

# The move from CNAV to FNAV

## Reform update | Select Prime Money Market Funds

### What's happening

- UBS Asset Management's Select Prime Money Market Funds will move from CNAV pricing, that is constant/stable net asset value (NAV) pricing per share, and adopt floating NAV (FNAV) pricing to comply with changes to SEC money market fund regulations (Rule 2a-7).
- These funds will be subject to the possibility of liquidity fees and/or gates on redemptions (under certain circumstances) as required by the amended regulations.
- Beginning on October 11, 2016, the NAV for the funds will be calculated at 8:00 a.m., 12:00 noon and 3:00 p.m. ET each business day.

### The funds impacted

Select Prime Funds	Ticker	NAV	Retail Investor	Institutional Investor	Ratings (Moody's/Fitch) <sup>1,2</sup>	Gates/Fees <sup>3</sup>	Daily pricing	Minimum investment
UBS Select Prime Preferred Fund	SPPXX	FNAV*	X	X	Aaa-mf, AAAMmf	X*	8 a.m., 12 noon, 3 p.m.*	\$99M
UBS Select Prime Institutional Fund	SELXX	FNAV*	X	X	Aaa-mf, AAAMmf	X*	8 a.m., 12 noon, 3 p.m.*	\$1M
UBS Select Prime Investor Fund	SPIXX	FNAV*	X	X	Aaa-mf, AAAMmf	X*	8 a.m., 12 noon, 3 p.m.*	\$10K

\* Effective October 11, 2016.

### Questions?

#### Q: What is FNAV?

**A:** The fund's share price will fluctuate to reflect the daily market value of the underlying investments the fund owns and will be calculated to four decimal places (i.e. \$1.0000).

#### Q: What do the 8:00 a.m., 12:00 noon and 3:00 p.m. pricing or "strike" times mean?

**A:** Shares are purchased/sold at the price next determined after the Fund/its transfer agent receives an order (also known as "forward pricing"); these Funds are transitioning from normally striking a price eight times a day to three times a day in light of the new regulations.

<sup>1</sup> The Fund is rated Aaa-mf by Moody's, indicating its belief that the Fund has a very strong ability to meet the dual goals of providing liquidity and preserving capital. Further information regarding Moody's rating methodology may be found on its website at [www.moody's.com](http://www.moody's.com).

<sup>2</sup> The fund is rated AAAMmf by Fitch Ratings, which reflects Fitch's view of (1) the fund's overall credit quality and diversification; (2) low exposure to interest rate and spread risk; (3) holdings consistent with shareholder profiles and concentrations; and (4) maturity profiles consistent with rating criteria. Further information regarding Fitch's rating methodology may be found on its website at [www.fitchratings.com](http://www.fitchratings.com).

<sup>3</sup> Gates and fees refer to redemption gates and liquidity fees. Redemption gates permit temporary suspension of fund redemptions up to 10 days. Liquidity fees are redemption charges imposed and retained by a fund.

**Q: Is anything else changing with these funds?**

**A:** Yes. As noted in other communications, there are other changes such as becoming subject to the possibility of fees/gates if certain unlikely triggering events occur, but the most significant upcoming changes relate to the NAV calculation methodology and updated pricing schedule. By adopting FNAV pricing, the Select Prime Funds will no longer be able to use constant NAV (CNAV) pricing of \$1.00/share like traditional money market funds. The funds will continue to be managed with the same conservative investment goals of preservation of capital and liquidity. Due to changes already made as a result of the SEC regulations, the funds are also required to maintain high levels of liquidity in an effort to decrease risk and fund volatility for investors.<sup>4</sup>

**Q: Will the change from constant to floating greatly affect the NAV and how will it impact me?**

**A:** We are not expecting the change to greatly impact the Fund's NAV. The graph below illustrates the hypothetical impact of an investor buying \$1 million of shares of UBS Select Prime Preferred Fund at the fund's marked-to-market net asset value per share ("market value NAV") beginning on October 17, 2013.<sup>5</sup> As illustrated below, based on these assumptions, if such investor held the fund until June 30, 2016, the investor would have experienced cumulative daily net unrealized capital gains/losses of \$200.14 over the period. During this same period, an investor would have earned cumulative daily income earned/dividends of \$3,885.77.

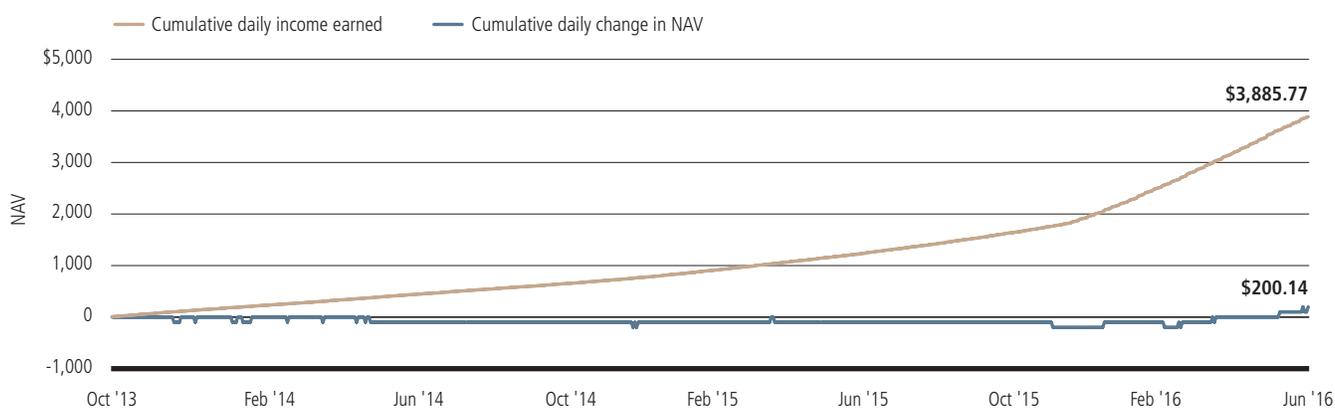
Please note that throughout the period indicated, the fund actually transacted in shares at a stable net asset value of \$1.00 per share. Therefore, investors did not experience any change in the Fund's net asset value (i.e. all transactions were at a stable \$1.00 price per share). However, effective October 11, 2016, the fund is to transition to a floating net asset value in accordance with new government regulations. Some investors may find this historical data of interest given the upcoming regulatory changes but should note that past performance does not indicate future results.

For the most current information, please visit our website at [www.ubs.com/usmoneymarketfunds](http://www.ubs.com/usmoneymarketfunds).

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**UBS Select Prime Preferred Fund daily month-to-month change and income earned**

Oct 2013–June 2016<sup>5</sup>



Source: UBS Asset Management.

<sup>4</sup> The amended SEC money market fund regulations require funds to maintain at least 10% daily portfolio liquid assets and 30% weekly portfolio liquid assets.

<sup>5</sup> UBS AM began reporting historical shadow NAV on October 17, 2013. Data is for the period ending June 30, 2016. Performance results reflect any fee waivers/expense reimbursement arrangements that were in effect during the period and do not reflect any dividend reinvestment.

Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. The money market funds' prospectuses contain this and other information about the Funds and should be read carefully before investing. Contact the UBS Asset Management National Sales Desk at 888-793 8637, or visit [www.ubs.com/usmoneymarketfunds](http://www.ubs.com/usmoneymarketfunds) for a current prospectus.

You could lose money by investing in a money market fund. Because the share price of a fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. A fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. A money market fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Performance data quoted represent past performance, and the Fund's yield will fluctuate. Past performance does not guarantee future results. Current performance may be lower or higher than the performance data quoted.

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