



Notice to investors in the Funds

(as listed in the Appendix, each a "Fund" and together the "Funds")

Date: 1 June 2017

Responsible entity & Issuer: UBS Asset Management (Australia) Ltd

ABN 31 003 146 290

AFS Licence No. 222605

What is this notice about?

This notice explains certain changes we are proposing to make to the constitution which governs your investment in one or more of the Funds. The changes are an initial step that will enable us to elect for a new income tax regime for managed investment trusts which will apply to each Fund.

What is the new tax regime and why was it introduced?

The Federal Government recently introduced a new tax system for managed investment trusts (called the Attribution Managed Investment Trust regime or "**AMIT Regime**") in response to concerns raised by the managed funds industry that the current taxation arrangements are too complex and uncertain. The current trust taxation legislation was not designed specifically for widely-held collective investment vehicles like the Funds. It is expected that the new tax system will significantly improve the operation of the taxation law for managed investment trusts by increasing certainty, allowing greater flexibility and reducing compliance costs.

Why is it necessary to change the constitution of each Fund?

The new tax regime will operate slightly differently from the existing regime and therefore, before formally electing for the new regime to apply to a Fund, we propose making some changes to the constitution to address those differences. This notice describes the changes that we intend to make to the constitutions for the Funds. Giving this notice is a formal requirement that will enable us to amend the constitution without having to convene a meeting of unitholders (unless unitholders holding 5% or more of the units request that a meeting be held).

Please read through the notice and if you have any questions, please contact us on **(02) 9324 3222 or 1800 023 043**

PROPOSED MODIFICATIONS TO THE CONSTITUTIONS

New Attribution Managed Investment Trust Regime

This document is the website disclosure for the purposes of Section 601GCA (3) and (4) of the Corporations Act 2001 (Cth) as inserted by ASIC Corporations (Attribution Managed Investment Trusts) Instrument 2016/489.

UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) ("**UBS**") is the responsible entity of the Funds. This notice informs unit holders in the Funds that UBS proposes to modify the Fund constitutions ("**Constitutions**") to facilitate each Fund's operation under the new Attribution Managed Investment Trust regime ("**AMIT Regime**").

The proposed modifications are summarised in Table 1.

The AMIT Regime

The *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act (Cth) 2016*, together with additional related legislation, is the basis for the new AMIT Regime. In order for the AMIT Regime to apply, a trust must meet eligibility criteria and the responsible entity must elect that the regime will apply to the trust with effect from a particular financial year. However, even if the responsible entity makes that election, the AMIT Regime may cease to apply at any time if the trust fails to satisfy all of the criteria.

UBS currently intends to elect for the AMIT Regime to apply to the Funds for the 2017/2018 financial year. If it finally determines to make that election, it will do so after having formed the view that this would be in the best interests of the unit holders as a whole.

Key difference between the current tax regime and the AMIT Regime

The current tax regime is governed by Division 6 of the *Income Tax Assessment Act (Cth) 1936*. Unit holders of a trust are taxed according to each unit holder's entitlement to the income of the trust. By contrast, under the new AMIT Regime, unit holders are taxed on the taxable income that is "attributed" to unit holders by the responsible entity. The AMIT Regime requires the responsible entity to undertake this attribution on a fair and reasonable basis.

Factors UBS is considering

Some of the factors UBS is considering in deciding whether to elect for the AMIT Regime to apply to the Funds are that the regime will:

- provide greater clarification when attributing taxable income between unit holders, as the income must be attributed on a fair and reasonable basis. This is an alternative to the current tax position where unit holders of a trust are taxed proportionately according to their 'present entitlement';
- provide greater certainty of the tax status of the Funds and clarify eligibility for certain tax concessions, including providing a deemed "fixed trust" status for tax purposes;
- offer flexibility for reconciling under-estimations or over-estimations of amounts at the Fund level. This includes making adjustments to unit holder entitlements to trust income in the year the under- or over-estimate is discovered. The current requirement is to amend previously lodged unit holder tax returns which can be costly and time consuming; and
- provide appropriate cost base adjustments, where distributions are greater or less than the amount on which the unit holder is assessed for tax purposes. This minimises the potential for double taxation.

Proposed modifications to the Constitutions

UBS is proposing to modify the Constitutions to enable the Funds to operate under the AMIT Regime by 1 July 2017. The proposed modifications are summarised in Table 1.

Importantly, while the modifications facilitate the operation of the Funds under the AMIT Regime, they will not take effect unless UBS makes an election for the AMIT Regime to apply.

UBS will modify the Constitutions on or after the day which is **7 days from the date of this notice**, unless it receives requests in writing to call a meeting of unit holders to consider and vote on a special resolution to modify the Constitutions as proposed. The requests must be from unit holders with at least 5% of the votes that may be cast on the resolution for a Fund.

What unit holders need to do

You don't need to take any action. However, if you are a unit holder and wish to request a meeting of unit holders of the Fund to vote on the modifications, your request must be in writing and sent to **ClientServices-UBSAM@ubs.com** by 5pm on 7 June 2017.

Your email should include the following information:

- your full name;
- the name of the Fund;
- your investor ID; and
- the word "AMIT" in the email subject line.

More information

Please contact **UBS Client Services on (02) 9324 3222 or 1800 023 043** between 9am and 5pm (AEST) Monday to Friday.

Appendix: Funds

- 1 UBS Australian Bond Fund
- 2 UBS Diversified Fixed Income Fund
- 3 UBS International Bond Fund
- 4 UBS Cash Fund
- 5 UBS Cash-Plus Fund
- 6 UBS Balanced Investment Fund
- 7 UBS Defensive Investment Fund
- 8 UBS Australian Share Fund
- 9 UBS Property Securities Fund
- 10 UBS International Share Fund
- 11 UBS Global Credit Fund
- 12 UBS Income Solution Fund
- 13 UBS Tactical Beta Fund - Balanced
- 14 UBS Tactical Beta Fund - Conservative
- 15 UBS Tactical Beta Fund - Growth
- 16 UBS Australian Small Companies Fund
- 17 UBS Global Property Securities Fund
- 18 UBS Australian Small Companies SIV Fund
- 19 UBS Microcap Fund
- 20 UBS Clarion Global Infrastructure Securities Fund
- 21 UBS Global High Conviction Fund
- 22 UBS IQ Morningstar Australia Dividend Yield ETF
- 23 UBS IQ Morningstar Australia Quality ETF
- 24 UBS IQ MSCI Europe Ethical ETF
- 25 UBS IQ MSCI Australia Ethical ETF
- 26 UBS IQ MSCI Asia APEX 50 Ethical ETF
- 27 UBS IQ MSCI Japan Ethical ETF
- 28 UBS IQ MSCI USA Ethical ETF
- 29 UBS IQ MSCI World ex Australia Ethical ETF
- 30 UBS-HALO Australian Share Fund
- 31 UBS Clarion Global Property Securities Fund

Table 1: Proposed modifications to the Constitutions

Modification	Description of the modification
<p>Distributable income, distribution and accumulation, attribution</p>	<ul style="list-style-type: none"> • The existing provisions for the determination of distributable income are retained and will apply for financial years to which the AMIT Regime does not apply. <p>New provisions:</p> <ul style="list-style-type: none"> • provide for standing principles (or where standing principles already exist, amend arrangements in respect of such standing principles) to determine the distributable income for financial years to which the AMIT Regime applies to include the “trust components” that have an assessable income character, together with additional amounts UBS considers appropriate (eg amounts relating to the discount capital gains concession); • provide the basis for attribution of components of taxable income to unit holders. This addresses specific requirements of the AMIT Regime, such as a “fair and reasonable basis” for attributions and that attributions must not be based on the “tax characteristics” of the unit holder; and • provide that, UBS may direct an amount arising from the sale of an asset to a particular Member on redemption where the relevant amount is used to fund the redemption.
<p>Rights and powers</p>	<p>New provisions:</p> <ul style="list-style-type: none"> • provide UBS with general powers, which include electing in to the AMIT Regime and powers otherwise necessary or desirable to operate the Fund under the AMIT Regime; • provide UBS with specific powers which are expected to be necessary for the Fund to operate under the AMIT Regime, including determining taxable income components, making attributions to unit holders and issuing unit holder statements for that purpose; • seek to exclude UBS from liability in respect of, or as a consequence of, the exercise of powers provided to it for the purposes of the AMIT Regime, but this will generally only be available where UBS has properly performed its duties; • seek to provide for UBS to require unit holders and former unit holders to give certain indemnities for tax and related costs and expenses incurred by UBS, but only to the extent that such tax and related costs and expenses were incurred by the responsible entity in the proper performance of its duties; and • seek to impose certain procedural requirements on unit holders and former unit holders if they are seeking to exercise their objection rights under the AMIT Regime, and provide UBS with certain powers with respect to how such objections are dealt with.
<p>Incidental changes</p>	<p>Other changes considered by UBS as being necessary or incidental to the Funds being able to be operated as an AMIT, for example, to include specific definitions referable to the AMIT Regime.</p>

Important information

This information is provided by UBS Asset Management (Australia) Ltd (ABN 31 003 146 290, AFSL 222605).

This information may constitute general advice. It has been prepared without taking account of an investor’s objectives, financial situation or needs and because of that an investor should, before acting on the advice, consider the appropriateness of the advice having regard to their personal objectives, financial situation and needs. You should obtain a Product Disclosure Statement (PDS) relating to the financial products mentioned in this communication, and consider it before making any decision about whether to acquire or continue to hold these products. A copy of the PDS is available upon request by phoning (02) 9324 3222 or 1800 023 043 or emailing ClientServices-UBSAM@ubs.com.

Any opinions expressed in this communication constitute our judgement at the time of issue and are subject to change.