

# Product Key Facts

## UBS (HK) Fund Series – Systematic Allocation Portfolio Medium Classic (USD)

Manager: UBS Asset Management (Hong Kong) Limited

August 2022

***This statement provides you with key information about this product.  
This statement is a part of the offering document.  
You should not invest in this product based on this statement alone.***

### Quick Facts

<b>Manager:</b>	UBS Asset Management (Hong Kong) Limited	
<b>Investment Manager(s):</b>	The Manager may delegate its investment management functions internally to one or more qualified UBS entities acceptable to the SFC	
<b>Trustee and Registrar:</b>	HSBC Institutional Trust Services (Asia) Limited	
<b>Dealing frequency:</b>	Daily (a business day on which banks in Hong Kong, and the financial exchanges in the United States are open for normal banking business)	
<b>Base currency:</b>	USD	
<b>Unit classes available:</b>	Class A USD-acc, Class A USD-6%-mdist, Class A HKD-acc, Class A HKD-6%-mdist, Class K-1 USD-acc, Class K-1 USD-6%-mdist, Class K-1 HKD-acc, Class K-1 HKD-6%-mdist, Class Q USD-acc, Class Q USD-mdist, Class Q USD-6%-mdist, Class Q HKD-acc, Class Q HKD-mdist	
<b>Dividend policy:</b>	Class A USD-acc, Class A HKD-acc, Class K-1 USD-acc, Class K-1 HKD-acc, Class Q USD-acc, Class Q HKD-acc	Accumulating (no distribution of dividend, income will be reinvested for this class, if any).
	Class A USD-6%-mdist*, Class A HKD-6%-mdist*, Class K-1 USD-6%-mdist*, Class K-1 HKD-6%-mdist*, Class Q USD-6%-mdist*	Monthly distribution amount = $6\% \div 12 \text{ months}$ X net asset value ("NAV") at the end of each month. The dividend rate (i.e. 6%) and distribution frequency of the fixed rate distribution classes will not be changed <sup>◇</sup> .
	Class Q USD-mdist*, Class Q HKD-mdist*	Distributing monthly (the Manager will decide whether and to what extent distributions are to be declared and paid)

<sup>◇</sup> Investors should note that a positive distribution yield does not imply a positive return.

**Ongoing charges over a year:**

Class A USD-acc	1.72%**
Class A USD-6%-mdist	1.72%**
Class A HKD-acc	1.72%**
Class A HKD-6%-mdist	1.72%**
Class K-1 USD-acc	1.24%**
Class K-1 USD-6%-mdist	1.24%**
Class K-1 HKD-acc	1.24%**
Class K-1 HKD-6%-mdist	1.24%**
Class Q USD-acc	0.96%^
Class Q USD-mdist	0.96%^
Class Q USD-6%-mdist	0.96%**
Class Q HKD-acc	0.96%^
Class Q HKD-mdist	0.96%^

**Financial year end of the Sub-Fund** 31 December

**Minimum investment:**
Initial:

Class A USD\*\*\*: US\$2,500 (or its equivalent in other freely convertible currencies)

Class A HKD\*\*\*: HK\$2,500 (or its equivalent in other freely convertible currencies)

Class K-1 USD\*\*\*: US\$5,000,000 (or its equivalent in other freely convertible currencies)

Class K-1 HKD\*\*\*: HK\$40,000,000 (or its equivalent in other freely convertible currencies)

Class Q USD\*\*\*: US\$2,500 (or its equivalent in any other freely convertible currency)

Class Q HKD\*\*\*: HK\$2,500 (or its equivalent in any other freely convertible currency)

Additional:

Class A USD\*\*\*: US\$1,000 (or its equivalent in other freely convertible currencies)

Class A HKD\*\*\*: HK\$1,000 (or its equivalent in other freely convertible currencies)

Class K-1 USD\*\*\*: the investor's subsequent subscription together with his/her current holding of Class K-1 USD Units must be equal to or exceed US\$5,000,000 (or its equivalent in other freely convertible currencies)

Class K-1 HKD\*\*\*: the investor's subsequent subscription together with his/her current holding of Class K-1 HKD Units must be equal to or exceed HK\$40,000,000 (or its equivalent in other freely convertible currencies)

Class Q USD\*\*\*: US\$1,000 (or its equivalent in any other freely convertible currency)

Class Q HKD\*\*\*: HK\$1,000 (or its equivalent in any other freely convertible currency)

\* Unit classes with "-mdist" in their name may make monthly distributions. They may also make distributions out of capital (this may include realised and unrealised net gains/losses in NAV) ("**Capital**"), at the discretion of the Manager, or pay distributions out of gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/ out of the Capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of Capital. Payment of dividends out of Capital and/or effectively out of Capital may result in an immediate reduction in the NAV per unit of the Sub-Fund ("**Unit**").

\*\* The ongoing charges figure is an annualised figure based on expenses for the interim period ended 30 June

2022. The figure may change from year to year.

^ This figure is an estimate only. This class has not been launched and ongoing charges may vary from year to year. The estimated figure represents the sum of the estimated ongoing expenses chargeable to the class of Units of the Sub-Fund over 12 months expressed as a percentage of the estimated NAV of the class of Units of the Sub-Fund.

\*\*\* Including each distribution unit class (unit classes with "-mdist" in their name) and accumulation unit class (unit classes with "-acc" in their name).

## What is this product?

UBS (HK) Fund Series – Systematic Allocation Portfolio Medium Classic (USD) (the "**Sub-Fund**") is a sub-fund of UBS (HK) Fund Series which is a unit trust established as an umbrella fund under the laws of Hong Kong.

## Objective and Investment Strategy

### Objective

The investment objective of the Sub-Fund is to deliver interest income and capital growth by investing in a broadly diversified portfolio of traditional asset classes, namely global equities, bonds and cash/cash equivalent instruments.

### Strategy

The Manager will manage the Sub-Fund in a way to maintain a moderate level of risk. The Manager adopts an asset allocation model based on a systematic approach which aims to identify market trends, align asset allocation to these trends and thereby reduce losses during significant downturns in the equity markets. The process takes into account various short and long-term indicators of company profits, market risks and equity market momentum, in determining the allocation to various asset classes.

For this reason, the Sub-Fund's equity exposure can vary greatly, from 0% up to a maximum of 70% of the Sub-Fund's NAV. Where the equity exposure is lower than the above maximum, the investment in bonds and money market instruments and/or cash is proportionately higher. The Sub-Fund's equity exposure is not limited to a particular range of market capitalisation, or to any geographical, industry or sectoral allocation.

The Sub-Fund may also invest up to 100% of its NAV in debt securities. The Manager may invest in investment grade (i.e. assigned with a rating of BBB- or higher by Standard & Poor's or Fitch Ratings, or Baa3 or higher by Moody's), non-investment grade (i.e. assigned with a rating of below BBB- by Standard & Poor's or Fitch Ratings, or below Baa3 by Moody's) and unrated debt securities (including but not limited to asset backed securities, mortgage backed securities and asset backed commercial papers, etc.) issued or guaranteed by governments, government agencies or supranational bodies or companies in both developed and less developed markets. There is no restriction on the minimum credit ratings of the debt securities that the Sub-Fund may hold (directly or indirectly).

Further, the Sub-Fund's exposure to cash/cash equivalents will be up to 30% of its NAV.

The Sub-Fund may invest up to 100% of its NAV in exchange traded funds<sup>1</sup> ("**ETFs**") to gain exposure to equity and debt securities. The ETFs are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the SFC's Code on Unit Trusts and Mutual Funds (the "**Code**").

<sup>1</sup> For the avoidance of doubt, ETFs refer to ETFs that are: (1) authorised by the SFC; or (2) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code.

The Sub-Fund may also gain exposure to equity and debt securities directly and/or through investments in units or shares of underlying schemes (as defined in the Prospectus and excluding ETFs) which are either schemes authorised by the SFC or eligible schemes (as determined by the SFC), provided that such investments in aggregate may not exceed 30% of the Sub-Fund's NAV and are in accordance with Chapter 7 of the Code.

The Sub-Fund's aggregate exposure (whether direct or indirect) to A-Shares and B-Shares will not be more than 10% of its NAV. Direct access may be achieved via the securities trading and clearing linked programme with an aim to achieve mutual stock market access between Mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect ("**Stock Connect**") or any permissible means under relevant regulations.

The Sub-Fund may also invest in debt instruments with loss-absorption features ("**LAP**") e.g. contingent convertible bonds and senior non-preferred debts. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Sub-Fund's expected total maximum investments in LAP will be up to 50% of its NAV.

For the avoidance of doubt, the total investments of the Sub-Fund in the Mainland Chinese markets, regardless of any investment channels (including but not limited to the Stock Connect) may not exceed 20% of the NAV of the Sub-Fund.

The Manager does not intend to enter into securities lending transactions, repurchase or reverse repurchase transactions or other similar over-the-counter transactions, on behalf of the Sub-Fund.

### **Use of derivatives**

The Sub-Fund's net derivative exposure may be up to 50% of its NAV.

### **What are the key risks?**

**Investment involves risks. Please refer to the offering document for details including the risk factors.**

#### **Investment risk:**

- The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

#### **Equity market risk:**

- The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions, and issuer-specific factors.

#### **Risks associated with debt securities:**

- Credit / counterparty risk: The Sub-Fund is exposed to the credit/default risk of issuers of the debt securities that the Sub-Fund may invest in.
- Interest rate risk: Investment in the Sub-Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- Volatility and liquidity risk: The high yield debt securities associated with less developed markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of such securities may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.
- Risk associated with debt securities rated below investment grade and/or unrated: The Sub-

Fund may invest in debt securities rated below investment grade (i.e., assigned with a rating of below BBB- by Standard & Poor's or Fitch Ratings or below Baa3 by Moody's) or which are unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.

- Downgrading risk: The credit rating of a debt security or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt securities that are being downgraded.
- Sovereign debt risk: The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.
- Risks associated with collateralised and/or securitised products: The Sub-Fund invests in asset backed securities, mortgage backed securities and asset backed commercial papers, etc. which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.
- Valuation risk: Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the NAV calculation of the Sub-Fund.
- Credit rating risk: Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

**Risk of the systematic allocation model:**

- The systematic allocation model may not achieve the desired results under all circumstances and market conditions. The investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may suffer greater transaction costs than a fund with static allocation strategy.

**Currency and exchange rate risk:**

- Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Also, a class of Units may be designated in a currency other than the base currency of the Sub-Fund. The NAV of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency of the Sub-Fund and by changes in exchange rate controls. The currencies of some underlying assets of the Sub-Fund may not be freely convertible and subject to exchange controls and restrictions.

**Risks of investing in other funds:**

- The Sub-Fund will be subject to the risks associated with the underlying schemes it invests in. The Sub-Fund does not have control of the investments of the underlying schemes and there is no assurance that the investment objective and strategy of the underlying schemes will be successfully achieved, which may have a negative impact on the NAV of the Sub-Fund.
- The underlying schemes in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these funds. There is also no guarantee that the underlying schemes will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

**Risks relating to investment in ETFs:**

- The Sub-Fund may invest in ETFs and will be subject to the risks associated with the underlying ETFs such as passive investment risks, tracking error risks, underlying index related risks, counterparty risks, trading risks, trading difference risks and termination risk. The performance of the underlying ETFs will result in a corresponding impact on the Sub-Fund.

**Risks of payment of distributions out of or effectively out of capital:**

- Dividends may be paid from capital or effectively out of capital of the Sub-Fund at the discretion of the Manager, which amount to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such dividends may result in an immediate decrease of the NAV per Unit.

**Risk relating to distributions at fixed rate:**

- Units in classes with "6%" in their name may make monthly (-mdist) distributions at the annual percentage rate of 6%, gross of fees and expenses. Investments in these classes are not an alternative to a savings account or fixed-interest paying investment. The percentage of distributions paid by these classes is unrelated to expected or past income or returns of these classes or the Sub-Fund. The distribution can thus be higher or lower than the income and return that were effectively realised.
- These classes will continue to distribute in periods that the Sub-Fund has negative returns or is making losses, which further reduces the NAV of the Sub-Fund. In extreme circumstances, investors may not be able to get back the original investment amount.
- Investors should note that a positive distribution yield does not imply a positive return. These classes do not distribute a fixed amount and the constant percentage of distribution results in higher absolute distributions when the NAV of the relevant class is high, and lower absolute distributions when the NAV of the relevant class is low. Hence, the absolute distributions received by investors may vary from month to month.

**Risks associated with investment in financial derivative instruments ("FDI"):**

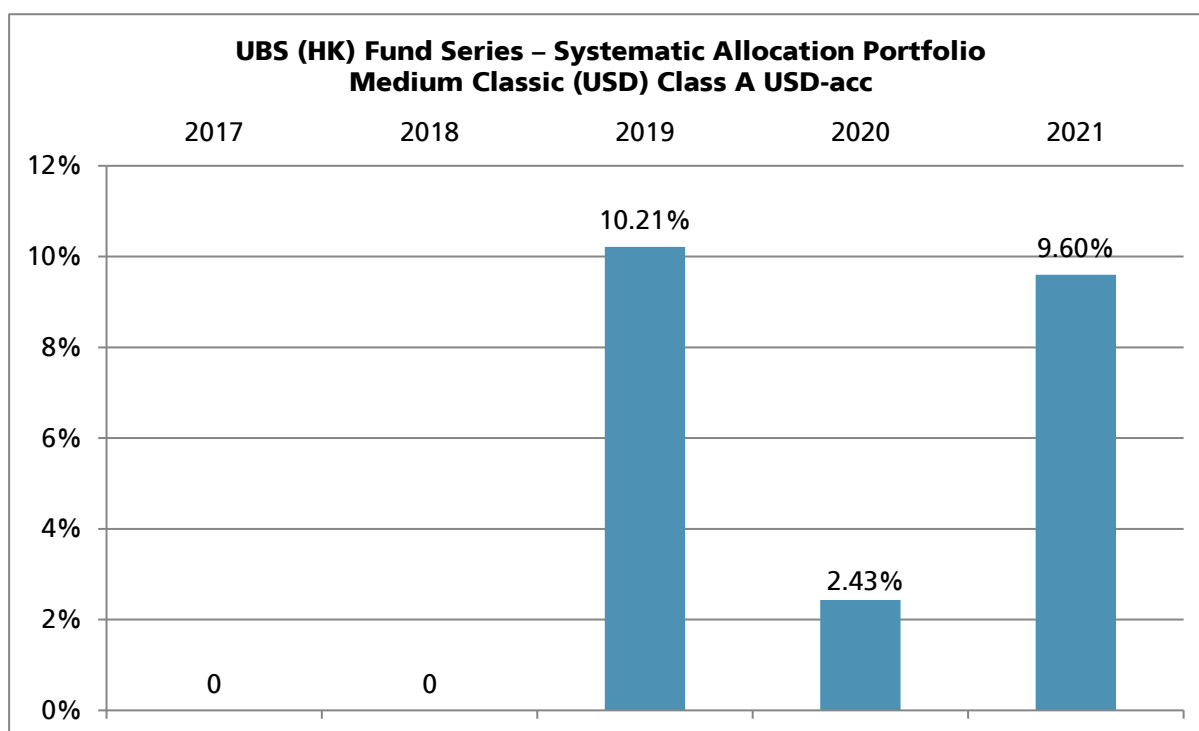
- Risks associated with FDI include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDI may lead to a high risk of significant loss by the Sub-Fund.

**Risks associated with investments in LAP:**

- Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger event(s) (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.
- In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.
- The Sub-Fund may invest in contingent convertible debt securities, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.
- The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.



## How has the Sub-Fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much Class A USD-acc increased or decreased in value during the calendar year being shown. Performance data has been calculated in USD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Class A USD-acc is selected as representative unit class as it is denominated in the Sub-Fund's base currency.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: 26 October 2018
- Class A USD-acc launch date: 26 October 2018

## Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

## What are the fees and charges?

### Charges which may be payable by you

You may have to pay the following fees when dealing in the Units of the Sub-Fund.

#### Fee

#### What you pay

**Subscription charge:**

Up to 3% of the subscription amount

**Conversion fee:**

Up to 1% of the subscription amount

<b>Redemption charge:</b>	NIL
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### **Ongoing fees payable by the Sub-Fund**

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

	<b>Annual rate (as a % per annum of the NAV of the Sub-Fund) or amount (as the case may be)</b>
<b>Management fee:</b>	Class A: Up to 1.2%* Class K-1: Up to 0.82%* Class Q: Up to 0.6%*
<b>Trustee fee:</b>	Up to 0.09%*
<b>Registrar fee</b>	USD6,000 per annum for the first 50 unitholders and thereafter USD100 per annum per unitholder
<b>Service fee:</b>	Up to 0.4%*
<b>Performance fee:</b>	N/A

### **Other Fees**

You may have to pay other fees and charges when dealing in the Units of the Sub-Fund. The Sub-Fund will also bear the costs which are directly attributable to it, as set out in its Prospectus.

\* The current annual rate may be increased up to a specified permitted maximum level as set out in the Prospectus by giving one month's prior notice to the investors.

### **Additional Information**

- You generally buy and redeem Units at the Sub-Fund's next-determined NAV after the Registrar (directly or via the relevant authorized distributor(s)) receives your request in good order on or before 5:00 p.m. (Hong Kong time) on the relevant Dealing Day, being the dealing cut-off time. The relevant authorized distributor(s) may impose different dealing deadlines for receiving subscriptions, redemptions or switching requests from investors. Investors should pay attention to the arrangements of the relevant authorized distributor(s) concerned.
- The NAV of the Sub-Fund is calculated and the price of Units is published each business day (as more particularly defined and described in the Prospectus). They are available online at <https://www.ubs.com/hk/en/asset-management/>.\*
- You may obtain past performance information of other unit classes on the website set out above.
- The compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) Capital) for the last 12 months will be made available by the Manager on request and also on the website set out above.

\* This website has not been reviewed by the SFC.

### **Important**

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.