

UBS IQ ETFs

Product Disclosure Statement

Issued by UBS Asset Management (Australia) Ltd

ABN 31 003 146 290

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Dated: 20 November 2017

UBS IQ Morningstar Australia Quality ETF

(ASX code: ETF) (ARSN 159 571 534)

UBS IQ Morningstar Australia Dividend Yield ETF

(ASX code: DIV) (ARSN 161 570 574)

UBS IQ MSCI Australia Ethical ETF

(ASX code: UBA) (ARSN 166 219 601)

UBS IQ MSCI World ex Australia Ethical ETF

(ASX code: UBW) (ARSN 603 812 040)

UBS IQ MSCI Europe Ethical ETF

(ASX code: UBE) (ARSN 603 813 949)

UBS IQ MSCI USA Ethical ETF

(ASX code: UBU) (ARSN 603 812 246)

UBS IQ MSCI Japan Ethical ETF

(ASX code: UBJ) (ARSN 603 812 451)

UBS IQ MSCI Asia APEX 50 Ethical ETF

(ASX code: UBP) (ARSN 603 812 826)



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Important information

About this PDS

This product disclosure statement ("PDS") is dated 20 November 2017. It was lodged with the Australian Securities & Investments Commission ("ASIC") on that date. As at the date of this PDS, the Units in each Fund are quoted for trading on the ASX. Neither ASIC nor ASX take any responsibility for the contents of this PDS. This PDS is a replacement product disclosure statement for the product disclosure statement dated 29 September 2017 in respect of the Funds.

UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (Australian financial services licence number 222605) (referred to in this PDS as the "**Responsible Entity**") is the responsible entity of the Funds. The Responsible Entity is the issuer of this PDS and is responsible for the contents of the PDS.

Morningstar Australasia Pty Ltd consents to the inclusion in this PDS of the descriptions of the Morningstar Indexes in section 2.3.

The offer

Each Fund is an exchange traded fund or "ETF", the Units in which trade like listed securities. The performance of each Fund is linked to the performance of its underlying Index. Units in the Funds can be traded on the ASX similarly to the way you would transact in any other security quoted on the ASX.

The offer to apply for the issue of Units in a Fund under this PDS is only available to ASX Trading Participants who are acting as principal and have been approved by the Responsible Entity for the purpose of applying for and redeeming Units in the Funds ("**Authorised Participants**").

Individual investors may only invest in the Funds by purchasing Units on the ASX via their stockbroker or financial adviser. Such investors may use this PDS for information purposes only.

For information concerning Funds' performance and investment compositions please visit: www.ubs.com/etf-australia.

This PDS does not constitute an offer or invitation in any jurisdiction other than Australia.

This offer is not available to US Persons.

Disclaimers

The Morningstar Indexes are provided by Morningstar Australasia Pty Ltd ("**Morningstar**") and have been licenced for use for certain purposes by the Responsible Entity. Please refer to page 33 for additional information about the Morningstar disclaimer in relation to the Funds and the Indexes.

The MSCI Indexes are provided by MSCI Inc. ("**MSCI**") and have been licensed for use for certain purposes by the Responsible Entity. Please refer to page 33 for additional information about the MSCI disclaimer in relation to the Funds and the Indexes.

Each Fund's underlying Index is not created or managed by a related body corporate to the Responsible Entity.

An investment in the Funds does not represent a deposit with, or a liability of, any company in the UBS group of companies, including the Responsible Entity, and is subject to investment risk including possible delays in repayment and loss of income and principal invested.

No company in the UBS group of companies, including the Responsible Entity, guarantees the performance of the Funds or the repayments of capital or any particular rate of returns, or makes any representation with respect to the income or taxation consequences of an investment in the Funds.

Information relating to past performance is not a reliable indicator of future performance. Neither the Responsible Entity nor any of its related entities guarantees the performance of any Fund. Performance may be volatile, particularly in the short term.

Not personal advice

The information in this PDS is general information only and does not take into account your individual objectives, financial situation or needs. You should consider whether the information in this PDS is appropriate for you in light of your objectives, financial situation and needs. To obtain advice or more information about the Funds, you should speak to an Australian financial services licensee or an authorised representative.

PDS updates

This PDS may be updated or replaced from time to time. A copy of the current PDS for the Funds is available from the Responsible Entity on request at any time, free of charge. You can either call the Responsible Entity (02) 9324 3222 or access: www.ubs.com/au/en/asset_management/exchange-traded-funds/all-funds for a copy.

Information that is not materially adverse information is subject to change from time to time and the PDS may not always be updated to reflect the changed information. To find out about any updated information not contained in this PDS, please access: https://www.ubs.com/au/en/asset_management/exchange-traded-funds/productupdates.html.

A paper copy of any updated information will be provided on request free of charge. Any new or updated information that is materially adverse to investors will be available in a supplementary or replacement PDS which will be made available to investors on the website: https://www.ubs.com/au/en/asset_management/exchange-traded-funds/productupdates.html.

Capitalised terms used in this PDS are defined in the Glossary in section 12.

1. Fund features at a glance

Fund name ARSN and ASX code	Index	Fees	Distribution frequencies
UBS IQ Morningstar Australia Quality ETF ARSN 159 571 534 (ASX code: ETF)	Morningstar® Australia Moat Focus Index™	0.30% p.a.	semi-annually
UBS IQ Morningstar Australia Dividend Yield ETF ARSN 161 570 574 (ASX code: DIV)	Morningstar® Australia Dividend Yield Focus Index™	0.30% p.a.	quarterly
UBS IQ MSCI Australia Ethical ETF ARSN 166 219 601 (ASX code: UBA)	MSCI Australia ex Tobacco ex Controversial Weapons Index	0.17% p.a.	semi-annually
UBS IQ MSCI World ex Australia Ethical ETF ARSN 603 812 040 (ASX code: UBW)	MSCI World ex Australia ex Tobacco ex Controversial Weapons Index	0.35% p.a.	annually
UBS IQ MSCI Europe Ethical ETF ARSN 603 813 949 (ASX code: UBE)	MSCI Europe ex Tobacco ex Controversial Weapons Index	0.40% p.a.	annually
UBS IQ MSCI USA Ethical ETF ARSN 603 812 246 (ASX code: UBU)	MSCI USA ex Tobacco ex Controversial Weapons Index	0.20% p.a.	annually
UBS IQ MSCI Japan Ethical ETF ARSN 603 812 451 (ASX code: UBJ)	MSCI Japan ex Tobacco ex Controversial Weapons Index	0.40% p.a.	annually
UBS IQ MSCI Asia APEX 50 Ethical ETF ARSN 603 812 826 (ASX code: UBP)	MSCI Asia APEX 50 ex Tobacco ex Controversial Weapons Index	0.45% p.a.	annually

Funds	<p>This PDS relates to the eight exchange traded funds (the “Funds”) listed in the table above. Section 2</p> <p>Five of the eight Funds provide exposure to international equities (these Funds are referred to as the “International Funds”). The other three Funds offer exposure to Australian equities (these are referred to as the “Australian Funds”). The International Funds do not hedge any of their foreign currency exposure against the Australian dollar.</p> <p>Six of the eight Funds include the word “Ethical” in their name (these are referred to as the “Ethical Funds”).</p> <p>The Funds do not take into consideration any labour standards or environmental, social or ethical considerations in the selection, retention or realisation of investments. Each Fund adopts a passive investment strategy, designed to track the performance of the relevant underlying Index (before fees and expenses).</p> <p>While the Funds do not take ethical considerations into account, the name of each Ethical Fund includes the word “ethical” because the relevant underlying Index excludes securities issued by companies with significant business activities involving tobacco and those engaged in the production of cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons.</p> <p>As at the date of this PDS, the underlying index for the UBS IQ MSCI Australia Ethical ETF, the MSCI Australia ex Tobacco ex Controversial Weapons Index, does not exclude any securities issued by companies with significant business activities involving tobacco and controversial weapons because the relevant “Parent Index”, MSCI Australia Index, does not include any such securities. That is, as at the date of this PDS, the MSCI Australia ex Tobacco ex Controversial Weapons Index is the same as its Parent Index, the MSCI Australia Index.</p>	
Exchange traded funds (ETF)	Each Fund is a registered managed investment scheme which tracks a market index. Units in each Fund are quoted for trading on the ASX.	Sections 2.1, 5.1
Investment objective	Each Fund aims to provide a performance before fees, expenses and taxes, in line with its Index (“Index”).	Sections 2.2, 2.3, 2.4, 2.5 and 2.6

Benefits of the Funds	<ul style="list-style-type: none"> • Diversified investment • Intra-day trading • Relatively low-cost investment • Transparent performance 	Section 3
Buying and selling Units on the ASX	Units in each Fund may be traded through a stock broker like any other quoted security on the ASX (subject to market conditions).	Section 3
Unit issues (Authorised Participants only)	The offer to issue Units in the Funds made in this PDS is only available to Authorised Participants acting as principal. Applications must be for a minimum number of Units (50,000 Units for each Australian Fund, 250,000 Units for each International Fund), unless the Responsible Entity agrees otherwise.	Section 10
How to redeem Units	<p>Unitholders may only redeem Units in the Funds if they are Qualifying Australian Residents for tax purposes and are Authorised Participants acting as principal.</p> <p>All Unitholders may sell Units in the Funds by trading on the ASX.</p>	Section 10
Risks of investing in the Funds	<p>An investment in a Fund is subject to various risks, including:</p> <p>Market risk - the value of the Units in each Fund may be affected by economic, political and legal conditions, changes in interest rates, and other factors that impact global equity markets.</p> <p>Country risk (relevant to the International Funds) - additional risks may arise when investing internationally, including but not limited to political and/or financial events, changes in foreign-exchange control regulations, foreign tax legislation and withholding tax and government policy. Additionally, differences in accounting, legal, securities trading and settlement procedures can also impact the value of a Fund's investment.</p> <p>Currency risk (relevant to the International Funds) – The International Funds do not hedge any of their exposure in foreign currencies against the Australian dollar.</p> <p>If the currencies in which the assets of an International Fund are denominated depreciate relative to the Australian dollar, this can reduce the value of your investment in the International Fund.</p> <p>Regulatory risk - changes to law or policy, or the interpretation of law or policy, may affect the value of Units in a Fund, or the tax treatment of a Fund and its Unitholders.</p> <p>Fund risk - there is a risk that a Fund could terminate, fees and expenses could change or the Responsible Entity could be removed as responsible entity of a Fund. For example, if the Responsible Entity considers it to be uneconomic to continue to operate a Fund (eg if a Fund size is too small), it could terminate a Fund.</p> <p>Operational risk - there is a risk that an internal or external event could prevent the Responsible Entity from managing a Fund in accordance with the Fund's investment objectives or administrative procedures outlined in this PDS.</p> <p>Concentration risk – there is a risk that a Morningstar Fund could have greater exposure to one or a small number of industry sectors than an ETF with a broader based index</p> <p>Tracking error risk - there is a risk that the performance of a Fund could differ from the performance of its underlying Index.</p> <p>Index change - there is a risk that an Index could cease to be available or the Index Provider or Responsible Entity could change the Index for a Fund.</p> <p>Liquidity risk - there can be no assurance that there will be a liquid trading market for Units in a Fund at any time.</p> <p>Return risks - there is a risk that the return on an investment in a Fund could be less than the return from investing directly in the securities comprising the underlying Index.</p>	Section 4
Distributions	The Funds have regular distributions.	Section 9

<p>Information about the Funds</p>	<p>The Responsible Entity or the Administrator will publish the information about each Fund on the website www.ubs.com/etf-australia:</p> <ul style="list-style-type: none"> • the Fund’s net asset value and the net asset value per Unit (available daily). For the International Funds this will not be calculated and released until close of trading on the next ASX Business Day; • the assets held by the Fund (available daily). For the International Funds this will not be available until close of trading on the next ASX Business Day; • Creation/Redemption Baskets; and • the Fund’s annual and half-yearly reports, information about distributions, performance and ASX announcements. <p>The Responsible Entity will publish the level of each Index each ASX Business Day at www.ubs.com/etf-australia.</p> <p>For the Australian Funds, ASX will calculate and publish an indicative, intra-day net asset value per Unit (“iNAV”) each ASX Business Day, based on data provided to the ASX by the Administrator.</p> <p>For the International Funds, there is no iNAV available.</p>	<p>Section 2.7</p>
<p>Fees and other costs</p>	<p>Details of applicable fees and costs are set out in section 6 of this PDS – ‘Fees & other costs’.</p>	<p>Section 6</p>

2. About the UBS IQ ETFs

2.1 About the Funds

The Funds are exchange traded funds, or ETFs. The performance of each Fund is linked to the performance of its underlying Index. Each Fund aims to provide a return before fees, expenses and taxes, in line with its underlying Index by using a passive strategy to invest in a portfolio of securities which generally reflects the composition and weightings of the underlying Index, subject to sampling strategies which may be used as described below.

Each Fund allows investors, in one transaction, to gain exposure to a diversified portfolio of listed equities according to the underlying Index. Each Fund provides investors with the diversification benefits of a managed fund along with the flexibility of listed securities. Some of the key benefits of the Funds are listed in section 3.

Units in each Fund are quoted for trading on the ASX. Units in each Fund will generally be available for issue and redemption (by Authorised Participants) each Business Day.

2.2 The Indices

Each Fund's Index is an equity index made available to the Responsible Entity either by Morningstar or MSCI.

UBS IQ Morningstar Australia Quality ETF (ETF)

Index: Morningstar® Australia Moat Focus Index™

UBS IQ Morningstar Australia Dividend Yield ETF (DIV)

Index: Morningstar® Australia Dividend Yield Focus Index™

UBS IQ MSCI Australia Ethical ETF (UBA)

Index: MSCI Australia ex Tobacco ex Controversial Weapons Index

UBS IQ MSCI World ex Australia Ethical ETF (UBW)

Index: MSCI World ex Australia ex Tobacco ex Controversial Weapons Index

UBS IQ MSCI Europe Ethical ETF (UBE)

Index: MSCI Europe ex Tobacco ex Controversial Weapons Index

UBS IQ MSCI USA Ethical ETF (UBU)

Index: MSCI USA ex Tobacco ex Controversial Weapons Index

UBS IQ MSCI Japan Ethical ETF (UBJ)

Index: MSCI Japan ex Tobacco ex Controversial Weapons Index

UBS IQ MSCI Asia APEX 50 Ethical ETF (UBP)

Index: MSCI Asia APEX 50 ex Tobacco ex Controversial Weapons Index

The International Funds do not hedge any of their exposure in foreign currencies against Australian dollar.

2.3 The Morningstar Indexes

This section 2.3 was prepared based on statements made by Morningstar.

Morningstar® Economic Moat™ Rating

Morningstar creates transparent, rules-based indexes, which leverage Morningstar's investment research. Morningstar's analysts apply a global methodology which focuses on long-term fundamental valuation, competitive advantages (referred to as economic "moats"), risk, financial health and stewardship.

The economic moat concept is a cornerstone of Morningstar's investment philosophy and is used to distinguish what it expects to be high-quality companies. An economic "moat" is a structural feature that Morningstar expects will allow a firm to sustain excess returns on invested capital over a long period of time.

Without a moat, profits are expected to be more susceptible to competition. Morningstar considers that companies with a narrow moat are likely to achieve normalised excess returns beyond 10 years, while wide-moat companies are likely to sustain excess returns beyond 20 years. The longer a firm generates economic profits, the higher its intrinsic value.

Morningstar believes low-quality, no-moat companies will see their returns gravitate toward the firm's cost of capital more quickly than companies with moats. Morningstar's equity research analysts assign one of three "economic moat ratings": none, narrow, or wide, to each relevant security.

There are two major requirements for firms to earn either a narrow or wide moat rating:

1. Prospect of earning above average returns on capital; and
2. Some competitive edge that prevents these returns from quickly deteriorating.

The covering analyst for a company pitches to a selection committee, comprising members of the equity research team, which makes the final determination of whether a company is a wide, narrow, or no moat company. Only those companies with one or more of the identifiable competitive advantages, as determined by Morningstar's equity research team and agreed to by the selection committee, and expected to generate excess returns for at least 20 years will be classified as "wide moat" companies.

The factors used to identify competitive advantages attempt to assess historical and projected returns on invested capital relative to cost of capital. They include:

1. The Network Effect – Present when the value of a service or product grows as more people use it.
2. Cost Advantage – Which allows firms to sell at the same price as competition and gather excess profit.
3. Efficient Scale – When a company serves a market limited in size, new competitors may not have an incentive to enter. Incumbents generate economic profits, but new entrants would cause returns for all players to fall well below cost of capital.
4. Intangible Assets – Things such as brands, patents, and regulatory licenses that block competition and/or allow companies to charge more.

- Switching Costs – Whether in time, money, risk, or hassle, the expenses that a customer would incur to change from one producer/provider to another

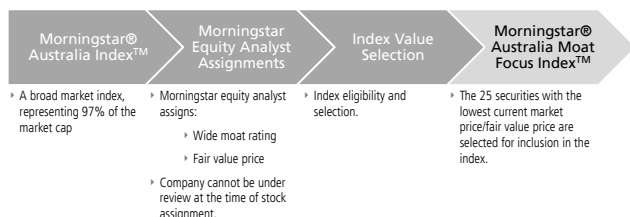
The Morningstar® Australia Moat Focus Index™

The investment strategy for UBS IQ Morningstar Australia Quality ETF aims to track the Morningstar® Australia Moat Focus Index™ by holding assets that fully replicate that Index.

The Morningstar® Australia Moat Focus Index™ is a rules-based, equal-weighted index intended to offer exposure to companies that Morningstar determines have sustainable competitive advantages based on a proprietary methodology that considers quantitative and qualitative factors (i.e. “wide” or “narrow” moat rated companies, as described above).

The Index is designed to target exposure to approximately 25 wide- and narrow-moat stocks in the Morningstar® Australia Index™ with the lowest ratios of current market price to fair value price determined under an independent research process by the Morningstar Equity Research team.

The fair value estimate is based primarily on Morningstar's proprietary three-stage discounted cash flow model. Morningstar also uses a variety of supplementary fundamental methods to estimate a company's worth, such as sum-of-the-parts, multiples and yields, among others.



Index eligibility

To qualify for inclusion in the Morningstar® Australia Moat Focus Index™, constituents must meet the following criteria:

- Equity analysts assignment

A company is assigned a wide moat or narrow moat rating by Morningstar’s equity research team and a fair value estimate by a Morningstar equity research team.
- Momentum screen

Eligible securities are ranked by the percentage change in price from 12 months ago. The securities in the bottom 20% are screened out.
- Buffer rules

Existing Index constituents that are eligible for inclusion in the Index and are ranked within the top 37 stocks eligible for inclusion in the index (i.e. 150% of the number of Index constituents) according to current market price to fair value are retained in the index, while those falling outside the top 37 are omitted from the Index. This feature attempts to reduce turnover within the Index.

- Sector capping

The maximum weight of an individual industry sector as assessed by Morningstar in the index is capped at 40% or its corresponding weight in the underlying index (Morningstar Australia Index) +10% whichever is higher.

Since the index is equal-weighted, the cap on a Morningstar Sector in terms of weight translates into a cap on the number of securities selected from that Morningstar Sector. Where a cap applies, the stock(s) within the relevant Morningstar Sector with the highest price to value ratio (calculated in the manner described above) will be excluded.

- Index selection

From among the remaining securities, subject to the buffering process described above, those securities with the lowest current market price to fair value ratio are selected for inclusion in the Index until the number of constituents reaches 25, and equal weighted.

On a “pure” free float market capitalisation weighting model, the largest handful of stocks might comprise a significant proportion of the index. Under the equal weighting model used for the Index, weightings are more evenly allocated between larger market capitalisation and smaller market capitalisation stocks.

The Morningstar Index Committee's responsibilities include deciding on extraordinary issues pertaining to index construction and maintenance such as security eligibility and classification, country classification (i.e. assessing whether a security should be classified as Australian), and corporate actions. Morningstar Index Committee decisions are deemed final.

Index rebalancing

The Index consists of two sub-portfolios of 25 securities each. The sub-portfolios are reconstituted (i.e. securities are selected and equal weighted) semi-annually with a quarterly staggered schedule. Consequently, about half of the total Index membership is reset each quarter (March, June, September, and December). In June and December, the two sub-portfolios are reset to equal weight.

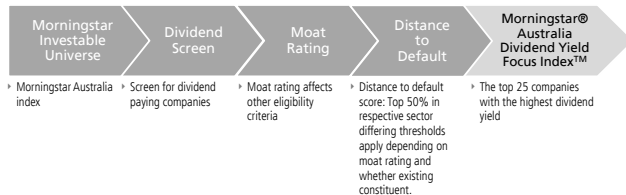
Because of the sub-portfolio rebalance arrangements, the portfolio composition of the sub-portfolios may not remain identical and the number of stocks in the Index as a whole may exceed 25 stocks.

There is no cap on Index turnover. However, the buffering rules described above are intended to limit portfolio turnover.

The Morningstar® Australia Dividend Yield Focus Index™

The investment strategy for UBS IQ Morningstar Australia Dividend Yield ETF aims to track the Morningstar® Australia Dividend Yield Focus Index™ by holding assets that fully replicate that Index.

The constituents of Index are a subset of the Morningstar® Australia Index™, a broad market index representing 97% of Australian equity market capitalization. The Index comprises dividend paying securities screened for superior company quality and financial health. It is designed to target sufficient index capacity and low turnover, and represent 25 high yielding stocks that meet the screening requirement.



Morningstar Quantitative Distance to Default

“Distance to Default” is a structural or contingent claim model that takes advantage of both market information and accounting financial information. If the value of the firms' assets is not sufficient to cover the firm's liabilities, default is expected to occur.

Index Eligibility

To qualify for inclusion in the Index, constituents must meet the following criteria:

- Real estate investment trusts are excluded.
- The company must have paid a dividend in the last 12 months.
- Companies that are assigned a Morningstar® Economic Moat™ Rating of narrow or wide must have a Morningstar Distance to Default score in the top 50% within its respective Morningstar Sector. Current Index constituents with a moat rating of narrow or wide must have a Morningstar Distance to Default score in the top 60% within its respective Morningstar Sector.
- Companies that are given a no-moat rating or do not have a Morningstar® Economic Moat™ Rating assigned to them, must have a Morningstar Distance to Default score in the top 30% within its respective Morningstar Sector (for current Index constituents in this category the Morningstar Distance to Default score must rank in the top 36% of this respective Morningstar Sector).

Companies that meet the eligibility criteria described above are selected for inclusion in the Index in the following manner:

- Companies are ranked by previous 12-month dividend yield in descending order.
- Current Index constituents are retained in the Index if they are amongst the top 33 by dividend yield. Additional securities are added to the Index in descending order of dividend yield until the count reaches 25.

Index Weighting

The Index is weighted according to the dividends paid by each company that are available to investors. Consequently, the available dividend dollar value is the product of the security's

shares outstanding, free float factor, and annual indicated dividend per share.

Index rebalancing

The Index is reconstituted (i.e. the membership is reset) and rebalanced (i.e. the security weights are adjusted) twice annually in June and December.

At the time of rebalancing and reconstitution, the largest weight in the index will not exceed 10% and the sum of the constituent weights that are each greater than 5% will not exceed 50%. Where such caps are applied, the excess weight is applied among the remaining Index constituents pro rata to their relative weights before the rebalance.

There is no cap on Index turnover. However, the Index rules described above are intended to reduce Index turnover by loosening certain eligibility requirements in respect of existing constituents of the Index.

2.4 MSCI Indexes

Each MSCI Index is designed to measure the performance of the large and mid-cap segments of the relevant underlying markets.

Each MSCI Index is based on the MSCI Global Investable Market Indexes Methodology - a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation size, sector and style segments and combinations. This methodology aims to provide coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability. Each Index constituent is weighted using a free-float market capitalisation model. The greater the free-float market capitalisation of an Index constituent, the greater its proportionate weighting in the Index. Each Index is designed to measure the performance of the large and mid-cap segments of the relevant underlying markets.

The MSCI Indexes are reviewed quarterly - in February, May, August and November - with the objective of reflecting changes in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the Indices are rebalanced and the large and mid-capitalisation cutoff points are recalculated. Ongoing event-related changes as a result of mergers, acquisitions, spin-offs, and other corporate events, are generally reflected in the Index at the time of the event.

The MSCI Global ex Tobacco ex Controversial Weapons Indexes have been developed for use by investors who wish to avoid investments in tobacco, cluster bombs, landmines, depleted uranium, and chemical and biological weapons.

More information about the MSCI Indexes is available at: www.msci.com.

The **MSCI Australia ex Tobacco ex Controversial Weapons Index** is designed to measure the performance of the large and mid-cap segments of the Australian equity market. With approximately 70 constituents, the Index

covers approximately 85% of the free float-adjusted market capitalisation in Australia. The Index excludes companies with significant business activities involving tobacco and those engaged in the production of cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons. Constituent selection is based on data from MSCI research.

The **MSCI World ex Australia ex Tobacco ex Controversial Weapons Index** captures large and mid-cap representation across 22 of 23 developed markets countries (excluding Australia). With approximately 1,570 constituents, the Index covers approximately 85% of the free float-adjusted market capitalisation in each country. The Index excludes companies with significant business activities involving tobacco and those engaged in the production of cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons. Constituent selection is based on data from MSCI research.

The **MSCI Europe ex Tobacco ex Controversial Weapons Index** captures the large and mid-cap representation across 15 developed markets countries in Europe. With approximately 430 constituents, the Index covers approximately 85% of the free float-adjusted market capitalisation across European developed markets equity universe. The Index excludes companies with significant business activities involving tobacco and those engaged in the production of cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons. Constituent selection is based on data from MSCI research.

The **MSCI USA ex Tobacco ex Controversial Weapons Index** is designed to measure the performance of the large and mid-cap segments of the US market. With approximately 625 constituents, the Index covers approximately 85% of the free float-adjusted market capitalisation in the US. The Index excludes companies with significant business activities involving tobacco and those engaged in the production of cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons. Constituent selection is based on data from MSCI research.

The **MSCI Japan ex Tobacco ex Controversial Weapons Index** is designed to measure the performance of the large and mid-cap segments of the Japan market. With approximately 320 constituents, the Index covers approximately 85% of the free float-adjusted market capitalisation in Japan. The Index excludes companies with significant business activities involving tobacco and those engaged in the production of cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons. Constituent selection is based on data from MSCI research.

The **MSCI Asia APEX 50 ex Tobacco ex Controversial Weapons Index** is a free-float adjusted market capitalisation weighted index that is designed to track the 50 largest stocks in the Asia ex Japan region represented in the MSCI AC Asia ex Japan Index. The MSCI Asia APEX 50 Index serves as a tradable proxy to the broader MSCI AC Asia ex Japan Index, a benchmark index widely followed by investors investing

in Asia and forms the basis for investment products such as exchange traded and OTC derivative contracts, exchange traded funds and other passive vehicles.

Country filters are designed to minimise multiple currency exposure of the Index. Countries with less than three securities ranking in the top 50 in terms of free float-adjusted market capitalisation or countries with less than 5% weight in the Index are excluded from the Index. As the time of this PDS the following five countries are represented in the Index: China, Hong Kong, Korea, Singapore and Taiwan.

The Index excludes companies with significant business activities involving tobacco and those engaged in the production of cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons. Constituent selection is based on data from MSCI research.

2.5 Investment objective

Each Fund uses a passive strategy with the objective of providing a return to investors, before fees, expenses and taxes, in line with the performance of the underlying Index.

There is no guarantee that the Funds will meet their investment objectives.

2.6 Investment strategy

The investment strategy of each Fund aims to track the performance of its underlying Index by investing in a portfolio of securities which generally reflects the composition and weightings of the underlying Index.

A Fund may use a stratified sampling methodology if its Index is too broad to efficiently purchase all of the underlying constituents in the Index. This is achieved by purchasing a sub-set of all of the constituents of the Index that aims to be representative of the characteristics of the constituents of the Index as a whole. This stratified sampling strategy seeks to build a representative portfolio that provides a return comparable to that of the underlying Index. As at the date of this PDS a stratified sampling strategy is used in UBS IQ MSCI World ex Australia Ethical ETF, UBS IQ MSCI Japan Ethical ETF and UBS IQ MSCI Asia APEX 50 Ethical ETF. The Responsible Entity may, in its discretion, introduce stratified sampling for any other ETF from time to time. A Fund may continue to hold securities that cease to be Index constituents pending their disposal.

The Funds may, in some circumstances, invest in assets other than securities that are constituents of the underlying Index. For example, derivatives may be used to provide exposure to the underlying investments, or where the Responsible Entity is unable to invest directly in a particular security in the Index. The Responsible Entity will not use derivatives to leverage the Fund's portfolio. Any derivatives held by the Funds will be either:

- exchange traded; or
- in the case of OTC derivatives, less than 5% of the Net Asset Value of the Fund.

The Responsible Entity intends to reinvest income derived from the Fund's investments between distribution dates. Any residual cash held by a Fund will be invested in highly liquid investments, such as the Fund's custody account, or in UBS IQ Cash ETF.

2.7 Changes to the investment objective and strategy

The Responsible Entity may change the investment objective or investment strategy of a Fund from time to time. The Responsible Entity does not expect to change the investment objective or investment strategy in the foreseeable future.

However, the Responsible Entity can do so if it becomes necessary – for example, if the index provider substantially changes the index or stops providing it. If that happens, the Responsible Entity may:

- replace the index with a similar index, while attempting to minimise the impact on investors; or
- announce the change to the ASX; or
- take any other steps required by law or the AQUA Rules.

2.8 Ethical and environmental considerations

The Responsible Entity's selection of investments in the Funds is based on the composition of the relevant underlying Index. The Responsible Entity does not take into account labour standards or social, ethical or environmental considerations when making investment decisions. Each Fund adopts a passive investment strategy, designed to track the performance of the relevant underlying Index (before fees and expenses).

The name of each Ethical Fund includes the word "ethical" solely because the relevant underlying MSCI Index excludes from its Parent Index securities issued by companies with significant business activities involving tobacco and those engaged in the production of cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons. This exclusion is the sole difference between the relevant MSCI Index for each Ethical Fund and its Parent Index.

2.9 Information about the Funds

The Responsible Entity will publish the following information on the UBS website at: www.ubs.com/etf-australia:

Information available every trading day

- the net asset value and the net asset value per Unit as at close of trading on the previous trading day. For each International Fund this will not be calculated and released until close of trading on the next ASX Business Day;
- the name of each asset of each Fund, the percentage composition of each asset by value relative to the net asset value of the Fund, as at the Close of Trading on the

preceding Trading Day. For each International Fund this will not be available until close of trading on the next ASX Business Day;

- the level of the Indices published by the Responsible Entity each ASX Business Day at www.ubs.com/etf-australia;
- Creation/Redemption Baskets

Periodic information

- information about distributions for each Fund (published promptly after a distribution is declared or paid (whichever is earlier));
- the number of Units on issue for each Fund will be announced to ASX within five business days of the end of each month;
- information about the Fund's historical performance from the date the Fund's Units are first quoted on the ASX (published monthly);
- announcements for each Fund made to the ASX (including continuous disclosure notices and distribution information);
- a copy of the latest PDS and the latest Brokers' Guide (published whenever updated);
- copies of the most recent annual and half-yearly reports for each Fund lodged with ASIC (promptly after lodgement);
- distribution statements will be provided to investors after each distribution payment;
- annual tax statements will be provided to investors (by 30 September each year).

Any other document that is made available to Unitholders of each Fund by the Responsible Entity pursuant to the Corporations Act will be disclosed either on the ASX Market Announcements Platform or on: www.ubs.com/etf-australia.

Information relating to past performance is not a reliable indicator of future performance. Neither the Responsible Entity nor any of its related entities guarantees the performance of the Funds. Performance may be volatile, particularly in the short term.

2.10 Securities lending

The Funds do not currently participate in a securities lending program, but they may do so in the future.

3. Benefits of investing in the Funds

3.1 Diversified investment

Each Fund enables an investor to gain exposure to the securities comprising the relevant underlying Index in one transaction. See section 4 for an explanation of concentration risks.

3.2 Relatively low costs

Each Fund is designed to be cost efficient. Index-tracking, passively managed funds are generally less expensive than actively managed funds, and therefore usually have lower management costs.

3.3 Intra-day trading

Investors will generally be able to buy and sell Units of a Fund on the ASX during each ASX Business Day, in a similar way to trading ASX-listed securities. Units of a Fund will generally be able to be traded continuously throughout each ASX Business Day.

3.4 Transparent performance

Each Fund is designed to provide performance (before fees, expenses and taxes) that reflects the performance of its underlying Index. This will be achieved by the Fund acquiring a portfolio of assets, which comprises the securities in the underlying Index proportionate to their weight in the Index

or by holding a sample portfolio of securities that is a subset of all the securities of the underlying Index where the Index is too broad to efficiently purchase all the constituents of the underlying Index.

3.5 Distributions and franking credits (for the Australian Funds)

The Funds will receive dividends and distributions (including franking credits in relation to the Australian Funds) from the underlying securities in the portfolio, which will generally be distributed to Unitholders (after deduction of fees and expenses and other distributions).

However, in relation to the Australian Funds, Unitholders' entitlement to a tax offset in respect of franking credits is subject to legislative restrictions, in particular the satisfaction of the "qualified person" or holding period rule. The amount of a distribution will not necessarily be the same as the yield on the relevant Index over the relevant period.

For further information on distributions, see section 4 ("Risks of investing in the Funds"), section 7 ("Taxation") and section 9 ("Distributions and distribution reinvestment plan") of this PDS.

4. Risks of investing in the Funds

Any investment involves a number of risks. Generally, the higher the expected rate of return on an investment, the greater the risk and volatility of the returns. The trading price and the net asset value per Unit of a Fund may not be the same at any given time and may vary within a wide range. Investors should consider their personal tolerance for variable returns before investing in a Fund.

Each Fund invests in securities which broadly track the composition of its underlying Index or holds a sample portfolio of securities that is a subset of all the securities

of the underlying Index where the index is too broad to efficiently purchase all underlying constituents of the Index. Securities are one of the higher risk investments. The investment strategy of the Funds may reduce some of the risks associated with investing in securities, as it will have a diversified portfolio, generally holding a relatively larger number of securities.

The Responsible Entity does not guarantee any future returns on investment, distributions or return of capital. Your investment may decline in value.

Market risk	The Fund's performance is linked to the performance of the securities that comprise its underlying Index. Listed securities are generally considered to have a high level of market risk. This means that the value of the Units may be affected by changes in interest rates, economic, political and legal conditions and Australian and international market conditions. Market volatility may cause the value of your investment to decline, particularly in the short term.
Country risk	Additional risks may arise when investing internationally, including but not limited to political and/or financial events, changes in foreign exchange control regulations, foreign tax legislation and withholding tax and government policy. Additionally, differences in accounting, legal, securities trading and settlement procedures can also impact on the value of a Fund's investment.
Currency risk	The International Funds do not hedge any of their foreign currency exposure against the Australian dollar. If the currencies in which the assets of an International Fund are denominated depreciate relative to the Australian dollar, this can reduce the value of your investment in the International Fund.
Emerging Market Risk	Investment in emerging markets subjects the UBS IQ MSCI Asia APEX 50 Ethical ETF to a greater risk of loss than investments in a developed market. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, high levels of inflation, deflation or currency devaluation, greater risk of market shut down, and more governmental limitations on foreign investment policy than those typically found in a developed market. In addition, the financial stability of issuers (including governments) in emerging market countries may be more precarious than in other countries. Settlement practices for transactions in foreign markets may differ from developed markets including delays and delivery of securities prior to receipt of payment.
Regulatory risk	There is a risk that a government or regulatory body may change a law or policy that impacts on a Fund (including changing tax laws), or that a court may make a decision which affects the interpretation of a law applicable to a Fund. Changes to law or policy, or its interpretation, may affect the value of Units in a Fund, or the tax treatment of a Fund and its Unitholders.
Fund risk	There is a risk that a Fund could terminate, that fees and expenses could change or that the Responsible Entity may be removed as responsible entity of a Fund. The Responsible Entity may terminate a Fund if it considers this to be in the best interest of Unitholders. For example, if the Responsible Entity considers it to be uneconomic to continue to operate a Fund (e.g. if a Fund size is too small), it could terminate the Fund. The Responsible Entity may consider winding up a Fund if a change to the Index means the Responsible Entity would not be able to achieve the Fund's investment objective (see "Changes to the Index or termination of licence agreement" below). The effect of termination of a Fund may be different for individual Unitholders. There is also a risk that investing in a Fund may produce a different result from investing directly in the securities comprising the relevant Index. The Responsible Entity does not intend to vary the investment strategy of a Fund from that determined by the Index, even if the value of a particular security declines. If a heavily weighted security experiences a significant decline in value, this may significantly affect the value of Units in a Fund.

Operational risk	<p>In order to manage the Funds, the Responsible Entity and its service providers must implement complex administrative procedures and risk control measures. A breakdown in any of these measures may affect the operation of the Funds. For example, there is a risk that a subcustodian could make an administrative error for which a Fund is not fully compensated.</p> <p>There is a risk that an internal or external event could prevent the Responsible Entity from managing the Funds in accordance with the Fund's investment objective or the administrative procedures outlined in this PDS (for example, the calculation of net asset value). The Responsible Entity and the Administrator have implemented risk control measures, including disaster recovery plans, in order to mitigate these risks.</p>
Concentration risk	<p>Concentration risk is the risk that the assets of a Fund are concentrated in an industry sector or only a small group of industry sectors or small number of stocks.</p> <p>The equal weighting or non pure market capitalisation weighting of an Index (for Morningstar Funds) means that it could be heavily weighted towards smaller capitalisation companies. If this happens, there is a risk that economic, political or other specific conditions that have a negative impact on the particular industry sector to which the Fund has exposure will negatively impact on the Fund to a greater extent than if the Fund's assets were invested with exposure to a broader index.</p> <p>The market capitalisation weighting of the Index (for Ethical Funds) means that it could be heavily weighted towards larger capitalisation companies. If this happens, there is a risk that economic, political or other specific conditions may have a negative impact on the particular industry sector to which a Fund has exposure.</p>
Non-diversification risk	<p>Non-diversification risk is the risk that a Fund may invest a larger percentage of its assets in securities of a small number of companies than that which a diversified fund usually would. This is particularly relevant for the Morningstar Funds. As a result, the Fund's performance may be disproportionately impacted by the performance of a relatively small number of securities.</p>
Stratified sampling risk	<p>A Fund (other than a Morningstar Fund) may use a stratified sampling strategy to build a representative portfolio that provides a return comparable to that of the relevant Index by holding only a subset of all the securities of the underlying index. This may result in tracking error between the performance of the Fund and the performance of the relevant index. As at the date of this PDS a stratified sampling strategy is used in UBS IQ MSCI World ex Australia Ethical ETF, UBS IQ MSCI Japan Ethical ETF and UBS IQ MSCI Asia APEX 50 Ethical ETF.</p>
Failure to meet investment objective	<p>There is no assurance that a Fund will meet its investment objective. For each Fund neither the return of capital nor the performance of the Fund is guaranteed.</p>
Changes to the Index or termination of licence agreement	<p>The Responsible Entity may amend the Fund's investment strategy in the future, including by changing the underlying index tracked by a Fund. The net asset value of the Units in a Fund may be adversely affected by a change in the Index. The Responsible Entity currently has no intention of changing any Index tracked by the Funds.</p> <p>If an Index ceases to become available, the Responsible Entity may terminate the Fund, replace the Index or take other action.</p> <p>The Index provider could also change the rules used to calculate an Index.</p>
Portfolio turnover risk	<p>The Indices will be reviewed and rebalanced at certain times throughout the year (as described in section 2.3 and 2.4 of this PDS). When an Index is rebalanced, the relevant Fund's Portfolio will also be rebalanced, which will involve the Responsible Entity buying and selling some of the underlying securities. The Fund will incur costs in connection with these transactions including brokerage charges and buy-sell spreads.</p>

Liquidity risk	<p>Although Units in the Funds are quoted on the ASX, there can be no assurance that there will be a liquid trading market for Units at any given time. At least one Market Maker has, however, been appointed in relation to each Fund (subject to certain conditions) in order to meet ASX's requirements to facilitate liquidity of trading in Units. The Responsible Entity cannot guarantee that a Market Maker will make a market or that a Market Maker will continue to be appointed for each Fund. The market making arrangements agreed by the Responsible Entity with the initial Market Maker also specify certain permitted circumstances where the market making obligations may be suspended for a Fund (such as operational disruption, market disruptions or unusual conditions, other events set out in the ASX Operating Rules, the suspension or rejection of applications for Units or redemptions requests, or the Market Maker not having ASIC relief to allow short selling of Units). The Responsible Entity may seek to replace the Market Maker in certain circumstances. The arrangements with a Market Maker may limit or exclude any liability on the part of the Market Maker to any person including to Unitholders. (Unitholders should be aware that a Market Maker may be paid fees by the Responsible Entity).</p>
The Unit trading price may differ from the net asset value per Unit	<p>The Responsible Entity calculates the issue price and withdrawal amount based on the net asset value of each Fund. There is a risk that the trading price of a Unit of a Fund on the ASX may differ from the issue price or withdrawal amount calculated by the Responsible Entity. Trading prices are influenced by a number of factors, including the level of supply and demand for Units of a Fund.</p> <p>The net asset values per Units of some International Funds are calculated significantly later than the ASX market close. Therefore there could be divergence between the last traded price at ASX for Units and net asset value per Unit on a particular day.</p>
Distributions are contingent on dividends and can be affected by subscription and redemptions	<p>There may be circumstances where the Responsible Entity does not pay distributions to Unitholders of a Fund. The size of any distribution is ultimately dependent upon the dividends or distributions which the Responsible Entity receives from the Fund's investments. Changes to the composition of an Index may reduce the amount of dividends or distributions available for distribution to Unitholders (for example, if one constituent member of the Index which has traditionally declared high dividends is replaced by another security which pays lower dividends).</p> <p>In particular, the issue of Units during a distribution period could reduce the amount of per Unit distributions for that period. Similarly redemptions during the distribution period might increase the amount of per Unit distributions.</p> <p>The Responsible Entity cannot guarantee that it will receive dividends or other distributions from the Fund's investments.</p>
iNAV risk	<p>As at the date of this PDS, the Responsible Entity intends to make available, or may designate other persons to make available on its behalf an indicative net asset value per Unit ("iNAV") in respect of each of the Australian Funds will be disseminated at regular intervals throughout each ASX Business Day. The iNAV calculations are estimates of the net asset value per Unit calculated using market data. The iNAV price is a calculation of the value of a portfolio of assets that reflects the Fund's portfolio as at open of trading on the relevant day based on quotes and last sale prices. Premiums and discounts between the iNAV and the market price may occur. The portfolio of assets used to calculate the iNAV may differ from the relevant Fund's portfolio, which could lead to a divergence between the iNAV and the Fund's net asset value per Unit. The iNAV should not be viewed as a "real-time" update of the net asset value per Unit of a Fund, which is calculated only once a day.</p> <p>For the International Funds, there is no iNAV available.</p>
Trading in Units in a Fund may be suspended or halted by the ASX	<p>The ASX reserves the right to halt or suspend trading of any product quoted on the ASX whenever the ASX deems this to be appropriate. In particular, the ASX may halt or suspend trading of AQUA products if the Responsible Entity fails to comply with its obligations under the AQUA Rules. There is a risk that a Fund may fail to comply with its obligations under the AQUA Rules in the future. In addition, the ASX may change the AQUA Rules.</p> <p>The Responsible Entity will endeavour to ensure that it complies with its obligations under the AQUA Rules. Investors will be unable to buy or sell Units on the ASX during any period in which trading in Units is suspended. In addition, the Responsible Entity is unlikely to accept applications or redemptions during any period in which trading in Units is suspended.</p> <p>The Responsible Entity may terminate a Fund if the Units cease to be quoted.</p>

Suspension or rejection of application and redemption of Units	The Constitution provides that the Responsible Entity may suspend applications for Units and, in certain circumstances, suspend the satisfaction of, or reject, redemption requests, for example, during the period around each distribution date and the end of a financial year. Although it should be possible for investors to trade in Units on the ASX at such times, the suspension may affect the relationship between the market price of Units and their underlying value.
Application and redemption procedures – settlement risks	<p>Unit issues and redemptions by the Responsible Entity are subject to the CHESSE settlement system. The Funds are exposed to certain risks in the event that an applicant or redeeming Unitholder does not comply with its settlement obligations.</p> <p>Applications and redemptions are not covered by the National Guarantee Fund (“NGF”). This means that a Fund cannot claim against the NGF in the event that an Authorised Participant defaults under its CHESSE settlement obligations.</p>
Tax risks	<p>Each Fund or an investment in each Fund can also be subject to tax risk on the basis that tax laws and relevant administrative practices are subject to change, possibly with retrospective effect.</p> <p>Unitholders redeeming their Units should note the risk of potentially adverse tax implications where the Units are not held as trading stock or as revenue assets and should seek their own advice in this regard. The tax implications of redemption may be different from selling Units on the ASX. These and other taxation matters are dealt with in section 7 of this PDS.</p>
FATCA and CRS	Depending on your status under FATCA and CRS, there is a risk the Responsible Entity may report information in relation to you and your unit holding to the Australian Tax Office (ATO), which in turn will share this information with the US Internal Revenue Service. For more information, see FATCA on page 32.
Morningstar research risks and filter risks	<p>A “moat” rating by Morningstar research is not a guarantee that the relevant security will outperform the market, or that it will perform positively. Securities in a Morningstar Fund Index could decrease in value which could reduce the value of your Units.</p> <p>The filters described in section 2.3 apply to historic information as reflected in the relevant financial statements.</p> <p>Past performance is not necessarily a guide to future performance and there is no guarantee that the Index will outperform the market generally. Compared to common market capitalised indices, the Morningstar® Australia Moat Focus Index™ may have a larger weighting to medium and smaller capitalisation securities.</p>
Trading risk	<p>It is expected that certain investors will have knowledge of Morningstar moat ratings changes in relation to Index constituents – e.g. a change of an Index constituent’s rating from “wide moat” or “narrow moat” to “no moat”. That is, certain investors will have knowledge that, on a rebalance, the relevant Fund will likely sell its holding in the relevant security and buy another security. It is possible that a person with this knowledge could attempt to trade on this knowledge by transacting ahead of the Fund’s transactions. This could reduce the sale proceeds for the security sold or increase the purchase price for the security bought by the Fund.</p> <p>Given the Fund’s expected trading activity, the Responsible Entity does not consider this to be a significant risk.</p>

Derivatives	<p>The Responsible Entity may invest in derivatives in certain circumstances. For example, the Responsible Entity may enter into options over securities forming part of an Index where it is unable to invest in the securities directly. The Responsible Entity will not use derivatives to leverage the Funds. Investments in derivatives give rise to certain risks for the Funds, including:</p> <ul style="list-style-type: none"> • the values of the derivative failing to replicate movements in the underlying asset; • the potential lack of liquidity of the derivative; • the risk that the counterparty defaults on its obligations under the derivative; and • the risk that the relevant Fund will be unable to meet its payment obligations under the derivatives (for example, any margin calls). <p>If the Responsible Entity uses derivatives to track the performance of particular securities in the Index:</p> <ul style="list-style-type: none"> • a Fund investing in Australian securities will not receive the franking credits that would have been received as part of a distribution on the securities; and • the income received under the derivatives may not correspond with the income received from distributions on the security.
Investment restrictions	<p>In certain circumstances, the Responsible Entity may be unable to directly acquire securities in the underlying Index (for example, where the Responsible Entity is prohibited from holding more than a particular percentage of securities in a particular entity, or where the acquisition of the securities is subject to regulatory and/or shareholder approval).</p> <p>In circumstances where the Responsible Entity is unable to directly acquire the underlying securities, the Responsible Entity may enter into derivative transactions to gain exposure to the performance of the relevant security. However, the performance of the derivative is unlikely to replicate the return on investing directly in the security (for example, because the Fund may not receive any dividends or distributions which are distributed by the issuer of the securities).</p>
Tracking error risk	<p>The performance of a Fund may differ from the performance of its underlying Index for various reasons: including but not limited to fees, expenses and taxes, corporate actions, distribution payments and reinvestments, regulatory and other investment restrictions, liquidity or other constraints.</p>
Trading around rebalancing date	<p>The MSCI Indexes will be reviewed quarterly with the objective of reflecting change in the underlying equity markets in a timely manner. During May and November semi-annual index reviews, the Indices are rebalanced subject to liquidity constraints.</p> <p>The Morningstar® Australia Moat Focus Index™ consists of two sub-portfolios of approximately 25 securities each. The sub-portfolios are reconstituted semi-annually with a quarterly staggered schedule. Consequently, about half of the total Index membership is reset each quarter (March, June, September, and December). In June and December, the two sub-portfolios are reset to equal weight.</p> <p>The Morningstar® Australia Dividend Yield Focus Index™ is rebalanced twice annually in June and December.</p> <p>At these times, investors who trade in Units should be aware that the Indices and portfolio compositions may be about to change significantly at the rebalancing date in both the securities held and the weightings, and that publicly available information about the portfolios may be out of date. Investors should be cautious if trading at such times.</p>

5. About the AQUA Rules and CHESS

5.1 The AQUA rules

Units in each Fund are admitted to trading status on the ASX under the AQUA Rules. The AQUA market is a more suitable platform for ETFs, structured products and managed funds where the value of the product is determined by reference to something other than the performance of the issuer, such as a security, currency, index or commodity. The AQUA Rules are accessible at: www.asx.com.au.

The following table highlights the key differences between the ASX Listing Rules and the AQUA Rules.

Requirement	ASX Listing Rules	ASX AQUA Rules
Auditor rotation obligations	Part 2M.4 of the Corporations Act imposes specific rotation obligations on auditors of listed companies and listed managed investment schemes.	Issuers of AQUA Products are not subject to the rotation requirements in Chapter 2M.4 of the Corporations Act. The Responsible Entity must appoint an auditor to undertake an audit of the Responsible Entity's compliance with the Fund's compliance plan. The auditor of the scheme's compliance plan must not be the same person who audits the scheme's financial statements, although they may be employed by the same firm.
Continuous disclosure	Issuers are subject to continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.	Issuers of AQUA quoted products are not subject to the continuous disclosure requirements under Listing Rule 3.1 or section 674 of the Corporations Act. However, the Responsible Entity intends to comply with section 675 of the Corporations Act as if the Fund was a disclosing entity. AQUA product issuers are required to disclose: <ul style="list-style-type: none"> • information about the net asset value of the underlying instruments for the ETF (as set out in the PDS for the ETF); • information about dividends or distributions paid in relation to the ETF as soon as they are declared or paid (whichever is earlier); • any other information which is required to be disclosed to ASIC under section 675 of the Corporations Act (at the same time as it is disclosed to ASIC) or information that would be required under 323DA of the Corps Act if the Fund were admitted under the ASX Listing Rules; AQUA product issuers are also required to disclose any information the non-disclosure of which may lead to the establishment of a false market for the products.
Corporate governance	Requirements under the Corporations Act and the ASX Listing Rules relating to takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and listed managed investment schemes.	Certain requirements in the Corporations Act and the ASX Listing Rules relating to takeovers, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings do not apply to AQUA quoted units. The Responsible Entity will still be required to comply with: <ul style="list-style-type: none"> • the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act; and • section 601FM of the Corporations Act (the responsible entity may be removed by an extraordinary resolution of members, and the responsible entity would not be entitled to vote on the resolution).

Requirement	ASX Listing Rules	ASX AQUA Rules
Periodic disclosure	Issuers are required to disclose half-yearly and annual financial information and reports.	Issuers are not required to disclose half-yearly and annual financial information or reports. The Responsible Entity will be required to lodge financial reports with ASIC under Chapter 2M of the Corporations Act.
Related party transactions	Chapter 10 of the ASX Listing Rules relates to transactions between an entity and persons in a position to influence the entity and sets out controls over related party transactions.	Chapter 10 of the ASX Listing Rules does not apply to AQUA quoted products. The Responsible Entity will still be required to comply with the Corporations Act requirements relating to related party transactions (discussed under “Corporate Governance” above).

In addition, under the AQUA Rules:

- each Fund must be an open-ended scheme which continuously issues and redeems Units based on the net asset value of the Funds;
- the Constitution of each Fund must provide that off market redemption facilities will operate daily;
- unless a Fund meets minimum spread and net asset value thresholds, the Responsible Entity must appoint a market maker to ensure that there is sufficient liquidity in the Units. The Responsible Entity may appoint additional or replace Market Makers from time to time. The Responsible Entity is satisfied that the Market Maker has the financial capacity and competency to ensure that the Responsible Entity meets its market making obligations under the AQUA Rules;
- Unitholders of each Fund should be aware that the Market Maker will retain for its own account any trading profits and bear any losses which may be generated by its market making activities; and
- each Fund must have an investment mandate which sets out the Responsible Entity’s investment approach.

5.2 Unit registers

The Responsible Entity has been admitted to participate in the Securities Clearing House Electronic Sub-register System, known as CHESS, in accordance with the ASX Listing Rules, ASX Clear Operating Rules and ASX Settlement Operating Rules. The Registrar maintains an electronic CHESS sub-register on behalf of each Fund. Unitholders have the option to hold Units of a Fund either on the CHESS sub-register

under sponsorship of a broker or non-broker participant of ASX, or on the issuer sponsored sub-registers operated by the Responsible Entity. The CHESS sub-registers and the issuer sponsored sub-registers together make up the registers of Units for a Fund.

The Responsible Entity does not issue certificates to investors. Instead, upon allotment, Unitholders receive holding statements for each Fund (similar to bank account statements) which set out the number of Units in a Fund allotted to each Unitholder. The statements also set out each Unitholder’s unique Holder Identification Number in the case of a holding on the CHESS sub-register or Security holder Reference Number in the case of a holding on the issuer sponsored sub-register.

Unitholders may also be able to transfer Units of each Fund off market. The transfer instrument must be delivered to the Registrar and must be in a form approved by the Responsible Entity. The transfer becomes effective when the Responsible Entity (or the Registrar) enters the particulars of the transfer in the register of Unitholders.

Subject to the ASX Operating Rules and the ASX Listing Rules, the Responsible Entity may decline to register a transfer of a Unit in a Fund.

If a Unitholder dies or becomes subject to a legal disability, the Responsible Entity may only recognise the survivor (in the case of joint holders) or the legal personal representative (in any other case) or any other person determined by the Responsible Entity in accordance with the Constitution as having any claim to the Units registered in the Unitholder’s name.

6. Fees and other costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your fund account rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial advisor.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australia Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from a Fund's assets as a whole. Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of Fee or Cost	Amount	How and when paid
<i>Fees when money moves in or out of the managed investment product</i>		
Establishment fee The fee to open your investment.	Not applicable.	Not applicable.
Contribution fee The fee on each amount contributed to your investment.	Not applicable. However please refer to "6.1 Additional explanation of fees and costs" section below which describes Application and Redemption Fees. The Application and Redemption Fee is only charged to Authorised Participants. Investors who trade in the secondary market on ASX will not be charged this fee.	Not applicable.
Withdrawal fee The fee on each amount you take out of your investment.	Not applicable. However please refer to "6.1 Additional explanation of fees and costs" section below which describes Application and Redemption Fees. The Application and Redemption Fee is only charged to Authorised Participants. Investors who trade in the secondary market on ASX will not be charged this fee.	Not applicable.
Termination fee The fee to close your investment.	Not applicable.	Not applicable.
Management Costs*		

Type of Fee or Cost	Amount	How and when paid
The fees and costs for managing your investment	Management costs of: UBS IQ Morningstar Australia Quality ETF: 0.30% p.a. UBS IQ Morningstar Australia Dividend Yield ETF: 0.30% p.a. UBS IQ MSCI Australia Ethical ETF: 0.17% p.a. UBS IQ MSCI World ex Australia Ethical ETF: 0.35% p.a. UBS IQ MSCI Europe Ethical ETF: 0.40% p.a. UBS IQ MSCI USA Ethical ETF: 0.20% p.a. UBS IQ MSCI Japan Ethical ETF: 0.40% p.a. UBS IQ MSCI Asia APEX 50 Ethical ETF: 0.45% p.a. of the Fund's net asset value (capped at this level as at the date of this PDS).**	The management costs comprise a management fee of the Fund's net asset value. The Responsible Entity will pay the normal operating fees and expenses of the Fund out of this amount.*** This Management Fee is calculated daily on the net asset value (determined under the Funds' Constitution) of the relevant Fund and paid to the Responsible Entity on a monthly basis. This fee reduces the net asset value of the relevant Fund and is reflected in the Unit price. The fee is not charged separately to your investment.
Service Fees		
Investment Switching fee	Not applicable.	Not applicable.
The fee for changing investment options.		

Notes:

* Please refer to the explanation of "Management costs" in the "Additional explanation of fees and costs" section below.

** This fee may in some cases be negotiated with wholesale clients. For more information please refer to the explanation of "Differential fees" in the "Additional explanation of fees and costs" section below.

*** This does not include any extraordinary expense recoveries, which are estimated as nil for the current financial year (adjusted to reflect a 12 month period). For more information on extraordinary expense recoveries, please see the "Additional explanation of fees and costs" section below.

Certain additional costs may apply, such as extraordinary expense recoveries and transactional and operational costs. See "Additional explanation of fees and costs" section below for more information.

All fees and costs in the table above include Goods and Services Tax (GST) net of any input tax credits available to the Funds.

6.1 Additional explanation of fees and costs

Management costs

Management costs include all fees and expenses incurred by the Responsible Entity in managing the Funds (excluding transaction costs). Management costs may include:

- fees payable to the Responsible Entity;
- fees payable to the Custodian (excluding transaction fees);
- fees payable to the Administrator;
- fees payable to the Registrar;
- fees payable to the Index Provider;
- accounting and audit fees;

- fees payable to the ASX; and
- legal fees incurred in relation to the normal operation of the Funds.

The cap on management costs does not apply to extraordinary expenses that were not contemplated by the Responsible Entity at the date of this PDS. Extraordinary expenses are expenses that are not normally incurred in the day to day operation of a Fund and are not necessarily incurred in any given year. They may include taxation costs and costs associated with holding unitholder meetings, changing the Fund's constitution, or defending or pursuing legal proceedings. No extraordinary expenses were incurred for any Fund during the last financial year ending 30 June 2017. At the date of this PDS the estimate of extraordinary expenses of each Fund that will apply for the current financial

year (adjusted to reflect a 12 month period) is nil. Any such expenses will be recovered from the Fund and reflected in the Unit price for the relevant Class.

The cap on management costs also does not apply to transaction costs incurred by a Fund, such transaction fees associated with buying and selling a Fund's assets. However, generally transaction costs associated with buying and selling a Fund's assets on issue or redemption of Units, are covered by Application and Redemption Fees.

The Responsible Entity will notify Unitholders in the event that the cap is exceeded because of extraordinary and unanticipated expenses charged to a Fund.

Brokerage charges

Investors will incur customary brokerage fees and commissions when buying and selling Units of a Fund on the ASX, as for any other listed or quoted security. Investors should ask their broker for a list of their current fees and charges before acquiring or disposing of Units in a Fund on the ASX.

Differential fees

The Responsible Entity may agree with investors who are wholesale clients to rebate some of its management fees on a case by case basis. The amount of fee reduction will be based on individual negotiation between the Responsible Entity and

the particular investor. The Responsible Entity will ensure that the differential fee arrangements will not adversely affect the fees borne by any other investor who is not entitled to the benefit of those fee arrangements. Please contact UBS Asset Management (Australia) Ltd for more information.

Transactional and operational cost

The Funds incur transactional and operational costs, such as:

- buy/sell spreads (sometimes referred to as the "bid/ask spread"), which reflect the difference between the price at which a Fund can acquire and dispose of securities. Buy/sell spreads are generally incurred when a Fund transacts in securities and are incorporated into the prices at which the Fund transacts;
- brokerage and stamp duties where applicable which are charged for transacting in securities. These fees and taxes are charged to the Fund at the time of the relevant transactions.

The other transactional and operational costs of the Funds are estimated based on the financial year ending 30 June 2017 (representing the total transactional and operational costs minus the transactional and operational costs reimbursed to the Funds by the Application and Redemption Fees).

These net transactional and operational costs are borne by the Funds and are in addition to the management costs set out in the table above.

ASX code	Fund Name	Estimated total transactional and operational costs (p.a. of the net asset value of the Funds)	Estimated transactional and operational costs recovery (via Application and Redemption Fees) (p.a. of the net asset value of the Funds)	Estimated net transactional and operational costs (which reduce returns) (p.a. of the net asset value of the Funds)
ETF	UBS IQ Morningstar Australian Quality ETF	0.04%	0.00%	0.04%
DIV	UBS IQ Morningstar Australian Dividend Yield ETF	0.03%	0.00%	0.03%
UBA	UBS IQ MSCI Australia Ethical ETF	0.00%	0.00%	0.00%
UBW	UBS IQ MSCI World ex Australia Ethical ETF	0.02%	0.01%	0.01%
UBE	UBS IQ MSCI Europe Ethical ETF	0.01%	0.00%	0.01%
UBU	UBS IQ MSCI USA Ethical ETF	0.00%	0.00%	0.00%
UBJ	UBS IQ MSCI Japan Ethical ETF	0.00%	0.00%	0.00%
UBP	UBS IQ MSCI Asia APEX 50 Ethical ETF	0.08%	0.02%	0.06%

Application and Redemption Fee

No application or redemption fees are payable by investors who buy and sell Units on the ASX. However, brokerage charges may apply.

Application Fees and Redemption Fees will only be payable by Authorised Participants on an application for or redemption of Units directly with a Fund. The applicable application and redemption fees are paid by Authorised Participants to a Fund. The Application and Redemption Fee will vary for each Fund, and for each category of transaction (i.e. cash or in specie). The Responsible Entity will publish the maximum amount of the Application and Redemption Fee for each Fund and for each category of application and redemption before the open of trading each ASX Business Day at www.ubs.com/etf-australia. The Application and Redemption Fee will be an amount up to the actual amount of, or the Responsible Entity's estimate of, the total costs incurred in connection with processing the application or redemption (as relevant) for the relevant Fund. For non-standard in specie applications and redemptions, the amount of the Application and Redemption Fee will be agreed between the Responsible Entity and the applicant before the application or redemption request is accepted.

Where a Fund receives both applications and redemptions on an ASX Business Day, the Application and Redemption Fee may be reduced (or waived) for both applications and redemptions to reflect the reduced trading required to give effect to the transactions. The reduction will be shared pro-rata among both subscribers and redeemers.

GST

All fees and expenses outlined in this PDS (including in the example above) are inclusive of GST and net of any input tax credits (including reduced input tax credits) available to a Fund, unless otherwise indicated. If the Responsible Entity is required to pay GST in respect of any expense incurred on behalf of a Fund, the Responsible Entity may recover an additional amount on account of GST from the Fund's assets.

For more information on taxation costs associated with a Fund, please refer to section 7 of this PDS.

Increases or alterations to fees

If the Responsible Entity incurs or expects to incur unforeseen additional costs, it may increase the cap on management costs, or the Application and Redemption Fee. The Responsible Entity can change the amount fees charged without the consent of any Unit Holder.

The Application and Redemption Fee can be an amount up to the actual amount of, or the Responsible Entity's estimate of, the total costs incurred in connection with processing the application or redemption, including any fees charged by a custodian or sub-custodian. There is no cap specified.

If the Responsible Entity decides to increase the management fee or the management costs cap or another fee applicable to a Fund, the Responsible Entity will:

- make an announcement to the ASX no less than 30 days before the implementation of the fee or cap increase; and
- comply with any additional disclosure obligations imposed under the Corporations Act or the ASX Rules.

The Responsible Entity is entitled under the Constitution of each Fund to a management fee of up to 1% p.a. of the net asset value of the Fund (in the case of the Ethical Funds) and up to 2% p.a. of the net asset value of the Fund (in the case of each Morningstar Fund). This maximum fee cannot be increased without amending a Constitution, which would require a special resolution of Unitholders.

The Responsible Entity also has the right under the Constitutions to recover from the Funds all expenses properly incurred in the performance of its duties. While this PDS is current the Responsible Entity will not recover from the Funds normal operating expenses and fees out of the assets of the Funds. However, this could change in the future.

Any estimates of fees and costs in this PDS are based on information available as at the date of this PDS. Information that is not materially adverse information is subject to change from time to time and the PDS may not always be updated to reflect the changed information. To find out about any updated information not contained in this PDS, please access: https://www.ubs.com/au/en/asset_management/exchange-traded-funds/productupdates.html.

Example of annual fees and costs for a balanced fund or other fund

This table gives an example of how the fees and costs in the UBS IQ MSCI Europe Ethical ETF can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

EXAMPLE: UBS IQ MSCI Europe Ethical ETF		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	Nil	For every additional \$5,000 you put in, you will not be charged a contribution fee.*
PLUS Management Costs*	0.40% p.a.	And, for every \$50,000 you have in the UBS IQ MSCI Europe Ethical ETF you will be charged \$200 each year.
EQUALS Cost of UBS IQ MSCI Europe Ethical ETF		If you had an investment of \$50,000 at the beginning of the year, and you invest an additional \$5,000 during that year, you would be charged a fee from \$200 .** What it costs you will depend on the investment option you choose and the fees you negotiate.

* The figure used for the management costs (consisting of the management fee) in the example above represents the typical ongoing amounts that the Responsible Entity, at the date of this PDS, expects will apply for the current financial year (adjusted to reflect a 12 month period). Certain additional costs may apply, such as extraordinary expense recoveries and transactional and operational costs. For more information, refer to "Management costs" in the "Additional explanation of fees and costs" section above. Additional fees may apply. Please refer to the above explanation of "Application and Redemption Fees" and "Brokerage charges".

If you leave the managed investment scheme early, you will be charged exit fee of nil.

**This assumes that the additional \$5,000 is invested at the end of the year.

6.2 Indirect investors

Indirect investors investing through a wrap platform or master trust should note that the fees outlined in this section are in addition to any other fees and costs imposed by the wrap platform or master trust operator.

7. Taxation

This section provides some general information regarding some of the significant taxation implications that may be relevant for Australian resident Unitholders of a Fund. Some very general comments are also provided in respect of non-resident Unitholders. All Unitholders should note taxation issues are complex and taxation laws, their interpretation and associated administrative practices may change over the term of an investment in a Fund. The information provided below is of a general nature only and does not purport to be comprehensive.

As the taxation implications for each potential Unitholder may be different, it is recommended that each prospective Unitholder obtain independent professional taxation advice on the full range of taxation implications applicable to their individual facts and circumstances.

7.1 Taxation of the Funds

Generally, each Fund should not have to pay Australian income tax, provided Unitholders are presently entitled to all of the income of the Fund in each year of income, which is intended to be the case. The taxation of Unitholders is set out below.

A trust that qualifies as a managed investment trust (“MIT”) can irrevocably elect (in an approved form) to treat its gains and losses on disposal of certain investments (including shares and units in other trusts, but excluding derivatives, debt securities and foreign exchange contracts) as capital gains and losses. However, where a MIT is eligible to make an election and it does not do so, any gains and losses on the disposal of those otherwise eligible assets (excluding land or certain interests in land) will be taxed on revenue account. It is expected that each Fund will make this election, where eligible.

Under the new Attributed Managed Investment Trust (“AMIT”) regime which can potentially apply from 1 July 2016, an eligible MIT is also able to make an irrevocable election to be an AMIT. Accordingly, if the Responsible Entity chooses to make the AMIT election for a Fund, the Responsible Entity will be able to allocate trust components to Unitholders on a fair and reasonable basis in accordance with the terms of the Constitution (without the need to satisfy the complex “present entitlement” rules). Additionally, an AMIT will be treated as a fixed trust for tax purposes, which will provide further certainty for the Fund in respect of certain tax characteristics such as franking credits and carry forward tax losses. Whether a Fund will elect to be an AMIT has not yet been finally determined, but as at the date of this PDS, the Responsible Entity intends to elect for the AMIT regime to apply to each Fund with effect from 1 July 2017.

7.2 Taxation of Australian resident Unitholders

The following sections provide a summary of the tax consequences for Australian resident Unitholders.

Distributions

Unitholders are liable to pay tax on, and include in their assessable income, the full amount of their share of the taxable income of each Fund, based on their proportionate entitlement to income distributions from the relevant Fund, in the year in which the entitlement arises. This applies regardless of whether distributions from a Fund are paid to the Unitholders after the end of the year, and even if reinvested in further Units in a Fund.

The tax impact for a Unitholder of receiving an entitlement to the income of a Fund depends upon the components of the distribution. Distributions from a Fund may include various components. For example, distributions may include investment income such as Australian or foreign sourced dividends, a tax deferred component, a capital gains tax concession component, as well as a net capital gain, and other income such as foreign currency gains.

A Unitholder's share of taxable income may include certain amounts which are not typically represented by a cash distribution, including franking credits and amounts representing foreign income tax paid. Depending on the Unitholder's specific circumstances, a tax offset for these amounts may be available in calculating a Unitholder's individual tax position. However, the entitlement to a tax offset in respect of franking credits is subject to legislative restrictions, in particular the satisfaction of the “qualified person” or holding period rule. This rule generally requires both the Unitholder and the Responsible Entity to have held their interest in the underlying securities “at risk” for a continuous period of 45 days (ignoring the day of acquisition and disposal) over the prescribed period.

For Unitholders who are individuals and complying superannuation entities, excess franking credits may result in a refund. For corporate Unitholders, excess franking credits may generate tax losses in certain circumstances.

The distributions from an International Fund may include foreign income referable to the income distributions that the Fund receives from its investment in foreign securities.

Income distributions on foreign securities received by an International Fund may be subject to foreign withholding tax.

An Australian Unitholder should include in their assessable income their share of the foreign income distributions received during the income year before foreign withholding tax is deducted (i.e. the distribution amount should be grossed-up, by the amount of any foreign withholding tax deducted, before being included in the Unitholder's assessable income).

Unitholders should be entitled to claim a foreign income tax offset (foreign tax credit) against the Australian tax payable on their assessable foreign sourced income for any foreign tax paid or which is deemed to have been paid by the Unitholder (such as foreign withholding tax deducted) in relation to that income (subject to the foreign tax offset limit, as applicable).

Tax deferred distributions are primarily returns of capital. Tax deferred distributions are generally not assessable when received unless the total tax deferred amounts received by the Unitholder exceed the cost base of the Units, at which point the excess is likely to be treated as a capital gain. For capital gains tax purposes, amounts of tax deferred distributions received reduce the cost base of the Units for the Unitholder and therefore affect the Unitholder's capital gain or loss on disposal of those Units.

The capital gains tax concession component of a distribution represents the capital gains tax discount claimed by a Fund in respect of a Fund's disposal of capital assets. The capital gains tax concession does not reduce the cost base of the Units held by Unitholders.

Realised capital gains distributed by a Fund should be included with a Unitholder's other capital gains and losses. While a Fund can make more than one distribution during an income year, in the normal course of events (unless otherwise indicated) realised capital gains and other realised gains are only expected to be distributed at year end.

In the case of Unitholders holding their Units on revenue account (e.g. as part of a securities trading business or a business of investing for profit), certain distributions from a Fund including tax deferred amounts and CGT concession amounts will typically be taxable in full as ordinary income (or in some cases taken into account in the calculation of the taxable gain or loss on subsequent disposal of the Units, depending on the Unitholder's circumstances).

Attribution

If the Responsible Entity makes an irrevocable election for a Fund to be an AMIT, the following measures will be available in respect of the Fund:

- an attribution method that provides a formal mechanism to allocate taxable income to Unitholders, which is not dependent on the amount of income distributed to Unitholders and which ensures that the income retains the tax character it had in the hands of the Fund;
- an ability for under-estimations and over-estimations of amounts at the trust level to be carried forward and dealt with in the year in which they are discovered;
- both upwards and downwards adjustments to Unitholders' cost base for CGT purposes and cost for revenue purposes in specified circumstances and clarification of the treatment of tax deferred distributions; and
- deemed fixed trust treatment, which will provide further certainty for the Fund in respect of certain tax characteristics such as franking credits and carry forward tax losses.

Disposal of units

The redemption or transfer of Units of a Fund will constitute a disposal by a Unitholder for tax purposes. The tax consequences of a disposal depend on the particular circumstances of the Unitholder.

If a Unitholder holds their Units of a Fund on capital account, any capital gains made by the Unitholder on disposal will be subject to capital gains tax (unless the Unitholder is an exempt taxpayer). If the Unitholder makes a capital loss, it may be used to offset capital gains derived in the current or, possibly, a future tax year.

A discount may be available on the capital gain on Units of a Fund held for 12 months or more by Australian resident individuals, trusts or complying superannuation entities. Companies are not eligible for the capital gains tax discount. For individuals and trusts, the discount is one half. For complying superannuation entities, the discount is one third. However, the discount may be denied in certain circumstances where a Unitholder (together with associates) holds 10% or more of the issued Units in a Fund and the Fund has less than 300 beneficiaries or meets concentrated ownership tests. Unitholders who together with associates are likely to hold more than 10% of the Units in a Fund should seek their own tax advice on this issue.

If a Unitholder of a Fund holds their Units on revenue account (e.g. as part of a securities trading business or a business investing for profit), any profits may be taxed as ordinary income and no CGT discount concession will be available.

7.3 Applications and redemptions

Applications and redemptions for a Fund can be made by Authorised Participants acting as principal who are "Qualifying Australian Residents" via in specie applications and redemptions or via cash applications and redemptions. The tax consequences of applications and redemptions are summarised below.

A potential Unitholder may apply for Units by way of an in specie transfer of a basket of securities together with any balancing cash payment required. A potential Unitholder applying for Units in a Fund may be assessed on any profits arising from the transfer of those securities as ordinary income, and may be entitled to deduct any losses arising from the transfer of those securities.

The Units in a Fund which a Unitholder acquires on an in specie application should generally be taken to have been acquired at a cost equal to the value of the basket of securities transferred to a Fund in connection with the application, adjusted for any balancing cash payment made or received on the application.

Unitholders redeeming their Units should note the risk of potentially adverse tax implications where the Units are not held as trading stock or as revenue assets and should seek their own advice in this regard.

If a Unitholder is assessed on the disposal of Units under the capital gains tax provisions, the assessable entitlement to the taxable income of a Fund which the redeeming Unitholder receives in connection with the redemption of Units (see below in the context of streaming certain assessable capital gains on the redemption) may exceed the capital gain made on the redemption of the Units. The redeeming Unitholder may not make a capital loss or be entitled to any other deduction in respect of the excess.

A Unitholder who redeems Units in a Fund will become entitled to receive the Withdrawal Amount on the redemption. The Withdrawal Amount may also be satisfied by way of an in specie transfer of a basket of securities together with any balancing cash payment required.

The Constitution of the Fund contains provisions which, in broad terms, endeavour to stream capital gains realised by the Fund to certain redeeming Unitholders by making those redeeming Unitholders specifically entitled to the capital gains realised by the Fund in connection with the redemption of their Units (discussed further below). The Withdrawal Amount may therefore comprise a specific entitlement to a capital gain as well as the payment of the Redemption Price for the Units which are to be redeemed.

A Unitholder whose Units are redeemed, and who is assessed on the disposal of Units otherwise than under the capital gains tax provisions, should be assessed (as ordinary income) on any profit arising on the redemption of the Units. That Unitholder who redeems Units may also be entitled to a deduction for any loss arising on the redemption of Units.

The split between the components of the Withdrawal Amount (that is, how much of it represents a specific entitlement to a capital gain and how much represents the price paid on redemption of the Units), will not be known until after the financial year end.

The Responsible Entity will notify persons who have redeemed Units in a Fund during a financial year of the composition of the Withdrawal Amount, including the capital gains to which they were specifically entitled in connection with the redemption of Units during that year following the end of the financial year, once that information becomes available.

Streaming of capital gains

Each Fund has been structured with the intention of ensuring that a Unitholder's level of distributions from a Fund is not affected by capital gains realised by the Fund in meeting redemptions by other Unitholders. Accordingly, any income or gains arising from investments sold to meet the redemption will be distributed or "streamed" to the redeeming Unitholder, with the aim that remaining Unitholders will not be adversely affected by such income or gains.

The redeeming Unitholder's redemption price may therefore comprise a distribution of the income of the Fund.

Where the streaming rules apply to the assets held by a Fund on capital account, the Constitution of the Fund should operate to stream the capital gains realised by the

Fund when redeeming Units to the relevant redeeming Unitholders. This treatment should arise on the basis that the relevant redeeming Unitholders should be made specifically entitled to the capital gains realised by the Fund on the redemption of their Units.

However, it is also possible that income or gains (other than capital gains) may be streamed to redeeming Unitholders on redemption. This could arise, for example, where other amounts of a revenue nature are taken to be received by the Fund (e.g. in connection with a redemption of its investment in certain foreign entities in order to meet the redemption by the redeeming Unitholder).

7.4 Foreign accruals rules

An International Fund may invest in foreign entities which means the Fund could become subject to Australia's foreign accruals tax rules such as the Controlled Foreign Company ("CFC") rules in limited circumstances.

On the basis that each International Fund is expected to invest in very large foreign listed entities, it is not expected that the requisite CFC control tests would be satisfied such that the CFC rules should not apply.

However, whether or not the relevant foreign accruals tax rules ultimately apply to a Fund will, depend on, amongst other things, the level of interest held by the Fund (and its associates) in the foreign entities, and any future legislative developments in respect of these rules.

7.5 Taxation of non-resident Unitholders

Distributions

Australian tax will be withheld at appropriate rates from the distribution of Australian sourced income and revenue gains to non-resident Unitholders.

The amounts withheld will depend on the type of income and the country of residence of the particular Unitholders.

Generally, if a Fund qualifies as a MIT under the current rules, distributions of amounts from the taxable income of the Fund (other than dividends, interest, royalties, each of which have separate withholding regimes, foreign sourced income and capital gains on assets which are not "taxable Australian property") is subject to a final withholding tax at the rate of 15%, if the Unitholders is resident in a country which has an information exchange agreement with Australia, and 30% in other cases.

To the extent that the distribution includes unfranked dividends, withholding tax will apply at the rate determined having regard to the country of residence of the relevant Unitholder. If there is no double tax treaty concluded between that country and Australia the general withholding rate of 30% applies. If the Unitholder is resident of a country which has concluded a double tax treaty with Australia that rate may be reduced (to rates varying generally between 0% and 15%). Withholding tax generally does not apply to the franked dividend component of distributions. To the extent

that the distribution includes interest, withholding tax will apply, depending on the residence of the Unitholder, at the general (non-treaty) rate of 10% or at the rate determined by the relevant treaty (generally between 0% and 10%). If and to the extent that the distribution includes royalties, withholding tax will apply, depending on the residence of the Unitholder, at the general (non-treaty) rate of 30% or at the rate determined by the relevant treaty (generally between 5% and 15%).

Non-resident and temporary resident Unitholders in a Fund should not be subject to tax in respect of their share of the net capital gains of a Fund in respect of assets that do not constitute "taxable Australian property". Taxable Australian property generally refers to business assets of a permanent establishment in Australia, Australian real property, and non-portfolio interests in interposed entities whose assets consist principally of Australian real property. This concession depends upon the Fund (and other interposed trusts) being "fixed trusts" for tax purposes. In this regard, if a Fund makes an irrevocable election to be an AMIT, under the AMIT regime, the Fund will be deemed to be a "fixed trust" for income tax purposes. Unitholders should seek professional tax advice in relation to the availability of this concession.

Disposal of units

Non-residents and temporary residents are generally not subject to tax on capital gains arising on assets which are not "taxable Australian property".

For non-resident or temporary resident Unitholders who hold their Units in a Fund on capital account, and do not hold the Units as part of a business carried on in Australia, capital gains tax should not apply to the disposal of the Units as it is expected that the Units will not be taxable Australian property. Generally, a unit in a Fund will not be taxable Australian property for this purpose, unless the unitholder holds the units as business assets of a permanent establishment in Australia

or the unitholder has a 10% or more interest in the Fund and more than 50% of the market value of the Fund's assets are attributable to Australian real property.

However, if the Unitholder holds their Units on revenue account, any profits on disposal of Units in a Fund may be subject to Australian tax as ordinary income, subject to any available treaty relief.

In addition, there is a non final withholding tax (currently 12.5%) on transactions involving the disposal of taxable Australian property by foreign residents.

7.6 Tax File Numbers and Australian Business Numbers

A Unitholder need not quote a Tax File Number ("TFN") when applying for Units in a Fund. However, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax may be required to be deducted from any income distribution entitlement at the highest marginal tax rate plus Medicare levy and temporary budget repair levy (currently 49 percent).

Unitholders that hold Units in a Fund in the course or furtherance of an enterprise may quote their Australian Business Number ("ABN") instead of their TFN.

7.7 GST

No GST should be payable in respect of the subscription or redemption of Units, nor in respect of any distributions paid to Unitholders.

Where GST applies to fees or other amounts charged to a Fund and recovered from the Fund's assets, the Fund may be entitled to claim an input tax credit or reduced input tax credit for the GST incurred, depending on the precise nature of the fee. Any amount of GST not recoverable will constitute an additional expense to the Fund.

8. About UBS Asset Management (Australia) Ltd

8.1 UBS Asset Management

UBS Asset Management, a business division of UBS Group AG, is a large-scale asset manager with well-diversified businesses across regions, capabilities and distribution channels. It has invested assets of some \$979 billion and is located in 22 countries as at 30 September 2017. UBS Asset Management offers investment capabilities and investment styles across all major traditional and alternative asset classes to private clients, financial intermediaries and institutional investors around the globe. These include equities, fixed income, currency, hedge funds, real estate and infrastructure, which can be combined into multi-asset strategies.

8.2 The Responsible Entity

The Responsible Entity, UBS Asset Management (Australia) Ltd, is a wholly owned subsidiary of UBS Group AG.

The Responsible Entity was established in 1985 and had invested assets of approximately \$48 billion at 30 September 2017. The Responsible Entity's duties to Unitholders are primarily set out in the Corporations Act and the Fund's Constitution. The Responsible Entity also acts as the investment manager of each of the Funds.

8.3 Service Providers

Broking

The Responsible Entity may use the services of UBS related bodies corporate, for futures trading and clearing, and for equity broker services. Fees paid to such related entities will be at normal commercial rates.

The Administrator and Custodian

The Responsible Entity has appointed State Street Australia Limited to provide custodial and administration services. As Custodian, State Street Australia Limited has appointed State Street Bank and Trust Company as subcustodian, which in turn, will appoint one or more subcustodians to hold the assets of the Funds. The Administrator has the principal obligation to act as nominee for applicants for Units in each Fund. However, certain aspects of this role have been delegated to The Hongkong and Shanghai Banking Corporation Ltd. as subcustodian.

Under the Administration Agreement and the Custody Agreement, each Fund indemnifies State Street Australia Limited for liabilities it may incur in providing the services. State Street Australia Limited may terminate the Administration Agreement or the Custody Agreement on 120 days' notice to the Responsible Entity.

The Registrar

Link Market Services Limited has been appointed as Registrar and maintains the register of Unitholders in each Fund.

The Index Provider

Morningstar Australasia Pty Ltd has been appointed as Index Provider for the Morningstar Funds.

MSCI Inc. has been appointed as Index Provider for the Ethical Funds.

The Index Providers have granted the Responsible Entity a licence to use the Indices in the operation of the Funds. Licence fees for the Indices will be paid by the Responsible Entity out of its own assets and not out of the assets of the Funds.

9. Distributions and distribution reinvestment plan

9.1 Overview of distributions

There are two ways in which Unitholders may become entitled to distributions:

- receipt of a distribution at the end of a distribution period; or
- receipt of a distribution upon redemption of Units.

9.2 Distributions at the end of a distribution period

The Funds have regular frequency of distributions on such other days as determined by the Responsible Entity:

UBS IQ Morningstar Australia Quality ETF (ETF)
semi-annually, at the end of December and June

UBS IQ Morningstar Australia Dividend Yield ETF (DIV)
quarterly at the end of September, December, March and June

UBS IQ MSCI Australia Ethical ETF (UBA)
semi annually, at end of December and June

UBS IQ MSCI World ex Australia Ethical ETF (UBW)
annually, at end of June

UBS IQ MSCI Europe Ethical ETF (UBE)
annually, at end of June

UBS IQ MSCI USA Ethical ETF (UBU)
annually, at end of June

UBS IQ MSCI Japan Ethical ETF (UBJ)
annually, at end of June

UBS IQ MSCI Asia APEX 50 Ethical ETF (UBP)
annually, at end of June

Unitholders in a Fund (as recorded on the register on the record date for the relevant distribution) at the end of a distribution period are entitled to a pro-rata share of the distributable income (if any) for that period based on the number of Units held in the Fund at the end of the distribution period. This means that if the number of Units on issue of a Fund increases before the end of the distribution period, this may reduce the distribution amount received by each Unitholder. The number of Units on issue of a Fund at the end of the distribution period includes Units which are to be issued, and excludes Units which are to be redeemed, under application forms and redemption forms received by the Administrator before the close of trading on the ASX Business Day immediately preceding the end of the distribution period. The Responsible Entity will generally suspend applications and redemptions in the few days surrounding the distribution dates of that Fund. The Responsible Entity may vary the distribution periods if it is in the best interests of Unitholders to do so.

The Responsible Entity will generally pay distributions for each Fund within 60 days of the end of the relevant distribution period.

Distributions may be reinvested under the distribution reinvestment plan as described below. If a Unitholder does not make an election under the distribution reinvestment plan, the Responsible Entity will automatically pay any distribution entitlement in cash to the Unitholder's nominated Australian bank account. If a Unitholder does not provide the Responsible Entity with account details to enable the Responsible Entity to pay distribution entitlements to the Unitholder's account via electronic funds transfer, the Unitholder will be deemed to have elected to participate in the distribution reinvestment plan.

9.3 Distributions on redemption – withdrawal Unit capital gain entitlement

The Constitution contains provisions which, in broad terms, stream capital gains realised by a Fund when redeeming Units to redeeming Unitholders. This is because certain capital gains may arise, for example, from the transfer of Index parcels to redeeming Unitholders.

For a detailed understanding of the Constitution, potential investors should consult the Constitution of the Fund, a copy of which is available free of charge from the Responsible Entity. Potential investors should also obtain professional advice in relation to the taxation consequences of redemptions.

9.4 Distribution reinvestment plan

The Responsible Entity has established a distribution reinvestment plan for each Fund which provides Unitholders the option of reinvesting distributions in Units in a Fund rather than receiving payment from a Fund for a distribution period.

Any distribution reinvestment plan is currently available only to Unitholders who have a registered address in Australia or New Zealand.

Forms to apply for participation in the plan are available by contacting the Registrar.

9.5 Distribution history

Information about the size and frequency of each Fund's distributions will be posted at the end of each distribution period on the website at: www.ubs.com/etf-australia.

10. Additional information

10.1 Brokers' Guide to application and redemption procedures

The Responsible Entity normally operates facilities for applications for, and redemptions of, Units in each Fund each ASX Business Day. The Responsible Entity has the discretion to accept in specie applications and redemptions as well as cash-only applications and redemptions. The consideration payable for an in specie application or redemption in respect of Units in a Fund will be a basket of securities that closely resembles a Fund's investment portfolio (the "**Creation/Redemption Basket**").

Applications for Units in a Fund may only be made by Authorised Participants, acting as principal. Unitholders may only redeem Units if they are an Authorised Participant acting as principal and are a Qualifying Australian Resident.

Except in exceptional circumstances only Authorised Participants may redeem Units in a Fund, but other Unitholders may sell their Units on the ASX. When Units are suspended from trading for more than 5 consecutive ASX Business Days, members have a right to withdraw from a Fund and receive payment for their Units in cash within a reasonable time of request unless any of the following apply:

- a Fund is being wound-up;
- a Fund is not liquid as defined in subsection 601KA(4) of the Act;
- a Responsible Entity suspends withdrawals in accordance with the Constitution.

Detailed information about the application and redemption procedures is mainly relevant to Authorised Participants, and is set out in a separate document titled: "UBS IQ ETFs: Brokers' Guide to application and redemption procedures". The information in the Brokers' Guide is incorporated by reference into this PDS. The Brokers' Guide is available at: www.ubs.com/etf-australia. You can also obtain a printed copy free of charge at any time by contacting the Responsible Entity, whose contact details are provided in section 13 of this PDS.

The Brokers' Guide includes information regarding:

- how to apply for and redeem Units in a Fund;
- how the issue price, redemption price and withdrawal amount are calculated;
- information about the appointment of State Street Australia Limited as the nominee for applicants in connection with applications for Units in a Fund; and
- further information about the Creation/Redemption Baskets.

10.2 The Constitution

Each Fund is governed by a Constitution. The Constitution sets out the rights, obligations and duties of the Responsible Entity and Unitholders of a Fund. The Constitution binds the Responsible Entity and any present or future Unitholder, or any person claiming through them. While Units in a Fund are

quoted on the ASX the Responsible Entity is also required to comply with the requirements in the ASX Rules (see section 5 of this PDS).

This PDS outlines some of the more important provisions of the Constitution.

A copy of the Constitution may be inspected by Unitholders at the Responsible Entity's office, during business hours. The Responsible Entity will provide Unitholders with a copy of the Constitution upon request.

10.3 Amendments to the Constitution

The Responsible Entity may amend each Constitution if it reasonably considers that the amendment will not adversely affect the rights of Unitholders.

If the amendment is likely to adversely affect the rights of Unitholders, the Responsible Entity will obtain Unitholder approval of the amendment by special resolution at a meeting of Unitholders of the Fund.

10.4 Summary of the Constitution

The Constitution of each Fund includes provisions dealing with:

- How the assets of the Fund must be held (the Responsible Entity holds the assets on trust for Unitholders but may appoint a suitable custodian);
- The nature of Units and the rights attaching to them (a Unit confers an equal undivided interest in the assets of the Fund attributable to the relevant class, subject to its liabilities. A Unit does not confer an interest in a particular asset);
- Voting rights of members (while the Fund is a registered managed investment scheme, on a show of hands, each Unitholder has one vote, or on a poll, each Unitholder has one vote for each dollar of the value of their Units in the Fund. A special or extraordinary resolution put to the vote at a meeting of Unitholders must be decided on a poll);
- Transferring Units (the Responsible Entity can refuse a transfer, subject to the ASX Rules);
- Calculation of the issue price, withdrawal amount, withdrawal Unit capital gain entitlement, and application and redemption procedures;
- The ability to suspend applications and reject or delay satisfying redemption requests;
- Valuation of the assets of the Fund and calculation of net asset value;
- Unitholders' rights to share any Fund income and allocation of Fund gains to redeeming Unitholders;
- The Responsible Entity's powers and how and when those powers can be exercised. (The Responsible Entity's powers are very broad. For example, it has the power to borrow and raise money, to grant security and to incur all types of obligations and liabilities, to make all types of investments and to appoint delegates and agents);

- The circumstances in which the Responsible Entity may or must retire as responsible entity of the Fund (the Responsible Entity may retire as permitted by law and must retire when required by law);
- Unitholder meetings;
- The rights, obligations and liabilities of the Responsible Entity in relation to the Fund;
- Limitations on the Responsible Entity's liability in relation to the Fund and the Responsible Entity's right of indemnity;
- The liability of Unitholders;
- The maximum fees that the Responsible Entity is entitled to charge and the expenses payable from the Fund;
- The termination of the Fund and Unitholders' rights to participate in the distribution of assets on termination;
- Compliance with the ASX Rules while the Fund is quoted on the ASX;
- The right to offer multiple classes of Units in the Fund, including unquoted classes that are available only to wholesale investors;
- The right of Compliance Committee members to be indemnified from the assets of the Fund;
- Procedures for making complaints, and the Responsible Entity's procedures for resolving complaints.

10.5 Unquoted class

Two classes of Units in each Fund may be offered; a class that is quoted on the ASX (offered under this PDS) and an unquoted class that is available only to wholesale investors (not offered under this PDS).

10.6 ASIC Class Order [CO 13/721] (relevant to each Ethical Fund)

ASIC Class Order [CO 13/721] provides to the Responsible Entity relief from certain requirements under the Corporations Act in relation to each Ethical Fund.

Equal treatment relief

The Class Order exempts the Responsible Entity from the equal treatment requirement in section 601FC(1)(d), to the extent necessary to allow the Responsible Entity to restrict eligibility to submit redemption requests in relation to Units in the relevant Ethical Fund to those who are Qualifying Australian Residents as defined in the Constitution of the relevant Fund and are Authorised Participants. The Responsible Entity will not treat members of the same class equally to the extent that it restricts withdrawals from a Fund to Authorised Participants who are Qualifying Australian Residents. The relief is granted subject to certain conditions, including that all Unitholders will have a right to a cash redemption if Units are suspended from quotation on the ASX for more than five consecutive trading days, subject to limited exclusions.

Note: Investors in each Fund should be aware of the Responsible Entity's ability to withhold Australian withholding tax at appropriate rates from the redemption proceeds of non-resident Unitholders in the relevant Fund where required under the Tax Act. However, as only "Qualifying Australian Residents" may currently redeem Units in each Fund, the Responsible Entity does not currently expect to have to deduct withholding tax from the redemption proceeds of Unitholders in a Fund.

Ongoing disclosure requirements

The Class Order exempts the Responsible Entity in relation to each Fund from ongoing disclosure requirements in section 1017B on the condition that the Responsible Entity complies with the provisions of the Corporations Act that apply to unlisted disclosing entities as if each Fund were an unlisted disclosing entity.

Redemption facility – relevant interest in fund assets (relevant only to the UBS IQ MSCI Australia Ethical ETF)

The Class Order also provides that Authorised Participants do not have a relevant interest in securities that form part of the scheme property of the Australian Fund merely because the Fund has an acquisition and withdrawal facility. In connection with that relief, the Responsible Entity confirms:

- that the investment strategy for the Australian Fund is to make investments that are expected to result in the value of an interest in the Fund changing in proportion to the value of the relevant underlying Index, ignoring the effect of fees and other costs (including taxes) in relation to the Fund; and
- as at the date of this PDS there are reasonable grounds to believe that implementation of the investment strategy will not be likely to lead to property of the Australian Fund including securities in a class of securities that:
 - a) would represent more than 10% by value of scheme property for the Fund; and
 - b) were, or would result in the Responsible Entity having a relevant interest in, securities in:
 - i) a listed company; or
 - ii) an unlisted company with more than 50 members; or
 - iii) a listed body that is formed or incorporated in Australia; or
 - iv) a listed scheme.

10.7 ASIC Class Order [Co 13/1200] (relevant to all Funds)

ASIC Class Order [CO 13/1200] modifies certain periodic statement requirements in the Corporations Act as they apply to the Responsible Entity for the Funds. In particular, the Responsible Entity is not required (and does not propose) to include in periodic statements details of the price at which an investor transacts in Units in a Fund on the ASX, or information on the return on an investment in Units acquired on the ASX (for the year in which the Units are acquired).

10.8 ASIC relief (relevant to the Morningstar Funds)

Equal treatment relief

ASIC has granted relief under section 601QA of the Corporations Act from the equal treatment requirement in section 601FC(1)(d), to the extent necessary to allow the Responsible Entity to:

- restrict access to certain information in relation to the assets of each Morningstar Fund or the constituents of the Index to Authorised Participants and market makers; and
- restrict eligibility to submit redemption requests in relation to Units to those who are Authorised Participants.

Note: Investors should be aware of the Responsible Entity's ability to withhold Australian withholding tax at appropriate rates from the redemption proceeds of non-resident Unitholders where required under the Tax Act. However, as only "Qualifying Australian Residents" may currently redeem Units in each Morningstar Fund, the Responsible Entity does not currently expect to have to deduct withholding tax from the redemption proceeds of Unitholders.

PDS and issue of securities requirements

ASIC has granted relief under section 1020F(1)(c) of the Corporations Act from section 1016D, to reflect the continuous offering of Units in a Morningstar Fund. For the purposes of this relief an application for quotation of the Units on the ASX must be made within 7 days of the date of each new issue of Units, the Responsible Entity must notify ASX of the total number of Units on issue by no later than 5 business days after the last business day of each calendar month and the maximum time for which application moneys will be held before the issue of relevant Units will generally not exceed 7 days. However, in certain circumstances, this period may be extended to one month from the date of receipt of the application money.

Redemption facility – relevant interest in fund assets

ASIC has also granted relief under sections 655A and 673(1) of the Corporations Act by modifying section 609 of the Corporations Act to ensure that the ability to lodge a redemption request under the redemption facility offered by each Morningstar Fund does not by itself give investors a relevant interest in the securities held by the Fund. The instrument clarifies that those relevant interests do not need to be taken into account by investors in relation to their obligations under the takeover and substantial holder notices regimes in the Corporations Act. The relief will not apply once the relevant Units of an investor are redeemed.

Ongoing disclosure requirements

ASIC has also granted the Responsible Entity relief under section 1020F(1) of the Corporations Act from ongoing disclosure requirements in section 1017B on the condition that the Responsible Entity complies with the provisions of the Corporations Act that apply to unlisted disclosing entities as if the relevant Fund were an unlisted disclosing entity.

10.9 No cooling off

Because Units in each Fund are quoted for trading on the ASX, and all applicants for issue of Units will be wholesale clients, investors do not have any cooling off rights in respect of an investment in the Funds.

10.10 Related party contracts

The Responsible Entity has entered into, or may enter into, a number of arrangements with its related entities. In particular:

- on a non-exclusive basis, the Responsible Entity uses a related body corporate as its broker. The Responsible Entity has arrangements in place to ensure that brokerage charges reflect standard market rates (described below); and
- a Market Maker may be a related body corporate of the Responsible Entity. The Responsible Entity pays the Market Maker's fees out of its own assets and does not recover these amounts from the Fund.

The Responsible Entity has appointed the related entities on an arms'-length commercial basis. It has also made these appointments after considering the requirements of its conflicts of interest policy and its obligations to manage conflicts of interest under the Corporations Act 2001. The Responsible Entity's arrangements to manage any conflicts of interest include:

- ensuring that the dealings are documented in a manner consistent with standard market practice between unrelated parties;
- checking that the pricing reflects standard market rates and ensuring that all costs to Unitholders are fully disclosed; and
- ensuring that dealings with related entities are negotiated on an arms'-length basis.

All related entities are subsidiaries of UBS Group AG, a foreign authorised deposit-taking institution. An investment in the Funds does not represent a deposit with, or a liability of, any company in the UBS group of companies, including the Responsible Entity, and is subject to investment risk including possible delays in repayment and loss of income and principal invested.

10.11 Compliance plan

The Responsible Entity has a formal compliance plan in place for each Fund. The purpose of the plan is to set out adequate measures that the Responsible Entity will apply in operating each Fund to ensure compliance with the Corporations Act and the Fund's Constitution.

10.12 Further information about the Funds

Continuous disclosure

The Responsible Entity will elect to meet reporting and disclosure obligations as if each Fund were an "unlisted disclosing entity" under the Corporations Act. Copies of documents lodged with ASIC in relation to a Fund may

be obtained from, or inspected at, an ASIC office. The Responsible Entity will meet its obligations by disclosing material information regarding a Fund on its website at: www.ubs.com/etf-australia.

As investors in a Fund, Unitholders may obtain the following documents from the Responsible Entity:

- the annual report most recently lodged with ASIC in respect of a Fund;
- any half-year financial report lodged with ASIC in respect of a Fund after the lodgement of the most recent annual report and before the date of this PDS; and
- any continuous disclosure notices given in respect of a Fund after the lodgement of the most recent annual report and before the date of this PDS.

The Responsible Entity will arrange for a requesting Unitholder to be sent a printed or electronic copy of any of the above documents free of charge within 5 business days of the request.

Unit pricing discretions policy

A copy of the Responsible Entity's unit pricing discretions policy is available from UBS Asset Management (Australia) Ltd on request at any time, free of charge, by calling (02) 9324 3222 or on our website at: www.ubs.com/etf-australia.

Unitholder reporting

A statement of holdings and transactions is provided to Unitholders of a Fund when they acquire Units of a Fund under this PDS or via the ASX or redeem Units of a Fund, and then subsequently on a monthly basis when further Units have been acquired or disposed of. In addition, a statement is provided after the end of each distribution period detailing distribution information. An annual tax statement is also issued.

Financial reports available upon request

Copies of a Fund's audited financial reports will be provided by the Responsible Entity, free of charge to any person on request by calling (02) 9324 3222. The annual financial reports are available on our website by 30 September each year at: www.ubs.com/etf-australia.

10.13 Complaints

The Responsible Entity has established procedures to deal promptly with complaints in relation to the management or administration of a Fund. Unitholders may lodge complaints in writing, by email or by calling 1800 810 869:

The Complaints Manager
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Email: ubsetf@linkmarketservices.com.au

We will acknowledge your written complain within 2 Business Days of receipt, but in any case we will respond to complaints with 45 days of receipt.

In the event of continued dissatisfaction, Unitholders can also contact the Financial Ombudsman Service, an independent

body approved by the ASIC to deal with such complaints as follows:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
info@fos.org.au
Freecall: 1800 367 287
Fax: (03) 9613 6399

The above dispute resolution procedures comply with section 912A(2) of the Corporations Act and are available to both direct investors and investors who invest via an IDPS.

10.14 Privacy

Keeping us informed

Our records about you are important. Please inform us of any changes to details which you have given us. This may be a new postal or email address, a change of name or new financial institution account details for distribution payments. If you believe your records are out of date, please update your details by logging in on the Registrar's website: www.linkmarketservices.com.au or CHESS holdings by contacting your broker.

Collecting and using your information

The Responsible Entity and the Registrar may collect information for the following purposes:

- to process your application;
- to administer your investment and provide you with reports;
- to monitor and improve the quality of service provided to you; and
- to comply with regulatory or legal requirements, including the Corporations Act, the Proceeds of Crime Act, the Financial Transaction Reports Act, the Taxation Administration Act and the Anti-Money Laundering and Counter-Terrorism Financing Act.

We also ask you for some personal details so that we, and our related companies, can keep in touch with you and tell you on an ongoing basis about our other products and services that could be useful to you. We may do this by telephone, electronic messages (e.g. email), online and other means. Please contact us if you do not wish your details to be used for marketing purposes.

We may gather information about you from a third party. These include credit agencies, financial advisers, fund managers or intermediaries and spouses. We may also collect details of your interactions with us and our products and services (including from our records of any telephone, email and online interactions).

If you provide someone else's personal information to us, you must ensure that they first agree on the basis of this privacy section.

Disclosing your information

We may exchange personal information about you in the following circumstances:

- you consent to the disclosure;
- with any joint investor;
- with companies that provide services to us, to our related companies, to the Fund, or on our behalf (and our related companies may also exchange personal information with these companies) - for example administration, custody, investment management, technology, identity verification, auditing, registry, mailing or printing services; or
- where required or authorised by law, which may include disclosures to the Australian Taxation Office and other Government or regulatory bodies; or
- with organisations related to us whether in Australia or any overseas jurisdiction ("Related Companies").

In some cases, the types of organisations referred to above to whom we will disclose your personal information may be located in Switzerland, China, Hong Kong, India, New Zealand, Poland, Singapore, United Kingdom, United States of America and other countries.

What happens if you choose not to disclose the information?

Depending on the type of information, the following may apply:

- TFN or ABN: we have to deduct tax at the highest rate before we pay distributions to you (see section 7.6).
- account details: we will not be able to pay income directly to your bank account.
- incomplete application: we will not be able to process your requested investment or tell you about other investment opportunities until the required information is received.

Further details

You can access, correct or update any personal information we hold about you, subject to some exceptions allowed by law, by logging in to the Registrar's website: www.linkmarketservices.com.au or by contacting Link Market Services on 1800 810 869. Reasons will be given if access is denied. We may charge a reasonable fee for access to your personal information. Please contact the Responsible Entity on (02) 9324 3222 if you have any questions about how we handle your personal information. You can obtain a copy of our Privacy Policy on request.

10.15 Foreign Account Tax Compliance Act (FATCA)

In respect of the U.S. Foreign Account Tax Compliance Act ('FATCA'), each Fund is a Reporting Australian Financial Institution under the intergovernmental agreement ('IGA') entered into between the Australian and U.S. governments in relation to FATCA on 28 April 2014. Each Fund is also a Reporting Financial Institution under the OECD Common

Reporting Standard for Automatic Exchange of Financial Account Information ('CRS'). Depending on your status for the purposes of the FATCA IGA and CRS, you may be requested to provide certain information and certifications to ensure compliance with the FATCA IGA and the CRS and the Fund may be required to report information in relation to you and your unit holding to the Australian Taxation Office, who in turn will share such information with the U.S. Internal Revenue Service or tax authorities of jurisdictions that have signed the CRS Competent Authority Agreement.

The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS. The CRS applies to Australian financial institutions with effect from 1 July 2017

We conduct due diligence on prospective investors in each Fund and on existing unit holders. Prospective investors (including existing unit holders applying for additional units) will need to provide us with certain information and/or documentation. Existing unit holders will need to provide us with certain information and/or documentation on request.

We will report information in respect of certain unit holders and their unit holdings in the Fund to the Australian Taxation Office ("ATO"). Broadly, we will report to the ATO information in respect of unit holders who are:

- U.S. citizens or residents,
- certain types of U.S. entities, or
- certain types of non-U.S. entities that are controlled by one or more U.S. citizens or residents.

We are also required to report to the ATO the details of any payments we make to "Nonparticipating Financial Institutions", as such term is defined in the IGA.

If you are an existing unit holder and you do not provide us with the required documentation upon request we may be required to report information in respect of you and your unit holding in a Fund to the ATO.

If you are a new investor and you do not provide us with the required information and/or documentation at the appropriate time, we may report information in respect of you and your unit holding in a Fund to the ATO. Alternatively, we may not issue units to you.

In accordance with the IGA, the ATO will share information reported to it by Australian financial institutions with the IRS.

For further information in relation to how our due diligence and reporting obligations under the IGA may affect you, please consult your tax adviser.

Depending on your status under FATCA, there is a risk the Responsible Entity may report information in relation to you and your unit holding to the Australian Tax Office (ATO), which in turn will share this information with the US Internal Revenue Service.

11. Consents and disclaimers

Morningstar Australasia Pty Ltd consents to the inclusion in this PDS of the descriptions of the Morningstar Indexes in section 2.3.

The following have given their consent to be named in this PDS, in the form and context in which they are named:

- Link Market Services Limited as Registrar
- Morningstar Australasia Pty Ltd as Index Provider
- MSCI Inc. as Index Provider

Further, except for the statements and parties referred to above in this section, each party referred to elsewhere in this PDS (other than the Responsible Entity) does not make, or purport to make, any statement in this PDS, and to the maximum extent permitted by law, disclaims any liability and takes no responsibility for any other part of this PDS.

11.1 Index Provider Disclaimer

Morningstar disclaimer

The Funds are not sponsored, endorsed, sold or promoted by Morningstar Australasia Pty Ltd or its affiliated companies (collectively, "Morningstar"). Morningstar makes no representation or warranty, express or implied, to the owners of the Funds or any member of the public regarding the advisability of investing in securities generally or in the Funds in particular or the ability of the Funds to track general stock market performance. Morningstar's only relationship to UBS Asset Management (Australia) Ltd is the licensing of: (i) certain service marks and service names of Morningstar; and (ii) the relevant Morningstar indexes which are determined, composed and calculated by Morningstar without regard to UBS Asset Management (Australia) Ltd or the Funds. Morningstar has no obligation to take the needs of UBS Asset Management (Australia) Ltd or the owners of the Funds into consideration in determining, composing or calculating the Indexes. Morningstar is not responsible for and has not participated in the determination of the prices and amount of the Funds or the timing of the issuance or sale of the Funds or in the determination or calculation of the equation by which the Funds are converted into cash. Morningstar has no obligation or liability in connection with the administration, marketing or trading of the Funds.

Morningstar does not guarantee the accuracy and/or the completeness of the Indexes or any data included therein and Morningstar shall have no liability for any errors, omissions, or interruptions therein. Morningstar makes no warranty, express or implied, as to results to be obtained by UBS Asset Management (Australia) Ltd, owners or users of the Funds, or any other person or entity from the use of the Indexes or any data included therein. Morningstar makes no express or implied warranties, and expressly disclaims all warranties of

merchantability or fitness for a particular purpose or use with respect to the Indexes or any data included therein. Without limiting any of the foregoing, in no event shall Morningstar have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

MSCI disclaimer

The Funds are not sponsored, endorsed, sold or promoted by MSCI or any affiliate of MSCI. Neither MSCI nor any other party makes any representation or warranty, express or implied, to the owners of the Funds or any member of the public regarding advisability of investing in funds generally or in the Funds particularly or the ability of the Indices to track general stock market performance. MSCI is the licensor of certain trademarks, service marks and trade names of MSCI and of the Indices which are determined, composed and calculated by MSCI without regard to the Funds, UBS Asset Management (Australia) Ltd, or the Funds. MSCI has no obligation to take the needs of the UBS Asset Management (Australia) Ltd or the owners of the Funds into consideration in determining, composing or calculating the Indices. MSCI is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Funds to be issued or in the determination or calculation of the equation by which the Funds are redeemable for cash. Neither MSCI nor any other party has any obligation or liability to owners of the Funds in connection with the administration, marketing or trading of the Funds.

Although MSCI shall obtain information for inclusion in or for use in the calculation of the indexes from sources which MSCI considers reliable, neither MSCI nor any other party guarantees the accuracy and/or the completeness of the indexes or any data included therein. Neither MSCI nor any other party makes any warranty, express or implied, as to results to be obtained by licensee, licensee's customers and counterparties, owners of the Funds, or any other person or entity from the use of the indexes or any data included hereunder or for any other use.

Neither MSCI nor any other party makes any express or implied warranties, and MSCI hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose with respect to the indexes or any data included therein. Without limiting any of the foregoing, in no event shall MSCI or any other party have any liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Please refer to page 4 for information about the Indices.

12. Glossary of terms

Administrator	means State Street Australia Limited.
Application and Redemption Fee	means the amount payable on applications for, or redemptions of Units, as described in section 6.1.
AQUA Rules	means the rules for operation of the AQUA market of the ASX set out in Schedule 10A to the ASX Operating Rules.
ASX	means ASX Limited or the market operated by it known as the ASX.
ASX Business Day	has the same meaning as in the ASX Listing Rules.
ASX Trading Participant	means a Trading Participant as defined under the ASX Operating Rules.
Australian Fund	means: <ul style="list-style-type: none"> • UBS IQ Morningstar Australia Quality ETF • UBS IQ Morningstar Australia Dividend Yield ETF • UBS IQ MSCI Australia Ethical ETF.
Authorised Participant	means an ASX Trading Participant approved by the Responsible Entity for the purpose of applying for and redeeming Units in the Fund.
Brokers' Guide	means the document entitled 'UBS IQ ETFs: Brokers' Guide to application and redemption procedures'.
CHESS	means the Clearing House Electronic Subregister System.
Constitution	means the constitutions of each Fund, as amended from time to time.
CRS	means the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information.
Custodian	means State Street Australia Ltd.
Ethical Fund	means: <ul style="list-style-type: none"> • UBS IQ MSCI Australia Ethical ETF • UBS IQ MSCI World ex Australia Ethical ETF • UBS IQ MSCI Europe Ethical ETF • UBS IQ MSCI USA Ethical ETF • UBS IQ MSCI Japan Ethical ETF • UBS IQ MSCI Asia APEX 50 Ethical ETF.
FATCA	Foreign Account Tax Compliance Act
Fund	means: <ul style="list-style-type: none"> • UBS IQ Morningstar Australia Quality ETF • UBS IQ Morningstar Australia Dividend Yield ETF • UBS IQ MSCI Australia Ethical ETF • UBS IQ MSCI World ex Australia Ethical ETF • UBS IQ MSCI Europe Ethical ETF • UBS IQ MSCI USA Ethical ETF • UBS IQ MSCI Japan Ethical ETF • UBS IQ MSCI Asia APEX 50 Ethical ETF.

Index	<p>for:</p> <ul style="list-style-type: none"> • UBS IQ Morningstar Australia Quality ETF means Morningstar® Australia Moat Focus Index™. • UBS IQ Morningstar Australia Dividend Yield ETF means Morningstar® Australia Dividend Yield Focus Index™. • UBS IQ MSCI Australia Ethical ETF means MSCI Australia ex Tobacco ex Controversial Weapons Index. • UBS IQ MSCI World ex Australia Ethical ETF means MSCI World ex Australia ex Tobacco ex Controversial Weapons Index. • UBS IQ MSCI Europe Ethical ETF means MSCI Europe ex Tobacco ex Controversial Weapons Index. • UBS IQ MSCI USA Ethical ETF means MSCI USA ex Tobacco ex Controversial Weapons Index. • UBS IQ MSCI Japan Ethical ETF means MSCI Japan ex Tobacco ex Controversial Weapons Index. • UBS IQ MSCI Asia APEX 50 Ethical ETF means MSCI Asia APEX 50 ex Tobacco ex Controversial Weapons Index.
Index Provider	means Morningstar Australasia Pty Ltd. for Morningstar Funds and MSCI Inc. for Ethical Funds.
International Fund	<p>means:</p> <ul style="list-style-type: none"> • UBS IQ MSCI World ex Australia Ethical ETF • UBS IQ MSCI Europe Ethical ETF • UBS IQ MSCI USA Ethical ETF • UBS IQ MSCI Japan Ethical ETF • UBS IQ MSCI Asia APEX 50 Ethical ETF
Investment Strategy	has the meaning given in section 2.6.
Market Maker	means a market maker nominated by the Responsible Entity.
Morningstar	means Morningstar Australasia Pty Ltd.
Morningstar Fund	<p>means:</p> <ul style="list-style-type: none"> • UBS IQ Morningstar Australia Quality ETF • UBS IQ Morningstar Australia Dividend Yield ETF
MSCI	means MSCI Inc.
Parent Index	for a MSCI Index means the corresponding MSCI index without reference to “ex Tobacco ex Controversial Weapons” in its name.
PDS	means this product disclosure statement.
Qualifying Australian Resident	has the same meaning as in the Constitution, but generally includes a person who the Responsible Entity is satisfied is an Australian resident for tax purposes, and has not given an address outside Australia or requested payments to be made outside Australia.
Registrar	means Link Market Services Limited.
Responsible Entity	means UBS Asset Management (Australia) Ltd.
Tax Act	means the Income Tax Assessment Act 1936 (‘1936 Act’), the Income Tax Assessment Act 1997 (‘1997 Act’) or both the 1936 Act and the 1997 Act, as appropriate.
Unit	means a unit in the Funds.

US

the United States of America, its states, territories and possessions, and the District of Columbia.

US Person

- a) natural person resident in the United States;
- b) any partnership or corporation organized or incorporated under the laws of the United States;
- c) any estate of which any executor or administrator is a US person;
- d) any trust of which any trustee is a US person;
- e) any agency or branch of a foreign entity located in the United States;
- f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US person;
- g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or, if an individual, resident in the United States; and
- h) any partnership or corporation if: (i) organized or incorporated under the laws of any foreign jurisdiction; and (ii) formed by a US person principally for the purpose of investing in securities not registered under the US Securities Act of 1933, as amended (the "Securities Act") unless it is organized or incorporated, and owned, by accredited investors (as defined in the Securities Act) who are not natural persons, estates or trusts.

The following are not "US Persons":

- a) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US person by a dealer or other professional fiduciary organized, incorporated or, if an individual, resident in the United States;
- b) any estate of which any professional fiduciary acting as executor or administrator is a US person if: (i) an executor or administrator of the estate who is not a US person has sole or shared investment discretion with respect to the assets of the estate; and (ii) the estate is governed by foreign law;
- c) any trust of which any professional fiduciary acting as trustee is a US person if a trustee who is not a US person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a US person;
- d) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country;
- e) any agency or branch of a US person located outside the United States if: (i) the agency or branch operates for valid business reasons; and (ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and
- f) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organisations, their agencies, affiliates and pension plans.

13. Contact details and directory

Contact Details

Responsible Entity and investment manager

UBS Asset Management (Australia) Ltd
(ABN 31 003 146 290)
Level 16, 2 Chifley Square
Sydney NSW 2000
Tel: (02) 9324 3222
www.ubs.com/am-australia

Administrator

State Street Australia Limited
(ABN 21 002 965 200)
Level 14, 420 George Street
Sydney NSW 2000
Tel: (02) 9323 6000
Fax: (02) 9323 6666
www.statestreet.com/au

Registrar

Link Market Services Limited
(ABN 54 083 214 537)
Level 12, 680 George St
Sydney NSW 2000
Locked bag A14, Sydney South NSW 1235
Tel: 1800 810 869
Fax: (02) 9287 0303
www.linkmarketservices.com.au

Directory

Auditors

Ernst and Young
(ABN 75 288 172 749)
The EY Centre
Level 34, 200 George Street
Sydney NSW 2000

Custodian

State Street Australia Limited (see Administrator)

Legal and Tax Advisers

King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney, NSW 2000

<http://www.ubs.com/etf-australia>

