

UBS Euro Countries Opportunity

Eurozone equities – **selected with conviction**

Investors who not only want to be in a certain stock market, but also want to achieve above-average returns opt for active managers. Only those managers who are able to invest in the preferred equities with complete conviction following an in-depth analysis will be able to achieve a clear added value for their clients.

Why eurozone equities?

Based on our assessment of global developments and our market analyses, we think that several factors continue to point to the positive development of European equities. Among other things, these factors include the European Central Bank's ongoing bond-buying program, the persistently low price of oil with its positive effect on consumer spending, and the positive trends seen in the development of corporate earnings in the eurozone. UBS therefore continues to rate eurozone equities as attractive.

Why a concentrated portfolio?

Investors can invest in a particular stock market as broadly as possible by choosing an index product that tracks the entire market. There are good reasons in favor of such a solution. However, those investors who want to achieve returns above the market average choose an active strategy and thus an active manager. Active managers have the flexibility needed to be able to invest in a fund in line with their convictions. This includes the belief that the fund and its equity positions may deviate significantly from the benchmark index. Experience shows that such strategies make it possible to achieve above-average returns over the long term. Unlike a traditional fund, with this strategy the investor invests in fewer securities and the weight of these securities in the overall portfolio is correspondingly higher. If the portfolio manager is largely correct in his decisions, the impact on performance will therefore be greater.

What are the characteristics of the fund?

The fund invests in selected eurozone companies, and in doing so the fund manager is largely able to follow his convictions and is not subject to narrow restrictions. He therefore has the freedom to select interesting stocks, irrespective of the company's country or sector. Furthermore, he is not limited solely to large caps, but can also buy small and mid caps, which allows investors to take advantage of additional opportunities.



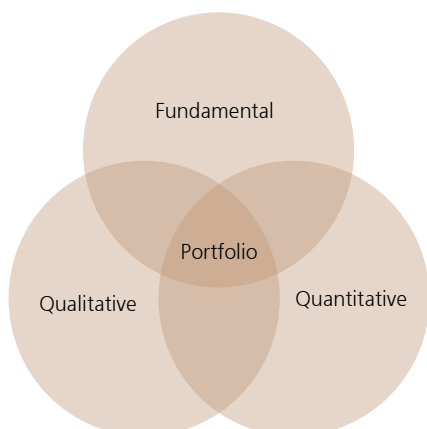
The securities are selected on the basis of company analyses by UBS specialists, additional research from independent sources, the results of our quantitative method and through direct contact with the management teams at the companies.

Why UBS Asset Management?

- The concentrated alpha equity strategy is implemented very successfully by a special team at UBS Asset Management. According to the ratings agency Lipper, as of the end of January 2016 the fund was in the top quartile of all funds in the benchmark group – for 1, 3 and 5 years.
- We have excellent knowledge of the market thanks to our comprehensive company data and good access to the companies.
- As a global asset manager we have access to a large network of economists and analysts for various asset classes and currencies.

Investment approach

The process is based on three pillars. Below, we highlight the key input parameters for each of the three circles of the investment process:



Source: UBS Asset Management, for illustrative purposes only.

The approach is disciplined and simple but not dogmatic – it must be open to admitting mistakes and to new ideas. It aims to find the best opportunities within the market through a range of information sources without country or sector constraints.



Opportunities

- Investors invest in an actively managed, concentrated eurozone equity portfolio with the opportunity for significant outperformance.
- The securities are selected on the basis of the portfolio management's best ideas, irrespective of any benchmark.
- UBS's experience and network of contacts are especially important in less liquid markets, such as the market for small caps.

Fundamental research

- Bottom-up, company-level research from a team of 50 internal analysts
- Proprietary scenario analysis, assessing the upside versus downside potential of companies
- Selected independent research from high-quality sources
- Company management meetings

Qualitative research

- Systematic corporate governance approach
- Plausibility checks on management compensation, management / director dealings, market environment and ownership

Quantitative research

- Stock ranking based on various quantitative models
- Quantitative checks on valuation, profitability, growth and accounting

Definitions

Fundamental research: using financial data to evaluate a security's value

Proprietary: a process, tool, or system that is developed in-house and is the property of a business.

Quantitative research: use of mathematical models to analyze markets and investments.

Qualitative research: securities analysis that uses subjective judgment based on non-quantifiable information.



Risks

- With investments in equities, there may be significant fluctuations in value. So this fund is only suited to those investors who have the corresponding risk tolerance and capacity.
- The very active management of the fund may lead to performance that deviates significantly from the benchmark index.
- As the fund also invests in less liquid investments, such as small caps, it may be difficult to sell this security during certain market phases.

We recommend that interested investors read the Key Investor Information Document and the detailed sales prospectus for further information about the fund. Investments in a product should only be made after carefully studying the documents.

Fund details

Name of fund:	UBS (Lux) Equity Fund – Euro Countries Opportunity (EUR)	
Fund type:	open	
Fund domicile:	Luxembourg	
Portfolio management:	UBS Asset Management, London	
Custodian:	UBS (Luxembourg) S.A.	
Reference index:	MSCI EMU (net div. reinv.)	
Fund currency:	EUR	
Share class inception:	P-acc: 4 May 1998	Q-acc: 24 January 2014
Accounting year end:	30 November	
Subscriptions / redemptions:	daily	
Distribution:	Dividend reinvestment	
Swing pricing:	yes	
EU savings tax:	Distribution not affected, sale/redemption not affected	
Securities No. / ISIN:	P-acc: 836189 / LU0085870433	Q-acc: 4733365 / LU0401310437

Fees

Management fee:	P-acc: 1.44% p.a.	Q-acc: 0.72% p.a.
Total expense ratio (TER) ¹ :	P-acc: 1.83% p.a.	Q-acc: 0.97% p.a.

¹ as at 31 July 2016

For explanations on financial wordings please refer to the glossary at www.ubs.com/glossary or contact your UBS client advisor for further information.

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