Luxembourg Selection Fund
Société d'Investissement à Capital Variable
2C, rue Albert Borschette
L-1246 Luxembourg
RCS Luxembourg Nr. B 96268
(the "Company")

Notice to shareholders of Luxembourg Selection Fund

The Board of Directors of the Company wishes to inform you of the following changes in the Company's sales prospectus, version August 2018:

1) In relation to the subfund "**LUXEMBOURG SELECTION FUND – Xantos**" the following changes will be implemented:

- a clarification in relation to the German Investment Tax Act will be added in the investment policy of the subfund which will read as follows:

  "At least 25% of the Subfund's net assets will be invested in equity participations according to § 2 (8) of the German Investment Tax Act (InvStG)."

- the investment policy and strategy of the subfund will be partly amended as follows:

  "In negative market phases the Subfund may hold temporarily up to ~~100~~75% in cash and/or hedge some or all of the investments by using options, swaps or futures."

2) In relation to the subfund "**LUXEMBOURG SELECTION FUND – Active Solar**" the following changes will be implemented:

- a clarification in relation to the German Investment Tax Act will be added in the investment policy of the subfund which will read as follows:

  "At least 51% of the Subfund's net assets will be invested in equity participations according to § 2 (8) of the German Investment Tax Act (InvStG)."

3) In relation to the subfund "**LUXEMBOURG SELECTION FUND – Solar & Sustainable Energy Fund**" the following changes will be implemented:

- the investment objective and policy will be partly amended as follows:

  ~~The Subfund invests primarily in companies in the solar and wind energy sector, with its investment decisions being based on independent research, comprising both fundamental and valuation analysis. While manufacturers of solar and wind power equipment comprise the core of its investment universe, the Subfund may also invest, more generally, in companies engaged in activities related to the production, transmission and distribution of renewable energy. This may include suppliers/manufacturers of related materials, components and equipment, as well as companies holding patents and key technologies. The Subfund targets investments in operators of wind farms and commercial solar power systems (photovoltaic or solar-thermal) or electricity plants that use geothermal, hydroelectric, wave or biomass energy, including waste-to-energy systems. The Subfund may also invest in companies that manufacture energy-savings devices (e.g. heat pumps, LED lights) and energy-storage equipment (batteries, fuel cells, capacitators, flywheels, etc.) or companies that specialise in the design, construction and management of power grids (including intelligent grid networks with interactive monitoring and management of consumption patterns). In addition, the Subfund may also invest in manufacturers in the transportation sector, provided that these target the electrification of vehicles and a switch to carbon-free or low-carbon technologies.~~
  The Subfund invests in companies in the renewable energy sector, based on the thesis that the primary driver of the energy transition will be an accelerating world-wide switch to ever more cost-competitive solar energy. Apart from solar, other carbon-free sources of energy are also seen to help drive this transition, such as wind-power, hydro and geothermal energy. The Subfund therefore targets suitable investments in all such industries, as well as those which are involved in energy storage technologies and electric transportation.
  Investment decisions are based on independent research, comprising both fundamental and valuation analysis. Companies in the investment universe of the Subfund comprise both equipment manufacturers (e.g. solar and wind) as well as power producers and, more generally, companies engaged in activities related to the production, transmission and distribution of sustainable energy. This may also include suppliers of materials, components, electronics, software and services, as well as companies holding patents and key technologies. The Subfund may also invest in companies that manufacture energy-saving devices (e.g. heat pumps, LED lights) and electric vehicles.
  […]
  The objective of the Subfund is to invest the vast majority of its net assets in equities, but in some circumstances the manager may increase the cash/liquidity position to ~~50~~49% of net assets. "

- a clarification in relation to the German Investment Tax Act will be added in the investment policy of the subfund which will read as follows:

  "At least 51% of the Subfund's net assets will be invested in equity participations according to § 2 (8) of the German Investment Tax Act (InvStG)."

This notice to shareholders is also available at the following website:
http://www.ubs.com/global/en/asset_management/fundservices/solutions/ubs-third-party-management-company.html

4) In relation to the subfund "**LUXEMBOURG SELECTION FUND – PBF Protected Bond Fund**" the following changes will be implemented:

- the name of the subfund will be changed to "**LUXEMBOURG SELECTION FUND – Global Euro Bond Fund**". In this context, the investment objective and policy will be amended as follows:

  "The investment objective of the Subfund is to invest its assets mainly in a diversified portfolio of bonds (including high-yield bonds) denominated in Euro and other debt instruments issued by countries or companies. The Subfund will seek opportunities, depending on market conditions, by investing extensively into sub-investment grade bonds. The Subfund intends to systematically hedge foreign currency exposure. There are no geographic or sectoral restrictions. ~~fixed income securities and to provide a consistent return. The Subfund will primarily invest in bond obligations, from OECD or emerging countries, including high-yield securities, fixed or floating rates, zero coupons, government and treasury bonds, convertible bonds and derivatives on all of the above as well as units of UCITS and/or other UCIs as described in article 41 (1) indent e) of the 2010 Law which mainly invest in bank deposits, money market instruments and transferable debt securities.~~
  In addition to the investment restrictions under the 2010 Law, the following additional restrictions apply:
  a) At least 51% of the Subfund's net assets must be invested in bonds (and similar debt instruments).
  b) The Subfund may invest in units of UCITS and/or other UCIs up to 10% of its net assets.
  ~~The Subfund will make use of derivatives to systematically protect the portfolio. This is not to be understood as a capital guarantee.~~
  […]
  Convertible bonds and Contingent Convertible bonds ("CoCos") and related securities
  The Subfund may invest up to 20% of its assets in convertible bonds (which includes CoCos or related instruments). This strategy can enable the Subfund to take advantage of attractive opportunities in securities similar to conventional corporate bonds, with the benefit of an option on the underlying equity.
  CoCos are unlimited, principally fixed-income bonds with a hybrid character which are issued as bonds with fixed coupon payments, but which upon a trigger event are mandatorily converted into company shares or written down, provided that respective trigger events are set out in the issuing terms of the CoCos. Coupon payments on certain CoCos may be entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. Contrary to typical capital hierarchy, CoCo investors may suffer a loss of capital before equity holders.
  Most CoCos are issued as perpetual instruments which are callable at pre-determined dates. Perpetual CoCos may not be called on the predefined call date and investors may not receive return of principal on the call date or at any date.
  There are no widely accepted standards for valuing CoCos. The price at which bonds are sold may therefore be higher or lower than the price at which they were valued immediately before their sale.
  In certain circumstances finding a ready buyer for CoCos may be difficult and the seller may have to accept a significant discount to the expected value of the bond in order to sell it.
  There are three types of CoCos with different percentage of risk weighted assets (RWA). The implemented legislation through the Capital Requirements Directive IV (CRD IV) and Capital Requirement Regulation (CRR) as with Basel III, mandates a change in the quantity of the highest quality capital layer Common Equity Tier 1 (CET1), increasing from what was effectively 2% to 4.5% of RWA. While the intent of the legislation is to ensure an increase in a bank's common equity, the regulation allows a financial institution to issue Additional Tier 1 (AT1) securities in non-CET1 capital but in the form of CoCos so that Tier 1 capital is at least 6% of RWA at all times. CoCos may also be issued as Tier 2 (T2) instruments so that total capital is at least 8% of RWA at all times."

  Additional risk disclosures in relation to the use of sub-investment grade bonds will be added in the relevant section of the subfund's appendix.

- in section "Leverage", the risk profile of the subfund will changed from Relative VaR approach to Commitment Approach.

- in section "Portfolio management", the portfolio management commission due to Heron Asset Management S.A. for the share classes I EUR and I CHF will be increased from currently max. 0.40% to max. 0.50% per annum.

- in section "General information", it is being clarified that Class A2 and Class A3 shares are available for non-institutional investors.

- in section "General information", a minimum subscription amount of EUR 500,000 will be introduced for Class I EUR shares.

- In section "General information", a minimum subscription amount of CHF 500,000 will be introduced for Class I CHF shares. Class I CHF shares will participate in the portfolio according to its entitlements and it will seek to benefit from a specific hedging complement under which the currency risks of non-CHF portfolio assets attributable to it are intended to be hedged against the CHF.

- in section "Subscriptions", the subscription fee will be increased from currently 3% to 5%.

5) In relation to the subfund "**LUXEMBOURG SELECTION FUND – LSF ENHANCED EQUITY EXPOSURE**" the following changes will be implemented:

- the investment objective and policy will be amended as follows:

  "~~The main investment objective of the Subfund is to follow the benchmark performance, aiming to provide a positive net-of-fee alpha over the long-term. The customized benchmark of the Subfund consists of a combination of 15% of the MSCI Europe Index, 60% of the MSCI World All Country Index and of 25% of the MSCI EMU Index.~~
  ~~The Subfund will invest its assets primarily in ETFs, actively managed funds, single stocks, and certificates following the performance of selected equity indices.~~

~~The Subfund will tend to be fully invested. Accordingly, the use of cash and cash-related instruments will be parsimonious. The portfolio manager aims at generating alpha at three possible levels: top-down asset allocation based on internal fundamental research, specialist selection of active fund managers based on external quantitative research and internal due diligence process, and internal stock picking decisions.~~

<u>The Subfund will invest its assets primarily but not exclusively in single stocks; investment in ETFs, actively managed funds will be moderate. The Subfund will tend to be fully invested. Accordingly, the use of cash and cash-related instruments will be parsimonious.</u>

<u>The customized benchmark of the Subfund consists of a combination of 30% of the Dow Jones Industrial Average Index and 70% of the EURO STOXX 50 Index,.</u>

<u>The portfolio manager aims at generating alpha based on internal stock picking decisions with the selection of high-quality single stocks in different industry sectors. Listed derivatives are, eventually, used for hedging and enhancing purposes.</u>"

- In section "Portfolio management", a new description of the performance fee which the Portfolio Manager Heron Asset Management S.A. is entitled to receive will be added, replacing the previous one, and which will read as follows:

  "In addition, the Portfolio Manager Heron Asset Management S.A. is entitled to receive a performance fee which will be equal to 15% of the positive difference between:
  1) The Net Asset Value per Share of the Fund (after accruals of all fees except Performance Fees) as of the Performance Fee Valuation Day (the last Valuation Day of the performance fee period as defined below) and
  2) The High Water Mark.
  The High Water Mark at a given valuation day is equal to the greater of (1) the initial subscription price and (2) the last end-of-period NAV per Share at which a performance fee has been paid (High Water mark principle).
  The calculated performance fee will be adjusted for subscriptions and redemptions during the period.
  In case of redemption, the accrued performance fee attributable to the redeemed shares will be crystallized and paid to the Portfolio Manager.
  The calculation of the performance fee will be based on the Net Asset Value per Share of the Subfund.
  The performance fee period is yearly, ending on the last day of each calendar year. For the year 2018 the performance fee period starts on 30/08/2018 and ends on 31/12/2018. The performance fee is payable yearly in arrears out of the Subfund's assets."

6) In relation to the subfund "**LUXEMBOURG SELECTION FUND – NERRICK US Equities**" the following changes will be implemented:

- The distribution of the subfund in Switzerland as a foreign collective investment scheme has been authorized by the Swiss Financial Market Supervisory Authority (FINMA). As a result, the subfund may be distributed to qualified and non-qualified investors in and from Switzerland.

The aforementioned changes shall enter into force on 30 August 2018, unless expressly stated otherwise therein. Shareholders of the Company who do not agree with the changes described in sections 1), 3), 4) and 5) above may redeem their shares free of charge until the respective date of entry into force. The changes can be found in the Company's sales prospectus, version August 2018.

Luxembourg, 31 July 2018 l The Board of Directors of the Company