

Product Key Facts

UBS (HK) Fund Series – China High Yield Bond (USD)

Manager: UBS Asset Management (Hong Kong) Limited

August 2022

<p><i>This statement provides you with key information about this product.</i></p> <p><i>This statement is a part of the offering document.</i></p> <p><i>You should not invest in this product based on this statement alone.</i></p>		
Quick Facts		
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, Singapore and the financial exchanges in the United States are open for normal banking business)	
Base currency:	USD	
Unit classes available:	Class A USD-acc, Class A USD-mdist, Class A USD-n-mdist, Class A HKD-mdist, Class A RMB hedged-mdist, Class K-1 USD-acc, Class K-1 USD-mdist, Class K-1 HKD-acc, Class K-1 HKD-mdist, Class Q USD-acc, Class Q USD-mdist, Class Q HKD-acc, Class Q HKD-mdist	
Dividend policy:	Class A USD-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-mdist*, Class A USD-n-mdist*, Class A HKD-mdist*, Class A RMB hedged-mdist*, Class K-1 USD-mdist*, Class K-1 HKD-mdist*, 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)
Ongoing charges over a year:	Class A USD-acc	1.41%**
	Class A USD-mdist	1.41%**
	Class A USD-n-mdist	1.41%**
	Class A HKD-mdist	1.41%**
	Class A RMB hedged-mdist	1.46%**
	Class K-1 USD-acc	0.96%^
	Class K-1 USD-mdist	0.96%^
	Class K-1 HKD-acc	0.96%^
	Class K-1 HKD-mdist	0.96%^

Class Q USD-acc	0.97%^
Class Q USD-mdist	0.97%**
Class Q HKD-acc	0.97%^
Class Q HKD-mdist	0.97%^

Financial year end of the Sub-Fund 31 December

Minimum investment:

Initial:

Class A (except for Class A RMB hedged-mdist)***:

US\$2,500 (or its equivalent in other freely convertible currencies)

Class A RMB hedged-mdist: RMB2,500 (or its equivalent in other freely convertible currency)

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 (except for Class A RMB hedged-mdist)***:

US\$1,000 (or its equivalent in other freely convertible currencies)

Class A RMB hedged-mdist: RMB1,000 (or its equivalent in other freely convertible currency)

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. Unit classes with "-mdist" (other than "n-mdist") may also make distributions out of capital (this may include inter alia 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**").

**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.

^^Units classes with "n-mdist" in their name may make monthly distributions, which are intended to be made out of net income, at the discretion of the Manager. Although the intention is for distributions to be made out of net income, there is no guarantee that this will be achieved. It is possible that distributions may be made from Capital. Distributions out of Capital result in the reduction of an investor's original capital invested in the Sub-Fund. Furthermore, any distributions from the income and/or involving the Capital result in an immediate reduction of the NAV per Unit.

***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 – China 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 achieve capital appreciation and provide income by investing primarily in high-yield debt securities of issuers that are domiciled or generate a predominant share of their sales and/or their profits in all the custom territories of the People's Republic of China ("**Mainland China**"), Hong Kong and Macau which provide a focused exposure to a significant and growing economic region.

Strategy

The Sub-Fund invests at least 70% of its NAV in debt securities issued by entities which are domiciled or generate a predominant share of their sales and/or their profits in Mainland China, Hong Kong and Macau. These debt securities invested by the Sub-Fund will consist of USD denominated bonds, RMB denominated bonds (traded in the onshore or offshore market) or other currency denominated bonds as applicable.

The Sub-Fund intends to invest at least 70% of its NAV in non-investment grade bonds (i.e., assigned with a rating of below BBB- by Standard & Poor's or Fitch Ratings or below Baa3 by Moody's) or bonds 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. If the security is unrated by Standard & Poor's, Fitch Ratings and Moody's, the security will be considered unrated.

In addition to the debt securities mentioned above, the Sub-Fund also has the ability to invest in other securities (up to 30% of its NAV in aggregate), including, but not limited to, (a) USD or other non-RMB denominated investment grade or non-investment grade bonds of other issuers, and (b) investment grade or non-investment grade RMB-denominated debt securities of other issuers traded in the offshore or onshore Mainland Chinese market (including but not limited to panda bonds).

The Sub-Fund can invest not more than 20% of its NAV in debt securities issued in Mainland China directly by using direct China Interbank Bond Market access.

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 can invest not more than 20% of its NAV in urban investment bonds, being debt instruments issued by local government financing vehicles ("**LGFVs**") in the listed bond and interbank bond market in 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 may invest a maximum of 10% of its NAV in convertible, 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.

In addition, the Sub-Fund may invest up to 10% of its NAV in equities, equity rights and warrants as well as shares, other equity shares and dividend-right certificates acquired through the exercise of conversion rights (including via convertible bonds and exchangeable bonds), subscription rights or warrants, in addition to warrants remaining after the separate sale of ex-issues and any equities acquired with these warrants. The equities acquired by exercise of rights or through subscription (including via convertible bonds and exchangeable bonds) must be sold no later than 12 months after they were acquired.

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 direct China Interbank Bond Market access) may not exceed 20% of the NAV of the Sub-Fund.

The Sub-Fund may not at any time conduct physical short-selling.

The Manager currently has no intention to:

- (a) invest in asset-backed securities (including mortgage-backed securities and asset-backed commercial papers) in respect of the Sub-Fund; or
- (b) enter into any securities lending, repurchase agreements, reverse repurchase agreements or other similar over-the-counter transactions in respect of the Sub-Fund.

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.

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 Mainland China, Hong Kong and Macau 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 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 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 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.

Concentration risk:

- The Sub-Fund's investments are concentrated in a specific geographical location. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

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.

Risks associated with "Dim Sum" bond market:

- The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the NAV of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

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.

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 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.

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.

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 onshore Mainland Chinese 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, default of counterparties and the repatriation of capital.

Risk associated with urban investment bonds:

- Urban investment bonds are issued by LGFVs. Although local governments may be seen to be closely connected to urban investment bonds, such bonds are typically not guaranteed by local governments or the central government of Mainland China. As such, local governments or the central government of Mainland China are not obliged to support any LGFVs in default. 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.

Custody risk:

- Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where the Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

Mainland China 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 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 capital 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 tax provisioning policy of the Sub-Fund will be as follows:
 - Provide for 10% WIT in respect of interest income received before 7 November 2018 where such WIT has not been withheld by Mainland Chinese issuers with regard to non-government onshore Mainland Chinese bonds.

- Provide for 6.3396% VAT (including surcharges) in respect of interest income received before 7 November 2018 where such VAT has not been withheld by Mainland Chinese issuers with regard to non-government onshore Mainland Chinese 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).

RMB currency and conversion risks:

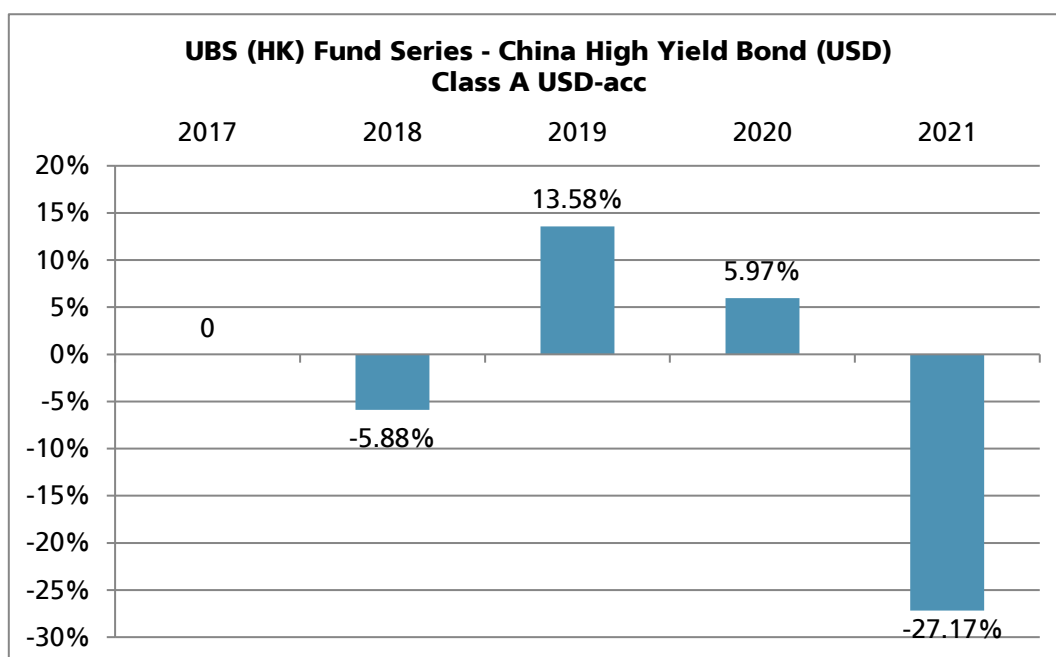
- RMB is currently not freely convertible and is subject to exchange controls and restrictions.
- Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation 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 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.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: 6 March 2017
- Class A USD-acc launch date: 6 March 2017
- Class A USD-acc is selected as representative unit class as it is 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 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.

	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 RMB hedged-mdist): Up to 1.25%* Class A RMB hedged-mdist: Up to 1.3%* Class K-1: Up to 0.8%* Class Q: Up to 0.81%*
Trustee fee:	Up to 0.09%*
Registrar fee	USD6,000 per annum for the first 50 unitholders and thereafter USD100 per annum per unitholder
Service fee:	Class A, Class Q: Up to 0.4%* Class K-1: Nil
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

- You generally buy and redeem units at the Sub-Fund's next-determined NAV after the Registrar (directly or via the relevant authorised distributor(s)) receives your request in good order on or before 7:00 p.m. (Hong Kong time) on the relevant Dealing Day, being the dealing cut-off time. The relevant authorised 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 authorised 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 Sub-Fund's 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 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.