

# UBS (CH) Vitainvest

**Umbrella fund under Swiss law  
(Category Other Funds for Traditional Investments)**

**Prospectus with integrated fund contract**

**July 2008**

## Part I Prospectus

This prospectus, together with the fund contract which forms an integral part thereof, the simplified prospectus and the latest annual or semi-annual report (if published after the latest annual report), serves as the basis for all subscriptions of units of this fund.

Only the information contained in the prospectus, the simplified prospectus or the fund contract shall be deemed to be valid.

### 1 Information about the investment fund

#### 1.1 General information on the fund

UBS (CH) Vitainvest is a contractually based umbrella fund governed by Swiss law established under the "Other funds for traditional investments" category of the Swiss Collective Investment Schemes Act (CISA) of 23 June 2006. The fund contract was drawn up by UBS Fund Management (Switzerland) AG as fund management company and presented to the Swiss Federal Banking Commission with the approval of UBS AG in its capacity as custodian bank. The fund contract was approved by the Swiss Federal Banking Commission for the first time in 2005.

The umbrella fund is based upon a collective investment contract under which the fund management company is obliged to provide investors with a stake in the fund in proportion to the fund units acquired by them and to manage this fund at its discretion and in its own name in accordance with the provisions of the law and the fund contract. The custodian bank is party to the contract in accordance with the tasks conferred upon it by law and the fund contract.

Within the framework of the sub-funds' investments, the fund management company complies with the prevailing investment guidelines for the financial investments of pension schemes as set out in the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and its ordinances [currently in particular Article 54 ff. of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV2)]. The fund may be used, inter alia, within the framework of fund-linked life insurance plans and pillar 3a retirement savings accounts. The provisions of the legislation concerning collective investment schemes shall take precedence provided those of the BVG and its ordinances (BVV 2) are not stricter.

The umbrella fund currently consists of the following sub-funds; their names indicate the mid values of the permitted ranges of the percentage equity components of the respective sub-funds; where there are real estate fund units, these units are not incorporated into the range of the percentage equity components:

- 12
- 25
- 40
- 50

The current unit classes are:

- a) Class "U" units are offered to all investors.
- b) Class "D" units are offered to investors who subscribe their units via
  - banks or
  - insurance companies or
  - foundations for vested pension benefits and pension fund foundations or
  - securities dealerswhich have concluded with UBS AG a distribution agreement in accordance with the guidelines on distribution from the Swiss Funds Association (SFA).

The aforementioned unit classes differ in terms of investor group. A distinction is made between the unit classes for UBS (CH) Vitainvest solely to make them easier to administer.

The unit classes are not segmented assets. Accordingly, the possibility that a unit class may be liable for the liabilities of another unit class cannot be ruled out, even though costs as a rule may only be charged to the specific unit class benefiting from a specific service.

#### 1.2 Investment objective and investment policy of the fund

The investment objective of the umbrella fund is principally to achieve an optimum overall return with the individual sub-funds by using a balanced risk strategy and investing in other funds (target funds).

Using an appropriate selection of target funds, the overall risk of the individual sub-funds is equivalent to that of a diversified asset allocation portfolio with an average equity component corresponding to the respective figure in the name of a particular sub-fund. In addition, the individual sub-funds differ in respect of their various foreign currency components (all investment currencies other than the Swiss franc).

Following deduction of liquid assets, the individual sub-funds invest at least 51% of their assets in units of other collective investments (target funds) in the category "Securities funds" and "Other funds for traditional investments" or units of undertakings for collective investment in transferable securities (UCITS) which correspond to Directive 85/611/EEC of 20 December 1985 (UCITS I) and 2001/107/EC or 2001/108/EC of 21 January 2002 (UCITS III), as well as units of undertakings for collective investment (UCIs) authorised for public distribution in and from Switzerland in accordance with Article 119 ff. of the CISA or these target funds have been approved as collective investments in the country of domicile and supervision in that country is equivalent to that in Switzerland in respect of the protection afforded to investors and international official assistance is granted. The fund management company may also invest in units of other collective investments that correspond to other funds for traditional investments, other funds for alternative investments or real estate funds (provided there is equivalent supervision).

The individual sub-funds must invest in at least five different target funds; up to 80% of a sub-fund's assets may be invested in units of the same target fund. Investments are subject to normal market fluctuations and security-specific risks depending on the selection decisions taken by the portfolio manager. With an investment of up to 80% of the assets of a sub-fund in units of the same target fund, balanced risk diversification can already be achieved at target-fund level through suitable diversification. The situation may arise where sub-funds invest up to 80% of assets in units of the same target fund if, first, a specific asset class is heavily overweighted at asset allocation level and, second, this asset class is converted into a single target fund by means of investments.

Balanced risk diversification is achieved through appropriate diversification at asset class and fund manager level. The umbrella fund's main risks are as follows: the umbrella fund's investments are subject to normal market volatility and other risks associated with securities investments. There is no guarantee that the investments will rise in value. Both the value and return of the investments can rise or fall. There is no guarantee that the investment objective will actually be reached. There is no guarantee that investors will achieve a specific return, or that they will be able to submit units to the fund management company for redemption at a specific price.

To manage fund assets efficiently, the fund management company may use derivatives. Even under extraordinary market circumstances, the use of these instruments may not alter the fund's investment goals or lead to a change in its investment profile. Due to the projected use of derivatives, this umbrella fund qualifies as a "simple securities fund". Commitment approach II (extended procedure) shall be used for the measurement of risk, with the exception that leveraging is not permitted for this umbrella fund on the basis of the provisions of the aforementioned BVG and its ordinances.

Derivatives form part of the investment strategy and are not only used to hedge investment positions.

Both basic and exotic forms of derivatives may be used as described in detail in the fund contract (cf. § 12), provided their underlying securities are permissible investments in accordance with the investment policy. The derivatives can be traded on a stock exchange or another regulated market open to the public or concluded as over-the-counter (OTC) transactions. Besides market risk, derivatives are also subject to counterparty risk, i.e. the risk that the contracting party is unable to meet its obligations and causes a financial loss as a result.

Besides credit default swaps (CDSs), all other forms of credit derivatives (e.g. total return swaps (TRSs), credit spread options (CSOs), credit linked notes (CLNs)) which can be used to transfer credit risks to third parties, so-called risk buyers, may be acquired. These risk buyers are compensated with a premium. The level of this premium depends on a number of factors including the likelihood of a loss occurring and the maximum loss; as a rule both of these factors are difficult to assess, which in turn increases the risk associated with credit derivatives. The investment fund may act as a risk buyer or seller.

The use of derivatives may not result in the fund's assets being leveraged or be tantamount to a short sale.

With regard to indirect investments via directives, it should be noted that such investments may result in a cumulation of risk. In addition to the market risk of the underlying there is the risk stemming from the issuer of the derivative. This risk cumulation can be of particular significance where derivatives on market indices are used systematically instead of a broadly diversified portfolio of direct investments.

Detailed information on the investment policy and restrictions, as well as the permitted investment techniques and instruments (in particular derivative financial instruments and their scope) are contained in the fund contract (cf. Part II, §§ 7-15).

#### 1.3 The fund-of-funds structure

Since the individual sub-funds invest predominantly in other collective investment schemes and carry out direct investments to a limited extent only, UBS (CH) Vitainvest is considered to be a fund of funds.

The specific structure of UBS (CH) Vitainvest means that, in particular, it has the following **advantages** over funds which make direct investments:

- By investing in a few existing units of other collective investment schemes which have considerable assets it is possible for the fund to offer an investment instrument in line with the provisions of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and its ordinances more cost-effectively than would be possible with a newly issued fund with smaller fund assets making direct investments.

- Even with a direct investment of the investor's available assets in units of existing collective investments, the various collective investments would have to be put together in what is known as a managed portfolio in order to comply with the provisions of the BVG and its ordinances. In contrast to the managed portfolio, a fund-of-funds structure enables investors to acquire a specific number of units of a single collective investment with a single net asset value, which makes it transparent. Further, regular adjustments to comply with the provisions mentioned in the case of managed portfolios involve much greater administrative expense as each investor's managed portfolio has to be adjusted separately. Investors would ultimately end up covering this additional expenditure.

The **disadvantage** of a fund-of-funds structure compared to funds which make direct investments is:

- Certain remuneration, incidental costs and expenses may accrue twice as a result of investing in units of existing collective investments (for example, commission to the custodian bank and central administrative unit, administrative and advisory commissions and issuing/redemption commissions of target funds in which investments were made). Such remuneration, incidental costs and expenses are charged at both the target fund and the fund-of-funds levels.

The section **Remuneration and incidental costs (5.3)** provides detailed information on general remuneration and incidental costs as well as remuneration and incidental costs in connection with investments in units of existing collective investments.

#### 1.4. Profile of the typical investor

The umbrella fund is appropriate for investors who do not themselves wish to implement the investment strategy for their assets, but want to delegate this task to the fund manager.

#### 1.5 Tax regulations relevant for the fund

Investment funds have no legal personality in Switzerland. They are subject neither to income tax nor to capital gains tax. In contrast, income distributions are subject to Swiss federal withholding tax (tax at source of 35% on the income from movable capital assets). Capital gains realised by the fund on the sale of assets are not subject to withholding tax provided they are distributed with a separate coupon or listed separately in the statement sent to investors.

The fund can apply for a full refund of the Swiss federal withholding tax levied on its domestic income. Any income and capital gains realised abroad may be subject to the relevant withholding tax deductions imposed by the country of investment. These taxes will, as far as possible, be reclaimed by the fund management company on behalf of investors resident in Switzerland under the terms of double taxation treaties or other such agreements.

An investor domiciled in Switzerland may reclaim Swiss withholding tax by declaring it in tax returns, or by submitting a separate application for a refund.

The tax information stated above is based on the current legal situation and practice. This tax information is expressly subject to changes in legislation, jurisdiction and ordinances and the practices of tax authorities.

Taxation and other tax implications for an investor who holds, buys or sells fund units are defined by the tax laws and regulations relevant for the investor, namely those of the investor's country of domicile. This can result in different tax consequences for the investor depending on the country involved. Potential investors are therefore advised to ask their tax advisors or fiduciaries for advice on the relevant tax consequences. Under no circumstances can the fund management company and custodian bank assume any responsibility for any particular tax consequences for the investor in connection with the buying, selling or holding of fund units.

Income distributions and/or interest income realised on sale or redemption are not subject to European savings tax in Switzerland.

Pursuant to the provisions of the European Union Council Directive on taxation of savings income and the agreement secured between Switzerland and the EU during bilateral negotiations, Switzerland is also obliged to make a tax retention on interest paid specifically by funds to individuals resident for tax purposes in an EU member state. This retention applies both to distributions and on the sale or redemption of fund units. The tax retention rate is 15%, rising to 20% from 1 July 2008 and 35% from 2011. In lieu of a tax retention, beneficiaries of interest payments may give express instructions for voluntary disclosure to be made to the tax authorities in their country of residence for tax purposes.

The tax information stated above is based on the current legal situation and practice. This tax information is expressly subject to changes in legislation, jurisdiction and ordinances and the practices of tax authorities. Taxation and other tax implications for investors who hold, buy or sell fund units are defined by the tax laws and regulations in the investor's country of domicile.

## 2 Information on the fund management company

### 2.1 General information on the fund management company

The fund management company, UBS Fund Management (Switzerland) AG, is domiciled in Basel and has been active in the fund business since its formation as a limited company in 1959.

The subscribed share capital of the fund management company is CHF 1 million. The share capital is divided into registered shares and is fully paid up. UBS Fund Management (Switzerland) AG is a wholly owned subsidiary of UBS AG.

#### Board of Directors

Gerhard Fusenig, Chairman  
Managing Director, UBS AG, Basel and Zurich  
Thomas Rose, Vice Chairman  
Managing Director, UBS AG, Basel and Zurich  
Markus Steiner, Delegate

Jean-Paul Gennari  
Managing Director, UBS Fund Services (Luxembourg) S.A., Luxembourg  
Reto Ketterer  
Managing Director, UBS AG, Basel and Zurich  
Dirk Spiegel  
Executive Director, UBS AG, Basel and Zurich

#### Executive Board

Markus Steiner, Managing Director and Delegate of the Board of Directors  
André Valente, Deputy Managing Director  
Michael Bächle, Head of Business Development and Client Services  
Riccardo Boscardin, Head of Real Estate Funds  
Franz Cadalbert, Head of Finance, Controlling and Accounting  
Karsten Illy, Head of Fund Reporting and Information Services  
Beat Schmidlin, Head of Legal and Tax  
Thomas Zimmerli, Head of Compliance and Risk Control

On 30 April 2008, the fund management company managed a total of 193 securities funds and five real estate funds in Switzerland with assets totalling CHF 106.6 billion.

As at (reference date), the fund management company also provides the following services:

- Administration services for collective investments.

### 2.2 Delegation of investment decisions

Investment decisions in respect of the umbrella fund have been delegated to UBS Global Asset Management, a business group of UBS AG, Basel and Zurich. UBS AG has many years of experience in asset management services and a broad knowledge of the investment markets of the umbrella fund. The precise duties involved are set out in an asset management agreement between UBS Fund Management (Switzerland) AG and UBS AG dated 14 June 2005.

### 2.3 Delegation of other duties

UBS Fund Management (Switzerland) AG jointly operates and utilises a fund administration platform with UBS Fund Services (Luxembourg) S.A. UBS Fund Services (Luxembourg) S.A. is responsible for the processing of master data under this arrangement. The precise terms of the work carried out are set out in an agreement between the parties dated 28 March 2007.

In addition, various IT services connected with the maintenance and upkeep of the hardware and software components of the fund administration platform (e.g. technical installations, configurations, system tests, archiving of data) are furnished by UBS (Luxembourg) S.A. in Luxembourg. The specific scope of these services is governed by an agreement between the parties dated 10 August 2004.

All other fund management duties and the monitoring of other delegated duties are carried out in Switzerland.

### 2.4 Exercising creditors' and membership rights

The fund management company exercises the membership and creditors' rights associated with the investments of the managed sub-funds independently and exclusively in the interests of investors. Upon request, the fund management company shall provide investors with details concerning the exercise of membership and creditors' rights.

Regarding existing routine business, it is up to the fund management company whether to exercise the membership and creditors' rights itself or whether to delegate them to the custodian bank or a third party.

For all other matters that could affect the long-term interests of investors, for example when exercising membership and creditors' rights accruing to the fund management company as shareholder or creditor of the custodian bank or any other related legal entity, the fund management company shall exercise the voting right itself or give clear instructions. It may use information received from the custodian bank, the portfolio manager, the company or a third party or information that has appeared in the press.

It is up to the fund management company to decide whether to waive its entitlement to exercise membership and creditors' rights.

## 3 Information on the custodian bank

UBS AG with registered offices in Basel and Zurich and head office in Switzerland acts as custodian bank. UBS AG was set up as a limited company in Zurich and Basel in 1998.

With consolidated total assets of CHF 2,272,579 million and published capital and reserves of CHF 35,585 million as at 31 December 2007, UBS AG is financially one of the strongest banks in the world. It employs 83,560 staff members worldwide, with offices, representative offices and subsidiaries in more than 50 countries.

As a "universal" bank, UBS AG offers a wide range of banking services in Switzerland. Internationally, it operates as an integrated merchant and investment bank. In addition, as one of the leading asset managers worldwide, it is present in all the major financial centres around the globe.

The custodian bank may delegate the safekeeping of the fund's assets to third-party or collective depositaries in Switzerland or abroad. It shall exercise all due care and diligence in selecting and issuing instructions and in ensuring ongoing compliance with selection criteria.

Third-party and collective depositaries mean that the fund management company no longer has sole ownership of deposited securities, but only co-ownership. When a third-party depositary is located outside of Switzerland, the legal provisions and practices of the place where the assets are held in custody shall apply.

## 4 Information on third parties

### 4.1 Paying agents

The paying agents are UBS AG, Aeschenvorstadt 1, 4002 Basel, and Bahnhofstrasse 45, 8098 Zurich, and its branches in Switzerland.

## 4.2 Distributor

UBS AG is responsible for the distribution of the fund.

## 4.3 Auditors

The fund assets are audited by Ernst & Young Ltd., Basel.

## 5 Further information

### 5.1 Key data

#### UBS (CH) Vitainvest – 12

Securities no.	Unit class D 2247645 Unit class U 2247644
ISIN	Unit class D CH0022476458 Unit class U CH0022476441
Listing	none; units of the fund are issued and redeemed daily
Financial year	1 January to 31 December
Term to maturity	unlimited
Accounting currency	Swiss franc (CHF)
Units	made to the bearer; units are not certificated, but are dealt with on a book-entry basis only.
Appropriation of income	in principle, net income will be distributed to investors within four months of the close of the financial year at no charge. As a rule, capital gains are not distributed but are retained in the fund for reinvestment.

#### UBS (CH) Vitainvest – 25

Securities no.	Unit class D 2247647 Unit class U 2247646
ISIN	Unit class D CH0022476474 Unit class U CH0022476466
Listing	none; units of the fund are issued and redeemed daily
Financial year	1 January to 31 December
Term to maturity	unlimited
Accounting currency	Swiss franc (CHF)
Units	made to the bearer; units are not certificated, but are dealt with on a book-entry basis only.
Appropriation of income	in principle, net income will be distributed to investors within four months of the close of the financial year at no charge. As a rule, capital gains are not distributed but are retained in the fund for reinvestment.

#### UBS (CH) Vitainvest – 40

Securities no.	Unit class D 2247649 Unit class U 2247648
ISIN	Unit class D CH0022476490 Unit class U CH0022476482
Listing	none; units of the fund are issued and redeemed daily
Financial year	1 January to 31 December
Term to maturity	unlimited
Accounting currency	Swiss franc (CHF)
Units	made to the bearer; units are not certificated, but are dealt with on a book-entry basis only.
Appropriation of income	in principle, net income will be distributed to investors within four months of the close of the financial year at no charge. As a rule, capital gains are not distributed but are retained in the fund for reinvestment.

#### UBS (CH) Vitainvest – 50

Securities no.	Unit class D 2247651 Unit class U 2247650
ISIN	Unit class D CH0022476516 Unit class U CH0022476508
Listing	none; units of the fund are issued and redeemed daily
Financial year	1 January to 31 December
Term to maturity	unlimited
Accounting currency	Swiss franc (CHF)
Units	made to the bearer; units are not certificated, but are dealt with on a book-entry basis only.
Appropriation of income	in principle, net income will be distributed to investors within four months of the close of the financial year at no charge. As a rule, capital gains are not distributed but are retained in the fund for reinvestment.

### 5.2 Terms for the issue and redemption of fund units

Units of the various sub-funds may be issued or redeemed on every bank business day (Monday to Friday). No issue or redemption will take place on Swiss public holidays (Easter, Whitsun, Christmas, New Year, the Swiss national holiday [1 August] etc.), or on days when the stock exchanges/markets in a sub-fund's principal investment countries are closed, or when 50% or more of the sub-fund's investments cannot be valued in an adequate manner, or under the exceptional circumstances defined under §17 prov. 4 of the fund contract. The fund management company and the custodian bank are entitled to reject applications for subscription at their own discretion. Issue and redemption orders entered at the custodian bank by 2:00 p.m. (cut-off time) on a bank business day (order day) will be settled on the following bank business day (valuation day) on the basis of the net asset value calculated on this date. Earlier cut-off times may apply to the submission of orders for those orders placed with distributors in Switzerland and abroad in order

to ensure that these can be forwarded on to the custodian bank in time. These cut-off times may be obtained from the respective distributors. The net asset value taken as the basis for the settlement of orders is therefore not known when the order is placed (forward pricing). It is calculated on the valuation date based on closing prices or, if these do not reflect appropriate market values in the fund management company's view, at the latest available prices at the time of the valuation. The fund management company is entitled to apply other generally recognised and verifiable valuation criteria in order to make an appropriate valuation of the sub-funds' assets if, due to extraordinary circumstances, a valuation in accordance with the regulations stated above proves to be unfeasible or inaccurate.

The net asset value of a sub-fund unit represents the market value of a sub-fund's assets, less all the sub-fund's liabilities, divided by the number of units in circulation. It will be rounded to CHF 0.01.

The issue price corresponds to the net asset value calculated on the valuation day in accordance with § 16 of the fund contract plus any issuing commission. The issuing commission is defined under prov. 5.3 below.

The redemption price corresponds to the net asset value calculated on the valuation day, minus the redemption commission. The redemption commission is defined under prov. 5.3 below.

Incidental costs relating to the purchase and sale of investments (brokerage commissions in line with the market, commissions, duties, etc.) incurred by the sub-funds in connection with the investment of the amount paid in or with the sale of a portion of the assets corresponding to the units redeemed will be charged to the fund's assets.

Incidental costs relating to the purchase and sale of investments (bid/ask spreads, brokerage at standard market rates, commissions, duties, etc.) and incurred by the fund in connection with the investment of the amount paid in or with a sale of a portion of the assets corresponding to the units redeemed will be covered by the application of swinging single pricing as outlined in § 16 prov. 8 of the fund contract.

The issue and redemption prices are rounded to CHF 0.01. Payment will be made 3 bank business days after the order date (value date 3 days).

Units shall not take the form of actual certificates but shall exist purely as book entries. Unit certificates that have already been issued shall remain valid. They should be returned in the event of an application for redemption.

### 5.3 Remuneration and incidental costs

Issuing of units via custodian bank in Switzerland	maximum of 3%
Redemption commission	none
Unit issues and redemptions via a distributor in Switzerland and abroad	
Issuing commission (total)	maximum of 3%
Redemption commission	maximum of 3%

Remuneration and incidental costs charged to the fund's assets (excerpt from § 19 of the fund contract)

Flat fee charged by the fund management company for the individual sub-funds:

- 12: 0.120% (1.44% p.a.)
- 25: 0.126% (1.52% p.a.)
- 40: 0.135% (1.62% p.a.)
- 50: 0.136% (1.64% p.a.)

of the average net asset value.

This is appropriated for management purposes, asset management and distribution and also to cover any costs that may be incurred.

A detailed breakdown of the charges and incidental costs included in the flat fee is set out in § 19 of the fund contract.

The fund management company may pay reimbursements from the distribution element to the following qualified investors who hold the fund units for the financial benefit of third parties:

- Life insurance companies
- Pension funds and other pension schemes
- Investment foundations
- Swiss fund management companies
- Foreign fund management companies and fund companies
- Investment companies

The fund management company may pay stock commissions from the distribution element to the following distributors and distribution partners:

- Authorised distributors within the meaning of Art. 19 para. 1 CISA
- Fund management companies, banks, securities dealers, Swiss Post and insurance companies
- Distribution partners who place fund units solely with qualified investors that have professional treasury operations
- Asset managers

#### Total expense ratio and portfolio turnover rate

The coefficient of the entire costs charged on an ongoing basis to the sub-funds' assets (total expense ratio, TER) was:

- 2006:
- 12: 1.46%
  - 25: 1.54%
  - 40: 1.63%
  - 50: 1.66%

The portfolio turnover rate (PTR) was:

- 2006:
- 12: –3.53%
  - 25: 7.75%
  - 40: 17.31%
  - 50: 12.93%

#### Investments in associated collective investments

No issuing and redemption commission and only a reduced management commission in accordance with § 19 section 5 of the fund contract are charged in respect of investments in collective investments that are managed directly or

indirectly by the fund management company itself or by a company with which it is associated through common management or control or by a direct or indirect shareholding of more than 10% of the capital or votes.

#### **Fee-sharing agreements and soft commissions**

The fund management company has not concluded any fee-sharing agreements. The fund management company has not concluded any agreements relating to "soft commissions". The fund management company may envisage fee-sharing agreements for target funds of UBS (CH) Vitainvest.

#### **5.4 Umbrella fund publications**

Further information on the umbrella fund may be found in the latest annual or semi-annual report. Up-to-date information is also available on the Internet at [www.ubs.com/fisca](http://www.ubs.com/fisca).

The prospectus with integrated fund contract, the simplified prospectus as well as the annual and semi-annual reports may be obtained free of charge from the fund management company, custodian bank and all distributors.

Notification of changes to the fund contract, a change of fund management company or custodian bank, or the liquidation of the umbrella fund or a sub-fund shall be published by the fund management company in the Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt or SHAB) and Swiss Fund Data AG ([www.swissfunddata.ch](http://www.swissfunddata.ch)).

Prices are published on each day units are issued or redeemed (daily) by Swiss Fund Data AG, on the Internet at [www.ubs.com/quotes](http://www.ubs.com/quotes), in other electronic media and in Swiss and foreign newspapers.

#### **5.5 Sales restrictions**

When units of this umbrella fund are issued or redeemed abroad, the provisions valid in the country in question shall apply.

Units of this umbrella fund may not be offered, sold or delivered within the United States.

#### **5.6 Detailed regulations**

All other information on the umbrella fund, such as the valuation of fund assets, a list of all remuneration and incidental costs charged to investors and the umbrella fund and the appropriation of net income, is set out in detail in the fund contract.

## **Part II Fund Contract**

### **I. Basis**

#### **§ 1 Name of the fund, name and domicile of the fund management company and custodian bank**

1. A contractually based umbrella fund of the "Other funds for traditional investments" category (the "umbrella fund") has been established under the name of UBS (CH) Vitainvest in accordance with Art. 25 in association with Art. 68 ff. in association with Art. 92 f. of the Swiss Collective Investment Schemes Act (CISA) of 23 June 2006, which is divided into the following sub-funds:
  - 12
  - 25
  - 40
  - 50
2. UBS Fund Management (Switzerland) AG, Basel, is the fund management company.
3. UBS AG, Basel and Zurich, is the custodian bank.

### **II. Rights and obligations of the contracting parties**

#### **§ 2 Fund contract**

The legal relationship between the investor on the one hand and the fund management company and the custodian bank on the other is governed by this fund contract and the applicable provisions of Swiss legislation concerning collective investment schemes.

#### **§ 3 Fund management company**

1. The fund management company manages the sub-funds at its own discretion and in its own name, but for the account of the investors. In particular, it shall make all decisions relating to the issuing of units, the investments and their valuation. It calculates the net asset value of the sub-funds, sets the issue and redemption prices of units and also determines the distribution of income. The fund management company shall exercise all rights associated with the sub-funds.
2. The fund management company and its agents shall act in good faith and have a duty to exercise due diligence and provide information. They shall act independently and exclusively in the interests of investors. They shall take any organisational steps that may be required to ensure the proper conduct of business and ensure transparent accounting and the supply of appropriate information regarding the umbrella fund and the sub-funds.
3. The fund management company may delegate investment decisions and specific tasks for all or some of the sub-funds, provided that this is in the interests of efficient management. It shall only delegate responsibilities to individuals who are qualified to discharge their duties properly and shall ensure that such duties are discharged correctly with regard to both the instructions provided and monitoring and control. The fund management company shall be liable for the actions of its agents as if they were its own actions.
4. The fund management company may, subject to the consent of the custodian bank, submit amendments to this fund contract to the supervisory authority and may open further sub-funds subject to the consent of the supervisory authority (see § 26).

5. The fund management company may merge individual sub-funds with other sub-funds or other investment funds pursuant to the provisions set down under § 24 and may liquidate them pursuant to the provisions set down under § 25.
6. The fund management company is entitled to receive the remuneration stipulated in §§ 18 and 19. It is further entitled to be released from any liabilities assumed in the proper performance of its duties and to be reimbursed for expenses incurred in connection with such liabilities.

#### **§ 4 Custodian bank**

1. The custodian bank is responsible for the safekeeping of the sub-funds' assets. It is further responsible for the issue and redemption of fund units and payments on behalf of the sub-funds.
2. The custodian bank and its agents shall act in good faith and have a duty to exercise due diligence and provide information. They shall act independently and exclusively in the interests of investors. They shall take any organisational steps that may be required to ensure the proper conduct of business and ensure transparent accounting and the supply of appropriate information regarding the umbrella fund and the sub-funds.
3. The custodian bank may delegate the safekeeping of the sub-funds' assets to third-party or collective depositories in Switzerland or abroad. It shall exercise all due care and diligence in selecting and issuing instructions to third parties and in ensuring ongoing compliance with selection criteria. Information on the risks involved are set out in the prospectus.
4. The custodian bank shall ensure that the fund management company complies with the law and the fund contract. It shall check whether the calculation of net asset value, issue and redemption prices of units and investment decisions are being carried out in accordance with the law and the fund contract, and whether the net income is appropriated as stipulated in the fund contract. The custodian bank shall not be responsible for any investment selection made by the fund management company within the scope of the investment guidelines.
5. The custodian bank shall be entitled to receive the remuneration stipulated in §§ 18 and 19. It is further entitled to be released from any liabilities assumed in the proper performance of its duties and to be reimbursed for expenses incurred in connection with such liabilities.
6. The custodian bank shall not be responsible for the safekeeping of assets of the target funds in which the sub-funds invest unless it has been assigned this task.

#### **§ 5 The investor**

1. Upon execution of the contract and remittance of a cash payment, the investor acquires a claim against the fund management company for an interest in the assets and income of a sub-fund of the umbrella fund. This claim is evidenced in the form of units.
2. Investors are only entitled to an interest in the assets and income of the sub-fund in which they hold units. Any liabilities attributable to individual sub-funds are borne solely by the individual sub-fund concerned.
3. Investors are only obliged to remit payment for the units of the sub-fund to which they subscribe. Investors shall not be held personally liable in respect of the liabilities of the umbrella fund and/or sub-fund.
4. Investors may at any time request that the fund management company supply them with information regarding the basis on which the net asset value per unit is calculated. The fund management company shall also supply further information regarding specific transactions it has carried out, such as the exercise of membership and creditors' rights, to any investor claiming an interest in such matters at any time. Investors shall be entitled to submit an application to the court having jurisdiction in the domicile of the fund management company for the auditors, or another entity with appropriate expertise, to investigate and report on any facts or circumstances for which disclosure is required.
5. Investors shall be entitled to terminate the fund contract at any time and request payment in respect of units held in the corresponding sub-fund in cash. Where unit certificates have been issued, they should be returned with the redemption application at the latest.
6. Upon request, investors are obliged to provide the fund management company, the custodian bank and its agents with documentary proof that they meet/continue to meet the legal and contractual requirements necessary to be able to participate in the sub-fund or unit class. In addition, they are obliged to immediately notify the fund management company, the custodian bank and its agents if they no longer meet these requirements.
7. An investor's units must be compulsorily redeemed at the prevailing redemption price by the fund management company in collaboration with the custodian bank if:
  - a) this is required to safeguard the reputation of the financial centre, notably in relation to combating money laundering;
  - b) investors no longer meet the legal or contractual requirements to participate in a sub-fund.
8. In addition, an investor's units may be compulsorily redeemed at the prevailing redemption price by the fund management company in collaboration with the custodian bank if:
  - a) the investor's participation in a sub-fund may materially affect the economic interests of the other investors, particularly if his or her participation may result in tax disadvantages for the umbrella fund or a sub-fund in Switzerland or abroad;
  - b) investors have acquired or hold units in breach of the provisions of domestic or foreign legislation or provisions of this fund contract or prospectus applicable to them;
  - c) the economic interests of investors are jeopardised particularly in cases in which individual investors attempt to acquire benefits for their portfolio by systematically subscribing and immediately thereafter redeeming units, exploiting time differences between the setting of closing prices and the valuation of the sub-fund's assets (market timing).

## § 6 Units and unit classes

- The fund management company may, subject to the approval of the custodian bank and the supervisory authority, create different unit classes, or merge or liquidate unit classes, for any sub-fund. All unit classes are entitled to a share in the undivided assets of the relevant sub-fund, which are not segmented. This share may vary due to class-specific costs charged or distributions or on account of class-specific income, and the net asset value per unit may therefore vary from class to class. Any class-specific costs charged are met by the aggregate assets of the sub-fund.
- The creation, liquidation or merger of unit classes shall be announced in the official publications specified for the fund. Only mergers of unit classes shall be deemed to constitute an amendment to the fund contract pursuant to § 26.
- The various unit classes of the sub-funds may, in particular, differ in terms of cost structure, reference currency, currency hedging, distribution or reinvestment of income, minimum investments and investor group. Commissions and costs shall only be charged to unit classes that benefit from the services they cover. Remuneration and costs which cannot be unequivocally attributed to a particular unit class are charged to the individual unit classes in proportion to their share of the sub-fund's assets.
- There are currently two unit classes for each sub-fund; unit class "U" and unit class "D".
  - Class "U" units are offered to all investors.
  - Class "D" units are offered to investors who subscribe their units via
    - banks or
    - insurance companies or
    - foundations for vested pension benefits and pension fund foundations or
    - securities dealerswhich have concluded with UBS AG a distribution agreement in accordance with the guidelines on distribution from the Swiss Funds Association (SFA). Unit class "U" does not have the same investor group as unit class "D".
- Units shall not take the form of actual certificates but shall exist purely as book entries. The investor shall not be entitled to request the issue of a unit certificate. Where unit certificates have been issued, they should be returned with the redemption application at the latest.
- The fund management company is obliged to ask investors who no longer meet the requirements to invest in a unit class to redeem their units within 30 calendar days pursuant to § 17, to transfer them to an individual who does meet the stated requirements or to convert the units into another class whose requirements they do meet. If investors fail to comply with this request, the fund management company, in conjunction with the custodian bank, may proceed with a forced conversion into another class of units in the respective sub-fund or, where this is not possible, forced redemption of the units in question in accordance with § 5 prov. 6.

## III. Investment policy guidelines

### A Investment principles

#### § 7 Compliance with investment guidelines

- In selecting the individual investments of the various sub-funds, the fund management company must adhere to the principle of balanced risk diversification and must observe the percentage limits defined below. These relate to the fund assets of the individual sub-funds at market values and are to be observed at all times. The individual sub-funds must comply with the investment restrictions six months following the payment date of the first issue.
- If the limits are exceeded due to changes in the market, the investments must be restored to the permitted level within a reasonable period of time, taking due account of the investors' interests. If limits in connection with derivatives pursuant to § 12 below are exceeded through a change in the delta, the permitted levels must be restored within three bank business days at the latest, taking due account of the investors' interests.
- The fund management company must also comply with the provisions of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and its ordinances. The provisions of the legislation concerning collective investment schemes shall take precedence provided those of the BVG are not stricter.

#### § 8 Investment policy

- Within the scope of each sub-fund's specific investment policy and as specified in prov. 2, the fund management company may invest the individual sub-funds' assets in the following investments. The risks associated with these investments shall be disclosed in the prospectus.
    - Securities, i.e. securities issued on a large scale and in uncertificated rights with a similar function (uncertificated stock), which are listed on a stock exchange or traded on another regulated market open to the public and which embody an equity or a debt security right or the right to acquire such securities and rights via subscription or exchange, such as warrants; Investments in securities from new issues shall only be permitted if they are intended for admission to a stock exchange or other regulated market open to the public under the terms of issue. If such investments have not been admitted to a stock exchange or other regulated market open to the public within one year of purchase, the securities must be sold within one month or included under the restrictions set out in prov. 1 vii.
    - Derivatives, if (a) they are based on underlying financial instruments in the form of securities as specified in i), derivatives as specified in ii), units in collective investments as specified in iii), money market instruments under iv), structured products under vi), or financial indices, interest rates, exchange rates, loans, or currencies and (b) the underlying securities are permitted investments under the fund contract. Derivatives shall be traded either on a stock exchange or another regulated market open to the public, or OTC. Investments in OTC derivatives (OTC transactions) shall only be permitted if (a) the counterparty is a financial intermediary specialising in this type of transaction and subject to supervision, and (b) the OTC derivatives are tradable daily or may be submitted to the issuers for redemption at any time. In addition, the valuations of such instruments must be

reliable and transparent. The use of derivatives shall be subject to the provisions of § 12.

- Units of other collective investments (target funds) under Swiss law of the "securities funds" type,
    - Units of target funds under Swiss law of the "other funds for traditional investments" type,
    - Units of target funds under Swiss law of the "other funds for alternative investments" type,
    - Units of target funds under Swiss law of the "real estate funds" type,
    - Units of undertakings for collective investment in transferable securities (UCITS) which correspond to Directive 85/611/EEC of 20 December 1985 (UCITS I) and 2001/107/EC or 2001/108/EC of 21 January 2002 (UCITS III),
    - Units of undertakings for collective investment (UCIs) which correspond to another fund for traditional investments under Swiss law (where they are subject to equivalent supervision),
    - Units of undertakings for collective investment (UCIs) which correspond to an "other fund for alternative investments" under Swiss law (where they are subject to equivalent supervision),
    - Units of undertakings for collective investment (UCIs) which correspond to a "real estate fund" under Swiss law (where they are subject to equivalent supervision). Investments in target funds as specified in c, d and g in total not exceeding 10%; investments in target funds as specified in h in total not exceeding 5%. Investments in funds of funds are possible.
  - Money market instruments which are fungible and marketable at any time and which are traded on a stock exchange or other regulated market open to the public; money market instruments which are not traded on a stock exchange or other regulated market open to the public may only be acquired provided that the issuer or issuer is subject to the provisions governing creditor and investor protection and the money market instruments are issued or guaranteed by issuers pursuant to Art. 74 para. 2 of the Swiss Collective Investment Schemes Ordinance (CISO).
  - Sight or time deposits with a maturity not exceeding twelve months with banks domiciled in Switzerland or in a member state of the European Union or in another country provided that the bank in such country is subject to supervision equivalent to the supervision in Switzerland.
  - Structured products, if based on securities, collective investments, money market instruments, derivatives, indices, interest or exchange rates, currencies or similar.
  - Investments other than those specified in i to vi above not exceeding 10% of the assets of an individual sub-fund in aggregate; the following are not permitted: commodities and commodities certificates and (b) short-selling in relation to the investments set out in i to vi above.
- Following deduction of liquid assets, the fund management company shall invest
    - at least 51% of the assets of the individual sub-funds in units of other collective investments as specified in prov. 1 a) iii;
    - up to 49% of the assets of the individual sub-funds in investments as specified in prov. 1 a) i, ii and iv, v, vi.
- For the purposes of implementing investment policy, an appropriate selection of target funds is used for the individual sub-funds to achieve an overall risk equivalent to that of a diversified asset allocation portfolio with an equity and foreign currency component corresponding to the table below. The table gives a consolidated view of the permitted ranges of percentage equity components per sub-fund; where there are real estate fund units, these units are not incorporated into the range of the percentage equity components. The ranges may be utilised up to the maximum equity component possible provided the provisions of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans and its ordinances are complied with. The foreign currency component (a foreign currency is understood as being any investment currency other than the Swiss franc) amounts to a maximum of 30% for all sub-funds.

Sub-fund	Range
– 12	7–17%
– 25	20–30%
– 40	35–45%
– 50	43–50%

- Subject to § 19 the fund management company may acquire units of target funds managed directly or indirectly by itself or by a company with which it is affiliated through common management or control or by a direct or indirect shareholding of more than 10% of the capital or votes.

### § 9 Liquid assets

For each sub-fund, the fund management company may also hold liquid assets in an appropriate amount in the sub-fund's accounting currency and in any other currency in which investments are permitted for that particular sub-fund. Liquid assets comprise bank deposits and claims from securities repurchase agreements at sight or on demand with maturities of up to twelve months.

### B Investment techniques and instruments

#### § 10 Securities lending

- The fund management company may lend all types of securities which are listed on an exchange or are traded on another regulated market open to the public. However, securities that have been taken over as part of a reverse repo transaction may not be lent.
- The fund management company may lend the securities to a borrower in its own name and for its own account ("principal transaction"), or may appoint an intermediary to make the securities available to a borrower either indirectly in a fiduciary capacity ("agent transaction") or directly ("finder transaction").
- The fund management company shall enter into securities lending transactions only with first-class borrowers or agents specialising in transactions of

this type, such as banks, brokers and insurance companies, as well as recognised securities clearing organisations, which can guarantee the proper execution of the securities lending transactions.

4. If the fund management company must observe a period of notice (which may not exceed 10 bank business days) before it may again legally repossess the securities lent, it may not lend more than 50% of a particular security eligible for lending. However, if the borrower or the intermediary provides the fund management company with a contractual assurance that the latter may legally repossess the securities lent on the same or next bank business day, the fund management company may lend its entire holdings of a particular security eligible for lending.
5. The fund management company shall conclude an agreement with the borrower or intermediary whereby the latter shall pledge or transfer collateral in order to secure the restitution of securities in favour of the fund management company in accordance with Art. 8 Collective Investment Schemes Ordinance issued by the Swiss Federal Banking Commission. The value of the collateral must at all times be equal to at least 105% of the market value of the securities lent or at least 102% if the collateral comprises (i) liquid assets or (ii) fixed- or variable-rate securities and rights which have a long-term, up-to-date rating of at least "AAA", "Aaa" or equivalent from a ratings agency recognised by the Swiss Federal Banking Commission. Moreover, the borrower or intermediary is responsible for ensuring the prompt, unconditional payment of any income accruing during the securities lending period, for asserting other financial rights and for reimbursement of securities of the same type, amount and quality such that the contractual terms are complied with.
6. The custodian bank shall ensure that the securities lending transactions are conducted in a secure manner and that the contractual terms are complied with, specifically in respect of collateral requirements. For the duration of the lending transactions it shall also be responsible for the administrative duties assigned to it under the custody contract and for asserting all rights pertaining to the securities lent, unless they have been assigned in line with the applicable framework agreement.

### § 11 Securities repurchase agreements

1. The fund management company may enter into securities repurchase agreements ("repos") for the sub-fund's account. Securities repurchase agreements can be concluded as either repos or reverse repos.  
A repo is a legal transaction in which one party (lender) temporarily transfers ownership of securities in return for payment to another party (borrower); the borrower undertakes to reimburse securities of the same type, quantity and quality as well any income accrued throughout the course of the repurchase agreement to the lender upon maturity. The lender bears the price risk of the securities throughout the course of the repurchase agreement.  
From the perspective of the counterparty (borrower), a repo is a reverse repo. Reverse repos are an instrument used by the fund management company to invest cash, whereby it buys securities and at the same time agrees to reimburse securities of the same type, amount and quality as well any income accrued throughout the course of the repurchase agreement.
2. The fund management company may conclude repo transactions with a counterparty in its own name and for its own account ("principal transaction") or may instruct an intermediary to conclude repo transactions with a counterparty either indirectly in a fiduciary capacity ("agent transaction") or directly ("finder transaction").
3. The fund management company shall conclude repo transactions only with first-class counterparties and intermediaries specialising in transactions of this type, such as banks, brokers and insurance companies or recognised securities clearing organisations which can ensure the proper execution of the repo transactions.
4. The custodian bank shall ensure that the repo transactions are conducted in a secure manner and that the contractual terms are complied with. It shall ensure that fluctuations in the value of securities used in the repo transactions are compensated daily in cash or securities (mark-to-market). It is also responsible for the administrative duties assigned to it under the custody account regulations during the period in which repo transactions are carried out and for asserting all rights pertaining to the securities used in the repo transactions unless they have been assigned in line with the applicable framework agreement.
5. The fund management company may use all types of securities which are listed on an exchange or are traded on another regulated market open to the public. However, securities that were taken over as part of a reverse repo transaction may not be used for repos.
6. If the fund management company must observe a period of notice (which may not exceed 10 bank business days) before it may again legally repossess the securities used in the repo transaction, it may not lend for repos more than 50% of its holdings of a particular security eligible for lending. However, if the counterparty or the intermediary provides the fund management company with a contractual assurance that the latter may legally repossess the securities used in the repo transaction on the same or the next bank business day, the fund management company may use its entire holdings of a particular security eligible for repo transactions.
7. Engaging in repo transactions is deemed to be taking up a loan pursuant to § 13, unless the money received is used to acquire securities of the same type, quality, credit rating and maturity in conjunction with the conclusion of a reverse repo.
8. With regard to reverse repos, the fund management company may only acquire fixed or variable-interest securities issued or guaranteed by the Swiss Confederation, Swiss cantons or municipalities, or which have the minimum credit ratings required by the supervisory authority.
9. Claims arising from reverse repos are deemed to be liquid assets pursuant to § 9 and not loan extensions pursuant to § 13.

### § 12 Derivatives

1. The fund management company may use derivatives in the interest of efficient management of the sub-fund's assets. It shall ensure that the effect of such derivatives does not alter the investment objectives as stated in this fund contract, the prospectus or simplified prospectus or the sub-fund's investment

profile even in exceptional market circumstances. In addition, the securities underlying the derivatives must be permitted investments under this fund contract for the relevant sub-fund.

The legislation concerning collective investment schemes provides for three methods of measuring risk for investments in derivatives: commitment approaches I and II and the model approach combined with stress tests.

Commitment approach I is a simplified method designed to ensure that any investments in derivatives do not exert a leverage effect on the fund's assets or amount to short-selling. Under commitment approach II, the method is extended to allow for leverage and short-selling. A fund's total investments may amount to up to 200% of its net assets (or 225% if borrowing is factored into the calculation). Under the model approach, value-at-risk (VaR) is calculated on a daily basis subject to a confidence interval of 99% and a holding period of 20 trading days; this may not exceed twice the VaR of a derivatives-free benchmark portfolio. Stress tests must be performed at regular intervals.

2. Given the projected use of derivatives, commitment approach II (extended procedure) shall be used for the measurement of risk, with the exception that leveraging is not permitted for this fund on the basis of the aforementioned provisions of the BVG and its ordinances.

The fund management company must at all times be able to meet its obligations in relation to derivatives with respect to delivery and payment from the fund's assets in accordance with the legislation concerning collective investment schemes.

3. The fund management company may in particular use basic forms of derivatives such as call or put options where the value on expiration has a linear dependence on the positive or negative difference between the market value of the underlying and the strike price and is zero if the difference has the opposite sign (+ or -), credit default swaps (CDSs), swaps with non-path dependent payoffs which have a linear dependence on the value of the underlying or an absolute value and futures and forwards whose value has a linear dependence on the underlying. The fund management company may also use combinations of basic forms of derivatives and derivatives whose effect cannot be equated with one of the basic forms or a combination of basic forms (exotic derivatives).

4. a) The fund management company shall allocate derivatives to three categories of risk: market, credit and currency risks. Any derivative involving a range of risk categories shall be allocated to all of the relevant categories with its underlying equivalent. The underlying equivalent shall be calculated for futures, forwards and swaps by multiplying the number of contracts with the contract value, for options by multiplying the number of contracts by the contract value and the delta (provided one is calculated).

- b) Offsetting transactions in derivatives of the same underlying security and in investments in this security may be netted.
- c) Offsetting transactions involving a range of underlyings may only be netted if the risks associated with such transactions, e.g. market, credit and currency risks, are similar and highly correlated to one another.

- d) Any call options sold and put options bought may only be netted once their delta has been calculated.

- e) Subject to netting pursuant to b) to d) above, the absolute values of each underlying derivative equivalent shall be added for each category of risk. The total of underlying equivalents may not exceed net fund assets at any time in any of the risk categories.

- f) Payment obligations arising from derivatives must be covered at all times with cash or cash equivalents, debt securities and rights, or equities, which are traded on a stock exchange or other regulated market open to the public in accordance with the legislation concerning collective investment schemes. Such cash or cash equivalents and investments may be used simultaneously as cover for several derivatives positions if these positions entail a market or credit risk and if they relate to the same underlyings.

- g) Physical delivery obligations arising from derivatives must be covered at all times by equivalent underlyings, or by other investments, if the risks associated with such investments, e.g. market, currency and interest-rate risks are similar to the underlying to be delivered, the investments and underlyings have a high correlation to one another, the investments and underlyings are highly liquid and may be bought or sold at any time if delivery is required. Underlying assets may be used simultaneously as cover for several derivatives positions if these positions entail a market, credit or currency risk and if they relate to the same underlyings.

5. The fund management company may use both standardised and non-standardised derivatives. It may engage in derivatives transactions on a stock exchange or other regulated market open to the public or in OTC (over-the-counter) trading.

6. a) The fund management company may only engage in OTC transactions with financial intermediaries subject to supervision which specialise in these transactions and can ensure proper execution. If the counterparty is not the custodian bank, the counterparty or guarantor must have the minimum credit ratings prescribed by the legislation concerning collective investment schemes, as more particularly set out in Art. 33 of the Collective Investment Schemes Ordinance issued by the Swiss Federal Banking Commission.

- b) An OTC derivative financial instrument must be subject to reliable and verifiable valuation on a daily basis and it must be possible to sell, liquidate or close out the derivative with an opposite transaction at market value at any time.

- c) If no market prices are available for an OTC-traded derivative, the price must be verifiable using recognised and appropriate valuation models on the basis of the market value of the underlying securities. Moreover, before concluding such transactions, the fund management company must obtain specific offers from at least two potential counterparties and must accept the most favourable offer, having regard to the price, credit rating, risk distribution and the range of services offered. The transaction concluded and the price set must be clearly documented.

7. Due account must be taken of the derivatives prescribed in the legislation concerning collective investment schemes when complying with statutory and contractual investment restrictions (maximum and minimum limits).

8. The prospectus has further details on:
  - the implications of derivatives within the investment strategy;
  - the effect of using derivatives on the umbrella fund's risk profile;

- the counterparty risks associated with derivatives;
- credit derivatives.

### § 13 Borrowing and lending

1. The fund management company may not grant loans for the sub-funds' account. Securities lending transactions according to § 10 and repurchase agreements as reverse repos according to § 11 are not deemed to be credit extensions within the meaning of this paragraph.
2. For each sub-fund, the fund management company may periodically borrow the equivalent of up to 25% of net assets. Repurchase agreements as repos according to § 11 are deemed to be credit extensions within the meaning of this paragraph, unless the money received is used as part of an arbitrage transaction to acquire securities of the same type, quality, rating and maturity in conjunction with the conclusion of a reverse repo.

### § 14 Encumbrance of the sub-funds' assets

1. The fund management company may not pledge or transfer by way of security for any sub-fund more than 60% of the sub-fund's net assets.
2. The sub-funds' assets may not be encumbered with guarantees. An exposure-increasing credit derivative is not deemed to be a guarantee within the meaning of this paragraph.

### C Investment restrictions

#### § 15 Risk diversification

1. Pursuant to § 15, the following are to be included in the risk diversification provisions:
  - a) investments pursuant to § 8; with the exception of index-based derivatives as long as the index is sufficiently diversified, representative of the market which it covers and published in an appropriate manner;
  - b) liquid assets pursuant to § 9;
  - c) claims against counterparties from OTC transactions.
2. Companies that make up a group according to international accounting standards are viewed as a single issuer.
3. The sub-funds must invest in at least five different target funds.
4. The fund management company may, including derivatives, invest no more than 10% of a sub-fund's assets in securities or money market instruments issued by one and the same issuer. The total value of the securities and money market instruments of issuers in whose instruments more than 5% of a sub-fund's assets are invested may not exceed 40% of the respective sub-fund's assets, subject to provisions 5 and 6.
5. The fund management company may not invest more than 20% of a sub-fund's assets in sight or time deposits at one and the same bank. This restriction includes both liquid assets pursuant to § 9 and deposits held with banks pursuant to § 8.
6. The fund management company may not invest more than 5% of a sub-fund's assets in OTC transactions of one and the same counterparty. Should the counterparty be a bank with its headquarters in Switzerland or in a member state of the European Union or in another country in which it is subject to supervision equivalent to the supervision in Switzerland, this restriction is increased to 10% of the respective sub-fund's assets.
7. Investments, deposits and claims pursuant to prov. 4–6 of the same issuer or borrower may not in total exceed 20% of a sub-fund's assets, subject to the higher limits specified in prov. 12 below.
8. Investments pursuant to prov. 4 in the same group of companies may not in total exceed 20% of a sub-fund's assets, subject to the higher limits specified in prov. 13 below.
9. The fund management company may invest up to 80% of a sub-fund's assets in units of the same target fund. Where an investment of more than 50% is carried out in one and the same target fund fees may not be cumulated within this target fund, which must ensure complete transparency with regard to investments and fees.
10. The fund management company may not acquire participation rights which in total represent more than 10% of voting rights or which would enable the fund management company to exert a significant influence on an issuer's management, subject to any exemptions granted by the supervisory authority.
11. The fund management company may not acquire for a sub-fund's assets more than 10% of the non-voting equity, debt and/or money market instruments of a single issuer or more than 49% of the units of other collective investments. These restrictions do not apply if at the time of acquisition the gross amount of debt instruments, money market instruments or the units of other collective investments cannot be calculated.
12. The restrictions as set out under prov. 9 and 10 above do not apply if the securities and money market instruments are issued or guaranteed by a state or public-law institution or by international organisations with public-law character to which Switzerland or a member state of the European Union belongs.
13. The limit of 10% stipulated in prov. 4 rises, in conjunction with § 8 prov. 3, to 45% if the securities or money market instruments are issued or guaranteed by an OECD state, a public-law institution within the OECD or by international organisations with public-law character to which Switzerland or a member state of the European Union belongs. The limit of 40% as stipulated in prov. 4 does not apply to the aforementioned securities or money market instruments. The individual limits of prov. 4 and 6, however, may not be accumulated with the existing limit of 35%. The permitted issuers/guarantors above are: the European Union (EU), OECD states, the Council of Europe, the International Bank for Reconstruction and Development (World Bank), the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the Asian Development Bank and Eurofima (European Company for the Financing of Railroad Rolling Stock).
14. The fund management company must also comply with the provisions of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and its ordinances. Compliance with these requirements is checked four times a year on a consolidated basis.

## IV. Calculation of net asset values and issue and redemption of units

### § 16 Calculation of net asset values and application of swinging single pricing

1. Each sub-fund's net asset value (valuation net asset value) and the proportions of the individual classes shall be calculated in the currency units of the respective sub-fund at market value as of the close of the financial year and for each day on which units are issued or redeemed. The individual sub-fund's assets are not calculated on days when the stock exchanges or markets in the sub-fund's main investment countries are closed (e.g. bank and stock exchange holidays).
2. Investments listed on a stock exchange or traded on another regulated market open to the public shall be valued at the current prices paid on the main market. Other investments or investments for which no current market price is available shall be valued at the price likely to be obtained if a sale were conducted with proper care at the time of the valuation. In such cases the fund management company shall use appropriate and recognised valuation models and principles to determine the market value.
3. Open-end collective investments are valued using their redemption price or net asset value. If they are listed on a stock exchange or regularly traded on another regulated market open to the public, the fund management company may value them pursuant to prov. 2.
4. The value of money market instruments which are not listed on a stock exchange or traded on another regulated market open to the public is calculated as follows: the value of the investments is successively adjusted to the redemption price thereof, beginning with the net acquisition price, while the investment return calculated on it is kept constant. In the event of significant changes in market conditions, the valuation basis for the individual investments is adjusted to the new market return. If no current price is available, as a rule the valuation of money market instruments with similar features (quality and domicile of the issuer, currency of issue, maturity) is used.
5. Bank deposits shall be valued using their exposure amount plus accrued interest. In the event of significant changes in market conditions, the valuation basis for bank deposits on demand shall be adjusted in line with the new conditions.
6. The net asset value of a unit of a class represents the percentage constituted by the unit class concerned of the market value of the sub-fund assets, less all the liabilities of this sub-fund allocated to the respective unit class, divided by the number of units of the relevant class in circulation. This is rounded to 0.01 of a unit of the accounting currency of the individual sub-fund.
7. The percentages of the market value of a sub-fund's net assets (sub-fund assets less liabilities) which are to be attributed to the respective unit classes are determined for the first time with the initial issue of multiple unit classes (if they are issued simultaneously) or the initial issue of an additional unit class, on the basis of the inflows to the sub-fund for each unit class. The percentage will be recalculated if one of the following events occurs:
  - a) upon the issue and redemption of units;
  - b) on the cut-off date for distributions provided (i) such distributions accrue only to individual unit classes (distribution classes) or provided (ii) the distributions of various unit classes as a percentage of the respective net asset value differ or provided (iii) different commission or cost charges accrue on the distributions of various unit classes as a percentage of distributions;
  - c) for the calculation of the net asset value, in terms of the allocation of liabilities (including costs and commissions which are due or have accrued) to the various unit classes, provided the liabilities of the various unit classes vary as percentages of their respective net asset values, namely if (i) different commission rates are applied for the different unit classes or if (ii) class-specific cost charges arise;
  - d) for the calculation of net asset value, in terms of the allocation of income or investment income to the various unit classes, provided the income or investment income accrues from transactions which were carried out in the interest of one unit class or in the interest of several unit classes, but not in proportion to their share of net assets of a sub-fund.
8. If, on any one order day, the sum of subscriptions and redemptions of units in the fund result in a net inflow or outflow, the fund's valuation net asset value will be increased or reduced accordingly (swinging single pricing). The maximum adjustment level amounts to 1% of the valuation net asset value. Incorporated into this are the incidental costs (bid/ask spread, brokerage at standard market rates, commissions, duties, etc.) that accrue to the fund on average from the investment of a net inflow or from the sale of a portion of investments corresponding to the net outflow. The adjustment results in an increase of the valuation net asset value if net movements lead to an increase in the number of units in the fund. Conversely, the adjustment results in a reduction of the valuation net asset value if net movements lead to a reduction in the number of units. The net asset value calculated on the basis of swinging single pricing is thus a modified, or "swung", net asset value as set out in the first sentence of this paragraph.

### § 17 Issue and redemption of units

1. Subscription or redemption orders for units will be accepted on the order day up to a specific time mentioned in the prospectus. The price used for the issue and redemption of units is calculated at the earliest on the bank business day (valuation date) following the order day (forward pricing). The prospectus governs the details.
2. The issue and redemption prices of units shall be based on the net asset value per unit as defined in § 16 calculated on the valuation date in conjunction with the closing prices of the previous day. In the case of unit issues, an issuing commission may be added to the net asset value pursuant to § 18. In the case of unit redemptions, a redemption commission may be deducted from the net asset value pursuant to § 18. The issue and redemption price must be paid with a value date of three days following statement of the issue and redemption price. The day the net asset value is calculated is not included. Incidental costs relating to the purchase and sale of investments (brokerage commissions in line with the market, fees, duties, etc.) incurred by a sub-fund in connection with the investment of the amount paid in or with the sale of a

portion of the assets corresponding to the units redeemed will be charged to the assets of the respective sub-fund. Incidental costs relating to the purchase and sale of investments (bid/ask spreads, brokerage at standard market rates, commissions, duties, etc.) and incurred by the fund in connection with the investment of the amount paid in or with a sale of a portion of the assets corresponding to the units redeemed will be covered by the application of swinging single pricing as outlined in § 16 prov. 8 of the fund contract.

3. The fund management company can suspend the issue of units at any time and can also reject applications for unit subscriptions or conversions.
4. The fund management company may temporarily and by way of exception suspend the redemption of sub-fund units in the interest of all investors if:
  - a) a market which is the basis for the valuation of a significant proportion of the respective sub-fund's assets is closed, or if trading on such a market is limited or suspended;
  - b) a political, economic, military, monetary or other emergency occurs;
  - c) owing to exchange controls or restrictions on other asset transfers, the sub-fund is no longer able to transact its business;
  - d) large-scale unit redemptions take place that could significantly jeopardise the interests of the remaining investors in this sub-fund.
5. The fund management company shall immediately apprise the independent auditors and the supervisory authority of any decision to suspend redemptions. It shall also notify the investors in an appropriate manner.
6. No units shall be issued as long as the redemption of units is suspended for the reasons stipulated under prov. 4, sub-sections a) to c).

## V. Remuneration and incidental costs

### § 18 Remuneration and incidental costs charged to investors

1. When units are issued, investors may be charged an issuing commission accruing to the fund management company, the custodian bank and/or distributors in Switzerland or abroad, which in total shall not exceed 3% of the net asset value. The current maximum applicable rate is stated in the prospectus and the simplified prospectus.
2. When units are redeemed, investors may be charged a redemption commission accruing to the fund management company, the custodian bank and/or distributors in Switzerland or abroad, which in total shall not exceed 3% of the net asset value. The current applicable rate is stated in the prospectus and the simplified prospectus.

### § 19 Remuneration and incidental costs charged to the sub-funds' assets

1. For the management, asset management and distribution of the sub-funds, and to cover any costs incurred, the fund management company will charge the sub-fund a monthly maximum flat-rate commission, which shall be charged to the assets of the sub-fund pro rata temporis each time the net asset value is calculated and paid at the end of the relevant quarter (flat fee). For the individual sub-funds, this monthly flat fee amounts to a maximum of:
  - 12: 0.18% (2.16% p.a.)
  - 25: 0.18% (2.16% p.a.)
  - 40: 0.18% (2.16% p.a.)
  - 50: 0.18% (2.16% p.a.)

of the average net assets of the corresponding sub-fund. The actual rate applying to the flat fee is stated in the prospectus as well as the annual and semi-annual reports.

The fund management company shall disclose in the prospectus when it grants reimbursements to investors and/or distribution remuneration.

The fund management company bears all costs accruing from the management, asset management and distribution of the sub-funds as well as:

- annual fees and charges for the authorisations and supervision of the umbrella fund and the sub-funds in Switzerland and abroad
  - other charges levied by regulatory authorities
  - printing the fund contracts, prospectuses and simplified prospectuses, as well as the annual and semi-annual reports;
  - publishing prices and notices to investors
  - fees associated with any listing of the sub-funds and with distribution in Switzerland and abroad
  - costs and commissions of the custodian bank for the safekeeping of the sub-funds' assets, the handling of payment transactions and performance of the other tasks listed under § 4
  - distribution of annual income to investors;
  - fees paid to the auditors
  - advertising costs.
2. The custodian bank and fund management company are, however, entitled to reimbursement of costs for extraordinary actions undertaken in the interests of the investors.
  3. The sub-funds also meet any incidental costs relating to the purchase and sale of investments (bid/ask spreads, brokerage at standard market rates, commissions, duties, etc.) which may be incurred in connection with the management of the fund's assets. These costs are offset directly with the cost/ selling price of the respective investments with the exception of incidental costs incurred in connection with the purchase/sale of investments during unit issuing and redemption, which are covered by the application of swinging single pricing as set out in § 16 prov. 8.
  4. Remuneration is only charged to the sub-funds which receive a specific benefit. Costs which cannot be unequivocally attributed to a particular sub-fund are charged to each individual sub-fund in proportion to its share of fund assets.
  5. Since individual sub-funds of UBS (CH) Vitainvest, as a fund of funds, can also invest in other target funds, it is possible that costs are incurred at the level of both the respective target fund and UBS (CH) Vitainvest. The commission rates that may be charged at target fund level and are charged in total amount to a maximum of 2.16% p.a. if the fund management company invests in units of other collective investments managed directly or indirectly by itself or by a company with which it is affiliated through common management or control or by a direct or indirect holding representing more than 10% of the capital or votes, only a reduced commission of 0.25% p.a. may be charged to the sub-funds' assets within the scope of such investments. In addition, the fund

management company may not charge any issuing or redemption commission of affiliated target funds to the sub-funds.

If the fund management company invests in units of an affiliated target fund as specified in the previous paragraph which has a lower effective (flat) fee than the effective fee of the investing sub-fund referred, the fund management company may charge the difference between the effective fee of the investing sub-fund and the effective (flat) fee of the affiliated target fund instead of the aforementioned reduced fee on the assets invested in this affiliated target fund.

## VI. Financial statements and audits

### § 20 Financial statements

1. The accounting currencies of the individual sub-funds are as follows:
  - 12: Swiss franc (CHF)
  - 25: Swiss franc (CHF)
  - 40: Swiss franc (CHF)
  - 50: Swiss franc (CHF)
2. The financial year shall run from 1 January to 31 December.
3. The fund management company publishes an audited annual report for the umbrella fund and the sub-funds within four months of the close of the financial year.
4. The fund management company shall publish a semi-annual report for the fund within two months of the close of the first half of the financial year.
5. The foregoing does not affect the investor's right to information as specified under § 5, prov. 4.

### § 21 Audits

The auditors shall each year examine whether the fund management company and the custodian bank have acted in compliance with the fund contract, the CISA and the code of professional ethics of the Swiss Funds Association (SFA). The annual report shall contain a short report by the auditors on the published annual financial statements.

## VII. Appropriation of net income

### § 22

1. The net income of the sub-fund will be distributed free of charge to the investors annually within four months of the close of the financial year in the relevant accounting currency. The fund management company may make additional interim distributions from the income.
2. The share of the sub-funds' net income arising from the taxable value of bonus shares and 30% of the remaining net income can be carried forward to new account. If the net income from a financial year, including income carried forward from earlier financial years, is less than 1 unit of the relevant accounting currency per unit, the distribution can be waived, and the entire net income can be carried forward to the new account of the corresponding sub-fund.
3. Capital gains realised on the sale of assets and rights can be distributed by the fund management company or retained for the purpose of reinvestment.

## VIII. Publications of the umbrella fund and the sub-funds

### § 23

1. Official notices regarding the umbrella fund and the sub-funds are published in the print or electronic media mentioned in the prospectus. A change in one of the official publications must be specified in the official publications.
2. The official publications for the fund shall in particular include notices regarding any material amendments to the fund contract in summary form, indicating the locations where the full wording of such amendments may be obtained free of charge, any change of fund management company and/or custodian bank, the creation, liquidation or merger of unit classes and the dissolution of the sub-fund. Any amendments required by law which do not affect the interests of investors or only concern matters of form may be exempted from the duty of disclosure subject to the approval of the supervisory authority.
3. Each time units are issued or redeemed, the fund management company publishes, for each sub-fund, the issue and redemption prices or the net asset value (modified net asset value when swinging single pricing pursuant to § 16 prov. 8 has been applied) together with the footnote "excluding commission" in the print or electronic media specified in the prospectus. The prices shall be published at least twice per month.
4. The prospectus including the fund contract, the simplified prospectus and the current annual and semi-annual reports may be obtained free of charge from the fund management company, the custodian bank and from all distributors.

## IX. Restructuring and dissolution

### § 24 Merger

1. Subject to the agreement of the custodian bank, the fund management company can merge individual sub-funds with other sub-funds or with other funds by transferring the assets and liabilities of the sub-fund(s) or fund(s) being acquired to the acquiring sub-fund or fund. The investors in the sub-fund or fund being acquired receive the corresponding number of units in the acquiring sub-fund or fund. The sub-fund or fund being acquired is terminated without liquidation when the merger takes place, and the fund contract of the acquiring sub-fund or fund also applies to the sub-fund or fund being acquired.
2. Sub-funds or funds may only be merged if
  - a) the applicable fund contracts provide for such merger;
  - b) they are managed by the same fund management company;
  - c) the following provisions of the applicable fund contracts are identical with regard to:
    - investment policy, risk diversification and the risks associated with the investment
    - appropriation of net income and capital gains

- the type, value and method of calculating any remuneration, issuing and redemption commission and incidental costs relating to the purchase and sale of investments (brokerage, fees, duties) which may be charged to the fund's or sub-fund's assets or to the investors
  - the conditions of redemption
  - the duration of the contract and requirements for dissolution;
- d) the valuation of the affected sub-funds' or funds' assets, the calculation of the exchange ratio and the transfer of assets and liabilities must take place on the same day;
- e) no costs may be incurred by the sub-funds or the funds or the investors.
3. If it is anticipated that the merger shall take more than one day, the supervisory authority may authorise a temporary suspension of unit redemptions for the funds concerned.
  4. The fund management company must submit the proposed merger together with the merger schedule and plan to the supervisory authority for review at least one month before the planned publication of the intended changes to the fund contract. The merger schedule must contain detailed information on the reasons for the merger, the investment policies of the sub-funds or funds involved and any differences between the acquiring sub-fund or fund and the sub-fund or fund being acquired, the calculation of the exchange ratio, any differences with regard to remuneration, any tax implications for the sub-funds or funds and a statement from the statutory auditors.
  5. The fund management company publishes notice of proposed changes to the fund contract as well as the proposed merger and schedule together with the merger plan at least two months before the planned date of merger in the official publications of the sub-funds or fund in question. Such notice must advise investors that they may lodge an objection to the proposed amendments to the fund contract with the supervisory authority within 30 days of the last notice, or request redemption of their units.
  6. The auditors must check immediately that the merger is being carried out correctly, and shall submit a report containing their comments in this regard to the fund management company and the supervisory authority.
  7. The fund management company notifies the supervisory authority that the merger has been completed and publishes a notice to this effect, together with a statement from the auditors confirming that the merger was executed correctly and the exchange ratio without delay in the official publications of the sub-funds or funds concerned.
  8. The fund management company must make reference to the merger in the next annual report of the acquiring sub-fund or fund and in its semi-annual report if published prior to the annual report. Unless the merger falls on the final day of the normal financial year, an audited closing statement must be produced for the sub-fund or fund being acquired.

#### § 25 Life of the sub-funds and dissolution

1. The sub-funds have been established for an indefinite period.
2. The fund management company or custodian bank may dissolve the individual sub-funds by terminating the fund contract without notice.
3. The individual sub-funds may be dissolved by order of the supervisory authority, for example if a sub-fund does not have assets of at least five million Swiss francs (or the equivalent) no later than one year after its launch, or a longer period specified by the supervisory authority at the request of the custodian bank and the fund management company.
4. Upon termination of the fund contract, the fund management company may liquidate the affected sub-funds forthwith. If the supervisory authority has ordered the dissolution of a sub-fund, it must be liquidated immediately. The custodian bank shall be responsible for paying the liquidation proceeds to the investors. If the liquidation proceedings are protracted, payment may be made in instalments. Prior to the final payment, the fund management company must obtain authorisation from the supervisory authority.

### X. Amendment to the fund contract

#### § 26

If any amendments are made to this fund contract, or in the event of a proposed merger of unit classes or change of fund management company or custodian bank, investors may lodge objections with the supervisory authority within 30 days of the most recent notice published. In the event of any amendment of this fund contract (including merger of unit classes), investors may also request redemption of their units in cash subject to the period stipulated under the contract. The foregoing is subject to the cases as specified under § 23, prov. 2, which are exempted from the duty of disclosure subject to the approval of the supervisory authorities.

### XI. Applicable law and place of jurisdiction

#### § 27

1. The umbrella fund and the individual sub-funds are governed by Swiss law and in particular the Swiss Collective Investment Schemes Act of 23 June 2006, the Swiss Collective Investment Schemes Ordinance of 22 November 2006 and the Collective Investment Schemes Ordinance issued by the Swiss Federal Banking Commission of 21 December 2006. The place of jurisdiction shall be the domicile of the fund management company.
2. The German version shall be binding for the interpretation of the fund contract.
3. The present fund contract replaces the fund regulations dated 15 April 2008.
4. This fund contract shall take effect on 1 July 2008.

The fund management company: UBS Fund Management (Switzerland) AG, Basel  
The custodian bank: UBS AG, Basel and Zurich