2. For each sub-fund, the fund management company may borrow the equivalent of up to 25% of net assets. Repurchase agreements as repos according to § 11 are deemed to be credit extensions within the meaning of this paragraph, unless the money received is used as part of an arbitrage transaction to acquire securities of the same type, quality, credit rating and maturity in conjunction with the conclusion of a reverse repo.

§ 14 Encumbrance of the sub-fund's assets

1. The fund management company may not pledge or transfer by way of security for any sub-fund more than 50% of its net assets.
2. The sub-fund assets may not be encumbered with guarantees. An exposure-increasing credit derivative shall not be deemed to be a guarantee within the meaning of this paragraph.

C Investment restrictions

§ 15 Risk diversification

- I. **UBS (CH) Institutional Fund 2 – Equities Global Passive**
UBS (CH) Institutional Fund 2 – Equities Global Passive II
UBS (CH) Institutional Fund 2 – Equities International (ex Switzerland)
 1. The following are to be included in the risk diversification provisions pursuant to § 15:
 - a) investments pursuant to § 8 with the exception of index-based derivatives as long as the index is sufficiently diversified, representative of the market which it covers and published in an appropriate manner;
 - b) liquid assets pursuant to § 9;
 - c) claims against counterparties from OTC transactions, unless these claims are hedged by collateral in the form of liquid assets in accordance with Art. 12 of the Liquidity Ordinance. The risk diversification provisions shall apply to each sub-fund individually.
 2. Companies that make up a group according to international accounting standards shall be viewed as a single issuer.
 3. The fund management company may, including derivatives and structured products, invest no more than 10% of a sub-fund's assets in securities or money market instruments issued by a single issuer. The total value of the securities and money market instruments of issuers in whose instruments more than 5% of a sub-fund's assets

are invested may not exceed 40% of that sub-fund's assets. This is subject to the application of prov. 4 and 5.

4. The fund management company may invest no more than 20% of a sub-fund's assets in sight or time deposits with one and the same bank. This restriction includes both liquid assets pursuant to § 9 and investments in bank assets pursuant to § 8.
5. The fund management company may invest no more than 5% of a sub-fund's assets in OTC transactions with one and the same counterparty. Should the counterparty be a bank domiciled in Switzerland or in a member state of the European Union or in another country in which it is subject to supervision equivalent to that in Switzerland, this limit is increased to 10% of the corresponding sub-fund's assets.
6. Investments, deposits and claims pursuant to prov. 3 to 5 above from one and the same issuer or borrower may not exceed 20% of a sub-fund's assets. Such investments are subject to the higher restrictions pursuant to prov. 12 below.
7. Investments according to prov. 3 above from the same group of companies may in total not exceed 20% of a sub-fund's assets. Such investments are subject to the higher restrictions pursuant to prov. 12 below.
8. The fund management company may invest no more than 80% of a sub-fund's assets in units of one and the same target fund. For the sub-funds "– Equities Global Passive" and "– Equities Global Passive II", target funds may not include any accumulation of fees for investors and must ensure complete transparency for the fund management company in respect of investments and fees.
9. The fund management company may not acquire participation rights that in total represent more than 10% of voting rights or that enable it to exert a significant influence on an issuer's management.
10. The fund management company may not acquire for a sub-fund's assets more than 10% of the non-voting equity, debt and/or money market instruments of a single issuer or more than 25% of the units of other collective investments. This figure is up to 100% for investments in associated investment funds, provided that the target fund does not charge an issuing, redemption or management commission. These restrictions shall not apply if at the time of acquisition the gross amount of debt instruments, money market instruments or the units of other collective investments cannot be calculated.
11. The restrictions stipulated in prov. 9 and 10 above shall not apply if the securities and money market instruments are issued or guaranteed by a state or a public-law institution from the OECD or by international organisations with public-law character to which Switzerland or a member state of the European Union belongs.
12. The limit of 10% stipulated in prov. 3 shall rise to 35% if the securities or money market instruments are issued or guaranteed by an OECD state, a public-law institution within the OECD or international organisations with public-law character to which Switzerland or a member state of the European Union belongs. The limit of 40% as stipulated in prov. 3 shall not apply to the aforementioned securities or money market instruments. The individual limits of prov. 3 and 5 may, however, not be accumulated with this limit of 35%.

Permissible issuers and guarantors here are: the European Union (EU), OECD states, the Council of Europe, the International Bank for Reconstruction and Development (World Bank), the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the Asian Development Bank and Eurofima (European Company for the Financing of Railroad Rolling Stock).

II. UBS (CH) Institutional Fund 2 – Equities Japan Passive II

1. The regulations on risk diversification in accordance with § 15 shall include:
 - a) Investments in accordance with § 8, with the exception of index-based derivatives, as long as the index is sufficiently diversified and is representative for the market which it refers to and has been adequately disclosed;
 - b) liquid assets in accordance with § 9;
 - c) Receivables against counterparties from OTC transactions except if these receivables are secured in the form of liquid assets according to Article 12 of the Liquidity Ordinance.

The regulations on risk diversification apply to each sub-fund individually.
2. Companies which form a group based on international accounting standards (IFRS) are deemed as an individual issuer.
3.
 - a) A maximum of 5% of the assets of a sub-fund may be invested in assets of the same issuer, regardless of whether it is included in the reference index listed in the Annex.
 - b) In the case of issuers which are included in the reference index, as well as those which are not included in the reference index, but are in all likelihood expected to be registered on the reference index during the next adjustment based on their earnings development, the fund management company may exceed the limit mentioned in a).

Here the share of the sub-fund may not exceed the total value of the assets of the same issuer by 150% of its respective index weight, with the overweight being limited to a maximum of 3 percentage points.

This may result in a concentration of the sub-fund's investments in a small number of securities included in the reference index or those which are not included in the reference index, but are in all likelihood expected to be added to the reference index during the next adjustment based on their earnings development, which may lead to a total risk of the sub-fund above the risk of the reference index (market risk).

In the case of issuers that are excluded from the reference index the share of the assets of a sub-fund of the total value of the assets of the same issuer may not exceed the last published index weighting + 1 percentage point up to a maximum of six months after the exclusion.
 - c) The investments should be divided among at least 12 issuers.
4. The fund management company may invest no more than 20% of the assets of a sub-fund in bank deposits payable on demand and with maturity at the same bank. This limit should include liquid assets in accordance with § 9, as well as investments in bank deposits in accordance with § 8
5. The fund management company may invest no more than 5% of the assets of a sub-fund in OTC transactions with the same counterparty. If the counterparty is a bank which is headquartered in Switzerland or in a Member State of the European Union or in another State in which it is subject to supervision equivalent to that in Switzerland, this limit shall be increased to 10% of the assets of the relevant sub-fund.
6. Investments, credit balances and receivables according to sections 3 to 5 above of the same issuer or borrower may not exceed a total of 20% of the assets of a sub-fund.
7. Investments according to Section 3 above of the same company group may not exceed a total of 20% of the assets of a sub-fund.
8. The fund management company may invest no more than 10% of the assets of a sub-fund in shares of the same target fund.

9. The fund management company may not acquire participation rights which represent more than 10% of the voting rights in total or which allow it to exercise a significant influence on the management of an issuer.
10. The fund management company may acquire a maximum of 10% of the non-voting equity securities, bonds and / or money market instruments of the same issuer, as well as a maximum of 25% of the shares in other collective capital investments. This restriction does not apply if the gross value of the bonds of the money market instruments or the shares in other collective capital investment cannot be calculated at the time of acquisition.
11. The restrictions in paragraphs 9 and 10 above are not applicable to securities and money market instruments issued by a state or a public-sector body from the OECD or by international organizations of a public-sector nature of which Switzerland or a member state of the European Union is a member.

III. **UBS (CH) Institutional Fund 2 – Equities Global (ex Switzerland) Quantitative** **UBS (CH) Institutional Fund 2 – Equities Global (ex Switzerland) Quantitative II**

1. The following are to be included in the risk diversification provisions pursuant to § 15:
 - a) investments pursuant to § 8 with the exception of index-based derivatives as long as the index is sufficiently diversified, representative of the market which it covers and published in an appropriate manner;
 - b) liquid assets pursuant to § 9;
 - c) claims against counterparties from OTC transactions, unless these claims are hedged by collateral in the form of liquid assets in accordance with Art. 12 of the Liquidity Ordinance.

The risk diversification provisions shall apply to each sub-fund individually.
2. Companies that make up a group according to international accounting standards shall be viewed as a single issuer.
3. The fund management company may, including derivatives and structured products, invest no more than 10% of a sub-fund's assets in securities or money market instruments issued by a single issuer. The total value of the securities and money market instruments of issuers in whose instruments more than 5% of a sub-fund's assets are invested may not exceed 40% of that sub-fund's assets. This is subject to the application of prov. 4 and 5.
4. The fund management company may invest no more than 20% of a sub-fund's assets in sight or time deposits with one and the same bank. This restriction includes both liquid assets pursuant to § 9 and investments in bank assets pursuant to § 8.
5. The fund management company may invest no more than 5% of a sub-fund's assets in OTC transactions with one and the same counterparty. Should the counterparty be a bank domiciled in Switzerland or in a member state of the European Union or in another country in which it is subject to supervision equivalent to that in Switzerland, this limit is increased to 10% of the corresponding sub-fund's assets.
6. Investments, deposits and claims pursuant to prov. 3 to 5 above from one and the same issuer or borrower may not exceed 20% of a sub-fund's assets.
7. Investments according to prov. 3 above from the same group of companies may in total not exceed 20% of a sub-fund's assets.
8. For the sub-fund **"– Equities Global (ex Switzerland) Quantitative"** the fund management company may invest a maximum of 20% of the sub-fund's assets in units of one and the same target fund, and for the sub-fund **"– Equities Global (ex Switzerland) Quantitative II"** it may invest a maximum of 10%.

9. The fund management company may not acquire participation rights that in total represent more than 10% of voting rights or that enable it to exert a significant influence on an issuer's management.
10. The fund management company may not acquire for a sub-fund's assets more than 10% of the non-voting equity, debt and/or money market instruments of a single issuer or more than 25% of the units of other collective investments; an exception is made for the sub-fund **"– Equities Global (ex Switzerland) Quantitative"**,
 - whereby the figure is up to 100% for investments in associated investment funds, provided that the target fund does not charge an issuing, redemption or management commission.

This restriction shall not apply if at the time of acquisition the gross amount of debt instruments, money market instruments or the units of other collective investments cannot be calculated.
11. The restrictions stipulated in prov. 9 and 10 above shall not apply if the securities and money market instruments are issued or guaranteed by a state or a public-law institution from the OECD or by international organisations with public-law character to which Switzerland or a member state of the European Union belongs.

IV. UBS (CH) Institutional Fund 2 – Equities USA Passive

UBS (CH) Institutional Fund 2 – Equities USA Passive II

UBS (CH) Institutional Fund 2 – Equities Global Small Cap Passive II

1. The following are to be included in the risk diversification provisions pursuant to § 15:
 - a) investments pursuant to § 8 with the exception of index-based derivatives as long as the index is sufficiently diversified, representative of the market which it covers and published in an appropriate manner;
 - b) liquid assets pursuant to § 9;
 - c) claims against counterparties from OTC transactions, unless these claims are hedged by collateral in the form of liquid assets in accordance with Art. 12 of the Liquidity Ordinance.

The risk diversification provisions shall apply to each sub-fund individually.
2. Companies that make up a group according to international accounting standards shall be viewed as a single issuer.
3.
 - a) Up to 5% of a sub-fund's assets may be invested in instruments of one and the same issuer, regardless of whether it is included in the benchmark listed in the appendix or not.
 - b) For issuers included in the benchmark as well as those not included in the benchmark but for which, based on their earnings trend, there is a strong likelihood they will be included in the benchmark at its next adjustment, the fund management company may exceed the limits specified under a).

The share of the total value of the instruments from a single issuer in relation to the assets may not exceed 150% of the index weighting, with the overweight limited to a maximum of three percentage points.

As a result of this, the sub-fund's assets may be concentrated in a small number of securities included in the benchmark as well as those not included in the benchmark, but which, based on their earnings trend, are very likely to be added to the benchmark at its next adjustment, leading to the sub-fund's overall risk being above the benchmark index risk (market risk).

In the case of issuers that have been removed from the benchmark, the share of the total value of the instruments from a single issuer in relation to the assets of a sub-fund may not exceed the last published index weighting plus one percentage point for a period of up to six months after removal of the issuer.

- c) Investments must be spread over at least 12 issuers.
- 4. The fund management company may invest no more than 20% of a sub-fund's assets in sight or time deposits with one and the same bank. This restriction includes both liquid assets pursuant to § 9 and investments in bank assets pursuant to § 8.
- 5. The fund management company may invest no more than 5% of a sub-fund's assets in OTC transactions with one and the same counterparty. Should the counterparty be a bank domiciled in Switzerland or in a member state of the European Union or in another country in which it is subject to supervision equivalent to that in Switzerland, this limit is increased to 10% of the corresponding sub-fund's assets.
- 6. Investments, deposits and claims pursuant to prov. 3 to 5 above from one and the same issuer or borrower may not exceed 20% of a sub-fund's assets.
- 7. Investments according to prov. 3 above from the same group of companies may in total not exceed 20% of a sub-fund's assets.
- 8. The fund management company may invest no more than 20% of a sub-fund's assets in units of one and the same target fund.
- 9. The fund management company may not acquire participation rights that in total represent more than 10% of voting rights or that enable it to exert a significant influence on an issuer's management.
- 10. The fund management company may not acquire for a sub-fund's assets more than 10% of the non-voting equity, debt and/or money market instruments of a single issuer or more than 25% of the units of other collective investments. This figure is up to 100% for investments in associated investment funds, provided that the target fund does not charge an issuing, redemption or management commission. This restriction shall not apply if at the time of acquisition the gross amount of debt instruments, money market instruments or the units of other collective investments cannot be calculated.
- 11. The restrictions stipulated in prov. 9 and 10 above do not apply if the securities and money market instruments are issued or guaranteed by a state or a public-law institution from the OECD or by international organisations with public-law character to which Switzerland or a member state of the European Union belongs.

V. UBS (CH) Institutional Fund 2 – Global Real Estate Securities

- 1. The following are to be included in the risk diversification provisions pursuant to § 15:
 - a) investments pursuant to § 8 with the exception of index-based derivatives as long as the index is sufficiently diversified, representative of the market which it covers and published in an appropriate manner;
 - b) liquid assets pursuant to § 9;
 - c) claims against counterparties from OTC transactions, unless these claims are hedged by collateral in the form of liquid assets in accordance with Art. 12 of the Liquidity Ordinance.
- 2. Companies that make up a group according to international accounting standards shall be viewed as a single issuer.
- 3. The fund management company may, including derivatives and structured products, invest no more than 10% of a sub-fund's assets in securities or money market instruments issued by a single issuer. The total value of the securities and money market instruments of issuers in whose instruments more than 5% of a sub-fund's assets are invested may not exceed 40% of that sub-fund's assets. This is subject to the application of prov. 4 and 5.
- 4. The fund management company may invest no more than 20% of a sub-fund's assets in sight or time deposits with one and the same bank. This restriction includes both liquid assets pursuant to § 9 and investments in bank assets pursuant to § 8.

5. The fund management company may invest no more than 5% of a sub-fund's assets in OTC transactions with one and the same counterparty. Should the counterparty be a bank domiciled in Switzerland or in a member state of the European Union or in another country in which it is subject to supervision equivalent to that in Switzerland, this limit is increased to 10% of the corresponding sub-fund's assets.
6. Investments, deposits and claims pursuant to prov. 3 to 5 above from one and the same issuer or borrower may not exceed 20% of a sub-fund's assets.
7. Investments according to prov. 3 above from the same group of companies may in total not exceed 20% of a sub-fund's assets.
8. The fund management company may invest no more than 20% of a sub-fund's assets in units of one and the same target fund.
9. The fund management company may not acquire participation rights that in total represent more than 10% of voting rights or that enable it to exert a significant influence on an issuer's management.
10. The fund management company may not acquire for a sub-fund's assets more than 10% of the non-voting equity, debt and/or money market instruments of a single issuer or more than 25% of the units of other collective investments. This figure is up to 100% for investments in associated investment funds, provided that the target fund does not charge an issuing, redemption or management commission. This restriction shall not apply if at the time of acquisition the gross amount of debt instruments, money market instruments or the units of other collective investments cannot be calculated.
11. The restrictions stipulated in prov. 9 and 10 above do not apply if the securities and money market instruments are issued or guaranteed by a state or a public-law institution from the OECD or by international organisations with public-law character to which Switzerland or a member state of the European Union belongs.

VI. UBS (CH) Institutional Fund 2 – Global Real Estate Securities Passive II

1. The following are to be included in the risk diversification provisions pursuant to § 15:
 - a) investments pursuant to § 8 with the exception of index-based derivatives as long as the index is sufficiently diversified, representative of the market which it covers and published in an appropriate manner;
 - b) liquid assets pursuant to § 9;
 - c) claims against counterparties from OTC transactions, unless these claims are hedged by collateral in the form of liquid assets in accordance with Art. 12 of the Liquidity Ordinance.
2. Companies that make up a group according to international accounting standards shall be viewed as a single issuer.
3.
 - a) The fund management company may, including derivatives and structured products, invest no more than 10% of a sub-fund's assets in securities or money market instruments issued by a single issuer.
 - b) For issuers included in the benchmark as well as those not included in the benchmark but for which, based on their earnings trend, there is a strong likelihood they will be included in the benchmark at its next adjustment, the fund management company may exceed the limits specified under a). The weighting of the assets of a single issuer is carried out in a similar manner to their weighting in the benchmark, except the overweighting is limited to a maximum of one percentage point.
In the case of issuers that have been removed from the benchmark, the share of the total value of the instruments from a single issuer in relation to the assets of a

sub-fund may not exceed the last published index weighting plus one percentage point for a period of up to six months after removal of the issuer.

- c) Investments must be spread over at least 12 issuers.
4. The fund management company may invest no more than 20% of the sub-fund's assets in sight or time deposits at one and the same bank. This restriction includes both liquid assets pursuant to § 9 and investments in bank assets pursuant to § 8.
 5. The fund management company may invest no more than 5% of the sub-fund's assets in OTC transactions with one and the same counterparty. Should the counterparty be a bank domiciled in Switzerland or in a member state of the European Union or in another country in which it is subject to supervision equivalent to that in Switzerland, this limit is increased to 10% of the sub-fund's assets.
 6. Investments, deposits and claims pursuant to prov. 3 to 5 above from one and the same issuer or borrower may not exceed 30% of the sub-fund's assets.
 7. Investments pursuant to prov. 3 above from the same group of companies may in total not exceed 30% of the sub-fund's assets.
 8. The fund management company may invest no more than 20% of the sub-fund's assets in units of the same target fund
 9. The fund management company may not acquire participation rights that in total represent more than 10% of voting rights or that enable it to exert a significant influence on an issuer's management.
 10. The fund management company may not acquire for a sub-fund's assets more than 10% of the non-voting equity, debt and/or money market instruments of a single issuer or more than 25% of the units of other collective investments.
These restrictions shall not apply if at the time of acquisition the gross amount of debt instruments, money market instruments or the units of other collective investments cannot be calculated.
 11. The restrictions stipulated in prov. 9 and 10 above shall not apply if the securities and money market instruments are issued or guaranteed by a state or a public-law institution from the OECD or by international organisations with public-law character to which Switzerland or a member state of the European Union belongs.

VII. Provision for all sub-funds

This excludes the acquisition of funds of funds.

IV. Calculation of net asset values and issue and redemption of units

§ 16 Calculation of net asset values and application of swinging single pricing

1. The net asset value for the sub-funds named in § 17 prov. 2 b) and the proportion of the individual classes or valuation net asset value for the sub-funds named in § 17 prov. 2 a) and the proportion of the individual classes shall be calculated in the accounting currency of the sub-fund at the market value as of the close of the financial year and for each day on which units are issued or redeemed. The sub-fund is not calculated on days when the stock exchanges or markets in the sub-fund's main investment countries are closed (such as bank and stock exchange holidays).
However, on days on which no units are issued or redeemed, the fund management company may calculate the net asset value per unit ("non-negotiable net asset value"), e.g. if the last calendar day of a month falls on a day specified in prov. 6.2.1 a) of the appendix. Such non-negotiable net asset values may be published. However, they may be used only for performance calculations and performance statistics (in particular to compare against the benchmark) or for commission calculations, and must under no circumstances be used as the basis for issue and redemption orders.

2. Investments listed on a stock exchange or traded on another regulated market open to the public shall be valued at the current prices paid on the main market. Other investments or investments for which no current market price is available shall be valued at the price likely to be obtained if a sale were conducted with due care at the time of the valuation. In such cases the fund management company shall use appropriate and recognised valuation models and principles to determine the market value.
3. Open-end collective investments shall be valued using their redemption price or net asset value. If they are listed on a stock exchange or regularly traded on another regulated market open to the public, the fund management company may value them pursuant to prov. 2.
4. The value of money market instruments that are not listed on a stock exchange or traded on another regulated market open to the public shall be calculated as follows: The valuation price of such investments shall be based on the relevant interest-rate curve. The valuation based on the interest-rate curve shall comprise the two components of interest rate and spread. Consequently, the following principles shall be applied: For each money market instrument, the next rates of interest in respect of the residual term shall be interpolated. The interest rate calculated as a result shall then be converted into a market price by adding a spread that reflects the underlying borrower's credit rating. This spread shall be adjusted in the event of a significant change in the borrower's credit rating.
5. Bank deposits shall be valued using their exposure amount plus accrued interest. In the event of significant changes to market conditions or the credit rating, the valuation basis for bank deposits on demand shall be adjusted in line with the new conditions.
6. This provision shall apply only to sub-funds that are not listed under § 17 prov. 2 a): The net asset value of a unit of a sub-fund class represents the percentage of the unit class concerned in the market value of a sub-fund's assets, less all the liabilities of that sub-fund allocated to that unit class, divided by the number of units of the relevant class in circulation. This is rounded to the smallest unit of the respective sub-fund's accounting currency.
7. This provision shall apply only to sub-funds pursuant to § 17 prov. 2 a): If, on any one order day, the sum of subscriptions and redemptions of units in the fund result in a net inflow or outflow, the fund's valuation net asset value will be increased or reduced accordingly (swinging single pricing). The maximum adjustment level amounts to 2% of the valuation net asset value. Incorporated into this are the incidental costs (bid/ask spread, brokerage fees at standard market rates, commissions, duties, etc.) that accrue to the fund on average from the investment of a net inflow or from the sale of a portion of investments corresponding to the net outflow. The valuation net asset value is adjusted upwards if net movements lead to an increase in the number of units in the fund. Conversely, the valuation net asset value is adjusted downwards if net movements lead to a decline in the number of units. The net asset value calculated on the basis of swinging single pricing is thus a modified, or "swung", net asset value as set out in the first sentence of this provision.
8. The percentages of the market value of a sub-fund's net assets (sub-fund assets less liabilities) which are to be attributed to each unit class shall be determined for the first time upon the initial issue of multiple unit classes (if they are issued simultaneously) or the initial issue of an additional unit class, on the basis of the inflows to the sub-fund for each unit class. The percentage shall be recalculated if one of the following events occurs:
 - a) upon the issue and redemption of units;
 - b) for the calculation of the net asset value, in terms of the allocation of liabilities (including costs and commissions that are due or have accrued) to the various unit

- classes, provided the liabilities of the various unit classes vary as percentages of their respective net asset values, namely if (i) different commission rates are applied for the different unit classes or if (ii) class-specific cost charges arise;
- c) for the calculation of net asset value, in terms of the allocation of income or investment income to the various unit classes, provided the income or investment income accrues from transactions that were carried out only in the interests of one unit class or in the interests of several unit classes, but not in proportion to their share of the net assets of a sub-fund.

§ 17 Issue and redemption of units

1. Subscription or redemption orders for units shall be accepted on the order day up to a specific time stipulated in the appendix. The price used for the issue and redemption of units shall be calculated at the earliest on the bank business day (valuation day) following the order day (forward pricing). The appendix sets out the details.
2. Incidental costs:

a) The following shall apply to the sub-funds listed below:

- Equities Global (ex Switzerland) Quantitative
- Equities Global (ex Switzerland) Quantitative II
- Equities International (ex Switzerland)
- Global Real Estate Securities

The issue and redemption prices of units shall be based on the net asset value per unit as defined in § 16 calculated on the valuation day in conjunction with the closing prices of the previous day. When units are issued, an issuing commission may be added to the net asset value pursuant to § 18. When units are redeemed, a redemption commission may be deducted from the net asset value pursuant to § 18.

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

b) The following shall apply to the sub-funds listed below:

- Equities Global Passive
- Equities Global Passive II
- Equities USA Passive
- Equities USA Passive II
- Equities Global Small Cap Passive II
- Equities Japan Passive II
- Global Real Estate Securities Passive II

The issue and redemption prices of units shall be based on the net asset value per unit as defined in § 16 calculated on the valuation day in conjunction with the closing prices of the previous day. When units are issued, incidental costs (brokerage fees at standard market rates, commissions, taxes, and duties) incurred on average by the respective sub-fund in connection with the investment of the amount paid in are added to the net asset value. When units are redeemed, incidental costs incurred on average by the respective sub-fund in connection with the sale of a portion of investments corresponding to the units redeemed are deducted from the net asset value. The applicable maximum rate is stated in the appendix. In addition, when units are issued, an issuing commission may be added to the net asset value, pursuant to § 18. When units are redeemed, a redemption commission may be deducted from the net asset value similarly pursuant to § 18.

3. The fund management company can suspend the issue of units at any time and can also reject applications for unit subscriptions or conversions.
4. The fund management company may temporarily suspend the redemption of fund units in the interest of all investors by way of exception if:
 - a) a market on which the valuation of a significant proportion of the respective sub-fund's assets is based is closed, or if trading on such a market is limited or suspended;
 - b) a political, economic, military, monetary or other emergency occurs;
 - c) exchange controls or restrictions on other asset transfers make it impossible for the sub-fund to transact its business;
 - d) large-scale unit redemptions take place that could significantly jeopardise the interests of the other investors in this sub-fund.
5. The fund management company shall immediately apprise the independent auditors and the supervisory authority of any decision to suspend redemptions. It shall also notify the investors in an appropriate manner.
6. No units of a sub-fund shall be issued as long as the redemption of this sub-fund's units is suspended for the reasons stipulated under prov. 4 a) to c).
7. Each investor may request that, in the event of a subscription, he/she be permitted to make a contribution in kind instead of a cash payment or that, in the event of a termination, he/she receive a redemption in kind instead of a cash payment. Such a request must be submitted at the time of subscription or termination. The fund management company is not obliged to permit contributions and redemptions in kind.
 The decision on contributions and redemptions in kind lies with the fund management company alone, and it approves such transactions only if the execution of the transactions is fully in accordance with the investment policy of the fund and if the interests of the other Investors are not jeopardised.
 The costs entailed in connection with contributions or redemptions in kind may not be charged to the fund assets.
 In the event of contributions or redemptions in kind, the fund management company shall draw up a report containing information on the individual assets that have been transferred, the market price of these assets on the transfer date, the number of units issued or redeemed in return, and any cash compensation. For every contribution or redemption in kind, the custodian bank verifies that the fund management company has complied with its duty of loyalty, and also checks the valuation of the assets transferred and the units issued or redeemed as of the relevant date. Should it have any reservations or complaints, the custodian bank must report these to the audit firm without delay.
 Contribution and redemption in kind transactions must be detailed in the annual report.

V. Remuneration and incidental costs

§ 18 Remuneration and incidental costs charged to the investor

1. When units are issued, investors may be charged an issuing commission accruing to the fund management company, the custodian bank and/or distributors in Switzerland and abroad, which in total shall not exceed 3% of the net asset value. The actual rate is stated in the appendix.
2. When units are redeemed, investors may be charged a redemption commission accruing to the fund management company, the custodian bank and/or distributors in Switzerland or abroad, which in total shall not exceed 3% of the net asset value. The actual rate is stated in the appendix.

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

1. For the duties described in § 6 prov. 4 and for the distribution of sub-funds and all duties of the custodian bank such as holding the assets of the sub-funds, the fund management company shall charge the sub-fund a flat fee as stated below, which shall be charged to the assets of the corresponding sub-fund pro rata temporis each time the net asset value is calculated and paid monthly (flat fee).
 - a) Unit classes "I-A1", "I-A2" and "I-A3"
For these unit classes, a maximum commission of 1.300% shall apply.
 - b) Unit class "I-B"
The following progressive commission rates shall apply:
For sub-funds that have Swiss francs (CHF) as the accounting currency

up to	CHF	75 million				0.085% p.a.
from	CHF	75 million	to	CHF	150 million	0.075% p.a.
from	CHF	150 million	to	CHF	300 million	0.065% p.a.
from	CHF	300 million				0.055% p.a.

For sub-funds that have euros (EUR) as the accounting currency

up to	EUR	50 million				0.085% p.a.
from	EUR	50 million	to	EUR	100 million	0.075% p.a.
from	EUR	100 million	to	EUR	200 million	0.065% p.a.
from	EUR	200 million				0.055% p.a.

For sub-funds that have US dollars (USD) as the accounting currency

up to	USD	60 million				0.085% p.a.
from	USD	60 million	to	USD	120 million	0.075% p.a.
from	USD	120 million	to	USD	240 million	0.065% p.a.
from	USD	240 million				0.055% p.a.
 - c) Unit class "I-P"
For the unit class "I-P", a maximum commission of 1.300% shall apply. In addition, a performance fee of up to 30% will be charged for that part of the sub-fund that outperforms the benchmark before the management commission is charged. The performance fee is based on the relative high water mark principle, which states that a performance fee is due only if the relative performance of the sub-fund (calculated before management commissions and fees are charged) compared to the relative performance of the benchmark exceeds the calculated relative performances of all previous days. These calculations and invoicing take place every day.
 - d) Unit class "I-X" 0.000% p.a.
Costs arising in connection with the services provided for class "I-X" units are covered by payments due to UBS under a separate written agreement with the investor (cf. § 6 prov. 4).
 - e) Unit class "U-X" 0.000% p.a.
Costs arising in connection with the services provided for class "U-X" units are covered by payments due to UBS under a separate written agreement with the investor (cf. § 6 prov. 4).

The fund management company shall inform holders of units in unit classes "I-A1" "I-A2" "I-A3", "I-B", "I-P", "I-X" and "U-X" about the effective commission rates charged in the appendix to the fund contract.
2. The following remuneration and incidental costs of the fund management company and the custodian bank, which are also charged to the assets of the respective sub-fund, are not included in the flat fee or commission:
 - Any incidental costs relating to the purchase and sale of investments (such as brokerage fees at standard market rates, commissions, taxes and duties) that may be incurred in connection with the management of the sub-fund. These costs shall be

directly offset against the cost/selling price of the respective investments, with the exception of incidental costs incurred in connection with the purchase/sale of investments during unit issuing and redemption, which are covered by the application of swinging single pricing as set out in § 16 prov. 7, subject to § 17 prov. 2 b);

- Supervisory authority fees for the foundation, amendment, liquidation, merger or consolidation of the umbrella fund and/or the respective sub-funds;
 - Annual fee paid to the supervisory authority;
 - Fees paid to external auditors for annual audits and for certificates in connection with the foundation, amendment, dissolution or merger of the umbrella fund or the respective sub-funds;
 - Fees paid to legal and tax advisors in connection with the foundation, amendment, liquidation, merger or consolidation of the fund and for the general representation of the interests of the umbrella fund or the respective sub-funds and its investors;
 - Costs of publishing the net asset value of the respective sub-funds and all costs associated with notifications to the investors, including translation costs, where such costs were not necessitated by misconduct on the part of the fund management company;
 - The costs of printing legal documents as well as the annual reports of the umbrella fund or the respective sub-funds;
 - Any costs for registering the umbrella fund or the respective sub-funds with a foreign supervisory authority, specifically commissions charged by the foreign supervisory authority, translation costs and remuneration paid to the representative or paying agent abroad;
 - Costs in connection with the exercising of voting and creditors' rights by the umbrella fund or the respective sub-fund, including fees for external advisors;
 - Costs and fees associated with intellectual property registered in the name of the umbrella fund or the respective sub-funds or with rights of use in respect of the fund;
 - All costs incurred in connection with any exceptional measures to protect the interests of investors that are taken by the fund management company, the asset manager of the collective investments or the custodian bank;
 - Should the fund management company participate in a class action in the interests of the investors, all costs incurred as a result (such as legal and custodian bank costs) may be charged to the fund assets. The fund management company may also charge all administrative costs, provided these can be substantiated and are reported and included in the disclosure of the fund's TER;
 - License fees for using the index.
3. The fund management company and its agents may, in accordance with the provisions of the appendix, pay retrocessions as remuneration for distribution activity in respect of fund units, and rebates to reduce the fees or costs incurred by the investor and charged to the umbrella fund or sub-funds.
 4. Any management commission charged by the target funds in which investments are made may not exceed 3%, taking into account any retrocessions and rebates. The annual report shall indicate the maximum rate for the management commission of the target funds invested in, factoring in any retrocessions and rebates for each sub-fund.
 5. If the fund management company acquires units in other collective investment schemes that are managed directly or indirectly by the fund management company itself or a company to which it is related by virtue of common management or control or by a significant direct or indirect interest (related target funds), it may not

charge any issuing or redemption commissions of the related target funds to the sub-funds for such investments.

6. Remuneration may only be charged to the sub-fund receiving a specific benefit. Costs that cannot be unequivocally attributed to a particular sub-fund are charged to each individual sub-fund in proportion to its share of fund assets.

VI. Financial statements and audits

§ 20 Financial statements

1. The accounting currencies of the individual sub-funds are as follows:
 - Equities Global Passive Swiss francs (CHF);
 - Equities Global Passive II Swiss francs (CHF);
 - Equities Global (ex Switzerland) Quantitative Swiss francs (CHF);
 - Equities Global (ex Switzerland) Quantitative II Swiss francs (CHF);
 - Equities International (ex Switzerland) Swiss francs (CHF);
 - Equities Japan Passive II Swiss francs (CHF);
 - Equities USA Passive Swiss francs (CHF);
 - Equities USA Passive II Swiss francs (CHF);
 - Equities Global Small Cap Passive II Swiss francs (CHF);
 - Global Real Estate Securities Swiss francs (CHF);
 - Global Real Estate Securities Passive II Swiss francs (CHF).
2. The financial year shall run from 1 November to 31 October.
3. The fund management company shall publish an audited annual report for the umbrella fund and the sub-funds within four months of the close of the financial year.
4. In addition to the annual report, the fund management company shall also provide investors with regular information about the composition and net asset value of the assets of the respective sub-fund and about the value per fund unit. Such information shall be provided (on the basis of an individual agreement with the investor) via letter, fax, electronic media, direct custody account access, e-mail etc.
5. The foregoing does not affect the investor's right to information as specified under § 5 prov. 5.

§ 21 External audits

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

VII. Appropriation of net income

§ 22

1. The net income of the sub-funds for each unit class shall be added annually to the assets of the relevant unit class of the corresponding sub-fund for reinvestment. The fund management company may also decide to make interim reinvestments of the sub-fund's income for each unit class. This is subject to any taxes and duties that may be levied on the reinvestment of these funds.
2. Capital gains realised on the sale of assets and rights may be distributed by the fund management company or retained for the purpose of reinvestment.

VIII. Publications of official notices

§ 23

1. Official notices regarding the umbrella fund and the sub-funds are published in the print or electronic medium named in the appendix. Any change in the official publication must be announced in the official publication.
2. The official publication for the fund shall in particular include notices regarding any material amendments to the fund contract in summary form, indicating the locations where the full wording of such amendments may be obtained free of charge, any change of fund management company and/or custodian bank, the creation, liquidation or merger of unit classes and the dissolution of the sub-funds. Any amendments required by law that do not affect the rights of investors or only concern matters of form may be exempted from the duty of disclosure subject to the approval of the supervisory authority.
3. The fund management company shall provide investors with details regarding the net asset value or, by applying swinging single pricing pursuant to § 16 prov. 7, the modified net asset value of the individual sub-funds' assets as well as the value per fund unit, as agreed individually by letter, fax, electronic media, direct custody account access or e-mail, for every subscription and redemption.
4. The fund contract with appendix and the respective annual report may be obtained free of charge from the fund management company, custodian bank and all distributors.

IX. Restructuring and dissolution

§ 24 Merger

1. Subject to the agreement of the custodian bank, the fund management company may merge individual sub-funds with other sub-funds or with other funds by transferring the assets and liabilities of the sub-fund(s) or fund(s) being acquired to the acquiring sub-fund or fund. The investors in the sub-fund or fund being acquired shall receive the corresponding number of units in the acquiring sub-fund or fund. The sub-fund or fund being acquired is terminated without liquidation when the merger takes place, and the fund contract of the acquiring sub-fund or fund also applies to the sub-fund or fund being acquired.
2. Sub-funds or funds may only be merged provided that:
 - a) the applicable fund contracts provide for such merger;
 - b) they are managed by the same fund management company;
 - c) the following provisions of the applicable fund contracts are essentially identical with regard to:
 - the investment policy, investment techniques, risk diversification, and the risks associated with the investment,
 - appropriation of net income and capital gains from the sale of assets and rights,
 - the type, value and method of calculating any remuneration, issuing and redemption commission and incidental costs relating to the purchase and sale of investments (brokerage fees, fees, duties) that may be charged to the fund's assets or the investors,
 - the conditions of redemption,
 - the duration of the contract and conditions for its dissolution;
 - d) the valuation of the affected sub-funds' or funds' assets, the calculation of the exchange ratio and the transfer of assets and liabilities take place on the same day;

- e) no costs are incurred by the sub-funds or funds or the investors. The aforementioned shall be subject to the provisions pursuant to § 19 prov. 2.
3. If it is anticipated that the merger will take more than one day, the supervisory authority may authorise a temporary suspension of unit redemptions for the sub-funds or funds concerned
 4. The fund management company must submit the proposed merger together with the merger schedule to the supervisory authority for review at least one month before the planned publication of the intended changes to the fund contract. The merger schedule must contain detailed information on the reasons for the merger, the investment policies of the sub-funds or funds involved and any differences between the acquiring sub-fund or fund and the sub-fund or fund being acquired, the calculation of the exchange ratio, any differences with regard to remuneration, any tax implications for the sub-funds or funds and a statement from the competent statutory external auditors under collective investment legislation.
 5. The fund management company shall publish notice of proposed amendments to the fund contract in accordance with § 24 prov. 2 as well as the proposed merger and its schedule together with the merger plan at least two months before the planned date of merger in the official publication of the sub-funds or funds involved. Such notice shall advise the investor that it may lodge an objection to the proposed amendments to the fund contract with the supervisory authority within 30 days after the last publication, or request redemption of its units in cash or submit a request for redemption in kind in accordance with § 17 prov. 7.
 6. The external auditors must check immediately that the merger is being carried out correctly, and shall submit a report containing their comments in this regard to the fund management company and the supervisory authority.
 7. The fund management company shall notify the supervisory authority that the merger has been completed and publish a notice to this effect, together with a statement from the external auditors confirming that the merger was executed correctly and the exchange ratio, without delay in the official publication of the sub-funds or funds concerned.
 8. The fund management company must make reference to the merger in the next annual report of the acquiring sub-fund or fund and in its semi-annual report if published prior to the annual report. Unless the merger falls on the final day of the normal financial year, an audited closing statement must be produced for the sub-fund or fund being acquired.

§ 25 Duration of the sub-funds and dissolution

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

payment, the fund management company must obtain authorisation from the supervisory authority.

X. Amendment to the fund contract

§ 26

If any amendments are to be made to this fund contract, or if the merger of unit classes or a change of fund management company or custodian bank are proposed, investors may lodge objections with the supervisory authority within 30 days of the most recent notice published. In the official publication, the fund management company shall inform the investor which amendments to the fund contract are covered by FINMA's examination and ascertainment of legal conformity. In the event of any amendment to the fund contract, including mergers of unit classes, investors may also request redemption of their units in cash subject to the period stipulated in this contract. This is subject to the cases described in § 24 prov. 2, in which, subject to the approval of the supervisory authority, there is an exemption from the duty of disclosure.

XI. Applicable law and place of jurisdiction

§ 27

1. The umbrella fund with its sub-funds is governed by Swiss law and in particular the Swiss Collective Investment Schemes Act of 23 June 2006, the Swiss Collective Investment Schemes Ordinance of 22 November 2006 and the Collective Investment Schemes Ordinance issued by FINMA of 21 December 2006.
The place of jurisdiction shall be the domicile of the fund management company.
2. The German version shall be binding for the interpretation of the fund contract.
3. This fund contract takes effect on 22 February 2017.
4. This fund contract replaces the fund contract dated 15 December 2016.
5. When approving the fund contract, FINMA exclusively checks for compliance with the provisions of Art. 35a (1) a-g CISO and establishes its legal conformity.

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

Appendix

Appendix to the fund contract of UBS (CH) Institutional Fund 2.

Investment fund under Swiss law with multiple sub-funds
(Umbrella fund) for qualified investors of the category "Other funds for traditional investments"
(exclusively for BVG-recognised Swiss pension schemes)

1. Information on the investment funds, unit classes and remuneration

- Minimum investment for "I-A2":
For initial investments in "I-A2" there must be either a transaction for at least CHF 10,000,000 (or the equivalent in another currency) or the total amount of assets managed at UBS within an investment agreement must be more than CHF 30,000,000 (or the equivalent in another currency) at the time of the initial investment;
- Minimum investment for "I-A3":
For initial investments in "I-A3" there must be either a transaction for at least CHF 30,000,000 (or the equivalent in another currency) or the total amount of assets managed at UBS within an investment agreement must be more than CHF 100,000,000 (or the equivalent in another currency) at the time of the initial investment;
- All unit classes can be traded at a fractional unit of 0.001;
- All unit classes distribute their earnings once a year, except for those specifically mentioned in the list below:

Sub-fund	Unit class	Accounting currency	Currency of the unit class (reference currency)	Initial issue price	Commission in b.p. p.a.
– Equities Global Passive	I-A1	CHF	CHF	1,000	24
	I-A2	CHF	CHF	1,000	24
	I-A3	CHF	CHF	1,000	17
	I-B	CHF	CHF	1,000	5.5
	I-X	CHF	CHF	1,000	0
	U-X	CHF	CHF	100,000	0
	I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee
– Equities Global Passive II	I-A1	CHF	CHF	1,000	24
	I-A2	CHF	CHF	1,000	24
	I-A3	CHF	CHF	1,000	17
	I-B	CHF	CHF	689.64	5.5
	I-X	CHF	CHF	690.03	0
	U-X	CHF	CHF	100,000	0
	I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee
– Equities Global (ex Switzerland) Quantitative	I-A1	CHF	CHF	1,013.21	70
	I-A2	CHF	CHF	1,000	60
	I-A3	CHF	CHF	1,000	54
	I-B	CHF	CHF	1,021.59	5.5
	I-X	CHF	CHF	1,022.24	0
	U-X	CHF	CHF	100,000	0
	I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee

– Equities Global (ex Switzerland) Quantitative II	I-A1	CHF	CHF	1,000	70
	I-A2	CHF	CHF	1,000	60
	I-A3	CHF	CHF	1,000	54
	I-B	CHF	CHF	1,000	5.5
	I-X	CHF	CHF	1,000	0
	U-X	CHF	CHF	100,000	0
	I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee
– Equities International (ex Switzerland)	I-A1	CHF	CHF	1,160.36	70
	I-A2	CHF	CHF	1,000	60
	I-A3	CHF	CHF	1,000	54
	I-B	CHF	CHF	1,178.26	5.5
	I-X	CHF	CHF	1,179.68	0
	U-X	CHF	CHF	100,000	0
	I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee
– Equities Japan Passive II	I-A1	CHF	CHF	1,000	22
	I-A2	CHF	CHF	1,000	22
	I-A3	CHF	CHF	1,000	18
	I-B	CHF	CHF	1,000	5.25
	I-X	CHF	CHF	1,000	0
	U-X	CHF	CHF	100,000	0
– Equities USA Passive	I-A1	CHF	CHF	1,000	22
	I-A2	CHF	CHF	1,000	22
	I-A3	CHF	CHF	1,093.81	17
	I-B	CHF	CHF	1,000	5.5
	I-X	CHF	CHF	1,000	0
	U-X	CHF	CHF	100,000	0
	I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee
– Equities USA Passive II	I-A1	CHF	CHF	1,000	22
	I-A2	CHF	CHF	1,000	22
	I-A3	CHF	CHF	1,000	17
	I-B	CHF	CHF	1,000	5.5
	I-X	CHF	CHF	1,000	0
	U-X	CHF	CHF	100,000	0
	I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee
– Equities Global Small Cap Passive II	I-A1	CHF	CHF	1,000	25
	I-A2	CHF	CHF	1,000	25
	I-A3	CHF	CHF	1,000	20
	I-B	CHF	CHF	1,000	5.5
	I-X	CHF	CHF	1,000	0
	U-X	CHF	CHF	100,000	0
	I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee
– Global Real Estate Securities	I-A1	CHF	CHF	1,000	90
	I-A2	CHF	CHF	1,000	84
	I-A3	CHF	CHF	1,000	75
	I-B	CHF	CHF	1,000	5.5
	I-X	CHF	CHF	1,000	0
	U-X	CHF	CHF	100,000	0
	I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee
– Global Real Estate Securities Passive II	I-A1	CHF	CHF	1,000	24
	I-A2	CHF	CHF	1,000	24
	I-A3	CHF	CHF	1,000	17
	I-B	CHF	CHF	1,000	5.5
	I-X	CHF	CHF	1,000	0

U-X	CHF	CHF	100,000	0
I-P	CHF	CHF	1,000	Max. 130 + max 30% performance fee

Tax regulations applying to the fund and/or individual sub-funds

The Swiss withholding tax deducted from domestic income in the umbrella fund can be reclaimed in full by the fund management company for the relevant sub-fund. Any income realised abroad may be subject to the relevant withholding tax deductions imposed by the country of investment. According to Circular no. 24 from the Swiss Federal Tax Administration, these taxes will, as far as possible, be reclaimed by the fund management company on behalf of investors resident in Switzerland under the terms of double taxation agreements or other such agreements for those sub-funds where at least 80% of income derives from foreign sources on an ongoing basis.

UBS (CH) Institutional Fund 2	At least 80% foreign income
– Equities Global Passive	No
– Equities Global Passive II	Yes
– Equities Global (ex Switzerland) Quantitative	Yes
– Equities Global (ex Switzerland) Quantitative II	Yes
– Equities International (ex Switzerland)	No
– Equities Japan Passive II	Yes
– Equities USA Passive	Yes
– Equities USA Passive II	Yes
– Equities Global Small Cap Passive II	Yes
– Global Real Estate Securities	Yes
– Global Real Estate Securities Passive II	Yes

FATCA

The sub-funds “– Equities Global Passive”, “– Equities Global Passive II”, “– Equities Global (ex Switzerland) Quantitative”, “– Equities Global (ex Switzerland) Quantitative II”, “– Equities International (ex Switzerland)”, “– Equities Global Small Cap Passive II”, “– Global Real Estate Securities” and “– Global Real Estate Securities Passive II” were registered with the US tax authorities as Exempt Beneficial Owners under a Model 2 IGA as provided for by sections 1471 – 1474 of the U.S. Internal Revenue Code (Foreign Account Tax Compliance Act, including related ordinances, FATCA).

The sub-funds “– Equities Japan Passive II”, “– Equities USA Passive” and “– Equities USA Passive II” were registered with the US tax authorities as Registered Deemed-Compliant Financial Institutions under a Model 2 IGA as provided for by Sections 1471 – 1474 of the U.S. Internal Revenue Code (Foreign Account Tax Compliance Act, including related ordinances, FATCA).

2. Investment objectives

I. UBS (CH) Institutional Fund 2 – Equities Global Passive

The primary investment objective of this sub-fund is to passively replicate a representative benchmark noted in prov. 6.1 of this appendix for the global equity market (benchmark) and to generate performance that is consistent with the performance of this benchmark.

II. UBS (CH) Institutional Fund 2 – Equities Global Passive II

The primary investment objective of this sub-fund is to passively replicate a representative benchmark noted in prov. 6.1 of this appendix for the global equity market (benchmark) and to generate performance that is consistent with the performance of this benchmark.

III. UBS (CH) Institutional Fund 2 – Equities Global (ex Switzerland) Quantitative

IV. UBS (CH) Institutional Fund 2 – Equities Global (ex Switzerland) Quantitative II

The primary investment objective of this sub-fund is to generate long-term performance that is consistent with the development of the prevailing market indices for global equity investments (not including Switzerland). In managing the assets of the sub-fund, the fund management company orients itself to a representative benchmark for the global equity market (benchmark) (not including Switzerland) for global equity investments, which is specified in prov. 6.1 of this appendix.

V. UBS (CH) Institutional Fund – Equities International (ex Switzerland)

The primary investment objective of this sub-fund is to generate long-term performance that is consistent with the development of the prevailing market indices for global equity investments (not including Switzerland). In managing the assets of the fund, the fund management company orients itself to a representative benchmark for the global equity market (benchmark) (not including Switzerland), which is specified in prov. 6.1 of this appendix.

VI. UBS (CH) Institutional Fund – Equities Japan Passive II

The investment objective of this sub-fund is primarily to passively create a reference index as described in section 6.1 of the Annex for the Japanese equities market (benchmark), and to achieve a performance consistent with its development.

VII. UBS (CH) Institutional Fund 2 – Equities USA Passive

VIII. UBS (CH) Institutional Fund 2 – Equities USA Passive II

The primary investment objective of this sub-fund is to passively replicate a representative benchmark noted in prov. 6.1 of this appendix for the US equity market (benchmark) and to generate performance that is consistent with the performance of this benchmark.

IX. UBS (CH) Institutional Fund 2 – Equities Global Small Cap Passive II

The primary investment objective of this sub-fund is to passively replicate a representative benchmark noted in prov. 6 of this appendix for global small capitalised companies (benchmark) and to generate performance that is consistent with the performance of this benchmark.

X. UBS (CH) Institutional Fund 2 – Global Real Estate Securities

The primary investment objective of this sub-fund is to generate long-term performance that is consistent with the development of the prevailing market indices for global investments in securities of companies whose main activity is owning, buying, selling or developing real estate. In managing the assets of the sub-fund, the fund management company orients itself to a representative benchmark for global investments in securities of companies whose main activity is owning, buying, selling and developing real estate, which is specified in prov. 6.1 of this appendix.

XI. UBS (CH) Institutional Fund 2 – Global Real Estate Securities Passive II

The primary investment objective of this sub-fund is to passively replicate a representative benchmark (benchmark) noted in prov. 6.1 of this appendix and to generate performance that is consistent with the performance of this benchmark.

3. Information on the fund management company

3.1 General information on the fund management company

The fund management company is UBS Fund Management (Switzerland) AG. It has been active in the fund business since it was founded as a stock corporation in 1959. The subscribed share capital of the fund management company amounts to CHF 1 million. The share capital is divided into registered shares and has been paid in full. UBS Fund Management (Switzerland) AG is a wholly owned subsidiary of UBS Group AG. As of December 31, 2016, the fund management company managed a total of 285 securities funds and 6 real estate funds in Switzerland with assets totaling CHF 214 billion.

3.2 Delegation of investment decisions

The fund's investment decisions are delegated to UBS Asset Management, a division of UBS AG, Basel and Zurich. UBS AG has many years of experience in asset management services and a broad knowledge of the fund's investment markets. The precise duties involved are set out in an asset management agreement between UBS Fund Management (Switzerland) AG and UBS AG.

3.3 Delegation of other duties

UBS Fund Management (Switzerland) AG operates and utilises a fund administration platform jointly with UBS Fund Services (Luxembourg) S.A. UBS Fund Services (Luxembourg) S.A. is responsible for the processing of master data under this arrangement. The precise duties involved are set out in an agreement between the parties.

In addition, various IT services connected with the maintenance and upkeep of the hardware and software components of the fund administration platform (e.g. technical installations, configurations, system tests, archiving of data) are also furnished by UBS (Luxembourg) S.A. in Luxembourg. The specific scope of these services is governed by an agreement between the parties.

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

4. Information on the custodian bank

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

As a universal bank, UBS Switzerland AG offers a wide range of banking services. The custodian bank has been registered with the tax authorities in the United States as a Reporting Financial Institution under a Model 2 intergovernmental agreement (IGA) as provided for by

Sections 1471–1474 of the U.S. Internal Revenue Code (Foreign Account Tax Compliance Act, including related ordinances, FATCA).

UBS Switzerland AG is a subsidiary of UBS AG. With consolidated total assets of CHF 942,819 million and published capital and reserves of CHF 55,313 million as at 31 December 2015, UBS AG is financially one of the strongest banks in the world. It employs 60,099 staff worldwide and has an extensive network of offices.

The custodian bank may delegate the safekeeping of the fund's assets to third-party or collective depositaries in Switzerland or abroad. The custodian bank may only delegate the safekeeping of the fund's financial instruments to third-party or collective depositaries subject to regulatory supervision. This provision shall not apply in cases where assets have to be held in safekeeping at a location at which the transfer of the assets to third-party or collective depositaries subject to supervision is not possible, in particular in light of requirements imposed by law or the specific characteristics of the investment product. Third-party and collective depositaries mean that the fund management company no longer has sole ownership of deposited securities, but only co-ownership. Moreover, if the third-party and collective depositaries are not supervised, they are unlikely to meet the organisational requirements placed on Swiss banks.

The custodian bank shall be liable for any losses caused by a third-party or collective depositary unless the bank is able to prove that due care was exercised in the selection, instruction and supervision of the depositary.

5. Information on third parties

5.1 Paying agents

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

5.2 Distributor

The distributor is UBS Asset Management, a business division of UBS AG, Basel and Zurich.

5.3 External auditors

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

5.4 Authorised contractual partner:

None

6. Further information

6.1 General information

I. UBS (CH) Institutional Fund 2 – Equities Global Passive

Benchmark: MSCI World ex Switzerland (Div. reinv.: US gross, others net)

Unit class	Securities no.	ISIN code
I-A1	2298522	CH0022985227

I-A2	12275647	CH0122756478
I-A3		
I-B	2298526	CH0022985268
I-X	2298536	CH0022985367
U-X		
I-P		

II. UBS (CH) Institutional Fund 2 – Equities Global Passive II

Benchmark: MSCI World ex Switzerland (Div. reinv.: US gross, others net)

Unit class	Securities no.	ISIN code
I-A1	4616419	CH0046164197
I-A2	11493843	CH0114938431
I-A3		
I-B	4616469	CH0046164692
I-X	4616478	CH0046164783
U-X		
I-P		

III. UBS (CH) Institutional Fund 2 – Equities Global (ex Switzerland) Quantitative

Benchmark: MSCI World ex Switzerland (net. Div. reinv.)

Unit class	Securities no.	ISIN code
I-A1	2298541	CH0022985417
I-A2		
I-A3		
I-B	2298552	CH0022985524
I-X	2298562	CH0022985623
U-X		
I-P		

IV. UBS (CH) Institutional Fund 2 – Equities Global (ex Switzerland) Quantitative II

Benchmark: MSCI World ex Switzerland (net. Div. reinv.)

Unit class	Securities no.	ISIN code
I-A1	22999579	CH0229995797
I-A2	22999581	CH0229995813
I-A3	22999584	CH0229995847
I-B	22999585	CH0229995854
I-X	22999587	CH0229995870
U-X	22999592	CH0229995920
I-P		

V. UBS (CH) Institutional Fund 2 – Equities International (ex Switzerland)

Benchmark: MSCI World ex Switzerland (net Div. reinv.)

Unit class	Securities no.	ISIN code
I-A1	3288732	CH0032887322
I-A2		

I-A3		
I-B	3288758	CH0032887587
I-X	3288791	CH0032887918
U-X		
I-P		

VI. UBS (CH) Institutional Fund 2 – Equities Japan Passive II

Benchmark: MSCI Japan (gross Div. reinv.)

Share class	Securities no.	ISIN Code
I-A1		
I-A2		
I-A3		
I-B		
I-X		
U-X		

VII. UBS (CH) Institutional Fund 2 – Equities USA Passive

Benchmark: MSCI USA (gross Div. reinv.)

Unit class	Securities no.	ISIN code
I-A1	2298585	CH0022985854
I-A2	27814193	CH0278141939
I-A3	11153452	CH0111534522
I-B	2298593	CH0022985938
I-X	2298602	CH0022986027
U-X		
I-P		

VIII. UBS (CH) Institutional Fund 2 – Equities USA Passive II

Benchmark: MSCI USA (gross Div. reinv.)

Unit class	Securities no.	ISIN code
I-A1		
I-A2		
I-A3		
I-B		
I-X	12512104	CH0125121043
U-X		
I-P		

IX. UBS (CH) Institutional Fund 2 – Equities Global Small Cap Passive II

Benchmark: MSCI World Small Cap ex Switzerland (Div. reinv.: US gross, others net)

Unit class	Securities no.	ISIN code
I-A1	20967404	CH0209674040
I-A2	20967505	CH0209675054
I-A3	20967508	CH0209675088
I-B	20967513	CH0209675138
I-X	20967519	CH0209675195

- b) For the following sub-funds, orders must be entered by 2 p.m. at the latest in order to be settled on the following bank business day in Switzerland at the net asset value for the prior day (= day of issue or redemption):
 - Equities Global Small Cap Passive II
 - Equities Global Passive
 - Equities Global Passive II
 - Equities International (ex Switzerland)
- c) Subscription or redemption orders for units of the following sub-funds are accepted until 3:30 p.m. in order to be settled on the bank business day following the order day (valuation day):
 - Equities USA Passive
 - Equities USA Passive II
- d) Subscription or redemption orders for units of the following sub-funds are accepted until 3 p.m. in order to be settled on the next but one bank business day following the order day (valuation day):
 - Global Real Estate Securities Passive II
 - Global Real Estate Securities
- e) Subscription or redemption requests for shares of the following sub-funds will be accepted until 3:30 pm in order to be settled on the next bank business day (valuation day) following the order date:
 - Equities Japan Passive II

6.2.2 Settlement

The value date in respect of the issue and redemption price is no later than three bank business days after the order date

6.3 Terms for the issue and redemption of fund units

Issuing commission and redemption commission

Currently there is no issuing commission or redemption commission for the issuing or redemption of units.

Based on § 17 prov. 2 b) of the fund contract, the following incidental costs will be charged (in the form of a maximum percentage of the subscription or redemption volume) This is done as protection against dilution on behalf of existing or remaining unit holders.

Subscription costs: maximum of 2%

Redemption costs: maximum of 2%

Sub-funds affected:

- Equities Global Passive
- Equities Global Passive II
- Equities Japan Passive II
- Equities USA Passive
- Equities USA Passive II
- Equities Global Small Cap Passive II
- Global Real Estate Securities Passive II
- Equities Global (ex Switzerland) Quantitative II

6.4 Remuneration

Remuneration is shown in the table under prov. 1.

Payment of retrocessions and rebates:

The fund management company and its agents do not pay retrocessions to third parties as remuneration for the distribution activities in respect of fund units in or from Switzerland. The fund management company and its agents shall not pay any discounts directly to investors as part of distribution in or from Switzerland in order to reduce the fees and costs attributable to investors and charged to the umbrella fund and/or the sub-funds.

6.5 Sales restrictions

When units of this fund are issued or redeemed abroad, the provisions valid in the country in question shall apply.

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

Units of the sub-funds of this umbrella fund may not be offered, sold or delivered to US citizens, individuals domiciled in the US and/or other natural persons or legal entities whose income and/or earnings are subject to US income tax, regardless of source, as well as persons who are considered to be US persons pursuant to regulation S of the US Securities Act of 1933 and/or the US Commodity Exchange Act in its most recent version.

6.6 Conversion of units

The unit holders may switch from one sub-fund to another at any time. The same provisions apply to the submission of conversion applications as apply to the issue and redemption of units (cf. § 17). The number of units into which the investor would like to convert his or her units is calculated using the following formula:

$$A = (B \times C) / D$$

where:

A = number of units of the sub-fund unit class into which the investor wants to convert

B = number of units of the sub-fund unit class from which the investor wants to convert

C = net asset value of the units presented for conversion

D = net asset value of the units of the sub-fund unit class in which the conversion is to take place

6.7 Due diligence when acquiring target funds

Target funds are selected using quantitative and qualitative criteria. As part of quantitative analysis, the historical relationship between risk and return is analyzed over various time periods. On the qualitative side, an in-depth assessment of the fund company's profile is carried out, looking at its corporate infrastructure, investment style, investment processes and internal risk controls. The results of both qualitative and quantitative evaluations are subject to regular reviews.

6.8 Issuer and counterparty risk

With regard to indirect investments via derivatives, it should be noted that such investments may result in an accumulation of risk. In addition to the market risk of the underly-

ing, there is the risk stemming from the issuer of the derivative. This risk cumulation can be of particular significance where derivatives on market indices are used systematically instead of a broadly diversified portfolio of direct investments.

6.9 Official publication

The official publication for the umbrella fund is Swiss Fund Data AG (www.swissfunddata.ch).

6.10 Information on sub-funds that are considered to be a fund of funds

The following information applies to

- UBS (CH) Institutional Fund 2 – Equities Global Passive and
- UBS (CH) Institutional Fund 2 – Equities Global Passive II
- UBS (CH) Institutional Fund 2 – Equities International (ex Switzerland)

Sub-funds in the form of umbrella funds invest primarily in other investment funds and make direct investments to a limited extent only.

Advantages of a fund of funds structure:

- The sub-funds of the umbrella fund seek to invest in target funds that have a low correlation to each other, thereby achieving a higher degree of diversification when compared to many target funds.
- The comprehensive selection process, performed by the manager of the sub-funds of the umbrella fund using qualitative and quantitative criteria, makes it possible to identify the most appropriate target funds worldwide.
- As a result of ongoing monitoring and control (due diligence), performed by the manager of the sub-fund of the umbrella fund, and the related supervisory function performed by the fund management company, assets can be monitored regularly with regard to the investment objective and the investments adjusted in line with changes in the market as necessary.

Disadvantages of a fund of funds structure:

- The investment in a sub-fund of the umbrella fund means that the investor must pay not only the commissions of the sub-fund, but also the commissions of the target funds in which the sub-fund of the umbrella fund invests.
- The sub-funds of the umbrella fund invest in target hedge funds, over which the sub-funds of the umbrella fund have very little or no influence. The target hedge funds can build up leverage (in other words, create an exposure) that clearly exceeds their own net assets. Since the sub-funds of the umbrella fund have little or no influence on the target hedge funds, it cannot influence the activities of the target hedge funds.

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

The custodian bank: UBS Switzerland AG, Zurich