

SF (Lux) SICAV 2

(A fund managed by the UBS Group)

Investment company with variable capital under Luxembourg law

May 2021

Sales Prospectus

Shares of SF (Lux) SICAV 2 (the “**Company**”), which is a fund managed by the UBS Group, may be acquired on the basis of this full sales prospectus, the “Key Investor Information” or the “Key Investor Information Document(s)” (“**KIIDs**”), the most recent annual report and, if published since then, the subsequent semi-annual report.

Shares in the Company may only be offered on the basis of the information contained in the sales prospectus and the KIIDs and documents indicated therein. No one shall be entitled to impart any information or issue any assurances in relation to the offer that has been provided, if these differ from information contained in the aforementioned documents. Subscriptions in respect of shares in the Company that contravene these regulations shall be entered into entirely at the risk of the relevant investor.

The sale and redemption of shares in the Company shall also be subject to the valid rules and regulations of the countries in which shares in the Company are sold.

Shares will not be offered from within the United States of America or to Investors who are US Persons. A US Person is any person who:

1. 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;
2. is a US person within the meaning of Regulation S under the US Securities Act of 1933 (17 CFR § 230.902(k));
3. 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));
4. is in the United States within the meaning of Rule 202(a)(30)-1 under the US Investment Advisers Act of 1940, as amended; or
5. any trust, entity or other structure formed for the purpose of allowing US Persons to invest in the Company.

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A. Management and administration

Registered office

33A avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg

Board of Directors

Members

Gavin Byrnes
Managing Director
UBS Asset Management Switzerland AG,
Switzerland

William Heath
Independent Director
Grand Duchy of Luxembourg

Roxana Zürcher
Managing Director
UBS AG, Basel and Zurich
Switzerland

Management Company

UBS Fund Management (Luxembourg) S.A.,
33A, avenue J.F. Kennedy, L-1855
Grand Duchy of Luxembourg

Board of Directors of the Management Company

Chairman

André Valente,
CEO, UBS Fund Management (Switzerland) AG,
Basel, Switzerland

Members

Francesca Prym,
CEO, UBS Fund Management (Luxembourg) S.A.,
Luxemburg, Grand Duchy of Luxemburg

Christian Maurer,
Head of Product Management, UBS Asset Management
Switzerland AG,
Zürich, Switzerland

Gilbert Schintgen
Independent Director
Dudelange, Grand Duchy of Luxembourg

Conducting Officers of the Management Company	<p>Valérie Bernard UBS Fund Management (Luxembourg) S.A. Luxembourg, Grand Duchy of Luxembourg</p> <p>Geoffrey Lahaye UBS Fund Management (Luxembourg) S.A. Luxembourg, Grand Duchy of Luxembourg</p> <p>Federica Ghirlandini UBS Fund Management (Luxembourg) S.A. Luxembourg, Grand Duchy of Luxembourg</p> <p>Olivier Humbert, UBS Fund Management (Luxembourg) S.A., Luxembourg, Grand Duchy of Luxembourg</p>
Portfolio Manager	UBS Asset Management (UK) Limited, London United Kingdom
Main administration	Northern Trust Global Services SE 10 Rue du Chateau d'eau, L-3364 Leudelange Grand Duchy of Luxembourg
Depository and main paying agent in Luxembourg	UBS Europe SE, Luxembourg Branch 33A, avenue J.F. Kennedy L-1855 Luxembourg Grand Duchy of Luxembourg
Auditor of the Company	Ernst & Young 35E, avenue J.F. Kennedy L-1855 Luxembourg Grand Duchy of Luxembourg
Sales agencies and Distributors, sales agencies listed in the sales prospectus	UBS Asset Management Switzerland A, as well as other Distributors in countries in which shares of the Company are sold.
Legal adviser in Luxembourg	Allen & Overy, société en commandite simple 33, avenue J.F. Kennedy L-1855 Luxembourg Grand Duchy of Luxembourg

B. The Company

The Company is an investment company with variable capital (*société d'investissement à capital variable*) that was set up on 14 June 2004 for an unlimited period and which takes the form of a public limited company (*société anonyme*) under Luxembourg law, which is subject to Part I of the Luxembourg Law of 17 December 2010 relating to undertakings for collective investment (the “**Law of 2010**”), as amended where applicable.

Its registered office and main administration are located in Luxembourg.

The articles of incorporation were published in the Luxembourg-based journal *Mémorial C, Recueil des Sociétés et Associations* (hereinafter called “**Mémorial**”) on 25 June 2004, and deposited at the Commercial and Company Register in Luxembourg for inspection. Any changes to the articles of incorporation of the Company shall be announced in accordance with the current legal regulations.

The Company is listed in the Commercial and Company Register in Luxembourg under number B 101287.

The Company capital consists of fully paid up and no par-value shares.

The Company is an umbrella fund and therefore consists of a number of Subfunds, the investment policy of which can be found in the provisions listed below in this sales prospectus. In the event that new Subfunds are launched, the sales prospectus shall be amended accordingly. The Company is entitled to impose various classes of share within each Subfund, in accordance with the rules below.

The Company is a single legal entity. With respect to the investors, each Subfund is regarded as being separate from the others. In accordance with the provisions of article 181 (5) of the Law of 2010, the rights of the shareholders and creditors relating to a Subfund or arising from the setting-up, operation and liquidation of a Subfund are limited to the assets of that Subfund. The assets of a Subfund are exclusively dedicated to the satisfaction of the rights of the shareholders relating to that Subfund and the rights of those creditors whose claims have arisen in connection with the setting-up, operation and liquidation of that Subfund.

To reduce operational and administrative charges, the Company may authorise the assets of any Subfund to be managed in conjunction with assets that belong to other Subfunds of the Company. This will be done by establishing a pool of assets (“Pool”) comprising cash and investments contributed by all Subfunds which participate in the Pool (a “Participating Fund” or collectively, the “Participating Funds”). This technique is known as pooling. For the avoidance of doubt, pooling will only take place between Subfunds of the Company (“intra-pooling”) for which the Portfolio Manager exercises investment discretion.

Any reference to the Portfolio Manager in this section of the sales prospectus dealing with Pools shall be construed as including any portfolio manager appointed by the Management Company from time to time in respect of the Company or a Subfund. The Company will obtain the CSSF's prior approval before implementing any pooling involving different Portfolio Managers of Participating Funds.

Opportunities to establish pooling arrangements arise where the investment objectives and policies of Participating Funds are sufficiently similar so as to enable the assets contributed by a Participating Fund to be managed in a manner identical to that of all other Participating Funds in the Pool. However, it is not essential that the investment objectives and policies of each Participating Fund in the Pool be identical. It is sufficient that the Portfolio Manager be in a position to manage the Pool as one portfolio of assets whilst complying with the investment objectives, policies and restrictions applicable to each Participating Fund.

A Pool is not a separate legal entity and an investor may not invest directly in a Pool. Such pooling operates in a manner that does not compromise the obligation to ensure that the assets of each Subfund belong exclusively to the Subfund to which they are attributed.

Operational Issues relating to Pooling

Assets may be contributed to and withdrawn from the Pool by a Participating Fund at any time. A record shall be maintained of all of the assets contributed to the Pool by a Participating Fund and the percentage allocation of each of the pooled assets within the Pool that is attributable to each Participating Fund, which shall be allocated on a pro-rata basis. This percentage allocation shall be applied to all assets held in the Pool. When additional cash or securities are contributed to or withdrawn from the Pool by a Participating Fund the allocation percentage of each Participating Fund will be adjusted to reflect the change. Where a contribution is made in cash, a deduction may be made where the Portfolio Manager considers this necessary to discharge transaction costs and fiscal charges incurred in investing the cash. Similarly, in the case of a cash withdrawal, a deduction may be made to reflect transaction costs in disposing of securities. Dividends and any other distribution of income received in respect of assets will be allocated pro-rata to the Participating Fund's holding of assets. All assets comprising a Pool will be valued in accordance with the provisions contained in the "Calculation of total net assets and net asset value per share" section of the sales prospectus.

Shareholders should note that the pooling arrangement may cause the composition of the assets of a Participating Fund to be altered as a result of subscriptions and redemptions in another Participating Fund which would cause the Portfolio Manager to dispose of or acquire assets for the Pool or may cause the Portfolio Manager to increase the amount of ancillary liquid assets held in the Pool, provided always that any such change will be consistent with the respective investment objective or policy of each Participating Fund.

Custody of Assets

The Depositary shall at all times ensure that it is in a position to identify the assets belonging to each Participating Fund even though the sub-custodian's records may identify the assets as being held in a Pool.

Termination of Pooling Arrangements

The Company may elect at any time to terminate a Subfund's participation in the pooling arrangements on notice to the Main Administrator and the Depositary. In such an event, the portion of the assets in the pool representing such Subfund's percentage allocation of assets shall be withdrawn.

Termination of Pools further to the default of a Participating Fund

Shareholders should further note that the default of one Participating Fund in a Pool may result in the Termination of all transactions entered into with respect to that Pool by the counterparty to the Pool in its discretion. Such early termination may have adverse effects on the other Participating Funds in that Pool.

Nominee arrangements

The Company asks investors to note that they will only benefit from shareholders rights – particularly the right to participate in general meetings – when they have been entered in their own name in the register of shareholders following their investment in the Company. However, if the investor invests in the Company indirectly via an intermediary body which makes the investment in its own name on behalf of the investor, and as a result, said intermediary is entered into the register of shareholders instead of the investor, the aforementioned rights may be granted to the intermediary and not the investor. Investors are therefore advised to seek advice on their investor rights before making an investment decision.

C. Management Company

UBS Fund Management (Luxembourg) S.A., R.C.S. Luxembourg B154210 (the “**Management Company**”) has been appointed as management company of the Company. Furthermore, the Management Company acts as domiciliation agent of the Company.

The Management Company was established in Luxembourg on 1 July 2010, in the legal form of a public-limited company under Luxembourg law (*société anonyme*) for an unlimited duration. Its registered office is located at 33A, avenue J.F. Kennedy, L-1855 Luxembourg.

The articles of incorporation of the Management Company were published by way of a notice of deposit in the Mémorial on 16 August 2010.

The consolidated articles of incorporation were deposited with the Commercial and Company Register (*Registre de Commerce et des Sociétés*) in Luxembourg. Any amendments to the articles of incorporation by the Management Company will be announced in accordance with the applicable legal provisions.

In addition to this Company, the Management Company also manages other UCIs.

D. Portfolio Manager

In order to achieve more efficient management, the Company and the Management Company have appointed UBS Asset Management (UK) Limited, London, (the “**Portfolio Manager**”) as portfolio manager of the Subfunds. The Portfolio Manager is authorised to administer the assets of the relevant Subfunds as it sees fit, in accordance with the applicable investment policy and under the responsibility and control of the Management Company. The Portfolio Manager must report regularly to Management Company as to the development of the assets of the various Subfunds and on transactions executed for the account of the Subfunds.

According to the current portfolio management agreement, the Portfolio Manager is authorised to delegate its decision-making ability to third parties. Any such delegation shall be subject to the prior consent of the Management Company and the relevant supervisory authority in Luxembourg.

Should such delegation of authority take place, this sales prospectus would be supplemented with an appropriate description of such delegation.

E. Depositary and main paying agent

Pursuant to the Depositary Agreement, the Depositary has been appointed for the safe-keeping of financial instruments that can be held in custody, for the record keeping and verification of ownership of other assets of the Company as well as to ensure for the effective and proper monitoring of the Company's cash flows in accordance with the provisions of the Law of 2010 and the Depositary Agreement. Assets held in custody by the Depositary shall not be reused by the Depositary, or any third party to which the custody function has been delegated, for their own account, unless such reuse is expressly allowed by the Law of 2010.

In addition, the Depositary shall also ensure that (i) the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with Luxembourg law, the Prospectus and the Articles of Incorporation, (ii) the value of the shares is calculated in accordance with Luxembourg law, the Prospectus and the Articles of Incorporation, (iii) the instructions of the Management Company or the Company are carried out, unless they conflict with applicable Luxembourg law, the Prospectus and/or the Articles of Incorporation, (iv) in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits, and (v) the Company's incomes are applied in accordance with Luxembourg law, the Prospectus and the Articles of Incorporation.

In compliance with the provisions of the Depositary Agreement and the Law of 2010, the Depositary may, subject to certain conditions and in order to effectively conduct its duties, delegate part or all of its safe-keeping duties in relation to financial instruments that can be held in custody, duly entrusted to the Depositary for custody purposes, and/or all or part of its duties regarding the record keeping and verification of ownership of other assets of the Company to one or more sub-custodian(s), as they are appointed by the Depositary from time to time. The Depositary does not allow its sub-custodians to make use of sub-delegates which have not been approved by the Depositary in advance.

Prior to the appointment of any sub-custodian and sub-delegate and on an ongoing basis based on applicable laws and regulations as well as its conflict of interests policy the Depositary shall assess potential conflicts of interests that may arise from the delegation of its safekeeping functions and any potential conflict of interests that could arise out of such delegation. The Depositary is part of the UBS Group, a worldwide, full-service private banking, investment banking, asset management and financial services organisation which is a major participant in the global financial markets. As such, potential conflicts of interest from the delegation of its safekeeping functions could arise as the Depositary and its affiliates are active in various business activities and may have differing direct or indirect interests.

Investors may obtain additional information free of charge by addressing their request in writing to the Depositary.

In order to avoid any potential conflicts of interest, the Depositary does not appoint any sub-custodians and does not allow the appointment of any sub-delegate which is part of the UBS Group, unless such appointment is in the interest of the shareholders and no conflict of interest has been identified at the time of the delegate's appointment. Irrespective of whether a given sub-custodian or sub-delegate is part of the UBS Group or not, the Depositary will exercise the same level of due skill, care and diligence both in relation to the selection and appointment as well as in the on-going monitoring of the relevant sub-custodian or sub-delegate. Furthermore, the conditions of any appointment of a sub-custodian or sub-delegate that is member of the UBS Group will be negotiated at arm's length in order to ensure the interests of the Company and its shareholders. Should a conflict of interest occur and in case such conflict of interest cannot be mitigated, such conflict of interest as well as the decisions taken will be disclosed to shareholders. An up-to-date description of any safekeeping functions delegated by the Depositary and an up-to-date list of these delegates and sub-delegate(s) can be found on the following webpage: <https://www.ubs.com/global/en/legalinfo2/luxembourg.html>

Where the law of a third country requires that financial instruments are held in custody by a local entity and no local entity satisfies the delegation requirements of article 34bis, paragraph 3, lit. b) i) of the Law of 2010, the Depositary may delegate its functions to such local entity to the extent required by the law of that third country for as long as there are no local entities satisfying the aforementioned requirements. In order to ensure that its tasks are only delegated to sub-custodians providing an adequate standard of protection, the Depositary has to exercise all due skill, care and diligence as required by the Law of 2010 in the selection and the appointment of any sub-custodian to whom it intends to delegate parts of its tasks and has to continue to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any sub-custodian to which it has delegated parts of its tasks as well as of any arrangements of the sub-custodian in respect of the matters delegated to it. In particular, any delegation is only possible when the sub-custodian at all times during the performance of the tasks delegated to it segregates the assets of the Company from the Depositary's own assets and from assets belonging to the sub-custodian in accordance with the Law of 2010. The Depositary's liability shall not be affected by any such delegation, unless otherwise stipulated in the Law of 2010 and/or the Depositary Agreement.

The Depositary is liable to the Company or its shareholders for the loss of a financial instrument held in custody within the meaning of article 35 (1) of the Law of 2010 and article 12 of the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing the UCITS Directive with regard to obligations of depositaries (the "**Fund Custodial Assets**") by the Depositary and/or a sub-custodian (the "Loss of a Fund Custodial Asset").

In case of Loss of a Fund Custodial Asset, the Depositary has to return a financial instrument of an identical type or the corresponding amount to the Company without undue delay. In accordance with the provisions of the Law of 2010, the Depositary will not be liable for the Loss of a Fund Custodial Asset, if such Loss of a Fund Custodial Asset has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The Depositary shall be liable to the Company and to the shareholders for all other direct losses suffered by them as a result of the Depositary's negligence or intentional failure to properly fulfil its duties in accordance with applicable law, in particular the Law of 2010 and the Depositary Agreement.

The Company and the Depositary may terminate the Depositary Agreement at any time by giving three (3) months' notice by registered letter. In case of a voluntary withdrawal of the Depositary or of its removal by the Company, the Depositary must be replaced before maturity of such notice period by a successor depositary to whom the Company's assets are to be delivered and who will take over the functions and responsibilities of the Depositary. If the Company does not name such successor depositary in time the Depositary may notify the CSSF of the situation.

F. Management of the Company

The Board of Directors is responsible for the management of the Company. The Board of Directors has however appointed the Management Company named in section A. "Management and administration" to manage the Company's affairs.

It is its task, amongst other things, to ensure that the duties are performed by the Company's or Management Company's different service providers in accordance with the provisions of the current service agreements, the articles of incorporation of the Company, the current sales prospectus of the Company and any applicable statutory provisions.

The Company has assigned the roles of portfolio management, administration and distribution of the Company to the Management Company. In this way, the Management Company shall, among other things, supervise compliance with the investment limits and implementation of the investment policy and investment strategy of the relevant Subfunds.

In accordance with the provisions of article 110 of the Law of 2010, the Management Company has delegated various administrative roles to Northern Trust Global Services SE, 10 Rue du Chateau d'eau, L-3364 Leudelange (the "Main Administrator"). In accordance with the Agreement concluded between the Management Company and the Main Administrator, the Main Administrator is responsible for the general administrative duties that are associated with the management of the Company as prescribed by Luxembourg law. These services mainly include domiciliation, calculation of the net asset value per share and the keeping of the Company's accounts as well as reporting.

G. General remarks on risk

Subfund investments may be subject to substantial fluctuations and no guarantee can be given that the value of a share in the Company will not fall below its value at the time of acquisition.

Factors that can trigger such fluctuations or can influence their scale include but are not limited to:

- Company-specific changes
- Changes in interest rates
- Changes in exchange rates
- Change affecting economic factors such as employment, public expenditure and indebtedness, inflation
- Changes in the legal environment
- Changes in the confidence of investors in certain classes of investment (e.g. equities), markets, countries, industries and sectors.

By diversifying investments, the Portfolio Manager shall endeavour to reduce the negative impact of such risks on the value of shares in the Subfunds.

H. Risk management process

The Management Company makes use of a risk management process that enables it, at any time, to monitor and measure the risk associated with its investment positions and its share in the overall risk profile of the Asset Portfolio (as defined below) and allows it to determine the value of the OTC Derivatives in a precise and impartial manner. The risk management process also includes collateral management and the use of efficient portfolio management techniques.

After assessing the overall risk profile associated with the investment policy (including, but not exclusively, the possible use of Derivatives and their characteristics) of an individual Subfund, the Management Company will calculate the Subfund's overall risk by using either the VaR (value-at-risk) model or the commitment approach, in accordance with applicable European and Luxembourg laws and/or regulatory provisions. The global risk for all Subfunds will be determined by the commitment approach, unless otherwise stipulated in the Subfund's description.

I. Share classes

SF (Lux) SICAV 2 can issue share classes for every Subfund that differ in terms of possible distributions, have different fee structures, can be offered to a limited public or differ in terms of other criteria determined by the Board of Directors. Different criteria can accordingly also be established for these share classes in respect of the subscription and redemption of shares.

At present only the share classes listed here of the below-mentioned Subfunds are offered:

- Class I shares are reserved for institutional investors in line with Luxembourg laws and management regulations. These investors are banks and other professional service providers of the financial sector, including insurance companies.
- Class R shares may be purchased by any investor.

J. Investment policy of the different Subfunds

At the present time, the following Subfunds are available:

Subfund SF (Lux) SICAV 2	Subfund currency of account	Share class	Initial subscription period	Start of guaranteed redemption period	Term
Guaranteed Life Design 2014 (a Subfund managed by the UBS Group)	CHF	I R	1 – 30 December 2004 3 October – 30 November 2007	30 May 2014	31 May 2024
Skandia Maturity Protected Fund 2022 (a Subfund managed by the UBS Group)	CHF	I	10 January 2007	n/a	16 September 2022
Life Investment Maturity Guaranteed 2024 (a Subfund managed by the UBS Group)	CHF	R	28 August 2007	n/a	28 June 2024 (Term and Maturity Date)
Guaranteed Life Design 2019 (a Subfund managed by the UBS Group)	CHF	I R	29 May 2009	31 May 2019	31 May 2024
Life Investment 90% Protected Fund (a Subfund managed by the UBS Group)	CHF	I	30 September 2015	n/a	The Term is described under J.VII.1.4

The attention of investors is drawn to the fact that all Subfunds may from time to time use efficient portfolio management techniques such as securities lending and repurchase and reverse repurchase transactions.

I) Guaranteed Life Design 2014:

Profile of the typical investor

Investments in the passively managed Subfunds are directed at investors who wish to participate in the performance of the international equity and bond markets, but who at the same time require the guarantee of full repayment of the capital invested under certain conditions. Investors have to accept that the value of the investment may fall if the given conditions are not fulfilled.

General investment objective

The investment objective of each passively managed Subfund is to achieve growth by participating in rising equity and bond markets linked to a full guarantee for the invested capital if the equity and bond markets fall, conditional upon holding the Subfund shares at least until the start of the guaranteed redemption period.

This Subfund is passively managed. Sustainability risks are not considered as part of the investment selection process. Therefore, sustainability risks are not systematically integrated due to the nature of the investment objective of the Subfund and the Portfolio Manager aims to manage the portfolio in line with the limits set out in the investment policy of the Subfund.

General investment strategy

In order to achieve the investment objective, the Subfund applies an investment strategy that is made up of the following main components:

- 1.1 Asset Portfolio
- 1.2 Dynamic Portfolio (CPPT algorithm)
- 1.3 Swap agreements
- 1.4 Capital guarantee.

1.1. Asset Portfolio

The Subfund invests according to the principle of risk spreading. It invests in a portfolio of transferable securities or other eligible assets within the meaning of section DD. "Investment principles", sub-section 1 "Permitted investments of the Company". These may include (without limitation) equity and equity-related securities, fixed income securities such as government and corporate bonds, money-market instruments, floating rate instruments, convertible securities and commercial papers and asset-backed securities. The Subfund may furthermore invest up to 100% of the Asset Portfolio in units of other UCITS and up to 30% of the Asset Portfolio in UCIs as defined in subsection 1.1 lit. f) of section DD. "Investment principles". None of the foregoing may be issued or arranged by a member of the UBS Group.

To attain the investment objective, the Subfund may also buy and sell Derivatives (e.g. futures, forwards and options) for both hedging and non-hedging purposes.

The aforementioned components of the Asset Portfolio are eligible assets as per article 41(1) of the Law of 2010. In accordance with section DD. “Investment principles”, paragraph subsection 1.2, the Subfund may furthermore invest up to 10% of its net assets in transferable securities and money-market instruments other than those referred to in article 41(1) of the Law of 2010.

The Subfund portfolio- consisting of the above components shall hereinafter be referred to as the “**Asset Portfolio**”.

UBS AG London Branch may receive rebates of the fees charged by UCITS and UCIs held within the Asset Portfolio of the Subfund and such rebates may be paid directly to UBS AG London Branch by the management entity of such UCITS or UCI.

The performance of the Asset Portfolio will be swapped out by virtue of the swap agreements described under 1.3 below with the counterparty of the swap agreements to gain exposure to the Dynamic Portfolio described below under 1.2. The changes in value of the Asset Portfolio, including any such rebates paid, therefore do not exert any influence upon the performance of the Subfund.

1.2. Dynamic Portfolio (CPPT algorithm)

The Subfund achieves risk exposure to the Dynamic Portfolio through the swap agreements. For the Subfund and its investors, the Dynamic Portfolio represents reference assets, the performance of which is fully allocated to the Subfund (referenced per Share Class) in accordance with the swap agreements, taking into account the performance of the Asset Portfolio.

The counterparty to the swap agreements has no discretion over the composition or management of the Dynamic Portfolio.

The Dynamic Portfolio reveals different characteristics for different periods:

1.2.1. Period between launch and start of guaranteed redemption period

Between the launch and the start of the guaranteed redemption period the Dynamic Portfolio of the Subfund (referenced per Share Class) comprises two components: Active Assets and Reserve Assets.

Active Assets: Active Assets in the Dynamic Portfolio reflect the price development of the following basket of shares:

Index name	Bloomberg code	Basket weighting
Swiss Market Index *	SMI	55.00%
EURO STOXX 50 SM *	SX5E	45.00%

* Please refer to Appendix 1 for further information on this index.

As the prices of the two share indices should not develop in parallel, the weighting of the basket will vary as time goes by. If such price variations cause the relative weighting of the Swiss Market Index to pass the threshold value of 60% or that of the EURO STOXX 50SM to pass that of 50%, the Portfolio Manager will make an appropriate adjustment in order to restore the original 55%:45% weighting between the two share indices.

If a share index is no longer calculated during the term of the Subfund, the Portfolio Manager will be entitled to replace it with another highly liquid Swiss or European market index whose characteristics are comparable to those of the index no longer being calculated. In this case, both the full sales prospectus and the respective KIIDs will be amended correspondingly.

Information about the particular weighting of the Active Assets is available to investors at any time from the registered office of the Company. Further information can also be found in the annual and semi-annual reports.

Reserve Assets: Reserve Assets reflect the performance of an investment in a zero coupon bond issued by UBS AG with an expiry date at the start of the guaranteed redemption period.

The commercial exposure of the Subfund to the Dynamic Portfolio by virtue of the swap agreements is distributed across the performance of the Active Assets and the Reserve Assets. This distribution is based upon the CPPT (Constant Proportion Portfolio Technique) algorithm. This formula is set up in such a way that, at the start of the guaranteed redemption period it is highly likely to ensure that the guaranteed redemption price described under 1.4 is reached, whilst maximising the proportion of Active Assets in the Dynamic Portfolio and therefore also the exposure of the Subfund. Details of the algorithm will be provided at any time at the registered office of the Company.

The composition or the calculated adjustment between Active Assets and Reserve Assets is undertaken as follows:

- I. Determination of the value of the Dynamic Portfolio (“**DP**”) and of the necessary investments that will reasonably ensure that, at the start of the guaranteed redemption period, the net asset value per share class in a Subfund corresponds to the value of the guaranteed redemption price (“**BF**”, present value of guarantee).
- II. Determination of the “**gap**”, i.e. the difference between the value of the Dynamic Portfolio and the present value of the guarantee, divided by the value of the Active Assets.
- III. The gap is subject to a tolerance zone. In the event that the gap moves outside the tolerance zone, the “ideal share price” is determined on the basis of the following formula $[DP-BF]/[DP*CS]$. In this formula, CS stands for the “crash size”. The composition of the Dynamic Portfolio is adjusted accordingly. If the gap is located within the tolerance zone, no adjustment takes place. The Portfolio Manager may adjust the CS and the tolerance zone to suit changing circumstances at any time for a significant reason, subject to the consent of the counterparty to the swap agreements.
 - Tolerance zone: on the launch date, this totals between 15% and 25%. These values form a central measure for the control of Asset Allocation within the Dynamic Portfolio: Should the gap exceed or undercut these values, the composition of the Dynamic Portfolio will be adjusted, so that the gap lies at around 20%.
 - Crash size: on the launch date, the crash size is 20%. Within the context of the above calculation formula, in principle this forms the constant measure that can be altered to suit changed circumstances.

IV. Steps I to III are repeated on every business day.

The composition of Active Assets and Reserve Assets (and where appropriate by rearranging the composition) also ensures that the Subfund's exposure from the performance swap contracts does not exceed the following limits:

- Share exposure globally: 50% of the Subfund's net assets
- Exposure to shares from Swiss issuers: 30% of the Subfund's net assets
- Exposure to shares from non-Swiss issuers: 25% of the Subfund's net assets.

The systematic application of this investment strategy enables UBS AG to provide a guaranteed redemption price per share at the start of the guaranteed redemption period (see under "1.4 Capital guarantee"). The redemption price guaranteed at the start of the guaranteed redemption period corresponds to the highest net asset value per Subfund share, calculated on the last business day of the month, between the launch (including the initial issue price) and the start of the guaranteed redemption period. Any rise in the calculated net asset value per share of the Subfund will therefore affect the method of calculating the "gap" and the "ideal share price" as described above, because the guaranteed amount (and consequently its present value, "BF") is increased.

Advantages and disadvantages of the investment strategy applied to the Subfund:

Advantages	Disadvantages
The investor profits from a positive price development of the SMI and EURO STOXX 50 SM without bearing the typical downside risk associated with an investment in equities, provided the shares are held until the start of the guaranteed redemption period.	Limitation to a maximum participation of 50% in the index basket means that the investor does not profit fully from a rise in the value of the Active Assets.
The CPPT algorithm is intended to ensure that the guaranteed redemption price at the start of the guaranteed redemption period (or later) is higher than, or at least equivalent to, the capital invested.	The regular increase in the guaranteed redemption price in the event of a positive performance of the Subfund may lead to a reduction in the participation in the index basket.
The continuous hedging of any price gains achieved ensures that the potential of falls in the rates is reduced, the longer the shares are held.	Substantial price losses in Active Assets can result in the exposure to risk of the Dynamic Portfolio comprising 100% of the Reserve Assets. In this case, the investor would no longer be able to profit from a later price recovery of the Active Assets and essentially has, what could be termed, a bond yield.

1.2.2. Guaranteed redemption period until end of term

During the guaranteed redemption period, the Dynamic Portfolio of the Subfund is restructured in such a way that from the start of said period until the end of the Subfund's term it will reflect in full the development of an investment in the money market. The interest rate used is measured by the prevailing three-month LIBOR rate in CHF at the start of that quarter.

1.3. Swap agreements

The Subfund will enter into funded swaps, unfunded swaps, or total return swaps solely with UBS AG London Branch. When entered into, such instruments shall be referenced per Share Class.

Total return swap agreements

The swap transactions that underlie total return swap agreements ensure that the performance of the Asset Portfolio attributable to the Share Class is swapped out for the performance of the Dynamic Portfolio and that the Subfund (referenced per Share Class) fully participates in the performance of the Dynamic Portfolio described above.

Total return swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. "Expenses paid by the Company". Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to the income from the Asset Portfolio attributable to the share class.

At the end of the term, amounts to be paid out under a total return swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm}) - \text{IPm}$

whereby:

- PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.
- DPm = Value of the Dynamic Portfolio at the end of the term.
- IPm = Value of the Asset Portfolio attributable to the Share Class at the end of the term.

If this amount is positive, UBS AG London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG London Branch.

Funded swap agreements

The swap transactions that underlie funded swap agreements ensure that the Subfund (referenced per Share Class) participates in the performance of the Dynamic Portfolio described above.

Funded swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to the value of the swap at the time of any increase in the swap outstanding notional, or
- UBS AG London Branch pays the Subfund an amount that corresponds to the value of the swap at the time of any decrease in the swap outstanding notional.

At the end of the term, amounts to be paid out under a funded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm})$
whereby:

- PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.
- DPm = Value of the Dynamic Portfolio at the end of the term.

Unfunded swap agreements

The swap transactions that underlie unfunded swap agreements ensure that the Subfund (referenced per share class) participates in the performance of the Dynamic Portfolio described above.

Unfunded swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to an interest rate agreed with UBS AG London Branch.

At the end of the term, amounts to be paid out under an unfunded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm}) - \text{DPi}$
whereby:

- PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.
- DPm = Value of the Dynamic Portfolio at the end of the term.
- DPi = Value of the Dynamic Portfolio at the beginning of the term.

If this amount is positive, UBS AG London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG London Branch.

Before the end of the term of the Subfund, no payment is made to the Subfund in relation to the performance of the Dynamic Portfolio. The performance of the Dynamic Portfolio by virtue of the swap agreements is nevertheless taken into account in the calculation of the net asset value per share of the Subfund.

1.4. Capital guarantee

A capital guarantee was extended in favour of the Subfund share classes by UBS AG, Basel and Zürich. The capital guarantee makes it possible to provide a redemption price per share at the start of the guaranteed redemption period.

The redemption price guaranteed at the start of the guaranteed redemption period corresponds to the highest net asset value, calculated on the last business day of the month, between the launch of the relevant share class of the Subfund (including the initial issue price) and the start of the guaranteed redemption period.

The use of the investment strategy described above permits UBS AG to guarantee at least the guaranteed redemption price set at the start of the guaranteed redemption period up to the end of the Subfund's term.

The guaranteed redemption price corresponds to the highest net asset value per Subfund share calculated between the launch and redemption date on the last business day of a month.

In the event that an investor demands redemption of his/her shares prior to the start of the guaranteed redemption period, the guarantee shall not apply.

Application of guarantee: If, on a valuation date following the start of the guaranteed redemption period (but at the latest at the end of the Subfund's term), the net asset value per share of the relevant share class of the Subfund lies below the guaranteed redemption price, UBS AG, as guarantor, will pay the relevant share classes of the Subfund the difference between the net asset value per share on the relevant redemption date and the guaranteed redemption price, multiplied by the number of shares that are in circulation on this redemption day. The guarantor does not make any direct payment to the investor.

If the capital yield of the Subfund's Active Assets decreases as a result of changes in administrative practice or due to the introduction or amendment of tax legislation in the countries in which the assets in the share indices of the Subfund's Active Assets are invested, the guaranteed redemption prices shall be reduced by a corresponding amount.

Investors who subscribe to shares in the relevant share classes of the Subfund on a business day other than the last business day of that month should note that because of the above provisions they are only guaranteed payment of the guaranteed redemption price after the start of the guaranteed redemption period. The guaranteed redemption price, which according to the above provisions relates to the highest net asset value per share at month end and is calculated on the first business day of a month during the period between the launch date of the relevant Subfund share classes and the date on which application is made for redemption of the shares, does not in any case take into account the share's acquisition price if it is not acquired on the final business day of the month.

Pay-off scenarios when shares are held for differing periods

a) Pay-off with redemption of shares before the start of the guaranteed redemption period

The performance of the net asset value per share of the Subfund, prior to the start of the guaranteed redemption period, is determined by the performance of the Dynamic Portfolio which, in view of the swap agreements, is fully taken into account when determining the net asset value. In principle the Subfund has unlimited profit potential. However, it should be remembered that the Dynamic Portfolio can only participate in the development of the index basket up to a maximum of 50% (see maximum share exposure globally of 50% as described in 1.2.1 above).

The development of the CHF interest rate is also significant for the development of the Dynamic Portfolio before the start of the guaranteed redemption period. Any changes in the interest rate will have a proportionately greater or lesser effect on the net asset value, depending on the proportion taken by the Reserve Assets in the Dynamic Portfolio.

UBS AG does not provide any guaranteed redemption price in the event that an investor demands redemption of his/her shares prior to the start of the guaranteed redemption period. On redemption of the shares prior to the start of the guaranteed redemption period, the investor shall receive the net asset value of his/her shares. Without providing any promise of this, UBS AG assumes that the lower figure for this net asset value per share should be equivalent to the present value of the redemption price that is known at the time of redemption. At this point, the present value should be comparable with that of an investment in zero coupon bonds issued by UBS AG, whose value at the start of the guaranteed redemption period exactly matches the guaranteed redemption price because of the price gains realised.

b) Pay-off on redemption of shares at the start of the guaranteed redemption period up to the end of the Subfund term

Restructuring the Dynamic Portfolio into a pure money-market portfolio at the start of the guaranteed redemption period brings about a change in the Subfund's risk and earnings characteristics during the period until the end of its term. The potential return of the Subfund is solely dependent on the three-monthly interest rates for CHF prevailing at this point, less the flat fee and any additional costs incurred (cf. section W. "Expenses paid by the Company").

If the difference between the money-market gains and the accrued flat fee plus all other costs results in a negative figure, there will be no change in the guaranteed redemption price.

II) Skandia Maturity Protected Fund 2022

Profile of the typical investor

Investments in the passively managed Subfund are directed at investors who wish to participate in the performance of the international equity and bond markets, but who at the same time require the guarantee of full repayment of the capital invested under certain conditions. Investors have to accept that the value of the investment may fall if the given conditions are not fulfilled.

General investment objective

The investment objective of each passively managed Subfund is to achieve growth by participating in rising equity and bond markets linked to a full guarantee for the invested capital if the equity and bond markets fall, conditional upon holding the Subfund shares until the end of the term.

This Subfund is passively managed. Sustainability risks are not considered as part of the investment selection process. Therefore, sustainability risks are not systematically integrated due to the nature of the investment objective of the Subfund and the Portfolio Manager aims to manage the portfolio in line with the limits set out in the investment policy of the Subfund.

General investment strategy

In order to achieve the investment objective, the Subfund applies an investment strategy that is made up of the following main components:

- 1.1. Asset Portfolio
- 1.2. Dynamic Portfolio (CPPT algorithm)
- 1.3. Swap agreements
- 1.4. Capital guarantee.

1.1. Asset Portfolio

The Subfund invests according to the principle of risk spreading. It invests in a portfolio of transferable securities or other eligible assets within the meaning of section DD. "Investment principles", subsection 1.1. These may include (without limitation) equity and equity-related securities; fixed income securities such as government and corporate bonds, money-market instruments, floating rate instruments, convertible securities and commercial papers; asset-backed securities. The Subfund may furthermore invest up to 100% of the Asset Portfolio in units of other UCITS and up to 30% of the Asset Portfolio in UCIs as defined in section DD. "Investment principles", subsection 1.1 lit. f). Any of the foregoing may be issued or arranged by a member of the UBS Group.

To attain the investment objective, the Subfund may also buy and sell Derivatives (e.g. futures, forwards and options) for both hedging and non-hedging purposes.

The aforementioned components of the Asset Portfolio are eligible assets as per article 41(1) of the Law of 2010. In accordance with section DD. “Investment principles”, subsection 1.2, the Subfund may furthermore invest up to 10% of its net assets in transferable securities and money-market instruments other than those referred to in article 41(1) of the Law of 2010.

The Subfund portfolio consisting of the above components shall hereinafter be referred to as the “**Asset Portfolio**”. As is the case with any such portfolio, it will be exposed to downside risk.

UBS AG London Branch may receive rebates of the fees charged by UCITS and UCIs held within the Asset Portfolio of the Subfund and such rebates may be paid directly to UBS AG London Branch by the management entity of such UCITS or UCI.

The performance of the Asset Portfolio will be swapped out by virtue of the swap agreements described under 1.3 below with the counterparty to the swap agreements to gain exposure to the Dynamic Portfolio described below under 1.2. The changes in value of the Asset Portfolio, including any such rebates paid, therefore do not exert any influence upon the performance of the Subfund.

1.2. Dynamic Portfolio (CPPT algorithm)

The Subfund achieves risk exposure to the Dynamic Portfolio through the swap agreements. For the Subfund and its investors, the Dynamic Portfolio represents reference assets, the performance of which is fully allocated to the Subfund in accordance with the swap agreements, taking into account the performance of the Asset Portfolio.

The counterparty has no discretion over the composition or management of the Dynamic Portfolio.

The Dynamic Portfolio of the Subfund consists of two components: Active Assets and Reserve Assets.

Active Assets: Active Assets in the Dynamic Portfolio reflect the price development of the following basket of shares:

Index name	Bloomberg code	Basket weighting
Swiss Market Index*	SMI	55.00%
Standard & Poor’s 500*	SPX	17.50%
EURO STOXX 50 SM *	SX5E	17.50%
FTSE 100*	UKX	5.00%
NIKKEI 225*/**	NKY	5.00%

* Please refer to Appendix 1 for further information on this index.

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The original weighting is accordingly 55% for the Swiss Market Index and 45% for the remaining indices listed above (cumulatively).

As the prices of the share indices should not develop in parallel, the weighting of the basket will vary as time goes by. If such price variations cause the relative weighting of the Swiss Market Index to exceed the threshold value of 60%, or if the weighting of the other indices exceeds the value of 50% (cumulatively), the Portfolio Manager will make an appropriate adjustment in order to restore the original 55%:45% weighting between the Swiss Market Index and the other share indices.

If a share index is no longer calculated during the term of the Subfund, or appears unsuitable due to a lack of liquidity or too high a volatility of its components, the Portfolio Manager will be entitled to replace it with another highly liquid Swiss or international market index whose characteristics are comparable to those of the index no longer being calculated. If such an index is not available, the targeted weighting is distributed across the remaining indices. In this case, both the full sales prospectus and the respective KIIDs will be amended correspondingly.

Information about the particular weighting of the Active Assets is available to investors at any time from the registered office of the Company. Further information can also be found in the annual and semi-annual reports.

Reserve Assets: “Reserve Assets” reflect the performance of investments in fixed income securities including zero coupon bonds with an expiry date at the end of the term. They (i) may include fixed income securities issued by UBS AG and (ii) will be collateralised, in accordance with the relevant applicable laws in Luxembourg.

The commercial exposure of the Subfund to the Dynamic Portfolio by virtue of the swap agreements is distributed across the performance of the Active Assets and the Reserve Assets. This distribution is based upon the CPPT (Constant Proportion Portfolio Technique) algorithm. This formula is set up in such a way that, at the end of the term it is highly likely to ensure that the guaranteed redemption price described in 1.4 is reached, whilst maximising the proportion of Active Assets in the Dynamic Portfolio and therefore also the exposure of the Subfund. Details of the algorithm will be provided at any time at the registered office of the Company.

The composition or the calculated adjustment between Active Assets and Reserve Assets is undertaken as follows:

- I. Determination of the value of the Dynamic Portfolio (“**DP**”) and of the necessary investments that will reasonably ensure that at the end of the term, the net asset value per share class of a Subfund corresponds to the value of the guaranteed redemption price (present value of guarantee, “**BF**”).
- II. Determination of the “gap”, i.e. the difference between the value of the Dynamic Portfolio and the present value of the guarantee, divided by the value of the Active Assets.

- III. The gap is subject to a tolerance zone. In the event that the gap moves outside the tolerance zone, the “ideal share price” is determined on the basis of the following formula $[DP-BF]/[DP*CS]$. In this formula, CS stands for the “crash size”. The composition of the Dynamic Portfolio is adjusted accordingly. If the gap is located within the tolerance zone, no adjustment takes place. The Portfolio Manager may adjust the CS and the tolerance zone to suit changing circumstances at any time for a significant reason, subject to the consent of the counterparty to the swap agreements.
- Tolerance zone: on the launch date, this totals between 15% and 25%. These values form a central measure for the control of Asset Allocation within the Dynamic Portfolio: Should the gap exceed or undercut these values, the composition of the Dynamic Portfolio will be adjusted, so that the gap lies at around 20%.
 - Crash size: on the launch date, the crash size is 20%. Within the context of the above calculation formula, in principle this forms the constant measure that can be altered to suit changed circumstances.
- IV. Steps I to III are repeated on every business day.

The composition of Active Assets and Reserve Assets (and where appropriate rearranging the composition) also ensures that the Subfund's exposure from the performance swap agreements does not surpass the following limits:

- Share exposure globally: maximum 50% of the Subfund's exposure;
- Share exposure globally: at least 10% of the Subfund's exposure (5% between 17 September 2020 and 16 September 2021 and 0% between 17 September 2021 and the end of the term);
- Exposure to shares from Swiss issuers: maximum 30% of the Subfund's exposure;
- Exposure to shares from non-Swiss issuers: maximum 25% of the Subfund's exposure.

The systematic application of this investment strategy enables UBS AG to provide a guaranteed redemption price per share at the end of the term of the Subfund (see under 1.4 “Capital guarantee”). The redemption price guaranteed at the end of the term corresponds to the highest net asset value per Subfund share, calculated on the last business day of the month, between the launch of the Subfund and the end of the term, but at least CHF 100. Any rise in the calculated net asset value per share of the Subfund will therefore affect the method of calculating the “gap” and the “ideal share price” as described above, because the guaranteed amount (and consequently its present value, “BF”) is increased.

Advantages and disadvantages of the investment strategy applied to the Subfund:

Advantages	Disadvantages
The investor profits from a positive gain in the price of the Active Assets without bearing the typical downside risk associated with equity	Limitation to a maximum participation of 50% in the index basket means that the investor does not profit fully from a rise in the value of the Active Assets.

investment, provided the shares are held until the end of the term.	
The CPPT algorithm is intended to ensure that the guaranteed redemption price at the end of the term is higher than, or at least equivalent to, the capital invested.	The regular increase in the guaranteed redemption price in the event of a positive performance of the Subfund may lead to a reduction in the participation in the index basket.
The continuous hedging of any price gains achieved ensures that the potential of falls in the rates is reduced, the longer the shares are held.	Substantial price losses in the Active Assets can result in the exposure to risk of the Dynamic Portfolio comprising 90% of the Reserve Assets (95% between 17 September 2020 and 16 September 2021 and 100% between 17 September 2021 and the end of the term).

1.3. Swap agreements

The Subfund will enter into all swap agreements solely with UBS AG London Branch. The swap agreements with UBS AG London Branch may be concluded for funded swaps, unfunded swaps, or total return swaps.

Total return swap agreements

The swap transactions that underlie total return swap agreements ensure that the performance of the Asset Portfolio is swapped out for the performance of the Dynamic Portfolio and that the Subfund fully participates in the performance of the Dynamic Portfolio described above.

Total return swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to the income from the Asset Portfolio.

At the end of the term, amounts to be paid out under a total return swap agreement are determined on the basis of the following formula:

$$\text{Amount to be paid out} = \max(\text{PA}, \text{DPm}) - \text{IPm}$$

whereby:

- PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.
- DPm = Value of the Dynamic Portfolio at the end of the term.
- IPm = Value of the Asset Portfolio at the end of the term.

If this amount is positive, UBS AG London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG London Branch.

Funded swap agreements

The swap transactions that underlie funded swap agreements ensure that the Subfund participates in the performance of the Dynamic Portfolio described above.

Funded swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to the value of the swap at the time of any increase in the swap outstanding notional, or

- UBS AG London Branch pays the Subfund an amount that corresponds to the value of the swap at the time of any decrease in the swap outstanding notional.

At the end of the term, amounts to be paid out under a funded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm})$

whereby:

PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.

DPm = Value of the Dynamic Portfolio at the end of the term.

Unfunded swap agreements

The swap transactions that underlie unfunded swap agreements ensure that the Subfund participates in the performance of the Dynamic Portfolio described above.

Unfunded swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to an interest rate agreed with UBS AG London Branch.

At the end of the term, amounts to be paid out under an unfunded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm}) - \text{DPi}$

whereby:

PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.

DPm = Value of the Dynamic Portfolio at the end of the term.

DPi = Value of the Dynamic Portfolio at the beginning of the term.

If this amount is positive, UBS AG London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG London Branch.

Before the end of the term of the Subfund, no payment is made to the Subfund in relation to the performance of the Dynamic Portfolio. The performance of the Dynamic Portfolio by virtue of the swap agreements is nevertheless taken into account in the calculation of the net asset value per share of the Subfund.

1.4. Capital guarantee

A capital guarantee was extended in favour of the investors by UBS AG, Basel and Zürich. The capital guarantee makes it possible to provide a guaranteed redemption price per share at the end of the term. The redemption price guaranteed at the end of the term corresponds to the highest net asset value, calculated on the last business day of the month, between the launch of the Subfund and the end of the term, but at least CHF 100.

In the event that an investor demands redemption of his/her shares prior to the end of the term, the capital guarantee shall not apply.

Application of guarantee: If, on a valuation date following the start of the guaranteed redemption period (but at the latest at the end of the Subfund's term), the net asset value per share of the Subfund lies below the guaranteed redemption price, UBS AG, as guarantor, will pay the Subfund the difference between the net asset value per share on the relevant redemption date and the guaranteed redemption price, multiplied by the number of shares that are in circulation on this redemption day. The guarantor does not make any direct payment to the investor.

If the capital yield of the Subfund's Active Assets decreases as a result of changes in administrative practice or due to the introduction or amendment of tax legislation in the countries in which the assets in the share indices of the Subfund's Active Assets are invested, the guaranteed redemption prices shall be reduced by a corresponding amount.

Investors who subscribe to shares in the Subfund on a business day other than the last business day of a month should note that, because of the above provisions, they are only guaranteed payment of the guaranteed redemption price at the end of the term. The guaranteed redemption price which, according to the above provisions relates to the highest net asset value per share at month end and is calculated on the first business day of a month during the period between the Subfund launch date and the date on which application is made for redemption of the shares, does not in any case take into account the share's acquisition price if it is not acquired on the final business day of the month.

III) Life Investment Maturity Guaranteed 2024

Profile of the typical investor

Investments in the passively managed Subfund are directed at investors who wish to participate in the performance of the international equity and bond markets, but who at the same time require the guarantee of full repayment of the capital invested under certain conditions. Investors have to accept that the value of the investment may fall if the given conditions are not fulfilled.

General investment objective

The investment objective of each passively managed Subfund is to achieve growth by participating in rising equity and bond markets linked to a full guarantee for the invested capital if the equity and bond markets fall, conditional upon holding the Subfund shares until the end of the term.

This Subfund is passively managed. Sustainability risks are not considered as part of the investment selection process. Therefore, sustainability risks are not systematically integrated due to the nature of the investment objective of the Subfund and the Portfolio Manager aims to manage the portfolio in line with the limits set out in the investment policy of the Subfund.

General investment strategy

In order to achieve the investment objective, the Subfund applies an investment strategy that is made up of the following main components:

- 1.1. Asset Portfolio
- 1.2. Dynamic Portfolio (CPPT algorithm)
- 1.3. Swap agreements
- 1.4. Capital guarantee.

1.1. Asset Portfolio

The Subfund invests according to the principle of risk spreading. It invests in a portfolio of transferable securities or other eligible assets within the meaning of section DD. “Investment principles”, subsection 1.1. These may include (without limitation) equity and equity-related securities; fixed income securities such as government and corporate bonds, money-market instruments, floating rate instruments, convertible securities and commercial papers; asset-backed securities. The Subfund may furthermore invest up to 100% of the Asset Portfolio in units of other UCITS and up to 30% of the Asset Portfolio in UCIs as defined in section DD. “Investment principles”, subsection 1.1 lit. f). Any of the foregoing may be issued or arranged by a member of the UBS Group. To attain the investment objective, the Subfund may also buy and sell Derivatives (e.g. futures, forwards and options) for both hedging and non-hedging purposes.

The aforementioned components of the Asset Portfolio are eligible assets as per Art. 41(1) of the Law of 2010. In accordance with section DD. “Investment principles”, subsection 1.2, the Subfund may furthermore invest up to 10% of its net assets in transferable securities and money-market instruments other than those referred to in article 41(1) of the Law of 2010.

The Subfund portfolio consisting of the above components shall hereinafter be referred to as the “Asset Portfolio”. As is the case with any such portfolio, it will be exposed to downside risk.

UBS AG London Branch may receive rebates of the fees charged by UCITS and UCIs held within the Asset Portfolio of the Subfund and such rebates may be paid directly to UBS AG London Branch by the management entity of such UCITS or UCI.

The performance of the Asset Portfolio will be swapped out by virtue of the swap agreements described under 1.3 below with the counterparty to the swap agreements to gain exposure to the Dynamic Portfolio described below under 1.2. The changes in value of the Asset Portfolio, including any such rebates paid, therefore do not exert any influence upon the performance of the Subfund.

1.2. Dynamic Portfolio (CPPT algorithm)

The Subfund achieves risk exposure to the Dynamic Portfolio through the swap agreements. For the Subfund and its investors, the Dynamic Portfolio represents reference assets, the performance of which is fully allocated to the Subfund in accordance with the swap agreements, taking into account the performance of the Asset Portfolio.

The counterparty has no discretion over the composition or management of the Dynamic Portfolio.

The Dynamic Portfolio of the Subfund consists of two components: Active Assets and Reserve Assets.

Active Assets: Active Assets in the Dynamic Portfolio reflect the price development of the following basket of shares:

Index name	Bloomberg code	Basket weighting
Swiss Market Index*	SMI	55.00%
Standard & Poor's 500*	SPX	20.00%
EURO STOXX 50 SM *	SX5E	20.00%
NIKKEI 225*/**	NKY	5.00%

* Please refer to Appendix 1 for further information on this index.

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The original weighting is accordingly 55% for the Swiss Market Index and 45% for the remaining indices listed above (cumulatively).

As the prices of the share indices should not develop in parallel, the weighting of the basket will vary as time goes by. If such price variations cause the relative weighting of the Swiss Market Index to pass the threshold value of 60% or that of the other indices to pass that of 50% (cumulatively), the Portfolio Manager will make an appropriate adjustment in order to restore the original 55%:45% weighting between the Swiss Market Index and the other share indices.

If a share index is no longer calculated during the term of the Subfund, or appears unsuitable because its components lack liquidity or are overly volatile, the Portfolio Manager will be entitled to replace it with another highly liquid Swiss or international market index whose characteristics are comparable to those of the index no longer being calculated. If no such index is available, the intended weighting will be shared between the remaining indices. In such a case, the sales prospectus and respective KIIDs will be amended correspondingly.

Information about the particular weighting of the Active Assets is available to investors at any time from the registered office of the Company. Further information can also be found in the annual and semi-annual reports.

Reserve Assets: Reserve Assets reflect the performance of, and may include investments in fixed income securities and or cash and cash-like securities and/or instruments including zero coupon bonds with an expiry date which is aligned with the Maturity Date.

The commercial exposure of the Subfund to the Dynamic Portfolio by virtue of the swap agreements is distributed across the performance of the Active Assets and the Reserve Assets. This distribution is based upon the CPPT (Constant Proportion Portfolio Technique) algorithm. This formula is set up in such a way that, at the end of the term it is highly likely to ensure that the guaranteed redemption price described in 1.4 is reached, whilst maximising the proportion of Active Assets in the Dynamic Portfolio and therefore also the exposure of the Subfund. Details of the algorithm will be provided at any time at the registered office of the Company.

The composition or the calculated adjustment between Active Assets and Reserve Assets is undertaken as follows:

- I. Determination of the value of the Dynamic Portfolio (“**DP**”) and of the necessary investments that will reasonably ensure that at the end of the term, the net asset value per share class of a Subfund corresponds to the value of the guaranteed redemption price (present value of guarantee, “**BF**”).
 - II. Determination of the “gap”, i.e. the difference between the value of the Dynamic Portfolio and the present value of the guarantee, divided by the value of the Active Assets.
 - III. The gap is subject to a tolerance zone. In the event that the gap moves outside the tolerance zone, the “ideal share price” is determined on the basis of the following formula $([DP-BF]/[DP*CS])$. In this formula, CS stands for the “crash size”. The composition of the Dynamic Portfolio is adjusted accordingly. If the Gap is located within the tolerance zone, no adjustment takes place. The Portfolio Manager may adjust the CS and the tolerance zone to suit changing circumstances at any time for a significant reason, subject to the consent of the counterparty to the swap agreements.
- Tolerance zone: on the launch date, this totals between 15% and 25%. These values form a central measure for the control of Asset Allocation within the Dynamic Portfolio: Should the gap exceed or undercut these values, the composition of the Dynamic Portfolio will be adjusted, so that the gap lies at around 20%.

- Crash size: on the launch date, the crash size is 20%. Within the context of the above calculation formula, in principle this forms the constant measure that can be altered to suit changed circumstances.

IV. Steps I to III are repeated on every business day.

The composition of Active Assets and Reserve Assets (and where appropriate rearranging the composition) also ensures that the Subfund's exposure from the performance swap agreements does not surpass the following limits:

- Share exposure globally: maximum 50% of the Subfund's exposure;
- Share exposure globally: at least 10% of the Subfund's exposure (5% between 1 July 2022 and 30 June 2023 and 0% between 1 July 2023 and the end of the term);
- Exposure to shares from Swiss issuers: maximum 30% of the Subfund's exposure;
- Exposure to shares from non-Swiss issuers: maximum 25% of the Subfund's exposure.

The systematic application of this investment strategy enables UBS AG to provide a guaranteed redemption price per share at the end of the term of the Subfund (see under 1.4 "Capital guarantee"). The redemption price guaranteed at the end of the term corresponds to the highest net asset value per Subfund share, calculated on the last business day of the month, between the launch of the Subfund and the end of the term, but at least CHF 100. Any rise in the calculated net asset value per share of the Subfund will therefore affect the method of calculating the "gap" and the "ideal share price" as described above, because the guaranteed amount (and consequently its present value, "BF") is increased.

Advantages and disadvantages of the investment strategy applied to the Subfund:

Advantages	Disadvantages
The investor profits from a positive gain in the price of the Active Assets without bearing the typical downside risk associated with equity investment, provided the shares are held until the end of the term.	Limitation to a maximum participation of 50% in the index basket means that the investor does not profit fully from a rise in the value of the Active Assets.
The CPPT algorithm is intended to ensure that the guaranteed redemption price at the end of the term is higher than, or at least equivalent to, the capital invested.	The regular increase in the guaranteed redemption price in the event of a positive performance of the Subfund may lead to a reduction in the participation in the index basket.
The continuous hedging of any price gains achieved ensures that the potential of falls in the rates is reduced, the longer the shares are held.	Substantial price losses in the Active Assets can result in the exposure to risk of the Dynamic Portfolio comprising 90% of the Reserve Assets (95% between 1 July 2022 and 30 June 2023 and 100% between 1 July 2023 and the end of the term).

1.3. Swap agreements

The Subfund will enter into all swap agreements solely with UBS AG London Branch. The swap agreements with UBS AG London Branch may be concluded for funded swaps, unfunded swaps, or total return swaps.

Total return swap agreements

The swap transactions that underlie total return swap agreements ensure that the performance of the Asset Portfolio is swapped out for the performance of the Dynamic Portfolio and that the Subfund fully participates in the performance of the Dynamic Portfolio described above.

Total return swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to the income from the Asset Portfolio.

At the end of the term, amounts to be paid out under a total return swap agreement are determined on the basis of the following formula:

$$\text{Amount to be paid out} = \max(\text{PA}, \text{DPm}) - \text{IPm}$$

whereby:

- PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.
- DPm = Value of the Dynamic Portfolio at the end of the term.
- IPm = Value of the Asset Portfolio at the end of the term.

If this amount is positive, UBS AG London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG London Branch.

Funded swap agreements

The swap transactions that underlie funded swap agreements ensure that the Subfund participates in the performance of the Dynamic Portfolio described above.

Funded swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to the value of the swap at the time of any increase in the swap outstanding notional, or

- UBS AG London Branch pays the Subfund an amount that corresponds to the value of the swap at the time of any decrease in the swap outstanding notional.

At the end of the term, amounts to be paid out under a funded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm})$
whereby:

- PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.
- DPm = Value of the Dynamic Portfolio at the end of the term.

Unfunded swap agreements

The swap transactions that underlie unfunded swap agreements ensure that the Subfund participates in the performance of the Dynamic Portfolio described above.

Unfunded swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to an interest rate agreed with UBS AG London Branch.

At the end of the term, amounts to be paid out under an unfunded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm}) - \text{DPi}$
whereby:

- PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.
- DPm = Value of the Dynamic Portfolio at the end of the term.
- DPi = Value of the Dynamic Portfolio at the beginning of the term.

If this amount is positive, UBS AG London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG London Branch.

Before the end of the term of the Subfund, no payment is made to the Subfund in relation to the performance of the Dynamic Portfolio. The performance of the Dynamic Portfolio by virtue of the swap agreements is nevertheless taken into account in the calculation of the net asset value per share of the Subfund.

1.4. Capital guarantee

A capital guarantee was extended in favour of the investors by UBS AG, Basel and Zürich. The capital guarantee makes it possible to provide a guaranteed redemption price per share at the end of the term. The redemption price guaranteed at the end of the term corresponds to the highest net asset value, calculated on the last business day of the month, between the launch of the Subfund and the end of the term, but at least CHF 100.

In the event that an investor demands redemption of his/her shares prior to the end of the term, the capital guarantee shall not apply.

Application of guarantee: In the event that on a valuation date at the end of the Subfund term the net asset value per share of the Subfund lies below the guaranteed redemption price, UBS AG, as guarantor, will pay the relevant share class of the Subfund, the difference between the net asset value per share on the relevant redemption date and the guaranteed redemption price, multiplied by the number of shares that are in circulation on this redemption day. The party authorised to claim under the guarantee will pass on the payments from the guarantor to the investors. The guarantor does not make any direct payments to investors.

If the capital yield of the Subfund's Active Assets decreases as a result of changes in administrative practice or due to the introduction or amendment of tax legislation in the countries in which the assets in the share indices of the Subfund's Active Assets are invested, the guaranteed redemption prices shall be reduced by a corresponding amount.

Investors who subscribe to shares in the Subfund on a business day other than the last business day of a month should note that, because of the above provisions, they are only guaranteed payment of the guaranteed redemption price at the end of the term. The guaranteed redemption price which, according to the above provisions relates to the highest net asset value per share at month end and is calculated on the first business day of a month during the period between the Subfund launch date and the date on which application is made for redemption of the shares, does not in any case take into account the share's acquisition price if it is not acquired on the final business day of the month.

IV) Guaranteed Life Design 2019:

Profile of the typical investor

Investments in the passively managed Subfund are directed at investors who wish to participate in the performance of the international capital markets, but who at the same time require the guarantee of full repayment of the capital invested under certain conditions. Investors have to accept that the value of the investment may fall if the given conditions are not fulfilled.

General investment objective

The investment objective of the passively managed Subfund is to achieve growth by participating in rising equity and bond markets linked to a full guarantee for the invested capital if the equity and bond markets fall, provided the Subfund shares are held at least until the start of a guaranteed redemption period defined below.

This Subfund is passively managed. Sustainability risks are not considered as part of the investment selection process. Therefore, sustainability risks are not systematically integrated due to the nature of the investment objective of the Subfund and the Portfolio Manager aims to manage the portfolio in line with the limits set out in the investment policy of the Subfund.

Investment strategy

To achieve its investment objective, the Subfund may apply two investment strategies:

- 1.) It may hold the aforementioned investment instruments as a direct investment.
- 2.) It may achieve the performance of the relevant investment instruments by means of swap agreements, within the scope of the investment instruments described below.

In both cases, the aim is to achieve the investment objective using an allocation technique described below called the Constant Proportion Portfolio Technique (CPPT algorithm).

1.1. Asset Portfolio

The Subfund invests according to the principle of risk spreading. It invests in a portfolio of transferable securities or other eligible assets within the meaning of section DD. "Investment principles", subsection 1.1. These may include (without limitation) equity and equity-related securities; fixed income securities such as government and corporate bonds, money-market instruments, floating rate instruments, convertible securities and commercial papers; asset-backed securities. The Subfund may furthermore invest up to 100% of the Asset Portfolio in units of other UCITS and up to 30% of the Asset Portfolio in UCIs as defined in the section DD. "Investment principles", paragraph 1.1 lit. f) of sub-section 1 "Permitted investments of the Company". Any of the foregoing may be issued or arranged by a member of the UBS Group.

To attain the investment objective, the Subfund may also buy and sell Derivatives (e.g. futures, forwards and options) for both hedging and non-hedging purposes.

The aforementioned components of the Asset Portfolio are eligible assets as per article 41(1) of the Law of 2010. In accordance with section DD. “Investment principles”, subsection 1.2, the Subfund may furthermore invest up to 10% of its net assets in securities and money-market instruments other than those referred to in article 41(2) of the Law of 2010.

The Subfund portfolio consisting of the above components shall hereinafter be referred to as the "**Asset Portfolio**".

UBS AG London Branch may receive rebates of the fees charged by UCITS and UCIs held within the Asset Portfolio of the Subfund and such rebates may be paid directly to UBS AG London Branch by the management entity of such UCITS or UCI.

The performance of the Asset Portfolio will be swapped out by virtue of the swap agreements described under 1.3 below with the counterparty to the swap agreements to gain exposure to the Dynamic Portfolio described below under 1.2. The changes in value of the Asset Portfolio, including any such rebates paid, therefore do not exert any influence upon the performance of the Subfund.

1.2. Dynamic Portfolio (CPPT algorithm)

The CPPT algorithm is an industry-recognised technique offering capital protection through dynamic allocation between an active part (Active Assets) and a passive part (Reserve Assets).

The Subfund achieves risk exposure to the Dynamic Portfolio through the swap agreements. For the Subfund and its investors, the Dynamic Portfolio represents reference assets, the performance of which is fully allocated to the Subfund (referenced per Share Class) in accordance with the swap agreements, taking into account the performance of the Asset Portfolio.

The counterparty has no discretion over the composition or management of the Dynamic Portfolio.

The Dynamic Portfolio reveals different characteristics for different periods:

1.2.1 Period between launch and start of guaranteed redemption period

Between the launch and the start of the guaranteed redemption period (as defined below) the Dynamic Portfolio of the Subfund (referenced per Share Class) is comprised of the following:

Active Assets: Active Assets in the Dynamic Portfolio reflect the price development of the basket of shares listed below. The economic exposure of the share index’s price development is achieved through the aforementioned investment instruments, particularly investments in securities and UCITS/UCI, the purchasing/selling of futures contracts and the entry into swap transactions.

Index name	Bloomberg code	Basket weighting
Swiss Market Index*	SMI	55.00%
EURO STOXX 50 ^{SM*}	SX5E	45.00%

* Please refer to Appendix 1 for further information on this index.

As the prices of the share indices should not develop in parallel, the weighting of the basket will vary as time goes by. If such price variations cause the relative weighting of the Swiss Market Index to exceed the threshold value of 60%, or if the weighting of the EURO STOXX 50SM exceeds the threshold value of 50%, the Portfolio Manager will make an appropriate adjustment in order to restore the original weighting between the share indices.

If a share index is no longer calculated during the term of the Subfund, the Portfolio Manager will be entitled to replace it with another highly liquid Swiss or European market index whose characteristics are comparable to those of the index no longer being calculated. In this case, both the full sales prospectus and the respective KIIDs will be amended correspondingly.

Information about the particular weighting of the Active Assets is available to investors at any time from the registered office of the Company. Further information can also be found in the annual and semi-annual reports.

Reserve Assets: Reserve Assets reflect the performance of investments in fixed-interest securities and/or zero coupon bonds with an expiry date at the start of the guaranteed redemption period. The latter are entered into with UBS AG and are collateralised in accordance with the relevant applicable laws in Luxembourg.

The performance of the Subfund comprises that of the Dynamic Portfolio, i.e. the performance of the Active Assets and Reserve Assets, whether in the form of direct investments in the Dynamic Portfolio or by means of swap agreements. The weighting of the Active Assets and Reserve Assets is based on the CPPT algorithm. This formula is set up in such a way that, at the beginning of the guaranteed redemption period, it is highly likely to ensure that the guaranteed redemption price below is reached, whilst maximising the proportion of Active Assets in the Dynamic Portfolio. Details of the CPPT algorithm are available to investors at any time from the registered office of the Company.

The composition or the calculated adjustment between Active Assets and Reserve Assets is undertaken as follows:

- I. Determination of the value of the Dynamic Portfolio ("**DP**") and of the necessary investments that will reasonably ensure that, at the start of the guaranteed redemption period, the net asset value per share class of a Subfund corresponds to the value of the guaranteed redemption price ("**BF**", present value of guarantee).
- II. Determination of the "gap", i.e. the difference between the value of the Dynamic Portfolio and the present value of the guarantee, divided by the value of the Active Assets.
- III. The gap is subject to a tolerance zone. In the event that the gap moves outside the tolerance zone, the "ideal share price" is determined on the basis of the following formula $([DP-BF]/[DP*CS])$. In this formula, CS stands for the "crash size". The composition of the Dynamic Portfolio is adjusted accordingly. If the Gap is located within the tolerance zone, no adjustment takes place. The Portfolio Manager may adjust the CS and the tolerance zone to suit changing circumstances at any time for a significant reason, subject to the consent of the counterparty to the swap agreements, where applicable.
 - Tolerance zone: on the launch date, this totals between 15% and 25%. These values form a central measure for the control of Asset Allocation within the Dynamic Portfolio: Should the gap exceed or undercut these values, the composition of the Dynamic Portfolio will be adjusted accordingly, so that the gap lies at around 20%.

- Crash size: on the launch date, the crash size is 20%. Within the context of the above calculation formula, in principle this forms the constant measure that can be altered to suit changed circumstances.

IV. Steps I to III are repeated on each business day.

The composition of Active Assets and Reserve Assets (and where appropriate rearranging the composition) also ensures that the following limits are not surpassed:

- Share exposure globally: maximum 50% of the Subfund's exposure;
- Share exposure globally: at least 10% of the Subfund's exposure (at least 5% between 1 June 2017 and 31 May 2018 and 0% between 1 June 2018 and end of the term);
- Exposure to shares from Swiss issuers: maximum 30% of the Subfund's exposure;
- Exposure to shares from non-Swiss issuers: maximum 25% of the Subfund's exposure.

If the minimum share weighting falls to 10% or below, it will be rearranged so that it amounts to 10%. Thereafter, no further rearrangement will take place unless the share weighting rises above 10% by itself.

The systematic application of this investment strategy enables UBS AG to provide a guaranteed redemption price per share at the start of the guaranteed redemption period (see "Capital guarantee" below). The redemption price guaranteed at the start of the guaranteed redemption period corresponds to the highest net asset value per Subfund share, calculated on the last business day of the month, between the launch (including the initial issue price) and the start of the guaranteed redemption period. Any rise in the calculated net asset value per share of the Subfund will therefore affect the method of calculating the "gap" and the "ideal share price" as described above, because the guaranteed amount (and consequently its present value, "BF") is increased.

Advantages and disadvantages of the investment strategy applied to the Subfund:

Advantages	Disadvantages
The investor profits from a positive price development of the SMI and EURO STOXX 50 SM without bearing the typical downside risk associated with an investment in equities, provided the shares are held until the start of the guaranteed redemption period.	Limitation to a maximum participation of 50% in the index basket means that the investor does not profit fully from a rise in the value of the Active Assets.
The CPPT algorithm is intended to ensure that the guaranteed redemption price at the start of the guaranteed redemption period (or later) is higher than, or at least equivalent to, the capital invested.	The regular increase in the guaranteed redemption price in the event of a positive performance of the Subfund may lead to a reduction in the participation in the index basket.
The continuous hedging of any price gains achieved ensures that the potential of falls in	Substantial price losses in Active Assets can result in the exposure to risk of the Dynamic

the rates is reduced, the longer the shares are held.	Portfolio comprising 100% of the Reserve Assets. In this case, the investor would no longer be able to profit from a later price recovery of the Active Assets and essentially has what could be termed a bond yield.
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1.2.2 Guaranteed redemption period until end of term

During the guaranteed redemption period (from 31 May 2019 to 31 May 2024), the Dynamic Portfolio of the Subfund will be restructured in such a way that from the start of said period until the end of the Subfund's term it will reflect in full the development of an investment in the money market. The interest rate used is measured by the prevailing three-month LIBOR rate in CHF at the start of that quarter.

1.3. Swap agreements

The Subfund will enter into all swap agreements solely with UBS AG London Branch. The swap agreements with UBS AG London Branch may be concluded for funded swaps, unfunded swaps, or total return swaps. When entered into, such instruments shall be referenced per Share Class.

Total return swap agreements

The swap transactions that underlie total return swap agreements ensure that the performance of the Asset Portfolio attributable to the Share Class is swapped out for the performance of the Dynamic Portfolio and that the Subfund (referenced per Share Class) fully participates in the performance of the Dynamic Portfolio described above.

Total return swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. "Expenses paid by the Company". Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to the income from the Asset Portfolio attributable to the Share Class.

At the end of the term of the Subfund, amounts to be paid out under a total return swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm}) - \text{IPm}$

whereby:

PA	=	Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.
DPm	=	Value of the Dynamic Portfolio at the end of the term.
IPm	=	Value of the Asset Portfolio attributable to the Share Class at the end of the term

If this amount is positive, UBS AG London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG London Branch.

Funded swap agreements

The swap transactions that underlie funded swap agreements ensure that the Subfund (referenced per Share Class) participates in the performance of the Dynamic Portfolio described above.

Funded swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to the value of the swap at the time of any increase in the swap outstanding notional, or
- UBS AG London Branch pays the Subfund an amount that corresponds to the value of the swap at the time of any decrease in the swap outstanding notional.

At the end of the term, amounts to be paid out under a funded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm})$

whereby:

PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.

DPm = Value of the Dynamic Portfolio at the end of the term.

If this amount is positive, UBS AG London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG London Branch.

Unfunded swap agreements

The swap transactions that underlie unfunded swap agreements ensure that the Subfund (referenced per Share Class) participates in the performance of the Dynamic Portfolio described above.

Unfunded swap agreements govern the exchange of payment flows during the term of the Subfund subject to the following conditions:

- UBS AG London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG London Branch an amount that corresponds to an interest rate agreed with UBS AG London Branch.

At the end of the term, amounts to be paid out under an unfunded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm}) - \text{DPi}$

whereby:

PA = Guaranteed sum – this corresponds to the guaranteed redemption price at the end of the term of the Subfund.

DPm = Value of the Dynamic Portfolio at the end of the term.

DPi = Value of the Dynamic Portfolio at the beginning of the term.

If this amount is positive, UBS AG London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG London Branch.

Before the end of the term of the Subfund, no payment is made to the Subfund in relation to the performance of the Dynamic Portfolio. The performance of the Dynamic Portfolio by virtue of the swap agreements is nevertheless taken into account in the calculation of the net asset value per share of the Subfund.

1.4. Capital guarantee

A capital guarantee was extended in favour of the relevant share classes of the Subfund by UBS AG, Basel and Zürich. The guarantee makes it possible to provide a redemption price per share at the start of the guaranteed redemption period. The redemption price guaranteed at the start of the guaranteed redemption period corresponds to the highest net asset value, calculated on the last business day of the month, between the launch of the Subfund's relevant share class (including the initial issue price) and the start of the guaranteed redemption period.

The use of the investment strategy described above permits UBS AG to guarantee at least the guaranteed redemption price set at the start of the guaranteed redemption period up to the end of the Subfund's term.

In the event that an investor demands redemption of his/her shares prior to the start of the guaranteed redemption period, the guarantee shall not apply.

Application of guarantee: if, on a valuation date following the start of the guaranteed redemption period (but at the latest at the end of the Subfund's term), the net asset value per share of the Subfund's relevant share class lies below the guaranteed redemption price, UBS AG, as guarantor, will pay the relevant share class of the Subfund the difference between the net asset value per share on the relevant redemption date and the guaranteed redemption price, multiplied by the number of shares that are in circulation on this redemption day. The guarantor does not make any direct payments to investors.

If the capital yield of the Subfund's Active Assets decreases as a result of changes in administrative practice or due to the introduction or amendment of tax legislation in the countries in which the assets in the share indices of the Subfund's Active Assets are invested, the guaranteed redemption prices shall be reduced by a corresponding amount.

Investors who subscribe to shares of the relevant share class of the Subfund on a business day other than the last business day of a month should note that, because of the above provisions, they are only guaranteed payment of the guaranteed redemption price after the start of the guaranteed redemption period. The guaranteed redemption price which, according to the above provisions relates to the highest net asset value per share at month-end and is calculated on the first business day of a month during the period between the launch date of the Subfund's relevant share class and the date on which application is made for redemption of the shares, does not in any case take into account the share's acquisition price if it is not acquired on the final business day of the month.

Pay-off scenarios when shares are held for differing periods

a) Pay-off with redemption of shares before the start of the guaranteed redemption period

The performance of the net asset value per share of the Subfund, prior to the start of the guaranteed redemption period, is determined by the performance of the Dynamic Portfolio which, in view of the swap agreements, is fully taken into account when determining the net asset value. In principle, the Subfund has unlimited profit potential. However, it should be remembered that the Dynamic Portfolio can only participate in the development of the index basket up to a maximum of 50% (see maximum share exposure globally of 50% as described in 1.2.1 above). The development of the CHF interest rate is also significant for the development of the Dynamic Portfolio before the start of the guaranteed redemption period. Any changes in the interest rate will have a proportionately greater or lesser effect on the net asset value, depending on the proportion taken by the Reserve Assets in the Dynamic Portfolio.

UBS AG does not provide any guaranteed redemption price in the event that an investor demands redemption of his/her shares prior to the start of the guaranteed redemption period. On redemption of the shares prior to the start of the guaranteed redemption period, the investor shall receive the net asset value of his/her shares. Without providing any promise of this, UBS AG assumes that the lower figure for this net asset value per share should be equivalent to the present value of the redemption price that is known at the time of redemption. At this point, the present value should be comparable with that of an investment in zero coupon bonds issued by UBS AG, whose value at the start of the guaranteed redemption period exactly matches the guaranteed redemption price because of the price gains realised.

b) Pay-off on redemption of shares at the start of the guaranteed redemption period up to the end of the Subfund term

Restructuring the Dynamic Portfolio into a pure money-market portfolio at the start of the guaranteed redemption period brings about a change in the Subfund's risk and earnings characteristics during the period until the end of its term. The potential return of the Subfund is solely dependent on the three-monthly interest rates for CHF prevailing at this point, less the flat fee and any additional costs incurred (cf. section V. "Expenses paid by the Company").

If the difference between the money-market gains and the accrued flat fee plus all other costs results in a negative figure, there will be no change in the guaranteed redemption price.

The guaranteed redemption price corresponds to the highest net asset value per Subfund share calculated between the launch and redemption date on the last business day of a month.

V) Life Investment 90% Protected Fund:

Profile of the typical investor

Investments in the passively managed Subfund are directed at investors who wish to participate in the performance of the international equity, commodity and bond markets (and also a potential short term interest rate exposure), but who at the same time require capital protection of 90% of capital subject to the conditions and as further described in section 1.4 below. The capital protection provided by UBS AG, London Branch makes it possible to provide a redemption price per share at the Term of the Share Class and/or the Subfund (as defined in section 1.4 below), which is at least 90% of the highest month end net asset value of the Share Class (including the initial issue price), calculated as of the last business day of the month. Investors accept that the value of the investment may fall if certain conditions are not fulfilled.

General investment objective

The investment objective of the passively managed Subfund is to deliver the return of the Dynamic Portfolio (as defined below) (being the “Algorithm”).

The Dynamic Portfolio is a rules based algorithm,(run individually at a share class level, based on a strategy developed and operated by UBS AG, London Branch. The Algorithm causes each Share Class of the Subfund to participate in rising equity, commodity and bond markets, whilst being linked to capital protection at the Term of the Share Class, and/or Subfund, of 90% of capital as provided by UBS AG, London Branch subject to the conditions and as further described in section 1.4 below.

This Subfund is passively managed. Sustainability risks are not considered as part of the investment selection process. Therefore, sustainability risks are not systematically integrated due to the nature of the investment objective of the Subfund and the Portfolio Manager aims to manage the portfolio in line with the limits set out in the investment policy of the Subfund.

General investment strategy

In order to achieve the investment objective, the Subfund applies an investment strategy that is made up of the following main components:

- 1.1 Asset Portfolio
- 1.2 Dynamic Portfolio (CPPT algorithm)
- 1.3 Swap agreements
- 1.4 90% capital protection by UBS AG, London Branch at the Term of the Subfund

1.1. Asset Portfolio

The Subfund invests according to the principle of risk spreading. It invests in a portfolio of

transferable securities or other eligible assets within the meaning of section DD. “Investment principles”, sub-section 1 “Permitted investments of the Company”. These may include (without limitation) equity and equity-related securities, fixed income securities such as government and corporate bonds, money-market instruments, floating rate instruments, convertible securities and commercial papers. The Subfund may furthermore invest up to 100% of the Asset Portfolio in units of other UCITS and up to 30% of the Asset Portfolio in UCIs as defined in subsection 1.1 lit. f) of section DD. “Investment principles”. None of the foregoing UCITS or UCIs may be managed or sponsored by a member of the UBS Group.

To attain the investment objective, the Subfund may also buy and sell Derivatives (e.g. futures, forwards and options) for both hedging and non-hedging purposes.

The aforementioned components of the Asset Portfolio are eligible assets as per article 41(1) of the Law of 2010. In accordance with section DD. “Investment principles”, paragraph subsection 1.2, the Subfund may furthermore invest up to 10% of its net assets in transferable securities and money-market instruments other than those referred to in article 41(1) of the Law of 2010.

The Subfund portfolio consisting of the above components shall hereinafter be referred to as the “Asset Portfolio”.

UBS AG, London Branch may receive rebates of the fees charged by UCITS and UCIs held within the Asset Portfolio of the Subfund and such rebates may be paid directly to UBS AG, London Branch by the management entity of such UCITS or UCI.

The performance of the Asset Portfolio will be swapped out by virtue of the swap agreements described under 1.3 below with the counterparty of the swap agreements to gain exposure to the Dynamic Portfolio described below under 1.2. The changes in value of the Asset Portfolio, including any such rebates paid, therefore do not exert any influence upon the performance of the Subfund.

1.2. Dynamic Portfolio (CPPT algorithm)

The Subfund achieves risk exposure to the Dynamic Portfolio through the swap agreements. For the Subfund and its investors, the Dynamic Portfolio represents reference assets, the performance of which is fully allocated to the Subfund (referenced per Share Class) in accordance with the swap agreements.

The Dynamic Portfolio is a rule-based algorithm which provides exposure to the active asset (the “Active Asset”) and the reserve asset (the “Reserve Asset”). The Dynamic Portfolio is a notional strategy; therefore the Subfunds exposure to the Active Asset and the Reserve Asset (each a "Component" and together the "Components") is achieved through investment via swap agreements as further described below. The Portfolio Manager does not have any discretion over the composition of the Dynamic Portfolio. The Dynamic Portfolio is calculated in CHF.

Active Asset

The Active Asset refers to a rules based strategy (the “Strategy”) that consists of three main asset classes (plus, potentially, cash), namely equities, commodities and bonds, and also a potential short term interest rate exposure.

The Strategy allocation among Active Asset Constituents (as defined below) is adjusted monthly, and gearing can be adjusted on a daily basis. The annualised volatility of the Strategy is expected to fall between 0% and 5%. Within the Active Asset there are 10 pre-determined constituents and also a potential short term interest rate exposure (as described below) (each, an “Active Asset Constituent”). Further information on the Active Asset Constituents is set out below:

Asset* Class	Active Asset Constituent**	Maximum Allocation***
Equity	S&P 500 Index****	0 to 75%
	FTSE 100 Index****	
	DAX Index****	
	EURO STOXX 50 Index****	
Commodity	UBS Bloomberg CMCI Composite Index****	0 to 25%
Bond	Rolling 3 month investment in 10 year French OAT futures	Up to 75%
	Rolling 3 month investment in 10 year US Treasury Bonds futures	
	Rolling 3 month investment in 10 year Euro–Bund bond futures	
	Rolling 3 month investment in 10 year UK Gilt futures	
	Rolling 3 month investment in 10 year Euro BTP Italian Government Bond futures	
Cash	Short term interest rate exposure	Up to 100%

* Investments in a specific asset class may not be allocated equally to the Active Asset Constituents of this Asset Class.

** The Subfund does not invest directly in the Active Asset Constituents. The Subfund gains exposure to the Active Asset Constituents through investment in a swap agreement as further described under "Investment Policy" and "Use of Derivative Contracts Swaps" below.

*** Active Asset Constituent weightings will range from 0% to the Maximum Allocation specified. The Active Asset Constituent weightings including, if applicable, any potential cash exposure will amount to 100% of the Active Asset.

**** Please refer to Appendix 1 for further information on this index.

The percentage of the Subfund allocated to each Active Asset Constituent within the Active Asset is determined in accordance with the rules based Strategy. The Strategy will employ historical volatility data of each asset class and/or market sentiment indicators (based on the UBS Dynamic Equity Risk Indicator (“DERI”)) to determine the allocation to each Active Asset Constituent. DERI is a measure of investor sentiment and risk appetite, designed in 2007 by the UBS Investment Bank equity research department. DERI's value is calculated daily by the UBS Investment Bank research department, is published daily (Bloomberg: ULTADERI) with a lag of two trading days and is used to determine the allocation to each Asset Class. DERI is calculated as a weighted average of distinct risk/sentiment measures. DERI's value is determined using a fixed mathematical formula performed on a fixed set of observable market prices. The allocation to each Active Asset Constituent is reweighted on a monthly basis. Values for DERI, where applicable, combined with historic pricing levels of the Active Asset Constituents will be utilised to calculate volatility levels within the Strategy. These levels in conjunction with the asset maximum allocations specified within the Strategy (and as set out above) will determine the Active Asset Constituents weighting each month. The maximum exposure of the Active Asset Constituents within the Strategy is 100%. On any day the Strategy's exposure to any of the Asset Classes excluding cash may be replaced by a short term interest rate LIBOR linked return, in accordance with the Strategy. The Strategy may also include a cross-currency basis term which enables the provision of the short term interest rate LIBOR linked return within the Active Asset Constituents of the Strategy.

Information about the particular weighting of the Active Assets is available to investors at any time from the registered office of the Company. Further information can also be found in the annual and semi-annual reports.

UBS AG, London Branch has no discretion over the composition or management of the Strategy.

Reserve Asset

The Reserve Asset reflects the notional performance of, and may include investments in, but not limited to, fixed income securities and/or cash and cash-like securities and/or instruments including money-market funds. The Reserve Asset may also include a cross-currency basis term which enables the provision of a short term interest rate LIBOR linked exposure.

Allocation between Active Assets and Reserve Asset

The commercial exposure of each Share Class to the Dynamic Portfolio by virtue of the swap agreements is distributed across the performance of the Active Assets and the Reserve Assets. This distribution is based upon the CPPT (Constant Proportion Portfolio Technique) algorithm. The maximum exposure of the Dynamic Portfolio to the Active Asset is 60%. If for any reason e.g. market movements, the exposure of 60% is exceeded, the Dynamic Portfolio's exposure to the Active Asset will be reduced, via the leverage limits specified within the Algorithm, to below the 60% maximum exposure permitted by the Algorithm, as soon as practicable taking due account of the best interests of the shareholders. The Subfund will not invest directly in the Components of the Dynamic Portfolio but will enter into one or more Swaps (as such term is defined below) to gain exposure to the Dynamic Portfolio. Under the terms of each of the Swaps, the Subfund (referenced per Share Class) will receive the performance of the Dynamic Portfolio. The Components will at all times comply with UCITS eligibility rules.

The composition or the calculated adjustment between Active Assets and Reserve Assets is undertaken as follows:

- I. Determination of the “gap”, i.e. the difference between the value of the Dynamic Portfolio and the value of the bond floor, divided by the value of the Active Assets.
- II. The gap is subject to a tolerance zone. In the event that the gap moves outside the tolerance zone, the “ideal strategy weight” is determined on the basis of the following formula $[DP-BF]/[DP*CS]$. In this formula, BF refers to the "bond floor" and CS stands for the “crash size”. The composition of the Dynamic Portfolio is adjusted accordingly. If the gap is located within the tolerance zone and the exposure of the Dynamic Portfolio to the Active Asset is below 60%, no adjustment takes place. The CS and the tolerance zone may be adjusted to suit changing circumstances at any time for a significant reason, subject to the consent of the counterparty to the swap agreements.
 - Tolerance zone: on the launch date of a Share Class, this totals between 7% and 13%. These values form a central measure for the control of asset allocation within the Dynamic Portfolio: Should the gap exceed or undercut these values, the composition of the Dynamic Portfolio will be adjusted, so that the gap lies at or around 10%.
 - Crash size: on the launch date of a Share Class, the crash size is 10%. Within the context of the above calculation formula, in principle this forms the constant measure that can be altered to suit changed circumstances.
- III. Steps I to III are repeated on every business day.

1.3. Swap agreements

The Dynamic Portfolio provides exposure to the Active Asset and the Reserve Asset through investment via swap agreements. Additional information on the rules of the Algorithm is available from the Management Company on request. The Subfund will enter into funded swaps, unfunded swaps, or total return swaps solely with UBS AG, London Branch. When entered into, such instruments shall be referenced to the Share Class.

Total return swap agreements

The swap transactions that underlie the total return swap agreements ensure that the performance of the Asset Portfolio attributable to the Share Class is swapped out for the performance of the Dynamic Portfolio and that the Subfund (referenced per Share Class) fully participates in the performance of the Dynamic Portfolio described above.

Total return swap agreements govern the exchange of payment flows subject to the following conditions:

- UBS AG, London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG, London Branch an amount that corresponds to the income from the Asset Portfolio attributable to the Share Class.

At the Term of the Share Class and/or Subfund, amounts to be paid out under a total return swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm}) - \text{IPm}$

whereby:

- PA = Protected amount – this corresponds to 90% of the highest month end net asset value (including the initial issue price) at the Term of the Share Class.
- DPm = Value of the Dynamic Portfolio at the Term of the Share Class, or in the case of Share Class Termination Event (ii) occurring as defined under section 1.4 below, the value of the Cash Portfolio.
- IPm = Value of the Asset Portfolio attributable to the Share Class at the Term of the Share Class.

If this amount is positive, UBS AG, London Branch will pay it to the Subfund. If it is negative, the Subfund will pay it to UBS AG, London Branch.

Funded swap agreements

The swap transactions that underlie the funded swap agreements ensure that the Subfund (referenced per Share Class) participates in the performance of the Dynamic Portfolio described above. The Subfund will limit its exposure to swaps that are fully funded (“**Fully Funded Swaps**”) to 10% of its net assets. Fully Funded Swaps are swap agreements pursuant to which a Subfund transfers a cash amount in full consideration of the swap value to the counterparty. In return the Subfund will be entitled to receive the performance of the relevant investment strategy under the terms of the swap agreement. The counterparty will transfer collateral to the Subfund in accordance with the UCITS rules to mitigate credit risk to the counterparty arising from entering into the swap agreement. Fully Funded Swaps are used to enhance the liquidity of the Subfund.

Funded swap agreements govern the exchange of payment flows subject to the following conditions:

- UBS AG, London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;
- the Subfund pays UBS AG, London Branch an amount that corresponds to the value of the swap at the time of any increase in the swap outstanding notional, or
- UBS AG, London Branch pays the Subfund an amount that corresponds to the value of the swap at the time of any decrease in the swap outstanding notional.

At the Term of the Share Class and/or Subfund, the amounts to be paid out under a funded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm})$

whereby:

- PA = Protected amount – this corresponds to 90% of the highest month end net asset value (including the initial issue price) at the Term of the Share Class.
- DPm = Value of the Dynamic Portfolio at the Term of the Share Class, or in the case of Share Class Termination Event (ii) occurring as defined under section 1.4 below, the value of the Cash Portfolio.

Unfunded swap agreements

The swap transactions that underlie the unfunded swap agreements ensure that the Subfund participates in the performance of the Dynamic Portfolio described above.

Unfunded swap agreements govern the exchange of payment flows of the Subfund (referenced per Share Class) subject to the following conditions:

- UBS AG, London Branch will pay the Subfund an amount at the end of each month which corresponds *pro rata temporis* to the flat fee plus all additional Subfund costs, as described below in section W. “Expenses paid by the Company”. Overall, this payment finances the flat fee and the additional expenses of the Subfund;

- the Subfund pays UBS AG, London Branch an amount that corresponds to an interest rate agreed with UBS AG, London Branch.

At the Term of a Share Class and/or Subfund, amounts to be paid out under an unfunded swap agreement are determined on the basis of the following formula:

Amount to be paid out = $\max(\text{PA}, \text{DPm}) - \text{Dpi}$
whereby:

- PA = Protected amount – this corresponds to 90% of the highest month end net asset value (including the initial issue price) at the Term of the Share Class.
- DPm = Value of the Dynamic Portfolio at Term of the Share Class, or in the case of Share Class Termination Event (ii) occurring as defined under section 1.4 below, the value of the Cash Portfolio.
- DPI = Value of the Dynamic Portfolio at the beginning of the term.

If this amount is positive, UBS AG, London Branch will pay it to the Subfund for the relevant Share Class. If it is negative, the Subfund will pay it to UBS AG, London Branch.

Before the Term of the Share Class and/or Subfund, no payment is made to the Subfund in relation to the performance of the Dynamic Portfolio. The performance of the Dynamic Portfolio by virtue of the swap agreements is nevertheless taken into account in the calculation of the net asset value per share of the Subfund.

1.4. 90% Capital protection by UBS AG, London Branch at the Term of the Subfund and/or Share Class

UBS AG, London Branch has extended a 90% capital protection undertaking in favour of each Share Class of the Subfund. The capital protection provided by UBS AG, London Branch makes it possible to provide a redemption price per share at the Term of the Share Class and/or Subfund, which is at least 90% of the highest month end net asset value (including the initial issue price), calculated as of the last business day of the month (the "Capital Protected Redemption Price"). No further increases in the Capital Protected Redemption Price will take place once the Subfund has been notified by UBS AG, London Branch that either Share Class Termination Event (i) or (ii) set out below under the definition of Term have occurred. **Investors should note that the 90% capital protection is given on the basis of current tax legislation. As a result, if the Subfund's NAV decreases as a result of the introduction or amendment of tax legislation in the countries in which the assets of the Subfund or the component of the Subfund's Dynamic Portfolio are invested, the Capital Protected Redemption Price at the Term of the Share Class and/or Subfund will be reduced by a corresponding amount.**

The attention of investors is drawn to the fact that investors who subscribe for shares of the Share Class on a business day other than the last business day of the relevant month, will only benefit from a Capital Protected Redemption Price at the Term of the Share Class and/or Subfund, which is at least 90% of the highest month end net asset value, calculated as of the last business day of the month during which their subscription was processed.

Definition of Term

Term of the Subfund means the earliest to occur of the following Subfund termination events (each a "Subfund Termination Event"): (i) 31 July 2025 provided that such date is a business day, otherwise the next following day that is a business day; and (ii) the business day falling fifteen (15) calendar days following the day on which the event causing the ISDA Master Agreement between UBS AG, London Branch and the Portfolio Manager to terminate has occurred.

Term of the Share Class means the earliest to occur of the following Share Class termination events (each a "Share Class Termination Event"): (i) the calendar day falling three months following the date on which a Cash Lock Event, if any, has occurred provided that such date is a business day, otherwise the next following day that is a business day; (ii) the calendar day falling three months following the date on which UBS AG, London Branch informs the Subfund that it is no longer able to operate or deliver the Dynamic Portfolio for the relevant Share Class, provided that such date is a business day, otherwise the next following day that is a business day

The attention of investors is drawn to the fact that certain events (including, e.g., a change of control affecting the Portfolio Manager, material events affecting the swap counterparty, change of law and currency convertibility issues), may cause the Subfund to be dissolved prior to 31 July 2025, and the shares being compulsorily redeemed prior to that date. For the avoidance of doubt, in the event of an early termination of the Subfund, or Share Class, investors will benefit from the 90% capital protection described above at the (earlier) Term. Investors will be informed of the occurrence of the Term (if prior to 31 July 2025) by notice at least fifteen calendar days in advance of the dissolution of the Subfund, or Share Class.

In the case of Subfund Termination Event (ii), or Share Class Termination Events (i) and (ii), the Board of Directors will pass a resolution to dissolve the Subfund, or Share Class and as soon as practical issue a notice informing investors of the termination date of the Share Class and/or Subfund. As at the date on which the notice is issued, investor subscriptions and redemptions will be suspended with respect to the Share Class and/or Subfund to which the notice refers.

All Subfund expenses will be paid until the Term of the Subfund via the swaps, which will remain in place until the date of Term. The proceeds paid to investors at Term will be based on the higher of the NAV and the Capital Protected Redemption Price.

"Cash Lock Event" means an event whereby the ideal strategy weight on a business day becomes equal to 0%, as a result of, but not limited to, a fall in the value of the Active Asset or an increase in the protected amount having occurred on that business day, as set out in the swap agreements.

If the Term occurs in accordance with Share Class Termination Event (i), and/or Subfund Termination Event (ii), exposure to the Dynamic Portfolio will be retained until the date of Term. If the Term occurs in accordance with Share Class Termination Event (ii) above, (a) exposure to the Dynamic Portfolio will cease from the day following notification of the Share Class Termination Event and (b) the NAV of the Share Class will thereafter be solely exposed to a LIBOR linked cash return instrument, which may also include a cross currency basis term (the "Cash Portfolio").

For the avoidance of doubt, the Subfund will be dissolved should the assets of the Subfund fall to zero as a result of a full redemption prior to Term. For the avoidance of doubt, the guarantor would honour the guarantee undertaken with the Share Class, in accordance with the Sub-Fund Termination Event definition, should such an event occur.

The Company may reject subscription applications at its discretion and shall not accept subscription applications without a corresponding 90% capital protection undertaking in favour of the Subfund share class from UBS AG, London Branch. In particular, the maximum number of outstanding shares in the Subfund will at all times be limited to 2,000,000 shares. Beyond this maximum number of shares, the Company will not accept any further subscription or conversion of shares (unless with the agreement of UBS AG, London Branch). Following a Cash Lock Event, a date on which UBS AG, London Branch informs the Subfund that it is no longer able to operate or deliver the Dynamic Portfolio, or a date on which the event causing the ISDA Master Agreement between UBS AG, London Branch and the Portfolio Manager to terminate occurs, no further subscription or redemption applications shall be accepted by the Share Class and/or Subfund.

Pay-off scenarios when shares are held for differing periods

a) Pay-off with redemption of shares before the Term

The performance of the net asset value per share of the Subfund prior to the Term is determined by the performance of the Dynamic Portfolio, unless Share Class Termination Event (ii) has occurred, in which case performance will as from that moment be determined by the Cash Portfolio. However, it should be noted that the maximum exposure of the Dynamic Portfolio to the Active Asset is 60%. Changes in the CHF interest rate may also affect the performance of the Dynamic Portfolio and Cash Portfolio prior to the Term. Any changes in the interest rate will have a proportionately greater or lesser effect on the net asset value depending on the proportion of the Dynamic Portfolio allocated to the Reserve Asset.

UBS AG, London Branch does not provide any Capital Protected Redemption Price in the event that an investor demands redemption prior to the Term. On redemption of the shares prior to the Term, the investor shall receive the net asset value of the shares. Without providing any promise of this and subject to the terms and conditions of the swap agreements, the net asset value per share should under normal circumstances be equivalent to at least 90% of the highest month end net asset value (including the initial issue price), calculated as of the last business day of the month but no guarantee can be given that an investor redeeming before the Term will be redeemed at that price.

b) Pay-off on redemption of shares at the Term

The redemption price of the Subfund's shares at the Term of the Subfund will be the greater of the prevailing Capital Protected Redemption Price and the net asset value per share at the Term of the Subfund.

K. Remarks on risk associated with investment in the Subfunds

Below is a list of a number of risks that are associated with investments in shares in the Subfund. The list is restricted to the chief risks rather than the full set of risks associated with investment in Subfund shares.

ESG risks: A ‘sustainability risk’ means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. If a sustainability risk associated with an investment materialises, it could lead to the loss in value of an investment.

Income risk: Due to the fact that one or more swap agreements have been concluded, all earnings from the Asset Portfolio of the Subfunds are assigned; however there is no certainty that any payments will be made to the Subfunds on the basis of the swap agreements.

Counterparty risk: The Subfunds are subject to the risk of the insolvency of their counterparties (such as broker-dealers, futures commission merchants, banks or other financial institutions, exchanges or clearinghouses).

The Subfunds are exposed to a risk that the counterparty to the OTC Derivative transactions or efficient portfolio management transactions may not meet its obligations under the relevant OTC transactions or efficient portfolio management transactions. In evaluating this risk, the investors should take into account that the counterparty risk arising from OTC transactions or efficient portfolio management transactions vis-à-vis each counterparty is limited to 5% or 10% of the net assets of each Subfund. Subfunds will use collateral to fully reduce this counterparty risk exposure vis-à-vis each counterparty.

Credit Risk: An investment in bonds or other debt securities involves counterparty risk of the issuer of such bonds or debt securities which may be evidenced by the issuer's credit rating. An investment in bonds or other debt securities issued by issuers with a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than that of more highly rated issuers. In the event that any issuer of bonds or other debt securities experiences financial or economic difficulties this may affect the value of the bonds or other debt securities (which may be zero) and any amounts paid on such bonds or other debt securities (which may be zero). This may in turn affect the net asset value per share.

Risk of default of the issuer of the guarantee/capital protection: The Subfunds are exposed to the risk of default of the issuer of the guarantee or capital protection, as applicable.

Collateral Management: If the Company enters into OTC transactions, it may be exposed to risks related to the creditworthiness of the OTC counterparties: when the Company enters into futures contracts and options or uses other derivative techniques or efficient portfolio management techniques (including SFTs), it is subject to the risk that a counterparty may not meet (or cannot meet) its obligations under a specific or multiple contracts. Counterparty risk is reduced by depositing a security (“**collateral**”).

Collateral may be provided in the form of liquid assets in highly liquid currencies and first-rate government bonds. The Company will only accept such financial instruments as collateral, that would allow it (after objective and appropriate valuation) to liquidate these within an appropriate time period. The Company, or a service provider appointed by the Company, must assess the collateral's value at least once a day. In order to adequately take into account the risks related to the collateral in question, the Company determines whether the value of the collateral to be requested should be increased, or whether this value should be depreciated by an appropriate, conservatively measured amount (haircut). The larger the collateral's value may fluctuate, the higher the markdown. The markdown is highest for equities. Securities deposited as collateral may not have been issued by the corresponding counterparty or have a high correlation with this counterparty. Securities deposited as collateral are held by the Depository in favour of the Company and may not be sold, invested or pledged by the Company.

Risks related to the counterparty's right of re-use of any collateral include that upon the exercise of such right of re-use, such assets will no longer belong to the Company and the Company will only have a contractual claim for the return of equivalent assets. In the event of insolvency of a counterparty the Company shall rank as an unsecured creditor and may not recover its assets from the counterparty. More broadly, assets subject to a right of re-use by a counterparty may form part of a complex chain of transactions over which the Company or its delegates will not have any visibility or control.

Conflict of interest: Various operations relating to the Subfunds are carried out by a number of companies and operational units of the UBS Group. The various companies or operational units of the UBS Group carrying out these operations act as independent units so as to avoid a conflict of interest. All transactions concluded with or through units of the UBS Group are carried out in accordance with the standards of the market and in the best interests of the investors of the Company.

Redemption of shares before the end of the term or expiry of a minimum holding period: The capital guarantee requires investors to retain their shares until the end of the term of the relevant Subfund, or until a minimum retention date, specified in the investment policy of the relevant Subfund, has passed. In the event that an investor sells his/her shares at an earlier time or buys them back, he/she shall lose his/her entitlement to the capital guarantee.

Risks connected with the use of Derivatives: Derivatives are not investment instruments, but rights whose valuation mainly derives from the price and the price fluctuations and expectations of an underlying instrument. Investments in Derivatives are subject to general market risk, settlement risk, credit risk and liquidity risk. However, the nature of these risks may be altered as a result of the special features of the Derivatives, and may in some cases be higher than the risks associated with an investment in the underlying instrument. For this reason, the use of Derivatives requires not only an understanding of the underlying instrument, but also in-depth knowledge of the Derivatives themselves. With Derivatives, the credit risk is the risk that a party may not meet (or cannot meet) its obligations under a specific or multiple contracts. The credit risk for Derivatives traded on a stock exchange is generally speaking lower than that of Derivatives traded over-the-counter on the open market, because the clearing agent that acts as issuer or counterparty of every market-traded Derivative accepts a settlement guarantee. To reduce the overall risk of default, such guarantee is supported by a daily payment system maintained by the clearing agent, in which the assets required for cover are calculated. Despite Derivatives not possessing any such settlement guarantee, their default risk is generally limited by the investment restrictions set out in the section entitled "Investment principles", sub-section "Risk diversification". Even in cases where the difference between the mutually owed payments (e.g. interest rate swaps, total return swaps) is owed, as opposed to the delivery or exchange of the underlying assets (e.g. options, forwards, credit default swaps), the Fund's potential loss is limited to this difference in the event of default by the counterparty.

The credit risk can be reduced by depositing collateral. To trade Derivatives on a stock exchange, participants must deposit collateral with a clearing agent in the form of liquid funds (initial margin). The clearing agent will evaluate (and settle, where appropriate) the outstanding positions of each participant, as well as re-evaluate the existing collateral on a daily basis. If the collateral's value falls below a certain threshold (maintenance margin), the participant in question will be required by the clearing agent to bring this value up to its original level by paying in additional collateral (variation margin). With OTC Derivatives, this credit risk may also be reduced by the respective counterparty providing collateral (see above), by offsetting different Derivative positions that were entered into with this counterparty, as well as through a careful selection process for counterparties.

There are also liquidity risks, since it may be difficult to buy or sell certain investments. When derivative transactions are particularly large, or the corresponding market is illiquid (as may be the case with Derivatives traded over-the-counter on the open market), it may in some cases not always be possible to fully execute a transaction, or else it may only be possible to liquidate a position subject to high costs.

Other risks associated with the use of Derivatives include the risk of incorrectly valuing or determining the price of Derivatives. Furthermore, Derivatives may not completely correlate with their underlying assets, interest rates or indices. Many Derivatives are complex and are frequently subjectively valued. Inappropriate valuations can result in higher cash payment requirements in relation to counterparties or in a loss of value for the Company.

Risks associated in particular with the use of swaps: Swap agreements are a structured Derivative. Whilst the careful use of such a Derivative can be beneficial, certain risks are associated with Derivatives that may differ from, and in some instances actually be greater than, those associated with conventional investments. Structured Derivatives are complex and may entail a high potential for losses. The aim of swap agreements is to achieve the Subfunds' investment objective; it involves a capital guarantee providing investors investing up to a certain date with complete or partial repayment of the capital employed (less issuing commission) at the end of the term of the Subfund in question or after a particular minimum holding period has expired. Using Derivatives in this way does not constitute a speculative procedure.

In respect of total return swap or TRSs (as further defined in section Derivatives and efficient portfolio management techniques-SFTR), if the volatility of the Asset Portfolio varies to that which is anticipated, the market value of the Asset Portfolio may be adversely affected.

The Subfund may as a result be subject to an increased counterparty risk to the issuer of the TRS, as well as that of the issuer of the components held within the Asset Portfolio, and the documentation risk associated with these components. The Company generally will have no right to directly enforce compliance by the issuer of the Asset Portfolio components with the terms of the Total return swap, and will therefore not have any rights of set-off against the issuer.

Risks associated in particular with the use of securities financing transactions or SFT (as further defined in section Derivatives and efficient portfolio management techniques-SFTR): A Subfund may enter into repurchase agreements and reverse repurchase agreements as a buyer or as a seller subject to the conditions and limits set out in section entitled "Investment principles"; sub-section "Derivatives and efficient portfolio management techniques" of this sales prospectus. If the other party to a repurchase agreement or reverse repurchase agreement should default, the Subfund might suffer a loss to the extent that the proceeds from the sale of the underlying securities and/or other collateral held by the Subfund in connection with the repurchase agreement or reverse repurchase agreement are less than the repurchase price or, as the case may be, the value of the underlying securities. In addition, in the event of bankruptcy or similar proceedings of the other party to the repurchase agreement or reverse repurchase agreement or its failure otherwise to perform its obligations on the repurchase date, the Subfund could suffer losses, including loss of interest on or principal of the security and costs associated with delay and enforcement of the repurchase agreement or reverse repurchase agreement.

A Subfund may enter into securities lending transactions subject to the conditions and limits set out in the section entitled "Investment principles"; sub-section "Derivatives and efficient portfolio management techniques" of this sales prospectus. If the other party to a securities lending transaction should default, the Subfund might suffer a loss to the extent that the proceeds from the sale of the collateral held by the Fund in connection with the securities lending transaction are less than the value of the securities lent. In addition, in the event of the bankruptcy or similar proceedings of the other party to the securities lending transaction or its failure to return the securities as agreed, the Subfund could suffer losses, including loss of interest on or principal of the securities and costs associated with delay and enforcement of the securities lending agreement.

The Subfunds will only use repurchase agreements, reverse repurchase agreements or securities lending transactions for the purpose of either reducing risks (hedging) or costs or generating additional capital or income for the relevant Subfund. When using such techniques, the Subfund will comply at all times with the conditions and limits set out in the section entitled "Investment principles"; sub-section "Derivatives and efficient portfolio management techniques". The risks arising from the use of repurchase agreements, reverse repurchase agreements and securities lending transactions will be closely monitored and techniques (including collateral management) will be employed to seek to mitigate those risks. Although it is expected that the use of repurchase agreements, reverse repurchase agreements and securities lending transactions will generally not have a material impact on a Subfund's performance, the use of such techniques may have a significant effect, either negative or positive, on a Subfund's NAV.

Margin lending transactions are defined in SFTR as being transactions in which a counterparty extends credit in connection with the purchase, sale, carrying or trading of securities, but not including other loans that are secured by collateral in the form of securities (for example, credit lines in connection with futures trading). In the context of prime brokerage and other credit facilities that the Subfund may utilise, it may be difficult to identify whether a particular transactions falls within the definition of SFT or not.

Fees in underlying UCIs: A Subfund may, subject to the conditions set out in section DD. "Investment principles", sub-section 1 "Permitted investments of the Company". paragraph 2.4 et seq., invest in other UCIs which may be operated and/or managed by the Management Company or a related party. As an investor in such other UCIs, in addition to the fees, costs and expenses payable by a shareholder in the Subfunds, each shareholder will also indirectly bear a portion of the fees, costs and expenses of the underlying UCIs, including management, investment management and, administration and other expenses.

Index disclaimers: Additional index disclaimers are set out in Appendix I hereto.

L. Investments in SF (Lux) SICAV 2
(a fund managed by the UBS Group)

Shares in a Subfund are issued, redeemed or swapped on every business day. A "business day" refers, in relation to all Subfunds other than SF (Lux) SICAV 2 – Life Investment 90% Protected Fund, to normal banking days (i.e. each day on which banks are open during normal business hours), with the exception of individual, non-statutory rest days in Luxembourg and in Switzerland. "Non-statutory rest days" are days on which individual banks and financial institutions are closed. No issue or redemption will take place on days on which the Company has decided not to calculate net asset value as described in section T "Suspension of the net asset value calculation and of the issue, redemption and conversion of shares". In addition, the Company and the Management Company are empowered to reject subscription applications at its discretion

In relation to SF (Lux) SICAV 2 – Life Investment 90% Protected Fund, "business day" means a day (other than a Saturday or Sunday) on which (i) commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, Zurich and Luxembourg and a day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open (a "TARGET Settlement Day") and (ii) a Strategy Business Day and (iii) such other day or days as the Directors may from time to time determine.

"Strategy Business Day" means any day (other than a Saturday or Sunday) that is a Scheduled Trading Day for all the Active Asset Constituents as set out below:

Asset Class	Active Asset Constituent	Scheduled Trading Day
Equity	S&P 500 Index	Any day on which the S&P 500 Total Return Index (Bloomberg ticker: SPTR <Index>) is calculated by the sponsor of such index.
	FTSE 100 Index	Any day on which the FTSE 100 Net Total Return Index (Bloomberg ticker: TUKXG <Index>) is calculated by the sponsor of such index.
	DAX Index	Any day on which the DAX Index (Bloomberg ticker: DAX <Index>) is calculated by the sponsor of such index.
	EURO STOXX 50 Index	Any day on which the Eurostoxx 50 Net Total Return Index (Bloomberg ticker: SX5T <Index>) is calculated by the sponsor of such index.
Commodity	UBS Bloomberg CMCI Composite Index	Any day on which the UBS Bloomberg CMCI Composite USD Total Return Index is calculated by the sponsor of such index.
Bond	Rolling 3 month investment in 10 year French OAT futures	London business day on which Eurex is open for trading.
	Rolling 3 month investment in 10 year US Treasury Bonds futures	London business day on which the Chicago Board of Trade is open for trading.
	Rolling 3 month investment in 10 year Euro-Bund bond futures	London business day on which Eurex is open for trading.
	Rolling 3 month investment in 10 year UK Gilt futures	London business day on which NYSE LIFFE is open for trading.
	Rolling 3 month investment in 10 year Euro BTP Italian Government Bond futures	London business day on which Eurex is open for trading.

Subscription and redemption applications registered with the Main Administrator or the central settling agent of UBS in Switzerland no later than by 12.00 noon (Central European Time) on a business day (order date) will be processed on the following business day (Valuation Day) on the basis of the net asset value calculated for that day. To secure punctual forwarding to the Main Administrator or central settling agent of UBS in Switzerland, earlier cut-off times may apply for submission of applications placed with sales agencies in Luxembourg or abroad. Information on this may be obtained from the sales agency concerned. This means that net asset value per share for settlement purposes is not known when the order is placed (forward pricing). It will be calculated on the valuation date on the basis of the latest market prices (i.e. closing prices or if such prices do not reflect reasonable market value in the opinion of the Management Company, at the last prices available at the time of valuation). The individual valuation principles applied are described in the following section.

M. Calculation of total net assets and net asset value per share

The total net assets of a Subfund are represented by the total assets of the Subfund less its liabilities. The net asset value per share of each Subfund is expressed in the reference currency set out in section "J. Investment policy of the different Subfunds" and is calculated on every valuation day, the total net assets per Subfund being divided by the number of shares in the Subfund that are in circulation. Where a Subfund holds several classes of share, the portion of the total net assets attributable to each share class is divided by the number of shares of those classes that are in circulation.

The value of the assets held by each Subfund is calculated as follows:

- a) Securities and other investments listed on a stock exchange are valued at the last known market price. If the same security or investment is quoted on several stock exchanges, the last available listing on the stock exchange that represents the major market for this security will apply.

In the case of securities and other investments where trade on the stock market is thin but which are traded between securities dealers on a secondary market using usual market price formation methods, the Management Company on behalf of the Company can use the prices on this secondary market as the basis for their valuation of these securities and investments. Securities and other investments that are not listed on a stock exchange, but which are traded on another regulated market which is recognised, open to the public and operates in a due and orderly fashion, are valued at the last available price on this market.

- b) Securities and other investments that are not listed on a stock exchange are valued at the last available market price; if this is not available, the Management Company on behalf of the Company will value these securities according to other principles of its choosing on the basis of the likely sales prices.
- c) For money-market instruments, the valuation price will be gradually adjusted to the redemption price, based on the net acquisition price and retaining the ensuing yield. In the event of a significant change in market conditions, the basis for the valuation of different investments will be brought into line with the new market yields.
- d) Securities and other investments that are denominated in a currency other than the currency of account of the relevant Subfund and which are not hedged by means of currency transactions are valued at the mid-market rate (midway between the bid and offer rate) obtained from external price providers.
- e) Time deposits and fiduciary investments are valued at their nominal value plus accumulated interest.
- f) The value of swap transactions (which may be equivalent to an asset or a liability) is computed by the calculation agent on the basis of the net present value of all cash flows, both inflows and outflows. This valuation method is recognised by the Management Company on behalf of the Company and checked by the auditors. The rights arising from the swap agreements as per 1.3 above are taken into account in determining the net asset value.

- g) Units or shares of UCITS and/or other UCI not listed on a stock exchange will be valued at their last net asset value.

The Management Company is authorised to apply other generally recognised and auditable valuation criteria in order to achieve an appropriate valuation of the net asset value if, due to extraordinary circumstances, a valuation in accordance with the above-mentioned regulations proves to be unfeasible or inaccurate.

In the case of extraordinary circumstances, additional valuations, which will affect the prices of the shares to be subsequently issued or redeemed, may be carried out on the relevant day.

N. Market timing and late trading

Investors should be aware that the Management Company takes measures to prevent business practices known as “market timing” being undertaken in relation to investments in the Company. It will also ensure that the times stated in the sales prospectuses for subscription, conversion and redemption of shares are strictly adhered to and that any “late trading” business practices are therefore prevented. By using sales agencies, the Management Company will ensure that those sales agencies uphold these times in an orderly fashion.

The Company and the Management Company are authorised to reject individual applications for subscription or conversion in the event that it has grounds to assume that such business practices are taking place. In addition, the Management Company is authorised, in individual cases, to institute other measures that are in the interests of investors, in accordance with the stipulations of Luxembourg law, in order to counter any of the aforementioned business practices.

O. Issue of shares

Unless otherwise provided, entry costs of a maximum of 6% may be added to the net asset value and paid to distributors and/or financial intermediaries involved in the distribution of the sub-fund's shares. All taxes, fees and other charges payable in the countries in which shares in the Company are sold are also charged, as described in the appendix covering the countries in question.

Subscriptions for shares in the Subfund are accepted by the Central Administration as well as by the sales agencies and paying agents, which forward them to the Central Administration.

Subscriptions received on any given business day by the time stated for each Subfund in section L. entitled “Investments in SF (Lux) SICAV 2” by the Main Administrator or by the central settling agent of UBS in Switzerland will be processed on the following valuation day. To secure punctual forwarding to the Main Administrator or central settling agent of UBS in Switzerland, earlier cut-off times may apply for submission of applications received by sales agencies in Luxembourg or abroad. Information on this may be obtained from the sales agency concerned.

The issue price of Subfund shares is paid no later than on the third working day following the relevant order date into the account at the Depositary in favour of the Subfund.

Shares are issued as registered shares only. This means that the shareholder status of the investor in the Company with all associated rights and obligations will be based on the respective investor's entry in the Company's register. A conversion of registered shares into bearer shares may not be requested. The shareholders should bear in mind that the registered shares may be also cleared via recognised external clearing houses like Clearstream and Euroclear. All shares issued have the same rights. However, the articles of incorporation of the Company envisage the possibility of establishing within a Subfund various classes of shares with specific features.

In addition, the Company may issue fractional units up to three decimal places.

Fractions of units do not confer the right to vote at general meetings, but will grant entitlement to a distribution or a proportionate distribution of the liquidation proceeds should the Subfund concerned be dissolved.

P. Redemption of shares

The price at which shares in the Company are redeemed, shall be calculated according to the net asset value per share of the relevant Subfund and of the relevant share class, minus any redemption fee at a maximum of 2% (calculated on the basis of the net asset value per share) to be paid to the sales agencies.

Redemption applications accompanied by any certificates that might have been issued are accepted at the aforementioned redemption price at the Central Administration as well as at the sales agencies and paying agents, which forward them to the Central Administration.

All redemption applications received on any given business day by the time stated for each Subfund in section L. entitled "Investments in SF (Lux) SICAV 2" by the Main Administrator or by the central settling agent of UBS in Switzerland will be processed on the following valuation day. To secure punctual forwarding to the Central Administration or central settling agent of UBS in Switzerland, earlier cut-off times may apply for submission of applications placed with sales agencies in Luxembourg or abroad. Information on this may be obtained from the sales agency concerned.

The countervalue for redeemed Subfund shares is paid on the third business day after the order day unless legal provisions, such as foreign exchange controls or restrictions on capital movements, or other circumstances beyond the control of the Depositary, make it impossible to transfer the redemption amount to the country in which the redemption application was submitted.

For Subfunds with several share classes denominated in different currencies, investors may only receive the equivalent value of their redemption in the currency of the respective share class.

Any taxes, commissions and other fees incurred in the countries in which Company shares may be sold will also be charged.

Subject to the provision of the capital guarantee, which may be applied in connection with a particular Subfund, the performance of the net asset value per share determines whether the redemption price is higher or lower than the subscription price paid by the investor.

In the event of an excessively large volume of redemption applications, the Management Company may decide to delay their execution until the corresponding assets of the Subfund have been sold without unnecessary delay. Should such a measure be necessary, all redemption applications received on the same day will be calculated at the same price.

Q. Conversion of shares

Investors may apply to convert to another Subfund at any time. The same procedures apply to the submission and settlement of conversion applications as apply to the issue and redemption of shares.

The number of shares into which the investor would like to convert his/her shares is calculated with the following formula:

$$A = \frac{B * C * D}{E}$$

whereby:

- A= The number of shares in the new Subfund into which the shares are to be exchanged;
- B= The number of shares in the Subfund whose shares are to be exchanged;
- C= The net asset value of the shares presented for conversion;
- D= The foreign exchange rate between the two Subfunds in question. If both Subfunds are denominated in the same currency, this figure will be 1;
- E= The net asset value per share of the Subfund, into which the conversion is to take place, plus any taxes, commissions or other fees.

In the case of a conversion of shares in a Subfund into shares in another Subfund, a conversion commission not exceeding 1.5% (calculated on the net asset value per share of the Subfund into which conversion is to take place) may be charged in favour of the sales agencies.

Any fees, taxes and stamp duties incurred in the respective countries upon changing Subfunds are charged to the investor concerned.

R. Prevention of money laundering

In accordance with international regulations, Luxembourg laws and Regulations (above all, but not exclusively, the Law of 12 November 2004 concerning the prevention of money laundering and fighting terrorism, as amended), as well as circulars and regulations of the competent supervisory authorities, all financial service providers must ensure that undertakings for collective investment (“UCI”) are not to be misused for the purposes of money laundering and terrorist financing. Due to such regulations, an UCI in Luxembourg must provide the identity of each applicant.

Accordingly, the subscriber must provide proof of his or her identity to the sales agency or Distributor that accepts his or her subscription. The sales agency or Distributor is to request, in particular, the following identification documents from subscribers: for individuals - a certified copy of the passport/identity card (certified by the sales agency or Distributor or by the local administrative authority) and the tax identification number (“TIN”) provided to the investor by the state in which he/she is domiciled for tax purposes; for companies or other

legal entities - a certified copy of the articles of incorporation, a certified copy of the extract from the Commercial Register, a copy of the most recently published annual accounts and the full name of the beneficial owner. If there is any doubt regarding the identity of an investor or the Central Administration, sales agency or distributor do not have adequate information to determine an investor's identity, then they may request additional information and/or documentation in order to unequivocally determine the investor's identity.

The sales agency must ensure that the Distributors adhere strictly to the aforementioned identification procedures. The Central Administration and the Management Company can, at any time, demand assurance from the sales agency that the procedures are being adhered to. If the investor refuses or fails to provide the requested information and/or documentation, the Company may refuse his/her entry into the register of shares. In this case, neither the Company, Management Company nor the Central Administration is liable for the delayed processing or cancellation of the transaction.

Furthermore, the sales agency and its Distributors must obey all applicable laws and regulations regarding the prevention of money laundering and terrorist financing which are in force in the respective countries.

S. Data Protection

In accordance with the provisions of the Luxembourg law of 1st August 2018 organizing the National Commission for data protection and of the general system on data protection, as it may be amended from time to time and the Regulation n°2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("Data Protection Law"), the Company, acting as data controller, collects, stores and processes, by electronic or other means, the data supplied by investors for the purpose of fulfilling the services required by the investors and complying with its legal and regulatory obligations.

The data processed includes in particular the name, contact details (including postal or email address), banking details, invested amount and holdings in the Company of investors (and, if the investor is a legal person, of any natural person related to it such as its contact person(s) and/or beneficial owner(s)) ("Personal Data").

The investor may at his/her/its discretion refuse to communicate Personal Data to the Company. In this case, however, the Company may reject a request for Shares.

Personal Data supplied by investors is processed to enter into and perform the subscription in the Company (i.e. for the performance of a contract), for the legitimate interests of the Company and to comply with the legal obligations imposed on the Company. In particular, the Personal Data is processed for the purposes of (i) processing subscriptions, redemptions and conversions of Shares and payments of dividends to investors, account administration, (ii) client relationship management, (iii) performing controls on excessive trading and market timing practices, tax identification as may be required under Luxembourg or foreign laws and regulations (including laws and regulations relating to FATCA or CRS, as defined under section V "Taxes and expenses") and (iv) compliance with applicable anti-money laundering rules. Data supplied by shareholders is also processed for the purpose of (v) maintaining the register of shareholders of the Company. In addition, Personal Data may be processed for the purposes of (vi) marketing.

The "legitimate interests" referred to above are:

- the processing purposes described in points (ii) and (vi) of the above paragraph of this data protection section;
- meeting and complying with the Company's accountability requirements and regulatory obligations globally; and
- exercising the business of the Company in accordance with reasonable market standards.

To this end, and in accordance with the provisions of the Data Protection Law, Personal Data may be transferred by the Company to its data recipients (the "Recipients") which, in the context of the above-mentioned purposes, refer to its affiliated and third-party entities supporting the activities of the Company which include, in particular, the Management Company, Main Administrator, Distributors, Depository, Portfolio Manager, Auditor of the Company and Legal adviser of the Company.

The Recipients may, under their own responsibility, disclose the Personal Data to their agents and/or delegates (the "Sub-Recipients"), which shall process the Personal Data for the sole purposes of assisting the Recipients in providing their services to the Company and/or assisting the Recipients in fulfilling their own legal obligations.

The Recipients and Sub-Recipients may be located within or outside the European Economic Area (the "EEA"), in countries whose data protection laws may not offer an adequate level of protection.

In case of a transfer of Personal Data to Recipients and/or Sub-Recipients located outside the EEA in a country that does not provide an adequate level of protection, the Company will contractually ensure that the Personal Data relating to investors is protected in a manner which is equivalent to the protection offered pursuant to the Data Protection Law, which may take the form of EU Commission approved "Model Clauses". In this respect, the investor has a right to request copies of the relevant document for enabling the Personal Data transfer(s) towards such countries by writing to the Company's address as specified above in section A "Management and Administration".

In subscribing for Shares, each investor is expressly informed of the transfer and processing of his/her/its Personal Data to the Recipients and Sub-Recipients referred to above, including entities located outside the EEA and in particular in countries which may not offer an adequate level of protection.

The Recipients and Sub-Recipients may, as the case may be, process the Personal Data as data processors (when processing the Personal Data upon instructions of the Company), or as distinct data controllers (when processing the Personal Data for their own purposes, namely fulfilling their own legal obligations). The Company may also transfer Personal Data to third- parties such as governmental or regulatory agencies, including tax authorities, in or outside the EEA, in accordance with applicable laws and regulations. In particular, such Personal Data may be disclosed to the Luxembourg tax authorities, which in turn may acting as data controller, disclose the same to foreign tax authorities.

In accordance with the conditions set out by the Data Protection Law, each investor will upon written request to be addressed to the Company's address as specified above in section A "Management and Administration" have the right to:

- access his/her/its Personal Data (i.e. the right to obtain from the Company confirmation as to whether or not his/her/its Personal Data is being processed, to be provided with certain information about the Company's processing of his/her/its Personal Data, to access such data, and to obtain a copy of the Personal data undergoing processing (subject to legal exceptions));
- ask for Personal Data to be rectified where it is inaccurate or incomplete (i.e. the right to require from the Company that inaccurate or incomplete Personal Data or any material error be updated or corrected accordingly);
- restrict the use of his/her/its Personal Data (i.e. the right to obtain that, under certain circumstances, the processing of his/her/its Personal Data should be restricted to storage of such data unless his/her/its consent has been obtained);
- object to the processing of his/her/its Personal Data, including to object to the processing of his/her/its Personal Data for marketing purposes (i.e. the right to object, on grounds relating to the investor's particular situation, to processing of Personal Data which is based on the performance of a task carried out in the public interest or the legitimate interests of the Company. The Company shall stop such processing unless it can either demonstrate compelling legitimate grounds for the processing that override investor's interests, rights and freedoms or that it needs to process the data for the establishment, exercise or defence of legal claims);
- ask for erasure of his/her/its Personal Data (i.e. the right to require that Personal Data be erased in certain circumstances, including where it is no longer necessary for the Company to process this data in relation to the purposes for which it collected or processed);
- ask for Personal Data portability (i.e. the right to have the data transferred to the investors or another controller in a structured, commonly used and machine-readable format, where this is technically feasible).

Investors also have a right to lodge a complaint with the National Commission for Data Protection (the "CNPD") at the following address: 1, Avenue du Rock'n'Roll, L-4361 Esch-sur-Alzette, Grand Duchy of Luxembourg, or when investors reside in another European Union Member State, with any other locally competent data protection supervisory authority.

Personal Data will not be retained for a period longer than necessary for the purpose of the data processing, subject to applicable statutory periods of retention.

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

The Company may temporarily suspend calculation of the net asset value and hence the issue and redemption of shares in one or more Subfunds and the conversion of shares in one Subfund for shares in another Subfund, subject to the following conditions:

- in the event that one or more stock exchanges or other markets that form the basis for the valuation of a major part (i.e. more than 50% of the volume) of the net assets and/or the Dynamic Portfolio are closed on days that are not customary holidays, or in the event that trading is suspended or if these stock exchanges and markets are exposed to limitations or temporary severe fluctuations;
- events beyond the control, liability or influence of the Company make it impossible to access the Company's assets under normal conditions without causing serious detriment to the interests of the investors;
- in the event that disruptions in the communications network or any other reason make it impossible to calculate the value of a considerable part of the net assets;
- if, owing to restrictions on exchange and asset transfers, the Company can no longer transact its business.

A suspension of the calculation of the net asset value or a suspension of the issue, redemption or conversion of shares will be notified without delay to all the responsible authorities in those countries in which shares of the Subfund are approved for sale to the public.

In addition, the Management Company is empowered:

- a) to reject purchase applications at its own discretion;
- b) to impose the compulsory redemption of shares which have been subscribed for or purchased despite a regulation excluding such actions.

U. Distribution of income

In principle, no distributions are to be paid to investors in the individual Subfunds.

In so far as distributions are paid to investors, entitlements to distributions and allocations not claimed within five years of falling due will lapse and be paid back into the Company Subfund concerned. If the Subfund in question has already been liquidated, the distributions and allocations will accrue to the remaining Subfunds in proportion to their respective net asset value per share. At the proposal of the Board of Directors, the general meeting of shareholders may decide to issue bonus shares as part of the distribution of net investment income and capital gains. An income equalisation amount will be calculated so that the distribution corresponds to the actual income entitlement.

Distributions may only be paid within the limits laid down by law.

Where the shares are denominated in physical certificates, distributions will be made against submission of the relevant coupons. The method of payment is determined by the Company.

V. Taxes and expenses

The following is of a general nature and does not purport to deal with all of the tax consequences applicable to the Company or to all categories of investors, some of whom may be subject to special rules. Shareholders and potential investors should consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling, converting or otherwise disposing of the shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile, and in the light of their particular circumstances.

The following general statements on taxation are based on advice received by the Directors regarding the law and practice in force in Luxembourg at the date of this sales prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the date of this sales prospectus will apply at any other date.

Taxation under Luxembourg law

The Company is governed by Luxembourg law. It is the responsibility of investors to seek information on the laws and regulations governing the purchase, possession and possible sale of shares in force in their place of residence and for people of their nationality.

In accordance with current legislation in the Grand Duchy of Luxembourg, the Company is not subject to any Luxembourg withholding, income, capital gains or wealth taxes.

According to the tax legislation currently in force, investors are not required to pay any income, gift, inheritance or other tax in Luxembourg, unless they are domiciled in Luxembourg, have permanent residence there or maintain a permanent establishment there.

A “*taxe d’abonnement*” of 0.05% per year, or 0.01% per year for the share classes reserved for institutional investors, will become due and will be payable out of the net assets of each Subfund at the end of the quarter. This tax is calculated on the net assets of each Subfund at the end of every quarter. In addition, a one-off capital tax of EUR 1,250 was charged when the Company was formed.

Automatic Exchange of Information - FATCA and the Common Reporting Standard

As an investment entity established in Luxembourg, the Company is required by automatic exchange of information regimes, such as those described below (and others as may be introduced from time to time), to collect certain information about each investor and their tax status and to share that information with the Luxembourg tax authorities, who may then exchange it with tax authorities in the jurisdictions in which the investor is tax resident.

Pursuant to the U.S. Foreign Account Tax Compliance Act and associated legislation (“FATCA”), the Company is required to comply with extensive due diligence and reporting requirements designed to inform the U.S. Department of the Treasury of financial accounts of "Specified U.S. Persons", as defined by the Intergovernmental Agreement ("IGA") concluded between Luxembourg and the U.S. Failure to comply with these requirements may subject the Company to U.S. withholding taxes on certain U.S. sourced income and, effective 1 January 2019, gross proceeds. Pursuant to the IGA, the Company will be deemed compliant and not subject to withholding tax if it identifies and reports financial accounts held by Specified U.S. Persons directly to the Luxembourg tax authorities, who will then provide it to the U.S. Internal Revenue Service.

Drawing extensively on the intergovernmental approach to implementing FATCA, the OECD developed the Common Reporting Standard (“CRS”) to address the issue of offshore tax evasion on a global basis. Pursuant to the CRS, financial institutions based in participating CRS jurisdictions (such as the Company) must report to their local tax authorities personal and account information of investors and, where appropriate, controlling persons resident in other participating CRS jurisdictions which have an agreement in place with the financial institution’s jurisdiction to exchange information. Tax authorities in participating CRS jurisdictions will exchange such information on an annual basis. The first information exchanges are expected to begin in 2017. Luxembourg has enacted legislation to implement the CRS. As a result, the Company will be required to comply with the CRS due diligence and reporting requirements adopted by Luxembourg.

Prospective investors will be required to provide to the Company information about themselves and their tax status prior to investment in order to enable the Company to satisfy its obligations under FATCA and the CRS, and to update that information on a continuing basis. Prospective investors should note the Company’s obligation to disclose such information to the Luxembourg tax authorities. Each investor acknowledges that the Company may take such action as it considers necessary in relation to such investor’s holding in the Company to ensure that any withholding tax suffered by the Company and any other related costs, interest, penalties and other losses and liabilities arising from such investor’s failure to provide the requested information to the Company is economically borne by such investor. This may include subjecting an investor to liability for any resulting U.S. withholding taxes or penalties arising under FATCA or the CRS and/or the compulsory redemption or liquidation of such investor’s interest in the Company.

Detailed guidance as to the mechanics and scope of FATCA and the CRS is continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future operations of the Company. Prospective investors should consult their own tax advisor with regard to FATCA and the CRS and the potential consequences of such automatic exchange of information regimes.

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

DAC6 – Disclosure requirements for reportable cross-border tax arrangements

On 25 June 2018, Council Directive (EU) 2018/822 (“DAC6”) entered into force introducing rules regarding the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (“RCBAs”). DAC6 is intended to provide the tax authorities of EU member states with comprehensive and relevant information about potentially aggressive tax-planning arrangements with the aim that this information will enable the authorities to react promptly against harmful tax practices and close loopholes by enacting legislation or by undertaking adequate risk assessments and carrying out tax audits.

The DAC6 obligations apply from 1 July 2020, but may require reporting of arrangements implemented between 25 June 2018 and 30 June 2020. The Directive generally requires EU intermediaries to report to their local tax authorities information about RCBAs, including details of the arrangement as well as identification information about the involved intermediaries and relevant taxpayers, i.e. the persons to whom the RCBA is made available. Subsequently, the local tax authorities exchange the information with the tax authorities of other EU member states. As such, the Company may be legally required to file information that is within its knowledge, possession or control on any RCBA to the respective tax authorities. This legislation is capable of applying to arrangements that do not necessarily constitute aggressive tax planning.

W. Expenses paid by the Company

The Company charges the various Subfunds or share classes a monthly flat fee that is calculated on the basis of the average total net assets of the Subfunds and whose maximum levels are given below. Particular attention should be paid in this regard to the payment flows entailed by the swap agreements as mentioned in the last section, which should finance the flat fee.

Subfund	Share class	Flat fee
SF (Lux) SICAV 2 – Guaranteed Life Design 2014 (a Subfund managed by the UBS Group)	I	0.0833% per month (1% p.a.)
	R	0.1333% per month (1.60% p.a.)
SF (Lux) SICAV 2 – Skandia Maturity Protected Fund 2022 (a Subfund managed by the UBS Group)	I	0.125% per month (1.50% p.a.)
SF (Lux) SICAV 2 – Life Investment Maturity Guaranteed 2024 (a Subfund managed by the UBS Group)	R	0.1333% per month (1.60% p.a.)
SF (Lux) SICAV 2 – Guaranteed Life Design 2019 (a Subfund managed by the UBS Group)	I	0.0833% per month (1% p.a.)
	R	0.1333% per month (1.60% p.a.)
SF (Lux) SICAV 2 – Life Investment 90% Protected Fund (a Subfund managed by the UBS Group)	I	0.0833% per month (1% p.a.)

This flat fee is used to pay the Management Company, Central Administration, Depositary, Portfolio Manager and the Distributor(s). It also covers all the costs incurred by the Company and the Subfunds with the exception of the following:

- all taxes which are levied on the assets and income of the Company, in particular the annual “taxe d’abonnement”;
- the usual brokerage fees and commissions charged by other banks and brokers for securities and similar transactions;
- costs for extraordinary measures carried out in the interests of investors, particularly arranging expert opinions and dealing with legal proceedings, etc.;
- costs incurred in connection with the legal registration of the Company and the costs of auditors as well as those of distributing Subfund shares in other countries¹; and
- the costs of establishing the Company - approximately EUR 60,000 - and other unusual costs which can be written off by the Company over a period of up to five years. The costs of launching further Subfunds are charged to the Subfunds concerned. Any outstanding costs of establishment are paid pro rata by the Subfunds launched during the five-year period.

¹ These costs include, for example, the costs of translating the prospectus, registration fees (similar to CSSF fee), costs of obtaining legal advice regarding registration in the country concerned. (This is not a comprehensive list.)

All costs which can be allocated accurately to individual Subfunds will be charged to these Subfunds. If costs pertain to several or all Subfunds, these costs will be charged to the Subfunds concerned in proportion to their respective total net assets.

As described above in J.I.1.3, J.II.1.3, J.III.1.3, J.IV.1.3., J.V.1.3, J.VI.1.3 and J.VII.1.3. “Swap agreements”, UBS AG London Branch pays the Subfunds at the end of each month an amount corresponding to the aforementioned flat fee and all additional costs incurred by the Subfunds. Costs incurred for a Subfund during a month are settled temporarily from the liquid funds available to the Subfund.

With investments in units of funds managed directly or indirectly by the Management Company, or another company associated with it by common management or control, or by direct or indirect holding, the Subfund making the investment may not be charged any of the associated target fund's issuing or redemption commissions.

X. Information to investors

The financial year of the Company ends on 31 May.

An annual report is published for each Subfund and the Company as a whole as at 31 May and a semi-annual report as at 30 November.

These reports contain a breakdown for each Subfund in the relevant currency of account. The consolidated breakdown of assets for the Company as a whole is given in EUR.

The annual report, which is published within four months of the end of the financial year, contains:

- 1) the annual accounts audited by the independent auditors;
- 2) details about the underlying exposure obtained through Derivatives and efficient portfolio management techniques;
- 3) the identity of the counterparty(ies) to financial derivative transactions and efficient portfolio management techniques;
- 4) information on the type and amount of collateral received by the Company to reduce counterparty exposure;
- 5) information on the revenues arising from efficient portfolio management techniques for the entire reporting period together with the direct and indirect operational costs and fees incurred;
- 6) where collateral received from an issuer has exceeded 20% of the net asset value of a Subfund, the identity of that issuer; and
- 7) whether a Subfund has been fully collateralised in securities issued or guaranteed by a Member State.

The annual and semi-annual reports are available to investors at the registered office of the Company and of the Depositary.

The issue and redemption price of the shares of each Subfund are announced in Luxembourg at the registered office of the company and of the Depositary.

Notifications to investors shall be made in accordance with the relevant provisions of Luxembourg law. If applicable, they will additionally be published in daily newspapers in other countries.

The ordinary general meeting takes place annually at 11.30 on 23 October at the registered office of the Company. If 23 October is not a business day in Luxembourg, the ordinary general meeting will take place on the next day of business.

Each share held by an investor shall grant the right of a single vote at general meetings of the Company. Shares in a Subfund carry the right of one vote per share held when voting at general meetings of investors that relate to that Subfund.

The Company asks investors to note that they cannot immediately assert all of their rights against the Company, especially the right to participate in general meetings, until they have been entered in their own name in the register of shares of the Company. In the case where an investor has invested in the Company via an intermediary body which in turn makes the investment in its own name on behalf of the investor, the investor may not necessarily be able to immediately assert their rights against the Company. Investors are advised to inform themselves of their rights.

Y. Depositing of documents

The following documents are deposited at the Company's registered office, where they are available for inspection:

- 1) the articles of incorporation of the Company and the Management Company
- 2) the following agreements:
 - (a) the Depositary and paying agents agreement;
 - (b) Agreement on the appointment of the Management Company;
 - (c) Management agreement;
 - (d) Portfolio management agreement.

Further information which the Company must provide to investors, in accordance with all applicable laws and regulations in Luxembourg, e.g. procedures for handling investor complaints, procedures concerning conflicts of interest, strategies for exercising voting rights in the Company etc., are available at the registered office of the Company.

Z. Remuneration Policy of the Management Company

The board of directors of the Management Company has adopted a remuneration policy, the objectives of which are to ensure that the remuneration is in line with the applicable regulations, and more specifically with the provisions defined under (i) the UCITS Directive 2014/91/EU, the ESMA final report on sound remuneration policies under the UCITS Directive and AIFMD published on 31 March 2016, (ii) the alternative investment fund managers (AIFM) Directive 2011/61/EU, transposed into the Luxembourg AIFM Law dated from 12 July 2013, as amended from time to time, the ESMA guidelines on sound remuneration policies under the AIFM published on 11 February 2013 and (iii) the CSSF Circular 10/437 on guidelines concerning the remuneration policies in the financial sector issued on 1 February 2010; and to comply with the UBS AG remuneration policy framework. Such remuneration policy is reviewed at least annually.

The policy promotes a sound and effective risk management environment, is in line with the interests of the investor and discourages risk-taking which is inconsistent with the risk profiles rules or instruments of incorporation of such undertakings for collective investment in transferable securities (“UCITS”).

The policy furthermore fosters compliance with the Management Company's and the UCITS' strategies, objectives, values and interests including measures to avoid conflict of interests.

This approach furthermore focuses amongst others on:

- 1) The assessment of performance which is set in a multi-year framework appropriate to the holding periods recommended to the investors of the Subfunds in order to ensure that the assessment process is based on the longer-term performance of the Subfund and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period.
- 2) The remuneration of all staff members which is appropriately balanced between fixed and variable elements. The fixed component of the remuneration represents a sufficient high proportion of the total remuneration and allows a fully flexible bonus strategy, including the possibility to pay no variable remuneration component. The fixed remuneration is determined by taking into consideration the role of the individual employee, including responsibility and job complexity, performance and local market conditions. It is also to be noted that the company may, on its own discretion, offer fringe benefits to some employees which are an integral component of the fixed remuneration;

Any relevant disclosures shall be made in the annual reports of the Management Company in accordance with the provisions of the UCITS Directive.

Investors can find more details about the up-to-date remuneration policy of the Management Company, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee (if any), are available on:

<https://www.ubs.com/global/en/asset-management/investment-capabilities/platform-services/fms/fund-management-company.html>

A paper copy of such document is available free of charge from the Management Company upon request.

AA. Conflicts of Interest

The Board of Directors, the Management Company, the Portfolio Manager, the Depositary, the administrative agent and the other service providers of the Company, and/or their respective affiliates, members, employees or any person connected with them may be subject to various conflicts of interest in their relationships with the Company.

The Management Company, the Company, the Portfolio Manager, the Main Administrator and the Depositary have adopted and implemented a conflicts of interest policy and have made appropriate organisational and administrative arrangements to identify and manage conflicts of interests so as to minimise the risk of the Company's interests being prejudiced, and if they cannot be avoided, ensure that the Company's investors are treated fairly.

The Management Company, the Depositary, the Portfolio Manager and the main distributor are part of the UBS Group (the "**Affiliated Person**").

The Affiliated Person is a worldwide, full-service private banking, investment banking, asset management and financial services organisation and a major participant in the global financial markets. As such, the Affiliated Person is active in various business activities and may have other direct or indirect interests in the financial markets in which the Company invests.

The Affiliated Person including its subsidiaries and branches may act as counterparty and in respect of financial derivative contracts entered into by the Company. A potential conflict may further arise as the Depositary is related to a legal entity of the Affiliated Person which provides other products or services to the Company.

In the conduct of its business, the Affiliated Person's policy is to identify, manage and where necessary prohibit any action or transaction that may pose a conflict between the interests of the Affiliated Persons' various business activities and the Company or its investors. The Affiliated Person strives to manage any conflicts in a manner consistent with the highest standards of integrity and fair dealing. For this purpose, the Affiliated Person has implemented procedures that shall ensure that any business activities involving a conflict which may harm the interests of the Company or its investors, are carried out with an appropriate level of independence and that any conflicts are resolved fairly. Investors may obtain additional information on the Management Company and/or Company's policy related to conflict of interests free of charge by addressing their request in writing to the Management Company.

Notwithstanding its due care and best effort, there is a risk that the organisational or administrative arrangements made by the Management Company for the management of conflicts of interest are not sufficient to ensure with reasonable confidence, that risks of damage to the interests of the Company or its shareholders will be prevented. In such case these non-mitigated conflicts of interest as well as the decisions taken will be reported to investors on the following website of the Management Company: http://www.ubs.com/lu/en/asset_management/investor_information.html

Respective information will also be available free of charge at the registered office of the Management Company.

In addition, it has to be taken into account that the Management Company and the Depositary are members of the same group. Thus, both have put in place policies and procedures ensuring that they (i) identify all conflicts of interests arising from that link and (ii) take all reasonable steps to avoid those conflicts of interest.

Where a conflict of interest arising out of the group link between the Management Company and the Depositary cannot be avoided, the Management Company or the Depositary will manage, monitor and disclose that conflict of interest in order to prevent adverse effects on the interests of the Company and of the shareholders.

A description of the safekeeping functions delegated by the Depositary, the list of delegates and sub-delegates of the Depositary can be found on the following webpage: <https://www.ubs.com/global/en/legalinfo2/luxembourg.html> and up-to-date information in relation thereto will be made available to investors upon request.

BB. Liquidation of the Company and its Subfunds, merging of Subfunds

Liquidation of the Company

The Company was set up for an indefinite period and can be liquidated at any time by decision of the general meeting of investors, in due observance of the legal conditions governing the quorum and necessary majority.

If the total net assets of the Company fall below two thirds or one quarter of the prescribed minimum capital (currently, EUR 1,250,000), the Board of Directors of the Company must ask for a vote by the general meeting of investors on whether to liquidate the Company. If the Company is liquidated, the winding-up will be carried out by one or more liquidators in accordance with the current statutory regulations. The liquidators will be designated by the general meeting, which shall also determine their sphere of responsibility and remuneration. The liquidators shall realise the Company's assets in the best interests of the investors and distribute the net proceeds from the liquidation of the Subfunds to the investors of the said Subfunds, in proportion to their respective holdings. Any liquidation proceeds which cannot be distributed to the investors shall be deposited with the "*Caisse de Consignation*" in Luxembourg.

Liquidation of Subfunds

The Board of Directors of the Company may at any time order the liquidation of one or more Subfunds, in so far as the total value of the net assets of the relevant Subfunds falls below a level that no longer permits economically viable management to be carried out. The same shall also apply in cases where changes to the political or economic conditions justify such liquidation.

Up to the date upon which the decision takes effect, investors shall retain the right, subject to the liquidation costs to be taken into account and subject to the guaranteed equal treatment of Subfund investors, to request the redemption of their shares free of charge. The Board of Directors of the Company may however determine a different procedure, in the interest of investors.

Any assets of the Subfund that are not paid out following liquidation shall be deposited at the "*Caisse de Consignation*" in Luxembourg, in accordance with applicable laws and regulations, in the name of their beneficiary.

Regardless of the rights of the Board of Directors of the Company, the general meeting of investors of a Subfund can reduce the Company capital at the proposal of the Board of Directors of the Company by withdrawing shares issued by a Subfund and refunding investors the net asset value of their shares. The net asset value is calculated for the day on which the decision comes into force, taking into account the actual price realised on the sale of the Subfund's assets and any costs arising from this liquidation. No quorum (minimum presence of investors covering the capital represented) is required for this decision. The decision can be made with a simple majority of the shares present or represented at the general meeting.

Investors in the relevant Subfund will be informed of the decision by the general meeting of investors to withdraw the shares or of the decision of the Board of Directors of the Company to liquidate the Subfund by means of a publication in the *Recueil des Sociétés et Associations* and in a Luxembourg daily newspaper. In addition and if necessary in accordance with the statutory regulations of the countries in which shares in the Subfund are sold, an announcement will then be made in the official publications of each individual country in which Subfund shares are sold.

The countervalue of the net asset value of shares liquidated which have not been presented by investors for redemption shall be deposited at the “*Caisse de Consignation*”, in accordance with applicable laws and regulations, in favour of the beneficiary.

Merger of Subfunds or of one Subfund with another UCI

In accordance with the conditions listed above relating to the liquidation of a Subfund, the Board of Directors of the Company is also entitled to cancel shares of a Subfund and to allocate shares to another Subfund or to another UCI that is subject to Part I of the Law of 2010.

Irrespective of these powers held by the Board of Directors of the Company, the Board of Directors of the Company may decide that such a decision to merge Subfunds may also be taken by the general meeting of the relevant investors of the Subfund.

Should the Board of Directors of the Company, in accordance with the aforementioned requirements, not be entitled to decide on the merger, then the decision on the merger can only be taken by the shareholders of the Subfund in question.

No quorum (minimum presence of investors covering the capital represented) is required for such decisions. They can be made with a simple majority of the shares present or represented at the general meeting.

The investors will be notified of the relevant decision in accordance with the regulations mentioned below as well as in accordance with the relevant provisions of the Law of 2010 and every implementing regulation.

Such publications will be made within at least 30 days of the final deadline for redemption applications so that investors are able to redeem all or part of their shares at their valid net asset price free of charge in accordance with the guidelines laid down in the section entitled “Redemption of shares”. Shares not presented for redemption will be exchanged on the basis of the net asset value of the shares of the Subfund concerned calculated for the day on which this decision takes effect. If the shares to be allocated are shares of an UCI that takes the legal form of a *fonds commun de placement*, the decision is binding only for the investors who voted in favour of the allocation.

Specific regulations for guaranteed Subfunds

It is generally the case that guaranteed Subfunds cannot be liquidated or merged, if, by virtue of such liquidation or merger, the existing rights of investors to a guarantee are infringed.

CC. Applicable law, place of performance and authoritative language

The Luxembourg District Court is the place of performance for all legal disputes between the investors, the Company, Management Company and the Depositary. Luxembourg law shall apply. However, in matters concerning the claims of investors from other countries, the Company, Management Company and/or the Depositary can elect to make themselves subject to the jurisdiction of the countries in which Company shares were bought and sold.

However, in the case of Company shares sold to investors from the other countries in which Company shares can be bought and sold, the Company, Management Company and the Depositary may recognise approved translations into the languages concerned as binding upon itself.

DD. Investment principles

The following terms shall also apply to the investments of each Subfund:

1. Permitted investments of the Company

1.1 The Company's investments may predominantly consist of:

- a) securities and money-market instruments that are listed or traded on a regulated market in an EU Member State, as defined in Directive 2004/34/EC of 21 April 2004 on financial investment markets;
- b) securities and money-market instruments which are listed or traded on a securities exchange or another regulated market which is recognised, open to the public and operates in a due and orderly fashion of a European, American, Asian, African or Australian or Oceanian country (hereinafter called "**Approved State**");
- c) newly issued securities and money-market instruments provided that the terms of issue contain a clause that an application will be made for an official listing on one of the securities exchanges or a licence to trade on one of the regulated markets mentioned under 1.1 a) or 1.1 b), and that this listing/licence to trade is to be granted within one year of the issue of the securities.
- d) sight deposits or deposits at notice at credit institutions with a term of not more than 12 months, provided that the institution concerned has its registered office in an EU Member State, or – if the institution's registered office is located in a non-EU state – it is subject to supervisory regulations which the *Commission de Surveillance du Secteur Financier* ("**CSSF**") deems equivalent to those under Community law,
- e) money-market instruments as defined under "Investment policy", which are not traded on a regulated market, provided that the issuance or issuer of these instruments is already governed by rules providing protection for investors and investments and on condition that such instruments are
 - issued or guaranteed by a state, regional or local body of an Approved State or by international organisations under public law to which one or more EU Member States belong,

- issued by an undertaking whose securities are traded on the regulated markets mentioned in a) and b),
 - issued or guaranteed by an institution that is subject to supervision in accordance with the criteria laid down by Community law or by an institution that is subject to supervision that, in the opinion of the Luxembourg supervisory authority, is at least as stringent as that provided for by Community law and complies with it,
 - or are issued by other issuers belonging to a category approved by the Luxembourg supervisory authority, provided that investor protection rules apply to investments in such instruments, which are equivalent to those of the first, second or third listed point above and provided the issuers constitute either a company with equity capital (“*capital et réserves*”) amounting to at least 10 million euro (EUR 10,000,000), which prepares its annual accounts under the provisions of the Fourth Council Directive 78/660/EEC, or an entity within a group encompassing one or more listed companies and responsible for its financing, or an entity which is to fund the underlying securities for obligations by the use of a credit line made available by a bank.
- f) units of UCITS and/or other open-ended UCI. Such UCI must satisfy the requirements laid down in Directive 2009/65/EC of 13 July 2009, as amended, and be domiciled in a Member State of the European Union or a third country, provided that:
- such other UCI have been approved in accordance with statutory rules subjecting them to supervision which, in the opinion of the CSSF, is equivalent to that which applies under Community law, and that adequate provision exists for ensuring cooperation between authorities; ;
 - the level of protection afforded to holders of shares in the other UCI is equivalent to that afforded to holders of shares in UCITS and, in particular, rules apply to the separate holding of assets, borrowing, lending and the short-selling of securities and money-market instruments that are equivalent to the requirements set forth in Directive 2009/65/EC;
 - the business operations of the other UCI are the subject of annual and semi-annual reports that permit an assessment to be made of the assets and liabilities, income and transactions arising during the reporting period;
 - the UCITS or other UCI in which shares are to be acquired may invest a maximum 10% of its total net assets in the shares of other UCITS or UCI in accordance with its formation documents.
- g) financial derivative instruments (“**Derivatives**”), including swaps and certificates relating to the underlying securities permitted by investment policy, equivalent cash instruments, that are traded at one of the stock exchanges or regular markets listed in a) and b) above, and/or Derivatives which are not traded on a stock exchange or regulated market (“**OTC Derivatives**”), provided that
- the use of the Derivatives is permitted by the investment objective and investment policy of the Subfund concerned;

- the underlying securities constitute instruments as defined by this paragraph or are financial indices, interest rates, exchange rates or currencies in which the investment policy of the Company allows it to invest;
- the underlyings are sufficiently diversified in order to ensure compliance with the risk diversification rules as set out below (section “2. Risk diversification”);
- in transactions concerning OTC Derivatives, the counterparties are institutions which are subject to official supervision and are in categories approved by the Luxembourg supervisory authority;
- the respective counterparty has no discretion over the composition or management of the concerned Subfund’s portfolio or the underlying of the Derivatives; and
- the OTC Derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or settled at any time by means of a back-to-back transaction at the appropriate market price at the initiative of the Company.

1.2 Contrary to the investment restrictions set out in 1.1 above, each Subfund may invest up to 10% of its net assets in securities and money-market instruments other than those named in 1.1;

1.3 The Company must ensure that the overall risk associated with Derivatives does not exceed the total net value of the Company portfolio. As part of its investment strategy, each Subfund, within the limits set out in 2.2 and 2.3, may invest in Derivatives provided that the overall risk of the underlying assets does not exceed the investment limits cited in point 2 below.

1.4 Each Subfund may hold liquid assets on an ancillary basis.

2. Risk diversification

2.1 In accordance with the principle of risk diversification, the Company is not permitted to invest more than 10% of the net assets of a Subfund in securities or money-market instruments from a single issuer. The Company may not invest more than 20% of the net asset value of a Subfund in deposits with one and the same institution. The total value of all securities and money-market instruments from issuers, in which a Subfund invests more than 5% of its net Subfund assets, may not exceed 40% of the net Subfund assets. This restriction does not apply to deposits or OTC Derivatives involving financial institutions which are subject to supervision.

2.2 Regardless of the maximum limits set out in 2.1, each Subfund may not invest more than 20% of its net assets in a combination of

- securities or money-market instruments issued by an institution
- deposits with this institution and/or
- OTC Derivatives traded with this institution.

2.3 Nonetheless, contrary to the above:

- a) The limit of 10% mentioned in 2.1 can be raised to a maximum of 25% for certain debt instruments issued by credit institutions domiciled in an EU Member State and subject, in that particular country, to special legislative supervision by public authorities so as to ensure the protection of investors. In particular, yields originating from the issue of such debt instruments must, in accordance with the law, be invested in assets that provide sufficient cover for the obligations arising therefrom during the entire term of the debt instruments and, in the event of insolvency of the issuer, provide a preference right in respect of the repayment of capital and interest. The total value of the investments of a Subfund investing more than 5% of its net assets in such debt instruments issued by one and the same issuer may not exceed 80% of the net assets of that Subfund.
- b) The limit of 10% listed in 2.1 can be raised to a maximum of 35% for securities or money-market instruments that are issued or guaranteed by an EU Member State or its central, regional and local authorities, by a non-EU state, or by international institutions with public-law character of which one or more EU states are members.

Securities which come under the special ruling given in 2.3 a) and b) are not counted when calculating the above-mentioned 40% risk diversification ceiling.

- c) The limits set out in 2.1, 2.2, 2.3 a) and b) may not be accumulated; therefore the investments listed in the said paragraphs made in securities or money-market instruments of one and the same issuer or in deposits with the said issuer or in its Derivatives may not exceed 35% of the net assets of a given Subfund.
- d) Companies that belong to the same group of companies, in that they prepare their consolidated accounts under the rules of Directive 83/349/EEC or according to recognised international accounting principles, must be treated as a single issuer for the calculation of the investment limits set out in this section. However, investments by a Subfund in securities and money-market instruments of one and the same group of companies may together make up to 20% of the assets of the Subfund concerned.
- e) **Regardless of the above conditions, the Portfolio Manager is authorised, in the interests of risk diversification, to invest up to 100% of the net assets of a Subfund in securities and money-market instruments from various offerings that are issued or guaranteed by an EU Member State or its central, regional and local authorities, by a member state of the OECD or by international organisations with public-law character in which one or more EU Member States are members. Securities or money-market instruments held by the Subfund must be divided into at least six different issues, with securities or money-market instruments from one and the same issue not exceeding 30% of the total net assets of that Subfund.**

2.4 Investment in UCITS and/or other UCIs: A Subfund may acquire the units of UCITS and/or other UCIs referred to in 1.1(f) above, provided that no more than 20% of its net assets are invested in units of a single UCITS or other UCI. If a UCITS or other UCI has multiple compartments (within the meaning of article 181 of the Law of 2010) and the assets of a compartment may only be used to satisfy the rights of the investors relating to that compartment and the rights of those creditors whose claims have arisen in connection with the setting-up, operation and liquidation of that compartment, each compartment is considered as a separate issuer for the purposes of applying the above limit.

- 2.5 Investments made in units of UCIs other than UCITS may not exceed, in aggregate, 30% of the net assets of the Subfund.
- 2.6 When a Subfund has acquired units of UCITS and/or other UCIs, the assets of the respective UCITS or other UCIs do not have to be combined for the purposes of the limits laid down in Paragraphs 2.1 to 2.3 above.
- 2.7 When a Subfund invests in the units of UCITS and/or other UCIs that are managed, directly or by delegation, by the same management company or by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, (regarded as more than 10% of the voting rights or share capital), that management company or other company may not charge subscription, conversion or redemption fees on account of the Sub fund's investment in the units of such UCITS and/or other UCIs.
- 2.8 In the annual report of the Company it will be indicated for each Subfund the maximum proportion of management fees charged both to the Subfund and to the UCITS and/or other UCIs in which the Subfund invests.

If the limits mentioned under 1 and 2 are exceeded unintentionally or due to the exercise of subscription rights, the Company must attach top priority in its sales of securities to normalising the situation while, at the same time, taking the best interests of the investors into account.

Provided that they continue to observe the principles of diversification, newly established Subfunds may deviate from the specific risk diversification restrictions mentioned above for a period of six months after being approved by the authorities.

3. Investment restrictions

The Company is prohibited from:

- 3.1 acquiring securities, the subsequent sale of which is subject to any restrictions arising from contractual agreements;
- 3.2 acquiring equities with voting rights that would enable the Company to exert a significant influence on the management of the borrower in question;
- 3.3 acquiring more than
- 10% of the non-voting shares of one and the same issuer
 - 10% of the bonds of one and the same issuer
 - 10% of the money-market instruments of one and the same issuer.

In the last three cases, the restrictions on acquiring securities need not be observed if the gross amount of the debt instruments or the money-market instruments and the net amounts of the issued shares cannot be determined at the time of acquisition.

Points 3.2 and 3.3 are not applicable with regard to securities or money-market instruments that are issued or guaranteed by an EU Member State or its central, regional and local authorities, by a non-EU state, or by international institutions with public-law character of which one or more EU states are members.

- 3.4 short-selling securities, money-market instruments or other instruments listed in 1.1 g);
- 3.5 acquiring precious metals or related certificates;
- 3.6 investing in real estate and purchasing or selling commodities or commodities contracts;
- 3.7 taking out loans, unless
 - to buy foreign currency using back-to-back loans;
 - the loan is taken out on a short-term basis only and does not exceed 10% of the net assets of the Subfund concerned.
- 3.8 granting credits or acting as guarantor for third parties. This restriction does not prevent the acquisition of securities, money-market instruments or the other instruments listed in 1.1 g) if not fully paid up;
- 3.9 pledging assets or encumbering them in any other way, as well as using or assigning them as collateral. This does not apply to margin payments on option deals and other similar transactions made in conformity with established market practices;

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

4. Derivatives and efficient portfolio management techniques

In addition to the use of Derivatives as set forth in 1.1 g), the Company may employ the following techniques and instruments for each Subfund provided these are employed in the interests of shareholders and secure and orderly management of the assets of the respective Subfund.

4.1 The Company must ensure that the overall risk associated with Derivatives of a Subfund does not exceed the net Subfund assets. The following are taken into account in computing risk: the market value of the underlying instruments, the risk of counterparty default, future foreseeable market developments and the period within which the positions are to be liquidated. This also applies to the following two points:

- In the case of investments in Derivatives that fall within the limits set forth below, the overall risk for the underlying instruments may not exceed the investment limits set forth under 2 above. Investments in index-based Derivatives need not be taken into account in the case of the investment limits set forth under 2.
- If a Derivative has a security or money market instrument as the underlying, it has to be taken into account with regard to compliance with the rules set forth under 2.

4.2 Where a Subfund enters into a total return swap or invests in other Derivatives with similar characteristics:

- the assets held by the Subfund should comply with the investment limits set out in points 2, 3.3 above and 4.5 below; and
- the underlying exposures of such Derivatives must be taken into account to calculate the investment limits laid down in point 2.1 above.

4.3 The investment policy of a Subfund may stipulate that Derivatives may only be used for hedging purposes.

The Company may sell futures governed by stock indices for the purpose of hedging the risk of unfavourable stock market performance. The Company may also sell call options on stock index or put options. Hedging by means of the abovementioned transactions presupposes a relatively close correlation between the composition of the indices applied and the corresponding securities holdings. The total amount of the obligations that relate to futures contracts and options on stock indices may not, under any circumstances, exceed the market value of the securities that the company holds on the market to which that index relates.

In addition, the Company may, in order to hedge against the risks arising from fluctuations in interest rates, sell futures on interest rates. It may also sell call options on interest rates or purchase call options and/or enter into interest rate swap transactions with first class financial institutions that specialise in this type of transaction. The total amount of the obligations that relate to interest rate futures, interest rate options and interest rate swaps may not, under any circumstances, exceed the value of the assets to be covered that the company holds in the currency of each transaction.

Finally, the Company may avail itself of foreign currency forward sales, or may sell foreign currency call options or purchase foreign currency put options, in order to protect its assets against exchange rate fluctuations. The Company may also sell or exchange currency futures during the course of transactions on an unregulated market that are concluded with first class financial institutions that specialise in this type of business.

The purpose of the hedging referred to above presupposes a direct relationship between this and the assets to be covered. This means that the transactions completed in a particular currency may not under any circumstances exceed the value of the assets held in that currency and may not exceed their holding period or residual maturity.

In its annual reports, the Company must list the total amount of its obligations in the various types of transaction completed that arise from transactions that are ongoing on the Reporting Day of the relevant report.

4.4 Efficient portfolio management techniques

The Subfunds are authorised to employ techniques and instruments relating to transferable securities or money market instruments in accordance with the requirements of ESMA guidelines 2014/937 on ETFs and other UCITS issues as implemented by CSSF Circular 14/592, as may be amended from time to time (the "**ESMA Guidelines**") and subject to the following conditions:

- they are economically appropriate in that they are realised in a cost-effective way;
- they are entered into for one or more of the following specific aims:
 - (i) reduction of risk;
 - (ii) reduction of cost;
 - (iii) generation of additional capital or income for the relevant Fund with a level of risk which is consistent with the its risk profile and applicable risk diversification rules;
- their risks are adequately captured by the Company's risk management process.

The efficient portfolio management techniques that may be employed by the Subfunds in accordance with the above include securities lending, repurchase agreements and reverse repurchase agreements, which are further described below in the SFT section.

4.5. SFT

The Company is authorised to and may enter into Securities Financing Transactions ("SFTs") and will enter into total return swaps ("TRSs") in the course of its investment activities.

SFTs: SFTs include a variety of secured transactions that have similar economic effects (provision of liquidity in exchange for financial instruments), including the lending or borrowing of securities and commodities, repurchase or reverse repurchase transactions, buy-sell back or sell-buy back transactions, and lending or borrowing on margin to finance the purchase, sale, carrying or trading of securities.

A repurchase agreement transaction is a forward transaction at the maturity of which a Subfund has the obligation to repurchase the assets sold and the buyer (counterparty) the obligation to return the assets received under the transaction. A reverse repurchase agreement transaction is a forward transaction at the maturity of which the seller (counterparty) has the obligation to repurchase the assets sold and the relevant Subfund has the obligation to return the assets received under the transaction.

The Company may lend any or all of the securities of each Subfund to one or several financial institutions experienced in such transactions, or via a central counterparty or standardised lending system operated by a securities clearing institution, and may do so from time to time in accordance with applicable laws, regulations and market practice for the purposes of efficient portfolio management. In particular, the Company may lend some or all of the securities of each Subfund to a member of the UBS Group ("UBS") as the sole securities borrowing counterparty and, for that purpose it may enter into an exclusive arrangement with UBS.

The use of efficient portfolio management techniques by the Subfunds is subject to the following conditions:

- a) Counterparties to a repurchase/reverse repurchase agreement or securities lending agreement or TRS counterparties will be entities with legal personality typically located in OECD jurisdictions and will be subject to a credit assessment. Where the counterparty is subject to a credit rating by any agency registered and supervised by ESMA, that rating shall be taken into account in the credit assessment. Where a counterparty is downgraded to BBB or below (or comparable rating) by such a credit rating agency, a new credit assessment in respect of the counterparty will be undertaken without delay.
- b) When entering into a securities lending agreement, the Company should ensure that it is able at any time to recall any security that has been lent out or terminate the securities lending agreement.
- c) When entering into a reverse repurchase agreement, the Company should ensure that it is able at any time to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement should be used for the calculation of the net asset value of the relevant Fund.
- d) When entering into a repurchase agreement, the Company should ensure that it is able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered.

e) Fixed-term repurchase and reverse repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Company. f) All the revenues arising from efficient portfolio management techniques, net of direct and indirect operational costs/fees, will be returned to the relevant Subfund.

g) Any direct and indirect operational costs/fees arising from efficient portfolio management techniques that may be deducted from the revenue delivered to the relevant sub-fund must not include hidden revenue. Such direct and indirect operational costs/fees will be paid to the entities outlined in the annual and semi-annual report of the Company, which shall indicate if the entities are related to the Management Company or the Depositary.

TRSs include a variety of transactions whereby one party to the transaction, transfers the total economic performance (including income from interest and fees, gains and losses from price movements and credit losses) of a reference obligation (asset or index) to the other counterparty, against the obligation to make fixed or floating payments. A Subfund may enter into TRSs with banks or other financial counterparties. TRS may take the form of swaps of any kind, including contracts for difference, portfolio swaps, index swaps, credit default swaps and variance and volatility swaps, any kind of option, warrant, forward and future transaction and any other kind of derivative in accordance with its investment objectives. The reference obligation of a total return swap may be any security or other investment in which a Subfund is permitted to invest.

SFTs and TRSs may be entered into for any purpose that is consistent with the investment objective of a Subfund (as disclosed in the section J- "Investment Policy of the different Subfunds" above), including efficient portfolio management (as disclosed in section "Efficient Portfolio Management Techniques" above), hedging purposes or the reduction of portfolio expenses, as well as for speculative purposes (in order to increase income and profits for the portfolio), or to gain exposure to certain markets.

The maximum proportion of a Subfund's total assets that can be subject to SFTs or TRSs is 100%. The expected proportion of a Subfund's total assets that can be subject to SFTs or TRSs should be 100%, unless otherwise specified in the relevant Subfund's section (in section J- "Investment Policy of the different Subfunds" above). The proportion of a Subfund's assets subject to each type of SFT or TRS will depend on market conditions and the value of the relevant investments. The Company will report to the Shareholders in the relevant Subfund the amount of assets engaged in each type of SFT and TRS, as well as such other information on the use of SFTs and TRS as is required under the SFTR, as part of its semi-annual and annual report.

Due to the nature of swap investing, it is possible that a Subfund may from time to time hold a large proportion of its assets in cash.

4.6 Counterparty Risk

The counterparty risk arising from OTC Derivative instruments and efficient portfolio management techniques may not exceed 10% of the assets of a Fund when the counterparty is a credit institution domiciled in the EU or in a country where the CSSF considers that supervisory regulations are equivalent to those prevailing in the EU. This limit is set at 5% in any other case. The counterparty risk of a Subfund vis-à-vis a counterparty is equal to the positive mark-to-market value of all OTC Derivatives and efficient portfolio management techniques transactions with that counterparty, provided that if there are legally enforceable netting arrangements in place, the risk exposure arising from OTC Derivatives and efficient portfolio management techniques transactions with the same counterparty may be netted.

Collateral

4.7 For the purpose of the restriction set out in point 4.6., above, the counterparty risk of a Subfund towards a counterparty under OTC Derivative instruments (including TRS) or efficient portfolio management techniques is reduced by the amount of collateral posted in favour of the Subfund. Collateral (including SFT) received by the Subfunds must comply with the following criteria at all times:

- a) Liquidity – any collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received should also comply with the acquisition limits set out in points 3.2 and 3.3 above.
- b) Valuation – collateral received should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place.
- c) Issuer credit quality – collateral received should be of high quality.
- d) Correlation – the collateral received by the Subfund should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty.
- e) Collateral diversification (asset concentration) – collateral should be sufficiently diversified in terms of country, markets and issuers. The criterion of sufficient diversification with respect to issuer concentration is considered to be respected if the Subfund receives from a counterparty of OTC Derivative or efficient portfolio management techniques transactions a basket of collateral with a maximum exposure to a given issuer of 20% of its net asset value. When a Subfund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer. By way of derogation from the above and in accordance with the revised para. 43(e) of the ESMA Guidelines, the Company may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a EU Member State, one or more of its local authorities, a third country, or a public international body to which one or more EU Member States belong. In such case, the Company shall ensure that it receives securities from at least six different issues, whereas securities from any single issue should not account for more than 30% of the Subfund's net assets.

The Board of Directors of the Company has decided to make use of the aforementioned derogation and to accept a collateralisation in transferable securities and money market instruments, issued or guaranteed by a EU Member State, one or more of its local authorities, a third country, or a public international body to which one or more EU Member States belong, of up to 50% of the following countries: United States, Japan, United Kingdom, Germany and Switzerland.

- f) Risks linked to the management of collateral, such as operational and legal risks, should be identified, managed and mitigated by the risk management process.
- g) Where there is a title transfer, the collateral received should be held by the Company's depository or one of its correspondents or sub-custodians. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.
- h) Collateral received should be capable of being fully enforced by the Company for the account of the Subfund at any time without reference to or approval from the counterparty.
- i) Non-cash collateral received should not be sold, re-invested or pledged.
- j) Cash collateral received should only be:
 - (i) placed on deposit with entities referred to in point 1.1.d) above;
 - (ii) invested in high-quality government bonds;
 - (iii) used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the Company is able to recall at any time the full amount of cash on accrued basis;
- k) invested in short-term money market funds as defined in the CESR Guidelines 10-049 on a Common Definition of European Money Market Funds.

4.8 Re-invested cash collateral should be diversified in accordance with the diversification requirements applicable to non-cash collateral as set out in point 4.6. e) above.

4.9 The Subfunds will only accept bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or world-wide scope (including the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, Nordic Investment Bank, etc.).

4.10 For the purpose of point 4.6. above, all assets received by a Subfund in the context of efficient portfolio management techniques should be considered as collateral.

4.11 The Management Company has set up, in accordance with the Circular 14/592, a clear haircut policy adapted for assets received as collateral. This policy, established in accordance with the CSSF Circular 14/592, takes into account a variety of factors, depending on the nature of the collateral received such as price volatility, the credit quality of the issuer of the collateral, the maturity or currency of the assets or outcome of stress tests. In respect of bonds of the type listed in point 4.8 above, haircuts applied will vary from 2% to 15% depending on the type and maturity of the relevant bond.

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