

# UBS ETF (LU) J.P. Morgan Global Government ESG Liquid Bond UCITS ETF (hedged to CHF) A-acc Fund Fact Sheet

UBS Exchange Traded Funds > UBS ETF SICAV

## Fund description

- The sub-fund aims to track, before expenses, the price and income performance of the J.P. Morgan Global Government ESG Liquid Bond Index (Total Return) (this sub-fund's "Index").
- The J.P. Morgan Global Government ESG Liquid Bond Index (Total Return) is designed to track the performance of liquid global government bonds.
- The sub-fund will take an exposure on the components of its Index.

Name of fund	<b>UBS (Lux) Fund Solutions – J.P. Morgan Global Government ESG Liquid Bond UCITS ETF</b>
Share class	UBS (Lux) Fund Solutions – J.P. Morgan Global Government ESG Liquid Bond UCITS ETF (hedged to CHF) A-acc
ISIN	LU1974694397
Securities no.	47 204 812
UCITS V	yes
Launch date	31.01.2020
Currency of fund / share class	USD/CHF
Management fee p.a.	0.18%
Total expense ratio (TER) p.a. <sup>1</sup>	0.20%
Yield to maturity	3.03
Modified duration	7.20
Name of the Management Company	UBS Fund Management (Luxembourg) S.A., Luxembourg
Accounting year end	31 December
Distribution	Reinvestment
Replication methodology	physical stratified sampling
Portfolio management representatives	UBS Asset Management Switzerland AG, Zurich
Fund domicile	Luxembourg
SFDR Classification	Art.8

<sup>1</sup> as at 31.12.2023

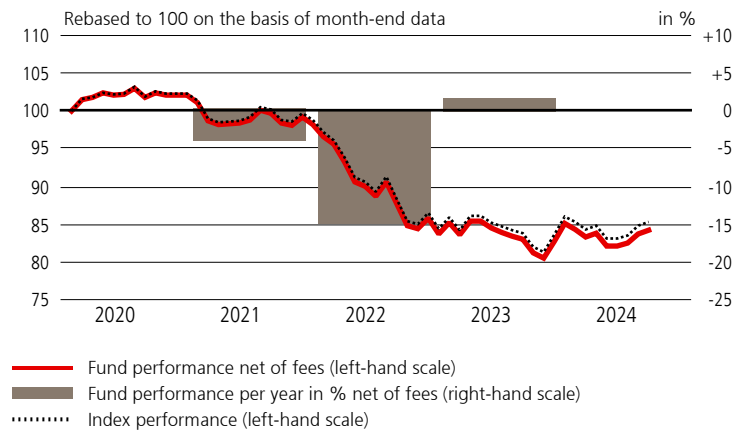
## Fund statistics

Net asset value (CHF, 30.08.2024)	9.67
Last 12 months (CHF) – high	9.84
– low	9.20
Total fund assets (CHF m)	720.93
Share class assets (CHF m)	166.34

	2 years	3 years	5 years
Volatility <sup>1</sup>			
– Fund	5.79%	5.76%	n.a.
– Benchmark	5.79%	5.76%	n.a.
Tracking error (ex post)	0.10%	0.09%	n.a.

<sup>1</sup> Annualised standard deviation

## Performance (basis CHF, net of fees)<sup>1</sup>



Past performance is not a reliable indicator of future results.

## Performance in % (net of fees)

in %	2020	2021	2022	2023	2024 YTD <sup>1</sup>	LTD <sup>2</sup> 4 years	Ø p.a. 4 years
Fund (CHF)	n.a.	-3.82	-14.75	1.61	-1.06	-15.83	-17.29
Benchmark <sup>3</sup>	n.a.	-3.49	-14.52	1.90	-0.84	-14.70	-16.32

<sup>1</sup> These figures refer to the past. **If the currency of a financial product, financial service or its costs is different from your reference currency, the return and/or costs can increase or decrease as a result of currency fluctuations.** Source for all data and chart (if not indicated otherwise): UBS Asset Management.

<sup>1</sup> YTD: year-to-date (since beginning of the year)

<sup>2</sup> LTD: launch-to-date

<sup>3</sup> Reference Index in currency of share class (without costs)

## Index description

The J.P. Morgan Global Government ESG Liquid Bond Index (Total Return) is designed to track the performance of liquid global government bonds. The index is based on a market capitalization weighting. The index further applies an environmental, social and governance (ESG) screening of issuer countries. Countries are categorized into 10 bands based on their ESG score and the countries in the lowest 5 ESG bands will be removed from the index.

Index name	J.P. Morgan Global Government ESG Liquid Bond hedged to CHF Index (Total Return)
Index type	Total Return Net
Number of index constituents	1368
Bloomberg	JPMGDCH
Reuters	n.a.

## For more information

UBS Fund Infoline: 0800 899 899  
Internet: [www.ubs.com/funds](http://www.ubs.com/funds)  
Contact your client advisor

## Registrations for public distribution

AT, CH, CL, DE, DK, ES, FI, FR, GB, IT, LI, LU, NL, NO, PT, SE  
For Italy, Denmark: institutional clients only.

 12 years'  
experience in sustainable ETFs

**Market exposure (%)**

	Index
United States	32.5
Japan	14.8
Germany	8.5
France	8.3
United Kingdom	7.9
Spain	5.1
Italy	4.9
Republic of Korea	2.8
Canada	2.6
Others	12.6

**Credit quality (%)**

	Fund
AAA	16.2
AA	55.6
A	20.3

**Benefits**

Clients benefit from the flexibility of an exchange-traded investment.  
 Provides access to this segment of the market with a single transaction.  
 Optimised risk/return profile thanks to a broad diversification across a range of countries and sectors.  
 The fund offers a high degree of transparency and cost efficiency.  
 UCITS compliant fund.

**Additional information**

- Additionally, currency hedged share classes aim to reduce the impact of currency fluctuations between their reference currency and the index currency.
- The fund is passively managed.

**Listing and trading information**

Exchange	Trading currency	Trading hours (local time)	Bloomberg Ticker	Reuters RIC	iNAV Bloomberg
SIX Swiss Exchange	CHF	09:00am - 05:30pm CET	ESGGBS SW	ESGGBS.S	ESGCHIV

**10 largest positions (%)**

	Fund
United States Treasury Note/Bond	32.4
French Republic Government Bond OAT	8.4
United Kingdom Gilt	7.9
Bundesrepublik Deutschland Bundesanleihe	6.3
Spain Government Bond	5.1
Italy Buoni Poliennali Del Tesoro	4.8
Japan Government Twenty Year Bond	4.3
Japan Government Ten Year Bond	3.9
Korea Treasury Bond	2.8
Japan Government Thirty Year Bond	2.6

	Fund
BBB	4.8
Others	3.2

**Risks**

This UBS Exchange Traded Fund invests in treasuries and may therefore be subject to high fluctuations in value. This Fund may not be appropriate for investors who plan to withdraw their money before the recommended holding period disclosed in the PRIIPs KID, if available for this share class. Sustainability characteristics and risks are considered as part of the Index selection process. Sustainability characteristics and risks are considered as part of the Index selection process. Every fund has specific risks, which can significantly increase under unusual market conditions. As a result, the net asset value of the fund's assets is directly dependent on the performance of the underlying index. Losses that could be avoided via active management will not be offset.

Please note that additional fees (e.g. entry or exit fees) may be charged. Please refer to your financial adviser for more details. Investors should read the Key Information Document, Prospectus and any applicable local offering document prior to investing and to get complete information of the risks. Investors are acquiring units or shares in a fund, and not in a given underlying asset such as building or shares of a company. For a definition of financial terms refer to the glossary available at [www.ubs.com/am-glossary](http://www.ubs.com/am-glossary).

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# UBS ETF (LU) J.P. Morgan Global Government ESG Liquid Bond UCITS ETF

## ESG Report

**Terminology used within this document refers to definitions in the UBS Sustainable Investing Framework and does not refer or relate in any way to any regulatory provisions. Where applicable, a country-specific notice is provided in this document and must be read in conjunction with the factsheet.**

**ESG** is an abbreviation for Environmental, Social and Governance (factors). These factors are used to evaluate companies and countries on how advanced they are with respect to sustainability. Once sufficient data on these factors are available, they can be used to assess and compare assets and also to inform the investment process when deciding what assets to buy, hold or sell.

This page provides transparency on key sustainability metrics that may be of interest to investors, but may not be part of the fund's investment process. This information is provided to enable comparison with other financial products and to help investors assess their exposure to ESG topics.

### UBS AM sustainability approaches applied

- |   |   |  |
|---|---|--|
| <input checked="" type="checkbox"/> Exclusion | <input checked="" type="checkbox"/> ESG Integration | <input checked="" type="checkbox"/> SI Focus |
| <input type="checkbox"/> Impact               | <input type="checkbox"/> Voting                     | <input type="checkbox"/> Engagement program  |

Source: UBS Asset Management

### ESG details of the top 10 fixed income positions

(in % of fund AuM)<sup>1,2</sup>

Holding (fixed income)	Weight	ESG Score
United States Treasury Note/Bond	32.4	5.9
French Republic Government Bond OAT	8.4	6.4
United Kingdom Gilt	7.9	6.7
Bundesrepublik Deutschland Bundesanleihe	6.3	7.6
Spain Government Bond	5.1	5.6
Italy Buoni Poliennali Del Tesoro	4.8	5.5
Japan Government Twenty Year Bond	4.3	6.5
Japan Government Ten Year Bond	3.9	6.5
Korea Treasury Bond	2.8	7.0
Japan Government Thirty Year Bond	2.6	6.5

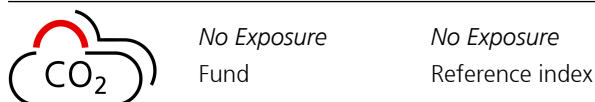
<sup>1</sup> This is not a recommendation to buy or sell any security

<sup>2</sup> AuM = Assets under Management

Source: MSCI ESG Research

### Weighted average carbon intensity, scaled - Corporate issuers

(tCO<sub>2</sub> equivalent per USD million sales)



Fund actual data coverage: No Exposure

Reference index actual data coverage: No Exposure

Source: MSCI ESG Research

Reference Index: J.P. Morgan GBI Aggregate Index

### External fund ratings<sup>1</sup>

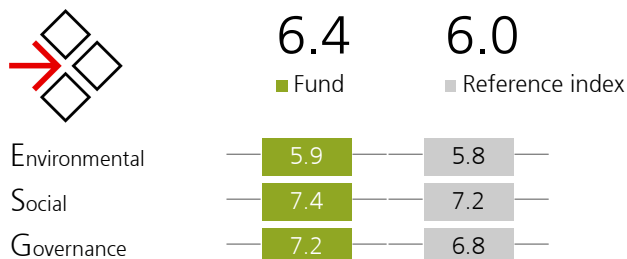


<sup>1</sup> As of 30.06.2024

Source: MSCI ESG Research

### MSCI ESG scores, scaled

(holding-weighted average 0-10)



Fund actual data coverage: 99.8%

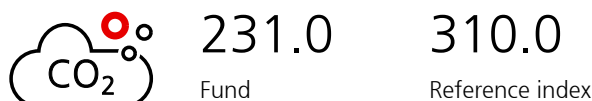
Reference index actual data coverage: 100.0%

Source: MSCI ESG Research

Reference Index: J.P. Morgan GBI Aggregate Index

### Carbon intensity, scaled - Sovereign issuers

(tCO<sub>2</sub> equivalent per USD million in GDP)



Fund actual data coverage: 100.0%

Reference index actual data coverage: 99.8%

Source: MSCI ESG Research

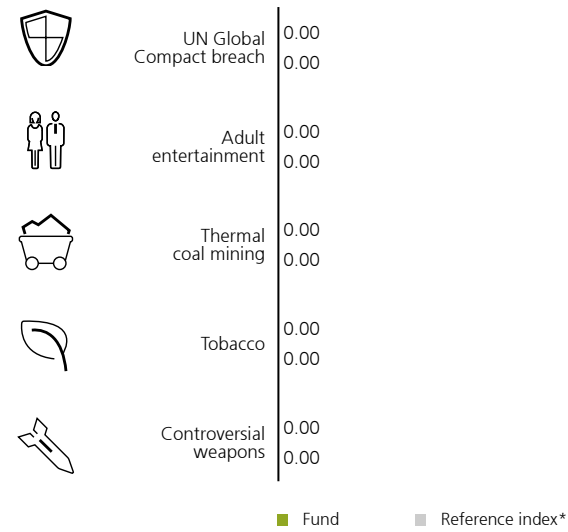
Reference Index: J.P. Morgan GBI Aggregate Index

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## ESG Report

### Controversy check

(in % of fund AuM)<sup>1</sup>

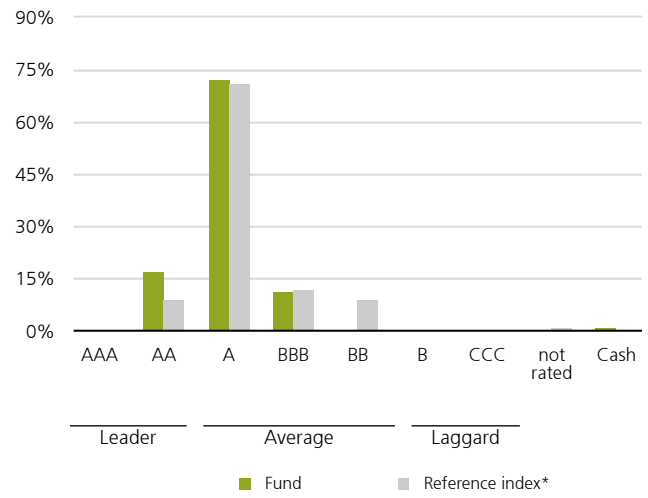


<sup>1</sup> Assets under Management

Source: MSCI ESG Research

Reference Index: J.P. Morgan GBI Aggregate Index

### MSCI ESG rating breakdown



The final industry-adjusted ESG scores are mapped to letter MSCI ESG rating with AAA/AA leaders; A/BBB/BB average; B/CCC laggards.

Source: MSCI. Certain information © 2024 MSCI ESG Research LLC. Reproduced by permission.

Reference Index: J.P. Morgan GBI Aggregate Index

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## ESG Report

### Country-specific notice:

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### Glossary

**Controversy check:** Controversial Business Involvement exposure is the exposure to companies with a revenue share exceeding a certain threshold of the respective field (production). Link to our exclusion policy for more details: -> [www.ubs.com/si-exclusion-policy](http://www.ubs.com/si-exclusion-policy)

**MSCI ESG scores** are provided by MSCI ESG Research and are measured on a scale from 0 (lowest/worst score) to 10 (highest/best score). The individual MSCI E-, S-, and G-score indicates the resilience of issuers to environmental, social or governance related risks that are most material to an industry. The aggregated MSCI ESG score is based on these MSCI E-, S-, and G-scores but normalizes them relative to industry peers. This leads to a weighted average industry-adjusted MSCI ESG score which is comparable across industries. The metric is scaled up to 100% if actual data coverage is above the defined thresholds – fixed income: 50%, equities: 67%, multi-asset: 50%. Otherwise, the metric is reported as "-".

#### UBS AM sustainability approaches applied:

**Exclusion:** Strategies that exclude securities from funds where they are not aligned to an investor's values. Includes customized screening criteria.

**ESG Integration:** Strategies that integrate environmental, social and governance (ESG) factors into fundamental financial analysis to improve the risk/return profile.

**SI Focus:** Strategies where sustainability is an explicit part of the investment guidelines, universe, selection and/or investment process.

**Impact:** Strategies where the intention is to generate measurable environmental and/or social benefits ("impact") alongside the financial return.

**Voting:** The voting flag is a principle-based product level classification (top down) and is based on the overall applicability of the UBS AM Policies. UBS will actively exercise voting rights based on the principles outlined in the UBS Asset Management Proxy Voting policy and UBS Asset Management Stewardship policy, with two fundamental objectives: (i) To act in the best financial interests of our clients to enhance the long-term value of their investments, (ii) To promote best practice in the boardroom and encourage strong sustainability practices. This is not an indication that voting on sustainability related topics has taken place with respect to companies held by a sub-fund during any given time period. For information about voting activities with specific companies (bottom-up transparency) please refer to the UBS Asset Management Stewardship Annual Report. Information shown in this report might also deviate from other reports which might only focus on, for example, climate related activities. <https://www.ubs.com/global/en/assetmanagement/capabilities/sustainable-investing/stewardship-engagement.html>

**Engagement program:** The engagement program applies to UBS funds and aims to prioritize/select companies where UBS Asset Management has identified concerns or thematic topics

on particular ESG factors. These companies are selected from across the universe of companies in which UBS Asset Management invests using a top-down approach in accordance with our principles, as outlined in the Global Stewardship Policy. The prioritization process will determine if and when engagement with a company is required. If a company is selected for the engagement program, the engagement dialog will be conducted for a minimum period of two years. This is not an indication that sustainability-related engagement has taken place with respect to companies in this portfolio during any given time period or that the companies in this portfolio were chosen with the goal to actively engage (bottom-up transparency). Information on UBS Asset Management's selection of companies, engagement activities, prioritization process and understanding of concerns can be found in the UBS Asset Management Stewardship Annual Report and Stewardship Policy. Information shown in this report might also deviate from other reports which might only focus on, for example, climate related activities. <https://www.ubs.com/global/en/assetmanagement/capabilities/sustainable-investing/stewardship-engagement.html>

**Aggregation of ESG/carbon data:** ESG scores of holdings in the portfolio and the reference index are aggregated based on their respective individual weights and ESG scores (sumproduct).

#### Fund of funds investments, derivatives and cash:

Derivatives and fund of funds investments used in the portfolio are treated on a lookthrough basis, whereby the economic exposures to the underlying basket of securities is treated as an actual investment in the individual securities that make up this basket. Broad market derivatives or fund of funds investments may lead to minimal exposures to securities that are excluded from direct investments. Derivatives have an effect on all metric calculations. Given that many of the reporting frameworks available to investors today do not cover the intricacies of derivatives, metrics are provided on a reasonable efforts basis. Portfolios for which we report the sustainability metrics may include cash. The information disclosed in this report, in particular the treatment of derivatives and cash, may or may not correspond with the investment characteristics of the fund and how the fund is managed. The sustainability metrics in this report may therefore differ from other UBS reports produced on the same date.

**MSCI ESG Fund Ratings** are designed to measure the environmental, social and governance (ESG) characteristics of a fund's underlying holdings, making it possible to rank or screen mutual funds and ETFs on a AAA to CCC ratings scale.

**Weighted average carbon intensity – corporate issuers/ carbon-intensive sovereign issuers:** These metrics measure a fund's exposure to carbon-intensive companies and

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## ESG Report

governments. These metrics provide an insight into potential risks related to the transition to a lower-carbon economy, because companies with higher carbon intensity are likely to face more exposure to carbon related market and regulatory risks. These metrics are applicable across asset classes. It is the sumproduct of the fund weights and individual carbon intensities (carbon emissions scope 1+2 / USDm sales or GDP). The metric is scaled up to 100% if actual data coverage is above the defined thresholds – fixed income, 50%; equities: 67%, multi-asset: 50%. Otherwise, the metric is reported as "-". Classification system to separate corporate and sovereign issuers: Bloomberg Barclays Methodology. Securitized bonds are excluded from the calculation. "No exposure" if the fund is not invested in the respective issuers for the month.

**MSCI ESG rating breakdown:** The final sector-adjusted ESG score of the portfolio is broken down into three rating

categories with AAA/AA leaders, A/BBB/BB average and B/CCC laggards, and compared to the rating breakdown of the reference index.

**Passive ESG:** Benchmark selection is driven by portfolio implementation considerations, in particular to closely reflect the financial and ESG objectives of the fund. For passively managed strategies, an ESG benchmark would be selected for the purpose of balancing between reasonable tracking error and high ESG alignment. In order to assess the magnitude of ESG improvements, the fund's ESG performance is also shown against a selected broad market index which closely represents the parent investment universe on which the ESG benchmark is based.

### Important information about sustainable investing strategies

Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and fund construction. Strategies across geographies and styles approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or sustainable investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a fund consisting primarily of sustainable investments may be lower or higher than funds where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment instruments available to such funds may differ. Companies, product issuers and/or manufacturers may not necessarily meet high performance standards on all aspects of ESG or sustainable investing issues.

### Reconciliation of Assets under Management (AuM)

This report does not contain reconciled AuM positions, it only takes in consideration positions with settlement date as of report date. This means that traded but not settled positions are not included. Therefore, AuM figures in this report may differ from other UBS reports produced on the same date.

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The reference index used on this page is the parent index which does not seek to include certain environmental or social characteristics promoted by the financial product in its construction and is different from the designated reference benchmark.

**UBS AM standard glossary. For additional investment terms, please refer to the online glossary [here](#).**

**Accumulation:** Reinvestment of income generated by the investment fund into the fund's assets.

**Active management:** Here the fund manager uses their expertise to pick investments to achieve the fund's objectives.

**Alpha:** A fund's alpha is its outperformance relative to a benchmark. If a fund has a consistently high alpha this can indicate skillful management. If the benchmark returns 12% and the portfolio returns 14%, the outperformance (alpha) is equal to  $14\% - 12\% = 2\%$ . Compare with beta.

**Benchmark:** Index against which an investment fund's performance is measured. Also called a reference index.

**Beta:** A measure of risk that indicates an investment's sensitivity to fluctuations in the market, as represented by the relevant benchmark. For example, a beta of 1.2 tells us that the value of an investment fund can be expected to change by 12% if the market is forecast to move by 10%.

**Bonds:** Debt instruments with a fixed or variable rate of interest and generally with a fixed maturity and redemption date. The most common issuers are major companies, government bodies such as the federal government and the cantons, public institutions, and international organizations such as the World Bank or the International Monetary Fund.

**Commodities:** A tradeable item that can be further processed and sold. Industrial (metals), agricultural (wool, wheat, sugar) and bulk commodities (coal, iron ore) are examples. It is possible to invest in physical commodities or in derivatives based on commodity prices.

**Convertible bonds:** Bonds that feature a conversion right entitling the holder to convert the bond into shares of the company in question at a certain point in time and at a pre-defined conversion ratio.

**Corporate bonds:** Strictly speaking, corporate bonds are those issued by companies. Generally, however, the term is used to cover all bonds other than those issued by governments in their own currencies. Therefore the "credit" sector, as it is often known, includes issues by companies, supranational organizations and government agencies. The key feature that distinguishes corporate bonds from government bonds is the risk of default – see credit risk.

**Correlation:** A measure of the degree to which the price trends of various investment categories or instruments move in the same direction.

**Derivatives:** Investments whose value is linked to another investment, to the performance of a stock exchange or to some other variable factor, such as interest rates.

**Distribution:** Payment by an investment fund to distribute the income generated to its unit holders.

**Diversification:** Holding a variety of investments that typically perform differently from one another.

**Duration:** The duration represents the length of time for which capital is "tied up" in a bond investment. The concept of duration takes account of the time structure of returning cash flows (such as coupon repayments). The average duration of the portfolio is derived from the weighted average duration of the individual securities. The "modified duration" is derived from the duration and provides a measure of the sensitivity of bonds or bond portfolios to interest rate changes.

**Emerging economy or market:** Emerging markets or developing markets – mainly in Asia, Eastern Europe, and Latin America – that are growing quickly, but whose economies and stock markets have not yet reached Western standards.

**Equities:** Securities that represent an equity interest in a company. As a joint owner, the shareholder has rights of participation (voting right, right to information) and rights to assets (right to a share of profits, subscription rights).

**Exchange traded fund (ETF):** An investment fund that is traded like stocks on an exchange. Most ETFs are index funds: they hold the same securities in the same proportions as a certain index.

**Feeder fund:** An investment fund that invests the majority of its assets into a master fund.

**Hedging:** Protecting investments against losses. UBS asset allocation funds and hedged UBS ETFs specifically hedge against exchange rate risks.

**High watermark:** The high watermark is used in connection with the performance fee. The fund manager calculates his or her share of the profits on the basis of the value increment over and above the last peak in the NAV. As a result, the performance fee does not become payable until all losses incurred have been completely recovered.

**High yield bonds:** Bonds issued by borrowers with lower credit ratings. Such bonds offer higher rates of interest, but at the same time there is also a higher risk of default, i.e. that interest payments will not be paid or that the face value will not be repaid.

**Illiquid:** Illiquid assets are those assets that cannot be easily bought, sold, or converted into cash. It may often be impossible to convert the asset to cash until the end of the life of the asset.

**Index:** Indicator of performance on one or more markets. The oldest and best-known stock market index is the Dow Jones. Indexes make it possible to compare the performance of a fund invested in a specific market with the development of that market.

**Index fund:** An investment fund that replicates a chosen stock market index in its stock selection and weightings as exactly as possible.

**Inflation-linked bonds:** An inflation-linked bond provides investors with protection from inflation by linking its principal amount or interest payments to a specific inflation index.

**Investment grade:** Term used to denote securities with ratings of between BBB and AAA, indicating that their credit quality is satisfactory or good.

**Leverage:** With derivative instruments, greater returns can be earned with a comparatively lower capital investment than with an investment in the actual underlying instrument. This effect is called leverage.

**Management style:** Manner in which investment decisions are made to achieve the investment objective (see also active management and passive management).

**Master fund:** Funds invested in respective feeder funds that are then invested into the master fund. The master fund holds the portfolio investments and conducts all trading activity.

**Maturity:** Period from the issue of a bond to its due date or to the premature repayment of the bond. Not to be confused with duration.

**Net asset value (NAV):** Used to describe the value of a company's assets less the value of their liabilities.

Ø – Average.

**Over the counter (OTC):** An over-the-counter financial contract is one that is not traded on an exchange but is "tailor-made" for a client by a financial institution.

**Passive management:** Passive management seeks to attain

performance equal to market or index returns.

**Performance fee:** For non-classical investment funds such as hedge funds, the investor must often pay, in addition to the conventional management fee, a supplementary performance fee in the form of a percentage (e.g. 20%) of the fund's annual increase in value.

**Physical replication:** In physical replication, an ETF invests directly in securities held in the benchmark it is tracking. To do so, the ETF can buy some or all of the securities that make up the replicated index – this method is called full replication and is suitable for liquid indexes.

**Rating:** The measure of a borrower's creditworthiness by special rating agencies such as Standard & Poor's or Moody's. As a rule, UBS bond funds principally invest in bonds issued by prime borrowers.

**Reinvestment:** The possibility of reinvesting the distribution in the same fund. Certain funds offer investors a special reinvestment discount on the issuing price if the annual distribution is reinvested.

**Risk-free rate:** An investment with no chance of default and a known or certain rate of return.

**Share class:** An investment fund can issue several types of share certificates with different criteria. The share certificate classes may differ in the amount of fees, the appropriation of income or the currency of the share certificate class.

**Sharpe ratio:** A measure that expresses how much higher (or lower) a return an investor can expect compared to the risk-free rate of interest (e.g., interest rates on savings accounts) per unit of risk (volatility). The risk-free rate of interest varies from currency to currency.

**Standard deviation:** Statistical measure of the degree to which an individual value in a probability distribution tends to

vary from the mean of the distribution. The greater the degree of dispersion the greater the risk.

**Swing pricing:** Method used to calculate the net asset values of investment funds. This method allows transaction costs arising from subscriptions made by incoming investors and redemptions made by outgoing investors to be borne by the incoming and outgoing investors, rather than existing investors.

**Synthetic replication:** In contrast to physical replication, synthetic replication means that an ETF does not invest directly in the securities held in the benchmark. Instead, it enters into a swap agreement with a counterparty that promises to pay the return on the replicated index to the ETF.

**Total expense ratio (TER):** The ratio of total expense to a fund's average size over an annualized accounting period. Expenses are considered to include all expenses shown in the income account, including management, administration, custody, audit, legal and professional fees.

**Tracking error:** Measure of the deviation of a fund's return compared to the return of a benchmark over a fixed period, expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

**UCITS:** Undertakings for Collective Investment in Transferable Securities. A UCITS fund is an authorized fund that may be sold across all EU countries.

**Volatility:** A measure of the size of short-term changes in the value of an investment.

**Yield to maturity:** Weighted average rate earned by an investor who buys the bond portfolio today at the market price and holds the bond portfolio until maturity, also assuming that all coupon and principal payments will be made on schedule.