

# UBS (CH) Bond Fund

Umbrella fund under Swiss law of the type “**securities fund**”

Prospectus with integrated fund contract, July 2020

## Part I Prospectus

This prospectus with integrated fund contract, the key investor information document, and the most recent annual or semi-annual report (if published after the latest annual report) serve as the basis for all subscriptions of units in the sub-funds.

Only the information contained in the prospectus, the key investor information document or the fund contract is deemed valid.

### 1. Information on the umbrella fund and sub-funds

#### 1.1 General information

UBS (CH) Bond Fund is a contractual investment fund under Swiss law with multiple sub-funds (umbrella fund) of the “securities fund” type in accordance with the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, which is divided into the following sub-funds:

- **CHF Corporates**
- **Bonds CHF Sustainable**
- **Global (CHF)**

The fund contract was drawn up by UBS Fund Management (Switzerland) AG as fund management company and submitted to the Swiss Financial Market Supervisory Authority FINMA with the consent of UBS Switzerland AG as custodian bank. The fund contract was first approved by FINMA on 27 June 2019.

The umbrella fund and sub-funds are based upon a collective investment agreement (fund contract), under which the fund management company undertakes to provide the investor with a stake in the relevant sub-fund in proportion to the fund units acquired by the said investor, and to manage this sub-fund at its own discretion and for its own account in accordance with the provisions of the law and the fund contract. The custodian bank is party to the fund contract in accordance with the tasks conferred upon it by the law and the fund contract.

Investors are only entitled to an interest in the assets and income of the sub-fund in which they hold units. Only the relevant sub-fund is liable for the liabilities attributable to the individual sub-funds.

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

Detailed information on the unit classes is contained in the table at the end of the prospectus and in the fund contract (cf. Part II, § 6.4).

The individual unit classes do not constitute segregated pools of assets. Although costs are in principle charged only to the unit class for which the service in question was rendered, the possibility of a unit class being held liable for the liabilities of another unit class therefore cannot be ruled out.

#### 1.2 Investment objective and investment policy

##### 1.2.1 Investment objective of the sub-funds

The investment objective of **UBS (CH) Bond Fund – CHF Corporates** is principally to secure a long-term performance that is in line with the development of the established market indices for corporate bonds denominated in Swiss francs (CHF) issued by Swiss and foreign borrowers. The fund aims for a relatively low weighted average coupon compared with the investment universe.

The investment objective of **UBS (CH) Bond Fund – Bonds CHF Sustainable** is principally to secure a long-term performance that is in line with the development of the established market indices for bonds denominated in Swiss francs (CHF) issued by Swiss and foreign borrowers, taking into account sustainability criteria.

The investment objective of **UBS (CH) Bond Fund – Global (CHF)** is principally to secure a long-term performance that is in line with the development of the established market indices for bonds issued by Swiss and foreign borrowers.

##### 1.2.2 Investment policy of the sub-funds

**UBS (CH) Bond Fund – CHF Corporates** invests primarily in bonds and notes denominated in Swiss francs (CHF) as well as other fixed-income or floating-rate debt paper and rights issued by private and public-law borrowers worldwide, and in other permissible investments according to the fund contract.

**UBS (CH) Bond Fund – Bonds CHF Sustainable** invests primarily in bonds and notes denominated in Swiss francs (CHF) as well as other fixed-income or floating-rate debt paper and rights issued by private and public-law borrowers worldwide with a suitable environmental, social and governance (ESG) profile, and in other permissible investments according to the fund contract.

**UBS (CH) Bond Fund – Global (CHF)** invests primarily in bonds and notes denominated in Swiss francs (CHF) or other currencies as well as other fixed-income or floating-rate debt paper and rights issued by private and public-law borrowers worldwide, and in other permissible investments according to the fund contract.

The currency denomination included in the name of the sub-funds refers solely to the currency used to measure the performance of the respective sub-fund, and not to the investment currency of the sub-fund. Investments are made in the currencies that are best suited to the performance of the sub-funds.

Including derivatives and structured products, the fund management company may invest up to a maximum of 10% of the sub-funds' assets in securities and money market instruments from the same issuer. This limit is increased from 10% to 35% for the UBS (CH) Bond Fund – Bonds CHF Sustainable sub-fund if the securities are issued or guaranteed by Pfandbriefzentrale der schweizerischen Kantonalbanken AG or Pfandbriefbank schweizerischer Hypothekarinstitute AG. In this case, no more than 30% of the sub-fund's assets may be invested in securities from the same issue.

The fund management company may invest up to 35% of the sub-funds' assets in securities or money market instruments from the same issuer if these are issued or guaranteed by an OECD country, a public-law entity from the OECD, or by an international public-law organisation to which Switzerland or a member state of the European Union belongs.

The fund management company may invest up to 100% of the sub-funds' assets in securities or money market instruments from the same issuer if these are issued or guaranteed by an OECD country, a public-law entity from the OECD, or by an international public-law organisation to which Switzerland or a member state of the European Union belongs. In this case, the sub-fund's assets must be invested in the relevant securities or money market instruments from at least six different issues; no more than 30% of the sub-fund's assets may be invested in securities or money market instruments from the same issue.

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

#### **Collateral strategy for securities lending transactions and transactions in derivative financial instruments:**

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

##### **Extent of collateralisation:**

All loans under securities lending transactions must be collateralised in full, with the value of the collateral amounting to at least 105% of the market value of the lent securities. Individual items of collateral may also be valued at a discount. This discount is based on the volatility of the markets and the forecast liquidity of the collateral. The collateralisation of derivatives transactions is based on the relevant rules for settling such types of transaction. Derivatives transactions settled centrally are always collateralised. The extent and amount are based on the respective regulations of the central counterparty or clearing house.

For derivatives transactions not settled centrally, the fund management company or its agents may enter into mutual collateralisation agreements with the counterparties. The value of the collateral exchanged must always be at least equivalent to the replacement value of the derivatives transactions outstanding. Individual items of collateral may also be valued at a discount. This discount is based on the volatility of the markets and the forecast liquidity of the collateral.

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

- Equities traded on an exchange or other market open to the public which have a high level of liquidity and are included in a benchmark index.
- Listed ETFs in the form of securities funds, other funds for traditional investments under Swiss law or UCITS are deemed equivalent to equities if they track an index and replicate it physically. Swap-based, synthetically replicating ETFs are not permitted.
- Bonds traded on an exchange or other market open to the public where the issuer has a first-class credit rating. No rating is required for government bonds issued by the USA, Japan, the UK, Germany or Switzerland (including federal states and cantons).
- Tradable treasury bills and notes with a government guarantee are deemed equivalent to government bonds if the government or issuer has a first-class rating or they are issued by the USA, Japan, the UK, Germany or Switzerland (including federal states and cantons).
- Money market funds, if they meet the SFAMA or CESR Guidelines for Money Market Funds, can be redeemed daily, and are of high quality or are classified as first-class by the fund management company.
- Cash in a freely convertible currency.

### Safety margins

The following minimum discounts (% deduction from market value) apply to the collateralisation of loans under securities lending transactions:

– Listed equities and ETFs	8%
– Government bonds (incl. treasury bills and notes) issued or guaranteed by the USA, the UK, Japan, Germany or Switzerland (incl. cantons and municipalities)	0%
– Other government bonds (incl. treasury bills and notes)	2%
– Corporate bonds	4%
– Cash, if not in a fund currency	3%
– Money market funds	4%

The following minimum discounts (% deduction from market value) apply to the collateralisation of derivatives not settled centrally, provided a collateralisation agreement has been entered into with the counterparty:

– Cash	0%
– Government bonds with a residual term of up to 1 year	1–3%
– Government bonds with a residual term of 1 to 5 years	3–5%
– Government bonds with a residual term of 5 to 10 years	4–6%
– Government bonds with a residual term of over 10 years	5–7%

### Cash collateral may be reinvested as follows and with the following risks:

Sight deposits or deposits with a short notice period, government bonds with a high credit rating, money market instruments with counterparties with a high credit rating and money market funds subject to the SFAMA or CESR Guidelines for Money Market Funds.

Cash collateral must always be reinvested in the same currency as the collateral is received in.

The fund management company regularly monitors the risks from reinvesting cash collateral. These investments are nevertheless subject to credit risk and the value can be impacted by fluctuations. In addition, a certain level of liquidity risk cannot be excluded.

### Sustainability and ESG profile (environmental, social and governance profile)

Companies that have a suitable sustainability profile are those that show above-average commitment to environmental and social aspects compared with other companies and that are more progressive than other companies in terms of corporate governance. Sustainability is assessed through internal analysis provided by UBS Asset Management Switzerland AG and acknowledged agencies. The fundamental analysis of sustainability/ESG criteria may, amongst others, include the following aspects: environment, employees and suppliers, buyers and customers, management.

ESG sub-funds may invest, for example, in companies whose business model takes into account objectives such as socially responsible investing (SRI) and which are involved in areas such as energy efficiency, the environment, health and demographics or social improvements. Conversely, the sub-funds may exclude companies or even sectors whose business activities have negative social or environmental impacts. The sustainability profile of the individual sub-fund is based on the sum of the individual investments.

ESG sub-funds do not make direct investments in companies that generate a substantial portion of their revenue from the production of tobacco, adult entertainment and coal or companies that derive a substantial portion of their revenue from thermal coal-fired power stations.

#### 1.2.3 The material risks

The material risks associated with the sub-funds are: The net asset value and the income of the sub-funds may fluctuate depending on interest rate changes and changes in the credit rating of investments. There is no guarantee that investors will obtain a specific rate of return or be able to redeem the units with the fund management company at a specific price.

### UBS (CH) Bond Fund – Global (CHF)

Investments in securities markets in the People's Republic of China ("PRC") are subject to both the general risks associated with investments in emerging markets and the specific risks associated with investments in the PRC. Specific risks associated with the PRC include in particular the risk of investing in the China Interbond Market ("CIBM"), either directly or via Hong Kong using Bond Connect ("Bond Connect"). The CIBM is an over-the-counter market and is in a development phase. Bond Connect is a new trading platform. The associated risks and the development of the requirements of capital market law in the PRC are difficult to assess at the present time.

There are also a number of uncertainties, in particular as a result of possible quota restrictions on buying or selling bonds, foreign currency restrictions for the renminbi and regarding settlement in the event of default by the central counterparties. Future changes or adjustments to the respective regulations cannot be ruled out at present.

#### **1.2.4 Use of derivatives**

The fund management company may use derivatives. However, even in exceptional market conditions, these may not result in a deviation from the investment objectives or a change in the investment character of the sub-funds. Commitment Approach II is applied to the assessment of risk.

Derivatives form part of the investment strategy and are not used solely to hedge investment positions.

In connection with collective investment schemes, derivatives may be used only for currency hedging purposes, with the exception of the hedging of market, interest rate and credit risks in the case of collective investment schemes for which the risks can be determined and measured unequivocally.

Both basic types of derivatives and exotic derivatives may be used, the latter to a negligible extent, as described in more detail in the fund contract (cf. § 12), provided the underlying securities are permitted as investments under the investment policy. The derivative transactions may be concluded on either an exchange or other regulated market open to the public, or in OTC (over-the-counter) trading. In addition to market risks, derivatives are also subject to counterparty risk, i.e. the risk that the party to the contract may not be able to meet its obligations and may thus cause a financial loss.

In addition to credit default swaps (CDS), all other types of credit derivatives may be acquired (e.g. total return swaps (TRS), credit spread options (CSO), credit linked notes (CLN)) by which credit risks can be transferred to third parties (risk buyers). The risk buyers receive a premium as compensation. The size of this premium depends, among other things, on the probability of a loss event occurring and the maximum size of the loss; both factors are generally difficult to assess, which increases the risk associated with credit derivatives. The sub-funds may act as both risk buyers and risk sellers.

The use of derivatives may have a leverage effect on the sub-funds' assets or may correspond to a short sale. The overall exposure in derivatives may be up to 100% of the sub-funds' net assets and the overall exposure of the sub-funds may thus be up to 200% of the sub-funds' net assets.

Detailed information on the investment policy and its restrictions, as well as the permitted investment techniques and instruments (in particular derivative financial instruments and their scope) are contained in the fund contract (cf. Part II, §§ 7–15).

### **1.3 Profile of the typical investor**

The sub-funds UBS (CH) Bond Fund – CHF Corporates and UBS (CH) Bond Fund – Global (CHF) are suitable for investors with a medium-term investment horizon who are primarily seeking a steady income. Investors are able to accept temporary fluctuations in the net asset value of the fund units and may not be able to realise their investment by a particular date.

The sub-fund UBS (CH) Bond Fund – Bonds CHF Sustainable is suitable for investors with a medium-term investment horizon who are primarily seeking a steady income, taking into account sustainability criteria. Investors are able to accept temporary fluctuations in the net asset value of the fund units and may not be able to realise their investment by a particular date.

### **1.4 Tax regulations relevant to the umbrella fund and sub-funds**

The umbrella fund and sub-funds have no legal personality in Switzerland. They are not subject to tax on either income or capital.

The Swiss federal withholding tax deducted from the sub-funds' domestic income can be reclaimed in full for the relevant sub-fund by the fund management company.

Income and capital gains realised outside Switzerland may be subject to the relevant withholding tax deductions imposed by the country of investment. Insofar as is possible, these taxes will be reclaimed by the fund management company on behalf of investors domiciled in Switzerland under the terms of double taxation treaties or other such agreements.

Distributions of income made by the sub-funds to investors domiciled in Switzerland are subject to Swiss federal withholding tax (source tax) at 35%. Separately recorded capital gains are not subject to withholding tax.

Investors domiciled in Switzerland may reclaim the deducted withholding tax via their tax returns or by submitting a separate refund application.

Distributions of income to investors domiciled outside Switzerland are made free of Swiss withholding tax, provided at least 80% of the relevant sub-fund's income originates from foreign sources. This is subject to presentation of confirmation from a

bank stating that the units in question are held at the bank in the custody account of an investor domiciled outside Switzerland, and that the distributions of income are credited to this investor's account (declaration of domicile / affidavit). No guarantee can be given that at least 80% of a sub-fund's income originates from foreign sources.

If withholding tax is charged to an investor domiciled outside Switzerland owing to a failure to present a declaration of domicile, under Swiss law they may submit a refund application directly to the Swiss Federal Tax Administration in Bern.

This tax information is based on the current legal situation and practice. It is expressly subject to changes in legislation, the decisions of the courts and the decrees and practices of the tax authorities.

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

The umbrella fund and sub-funds have the following tax status:

**International automatic exchange of information in tax matters (automatic exchange of information)**

For the purposes of the automatic exchange of information in accordance with the Common Standard on Reporting and Due Diligence for Financial Account Information (CRS) of the Organisation for Economic Co-Operation And Development (OECD), the umbrella fund and sub-funds qualify as a non-reporting financial institution.

**FATCA**

The umbrella fund and sub-funds are registered with the US tax authorities as a Registered Deemed-Compliant Financial Institution under a Model 2 IGA pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (Foreign Account Tax Compliance Act, including the corresponding rulings, "FATCA").

**2. Information on the fund management company**

**2.1 General information on the fund management company**

The fund management company is UBS Fund Management (Switzerland) AG. The fund management company, which has its registered office in Basel, has been active in the fund business since its formation as an Aktiengesellschaft (joint-stock company) 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 fully paid up. UBS Fund Management (Switzerland) AG is a wholly owned group company of UBS Group AG.

**Board of Directors**

Reto Ketterer, Chairman, Managing Director,  
UBS Asset Management Switzerland AG, Zurich

Thomas Rose, Vice Chairman, Managing Director,  
UBS Asset Management Switzerland AG, Zurich

André Valente, Delegate, Managing Director,  
UBS Fund Management (Switzerland) AG, Basel

Franz Gysin, Independent Member

Christian Maurer, Member, Executive Director, UBS Asset Management Switzerland AG, Zurich

**Executive Board**

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

Eugène Del Cioppo, Deputy Managing Director  
and Head of Business Development & Client Management

Dr Daniel Brüllmann, Head of Real Estate Funds

Christel Müller, Head of Corporate Governance & Change Management

Georg Pfister, Head of Process, Platform, Systems and Head of Finance

Thomas Reisser, Head of Compliance

Beat Schmidlin, Head of Legal Services

As at 31 December 2019, the fund management company managed a total of 318 securities funds and 7 real estate funds in Switzerland with assets totalling CHF 270,240 million.

Furthermore, the fund management company provides the following specific services:

– administration services for collective investment schemes;

– representation of foreign collective investment schemes.

## **2.2 Delegation of investment decisions**

Investment decisions in respect of the sub-funds UBS (CH) Bond Fund – CHF Corporates and UBS (CH) Bond Fund – Bonds CHF Sustainable have been delegated to UBS Asset Management Switzerland AG, Zurich. UBS Asset Management Switzerland AG is an asset management company, and as such is subject to the supervision of the Swiss Financial Market Supervisory Authority in Switzerland.

Investment decisions in respect of the sub-fund UBS (CH) Bond Fund – Global (CHF) have been delegated to UBS Asset Management (UK) Ltd, London.

UBS Asset Management Switzerland AG and UBS Asset Management (UK) Ltd have many years of experience in asset management and an extensive knowledge of the investment markets of the sub-funds. Precise details of how their remit is to be fulfilled are laid down in an asset management agreement between UBS Fund Management (Switzerland) AG and UBS Asset Management Switzerland AG and UBS Asset Management (UK) Ltd respectively.

## **2.3 Delegation of other specific tasks**

The administration of the umbrella fund and sub-funds, in particular accounting, calculation of the net asset value, tax settlement, operation of IT systems and preparation of statements of accounts, has been delegated to Northern Trust Switzerland AG, Basel. The precise duties involved are set out in an agreement between the parties.

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

## **2.4 Exercise of membership and creditors' rights**

The fund management company exercises the membership and creditors' rights associated with the investments of the sub-funds it manages independently and exclusively in the interests of the investors. The fund management company will, upon request, provide investors with information on the exercise of membership and creditors' rights.

In the case of scheduled routine transactions, the fund management company is free to exercise membership and creditors' rights itself or to delegate their exercise to the custodian bank or a third party.

In the case of all other events that might have a lasting impact on the interests of the investors, such as, in particular, the exercise of membership and creditors' rights the fund management company holds as a shareholder or creditor of the custodian bank or another related legal entity, the fund management company will exercise the voting rights itself or issue explicit instructions. In such cases, it may base its actions on information it receives from the custodian bank, the portfolio manager, the company concerned, or from voting rights advisors or other third parties, or that it ascertains from the media.

The fund management company is free to waive the exercise of membership and creditors' rights.

## **3. Information on the custodian bank**

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

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

UBS Switzerland AG is a group company of UBS Group AG. With consolidated total assets of USD 972,183 million and published capital and reserves of USD 54,707 million as at 31 December 2019, UBS Group AG is financially one of the strongest banks in the world. It employs a staff of 68,601 worldwide and has an extensive network of branches.

The custodian bank may transfer the safekeeping of the sub-funds' assets to third-party custodians and collective securities depositories in Switzerland or abroad, provided this is in the interests of proper safekeeping. In respect of financial instruments, such transfer may be made only to regulated third-party custodians and collective securities depositories. This does not apply to mandatory safekeeping at a location where the transfer of safekeeping to regulated third-party custodians and collective securities depositories is not possible, in particular owing to mandatory legal provisions or to the particular arrangements for the investment product in question. The use of third-party custodians and collective securities depositories means that deposited securities are no longer owned solely by the fund management company, which instead becomes only a co-owner. Furthermore, if the third-party custodians and collective securities depositories are not subject to supervision, they are unlikely to meet the organisational requirements imposed on Swiss banks.

The custodian bank is liable for damage or loss caused by its agents unless it is able to prove that it exercised the due diligence required in the circumstances in respect of selection, instruction and monitoring.

The custodian bank is registered with the US tax authorities as a Reporting Financial Institution under a Model 2 IGA pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (Foreign Account Tax Compliance Act, including the corresponding rulings, "FATCA").

## **4. Information on third parties**

#### 4.1 Paying agents

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

#### 4.2 Distributors

UBS Asset Management Switzerland AG, Zurich, has been appointed as distributor for the sub-funds.

#### 4.3 Audit firm

The audit firm is Ernst & Young AG, Basel.

### 5. Further information

#### 5.1 Key data

Valor number, ISIN	See table at the end of the prospectus
Listing	None; fund units are issued and redeemed daily.
Financial year	1 June to 31 May
Term	Unlimited
Accounting currency	Swiss franc (CHF)
Units	See table at the end of the prospectus Units exist purely as book entries.
Appropriation of income	See table at the end of the prospectus The net income is generally distributed to the investors within four months of the close of the financial year, free of charge. As a rule, capital gains are not distributed, but are retained in the sub-funds for the purpose of reinvestment.

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

Fund units will be issued and redeemed on every bank working day (Monday to Friday). No issues or redemptions will take place on Swiss public holidays (Easter, Whitsun, Christmas incl. 24 December, 31 December, New Year's Day, 1 August, etc.), or on days when the exchanges and markets in the sub-funds' main investment countries are closed or on days when 50% or more of the investments of the sub-funds cannot be appropriately valued, or under the exceptional circumstances defined under § 17.4 of the fund contract. The fund management company and the custodian bank are entitled to refuse subscription orders at their own discretion.

Subscription and redemption orders received by the custodian bank by 3 p.m. (cut-off time) at the latest on a given bank working day (order day) will be settled on the basis of the net asset value calculated on the next bank working day (valuation day). For orders placed with distributors in Switzerland and abroad, earlier cut-off times to submit the orders may apply in order to ensure timely forwarding to the custodian bank. These can be obtained from the respective distributor. The net asset value taken as the basis for the settlement of the order is therefore not known when the order is placed (forward pricing). It is calculated on the valuation day on the basis of the closing prices on the order day or, if these do not reflect the appropriate market value in the fund management company's view, on the basis of the latest available prices at the time of the valuation, or in accordance with other recognised valuation models and principles. The fund management company is entitled to apply other generally recognised and verifiable valuation criteria in order to make an appropriate valuation of the sub-funds' net assets if, due to extraordinary circumstances, a valuation in accordance with the regulations stated above proves to be unfeasible or inaccurate.

The net asset value of a unit of a given class of a sub-fund is determined by the proportion of the market value of the sub-fund's assets attributable to that unit class, less any of the sub-fund's liabilities that are attributed to that unit class, divided by the number of units of that class in circulation. This is rounded to CHF 0.01.

The issue price corresponds to the net asset value calculated on the valuation day, plus the issuing commission. The amount of the issuing commission is specified in 5.3 below.

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

Incidental costs for the purchase and sale of investments (bid-ask spread, standard brokerage charges, commissions, fees, etc.) incurred by a sub-fund in connection with the investment of the amount paid in or with the sale of a portion of investments corresponding to the redeemed unit(s) on average will be covered by the application of swinging single pricing as described in § 16.7 of the fund contract.

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

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

### **5.3 Fees and incidental costs**

#### **5.3.4 Fees and incidental costs charged to the investor (excerpt from § 18 of the fund contract)**

Issuing commission accruing to the fund management company, custodian bank and/or distributors in Switzerland and abroad: a maximum of 2%.

#### **5.3.5 Fees and incidental costs charged to the sub-funds' assets (excerpt from § 19 of the fund contract)**

Detailed information on the fees and incidental costs charged to the sub-funds' assets is presented in the table at the end of this prospectus.

The fee is used to cover the administration, asset management and, where applicable, the distribution of the sub-funds and the activities described in § 6.4Be–g of the fund contract, as well as all tasks of the custodian bank such as the safekeeping of the sub-funds' assets, the handling of payment transactions and the performance of the other tasks listed under § 4 of the fund contract.

A detailed list of the fees and incidental costs not covered by the flat fee can be found under § 19.2 of the fund contract.

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

#### **5.3.6 Payment of retrocessions, rebates and individually agreed upon fees**

The fund management company and its agents may pay retrocessions as remuneration for distribution activity in respect of fund units in or from Switzerland. This remuneration may be deemed payment for the following services in particular:

- any activity aimed at promoting the distribution or transfer of fund units; including
- the organisation of roadshows;
- participation at events and trade fairs;
- the production of advertising material;
- the training of sales representatives, etc.

Retrocessions are not deemed to be rebates even if they are ultimately passed on, in full or in part, to the investors.

The recipients of the retrocessions must ensure transparent disclosure and inform investors, unsolicited and free of charge, about the amount of remuneration they may receive for distribution.

On request, the recipients of retrocessions must disclose the amounts they actually receive for distributing the collective investment schemes of the investors concerned.

In respect of distribution in or from Switzerland, the fund management company and its agents may on request pay rebates directly to investors (pursuant to the SFAMA Transparency Guidelines of 22 May 2014). The purpose of rebates is to reduce the fees or costs incurred by the investor in question. Rebates are permitted provided that:

- they are paid from fees charged by the fund management company and therefore do not represent an additional charge to the sub-funds' assets;
- they are granted on the basis of objective criteria;
- all investors who meet these objective criteria and request rebates are also granted these within the same timeframe and to the same extent.

The objective criteria for the granting of rebates by the fund management company are as follows:

- the volume subscribed by the investor or the total volume they hold in the collective investment scheme or, where applicable, in the product range of the promoter;
- the amount of the fees generated by the investor;
- the investment behaviour shown by the investor (e.g. expected investment period);
- the investor's willingness to provide support in the launch phase of a collective investment scheme.

At the request of the investor, the fund management company must disclose the amounts of such rebates free of charge.

In connection with "execution-only" mandates, the fund management company and its agents may determine the fees by way of individual agreements with investors for unit classes "I-B", "I-X" and "U-X". The conditions for individually agreed upon fees are based on the conditions governing rebates. Individually agreed upon fees are therefore permissible provided that:

- they do not represent an additional charge to the assets of the sub-fund;
- they are determined based on objective criteria;



– equal treatment is given to all investors who meet these objective criteria and who request an individually agreed upon fee within the same time frame.

If the fund management company and its agents determine the fees individually with investors for the corresponding unit classes, the following objective criteria shall apply:

- the investment volume held by the investor in the umbrella fund or sub-fund;
- if applicable, the total volume in and total proceeds held by the investor from the promoter's product range (including UBS Group, UBS Investment Foundations, etc.);
- the investment behaviour shown by the investor (e.g. investment period or investment quarter);
- the investor's willingness to provide support in the launch phase of the sub-fund.

At the request of the investor, the fund management company or its agents shall disclose free of charge the application of the criteria to the investor's situation and the resulting fee.

### **5.3.7 Total expense ratio**

The coefficient of the total costs charged to the sub-funds' assets on an ongoing basis (total expense ratio, TER) can be found in the table at the end of the prospectus.

### **5.3.8 Commission sharing agreements and soft commissions**

The fund management company has not concluded commission sharing agreements. The fund management company has not concluded agreements in respect of soft commissions.

### **5.3.9 Investments in related collective investment schemes**

No issuing and redemption commissions are charged in the case of investments in other collective investment schemes that are managed directly or indirectly by the fund management company itself or a company with which it is related by virtue of common management or control or by way of a significant direct or indirect interest.

## **5.4 Publication of official notices by the umbrella fund and sub-funds**

Further information on the umbrella fund and sub-funds may be found in the latest annual or semi-annual report. The latest information can also be found on the Internet at [www.ubs.com/fonds](http://www.ubs.com/fonds). The prospectus with integrated fund contract, the key investor information document, and the annual or semi-annual reports may be obtained free of charge from the fund management company, the custodian bank and all distributors. In the event of an amendment to the fund contract, a change of fund management company or of custodian bank, as well the dissolution of a sub-fund, the corresponding notice will be published by the fund management company with Swiss Fund Data AG ([www.swissfunddata.ch](http://www.swissfunddata.ch)). Prices are published for all unit classes for each day on which units are issued or redeemed (daily) on the website of Swiss Fund Data AG at [www.swissfunddata.ch](http://www.swissfunddata.ch), on the Internet at [www.ubs.com/fonds](http://www.ubs.com/fonds) as well as in any other electronic media and Swiss and international newspapers.

## **5.5 Sales restrictions**

The regulations valid in the country in question apply to the issue and redemption of units of the sub-funds outside Switzerland. Units of the sub-funds may not be offered, sold or delivered within the United States.

Units of the sub-funds may not be offered, sold or delivered to United States citizens or persons resident in the United States and/or other individuals or legal entities whose income and/or earnings, regardless of their origin, are subject to US income tax, or persons who are US persons within the meaning of Regulation S under the US Securities Act of 1933 and/or the US Commodity Exchange Act, as amended. A US person is someone who:

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

## **5.6 Detailed regulations**

All further information on the umbrella fund and sub-funds, such as the method used for the valuation of the sub-funds' assets, a list of all fees and incidental costs charged to the investor and the sub-funds, and the appropriation of net income, can be found in detail in the fund contract.

**UBS (CH) Bond Fund – CHF Corporates**

Unit class	Valor number	ISIN	Accounting currency	Initial issue price	Launch date <sup>1</sup>	Minimum subscription	Smallest tradable unit	Commission p.a.	Form of custody	Appropriation of income	Total Expense Ratio (TER)		
											2016	2017	2018
P			CHF	100		None	0.001	1.000% <sup>2</sup> (0.800%)	Bearer	Accumulating			
K-1			CHF	5,000,000		None	0.1	0.600% <sup>2</sup> (0.480%)	Bearer	Accumulating			
Q			CHF	100		None	0.001	0.600% <sup>3</sup> (0.480%)	Bearer	Accumulating			
F	50314519	CH0503145192	CHF	100	4.12.2019	None	0.001	0,180% <sup>4</sup> (0,144%)	Registered	Accumulating			
I-A1 <sup>8</sup>			CHF	100		None	0.001	0.500% <sup>2</sup> (0.400%)	Registered <sup>7</sup>	Accumulating			
I-A2			CHF	100		10,000,000 <sup>9</sup>	0.001	0.450% <sup>2</sup> (0.360%)	Registered <sup>7</sup>	Accumulating			
I-A3			CHF	100		30,000,000 <sup>10</sup>	0.001	0.360% <sup>2</sup> (0.288%)	Registered <sup>7</sup>	Accumulating			
I-B <sup>8</sup>			CHF	100		None	0.001	0.055% <sup>5</sup>	Registered <sup>7</sup>	Accumulating			
I-X <sup>8</sup>			CHF	100		None	0.001	0.000% <sup>6</sup>	Registered <sup>7</sup>	Accumulating			
U-X			CHF	10,000		None	0.001	0.000% <sup>6</sup>	Registered <sup>7</sup>	Accumulating			

**UBS (CH) Bond Fund – Bonds CHF Sustainable**

Unit class	Valor number	ISIN	Accounting currency	Initial issue price	Launch date <sup>1</sup>	Minimum subscription	Smallest tradable unit	Commission p.a.	Form of custody	Appropriation of income	Total expense ratio (TER)		
											2016	2017	2018
P	279184	CH0002791843	CHF	100	20.08.1971	None	0.001	0.900% <sup>2</sup> (0.720%)	Bearer	Distribution	0.91%	0.92%	0.90%
K-1			CHF	5,000,000		None	0.1	0.550% <sup>2</sup> (0.440%)	Bearer	Distribution			
Q	20327958	CH0203279580	CHF	100	23.11.2015	None	0.001	0.500% <sup>3</sup> (0.400%)	Bearer	Distribution	0.50% (annualised)	0.51%	0.51%
F			CHF	100		None	0.001	0.200% <sup>4</sup> (0.160%)	Registered <sup>7</sup>	Distribution			
I-A1 <sup>8</sup>			CHF	100		None	0.001	0.280% <sup>2</sup> (0.220%)	Registered <sup>7</sup>	Distribution			
I-A2			CHF	100		10,000,000 <sup>9</sup>	0.001	0.250% <sup>2</sup> (0.200%)	Registered <sup>7</sup>	Distribution	0.26%		
I-A3			CHF	100		30,000,000 <sup>10</sup>	0.001	0.200% <sup>2</sup> (0.160%)	Registered <sup>7</sup>	Distribution			
I-B <sup>8</sup>			CHF	100		None	0.001	0.055% <sup>5</sup>	Registered <sup>7</sup>	Distribution			
I-X <sup>8</sup>			CHF	100		None	0.001	0.000% <sup>6</sup>	Registered <sup>7</sup>	Distribution			
U-X	11101812	CH0111018120	CHF	10,000	25.05.2010	None	0.001	0.000% <sup>6</sup>	Registered <sup>7</sup>	Distribution	0.01%	0.01%	0.01%

**UBS (CH) Bond Fund – Global (CHF)**

Unit class	Valor number	ISIN	Accounting currency	Initial issue price	Launch date <sup>1</sup>	Minimum subscription	Smallest tradable unit	Commission p.a.	Form of custody	Appropriation of income	Total expense ratio (TER)		
											2016	2017	2018
P	278852	CH0002788526	CHF	100	30.09.1970	None	0.001	1.140% <sup>2</sup> (0.910%)	Bearer	Distribution	1.15%	1.16%	1.14%
K-1			CHF	5,000,000		None	0.1	0.650% <sup>2</sup> (0.520%)	Bearer	Distribution			
Q	20327955	CH0203279556	CHF	100	09.11.2015	None	0.001	0.600% <sup>3</sup> (0.480%)	Bearer	Distribution	0.61%	0.62%	0.61%
F			CHF	100		None	0.001	0.320% <sup>4</sup> (0.260%)	Registered <sup>7</sup>	Distribution			
I-A1 <sup>8</sup>			CHF	100		None	0.001	0.450% <sup>2</sup> (0.360%)	Registered <sup>7</sup>	Distribution			
I-A2			CHF	100		10,000,000 <sup>9</sup>	0.001	0.380% <sup>2</sup> (0.300%)	Registered <sup>7</sup>	Distribution			
I-A3			CHF	100		30,000,000 <sup>10</sup>	0.001	0.320% <sup>2</sup> (0.260%)	Registered <sup>7</sup>	Distribution			
I-B <sup>8</sup>			CHF	100		None	0.001	0.055% <sup>5</sup>	Registered <sup>7</sup>	Distribution			
I-X <sup>8</sup>			CHF	100		None	0.001	0.000% <sup>6</sup>	Registered <sup>7</sup>	Distribution			
U-X			CHF	10,000		None	0.001	0.000% <sup>6</sup>	Registered <sup>7</sup>	Distribution			

<sup>1</sup> In the table above, no date is given for unit classes that have not been launched at the time of publication of this prospectus or for which the launch date has not been specified. For further information, investors are requested to contact their investment advisor.

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

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

<sup>4</sup> Flat fee charged by the fund management company. This is used for the administration, asset management and distribution of the sub-funds, and all tasks of the custodian bank. In addition, a commission is charged under the written asset management agreement entered into by the investor and group companies of UBS Group AG (cf. § 6.4). The amount in brackets indicates the level of the management fee, which accounts for 80% of the flat fee.

<sup>5</sup> Commission charged by the fund management company. The costs for the administration of the fund (encompassing fund management company, administration and custodian bank) are charged directly to the assets of the investment fund by means of commission. The costs for asset management are charged to the investor under a separate agreement with UBS Asset Management Switzerland AG or an authorised contractual partner (cf. § 6.4).

<sup>6</sup> Commission charged by the fund management company. Costs relating to services provided for the unit classes "I-X" and "U-X" are covered by the compensation owed to UBS Asset Management Switzerland AG or an authorised contractual partner under a separate agreement with the investor (cf. § 6.4).

<sup>7</sup> Registered units must be booked and held at UBS Switzerland AG.

<sup>8</sup> Units are allocated to a unit class in consultation with the investor on the basis of their mandate relationship with UBS Asset Management Switzerland AG or an authorised contractual partner.

<sup>9</sup> Upon subscription:

(i) a minimum subscription according to the table (or the corresponding currency equivalent) must be made; or

(ii) the total assets of the qualified investor managed by UBS or the minimum amount of their collective investment schemes at UBS must amount to more than CHF 30,000,000 (or the corresponding currency equivalent) based on a written agreement between the qualified investor and UBS Asset Management Switzerland AG or an authorised contractual partner.

<sup>10</sup> Upon subscription:

(i) a minimum subscription according to the table (or the corresponding currency equivalent) must be made; or

(ii) the total assets of the qualified investor managed by UBS or the minimum amount of their collective investment schemes at UBS must amount to more than CHF 100,000,000 (or the corresponding currency equivalent) based on a written agreement between the qualified investor and UBS Asset Management Switzerland AG or an authorised contractual partner.

## Part II Fund contract

### I. Basic principles

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

1. A contractual fund under Swiss law with multiple sub-funds of the “securities fund” type has been established under the name of UBS (CH) Bond Fund (referred to below as the “umbrella fund”, or “the fund”) in accordance with Art. 25 et seqq. in conjunction with Art. 53 et seqq. and Art. 92 et seqq. of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 (CISA), which is divided into the following sub-funds:
  - **CHF Corporates**
  - **Bonds CHF Sustainable**
  - **Global (CHF)**
2. The fund management company is UBS Fund Management (Switzerland) AG, Basel.
3. The custodian bank is UBS Switzerland AG, Zurich.
4. The asset manager of the individual sub-funds is:
  - **CHF Corporates**
  - **Bonds CHF Sustainable**  
UBS Asset Management Switzerland AG, Zurich
  - **Global (CHF)**  
UBS Asset Management (UK) Ltd, London.

### II. Rights and obligations of the parties to the contract

#### § 2 The fund contract

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

#### § 3 The fund management company

1. The fund management company manages the sub-funds at its own discretion and in its own name, but for the account of the investors. It decides in particular on the issue of units, the investments and their valuation. It calculates the net asset value and determines the issue and redemption prices of units as well as distributions of income. It exercises all rights associated with the umbrella fund and sub-funds.
2. The fund management company and its agents are subject to the duties of loyalty, due diligence and disclosure. They act independently and exclusively in the interests of the investors. They implement the organisational measures that are necessary for proper management. They ensure the provision of transparent financial statements and provide appropriate information on this umbrella fund and sub-funds. They disclose all charges and fees incurred directly or indirectly by investors and the appropriation of such charges and fees. They notify investors of compensation for the distribution of collective investment schemes in the form of commissions, brokerage fees and other soft commissions in a full, truthful, and comprehensible manner.
3. The fund management company may delegate investment decisions and specific tasks for all or individual sub-funds, provided this is in the interests of proper management. It appoints only persons who are qualified to execute the task properly, and ensures the provision of instructions, as well as monitoring and controlling in respect of the task.  
Investment decisions may be delegated only to asset managers who are subject to recognised supervision.  
If foreign law requires an agreement on cooperation and the exchange of information with foreign supervisory authorities, the fund management company may delegate investment decisions to asset managers abroad only if such an agreement exists between FINMA and the relevant foreign supervisory authorities for the investment decisions concerned.  
The fund management company is liable for the actions of its agents as if they were its own actions.
4. The fund management company may, with the consent of the custodian bank, submit a change to the present fund contract to the supervisory authority for approval (cf. § 26).
5. The fund management company may, in accordance with the provisions set down under § 24, merge individual sub-funds with other sub-funds or investment funds, or may, in accordance with the provisions set down under § 25, dissolve the sub-funds.
6. The fund management company is entitled to receive the fees stipulated in §§ 18 and 19. It is further entitled to be exempt from any liabilities which may have arisen in the course of the proper execution of its duties, and to be reimbursed for expenses incurred in connection with such liabilities.

#### § 4 The custodian bank

1. The custodian bank is responsible for the safekeeping of the sub-funds' assets. It handles the issue and redemption of fund units as well as payment transfers on behalf of the umbrella fund and sub-funds.
2. The custodian bank and its agents are subject to the duties of loyalty, due diligence and disclosure. They act independently and exclusively in the interests of the investors. They implement the organisational measures that are necessary for proper management. They ensure the provision of transparent financial statements and provide appropriate information on this umbrella fund and sub-funds. They disclose all charges and fees incurred directly or indirectly by investors and the appropriation of such charges and fees. They notify investors of compensation for the distribution of collective investment schemes in the form of commissions, brokerage fees and other soft commissions in a full, truthful, and comprehensible manner.
3. The custodian bank is responsible for account and safekeeping account management on behalf of the sub-funds, but does not have independent access to their assets.
4. The custodian bank ensures that, in the case of transactions relating to the assets of the sub-funds, the counter value is transferred within the usual time limit. It notifies the fund management company if the counter value is not remitted within the usual time limit and, where possible, requests reimbursement for the asset item concerned from the counterparty.
5. The custodian bank keeps the required records and accounts in such a manner that it is, at all times, able to distinguish between the assets held in safekeeping for the individual investment funds.

In relation to assets that cannot be taken into safekeeping, the custodian bank verifies ownership by the fund management company, and keeps a record thereof.

6. The custodian bank may transfer the safekeeping of the sub-funds' assets to third-party custodians and collective securities depositories in Switzerland or abroad, provided this is in the interests of proper safekeeping. The custodian bank verifies and monitors that the third-party custodian or collective securities depository it appoints:
  - a. possesses an appropriate organisational structure, financial guarantees and the specialist qualifications required given the nature and complexity of the assets entrusted to it;
  - b. is subject to regular external audits, thereby ensuring that it possesses the financial instruments;
  - c. the assets received from the custodian bank are held in safekeeping in such a manner that by means of regular portfolio comparisons they can, at all times, be clearly identified as belonging to the sub-funds' assets;
  - d. complies with the provisions applicable to the custodian bank with respect to the performance of the tasks delegated to it and the avoidance of conflicts of interest.

The custodian bank is liable for damage or loss caused by its agents unless it is able to prove that it exercised the due diligence required in the circumstances in respect of selection, instruction and monitoring. The prospectus contains information on the risks associated with the transfer of safekeeping to third-party custodians and collective securities depositories.

In respect of financial instruments, the transfer of safekeeping in the sense of the previous paragraph may be made only to regulated third-party custodians and collective securities depositories. This does not apply to mandatory safekeeping at a location where the transfer of safekeeping to regulated third-party custodians and collective securities depositories is not possible, in particular owing to mandatory legal provisions or to the particular arrangements for the investment product in question. Investors must be informed in the prospectus of safekeeping with non-regulated third-party custodians or collective securities depositories.

7. The custodian bank ensures that the fund management company complies with the law and the fund contract. It verifies that the calculation of the net asset value and of the issue and redemption prices of the units, as well as the investment decisions, are in compliance with the law and the fund contract, and that net income is appropriated in accordance with the fund contract. The custodian bank is not responsible for the choice of investments which the fund management company makes in accordance with the investment regulations.
8. The custodian bank is entitled to receive the fees stipulated in §§ 18 and 19. It is further entitled to be exempt from any liabilities which may have arisen in the course of the proper execution of its duties and to be reimbursed for expenses incurred in connection with such liabilities.
9. The custodian bank is not responsible for the safekeeping of the assets of the target funds in which the sub-funds invest, unless this task has been delegated to it.

## § 5 The investor

1. There are no restrictions in terms of investor eligibility. Restrictions are possible for individual classes in accordance with § 6.4.  
The fund management company ensures together with the custodian bank that the investors meet the requirements in respect of investor eligibility.
2. On concluding the contract and making a payment in cash, the investor acquires a claim against the fund management company in respect of participation in the assets and income of a sub-fund of the umbrella fund. Instead of payment in cash, at the investor's request and with the consent of the fund management company, a contribution in kind may be made in accordance with the provisions of § 17.7. The investor's claim is evidenced in the form of fund units.
3. Investors are obliged only to remit payment for the units of the relevant sub-fund they subscribe. They are not held personally liable for the liabilities of the umbrella fund or sub-funds.
4. Investors are only entitled to the assets and income of the sub-fund in which they hold an interest. Only the relevant sub-fund is liable for the liabilities attributable to an individual sub-fund.
5. Investors may obtain information concerning the basis of the calculation of the net asset value per unit from the fund management company at any time. If investors assert an interest in more detailed information on specific business transactions effected by the fund management company, such as the exercise of membership and creditors' rights, or on risk management, they must be given such information by the fund management company at any time. The investors may request before the courts of the registered office of the fund management company that the audit firm or another expert investigate the matter which requires clarification and furnish the investors with a report.
6. The investors may terminate the fund contract at any time and demand that their share in the relevant sub-fund be paid out in cash. Instead of payment in cash, at the investor's request and with the consent of the fund management company, a redemption in kind may be made in accordance with the provisions of § 17.7.
7. Upon request, the investors are obliged to provide the fund management company, the custodian bank and their agents with proof that they comply with or continue to comply with the conditions laid down in the law or the fund contract in respect of participation in a sub-fund or in a unit class. Furthermore, they are obliged to inform the fund management company, the custodian bank and their agents immediately if they cease to meet these conditions.
8. The fund management company, in cooperation with the custodian bank, must make an enforced redemption of the units of an investor at the current redemption price if:
  - a. this is necessary to safeguard the reputation of the financial market, and specifically to combat money laundering;
  - b. the investor no longer meets the statutory or contractual conditions for participation in a sub-fund.
9. The fund management company, in cooperation with the custodian bank, may also make an enforced redemption of the units of an investor at the current redemption price if:
  - a. the participation of the investor in a sub-fund is such that it might have a significant detrimental impact on the economic interests of the other investors, in particular if the participation might result in tax disadvantages for the umbrella fund or sub-funds in Switzerland or abroad;
  - b. the investor has acquired or holds their units in violation of provisions of a law to which they are subject either in Switzerland or abroad, of the present fund contract or the prospectus;
  - c. there is a detrimental impact on the economic interests of the investors, in particular in cases in which individual investors seek by way of systematic subscriptions and immediate redemptions to achieve a financial benefit by exploiting the time differences between the setting of the closing prices and the valuation of the sub-funds' assets (market timing).

## § 6 Units and unit classes

1. The fund management company may establish different unit classes and may also merge or dissolve unit classes for each sub-fund at any time subject to the consent of the custodian bank and the approval of the supervisory authority. All unit classes embody an entitlement to a share in the undivided assets of the relevant sub-fund, which are not segmented. This share may differ owing to class-specific costs or distributions or class-specific income and the various classes of a sub-fund may therefore have different net asset values per unit. The assets of the sub-fund as a whole are liable for class-specific costs.
2. Notification of the creation, dissolution or merger of unit classes is published in the medium of publication. Only mergers are deemed a change to the fund contract pursuant to § 26.
3. The various unit classes may differ from one another in terms of their cost structure, reference currency, currency hedging, policy with regard to distribution or reinvestment of income, the minimum investment required, and investor eligibility.  
Fees and costs are charged only to that unit class for which the service in question is performed. Fees and costs that cannot be allocated unequivocally to a specific unit class are charged to the individual unit classes on a pro rata basis in relation to their share of the sub-fund's assets.

4. At present, there are the following unit classes, referred to as "P", "K-1", "Q", "F", "I-A1", "I-A2", "I-A3", "I-B", "I-X" and "U-X".
- A. The following unit classes are not restricted to certain investors:
- "P": Units in unit class "P" are offered to all investors. A minimum subscription or minimum amount is not required. The units in unit class "P" are only issued as bearer units. The issue and redemption of units through contributions and redemptions in kind (cf. § 17.7) is excluded for units in unit class "P".
  - "K-1": Units in unit class "K-1" are offered to all investors. A minimum subscription or minimum amount is not required. The units in unit class "K-1" are only issued as bearer units. The issue and redemption of units through contributions and redemptions in kind (cf. § 17.7) is excluded for units in unit class "K-1".
- B. The following unit classes are restricted to certain investors:
- "Q": Units in unit class "Q" are exclusively offered to financial intermediaries that act for their own account and/or to clients of such financial intermediaries who, in accordance with regulatory requirements, are not permitted to receive a distribution commission and/or who, under written agreements with their clients, may only offer them classes without retrocession, if available in the relevant investment fund. The units in unit class "Q" are only issued as bearer units. The issue and redemption of units through contributions and redemptions in kind (cf. § 17.7) is excluded for units in unit class "Q".
  - "F": Units in unit class "F" may only be offered to investors who have entered into a written investment management mandate with group companies of UBS. The units in unit class "F" are only issued as registered units. The issue and redemption of units through contributions and redemptions in kind (cf. § 17.7) is excluded for units in unit class "F".
  - "I-A1": Units in unit class "I-A1" are exclusively offered to qualified investors pursuant to Art. 10 para. 3 and 3ter CISA. The units in unit class "I-A1" are only issued as registered units.
  - "I-A2", "I-A3": Units in these unit classes are exclusively offered to qualified investors pursuant to Art. 10 para. 3–3ter CISA who have signed a written agreement with UBS or an authorised contractual partner for the purpose of investment in the assets of the sub-funds of this umbrella fund. The units in these unit classes are only issued as registered units.
  - "I-B": Units in unit class "I-B" are exclusively offered to qualified investors pursuant to Art. 10 para. 3–3ter CISA who have signed a written agreement with UBS or an authorised contractual partner for the purpose of investment in the assets of the sub-funds of this umbrella fund. The costs for the administration of the fund (encompassing fund management company, administration and custodian bank) are charged directly to the assets of the sub-funds by means of commission. The additional costs for asset management and distribution are charged to the investor under the written agreement. The fee schedule set out in this agreement may vary depending on the investor (cf. section 5 of the prospectus). The units in unit class "I-B" are only issued as registered units.
  - "I-X": Units in unit class "I-X" are exclusively offered to qualified investors pursuant to Art. 10 para. 3–3ter CISA who have signed a written agreement with UBS or an authorised contractual partner for the purpose of investment in the assets of the sub-funds of this umbrella fund. The costs for asset management, the administration of the fund (encompassing fund management company, administration and custodian bank) and distribution are charged to the investor under the written agreement. The fee schedule set out in this agreement may vary depending on the investor (cf. section 5 of the prospectus). The units in unit class "I-X" are only issued as registered units.
  - "U-X": Units in unit class "U-X" are exclusively offered to qualified investors pursuant to Art. 10 para. 3–3ter CISA who have signed a written agreement with UBS or an authorised contractual partner for the purpose of investment in the assets of the sub-funds of this umbrella fund. The costs for asset management, the administration of the fund (encompassing fund management company, administration and custodian bank) and distribution are charged to the investor under the written agreement. The fee schedule set out in this agreement may vary depending on the investor (cf. section 5 of the prospectus). The units in unit class "U-X" are only issued as registered units.
- Fees for investors in unit classes "I-B", "I-X" and "U-X" who have entered into a written agreement may vary on the basis of the individually agreed fee arrangements (cf. 5.3 of the prospectus).
5. Units do not take the form of actual certificates, but exist purely as book entries. Investors are not entitled to demand the delivery of a registered or bearer unit certificate. If unit certificates have been issued, they must be returned at the latest with the application for redemption.
6. The fund management company and the custodian bank are obliged to instruct investors who no longer meet the conditions for holding a unit class that, within 30 calendar days, they must redeem their units pursuant to § 17, transfer them to a person who does meet the aforementioned conditions, or convert them into units of another unit class whose conditions they do meet. If an investor fails to comply with this demand, the fund management company must, in cooperation with the custodian bank, make an enforced conversion into another unit class of a sub-fund of this umbrella fund or, should this not be possible, enforce the redemption of the units in question pursuant to § 5.8.

### III. Investment policy guidelines

#### A. Investment principles

## § 7 Compliance with investment restrictions

1. In selecting individual investments of each sub-fund, the fund management company must adhere to the principle of balanced risk diversification and must observe the percentage limits defined below. These percentages relate to the sub-funds' assets at market value and must be complied with at all times.
2. If the limits are exceeded as a result of market-related changes, the investments must be restored to the permitted level within a reasonable period, taking due account of the 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 working days at the latest, taking due account of the investors' interests.

## § 8 Investment policy

1. The currency denomination included in the name of the sub-funds refers solely to the currency used to measure the performance of the respective sub-fund, and not to the investment currency of the sub-fund. Investments are made in the currencies that are best suited to the performance of the sub-fund.

The fund management company may invest the sub-funds' assets in the following investments. The risks involved in these investments must be disclosed in the prospectus.

- a. Securities, i.e. transferable securities issued on a large scale and non-securitised rights with the same function (uncertified securities) that are traded on an exchange or other regulated market open to the public, and that embody a participation right or claim, or the right to acquire such securities and uncertified securities by way of subscription or exchange, for example warrants.

Investments in securities from new issues are permitted only if their terms of issue provide for their admission to an exchange or other regulated market open to the public. If they have not been admitted to an exchange or other regulated market open to the public within one year after their acquisition, these securities must be sold within one month or included under the restriction set down in point 1g).

- b. Derivatives, if (i) the underlyings are securities as defined in a); derivatives as defined in b); units in collective investment schemes as defined in d); money market instruments as defined in e); financial indices, interest rates, exchange rates, credits or currencies; and (ii) the underlyings are permitted as investments under the fund contract. Derivatives are either traded on an exchange or other regulated market open to the public, or are traded OTC.

OTC transactions are permitted only if (i) the counterparty is a regulated financial intermediary specialising in such transactions; and (ii) the OTC derivatives can be traded daily or a return to the issuer is possible at any time. In addition, it must be possible for them to be valued in a reliable and transparent manner. Derivatives may be used pursuant to § 12.

- c. Structured products, if (i) the underlyings are securities as defined in a); derivatives as defined in b); structured products as defined in c); units in collective investment schemes as defined in d); money market instruments as defined in e); financial indices, interest rates, exchange rates, credits or currencies; and (ii) the underlyings are permitted as investments under the fund contract. Structured products are either traded on an exchange or other regulated market open to the public, or are traded OTC.

OTC transactions are permitted only if (i) the counterparty is a regulated financial intermediary specialising in such transactions; and (ii) the OTC products can be traded daily or a return to the issuer is possible at any time. In addition, it must be possible for them to be valued in a reliable and transparent manner.

- d. Units of other collective investment schemes (target funds), provided that (i) their documents restrict investments for their part in other target funds to a total of 10%; (ii) these target funds are subject to provisions equivalent to those pertaining to securities funds in respect of the object, organisation, investment policy, investor protection, risk diversification, asset segregation, borrowing, lending, short-selling of securities and money market instruments, the issuing and redemption of fund units and the content of the semi-annual and annual reports; and (iii) these target funds are authorised as collective investment schemes in their country of domicile and are subject there to supervision which is equivalent to that in Switzerland and which serves to protect investors, and that international administrative assistance is ensured.

In this regard, the fund management company may invest up to a maximum of 30% of the sub-funds' assets in units of target funds which are not securities funds and do not meet the relevant directives of the European Union (UCITS) but which are equivalent to these.

- e. Money market instruments, provided these are liquid, can be readily valued and are traded on an exchange or other regulated market open to the public. Money market instruments which are not traded on an exchange or other regulated market open to the public may be acquired only if the issue or the issuer is subject to provisions regarding creditor or investor protection and if the money market instruments are issued or guaranteed by issuers pursuant to Art. 74 para. 2 CISO.
- f. Sight or time deposits with terms to 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 is subject to supervision in that country which is equivalent to the supervision in Switzerland.



- g. Investments other than those specified in a) to f) above up to a total of 10% of a sub-fund's assets. The following are not permitted: (i) investments in precious metals, precious metals certificates, commodities and commodity certificates as well as (ii) real short-selling of any type of investment.

#### **UBS (CH) Bond Fund – CHF Corporates**

2. After deducting liquid assets, the fund management company invests at least two-thirds of the sub-fund's assets in:
- bonds and notes denominated in Swiss francs (CHF) as well as other fixed-income or floating-rate debt paper and rights issued by private and public-law borrowers worldwide which have a minimum rating of BBB- or equivalent (investment grade).
  - units of other collective investment schemes that, according to their documentation, invest their assets in accordance with the guidelines of this sub-fund or parts thereof.
  - derivatives (including warrants) on the investments mentioned above.
  - structured products denominated in Swiss francs (CHF) such as certificates from issuers worldwide on the investments mentioned above.

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

3. The fund management company may also invest up to one-third of the sub-fund's total assets after deducting liquid assets in:
- debt paper and rights from domestic and foreign issuers that do not meet the requirements as stated in point 2a) with regard to currency;
  - convertible bonds, convertible notes and warrant issues;
  - equities and other debt paper and rights issued by companies worldwide;
  - money market instruments denominated in freely convertible currencies from issuers worldwide;
  - derivatives (including warrants) on the investments mentioned above;
  - units of other collective investment schemes that do not meet the requirements as stated in point 2b).
4. 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:
- up to a maximum of 20% in bonds and notes as well as other fixed-income or floating-rate debt paper and rights issued by private and public-law borrowers worldwide which have no minimum rating of BBB- or equivalent (investment grade);
  - up to a maximum of 25% in convertible bonds, convertible notes and warrant issues;
  - up to a maximum of 10% in equities and other debt paper and rights as well as derivatives (including warrants);
  - no more than 49% in total in other collective investments.
5. Subject to § 19, the fund management company may acquire units of target funds managed directly or indirectly by itself or by a company with which it is affiliated through common management or control or by a significant direct or indirect shareholding.

#### **UBS (CH) Bond Fund – Bonds CHF Sustainable**

2. After deducting liquid assets, the fund management company invests at least two thirds of the sub-fund's assets in:
- bonds and notes denominated in Swiss francs (CHF) as well as other fixed-income or floating-rate debt paper and rights issued by private and public-law borrowers which have their registered office in Switzerland.
  - units of collective investment schemes that, according to their documentation, invest their assets in accordance with the guidelines of this sub-fund or parts thereof.
  - derivatives (including warrants) on the investments mentioned above.
  - structured products denominated in Swiss francs (CHF) such as certificates from issuers worldwide on the investments mentioned above.

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

3. The fund management company may also invest up to one third of the sub-fund's total assets after deducting liquid assets in:
- debt paper and rights from domestic and foreign issuers that do not meet the requirements as stated in point 2a);
  - convertible bonds, convertible notes and warrant issues;

- c. equities and other debt paper and rights issued by companies worldwide;
  - d. money market instruments from domestic and foreign issuers;
  - e. derivatives (including warrants) on the investments mentioned above;
  - f. units of collective investment schemes that do not meet the requirements as stated in point 2b).
4. 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:
- a. up to a maximum of 25% in convertible bonds, convertible notes and warrant issues;
  - b. up to a maximum of 10% in equities and other debt paper and rights as well as derivatives (including warrants);
  - c. up to a maximum of 49% in other collective investment schemes.
5. Subject to the provisions of § 19, the fund management company may acquire units in target funds managed directly or indirectly by the fund management company itself or by a company to which the fund management company is related by virtue of common management or control, or by a significant direct or indirect interest.

#### **UBS (CH) Bond Fund – Global (CHF)**

2. After deducting liquid assets, the fund management company invests at least two thirds of the sub-fund's assets in:
- a. bonds and notes denominated in Swiss francs (CHF) or other currencies as well as other fixed-income or floating-rate debt paper and rights issued by private and public-law borrowers worldwide.
  - b. units of other collective investment schemes that, according to their documentation, invest their assets in accordance with the guidelines of this sub-fund or parts thereof.
  - c. derivatives (including warrants) on the investments mentioned above.
  - d. structured products denominated in Swiss francs (CHF) such as certificates from issuers worldwide on the investments mentioned above.

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

3. The fund management company may also invest up to one third of the sub-fund's total assets after deducting liquid assets in:
- a. debt paper and rights from domestic and foreign issuers that do not meet the requirements as stated in point 2a);
  - b. convertible bonds, convertible notes and warrant issues;
  - c. equities and other debt paper and rights issued by companies worldwide;
  - d. money market instruments denominated in freely convertible currencies from issuers worldwide;
  - e. derivatives (including warrants) on the investments mentioned above;
  - f. units of other collective investment schemes that do not meet the requirements as stated in point 2b).
4. 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:
- a. up to a maximum of 25% in convertible bonds, convertible notes and warrant issues;
  - b. up to a maximum of 10% in equities and other debt paper and rights as well as derivatives (including warrants);
  - c. up to a maximum of 49% in other collective investment schemes.
5. Subject to the provisions of § 19, the fund management company may acquire units in target funds managed directly or indirectly by the fund management company itself or by a company to which the fund management company is related by virtue of common management or control, or by a significant direct or indirect interest.

#### **§ 9 Liquid assets**

For each sub-fund, the fund management company may also hold liquid assets in an appropriate amount in the relevant sub-fund's accounting currency and in any other currency in which investments are permitted.

Liquid assets comprise sight and time deposits as well as claims arising from repurchase agreements with maturities up to twelve months.

#### **B. Investment techniques and instruments**

##### **§ 10 Securities lending**

1. For the account of the sub-funds, the fund management company may lend all types of securities which are traded on an exchange or other regulated market open to the public. However, it may not lend securities acquired under a reverse repo transaction.

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 will carry out securities lending transactions exclusively with first-class supervised borrowers and intermediaries which are specialised in transactions of this type, such as banks, brokers, and insurance companies, as well as with licensed and recognised central counterparty clearing houses and central securities depositories, which guarantee the proper execution of the security lending transactions.
4. If the fund management company must observe a notice period, which may not exceed seven bank working days, before it may again have legal control of the lent securities, it may not lend more than 50% of the eligible holding of that particular security. However, if the borrower or the intermediary provides a contractual guarantee to the fund management company that it may have legal control of the lent securities on the same or following bank working day, then the entire eligible holding of that particular security may be lent.
5. The fund management company concludes an agreement with the borrower or intermediary under which the latter pledges or transfers collateral to the fund management company for the purposes of guaranteeing restitution in accordance with Art. 51 CISO-FINMA. The value of the collateral must be appropriate and, at all times, be at least 105% of the market value of the lent securities. The issuer of the collateral must have a high credit rating, and the collateral may not be issued by the counterparty or by a company that belongs to or is dependent on the counterparty's group. The collateral must be highly liquid, traded at a transparent price on an exchange or other regulated market open to the public, and must be valued at least on each trading day. In managing the collateral, the fund management company and its agents must comply with the duties and requirements under Art. 52 CISO-FINMA. In particular, they must diversify the collateral appropriately in terms of countries, markets and issuers. Appropriate diversification of issuers is deemed to have been achieved if the collateral of a single issuer held does not correspond to more than 20% of the net asset value. Deviation from this rule is permitted for publicly guaranteed or issued investments pursuant to Art. 83 CISO. The fund management company and its agents must further be able to obtain power of disposal over, and authority to dispose of, the collateral received at any time in the event of default by the counterparty, without involving the counterparty or obtaining its consent. The collateral received must be kept at the custodian bank. The collateral received may be held in safekeeping by a supervised third-party custodian on behalf of the fund management company provided that 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 ensures 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 carries 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 standardised framework agreement.
8. The prospectus must contain further information on the collateral strategy.

## § 11 Securities repurchase agreements

1. The fund management company may enter into securities repurchase agreements for the account of the sub-funds. Securities repurchase agreements may be concluded as either "repos" or "reverse repos".  
A "repo" is a legal act in which one party (the borrower or repo seller) temporarily transfers ownership of specific securities to another party (the lender or repo buyer) against payment, and in which the lender undertakes to return to the borrower securities of the same type, quantity, and quality at the end of the repo term, together with any income earned during such term. 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, and to transfer 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 conducts repurchase agreements exclusively with first-class supervised counterparties and intermediaries specialising in transactions of this type, such as banks, brokers and insurance companies, as well as with licensed and recognised central counterparty clearing houses and central securities depositories, which guarantee the execution of the repurchase agreements in a due and proper manner.
4. The custodian bank ensures that the repurchase transactions are settled in a secure and contractually agreed manner. 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 du-

ties 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 standardised framework agreement.

5. For repo transactions, the fund management company may use all types of securities which are traded on an exchange or other 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 must observe a notice period, which may not exceed seven bank working 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. 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 securities under the repurchase agreement on the same or following bank working 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 raising a loan 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 issuer of the collateral must have a high credit rating, and the collateral may not be issued by the counterparty or by a company that belongs to or is dependent on the counterparty's group. The collateral must be highly liquid, traded at a transparent price on an exchange or other regulated market open to the public, and must be valued at least on each trading day. In managing the collateral, the fund management company and its agents must comply with the duties and requirements under Art. 52 CISO-FINMA. In particular, they must diversify the collateral appropriately in terms of countries, markets and issuers. Appropriate diversification of issuers is deemed to have been achieved if the collateral of a single issuer held does not correspond to more than 20% of the net asset value. Deviation from this rule is permitted for publicly guaranteed or issued investments pursuant to Art. 83 CISO. The fund management company and its agents must further be able to obtain power of disposal over, and authority to dispose of, the collateral received at any time in the event of default by the counterparty, without involving the counterparty or obtaining its consent. The collateral received must be kept at the custodian bank. The collateral received may be held in safekeeping by a supervised third-party custodian on behalf of the fund management company provided that 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 be the granting of a loan pursuant to § 13.
10. The prospectus must contain further information on the collateral strategy.

## § 12 Derivatives

1. The fund management company may use derivatives. It ensures 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. Furthermore, the underlyings of the derivatives must be permissible investments for the relevant sub-fund according to the present 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 is applied to the assessment of risk. The overall exposure of a sub-fund that is associated with derivatives may therefore not exceed 100% of its net assets, and overall exposure may not exceed a total of 200% of its net assets. Taking into account the possibility of temporary borrowing amounting to no more than 10% of a sub-fund's net assets pursuant to § 13.2, the overall exposure of the relevant sub-fund may be up to 210% of the sub-fund's net assets. The overall exposure is determined in accordance with Art. 35 CISO-FINMA.
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. It may also use combinations of basic forms of derivatives, as well as derivatives whose financial effect cannot be described by a basic form of derivative or a combination of basic forms of derivatives (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 that is to be hedged, for netting to be permitted a further condition must be met in addition to the rules set out under a) above, namely that the de-

derivative transactions may not be based on an investment strategy that serves to generate profit. Furthermore, the derivative must result in a demonstrable reduction in risk, the risks of the derivative must be balanced out, the derivatives, underlyings, or assets that are to be netted must relate to the same class of financial instruments, and the hedging strategy must remain effective even under exceptional market conditions.

- c. Where interest rate derivatives are predominantly used, the amount to be included in the overall exposure arising from derivatives can be determined using internationally recognised duration-netting rules provided that the rules result in a correct determination of the risk profile of the relevant sub-fund, the material risks are taken into account, the use of these rules does not generate an unjustified level of leverage, no interest-rate arbitrage strategies are pursued, and the leverage of the relevant sub-fund is not increased either by applying these rules or through investments in short-term positions.
  - d. Derivatives that are used solely for currency hedging purposes and do not result in leverage or contain additional market risks may be netted when calculating the overall exposure arising from derivatives without having to meet the requirements set out under b) above.
  - e. Payment obligations in respect of derivatives must be covered at all times by near-money assets, debt securities and rights, or equities, that are traded on an exchange or other regulated market open to the public, in accordance with the legislation on collective investment schemes.
  - f. If, with a derivative, the fund management company enters into an obligation in respect of the physical delivery of an underlying, the derivative must be covered by the corresponding underlyings or by other investments, provided that such investments and the underlyings are highly liquid and may be purchased or sold at any time if delivery is requested. The fund management company must have unrestricted power to dispose of these underlyings or investments 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 an exchange or other regulated market open to the public, or in OTC (over-the-counter) trading.
  6.
    - a. The fund management company may conclude OTC transactions only with regulated financial intermediaries specialised in such types of transactions that ensure proper execution of the contract. If the counterparty is not the custodian bank, the former or its guarantor must have a high credit rating.
    - b. It must be possible reliably and verifiably to value an OTC derivative on a daily basis and to sell, liquidate or close out the derivative 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 using an appropriate valuation model that is recognised in practice, based on the market value of the underlyings from which the derivative was derived. Before concluding a contract for such a derivative, specific offers must, in principle, be obtained from at least two counterparties, and the contract concluded with the counterparty providing the most favourable offer in terms of price. Deviations from this principle are permitted for reasons relating to risk diversification, or where other parts of the contract such as credit rating or the range of services offered by the counterparty render another offer more advantageous overall for the investors. Furthermore, and by way of exception, the requirement to obtain offers from at least two potential counterparties may be dispensed with if this is in the investors' best interests. The reasons for doing so must be clearly documented, as must the conclusion of the contract and pricing.
    - d. As part of OTC transactions, the fund management company and its agents may only accept collateral that satisfies the requirements set down in Art. 51 CISO-FINMA. The issuer of the collateral must have a high credit rating, and the collateral may not be issued by the counterparty or by a company that belongs to or is dependent on the counterparty's group. The collateral must be highly liquid, traded at a transparent price on an exchange or other regulated market open to the public, and must be valued at least on each trading day. In managing the collateral, the fund management company and its agents must comply with the duties and requirements under Art. 52 CISO-FINMA. In particular, they must diversify the collateral appropriately in terms of countries, markets and issuers. Appropriate diversification of issuers is deemed to have been achieved if the collateral of a single issuer held does not correspond to more than 20% of the net asset value. Deviation from this rule is permitted for publicly guaranteed or issued investments pursuant to Art. 83 CISO. The fund management company and its agents must further be able to obtain power of disposal over, and authority to dispose of, the collateral received at any time in the event of default by the counterparty, without involving the counterparty or obtaining its consent. The collateral received must be kept at the custodian bank. The collateral received may be held in safekeeping by a supervised third-party custodian on behalf of the fund management company provided that ownership of the collateral is not transferred and the third-party custodian is independent of the counterparty.
  7. In complying with the statutory and contractual investment restrictions (maximum and minimum limits), derivatives must be factored in in accordance with the legislation on collective investment schemes.
  8. The prospectus must contain further information on:
    - the importance of derivatives as part of the investment strategy;
    - the effect of the use of derivatives on the risk profile of the sub-funds;
    - the counterparty risks attached to derivatives;

- the increased volatility and increased overall exposure (leverage effect) resulting from the use of derivatives;
- credit derivatives;
- the collateral strategy.

### **§ 13 Raising and granting loans**

1. The fund management company may not grant loans for the account of the sub-funds. Securities lending transactions pursuant to § 10 and securities repurchase agreements taking the form of reverse repos pursuant to § 11 are not deemed to be granting loans within the meaning of this paragraph.
2. The fund management company may borrow the equivalent of up to 10% of a sub-fund's net assets on a temporary basis. Securities repurchase agreements in the form of repos pursuant to § 11 are deemed to be borrowing within the meaning of this paragraph unless the funds obtained are used as part of an arbitrage transaction for the acquisition of securities of the same type, quality, credit rating and maturity in connection with a reverse repo.

### **§ 14 Encumbrance of the sub-funds' assets**

1. No more than 25% of the net assets of each sub-fund may be pledged or ownership thereof transferred as collateral by the fund management company at the expense of the relevant sub-fund.
2. The sub-funds' assets may not be encumbered with guarantees. An exposure-increasing credit derivative is not deemed to be a guarantee within the meaning of this paragraph.

### **C. Investment restrictions**

#### **§ 15 Risk diversification**

1. The regulations on risk diversification must include the following:
  - a. investments pursuant to § 8, with the exception of index-based derivatives, provided the index is sufficiently diversified, is representative of the market to which it relates, and is published in an appropriate manner;
  - b. liquid assets pursuant to § 9;
  - c. claims against counterparties arising from OTC transactions.
2. Companies which form a group in accordance with international accounting standards are deemed to be a single issuer.
3. Including derivatives and structured products, the fund management company may invest up to a maximum of 10% of the assets of a sub-fund in securities and money market instruments from the same issuer. The total value of the securities and money market instruments from the issuers in which more than 5% of a sub-fund's assets are invested may not exceed 40% of a sub-fund's assets.

The provisions under points 4 and 5 below remain reserved.

4. The fund management company may invest up to a maximum of 20% of the assets of a sub-fund in sight and time deposits held with the same bank. Both liquid assets pursuant to § 9 and investments in bank deposits pursuant to § 8 must be included in this limit.
5. The fund management company may invest up to a maximum of 5% of the assets of a sub-fund in OTC transactions with the same counterparty. If the counterparty is a bank domiciled in Switzerland or in a member state of the European Union, or another country in which it is subject to supervision equivalent to that in Switzerland, this limit is raised to 10% of the assets of the relevant sub-fund.  
If the claims arising from OTC transactions are hedged using collateral in the form of liquid assets pursuant to Art. 50 to 55 CISO-FINMA, such claims are not included in the calculation of counterparty risk.
6. Investments, deposits and claims pursuant to points 3 to 5 above from the same issuer/borrower may not, in total, exceed 20% of the assets of a sub-fund, with the exception of the higher limits set out in points 12 and 13 below.
7. Investments pursuant to point 3 above with the same group of companies may not, in total, exceed 20% of the assets of a sub-fund, with the exception of the higher limits set out in points 12 and 13 below.
8. The fund management company may invest up to a maximum of 20% of the assets of a sub-fund in units in the same target fund.
9. The fund management company may not acquire equity securities which, in total, represent more than 10% of the voting rights in a company or which would enable it to exert a material influence on the management of an issuing company.
10. The fund management company may acquire for the assets of a sub-fund up to a maximum of 10% of non-voting equity securities, debt instruments and/or money market instruments from the same issuer, as well as up to a maximum of 25% of the units in other collective investment schemes.

These restrictions do not apply if the gross amount of the debt instruments, money market instruments or the units in other collective investment schemes cannot be calculated at the time of the acquisition.

11. The restrictions in points 9 and 10 above do not apply in the case of securities and money market instruments that are issued or guaranteed by a country or a public-law entity from the OECD or by an international public-law organisation to which Switzerland or a member state of the European Union belongs.
12. The limit in point 3 above is increased from 10% to 35% if the securities or money market instruments are issued or guaranteed by an OECD country, a public-law entity from the OECD, or by an international public-law organisation to which Switzerland or a member state of the European Union belongs. The aforementioned securities or money market instruments will not be taken into account in the application of the 40% limit pursuant to point 3. However, the individual limits specified in points 3 and 5 may not be added to the existing limit of 35%.
13. The limit in point 3 above is increased from 10% to 100% if the securities or money market instruments are issued or guaranteed by an OECD country, a public-law entity from the OECD, or by an international public-law organisation to which Switzerland or a member state of the European Union belongs. In this case, the sub-fund must invest in securities or money market instruments from at least six different issues; no more than 30% of the corresponding sub-fund's assets may be invested in securities or money market instruments from the same issue. The aforementioned securities or money market instruments will not be taken into account in the application of the 40% limit pursuant to point 3.

The aforementioned authorised issuers/guarantors 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).

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14. The limit in point 3 above is increased from 10% to 35% if the securities are issued or guaranteed by Pfandbriefzentrale der schweizerischen Kantonalbanken AG or Pfandbriefbank schweizerischer Hypothekarinstitutione AG. In this case, no more than 30% of the sub-fund's assets may be invested in securities from the same issue. The aforementioned securities will not be taken into account in the application of the 40% limit pursuant to point 3. However, the individual limits specified in points 3 and 5 may not be added to the existing limit of 35%.

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

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

1. The net asset value of a sub-fund and the proportions attributable to the individual classes (percentages) are calculated in the accounting currency of the relevant sub-fund (valuation net asset value) at the market value as at the end of the financial year and for each day on which units are issued or redeemed. The assets of the relevant sub-fund will not be calculated on days on which the exchanges/markets in the sub-fund's main investment countries are closed (e.g. bank and stock exchange holidays). However, the fund management company may also calculate the net asset value of a unit ("non-tradable net asset value") on days on which no units are issued or redeemed (cf. 5.2 of the prospectus). Such non-tradable net asset values may be published but may only be used for performance calculations and statistics or for commission calculations and in no case as a basis for subscription and redemption orders.
2. Securities traded on an exchange or other regulated market open to the public are to be valued at the current prices paid on the main market. Other investments or investments for which no current price is available are to be valued at the price that would probably have been obtained in a diligent sale at the time of the estimate. In such cases, the fund management company will use appropriate and recognised valuation models and principles to determine the market value.
3. Open-ended collective investment schemes are valued at their redemption price / net asset value. If they are regularly traded on an exchange or other regulated market open to the public, the fund management company may value such funds in accordance with point 2.
4. The value of money market instruments that are not traded on an exchange or other regulated market open to the public is determined as follows: The valuation price of such investments is based on the yield curve concerned. The valuation based on the yield curve reflects two components: the interest rate and the spread. The following principles are applied in this case: The subsequent interest rates for the residual term are interpolated for each money market instrument. The interest rate calculated in this manner is then converted into a market price by adding a spread that reflects the underlying borrower's credit rating. This spread is adjusted in the event of a significant change in the borrower's credit rating.
5. Bank deposits are valued at the amount of the claim plus accrued interest. If there are significant changes in market conditions or credit rating, the valuation principles for time deposits will be adjusted in line with the new circumstances.
6. The net asset value of a unit of a given class is determined by the proportion of the market value of the sub-fund's assets attributable to that unit class, less any of the sub-fund's liabilities that are attributed to that unit class, divided by the number of units of that class in circulation. This is rounded to CHF 0.01.
7. If the sum of a sub-fund's subscriptions and redemptions result in a net asset inflow or outflow on an order date, the valuation net asset value of the sub-fund will be increased or reduced (swinging single pricing). The maximum adjustment is 3% of the valuation net asset value. This includes incidental costs (bid-ask spread, standard brokerage charges, commissions, fees, etc.) incurred on average in the investment of the net asset inflow or the sale of the portion of the investments corre-

sponding to the net asset outflow. The adjustment will lead to an increase in the valuation net asset value if the net movements result in an increase in the number of sub-fund units. The adjustment will lead to a decrease in the valuation net asset value if the net movements result in a reduction in the number of units. The net asset value determined on the basis of swinging single pricing is therefore a modified net asset value in accordance with the first sentence of this point.

8. The percentages of the market value of a sub-fund's net assets (sub-fund assets less liabilities) attributable to the individual unit classes is determined for the first time at the initial issue of more than one class of units (if this occurs simultaneously) or the initial issue of a further unit class. The calculation is made on the basis of the assets accruing to the relevant sub-fund for each unit class. The percentage is recalculated when one of the following events occurs:
  - a. when units are issued and redeemed;
  - b. on the cut-off date for distributions, provided that (i) such distributions are made only for individual unit classes (distribution classes), or provided that (ii) the distributions of the various unit classes differ as percentages of their individual net asset values, or provided that (iii) different commission or costs, as percentages, are charged on the distributions of the various unit classes;
  - c. when the net asset value is calculated, as part of the allocation of liabilities (including due or accrued costs and commissions) to the various unit classes, provided that the liabilities of the various unit classes differ as percentages of their individual net asset values, especially if (i) different commission rates are applied to the various unit classes or if (ii) class-specific costs are charged;
  - d. when the net asset value is calculated, as part of the allocation of income or capital gains to the various unit classes, provided the income or capital gains originate from transactions made solely in the interests of one unit class or in the interests of several unit classes, but not in proportion to their share of a sub-fund's net assets.

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

1. Subscription and redemption orders for units will be accepted on the order day up to a certain cut-off time specified in the prospectus. The definitive price of the units for the issues and redemptions is determined at the earliest on the bank working day following the day the order is placed (valuation day). The details are governed by the prospectus.
2. The issue and redemption price of units is based on the net asset value per unit, calculated pursuant to § 16 on the valuation day on the basis of the closing prices from the previous day. In the case of unit issues, an issuing commission may be added to the net asset value pursuant to § 18.  
Incidental costs for the purchase and sale of investments (bid-ask spread, standard brokerage charges, commissions, taxes, fees, etc.) incurred by a sub-fund in connection with the investment of the amount paid in or with the sale of a portion of investments corresponding to the redeemed unit(s) on average will be covered by the application of swinging single pricing as described in § 16.7.
3. The fund management company may suspend the issue of units at any time, and may reject applications for the subscription or conversion of units.
4. The fund management company may, temporarily and by way of exception, defer repayment in respect of a sub-fund's units in the interests of all investors:
  - a. if a market which forms the basis of the valuation of a significant proportion of a sub-fund's assets is closed, or if trading on such a market is restricted or suspended;
  - b. in the event of a political, economic, military, monetary or other emergency;
  - c. if, owing to exchange controls or restrictions on other asset transfers, the sub-fund is no longer able to transact its business;
  - d. in the event of large-scale redemptions that might significantly impair the interests of the remaining investors.
5. The fund management company will immediately inform the audit firm and the supervisory authority of any decision to defer redemptions. It must also inform the investors in a suitable manner.
6. No units will be issued for as long as repayments in respect of units are deferred for the reasons stipulated under point 4 a) to c).
7. For unit classes exclusively offered to qualified investors pursuant to Art. 10 para. 3 and 3ter CISA, in the event of a subscription and provided that this is not excluded in the provisions of a unit class, every investor may apply to make deposits into the sub-fund's portfolio instead of making payment in cash (contribution in kind). In the event of a termination, every investor may apply to have assets transferred to them instead of payment in cash (redemption in kind). The application must be submitted together with the subscription/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 sub-fund and if the interests of the other investors are not impaired.

The costs entailed in connection with contributions or redemptions in kind may not be charged to the sub-fund's assets.



In the event of contributions or redemptions in kind, the fund management company draws 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 cash payments made to cover peak equalisation. 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.

Transactions relating to contributions and redemptions in kind must be disclosed in the annual report.

## V. Fees and incidental costs

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

On the issue of fund units, the investors may be charged an issuing commission accruing to the fund management company, the custodian bank and/or distributors in Switzerland or abroad which, in total, may not exceed 2% of the net asset value. The currently applicable maximum rate is stated in the prospectus.

### § 19 Fees and incidental costs charged to the sub-funds' assets

1. For the administration, asset management and, where applicable, the distribution of a sub-fund and the activities described in § 6.4Be–g, as well as all tasks of the custodian bank such as the safekeeping of the sub-fund's assets, the handling of the sub-fund's payment transactions and the performance of the other tasks listed under § 4, the fund management company will charge the sub-fund a maximum flat fee or commission as a percentage of the sub-fund's net asset value as follows, to be charged to the assets of the relevant sub-fund on a pro rata basis every time the net asset value is calculated, and paid out monthly (flat fee or commission).

Units in unit class "P"

Flat fee charged by the fund management company for administration, asset management, distribution and remuneration of the custodian bank

	p.a.
UBS (CH) Bond Fund – CHF Corporates	1.08%
UBS (CH) Bond Fund – Bonds CHF Sustainable	1.08%
UBS (CH) Bond Fund – Global (CHF)	1.37%

Units in unit class "K-1"

Flat fee charged by the fund management company for administration, asset management, distribution and remuneration of the custodian bank

	p.a.
UBS (CH) Bond Fund – CHF Corporates	0.66%
UBS (CH) Bond Fund – Bonds CHF Sustainable	0.66%
UBS (CH) Bond Fund – Global (CHF)	0.72%

Units in unit class "Q"

Flat fee charged by the fund management company for administration, asset management and remuneration of the custodian bank

	p.a.
UBS (CH) Bond Fund – CHF Corporates	1.05%
UBS (CH) Bond Fund – Bonds CHF Sustainable	1.05%
UBS (CH) Bond Fund – Global (CHF)	1.05%

Units in unit class "F"

Flat fee charged by the fund management company for administration, asset management and remuneration of the custodian bank

	p.a.
UBS (CH) Bond Fund – CHF Corporates	0.30%
UBS (CH) Bond Fund – Bonds CHF Sustainable	0.30%
UBS (CH) Bond Fund – Global (CHF)	0.38%

Units in unit class "I-A1"

Flat fee charged by the fund management company for administration, asset management, distribution and remuneration of the custodian bank

	p.a.
UBS (CH) Bond Fund – CHF Corporates	0.55%
UBS (CH) Bond Fund – Bonds CHF Sustainable	0.55%
UBS (CH) Bond Fund – Global (CHF)	0.50%

Units in unit class "I-A2"

Flat fee charged by the fund management company for administration, asset management, distribution and remuneration of the custodian bank

	p.a.
UBS (CH) Bond Fund – CHF Corporates	0.50%
UBS (CH) Bond Fund – Bonds CHF Sustainable	0.41%
UBS (CH) Bond Fund – Global (CHF)	0.46%

Units in unit class "I-A3"

Flat fee charged by the fund management company for administration, asset management, distribution and remuneration of the custodian bank

	p.a.
UBS (CH) Bond Fund – CHF Corporates	0.40%
UBS (CH) Bond Fund – Bonds CHF Sustainable	0.30%
UBS (CH) Bond Fund – Global (CHF)	0.38%

Units in unit class "I-B"

Commission charged by the fund management company for administration of the fund (fund management company, administration and custodian bank)

	p.a.
UBS (CH) Bond Fund – CHF Corporates	0.07%
UBS (CH) Bond Fund – Bonds CHF Sustainable	0.07%
UBS (CH) Bond Fund – Global (CHF)	0.07%

The costs to be borne by the investor for asset management and distribution are additionally covered by an individually negotiated, written agreement between UBS and the investor (cf. § 6.4)

Units in unit class "I-X"

Commission charged by the fund management company

	p.a.
UBS (CH) Bond Fund – CHF Corporates	0.00%
UBS (CH) Bond Fund – Bonds CHF Sustainable	0.00%
UBS (CH) Bond Fund – Global (CHF)	

The costs to be borne by the investor arising in connection with the services provided for the "I-X" unit class are covered by an individually negotiated, written agreement between UBS and the investor (cf. § 6.4)

Units in unit class "U-X"

Commission charged by the fund management company

	p.a.
UBS (CH) Bond Fund – CHF	0.00%
UBS (CH) Bond Fund – CHF Corporates	0.00%
UBS (CH) Bond Fund – CHF Domestic (CHF)	0.00%
UBS (CH) Bond Fund – Global (CHF)	0.00%

The costs to be borne by the investor arising in connection with the services provided for the "U-X" unit class are covered by an individually negotiated, written agreement between UBS and the investor (cf. § 6.4)

The rate of the flat fee or commission actually charged is stated in the annual and semi-annual reports.

2. The following fees and incidental costs of the fund management company and the custodian bank are not included in the flat fee or commission and will be charged additionally to the assets of the relevant sub-funds:
  - a. all incidental costs for the purchase and sale of investments (bid-ask spread, standard brokerage fees, commissions, duties, etc.) incurred in the management of the sub-funds' assets. These costs will be offset directly against the stated acquisition or saleable value of the investments in question. By way of derogation, incidental costs incurred for the purchase and sale of investments when settling issues and redemptions of units are covered by the application of swinging single pricing pursuant to § 16.7;
  - b. the supervisory authority's fees in relation to the establishment, amendment, liquidation or merger of the umbrella fund and sub-funds;
  - c. the supervisory authority's annual fees;
  - d. the audit firm's fees for annual auditing as well as certification in the case of establishment, amendment, liquidation or merger of the umbrella fund and sub-funds;
  - e. fees for legal and tax advisors in connection with the establishment, amendment, liquidation or merger of the umbrella fund and sub-funds, as well as generally upholding the interests of the umbrella fund and sub-funds and its investors;
  - f. the cost of publishing the net asset value of the sub-funds, together with all the costs of providing notices to investors, including translation costs, provided such costs cannot be ascribed to any failure on the part of the fund management company;
  - g. the cost of translating prospectuses with integrated fund contracts and semi-annual and annual reports;
  - h. the cost of printing legal documents, as well as the umbrella fund and sub-funds' annual and semi-annual reports;
  - i. the cost of any registration of the umbrella fund and sub-funds with a foreign supervisory authority, and specifically the commissions levied by the foreign supervisory authority, translation costs, and remuneration for the representative or paying agent abroad;
  - j. costs relating to the exercising of voting rights or creditors' rights by the umbrella fund and sub-funds, including the cost of fees paid to external advisors;
  - k. costs and fees relating to intellectual property registered in the name of the umbrella fund and sub-funds or with rights of use for the umbrella fund and sub-funds;
  - l. all costs incurred through any extraordinary steps taken to safeguard the interests of investors by the fund management company, asset manager of collective investment schemes or custodian bank;
  - m. third-party costs (e.g. legal and custodian bank costs) arising from participation in class actions in the interests of the investor. The fund management company may also charge all documented administrative costs, provided these can be proven and are reported and included in the disclosure of the relevant sub-fund's TER.
3. The fund management company and its agents as well as the custodian bank may, in accordance with the provisions of the prospectus, pay retrocessions as remuneration for distribution activity in respect of fund units and offer rebates to reduce the fees or costs incurred by the investor and charged to the sub-funds, or may determine the fees by way of individual agreements with the investor.
4. Taking any retrocessions and rebates into account, the management fee of the target funds in which investments are made may not exceed 3%. The maximum rate of the management fee of the target funds in which investments are made, taking any retrocessions and rebates into account, must be disclosed in the annual report for each target 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.
6. Fees may only be charged to the sub-fund for which the service in question is performed. Costs that cannot be allocated unequivocally to a specific sub-fund are charged to the individual sub-funds on a pro rata basis in relation to their share of the fund assets.

## VI. Financial statements and audit

### § 20 Financial statements

1. The sub-funds' accounting currency is the Swiss franc (CHF).
2. The financial year runs from 1 June to 31 May.

3. The fund management company publishes an audited annual report for the umbrella fund and sub-funds within four months of the end of the financial year.
4. The fund management company publishes a semi-annual report within two months of the end of the first half of the financial year.
5. The investor's right to obtain information under § 5.5 is reserved.

## **§ 21 Audit**

The audit firm examines each year whether the fund management company and the custodian bank have complied with the statutory and contractual provisions, and with the code of conduct of the Swiss Funds & Asset Management Association SFAMA. The annual report contains a short report by the audit firm on the published annual financial statements.

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

### **§ 22**

1. The net income of distributing unit classes of the sub-funds – Bonds CHF Sustainable and – Global (CHF) is distributed annually per unit class to the investors in the sub-funds' accounting currency (Swiss francs (CHF)) within four months of the close of the financial year.

The fund management company may make additional interim distributions from the income.

Up to 30% of the net income of a unit class may be carried forward to the new account. A distribution may be waived and the entire net income may be carried forward to the new account if

- the net income in the current financial year and income carried forward from previous financial years of the sub-funds or a unit class is less than 1% of the net asset value of the collective investment scheme or unit class, and
  - the net income in the current financial year and income carried forward from previous financial years of the sub-funds or a unit class is less than one unit of the collective investment scheme or unit class.
2. The net income of accumulating unit classes of the sub-fund – CHF Corporates will be added on an annual basis to the sub-fund's assets for reinvestment, subject to any taxes and duty charged on the reinvestment within four months of the close of the financial year. The fund management company may also decide to make interim reinvestments with the income. Exceptions apply to any taxes and duties levied on the reinvestment of these funds.
  3. Capital gains realised on the sale of assets and rights may be distributed by the fund management company or retained for the purpose of reinvestment.

## **VIII. Publication of official notices by the umbrella fund and sub-funds**

### **§ 23**

1. The medium of publication of the umbrella fund and sub-funds is the print medium or electronic medium specified in the prospectus. Notification of any change in the medium of publication must be published in the medium of publication.
2. The following information must, in particular, be published in the medium of publication: summaries of material amendments to the fund contract, indicating the offices from which the amended wording may be obtained free of charge; any change of fund management company and/or custodian bank; the creation, dissolution or merger of unit classes; and the liquidation of sub-funds. Amendments that are required by law that do not affect the rights of investors or are of an exclusively formal nature may be exempted from the duty to publish subject to the approval of the supervisory authority.
3. Each time units are issued or redeemed, the fund management company will publish the issue and the redemption prices or the net asset value (a modified net asset value through the application of swinging single pricing pursuant to § 16.7) together with a note stating "excluding commissions" for all unit classes in the print medium or electronic medium specified in the prospectus. Prices must be published at least twice each month. The weeks and weekdays on which publications are made must be specified in the prospectus.
4. The prospectus with integrated fund contract, the key investor information document, and the respective annual or semi-annual reports may be obtained free of charge from the fund management company, the custodian bank and all distributors.

## **IX. Restructuring and dissolution**

### **§ 24 Mergers**

1. Subject to the consent of the custodian bank, the fund management company may merge individual sub-funds with other sub-funds or with other investment funds by transferring the assets and liabilities as at the time of the merger of the sub-fund(s) or investment fund(s) being acquired to the acquiring sub-fund or investment fund. The investors of the sub-fund(s) or investment fund(s) being acquired will receive the corresponding number of units in the acquiring sub-fund or investment fund. The sub-fund(s) or investment fund(s) being acquired is/are terminated without liquidation when the merger takes place, and the fund contract of the acquiring sub-fund or investment fund will also apply to the sub-fund(s) or investment fund(s) being acquired.

2. Sub-funds or investment funds may be merged only if:
  - a. provision for this is made in the relevant fund contracts;
  - b. they are managed by the same fund management company;
  - c. the relevant fund contracts essentially correspond in terms of the following provisions:
    - the investment policy, investment techniques, risk diversification, and the risks associated with the investment;
    - the appropriation of net income and capital gains from the sale of assets and rights;
    - the type, amount and calculation of all fees, issue and redemption commissions, and the incidental costs for the purchase and sale of the investments (brokerage fees, charges, duties) that may be charged to the assets of the sub-fund or fund or to the investors;
    - the redemption conditions;
    - the duration of the contract and the conditions of dissolution;
  - d. the assets of the sub-funds or investment funds concerned are valued, the exchange ratio is calculated, and the assets and liabilities are acquired on the same day;
  - e. no costs arise as a result for either the sub-fund or investment fund or the investors. The provisions of § 19.2b, d and e are reserved.
3. If the merger is likely to take more than one day, the supervisory authority may approve limited deferment of repayment in respect of the units of the sub-funds or investment funds involved.
4. At least one month before the planned publication, the fund management company must submit the proposed changes to the fund contract, and the proposed merger, as well as the merger schedule to the supervisory authority for review. The merger schedule must contain information on the reasons for the merger, the investment policies of the sub-funds or investment funds involved and any differences between the acquiring fund and the sub-fund(s) or investment fund(s) being acquired, the calculation of the exchange ratio, any differences with regard to fees and any tax implications for the sub-funds or investment funds, as well as a statement from the audit firm responsible in accordance with the legislation on collective investment schemes.
5. The fund management company must publish a notice of the proposed changes to the fund contract pursuant to § 23.2 and the proposed merger and its timing, as well as the merger schedule, at least two months before the planned date of merger in the medium of publication of the sub-funds or investment funds in question. In this notice, the fund management company must inform the investors that they may lodge objections to the proposed changes to the fund contract with the supervisory authority or request redemption of their units in cash or submit application for a redemption in kind in accordance with § 17.7, within 30 days of the publication.
6. The audit firm must check directly that the merger is being carried out correctly and must submit a report containing its comments in this regard to the fund management company and the supervisory authority.
7. The fund management company must inform the supervisory authority of the conclusion of the merger, and publish notification of the completion of the merger, confirmation from the audit firm of the proper execution of the merger, and the exchange ratio, without delay in the medium of publication of the sub-funds or investment funds involved.
8. The fund management company must make reference to the merger in the next annual report of the acquiring sub-fund or investment fund, and in the semi-annual report if published prior to the annual report. If the merger does not take place on the last day of the usual financial year, an audited closing statement must be produced for the sub-fund(s) or investment fund(s) 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 the custodian bank may dissolve a sub-fund by terminating the fund contract without notice.
3. The individual sub-funds may be dissolved by order of the supervisory authority, in particular, if at the latest one year after the expiry of the subscription period (launch), or a longer extended period approved by the supervisory authority at the request of the custodian bank and the fund management company, a sub-fund does not have net assets of at least CHF 5 million (or the equivalent).
4. The fund management company must inform the supervisory authority of the dissolution immediately and must publish notification in the medium of publication.
5. Once the fund contract has been terminated, the fund management company may liquidate the relevant sub-funds forthwith. If the supervisory authority has ordered the dissolution of a sub-fund, it must be liquidated forthwith. The custodian bank is responsible for the payment of liquidation proceeds to the investors. If the liquidation proceedings are protracted, payment may be made in instalments. The fund management company must obtain authorisation from the supervisory authority prior to the final payment.

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

### **§ 26**

If any amendments are to be made to the present fund contract, or if the merger of unit classes or a change of fund management company or of custodian bank is planned, the investors may lodge objections with the supervisory authority within 30 days after the corresponding publication.

In the publication, the fund management company must inform the investors about which amendments to the fund contract are covered by FINMA's verification and check for compliance with the law.

In the event of a change to the fund contract (including the merger of unit classes) the investors may also demand the redemption of their units in cash subject to the contractual period of notice. Exceptions in this regard are cases pursuant to § 23.2 that have been exempted from the duty to publish with the approval of the supervisory authority.

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

### **§ 27**

1. The umbrella fund and the individual sub-funds are subject to Swiss law, in particular the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, the Ordinance on Collective Investment Schemes of 22 November 2006 and the Ordinance of the Swiss Financial Market Supervisory Authority FINMA on Collective Investment Schemes of 27 August 2014.  
The place of jurisdiction is the registered office of the fund management company.
2. The German version is binding in all matters of interpretation relating to the present fund contract.
3. The present fund contract takes effect on 5 June 2020.
4. This fund contract replaces the fund contract dated 25 March 2020.
5. When approving the fund contract, FINMA verifies only the provisions pursuant to Art. 35a para. 1 let. a–g CISO and ensures their compliance with the law.