

# Product Key Facts

## UBS (HK) Fund Series – Global High Yield 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

<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 are open for normal banking business)	
<b>Base currency:</b>	USD	
<b>Unit classes available:</b>	Class A USD-acc, Class A USD-mdist, Class A HKD-acc, Class A HKD-mdist	
<b>Dividend policy:</b>	Class A USD-acc, Class A HKD-acc	Accumulating (no distribution of dividend, income will be reinvested for this class, if any).
	Class A USD-mdist*, Class A HKD-mdist*	Distributing monthly (the Manager will decide whether and to what extent distributions are to be declared and paid)
<b>Ongoing charges over a year**:</b>	Class A USD-acc, Class A USD-mdist, Class A HKD-acc, Class A HKD-mdist	1.40%
<b>Financial year end of the Sub-Fund</b>	31 December	
<b>Minimum investment:</b>	<u>Initial:</u>	
	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)	
	<u>Additional:</u>	
	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)	

freely convertible currencies)

\*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 net asset value) ("**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 net asset value ("**NAV**") per unit of the Sub-Fund ("**Unit**").

\*\*This figure is an estimate only. The Sub-Fund 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 – Global High Yield 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

### Objective

The investment objective of the Sub-Fund is to generate income by investing primarily in global high yield bonds, diversified by market and instrument.

### Strategy

The Sub-Fund intends to invest at least 70% of its NAV in non-investment grade debt securities (i.e., assigned with a rating of below BBB- by Standard & Poor's or Fitch Ratings or below Baa3 by Moody's) or debt securities which are unrated, issued or guaranteed by corporates, international and supranational organisations, public and state-owned institutions domiciled in any region (including emerging markets) (collectively, "**high yield bonds**") and denominated in different currencies. 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. If the security is unrated by Standard & Poor's, Fitch Ratings and Moody's, the security will be considered unrated.

The debt securities invested in by the Sub-Fund may include sovereign debts, collateralised/securitised products (including asset-backed securities, mortgage-backed securities, asset-backed commercial papers and collateralised loan obligations), which may be issued or guaranteed by entities domiciled in any region (including emerging markets), and may be denominated in different currencies. The Sub-Fund's exposure to sovereign debts may be above 30% of its NAV. However, 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 are 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 securities which are unrated on behalf of the Sub-Fund.

The Sub-Fund exposure to the collateralised/securitised products will be up to 30% of its NAV, and such products will not involve synthetically structured instruments which may have embedded derivatives.

The Sub-Fund may also invest less than 30% of its NAV in other securities, including, but not limited to, investment grade debt securities, urban investment bonds, Dim Sum bonds, and equity securities.

The Sub-Fund may invest a maximum of 15% of its NAV in convertible (including contingent convertible bonds), exchangeable and warrant-linked bonds as well as convertible debentures. An exchangeable bond is a type of convertible bond that offers the holder the right to exchange the debt of an issuer for stock of a company other than the issuer (but usually within the same group). A warrant-linked bond is a type of convertible bond that is composed of a bond and a warrant. For the avoidance of doubt, the Sub-Fund may invest in debt instruments with loss-absorption features ("LAP") including 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.

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

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.

#### **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 collateralised and/or securitised products (including asset-backed securities, mortgage-backed securities, asset-backed commercial papers and collateralised loan obligations) 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.

**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.

**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.

**Risk associated with contingent convertible bonds:**

- Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level and may be subject to the following key risks:
- *Trigger level risk/conversion risk*: Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the trigger events that would require conversion. These instruments may be converted into shares potentially at a discounted price and the principal amount invested may be lost. In case of a conversion, the Manager might be forced to sell new equity shares upon conversion and such forced sale may result in the Sub-Fund experiencing loss.
- *Coupon cancellation risk*: Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. These instruments may be volatile and their price may decline rapidly in the event that coupon payments are suspended.
- *Novelty and untested nature*: The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.
- *Sector concentration risk*: Contingent convertible bonds are issued by banking and insurance institutions. The performance of the Sub-Fund may therefore be affected by a greater extent on the overall condition of the financial services industry than for the funds following a more diversified strategy.

**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.

**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?**

- Since the Sub-Fund has not been launched, 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.

**Fee**
**What you pay**

**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.

**Management fee:** **Annual rate (as a % per annum of the NAV of the Sub-Fund) or amount (as the case may be)**  
Up to 1.25%\*

**Trustee fee:** 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/wholesale.html](https://www.ubs.com/hk/en/asset_management/wholesale.html).
- 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 as 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.