

Product Key Facts

UBS (HK) Fund Series – Asia Income Bond (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

| | | |
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| Manager: | UBS Asset Management (Hong Kong) Limited | |
| Investment Manager(s): | The Manager may delegate its investment management functions internally to one or more qualified UBS entities acceptable to the SFC | |
| Trustee and Registrar: | HSBC Institutional Trust Services (Asia) Limited | |
| Dealing frequency: | Daily (a business day on which banks in Hong Kong are open for normal banking business) | |
| Base currency: | USD | |
| Ongoing charges over a year: | Class A USD-acc | 1.58%** |
| | Class A USD-mdist | 1.52%** |
| | Class A USD-5%-mdist | 1.31%** |
| | Class A HKD-mdist | 1.58%** |
| | Class A HKD-5%-mdist | 1.44%** |
| | Class A RMB hedged-mdist | 1.62%** |
| | Class A AUD hedged-mdist | 1.63%^ |
| | Class A AUD hedged-5%-mdist | 1.63%^ |
| | Class Q USD-acc | 1.14%^ |
| | Class Q USD-mdist | 1.14%^ |
| Dividend policy: | Class A USD-acc, Class Q USD-acc | Accumulating (no distribution of dividend, income will be reinvested for this class, if any). |
| | Class A USD-5%-mdist*, Class A HKD-5%-mdist*, Class A AUD hedged-5%-mdist* | Monthly distribution amount = $5\% \div 12 \text{ months} \times \text{net asset value ("NAV")}$ at the end of each month. The dividend rate (i.e. 5%) and distribution frequency of the fixed rate distribution classes will not be changed [◊] . |
| | Class A USD-mdist*, Class A HKD-mdist*, Class A RMB hedged-mdist*, Class A AUD hedged-mdist*, Class Q | Distributing monthly (the Manager will decide whether and to what extent distributions are to |

[◊] Investors should note that a positive distribution yield does not imply a positive return.

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| | USD-mdist* | be declared and paid). |
| Financial year end of the Sub-Fund: | 31 December | |
| Minimum investment: | <u>Initial:</u> Class A USD***: US\$2,500 (or its equivalent in any other freely convertible currency) Class A HKD: HK\$2,500 (or its equivalent in any other freely convertible currency) Class A RMB hedged: RMB2,500 (or its equivalent in any other freely convertible currency) Class A AUD hedged: AUD2,500 (or its equivalent in any other freely convertible currency) Class Q USD***: US\$2,500 (or its equivalent in any other freely convertible currency) <u>Additional:</u> Class A USD***: US\$1,000 (or its equivalent in any other freely convertible currency) Class A HKD: HK\$1,000 (or its equivalent in any other freely convertible currency) Class A RMB hedged: RMB1,000 (or its equivalent in any other freely convertible currency) Class A AUD hedged: AUD1,000 (or its equivalent in any other freely convertible currency) Class Q USD***: US\$1,000 (or its equivalent in any other freely convertible currency) | |
| <p>*Unit classes with "-mdist" in their name may make monthly distributions. They may also make distributions out of capital (this may include inter alia 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").</p> <p>**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.</p> <p>***Including each distribution unit class (unit classes with "-mdist" in their name) and accumulation unit class (unit classes with "-acc" in their name).</p> <p>^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.</p> | | |
| What is this product? | | |
| UBS (HK) Fund Series – Asia Income Bond (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 | | |
| <u>Objective</u> | | |
| The investment objective of the Sub-Fund is to maximize total return over the long term with a focus on income generation by investing primarily in a broad range of Asian debt securities. | | |
| <u>Strategy</u> | | |
| The Sub-Fund seeks to achieve its investment objective by investing primarily (i.e. at least 70% of | | |

its NAV) in debt securities issued or guaranteed by bodies in, registered in, or with significant operations in Asia (including emerging markets) including but not limited to government and non-government bonds (including bonds issued by local authorities, supra-nationals, agencies and corporate entities); fixed rate, variable rate (including floating rate), inflation-linked, convertible, secured, and unsecured, debt securities.

The Sub-Fund may invest less than 50% of its NAV in debt securities which are 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, or in the case of onshore China debt securities, BB+ or below by a reputable Mainland Chinese credit rating agency), or debt securities which are unrated. In the event of split ratings (i.e., when a security receives different ratings from two or more credit rating agencies), the security will receive: (a) the middle rating if the security is rated by more than two credit rating agencies, or (b) the lower rating if the security is rated by two credit rating agencies only. For the purpose of the Sub-Fund, "unrated debt security" is defined as a debt security which neither the security itself nor its issuer has a credit rating.

The Manager does not intend to invest more than 10% of the NAV of the Sub-Fund in securities issued and/or guaranteed by a single sovereign issuer which is 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), on behalf of the Sub-Fund.

The Sub-Fund may invest less than 70% of its NAV in onshore and/or offshore China debt securities, which shall include (i) onshore China debt securities held through Qualified Foreign Investors ("**QFI**"), the mutual bond market access between Hong Kong and Mainland China (Bond Connect) or the China Interbank Bond Market Initiative (CIBM Initiative), and/or (ii) offshore China debt securities issued in non-CNY currencies. For the avoidance of doubt, the Sub-Fund will not invest in Dim Sum bonds. The Sub-Fund may invest not more than 20% of its NAV in Urban Investment Bonds (城投債), which are debt instruments issued by Mainland Chinese local government financing vehicles ("**LGFVs**") and are typically not guaranteed by local governments or the central government of the Mainland China. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

The debt securities invested by the Sub-Fund may be denominated in the base currency of the Sub-Fund or other currencies which may or may not be hedged.

The Sub-Fund may invest in debt instruments with loss-absorption features ("**LAPs**") such as contingent convertible debt securities, senior non-preferred debt instruments, senior or subordinated debt instruments, debt instruments that meet the qualifying criteria to be Additional Tier 1 Capital or Tier 2 Capital under the Banking (Capital) Rules and similar debt instruments issued under an equivalent regime of non-Hong Kong jurisdictions. 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 LAPs will be up to 50% of its NAV, and the Sub-Fund's investments in each category of LAPs will not exceed 30% of its NAV.

The value of investments in asset-backed securities, mortgage-backed securities, collateralized loan obligations and collateralized debt obligations will not exceed 10% of the Sub-Fund's NAV.

Under exceptional circumstances (e.g. major crisis), the Sub-Fund may temporarily invest up to 100% of its NAV in cash/cash equivalents such as bank deposits, certificates of deposit, commercial paper and treasury bills.

The Sub-Fund may invest up to 10% of its NAV in units or shares of other collective investment schemes and/or exchange traded funds ("**ETFs**", as defined in the Prospectus). 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 Sub-Fund may use financial derivative instruments for hedging and investment purposes.

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.

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.

Currency hedging risk:

- The investments of the Sub-Fund may be denominated in the base currency of the Sub-Fund or other currencies which may or may not be hedged. Currency hedging instruments may involve the risk of a default by a counterparty (counterparty risk). In addition, hedging involves costs and may be ineffective, resulting in significant loss. The cost of hedging transactions and hedging conducted at the Sub-Fund level may preclude unitholders from benefitting from the appreciation of currencies which are not the base currency of the Sub-Fund.

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 debt securities in certain Asian 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 in the case of onshore China debt securities, BB+ or below by a reputable Mainland Chinese credit rating agency) 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.

- **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 credit rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.
- **Credit rating agency risk:** The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland credit rating agencies may therefore not be directly comparable with those given by other international credit rating agencies.

Concentration risk:

- The Sub-Fund's investments are concentrated in Asia (including China). The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Asia (including China).

Emerging market risk:

- The Sub-Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

Mainland China regulatory risk:

- The Sub-Fund's ability to make the relevant investments or to implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in Mainland China, which are subject to change and such change may have potential retrospective effect.

Mainland China tax risk:

- There are risks and uncertainties associated with the current Mainland Chinese tax laws, regulations and practice in respect of gains realized or interest arising from the Sub-Fund's investments in Mainland Chinese securities (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.
- Based on professional and independent tax advice, the Sub-Fund currently does not accrue any China tax provision.
- If tax provision is to be made by the Sub-Fund, any shortfall between the provision and the actual tax liabilities, which will be debited from the Sub-Fund's assets, will adversely affect the Sub-Fund's NAV. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).
- Unitholders should seek their own tax advice on their tax position with regard to their investments in the Sub-Fund.

RMB currency and conversion risks:

- RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.
- Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.
- Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

China Interbank Bond Market risk:

- The China Interbank Bond Market is an over-the-counter market established in 1997. The

China Interbank Bond Market is in a stage of development and internationalization. The China Interbank Bond Market is also subject to regulatory risks. Market volatility and potential lack of liquidity due to low trading volume may result in prices of certain debt securities traded on such market fluctuating significantly. In particular, the bid and offer spreads of the prices of onshore PRC bonds may be large, and the Sub-Fund may therefore incur significant trading and realization costs when selling such investments. The Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties, as well as restrictions on investment quota and the repatriation of capital.

Risks associated with Bond Connect:

- The relevant rules and regulations on Bond Connect are subject to change which may have potential retrospective effect. Where a suspension in the trading through Bond Connect is effected, the ability of the Sub-Fund to invest in bonds or access the PRC market through the programme will be adversely affected. In such event, the Sub-Fund will have to increase its reliance on the CIBM Initiative, and its ability to achieve its investment objective could be negatively affected.

Risks associated with investment made through QFI scheme:

- The Sub-Fund may suffer substantial losses if the approval of the QFI status is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including the QFI custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

Risks associated with investments in LAPs:

- 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.

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

- The Sub-Fund charges all or part of its fees and expenses to capital which means that the Sub-Fund may effectively pay dividend out of capital and as such may impact the dividend

payment to unitholders. 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.

- The distribution amount and NAV of the hedged Unit classes may be adversely affected by differences in the interest rates of the reference currency of the hedged Unit classes and the Sub-Fund's base currency, resulting an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged Unit classes.

Risk relating to distributions at fixed rate:

- Units in classes with "5%" in their name may make monthly (-mdist) distributions at the annual percentage rate of 5%, 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 realized.
- 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.

How has the Sub-Fund performed?

Since the Sub-Fund is newly set up, there is insufficient data to provide a useful indication of past performance to investors.

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.

| <u>Fee</u> | <u>What you pay</u> |
|-----------------------------|-------------------------------------|
| Subscription charge: | Up to 3% of the subscription amount |
| Conversion fee: | Up to 1% of the subscription amount |
| Redemption charge: | NIL |

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.

| | Annual rate (as a % per annum of the NAV of the Sub-Fund) or amount (as the case may be) |
|------------------------|---|
| Management fee: | Class A (except for Class A hedged Units): Up to 1.1%* Class A hedged Units: Up to 1.15%* |

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| | Class Q: Up to 0.66%* |
| Trustee fee: | Up to 0.09%*, subject to a minimum annual fee of USD60,000 |
| Registrar fee | USD6,000 per annum for the first 50 unitholders and thereafter USD100 per annum per unitholder |
| Service fee: | Up to 0.4%* |
| Performance fee: | 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 | |
| <ul style="list-style-type: none">• 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 7:15 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/*.• 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 Sub-Fund's 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. | |