

**UBS Fund Management (Luxembourg) S.A.**

Registered Office: 33A avenue J.F. Kennedy, L-1855 Luxembourg  
 Registre de Commerce et des Sociétés: Luxembourg B 154.210  
 (the “**Management Company**”)

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**Notice to the unitholders of UBS (Lux) Institutional Fund – Euro Equity and  
 UBS (Lux) Equity Fund – Euro Countries Opportunities (EUR) (the “Unitholders”)**

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The Management Company of UBS (Lux) Institutional Fund and UBS (Lux) Equity Fund wishes to inform you of the decision to merge the sub-fund UBS (Lux) Institutional Fund – Euro Equity (the “**Merging Sub-Fund**”) into the sub-fund UBS (Lux) Equity Fund – Euro Countries Opportunity (EUR) (the “**Receiving Sub-Fund**”) (both sub-funds collectively referred to as the “**Sub-Funds**”) with effect from 14 July 2014 (the “**Effective Date**”) (the “**Merger**”).

Given that the Merging Sub-Fund’s net assets have fallen to a level which no longer allows the Merging Sub-Fund to be managed in an economically reasonable manner, the Board of Directors of the Management Company deems it in the Unitholders’ best interest to merge the Merging Sub-Fund into the Receiving Sub-Fund pursuant to Article 12 of the Management Regulations of UBS (Lux) Institutional Fund.

The Merger will be based on the net asset value per unit per 11 July 2014, cut-off time 15:00 CET (the “**Reference Date**”). In the context of the Merger, the assets and liabilities of the Merging Sub-Fund will be allocated to the Receiving Sub-Fund. The number of new units to be so issued shall be calculated on the Effective Date based on the ratio of exchange corresponding to the net asset value per unit of the Merging Sub-Fund on the Reference Date, in comparison with the initial issue price of the respective receiving unit class of the Receiving Sub-Fund. The Merger will result in the following changes for the Unitholders:

	<b>UBS (Lux) Institutional Fund – Euro Equity</b>	<b>UBS (Lux) Equity Fund – Euro Countries Opportunity (EUR)</b>
Merging unit classes	AA (LU0093640216) AD-T2 (LU0157015016) BA ( LU0093640307) XA ( LU0176374873)	I-A1-acc ( <i>not activated</i> ) I-A1-acc ( <i>not activated</i> ) I-B-acc ( <i>not activated</i> ) I-X-acc (LU0401311674)
Maximum fee p.a.	AA: 0.815% AD-T2: 0.52% BA: 0.065% XA: 0%	I-A1-acc: 1% I-A1-acc: 1% I-B-acc: 0.065% I-X-acc: 0%
Reference currency of sub-fund	EUR	EUR
Ongoing charges as per key investor information (“KII”)	AA: 0.95% AD-T2: 0.66% BA: 0.24% XA: 0.11%	I-A1-acc: N.A. I-A1-acc: N.A. I-B-acc: N.A. I-X-acc: 0.11%
Risk and reward profile (“SRRI”) as per KII	6	6
Investment policy of sub-fund	The sub-fund actively invests mainly in common and preferred stocks including ADR’s, warrants on transferable securities and rights convertible into common stocks from companies domiciled or which are chiefly active in European Countries that have adopted the EUR as domestic currency. The objective is to achieve an excess performance relative to the MSCI EMU Index (the “benchmark”). This may result in investments in smaller and/or unlisted companies in compliance with Article 2 of the Management Regulations. The markets of smaller	The sub-fund invests at least 70% of its assets in equities and other equity shares of companies domiciled or chiefly active in the EMU. Countries of the European Monetary Union (EMU) are those which participate in the EMU and therefore have the Euro as their national currency. As part of this investment, the sub-fund may invest directly or indirectly (i.e. in open-ended investment funds and in line with the investment restrictions of 10% of the net assets, as set out in the general investment policy) in European small and/or mid caps. In accordance with point 5 of the investment principles

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 AND PAST PERFORMANCE DOES NOT GUARANTEE FUTURE ONE

	and/or unlisted companies are more volatile and the possibility to realise gains, as well as the risk to suffer losses are higher. The sub-fund may hold short-term fixed income transferable securities on an ancillary basis.	"Special techniques and instruments that have securities and money market instruments as underlying assets", the sub-fund is permitted to use index futures to raise or reduce its market exposure.
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Since a substantial portion of its assets may be sold and invested in liquid assets prior to the Effective Date, the composition of the portfolio of the Merging Sub-Fund may be significantly impacted by the Merger. Any adjustments to the portfolio will be restricted to the Merging Sub-Fund and be made prior to the Effective Date. Further sub-fund characteristics such as dealing frequency, cut-off time and distribution policy remain unchanged. The legal, advisory and administrative costs and expenses (excluding potential transaction costs) associated with the Merger will be borne by UBS AG and will not impact the Merging or Receiving Sub-Fund.

**Unitholders of the Merging and Receiving Sub-Fund not in agreement with the Merger may redeem their units free of charge until 7 July 2014, cut-off time 15:00 CET. The Merging Sub-Fund will subsequently be closed for redemptions. As of today, the Merging Sub-Fund will be allowed to deviate from its investment policy as far as needed in order to align its portfolio with the investment policy of the Receiving Sub-Fund. The Merger will be binding for all Unitholders who have not applied for the redemption of their units.**

On the Effective Date of the Merger, the Unitholders of the Merging Sub-Fund will be entered into the register of Unitholders of the Receiving Sub-Fund.

An independent auditor is in charge of preparing a report validating the conditions foreseen in Article 71 (1), items a) to c) 1<sup>st</sup> clause of the Luxembourg law of 17 December 2010 on undertakings for collective investment (the "**Law of 2010**") for the purpose of the Merger. A copy of this report will be made available on request and free of charge to Unitholders of the Sub-Funds sufficiently in advance of the Merger. An independent auditor will also be engaged to validate the actual exchange ratio determined at the exchange ratio calculation date, as provided for in Article 71 (1), let. c) 2<sup>nd</sup> clause of the Law of 2010. A copy of this report will be made available on request and free of charge to Unitholders of the Sub-Funds. Furthermore, Unitholders of the Merging Sub-Fund are advised to consult the KII relating to the Receiving Sub-Fund which is available online at [www.ubs.com/funds](http://www.ubs.com/funds). Unitholders seeking additional information may contact the Management Company. Please also note that investors may be subject to taxation on their holdings in investment funds. Please contact your tax advisor in respect of any tax queries you may have as a result of the Merger.

The Management Company, Luxembourg, 6 June 2014