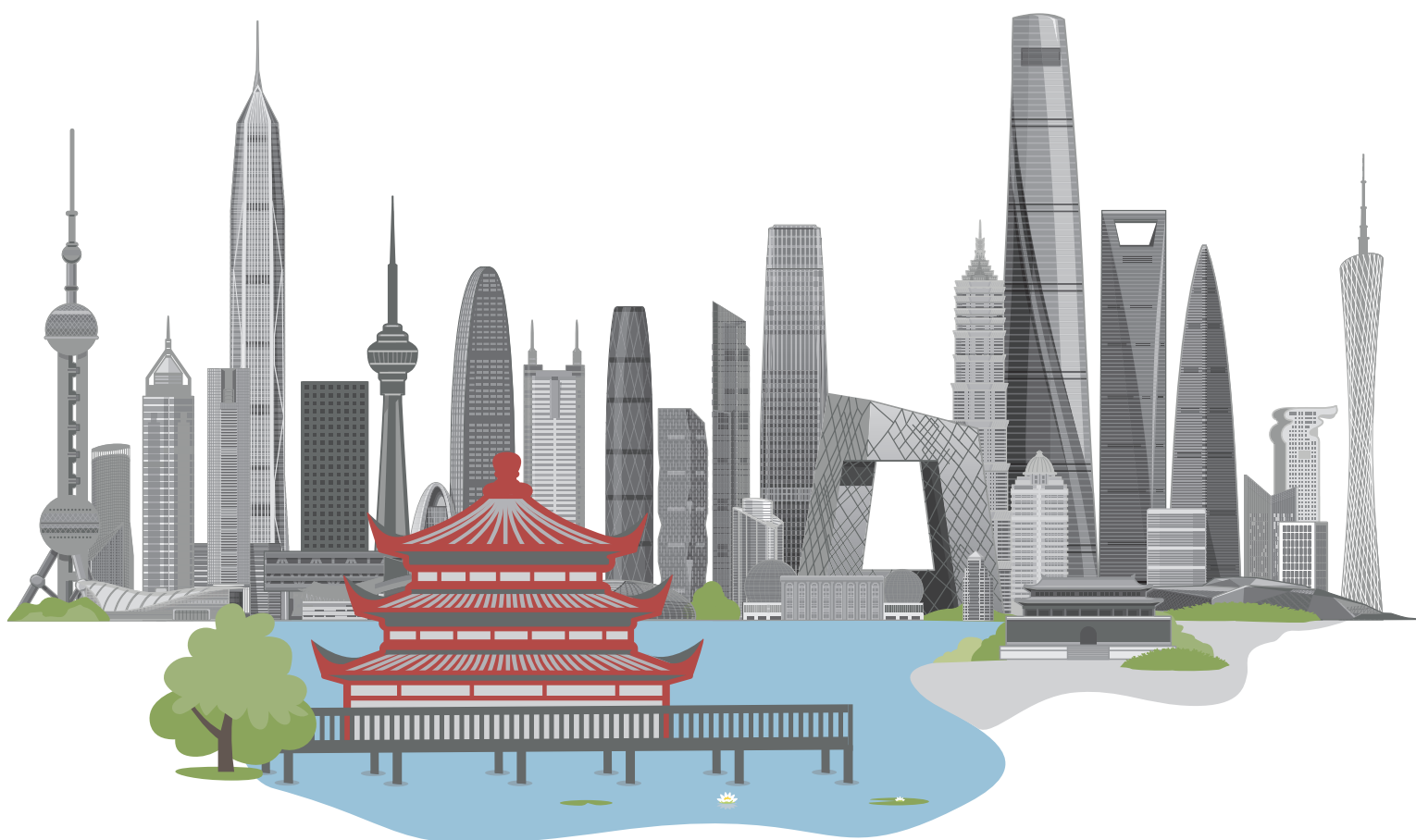


# Growing with China's transformation

Discover our range of **equity funds to invest in China**



# Four reasons to invest in China

## Innovation & automation

China's R&D spending grew from USD 49 billion to USD 264 billion within 10 years<sup>1</sup>.

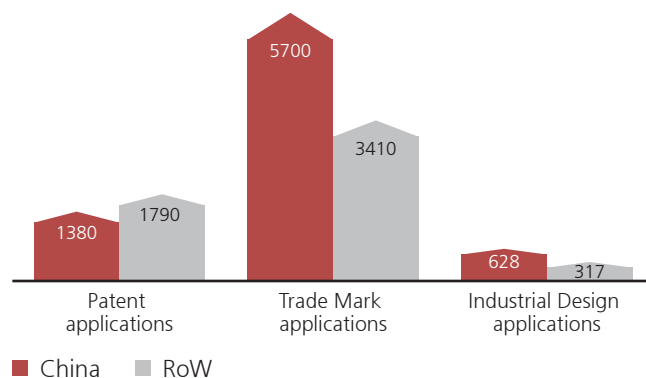
1 Source: OECD, CEIC, Morgan Stanley Research, 2016

### Patent applications

China recorded the highest application volume for each of the intellectual property rights (patents, trademarks, industrial designs and others) as innovators and creators inside the country, as well as foreign entities, seek to protect and promote their work in one of the world's fastest-growing major economies.

#### China in the lead

Intellectual property related applications on the rise



Source: WIPO, World Intellectual Property Indicators, December 2018

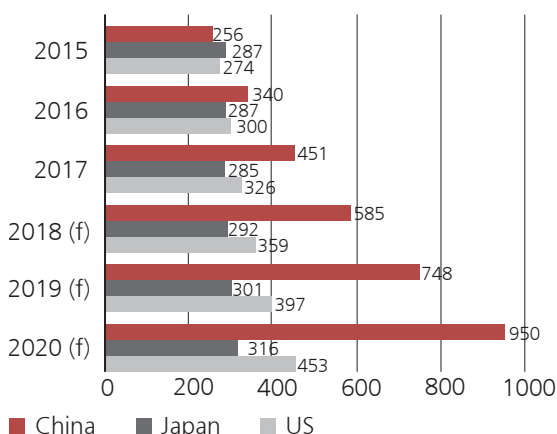
### Robotics

There's still much room for growth because China only has 97 units per 10,000 workers installed, slightly above global average of 85 units. For comparison: Korea 710 units, Japan 308 units, Germany 322 units, US 200 units per 10,000 workers<sup>2</sup>.

2 Source: IFR World Robotics 2018

#### Total installed robots by country

2015-2020 (f)



Source: International Federation of Robotics, September 2017

## Urbanization

31 million moved to cities since 2010 and 225 million will move by 2030<sup>3</sup>.

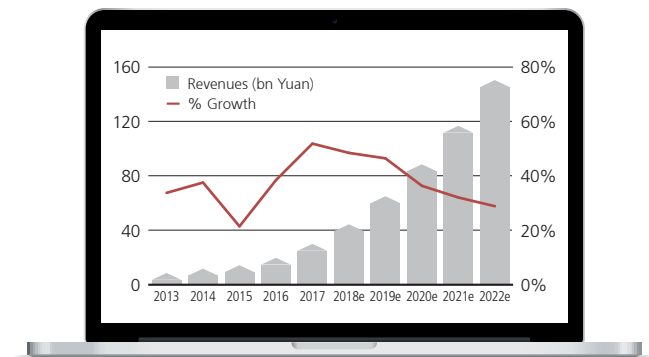
3 Source: United Nations, 2017

### Education

China's market for education, and particularly for after-school tutoring, is both large and growing. It is fragmented and some of the larger firms have the opportunity to add market share.

#### Booming of one-to-one course live streaming

Revenue and Growth of online K12 Education Market 2013-2022 (e)



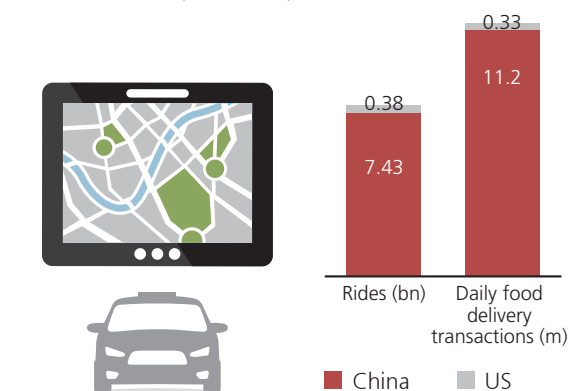
Source: iResearch May 2018 China's Online K12 Education Report

### Ride-hailing

Car ownership is growing fast, but costs can be prohibitive, especially in China's largest cities. App-based ride hailing has developed into a huge business.

#### On the rise: ride hailing and food delivery

US and China companies compared 2017



Source: Bloomberg: China Great Tech Leap Forward, September 2018

## Consumption

With USD 4.9 trillion (2016)<sup>4</sup> Chinese retail market is the largest in the world, but with a 53.6%<sup>5</sup> GDP share private consumption still lags behind (e.g. US: 86.9%).

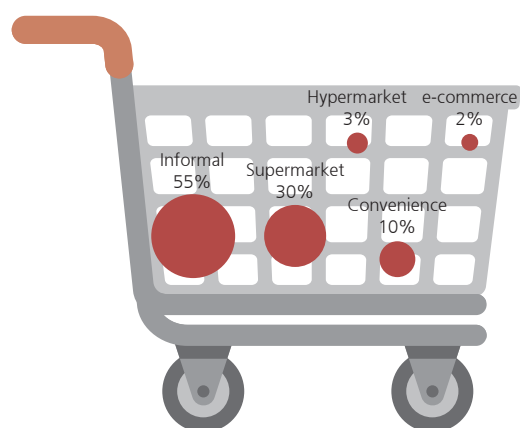
4 Source: Emarketer, February 2017. 5 Source: Bloomberg, November 2018

### Transformation of retail

The transition to organized retail being driven by new retail formats that give consumers better experiences is one aspect of the ongoing consumer story that has plenty of room to run in the coming years.

#### China grocery retail

Channel distribution, 2016



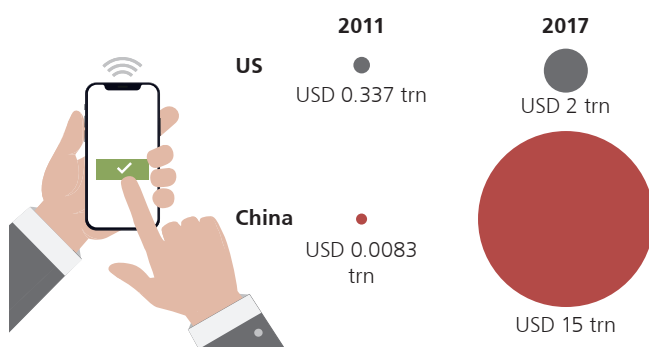
Source: Bain & Company, How Brands Can Get Ahead of China's Tectonic Shifts in Grocery Retail, September 2017

### Cashless payments

Chinese consumers are putting a huge amount of business through cashless channels, delivering a wealth of data points to retailers about behavior, preferences, and spending patterns.

#### Cashless payments

US vs. China, 2011 vs. 2017



Source: KKR, August 2018

## Aging

110 million more people aged 65+ by 2030, making a 65+ population of 385 million<sup>6</sup>. There has also been a steady increase in disposable incomes during recent years, with 8.4% y-o-y recorded in H1/2018<sup>7</sup>.

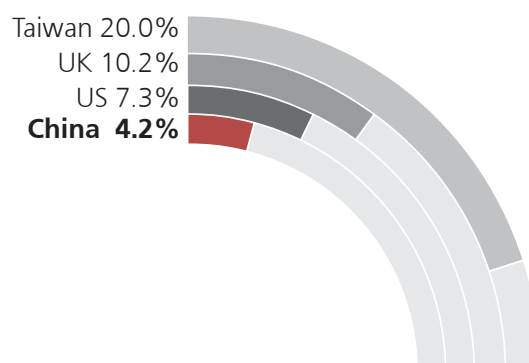
6 Source: United Nations, 2018. 7 Source: Economist Intelligence Unit, October 2018

### Insurance

China's insurance market penetration is low by international standards, but that is to increase as demographic and structural pressure grows.

#### Insurance penetration

Gross written premiums as % of GDP



Source: Ernst & Young: Global Insurance Trends Analysis, July 2018

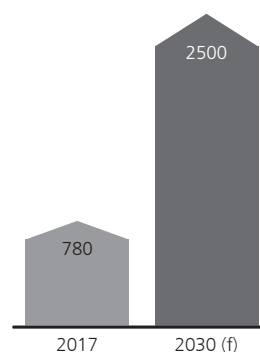
### Healthcare

China's healthcare market expected to grow with a 9.3% p.a. CAGR between 2017 and 2030<sup>8</sup>.

8 Source: China Daily, March 2018

#### China Healthcare market size

(USD bn)



Source: China Daily, December 2017

# How to access these opportunities



## Opportunities across China

Sector and industry leaders that benefit from China's growth and transformation of the Chinese economy



## Strategic industries and sectors

that would benefit from China's structural growth and transition from a manufacturing to services-led economy. Preference for "new economy" sectors such as IT, healthcare and consumer related names

## UBS China Equity Funds

- Portfolio of best ideas that benefit from China's growth and reforms
- Invest in industry leaders, predominantly in sectors with structural growth drivers.
- Access to all shares in China: A, B and H shares as well as ADRs
- Active under-/overweighting of sectors



## Identifying industry leaders

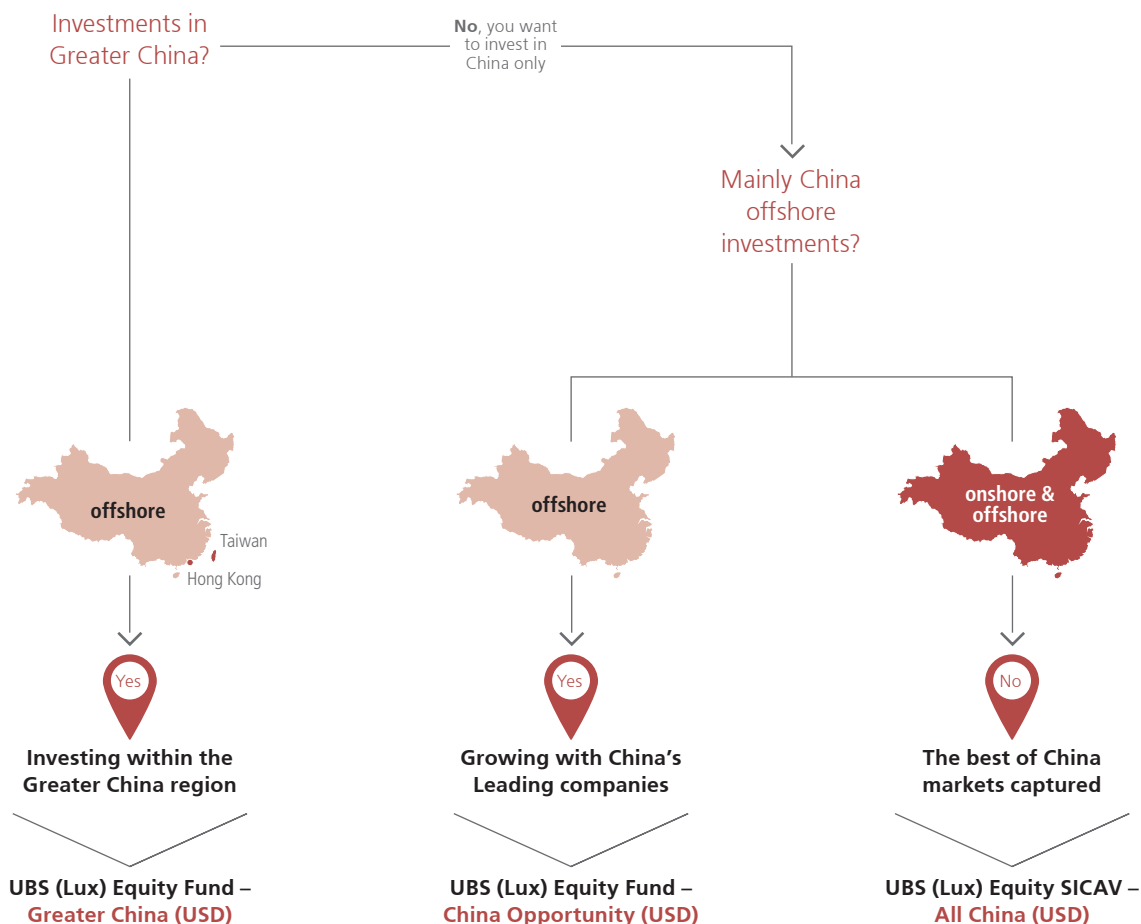
that would outperform industry earnings growth and have attractive valuations






## Fundamental Research/ Quality Checklist

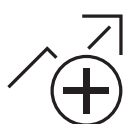
in-depth industry and company research, seek out unconventional sources of information and company visits by PMs and analysts

## Do you want to focus on...?



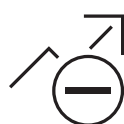
# Solutions which meet your needs

	UBS (Lux) Equity Fund – Greater China (USD)	UBS (Lux) Equity Fund – China Opportunity (USD)	UBS (Lux) Equity SICAV – All China (USD)
			
<b>Description</b>	Overweight on China from a regional standpoint given that the Chinese economy is more competitive with a larger stock opportunity set.	Access to strictly selected industry leaders that have true performance potential. Investment approach based on “boots on the ground” research, with a focus on quality and valuations and not constrained to a benchmark.	Easy access to all classes of China shares in one optimal “best-of-both worlds” portfolio. Dynamic allocation between onshore and offshore markets driven by bottom-up analysis from PM and team.
<b>For investors who</b>	are looking for a less volatile equity investment, as prices on the respective stock exchanges are driven by international and institutional investors.	want to invest in high-quality Chinese companies without too much onshore-exposure.	want to focus on the “best of China only” and who accept some degree of onshore-exposure.
<b>Reference Index</b>	UBS Greater China Index	MSCI China 10/40 Index	MSCI All China Index
<b>Market</b>	Hong Kong, Taiwan and mainly offshore China (H-shares, red chips, P chips and ADR's)	Mainly China offshore (H-shares, red chips, P chips and ADR's)	China onshore (A-shares) and offshore (H-shares, red chips, P chips and ADR's)
<b>Typical no. of holdings</b>	40-100	40-70	20-50
<b>Access to onshore China Equity</b>	May invest up to 20% in onshore China equities through Shanghai/Shenzhen-Hong Kong Connect	May invest up to 20% in onshore China equities through Shanghai/Shenzhen-Hong Kong Connect	Shanghai/Shenzhen-Hong Kong Connect



## Opportunities

- Participate in China's growth story: Investors gain access to all classes of shares in China such as A and H shares, P chips, red chips and ADRs (depending on selected fund)
- Focus on industry leaders that have true performance potential, resulting in a portfolio of high-conviction investments
- Multi-tiered investment process focuses on fundamental research
- Managed by local and experienced investment team based on “boots-on-ground” research and focus on quality



## Risks

- The funds invest in equities and may therefore be subject to high fluctuations in value and market fluctuation
- For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required
- As these funds pursue an active management style, each fund's performance can deviate substantially from that of its reference index
- Every fund has specific risks, which can significantly increase under unusual market conditions
- The funds can use derivatives, which may result in additional risks (particularly counterparty risk)

# Definition of the different share classes

Chinese companies that are incorporated and listed in the People's Republic of China (PRC) generally issue A-, B- and H-share classes. Depending on where they are listed, these Renminbi (RMB)-denominated shares may trade in different currencies. Chinese companies that are incorporated and listed outside of the PRC may be referred to as Red chips, P chips, N-shares or ADRs, depending on their revenue sources and listing location.

Share Class	Description	Country of incorporation	Location of listing	Currency	Exchanges
<b>A-shares</b>	A-shares refer to shares issued by Chinese companies incorporated in China, listed in the domestic stock market and open to foreign investors via the Qualified Foreign Institutional Investor (QFII), RMB Qualified Foreign Institutional Investor (RQFII), or the Stock Connect programs.	China	China	RMB	Shenzhen, Shanghai
<b>B-shares</b>	B-shares refer to shares issued by Chinese companies incorporated in China, listed in the domestic stock market and open to foreign investors.	China	China	USD or HKD	Shenzhen, Shanghai
<b>H-shares</b>	H-shares refer to the shares issued by Chinese companies incorporated in China. They do not have any restrictions on who can trade them.	China	Hong Kong	HKD	Hong Kong
<b>N-shares</b>	N-shares refer to shares of Chinese companies incorporated outside the mainland and are listed at an American stock exchange. A majority of its revenue or assets must be derived from Mainland China. ADRs of H-shares and Red chips are also sometimes called N-shares.	Non-China	USA	USD	New York, NASDAQ, NYSE American
<b>Red chips</b>	Red chips refer to shares of Chinese companies incorporated outside the mainland (mostly in Hong Kong) and are usually controlled by or affiliated with the Chinese government.	Non-China	Hong Kong	HKD	Hong Kong
<b>P chips</b>	P chips refer to shares of Chinese companies incorporated outside the mainland (mostly in Hong Kong) and are owned by private sectors in China.	Non-China	Hong Kong	HKD	Hong Kong
<b>ADRs</b>	American Depositary Receipts (ADRs) refer to (Chinese) companies that are registered outside the United States.	Non-USA	USA	USD	New York, NASDAQ, NYSE American

onshore

offshore

## Characteristics and fees

Fund name	<b>UBS (Lux) Equity Fund – Greater China (USD)</b>			
Fund currency	USD; other currencies: SGD, CHF hedged, EUR hedged			
Portfolio management	UBS Asset Management			
Custodian bank	UBS Europe SE, Luxembourg Branch			
Accounting year	30 November			
Issue/redemption	daily			
Distribution	acc-share class: none			
Benchmark	UBS Greater China Index (comb)			
Share class	<b>P-acc (USD)</b>	<b>P-acc (EUR hedged)</b>	<b>P-acc (CHF hedged)</b>	<b>P-acc (USD) (SGD)</b>
ISIN	LU0072913022	LU0763739140	LU0763739066	LU0501845795
Launch date	31.01.1997	02.04.2012	02.04.2012	14.04.2010
Management fee p.a.	1.87%	1.91%	1.91%	1.87%
Ongoing charges	2.40%	2.45%	2.45%	2.40%
Share class	<b>Q-acc (USD)</b>	<b>Q-acc (EUR hedged)</b>	<b>Q-acc (CHF hedged)</b>	
ISIN	LU0403290215	LU1240780673	LU1240780590	
Launch date	25.11.2009	26.08.2015	26.08.2015	
Management fee p.a.	0.96%	1.00%	1.00%	
Ongoing charges	1.26%	1.31%	1.31%	



Fund name	<b>UBS (Lux) Equity Fund – China Opportunity (USD)</b>						
Fund currency	USD; other currencies: EUR, SGD, HKD, RMB hedged, AUD hedged, SEK						
Portfolio management	UBS Asset Management						
Custodian bank	UBS Europe SE, Luxembourg Branch						
Accounting year	30 November						
Issue/redemption	daily						
Distribution	acc-share class: none; dist-share class: yes						
Benchmark	MSCI China 10/40 (net div. reinv.)						
Share class	<b>P-acc (USD)</b>	<b>P-acc (HKD)</b>	<b>P-acc (SGD)</b>	<b>P-acc (RMB hedged)</b>	<b>P-acc (EUR hedged)</b>	<b>P-mdist (USD)</b>	<b>P-acc (EUR)</b>
ISIN	LU0067412154	LU1008478684	LU0880133367	LU1115430461	LU2000522420	LU1152091168	LU2131365186
Launch date	15.11.1996 <sup>1</sup>	20.01.2014	08.02.2013	10.10.2014	31.05.2019	19.01.2015	06.03.2020
Management fee p.a.	1.87%	1.87%	1.87%	1.91%	1.91%	1.87%	1.87%
Ongoing charges	2.40%	2.40%	2.40%	2.45%	2.45%	2.40%	2.40%
Share class	<b>Q-acc (USD)</b>	<b>Q-acc (HKD)</b>	<b>Q-acc (SGD)</b>	<b>Q-acc (RMB hedged)</b>	<b>Q-acc (EUR)</b>	<b>P-mdist (HKD)</b>	<b>Q-acc (EUR hedged)</b>
ISIN	LU0403296170	LU1240779154	LU1240779584	LU1240779311	LU1923635863	LU1152091754	LU2191389209
Launch date	28.04.2014	05.11.2018	02.11.2018	08.12.2017	16.01.2019	19.01.2015	02.07.2020
Management fee p.a.	1.12%	1.12%	1.12%	1.16%	1.12%	1.87%	1.16%
Ongoing charges	1.46%	1.46%	1.46%	1.51%	1.46%	2.40%	1.51%



Fund name	<b>UBS (Lux) Equity SICAV – All China (USD)</b>				
Fund currency	USD; other currencies: HKD, SGD				
Portfolio management	UBS Asset Management				
Custodian bank	UBS Europe SE, Luxembourg Branch				
Accounting year	31 May				
Issue/redemption	daily				
Distribution	acc-share class: none				
Benchmark	MSCI All China (net div. reinvested)				
Share class	<b>P-acc (USD)</b>	<b>Q-acc (USD)</b>	<b>P-acc (HKD)</b>	<b>P-acc (SGD)</b>	<b>Q-dist (USD)</b>
ISIN	LU1807302812	LU1807302739	LU1960683339	LU1993786604	LU2200167067
Launch date	24.05.2018	11.06.2018	20.03.2019	23.05.2019	16.07.2020
Management fee p.a.	1.72%	1.03%	1.72%	1.72%	1.03%
Ongoing charges	2.21%	1.35%	2.22%	2.22%	1.35%



Data as of September 2020.

<sup>1</sup> Repositioned to current strategy on 16 July 2010. Old sub-fund name was UBS (Lux) Equity Fund – Hong Kong.

**For further information please contact your client advisor. Investors should not base their investment decisions on this marketing material alone.**

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## Glossary

**Benchmark:** Reference parameter (e.g. a share index or an index portfolio) used to compare the performance of a portfolio. A benchmark that is an index is also called a reference index.

**Counterparty risk:** Loss that a bank would incur if a business partner were to become insolvent.

**Drawdown:** The peak-to-trough decline during a specific record period of an investment or fund. It is usually quoted as the percentage between the peak and the trough.

**Derivative:** A derivative or derivative financial instrument is a generic term for synthetic financial products which are linked to one or more underlying instruments such as shares, bonds, indices, etc.

**Quota limitations:** Limitations on foreign investment into China's mainland stock exchanges.

**Risk:** Exposure to damage or financial loss, e.g. a fall in the price of a security, or insolvency on the part of a debtor. Financial market theory measures the risk of an investment or portfolio by the degree of expected return fluctuations.

**Shanghai or Shenzhen Stock Connect:** Collaboration between the Hong Kong, Shanghai and Shenzhen Stock Exchanges, Stock Connect allows international and Mainland Chinese investors to trade securities in each other's markets through the trading and clearing facilities of their home exchange.

**Volatility:** Measure of the fluctuations in the rate of return of a security within a specific period. Usually stated as an annualized standard deviation.

For any further explanations of financial terms please refer to [ubs.com/glossary](https://ubs.com/glossary)

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