Product Key Facts

UBS (Lux) Bond SICAV – China Fixed Income (RMB)

Management Company:

UBS Fund Management (Luxembourg) S.A. **April 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

Management Company:	UBS Fund Management (Luxembourg) S.A.	
Portfolio Manager:	UBS Asset Management (Hong Kong) Limited (internal delegation)	
Depositary:	UBS Europe SE, Luxembourg Branch	
Dealing frequency:	Daily (Luxembourg business day, excluding days on which the stock exchanges in the People's Republic of China or Hong Kong are closed)	
Base currency:	CNY	
Ongoing charges over a year:	P-acc	1.10%#
	(USD) P-acc	1.22%#
	(USD) P-mdist^	1.21%#

^ Share classes with "-mdist" in their name may make monthly distributions, excluding fees and expenses. They may also make distributions out of capital (i.e. which includes the existing issued share capital, realised and unrealised capital gains) ("Capital"), at the discretion of the Management Company, or pay distributions out of gross income while charging/ paying all or part of a Sub-Fund's fees and expenses to/ out of Capital, 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. Any distributions involving payment of dividends out of Capital or payment of dividends effectively out of Capital (as the case may be) may result in an immediate reduction of the net asset value per share.

 # The ongoing charges figure is an annualised figure based on expenses for the interim period ended 30 November 2021. This figure may vary from time to time.

Dividend policy:	P-acc	Accumulating (no distribution of dividend, income will be reinvested in the Sub-Fund, if any).
	P-mdist	Distributing monthly (the Management Company will decide whether and to what extent distributions are to be declared and paid).
Financial year end of this Sub-Fund:	31 May	
Minimum investment:	0.001 share (initial investment and any subsequent investment) (Please also check whether your sales intermediary (if any) has any specific dealing requirements)	

What is this product?

The UBS (Lux) Bond SICAV – China Fixed Income (RMB) (the "**Sub-Fund**") is a sub-fund of UBS (Lux) Bond SICAV constituted as an open-ended investment fund in the form of a Luxembourg

Société d'Investissement à Capital Variable (the "**Company**"). It is a UCITS fund and is domiciled in Luxembourg and its home regulator is the *Commission de Surveillance du Secteur Financier*.

Objective and Investment Strategy

Objective
The Sub-Fund aims to generate capital growth and income, mainly by investing in local, fixed-income Chinese securities denominated in onshore RMB.

Strategy
The Sub-Fund invests mainly (i.e. at least two thirds of its total net asset value) in Chinese local, fixed-income instruments denominated in onshore RMB (i.e. CNY) that are principally but not exclusively issued by the central bank or local governments, local government-related companies, local banks, other local financial institutions or local industrial companies. These investments are conducted on the local China Interbank Bond Market ("**CIBM**") via the regime allowing foreign institutional investors to invest in the PRC inter-bank bond market ("**CIBM Initiative**") and on the local currency market, both directly and indirectly via derivatives (traded on an exchange or over-the-counter). The Sub-Fund may invest up to one-third of its total net asset value in fixed income instruments not denominated in RMB, such as USD. The Sub-Fund may from time to time adopt a hedging strategy for its non-RMB denominated investments, but it is not obligated to do so.

The Sub-Fund may invest up to 20% of its net assets in asset backed securities ("**ABS**"), mortgage backed securities ("**MBS**") and collateralised debt obligations ("**CDOs**") / collateralised loan obligations ("**CLOs**"). However, the Sub-Fund may not invest in MBS, commercial mortgage-backed securities, ABS or CDOs/CLOs issued by US issuers.

The Sub-Fund may invest up to 100% in fixed income securities which have a maximum rating of BBB by Standard & Poor's or a comparable rating from another internationally recognised rating agency or unrated (and have a comparable internal UBS rating). For the purpose of this Sub-Fund, "unrated" means that neither the instrument nor its issuer has a credit rating.

Although distressed security exposure is not intended to be a key driver of the investment strategy, the Sub-Fund may invest in such securities (bonds with a rating of CC and lower by Standard & Poor's, a comparable rating from another internationally recognised rating agency or CCC and lower by an onshore China rating agency or unrated (and have a comparable internal UBS rating)). As many of the debt instruments in the People's Republic of China ("**PRC**") do not have rating assigned by international credit rating agencies, the credit rating assigned by an onshore China credit rating agency is likely to apply to the distressed securities. The exposure limit to such distressed securities is 5% of the total net asset value of the Sub-Fund.

The Sub-Fund is currently expected to invest no more than 30%, but it may invest up to 50%, of its total net asset value in instruments with loss-absorption features ("**LAP**") and such instruments include contingent convertible debt securities ("**CoCos**"), non-preferred senior 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 LAP instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). For the avoidance of doubt, the Sub-Fund may invest up to 20% of its assets in CoCos and investments in each other category of LAP instruments will not exceed 30% of the total net asset value of the Sub-Fund.

If convertible securities are converted into ordinary shares, the Sub-Fund may hold these ordinary shares in its portfolio, even if it does not usually invest in such shares.

The Sub-Fund may invest up to 30% of its total net asset value in Urban Investment Bonds (城投債), being debt instruments issued by mainland Chinese local government financing vehicles ("**LGFVs**"), such bonds are typically not guaranteed by local governments or the central government of 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 Sub-Fund is not currently expected to conduct securities lending nor engage in repurchase or reverse repurchase transactions.

The Sub-Fund may use financial derivative instruments for investment management and hedging purposes.

The Sub-Fund uses the benchmark Bloomberg China Aggregate Index in CNY as reference for portfolio construction, performance evaluation and risk management purposes.

Use of derivatives

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

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 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 shares may be designated in a currency other than the base currency of the Sub-Fund. The net asset value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

Currency Hedging Risk

- While potentially reducing the currency risks to which a Sub-Fund would otherwise be exposed, 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 and may have adverse impact on the investors. The cost of hedging transactions which may be borne by the Sub-Fund and hedging conducted at the Sub-Fund level may preclude shareholders from benefitting from the appreciation of currencies which are not the base currency of the Sub-Fund. Significant cost may be incurred if large portion of non-RMB denominated instruments is hedged back to RMB.

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 where interest rates rise.
- *Volatility and liquidity risk*: The debt securities in the Chinese market may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets 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.
- *Downgrading risk*: The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Portfolio Manager may or may not be able to dispose of the debt instruments that are being downgraded.
- *Valuation risk*: Valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations. If such variation turns out to be incorrect, this may affect the net asset value calculation of the Sub-Fund.
- *Credit rating risk and credit rating agency risk*: Credit ratings assigned by rating agencies are subject to limitations and do not guarantee to creditworthiness of the security and/or the issuer at all times. Also, the credit appraisal system in mainland China and the rating methodologies

employed in mainland China may be different from those employed in other markets. Credit ratings given by mainland China rating agencies may therefore not be directly comparable with those given by other internationally recognised rating agencies.
- *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 investments / exposure to RMB currency and/or mainland China
- *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.
- *Risks relating to investment in Urban Investment Bonds*: The Sub-Fund may invest in Urban Investment Bonds. Urban Investment Bonds are issued by LGFVs and are typically not guaranteed by local governments or the central government of China. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the net asset value of the Sub-Fund could be adversely affected.
- *PRC regulatory risk*: The Sub-Fund's ability to make the relevant investments or to fully 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 the PRC, which are subject to change and such change may have potential retrospective effect.

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 internationalisation. 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 on-shore PRC bonds may be large, and the Sub-Fund may therefore incur significant trading and realisation 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 the CIBM Initiative
- Investing in the CIBM via the CIBM Initiative is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the CIBM via the CIBM Initiative are subject to change which may have potential retrospective effect.
- In the event that the relevant PRC authorities suspend account opening or trading on the CIBM, the Sub-Fund's ability to invest in the CIBM will be adversely affected.

Risks associated with debt securities rated below investment grade or rated BB+ or below by onshore China credit rating agency or unrated
- The Sub-Fund may invest in debt securities rated below investment grade or 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.

Risks associated with collateralised and/or securitised products
- The Sub-Fund invests in collateralised and/or securitised products such as ABS and MBS 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.

Concentration risk

- The Sub-Fund's investments are concentrated in 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 susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Chinese market.

Emerging market risks

- The Sub-Fund invests in emerging markets (i.e. mainland China) 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.

Risks of investing in convertible bonds

- Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

Risks associated with investments in debt instruments with loss-absorption features

- 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 connected with the use of financial derivative instruments ("FDI") and hedging risk

- 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 a FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.
- The Portfolio Manager is permitted, in its absolute discretion, but not obliged, to use hedging techniques (for example, using FDIs for hedging purpose) to attempt to reduce market and currency risks. There is no guarantee that hedging techniques if used, will achieve the desired result nor that hedging techniques will be used, in those cases, the Sub-Fund may be exposed to the existing market and currency risks and may be adversely impacted. The hedging, if any, against foreign exchange risks may or may not be up to 100% of assets of the Sub-Fund.

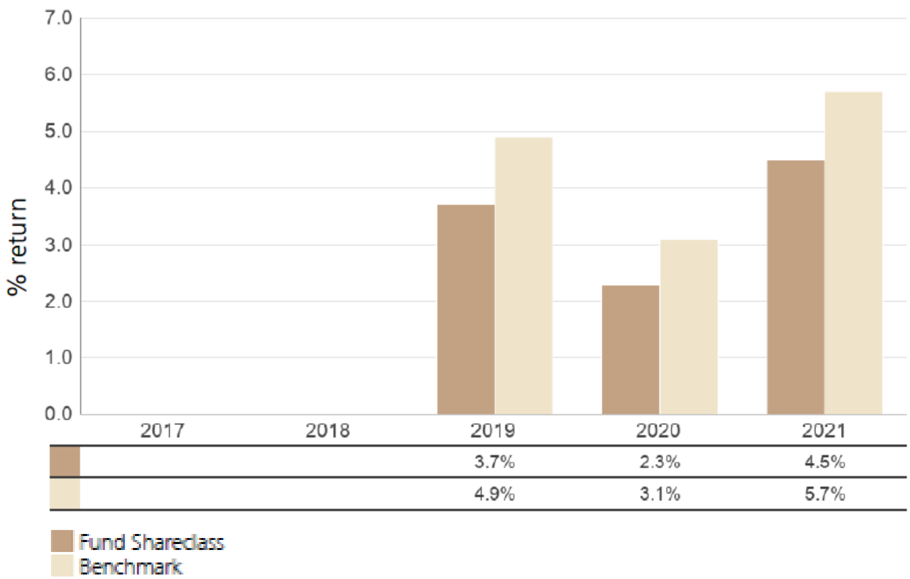
China tax risk

- There are risks and uncertainties associated with the current Chinese tax laws, regulations and practice in respect of capital gains realized or access products on the Sub-Fund's investments in China (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 tax provisioning policy of the Sub-Fund will be as follows:
  - Provide for 10% withholding income tax ("**WIT**") in respect of interest income received before 7 November 2018 where such WIT has not been withheld by the PRC issuers with regard to non-government onshore PRC bonds.
  - Provide for 6.3396% value added tax (including surcharges) ("**VAT**") in respect of interest income received before 7 November 2018 where such VAT has not been withheld by the PRC issuers with regard to non-government onshore PRC bonds (this VAT provision applies from 1 May 2016).
- 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).

Risks associated with distribution out of/effectively out of the Sub-Fund's capital

- Payment of dividends out of capital amounts 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 distributions may result in an immediate reduction of the net asset value per share.

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 the share class increased or decreased in value during the calendar year being shown. Performance data has been calculated in RMB including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- **"Benchmark"** as shown in the graph above refers to the benchmark as disclosed under the objective and investment strategy above.
- Performance of the benchmark is shown in CNY.

- Sub-Fund launch date: 14 March 2018.
- P-acc launch date: 14 March 2018.
- P-acc is selected as representative share class as it is the major share class subscribed by investors or denominated in the Sub-Fund's base currency.

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 shares of the Sub-Fund.

Fee	**What you pay**
Subscription fee:	Up to 3% of the subscription amount, except for "mdist" share classes which is up to 5%*.
Switching fee (conversion fee):	Up to 3% of the net asset value per share of the Sub-Fund or share class from which the shareholder is switching out multiplied by the number of shares to be switched by the shareholder, except for "mdist" share classes which is up to 5%*.
Redemption charge:	NIL

**Investors should note that in respect of "mdist" share classes, a maximum of up to 6% may be charged upon giving 1 month's prior notice to affected investors.*

You should check with the relevant authorised distributor to confirm the applicable fees and charges (including any additional taxes or commissions, where applicable) incurred in Hong Kong on the issuance, redemption or conversion of shares.

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)
Management fee, Depositary fee & Administration fee:	For non-currency hedged share classes P: Currently at 1.150% p.a. % p.a. This is the maximum flat fee^ the Sub-Fund may charge (maximum management fee currently at 0.920% p.a.). Investors will be given at least one month's prior notice (or such notice period as the SFC may approve in advance) in respect of any increase in the level of the flat fee.
Performance fee:	N/A

^ *The maximum flat fee does not include the following fees and additional expenses which are also charged to the Sub-Fund, such as but not limited to additional expenses related to management of the Sub-Fund's asset for the sale and purchase of assets, auditor's fees for annual audit, fees for legal and tax advisers, costs for the Sub-Fund's legal documents etc. The aforementioned fees and additional expenses are not an exhaustive list, for further details, please refer to the section headed "Expenses paid by the Company" and under the heading "The sub-funds and their special investment policies" in the Prospectus.*

Other Fees

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

Additional Information

- You generally buy and redeem shares at the Sub-Fund's next-determined net asset value (NAV) after the relevant authorised distributor or the Hong Kong Representative receives your request in good order by or before 5:00 pm (Hong Kong time) on a business day in Hong Kong. The relevant authorised distributor(s) may impose different dealing deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should pay attention to the arrangements of the relevant authorized distributor(s) concerned.

- The net asset value of this Sub-Fund is calculated, and the price of the shares published, each business day (as more particularly defined and described in the offering document), the prices are available online at https://www.ubs.com/hk/en/asset-management/*.

- Investors may obtain the past performance information of other share classes offered to Hong Kong investors from https://www.ubs.com/hk/en/asset-management/*.

- The compositions of the distributions (i.e. the relative amounts pay out of (i) net distributable income and (ii) capital) for the last 12 months will be made available by the Hong Kong Representative on request and also on https://www.ubs.com/hk/en/asset-management/*.

**This website has not been reviewed by the SFC and may contain information on sub-funds which have not been authorised by the SFC and are not available to the retail public in Hong Kong.*

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.