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**NOTICE TO UNITHOLDERS  
OF  
UBAM FCP - EM INVESTMENT GRADE CORPORATE BOND**

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**WARNING**

As a result of the merger operation, you will become a shareholder in an Open-ended Mutual Fund (SICAV) under Luxembourg law. Please note that as a result of the merger project, your interlocutor will henceforth be the Luxembourg SICAV and any questions or disputes relating to the rights and obligations of the shareholders in connection with their holdings in the Luxembourg SICAV will be subject to the authority and competence of the Luxembourg courts. We would like to draw your attention to the fact that regulatory requirements may vary significantly from one country to another. The operation of the Luxembourg registries may among other things prevent you from exercising your rights as investors with the Luxembourg authorities and courts without the possibility of appeal or recourse. In fact an investor may not be able to exercise investor rights directly with an investment company or fund except where the investor themselves registers their names in the register of shareholders or bearers, implying a direct subscription in the SICAV without the involvement of an intermediary.

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Paris, 20 August 2018

Dear Unitholders,

The Board of Directors of the SICAV UBAM and the asset management company of the UBAM FCP - EM Investment Grade Corporate Bond Fund wish to inform you of their decision to carry out the following operation on the UBAM FCP - EM Investment Grade Corporate Bond Fund:

**1. The operation**

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The mutual fund, UBAM FCP (Fonds Commun de Placement) - EM Investment Grade Corporate Bond (hereinafter the « Merging Fund») shall merge on **5 October 2018** with the EM Investment Grade Corporate Bond Sub-fund of the SICAV UBAM (hereinafter the « Receiving Sub-fund»), the second absorbing the first (hereinafter the « Merger »).

The merger was prompted by the fact that the Merging Fund is currently a feeder fund of the Receiving Sub-fund. In this context, the asset management company of the Merging Fund, in agreement with the Board of Director of the Receiving Sub-fund, wishes to carry out the Merger in order to simplify the range of funds under management.

This structure gives rise to additional fees for the unitholders of the Merging Fund without providing any real value, which led the asset management company of the Merging Fund, in agreement with the Board of Director of the Receiving Sub-fund, to propose this Merger which will also improve communication.

The merger will be effective on **5 October 2018**.

The Merger received the approval of the Autorité des Marchés Financiers on **27 July 2018**. The Luxembourg market regulator, the Commission de Surveillance du Secteur Financier (CSSF) has also approved the Merger.

If you do not agree with the terms of the merger, you have the option to exit the fund without fees until **28 September 2018**.

Redemptions of units of the Merging Fund will operate without redemption fees up to **12:00 noon** (Paris time) on **28 September 2018**. Redemptions of shares in the Receiving Sub-fund will operate without redemption fees before and after the Merger. From **28 September 2018 at 12:00 noon**, subscriptions and redemptions to and from the Merging Fund shall be suspended until the effective date of the operation, **5 October 2018**.

## **2. Changes resulting from the operation**

- The risk profile  
Modification of the risk / return profile : YES  
Increase in the risk / return profile : NO
- Increase in fees : YES

As the Merging Fund is a feeder of the Receiving Sub-fund, their investment policies are identical. After the Merger, you will be a shareholder of the master fund, invested directly in its shares instead of the feeder fund in which you are currently invested.

The risk profile and the return profile of all unit or share classes (Merging Fund and Receiving Sub-fund) is the same: a synthetic risk reward indicator of 3 on the scale of 1 to 7<sup>1</sup>.

Below is a reminder of the current investment policies:

### ***UBAM FCP - EM Investment Grade Corporate Bond (Merging Fund)***

*The Fund, which is a feeder Fund, is permanently invested up to 85% or more of its assets in shares of the Master Fund, whose strategy is detailed below, and where necessary in cash.*

### ***UBAM – EM Investment Grade Corporate Bond (Receiving Sub-fund)***

*The objective of the Fund is to increase your capital by investing mainly in emerging country bonds.*

*The sub-fund is denominated in USD and invests its net assets mainly in fixed or variable rate bonds where the issue or issuer has a minimum rating of BBB- (Fitch or S&P) or Baa3 (Moody's) or a rating considered equivalent by the Manager as a result of its analysis, for the same level of seniority as the issue, issued by:*

- *companies domiciled in emerging countries, or*
- *companies of any country, but where the underlying is linked directly or indirectly to emerging countries, or*
- *companies where the risks are linked directly or indirectly to emerging countries*

*The sub-fund will invest at least 80% in OECD currencies. For investments denominated in currencies other than the USD, the exchange rate shall be mainly hedged.*

*In addition, the net assets of the fund may be invested inter alia in:*

- *Bonds issued by emerging sovereign issuers, or*
- *Bonds issued by issuers not connected to emerging countries, or*
- *Bonds issued or guaranteed by countries which are members of the OECD or by their local public authorities, or regional communities or global supranational organisations and institutions, and*
- *Up to 20 % in contingent convertibles*

*Exposure to these markets may be direct or via the use of derivative financial instruments such as CDS and CDX.*

*The net asset value of the fund is expressed in USD.*

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<sup>1</sup> The Synthetic Risk Reward Indicator (SRRRI) is based on a calculation of the volatility. This ratio is a number between 1, for lower risk funds, and 7, for the most volatile.

Category 3 of the Fund represents a limited potential of return and/or loss of the value of the portfolio.

A Swing Price mechanism<sup>2</sup>, as set out in the UBAM prospectus, applies to the Receiving Sub-fund. This impacts, where applicable, the feeder fund (Merging Fund), even if there is no Swing Price mechanism on the Merging Fund.

Full information on the Receiving Sub-fund, including the prospectus, KIIDs, the Articles of Association and the financial reports may be obtained from the registered offices of the Merging Fund and Receiving Sub-fund.

Potential subscribers and buyers of units of the feeder fund are advised to inform themselves personally of the possible legal or tax consequences or of any restrictions or exchange rate regulations to which they may be subject in their country of origin, residence or domicile relating to the subscription, purchase, holding, redemption, conversion or transfer of units of the feeder fund.

Holders of units in the Merging Fund will receive shares in the Receiving Sub-fund of the same type with the same characteristics (currency, accumulation / distribution) as the units which they hold in the Merging fund.

The maximum fees and commissions of the Merging Fund and the Receiving Sub-fund are as follows:

	<b>UBAM FCP - EM INVESTMENT GRADE CORPORATE BOND (Merging Fund)</b>
Subscription fee not retained by the Fund	maximum 5 % for registered units, maximum 2% for all other units, entirely retroceded to third parties
Subscription fee retained by the Fund	N/A
Redemption fee not retained by the Fund	N/A
Redemption fee retained by the Fund	N/A
Financial management fees and external administrative fees	A units: maximum 1.30 % tax included I units: maximum 0.65 % tax included
Transaction fees	N/A
Performance fees	N/A

	<b>UBAM – EM INVESTMENT GRADE CORPORATE BOND (Receiving Sub-fund)</b>
Management fees	A shares: maximum 1.30 % tax included I shares: maximum 0.55 % tax included
Marketing fees	A shares: maximum 0.05 % tax included I shares: N/A
General Distributor fees	A shares: maximum 0.10 % tax included I shares: N/A
Service fees (administrative, registrar and transfer agent, custodian bank)	maximum 0.365% tax included
Performance fees	N/A

A summary table of the actual fees of each class of units/shares, of the Merging Fund and the Receiving Sub-fund respectively, is provided in the annex to this letter. Please note that for the previous financial year, the actual fees of the Receiving Sub-fund were lower than those of the Merging Fund, for all classes of units/shares.

<sup>2</sup> Swing Pricing is the process of passing on to purchasing/redeeming shareholders the costs associated with the trading activity resulting from buying and selling shares. This is designed to be used in normal market conditions, when significant trading may impact the assets of the fund. The manager may decide to include in the evaluation of the trading costs, the transaction fees, the associated taxes and the liquidity cost.

To carry out the merger, the shares in the Receiving Sub-fund held by the Merging fund will be redeemed and the other assets of the Merging Fund transferred to the Receiving Sub-fund. In return the holders of units in the Merging Fund shall be allocated shares in the Receiving Sub-fund.

There will therefore be no movements in the portfolio of the Merging Fund directly connected to this merger operation. The Merger will not have any significant negative impact on the performance and composition of the portfolio of the Receiving Sub-fund.

During this notification period, the Merging Fund will continue to issue and redeem units. UBAM will continue to issue and redeem the shares of the Receiving Sub-fund.

From **28 September 2018 at 12:00 noon**, subscriptions and redemptions to and from the Merging Fund shall be suspended until the effective date of the operation, **5 October 2018**.

All fees relating to the Merger shall be borne by the management companies, UBP Asset Management (France), Paris and UBP Asset Management (Europe) S.A., Luxembourg.

As the Merging Fund and the Receiving Sub-fund are 2 separate legal entities in 2 different countries, the holders of units in the Merging Fund are advised to consult their tax advisors on the possible impacts of this operation.

Holders of units in the Merging Fund who have not requested the redemption of the units before the Merger, will be allocated shares of the Receiving Sub-fund with the same characteristics (currency, accumulation/distribution) as the units held in the Merging Fund as shown in the correspondence table provided in the annex to this letter. They will thus become shareholders in a société d'investissement à capital variable (SICAV) under Luxembourg law, domiciled in Luxembourg.

Due to the merger, personal information and data of holders of units of the Merging Fund (particularly those entered in the records of CACEIS Bank Paris) may need to be disclosed to the CACEIS Bank branch in Luxembourg in its capacity as the transfer agent for the Receiving Sub-fund.

The calculation of the exchange ratio is provided in the annex to this letter (« Calculation method of the exchange ratio »)

### **3. Important elements for the investor**

We remind you of the necessity and importance of consulting the Key Investor Information Document (KIID) of the Receiving Sub-fund, which is available from the registered office of the asset management company UBP Asset Management (Europe) S.A. You may also obtain the prospectus of the Receiving Sub-fund within eight working days on request from UBP Asset Management (Europe) S.A., 287, 289 route d'Arlon, L-1150 Luxembourg, The Grand Duchy of Luxembourg.

We recommend keeping in regular contact with your advisor regarding your investments.

The following actions are proposed:

- If you agree with the operation then no action is necessary;
- If you do not agree with the operation then you may exit the fund without fees;
- If you have no opinion regarding the operation, you are invited to contact your adviser or distributor.

UBP Asset Management (France) is available for any clarification required.

#### 4. Merger

The following information is available in the annex:

- Comparative table of the main characteristics of the Merging Fund and the Receiving Sub-fund,
- Comparative table of all fees,
- Information relating to the calculation of the exchange ratio of the merger,
- Information relating to the period in which unitholders may continue to subscribe to and request redemptions of units in the merging fund,
- Information relating to the date when unitholders, who have not exercised their rights in accordance with Article 411-56 of the General Regulations of the AMF within the prescribed period, will be able to exercise their rights as shareholders in the Receiving Sub-fund,
- Tax issues relating to the operation.

We would like to thank you in advance for your continued confidence and remain at your disposal should you require any further information.

Dominique LEPREVOTS  
CEO



**ANNEX**

**COMPARATIVE TABLE OF THE MAIN CHARACTERISTICS OF THE MERGING FUND AND THE RECEIVING SUB-FUND**

Characteristics	UBAM FCP - EM INVESTMENT GRADE CORPORATE BOND (Merging Fund)	UBAM – EM INVESTMENT GRADE CORPORATE BOND (Receiving Sub-fund)
Legal form	Mutual Fund - Fonds Commun de placement (FCP)	Sub-fund of an Open-ended Mutual Investment Fund - Société d'Investissement au Capital Variable (SICAV)
Registered office	FRANCE	LUXEMBOURG
Market Regulator	Autorité des Marchés Financiers (AMF)	Commission de Surveillance du Secteur Financier (CSSF)
Asset Management Company	UBP ASSET MANAGEMENT (FRANCE) UNION BANCAIRE GESTION INSTITUTIONNELLE (FRANCE) SAS	UBP ASSET MANAGEMENT (EUROPE) SA
Delegated financial manager	UNION BANCAIRE PRIVÉE, UBP SA. ZURICH BRANCH	UNION BANCAIRE PRIVÉE, UBP SA. Zurich branch
Custodian	CACEIS BANK	BNP PARIBAS Securities Services – Luxembourg branch
Statutory auditor	ERNST & YOUNG AUDIT	DELOITTE AUDIT SARL
Delegated accountant	CACEIS FUND ADMINISTRATION	CACEIS Bank – Luxembourg branch
Delegated administrator	SOCIETE GENERALE	N/A
Subscription and redemption conditions	Requests for subscription and redemption must be received before 12:00 noon (Paris time), 2 working days before the valuation date (1 day before the net asset value date). Payments for subscriptions and redemptions are made 3 working days after the NAV date.	Requests for subscription, conversion and redemption must be received before 13:00 pm (Luxembourg time), 1 full Luxembourg bank working day before the valuation date. They will be processed based on the NAV of the Luxembourg bank working day which precedes the valuation day. Payments for subscriptions must be made 3 Luxembourg bank working days after the valuation date and payments for redemptions are made in 4 Luxembourg bank working days after the valuation date.
Accounting currency	EUR	USD

## COMPARATIVE TABLES FOR ALL FEES

### Current fees:

Holders of units in the Merging Fund will be allocated shares in the Receiving Sub-fund of the same type with the same characteristics (currency, accumulation, distribution) as the units held in the Merging Fund as shown in the table below:

Merging Fund UBAM FCP - EM Investment Grade Corporate Bond			Receiving Sub-fund UBAM – EM Investment Grade Corporate Bond		
ISIN	Denomination	Current fees	ISIN	Denomination	Current fees
FR0011136159	AC EUR	1.55%	LU0862302832	AHC EUR	1.49%
FR0011136266	AD EUR	1.55%	LU0862302915	AHD EUR	1.49%
FR0011130301	AHC USD	1.56%	LU0862302675	AC USD	1.52%
FR0011136258	AHD USD	1.57%	LU0862302758	AD USD	1.49%
FR0011136274	AHC CHF	1.50%	LU0862303053	AHC CHF	1.49%
FR0011136191	IC EUR	0.90%	LU0862303996	IHC EUR	0.86%
FR0011136316	ID EUR	0.90%	LU0862304028	IHD EUR	0.85%
FR0011136290	IHC USD	0.90%	LU0862303640	IC USD	0.87%
FR0011136308	IHD USD	0.92%	LU0862303723	ID USD	0.86%
FR0011136324	IHC CHF	0.88%	LU0862304291	IHC CHF	0.85%
FR0011136225	IHD CHF	0.94%	LU0862304374	IHD CHF	0.85%
FR0011136217	IHD GBP	0.89%	LU0862304887	IHD GBP	0.86%

### CALCULATION METHOD OF THE EXCHANGE RATIO

The calculation of the exchange ratio of the shares will be carried out on **4 October 2018** by dividing the net asset value (NAV) per unit of the Merging Fund on **3 October 2018**, by the NAV of the corresponding share in the Receiving Sub-fund calculated on the basis of the closing price on the same date. Contributions in kind or in cash in the Receiving Sub-fund and the calculations of the share exchange ratios will be audited by the auditor appointed by UBAM, in accordance with the provisions of Article 71 of the Law and Article 411-48 of the General Regulations of the Autorité des Marchés Financiers in France. The auditor accredited to carry out the above-mentioned controls is Deloitte Audit Sàrl, Luxembourg.

Therefore, the number of shares allocated in the Receiving Sub-fund (and the relevant share class) will be established according to the following formula:

$$A = \frac{B \times C \times D}{E}$$

where:

- A: represents the number of shares to be allocated in the Receiving Sub-fund and the relevant share class (shares in the reference currency of the sub-fund or shares in a different currency).
- B: represents the number of shares to be converted in their initial share class of the Merging Fund.
- C: represents the net asset value as at the day of the exchange ratio calculation, of the shares to be converted in the initial share class of the Merging Fund.
- D: represents the applicable price on the day of the operation between currencies of the two share classes of the Merging Fund and the Receiving Sub-fund. If the currency is the same, this number will be 1.
- E: represents the applicable net asset value as at the day of the exchange ratio calculation, of the shares to be allocated in the Receiving Sub-fund (shares in the reference currency of the sub-fund or shares in a different currency).

Example of an investor with 10 units in the Merging Fund

**Scenario:**

(B) Number of units held in the Merging Fund:	10 units
(C) Net Asset Value of the Merging Fund =	EUR 1000
(D) Exchange rate (EUR/EUR) on the day of the transaction:	1
(E) Net Asset Value of the Receiving Sub-fund =	EUR 1250

In the above example we would therefore have:

$$(A) = \frac{10 * 1000 * 1}{1250} = 8$$

Thus an investor with 10 units in the Merging Fund would receive 8 units in the Receiving Sub-fund.

This is an example, the exchange ratio will only be known at the effective date of the merger, **5 October 2018**.

**ADDITIONAL INFORMATION**

Period in which unitholders will be able to subscribe and redeem units in the Merging Fund:

Until **28 September 2018 at 12:00 noon**.

The date when unitholders who have not exercised their rights in accordance with Article 411-56 of the General Regulations of the AMF within the prescribed period, will be able to exercise their rights as shareholders in the Receiving Sub-fund:

Subscriptions and redemptions of shares in the Receiving Sub-fund after the merger will resume on **8 October 2018**.



## TAX ISSUES

The tax information below is given for reference purposes, it is not exhaustive and is liable to modification. All unitholders are advised to consult with their tax advisor in order to determine their particular situation.

### **For unitholders of the Merging Fund tax resident in France**

The Merger will involve, for each unitholder of the Merging Fund, the allocation of shares of the corresponding Share Class of the Receiving Sub-fund, in exchange for the cancellation of their units in the Merging Fund.

The allocation of shares in the Receiving Sub-fund should not be considered as a distribution of taxable income assets as the Merging Fund will transfer, at the moment of its dissolution without liquidation, all of its assets and where applicable, liabilities, to the Receiving Sub-fund, in exchange for the allocation to its shareholders of Classes of Shares of the Receiving Sub-fund.

Relating to exchange gains or losses resulting from the Merger, the tax regime varies depending on the identity of the unitholder, whether a natural person or legal entity.

### **Unitholders of the Merging Fund who are natural persons tax resident in France**

Individuals who are tax resident in France will benefit from the automatic tax deferral regime on the gains or losses resulting from the exchange of units of the Merging Fund with the corresponding Share Classes of the Receiving Sub-fund. Exchange gains or losses on the Merging Fund will not be liable to income tax in the year of the Merger (unless they redeem the shares received from the exchange during the same year as the Merger), but in the year in which the shares allocated in the Receiving Sub-fund are sold or redeemed. The capital gain on the sale of these shares will be determined by the difference between the price of sale or redemption of the Receiving Sub-fund shares received in exchange and the price of acquisition of units of the Merging Fund given in exchange.

The capital gains realised are subject to a progressive scale of income tax after taking into account possible allowances for a discounted period from the date of acquisition or subscription of the units of the Merging Fund given in exchange.

### **Unitholders of the Merging Fund which are legal entities tax resident in France**

As the Merger is carried out in accordance with the applicable regulations, companies which are tax resident in France subject to corporation tax or income tax in the category of industrial and commercial profits or agricultural profits, and unitholders of the Merging Fund will benefit from the automatic deferral regime of taxes on profit or loss resulting from the exchange of units of the Merging Fund with shares of the corresponding Share Classes of the Receiving Sub-fund (Art 38-5 bis of the General Tax Code). The profit resulting from the exchange of securities will be included in the taxable income of the financial year of the sale of the securities received in exchange, except if the sale of the securities received in exchange benefits from a new deferral of tax.

Companies benefiting from tax deferral must submit to the declaration rules laid down in Article 54 septies of the General Tax Code (deferral of capital gains). When the shareholders are companies subject to corporation tax, the benefit of a deferral regime is, in most cases, without practical significance due to the effect of tax rules on the evaluation spreads of UCITS securities. In fact evaluation spreads on UCITS securities recorded during the same financial year as that of the exchange are in principle accounted for within the taxable profits of the company according to Article 209-0 A of the General Tax Code.

Non-profit organisations subject to corporation tax on some asset income (Article 206-5 of the General Tax Code) are not subject to any tax on capital gains on the sale of securities. The operation of merging UCITS therefore has no fiscal impact for these organizations. In addition, these non-profit organizations are not subject to tax on the evaluation spreads of UCITS securities.

**Unitholders of the Merging Fund who are non-resident for tax in France**

Non-resident investors are advised that their particular situation should be determined with their tax advisor.