

Notice to Unitholders

UBS (Lux) Bond Fund (the “Fund”)

This notice is important and requires your immediate attention. If you are in any doubt about the contents of this notice you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser for independent professional advice. UBS Fund Management (Luxembourg) S.A. (the “Management Company”), the management company of the Fund accepts full responsibility for the accuracy of the information contained in this notice and confirms, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts or omission of which would make any statement misleading.

Capitalised terms used herein shall bear the same meanings as capitalised terms used in the Sales Prospectus dated September 2017 (the “Sales Prospectus”) and the Information for Hong Kong Investors (“IHKI”) dated November 2017, as may be amended and supplemented from time to time.

Dear Hong Kong resident Unitholders,

We are writing to inform you in relation to the following changes of the Fund:-

A. Change in redemption gate mechanism

Further to the notice dated 30 July 2018 (“**July Notice**”) issued by UBS Asset Management (Hong Kong) Limited (the “**Hong Kong Representative**”) on behalf of the Management Company, we are writing to provide you with further information on the change of the redemption gate mechanism as set out in item 3) of the July Notice (the “**Redemption Gate Change**”).

As currently disclosed in the IHKI, where redemption requests on any one dealing day exceed 10% of the total number of units in issue, redemption requests in excess of 10% may be deferred to the next business day.

In the July Notice, we informed you of the following additional disclosure to be added to the Sales Prospectus: “*The Management Company reserves the right not to execute redemption and conversion orders in full on any order date on which this would lead to outflows of more than 10% of the total net asset value of a sub-fund on that date. In this case, the Management Company may decide to only partially execute redemption and conversion orders, and to postpone the redemption and conversion orders for the order date that have not been executed for a period generally not to exceed 20 business days, giving them priority status.*”

We wish to clarify that the Redemption Gate Change as notified to you in the July Notice is a change in the redemption gate mechanism of the Fund such that the redemption gate will apply based on the total net asset value of a Sub-Fund, rather than the total number of units in issue (as currently disclosed in the IHKI). As a result of the Redemption Gate Change, when redemption and conversion orders on any order date lead to outflows of more than 10% of the total net asset value of a Sub-Fund on that date, the Management Company may decide to (but is not obliged to) only partially execute redemption and conversion orders, and to postpone the redemption and conversion orders in excess of 10% of the total net asset value of a Sub-Fund from the order date for a period generally not to exceed 20 business days, giving them priority status (relative to orders received on the next order date).

The Redemption Gate Change is primarily to clarify and better reflect the Management Company's intention when calculating the threshold in the event of redemption gating. In practice, the portfolio manager will assess a Sub-Fund's liquidity by referencing the estimated aggregate redemption value of the Sub-Fund for the day and whether he/she will be able to execute the redemption for the portfolio without duress, taking into account the amount of assets in the portfolio and the trades being placed into the market. As the Management Company's redemption gating model is at fund level and not at unit class level, and redemption management is also at fund level, the Redemption Gate Change will avoid certain scenarios whereby the redemption gate is invoked by the redemption of a large number of smaller value units (as the value per unit for different unit classes are different depending on the specific features of that unit class) and therefore the gating mechanism could be more consistently applied across all Sub-Funds of the Fund subsequent to the change. Redemption gating by asset under management, i.e. based on the net asset value of a Sub-Fund, is therefore more in line with how the Sub-Funds are being managed, and would achieve better efficiency in managing redemptions of the Sub-Funds as a whole.

The Redemption Gate Change has taken effect on 29 August 2018. However, the redemption gate has not been invoked since 29 August 2018 up to the date of this notice.

Implications of the Redemption Gate Change

The Management Company is of the view that there is no change to the risk profile of the Fund and the Sub-Funds as a result of the Redemption Gate Change.

The rights or interests of the existing investors would not be materially prejudiced by the Redemption Gate Change. Further, there will be no change in the fee level or costs of managing the Fund following the implementation of the Redemption Gate Change.

Costs associated with the Redemption Gate Change

All the costs and expenses associated with the Redemption Gate Change set out above will be borne by the Hong Kong Representative.

B. Change to the definition of "business day"

In the July Notice, we informed you that the definition of "business day" has been supplemented to indicate that 24 and 31 December are not normal bank business days for the purposes of the Sales Prospectus (the "***Change in Business Day***"). The revised definition of "business day" is as follows:-

"A "business day" is a normal bank business day in Luxembourg (i.e. a day when the banks are open during normal business hours), except for 24 and 31 December, individual, non-statutory days of rest in Luxembourg and days on which stock exchanges in the main countries in which the respective sub-fund invests are closed, or on which 50% or more of the investments of the sub-fund cannot be adequately valued."

Further to the July Notice, we are writing to clarify that dealing instructions were accepted on 24 and 31 December prior to the Change in Business Day. Therefore, such change to the definition to exclude 24 and 31 December would in practice result in a reduction of the number of order dates on which subscription and redemption orders would be processed.

Consequent to the Change in Business Day, and as set out in the July Notice, the net asset value of a unit may also be calculated on days where no units are issued or redeemed. In this case, the net asset

value may be published, but it may only be used for the purpose of calculating performance, statistics or fees. Under no circumstances should it be used as a basis for subscription and redemption orders.

Banks in Luxembourg are typically closed for operations in the afternoon on 24 and 31 December each year (if the days fall on weekdays). The Change in Business Day seeks to align the liquidity and cash operations in the market.

The Change in Business Day has taken effect on 29 August 2018. However, such change will not have any practical effect until December 2018.

Implications of the Change in Business Day

The Management Company is of the view that there is no change to the risk profile of the Fund and the Sub-Funds as a result of the Change in Business Day. The rights or interests of the existing investors would not be materially prejudiced by the Change in Business Day. Further, there would be no change in the fee level or costs of managing the Fund following the implementation of the Change in Business Day.

Costs associated with the Change in Business Day

All the costs and expenses associated with the Change in Business Day set out above will be borne by the Management Company.

However, if, as a consequence of the Redemption Gate Change and/or the Change in Business Day, you do not wish to continue your investments in the Fund, you may redeem your units in the relevant Sub-Fund(s) free of charge, in accordance with the procedure set out in the Sales Prospectus and IHKI.

C. Changes in the publication of net asset value and notice of suspension of dealings

With effect from 1 January 2019, the net asset value in respect of units in each of the Sub-Funds will no longer be published on Hong Kong newspapers, but will remain available daily at the offices of the Hong Kong Representative and will also be published on every business day online at <https://www.ubs.com/hk/en/asset-management/funds-and-prices.html>¹.

Further, with effect from 1 January 2019, publications in relation to suspension of dealings of units of the Sub-Funds will no longer be published on Hong Kong newspapers. In the event of suspension of dealings in the Sub-Fund(s), publication will be made on the website on which the Sub-Fund's net asset value is published.

Updates to offering documents and Management Regulations

Save for the changes set out in this notice, there will be no other changes to the operation and/or manner in which the Fund and the Sub-Funds are being managed.

The Sales Prospectus and IHKI will be updated to reflect the changes set out above. Other miscellaneous and editorial changes will also be made to the offering documents. You should refer to the updated Sales Prospectus, IHKI and KFS in respect of the Fund and the Sub-Funds for further

¹ 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.

details of the changes made. The Fund's Management Regulations have also been updated with effect from 28 August 2018 to reflect the Redemption Gate Change.

The updated Sales Prospectus, IHKI, KFS and Management Regulations will be available in due course for your inspection free of charge during normal business hours (except on Saturdays, Sundays and public holidays) at the office of the Hong Kong Representative at 43/F-52/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

Enquiry

If you have any questions or concerns about the foregoing, you may contact the Fund at its registered office in Luxembourg or the Hong Kong Representative at 43/F-52/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong at telephone (852) 2971 6330 (Mailing Address: GPO Box 506 Hong Kong).

Yours sincerely,

UBS Asset Management (Hong Kong) Limited
For and on behalf of UBS Fund Management (Luxembourg) S.A

12 November 2018