

UBS Global Allocation (USD)

Very actively managed asset allocation portfolio: high flexibility provides room for manoeuvre

UBS Asset Allocation Funds > UBS Global Allocation Funds



Fund description

- Global universe of seven equity and bond categories with a US bias and flexible weightings: US, global ex US and emerging market equities, and US, global ex US, emerging market and high yield bonds
- The bond and equity portions can vary in a range of 0-90% (neutral 35%) and 10-100% (neutral 65%) respectively
- Very active fund management
- Foreign currencies are actively managed
- Draws upon UBS's proven asset allocation expertise gained from its enduringly successful Global Securities Portfolio concept

Fund features

Name of fund	UBS (Lux) Key Selection Sicav – Global Allocation (USD) B
Fund type	open-end
Launch date	24.9.2004
Currency of account	USD
Accounting year ends	30 September
Issue/redemption	daily
All-in fee	2.04% p.a.
Issuing commission	2.00%
Redemption commission	none
Benchmark	UBS Cust. Benchmark (GSMI) ¹
EU savings tax: currently not affected, change possible due to fund composition	
Securities no.	1 910 935
ISIN	LU0197216392
Bloomberg	UBSKGAD LX

¹ Up to 30.4.2006, part of MSCI benchmark with gross dividends reinvested, from 1.5.2006 with net dividends reinvested.

Current data

Net asset value 31.5.2007	USD	13.57
– high last 12 months	USD	13.57
– low last 12 months	USD	11.42
Fund's assets in m	USD	6 423.51
Distribution	none, reinvestment	

Key benefits

- Can flexibly adjust the different weightings within the portfolio to take account of current market expectations
- Wide weighting ranges give portfolio managers considerable scope to exploit attractive opportunities
- Global diversification and high flexibility allow for an efficient portfolio with an optimised risk/return profile

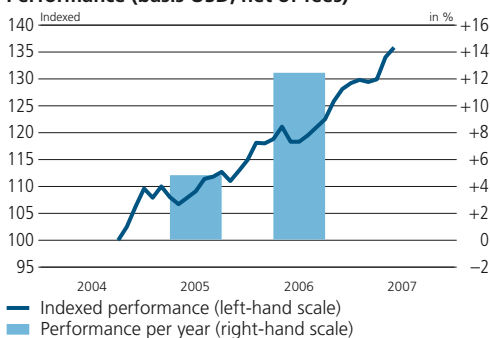
Risks

The fund's value may fluctuate significantly due to its equity exposure, which may be very high, and is also impacted by changes in interest rates given the fixed income holdings. This requires the corresponding risk tolerance and capacity.

Performance comments (May 2007)

- The fund achieved positive performance (+1.34%).
- Our overweight in equities added value, as equities outperformed bonds.
- Market allocation was negative.
- Currency allocation was negative, given our underweight in the JPY.
- Security selection was positive, although sector selection was negative, given our underweight in energy (which outperformed).
- Our overweight holdings in Sprint Nextel Corp added value while our underweight position in Apple Inc had a negative impact on relative performance.

Performance (basis USD, net of fees)



Past performance is no guarantee of future trends. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units.

Performance (net of fees)

in %	2003	2004	2005	2006	2007 YTD	May 2007	2 years	Ø p.a. 2 years
Fund (USD)	–	–	4.84	12.46	5.11	1.34	25.88	12.20
Benchmark ¹	–	–	6.58	14.86	6.92	1.73	31.68	14.75

¹ Benchmark in currency of account (without costs)

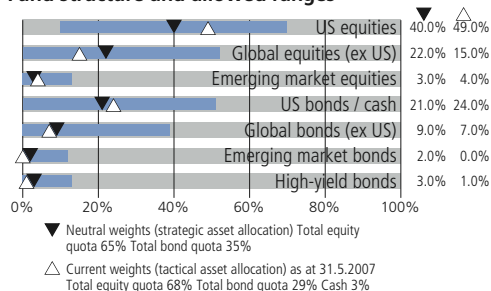
UBS Global Allocation (USD)

Portfolio statistics

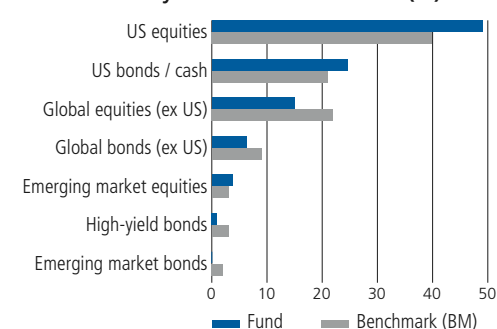
	2 years	3 years	5 years
Volatility* - fund	4.39%	-	-

*Annualised standard deviation

Fund structure and allowed ranges



Fund structure by investment instruments (%)



Fund structure by the 10 largest direct equity positions (%)

Citigroup Inc	1.63
Morgan Stanley	1.42
Wells Fargo & Co	1.24
Exelon Corp	1.19
Microsoft Corp	1.19
General Electric Co	0.95
Johnson Controls Inc	0.94
Wyeth	0.91
Sprint Nextel Corp	0.89
Allergan Inc	0.88

Portfolio manager review (May 2007)

- The positive momentum in equity markets continued well into May, leading to a significant outperformance of equities over bonds. Emerging market equities were the best-performing, returning almost 5% in USD. The Fed continued to keep its key interest rate at 5.25%. In contrast to the previous month, when a hike was priced in, the futures' market foresees no more rate cuts this year.
- Given the healthy expansion of the European economy, interest rate expectations have now been adjusted upwards, and the futures' market is predicting another hike of 0.25% by the end of this year.
- The US bond market (-0.8%) performed negatively as did global bonds (ex-US) (-2.3%). Only US high yield bonds performed positively with +0.7%. The rise of the USD against foreign currencies had a mildly negative impact on performance.

Portfolio manager outlook (May 2007)

- Global economic performance is slowing but steady, with growth at trend levels on an aggregate basis and inflation low to moderate. The US economy has slowed, particularly the housing sector. The Fed is perceived as being close to a "neutral" level of interest rates. The Eurozone is expected to grow at a solid pace during 2007 and 2008, while experiencing tepid inflation.
- The belief in abundant liquidity and a new era of lower capital market volatility has helped feed a seemingly unfettered appetite for risk. We stand by our fundamental view that bond markets around the world are generally overvalued and that credit spreads may expand. We continue to see some opportunities in equity markets in the US, UK and elsewhere, and stand by our disciplined valuation approach and time-tested processes. We are overweight in equities, underweight in fixed income and overweight in cash.

UBS – your preferred partner for funds

- Long-term performance opportunities
- A leading fund house in Europe
- One of the world's top brands
- A leading product innovator in Europe
- Global resources, local delivery

How to contact UBS

- By phone: 0800 899 899
- Postal address: UBS AG, P. O. Box, 4002 Basel
- Visit us on the Internet: www.ubs.com/funds
- Contact your client advisor