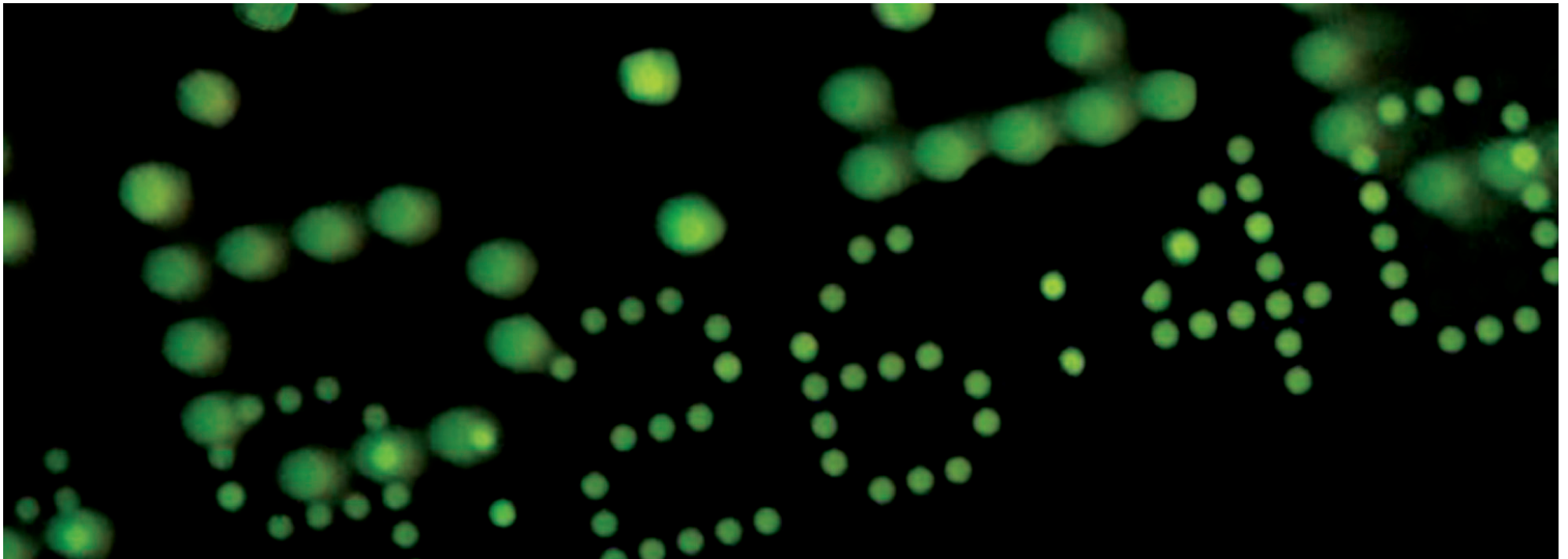


# UBS Investment Funds ICVC

## *Annual Report and Accounts*



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# Introduction and Authorised Corporate Directors' Report

We are pleased to present the report and accounts for the UBS Investment Funds ICVC covering the year ended 31 December 2013.

## Performance review

In the UK, the second half of the period saw three consecutive months of GDP growth, with the Office for National Statistics confirming a 0.8% jump for the third quarter. As the economic recovery gathered momentum, unemployment fell 0.5% between September and November, to be close to the Bank of England's new 7% threshold for raising interest rates. However, Mark Carney, the new governor of the Bank of England, indicated that there would be no immediate need to raise interest rates, even if the threshold rate was met. Meanwhile, growth prospects in the Eurozone remain behind those of the UK, although many commentators would agree that the situation was less critical by the end of 2013 than at the start.

Meanwhile, in the United States, much of the period under review was dominated by the Federal Reserve's ("the Fed") "will they, won't they" approach to the proposal to reduce the ongoing purchase of bonds programme. This question was finally answered in December, when the Fed announced it would trim asset purchases by \$10bn a month. The markets took the decision far more rationally than they did earlier in the year; both at the time when first indications of tapering emerged and following the surprise delay in September.

For the two main Emerging Markets' economies, sentiment improved towards India in the fourth quarter of 2013, following victory for the key opposition party in a number of state elections. This raised hopes in the market for a similar outcome at the forthcoming general election and with that, the prospect of positive policy changes. Meanwhile, in China, the release of detailed reform proposals, in addition to evidence of more robust Chinese industrial activity, further buoyed investor confidence towards the country. However, it remains clear to most analysts that countries with current account deficits and external funding needs, such as Indonesia and India, still need to pursue fundamental reforms.

## Outlook

Our view remains that equities are reasonably valued relative to other asset classes, albeit not as compelling as about a year ago given equity market rises and increasing bond yields. We believe the outlook for future company earnings continues to improve, especially in Europe and Japan. As such, in our view, there is substantial value embedded across global equities, which will continue to be realised as valuation spreads narrow on improved confidence.

## Fund range changes

The UBS Sterling Corporate Bond Indexed Fund launched on 22 March 2013.

In addition, the following Funds commenced termination: UBS Inflation Linked Bond UK Plus Fund on 7 January 2013, UBS Long Dated Corporate Bond UK Plus Fund and UBS Long Dated Fixed Interest UK Plus Fund on 21 March 2013 and UBS UK Smaller Companies Fund on 29 August 2013.

We hope you will find the report and accounts useful. If you have any queries or comments please contact your financial adviser or alternatively contact us directly. Our Customer Service Desk will be happy to assist you on 0800 587 2113, or you can find additional information on our website at [www.ubs.com/retailfunds](http://www.ubs.com/retailfunds).



Paul Schmidt  
Director



D Carter  
Director

UBS Global Asset Management Funds Ltd  
25 April 2014

# Statement of the Depositary's responsibilities in respect of the Scheme and Report of the Depositary to the shareholders of the UBS Investment Funds ICVC (“the Company”) for the year ended 31 December 2013

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended (the “OEIC Regulations”), the Company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the Company; the application of revenue of the Company; and the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the Company; and
- has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank plc  
Younger Building  
3 Redheughs Avenue  
Edinburgh  
EH12 9RH

25 April 2014

# Statement of Authorised Corporate Directors' responsibilities

The Authorised Corporate Director (ACD) is required by the "COLL Sourcebook" and the "OEIC Regulations" to prepare financial statements which give a true and fair view of the financial position of the Company at the end of each accounting period, the net revenue/expense, the net gains or losses of the property of the Company and the movement in shareholders' funds for the period then ended. In preparing these financial statements, the ACD is required to:

- select suitable accounting policies and apply them on a consistent basis;
- make judgements and estimates that are prudent and reasonable;
- comply with the Prospectus and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements; and
- prepare the financial statements on the basis that the Company will continue in operation unless it is inappropriate to presume this.

The ACD is also required to manage the Company in accordance with the Prospectus and the Regulations, maintain proper accounting records and take reasonable steps for the prevention and detection of fraud and other irregularities or errors.

# Independent auditor's report to the members of the UBS Investment Funds ICVC ("the Company")

We have audited the financial statements of UBS Investment Funds ICVC ("the Company") for the year ended 31 December 2013 which comprise Aggregated Statement of Total Return, Aggregated Statement of Change in Net Assets attributable to shareholders, Aggregated Balance Sheet and the related notes 1 to 12 together with the Statement of Total Return, Statement of Change in Net Assets attributable to shareholders, Balance Sheet, and the related notes and distribution tables for each sub-fund. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the authorised corporate director (ACD) and auditors**

As explained more fully in the ACD's responsibilities statement set out on page 4, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and of its sub-funds as at 31 December 2013 and of the net revenue and the net gains on the scheme property of the Company and its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

**Opinion on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority**

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit

Ernst & Young LLP  
Statutory Auditor  
Edinburgh  
25 April 2014

**Aggregated financial statements for  
UBS Investment Funds ICVC**



### Aggregated statement of total return For the year ended 31 December 2013

			31 Dec 13	31 Dec 12
	Notes	£	£	£
Income				
Net capital (losses)/gains	2		(25,081,212)	73,777,797
Revenue	3	32,948,750		51,550,618
Expenses	4	(7,492,311)		(12,091,488)
Finance costs: Interest	6	(833)		(3,396)
Net revenue before taxation		25,455,606		39,455,734
Taxation	5	(1,387,926)		(2,363,766)
Net revenue after taxation			24,067,680	37,091,968
Total return before distributions			(1,013,532)	110,869,765
Finance costs: Distributions	6		(24,804,313)	(33,436,447)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£(25,817,845)</b>	<b>£77,433,318</b>

### Aggregated statement of change in net assets attributable to shareholders For the year ended 31 December 2013

		31 Dec 13	31 Dec 12
	£	£	£
Opening net assets attributable to shareholders		1,045,349,254	1,519,064,487
Amounts transferred from other funds		67,121,646	
Amounts receivable on issue of shares	381,599,049		300,633,333
Amounts payable on cancellation of shares	(383,620,802)		(540,196,815)
		(2,021,753)	(239,563,482)
Amounts due from fund		(74)	-
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(25,817,845)	77,433,318
Retained distribution on accumulation shares		23,077,979	33,241,371
Stamp duty reserve tax		(13,493)	(17,482)
<b>Closing net assets attributable to shareholders</b>		<b>£1,107,695,714</b>	<b>£1,390,158,212</b>

As the comparatives figures include UBS Alpha Choice, UBS Broad Bond Market UK Plus, UBS Inflation Linked Bond UK Plus, UBS Long Dated Corporate Bond UK Plus, UBS Long Dated Fixed Interest UK Plus and UBS UK Smaller Companies Funds which have all terminated during the year, the net assets at 31 December 2012 will not agree to the net assets at the start of the current year.

# Aggregated balance sheet

As at 31 December 2013

	Notes	As at 31 Dec 13 £	As at 31 Dec 12 £
ASSETS			
Investment assets		1,083,679,665	1,368,909,394
Debtors	7	6,881,928	10,341,299
Cash and bank balances	8	21,609,573	19,672,826
Total other assets		28,491,501	30,014,125
Total assets		1,112,171,166	1,398,923,519
LIABILITIES			
Investment liabilities		2,615,508	4,636,318
Creditors	9	1,424,876	4,039,685
Bank overdraft		-	6,923
Distribution payable		435,068	82,381
Total other liabilities		1,859,944	4,128,989
Total liabilities		4,475,452	8,765,307
<b>Net assets attributable to shareholders</b>		<b>£1,107,695,714</b>	<b>£1,390,158,212</b>

## Notes to the financial statements

### 1. Accounting policies

#### (a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Management Association (IMA) in October 2010, with the exception of UBS Global Optimal Thirds Fund and the UBS Fixed Interest UK Plus Fund which were prepared on a break up basis. In applying the break up basis assets and liabilities continue to be stated at their fair values which materially equate to their residual values. All costs to the point of final termination have been provided for.

There has been no change to the basis of accounting from the previous year.

#### (b) Recognition of revenue

Dividends on equities and underlying funds are recognised when the security is quoted ex-dividend. Deposit interest and interest on interest rate swaps is accounted for on an accruals basis. Interest on debt securities is recognised on an effective interest rate basis.

#### (c) Derivative accounting policy

In determining the accounting treatment for derivatives, consideration is given to the nature of the instrument itself and each Fund's objectives. Finance charges on interest rate Swaps; dividends and finance charges on equity Swaps; relevant revenue from property Swaps and, depending on the underlying, total return Swaps; and, interest on credit default Swaps, are all taken to revenue. Revenue is also recognized on bond futures. All other gains/losses from derivatives are taken to capital.

#### (d) Treatment of expenses

All expenses are charged in full against revenue, with the exception of transaction charges and Stamp Duty Reserve Tax which are charged directly to capital. In the case of UBS Corporate Bond UK Plus Fund, UBS Fixed Interest UK Plus Fund, UBS Sterling Corporate Bond Indexed Fund and UBS UK Equity Income Fund the ACD's annual fee and other expenses are charged against capital for the purposes of calculating the amount available for distribution.

The ACD may from time to time apply a ceiling to the fees charged within each Fund, in particular where the ratio of expenses to the value of the Fund are considered to be too high. A fee rebate, paid by the ACD back to the Fund, will be employed to reduce the net effect of fees in these cases.

#### (e) Stock dividends

Stock dividends are recognised as revenue and valued at the rate of the declared cash dividend and are included in the amount available for distribution. In the case of enhanced stock dividend, the value of the enhancement is taken to capital.

#### (f) Special dividends

In accordance with the SORP, special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distribution.

#### (g) Underwriting commission

Underwriting commission is accounted for when the issue underwritten takes place. Where the Fund is required to take up all of the shares underwritten, the commission received is treated as a deduction from the cost of the shares taken up. Where the Fund is required to take up a proportion of the shares underwritten, the same proportion of the commission received is treated as a deduction from the cost of the shares taken up and the balance is taken to revenue.

**(h) Allocation of revenue and expenses to multiple share classes**

With the exception of the annual management charge and registration fees, which are directly attributable to individual share classes, all revenue and expenses are allocated to share classes pro rata to the value of the net assets of the relevant share classes on a daily basis.

**(i) Distribution policy**

Revenue produced by each Fund's investment decisions accumulates during each accounting year. If revenue exceeds expenses and taxation, taken together at the end of the accounting year, a distribution is available to be made to shareholders in accordance with the Regulations. Any revenue deficit will be borne by the capital account.

**(j) Basis of valuation of investments**

Listed investments, OEICs, Unit Trusts and offshore funds are valued at closing bid or single quoted price. Suspended securities have been valued at the lower of the suspended price or at a price which, in the opinion of the ACD, represents the likely realisable value of the security. Unlisted and transferable securities which are not approved have been valued at a price which, in the opinion of the ACD, represents the likely realisable value of the security.

Exchange traded derivatives are valued at closing bid or single quoted price.

The manager uses available information to arrive at an estimated fair value for non-exchange traded derivatives held. The investment value of these contracts are determined through independent valuation techniques including price valuation models.

**(k) Foreign exchange rates**

Transactions in foreign currencies have been translated into sterling at the exchange rate ruling on the day of the transaction. Assets and liabilities have been translated into sterling at the closing exchange rates at 31 December 2013.

**(l) Taxation**

The rate of corporation tax for the Funds is 20%. UBS Corporate Bond UK Plus Fund, UBS Fixed Interest UK Plus Fund and UBS Sterling Corporate Bond Indexed Fund pay interest distributions which are utilised against taxable income arising. The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing difference will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

**(m) Stamp duty reserve tax**

Shares surrendered for cash are liable to 0.5% Stamp Duty Reserve Tax (SDRT). The liability is paid out of the property of the Fund, except on the surrender of shares which are 'large deals' where an SDRT provision of 0.5% can be levied directly on the redeeming shareholder at the Manager's discretion. A large deal is defined as a redemption which is in excess of 3% of the Fund value.

**(n) Dilution levy/adjustment**

The need to apply a dilution adjustment will depend on the volume of net purchases or redemptions of the Shares. The ACD may charge a dilution adjustment on the purchase and redemption of such shares if, in its opinion, the existing/continuing Shareholders might otherwise materially be adversely affected and if applying a dilution adjustment, so far as practicable, is fair to all existing and potential shareholders. In determining the rate of any dilution adjustment, the ACD may, in order to reduce volatility, take account of the trend of a Fund to expand or contract and the transaction in shares at a particular valuation point. Unless it is disadvantageous to shareholders, the dilution adjustment will normally be applied on a Fund experiencing large levels of net purchases or redemptions relative to its size. For these purposes, a large level of net dealing is defined as net purchases or redemptions of 1% or more of the value of UBS Global Emerging Markets Fund and 3% or more of the value in the case of other Funds; or in any other case where the ACD is of the opinion that the interests of existing/continuing Shareholders or potential Shareholders require the imposition of a dilution adjustment.

## 2. Net capital (losses)/gains

	31 Dec 13 £	31 Dec 12 £
Compensation	32,904	-
Currency losses	(1,523,935)	(486,656)
Derivative contracts	(786,787)	(12,980)
Forward currency contracts	(2,256,391)	4,272,838
Non-derivative securities	(20,446,389)	70,093,068
Transaction charges	(100,614)	(88,473)
Net capital (losses)/gains	£(25,081,212)	£73,777,797

## 3. Revenue

	31 Dec 13 £	31 Dec 12 £
Bank interest	22,837	20,980
Interest on debt securities	11,884,111	28,264,200
Interest on derivative contracts	(271,304)	(49,487)
Interest on margin deposits	617	-
Option Income	-	56,257
Overseas dividends	20,366,995	21,784,563
Property revenue distributions	-	1,421
Stock dividends	91,527	117,377
UK franked dividends	853,967	1,355,307
	£32,948,750	£51,550,618

## 4. Expenses

	31 Dec 13 £	31 Dec 12 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Administration fees	326,679	-
Authorised Corporate Director's fees	6,086,823	11,212,806
Expense fee rebate	(105,886)	-
Registration fees	298,706	136,951
	6,606,322	11,349,757
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	112,413	146,191
	112,413	146,191
<i>Payable to other related parties and third parties:</i>		
Audit fees	68,750	112,861
Dividend collection fees	181,933	116,510
Professional fees	85,078	5,277
Price publication fees	15,309	-
Safe custody fees	408,752	347,649
Taxation fees	7,759	13,243
Tracker fees	5,995	-
	773,576	595,540
	£7,492,311	£12,091,488

The audit fee for the year, excluding VAT, was £55,800 (31 December 2012: £87,100).

## 5. Taxation

### (a) Analysis of tax charge

	31 Dec 13 £	31 Dec 12 £
Overseas tax provision movement	-	(42)
Overseas tax suffered	1,388,538	2,364,508
Prior year adjustment	(612)	(700)
Total current tax (5.b)	1,387,926	2,363,766
<b>Total tax charge</b>	<b>£1,387,926</b>	<b>£2,363,766</b>

### (b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 12: 20%).

The differences are explained below:

	31 Dec 13 £	31 Dec 12 £
Net revenue before taxation	25,455,606	39,455,734
Corporation tax at 20%	5,091,122	7,891,147
<i>Effects of:</i>		
Dividends not subject to corporation tax	(4,157,944)	(4,166,172)
Expenses not deductible	(3,309)	-
Interest distributions	(1,977,124)	(4,137,433)
Movement in excess expenses	1,047,265	1,935,774
Movement in overseas tax provision	-	(42)
Overseas tax suffered	1,388,538	2,364,508
Overseas tax expensed	(20,883)	(15)
Prior year adjustment	(612)	(700)
Relief for indexation on UK Index Linked Gilts	-	(1,505,482)
Revenue taxable in different years	20,873	(17,819)
	(3,703,196)	(5,527,381)
<b>Total tax charge (5.a)</b>	<b>£1,387,926</b>	<b>£2,363,766</b>

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 13 £	31 Dec 12 £
Interim - first quarter	1,432,408	5,830,298
Interim - second quarter	12,501,536	13,168,517
Interim - third quarter	2,242,156	4,901,265
Final	8,606,223	10,032,932
	24,782,323	33,933,012
Add: Amounts deducted on cancellation of shares	1,011,549	1,626,881
Add: Movement on revenue due to fund closure	-	(2,008)
Deduct: Amounts added on issue of shares	(989,559)	(2,121,438)
Net distributions	24,804,313	33,436,447
Interest	833	3,396
<b>Total finance costs</b>	<b>£24,805,146</b>	<b>£33,439,843</b>
Net revenue after taxation	24,067,680	37,091,968
Add: Equalisation on conversions	3,381	-
Add: Expenses charged to capital	573,576	3,852,705
Add: Revenue brought forward	23,390	33,491
Add: Shortfall transfer to capital	154,810	23,120
Deduct: Change in the RPI taken to capital	-	(7,527,409)
Deduct: Revenue carried forward	(18,513)	(26,115)
Deduct: Tax relief on capital expenses	(11)	(11,313)
<b>Net distributions as above</b>	<b>£24,804,313</b>	<b>£33,436,447</b>

## 7. Debtors

	As at 31 Dec 13 £	As at 31 Dec 12 £
Accrued revenue	1,803,162	1,270,417
Amounts receivable on issue of shares	1,181,403	126,586
Interest receivable on debt securities	3,822,193	5,075,398
Overseas tax recoverable	68,538	90,927
Prepaid expenses	136	-
Sales awaiting settlement	6,496	3,777,971
	£6,881,928	£10,341,299

## 8. Cash & bank balances

	As at 31 Dec 13 £	As at 31 Dec 12 £
Amounts held at futures clearing houses and brokers	728,472	2,402,593
Cash and bank balances	20,881,101	17,270,233
	£21,609,573	£19,672,826



## 9. Creditors

	As at 31 Dec 13 £	As at 31 Dec 12 £
Amounts payable on cancellation of shares	515,328	1,480,053
Expense accruals	889,071	1,082,301
Income tax payable	17,300	9,582
Interest payable on swaps	3,177	19,139
Purchases awaiting settlement	-	1,448,610
	£1,424,876	£4,039,685

## 10. Contingent liabilities

At 31 December 2013 there were no contingent liabilities or commitments at the current or prior year ends.

## 11. Related party transactions

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note 4.

At 31 December 2013 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £483,497 and £40,913 respectively (31 Dec 12: £764,451 and £11,213).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

UBS Global Asset Management Life Ltd is a significant investor in the Funds. Transactions with these Funds were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Asset Management Life Ltd on these transactions. The entity holds Class J Accumulation shares and held Class K Accumulation Gross shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £(3,972,622) (31 Dec 12: £(27,903,917)). As at 31 December 2013, the entity held 860,255 shares in the Funds with a market value of £2,525,450 (31 Dec 12: 33,494,863, £24,278,620).

UBS Global Allocation Fund (UK) is also a significant investor in some of the Funds. Transactions with these Funds were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Allocation Fund (UK) on these transactions. The entity holds Class K Accumulation Gross shares and Class K Accumulation shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £(35,400,000) (31 Dec 12: £19,399,130). As at 31 December 2013, the entity held 68,097,076 shares in the Funds with a market value of £71,039,140 (31 Dec 12: 120,522,527 shares, £110,286,525).

UBS Targeted Return Fund is also a significant investor in some of the Funds. Transactions with these Funds were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Targeted Return Fund on these transactions. The entity holds Class K Accumulation shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £(575,000) (31 Dec 12: £nil). As at 31 December 2013, the entity held 13,078 shares in the Funds with a market value of £1,434,492 (31 Dec 12: 17,414 shares, £2,150,755).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Allocation Fund (UK) and UBS Targeted Return Fund are part of the UBS Investment Funds ICVC III open-ended investment company for which UBS Global Asset Management Fund Ltd is the ACD. UBS Global Asset Management Funds Ltd, UBS Global Asset Management (UK) Ltd and UBS Global Asset Management Life Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.

## 12. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are summarised below.

Numerical disclosures can be found within the accounts of each sub-fund.

## **Risk Profile**

### **Market price risk**

The main risk arising from each Funds' financial instruments is market price. Market price risk can be defined as the uncertainty about future price movements of the financial instruments the Funds are invested in. Market price risk arises mainly from economic factors and is not limited to interest rate and currency movements. This exposure to market price risk may result in substantial fluctuations in the share price from time to time, although there will be a close correlation in the movement of the share price to the markets the Funds are invested in. Investments in emerging markets may be more volatile than investments in more developed markets, as some of these markets have relatively unstable economies based on only a few industries and securities markets that trade only a limited number of securities. The Funds seek to minimise these risks by holding diversified portfolios of investments in line with the Funds' investment objectives. Adherence to the investment guidelines and to the investment and borrowing powers set out in the Prospectus, the COLL Sourcebook and the OEIC Regulations 2001 mitigates the risk of exposure to any particular type of security or issuer.

### **Currency risk**

Foreign currency risk is the risk that the value of the Funds' investments will fluctuate as a result of changes in foreign exchange rates. For the Funds which invest in overseas securities the balance sheet can be affected by movements in foreign exchange rates. The Funds may not seek to avoid this foreign exchange movement risk on investments and revenue accrued but not yet received.

However, those Funds that do seek to avoid this risk may use currency forwards for the purposes of efficient portfolio management.

In respect of the purchase and sale of investments, the Manager normally reduces the risk by executing a foreign exchange transaction on the same day as the purchase or sale is undertaken.

### **Counterparty risk**

The Funds' transactions in securities expose it to the risk that the counterparty will not deliver the investment for a purchase or the cash for a sale. To minimise this risk the Funds only deal with brokers pre-approved by UBS Credit Risk Control function.

Counterparty risk is also a feature of transactions in derivatives, so all derivative counterparties are also pre-approved. Exchange traded futures are subject to daily variation margin payments which reduces the credit risk to one day's movement in index value. Forwards and swaps are transacted with a limited number of counterparties to reflect the increased credit risk involved in over-the-counter derivatives.

### **Credit risk**

Bonds are subject to both actual and perceived measures of creditworthiness. Bonds, and especially high yield bonds, could be affected by adverse publicity and investor perception, which may not be based on fundamental analysis, and would have a negative effect on the value and liquidity of the bond.

With investment in high yield bonds there is an increased risk to capital through default where bond issuers either fail to pay the interest or capital repayment due at maturity. Economic conditions and changes to interest rate levels may significantly affect the values of high yield bonds.

In the same way as equities, the Funds seek to minimise this risk by holding diversified portfolios of investments in line with the Funds' investment objectives. Adherence to the investment guidelines and to the investment and borrowing powers set out in the Prospectus, the COLL Sourcebook and the OEIC Regulations 2001 mitigates the risk of exposure to any particular type of security or issuer.

### Liquidity risk

The assets of the Company are generally liquid and considered to be readily realisable. Funds investing in smaller companies invest in transferable securities that may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Prices on illiquid securities are regularly reviewed by the Manager.

The Funds' main commitments are expenses and any cancellation of shares that investors may make. Assets from a Fund may need to be sold if insufficient cash is available to meet such liabilities.

### Interest rate risk

Interest rate risk is the risk that the value of Funds' investments will fluctuate as a result of changes in interest rates. Some of the Funds may invest in fixed interest or floating rate investments. If interest rates rise, the income potential of the Funds also rise, but the value of fixed rate investments will decline. A decline in interest rates will in general have the opposite effect. Interest receivable on bank deposits and payable on bank overdrafts will also be affected by fluctuations in interest rates.

The numerical disclosures for currency and interest rate risk of financial instruments are shown in each of the relevant Fund's notes to the accounts.

### Derivatives

The Manager may use certain types of derivatives for the purposes of efficient portfolio management. Some Funds, however, can use derivatives for investment purposes. Further information on the types of derivatives and strategies can be found in the investment objective for each Fund and in the derivatives section of the Financial Instruments note within the long form annual accounts.

The Manager may invest in financial futures and currency forwards for the purposes of efficient portfolio management. Futures will be traded on a recognised derivative market and currency forwards are traded over the counter (OTC). Daily exposure to futures and options will be monitored to ensure global coverage and ensure the Funds' exposure is within the limits set out by UBS, the scheme documents and the COLL Sourcebook. Daily exposure to options is also measured pre-trade.

With regard to those Funds that use derivatives as part of their investment capabilities, such instruments are inherently volatile and the Funds could potentially be exposed to additional risk and costs should the market move against them. In aiming to reduce volatility of the Funds we utilise a risk management process to monitor the level of risk in managing the portfolio, however, there is no guarantee that this process will work in all instances.

Specific additional risk considerations not already covered, at instrument level:

*Credit default swap (CDS).* Where used, the Fund may undertake both long and short transactions. Each position is assessed in terms of the credit spread risk it adds to the portfolio. The buyer of a credit default swap receives credit protection, whereas the seller of the swap guarantees to reimburse the buyer for any default by the underlying reference. By doing this, risk of default is transferred to the seller of the swap. For example, the buyer of a credit swap will be entitled to the par value of the bond by the seller of the swap, should the bond default on its coupon payments. CDS are typically referenced against single name issuers or against an approved index.

*Inflation swap/Interest rate swap.* Where used, the Fund may undertake both long (pay fixed) and short (receive fixed) transactions. In theoretical terms (large negative/positive inflation or large negative/positive interest rates) one of these values has no upper or lower limit and the loss on the position could be very large. However, in the context of the Funds, in the event of an extreme situation arising the holdings in the portfolio should compensate for the large position in the derivative under the global cover requirements.

*Total return swap.* Where used, the Fund may undertake both long and short transactions referencing the total return of individual securities, basket of securities, indices or other reference obligations. In theoretical terms (large negative or large positive movements) one of these values has no upper or lower limit and the loss on the position could be very large. However, in the context of the Funds, in the event of an extreme situation arising the holdings in the portfolio should compensate for the large position in the derivative under the global cover requirements.



## UBS Corporate Bond UK Plus Fund

## Manager's report

### Investment objective and policy

To seek to generate a return greater than the return provided by UK investment grade corporate bonds, derived from investment in UK and global securities. The Fund invests in government bonds, non-government bonds (including bonds issued by local authorities, supra-nationals, agencies and corporate entities); fixed rate, variable rate, inflation-linked, index-linked and non-sterling bonds (including emerging market debt); secured and unsecured debt securities (including floating rate notes); and investment grade and high yield bonds; and may express views on exchange rates. Additionally, the Fund may invest in other transferable securities (including warrants), money market instruments, deposits, cash and near cash and units in collective investments schemes. At its discretion the Manager may use derivatives including forward foreign exchange, forward and futures contracts, swaps, options, repurchase agreements and structured credit, for investment purposes and to manage interest rate, inflation, credit and currency exposures.

### Market environment

The year 2013 began with a focus on Europe, with Italian political instability and an unconventional bailout of Cyprus, and then shifted to Japan when the Bank of Japan launched the 'super' QE programme as Abenomics got started. Focus then rotated to the US, where the Federal Reserve's ("the Fed") communication strategy was called into question as fears of an imminent 'Taper' saw a sharp rise in volatility which resulted in a simultaneous drop in asset prices of both 'safe-haven' government bonds and risk assets.

The second half of the year was a good period for GBP corporate bonds from an excess returning perspective, as the iBoxx Sterling-Non Gilt index returned 2.13%. Learning from the experience of the first half, central bankers wrestled back some control over markets with the introduction of so-called forward guidance which succeeded in bringing investor focus back towards the evolving picture for key economic variables; employment, growth and inflation. Against this background market volatility fell, and when it finally came to the US Fed announcing it was reducing the size of its asset purchases – i.e. tapering - the market took it in its stride. In the UK a run of positive economic surprises and a rapid turnaround in labour market data led the Bank of England's Monetary Policy Commission (MPC) to bring forward its timing for the unemployment rate to cross its designated 7% threshold by almost a full year, to the first quarter of 2015.

The additional yield on the iBoxx Sterling Non-Gilt index relative to UK gilts fell from 1.56% to 1.19%. Within the corporate bond index, financial bonds outperformed non-financial bonds. Financial bond spreads tightened from 2.41% to 1.70% and non-financial bond spreads tightened from 1.59% to 1.24%.

### Fund performance

The Fund achieved a performance of -2.7%\* for the year. The key driver of underperformance during the year was active currency management. In credit management our overweight to Financials provided a boost to performance during the second half of the year, as did an overweight allocation to GBP industrials and utility companies.

We maintained an overweight to financials during the quarter, albeit reduced in light of the recent tightening of spreads, and remain underweight higher quality but lower yielding supranationals. We added to our allocation to the high yield sector, in both the US and Asia, and reduced the exposure to lower rated investment grade names. We continue to believe that robust credit fundamentals, continued policy accommodation and high risk premiums will continue to support higher yielding sectors, albeit in an environment where spreads have recently ground tighter which has reduced the relative compensation for risk. We remain underweight higher quality but lower yielding supranationals.

\* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2013, based on A income net shares

## Outlook

The Fed's enhanced forward guidance will help to anchor front end US rates in the short term but ultimately the path of US interest rates will be driven by the path of economic growth and inflation. 2014 US growth forecasts are being revised upwards and we anticipate above trend economic growth driven by reduced fiscal drag, higher residential investment and consumer spending. In contrast inflationary pressures remain muted. Across a wide number of developed markets near term forward looking inflation is below target central bank targets. With growth momentum in the US picking up and the Eurozone stable, there is potential for inflation linked bonds to outperform comparable nominal bonds should realized inflation return to more normal levels.

We continue to have a preference for European interest rate duration taken through exposure to semi-core and peripheral country bond markets. The ECB remains committed to maintaining a high degree of monetary accommodation and in fulfilling its mandate of ensuring price stability. Against this background and the recent improvement in data we see potential for further outperformance of peripheral European bond markets versus the core.

We continue to expect that an environment of improving global growth and accommodative monetary policy in developed markets will be supportive of carry based strategies and we favour some continued exposure to agencies, supranationals and investment grade corporate credit at the expense of the lower yielding developed market sovereign bonds.

## Percentage growth

	<b>31/12/12 to 31/12/13 %</b>	<b>31/12/11 to 31/12/12 %</b>	<b>31/12/10 to 31/12/11 %</b>	<b>31/12/09 to 31/12/10 %</b>	<b>31/12/08 to 31/12/09 %</b>
Class A - Accumulation Gross Shares	-1.84	15.11	2.95	11.20	24.67
Class A - Accumulation Net Shares	-2.65	14.00	1.81	9.99	23.21
Class A - Income Gross Shares	-1.83	15.14	2.75	4.98	-
Class A - Income Net Shares	-2.66	13.93	1.74	9.83	22.31
Class B - Accumulation Gross Shares	-1.35	15.74	3.53	11.84	25.36
Class B - Accumulation Net Shares	-2.23	14.62	2.36	10.55	23.83
Class B - Income Gross Shares	-1.33	15.74	3.43	11.52	24.16
Class B - Income Net Shares	-2.10	14.64	2.27	10.37	22.88
Class C - Accumulation Gross Shares	-1.21	5.42	-	-	-
Class C - Accumulation Net Shares	-2.04	5.06	-	-	-
Class C - Income Gross Shares	-1.20	5.42	-	-	-
Class C - Income Net Shares	-2.08	5.07	-	-	-
Class J - Accumulation Gross Shares	-1.29	15.71	3.51	11.69	25.32
Class K - Accumulation Gross Shares	-0.65	16.47	4.17	12.59	26.14
Class K - Income Gross Shares	-	-	-	7.01	24.94

Source: Lipper-Hindsight: Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms.

Launch date: Class K Accumulation Gross Shares: 6 March 2007; Class A Accumulation Gross and Class B Accumulation Gross Shares: 29 June 2007; Class J Accumulation Gross Shares: 31 January 2008; Class B Income Gross Shares: 25 February 2008; Class K Income Gross Shares: 8 April 2008; Class A Accumulation Net Shares: 14 April 2008; Class B Income Net Shares: 22 April 2008; Class B Accumulation Net Shares: 24 April 2008; Class A Income Net Shares: 24 June 2008; Class A Income Gross Shares: 23 March 2010; Class C Accumulation & Income (net & gross) Shares: 15 August 2012.

The Fund has moved IMA sector from £ Strategic Bond Sector to £ Corporate Bond Sector from 1 October 2009.

Class K Income Gross Shares closed 25 June 2010. The performance quoted is up to this date.

UBS Global Asset Management Funds Ltd  
25 April 2014



**Performance record (unaudited)****1. Fund size**

<b>Accounting year</b>		<b>Number of shares in issue</b>	<b>Total net asset value per share (p)*</b>	<b>Total net asset value (£)</b>
<b>31 December</b>				
2011	Class A - Accumulation Gross	89,207	57.5	51,250
	Class A - Accumulation Net	249,806	59.0	147,333
	Class A - Income Gross	10,000	48.3	4,835
	Class A - Income Net	321,202	49.8	160,054
	Class B - Accumulation Gross	177,292	58.4	103,599
	Class B - Accumulation Net	22,697	58.5	13,269
	Class B - Income Gross	119,857	49.8	59,725
	Class B - Income Net	3,079,940	49.3	1,518,338
	Class J - Accumulation Gross	5,297,982	1,215.6	64,402,845
	Class K - Accumulation Gross	133,047,401	60.4	80,327,946
				£146,789,194
2012	Class A - Accumulation Gross	305,660	66.4	202,809
	Class A - Accumulation Net	405,218	67.5	273,336
	Class A - Income Gross	218,356	53.1	115,861
	Class A - Income Net	654,086	54.7	357,688
	Class B - Accumulation Gross	175,784	67.9	119,271
	Class B - Accumulation Net	59,233	67.2	39,819
	Class B - Income Gross	27,257	55.0	14,979
	Class B - Income Net	2,227,449	54.4	1,211,920
	Class C - Accumulation Gross	10,000	52.4	5,242
	Class C - Accumulation Net	10,000	52.2	5,224
	Class C - Income Gross	10,000	51.5	5,152
	Class C - Income Net	10,000	51.5	5,153
	Class J - Accumulation Gross	3,522,268	1,411.2	49,706,678
	Class K - Accumulation Gross	127,691,269	70.6	90,085,424
				£142,148,556

<b>Accounting year</b>		<b>Number of shares in issue</b>	<b>Total net asset value per share (p)*</b>	<b>Total net asset value (£)</b>
<b>31 December</b>				
2013	Class A - Accumulation Gross	182,946	65.3	119,370
	Class A - Accumulation Net	928,729	65.8	610,903
	Class A - Income Gross	140,603	50.0	70,324
	Class A - Income Net	95,448	51.5	49,195
	Class B - Accumulation Gross	142,584	67.1	95,616
	Class B - Accumulation Net	26,277	65.8	17,299
	Class B - Income Gross	17,256	52.1	8,988
	Class B - Income Net	49,462	51.5	25,491
	Class C - Accumulation Gross	10,000	51.9	5,188
	Class C - Accumulation Net	77,382	51.3	39,672
	Class C - Income Gross	29,580	48.9	14,464
	Class C - Income Net	345,248	48.9	168,734
	Class J - Accumulation Gross	2,598,836	1,395.5	36,266,798
	Class K - Accumulation Gross	233,779,954	70.2	164,151,247
				£201,643,289

\* rounded to one decimal place.

## 2. Ongoing charges figure

The ongoing charges figure (OCF) is the ratio of the Fund's annual operating expenses (excluding overdraft interest) to the average net assets of the Fund. It covers all aspects of operating the Fund during the year, including fees paid for investment management, administration, safeguarding the Fund's assets, depositary services and audit (net of any fee rebates if applicable). Where the Fund invests in other funds, the figure includes the impact of the charges made in those other funds.

Share class	31 Dec 13 (%)	31 Dec 12 (%)
Class A - Accumulation Gross	1.27	1.20
Class A - Accumulation Net	1.27	1.20
Class A - Income Gross	1.27	1.20
Class A - Income Net	1.27	1.20
Class B - Accumulation Gross	0.77	0.66
Class B - Accumulation Net	0.77	0.66
Class B - Income Gross	0.77	0.66
Class B - Income Net	0.77	0.66
Class C - Accumulation Gross	0.67	0.65
Class C - Accumulation Net	0.67	0.65
Class C - Income Gross	0.67	0.65
Class C - Income Net	0.67	0.65
Class J - Accumulation Gross	0.72	0.68
Class K - Accumulation Gross	0.07	0.03

## 3. Share dealing price range and distribution record

The Fund was launched on 6 March 2007 at a price of 50p for Class K Accumulation Gross shares. Class A Accumulation Gross shares were launched on 26 March 2007 at a price of 49.14p; Class B Accumulation Gross shares were launched on 8 May 2007 at a price of 48.98p; Class J Accumulation Gross shares were launched on 31 January 2008 at a price of 1,000p; Class B Income Gross shares were launched on 25 February 2008 at a price of 50p; Class K Income Gross shares were launched on 8 April 2008 at a price of 10,000p; Class A Accumulation Net shares were launched on 14 April 2008 at a price of 50p; Class B Income Net shares were launched on 22 April 2008 at a price of 50p; Class B Accumulation Net shares were launched on 24 April 2008 at a price of 50p; Class A Income Net shares were launched on 24 June 2008 at a price of 50p; Class A Income Gross shares were launched on 23 March 2010 at a price of 50p; Class C Accumulation Gross, Class C Accumulation Net, Class C Income Gross and Class C Income Net shares were launched on 17 August 2012 at a price of 50p.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation Gross			
2009	50.76	39.28	3.00
2010	57.73	50.77	3.11
2011	58.95	55.63	3.26
2012	66.75	57.86	3.21
2013	69.93	64.55	2.76
Class A - Accumulation Net			
2009	53.30	41.55	2.58
2010	60.06	53.28	2.60
2011	60.92	57.23	2.70
2012	67.86	59.39	2.65
2013	70.60	65.24	2.23

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Income Gross			
2010 <sup>†</sup>	52.71	49.60	2.26
2011	51.86	47.49	2.86
2012	54.00	48.70	2.66
2013	55.11	50.52	2.15
Class A - Income Net			
2009	50.00	40.26	2.44
2010	54.09	49.30	2.37
2011	53.31	48.91	2.35
2012	55.55	50.18	2.20
2013	56.79	51.99	1.77
Class B - Accumulation Gross			
2009	51.04	39.34	3.01
2010	58.32	51.05	3.13
2011	59.74	56.27	3.30
2012	68.26	58.86	3.29
2013	71.33	66.18	2.82
Class B - Accumulation Net			
2009	52.27	40.61	2.48
2010	59.16	52.26	2.56
2011	60.20	56.66	2.69
2012	67.63	58.88	2.63
2013	70.48	65.20	2.22

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class B - Income Gross			
2009	49.61	39.71	2.99
2010	53.90	48.79	2.92
2011	53.22	48.89	2.95
2012	55.96	50.19	2.76
2013	57.21	52.54	2.25
Class B - Income Net			
2009	48.95	39.28	2.36
2010	53.18	48.28	2.32
2011	52.58	48.33	2.32
2012	55.27	49.65	2.18
2013	56.67	51.91	1.80
Class C - Accumulation Gross			
2012 <sup>†††</sup>	52.73	50.00	0.90
2013	55.13	51.16	2.18
Class C - Accumulation Net			
2012 <sup>†††</sup>	52.56	50.00	0.72
2013	54.80	50.75	1.72
Class C - Income Gross			
2012 <sup>†††</sup>	52.44	50.00	0.89
2013	53.65	49.30	2.11
Class C - Income Net			
2012 <sup>†††</sup>	52.32	50.00	0.71
2013	53.61	49.20	1.69

<b>Calendar year</b>	<b>Highest price (p)</b>	<b>Lowest price (p)</b>	<b>Distribution per share (net) (p)</b>
Class J - Accumulation Gross			
2009	1,063.45	819.82	62.98
2010	1,213.50	1,063.81	64.90
2011	1,243.01	1,170.90	68.79
2012	1,419.63	1,224.39	68.34
2013	1,483.89	1,376.80	58.72
Class K - Accumulation Gross			
2009	52.05	39.93	3.05
2010	59.80	52.08	3.21
2011	61.53	57.79	3.41
2012	70.97	60.82	3.40
2013	74.34	69.04	2.95
Class K - Income Gross			
2009	10,048.42	8,006.90	603.76
2010 <sup>††</sup>	10,571.49	9,885.16	138.07

<sup>†</sup> covers period from launch to 31 December 2010.

<sup>††</sup> share class closed on the 25 June 2010.

<sup>†††</sup> covers period from launch to 31 December 2012.

Past performance is not a guide to future performance. Investors are reminded that the price of shares and the revenue from them is not guaranteed and may go down as well as up.

**Portfolio statement (unaudited)****As at 31 December 2013**

	Holding	Market value £	Percentage of total net assets %		Holding	Market value £	Percentage of total net assets %
<b>Bonds - 95.86% (31 Dec 12 96.56%)</b>							
<b>Floating Rate Notes - 14.40% (31 Dec 12 8.64%)</b>							
Allianz Finance II 5.75% FRN 2041	€1,400,000	1,303,084	0.65	Granite Master FRN 2054	£25,766	25,506	0.01
Anglian Water Service Finance 5.5% FRN 2040	£700,000	760,899	0.38	Greene King Finance 'B' 5.702% FRN 2034	£609,000	528,308	0.26
Aquarius Plus Investment 6.375% FRN 2024	\$1,000,000	626,325	0.31	Groupama FRN 2017	€800,000	579,051	0.29
Aviva 5.9021% FRN 2020	£500,000	503,000	0.25	HBOS Capital Funding 6.461% FRN Perpetual	£1,249,000	1,273,980	0.63
Aviva 6.125% FRN 2036	£80,000	83,161	0.04	HBOS Euro Finance (Jersey) 7.627% FRN Perpetual	€250,000	181,220	0.09
BAA Funding 'A' 5.225% FRN 2025	£1,800,000	1,944,421	0.96	HSBC 5% FRN 2023	£430,000	451,362	0.22
Banco Espirito Santo 7.125% FRN 2023	€600,000	498,184	0.25	HSBC 5.862% FRN Perpetual	£98,000	104,284	0.05
Barclays 8% FRN Perpetual	€450,000	385,618	0.19	HSBC 6.375% FRN 2022	£550,000	608,338	0.30
Barclays Bank 8.25% FRN Perpetual	£605,000	656,498	0.33	HSBC 6.5% FRN 2023	£1,147,000	1,303,818	0.65
BG Energy Capital 6.5% FRN 2072	£900,000	983,430	0.49	Lambay Capital Securities 6.25% FRN Perpetual#	£330,000	-	-
British Telecommunications 5.75% FRN 2028	£170,000	188,067	0.09	Land Securities Capital Markets 5.125% FRN 2036	£1,244,000	1,375,721	0.68
British Telecommunications 8.625% FRN 2020	£431,000	551,555	0.27	Linde Finance FRN 2068	£67,000	76,129	0.04
BUPA Finance 6.125% FRN Perpetual	£470,000	489,796	0.24	Liverpool Victoria Friendly Society 6.5% FRN 2043	£140,000	131,642	0.07
Credit Agricole 8.125% FRN 2033	\$590,000	393,630	0.20	Lloyds Banking Group 13% Perpetual STEP	£1,000	1,589	-
Credit Suisse 7.5% FRN Perpetual	\$360,000	229,585	0.11	Matterhorn Financial 9% FRN 2019	€400,000	341,973	0.17
Dexia Credit Local 5.3% FRN 2014	€200,000	162,622	0.08	Munich Re FRN 2042	£300,000	338,905	0.17
EDF 6% FRN Perpetual	£500,000	517,587	0.26	National Grid Electricity 5.875% FRN 2024	£505,000	582,424	0.29
Enel 8.75% FRN 2073	\$430,000	282,305	0.14	Origin Energy Finance 7.875% FRN 2071	€350,000	315,213	0.16
Equity Release Funding (No.3) 'A2' 5.05% FRN 2033	£219,000	227,196	0.11	RWE 7% FRN Perpetual	£300,000	317,190	0.16
GDF Suez 4.625% FRN Perpetual	£500,000	512,500	0.25	Santander Finance 11.3% FRN Perpetual	£200,000	207,000	0.10
General Electric Capital UK 5.5% FRN 2066	£978,000	1,003,298	0.50	Santos 8.25% FRN 2070	€500,000	467,575	0.23
General Electric Capital UK 6.5% FRN 2067	£1,085,000	1,163,335	0.58	Segro 6.75% FRN 2024	£172,000	204,239	0.10
Generali Finance 6.214% FRN Perpetual	£500,000	490,549	0.24	Societe Generale 7.875% FRN Perpetual	\$550,000	334,400	0.17

	Holding	Market value £	Percentage of total net assets %
Society of Lloyds 6.875% FRN 2025	£100,000	107,004	0.05
Society of Lloyds 7.421% FRN Perpetual	£150,000	161,793	0.08
Southern Water Services Finance 'A4' 6.64% FRN 2026	£701,000	847,618	0.42
Standard Life 5.5% FRN 2042	£255,000	261,070	0.13
Swiss Reinsurance FRN Perpetual	£500,000	540,750	0.27
Telefonica Europe 6.75% FRN Perpetual	£500,000	508,790	0.25
Wales & West Utilities 6.75% FRN 2036	£390,000	446,078	0.22
Yorkshire Water Services Finance 6% FRN 2025	£996,000	1,088,775	0.54
Zurich Finance 6.625% FRN Perpetual	£1,233,000	1,363,846	0.68
<b>Mortgage &amp; Asset Backed Securities - 3.10% (31 Dec 12 2.23%)</b>			
Aladdin CDO 25X FRN 2016#	\$200,000	-	-
Annington Finance No.4 8.07% 2023	£110,000	135,770	0.07
Canary Wharf Finance II 'B' 6.8% 2033	£378,768	456,963	0.23
Centrica 4.25% 2044	£240,000	219,466	0.11
Dignity Finance 6.31% 2023	£148,392	172,119	0.09
Dignity Finance 8.151% 2031	£360,000	477,859	0.24
DWR Cymru Financing 'B' 6.907% 2021	£300,000	361,848	0.18
European Investment Bank 4.5% 2029	£2,304,000	2,440,471	1.21
Greene King Finance 5.106% 2034	£50,000	52,216	0.03
Land Securities Capital Markets 5.391% 2027	£510,000	571,332	0.28
Mitchells & Butlers 5.574% FRN 2030	£117,147	129,893	0.06
Mitchells & Butlers 5.965% 2025	£24,245	27,067	0.01
Telereal Securitisation 4.9741% 2033	£439,546	478,052	0.24
Telereal Securitisation 5.4252% 2033	£48,800	51,936	0.03
Tesco Property Finance 5.4111% 2044	£640,000	651,229	0.32
<b>Ordinary Fixed interest - 78.35% (31 Dec 12 85.63%)</b>			
A.P. Moller-Maersk 4% 2025	£500,000	474,899	0.24

	Holding	Market value £	Percentage of total net assets %
AA Bond 4.2487% 2020	£360,000	352,583	0.17
AA Bond 4.7201% 2018	£1,160,000	1,201,563	0.60
AA Bond 9.5% 2043	£1,150,000	1,262,125	0.63
Abbey National Treasury Services 5.125% 2021	£265,000	295,223	0.15
Abbey National Treasury Services 5.25% 2029	£1,532,000	1,708,180	0.85
ABN Amro Bank 4.875% 2019	£981,000	1,056,566	0.52
Affinity Water Programme Finance 4.5% 2036	£380,000	378,426	0.19
Allianz Finance II 4.5% 2043	£300,000	299,249	0.15
America Movil 4.375% 2041	£500,000	456,540	0.23
America Movil 5% 2026	£420,000	438,115	0.22
American International 6.765% 2017	£908,000	1,047,065	0.52
Amgen 4% 2029	£710,000	654,766	0.32
Anglian Water (Osprey) Financing 7% 2018	£750,000	810,188	0.40
Anglian Water 4.5% 2026	£440,000	422,179	0.21
Anglian Water 4.5% 2027	£390,000	391,919	0.19
Anheuser-Busch InBev 4% 2025	£500,000	495,480	0.25
Annington Finance No.4 6.5676% 2023	£320,000	337,661	0.17
Annington Repackaging No.1 'A' 5.3236% 2023	£510,000	550,754	0.27
Arqiva Financing 4.04% 2035	£550,000	546,562	0.27
Arqiva Financing 4.882% 2032	£900,000	886,081	0.44
Aspire Defence Finance 'A' 4.674% 2040	£700,000	691,807	0.34
AT&T 5.5% 2027	£1,250,000	1,348,131	0.67
AT&T 5.875% 2017	£400,000	445,582	0.22
BAA Funding 6.75% 2028	£813,000	995,915	0.49
BAA Funding 'A' 6.45% 2033	£948,000	1,146,371	0.57
Baggot Securities 10.24% Perpetual	€400,000	350,426	0.17
Banco de Sabadell 3.375% 2018	€500,000	432,403	0.21
Bank Nederlandse Gemeenten 5.2% 2028	£700,000	781,044	0.39

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Bank of America 4.25% 2026	£900,000	873,394	0.43
Bank of America 5.25% 2016	£200,000	215,149	0.11
Bank of America 5.5% 2019	£1,054,000	1,175,108	0.58
Bank of America 6.125% 2021	£50,000	57,476	0.03
Bank of Scotland 9.375% 2021	£500,000	623,026	0.31
Barclays Bank 5.75% 2026	£1,957,000	2,043,631	1.01
BAT International Finance 6% 2022	£450,000	522,825	0.26
BAT International Finance 6% 2034	£1,336,000	1,594,187	0.79
BG Energy Capital 5.125% 2025	£720,000	778,624	0.39
Bharti Airtel International Netherlands 4% 2018	€365,000	304,717	0.15
BHP Billiton Financial 3.25% 2024	£965,000	897,515	0.44
BP Capital Markets 4.325% 2018	£1,524,000	1,641,732	0.81
British Telecommunications 6.375% 2037	£210,000	251,882	0.12
Broadgate Financing 'A4' 4.821% 2036	£400,000	422,788	0.21
BUPA Finance 5% 2023	£1,120,000	1,104,459	0.55
BUPA Finance 7.5% 2016	£920,000	1,041,436	0.52
Caixa Geral de Depositos 3.75% 2018	€500,000	426,950	0.21
Canary Wharf Finance II 5.952% 2037	£155,000	186,407	0.09
Centrica 4.375% 2029	£1,157,000	1,132,477	0.56
Citigroup 5.125% 2018	£860,000	925,093	0.46
Citigroup 5.15% 2026	£1,955,000	2,082,474	1.03
Clydesdale Bank 4.625% 2026	£1,005,000	1,041,185	0.52
Comcast 5.5% 2029	£512,000	557,180	0.28
Co-Operative Bank 2.375% 2015	€200,000	161,404	0.08
Daily Mail & General Trust 5.75% 2018	£992,000	1,075,202	0.53
Daimler 1.75% 2017	£400,000	396,786	0.20
Deutsche Bahn Finance 1.375% 2017	£1,592,000	1,575,650	0.78

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Deutsche Bahn Finance 2.75% 2022	£535,000	518,142	0.26
Deutsche Telekom International Finance 6.5% 2022	£1,590,000	1,861,593	0.92
DirecTV 5.2% 2033	£290,000	283,716	0.14
Dong Energy 4.875% 2032	£601,000	604,891	0.30
Dong Energy 5.75% 2040	£110,000	123,290	0.06
Dresdner Bank Luxembourg 6.25% 2016	€420,000	367,390	0.18
E.ON International Finance 5.875% 2037	£1,000,000	1,158,342	0.57
Eastern Power Networks 4.75% 2021	£110,000	117,247	0.06
EDF 5.5% 2041	£400,000	440,583	0.22
EDF 6.125% 2034	£1,400,000	1,650,208	0.82
Enel 5.75% 2037	£57,000	53,367	0.03
ENW Finance 6.125% 2021	£388,000	446,106	0.22
ENW Finance 6.75% 2015	£900,000	963,999	0.48
European Investment Bank 1.5% 2019	£2,180,000	2,089,885	1.04
European Investment Bank 3.75% 2027	£500,000	492,390	0.24
European Investment Bank 3.875% 2037	£1,030,000	1,005,211	0.50
European Investment Bank 4.25% 2021	£3,329,200	3,594,574	1.78
Everything Finance 4.375% 2019	£780,000	801,058	0.40
FCE Bank 3.25% 2020	£600,000	588,184	0.29
FCE Bank 4.825% 2017	£630,000	676,370	0.34
France Telecom 5.375% 2050	£550,000	575,600	0.29
Galp Energia 4.125% 2019	€600,000	506,670	0.25
Gatwick Funding 5.75% 2037	£601,000	664,208	0.33
Gatwick Funding 6.5% 2043	£755,000	925,136	0.46
GDF Suez 5% 2060	£1,000,000	1,074,763	0.53
G E Capital UK 4.625% 2016	£660,000	699,947	0.35

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
G E Capital UK 4.875% 2037	£600,000	588,386	0.29
G E Capital UK 5.5% 2021	£190,000	212,952	0.11
G E Capital UK 5.875% 2033	£1,624,000	1,898,385	0.94
GlaxoSmithKline Capital 5.25% 2042	£1,000,000	1,117,177	0.55
Global Switch Holdings 4.375% 2022	£350,000	347,778	0.17
Goldman Sachs Group 6.125% 2017	£215,000	238,664	0.12
Great Rolling Stock 6.5% 2031	£600,000	698,976	0.35
Great Rolling Stock 6.875% 2035	£579,298	689,186	0.34
Hastings Insurance 8% 2020	£400,000	412,784	0.20
Heathrow Funding 'A' 7.075% 2030	£166,000	209,472	0.10
High Speed Rail Finance 4.375% 2038	£1,400,000	1,389,871	0.69
HSBC 5.375% 2033	£1,139,000	1,177,292	0.58
Hutchison Ports Finance 6.75% 2015	£339,000	371,313	0.18
Iberdrola 7.375% 2024	£300,000	353,864	0.18
Iberdrola Finanzas 6% 2022	£300,000	326,542	0.16
Imperial Tobacco Finance 5.5% 2026	£511,000	549,796	0.27
Imperial Tobacco Finance 8.125% 2024	£466,000	599,823	0.30
Imperial Tobacco Finance 9% 2022	£1,114,000	1,472,523	0.73
Infrax CVBA 3.75% 2023	€200,000	165,268	0.08
Instituto de Credito Oficial 4% 2014	£543,000	552,197	0.27
Intu Metrocentre Finance 4.125% 2023	£400,000	389,936	0.19
IPIC 6.875% 2026	£882,000	1,064,280	0.53
JPMorgan Chase & Co 3.5% 2026	£1,140,000	1,050,373	0.52
Kelda Finance 5.75% 2020	£890,000	914,698	0.45
KPN 5.75% 2029	£300,000	318,516	0.16
Libra Longhurst Group Treasury 5.125% 2038	£240,000	252,337	0.12
Lloyds Banking Group 5.125% 2025	£1,515,000	1,675,605	0.83

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Lloyds Banking Group 7.5% 2024	£494,000	623,209	0.31
Lloyds Banking Group 7.625% 2025	£323,000	378,587	0.19
London & Quadrant Housing Trust 4.625% 2033	£570,000	592,196	0.29
London Stock Exchange 6.125% 2016	£1,160,000	1,261,132	0.63
Lowell Group Financing 10.75% 2019	£850,000	964,750	0.48
Marlin Intermediate 10.5% 2020	£600,000	684,000	0.34
Metro Life Global Fund 2.875% 2023	£1,385,000	1,298,951	0.64
Metro Life Global Fund 3.5% 2026	£590,000	558,298	0.28
Metropolitan Life Global Funding I 5.25% 2014	£450,000	450,168	0.22
Mobile Challenger 8.75% 2019	€230,000	199,007	0.10
Morgan Stanley 5.75% 2017	£791,000	869,694	0.43
Motability Operation 4.375% 2027	£421,000	423,423	0.21
Motability Operations 5.25% 2016	£1,150,000	1,254,273	0.62
National Air Traffic Service 5.25% 2026	£262,543	289,955	0.14
National Australia Bank 3% 2026	£420,000	377,328	0.19
National Express Group 6.625% 2020	£257,000	292,996	0.15
National Grid Electricity 4% 2027	£910,000	872,149	0.43
National Grid Electricity 7.375% 2031	£242,000	323,388	0.16
Network Rail Infrastructure 1% 2017	£500,000	488,864	0.24
Network Rail Infrastructure 4.75% 2035	£338,000	377,694	0.19
Nordea Bank 2.125% 2019	£710,000	676,413	0.34
Northern Gas Networks 4.875% 2027	£540,000	558,971	0.28
Northern Gas Networks 5.625% 2040	£402,000	455,835	0.23
Northern Gas Networks 5.875% 2019	£650,000	736,937	0.37
Northern Gas Networks Finance 4.875% 2035	£50,000	51,098	0.03
Northumbrian Water Finance 5.125% 2042	£1,186,000	1,263,671	0.63
Notting Hill Housing 3.75% 2032	£800,000	737,604	0.37



	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
NWEN Finance 5.875% 2021	£780,000	809,250	0.40
ONO Finance 11.125% 2019	€400,000	366,899	0.18
Pepsico 2.5% 2022	£360,000	332,107	0.16
Pfizer 6.5% 2038	£300,000	390,081	0.19
QBE Insurance Group 10% 2014	£340,000	344,986	0.17
Rabobank 4% 2015	£765,000	798,665	0.40
Rabobank 4% 2022	£856,000	874,780	0.43
REN Finance 4.75% 2020	€600,000	514,855	0.26
Reseau Ferre de France 4.83% 2060	£1,145,000	1,205,149	0.60
Reseau Ferre de France 5% 2052	£70,000	75,893	0.04
Reseau Ferre de France 5.25% 2028	£100,000	110,355	0.05
Rio Tinto 4% 2029	£580,000	541,414	0.27
Royal Bank of Scotland 6% 2017	£424,000	473,372	0.23
Royal Bank of Scotland 6% 2023	\$1,590,000	966,835	0.48
Royal Bank of Scotland 6.875% 2025	£726,000	870,860	0.43
RWE Finance 6.125% 2039	£1,100,000	1,257,408	0.62
San Miguel 4.875% 2023	\$500,000	247,547	0.12
Santander International 3.16% 2015	£700,000	710,242	0.35
Scotland Gas Network 4.75% 2017	£200,000	214,742	0.11
Scottish & Southern Energy 8.375% 2028	£475,000	665,195	0.33
Scottish Widows 7% 2043	£1,340,000	1,463,636	0.73
Southern Gas Network 4.875% 2029	£1,145,000	1,189,265	0.59
Statoil 6.875% 2031	£372,000	492,358	0.24
Sweden 1.5% 2023	SEK70,400,000	6,033,493	2.99
T.H.F.C. (Funding No.2) 6.35% 2041	£576,000	727,186	0.36
TDC 5.625% 2023	£515,000	563,994	0.28
Telefonica Emision 5.445% 2029	£1,050,000	1,041,620	0.52

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Telefonica Emisiones 5.289% 2022	£550,000	567,998	0.28
Telereal Secured Finance 4.01% 2031	£1,384,292	1,333,668	0.66
Telereal Securitisation 5.5534% 2033	£1,911,621	2,172,697	1.08
TeliaSonera 4.375% 2042	£475,000	453,452	0.22
Tesco 5.2% 2057	£600,000	595,993	0.30
Tesco Property 4 5.8006% 2040	£1,629,535	1,741,748	0.86
Tesco Property Finance 5.744% 2040	£784,556	841,956	0.42
Thames Water 5.5% 2041	£1,728,000	1,929,602	0.96
Thames Water Utilities Finance 4.625% 2046	£500,000	488,945	0.24
Thames Water Utilities Finance 5.125% 2037	£100,000	105,657	0.05
Time Warner Cable 5.25% 2042	£275,000	218,430	0.11
Treasury 1.75% 2022	£2,640,000	2,416,920	1.20
Treasury 4.5% 2042	£1,200,000	1,390,440	0.69
Treasury 4.75% 2020	£2,670,000	3,047,004	1.51
Treasury 4.75% 2030	£1,680,000	1,956,696	0.97
Treasury 5% 2018	£4,200,000	4,766,160	2.36
Trionista TopCo 6.875% 2021	€300,000	262,115	0.13
Vattenfall 6.125% 2019	£201,000	234,651	0.12
Vougeot Bidco 7.875% 2020	£360,000	385,920	0.19
Wales & West Utilities Finance 5.75% 2030	£692,000	788,139	0.39
Wales & West Utilities Finance 6.25% 2021	£693,000	812,829	0.40
Wal-Mart Stores 4.875% 2039	£650,000	705,862	0.35
Wells Fargo 3.5% 2029	£2,069,000	1,874,866	0.93
Wells Fargo 4.875% 2035	£400,000	395,516	0.20
Western Power Distribution 5.75% 2032	£1,054,000	1,186,741	0.59
Westfield 4.25% 2022	£520,000	531,591	0.26
White City Property Finance 5.1202% 2035	£631,905	666,199	0.33

	Holding	Market value £	Percentage of total net assets %
Yorkshire Water Services Finance 3.625% 2029	£290,000	262,779	0.13
Yorkshire Water Services Finance 6.375% 2039	£698,000	875,473	0.43
<b>Zero Coupon Bonds - 0.01% (31 Dec 12 0.06%)</b>			
Annington Finance No.4 0% 2022	£40,000	28,823	0.01
<b>Collective Investment Schemes - 1.87% (31 Dec 12: 0.00%)</b>			
UBS (Lux) Bond SICAV - Asian High Yield (USD) I-X-dist	31,230	1,872,603	0.93
UBS (Lux) Bond SICAV - USD High Yield (USD) U-X-acc	216	1,893,421	0.94
<b>Derivatives - (0.19)% (31 Dec 12 (0.29)%)</b>			
<b>Credit Default Swaps - (0.07)% (31 Dec 12 (0.11)%)</b>			
Barclays Credit Default Swap Deutsche Telekom 6%Receive 20 Dec 2016	1,600,000	28,856	0.01
Barclays Credit Default Swap Next 5.375% Pay 20 Mar 2018	1,270,000	(27,825)	(0.01)
Barclays Credit Default Swap Index Option CDX.NA.HY 1.065% Receive 15 Jan 2014	(4,740,000)	(46,084)	(0.02)
Citibank Credit Default Swap Imperial Tobacco 1% Pay 20 Mar 2018	1,360,000	(23,720)	(0.01)
Goldman Sachs Credit Default Swap Gas Natural 4.5% Pay 20 Sep 2018	780,000	(3,668)	-
Goldman Sachs Credit Default Swap Iberdrola 3.5% Pay 20 Sep 2018	780,000	(4,030)	-
Goldman Sachs Credit Default Swap Solvay 4.625% Pay 20 Sep 2018	1,200,000	(18,348)	(0.01)
Goldman Sachs Credit Default Swap Index Option CDX.NA.IG 0.0080% Pay 19 Mar 2014	15,755,000	8,576	-
JPM Credit Default Swap Barclays Bank 0% Receive 20 Mar 2020	875,000	(2,513)	-

	Holding	Market value £	Percentage of total net assets %
JPM Credit Default Swap Barrick Gold 5.8% Receive 20 Dec 2018	1,670,000	(42,907)	(0.02)
JPM Credit Default Swap BYIF 5.625% Pay 20 Mar 2018	1,920,000	(44,123)	(0.02)
JPM Credit Default Swap Commerzbank 6.375% Pay 20 Mar 2016	420,000	(31,966)	(0.02)
JPM Credit Default Swap CSC 6.5% Pay 20 Mar 2014	1,680,000	(2,344)	-
JPM Credit Default Swap CSC 6.5% Receive 20 Mar 2016	1,125,000	10,647	0.01
JPM Credit Default Swap Deutsche BankAktiengesellschaft 5.125% Pay 20 Mar 2020	875,000	284	-
JPM Credit Default Swap Holcim 4.375% Pay 20 Jun 2018	1,000,000	(6,088)	-
JPM Credit Default Swap HSBC Bank 4% Pay 20 Sep 2018	400,000	(6,532)	-
JPM Credit Default Swap Linde Finance 5% Receive 20 Mar 2018	1,920,000	47,731	0.02
JPM Credit Default Swap Standard Chartered 0% Receive 20 Sep 2018	400,000	616	-
<b>Futures - (0.10)% (31 Dec 12 (0.08)%)</b>			
Euro BUND Future Mar 2014	(107)	61,507	0.03
Long Gilt Future Mar 2014	54	(109,890)	(0.05)
Sterling 90 Day Future Dec 2015	105	(55,125)	(0.03)
US 10 Year Note Future Mar 2014	(144)	139,434	0.10
US 5 Year Note Future Mar 2014	288	(235,552)	(0.12)
<b>Interest Rate Swaps - 0.17% (31 Dec 12 0.01%)</b>			
Interest Rate Swap 0.77% 12 Oct 2017	36,080,000	342,891	0.17

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>Forwards - (0.19)% (31 Dec 12: (0.11)%)</b>			
Bought Australian Dollar 3,480,000			
Sold Canadian Dollar 3,353,363		(27,232)	(0.01)
Bought Australian Dollar 3,520,000			
Sold New Zealand Dollar 3,958,451		(64,325)	(0.03)
Bought Australian Dollar 6,986,320			
Sold Sterling 4,132,324		(356,614)	(0.18)
Bought Australian Dollar 1,755,000			
Sold US Dollar 1,643,470		(46,188)	(0.02)
Bought Brazilian Real 5,500,898			
Sold US Dollar 2,441,628		(76,237)	(0.04)
Bought Canadian Dollar 6,799,699			
Sold US Dollar 6,590,000		(119,571)	(0.06)
Bought Chilean Peso 428,902,500			
Sold US Dollar 830,000		(9,586)	-
Bought Euro 12,075,000			
Sold Norwegian Krone 100,883,505		15,164	0.01
Bought Euro 1,480,000			
Sold Sterling 1,260,884		(27,752)	(0.01)
Bought Euro 4,845,000			
Sold Swiss Francs 5,916,569		17,665	0.01
Bought Euro 2,295,000			
Sold US Dollar 3,098,922		36,647	0.02
Bought Japanese Yen 644,073,650			
Sold US Dollar 6,590,000		(274,500)	(0.14)
Bought Malaysian Ringgit 6,335,000			
Sold US Dollar 1,995,024		(39,400)	(0.02)
Bought New Zealand Dollar 3,947,574			
Sold Australian Dollar 3,650,000		(11,337)	(0.01)

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Bought Norwegian Krone 10,095,455			
Sold Euro 1,200,000		5,440	-
Bought Norwegian Krone 95,930,000			
Sold Sterling 9,984,197		(431,764)	(0.21)
Bought Norwegian Krone 20,340,000			
Sold Swedish Krona 21,431,709		2,953	-
Bought Philippine Peso 64,450,000			
Sold US Dollar 1,509,014		(34,638)	(0.02)
Bought Polish Zloty 3,670,000			
Sold Sterling 739,847		(4,068)	-
Bought Russian Ruble 26,940,473			
Sold US Dollar 821,456		(2,821)	-
Bought Singapore Dollar 1,354,304			
Sold Sterling 678,923		(30,096)	(0.01)
Bought Sterling 4,075,000			
Sold Australian Dollar 7,087,322		244,704	0.12
Bought Sterling 2,165,000			
Sold Canadian Dollar 3,638,218		94,950	0.05
Bought Sterling 15,218,136			
Sold Euro 17,990,000		228,924	0.11
Bought Sterling 1,977,232			
Sold Japanese Yen 310,100,000		189,103	0.09
Bought Sterling 169,430			
Sold Singapore Dollar 335,000		8,936	-
Bought Sterling 6,305,600			
Sold Swedish Krona 65,310,000		142,492	0.07
Bought Sterling 7,020,820			
Sold Swiss Francs 10,235,000		68,100	0.03

<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Bought Sterling 6,131,828 Sold US Dollar 9,840,150	176,342	0.09
Bought Swiss Francs 5,898,115 Sold Euro 4,785,000	19,791	0.01
Bought Thai Baht 400,000 Sold Sterling 7,991	(609)	-
Bought US Dollar 3,275,023 Sold Australian Dollar 3,690,000	(12,116)	(0.01)
Bought US Dollar 748,024 Sold Chilean Peso 378,500,000	17,878	0.01
Bought US Dollar 3,300,000 Sold Japanese Yen 329,092,500	99,591	0.05
Bought US Dollar 1,973,119 Sold Korean Won 2,114,000,000	(23,850)	(0.01)
Bought US Dollar 8,844,633 Sold Sterling 5,510,575	(157,598)	(0.08)
Investment assets (including investment liabilities)	196,691,758	97.54
Net other assets	4,951,531	2.46
<b>Net assets</b>	<b>£201,643,289</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated, with the exception of the Swaps which are over-the-counter derivative investments not listed on recognised exchanges.

As at 31 December 2013, 98.41% of the debt securities were rated as investment grade and 0.30% of the debt securities were rated as non-investment grade as a percentage of the total bond holdings value and 1.29% were unrated.

# Unquoted securities.

### Counterparty Exposure (unaudited)

The underlying exposure obtained through financial derivative instruments and the identity of the counterparties to these transactions, including collateral information, if applicable, is contained in the table below.

<b>Counterparty</b>	<b>Collateral £</b>	<b>Net forward foreign exchange contracts £</b>	<b>Futures contracts £</b>	<b>Credit default swaps £</b>	<b>Interest rate swaps £</b>	<b>Total £</b>
<b>31 Dec 13</b>						
Barclays	-	(265,494)	-	(45,053)	342,891	32,344
Canadian Imperial Bank	-	262,369	-	-	-	262,369
Citibank	-	-	-	(23,720)	-	(23,720)
Credit Suisse	-	5,440	-	-	-	5,440
Goldman Sachs	-	-	-	(17,470)	-	(17,470)
HSBC Bank	-	(87,136)	-	-	-	(87,136)
JPMorgan Chase Bank	-	(41,640)	-	(77,195)	-	(118,835)
State Street Bank & Trust Co	-	(437,455)	-	-	-	(437,455)
UBS	-	182,295	(199,626)	-	-	(17,331)

**Portfolio movements (unaudited)**  
**For the year ended 31 December 2013**

	<b>Cost £</b>
<b>Major purchases</b>	
Treasury 4.75% 2020	12,133,052
Treasury 1.75% 2022	9,243,414
Treasury 5% 2018	8,997,415
Sweden 1.5% 2023	6,240,924
Treasury 1.25% 2018	3,813,040
Treasury 4% 2022	3,689,204
Canada 1.5% 2023	2,772,079
Treasury 4.75% 2030	2,246,176
European Investment Bank 1.5% 2019	2,133,849
Treasury 4.5% 2042	2,064,942
Treasury 5% 2025	2,061,457
BAA Funding 'A' 5.225% 2025	2,016,657
UBS (Lux) Bond SICAV - USD High Yield (USD) U-X-acc	1,976,342
Deutsche Telekom International Finance 6.5% 2022	1,935,080
Treasury 4.5% 2019	1,892,756
GDF Suez 4.625% FRN Perpetual	1,866,959
UBS (Lux) Bond SICAV - Asian High Yield (USD) I-X-dist	1,865,440
Munich Re FRN 2042	1,745,919
Treasury 5% 2014	1,714,742
Wells Fargo 3.5% 2029	1,706,813
<b>Total for the year</b>	<b>£251,387,085</b>

	<b>Proceeds £</b>
<b>Major sales</b>	
Treasury 4.75% 2020	8,919,976
Treasury 1.75% 2022	6,771,436
Treasury 5% 2018	4,123,580
Treasury 1.25% 2018	3,816,698
Treasury 4% 2022	3,655,293
Treasury 4.5% 2042	3,609,443
Rabobank 5.25% 2027	2,963,652
Canada 1.5% 2023	2,630,456
Treasury 5% 2025	2,025,824
Munich Re FRN 2042	1,950,515
European Investment Bank 2.5% 2022	1,928,976
Treasury 4.5% 2019	1,887,897
Heathrow Funding 7.125% 2024	1,828,809
KPN 6.875% 2073	1,707,009
Treasury 5% 2014	1,700,644
Sinopec Capital 2013 1.875% 2018	1,638,228
Royal Bank of Scotland 6.875% 2025	1,515,321
Nomura 2% 2016	1,471,072
Allianz Finance II 4.5% 2043	1,439,928
Wells Fargo 5.25% 2023	1,431,248
<b>Total for the year</b>	<b>£186,988,652</b>

**Statement of total return****For the year ended 31 December 2013**

		<b>31 Dec 13</b>		<b>31 Dec 12</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Income					
Net capital (losses)/gains	2	(6,670,380)		15,584,331	
Revenue	3	6,965,856	7,817,168		
Expenses	4	(375,178)	(490,606)		
Finance costs: Interest	6	(315)	(202)		
Net revenue before taxation		6,590,363	7,326,360		
Taxation	5	612	-		
Net revenue after taxation		6,590,975	7,326,360		
Total return before distributions		(79,405)	22,910,691		
Finance costs: Distributions	6	(6,971,723)	(7,811,535)		
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>£(7,051,128)</b>	<b>£15,099,156</b>		

**Statement of change in net assets attributable to shareholders****For the year ended 31 December 2013**

		<b>31 Dec 13</b>		<b>31 Dec 12</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening net assets attributable to shareholders		142,148,556		146,789,194	
Amounts transferred from other funds		67,121,646		-	
Amounts receivable on issue of shares	7,521,502		10,845,819		
Amounts payable on cancellation of shares	(15,740,421)		(38,084,010)		
		(8,218,919)		(27,238,191)	
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(7,051,128)		15,099,156	
Retained distribution on accumulation shares		7,643,137		7,498,397	
Stamp duty reserve tax		(3)		-	
<b>Closing net assets attributable to shareholders</b>		<b>£201,643,289</b>		<b>£142,148,556</b>	

**Balance sheet****As at 31 December 2013**

	Notes	As at 31 Dec 13 £	As at 31 Dec 12 £
ASSETS			
Investment assets		199,102,775	138,251,831
Debtors	7	3,645,611	2,712,435
Cash and bank balances	8	1,380,707	2,668,205
Total other assets		5,026,318	5,380,640
Total assets		204,129,093	143,632,471
LIABILITIES			
Investment liabilities		2,411,017	1,406,458
Creditors	9	71,767	60,496
Distribution payable		3,020	16,961
Total other liabilities		74,787	77,457
Total liabilities		2,485,804	1,483,915
<b>Net assets attributable to shareholders</b>		<b>£201,643,289</b>	<b>£142,148,556</b>

## Notes to the financial statements

### 1. Accounting policies

Accounting policies of the Fund are as set out on pages 10 to 12.

### 2. Net capital (losses)/gains

	31 Dec 13 £	31 Dec 12 £
Currency gains/(losses)	131,496	(128,621)
Derivative contracts	(863,713)	(663,093)
Forward currency contracts	(2,064,350)	1,366,214
Non-derivative securities	(3,864,623)	15,027,246
Transaction charges	(9,190)	(17,415)
Net capital (losses)/gains	£(6,670,380)	£15,584,331

### 3. Revenue

	31 Dec 13 £	31 Dec 12 £
Interest on debt securities	7,231,017	7,832,793
Interest on derivative contracts	(265,718)	(15,625)
Interest on margin deposits	557	-
	£6,965,856	£7,817,168

### 4. Expenses

	31 Dec 13 £	31 Dec 12 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Administration fees	62,816	-
Authorised Corporate Director's fees	270,092	464,513
Registration fees	5,497	920
	338,405	465,433

*Payable to the Depositary, associates of the Depositary and agents of either of them:*

Depositary's fees	16,700	15,121
	16,700	15,121

*Payable to other related parties and third parties:*

Audit fees	9,665	9,049
Price publication fees	2,187	-
Safe custody fees	7,221	-
Taxation fees	1,000	1,003
	20,073	10,052
	£375,178	£490,606

The audit fee for the year, excluding VAT, was £7,500 (31 December 2012: £7,500).



## 5. Taxation

### (a) Analysis of tax charge

	31 Dec 13 £	31 Dec 12 £
Prior year adjustment	(612)	-
<b>Total tax charge</b>	<b>£(612)</b>	<b>-</b>

### (b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 12: 20%).

The differences are explained below:

	31 Dec 13 £	31 Dec 12 £
Net revenue before taxation	6,590,363	7,326,360
Corporation tax at 20%	1,318,073	1,465,272
<i>Effects of:</i>		
Interest distributions	(1,393,150)	(1,563,393)
Movement in excess expenses	75,077	98,121
Prior period adjustment	(612)	-
<b>Total tax charge (5.a)</b>	<b>£(612)</b>	<b>-</b>

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

### (c) Deferred tax assets

At 31 December 2013 the Fund had excess management expenses of £2,066,785 (31 Dec 12: £1,691,401). The deferred tax in respect of this would be £413,357 (31 Dec 12: £338,280). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 13 £	31 Dec 12 £
Interim - first quarter	1,286,635	2,014,902
Interim - second quarter	2,158,939	1,993,420
Interim - third quarter	2,097,032	1,912,890
Final	2,123,939	1,671,539
	7,666,545	7,592,751
Add: Amounts deducted on cancellation of shares	133,600	297,043
Deduct: Amounts added on issue of shares	(828,422)	(78,259)
Net distributions	6,971,723	7,811,535
Interest	315	202
<b>Total finance costs</b>	<b>£6,972,038</b>	<b>£7,811,737</b>
Net revenue after taxation	6,590,975	7,326,360
Add: Equalisation on conversions	19	-
Add: Expenses charged to capital	375,178	490,606
Add: Revenue brought forward	7,659	2,228
Deduct: Revenue carried forward	(2,108)	(7,659)
<b>Net distributions as above</b>	<b>£6,971,723</b>	<b>£7,811,535</b>

Details of the distribution per share are set out in the tables on pages 47 to 50.

## 7. Debtors

	As at 31 Dec 13 £	As at 31 Dec 12 £
Amounts receivable on issue of shares	439	9,988
Interest receivable on debt securities	3,645,172	2,702,447
	<b>£3,645,611</b>	<b>£2,712,435</b>

## 8. Cash & bank balances

	As at 31 Dec 13 £	As at 31 Dec 12 £
Amounts held at futures clearing houses and brokers	656,541	684,541
Cash and bank balances	724,166	1,983,664
	<b>£1,380,707</b>	<b>£2,668,205</b>

## 9. Creditors

	As at 31 Dec 13 £	As at 31 Dec 12 £
Amounts payable on cancellation of shares	10,421	2,254
Expense accruals	57,906	48,694
Income tax payable	3,440	9,548
	<b>£71,767</b>	<b>£60,496</b>

## 10. Equalisation

This applies only to shares purchased during the distribution period (Group 2 shares). The average amount of revenue included in the purchase price of Group 2 shares is shown in the Distribution table and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## 11. Contingent liabilities

At 31 December 2013 there were no contingent liabilities or commitments at the current or prior year ends.

## 12. Related party transactions

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note 4.

At 31 December 2013 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £21,870 and £2,567 respectively (31 Dec 12: £30,535 and £91).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Asset Management Life Ltd is a significant investor in the Fund. Transactions with the Fund were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Asset Management Life Ltd on these transactions. The entity holds Class K Accumulation shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £(16,341,476) (31 Dec 12: £(2,610,662)). As at 31 December 2013, the entity held no shares in the Fund (31 Dec 12: 23,584,698 shares with a market value of £16,638,863).

UBS Global Allocation Fund (UK) is also a significant investor in the Fund. Transactions with the Fund were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Allocation Fund (UK) on these transactions. The entity holds Class K Accumulation Gross shares on which no ACD fee is payable. The aggregate value of these transactions during the period was £(36,500,000) (31 Dec 12: £nil). As at 31 December 2013, the entity held 51,671,577 shares in the Fund with a market value of £36,417,813 (31 Dec 12: 104,106,572, £73,446,561).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Asset Management Funds Ltd and UBS Global Asset Management (UK) Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.

## 13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 and 19.

### (a) Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and liabilities at the year end is set out in the following tables.

**i) Financial assets**

<b>Currency</b>	<b>Floating rate financial assets £</b>	<b>Fixed rate financial assets £</b>	<b>Financial assets not carrying interest £</b>	<b>Total £</b>
<b>31 Dec 13</b>				
Australian Dollar	2,545	-	8,507,292	8,509,837
Brazilian Real	-	-	1,401,493	1,401,493
Canadian Dollar	2,235	-	3,868,849	3,871,084
Chilean Peso	-	-	492,748	492,748
Czech Koruna	29	-	-	29
Euro	1,288,252	7,407,821	17,554,499	26,250,572
Japanese Yen	19	-	3,713,921	3,713,940
Malaysian Ringgit	-	-	1,168,035	1,168,035
New Zealand Dollar	1,196	-	1,961,281	1,962,477
Norwegian Krone	827	-	12,583,107	12,583,934
Philippine Peso	-	-	878,653	878,653
Polish Zloty	16	-	735,779	735,795
Russian Ruble	-	-	494,344	494,344
Singapore Dollar	-	-	648,828	648,828
South African Rand	486	-	-	486
Sterling	815,575	175,688,260	46,516,967	223,020,802
Swedish Krona	522	6,033,493	13,013	6,047,028
Swiss Franc	2,078	-	4,006,639	4,008,717
Thailand Baht	-	-	7,382	7,382
US Dollar	384,255	3,080,627	15,252,986	18,717,868
	<b>£2,498,035</b>	<b>£192,210,201</b>	<b>£119,805,816</b>	<b>£314,514,052</b>

<b>Currency</b>	<b>Floating rate financial assets £</b>	<b>Fixed rate financial assets £</b>	<b>Financial assets not carrying interest £</b>	<b>Total £</b>
<b>31 Dec 12</b>				
Australian Dollar	269,521	-	1,495,225	1,764,746
Canadian Dollar	-	-	4,723,753	4,723,753
Czech Koruna	31	-	-	31
Euro	2,034,953	5,519,545	6,961,773	14,516,271
Japanese Yen	16,662	-	8,646,759	8,663,421
Malaysian Ringgit	-	-	1,398,134	1,398,134
New Zealand Dollar	1,223	-	-	1,223
Norwegian Krone	919	-	5,505,247	5,506,166
Polish Zloty	16	-	-	16
South African Rand	617	-	-	617
Sterling	19,541,234	103,555,008	28,223,602	151,319,844
Swedish Krona	876	-	4,031,150	4,032,026
US Dollar	1,572,586	7,354,674	8,313,811	17,241,071
	<b>£23,438,638</b>	<b>£116,429,227</b>	<b>£69,299,454</b>	<b>£209,167,319</b>

**ii) Financial liabilities**

<b>Currency</b>	<b>Floating rate financial liabilities £</b>	<b>Financial liabilities not carrying interest £</b>	<b>Total £</b>
<b>31 Dec 13</b>			
Australian Dollar	-	7,797,150	7,797,150
Canadian Dollar	-	3,978,025	3,978,025
Chilean Peso	-	434,843	434,843
Euro	-	20,187,616	20,187,616
Japanese Yen	-	3,685,775	3,685,775
New Zealand Dollar	-	1,966,685	1,966,685
Norwegian Krone	-	10,045,688	10,045,688
Singapore Dollar	-	160,494	160,494
South Korean Won	-	1,218,027	1,218,027
Sterling	-	22,554,544	22,554,544
Swedish Krona	-	8,185,554	8,185,554
Swiss Franc	-	10,971,894	10,971,894
US Dollar	-	21,684,468	21,684,468
	-	£112,870,763	£112,870,763

<b>Currency</b>	<b>Floating rate financial liabilities £</b>	<b>Financial liabilities not carrying interest £</b>	<b>Total £</b>
<b>31 Dec 12</b>			
Australian Dollar	-	2,928,550	2,928,550
Canadian Dollar	-	4,699,604	4,699,604
Euro	-	15,893,203	15,893,203
Japanese Yen	-	8,305,958	8,305,958
Norwegian Krone	-	3,938,789	3,938,789
Singapore Dollar	-	1,400,607	1,400,607
Sterling	-	11,545,202	11,545,202
Swedish Krona	-	4,066,722	4,066,722
US Dollar	-	14,240,128	14,240,128
	-	£67,018,763	£67,018,763

## iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
<b>31 Dec 13</b>		
Euro	5.04	16.94
Sterling	3.99	15.21
Swedish Krona	2.51	9.90
US Dollar	6.86	17.21
<b>31 Dec 12</b>		
Euro	10.36	11.08
Sterling	10.19	16.21
US Dollar	4.78	8.36

## (b) Currency exposure

The majority of the net assets of the Fund's investments are denominated in currencies other than sterling, with the effect that currency movements can significantly affect the balance sheet and total return.

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non-monetary exposures £	Total £
<b>31 Dec 13</b>			
Australian Dollar	712,687	-	712,687
Brazilian Real	1,401,493	-	1,401,493
Canadian Dollar	(106,941)	-	(106,941)
Chilean Peso	57,905	-	57,905
Czech Koruna	29	-	29
Euro	(2,156,961)	8,219,917	6,062,956
Japanese Yen	28,165	-	28,165
Malaysian Ringgit	1,168,035	-	1,168,035
New Zealand Dollar	(4,208)	-	(4,208)
Norwegian Krone	2,538,246	-	2,538,246
Philippine Peso	878,653	-	878,653
Polish Zloty	735,795	-	735,795
Russian Ruble	494,344	-	494,344
Singapore Dollar	488,334	-	488,334
South African Rand	486	-	486
South Korean Won	(1,218,027)	-	(1,218,027)
Swedish Krona	(8,172,019)	6,033,493	(2,138,526)
Swiss Franc	(6,963,177)	-	(6,963,177)
Thailand Baht	7,382	-	7,382
US Dollar	(10,030,819)	7,064,219	(2,966,600)
<b>Sterling</b>	<b>24,710,507</b>	<b>175,755,751</b>	<b>200,466,258</b>
	<b>£4,569,909</b>	<b>£197,073,380</b>	<b>£201,643,289</b>

Currency	Monetary exposures £	Non- monetary exposures £	Total £
<b>31 Dec 12</b>			
Australian Dollar	(1,116,843)	(46,961)	(1,163,804)
Canadian Dollar	24,149	-	24,149
Czech Koruna	31	-	31
Euro	(8,640,900)	7,263,968	(1,376,932)
Japanese Yen	349,007	8,456	357,463
Malaysian Ringgit	1,398,134	-	1,398,134
New Zealand Dollar	1,223	-	1,223
Norwegian Krone	1,567,377	-	1,567,377
Polish Zloty	16	-	16
Singapore Dollar	(1,400,607)	-	(1,400,607)
South African Rand	617	-	617
Swedish Krona	(34,696)	-	(34,696)
US Dollar	(4,314,520)	7,315,463	3,000,943
<b>Sterling</b>	<b>17,353,079</b>	<b>122,421,563</b>	<b>139,774,642</b>
	<b>£5,186,067</b>	<b>£136,962,489</b>	<b>£142,148,556</b>

**(c) Fair value of financial assets and financial liabilities**

There is no material difference between the value of the financial assets and financial liabilities, as shown in the balance sheet, and their fair value.

**(d) Derivative exposure**

The Fund is permitted to invest in exchange traded bond, deposit, consumer price index and currency futures, currency forwards, credit default swaps, total return swaps, interest rate swaps and inflation swaps. The Fund will use derivatives as part of its investment capabilities and are used to manage market exposure inherent in an invested portfolio. The derivatives overlay is designed to remove unwanted market risk and allow tactical asset allocation and currency views to be expressed efficiently. However, such instruments are inherently volatile and the Fund could be potentially exposed to additional risk and costs should the market move against it. The Manager also assesses the market risk of the Fund's investments, including any derivative exposures, using a Value at Risk (VaR) methodology with a 99% confidence level and one month time horizon. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in the market prices over a given year of time in all but a given percentage of circumstances.

At 31 December 2013 the Fund's VAR was 4.58%. This means that per statistical analysis there is a 99% probability that, after a month, the maximum loss the fund could suffer is 4.58% of its value.

**14. Portfolio transaction costs**

There were no transaction costs in the current or prior year.

**Distribution table****For the year ended 31 December 2013 (in pence per share)****Final interest distribution**

Group 1: Shares purchased prior to 1 October 2013

Group 2: Shares purchased between 1 October 2013 and 31 December 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 28/02/14 (p)	Distribution paid 28/02/13 (p)
<b>Class A - Accumulation Gross</b>						
Group 1	0.680000	-	0.680000	-	0.680000	0.780000
Group 2	0.680000	-	0.680000	0.000000	0.680000	0.780000
<b>Class A - Accumulation Net</b>						
Group 1	0.687500	0.137500	0.550000	-	0.550000	0.640000
Group 2	0.435383	0.087077	0.348306	0.201694	0.550000	0.640000
<b>Class A - Income Gross</b>						
Group 1	0.530000	-	0.530000	-	0.530000	0.640000
Group 2	0.530000	-	0.530000	0.000000	0.530000	0.640000
<b>Class A - Income Net</b>						
Group 1	0.525000	0.105000	0.420000	-	0.420000	0.530000
Group 2	0.169224	0.033845	0.135379	0.284621	0.420000	0.530000
<b>Class B - Accumulation Gross</b>						
Group 1	0.700000	-	0.700000	-	0.700000	0.810000
Group 2	0.431001	-	0.431001	0.268999	0.700000	0.810000
<b>Class B - Accumulation Net</b>						
Group 1	0.687500	0.137500	0.550000	-	0.550000	0.640000
Group 2	0.216440	0.043288	0.173152	0.376848	0.550000	0.640000
<b>Class B - Income Gross</b>						
Group 1	0.560000	-	0.560000	-	0.560000	0.670000
Group 2	0.560000	-	0.560000	0.000000	0.560000	0.670000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 28/02/14 (p)	Distribution paid 28/02/13 (p)
<b>Class B - Income Net</b>						
Group 1	0.525000	0.105000	0.420000	-	0.420000	0.530000
Group 2	0.525000	0.105000	0.420000	0.000000	0.420000	0.530000
<b>Class C - Accumulation Gross</b>						
Group 1	0.550000	-	0.550000	-	0.550000	0.620000
Group 2	0.550000	-	0.550000	0.000000	0.550000	0.620000
<b>Class C - Accumulation Net</b>						
Group 1	0.537500	0.107500	0.430000	-	0.430000	0.490000
Group 2	0.192935	0.038587	0.154348	0.275652	0.430000	0.490000
<b>Class C - Income Gross</b>						
Group 1	0.520000	-	0.520000	-	0.520000	0.610000
Group 2	0.164947	-	0.164947	0.355053	0.520000	0.610000
<b>Class C - Income Net</b>						
Group 1	0.512500	0.102500	0.410000	-	0.410000	0.480000
Group 2	0.308625	0.061725	0.246900	0.163100	0.410000	0.480000
<b>Class J - Accumulation Gross</b>						
Group 1	14.650000	-	14.650000	-	14.650000	16.560000
Group 2	14.650000	-	14.650000	0.000000	14.650000	16.560000
<b>Class K - Accumulation Gross</b>						
Group 1	0.740000	-	0.740000	-	0.740000	0.830000
Group 2	0.740000	-	0.740000	0.000000	0.740000	0.830000



**Third quarter interim interest distribution**

Group 1: Shares purchased prior to 1 July 2013

Group 2: Shares purchased between 1 July 2013 and 30 September 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/13 (p)	Distribution paid 30/11/12 (p)
<b>Class A - Accumulation Gross</b>						
Group 1	0.690000	-	0.690000	-	0.690000	0.790000
Group 2	0.690000	-	0.690000	0.000000	0.690000	0.790000
<b>Class A - Accumulation Net</b>						
Group 1	0.700000	0.140000	0.560000	-	0.560000	0.650000
Group 2	0.245367	0.049073	0.196294	0.363706	0.560000	0.650000
<b>Class A - Income Gross</b>						
Group 1	0.530000	-	0.530000	-	0.530000	0.650000
Group 2	0.530000	-	0.530000	0.000000	0.530000	0.650000
<b>Class A - Income Net</b>						
Group 1	0.550000	0.110000	0.440000	-	0.440000	0.530000
Group 2	0.120913	0.024182	0.096731	0.343269	0.440000	0.530000
<b>Class B - Accumulation Gross</b>						
Group 1	0.700000	-	0.700000	-	0.700000	0.800000
Group 2	0.447809	-	0.447809	0.252191	0.700000	0.800000
<b>Class B - Accumulation Net</b>						
Group 1	0.687500	0.137500	0.550000	-	0.550000	0.650000
Group 2	0.293180	0.058636	0.234544	0.315456	0.550000	0.650000
<b>Class B - Income Gross</b>						
Group 1	0.550000	-	0.550000	-	0.550000	0.660000
Group 2	0.550000	-	0.550000	0.000000	0.550000	0.660000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/13 (p)	Distribution paid 30/11/12 (p)
<b>Class B - Income Net</b>						
Group 1	0.575000	0.115000	0.460000	-	0.460000	0.530000
Group 2	0.575000	0.115000	0.460000	0.000000	0.460000	0.530000
<b>Class C - Accumulation Gross</b>						
Group 1	0.540000	-	0.540000	-	0.540000	0.280000
Group 2	0.540000	-	0.540000	0.000000	0.540000	0.280000
<b>Class C - Accumulation Net</b>						
Group 1	0.525000	0.105000	0.420000	-	0.420000	0.230000
Group 2	0.272456	0.054491	0.217965	0.202035	0.420000	0.230000
<b>Class C - Income Gross</b>						
Group 1	0.520000	-	0.520000	-	0.520000	0.280000
Group 2	0.139115	-	0.139115	0.380885	0.520000	0.280000
<b>Class C - Income Net</b>						
Group 1	0.525000	0.105000	0.420000	-	0.420000	0.230000
Group 2	0.193923	0.038784	0.155139	0.264861	0.420000	0.230000
<b>Class J - Accumulation Gross</b>						
Group 1	14.520000	-	14.520000	-	14.520000	16.890000
Group 2	14.520000	-	14.520000	0.000000	14.520000	16.890000
<b>Class K - Accumulation Gross</b>						
Group 1	0.730000	-	0.730000	-	0.730000	0.840000
Group 2	0.056984	-	0.056984	0.673016	0.730000	0.840000

**Second quarter interim interest distribution**

Group 1: Shares purchased prior to 1 April 2013

Group 2: Shares purchased between 1 April 2013 and 30 June 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/13 (p)	Distribution paid 31/08/12 (p)
<b>Class A - Accumulation Gross</b>						
Group 1	0.720000	-	0.720000	-	0.720000	0.820000
Group 2	0.720000	-	0.720000	0.000000	0.720000	0.820000
<b>Class A - Accumulation Net</b>						
Group 1	0.725000	0.145000	0.580000	-	0.580000	0.680000
Group 2	0.440438	0.088088	0.352350	0.227650	0.580000	0.680000
<b>Class A - Income Gross</b>						
Group 1	0.570000	-	0.570000	-	0.570000	0.680000
Group 2	0.570000	-	0.570000	0.000000	0.570000	0.680000
<b>Class A - Income Net</b>						
Group 1	0.587500	0.117500	0.470000	-	0.470000	0.570000
Group 2	0.118575	0.023715	0.094860	0.375140	0.470000	0.570000
<b>Class B - Accumulation Gross</b>						
Group 1	0.740000	-	0.740000	-	0.740000	0.840000
Group 2	0.452516	-	0.452516	0.287484	0.740000	0.840000
<b>Class B - Accumulation Net</b>						
Group 1	0.725000	0.145000	0.580000	-	0.580000	0.670000
Group 2	0.671851	0.134370	0.537481	0.042519	0.580000	0.670000
<b>Class B - Income Gross</b>						
Group 1	0.590000	-	0.590000	-	0.590000	0.710000
Group 2	0.590000	-	0.590000	0.000000	0.590000	0.710000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/13 (p)	Distribution paid 31/08/12 (p)
<b>Class B - Income Net</b>						
Group 1	0.587500	0.117500	0.470000	-	0.470000	0.560000
Group 2	0.587500	0.117500	0.470000	0.000000	0.470000	0.560000
<b>Class C - Accumulation Gross</b>						
Group 1	0.570000	-	0.570000	-	0.570000	0.000000
Group 2	0.570000	-	0.570000	0.000000	0.570000	0.000000
<b>Class C - Accumulation Net</b>						
Group 1	0.562500	0.112500	0.450000	-	0.450000	0.000000
Group 2	0.157220	0.031444	0.125776	0.324224	0.450000	0.000000
<b>Class C - Income Gross</b>						
Group 1	0.550000	-	0.550000	-	0.550000	0.000000
Group 2	0.550000	-	0.550000	0.000000	0.550000	0.000000
<b>Class C - Income Net</b>						
Group 1	0.550000	0.110000	0.440000	-	0.440000	0.000000
Group 2	0.171495	0.034299	0.137196	0.302804	0.440000	0.000000
<b>Class J - Accumulation Gross</b>						
Group 1	15.360000	-	15.360000	-	15.360000	17.430000
Group 2	4.833702	-	4.833702	10.526298	15.360000	17.430000
<b>Class K - Accumulation Gross</b>						
Group 1	0.770000	-	0.770000	-	0.770000	0.870000
Group 2	0.535390	-	0.535390	0.234610	0.770000	0.870000

**First quarter interim interest distribution**

Group 1: Shares purchased prior to 1 January 2013

Group 2: Shares purchased between 1 January 2013 and 31 March 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/13 (p)	Distribution paid 31/05/12 (p)
<b>Class A - Accumulation Gross</b>						
Group 1	0.670000	-	0.670000	-	0.670000	0.820000
Group 2	0.527375	-	0.527375	0.142625	0.670000	0.820000
<b>Class A - Accumulation Net</b>						
Group 1	0.675000	0.135000	0.540000	-	0.540000	0.680000
Group 2	0.215047	0.043009	0.172038	0.367962	0.540000	0.680000
<b>Class A - Income Gross</b>						
Group 1	0.520000	-	0.520000	-	0.520000	0.690000
Group 2	0.520000	-	0.520000	0.000000	0.520000	0.690000
<b>Class A - Income Net</b>						
Group 1	0.550000	0.110000	0.440000	-	0.440000	0.570000
Group 2	0.401620	0.080324	0.321296	0.118704	0.440000	0.570000
<b>Class B - Accumulation Gross</b>						
Group 1	0.680000	-	0.680000	-	0.680000	0.840000
Group 2	0.120622	-	0.120622	0.559378	0.680000	0.840000
<b>Class B - Accumulation Net</b>						
Group 1	0.675000	0.135000	0.540000	-	0.540000	0.670000
Group 2	0.185995	0.037199	0.148796	0.391204	0.540000	0.670000
<b>Class B - Income Gross</b>						
Group 1	0.550000	-	0.550000	-	0.550000	0.720000
Group 2	0.550000	-	0.550000	0.000000	0.550000	0.720000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/13 (p)	Distribution paid 31/05/12 (p)
<b>Class B - Income Net</b>						
Group 1	0.562500	0.112500	0.450000	-	0.450000	0.560000
Group 2	0.562500	0.112500	0.450000	0.000000	0.450000	0.560000
<b>Class C - Accumulation Gross</b>						
Group 1	0.520000	-	0.520000	-	0.520000	0.000000
Group 2	0.520000	-	0.520000	0.000000	0.520000	0.000000
<b>Class C - Accumulation Net</b>						
Group 1	0.525000	0.105000	0.420000	-	0.420000	0.000000
Group 2	0.525000	0.105000	0.420000	0.000000	0.420000	0.000000
<b>Class C - Income Gross</b>						
Group 1	0.520000	-	0.520000	-	0.520000	0.000000
Group 2	0.135614	-	0.135614	0.384386	0.520000	0.000000
<b>Class C - Income Net</b>						
Group 1	0.525000	0.105000	0.420000	-	0.420000	0.000000
Group 2	0.127608	0.025521	0.102087	0.317913	0.420000	0.000000
<b>Class J - Accumulation Gross</b>						
Group 1	14.190000	-	14.190000	-	14.190000	17.460000
Group 2	14.190000	-	14.190000	0.000000	14.190000	17.460000
<b>Class K - Accumulation Gross</b>						
Group 1	0.710000	-	0.710000	-	0.710000	0.860000
Group 2	0.008700	-	0.008700	0.701300	0.710000	0.860000

Gross shareholders receive a distribution without the deduction of income tax.

## UBS Fixed Interest UK Plus Fund

## Manager's report

### Investment objective and policy

To seek to generate a return greater than the return provided by UK government securities, derived from investment in UK and global securities. The Fund invests in government bonds, non-government bonds (including bonds issued by local authorities, supra-nationals, agencies and corporate entities); fixed rate, variable rate, inflation-linked, index-linked and non-sterling bonds (including emerging market debt); secured and unsecured debt securities (including floating rate notes); and investment grade and high yield bonds; and may express views on exchange rates. Additionally, the Fund may invest in other transferable securities (including warrants), money market instruments, deposits, cash and near cash and units in collective investments schemes. At its discretion the Manager may use derivatives including forward foreign exchange, forward and futures contracts, swaps, options, repurchase agreements and structured credit, for investment purposes and/or to manage interest rate, inflation, credit and currency exposures.

### Market environment

The year 2013 began with a focus on Europe, with Italian political instability and an unconventional bailout of Cyprus, and then shifted to Japan when the Bank of Japan launched the 'super' QE programme as Abenomics got started. Focus then rotated to the US, where the Federal Reserve's ("the Fed") communication strategy was called into question as fears of an imminent 'Taper' saw a sharp rise in volatility which resulted in a simultaneous drop in asset prices of both 'safe-haven' government bonds and risk assets.

The second half of the year was a good period for GBP corporate bonds from an excess returning perspective, as the iBoxx Sterling-Non Gilt index returned 2.13%. Learning from the experience of the first half, central bankers wrestled back some control over markets with the introduction of so-called forward guidance which succeeded in bringing investor focus back towards the evolving picture for key economic variables; employment, growth and inflation. Against this background market volatility fell, and when it finally came to the US Fed announcing it was reducing the size of its asset purchases – i.e. tapering - the market took it in its stride. In the UK a run of positive economic surprises and a rapid turnaround in labour market data led the Bank of England's Monetary Policy Commission (MPC) to bring forward its timing for the unemployment rate to cross its designated 7% threshold by almost a full year, to the first quarter of 2015.

The additional yield on the iBoxx Sterling Non-Gilt index relative to UK gilts fell from 1.56% to 1.19%. Within the corporate bond index, financial bonds outperformed non-financial bonds. Financial bond spreads tightened from 2.41% to 1.70% and non-financial bond spreads tightened from 1.59% to 1.24%.

### Fund performance

The Fund achieved a performance of -5.6%\* for the year. In credit management our overweight to Financials provided a boost to performance during the second half of the year, as did an overweight allocation to GBP industrials and utility companies; however these positive contributions were not enough to offset the impact of active currency management, which was the biggest contributor to underperformance during the period.

We maintained an overweight to credit during the year, including an allocation to financials which has been reduced in light of the recent tightening of spreads. We also maintained our allocation to the high yield sector in both the US and Asia and reduced the exposure to lower rated investment grade names. We continue to believe that robust credit fundamentals, continued policy accommodation and high risk premiums will continue to support higher yielding sectors, albeit in an environment where spreads have recently ground tighter which has reduced the relative compensation for risk.

\* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2013, based on J shares.

## Outlook

The Fed's enhanced forward guidance will help to anchor front end US rates in the short term but ultimately the path of US interest rates will be driven by the path of economic growth and inflation. 2014 US growth forecasts are being revised upwards and we anticipate above trend economic growth driven by reduced fiscal drag, higher residential investment and consumer spending. In contrast inflationary pressures remain muted. Across a wide number of developed markets near term forward looking inflation is below target central bank targets. With growth momentum in the US picking up and the Eurozone stable, there is potential for inflation linked bonds to outperform comparable nominal bonds should realized inflation return to more normal levels.

We continue to have a preference for European interest rate duration taken through exposure to semi-core and peripheral country bond markets. The ECB remains committed to maintaining a high degree of monetary accommodation and in fulfilling its mandate of ensuring price stability. Against this background and the recent improvement in data we see potential for further outperformance of peripheral European bond markets versus the core.

We continue to expect that an environment of improving global growth and accommodative monetary policy in developed markets will be supportive of carry based strategies and we favour some continued exposure to agencies, supranationals and investment grade corporate credit at the expense of the lower yielding developed market sovereign bonds.

## Percentage growth

	<b>31/12/12 to 31/12/13 %</b>	<b>31/12/11 to 31/12/12 %</b>	<b>31/12/10 to 31/12/11 %</b>	<b>31/12/09 to 31/12/10 %</b>	<b>31/12/08 to 31/12/09 %</b>
Class J - Accumulation Gross Shares	-5.64	3.54	14.40	11.71	16.33
Class K - Accumulation Gross Shares	-5.02	4.22	15.15	12.67	17.08

Source: Lipper-Hindsight: Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms.

Launch date: Class K Accumulation Gross Shares: 6 March 2007; Class J Accumulation Gross Shares: 26 March 2008.

UBS Global Asset Management Funds Ltd

25 April 2014

**Performance record (unaudited)****1. Fund size**

<b>Accounting year 31 December</b>		<b>Number of shares in issue</b>	<b>Total net asset value per share (p)*</b>	<b>Total net asset value (£)</b>
2011	Class J - Accumulation Gross	337,237	1,404.7	4,737,093
	Class K - Accumulation Gross	17,358,282	69.5	12,071,231
				£16,808,324
2012	Class J - Accumulation Gross	341,551	1,456.6	4,974,992
	Class K - Accumulation Gross	16,211,838	72.6	11,767,320
				£16,742,312
2013	Class J - Accumulation Gross	341,551	1,375.5	4,697,946
	Class K - Accumulation Gross	16,211,838	69.0	11,184,142
				£15,882,088

\* rounded to one decimal place.

**2. Ongoing charges figure**

The ongoing charges figure (OCF) is the ratio of the Fund's annual operating expenses (excluding overdraft interest) to the average net assets of the Fund. It covers all aspects of operating the Fund during the year, including fees paid for investment management, administration, safeguarding the Fund's assets, depositary services and audit (net of any fee rebates, if applicable). Where the Fund invests in other funds, the figure includes the impact of the charges made in those other funds.

<b>Share class</b>	<b>31 Dec 13 (%)</b>	<b>31 Dec 12 (%)</b>
Class J - Accumulation Gross	0.75	0.75
Class K - Accumulation Gross	0.10	0.10

**3. Share dealing price range and distribution record**

The Fund was launched on 6 March 2007 at a price of 50p for Class K Accumulation Gross shares. The Class J Accumulation Gross shares were launched on 26 March 2008 at a price of £10.

<b>Calendar year</b>	<b>Highest price (p)</b>	<b>Lowest price (p)</b>	<b>Distribution per share (p)</b>
Class J - Accumulation Gross			
2009	1,114.24	903.20	55.92
2010	1,242.65	1,101.45	49.29
2011	1,408.97	1,202.39	40.25
2012	1,471.71	1,371.28	35.97
2013	1,485.60	1,372.23	37.28
Class K - Accumulation Gross			
2009	54.32	43.79	2.68
2010	61.03	53.73	2.42
2011	69.75	59.19	1.99
2012	73.23	67.98	1.80
2013	74.19	68.71	1.86

Past performance is not a guide to future performance. Investors are reminded that the price of shares and the revenue from them is not guaranteed and may go down as well as up.

**Portfolio statement (unaudited)****As at 31 December 2013**

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>Bonds - 97.00% (31 Dec 12: 94.32%)</b>			
<b>Floating Rate Notes - 0.96% (31 Dec 12: 2.21%)</b>			
GDF Suez 4.625% FRN Perpetual	£100,000	102,500	0.65
Zurich Finance 6.625% MTN Perpetual	£45,000	49,775	0.31
<b>Mortgage &amp; Asset Backed Securities - 0.00% (31 Dec 12: 4.73%)</b>			
Infiniti SPC FRN 2016	\$100,000	-	-
<b>Ordinary Fixed Interest - 95.04% (31 Dec 12: 87.38%)</b>			
AA Bond 4.7201% 2018	£140,000	145,016	0.91
BAA Funding 6.75% 2028	£50,000	61,249	0.39
Banco de Sabadell 3.375% 2018	€100,000	86,481	0.55
Bank of America 4.25% 2026	£100,000	97,044	0.61
Barclays Bank 5.75% 2026	£50,000	52,213	0.33
Caixa Geral de Depositos 3.75% 2018	€100,000	85,390	0.54
Centrica 4.375% 2029	£100,000	97,881	0.62
Commonwealth Bank of Australia 3% 2026	£130,000	116,724	0.73
Deutsche Bahn Finance 1.375% 2017	£130,000	128,665	0.81
Dignity Finance 6.31% 2023	£13,190	15,299	0.10
Dresdner Bank 6.25% 2016	€35,000	30,616	0.19
European Investment Bank 2.5% 2022	£170,000	159,958	1.01
GDF Suez 5% 2060	£50,000	53,738	0.34
General Electric Capital UK Funding 4.125% 2023	£100,000	100,750	0.63
Heathrow Funding 'A' 5.225% 2025	£100,000	108,023	0.68
Imperial Tobacco Finance 9% 2022	£50,000	66,092	0.42
Italy 5.5% 2022	€200,000	187,036	1.18

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Linde Finance 8.125% 2066	£5,000	5,681	0.04
Lloyds Banking Group 5.125% 2025	£100,000	110,601	0.70
National Express Group 6.625% 2020	£80,000	91,205	0.57
REN Finance 4.75% 2020	€100,000	85,809	0.54
Royal Bank of Scotland 6% 2023	\$125,000	76,009	0.48
Sweden 1.5% 2023	SEK5,600,000	479,937	3.02
Sweden 4.25% 2019	SEK6,000,000	631,664	3.98
Telereal Securitisation 4.01% 2031	£98,878	95,262	0.60
Treasury 1.25% 2018	£1,335,000	1,298,221	8.17
Treasury 1.75% 2017	£401,000	407,737	2.57
Treasury 2.25% 2023	£100,000	93,560	0.59
Treasury 2.75% 2015	£708,000	724,780	4.56
Treasury 4% 2060	£1,209,000	1,328,449	8.36
Treasury 4.25% 2027	£275,000	301,428	1.90
Treasury 4.25% 2032	£158,000	173,895	1.09
Treasury 4.25% 2036	£841,000	925,773	5.83
Treasury 4.25% 2039	£295,000	326,299	2.05
Treasury 4.25% 2040	£556,000	615,937	3.88
Treasury 4.25% 2046	£469,000	525,655	3.31
Treasury 4.5% 2019	£1,055,000	1,181,705	7.44
Treasury 4.5% 2034	£217,000	246,751	1.55
Treasury 4.5% 2042	£340,000	393,958	2.48
Treasury 4.75% 2020	£1,885,000	2,151,162	13.54
Treasury 4.75% 2030	£723,000	842,078	5.30
Treasury 5% 2018	£242,000	274,622	1.73



	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Wales & West Utilities 6.75% 2018	£100,000	114,379	0.72
<b>Collective Investment Schemes – 1.00% (31 Dec 12: 0.00%)</b>			
UBS (Lux) Bond SICAV - USD High Yield (USD) U-X-acc	18	158,792	1.00
<b>Derivatives - (0.15)% (31 Dec 12: (0.18)%)</b>			
<b>Credit Default Swaps - (0.09)% (31 Dec 12: (0.07)%)</b>			
Barclays Bank Credit Default Swap Deutsche Telekom 6% Receive 20 Dec 2016	90,000	1,623	0.01
Barclays Credit Default Swap Next 5.375% Pay 20 Mar 2018	140,000	(3,067)	(0.02)
Citi Credit Default Swaps Imperial Tobacco 6.25% Pay 20 Mar 2018	90,000	(1,570)	(0.01)
Credit Default Swaps CDX.NA.HY 1.065% 15 Jan 2014	(260,000)	(2,528)	(0.02)
Credit Default Swaps CDX.NA.IG 0.0080% 19 Mar 2014	625,000	340	-
Goldman Sachs Credit Default Swap Gas Natural Capital Markets 4.5% Pay 20 Sep 2018	100,000	(470)	-
Goldman Sachs Credit Default Swap Iberdrola 3.5% Pay 20 Sep 2018	100,000	(517)	-
Goldman Sachs Credit Default Swap Solvay 4.625% Pay 20 Sep 2018	100,000	(1,529)	(0.01)
JPM Credit Default Swap Barclays Bank 1% Receive 20 Mar 2018	100,000	(287)	-
JPM Credit Default Swap Barrick Gold 5.8% Receive 20 Dec 2018	130,000	(3,340)	(0.02)
JPM Credit Default Swap BYIF 5.625% Pay 20 Mar 2018	210,000	(4,826)	(0.03)

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
JPM Credit Default Swap Commerzbank 6.375% Pay 20 Mar 2016	35,000	(2,664)	(0.01)
JPM Credit Default Swap Computer Sciences 6.5% Pay 20 Mar 2014	185,000	(258)	-
JPM Credit Default Swap Computer Sciences 6.5% Receive 20 Mar 2016	125,000	1,183	0.01
JPM Credit Default Swap Deutsche Bank 5.125% Pay 20 Mar 2020	100,000	32	-
JPM Credit Default Swap Holcim 4.375% Pay 20 Jun 2018	150,000	(913)	(0.01)
JPM Credit Default Swap HSBC Bank 4% Pay 20 Sep 2018	50,000	(817)	(0.01)
JPM Credit Default Swap Linde Finance 5.875% Receive 20 Mar 2018	210,000	5,221	0.03
JPM Credit Default Swap Standard Chartered 1% Pay 20 Sep 2018	50,000	77	-
<b>Futures - (0.14)% (31 Dec 12: (0.08)%)</b>			
90 Day Sterling Future 16 Dec 2015	13	(6,825)	(0.04)
Euro BOBL Future 6 Mar 2014	(7)	3,441	0.02
Euro BUND Future 6 Mar 2014	(9)	5,174	0.03
Long Gilt Future 27 Mar 2014	5	(10,175)	(0.06)
US 5 Year Note Futures 31 Mar 2014	28	(22,901)	(0.15)
US 10 Year Note Futures 20 Mar 2014	(10)	9,479	0.06
<b>Interest Rate Swaps - 0.25% (31 Dec 12: 0.01%)</b>			
Interest Rate Swap Pay 0.77% 3 Oct 2017	4,140,000	39,345	0.25
<b>Forwards - (0.17)% (31 Dec 12: (0.04)%)</b>			
Bought Australian Dollar 280,000			
Sold Canadian Dollar 269,811		(2,191)	(0.01)

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Bought Australian Dollar 275,000			
Sold New Zealand Dollar 309,254		(5,025)	(0.03)
Bought Australian Dollar 523,449			
Sold Sterling 309,607		(26,712)	(0.17)
Bought Australian Dollar 135,000			
Sold US Dollar 126,421		(3,553)	(0.02)
Bought Brazil Real 413,950			
Sold US Dollar 183,670		(5,697)	(0.04)
Bought Canadian Dollar 536,546			
Sold US Dollar 520,000		(9,435)	(0.06)
Bought Chile Peso 33,588,750			
Sold US Dollar 65,000		(751)	-
Bought Euro 955,000			
Sold Norwegian Krone 7,978,757		1,201	0.01
Bought Euro 380,000			
Sold Swiss Francs 464,045		1,386	0.01
Bought Euro 185,000			
Sold US Dollar 249,804		2,954	0.02
Bought Japanese Yen 50,822,200			
Sold US Dollar 520,000		(21,660)	(0.14)
Bought Malaysian Ringgit 489,000			
Sold US Dollar 153,996		(3,041)	(0.02)
Bought New Zealand Dollar 302,828			
Sold Australian Dollar 280,000		(870)	(0.01)
Bought Norwegian Krone 7,800,000			
Sold Sterling 812,291		(35,590)	(0.22)
Bought Norwegian Krone 1,600,000			
Sold Swedish Krona 1,685,877		232	-

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Bought Norwegian Krone 841,288			
Sold Euro 100,000		453	-
Bought Philippine Peso 5,250,000			
Sold US Dollar 122,922		(2,822)	(0.02)
Bought Polish Zloty 305,000			
Sold Sterling 61,486		(338)	-
Bought Russian Ruble 2,258,760			
Sold US Dollar 68,873		(236)	-
Bought Singapore Dollar 174,945			
Sold Sterling 87,904		(4,090)	(0.03)
Bought Sterling 320,000			
Sold Australian Dollar 556,550		19,216	0.12
Bought Sterling 160,000			
Sold Canadian Dollar 268,875		7,017	0.04
Bought Sterling 1,028,329			
Sold Euro 1,210,000		20,160	0.13
Bought Sterling 161,953			
Sold Japanese Yen 25,400,000		15,489	0.10
Bought Sterling 48,047			
Sold Singapore Dollar 95,000		2,534	0.02
Bought Sterling 1,154,733			
Sold Swedish Krona 12,070,000		15,723	0.10
Bought Sterling 548,847			
Sold Swiss Francs 800,000		5,401	0.03
Bought Sterling 1,998			
Sold Thailand Baht 100,000		152	-
Bought Sterling 396,494			
Sold US Dollar 634,672		12,376	0.08

<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Bought Swiss Francs 462,235		
Sold Euro 375,000	1,551	0.01
Bought US Dollar 257,387		
Sold Australian Dollar 290,000	(952)	(0.01)
Bought US Dollar 59,486		
Sold Chile Peso 30,100,000	1,422	0.01
Bought US Dollar 260,000		
Sold Japanese Yen 25,928,500	7,847	0.05
Bought US Dollar 153,071		
Sold Korean Won 164,000,000	(1,850)	(0.01)
Bought US Dollar 887,674		
Sold Sterling 554,232	(16,991)	(0.11)
Investment assets (including investment liabilities)	15,382,337	96.85
Net other assets	499,751	3.15
<b>Net assets</b>	<b>£15,882,088</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to official stock exchange listings or trade on a regulated market unless otherwise stated, with the exception of the Swaps and futures which are over-the-counter derivative investments not listed on recognised exchanges.

At 31 December 2013, 99.81% of the debt securities were rated as investment grade and 0.19% were unrated.

### Counterparty Exposure (unaudited)

The underlying exposure obtained through financial derivative instruments and the identity of the counterparties to these transactions, including collateral information, if applicable, is contained in the table below.

<b>Counterparty</b>	<b>Collateral £</b>	<b>Net forward foreign exchange contracts £</b>	<b>Futures contracts £</b>	<b>Credit default swaps £</b>	<b>Interest rate swaps £</b>	<b>Total £</b>
<b>31 Dec 13</b>	-					
Barclays	-	(35,369)	-	(1,444)	39,345	(2,532)
Canadian Imperial Bank	-	20,602	-	-	-	20,602
Citibank	-	-	-	(3,758)		(3,758)
Credit Suisse	-	453	-	-	-	453
Goldman Sachs	-	-	-	(2,516)	-	(2,516)
HSBC	-	(6,911)	-	-	-	(6,911)
JPMorgan Chase Bank	-	(2,726)	-	(6,592)	-	(9,318)
State Street Bank & Trust Co	-	(437)	-	-	-	(437)
UBS	-	(2,302)	(21,807)	-	-	(24,109)

**Portfolio movements (unaudited)**  
**For the year ended 31 December 2013**

	<b>Cost £</b>
<b>Major purchases</b>	
Treasury 1.25% 2018	1,671,847
FNMA 3.5% 30 Yrs 2043	1,543,026
Sweden 1.5% 2023	915,773
FNMA 3.5% 30 Yrs 2042	837,483
FNMA 3.5% 30 Yrs 2040	837,357
FHLMC Gold 3.5% 30 Yrs 2042	815,011
FNMA 3.5% 30 Yrs 2044	804,075
FNMA 3.5% 30 Yrs 2043	792,661
FNMA 3.5% 30 Yrs 2044	790,105
FNMA 3.5% 30 Yrs 2043	782,522
Sweden 4.25% 2019	640,468
Treasury 1.75% 2022	598,523
Treasury 4.25% 2046	420,291
Treasury 5% 2014	418,792
Treasury 4.5% 2019	384,638
Treasury 4.5% 2042	363,646
Canada 1.5% 2023	331,444
Treasury 4% 2022	258,389
Achmea 6% FRN 2043	237,626
Sinopec Capital 2013 1.875% 2018	209,478
<b>Total for the year</b>	<b>£19,369,092</b>

	<b>Proceeds £</b>
<b>Major sales</b>	
Treasury 5% 2014	1,568,500
FNMA 3.5% 30 Yrs 2043	1,522,031
FNMA 3.5% 30 Yrs 2040	839,385
FNMA 3.5% 30 Yrs 2044	839,155
FNMA 3.5% 30 Yrs 2042	818,202
FNMA 3.5% 30 Yrs 2044	805,758
FHLMC Gold 3.5% 30 Yrs 2042	793,506
FNMA 3.5% 30 Yrs 2044	791,531
FNMA 3.5% 30 Yrs 2043	784,811
FNMA 3.5% 30 Yrs 2043	782,282
Treasury 5% 2025	639,094
Treasury 2.75% 2015	632,108
Treasury 1.75% 2022	595,103
Sweden 1.5% 2023	382,171
Treasury 1.25% 2018	334,954
Treasury 4.5% 2013	333,363
Canada 1.5% 2023	312,087
Treasury 4.5% 2042	251,954
Treasury 4% 2022	249,998
Achmea 6% FRN 2043	248,367
<b>Total for the year</b>	<b>£18,669,344</b>

**Statement of total return**  
**For the year ended 31 December 2013**

			31 Dec 13	31 Dec 12
	Notes	£	£	£
Income				
Net capital (losses)/gains	2		(1,248,748)	324,422
Revenue	3	429,553		423,418
Expenses	4	(40,992)		(44,715)
Finance costs: Interest	6	(38)		-
Net revenue before taxation		388,523		378,703
Taxation	5	-		-
Net revenue after taxation			388,523	378,703
Total return before distributions			(860,225)	703,125
Finance costs: Distributions	6		(428,870)	(423,971)
<b>Change in net assets attributable to shareholders from investment activities</b>			£(1,289,095)	£279,154

**Statement of change in net assets attributable to shareholders**  
**For the year ended 31 December 2013**

		31 Dec 13	31 Dec 12
	£	£	£
Opening net assets attributable to shareholders		16,742,313	16,808,324
Amounts receivable on issue of shares	-	322,796	
Amounts payable on cancellation of shares	-	(1,089,687)	
		-	(766,891)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(1,289,095)	279,154
Retained distribution on accumulation shares		428,870	421,725
<b>Closing net assets attributable to shareholders</b>		£15,882,088	£16,742,312

**Balance sheet****As at 31 December 2013**

	<b>Notes</b>	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
<b>ASSETS</b>			
Investment assets		15,586,828	15,894,925
Debtors	7	177,021	165,755
Cash and bank balances	8	350,572	1,624,541
Total other assets		527,593	1,790,296
Total assets		16,114,421	17,685,221
<b>LIABILITIES</b>			
Investment liabilities		204,491	133,570
Creditors	9	27,842	809,339
Total other liabilities		27,842	809,339
Total liabilities		232,333	942,909
<b>Net assets attributable to shareholders</b>		<b>£15,882,088</b>	<b>£16,742,312</b>

## Notes to the financial statements

### 1. Accounting policies

Accounting policies of the Fund are as set out on pages 10 to 12.

### 2. Net capital (losses)/gains

	31 Dec 13 £	31 Dec 12 £
Currency (losses)/gains	(13,173)	1,581
Derivative contracts	(67,893)	26,850
Forward currency contracts	(191,926)	126,924
Non-derivative securities	(971,611)	172,695
Transaction charges	(4,145)	(3,628)
Net capital (losses)/gains	£(1,248,748)	£324,422

### 3. Revenue

	31 Dec 13 £	31 Dec 12 £
Bank interest	27	5
Interest on debt securities	435,052	425,135
Interest on derivative contracts	(5,586)	(1,722)
Interest on margin deposits	60	-
	£429,553	£423,418

### 4. Expenses

	31 Dec 13 £	31 Dec 12 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Administration fees	19,332	-
Authorised Corporate Director's fees	31,527	32,212
Expense fee rebate	(26,947)	-
Registration fees	4,024	-
	27,936	32,212
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	1,963	2,026
	1,963	2,026
<i>Payable to other related parties and third parties:</i>		
Audit fees	9,665	9,049
Safe custody fees	427	426
Taxation fees	1,001	1,002
	11,093	10,477
	£40,992	£44,715

The audit fee for the period, excluding VAT, was £7,500 (31 December 2012: £7,500).

## 5. Taxation

### (a) Analysis of tax charge

There is no tax charge for the year.

### (b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 12: 20%).

The differences are explained below:

	31 Dec 13 £	31 Dec 12 £
Net revenue before taxation	388,523	378,703
Corporation tax at 20%	77,705	75,741
<i>Effects of:</i>		
Interest distributions	(85,904)	(84,684)
Movement in excess expenses	8,199	8,943
	(77,705)	(75,741)
<b>Total tax charge (5.a)</b>	-	-

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

### (c) Deferred tax assets

At 31 December 2013 the Fund had excess management expenses of £369,480 (31 Dec 2012: £328,487). The deferred tax in respect of this would be £73,896 (31 Dec 2012: £65,697). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 13 £	31 Dec 12 £
Interim - first quarter	92,547	116,006
Interim - second quarter	104,000	107,482
Interim - third quarter	109,923	97,395
Final	122,400	100,842
	428,870	421,725
Add: Amounts deducted on cancellation of shares	-	4,450
Deduct: Amounts added on issue of shares	-	(2,204)
Net distributions	428,870	-
Interest	38	-
<b>Total finance costs</b>	<b>£428,908</b>	<b>£423,971</b>
Net revenue after taxation	388,523	378,703
Add: Expense charged to capital	40,992	44,715
Add: Revenue brought forward	319	872
Deduct: Revenue carried forward	(964)	(319)
<b>Net distributions as above</b>	<b>£428,870</b>	<b>£423,971</b>

Details of the distribution per share are set out in the table on pages 70 and 71.



**7. Debtors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Interest receivable on debt securities	177,021	165,755
	<b>£177,021</b>	<b>£165,755</b>

**8. Cash & bank balances**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Amounts held at futures clearing houses and brokers	71,931	63,365
Cash and bank balances	278,641	1,561,176
	<b>£350,572</b>	<b>£1,624,541</b>

**9. Creditors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Expense accruals	24,665	14,144
Interest payable on swaps	3,177	2,482
Purchases awaiting settlement	-	792,713
	<b>£27,842</b>	<b>£809,339</b>

**10. Equalisation**

This applies only to shares purchased during the distribution period (Group 2 shares). The average amount of revenue included in the purchase price of Group 2 shares is shown in the Distribution table and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

**11. Contingent liabilities**

At 31 December 2013 there were no contingent liabilities or commitments at the current or prior year ends.

**12. Related party transactions**

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note 4.

At 31 December 2013 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £2,696 and £2,367 respectively (31 Dec 12: £2,736 and £nil).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

UBS Global Asset Management Life Ltd is a significant investor in the Fund. Transactions with the Fund were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Asset Management Life Ltd on these transactions. The entity holds Class Class K Accumulation Gross shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £nil (31 Dec 12: £(820,819)). As at 31 December 2013, the entity held no shares in the Fund (31 Dec 12: nil shares).

UBS Global Allocation Fund (UK) is also a significant investor in the Fund. Transactions with the Fund were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Allocation Fund (UK) on these transactions. The entity holds Class K Accumulation Gross shares on which no ACD fee is payable. The aggregate value of these transactions during the period was £nil (31 Dec 12: £nil). As at 31 December 2013, the entity held 16,211,838 shares in the Fund with a market value of £11,185,646 (31 Dec 12: 16,211,838, £11,767,320).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Allocation Fund (UK) is part of the UBS Investment Funds ICVC III open-ended investment company for which UBS Global Asset Management Fund Ltd is the ACD. UBS Global Asset Management Funds Ltd, UBS Global Asset Management (UK) Ltd and UBS Global Asset Management Life Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.

### 13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on page 18 and 19.

#### (a) Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and liabilities at the year end is set out in the following tables.

**i) Financial assets**

<b>Currency</b>	<b>Floating rate financial assets £</b>	<b>Fixed rate financial assets £</b>	<b>Financial assets not carrying interest £</b>	<b>Total £</b>
<b>31 Dec 13</b>				
Australian Dollar	137	-	655,800	655,937
Brazilian Real	-	-	105,464	105,464
Canadian Dollar	13	-	305,281	305,294
Chilean Peso	-	-	38,589	38,589
Czech Koruna	54	-	-	54
Euro	122,204	475,332	1,293,046	1,890,582
Japanese Yen	368	-	293,056	293,424
Malaysian Ringgit	-	-	90,161	90,161
New Zealand Dollar	-	-	150,454	150,454
Norwegian Krone	-	-	1,019,798	1,019,798
Philippine Peso	-	-	71,574	71,574
Polish Zloty	-	-	61,148	61,148
Russian Ruble	-	-	41,447	41,447
Singapore Dollar	-	-	83,814	83,814
South African Rand	537	-	-	537
Sterling	120,907	13,584,065	3,965,954	17,670,926
Swedish Krona	53	1,111,601	20,297	1,131,951
Swiss Franc	-	-	314,000	314,000
US Dollar	106,299	76,009	1,188,310	1,370,618
	<b>£350,572</b>	<b>£15,247,007</b>	<b>£9,698,193</b>	<b>£25,295,772</b>

<b>Currency</b>	<b>Floating rate financial assets £</b>	<b>Fixed rate financial assets £</b>	<b>Financial assets not carrying interest £</b>	<b>Total £</b>
<b>31 Dec 12</b>				
Australian Dollar	35,266	-	166,493	201,759
Canadian Dollar	227	-	494,480	494,707
Czech Koruna	58	-	-	58
Euro	372,011	-	338,841	710,852
Japanese Yen	1,762	-	937,098	938,860
Malaysian Ringgit	-	-	163,218	163,218
New Zealand Dollar	2,114	-	-	2,114
Norwegian Krone	-	-	584,628	584,628
Polish Zloty	1,566	-	-	1,566
South African Rand	681	-	-	681
Sterling	406,170	14,838,278	2,115,151	17,359,599
Swedish Krona	137	-	421,326	421,463
US Dollar	967,291	791,079	964,122	2,722,492
	<b>£1,787,283</b>	<b>£15,629,357</b>	<b>£6,185,357</b>	<b>£23,601,997</b>

## ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
<b>31 Dec 13</b>			
Australian Dollar	-	608,837	608,837
Canadian Dollar	-	306,498	306,498
Chilean Peso	-	34,581	34,581
Euro	-	1,420,641	1,420,641
Japanese Yen	-	295,975	295,975
New Zealand Dollar	-	153,647	153,647
Norwegian Krone	-	794,502	794,502
Singapore Dollar	-	45,513	45,513
South Korean Won	-	94,492	94,492
Swedish Krona	-	1,298,101	1,298,101
Swiss Franc	-	858,676	858,676
Sterling	-	1,867,185	1,867,185
Thailand Baht	-	1,845	1,845
US Dollar	-	1,633,191	1,633,191
		<b>£9,413,684</b>	<b>£9,413,684</b>

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
<b>31 Dec 12</b>			
Australian Dollar	-	342,056	342,056
Canadian Dollar	-	487,654	487,654
Euro	-	854,799	854,799
Japanese Yen	-	932,797	932,797
Norwegian Krone	-	421,980	421,980
Singapore Dollar	-	163,507	163,507
Sterling	-	886,545	886,545
Swedish Krona	-	417,762	417,762
US Dollar	-	2,352,583	2,352,583
	-	<b>£6,859,683</b>	<b>£6,859,683</b>

**iii) Fixed rate financial assets**

<b>Currency</b>	<b>Weighted average interest rate %</b>	<b>Weighted average period for which the rate is fixed in years</b>
<b>31 Dec 13</b>		
Euro	3.41	6.28
Krona	2.12	7.23
Sterling	2.80	15.81
US Dollar	5.90	10.00
<b>31 Dec 12</b>		
Sterling	1.96	15.70
US Dollar	-	29.10

**(b) Currency exposure**

The proportion of the net assets of the Fund's investments are denominated in currencies other than sterling, with the effect that currency movements can affect the balance sheet and total return.

Numerical disclosures are as follows:

<b>Currency</b>	<b>Monetary exposures £</b>	<b>Non-monetary exposures £</b>	<b>Total £</b>
<b>31 Dec 13</b>			
Australian Dollar	47,100	-	47,100
Brazilian Real	105,464	-	105,464
Canadian Dollar	(1,204)	-	(1,204)
Chilean Peso	4,008	-	4,008
Czech Koruna	54	-	54
Euro	(4,299)	474,240	469,941
Japanese Yen	(2,551)	-	(2,551)
Malaysian Ringgit	90,161	-	90,161
New Zealand Dollar	(3,193)	-	(3,193)
Norwegian Krone	225,296	-	225,296
Philippine Peso	71,574	-	71,574
Polish Zloty	61,148	-	61,148
Russian Ruble	41,447	-	41,447
Singapore Dollar	38,301	-	38,301
South Korean Won	(94,492)	-	(94,492)
South African Rand	537	-	537
Swedish Krona	(1,277,751)	1,111,601	(166,150)
Swiss Franc	(544,676)	-	(544,676)
Thailand Baht	(1,845)	-	(1,845)
US Dollar	(518,694)	256,121	(262,573)
	(1,763,615)	1,841,962	78,347
Sterling	2,236,676	13,567,065	15,803,741
	<b>£473,061</b>	<b>£15,409,027</b>	<b>£15,882,088</b>

Currency	Monetary exposures £	Non-monetary exposures £	Total £
<b>31 Dec 12</b>			
Australian Dollar	(134,427)	(5,870)	(140,297)
Canadian Dollar	7,053	-	7,053
Czech Koruna	58	-	58
Euro	(303,619)	159,672	(143,947)
Japanese Yen	5,173	890	6,063
Malaysian Ringgit	163,218	-	163,218
New Zealand Dollar	2,114	-	2,114
Norwegian Krone	162,648	-	162,648
Polish Zloty	1,566	-	1,566
Singapore Dollar	(163,507)	-	(163,507)
South African Rand	681	-	681
Swedish Krona	3,701	-	3,701
US Dollar	(408,338)	778,246	369,908
	(663,679)	932,938	269,259
Sterling	1,636,401	14,836,652	16,473,053
	£972,722	£15,769,590	£16,742,312

#### (c) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and financial liabilities, as shown in the balance sheet, and their fair value.

#### (d) Derivative exposure

The Fund is permitted to invest in exchange traded bond, deposit, consumer price index and currency futures, currency forwards, credit default swaps, total return swaps, interest rate swaps and inflation swaps. The Fund will use derivatives as part of its investment capabilities and are used to manage market exposure inherent in an invested portfolio. The derivatives overlay is designed to remove unwanted market risk and allow tactical asset allocation and currency views to be expressed efficiently. However, such instruments are inherently volatile and the Fund could be potentially exposed to additional risk and costs should the market move against it.

The Manager also assesses the market risk of the Fund's investments, including any derivative exposures, using a Value at Risk (VaR) methodology with a 99% confidence level and one month time horizon. This process provides the Manager with an estimate of the maximum potential loss that could be expected to occur as a result of changes in the market prices over a given year of time in all but a given percentage of circumstances. As at 31 December 2013, the Fund's VaR was 3.22%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 3.22% of its value.

Further information on risks can be found in the Risk Profile on pages 18 and 19.

#### 14. Portfolio transaction costs

There were no transaction costs in the current or prior year.

#### 15. Subsequent events

On 17 April 2014 the Fund was closed to investors. The financial statements have been prepared on a break-up basis as disclosed in note 1(a) of the aggregated notes to the financial statements.

**Distribution table****For the year ended 31 December 2013 (in pence per share)****Final interest distribution**

Group 1: Shares purchased prior to 1 October 2013

Group 2: Shares purchased between 1 October 2013 and 31 December 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 28/02/14 (p)	<i>Distribution paid 28/02/13 (p)</i>
<b>Class J - Accumulation Gross</b>						
Group 1	10.680000	-	10.680000	-	10.680000	8.640000
Group 2	10.680000	-	10.680000	0.000000	10.680000	8.640000
<b>Class K - Accumulation Gross</b>						
Group 1	0.530000	-	0.530000	-	0.530000	0.440000
Group 2	0.530000	-	0.530000	0.000000	0.530000	0.440000

**Third quarter interim interest distribution**

Group 1: Shares purchased prior to 1 July 2013

Group 2: Shares purchased between 1 July 2013 and 30 September 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/13 (p)	<i>Distribution paid 30/11/12 (p)</i>
<b>Class J - Accumulation Gross</b>						
Group 1	9.400000	-	9.400000	-	9.400000	8.580000
Group 2	9.400000	-	9.400000	0.000000	9.400000	8.580000
<b>Class K - Accumulation Gross</b>						
Group 1	0.480000	-	0.480000	-	0.480000	0.430000
Group 2	0.480000	-	0.480000	0.000000	0.480000	0.430000

**Second quarter interim interest distribution**

Group 1: Shares purchased prior to 1 April 2013

Group 2: Shares purchased between 1 April 2013 and 30 June 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/13 (p)	<i>Distribution paid 31/08/12 (p)</i>
<b>Class J - Accumulation Gross</b>						
Group 1	9.090000	-	9.090000	-	9.090000	9.140000
Group 2	9.090000	-	9.090000	0.000000	9.090000	9.140000
<b>Class K - Accumulation Gross</b>						
Group 1	0.450000	-	0.450000	-	0.450000	0.450000
Group 2	0.450000	-	0.450000	0.000000	0.450000	0.450000

**First quarter interim interest distribution**

Group 1: Shares purchased prior to 1 January 2013

Group 2: Shares purchased between 1 January 2013 and 31 March 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/13 (p)	<i>Distribution paid 31/05/12 (p)</i>
<b>Class J - Accumulation Gross</b>						
Group 1	8.110000	-	8.110000	-	8.110000	9.610000
Group 2	8.110000	-	8.110000	0.000000	8.110000	9.610000
<b>Class K - Accumulation Gross</b>						
Group 1	0.400000	-	0.400000	-	0.400000	0.480000
Group 2	0.400000	-	0.400000	0.000000	0.400000	0.480000

Gross shareholders receive a distribution without the deduction of income tax.





## UBS Global Emerging Markets Equity Fund

## Manager's report

### Investment objective and policy

To achieve long term capital growth through active management of a diversified portfolio invested primarily in global emerging security markets. The Fund may also invest in other transferable securities (including warrants), money market instruments, deposits, cash and near cash and units in collective investment schemes

### Market environment

Concerns around the US Federal Reserve's tapering of asset purchases negatively hit the returns of most emerging markets during the period under review. Indeed the spread between the annual returns of developed markets (MSCI World +21.2%) and emerging markets (FTSE All-World Emerging -5.3%), in Sterling terms, has not been as wide since the 1998 Asian financial crisis.

In the fourth quarter of 2013 sentiment improved towards the Indian market following victory for the key opposition, Bhartiya Janta Party (BJP), in some state elections. This raised hopes for a similar outcome at the forthcoming general election and with that, the prospect of positive policy changes. In China, the release of detailed reform proposals, in addition to evidence of more robust Chinese industrial activity, further buoyed sentiment towards the country.

### Performance

The Fund achieved performance of -12.3%\* in Sterling terms during the year under review, underperforming its benchmark, the FTSE All-World Emerging Index, which, as mentioned above, fell 5.3%, also in Sterling terms.

The top stock contributor to the Fund's relative performance over the year, resulted from an overweight position in the South African consumer discretionary company, Naspers. Over the period, Naspers share price rose 61.1%, in Sterling terms, helped by the strong performance of its two major internet holdings, as well progress with its e-commerce ventures.

Another significant contributor to performance resulted from an overweight holding in the Chinese insurance company Ping An. In Sterling terms, the share price rose by more than 6%, as it was a beneficiary of the reform orientated policy announcement emanating from China.

An overweight position in the Chinese women's shoe retailer Belle International provided the largest stock detractor from performance over the year, after its share price fell 37.9% in Sterling terms.

A zero weight in the Chinese internet giant Tencent throughout the year, resulted in the second largest stock detractor, after its share price rose by 72.2%, in Sterling terms, in 2013. The online game business performed well, backed by the fast growth from new game titles and stable revenue streams from old titles. While we continue to have a zero weight in the stock, the Fund has indirect exposure to Tencent via our holding in Naspers.

At an industry level, stock selection within and an overweight to Media, resulted in it being the largest contributor to relative performance during the reporting year, whereas a combination stock selection within and an overweight to Industrial Metals & Mining detracted most.

On a geographical basis, stock selection within South Africa contributed to, yet within China detracted from, performance.

### Outlook

As they seek to regain their competitiveness, emerging markets are expected to face slower credit and economic growth compared with the last few years. Countries with current account deficits and external funding needs such as Indonesia and India need to pursue reforms. While the near-term outlook has become clouded, core fundamentals in the region remain well supported with a moderate and manageable level of external debt and also inexpensive valuations, both in absolute and relative terms.

As such while emerging markets may experience a slower rate of growth than that experienced over the past decade, this growth remains underpinned by demographics, urbanisation and consumption growth.

\* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2013, based on A shares.

**Percentage growth**

	<b>31/12/12 to 31/12/13 %</b>	<b>31/12/11 to 31/12/12 %</b>	<b>31/12/10 to 31/12/11 %</b>	<b>31/12/09 to 31/12/10 %</b>	<b>31/12/08 to 31/12/09 %</b>
Class A - Accumulation Shares	-12.25	7.82	-19.77	20.53	68.00
Class B - Accumulation Shares	-11.85	8.51	-19.26	21.29	69.07
Class C - Accumulation Shares	-11.51	1.96	-	-	-
Class J - Accumulation Shares	-11.90	8.17	-19.51	20.90	68.53
Class K- Accumulation Shares	-11.00	9.45	-18.60	22.41	70.49

Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms.

Launch date: Class J Accumulation Shares: 7 December 2001; Class A Accumulation Shares: 16 October 2003; Class B Accumulation Shares: 8 January 2004; Class K Accumulation Shares: 23 November 2007; Class C Accumulation Shares: 15 August 2012

UBS Global Asset Management Funds Ltd  
25 April 2014

**Performance record (unaudited)****1. Fund size**

<b>Accounting year</b>		<b>Number of shares in issue</b>	<b>Total net asset value per share (p)*</b>	<b>Total net asset value (£)</b>
<b>31 December</b>				
2011	Class A - Accumulation	2,913,194	298.9	8,708,686
	Class B - Accumulation	2,511,309	131.5	3,303,098
	Class J - Accumulation	110,776,133	306.6	339,650,301
	Class K - Accumulation	1,060,942	11,206.2	118,880,860
				£470,542,945
2012	Class A - Accumulation	2,595,236	322.8	8,376,764
	Class B - Accumulation	2,192,965	142.9	3,134,402
	Class C - Accumulation	95,505	50.8	48,526
	Class J - Accumulation	98,644,435	332.1	327,630,983
	Class K - Accumulation	2,600,200	12,283.5	319,394,707
				£658,585,382
2013	Class A - Accumulation	1,897,225	283.2	5,373,759
	Class B - Accumulation	2,078,578	126.1	2,620,216
	Class C - Accumulation	1,301,364	45.0	584,938
	Class J - Accumulation	57,250,061	292.5	167,452,726
	Class K - Accumulation	3,307,026	10,949.7	362,108,465
				£538,140,104

\* rounded to one decimal place.

**2. Ongoing charges figure**

The ongoing charges figure (OCF) is the ratio of the Fund's annual operating expenses (excluding overdraft interest) to the average net assets of the Fund. It covers all aspects of operating the Fund during the year, including fees paid for investment management, administration, safeguarding the Fund's assets, depositary services and audit (net of any fee rebates if applicable). Where the Fund invests in other funds, the figure includes the impact of the charges made in those other funds.

<b>Share class</b>	<b>31 Dec 13 (%)</b>	<b>31 Dec 12 (%)</b>
Class A - Accumulation	1.74	1.65
Class B - Accumulation	1.24	1.01
Class C - Accumulation	0.99	0.85
Class J - Accumulation	1.39	1.33
Class K - Accumulation	0.14	0.07

### 3. Share dealing price range and distribution record

The Fund was launched on 7 December 2001 at a price of £1 Class J Accumulation shares. Class A Accumulation shares were launched on 16 October 2003 at a price of £1.17, Class B Accumulation shares were launched on 8 January 2004 at a price of 50p and Class K Accumulation shares were launched on 23 November 2007 at a price of £100, Class C Accumulation shares were launched on 15 August 2012 at a price of 50p.

<b>Calendar year</b>	<b>Highest price (p)</b>	<b>Lowest price (p)</b>	<b>Distribution per share (net) (p)</b>
Class A - Accumulation			
2009	311.73	160.70	0.50
2010	375.59	284.82	0.67
2011	379.49	273.22	3.12
2012	346.84	286.62	4.13
2013	352.92	280.16	3.16
Class B - Accumulation			
2009	135.43	69.46	0.83
2010	164.20	123.80	1.21
2011	165.93	120.03	2.35
2012	152.81	126.43	2.71
2013	156.43	124.42	2.11
Class C - Accumulation			
2012 <sup>†</sup>	51.09	47.63	0.14
2013	55.63	44.33	0.93
Class J - Accumulation			
2009	317.71	163.40	1.15
2010	383.99	290.35	1.75
2011	388.00	280.01	4.29
2012	355.98	294.35	5.30
2013	363.38	289.06	4.43

<b>Calendar Year</b>	<b>Highest price (p)</b>	<b>Lowest price (p)</b>	<b>Distribution per share (net) (p)</b>
Class K - Accumulation			
2009	11,340.13	5,776.85	139.32
2010	13,876.28	10,372.92	215.61
2011	14,027.34	10,212.69	307.22
2012	13,044.46	10,810.39	335.37
2013	13,472.64	10,757.12	308.17

<sup>†</sup> covers period from launch to 31 December 2012.

Past performance is not a guide to future performance. Investors are reminded that the price of shares and the revenue from them is not guaranteed and may go down as well as up.

**Portfolio statement (unaudited)****As at 31 December 2013**

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>Brazil - 14.14% (31 Dec 12: 13.32%)</b>			
Banco Bradesco ADR	1,571,680	11,890,204	2.21
Cia Hering	1,120,100	8,456,272	1.57
Itau Unibanco Multiplo ADR Preference	2,029,511	16,628,205	3.09
Natura Cosméticos	215,900	2,265,357	0.42
Petrobras Brasileiro Preference	2,790,578	12,169,253	2.26
Petroleo Brasileiro	1,583,493	6,439,323	1.20
Vale 'A' Preference	2,186,733	18,254,917	3.39
<b>China - 8.90% (31 Dec 12: 9.08%)</b>			
China Construction Bank 'H'	46,784,040	21,311,593	3.96
China Resources Land	5,614,000	8,384,619	1.56
Ping An Insurance 'H'	3,354,500	18,193,290	3.38
<b>Czech Republic - 0.00% (31 Dec 12: 1.84%)</b>			
<b>Hong Kong - 7.31% (31 Dec 12: 6.85%)</b>			
Belle International	12,271,000	8,571,064	1.59
CNOOC	13,986,000	15,704,391	2.92
HengAn International	2,116,300	15,062,108	2.80
<b>India - 13.79% (31 Dec 12: 11.29%)</b>			
Bajaj Auto	570,202	10,602,860	1.97
Housing Development Finance	1,628,977	12,660,874	2.35
Infosys Technologies	243,621	8,276,670	1.54
Infosys Technologies ADR	249,200	8,516,057	1.58
Reliance Industries	1,458,104	12,724,049	2.36
Sun Pharmaceuticals Industries	1,619,326	8,954,338	1.66
Tata Consultancy Services	591,112	12,545,228	2.33

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>Indonesia - 5.68% (31 Dec 12: 7.39%)</b>			
Astra International	36,421,900	12,287,260	2.28
Bank Rakyat Indonesia	18,988,000	6,782,585	1.26
Telekomunikasi Indonesia 'B'	108,234,000	11,544,781	2.14
<b>Malaysia - 0.00% (31 Dec 12: 0.96%)</b>			
<b>Mexico - 6.65% (31 Dec 12: 5.49%)</b>			
Fomento Economico Mexicano	211,000	12,465,721	2.32
Grupo Financiero Banorte 'O'	2,003,000	8,429,493	1.57
Grupo Mexico 'B'	7,443,600	14,837,681	2.76
<b>Netherlands - 1.39% (31 Dec 12: 0.00%)</b>			
Yandex	287,300	7,483,243	1.39
<b>Russia - 15.02% (31 Dec 12: 11.20%)</b>			
Lukoil	592,763	22,332,626	4.15
Magnit GDR	403,432	16,125,101	3.00
Mobile Telesystems ADR	857,300	11,201,191	2.08
Novatek GDR	103,292	8,531,529	1.58
Sberbank	12,178,943	22,672,504	4.21
<b>South Africa - 7.40% (31 Dec 12: 12.59%)</b>			
First Rand	4,120,555	8,451,496	1.57
Naspers 'N'	498,113	31,364,742	5.83
<b>Taiwan - 8.92% (31 Dec 12: 10.68%)</b>			
Advanced Semiconductor Engineering	17,564,000	9,838,421	1.83
Taiwan Semiconductor Manufacturing	17,932,000	38,143,880	7.09

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>Thailand - 5.95% (31 Dec 12: 4.59%)</b>			
Advanced Info Service Public (Alien Market)	485,200	1,778,567	0.33
Advanced Info Service Public Non-Voting Depository Receipt	963,200	3,530,742	0.66
Kasikornbank	1,582,300	4,608,129	0.86
Kasikornbank Non-Voting Depository Receipt	1,965,700	5,634,409	1.05
Shin Corporation	3,662,300	4,559,002	0.85
Siam Cement Non-Voting Depository Receipt	1,616,200	11,848,805	2.20
<b>Turkey - 0.00% (31 Dec 12: 1.15%)</b>			
<b>United States of America - 2.05% (31 Dec 12: 2.32%)</b>			
Southern Copper	635,686	11,015,359	2.05
Investment assets		523,077,939	97.20
Net other assets		15,062,165	2.80
<b>Net assets</b>		<b>£538,140,104</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.



**Portfolio movements (unaudited)**  
**For the year ended 31 December 2013**

	<b>Cost £</b>
<b>Major purchases</b>	
Taiwan Semiconductor Manufacturing	28,018,122
HDFC Bank	19,862,299
Grupo Mexico 'B'	15,355,300
Sasol	15,343,015
Petrobras Brasileiro Preference	15,270,285
Magnit GDR	15,134,183
HengAn International	13,530,857
Reliance Industries	13,019,169
Belle International	12,493,692
Tata Consultancy Services	11,411,418
Bajaj Auto	11,243,494
Mobile Telesystems ADR	10,858,088
Vale 'A' Preference	10,661,207
Sberbank	10,510,808
Advanced Semiconductor Engineering	10,016,925
CIA Hering	8,490,874
Gerdau ADR Preference	8,464,688
Petroleo Brasileiro	8,298,002
CIA Energetica Minas Gerais-Cemig Preference	7,445,595
Bank Mandiri (Persero)	7,348,765
<b>Total for the year (Note 14)</b>	<b>£350,348,428</b>

	<b>Proceeds £</b>
<b>Major sales</b>	
Sasol	22,266,090
Gazprom ADR	20,764,248
Gerdau ADR	17,318,989
China Unicom	17,146,673
Formosa Plastic	16,529,168
China Shenhua Energy 'H'	15,262,239
Jindal Steel & Power	14,463,240
HDFC Bank	14,126,732
Kumba Iron	13,591,703
MediaTek	12,413,515
CEZ	11,006,219
Grupo Modelo 'C'	10,457,228
Bank Mandiri (Persero)	10,194,192
Companhia de Bebidas das Americas ADR Preference	10,094,868
Truworths International	9,644,922
Mobile Telesystems ADR	9,442,700
Chunghwa Telecom	8,977,239
MTN Group	8,885,041
Hon Hai Precision Industry	7,621,011
America Movil	7,569,843
<b>Total for the year (Note 14)</b>	<b>£396,159,940</b>

**Statement of total return****For the year ended 31 December 2013**

		31 Dec 13	31 Dec 12
	Notes	£	£
Income			
Net capital (losses)/gains	2	(82,725,991)	37,611,326
Revenue	3	17,751,161	17,369,321
Expenses	4	(3,523,280)	(4,883,995)
Finance costs: Interest	6	(93)	(2,743)
Net revenue before taxation		14,227,788	12,482,583
Taxation	5	(807,080)	(1,722,382)
Net revenue after taxation		13,420,708	10,760,201
Total return before distributions		(69,305,283)	48,371,527
Finance costs: Distributions	6	(13,418,624)	(10,766,687)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>£(82,723,907)</b>	<b>£37,604,840</b>

**Statement of change in net assets attributable to shareholders****For the year ended 31 December 2013**

	31 Dec 13	31 Dec 12
	£	£
Opening net assets attributable to shareholders	658,585,382	470,542,945
Amounts receivable on issue of shares	113,956,513	202,748,961
Amounts payable on cancellation of shares	(164,907,706)	(64,726,674)
	(50,951,193)	138,022,287
Change in net assets attributable to shareholders from investment activities (see Statement of total return)	(82,723,907)	37,604,840
Retained distribution on accumulation shares	13,229,822	12,415,310
<b>Closing net assets attributable to shareholders</b>	<b>£538,140,104</b>	<b>£658,585,382</b>

**Balance sheet****As at 31 December 2013**

	Notes	As at 31 Dec 13 £	As at 31 Dec 12 £
ASSETS			
Investment assets		523,077,939	650,320,253
Debtors	7	571,273	1,174,241
Cash and bank balances	8	15,082,525	8,259,849
Total other assets		15,653,798	9,434,090
Total assets		538,731,737	659,754,343
LIABILITIES			
Creditors	9	591,633	1,168,961
Total liabilities		591,633	1,168,961
<b>Net assets attributable to shareholders</b>		<b>£538,140,104</b>	<b>£658,585,382</b>

## Notes to the financial statements

### 1. Accounting policies

Accounting policies of the Fund are as set out on pages 10 to 12.

### 2. Net capital (losses)/gains

	31 Dec 13 £	31 Dec 12 £
Currency (losses)/gains	(1,488,051)	119,016
Forward currency contracts	(5,949)	1,931
Non-derivative securities	(81,161,421)	37,508,957
Transaction charges	(70,570)	(18,578)
Net capital (losses)/gains	£(82,725,991)	£37,611,326

### 3. Revenue

	31 Dec 13 £	31 Dec 12 £
Bank interest	17,115	18,763
Interest on debt securities	1,729,397	1,821,575
Overseas dividends	16,004,649	15,411,723
Stock dividends	-	117,260
	£17,751,161	£17,369,321

### 4. Expenses

	31 Dec 13 £	31 Dec 12 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Administration fees	97,552	-
Authorised Corporate Director's fees	2,684,799	4,380,350
Registration fees	21,594	7,110
	2,803,945	4,387,460
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	57,537	50,018
	57,537	50,018
<i>Payable to other related parties and third parties:</i>		
Audit fees	9,664	9,050
Dividend collection fees	179,553	115,769
Professional fees	79,269	791
Price publication fees	2,187	-
Safe custody fees	390,128	319,901
Taxation fees	997	1,006
	661,798	446,517
	£3,523,280	£4,883,995

The audit fee for the year, excluding VAT, was £7,500 (31 Dec 2012: £7,500).

## 5. Taxation

### (a) Analysis of tax charge

	31 Dec 13 £	31 Dec 12 £
Overseas tax suffered	807,080	1,722,382
<b>Total tax charge (5.b)</b>	<b>£807,080</b>	<b>£1,722,382</b>

### (b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 2012: 20%).

The differences are explained below:

	31 Dec 13 £	31 Dec 12 £
Net revenue before taxation	14,227,788	12,482,583
Corporation tax at 20%	2,845,558	2,496,517
<i>Effects of:</i>		
Dividends not subject to corporation tax	(3,200,930)	(3,105,679)
Movement in excess expenses	355,372	609,162
Overseas tax suffered	807,080	1,722,382
	(2,038,478)	(774,135)
<b>Total tax charge (5.a)</b>	<b>£807,080</b>	<b>£1,722,382</b>

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

### (c) Deferred tax assets

At 31 December 2013 the Fund had excess management expenses of £20,539,089 (31 Dec 12: £18,762,230). The deferred tax in respect of this would be £4,107,818 (31 Dec 12: £3,752,446). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 13 £	31 Dec 12 £
Interim	7,976,866	6,709,878
Final	5,252,956	5,705,433
	13,229,822	12,415,311
Add: Amounts deducted on cancellation of shares	211,363	324,278
Deduct: Amounts added on issue of shares	(22,561)	(1,972,902)
Net distributions	13,418,624	10,766,687
Interest	93	2,743
<b>Total finance costs</b>	<b>£13,418,717</b>	<b>£10,769,430</b>
Net revenue after taxation	13,420,708	10,760,201
Add: Equalisation on conversions	432	-
Add: Revenue brought forward	3,407	9,893
Deduct: Revenue carried forward	(5,923)	(3,407)
<b>Net distributions as above</b>	<b>£13,418,624</b>	<b>£10,766,687</b>

Details of the distribution per share are set out in the table on page 89.

## 7. Debtors

	As at 31 Dec 13 £	As at 31 Dec 12 £
Accrued revenue	230,636	892,542
Amounts receivable on issue of shares	317,472	54,876
Overseas tax recoverable	23,165	59,291
Sales awaiting settlement	-	167,532
	£571,273	£1,174,241

## 8. Cash & bank balances

	As at 31 Dec 13 £	As at 31 Dec 12 £
Cash and bank balances	15,082,525	8,259,849
	£15,082,525	£8,259,849

**9. Creditors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Amounts payable on cancellation of shares	176,992	266,888
Expense accruals	414,641	465,165
Purchases awaiting settlement	-	436,908
	<b>£591,633</b>	<b>£1,168,961</b>

**10. Equalisation**

This applies only to shares purchased during the distribution period (Group 2 shares). The average amount of revenue included in the purchase price of Group 2 shares is shown in the Distribution table and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

**11. Contingent liabilities**

At 31 December 2013 there were no contingent liabilities or commitments at the current or prior year ends

**12. Related party transactions**

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note 4.

At 31 December 2013 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £195,308 and £7,108 respectively (31 Dec 12: £357,221 and £577).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

UBS Global Asset Management Life Ltd is a significant investor in the Fund. Transactions with the Fund were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Asset Management Life Ltd on these transactions. The entity holds Class J Accumulation shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £(2,840,000) (31 Dec 12: £nil). As at 31 December 2013, the entity held 860,255 shares in the Fund with a market value of £2,525,450 (31 Dec 12: 1,709,067, £5,695,294).

UBS Global Allocation Fund (UK) is also a significant investor in the Fund. Transactions with the Fund were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Allocation Fund (UK) on these transactions. The entity holds Class K Accumulation shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £1,100,000 (31 Dec 12: £19,399,130). As at 31 December 2013, the entity held 213,661 shares in the Fund with a market value of £23,435,681 (31 Dec 12: 204,117, £25,072,712).

UBS Targeted Return Fund is a significant investor in the Fund. Transactions with the Fund were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Targeted Return Fund on these transactions. The entity holds Class K Accumulation shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £(575,000) (31 Dec 12: £nil). As at 31 December 2013, the entity held 13,078 shares in the Fund with a market value of £1,434,492 (31 Dec 12: 17,414, £2,150,755).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Asset Management Funds Ltd and UBS Global Asset Management (UK) Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.

### 13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 and 19.

#### (a) Interest rate risk

At the year end date 2.80% (31 Dec 12: 1.25%) of the Fund's net assets were interest bearing.

#### (b) Currency exposure

The majority of the net assets of the Fund's investments are denominated in currencies other than sterling, with the effect that currency movements can significantly affect the balance sheet and total return.

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non- monetary exposures £	Total £
<b>31 Dec 13</b>			
Brazilian Real	3	47,585,122	47,585,125
Czech Koruna	262	-	262
Hong Kong Dollar	75	87,227,064	87,227,139
Hungarian Forint	81	-	81
Indian Rupee	1	65,764,019	65,764,020
Indonesian Rupiah	-	30,614,626	30,614,626
Israeli Shekel	16,758	-	16,758
Mexican Peso	144,343	23,267,174	23,411,517
Philippine Peso	531	-	531
Polish Zloty	639	-	639
Singapore Dollar	2,228	-	2,228
South African Rand	557	39,816,238	39,816,795
South Korean Won	2	-	2
Taiwanese Dollar	5,661,813	47,982,301	53,644,114
Thai Baht	-	31,959,654	31,959,654
Turkish Lira	654	-	654
US Dollar	9,284,862	148,861,741	158,146,603
	15,112,809	523,077,939	538,190,748
Sterling	(50,644)	-	(50,644)
	£15,062,165	£523,077,939	£538,140,104



Currency	Monetary exposures £	Non- monetary exposures £	Total £
<b>31 Dec 12</b>			
Brazilian Real	59,291	24,684,952	24,744,243
Czech Koruna	316	12,135,902	12,136,218
Hong Kong Dollar	55,884	104,938,575	104,994,459
Hungarian Forint	80	-	80
Indian Rupee	288,638	66,498,120	66,786,758
Indonesian Rupiah	(216,342)	48,630,054	48,413,712
Israeli Shekel	15,934	-	15,934
Malaysian Ringgit	-	6,316,737	6,316,737
Mexican Peso	393	25,611,822	25,612,215
Philippine Peso	588	-	588
Polish Zloty	634	-	634
Singapore Dollar	2,355	-	2,355
South African Rand	163,344	82,939,666	83,103,010
South Korean Won	2	-	2
Taiwanese Dollar	4,432,515	70,390,167	74,822,682
Thai Baht	-	30,235,469	30,235,469
Turkish Lira	1,660	7,562,609	7,564,269
US Dollar	680,923	170,376,180	171,057,103
	5,486,215	650,320,253	655,806,468
Sterling	2,778,914	-	2,778,914
	£8,265,129	£650,320,253	£658,585,382

**(c) Fair value of financial assets and financial liabilities**

There is no material difference between the value of the financial assets and financial liabilities, as shown in the balance sheet, and their fair value.

**14. Portfolio transaction costs**

	31 Dec 13 £	31 Dec 12 £
<b>Analysis of total purchase costs</b>		
Purchases in year before transaction costs	349,429,300	309,296,843
Commissions & taxes	919,128	671,157
Total purchase costs	919,128	671,157
Gross purchase total	£350,348,428	£309,968,000
<b>Analysis of total sale costs</b>		
Gross sales in year before transaction costs	397,383,709	160,944,700
Commissions & taxes	(1,223,769)	(477,325)
Total sale costs	(1,223,769)	(477,325)
Total sales net of transaction costs	£396,159,940	£160,467,375

**Distribution table****For the year ended 31 December 2013 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2013

Group 2: Shares purchased between 1 July 2013 and 31 December 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 28/02/14 (p)	<i>Distribution paid 28/02/13 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.68	-	0.68	1.39
Group 2	0.00	0.68	0.68	1.39
<b>Class B - Accumulation</b>				
Group 1	0.71	-	0.71	1.06
Group 2	0.21	0.50	0.71	1.06
<b>Class C - Accumulation</b>				
Group 1	0.34	-	0.34	0.14
Group 2	0.05	0.29	0.34	0.14
<b>Class J - Accumulation</b>				
Group 1	1.13	-	1.13	1.97
Group 2	0.05	1.08	1.13	1.97
<b>Class K - Accumulation</b>				
Group 1	138.31	-	138.31	142.40
Group 2	6.99	131.32	138.31	142.40

**Interim dividend distribution**

Group 1: Shares purchased prior to 1 January 2013

Group 2: Shares purchased between 1 January 2013 and 30 June 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/13 (p)	<i>Distribution paid 31/08/12 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	2.48	-	2.48	2.74
Group 2	2.10	0.38	2.48	2.74
<b>Class B - Accumulation</b>				
Group 1	1.40	-	1.40	1.65
Group 2	1.12	0.28	1.40	1.65
<b>Class C - Accumulation</b>				
Group 1	0.59	-	0.59	-
Group 2	0.47	0.12	0.59	-
<b>Class J - Accumulation</b>				
Group 1	3.30	-	3.30	3.33
Group 2	2.72	0.58	3.30	3.33
<b>Class K - Accumulation</b>				
Group 1	169.86	-	169.86	192.97
Group 2	131.30	38.56	169.86	192.97



## UBS Global Optimal Fund

## Manager's report

### Investment objective and policy

To achieve long term capital growth through active management of a diversified portfolio invested primarily in overseas securities. The Fund may also invest in other transferable securities (including warrants), money market instruments, deposits, cash and near cash and units in collective investment schemes.

### Market environment

Towards the end of the year under review, the US Federal Reserve announced that it would start to reduce the monthly purchase of bonds, thereby ending speculation when the tapering would commence. As such, markets took to the news far more calmly than they did earlier in the year; both when the first indications of tapering arose and following the surprise delay in tapering in September.

The year saw a significant improvement in market sentiment and this positive news flow saw the MSCI All Country World Index rise significantly over the period. Most sectors finished in absolute positive territory for the year, with strong performance coming from consumer discretionary, industrials and health care sectors. Materials, utilities, and energy were the laggards.

### Performance

The Fund achieved performance of 24.8%\*, in Sterling terms, during the reporting year. Over the same time, the Fund's MSCI All Country World benchmark index achieved performance of 21.2%.

The largest stock contribution to relative performance, during the year under review, resulted from an overweight holding in Boeing, the aircraft manufacturer. Civil aerospace is an attractive market with demand, primarily driven by emerging markets, for global air travel growing. Over the period, the stock's share price rose 81.3%, in Sterling terms.

An overweight position in Thermo Fisher Scientific, the supplier of analytical and laboratory products to the Healthcare market, was the second most significant stock contributor to relative performance. Its share price rose 72.5%, in Sterling terms, over the year.

An overweight position in Samsung Electronics resulted in the most significant stock detractor from the Fund's relative performance, after its share price fell by 7.5% over the year.

A position in Lightstream Resources, which is not listed within the Fund's benchmark index, was another significant detractor to relative performance. The share price of the company fell significantly over the year.

At an industry level, stock selection within and an overweight to healthcare provided the primary sector contribution to the Fund's relative performance. However, this detracted from relative performance slightly within Information Technology, although absolute performance was strong. At a geographical level, stock selection within the US provided the largest contribution to relative performance, while stock selection within and an overweight to the United Kingdom proved detrimental in relative terms.

### Outlook

Our view remains that relative to other asset classes, equities are reasonably valued, albeit not as compelling as about a year ago, given equity market rises and increasing bond yields. We believe the outlook for future company earnings continues to improve, especially in Europe and Japan.

We will maintain our focus on stock by stock fundamentals in order to seek out and exploit mis-pricing. We believe there is substantial value embedded in the portfolio, which will continue to be realised as valuation spreads narrow on improved confidence.

\* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2013, based on A shares.

**Percentage growth**

	<b>31/12/12 to 31/12/13 %</b>	<b>31/12/11 to 31/12/12 %</b>	<b>31/12/10 to 31/12/11 %</b>	<b>31/12/09 to 31/12/10 %</b>	<b>31/12/08 to 31/12/09 %</b>
Class A - Accumulation Shares	24.75	9.86	-13.12	13.20	27.47
Class B - Accumulation Shares	25.39	10.57	-12.56	13.91	28.29
Class C - Accumulation Shares	25.69	2.90	-	-	-
Class K - Income Shares	16.06	-	-	-	-

Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms.

Launch dates: Class A and B Accumulation Shares 1 July 2002; Class C Accumulation Shares: 15 August 2012; Class K Income Shares: 29 January 2013.

UBS Global Asset Management Funds Ltd  
25 April 2014

**Performance record (unaudited)****1. Fund size**

<b>Accounting year</b>		<b>Number of shares in issue</b>	<b>Total net asset value per share (p)*</b>	<b>Total net asset value (£)</b>
<b>31 December</b>				
2011	Class A - Accumulation	3,776,746	62.4	2,355,033
	Class B - Accumulation	20,921,555	66.3	13,872,093
				£16,227,126
2012	Class A - Accumulation	2,335,268	68.7	1,604,207
	Class B - Accumulation	19,383,647	73.5	14,251,181
	Class C - Accumulation	10,000	51.4	5,142
				£15,860,530
2013	Class A - Accumulation	1,922,850	85.7	1,647,732
	Class B - Accumulation	17,514,265	92.2	16,144,174
	Class C - Accumulation	147,405	64.6	95,263
	Class K - Income	152,272	11,383.4	17,333,685
				£35,220,854

\* rounded to one decimal place.

**2. Ongoing charges figure**

The ongoing charges figure (OCF) is the ratio of the Fund's annual operating expenses (excluding overdraft interest) to the average net assets of the Fund. It covers all aspects of operating the Fund during the year, including fees paid for investment management, administration, safeguarding the Fund's assets, depositary services and audit (net of any fee rebates if applicable). Where the Fund invests in other funds, the figure includes the impact of the charges made in those other funds.

<b>Share class</b>	<b>31 Dec 13 (%)</b>	<b>31 Dec 12 (%)</b>
Class A - Accumulation	1.75	1.73
Class B - Accumulation	1.25	1.09
Class C - Accumulation	1.00	0.97
Class K - Income	0.15	-

**3. Share dealing price range and distribution record**

The Fund was launched on 1 July 2002 at a price of 50p for Class A and B Accumulation shares. Class C Accumulation shares were launched on 17 August 2012 at a price of 50p. Class K Income shares were launched on 29 January 2013 at a price of £100.

<b>Calendar year</b>	<b>Highest price (p)</b>	<b>Lowest price (p)</b>	<b>Distribution per share (net) (p)</b>
Class A - Accumulation			
2009	64.92	39.14	0.17
2010	72.45	59.00	0.08
2011	73.68	55.64	0.26
2012	70.89	62.47	0.40
2013	86.41	69.61	0.44
Class B - Accumulation			
2009	68.17	40.88	0.45
2010	76.54	62.14	0.52
2011	77.91	59.08	0.70
2012	75.48	66.60	0.90
2013	92.89	74.51	0.76
Class C - Accumulation			
2012 <sup>†</sup>	51.83	49.06	0.12
2013	65.11	52.11	0.68
Class K - Income			
2013 <sup>††</sup>	11,530.69	9,987.21	202.17

<sup>†</sup> covers period from launch to 31 December 2012.<sup>††</sup> covers period from launch to 31 December 2013.

Past performance is not a guide to future performance. Investors are reminded that the price of shares and the revenue from them is not guaranteed and may go down as well as up.

**Portfolio statement (unaudited)****As at 31 December 2013**

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>Brazil - 0.63% (31 Dec 12: 0.73%)</b>			
Cielo	13,380	222,674	0.63
<b>Canada - 2.26% (31 Dec 12: 3.45%)</b>			
Canadian Oil Sands	32,400	367,679	1.04
Lightstream Resources	38,216	127,693	0.36
Petrobank Energy & Resources	13,200	2,625	0.01
Suncor Energy	14,170	299,623	0.85
<b>China - 1.58% (31 Dec 12: 2.87%)</b>			
China Construction Bank 'H'	1,221,000	556,204	1.58
<b>Denmark - 0.00% (31 Dec 12: 0.64%)</b>			
<b>France - 3.73% (31 Dec 12: 3.08%)</b>			
Carrefour	26,935	645,606	1.83
Peugeot	34,571	271,456	0.77
Schneider Electric	7,544	397,923	1.13
<b>Germany - 3.58% (31 Dec 12: 3.83%)</b>			
Bayer	5,400	458,698	1.30
Deutsche Bank	9,545	275,558	0.78
E.On	21,530	240,831	0.68
Infineon Technologies	44,899	290,245	0.82
<b>Hong Kong - 2.38% (31 Dec 12: 3.43%)</b>			
AIA Group	181,400	548,770	1.56
China Mobile	46,300	289,327	0.82
<b>Indonesia - 0.56% (31 Dec 12: 0.96%)</b>			
Bank Rakyat Indonesia	548,600	195,962	0.56
<b>Ireland - 3.74% (31 Dec 12: 2.51%)</b>			
Allegion	4,300	114,727	0.33
Covidien	9,341	384,017	1.09

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Ingersoll-Rand	12,500	464,906	1.32
iShares MSCI Emerging Markets	1,700	40,107	0.11
iShares MSCI World	14,700	312,081	0.89
<b>Israel- 0.75% (31 Dec 12: 0.00%)</b>			
Check Point Software Technologies	6,800	264,897	0.75
<b>Italy - 0.77% (31 Dec 12: 1.15%)</b>			
Intesa Sanpaolo	181,634	271,099	0.77
<b>Japan - 12.22% (31 Dec 12: 9.21%)</b>			
Astellas Pharma	7,700	275,126	0.78
Itochu	53,300	397,423	1.13
Japan Airlines	12,300	366,004	1.04
KDDI	11,100	411,914	1.17
Mitsubishi UFJ Financial Group	100,900	401,675	1.14
ORIX	52,500	556,425	1.58
Panasonic	51,000	358,007	1.02
Sankyo	11,200	311,718	0.89
Shiseido	41,100	398,534	1.13
Sumitomo Realty & Development	8,000	239,889	0.68
Toyota Motor	15,900	585,472	1.66
<b>Liberia - 1.49% (31 Dec 12: 1.35%)</b>			
Royal Caribbean Cruises	18,300	523,946	1.49
<b>Netherlands - 3.68% (31 Dec 12: 4.35%)</b>			
DSM	7,506	356,951	1.01
Heineken	8,890	362,895	1.03
LyondellBasell Industries	11,885	576,005	1.64
<b>Norway - 1.25% (31 Dec 12: 1.56%)</b>			
Telenor	30,539	439,475	1.25



	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>Russia - 1.36% (31 Dec 12: 2.41%)</b>			
Mobile Telesystems ADR	20,000	261,313	0.74
Sberbank of Russia ADR	29,004	219,774	0.62
<b>South Africa - 1.69% (31 Dec 12: 1.48%)</b>			
Naspers 'N'	9,452	595,165	1.69
<b>South Korea - 2.92% (31 Dec 12: 2.90%)</b>			
Samsung Electronics	659	516,893	1.47
Shinhan Financial	9,420	254,912	0.72
Wonik	52,520	257,804	0.73
<b>Spain - 0.92% (31 Dec 12: 0.00%)</b>			
Banco Santander	59,767	323,208	0.92
<b>Sweden - 0.47% (31 Dec 12: 0.79%)</b>			
Lundin Petroleum	14,066	165,554	0.47
<b>Switzerland - 3.88% (31 Dec 12: 4.64%)</b>			
Credit Suisse Group	21,443	396,983	1.13
Nestle	10,837	480,055	1.36
Novartis	10,123	488,974	1.39
<b>Taiwan - 1.75% (31 Dec 12: 1.45%)</b>			
Catcher Technology GDR	16,265	318,795	0.91
Taiwan Semiconductor Manufacturing	28,200	296,770	0.84
<b>Thailand - 0.61% (31 Dec 12: 1.63%)</b>			
Kasikornbank Non-Voting Depositary Receipt	75,300	215,837	0.61
<b>United Kingdom - 9.77% (31 Dec 12: 10.32%)</b>			
Associated British Foods	11,220	274,329	0.78
Aviva	92,912	417,732	1.19
Barclays	144,728	393,443	1.12
BP	109,787	535,816	1.52
Burberry Group	19,365	293,573	0.83

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Glencore Xstrata	119,463	373,561	1.06
Imperial Tobacco Group	21,193	495,280	1.41
Rio Tinto	11,622	395,787	1.12
SABMiller	8,446	261,573	0.74
<b>United States of America - 36.64% (31 Dec 12: 33.92%)</b>			
AbbVie	17,730	565,219	1.61
Alnylam Pharmaceuticals	3,200	124,271	0.35
Apollo Education Group	22,300	367,841	1.05
BankUnited	14,500	288,118	0.82
Boeing	8,650	712,786	2.02
Celgene	3,700	377,249	1.07
Colgate-Palmolive	7,400	291,309	0.83
Facebook 'A'	11,353	374,538	1.06
General Electric	32,000	541,561	1.54
Google 'A'	1,490	1,007,541	2.86
Hess	9,400	471,064	1.34
Hormel Foods	16,900	460,802	1.31
Lowes Companies	10,200	305,092	0.87
Micron Technology	20,200	265,268	0.75
Morgan Stanley	31,000	586,777	1.67
Occidental Petroleum	6,690	384,132	1.09
Owens Corning	14,800	363,957	1.03
PNC Financial Services Group	7,500	351,260	1.00
Principal Financial Group	12,500	372,076	1.06
Procter & Gamble	11,900	584,851	1.66
Prudential Financial	7,300	406,464	1.15
Rock-Tenn 'A'	6,100	386,680	1.10
St Jude Medical	12,700	474,951	1.35

		Market value £	Percentage of total net assets %
	Holding		
Symantec	19,800	281,773	0.80
Thermo Fisher Scientific	10,700	719,298	2.04
United Health Group	10,150	461,400	1.31
Viacom 'B' Non-Voting	7,800	411,228	1.17
Wells Fargo	20,980	574,963	1.63
Whirlpool	4,100	388,204	1.10
Investment assets		34,737,971	98.63
Net other assets		482,883	1.37
<b>Net assets</b>		<b>£35,220,854</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.

**Portfolio movements (unaudited)**  
**For the year ended 31 December 2013**

	<b>Cost £</b>
<b>Major purchases</b>	
Procter & Gamble	630,942
Morgan Stanley	589,373
iShares MSCI World	527,644
China Construction Bank 'H'	457,203
Shiseido	437,881
Google 'A'	427,175
Japan Airlines	424,151
Credit Suisse Group	416,270
Rock-Tenn 'A'	415,711
Thermo Fisher Scientific	393,078
Burberry Group	386,438
Prudential Financial	382,828
Whirlpool	369,916
Banco Santander	355,188
Carrefour	354,855
HSBC	350,244
Aviva	339,620
Peugeot	339,356
Principal Financial Group	335,304
AbbVie	335,217
<b>Total for the year (Note 14)</b>	<b>£27,101,926</b>

	<b>Proceeds £</b>
<b>Major sales</b>	
HSBC	663,314
Bridgestone	572,042
JPMorgan Chase & Co	566,243
Microsoft	558,525
Oracle	506,522
Wellpoint	449,544
Colgate-Palmolive	428,597
Hon Hai Precision	422,676
Fiat	401,037
Vodafone Group	392,707
Ping An Insurance 'H'	381,281
BB Seguridade Participações	375,786
Timken	321,580
McKesson	320,483
Apple	316,924
Abbott Laboratories	313,702
iShares MSCI World	233,418
Carrefour	219,560
Tokyo Gas	218,415
Kasikornbank Non-Voting Depositary Receipt	206,568
<b>Total for the year (Note 14)</b>	<b>£13,895,168</b>

**Statement of total return****For the year ended 31 December 2013**

			31 Dec 13	31 Dec 12
	Notes	£	£	£
Income				
Net capital gains	2		5,859,292	1,493,530
Revenue	3	784,743		416,510
Expenses	4	(235,126)		(184,329)
Finance costs: Interest	6	(4)		(6)
Net revenue before taxation		549,613		232,175
Taxation	5	(76,101)		(38,481)
Net revenue after taxation			473,512	193,694
Total return before distributions			6,332,804	1,687,224
Finance costs: Distributions	6		(471,135)	(195,017)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£5,861,669</b>	<b>£1,492,207</b>

**Statement of change in net assets attributable to shareholders****For the year ended 31 December 2013**

		31 Dec 13	31 Dec 12
	£	£	£
Opening net assets attributable to shareholders		15,860,530	16,227,126
Amounts receivable on issue of shares	16,865,345		4,147,826
Amounts payable on cancellation of shares	(3,513,090)		(6,198,342)
		13,352,255	(2,050,516)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		5,861,669	1,492,207
Retained distribution on accumulation shares		146,924	192,789
Stamp duty reserve tax		(524)	(1,076)
<b>Closing net assets attributable to shareholders</b>		<b>£35,220,854</b>	<b>£15,860,530</b>

**Balance sheet****As at 31 December 2013**

	Notes	As at 31 Dec 13 £	As at 31 Dec 12 £
ASSETS			
Investment assets		34,737,971	15,648,432
Debtors	7	54,684	63,094
Cash and bank balances	8	575,142	174,709
Total other assets		629,826	237,803
Total assets		35,367,797	15,886,235
LIABILITIES			
Creditors	9	35,114	25,705
Distribution payable		111,829	-
Total other liabilities		146,943	25,705
Total liabilities		146,943	25,705
<b>Net assets attributable to shareholders</b>		<b>£35,220,854</b>	<b>£15,860,530</b>

## Notes to the financial statements

### 1. Accounting policies

Accounting policies of the Fund are as set out on pages 10 to 12.

### 2. Net capital gains

	31 Dec 13 £	31 Dec 12 £
Currency losses	(22,364)	(16,626)
Forward currency contracts	4,019	10,441
Non-derivative securities	5,883,001	1,506,782
Transaction charges	(5,364)	(7,067)
Net capital gains	£5,859,292	£1,493,530

### 3. Revenue

	31 Dec 13 £	31 Dec 12 £
Bank interest	77	4
Interest on debt securities	485	-
Overseas dividends	660,054	381,310
Stock dividends	18,554	-
UK franked dividends	105,573	35,196
	£784,743	£416,510

### 4. Expenses

	31 Dec 13 £	31 Dec 12 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Administration fees	20,738	-
Authorised Corporate Director's fees	183,334	160,529
Expense fee rebate	(15,848)	-
Registration fees	19,346	5,767
	207,570	166,296
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	3,991	1,974
	3,991	1,974
<i>Payable to other related parties and third parties:</i>		
Audit fees	8,439	7,843
Dividend collection fees	2,380	741
Professional fees	5,809	4,486
Price publication fees	2,187	-
Safe custody fees	3,753	1,983
Taxation fees	997	1,006
	23,565	16,059
	£235,126	£184,329

The audit fee for the year, excluding VAT, was £6,500 (31 Dec 12: £6,500).

## 5. Taxation

### (a) Analysis of tax charge

	31 Dec 13 £	31 Dec 12 £
Overseas tax suffered	76,101	38,481
Total current tax (5.b)	76,101	38,481
<b>Total tax charge</b>	<b>£76,101</b>	<b>£38,481</b>

### (b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 12: 20%).

The differences are explained below:

	31 Dec 13 £	31 Dec 12 £
Net revenue before taxation	549,613	232,175
Corporation tax at 20%	109,923	46,435
<i>Effects of:</i>		
Double tax relief		
Dividends not subject to corporation tax	(150,440)	(82,918)
Expenses not deductible for tax purposes	(864)	-
Movement in excess expenses	41,894	36,493
Overseas tax expense	(513)	(10)
Overseas tax suffered	76,101	38,481
	(33,822)	(7,954)
<b>Total tax charge (5.a)</b>	<b>£76,101</b>	<b>£38,481</b>

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

### (c) Deferred tax assets

At 31 December 2013 the Fund had excess management expenses of £815,111 (31 Dec 12: £605,638). The deferred tax in respect of this would be £163,022 (31 Dec 12: £121,128). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 13 £	31 Dec 12 £
Interim	335,577	137,569
Final	127,798	55,220
	463,375	192,789
Add: Amounts deducted on cancellation of shares	9,500	14,952
Deduct: Amounts added on issue of shares	(1,740)	(12,724)
Net distributions	471,135	195,017
Interest	4	6
<b>Total finance costs</b>	<b>£471,139</b>	<b>£195,023</b>
Net revenue after taxation	473,512	193,694
Add: Expense charged to capital	(1,776)	-
Add: Revenue brought forward	401	1,724
Deduct: Revenue carried forward	(1,002)	(401)
<b>Net distributions as above</b>	<b>£471,135</b>	<b>£195,017</b>

Details of the distribution per share are set out in the table on page 106.

**7. Debtors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Accrued revenue	22,626	12,076
Amounts receivable on issue of shares	1,800	33,871
Overseas tax recoverable	30,258	17,147
	<b>£54,684</b>	<b>£63,094</b>

**8. Cash & bank balances**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Cash and bank balances	575,142	174,709
	<b>£575,142</b>	<b>£174,709</b>

**9. Creditors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Expense accruals	35,114	25,705
	<b>£35,114</b>	<b>£25,705</b>

**10. Equalisation**

This applies only to shares purchased during the distribution period (Group 2 shares). The average amount of revenue included in the purchase price of Group 2 shares is shown in the Distribution table and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

**11. Contingent liabilities**

At 31 December 2013 there were no contingent liabilities or commitments at the current or prior year ends.

**12. Related party transactions**

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note 4.

At 31 December 2013 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £16,246 and £2,739 respectively (31 Dec 12: £12,970 and £461).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Asset Management Funds Ltd and UBS Global Asset Management (UK) Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.



### 13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 and 19.

#### (a) Interest rate risk profile of financial assets and financial liabilities

At the year end date 1.63% (31 Dec 12: 1.10%) of the Fund's net assets were interest bearing.

#### (b) Currency exposure

The majority of the net assets of the Fund's investments are denominated in currencies other than sterling, with the effect that currency movements can significantly affect the balance sheet and total return.

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non- monetary exposures £	Total £
<b>31 Dec 13</b>			
Australian Dollar	318	-	318
Brazilian Real	-	222,674	222,674
Canadian Dollar	22,485	797,620	820,105
Danish Krone	694	-	694
Euro	59,233	3,894,470	3,953,703
Hong Kong Dollar	211	1,394,301	1,394,512
Indonesian Rupiah	-	195,962	195,962
Japanese Yen	196	4,302,187	4,302,383
Norwegian Krone	29,980	439,475	469,455
Singapore Dollar	583	-	583
South African Rand	532	595,165	595,697
South Korean Won	5,720	1,029,608	1,035,328
Swedish Krona	20,195	165,553	185,748
Swiss Franc	12,543	1,366,012	1,378,555
Thailand Baht	-	215,837	215,837
US Dollar	351,043	16,325,824	16,676,867
	503,733	30,944,688	31,448,421
Sterling	(20,850)	3,793,283	3,772,433
	£482,883	£34,737,971	£35,220,854

Currency	Monetary exposures £	Non- monetary exposures £	Total £
<b>31 Dec 12</b>			
Australian Dollar	377	-	377
Brazilian Lira	-	115,252	115,252
Canadian Dollar	1,650	548,342	549,992
Danish Krone	75	100,739	100,814
Euro	28,396	1,734,477	1,762,873
Hong Kong Dollar	21,382	999,649	1,021,031
Indonesian Rupiah	-	152,505	152,505
Japanese Yen	15,005	1,461,096	1,476,101
Norwegian Krone	8,830	247,118	255,948
Singapore Dollar	616	-	616
South African Rand	1,629	235,224	236,853
South Korean Won	2,949	461,180	464,129
Swedish Krona	1,542	125,390	126,932
Swiss Franc	5,298	505,973	511,271
Thailand Baht	-	258,236	258,236
US Dollar	94,498	6,833,653	6,928,151
	182,247	13,778,834	13,961,081
Sterling	29,851	1,869,598	1,899,449
	£212,098	£15,648,432	£15,860,530

#### (c) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and financial liabilities, as shown in the balance sheet, and their fair value.

#### 14. Portfolio transaction costs

	31 Dec 13 £	31 Dec 12 £
<b>Analysis of total purchase costs</b>		
Purchases in year before transaction costs	27,063,113	12,275,030
Commissions & taxes	38,814	22,059
Total purchase costs	38,814	22,059
Gross purchase total	£27,101,926	£12,297,089
<b>Analysis of total sale costs</b>		
Gross sales in year before transaction costs	13,911,047	14,286,453
Commissions & taxes	(15,879)	(13,031)
Total sale costs	(15,879)	(13,031)
Total sales net of transaction costs	£13,895,168	£14,273,422

**Distribution table****For the year ended 31 December 2013 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2013

Group 2: Shares purchased between 1 July 2013 and 31 December 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 28/02/14 (p)	<i>Distribution paid 29/02/13 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.00	-	0.00	0.04
Group 2	0.00	0.00	0.00	0.04
<b>Class B - Accumulation</b>				
Group 1	0.09	-	0.09	0.28
Group 2	0.00	0.09	0.09	0.28
<b>Class C - Accumulation</b>				
Group 1	0.14	-	0.14	0.12
Group 2	0.00	0.14	0.14	0.12
<b>Class K - Income</b>				
Group 1	73.44	-	73.44	-
Group 2	73.44	0.00	73.44	-

**Interim dividend distribution**

Group 1: Shares purchased prior to 1 January 2013

Group 2: Shares purchased between 1 January 2013 and 30 June 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/13 (p)	<i>Distribution paid 31/08/12 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.44	-	0.44	0.36
Group 2	0.34	0.10	0.44	0.36
<b>Class B - Accumulation</b>				
Group 1	0.67	-	0.67	0.62
Group 2	0.44	0.23	0.67	0.62
<b>Class C - Accumulation</b>				
Group 1	0.54	-	0.54	-
Group 2	0.16	0.38	0.54	-
<b>Class K - Income</b>				
Group 1	128.73	-	128.73	-
Group 2	128.73	0.00	128.73	-

## UBS Global Optimal Thirds Fund

## Manager's report

### Notice of Fund wind up

The UBS Global Optimal Thirds Fund commenced termination on 27 June 2012. Termination will be completed once all assets and liabilities have been settled.

### Percentage growth

	<b>31/12/11</b>	<b>31/12/10</b>	<b>31/12/09</b>	<b>31/12/08</b>	<b>31/12/07</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>
	<b>termination</b>	<b>31/12/11</b>	<b>31/12/10</b>	<b>31/12/09</b>	<b>31/12/08</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Class J - Accumulation Shares	-21.08	-13.30	13.01	28.03	-22.11

Source: Lipper-Hindsight: Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms.

UBS Global Asset Management Funds Ltd  
25 April 2014

**Performance record (unaudited)****1. Fund size**

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2011	Class J - Accumulation	8,784,980	88.4	7,763,735
				£7,763,735
2012	Class J - Accumulation	-	-	-
				-
2013	Class J - Accumulation	-	-	-
				-

\* rounded to one decimal place.

**2. Share dealing price range and distribution record**

The Fund was launched on 3 February 2003 at a price of 50p for Class J Accumulation shares.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class J - Accumulation			
2008	91.58	57.59	1.21
2009	92.17	55.92	0.74
2010	102.55	83.23	0.91
2011	104.47	79.57	1.17
2012 <sup>†</sup>	130.81	69.89	-

<sup>†</sup> covers period from 1 January 2012 to 27 June 2012.

**Portfolio statement (unaudited)**

**As at 31 December 2013**

There are no holdings to disclose due to the Fund closure.

**Portfolio movements (unaudited)**

**For the year ended 31 December 2013**

There were no purchases or sales during the period due to the Fund closure.

**Statement of total return****For the year ended 31 December 2013**

		<b>31 Dec 13</b>		<b>31 Dec 12</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Income					
Net capital (losses)/gains	2		(15)		614,045
Revenue	3	72		51,477	
Expenses	4	-		(37,570)	
Finance costs: Interest	6	-		(2)	
Net revenue before taxation		72		13,905	
Taxation	5	17		(5,707)	
Net revenue after taxation			89		8,198
Total return before distributions			74		622,243
Finance costs: Distributions	6		-		(7,151)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£74</b>		<b>£615,092</b>

**Statement of change in net assets attributable to shareholders****For the year ended 31 December 2013**

	<b>31 Dec 13</b>		<b>31 Dec 12</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening net assets attributable to shareholders		-		7,763,735
Amounts receivable on issue of shares	-		39,787	
Amounts payable on cancellation of shares	-		(8,418,614)	
		-		(8,378,827)
Amounts due from fund		(74)		-
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		74		615,092
Retained distribution on accumulation shares		-		-
<b>Closing net assets attributable to shareholders</b>		<b>-</b>		<b>-</b>



**Balance sheet****As at 31 December 2013**

	Notes	As at 31 Dec 13 £	As at 31 Dec 12 £
ASSETS			
Investment assets		-	-
Debtors	7	9,177	9,498
Cash and bank balances	8	324	9,425
Total other assets		9,501	18,923
Total assets		9,501	18,923
LIABILITIES			
Creditors	9	9,501	12,000
Bank overdraft		-	6,923
Total liabilities		9,501	18,923
<b>Net assets attributable to shareholders</b>		-	-

## Notes to the financial statements

### 1. Accounting policies

Accounting policies of the Fund are as set out on pages 10 to 12.

### 2. Net capital (losses)/gains

	31 Dec 13 £	31 Dec 12 £
Currency (losses)/gains	(3)	4,723
Forward currency contracts	-	333
Non-derivative securities	-	612,183
Transaction charges	(12)	(3,194)
Net capital (losses)/gains	£(15)	£614,045

### 3. Revenue

	31 Dec 13 £	31 Dec 12 £
Bank interest	71	6
Overseas dividends	1	51,354
Stock dividends	-	117
	£72	£51,477

### 4. Expenses

	31 Dec 13 £	31 Dec 12 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Authorised Corporate Director's fees	-	21,419
	-	21,419
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	-	286
	-	286
<i>Payable to other related parties and third parties:</i>		
Audit fees	-	13,821
Professional fees	-	-
Safe custody fees	-	1,545
Taxation fees	-	499
	-	15,865
	-	£37,570

The audit fee for the year, excluding VAT, was £nil (31 December 2012: £5,000)

## 5. Taxation

### (a) Analysis of tax charge

	31 Dec 13	31 Dec 12
	£	£
Overseas tax suffered	(17)	5,749
Movement in overseas tax provision	-	(42)
Total current tax (5.b)	(17)	5,707
<b>Total tax charge</b>	<b>£(17)</b>	<b>£5,707</b>

### (b) Factors affecting current tax charge

The tax charged for the year is higher than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 12: 20%).

The differences are explained below:

	31 Dec 13	31 Dec 12
	£	£
Net revenue before taxation	72	13,905
Corporation tax at 20%	14	2,781
<i>Effects of:</i>		
Dividends not subject to corporation tax	-	(10,101)
Movement in excess expenses	(14)	7,325
Movement in overseas tax provision	-	(42)
Overseas tax expense	-	(5)
Overseas tax suffered	(17)	5,749
	(31)	2,926
<b>Total tax charge (5.a)</b>	<b>£(17)</b>	<b>£5,707</b>

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

### (c) Deferred tax assets

At 31 December 2013 the Fund had excess management expenses of £242,632 (31 Dec 12: £205,133). The deferred tax in respect of this would be £48,526 (31 Dec 12: £41,027). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 13	31 Dec 12
	£	£
Interim	-	-
Final	-	-
	-	-
Add: Amounts deducted on cancellation of shares	-	8,964
Deduct: Amounts added on issue of shares	-	(150)
Deduct: Movement on revenue due to Fund closure	-	(1,663)
Net distributions	-	7,151
Interest	-	2
<b>Total finance costs</b>	<b>-</b>	<b>£7,153</b>
Net revenue after taxation	89	8,198
Add: Revenue brought forward	1,522	475
Deduct: Revenue carried forward	(1,611)	(1,522)
<b>Net distributions as above</b>	<b>-</b>	<b>£7,151</b>

**7. Debtors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Accrued revenue	1,589	1,663
Overseas tax recoverable	7,588	7,835
	<b>£9,177</b>	<b>£9,498</b>

**8. Cash & bank balances**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Cash and bank balances	324	9,425
	<b>£324</b>	<b>£9,425</b>

**9. Creditors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Expense accruals	9,501	12,000
	<b>£9,501</b>	<b>£12,000</b>

**10. Equalisation**

This applies only to shares purchased during the distribution period (Group 2 shares). The average amount of revenue included in the purchase price of Group 2 shares is shown in the Distribution table and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

**11. Contingent liabilities**

At 31 December 2013 there were no contingent liabilities or commitments at the current or prior year ends.

**12. Related party transactions**

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note x.

At 31 December 2013 the amounts included in creditors in respect of management fees due to the ACD are £Nil (31 Dec 12: £Nil).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

During the year the Fund made net sales in UBS shares to a value of £Nil (31 Dec 12: £78,593). The value of the holding at the year end is £Nil (31 Dec 12: £Nil).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Asset Management Funds Ltd and UBS Global Asset Management (UK) Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.

### 13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 and 19.

#### (a) Interest rate risk

At the year end date Nil% (31 Dec 2012: Nil%) of the Fund's net assets were interest bearing.

#### (b) Currency exposure

There is no currency exposure at the year to disclose due to the Fund closure.

Currency	Monetary exposures £	Non- monetary exposures £	Total £
<b>31 Dec 12</b>			
Canadian Dollar	20	-	20
Euro	1,020	-	1,020
Japanese Yen	9,194	-	9,194
Norwegian Krone	2,544	-	2,544
Swedish Krona	3	-	3
Swiss Franc	4,415	-	4,415
US Dollar	64	-	64
	17,260	-	17,260
Sterling	(17,260)	-	(17,260)
	-	-	-

#### (c) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and financial liabilities, as shown in the balance sheet, and their fair value.

### 14. Portfolio transaction costs

	31 Dec 13 £	31 Dec 12 £
<b>Analysis of total purchase costs</b>		
Purchases in year before transaction costs	-	1,459,993
Commissions & taxes	-	1,698
Total purchase costs	-	1,698
Gross purchase total	-	£1,461,691

	31 Dec 13 £	31 Dec 12 £
<b>Analysis of total sale costs</b>		
Gross sales in year before transaction costs	-	9,700,201
Commissions & taxes	-	(7,158)
Total sale costs	-	(7,158)
Total sales net of transaction costs	-	£9,693,043

**Distribution table**

There are no distributions for the year ended 31 December 2013 due to the Fund closure.



## UBS Sterling Corporate Bond Indexed Fund



## Manager's report

### Investment objective and policy

To seek to achieve returns that are consistent with the performance of the iBoxx Sterling Non Gilts Overall TR Index by predominantly investing in fixed income securities. The Fund may also invest in other transferable securities (including warrants), money market instruments, deposits, cash and near cash and units in collective investment schemes. At its discretion, the Manager may use derivatives and forward transactions for the purposes of Efficient Portfolio Management.

### Market environment

The year 2013 began with a focus on Europe, with Italian political instability and an unconventional bailout of Cyprus, and then shifted to Japan when the Bank of Japan launched the 'super' QE programme as Abenomics got started. Focus then rotated to the US, where the Federal Reserve's ("the Fed") communication strategy was called into question as fears of an imminent 'Taper' saw a sharp rise in volatility which resulted in a simultaneous drop in asset prices of both 'safe-haven' government bonds and risk assets.

The second half of the year was a good period for GBP corporate bonds from an excess returning perspective, as the iBoxx Sterling-Non Gilt index returned 2.13%. Learning from the experience of the first half, central bankers wrestled back some control over markets with the introduction of so-called forward guidance which succeeded in bringing investor focus back towards the evolving picture for key economic variables; employment, growth and inflation. Against this background market volatility fell, and when it finally came to the US Fed announcing it was reducing the size of its asset purchases – i.e. tapering - the market took it in its stride. In the UK a run of positive economic surprises and a rapid turnaround in labour market data led the Bank of England's Monetary Policy Commission (MPC) to bring forward its timing for the unemployment rate to cross its designated 7% threshold by almost a full year, to the first quarter of 2015.

The additional yield on the iBoxx Sterling Non-Gilt index relative to UK gilts fell from 1.56% to 1.19%. Within the corporate bond index, financial bonds outperformed non-financial bonds. Financial bond spreads tightened from 2.41% to 1.70% and non-financial bond spreads tightened from 1.59% to 1.24%.

### Performance and index tracking information

The Fund achieved a performance of -0.2%\* for the period in sterling terms. Over the same time, the iBoxx Sterling Non Gilt Overall TR Index achieved performance of -0.4%\* in Sterling terms.

The Fund will physically replicate the risk exposures of the benchmark on an optimised basis by investing predominantly in the components of the reference index, consistent with an anticipated tracking error of 0.5% per annum. The anticipated tracking error is a target and is not guaranteed.

Tracking error indicates the consistency of a product's excess returns over the period. Excess return shows the extent to which the fund has over- or under-performed against the benchmark.

Tracking error on this Fund may be largely caused by the effect of the stratified sampling investment approach. Differences in return over time between the Fund and the benchmark are largely caused by the effect of expenses in the Fund and, on net shareclasses, income tax deducted on distributable income.

The excess return of the K Accumulation Gross shareclass over the reporting period, from launch to 31 December 2013, was 0.2%. Tracking error has not been quoted in this report because we consider the time period of less than one year covered by the calculation to be too short to produce a reliable measure of the Fund's ability to perform consistently against the benchmark.

\* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2013, based on K Accumulation Gross shares.

## Outlook

The Fed's enhanced forward guidance will help to anchor front end US rates in the short term but ultimately the path of US interest rates will be driven by the path of economic growth and inflation. 2014 US growth forecasts are being revised upwards and we anticipate above trend economic growth driven by reduced fiscal drag, higher residential investment and consumer spending. In contrast inflationary pressures remain muted. Across a wide number of developed markets near term forward looking inflation is below target central bank targets. With growth momentum in the US picking up and the Eurozone stable, there is potential for inflation linked bonds to outperform comparable nominal bonds should realized inflation return to more normal levels.

We continue to have a preference for European interest rate duration taken through exposure to semi-core and peripheral country bond markets. The ECB remains committed to maintaining a high degree of monetary accommodation and in fulfilling its mandate of ensuring price stability. Against this background and the recent improvement in data we see potential for further outperformance of peripheral European bond markets versus the core.

We continue to expect that an environment of improving global growth and accommodative monetary policy in developed markets will be supportive of carry based strategies and we favour some continued exposure to agencies, supranationals and investment grade corporate credit at the expense of the lower yielding developed market sovereign bonds.

## Percentage growth

	Launch to 31/12/13 %
Class A – Accumulation Net Shares	0.18 (0.61)*
Class C - Accumulation Net Shares	-1.06 (-1.14)*
Class C - Income Net Shares	-2.90 (-2.72)*
Class J - Income Gross Shares	-2.39 (-2.57)*
Class K - Accumulation Gross Shares	-0.16 (-0.41)*

### iBoxx Sterling Non Gilts Overall TR Index\*\*

**-0.41**

Source: Lipper-Hindsight: Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms.

Launch date: Class K Accumulation Gross Shares: 22 March 2013; Class J Income Gross Shares: 22 April 2013; Class C Income Net Shares: 23 May 2013; Class C Accumulation Net Shares: 6 June 2013; Class A Accumulation Net Shares: 23 July 2013.

\* Figures in brackets represent the performance of the iBoxx Sterling Non Gilts Overall TR Index from the launch of each shareclass to the end of the reporting period.

\*\*Markit iBoxx GBP is the intellectual property of Markit Indices Limited ("Markit") and is used under license. The Fund is not sponsored, endorsed, or promoted by Markit. Markit makes no representations or warranties as to Markit iBoxx GBP including those of merchantability or fitness for a particular purpose or use, or the accuracy and/or completeness of the index or any data included therein.

UBS Global Asset Management Funds Ltd  
25 April 2014.

**Performance record (unaudited)****1. Fund size**

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2013	Class A - Accumulation Net	111,931	49.9	55,876
	Class C - Accumulation Net	4,373,961	49.3	2,156,332
	Class C - Income Net	5,369,757	47.6	2,555,414
	Class J - Income Gross	342,988	9,501.2	32,587,787
	Class K - Accumulation Gross	279,761	9,950.0	27,836,169
				£65,191,578

\* rounded to one decimal place.

**2. Ongoing charges figure**

The ongoing charges figure (OCF) is the ratio of the Fund's annualised operating expenses (excluding overdraft interest) to the average net assets of the Fund. It covers all aspects of operating the Fund during the period, including fees paid for investment management, administration, safeguarding the Fund's assets, depositary services and audit (net of any fee rebates if applicable). Where the Fund invests in other funds, the figure includes the impact of the charges made in those other funds.

Share class	31 Dec 13 (%)
Class A - Accumulation Net	0.40
Class C - Accumulation Net	0.20
Class C - Income Net	0.20
Class J - Income Gross	0.15
Class K - Accumulation Gross	0.05

**3. Share dealing price range and distribution record**

The Fund was launched on 22 March 2013 at a price of £100 for Class K Accumulation Gross shares. Class J Income Gross shares were launched on 22 April 2013 at a price of £100; Class C Income Net shares were launched on 23 May 2013 at a price of 50p; Class C Accumulation Net shares were launched on 6 June 2013 at a price of 50p; A Accumulation Net shares were launched on 23 July 2013 at a price of 50p.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation Net			
2013 <sup>†</sup>	51.30	48.89	0.60
Class C - Accumulation Net			
2013 <sup>†</sup>	50.65	48.13	0.81
Class C - Income Net			
2013 <sup>†</sup>	50.00	47.25	0.80
Class J - Income Gross			
2013 <sup>†</sup>	10,131.36	9,445.14	225.10
Class K - Accumulation Gross			
2013 <sup>†</sup>	10,356.18	9,679.01	252.90

<sup>†</sup> covers period from launch to 31 December 2013.

Past performance is not a guide to future performance. Investors are reminded that the price of shares and the revenue from them is not guaranteed and may go down as well as up.

**Portfolio statement (unaudited)****As at 31 December 2013**

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>Bonds - 97.65%</b>			
<b>Floating rate Notes - 9.62%</b>			
America Movil 6.375% FRN 2073	£100,000	103,375	0.16
American International 8.625% FRN 2068	£100,000	116,612	0.18
Aviva 5.9021% FRN 2020	£50,000	50,300	0.08
Aviva 6.125% FRN 2036	£70,000	72,766	0.11
Aviva 6.125% FRN Perpetual	£150,000	154,050	0.24
Aviva 6.625% FRN 2041	£100,000	109,535	0.17
Aviva 6.875% FRN 2058	£50,000	55,451	0.09
AXA 6.6666% FRN Perpetual	£100,000	104,375	0.16
AXA 6.772% FRN Perpetual	£100,000	105,886	0.16
Barclays Bank 6.75% FRN 2023	£100,000	108,934	0.17
Barclays Bank 8.25% FRN Perpetual	£100,000	54,256	0.08
Barclays Bank 14% FRN Perpetual	£150,000	199,065	0.31
BG Energy Capital 6.5% FRN 2072	£100,000	109,270	0.17
BNP Paribas 5.945% FRN Perpetual	£100,000	102,440	0.16
CNP Assurances 7.375% FRN 2041	£100,000	110,012	0.17
Danske Bank 5.375% FRN 2021	£100,000	102,794	0.16
Direct Line Insurance 9.25% FRN 2042	£150,000	184,159	0.28
DNB 6.0116% FRN Perpetual	£50,000	52,143	0.08
DNB 7.25% FRN 2020	£50,000	53,462	0.08
EDF 6% FRN Perpetual	£200,000	207,035	0.32
Friends Provident 6.875% FRN Perpetual	£125,000	123,077	0.19
General Electric Capital 5.5% FRN 2066	£90,000	92,328	0.14
General Electric Capital 6.5% FRN 2067	£50,000	53,610	0.08

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Generali Finance 6.214% FRN Perpetual	£100,000	98,110	0.15
HSBC 5.375% FRN 2030	£150,000	152,759	0.23
HSBC 6.375% FRN 2022	£200,000	221,214	0.34
HSBC Capital Funding 5.844% FRN Perpetual	£175,000	178,258	0.27
HSBC Capital Funding 8.208% FRN Perpetual	£50,000	54,044	0.08
ING Bank 6.875% FRN 2023	£75,000	82,092	0.13
Legal & General Finance 5.875% FRN Perpetual	£80,000	85,400	0.13
Legal & General Group 6.385% FRN Preference Perpetual	£100,000	106,200	0.16
Linde Finance 8.125% FRN 2066	£60,000	68,176	0.10
Liverpool Victoria Friendly Society 6.5% FRN 2043	£100,000	94,030	0.14
Lloyds Banking Group FRN 10.75% 2021	£75,000	89,681	0.14
Lloyds Banking Group FRN 2020	£150,000	156,730	0.24
MUFG Capital Finance 6.299% FRN Perpetual	£75,000	81,225	0.13
Munich Re FRN 2042	£100,000	112,968	0.17
National Australia Bank 7.125% FRN 2023	£75,000	86,634	0.13
National Capital Trust 5.62% FRN Perpetual	£50,000	51,556	0.08
Nationwide Building Society Interest Bearing Shares 'Tranch 1' 7.97% FRN Perpetual	£50,000	51,950	0.08
NGG Finance 5.625% FRN 2073	£125,000	125,941	0.19
Prudential 5.7% FRN 2063	£100,000	100,385	0.15
Prudential 11.375% FRN 2039	£50,000	67,538	0.10
Rabobank 6.567% FRN Perpetual	£50,000	53,000	0.08
Rabobank Capital Funding Trust IV 5.556% FRN Perpetual	£50,000	51,213	0.08
RSA Insurance Group 6.701% FRN Perpetual	£50,000	50,705	0.08

		Market value £	Percentage of total net assets %
	Holding		
RSA Insurance Group 8.5% Perpetual STEP	£75,000	77,334	0.12
RSA Insurance Group 9.375% FRN 2039	£50,000	58,770	0.09
RWE 7% FRN Perpetual	£100,000	105,730	0.16
Santander Issuances FRN 2019	£100,000	102,567	0.16
Scottish Widows 5.125% FRN Perpetual	£100,000	99,712	0.15
Siemens 6.125% FRN 2066	£124,000	134,208	0.21
Society of Lloyds 7.421% FRN Perpetual	£100,000	107,862	0.17
SSE 5.453% FRN Perpetual	£150,000	155,178	0.24
Standard Chartered 5.375% FRN Perpetual	£60,000	60,457	0.09
Standard Chartered 8.103% FRN Perpetual	£100,000	109,560	0.17
Standard Life 5.5% FRN 2042	£125,000	127,976	0.20
Standard Life 6.546% FRN Perpetual	£50,000	54,530	0.08
Swiss Reinsurance 6.3024% FRN Perpetual	£50,000	54,075	0.08
UBS 5.25% FRN 2021	£100,000	106,672	0.16
Wales & West Utilities 6.75% FRN 2036	£50,000	57,190	0.09
Yorkshire Water Services Finance FRN 2025	£100,000	109,315	0.17
Zurich Finance 6.625% FRN Perpetual	£100,000	110,612	0.17
<b>Mortgage &amp; Asset Backed Securities - 5.07%</b>			
Annington Finance No.4 6.5676% 2023	£120,000	126,623	0.19
Annington Finance No.4 8.07% 2023	£30,000	37,028	0.06
Arkle Master Issue Mortgage Backed 4.681% FRN 2060	£100,000	107,855	0.16
BL Superstores Finance Cl'A2' 4.482% 2030	£75,000	78,031	0.12
Canary Wharf Finance 6.455% 2033	£101,173	121,234	0.19
Canary Wharf Finance II 5.952% 2037	£100,000	120,263	0.18
Delamare Finance 'A' 5.5457% 2029	£70,000	75,428	0.12
Derby Healthcare 5.564% 2041	£49,881	53,978	0.08
Dignity Finance 6.31% 2023	£23,865	27,681	0.04

		Market value £	Percentage of total net assets %
	Holding		
DWR Cymru Financing 'B' 6.907% 2021	£50,000	60,308	0.09
Equity Release Funding (No.2) 'A2' 5.88% 2032	£50,000	56,262	0.09
Equity Release Funding (No.3) 'A2' 5.05% FRN 2033	£50,000	51,871	0.08
Fosse Master Issuer 4.635% FRN 2054	£100,000	107,477	0.16
Freshwater Finance 4.607% 2036	£100,000	95,625	0.15
Greene King Finance 5.106% 2034 #	£100,000	104,432	0.16
Holmes Master Issuer Mortgage Backed 4.009% FRN 2054	£100,000	106,184	0.16
Juturna (European Loan Conduit No.16) 5.0636% 2033	£94,923	101,491	0.16
Land Securities Capital 4.875% FRN 2019	£100,000	110,250	0.17
Land Securities Capital Markets 5.125% FRN 2036	£100,000	110,588	0.17
Land Securities Capital Markets 5.391% 2027	£250,000	280,065	0.43
Longstone Finance 4.791% 2036	£78,576	84,807	0.13
Meadowhall Finance 'A1' 4.986% 2037	£44,887	48,835	0.07
Mitchells & Butlers 5.574% FRN 2030	£58,282	64,623	0.10
Mitchells & Butlers 6.013% 2030	£75,000	82,811	0.13
Permanent Master Issuer Mortgage Backed 4.805% 'A' 2042	£100,000	108,049	0.17
Silverstone Master 5.063% 2055	£75,000	81,635	0.13
SLM Student Loan Trust 5.15% 2039	£100,000	94,750	0.14
Telereal Securitisation 5.3887% 2031	£39,914	44,508	0.07
Telereal Securitisation 6.1645% 2033	£146,400	167,242	0.26
Tesco Property 4 5.8006% 2040	£198,482	212,150	0.32
Tesco Property Finance 5.4111% 2044	£100,000	101,754	0.16
Tesco Property Finance 5.6611% 2041	£149,133	156,698	0.24
W&DB 5.1576% FRN 2027	£100,000	107,206	0.16

	Holding	Market value £	Percentage of total net assets %
<b>Ordinary Fixed interest - 82.74%</b>			
3i Group 5.75% 2032	£50,000	50,501	0.08
A.P. Moeller-Maersk 4% 2025	£100,000	94,980	0.15
AA Bond 4.7201% 2018	£210,000	217,524	0.33
Abbey National Treasury Services 4.125% 2017	£50,000	52,884	0.08
Abbey National Treasury Services 5.125% 2021	£100,000	111,405	0.17
Abbey National Treasury Services 5.25% 2029	£250,000	278,750	0.43
ABN AMRO Bank 2.25% 2017	£100,000	99,272	0.15
Aegon 6.125% 2031	£100,000	115,390	0.18
Affinity Sutton 4.25% 2042	£100,000	96,510	0.15
Affinity Water Programme Finance 4.5% 2036	£100,000	99,586	0.15
Allianz Finance II 4.5% 2043	£100,000	99,749	0.15
America Movil 4.375% 2041	£100,000	91,308	0.14
America Movil 5% 2026	£100,000	104,313	0.16
America Movil 5.75% 2030	£50,000	55,132	0.08
American International 5% 2023	£150,000	161,025	0.25
American International 6.765% 2017	£100,000	115,315	0.18
Amgen 4% 2029	£200,000	184,441	0.28
Anglian Water Service Finance 4.5% 2027	£100,000	100,492	0.15
Anglian Water Service Finance 'A' 6.293% 2030	£50,000	60,368	0.09
Anglo American Capital 6.875% 2018	£50,000	56,806	0.09
Anheuser-Busch InBev 6.5% 2017	£50,000	57,355	0.09
Anheuser-Busch InBev 9.75% 2024	£125,000	186,858	0.29
Annington Repackaging No.1 'A' 5.3236% 2023	£80,000	86,393	0.13
ANZ International Bank 1.5% 2015	£100,000	100,340	0.15
APT Pipelines 4.25% 2024	£100,000	97,917	0.15
Arqiva Financing 4.04% 2035	£165,000	163,969	0.25
Artesian Finance II 6% 2033	£50,000	56,893	0.09

	Holding	Market value £	Percentage of total net assets %
Asian Development Bank 1% 2015	£100,000	100,377	0.15
Aspire Defence Finance 'A' 4.674% 2040	£200,000	197,659	0.30
AstraZeneca 5.75% 2031	£50,000	58,851	0.09
AT&T 4.25% 2043	£100,000	87,974	0.14
AT&T 5.5% 2027	£100,000	107,850	0.17
AT&T 5.875% 2017	£200,000	222,791	0.34
AT&T 7% 2040	£150,000	192,808	0.30
Atlantia 6.25% 2022	£100,000	110,315	0.17
BAA Funding 6.75% 2028	£100,000	122,499	0.19
BAE Systems 4.125% 2022	£100,000	99,724	0.15
Bank Nederlandse Gemeenten 1.875% 2018	£75,000	73,803	0.11
Bank Nederlandse Gemeenten 2.375% 2015	£200,000	205,327	0.31
Bank Nederlandse Gemeenten 5.2% 2028	£150,000	167,367	0.26
Bank of America 4.25% 2026	£100,000	97,044	0.15
Bank of America 6.125% 2021	£100,000	114,953	0.18
Bank of America 7% 2028	£250,000	311,463	0.48
Bank of Scotland 4.875% 2016	£150,000	163,652	0.25
Bank of Scotland 9.375% 2021	£150,000	186,908	0.29
Barclays Bank 1.5% 2017	£250,000	249,825	0.38
Barclays Bank 4.25% 2022	£150,000	158,753	0.24
Barclays Bank 5.75% 2021	£50,000	56,668	0.09
Barclays Bank 5.75% 2026	£60,000	62,656	0.10
Barclays Bank 10% 2021	£350,000	451,535	0.69
BASF 5.875% 2017	£50,000	56,389	0.09
BAT International Finance 6% 2034	£200,000	238,651	0.37
BAT International Finance 7.25% 2024	£100,000	126,106	0.19
Bayer 5.625% 2018	£100,000	113,216	0.17
BG Energy Capital 5% 2036	£100,000	105,796	0.16

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
BG Energy Capital 5.125% 2025	£100,000	108,142	0.17
BHP Billiton Financial 3.25% 2024	£100,000	93,007	0.14
BHP Billiton Financial 4.3% 2042	£100,000	95,112	0.15
BMW Finance 3.375% 2018	£75,000	77,711	0.12
BNP Paribas 2.375% 2019	£75,000	72,923	0.11
BNP Paribas 5.75% 2022	£25,000	27,240	0.04
BP Capital Markets 4.325% 2018	£188,000	202,523	0.31
British Sky Broadcasting 6% 2027	£100,000	112,543	0.17
British Telecommunications 6.375% 2037	£150,000	179,916	0.28
British Telecommunications 8.5% 2016	£200,000	235,802	0.36
Broadgate Financing 'A4' 4.821% 2036	£100,000	105,697	0.16
Broadgate Financing 'B' 4.999% 2033	£70,000	73,469	0.11
BUPA Finance 5% 2023	£100,000	98,612	0.15
BUPA Finance 7.5% 2016	£50,000	56,600	0.09
Cargill 5.375% 2037	£50,000	54,569	0.08
Carlsberg 7.25% 2016	£50,000	57,079	0.09
CDC Marches 5.875% 2020	£75,000	85,090	0.13
Centrica 4.375% 2029	£125,000	122,351	0.19
Centrica 5.5% 2016	£100,000	109,921	0.17
Centrica 6.375% 2022	£150,000	175,822	0.27
Centrica 7% 2033	£100,000	129,628	0.20
Circle Anglia Social Housing 5.2% 2044	£100,000	110,490	0.17
Citigroup 4.5% 2031	£100,000	92,112	0.14
Citigroup 5.125% 2018	£50,000	53,785	0.08
Citigroup 5.15% 2026	£40,000	42,608	0.07
Citigroup 5.5% 2015	£50,000	53,632	0.08
Citigroup 5.875% 2024	£50,000	54,250	0.08

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Citigroup 6.8% 2038	£150,000	193,996	0.30
Citigroup 7.625% 2018	£100,000	119,032	0.18
Clydesdale Bank 4.625% 2026	£100,000	103,600	0.16
Comcast 5.5% 2029	£100,000	108,824	0.17
Commonwealth Bank of Australia 3% 2026	£100,000	89,788	0.14
Commonwealth Bank of Australia 3.875% 2015	£125,000	131,107	0.20
Compagnie de Saint-Gobain 5.625% 2024	£100,000	108,849	0.17
Co-operative Group 4.75% 2021	£100,000	103,822	0.16
Coventry Building Society 4.625% 2018	£100,000	109,165	0.17
Coventry Building Society 5.875% 2022	£100,000	113,963	0.17
CPUK Finance 7.239% 2024	£100,000	119,161	0.18
Credit Agricole 5.5% 2021	£150,000	166,703	0.26
Credit Agricole 7.375% 2023	£50,000	58,022	0.09
CRH Finance 8.25% 2015	£50,000	54,129	0.08
Cse d'Amort Dette 2.25% 2015	£150,000	153,471	0.24
CTRL Section Finance 5.234% 2035	£85,000	95,285	0.15
Daimler 1.375% 2015	£50,000	50,087	0.08
Daimler Finance 3.5% 2019	£100,000	102,983	0.16
Dali Capital 4.79924% 2037	£50,000	48,322	0.07
Deutsche Bahn Finance 2.75% 2022	£50,000	48,425	0.07
Deutsche Pfandbriefbank 1.875% 2019	£100,000	94,196	0.14
Deutsche Telekom International Finance 6.5% 2022	£150,000	175,622	0.27
Deutsche Telekom International Finance 8.875% 2028	£50,000	71,945	0.11
Digital Stout 4.25% 2025	£100,000	93,568	0.14
DirecTV 5.2% 2033	£100,000	97,833	0.15
DNB 4.25% 2020	£100,000	105,333	0.16

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Dong Energy 4.875% 2032	£200,000	201,295	0.31
E.ON International Finance 5.875% 2037	£100,000	115,834	0.18
E.ON International Finance 6.375% 2032	£200,000	242,505	0.37
E.ON International Finance 6.75% 2039	£100,000	128,872	0.20
East Japan Railway 4.75% 2031	£100,000	106,355	0.16
Eastern Power Networks 4.75% 2021	£200,000	213,176	0.33
Eastern Power Networks 6.25% 2036	£50,000	60,311	0.09
EDF 5.125% 2050	£150,000	158,235	0.24
EDF 5.5% 2037	£100,000	109,225	0.17
EDF 5.5% 2041	£200,000	220,292	0.34
EDF 6.125% 2034	£200,000	235,744	0.36
EDF 6.25% 2028	£100,000	116,529	0.18
Enel 5.625% 2024	£75,000	76,908	0.12
Enel 5.75% 2040	£250,000	233,101	0.36
Enel 6.25% 2019	£100,000	110,952	0.17
ENW Finance 6.125% 2021	£100,000	114,976	0.18
ESB Finance 6.5% 2020	£100,000	112,081	0.17
Eurofima 6.125% 2014	£100,000	104,172	0.16
Europe 1.75% 2016	£100,000	101,354	0.16
European Bank for Reconstruction & Development 5.625% 2028	£125,000	150,042	0.23
European Investment Bank 1.375% 2018	£825,000	807,480	1.24
European Investment Bank 1.5% 2019	£175,000	167,766	0.26
European Investment Bank 2.25% 2015	£250,000	253,957	0.39
European Investment Bank 3% 2015	£390,000	405,697	0.62
European Investment Bank 3.75% 2027	£65,000	64,011	0.10

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
European Investment Bank 3.875% 2037	£275,000	268,382	0.41
European Investment Bank 4.375% 2015	£500,000	526,373	0.81
European Investment Bank 4.5% 2044	£100,000	109,457	0.17
European Investment Bank 4.625% 2054	£90,000	103,030	0.16
European Investment Bank 5% 2039	£125,000	145,825	0.22
European Investment Bank 5.375% 2021	£200,000	231,493	0.36
European Investment Bank 5.5% 2025	£275,000	320,959	0.49
European Investment Bank 5.625% 2032	£630,000	766,470	1.18
European Investment Bank 6% 2028	£226,000	277,716	0.43
Eversholt Funding 5.831% 2020	£100,000	112,611	0.17
Eversholt Funding 6.697% 2035	£100,000	118,764	0.18
Everything Finance 4.375% 2019	£100,000	102,700	0.16
Export Development Canada 0.5% 2015	£150,000	149,138	0.23
FCE Bank 4.825% 2017	£100,000	107,360	0.16
Fidelity International 7.125% 2024	£100,000	110,443	0.17
FirstGroup 5.25% 2022	£100,000	101,606	0.16
FirstGroup 8.750% 2021	£50,000	61,186	0.09
FMS Wertmanagement 1% 2015	£200,000	200,196	0.31
Gatwick Funding 5.75% 2037	£100,000	110,517	0.17
Gatwick Funding 'A' 6.125% 2028	£100,000	114,703	0.18
GDF Suez 5% 2060	£150,000	161,214	0.25
GDF Suez 6.125% 2021	£200,000	234,707	0.36
GE Capital 4.875% 2037	£100,000	98,064	0.15
GE Capital 5.5% 2021	£150,000	168,120	0.26
GE Capital 6.25% 2020 #	£100,000	116,876	0.18
GE Capital UK 4.125% 2017	£150,000	160,341	0.25



		Market value £	Percentage of total net assets %
Holding			
GE Capital UK 4.375% 2019	£150,000	159,385	0.24
GE Capital UK 5.125% 2015	£200,000	209,158	0.32
GE Capital UK 5.875% 2033	£230,000	268,860	0.41
GE Capital UK 8% 2039	£130,000	193,534	0.30
GlaxoSmithKline 3.375% 2027	£100,000	90,519	0.14
GlaxoSmithKline Capital 5.25% 2033	£160,000	179,028	0.27
GlaxoSmithKline Capital 5.25% 2042	£225,000	251,365	0.39
GlaxosmithKline Capital 6.375% 2039	£50,000	64,164	0.10
Goldman Sachs Group 6.875% 2038	£50,000	59,328	0.09
Glencore Finance Europe 6.5% 2019	£100,000	112,270	0.17
Go-Ahead Group 5.375% 2017	£50,000	54,276	0.08
Goldman Sachs Group 5.25% 2015	£175,000	186,441	0.29
Goldman Sachs Group 5.5% 2021	£50,000	53,008	0.08
Goldman Sachs Group 6.125% 2017	£70,000	77,705	0.12
Goldman Sachs Group 7.25% 2028	£50,000	62,831	0.10
Great Rolling Stock 6.25% 2020	£50,000	57,154	0.09
Great Rolling Stock 6.5% 2031	£100,000	116,484	0.18
Hammerson 6% 2026	£75,000	85,560	0.13
Hammerson 6.875% 2020	£50,000	59,169	0.09
Health Care REIT 4.8% 2028	£100,000	96,955	0.15
Heathrow Funding 4.625% 2046	£100,000	96,813	0.15
Heathrow Funding 5.875% 2043	£150,000	173,499	0.27
Heathrow Funding 6% 2020	£100,000	110,060	0.17
Heathrow Funding 'A' 6.45% 2033	£125,000	151,156	0.23
Heathrow Funding 7.125% 2024	£100,000	117,449	0.18
High Speed Rail Finance 4.375% 2038	£150,000	148,915	0.23
Highbury Finance 7.017% 2023	£42,647	49,858	0.08

		Market value £	Percentage of total net assets %
Holding			
Holcim Finance 8.75% 2017	£100,000	119,591	0.18
HSBC 4.75% 2046	£100,000	93,215	0.14
HSBC 5.375% 2033	£60,000	62,017	0.10
HSBC 6% 2040	£150,000	164,131	0.25
HSBC 6.75% 2028	£150,000	175,005	0.27
HSBC 6.5% 2024	£150,000	179,508	0.28
Hutchison Ports Finance 6.75% 2015	£80,000	87,626	0.13
Hutchison Whampoa Finance 5.625% 2026	£50,000	55,299	0.08
Imperial Tobacco Finance 5.5% 2016	£100,000	109,574	0.17
Imperial Tobacco Finance 7.75% 2019	£150,000	180,991	0.28
Imperial Tobacco Finance 8.125% 2024	£100,000	128,717	0.20
Imperial Tobacco Finance 9% 2022	£100,000	132,183	0.20
ING Bank 3.875% 2016	£70,000	73,734	0.11
Inter-American Development Bank 5.25% 2021	£50,000	57,754	0.09
InterContinental Hotels 3.875% 2022	£100,000	98,050	0.15
International Bank for Reconstruction & Development 5.4% 2021	£100,000	117,646	0.18
International Bank for Reconstruction & Development 5.75% 2032	£75,000	95,975	0.15
International Business Machines 2.75% 2020	£100,000	97,737	0.15
Intu Finance 3.875% 2023	£100,000	96,255	0.15
Intu Finance 4.125% 2023	£100,000	97,484	0.15
IPIC 6.875% 2026	£150,000	181,000	0.28
Italy 10.5% 2014	£150,000	153,733	0.24
Italy 6% 2028	£240,000	247,188	0.38
JPMorgan Chase & Co 3.5% 2026	£100,000	92,138	0.14
JPMorgan Chase & Co 5.375% 2016	£50,000	54,309	0.08
KFW 1% 2017	£425,000	416,146	0.64

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
KFW 1.75% 2016	£475,000	481,733	0.74
KFW 2.75% 2015	£700,000	722,354	1.11
KFW 3.75% 2016	£250,000	266,704	0.41
KFW 4.875% 2037	£50,000	58,885	0.09
KFW 5% 2036	£125,000	149,238	0.23
KFW 5.5% 2025	£60,000	71,433	0.11
KFW 5.55% 2021	£100,000	117,661	0.18
KFW 5.75% 2032	£250,000	318,158	0.49
KFW 6% 2028	£396,000	502,602	0.77
Kommunal Banken 1.125% 2017	£50,000	48,860	0.07
Kommunal Banken 1.375% 2015	£125,000	125,925	0.19
KPN 5.75% 2029	£150,000	159,258	0.24
KPN 6% 2019	£50,000	55,736	0.09
Kraft Foods 7.25% 2018	£75,000	89,465	0.14
Landwirtschaftliche Rentenbank 1% 2017	£75,000	73,594	0.11
Landwirtschaftliche Rentenbank 1.5% 2015	£100,000	100,996	0.15
LCR Finance 4.5% 2028	£150,000	159,581	0.24
LCR Finance 5.1% 2051	£185,000	233,446	0.36
Legal & General Finance 5.875% 2031	£50,000	58,442	0.09
Linde Finance 5.875% 2023	£25,000	29,162	0.04
Lloyds Banking Group 1.5% 2017	£100,000	99,903	0.15
Lloyds Banking Group 4.875% Convertible 2027	£300,000	323,802	0.50
Lloyds Banking Group 5.125% 2025	£250,000	276,502	0.42
Lloyds Banking Group 6.5% 2040	£100,000	122,265	0.19
Lloyds Banking Group 7.5% 2024	£125,000	157,695	0.24

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Lloyds Banking Group 7.625% 2025	£100,000	117,210	0.18
London & Quadrant Housing Trust 4.625% 2033	£100,000	103,894	0.16
London Power Networks 6.125% 2027	£100,000	115,526	0.18
London Stock Exchange 6.125% 2016	£100,000	108,718	0.17
Marks & Spencer 6.125% 2019	£50,000	55,503	0.09
McDonalds 5.875% 2032	£50,000	59,961	0.09
Merrill Lynch 5.5% 2021	£100,000	107,352	0.16
Metlife 5.25% FRN 2020	£50,000	55,397	0.08
Metlife 5.375% 2024	£50,000	55,237	0.08
Metro Life Global Fund 3.5% 2026	£125,000	118,283	0.18
Merrill Lynch 5.75% 2014	£100,000	104,136	0.16
Mexico 6.75% 2024	£50,000	60,375	0.09
Morgan Stanley 5.75% 2017	£100,000	109,949	0.17
Morrison (Wm.) Supermarkets 4.625% 2023	£100,000	101,451	0.16
Motability Operations 5.375% 2022	£250,000	280,010	0.43
Municipality Finance 1.125% 2017	£100,000	97,785	0.15
National Air Traffic Service 5.25% 2026	£45,266	49,992	0.08
National Australia Bank 3.625% 2017	£100,000	105,242	0.16
National Australia Bank 5.125% 2021	£50,000	55,182	0.08
National Express Group 6.625% 2020	£100,000	114,006	0.17
National Grid Electricity Transmission 4% 2027	£100,000	95,840	0.15
National Grid Electricity Transmission 5.875% 2024	£150,000	172,997	0.27
National Grid Electricity Transmission 7.375% 2031	£100,000	133,631	0.20
National Grid Gas 6% 2038	£50,000	60,349	0.09
National Westminster Bank 6.5% 2021	£50,000	53,563	0.08

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Nationwide Building Society 5.625% 2019	£100,000	112,636	0.17
Nationwide Building Society 5.625% 2026	£100,000	115,924	0.18
Nederlandse Waterschapsbank 2.125% 2016	£50,000	51,031	0.08
Nederlandse Waterschapsbank 5.625% 2015	£100,000	108,483	0.17
Nestle Finance International 2.25% 2023	£50,000	44,907	0.07
Network Rail Infrastructure Finance 4.375% 2030	£100,000	106,827	0.16
Network Rail Infrastructure Finance 4.625% 2020	£425,000	476,171	0.73
Network Rail Infrastructure Finance 4.75% 2035	£150,000	167,616	0.26
New York Life Funding 5.125% 2015	£100,000	104,378	0.16
Next 5.375% 2021	£100,000	109,175	0.17
Nomura Europe Finance 5.5% 2017	£75,000	80,947	0.12
Nordea Bank 2.125% 2019	£100,000	95,269	0.15
Nordea Bank 3.875% 2015	£75,000	78,548	0.12
Nordic Investment Bank 0.5% 2015	£150,000	149,161	0.23
Northern Electric Finance 8.875% 2020	£100,000	130,418	0.20
Northern Gas Networks 4.875% 2027	£100,000	103,513	0.16
Northern Gas Networks 5.625% 2040	£50,000	56,696	0.09
Northumbrian Water Finance 5.125% 2042	£100,000	106,549	0.16
Northumbrian Water Finance 6% 2017	£100,000	113,518	0.17
Notting Hill Housing 3.75% 2032	£100,000	92,201	0.14
NRW Bank 1.75% 2015	£100,000	101,389	0.16
Octagon Healthcare Funding 5.333% 2035	£45,574	48,552	0.07
Orange 5% 2016	£200,000	213,851	0.33
Orange 5.375% 2050	£100,000	104,655	0.16
Orange 5.625% 2034	£50,000	53,931	0.08
Orange 7.25% 2020	£75,000	90,682	0.14
Orange 8.125% 2028	£50,000	66,876	0.10

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Pacific Life Funding 5.125% 2015	£60,000	62,194	0.10
Pearson 7% 2014	£100,000	104,548	0.16
Pearson Funding One 6% 2015	£50,000	54,144	0.08
Petrobras Global Finance 5.375% 2029	£100,000	90,939	0.14
Petroleos Mexicanos 8.25% 2022	£50,000	61,153	0.09
Pfizer 6.5% 2038	£200,000	260,054	0.40
Places for People Homes 5.09% 2043	£50,000	52,538	0.08
Porterbrook Rail Finance 7.125% 2026	£75,000	93,088	0.14
PostNL 7.5% 2018	£75,000	87,605	0.13
Procter & Gamble 6.25% 2030	£100,000	125,237	0.19
Prudential 1.25% 2015	£100,000	99,638	0.15
Prudential 6.125% 2031	£50,000	55,430	0.08
QBE Insurance Group 6.125% 2015	£100,000	106,635	0.16
Rabobank 4% 2015	£400,000	417,602	0.64
Rabobank 4% 2022	£65,000	66,426	0.10
Rabobank 5.25% 2027	£100,000	100,821	0.15
Rabobank 5.25% 2041	£50,000	53,617	0.08
Rabobank 5.375% 2060	£50,000	56,194	0.09
Reed Elsevier Investments 5.625% 2016	£100,000	109,700	0.17
Rentokil Initial 5.75% 2016	£100,000	107,294	0.16
Reseau Ferre de France 4.83% 2060	£100,000	105,253	0.16
Reseau Ferre de France 5.25% 2028	£250,000	275,887	0.42
Reseau Ferre de France 5.5% 2021	£100,000	115,014	0.18
Rio Tinto 4% 2029	£100,000	93,347	0.14
RMPA Services 5.337% 2038	£86,657	92,538	0.14
Roche 5.5% 2015	£150,000	157,677	0.24
Rolls Royce 3.375% 2026	£100,000	92,982	0.14

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Rolls Royce 6.75% 2019	£50,000	59,344	0.09
Royal Bank of Scotland 5.125% 2024	£125,000	138,563	0.21
Royal Bank of Scotland 6.625% 2018	£150,000	174,539	0.27
Royal Bank of Scotland 7.5% 2024	£150,000	188,600	0.29
RSL Finance 2038	£49,616	60,414	0.09
RWE Finance 5.5% 2022	£50,000	54,590	0.08
RWE Finance 6.25% 2030	£100,000	114,236	0.18
RWE Finance 6.125% 2039	£250,000	285,774	0.44
RZD Capital 7.487% 2031	£150,000	162,750	0.25
Sanctuary Capital 5% 2047	£90,000	98,577	0.15
Scotland Gas Network 4.875% 2034	£50,000	51,186	0.08
Scottish Widows 5.5% 2023	£100,000	100,096	0.15
Scottish Widows 7% 2043	£100,000	109,227	0.17
Severn Trent 3.625% 2026	£100,000	93,786	0.14
Severn Trent 6% 2018	£125,000	141,087	0.22
Severn Trent Utilities Finance 6.25% 2029	£50,000	59,912	0.09
Siemens 3.75% 2042	£100,000	88,100	0.14
Skandinaviska Enskilda Banken 3% 2020	£100,000	97,765	0.15
Slough Estates 5.625% 2020	£235,000	261,920	0.40
SNCF 5.375% 2027	£75,000	82,829	0.13
Societe Generale 5% 2018	£100,000	109,398	0.17
Societe Generale 5.4% 2018	£50,000	53,959	0.08
Southern Electric Power Distribution 5.5% 2032	£65,000	73,033	0.11
Southern Gas Network 4.875% 2020	£100,000	108,187	0.17
Southern Gas Network 4.875% 2023	£100,000	106,351	0.16
Southern Water Services Finance 6.125% 2019	£100,000	113,765	0.17

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Southern Water Services Finance 'A' 6.192% 2029	£100,000	117,143	0.18
Sovereign Housing 4.768% 2043	£100,000	105,120	0.16
SP Manweb 4.875% 2027	£175,000	176,976	0.27
Spain 5.25% 2029	£50,000	46,424	0.07
Southern Water Services Finance 'A4' 6.64% 2026	£150,000	181,373	0.28
SSE 5% 2018	£150,000	165,990	0.25
SSE 6.25% 2038	£50,000	61,498	0.09
SSE 8.375% 2028	£50,000	70,021	0.11
Stagecoach Group 5.75% 2016	£100,000	109,564	0.17
Standard Chartered 4.375% 2038	£100,000	93,511	0.14
Standard Chartered 7.75% 2018	£100,000	116,026	0.18
Statoil 6.875% 2031	£150,000	198,531	0.30
Sunderland Finance 6.38% 2042	£50,000	59,603	0.09
Svensk Exportkredit 1.125% 2016	£100,000	99,240	0.15
Svenska Handelsbanken 4% 2019	£100,000	104,790	0.16
Svenska Handelsbanken 5.5% 2016	£100,000	108,925	0.17
T.H.F.C.(Funding No.1) 5.125% 2037	£50,000	53,418	0.08
T.H.F.C. (Funding No.2) 6.35% 2041	£100,000	126,247	0.19
Talisman Energy 6.625% 2017	£50,000	56,318	0.09
Tate & Lyle 6.75% 2019	£50,000	58,137	0.09
TDC 5.625% 2023	£150,000	164,270	0.25
Telefonica Emisiones 5.289% 2022	£100,000	103,272	0.16
Telefonica Emisiones 5.445% 2029	£150,000	148,803	0.23
Telefonica Emisiones 5.597% 2020	£100,000	106,683	0.16
Telereal Secured Finance 4.01% 2031	£98,878	95,262	0.15

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
TeliaSonera 4.375% 2042	£100,000	95,464	0.15
Temasek Financial 5.125% 2040	£100,000	114,384	0.18
Tennessee Valley Authority 5.625% 2032	£80,000	94,952	0.15
Tesco 5.2% 2057	£50,000	49,666	0.08
Tesco 5.5% 2019	£50,000	55,567	0.09
Tesco 6.125% 2022	£250,000	283,076	0.43
Thames Water Utilities Cayman Finance 5.5% 2041	£100,000	111,667	0.17
Thames Water Utilities Cayman Finance 'A' 4.375% 2034	£100,000	95,870	0.15
Thames Water Utilities Finance 4.625% 2046	£100,000	97,789	0.15
Thames Water Utilities Finance 4.9% 2015	£150,000	157,984	0.24
Thames Water Utilities Finance 6.75% 2028	£50,000	61,619	0.09
Time Warner Cable 5.75% 2031	£100,000	87,904	0.13
Together Housing 4.5% 2042	£100,000	96,028	0.15
Total Capital 3.875% 2018	£100,000	106,767	0.16
Total Capital 4.25% 2017	£50,000	54,371	0.08
Toyota Motor Credit 4% 2017	£50,000	54,044	0.08
Transport for London 1.25% 2017	£100,000	98,366	0.15
Transport for London 3.625% 2045	£100,000	90,160	0.14
Transport for London 3.875% 2042	£100,000	94,012	0.14
UBS 6.625% 2018	£150,000	174,748	0.27
Unilever 4.75% 2017	£100,000	109,830	0.17
United Utilities Water 5.75% 2022	£150,000	170,395	0.26
United Utilities Water 6.125% 2015	£75,000	81,637	0.13
University of Manchester 4.25% 2053	£100,000	104,333	0.16
USAF II 3.374% 2028	£150,000	140,705	0.22

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Vattenfall 6.125% 2019	£100,000	116,742	0.18
Vattenfall 6.875% 2039	£125,000	166,020	0.25
Veolia Environnement 6.125% 2037	£150,000	170,795	0.26
Verizon Wireless Capital 8.875% 2018	£75,000	95,627	0.15
Vodafone Group 5.375% 2017	£50,000	55,599	0.09
Vodafone Group 5.625% 2025	£50,000	55,484	0.09
Vodafone Group 8.125% 2018	£100,000	123,612	0.19
Volkswagen Financial Services 1.25% 2016	£125,000	123,875	0.19
Wal-Mart Stores 5.625% 2034	£100,000	118,799	0.18
Wellcome Trust Finance 4.625% 2036	£100,000	106,115	0.16
Wales & West Utilities 4.625% 2023	£100,000	104,368	0.16
Wal-Mart Stores 4.875% 2039	£325,000	352,931	0.54
Wells Fargo 3.5% 2029	£100,000	90,617	0.14
Wells Fargo 4.625% 2035 #	£50,000	50,785	0.08
Wells Fargo 4.875% 2035	£100,000	98,879	0.15
Wells Fargo 5.25% 2023	£50,000	53,858	0.08
Wessex Water Services 4% 2021	£100,000	102,040	0.16
Western Power Distribution 5.25% 2023	£175,000	190,144	0.29
Western Power Distribution 5.75% 2032	£125,000	140,742	0.22
Western Power Distribution 6% 2025	£100,000	114,071	0.18
Westfield UK & Europe Finance 4.25% 2022	£125,000	127,786	0.20
Westpac Banking 1.375% 2015	£100,000	100,153	0.15
Westpac Banking 5% 2019	£75,000	82,741	0.13
WPP Finance 6.375% 2020	£50,000	58,387	0.09
Xstrata Finance Canada 7.375% 2020	£100,000	118,094	0.18
Yorkshire Building Society 4.75% 2018	£100,000	108,564	0.17

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Yorkshire Water Services Finance 6% 2019	£100,000	114,860	0.18
Yorkshire Water Services Finance 6.375% 2039	£50,000	62,713	0.10
<b>Zero Coupon Bonds - 0.22%</b>			
Annington Finance No.4 0% 2022	£200,000	144,114	0.22
Investment assets		63,661,040	97.65
Net other assets		1,530,538	2.35
Net assets		£65,191,578	100.00

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.

At 31 December 2013, 99.41% of the debt securities were rated as investment grade as a percentage of the total bond holdings value and 0.59% were unrated.

# Unquoted security.

**Portfolio movements (unaudited)****For the period from 22 March 2013 to the year ended 31 December 2013**

	<b>Cost £</b>
<b>Major purchases</b>	
European Investment Bank 6.25% 2014	2,088,663
European Investment Bank 3% 2015	2,071,635
European Investment Bank 5.625% 2032	1,505,445
KFW 5.5% 2015	1,379,723
KFW 6% 2028	1,140,963
European Investment Bank 1.375% 2018	1,114,965
European Investment Bank 1.5% 2019	1,001,113
Network Rail Infrastructure Finance 4.625% 2020	943,168
Barclays Bank 10% 2021	879,856
EDF 6.125% 2034	854,570
European Investment Bank 3.25% 2016	783,328
European Investment Bank 2.25% 2015	767,842
KFW 2.75% 2015	733,063
Barclays Bank 1.5% 2017	722,456
European Investment Bank 4.125% 2017	686,877
Italy 6% 2028	685,915
KFW 5.75% 2032	672,963
KFW 1.75% 2016	670,991
European Investment Bank 8.75% 2017	656,145
Barclays Bank 4.25% 2022	642,600
<b>Total for the period</b>	<b>£158,944,203</b>

	<b>Proceeds £</b>
<b>Major sales</b>	
European Investment Bank 6.25% 2014	2,087,059
European Investment Bank 3% 2015	1,647,561
KFW 5.5% 2015	1,350,097
European Investment Bank 1.5% 2019	795,718
European Investment Bank 3.25% 2016	763,344
European Investment Bank 4.125% 2017	659,022
European Investment Bank 8.75% 2017	633,790
Royal Bank of Scotland 6.375% 2014	631,464
European Investment Bank 5.625% 2032	611,223
EDF 6.125% 2034	572,455
General Electric Capital UK 5.625% 2019	561,871
KFW 6% 2028	521,615
European Investment Bank 3.375% 2014	519,150
European Investment Bank 2.25% 2015	510,089
Royal Bank of Scotland 2.7% 2025	494,386
Barclays Bank 1.5% 2017	453,829
Vodafone Group 5.375% 2017	450,946
Barclays Bank 4.25% 2022	430,448
Metro Life Global Fund 2.875% 2023	427,537
European Investment Bank 2.5% 2022	420,235
<b>Total for the period</b>	<b>£87,587,791</b>

**Statement of total return****For the period from 22 March 2013 to the year ended 31 December 2013**

			31 Dec 13
	Notes	£	£
Income			
Net capital losses	2		(6,739,607)
Revenue	3	2,490,367	
Expenses	4	(83,386)	
Finance costs: Interest	6	(15)	
Net revenue before taxation		2,406,966	
Taxation	5	-	
Net revenue after taxation			2,406,966
Total return before distributions			(4,332,641)
Finance costs: Distributions	6		(2,489,541)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£(6,822,182)</b>

**Statement of change in net assets attributable to shareholders****For the period from 22 March 2013 to the year ended 31 December 2013**

		31 Dec 13
	£	£
Opening net assets attributable to shareholders		-
Amounts receivable on issue of shares	167,726,559	
Amounts payable on cancellation of shares	(96,430,494)	
		71,296,065
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(6,822,182)
Retained distribution on accumulation shares		717,695
<b>Closing net assets attributable to shareholders</b>		<b>£65,191,578</b>



## Balance sheet

As at 31 Dec 2013

	Notes	As at 31 Dec 13 £
ASSETS		
Investment assets		63,661,040
Debtors	7	1,271,628
Cash and bank balances	8	614,409
Total other assets		1,886,037
Total assets		65,547,077
LIABILITIES		
Creditors	9	54,059
Distribution payable		301,440
Total other liabilities		355,499
Total liabilities		355,499
<b>Net assets attributable to shareholders</b>		<b>£65,191,578</b>

**Notes to the financial statements****1. Accounting policies**

Accounting policies of the Fund are as set out on pages 10 to 12.

**2. Net capital losses**

	<b>31 Dec 13</b>
	<b>£</b>
Currency loss	(1,822)
Derivative contracts	1,301
Forward currency contracts	1,815
Non-derivative securities	(6,736,990)
Transaction charges	(3,911)
Net capital losses	£(6,739,607)

**3. Revenue**

	<b>31 Dec 13</b>
	<b>£</b>
Bank interest	2,207
Interest on debt securities	2,488,160
	£2,490,367

**4. Expenses**

	<b>31 Dec 13</b>
	<b>£</b>
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>	
Administration fees	30,389
Authorised Corporate Director's fees	54,334
Expense rebates	(33,867)
Registration fees	4,405
	55,261
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>	
Depositary's fees	7,965
	7,965
<i>Payable to other related parties and third parties:</i>	
Audit fees	6,359
Price publication fees	2,187
Safe custody fees	4,849
Taxation fees	770
Tracker fees	5,995
	20,160
	£83,386

The audit fee for the period, excluding VAT, was £7,500.

## 5. Taxation

### (a) Analysis of tax charge

There is no tax charge for the period.

### (b) Factors affecting current tax charge

The tax charged for the period is higher than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies.

The differences are explained below:

	<b>31 Dec 13</b>
	<b>£</b>
Net revenue before taxation	2,406,966
Corporation tax at 20%	481,393
<i>Effects of:</i>	
Expenses not deductible	(2,445)
Interest distributions	(498,070)
Movement in excess expenses	19,122
	(481,393)
<b>Total tax charge (5.a)</b>	<b>-</b>

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

### (c) Deferred tax assets

At 31 December 2013 the Fund had excess management expenses of £95,611. The deferred tax in respect of this would be £19,122. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	<b>31 Dec 13</b>
	<b>£</b>
Interim second quarter	775,606
Interim third quarter	640,228
Final	564,933
	1,980,767
Add: Amounts deducted on cancellation of shares	589,830
Deduct: Amounts added on issue of shares	(81,056)
Net distributions	2,489,541
Interest	15
<b>Total finance costs</b>	<b>£2,489,556</b>
Net revenue after taxation	2,406,966
Add: Expense charged to capital	83,386
Deduct: Revenue carried forward	(811)
<b>Net distributions as above</b>	<b>£2,489,541</b>

Details of the distribution per share are set out in the table on pages 141 and 142.

**7. Debtors**

	<b>As at 31 Dec 13 £</b>
Accrued revenue	1,254,739
Amounts receivable on issue of shares	13,837
Overseas tax recoverable	3,052
	<b>£1,271,628</b>

**8. Cash & bank balances**

	<b>As at 31 Dec 13 £</b>
Cash and bank balances	614,409
	<b>£614,409</b>

**9. Creditors**

	<b>As at 31 Dec 13 £</b>
Amounts payable on cancellation of shares	10,010
Expense accruals	30,189
Income tax payable	13,860
	<b>£54,059</b>

**10. Equalisation**

This applies only to shares purchased during the distribution period (Group 2 shares). The average amount of revenue included in the purchase price of Group 2 shares is shown in the Distribution table and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

**11. Contingent liabilities**

At 31 December 2013 there were no contingent liabilities or commitments.

**12. Related party transactions**

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note 4.

At 31 December 2013 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £3,536 and £3,270 respectively.

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

### 13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 and 19.

#### (a) Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and liabilities at the period end is set out in the following tables.

##### i) Financial assets

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
<b>31 Dec 13</b>				
Sterling	794,310	63,481,139	1,271,628	65,547,077
	£794,310	£63,481,139	£1,271,628	£65,547,077

##### ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
<b>31 Dec 13</b>			
Sterling	-	355,499	355,499
	-	£355,499	£355,499

##### iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
<b>31 Dec 13</b>		
Sterling	3.72	13.72

##### (b) Currency exposure

The majority of the net assets of the Fund's investments are denominated in currencies other than sterling, with the effect that currency movements can significantly affect the balance sheet and total return.

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non-monetary exposures £	Total £
<b>31 Dec 13</b>			
Sterling	1,530,538	63,661,040	65,191,578
	£1,530,538	£63,661,040	£65,191,578

##### (c) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and financial liabilities, as shown in the balance sheet, and their fair value.

### 14. Portfolio transaction costs

There were no transaction costs in the current period.

**Distribution table****For the year ended 31 December 2013 (in pence per share)****Final interest distribution**

Group 1: Shares purchased prior to 1 October 2013

Group 2: Shares purchased between 1 October 2013 and 31 December 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 28/02/14 (p)
<b>Class A - Accumulation</b>					
Group 1	0.425000	0.085000	0.340000	-	0.340000
Group 2	0.245975	0.049195	0.196780	0.143220	0.340000
<b>Class C - Income</b>					
Group 1	0.412500	0.082500	0.330000	-	0.330000
Group 2	0.178305	0.035661	0.142644	0.187356	0.330000
<b>Class C - Accumulation</b>					
Group 1	0.425000	0.085000	0.340000	-	0.340000
Group 2	0.252164	0.050433	0.201731	0.138269	0.340000
<b>Class J - Income Gross</b>					
Group 1	82.720000	-	82.720000	-	82.720000
Group 2	82.720000	-	82.720000	0.000000	82.720000
<b>Class K - Accumulation Gross</b>					
Group 1	85.870000	-	85.870000	-	85.870000
Group 2	85.870000	-	85.870000	0.000000	85.870000

**Third quarter interim interest distribution**

Group 1: Shares purchased prior to 1 July 2013

Group 2: Shares purchased between 1 July 2013 and 30 September 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/13 (p)
<b>Class A - Accumulation</b>					
Group 1	0.325000	0.065000	0.260000	-	0.260000
Group 2	0.292241	0.058448	0.233793	0.026207	0.260000
<b>Class C - Income</b>					
Group 1	0.437500	0.087500	0.350000	-	0.350000
Group 2	0.161538	0.032307	0.129231	0.220769	0.350000
<b>Class C - Accumulation</b>					
Group 1	0.437500	0.087500	0.350000	-	0.350000
Group 2	0.169998	0.034000	0.135998	0.214002	0.350000
<b>Class J - Income Gross</b>					
Group 1	87.300000	-	87.300000	-	87.300000
Group 2	87.300000	-	87.300000	0.000000	87.300000
<b>Class K - Accumulation Gross</b>					
Group 1	89.770000	-	89.770000	-	89.770000
Group 2	4.419184	-	4.419184	85.350816	89.770000

**Second quarter interim interest distribution**

Group 1: Shares purchased prior to 23 May 2013

Group 2: Shares purchased between 23 May 2013 and 30 June 2013

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/08/13 (p)
<b>Class C - Income</b>					
Group 1	0.150000	0.030000	0.120000	-	0.120000
Group 2	0.149999	0.030000	0.119999	0.000001	0.120000
<b>Class C - Accumulation</b>					
Group 1	0.150000	0.030000	0.120000	-	0.120000
Group 2	0.150000	0.030000	0.120000	0.000000	0.120000
<b>Class J - Income Gross</b>					
Group 1	55.080000	-	55.080000	-	55.080000
Group 2	55.868453	-	55.868453	4.211547	55.080000
<b>Class K - Accumulation Gross</b>					
Group 1	77.260000	-	77.260000	-	77.260000
Group 2	76.447961	-	76.447961	0.812039	77.260000

## UBS UK Equity Income Fund



## Manager's report

### Investment objective and policy

To seek to generate income and achieve long term capital growth through active management of a diversified portfolio invested primarily in UK equities. The portfolio will aim to have at least 80% invested in UK equities and to generate a running yield equal to or greater than 110% of the running yield on the FTSE All-Share Index. The Fund may also invest in other transferable securities (including warrants), money market instruments, deposits, cash and near cash and units in collective investments schemes. At its discretion, the manager may use derivatives including forward foreign exchange, forward and future contracts, swaps, options and repurchase agreements or other investment techniques permitted in applicable FCA rules.

### Market environment

The UK stock market, as measured by the FTSE All-Share, enjoyed a strong 2013, rising 20.8% in Sterling terms. This strong performance was assisted by the progressive recovery in the share price of a number of cyclical holdings, particularly in the banking, retailing and other consumer areas.

From an economic perspective 2013 saw three consecutive years of GDP growth, with the Office for National Statistics confirming a 0.8% jump for the third quarter. As the economic recovery picked up steam, unemployment fell 0.5% between September and November, to hit 7.1%; which is close to the Bank of England's new 7% threshold for potentially raising interest rates. By the end of the year, Mark Carney, the new governor of the Bank of England ("BoE"), indicated that there would be no immediate need to raise interest rates, even if the threshold rate was met.

### Performance

The Fund outperformed its benchmark, the FTSE All-Share index, during the year. It posted performance of 24.4%\* compared to the benchmark which rose 20.8%.

Active management within, and an overweight position to insurance group Aviva, provided the largest stock contributor to relative performance. The company's share price rose by 26.2% over the year.

Another significant stock contributor to relative performance resulted from an overweight position in Darty, the multi-national provider of electrical goods. The share price of the company rose by 116.7% over the course of the year.

The Fund's position in Antofagasta, the Chilean mining conglomerate listed on the London Stock Exchange, provided the primary stock detractor from relative performance during 2013. However, the manager had exited from a position in the stock, in full, by the end of the year.

A zero weight to the Lloyds Banking Group, throughout the year, resulted in another significant stock detractor from the Fund's relative performance; as the company's share price rose by 64.6% over the course of the year.

At an industry level, stock selection within Life Insurance resulted in it being the largest contributor to relative performance during the year, whereas within Aerospace & Defence, this proved detrimental.

### Outlook

While we have not relied on a strong economic environment to deliver improved stock market performance in 2012-13, we do expect a gradual strengthening of the UK and other major economies in 2014.

Both the Office of Budget Responsibility and the International Monetary Fund predict the UK economy to grow by 2.4% in 2014, as it continues its recovery. Meanwhile, as mentioned above, despite recent falls in unemployment, the governor of the BoE has stated there is no immediate need to change to monetary policy, thereby delaying the prospect of any imminent interest rate rise.

\* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2013, based on A income shares.

**Percentage growth**

	<b>31/12/12 to 31/12/13 %</b>	<b>31/12/11 to 31/12/10 %</b>	<b>31/12/10 to 31/12/11 %</b>	<b>31/12/09 to 31/12/10 %</b>	<b>31/12/08 to 31/12/09 %</b>
Class A - Accumulation Shares	24.47	8.70	-1.84	9.28	15.65
Class A - Income Shares	24.44	8.59	-1.84	8.53	14.47
Class B - Accumulation Shares	25.08	9.17	-1.30	10.08	16.15
Class B - Income Shares	25.07	9.12	-1.31	9.09	15.00
Class C - Accumulation Shares	25.38	1.56	-	-	-
Class C - Income Shares	25.33	1.56	-	-	-

Source: Lipper-Hindsight: Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms.

Launch date: Class A and B Accumulation and Income Shares: 31 March 2007; Class C Accumulation and Income Shares: 15 August 2012.

UBS Global Asset Management Funds Ltd  
25 April 2014.

**Performance record (unaudited)****1. Fund size**

<b>Accounting year</b>		<b>Number of shares in issue</b>	<b>Total net asset value per share (p)*</b>	<b>Total net asset value (£)</b>
<b>31 December</b>				
2011	Class A - Accumulation	6,730,817	43.9	2,951,585
	Class A - Income	9,191,931	33.1	3,043,264
	Class B - Accumulation	699,599	45.0	315,002
	Class B - Income	14,610,649	34.0	4,961,082
				£11,270,933
2012	Class A - Accumulation	3,233,639	47.4	1,534,242
	Class A - Income	5,237,237	34.2	1,794,234
	Class B - Accumulation	263,224	49.0	129,000
	Class B - Income	11,616,540	35.3	4,108,928
	Class C - Accumulation	10,000	50.7	5,074
	Class C - Income	10,000	50.0	5,007
				£7,576,485
2013	Class A - Accumulation	2,502,335	59.0	1,476,610
	Class A - Income	2,860,297	41.0	1,173,122
	Class B - Accumulation	230,366	61.3	141,117
	Class B - Income	981,707	42.6	417,830
	Class C - Accumulation	92,694	63.6	58,929
	Class C - Income	569,796	60.4	344,034
				£3,611,642

\* rounded to one decimal place.

**2. Ongoing charges figure**

The ongoing charges figure (OCF) is the ratio of the Fund's annual operating expenses (excluding overdraft interest) to the average net assets of the Fund. It covers all aspects of operating the Fund during the year, including fees paid for investment management, administration, safeguarding the Fund's assets, depositary services and audit (net of any fee rebates if applicable). Where the Fund invests in other funds, the figure includes the impact of the charges made in those other funds.

<b>Share class</b>	<b>31 Dec 13 (%)</b>	<b>31 Dec 12 (%)</b>
Class A - Accumulation	1.75	1.73
Class A - Income	1.75	1.73
Class B - Accumulation	1.25	1.08
Class B - Income	1.25	1.08
Class C - Accumulation	1.00	0.92
Class C - Income	1.00	0.92

### 3. Share dealing price range and distribution record

The Fund was launched on 1 April 2007 at a price of 50p for all share classes. The class C Income and Accumulation net share classes were launched on 15 August 2012 at a price of 50p.

<b>Calendar year</b>	<b>Highest price (p)</b>	<b>Lowest price (p)</b>	<b>Distribution per share (net) (p)</b>
Class A - Accumulation			
2009	41.11	29.94	2.58
2010	44.85	36.56	2.39
2011	46.44	38.83	2.39
2012	48.07	42.28	2.03
2013	59.10	48.24	2.09
Class A - Income			
2009	35.88	27.21	2.29
2010	36.12	29.95	1.98
2011	36.34	30.23	1.88
2012	35.44	31.59	1.51
2013	41.47	34.83	1.49
Class B - Accumulation			
2009	41.71	30.31	2.63
2010	45.87	37.31	2.62
2011	47.63	39.85	2.39
2012	49.56	43.50	2.15
2013	61.35	49.83	2.17
Class B - Income			
2009	36.40	27.51	2.34
2010	36.82	30.49	2.01
2011	37.09	30.95	1.87
2012	36.54	32.49	1.55
2013	43.07	35.96	1.54

<b>Calendar year</b>	<b>Highest price (p)</b>	<b>Lowest price (p)</b>	<b>Distribution per share (net) (p)</b>
Class C - Accumulation			
2012 <sup>†</sup>	51.31	48.57	0.67
2013	63.67	51.59	2.24
Class C - Income			
2012 <sup>†</sup>	51.31	48.42	0.67
2013	61.05	50.91	2.18

<sup>†</sup> Covers period from launch to 31 December 2012.

Past performance is not a guide to future performance. Investors are reminded that the price of shares and the revenue from them is not guaranteed and may go down as well as up.

**Portfolio statement (unaudited)****As at 31 December 2013**

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>United Kingdom - 97.57% (31 Dec 12: 94.83%)</b>			
<b>Aerospace &amp; Defence - 3.18% (31 Dec 12: 0.00%)</b>			
BAE Systems	16,506	71,719	1.99
Chemring Group	19,210	43,030	1.19
<b>Automobiles &amp; Parts - 0.00% (31 Dec 12: 1.71%)</b>			
<b>Banks - 13.47% (31 Dec 12: 4.08%)</b>			
Barclays	93,961	255,433	7.07
HSBC	34,885	231,043	6.40
<b>Chemicals - 1.49% (31 Dec 12: 0.00%)</b>			
Synthomer	21,474	53,835	1.49
<b>Construction &amp; Materials - 1.78% (31 Dec 12: 0.00%)</b>			
Balfour Beatty	22,438	64,375	1.78
<b>Electricity - 2.96% (31 Dec 12: 0.00%)</b>			
SSE	7,827	107,073	2.96
<b>Electronics &amp; Electrical Equipment - 1.23% (31 Dec 12: 2.20%)</b>			
Morgan Advanced Materials	14,009	44,268	1.23
<b>Fixed Line Telecommunications - 0.00% (31 Dec 12: 3.71%)</b>			
<b>Financial Services - 4.47% (31 Dec 12: 0.00%)</b>			
3i Group	14,826	57,095	1.58
Man Group	20,686	17,573	0.49
Tullett Prebon	23,082	86,604	2.40
<b>Food &amp; Drug Retails - 2.23% (31 Dec 12: 1.89%)</b>			
Tesco	24,081	80,515	2.23
<b>Gas, Water &amp; Multiutilities - 4.45% (31 Dec 12: 5.42%)</b>			
Centrica	18,780	65,204	1.80
National Grid	12,140	95,663	2.65

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
<b>General Financial - 0.00% (31 Dec 12: 4.31%)</b>			
<b>General Industrials - 0.00% (31 Dec 12: 1.12%)</b>			
<b>General Retailers - 4.88% (31 Dec 12: 0.00%)</b>			
Brown (N.) Group	5,336	28,388	0.79
Darty	69,432	81,583	2.26
Laura Ashley Holdings	256,516	66,053	1.83
<b>Household Goods - 0.00% (31 Dec 12: 1.60%)</b>			
<b>Industrial Engineering - 0.00% (31 Dec 12: 2.03%)</b>			
<b>Industrial Transportation - 0.50% (31 Dec 12: 0.00%)</b>			
Royal Mail	3,178	18,019	0.50
<b>Life Insurance - 4.32% (31 Dec 12: 4.66%)</b>			
Aviva	34,697	155,998	4.32
<b>Media - 2.40% (31 Dec 12: 5.69%)</b>			
UTV Media	40,303	86,652	2.40
<b>Mining - 8.48% (31 Dec 12: 11.92%)</b>			
Anglo American	5,676	74,923	2.07
BHP Billiton	2,641	49,281	1.36
Rio Tinto	5,351	182,228	5.05
<b>Mobile Telecommunications - 4.36% (31 Dec 12: 5.42%)</b>			
Vodafone Group	66,476	157,548	4.36
<b>Non Life Insurance - 3.54% (31 Dec 12: 0.99%)</b>			
Direct Line Insurance	32,821	81,888	2.27
RSA Insurance Group	50,009	45,708	1.27

	Holding	Market value £	Percentage of total net assets %
<b>Oil &amp; Gas Producers - 18.93% (31 Dec 12: 16.90%)</b>			
BP	69,549	339,434	9.40
Royal Dutch Shell 'A'	6,356	137,417	3.80
Royal Dutch Shell 'B'	9,082	207,024	5.73
<b>Oil Equipment, Services &amp; Distribution - 0.00% (31 Dec 12: 1.64%)</b>			
<b>Pharmaceuticals &amp; Biotechnology - 6.55% (31 Dec 12: 7.80%)</b>			
AstraZeneca	2,003	71,597	1.98
GlaxoSmithKline	10,239	165,002	4.57
<b>Support Services - 4.05% (31 Dec 12: 3.79%)</b>			
Electrocomponents	27,387	76,300	2.11
Premier Farnell	31,586	70,058	1.94
<b>Tobacco - 0.00% (31 Dec 12: 6.05%)</b>			
<b>Travel &amp; Leisure - 4.30% (31 Dec 12: 1.90%)</b>			
Carnival	5,019	125,525	3.48
FirstGroup	24,009	29,675	0.82
Investment assets		3,523,731	97.57
Net other assets		87,911	2.43
<b>Net assets</b>		<b>£3,611,642</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.

**Portfolio movements (unaudited)**  
**For the year ended 31 December 2013**

	<b>Cost £</b>
<b>Major purchases</b>	
Barclays	285,858
SSE	197,804
Carnival	187,318
Tesco	174,213
BP	172,032
Aviva	159,863
Reed Elsevier	119,933
Intermediate Capital Group	113,515
Tullett Prebon	91,188
Anglo American	86,661
BAE Systems	84,161
Premier Farnell	82,941
Electrocomponents	82,443
AstraZeneca	79,435
HSBC	78,118
Laura Ashley Holdings	72,101
Centrica	69,585
Morrison (Wm.) Supermarkets	66,112
UTV Media	62,039
FirstGroup	58,811
<b>Total for the year (Note 14)</b>	<b>£2,926,384</b>

	<b>Proceeds £</b>
<b>Major sales</b>	
Prudential	449,182
GlaxoSmithKline	407,261
Vodafone Group	380,639
British American Tobacco	326,054
Rio Tinto	274,595
BG Group	262,059
Centrica	260,742
BT Group	257,267
BHP Billiton	254,989
Pearson	241,332
Royal Dutch Shell 'B'	229,888
BP	225,197
Berendsen	211,138
Domino Printing Sciences	197,206
GKN	192,421
Provident Financial	187,735
Royal Dutch Shell 'A'	187,726
Howden Joinery Group	186,359
Weir Group	182,233
Booker Group	175,948
<b>Total for the year (Note 14)</b>	<b>£7,691,864</b>

**Statement of total return****For the year ended 31 December 2013**

		<b>31 Dec 13</b>		<b>31 Dec 12</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Income					
Net capital gains	2		1,136,511		482,046
Revenue	3	185,743		414,942	
Expenses	4	(75,796)		(123,807)	
Finance costs: Interest	6	(168)		(9)	
Net revenue before taxation		109,779		291,126	
Taxation	5	(806)		(1,635)	
Net revenue after taxation			108,973		289,491
Total return before distributions			1,245,484		771,537
Finance costs: Distributions	6		(185,259)		(402,686)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>£1,060,225</b>		<b>£368,851</b>

**Statement of change in net assets attributable to shareholders****For the year ended 31 December 2013**

	<b>31 Dec 13</b>		<b>31 Dec 12</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening net assets attributable to shareholders		7,576,485		11,270,933
Amounts receivable on issue of shares	1,397,246		564,759	
Amounts payable on cancellation of shares	(6,480,145)		(4,714,432)	
		(5,082,899)		(4,149,673)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		1,060,225		368,851
Retained distribution on accumulation shares		62,823		88,933
Stamp duty reserve tax		(4,992)		(2,559)
<b>Closing net assets attributable to shareholders</b>		<b>£3,611,642</b>		<b>£7,576,485</b>



**Balance sheet****As at 31 December 2013**

	Notes	As at 31 Dec 13 £	As at 31 Dec 12 £
ASSETS			
Investment assets		3,523,731	7,184,482
Debtors	7	10,777	27,413
Cash and bank balances	8	124,563	459,394
Total other assets		135,340	486,807
Total assets		3,659,071	7,671,289
LIABILITIES			
Creditors	9	28,650	29,432
Distribution payable		18,779	65,372
Total liabilities		47,429	94,804
<b>Net assets attributable to shareholders</b>		<b>£3,611,642</b>	<b>£7,576,485</b>

## Notes to the financial statements

### 1. Accounting policies

Accounting policies of the Fund are as set out on pages 10 to 12.

### 2. Net capital gains

	31 Dec 13 £	31 Dec 12 £
Compensation	32,904	-
Currency gains/(losses)	5	(38)
Derivative contracts	(36)	1,889
Non-derivative securities	1,104,733	482,527
Transaction charges	(1,095)	(2,332)
Net capital gains	£1,136,511	£482,046

### 3. Revenue

	31 Dec 13 £	31 Dec 12 £
Bank interest	226	330
Option income	-	56,257
Overseas dividends	16,309	20,885
UK franked dividends	169,208	337,470
	£185,743	£414,942

### 4. Expenses

	31 Dec 13 £	31 Dec 12 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Administration fees	23,089	-
Authorised Corporate Director's fees	63,456	108,038
Fee rebate	(29,224)	-
Registration fees	4,946	4,480
	62,267	112,518
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	594	1,089
	594	1,089
<i>Payable to other related parties and third parties:</i>		
Audit fees	9,665	9,049
Price publication fees	2,187	-
Safe custody fees	83	149
Taxation fees	1,000	1,002
	12,935	10,200
	£75,796	£123,807

The audit fee for the year, excluding VAT, was £7,500 (31 December 2012: £7,500).

## 5. Taxation

### (a) Analysis of tax charge

	31 Dec 13 £	31 Dec 12 £
Overseas tax suffered	806	1,635
Total current tax (5.b)	806	1,635
<b>Total tax charge</b>	<b>£806</b>	<b>£1,635</b>

### (b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 12: 20%).

The differences are explained below:

	31 Dec 13 £	31 Dec 12 £
Net revenue before taxation	109,779	291,126
Corporation tax at 20%	21,956	58,225
<i>Effects of:</i>		
Dividends not subject to corporation tax	(37,103)	(71,671)
Movement in excess expenses	15,147	13,446
Overseas tax suffered	806	1,635
	(21,150)	(56,590)
<b>Total tax charge (5.a)</b>	<b>£806</b>	<b>£1,635</b>

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

### (c) Deferred tax assets

At 31 December 2013 the Fund had excess management expenses of £201,871 (31 Dec 12: £126,133). The deferred tax in respect of this would be £40,374 (31 Dec 12: £25,227). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 13 £	31 Dec 12 £
Interim - first quarter	53,226	103,826
Interim - second quarter	42,157	109,960
Interim - third quarter	35,201	85,314
Final	33,652	82,525
	164,236	381,625
Add: Amounts deducted on cancellation of shares	29,118	24,612
Deduct: Amounts added on issue of shares	(8,095)	(3,551)
Net distributions	185,259	402,686
Interest	168	9
<b>Total finance costs</b>	<b>£185,427</b>	<b>£402,695</b>
Net revenue after taxation	108,973	289,491
Add: Equalisation on conversions	9	-
Add: Expense charged to capital	75,796	123,807
Add: Revenue brought forward	886	1,588
Deduct: Revenue carried forward	(394)	(886)
Deduct: Tax relief on capital expenses	(11)	(11,314)
<b>Net distributions as above</b>	<b>£185,259</b>	<b>£402,686</b>

Details of the distribution per share are set out in the table on pages 158 and 159.

## 7. Debtors

	As at 31 Dec 13 £	As at 31 Dec 12 £
Accrued revenue	8,735	26,240
Amounts receivable on issue of shares	510	-
Overseas tax recoverable	1,532	1,173
	£10,777	£27,413

## 8. Cash & bank balances

	As at 31 Dec 13 £	As at 31 Dec 12 £
Cash and bank balances	124,563	459,394
	£124,563	£459,394

## 9. Creditors

	As at 31 Dec 13 £	As at 31 Dec 12 £
Amounts payable on cancellation of shares	6,997	8,962
Expense accruals	21,653	20,470
	£28,650	£29,432

## 10. Equalisation

This applies only to shares purchased during the distribution period (Group 2 shares). The average amount of revenue included in the purchase price of Group 2 shares is shown in the Distribution table and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## 11. Contingent liabilities

At 31 December 2013 there were no contingent liabilities or commitments at the current or prior year ends.

## 12. Related party transactions

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note 4.

At 31 December 2013 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £3,474 and £1,503 respectively (31 Dec 12: £7,688 and £1,510).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Asset Management Funds Ltd and UBS Global Asset Management (UK) Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.

## 13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 and 19.

### (a) Interest rate risk profile of financial assets and financial liabilities

At the year end date 3.45% (31 Dec 12: 6.06%) of the Fund's net assets were interest bearing.

### (b) Currency exposure

The revenue and capital value of the Fund's investments are mainly denominated in sterling, the Fund's base currency. Therefore, the financial statements are not subject to any significant risk of currency movements.

This is consistent with the exposure during both the current and prior years.

### (c) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and financial liabilities, as shown in the balance sheet, and their fair value.

**14. Portfolio transaction costs**

		<b>31 Dec 13</b>	<b>31 Dec 12</b>
<b>Analysis of total purchase costs</b>	<b>£</b>	<b>£</b>	<b>£</b>
Purchases in year before transaction costs		2,909,659	2,438,620
Commissions & taxes	16,725		13,267
Total purchase costs		16,725	13,267
Gross purchase total		£2,926,384	£2,451,887

		<b>31 Dec 13</b>	<b>31 Dec 12</b>
<b>Analysis of total sale costs</b>	<b>£</b>	<b>£</b>	<b>£</b>
Gross sales in year before transaction costs		7,697,796	6,746,066
Commissions & taxes	(5,932)		(7,884)
Total sale costs		(5,932)	(7,884)
Total sales net of transaction costs		£7,691,864	£6,738,182

**Distribution table****For the year ended 31 December 2013 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 October 2013

Group 2: Shares purchased between 1 October 2013 and 31 December 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 28/02/14 (p)	<i>Distribution paid 28/02/13 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.52	-	0.52	0.48
Group 2	0.37	0.15	0.52	0.48
<b>Class A - Income</b>				
Group 1	0.39	-	0.39	0.36
Group 2	0.17	0.22	0.39	0.36
<b>Class B - Accumulation</b>				
Group 1	0.57	-	0.57	0.60
Group 2	0.30	0.27	0.57	0.60
<b>Class B - Income</b>				
Group 1	0.44	-	0.44	0.40
Group 2	0.44	0.00	0.44	0.40
<b>Class C - Accumulation</b>				
Group 1	0.59	-	0.59	0.52
Group 2	0.59	0.00	0.59	0.52
<b>Class C - Income</b>				
Group 1	0.58	-	0.58	0.52
Group 2	0.19	0.39	0.58	0.52

**Third quarter interim dividend distribution**

Group 1: Shares purchased prior to 1 July 2013

Group 2: Shares purchased between 1 July 2013 and 30 September 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/13 (p)	<i>Distribution paid 30/11/12 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.57	-	0.57	0.50
Group 2	0.02	0.55	0.57	0.50
<b>Class A - Income</b>				
Group 1	0.40	-	0.40	0.35
Group 2	0.31	0.09	0.40	0.35
<b>Class B - Accumulation</b>				
Group 1	0.60	-	0.60	0.50
Group 2	0.38	0.22	0.60	0.50
<b>Class B - Income</b>				
Group 1	0.40	-	0.40	0.35
Group 2	0.00	0.40	0.40	0.35
<b>Class C - Accumulation</b>				
Group 1	0.60	-	0.60	0.15
Group 2	0.00	0.60	0.60	0.15
<b>Class C - Income</b>				
Group 1	0.60	-	0.60	0.15
Group 2	0.02	0.58	0.60	0.15

**Second quarter dividend distribution**

Group 1: Shares purchased prior to 1 April 2013

Group 2: Shares purchased between 1 April 2013 and 30 June 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 31/08/13 (p)	<i>Distribution paid 31/08/12 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.60	-	0.60	0.55
Group 2	0.07	0.53	0.60	0.55
<b>Class A - Income</b>				
Group 1	0.40	-	0.40	0.45
Group 2	0.14	0.26	0.40	0.45
<b>Class B - Accumulation</b>				
Group 1	0.60	-	0.60	0.55
Group 2	0.39	0.21	0.60	0.55
<b>Class B - Income</b>				
Group 1	0.40	-	0.40	0.45
Group 2	0.40	0.00	0.40	0.45
<b>Class C - Accumulation</b>				
Group 1	0.65	-	0.65	-
Group 2	0.10	0.55	0.65	-
<b>Class C - Income</b>				
Group 1	0.60	-	0.60	-
Group 2	0.09	0.51	0.60	-

**First quarter dividend distribution**

Group 1: Shares purchased prior to 1 January 2013

Group 2: Shares purchased between 1 January 2013 and 31 March 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/13 (p)	<i>Distribution paid 31/05/12 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.40	-	0.40	0.50
Group 2	0.33	0.07	0.40	0.50
<b>Class A - Income</b>				
Group 1	0.30	-	0.30	0.35
Group 2	0.12	0.18	0.30	0.35
<b>Class B - Accumulation</b>				
Group 1	0.40	-	0.40	0.50
Group 2	0.00	0.40	0.40	0.50
<b>Class B - Income</b>				
Group 1	0.30	-	0.30	0.35
Group 2	0.07	0.23	0.30	0.35
<b>Class C - Accumulation</b>				
Group 1	0.40	-	0.40	-
Group 2	0.40	0.00	0.40	-
<b>Class C - Income</b>				
Group 1	0.40	-	0.40	-
Group 2	0.08	0.32	0.40	-





## UBS UK Opportunities Fund

## Manager's report

### Investment objective and policy

To achieve long term capital growth through active management of a diversified portfolio invested primarily in UK equities. The portfolio manager will generally select a portfolio of securities from a universe of UK equities identified by analysts as offering superior growth and/or income prospects. The Fund may also invest in other transferable securities (including warrants), money market instruments, deposits, cash and near cash and units in collective investment schemes.

### Market environment

The UK stock market, as measured by the FTSE All-Share, enjoyed a strong 2013, rising 20.8% in Sterling terms. This strong performance was assisted by the progressive recovery in the share price of a number of cyclical holdings, particularly in the banking, retailing and other consumer areas.

From an economic perspective 2013 saw three consecutive months of GDP growth, with the Office for National Statistics confirming a 0.8% jump for the third quarter. As the economic recovery picked up steam, unemployment fell 0.5% between September and November, to hit 7.1%; which is close to the Bank of England's new 7% threshold for raising interest rates. By the end of the year, Mark Carney, the new governor of the Bank of England ("BoE"), indicated that there would be no immediate need to raise interest rates, even if the threshold rate was met.

### Performance

The Fund outperformed its benchmark, the FTSE All-Share, during the year. It posted performance of 27.7%\* compared with the benchmark which gained 20.8%.

An overweight position in the Lloyds Banking Group resulted in the largest stock contribution to the Fund's relative performance, as the share price rose by 64.6% over the course of the year.

Another significant contributor to the Fund's performance was provided by an overweight holding in Aviva, whose share price increased 26.2% during the year.

An overweight position in Chemring Group, which supplies defence systems, was one of the primary stock detractors from the Fund's relative performance. By the end of the year, the company's share price had improved, but it fell significantly in November after it issued a profit warning, on the back of quality and production issues, a strong US Dollar and the ongoing threat of a US government shutdown. Holding the stock during this period significantly detracted from relative performance overall.

Active management within, and an overweight position to Barclays resulted in another significant stock detractor from performance over the year. While the bank's share price rose by 14.9% over the course of the year, holding it at periods when the share price fell detracted from the Fund's relative performance.

At an industry level stock selection within Banks resulted in it being the largest contributor to performance during the year. However, stock selection within the Pharmaceuticals & Biotech sector proved most detrimental in relative terms.

### Outlook

While we have not relied on a strong economic environment to deliver improved stock market performance in 2012-13, we do expect a gradual strengthening of the UK and other major economies in 2014.

Both the Office of Budget Responsibility and the International Monetary Fund predict the UK economy to grow by 2.4% in 2014, as it continues its recovery. Meanwhile, as mentioned above, despite recent falls in unemployment, the governor of the BoE has stated there is no immediate need to change to monetary policy, thereby delaying the prospect of any imminent interest rate rise.

\* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2013, based on A shares.

**Percentage growth**

	<b>31/12/12 to 31/12/13 %</b>	<b>31/12/11 to 31/12/12 %</b>	<b>31/12/10 to 31/12/11 %</b>	<b>31/12/09 to 31/12/10 %</b>	<b>31/12/08 to 31/12/09 %</b>
Class A - Accumulation Shares	27.67	8.23	-9.06	13.99	20.61
Class B - Accumulation Shares	28.31	8.97	-8.47	14.72	21.40
Class C - Accumulation Shares	28.63	2.26	-	-	-

Source: Lipper-Hindsight: Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms.

Launch Dates; Class A and B Accumulation Shares: 1 July 2002; Class C Accumulation shares: 15 August 2012.

UBS Global Asset management Funds Ltd

25 April 2014

**Performance record (unaudited)****1. Fund size**

<b>Accounting year</b>		<b>Number of shares in issue</b>	<b>Total net asset value per share (p)*</b>	<b>Total net asset value (£)</b>
<b>31 December</b>				
2011	Class A - Accumulation	3,202,486	60.9	1,952,676
	Class B - Accumulation	64,211,096	64.9	41,672,435
				£43,625,111
2012	Class A - Accumulation	1,008,055	65.7	662,716
	Class B - Accumulation	27,214,006	70.5	19,171,419
	Class C - Accumulation	10,000	51.0	5,104
				£19,839,239
2013	Class A - Accumulation	597,632	84.0	501,785
	Class B - Accumulation	25,003,515	90.4	22,610,749
	Class C - Accumulation	895,272	65.7	588,058
				£23,700,592

\* rounded to one decimal place.

**2. Ongoing charges figure**

The ongoing charges figure (OCF) is the ratio of the Fund's annual operating expenses (excluding overdraft interest) to the average net assets of the Fund. It covers all aspects of operating the Fund during the year, including fees paid for investment management, administration, safeguarding the Fund's assets, depositary services and audit (net of any fee rebates, if applicable). Where the Fund invests in other funds, the figure includes the impact of the charges made in those other funds.

<b>Share class</b>	<b>31 Dec 13 (%)</b>	<b>31 Dec 12 (%)</b>
Class A - Accumulation	1.73	1.64
Class B - Accumulation	1.23	0.99
Class C - Accumulation	0.98	0.35

**3. Share dealing price range and distribution record**

The Fund was launched on 1 July 2002 at a price of 50p for Class A and B Accumulation shares. Class C Accumulation shares were launched on 15 August 2012 at a price of 50p.

<b>Calendar year</b>	<b>Highest price (p)</b>	<b>Lowest price (p)</b>	<b>Distribution per share (net) (p)</b>
Class A - Accumulation			
2009	59.09	41.07	1.50
2010	67.22	54.34	1.08
2011	69.47	53.95	0.79
2012	66.43	59.06	0.71
2013	84.07	67.13	1.00
Class B - Accumulation			
2009	62.04	42.93	1.93
2010	71.09	57.29	1.55
2011	73.71	57.34	1.27
2012	71.00	63.04	1.21
2013	90.55	71.95	1.49
Class C - Accumulation			
2012 <sup>†</sup>	51.44	48.88	0.21
2013	65.77	52.13	1.23

<sup>†</sup> covers period from launch to 31 December 2012.

Past performance is not a guide to future performance. Investors are reminded that the price of shares and the revenue from them is not guaranteed and may go down as well as up.

## Portfolio statement (unaudited)

As at 31 December 2013

	Holding	Market value £	Percentage of total net assets %
<b>United Kingdom - 98.80% (31 Dec 12 - 97.59%)</b>			
<b>Aerospace &amp; Defence - 3.95% (31 Dec 12 - 5.13%)</b>			
BAE Systems	155,296	674,761	2.85
Chemring Group	115,963	259,757	1.10
<b>Automobiles &amp; Parts - 0.94% (31 Dec 12 - 1.07%)</b>			
GKN	59,549	221,880	0.94
<b>Banks - 14.56% (31 Dec 12 - 7.67%)</b>			
Barclays	371,545	1,010,045	4.26
HSBC	94,452	625,556	2.64
Lloyds Banking Group	2,309,578	1,816,483	7.66
<b>Beverages - 0.00% (31 Dec 12 - 6.36%)</b>			
<b>Chemicals - 1.33% (31 Dec 12 - 1.99%)</b>			
Synthomer	126,048	316,002	1.33
<b>Construction &amp; Materials - 1.56% (31 Dec 12 - 0.00%)</b>			
Balfour Beatty	128,630	369,039	1.56
<b>Electricity - 1.34% (31 Dec 12 - 0.00%)</b>			
SSE	23,190	317,239	1.34
<b>Electronics &amp; Electrical Equipment - 3.18% (31 Dec 12 - 1.94%)</b>			
Electrocomponents	94,867	264,299	1.11
Morgan Crucible	57,011	180,155	0.76
Premier Farnell	114,495	253,950	1.07
TT electronics	30,486	60,057	0.24
<b>Financial Services - 3.89% (31 Dec 12 - 2.64%)</b>			
3i Group	167,690	645,774	2.72
Man Group	135,919	115,463	0.49
Tullett Prebon	42,807	160,612	0.68

	Holding	Market value £	Percentage of total net assets %
<b>Food &amp; Drug Retailers - 0.00% (31 Dec 12 - 1.46%)</b>			
<b>Food Producers - 1.97% (31 Dec 12 - 0.45%)</b>			
Morrison (Wm.) Supermarkets	17,890	46,675	0.20
Tesco	125,244	418,753	1.77
<b>Gas, Water &amp; Multiutilities - 2.22% (31 Dec 12 - 0.00%)</b>			
Centrica	151,874	527,307	2.22
<b>General Industrials - 0.00% (31 Dec 12 - 0.77%)</b>			
<b>General Retailers - 6.56% (31 Dec 12 - 1.97%)</b>			
Brown (N.) Group	22,654	120,519	0.51
Darty	276,854	325,303	1.37
Dixons Retails	1,764,824	855,587	3.61
Marks & Spencer	58,410	252,682	1.07
<b>Household Goods - 0.30% (31 Dec 12 - 2.02%)</b>			
Taylor Wimpey	63,187	70,453	0.30
<b>Industrial Engineering - 0.00% (31 Dec 12 - 3.94%)</b>			
<b>Industrial Metals - 0.00% (31 Dec 12 - 1.02%)</b>			
<b>Industrial Transportation - 0.37% (31 Dec 12 - 0.00%)</b>			
Royal Mail	15,492	87,840	0.37
<b>Life Insurance - 2.93% (31 Dec 12 - 2.10%)</b>			
Aviva	154,240	693,463	2.93
<b>Media - 3.13% (31 Dec 12 - 4.84%)</b>			
Daily Mail & General Trust 'A'	19,999	190,090	0.80
ITV	66,405	128,693	0.54
Reed Elsevier	37,209	334,323	1.41
STV Group	30,821	90,922	0.38

	Holding	Market value £	Percentage of total net assets %
<b>Mining - 9.05% (31 Dec 12 - 6.68%)</b>			
Anglo American	34,538	455,902	1.92
Glencore International	147,562	461,426	1.95
Rio Tinto	36,021	1,226,695	5.18
<b>Mobile Telecommunications - 5.38% (31 Dec 12 - 2.75%)</b>			
Vodafone Group	538,225	1,275,593	5.38
<b>Non-Life Insurance - 1.79% (31 Dec 12 - 0.56%)</b>			
Direct Line Insurance	109,254	272,589	1.15
RSA Insurance Group	165,141	150,939	0.64
<b>Oil &amp; Gas Producers - 17.80% (31 Dec 12 - 10.70%)</b>			
BP	462,585	2,257,646	9.53
Royal Dutch Shell 'A'	510	11,026	0.05
Royal Dutch Shell 'B'	85,487	1,948,676	8.22
<b>Oil Equipment, Services &amp; Distribution - 0.00% (31 Dec 12 - 5.41%)</b>			
<b>Personal Goods - 0.00% (31 Dec 12 - 1.48%)</b>			
<b>Pharmaceuticals &amp; Biotechnology - 4.78% (31 Dec 12 - 4.91%)</b>			
GlaxoSmithKline	70,346	1,133,626	4.78
<b>Real Estate Investment Trusts - 0.73% (31 Dec 12 - 0.00%)</b>			
Regus	79,768	172,698	0.73
<b>Software &amp; Computer Services - 0.00% (31 Dec 12 - 2.77%)</b>			
<b>Support Services - 3.88% (31 Dec 12 - 7.67%)</b>			
Atkins (WS)	10,000	141,200	0.60
Berendsen	16,664	154,559	0.65
RPS Group	66,940	224,718	0.95
SIG	123,563	260,718	1.10
SThree	38,374	137,379	0.58
<b>Tobacco - 0.00% (31 Dec 12 - 5.44%)</b>			

	Holding	Market value £	Percentage of total net assets %
<b>Travel &amp; Leisure - 7.16% (31 Dec 12 - 3.85%)</b>			
Carnival	27,276	682,173	2.88
FirstGroup	168,714	208,531	0.88
International Consolidated Airline	122,932	493,203	2.08
National Express Group	114,310	314,010	1.32
Investment assets		23,416,989	98.80
Net other assets		283,603	1.20
<b>Net assets</b>		<b>£23,700,592</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.

**Portfolio movements (unaudited)**  
**For the year ended 31 December 2013**

	<b>Cost</b>
<b>Major purchases</b>	<b>£</b>
BP	2,230,766
Lloyds Banking Group	1,409,815
Royal Dutch Shell 'B'	1,302,195
Barclays	1,036,610
GlaxoSmithKline	830,805
Rio Tinto	783,954
Carnival	783,167
BAE Systems	774,102
Dixons Retails	753,330
3i Group	739,657
Centrica	598,954
SSE	588,800
Aviva	584,786
Glencore International	580,707
Tesco	579,075
Anglo American	547,474
International Consolidated Airline	495,616
Vodafone Group	489,132
Reed Elsevier	443,785
Chemring Group	352,349
<b>Total for the year (Note 14)</b>	<b>£24,977,466</b>

	<b>Proceeds</b>
<b>Major sales</b>	<b>£</b>
Diageo	840,754
British American Tobacco	834,469
Rolls Royce Group	678,958
Standard Chartered	641,533
Aberdeen Asset Management	635,755
SABMiller	616,819
Shire	591,353
Prudential	573,028
HSBC	552,963
Hunting	540,023
Rightmove Group	511,996
Berkeley Group	480,138
Compass Group	463,806
Ashtead Group	460,271
Wood Group (John)	437,513
Countrywide	424,330
InterContinental Hotels Group	423,576
Premier Oil	404,778
Rio Tinto	401,598
BHP Billiton	387,936
<b>Total for the year (Note 14)</b>	<b>£25,874,434</b>



**Statement of total return**  
**For the year ended 31 December 2013**

		31 Dec 13		31 Dec 12	
	Notes	£	£	£	£
Income					
Net capital gains	2		5,009,169		2,365,859
Revenue	3	667,369		795,604	
Expenses	4	(272,118)		(279,255)	
Finance costs: Interest	6	-		(14)	
Net revenue before taxation		395,251		516,335	
Taxation	5	(93)		(1,485)	
Net revenue after taxation			395,158		514,850
Total return before distributions			5,404,327		2,880,709
Finance costs: Distributions	6		(396,260)		(516,781)
<b>Change in net assets attributable to shareholders from investment activities</b>			£5,008,067		£2,363,928

**Statement of change in net assets attributable to shareholders**  
**For the year ended 31 December 2013**

	31 Dec 13		31 Dec 12	
	£	£	£	£
Opening net assets attributable to shareholders		19,839,239		43,625,111
Amounts receivable on issue of shares	2,021,336		730,971	
Amounts payable on cancellation of shares	(3,552,269)		(27,225,627)	
		(1,530,933)		(26,494,656)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		5,008,067		2,363,928
Retained distribution on accumulation shares		391,859		349,067
Stamp duty reserve tax		(7,640)		(4,211)
<b>Closing net assets attributable to shareholders</b>		£23,700,592		£19,839,239

**Balance sheet****As at 31 December 2013**

	Notes	As at 31 Dec 13 £	As at 31 Dec 12 £
ASSETS			
Investment assets		23,416,989	19,361,380
Debtors	7	88,462	64,789
Cash and bank balances	8	230,268	469,382
Total other assets		318,730	534,171
Total assets		23,735,719	19,895,551
LIABILITIES			
Creditors	9	35,127	56,312
Total liabilities		35,127	56,312
<b>Net assets attributable to shareholders</b>		<b>£23,700,592</b>	<b>£19,839,239</b>

## Notes to the financial statements

### 1. Accounting policies

Accounting policies of the Fund are as set out on pages 10 to 12.

### 2. Net capital gains

	31 Dec 13 £	31 Dec 12 £
Currency losses	(224)	(908)
Non-derivative securities	5,010,750	2,369,900
Transaction charges	(1,357)	(3,133)
Net capital gains	£5,009,169	£2,365,859

### 3. Revenue

	31 Dec 13 £	31 Dec 12 £
Bank interest	79	6
Overseas dividends	39,001	56,622
Property revenue distributions	-	1,421
Stock dividends	72,973	-
UK franked dividends	555,316	737,555
	£667,369	£795,604

### 4. Expenses

	31 Dec 13 £	31 Dec 12 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Administration fees	15,005	-
Authorised Corporate Director's fees	222,386	259,086
Registration fees	22,000	8,859
	259,391	267,945
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	2,640	3,366
	2,640	3,366
<i>Payable to other related parties and third parties:</i>		
Audit fees	6,854	6,393
Price publication fees	2,187	-
Safe custody fees	49	545
Taxation fees	997	1,006
	10,087	7,944
	£272,118	£279,255

The audit fee for the year, excluding VAT, was £5,300 (31 December 2012: £5,300).

## 5. Taxation

### (a) Analysis of tax charge

	31 Dec 13 £	31 Dec 12 £
Overseas tax suffered	93	1,485
Total current tax (5.b)	93	1,485
<b>Total tax charge</b>	<b>£93</b>	<b>£1,485</b>

### (b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 12: 20%).

The differences are explained below:

	31 Dec 13 £	31 Dec 12 £
Net revenue before taxation	395,251	516,335
Corporation tax at 20%	79,050	103,267
<i>Effects of:</i>		
Dividends not subject to corporation tax	(133,457)	(158,834)
Movement in excess expenses	54,407	55,567
Overseas tax suffered	93	1,485
	(78,957)	(101,782)
<b>Total tax charge (5.a)</b>	<b>£93</b>	<b>£1,485</b>

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

### (c) Deferred tax assets

At 31 December 2013 the Fund had excess management expenses of £4,828,107 (31 Dec 12: £4,556,068). The deferred tax in respect of this would be £965,621 (31 Dec 12: £911,214). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 13 £	31 Dec 12 £
Interim	208,923	207,532
Final	182,936	141,534
	391,859	349,066
Add: Amounts deducted on cancellation of shares	12,658	170,542
Deduct: Amounts added on issue of shares	(8,257)	(2,827)
Net distributions	396,260	516,781
Interest	-	14
<b>Total finance costs</b>	<b>£396,260</b>	<b>£516,795</b>
Net revenue after taxation	395,158	514,850
Add: Equalisation on conversions	112	-
Add: Revenue brought forward	2,305	4,236
Deduct: Revenue carried forward	(1,315)	(2,305)
<b>Net distributions as above</b>	<b>£396,260</b>	<b>£516,781</b>

Details of the distribution per share are set out in the table on page 174.

**7. Debtors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Accrued revenue	56,959	33,945
Amounts receivable on issue of shares	21,928	27,851
Overseas tax recoverable	2,943	2,993
Prepaid expenses	136	-
Sales awaiting settlement	6,496	-
	<b>£88,462</b>	<b>£64,789</b>

**8. Cash & bank balances**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Cash and bank balances	230,268	469,382
	<b>£230,268</b>	<b>£469,382</b>

**9. Creditors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Amounts payable on cancellation of shares	4,074	-
Expense accruals	31,053	24,907
Purchases awaiting settlement	-	31,405
	<b>£35,127</b>	<b>£56,312</b>

**10. Equalisation**

This applies only to shares purchased during the distribution period (Group 2 shares). The average amount of revenue included in the purchase price of Group 2 shares is shown in the Distribution table and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

**11. Contingent liabilities**

At 31 December 2013 there were no contingent liabilities or commitments at the current or prior year ends.

**12. Related party transactions**

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note 4.

At 31 December 2013 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £20,409 and £2,032 respectively (31 Dec 12: £15,516 and £531).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Asset Management Funds Ltd and UBS Global Asset Management (UK) Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.

### 13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 and 19.

#### (a) Interest rate risk profile of financial assets and financial liabilities

At the year end date 0.97% (31 Dec 12: 2.37%) of the Fund's net assets were interest bearing.

#### (b) Currency exposure

The revenue and capital value of the Fund's investments are mainly denominated in sterling, the Fund's base currency. Therefore, the financial statements are not subject to any significant risk of currency movements.

This is consistent with the exposure during both the current and prior years.

#### (c) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and financial liabilities, as shown in the balance sheet, and their fair value.

### 14. Portfolio transaction costs

	31 Dec 13	31 Dec 12
<b>Analysis of total purchase costs</b>	<b>£</b>	<b>£</b>
Purchases in year before transaction costs	24,849,486	29,953,317
Commissions & taxes	127,980	162,802
Total purchase costs	127,980	162,802
Gross purchase total	£24,977,466	£30,116,119

	31 Dec 13	31 Dec 12
<b>Analysis of total sale costs</b>	<b>£</b>	<b>£</b>
Gross sales in year before transaction costs	25,897,841	55,716,377
Commissions & taxes	(23,407)	(61,892)
Total sale costs	(23,407)	(61,892)
Total sales net of transaction costs	£25,874,434	£55,654,485

**Distribution table****For the year ended 31 December 2013 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2013

Group 2: Shares purchased between 1 July 2013 and 31 December 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 28/02/14 (p)	<i>Distribution paid 28/02/13 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.44	-	0.44	0.27
Group 2	0.30	0.14	0.44	0.27
<b>Class B - A</b>				
Group 1	0.70	-	0.70	0.51
Group 2	0.36	0.34	0.70	0.51
<b>Class C - Accumulation</b>				
Group 1	0.59	-	0.59	0.21
Group 2	0.18	0.41	0.59	0.21

**Interim dividend distribution**

Group 1: Shares purchased prior to 1 January 2013

Group 2: Shares purchased between 1 January 2013 and 30 June 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/13 (p)	<i>Distribution paid 31/08/12 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.56	-	0.56	0.44
Group 2	0.39	0.17	0.56	0.44
<b>Class B - Accumulation</b>				
Group 1	0.79	-	0.79	0.70
Group 2	0.54	0.25	0.79	0.70
<b>Class C - Accumulation</b>				
Group 1	0.64	-	0.64	0.00
Group 2	0.34	0.30	0.64	0.00

## UBS US Equity Fund



## Manager's report

### Investment objective and policy

To achieve long term capital growth through active management of a diversified portfolio invested primarily in US equities. The Fund may also invest in other transferable securities (including warrants), money market instruments, deposits, cash and near cash and units in collective investment schemes.

### Market environment

2013 proved to be a very strong year for US equities with the S&P 500 returning marginally under 30% (29.9%), in Sterling terms, for the year; its largest annual gain for 16 years.

From a macroeconomic perspective much of the year was dominated by the US Federal Reserve's ("the Fed") "will they, won't they" approach to the reduction of the purchase of bonds programme. This question was finally answered in December, when the Fed announced it would trim asset purchases by \$10bn a month. The markets took the decision far more rationally than they did earlier in the year; both at the time when first indications of tapering emerged and following the surprise delay in September.

### Performance

The UBS US Equity Fund recorded performance of 32.7%\*, in Sterling terms, during the period under review. It outperformed its benchmark, the Russell 1000 Index, which posted performance of 30.6%, also in Sterling terms.

An overweight holding in the IT company Micron Technology, whose share price jumped 236.3%, in Sterling terms, over the year, provided the largest stock contribution to the Fund's relative performance.

Another top contributor to the Fund's outperformance was provided by an overweight position in Hertz Global Holdings, whose share price rose by 72.6%, in Sterling terms, during the year. The company reported strong third quarter results in November, including record revenues and earnings per share; up 16% year on year.

The largest stock detractor from performance in 2013 resulted from an overweight holding in Digital Realty Trust, a global provider of data centre solutions. Over the year, its share price fell 24.9%, in Sterling terms.

Another significant stock detractor from relative performance was delivered by a position in American Capital Agency. During the year the mortgage Real Estate Investment Trust's (REIT) share price fell 23.9%, in Sterling terms, and the position was sold out in full by the end of the year.

At a sector level, positive stock selection within the Industrials provided the largest contribution to relative performance, while weak stock selection within Telecoms proved detrimental.

### Outlook

After a strong year of performance, our company research suggests that the US equity market is, on average, marginally overvalued currently. This contrasts with a year ago, when data showed the market to be full of value opportunities.

Despite this there are still a number of reasons to be positive on US stocks. Primarily, earnings per share ("EPS") growth is expected to accelerate in both 2014 and 2015, growing at approximately 10 % per annum. This is expected to be broad based across sectors and supported by improving global GDP growth. We also expect a tailwind in growth in capital investment and spending on durable items, while consumers finally appear to be on a comparable level of affluence as at any time since the financial crisis. As housing continues its recovery, household wealth is on the rise, financial assets continue to grow and employment levels improve. Meanwhile, debt levels are falling and access to credit for US consumers is increasing, possibly reversing the recent period of deleveraging.

\* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2013, based on A shares.

**Percentage growth**

	<b>31/12/12 to 31/12/13 %</b>	<b>31/12/11 to 31/12/12 %</b>	<b>31/12/10 to 31/12/11 %</b>	<b>31/12/09 to 31/12/10 %</b>	<b>31/12/08 to 31/12/09 %</b>
Class A - Accumulation Shares	32.73	3.93	-3.07	15.78	21.14
Class B - Accumulation Shares	33.42	4.60	-2.44	16.54	21.92
Class C - Accumulation Shares	33.76	-2.14	-	-	-

Source: Lipper-Hindsight: Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms.

Launch date; Class A and B Accumulation Shares: 30 September 2002; Class C Accumulation Shares: 15 August 2012.

UBS Global Asset Management Funds Ltd

25 April 2014

**Performance record (unaudited)****1. Fund size**

<b>Accounting year</b>		<b>Number of shares in issue</b>	<b>Total net asset value per share (p)*</b>	<b>Total net asset value (£)</b>
<b>31 December</b>				
2011	Class A - Accumulation	136,357,394	78.9	107,647,815
	Class B - Accumulation	155,381,697	83.8	130,258,563
				£237,906,378
2012	Class A - Accumulation	93,167,664	82.8	77,125,948
	Class B - Accumulation	121,425,733	88.5	107,432,567
	Class C - Accumulation	78,157	48.9	38,234
				£184,596,749
2013	Class A - Accumulation	66,788,598	110.4	73,782,578
	Class B - Accumulation	106,218,040	118.7	126,047,446
	Class C - Accumulation	37,203,738	65.8	24,475,543
				£224,305,567

\* rounded to one decimal place.

**2. Ongoing charges figure**

The ongoing charges figure (OCF) is the ratio of the Fund's annual operating expenses (excluding overdraft interest) to the average net assets of the Fund. It covers all aspects of operating the Fund during the year, including fees paid for investment management, administration, safeguarding the Fund's assets, depositary services and audit (net of any fee rebate, if applicable). Where the Fund invests in other funds, the figure includes the impact of the charges made in those other funds.

<b>Share class</b>	<b>31 Dec 13 (%)</b>	<b>31 Dec 12 (%)</b>
Class A - Accumulation	1.64	1.59
Class A - Accumulation	1.14	0.95
Class C - Accumulation	0.89	0.80

**3. Share dealing price range and distribution record**

The Fund was launched on 30 September 2002 at a price of 50p for both Class A and B Accumulation shares. Class C Accumulation shares launched on 15 August 2012 at a price of 50p.

<b>Calendar year</b>	<b>Highest price (p)</b>	<b>Lowest price (p)</b>	<b>Distribution per share (net) (p)</b>
Class A - Accumulation			
2009	72.47	46.23	0.03
2010	83.01	68.08	0.00
2011	85.36	66.44	0.00
2012	89.04	77.89	0.00
2013	113.0	83.78	0.00
Class B - Accumulation			
2009	75.96	48.20	0.39
2010	87.57	71.64	0.42
2011	90.37	70.39	0.50
2012	94.67	82.91	0.57
2013	121.2	89.54	0.36
Class C - Accumulation			
2012 <sup>†</sup>	51.38	47.27	0.18
2013	67.10	49.51	0.36

<sup>†</sup> covers period from 15 August 2012 to 31 December 2012.

Past performance is not a guide to future performance. Investors are reminded that the price of shares and the revenue from them is not guaranteed and may go down as well as up.

## Portfolio statement (unaudited)

As at 31 December 2013

	Holding	Market value £	Percentage of total net assets %
<b>Bermuda 1.23% (31 Dec 12: 1.63%)</b>			
<b>General Financial 0.92% (31 Dec 12: 1.35%)</b>			
Invesco	93,600	2,057,081	0.92
<b>Technology Hardware &amp; Equipment 0.31% (31 Dec 12: 0.28%)</b>			
Freescale Semiconductor	70,800	685,665	0.31
<b>Canada 0.00% (31 Dec 12: 0.56%)</b>			
<b>Oil &amp; Gas Producers 0.00% (31 Dec 12: 0.56%)</b>			
<b>Ireland 0.67% (31 Dec 12: 0.00%)</b>			
<b>Pharmaceuticals &amp; Biotechnology 0.67% (31 Dec 12: 0.00%)</b>			
Mallinckrodt	47,400	1,495,336	0.67
<b>Israel 2.96% (31 Dec 12: 1.04%)</b>			
<b>Pharmaceuticals &amp; Biotechnology 0.57% (31 Dec 12: 1.04%)</b>			
Teva Pharmaceutical Industries ADR	52,400	1,268,040	0.57
<b>Software &amp; Computer Services 1.48% (31 Dec 12: 0.00%)</b>			
Check Point Software Technologies	85,100	3,315,111	1.48
<b>Technology Hardware &amp; Equipment 0.91% (31 Dec 12: 0.00%)</b>			
Mellanox Technologies	84,400	2,036,811	0.91
<b>Netherlands 1.85% (31 Dec 12: 1.36%)</b>			
<b>Technology Hardware &amp; Equipment 1.85% (31 Dec 12: 1.36%)</b>			
NXP Semiconductors	149,900	4,156,020	1.85
<b>Panama 0.92% (31 Dec 12: 1.00%)</b>			
<b>Oil Equipment, Services &amp; Distribution 0.92% (31 Dec 12: 1.00%)</b>			
McDermott International	374,700	2,070,041	0.92

	Holding	Market value £	Percentage of total net assets %
<b>Singapore 0.00% (31 Dec 12: 1.35%)</b>			
<b>Technology Hardware &amp; Equipment 0.00% (31 Dec 12: 1.35%)</b>			
<b>Switzerland 1.21% (31 Dec 12: 1.53%)</b>			
<b>Oil Equipment, Services &amp; Distribution 1.21% (31 Dec 12: 1.53%)</b>			
Noble	119,700	2,707,298	1.21
<b>United Kingdom 1.04% (31 Dec 12: 0.00%)</b>			
<b>Nonlife Insurance 1.04% (31 Dec 12: 0.00%)</b>			
Aon 'A'	46,200	2,339,777	1.04
<b>United States of America 88.46% (31 Dec 12: 89.50%)</b>			
<b>Aerospace &amp; Defence 1.54% (31 Dec 12: 3.43%)</b>			
General Dynamics	59,900	3,455,303	1.54
<b>Automobiles &amp; Parts 2.10% (31 Dec 12: 0.00%)</b>			
General Motors	190,800	4,708,224	2.10
<b>Banks 10.76% (31 Dec 12: 9.54%)</b>			
Citigroup	254,295	7,997,722	3.57
JPMorgan Chase & Co	228,900	8,080,775	3.60
US Bancorp Delaware	161,600	3,940,845	1.76
Wells Fargo	149,564	4,098,844	1.83
<b>Chemical 0.00% (31 Dec 12: 1.50%)</b>			
<b>Construction &amp; Materials 2.74% (31 Dec 12: 0.00%)</b>			
Martin Marietta Materials	63,500	3,831,662	1.71
Owens Corning	93,600	2,301,783	1.03
<b>Electricity 0.72% (31 Dec 12: 3.11%)</b>			
Jabil Circuit	154,400	1,623,938	0.72

	Holding	Market value £	Percentage of total net assets %
<b>Food &amp; Drug Retailers 0.98% (31 Dec 12: 0.00%)</b>			
Cardinal Health	54,300	2,190,032	0.98
<b>Food Producers 3.94% (31 Dec 12: 1.24%)</b>			
Mondelez International	298,900	6,368,713	2.84
Monsanto	35,000	2,462,943	1.10
<b>Forestry &amp; Paper 0.00% (31 Dec 12: 1.18%)</b>			
<b>General Financial 3.49% (31 Dec 12: 2.87%)</b>			
Capital One Financial	70,200	3,247,108	1.45
Morgan Stanley	241,800	4,576,863	2.04
<b>General Retailers 4.46% (31 Dec 12: 4.33%)</b>			
Amazon	20,000	4,809,419	2.14
JC Penney	289,400	1,598,799	0.71
Macy's	112,200	3,616,143	1.61
<b>Health Care Equipment &amp; Services 4.90% (31 Dec 12: 6.96%)</b>			
Baxter International	92,800	3,896,339	1.74
Bio-Rad Laboratories	25,400	1,895,664	0.85
Envision Healthcare	93,600	2,005,654	0.89
United Health Group	70,300	3,195,705	1.42
<b>Industrial Engineering 1.17% (31 Dec 12: 1.09%)</b>			
Illinois Tool Works	51,854	2,632,383	1.17
<b>Industrial Transportation 2.24% (31 Dec 12: 3.47%)</b>			
Norfolk Southern	89,600	5,020,846	2.24
<b>Insurance 3.13% (31 Dec 12: 2.16%)</b>			
Lincoln National	95,100	2,963,388	1.32
Metlife	124,800	4,062,169	1.81

	Holding	Market value £	Percentage of total net assets %
<b>Media 4.29% (31 Dec 12: 3.55%)</b>			
Comcast 'A'	152,900	4,795,867	2.14
Walt Disney	104,700	4,829,001	2.15
<b>Mobile Telecommunications 0.63% (31 Dec 12: 2.22%)</b>			
NII Holdings	860,500	1,423,559	0.63
<b>Oil &amp; Gas Producers 4.03% (31 Dec 12: 5.42%)</b>			
EOG Resources	36,600	3,707,842	1.65
ExxonMobil	87,400	5,340,305	2.38
<b>Oil Equipment, Services &amp; Distribution 2.97% (31 Dec 12: 2.85%)</b>			
Baker Hughes	90,100	3,006,144	1.34
Halliburton	119,500	3,661,660	1.63
<b>Personal Goods 1.02% (31 Dec 12: 2.03%)</b>			
Ralph Lauren 'A'	21,400	2,281,418	1.02
<b>Pharmaceuticals &amp; Biotechnology 9.45% (31 Dec 12: 5.76%)</b>			
Acorda Therapeutics	100,000	1,761,811	0.79
Alexion Pharmaceutical	26,200	2,103,751	0.94
Allergan	26,336	1,766,281	0.79
Alnylam Pharmaceuticals	38,700	1,502,904	0.67
Bluebird Bio	19,500	246,539	0.11
Epizyme	17,700	222,285	0.10
Gilead Sciences	57,800	2,621,895	1.17
Hospira	85,100	2,119,986	0.95
Impax Laboratories	87,700	1,330,128	0.59
Lexicon Pharmaceuticals	806,200	871,304	0.39
Lilly (Eli) & Co	150,100	4,622,854	2.06
MacroGenics	14,800	244,306	0.11

	<b>Holding</b>	<b>Market value £</b>	<b>Percentage of total net assets %</b>
Salix Pharmaceuticals	32,400	1,758,843	0.78
<b>Real Estate 1.64% (31 Dec 12: 2.98%)</b>			
Digital Realty Trust	123,900	3,672,303	1.64
<b>Software &amp; Computer Services 2.28% (31 Dec 12: 3.01%)</b>			
Adobe Systems	74,700	2,700,250	1.20
Symantec	169,800	2,416,414	1.08
<b>Support Services 2.65% (31 Dec 12: 1.07%)</b>			
Serviceware International	523,800	2,647,068	1.18
Waste Management	121,300	3,285,445	1.47
<b>Technology Hardware &amp; Equipment 10.36% (31 Dec 12: 11.96%)</b>			
Apple	29,100	9,853,502	4.39
Applied Materials	371,900	3,969,927	1.77
Broadcom 'A'	224,800	4,022,987	1.79
Micron Technology	175,900	2,309,932	1.03
Network Appliance	124,800	3,099,938	1.38
<b>Tobacco 2.73% (31 Dec 12: 3.01%)</b>			
Philip Morris International	116,600	6,133,248	2.73
<b>Travel &amp; Leisure 4.24% (31 Dec 12: 4.76%)</b>			
Hertz Global Holdings	217,400	3,755,359	1.67
Yum! Brands	126,500	5,774,892	2.57
Investment assets		220,572,392	98.34
Net other assets		3,733,175	1.66
<b>Net assets</b>		<b>£224,305,567</b>	<b>100.00</b>

All holdings are ordinary shares or stock units and admitted to official stock exchange listings unless otherwise stated.

**Portfolio movements (unaudited)**  
**For the year ended 31 December 2013**

	<b>Cost £</b>
<b>Major purchases</b>	
Mondelez International	6,351,946
Yum! Brands	6,067,476
Lilly (Eli) & Co	5,210,597
ExxonMobil	5,038,103
Broadcom 'A'	4,733,969
Walt Disney	4,580,927
General Motors	4,295,309
Applied Materials	4,199,293
JPMorgan Chase & Co	3,815,009
Martin Marietta Materials	3,734,950
Parker-Hannifin	3,463,036
Citigroup	3,343,373
Waste Management	3,148,244
Capital One Financial	3,113,311
JC Penney	2,797,021
PG&E	2,736,674
Check Point Software Technologies	2,686,119
Digital Realty Trust	2,647,161
Monsanto	2,496,662
United Health Group	2,491,175
<b>Total for the year (Note 14)</b>	<b>£134,475,155</b>

	<b>Proceeds £</b>
<b>Major sales</b>	
Boeing	5,195,975
Hess	5,019,085
Atmel	4,708,809
Dow Chemical	4,158,394
PG&E	4,153,352
Spirit Airlines	4,019,863
Amazon	3,983,162
Micron Technology	3,938,638
Parker-Hannifin	3,863,166
Skyworks Solutions	3,858,939
Starbucks	3,806,389
Cabot Oil & Gas	3,647,965
Invesco	3,625,014
Time Warner	3,512,389
Morgan Stanley	3,484,533
Viacom 'B'	3,310,167
Ryder System	3,290,896
Hertz Global Holdings	3,188,257
Avago Technologies	3,177,977
Archer Daniels Midland	3,094,793
<b>Total for the year (Note 14)</b>	<b>£155,037,899</b>

**Statement of total return****For the year ended 31 December 2013**

		<b>31 Dec 13</b>		<b>31 Dec 12</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Income					
Net capital gains	2	60,298,557		13,094,597	
Revenue	3	3,673,886	4,055,086		
Expenses	4	(2,886,435)	(2,694,646)		
Finance costs: Interest	6	(200)	(93)		
Net revenue before taxation		787,251	1,360,347		
Taxation	5	(504,475)	(594,382)		
Net revenue after taxation		282,776	765,965		
Total return before distributions		60,581,333	13,860,562		
Finance costs: Distributions	6	(442,901)	(788,422)		
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>£60,138,432</b>	<b>£13,072,140</b>		

**Statement of change in net assets attributable to shareholders****For the year ended 31 December 2013**

		<b>31 Dec 13</b>		<b>31 Dec 12</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Opening net assets attributable to shareholders		184,596,749		237,906,378	
Amounts receivable on issue of shares	72,110,548		68,689,945		
Amounts payable on cancellation of shares	(92,996,677)		(135,806,767)		
		(20,886,129)		(67,116,822)	
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		60,138,432		13,072,140	
Retained distribution on accumulation shares		456,849		735,417	
Stamp duty reserve tax		(334)		(364)	
<b>Closing net assets attributable to shareholders</b>		<b>£224,305,567</b>	<b>£184,596,749</b>		



**Balance sheet****As at 31 December 2013**

	<b>Notes</b>	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
<b>ASSETS</b>			
Investment assets		220,572,392	180,847,667
Debtors	7	1,053,295	3,907,726
Cash and bank balances	8	3,251,063	1,417,082
Total other assets		4,304,358	5,324,808
Total assets		224,876,750	186,172,475
<b>LIABILITIES</b>			
Creditors	9	571,183	1,575,726
Total liabilities		571,183	1,575,726
<b>Net assets attributable to shareholders</b>		<b>£224,305,567</b>	<b>£184,596,749</b>

## Notes to the financial statements

### 1. Accounting policies

Accounting policies of the Fund are as set out on pages 10 to 12.

### 2. Net capital gains

	31 Dec 13 £	31 Dec 12 £
Currency losses	(129,799)	(381,561)
Derivative contracts	143,554	378,406
Forward currency contracts	-	(2,799)
Non-derivative securities	60,289,772	13,110,767
Transaction charges	(4,970)	(10,216)
Net capital gains	£60,298,557	£13,094,597

### 3. Revenue

	31 Dec 13 £	31 Dec 12 £
Bank interest	3,035	1,822
Overseas dividends	3,646,981	4,007,287
UK franked dividends	23,870	45,977
	£3,673,886	£4,055,086

### 4. Expenses

	31 Dec 13 £	31 Dec 12 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Administration fees	57,758	-
Authorised Corporate Director's fees	2,576,895	2,553,739
Registration fees	216,894	104,096
	2,851,547	2,657,835

*Payable to the Depositary, associates of the Depositary and agents of either of them:*

Depositary's fees	21,023	21,353
	21,023	21,353

*Payable to other related parties and third parties:*

Audit fees	8,439	7,843
Price publication fees	2,187	-
Safe custody fees	2,242	6,609
Taxation fees	997	1,006
	13,865	15,458
	£2,886,435	£2,694,646

The audit fee for the period, excluding VAT, was £6,500 (31 December 2012: £6,500).

## 5. Taxation

### (a) Analysis of tax charge

	31 Dec 13 £	31 Dec 12 £
Overseas tax suffered	504,475	594,382
Total current tax (5.b)	504,475	594,382
<b>Total tax charge</b>	<b>£504,475</b>	<b>£594,382</b>

### (b) Factors affecting current tax charge

The tax charged for the year is higher than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 12: 20%).

The differences are explained below:

	31 Dec 13 £	31 Dec 12 £
Net revenue before taxation	787,251	1,360,347
Corporation tax at 20%	157,450	272,069
<i>Effects of:</i>		
Dividends not subject to corporation tax	(636,014)	(690,386)
Movement in excess expenses	478,061	436,136
Overseas tax suffered	504,475	594,382
Overseas tax expensed	(20,370)	-
Revenue taxable in a different years	20,873	(17,819)
	347,025	322,313
<b>Total tax charge (5.a)</b>	<b>£504,475</b>	<b>£594,382</b>

Open-ended investment companies are exempt from tax on capital gains. Therefore, any capital return is not included in the above reconciliation.

### (c) Deferred tax assets

At 31 December 2013 the Fund had excess management expenses of £15,254,177 (31 Dec 12: £12,789,411). The deferred tax in respect of this would be £3,050,835 (31 Dec 12: £2,572,774). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

## 6. Finance costs

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 13 £	31 Dec 12 £
Interim	259,240	370,999
Final	197,609	364,418
	456,849	735,417
Add: Amounts deducted on cancellation of shares	25,480	76,348
Deduct: Amounts added on issue of shares	(39,428)	(23,343)
Net distributions	442,901	788,422
Interest	200	93
<b>Total finance costs</b>	<b>£443,101</b>	<b>£788,515</b>
Net revenue after taxation	282,776	765,965
Add: Equalisation on conversions	2,809	-
Add: Revenue brought forward	6,891	6,248
Add: Shortfall transfer to capital	156,421	23,100
Deduct: Revenue carried forward	(5,996)	(6,891)
<b>Net distributions as above</b>	<b>£442,901</b>	<b>£788,422</b>

Details of the distribution per share are set out in the table on page 189.

**7. Debtors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Accrued revenue	227,878	297,287
Amounts receivable on issue of shares	825,417	-
Sales awaiting settlement	-	3,610,439
	<b>£1,053,295</b>	<b>£3,907,726</b>

**8. Cash & bank balances**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Amounts held at futures clearing houses and brokers	-	669,189
Cash and bank balances	3,251,063	747,893
	<b>£3,251,063</b>	<b>£1,417,082</b>

**9. Creditors**

	<b>As at 31 Dec 13 £</b>	<b>As at 31 Dec 12 £</b>
Amounts payable on cancellation of shares	306,834	1,176,492
Expense accruals	264,349	211,650
Purchases awaiting settlement	-	187,584
	<b>£571,183</b>	<b>£1,575,726</b>

**10. Equalisation**

This applies only to shares purchased during the distribution period (Group 2 shares). The average amount of revenue included in the purchase price of Group 2 shares is shown in the Distribution table and is refunded to the holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

**11. Contingent liabilities**

At 31 December 2013 there were no contingent liabilities or commitments at the current or prior year ends.

**12. Related party transactions**

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party. Both management fees and registration fees charged by the ACD are shown in note 4.

At 31 December 2013 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £219,958 and £19,327 respectively (31 Dec 12: £187,087 and £7,621).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Fund. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of change in net assets attributable to shareholders.

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the year no dealing commission was paid to UBS Global Asset Management (UK) Ltd.

UBS Global Asset Management Funds Ltd and UBS Global Asset Management (UK) Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.

### 13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 and 19.

#### (a) Interest rate risk profile of financial assets and financial liabilities

At the year end date 1.45% (31 Dec 12: 0.77%) of the Fund's net assets were interest bearing.

#### (b) Currency exposure

The majority of the net assets of the Fund's investments are denominated in currencies other than sterling, with the effect that currency movements can significantly affect the balance sheet and total return.

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non-monetary exposures £	Total £
<b>31 Dec 13</b>			
US Dollar	2,505,684	220,572,392	223,078,076
	2,505,684	220,572,392	223,078,076
Sterling	1,227,491	-	1,227,491
	£3,733,175	£220,572,392	£224,305,567
<b>31 Dec 12</b>			
US Dollar	4,389,182	180,847,667	185,236,849
	4,389,182	180,847,667	185,236,849
Sterling	(640,100)	-	(640,100)
	£3,749,082	£180,847,667	£184,596,749

#### (c) Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and financial liabilities, as shown in the balance sheet, and their fair value.

### 14. Portfolio transaction costs

	31 Dec 13 £	31 Dec 12 £
<b>Analysis of total purchase costs</b>		
Purchases in year before transaction costs	134,335,178	154,260,242
Commissions & taxes	139,977	209,240
Total purchase costs	139,977	209,240
Gross purchase total	£134,475,155	£154,469,482

	31 Dec 13 £	31 Dec 12 £
<b>Analysis of total sale costs</b>		
Gross sales in year before transaction costs	155,200,853	214,132,275
Commissions & taxes	(162,954)	(222,248)
Total sale costs	(162,954)	(222,248)
Total sales net of transaction costs	£155,037,899	£213,910,027

**Distribution table****For the year ended 31 December 2013 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2013

Group 2: Shares purchased between 1 July 2013 and 31 December 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 28/02/14 (p)	<i>Distribution paid 28/02/13 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.00	-	0.00	<i>0.00</i>
Group 2	0.00	0.00	0.00	<i>0.00</i>
<b>Class B - Accumulation</b>				
Group 1	0.13	-	0.13	<i>0.30</i>
Group 2	0.09	0.04	0.13	<i>0.30</i>
<b>Class C - Accumulation</b>				
Group 1	0.16	-	0.16	<i>0.18</i>
Group 2	0.11	0.05	0.16	<i>0.18</i>

**Interim dividend distribution**

Group 1: Shares purchased prior to 1 January 2013

Group 2: Shares purchased between 1 January 2013 and 30 June 2013

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/13 (p)	<i>Distribution paid 31/08/12 (p)</i>
<b>Class A - Accumulation</b>				
Group 1	0.00	-	0.00	<i>0.00</i>
Group 2	0.00	0.00	0.00	<i>0.00</i>
<b>Class B - Accumulation</b>				
Group 1	0.23	-	0.23	<i>0.27</i>
Group 2	0.19	0.04	0.23	<i>0.27</i>
<b>Class C - Accumulation</b>				
Group 1	0.20	-	0.20	<i>0.00</i>
Group 2	0.12	0.08	0.20	<i>0.00</i>

# Details of the Company and other information

## Authorised status

UBS Investment Funds ICVC is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC96 and is authorised by the Financial Conduct Authority with effect from 7 March 2001. The company has been certified under the Undertaking for Collective Investment in Transferable Securities (UCITS) directive.

## Structure of the company

The Company is structured as an umbrella company, in that different Funds may be established from time to time by the Authorised Corporate Director (ACD) with the approval of the Financial Conduct Authority. The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund.

## Liability of the Company and Funds

Under the OEIC Regulations, each Fund is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Fund. Whilst the OEIC Regulations provide for segregated liability between Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

## Changes to the Prospectus

No changes were made to the Prospectus since the last report:

## Buying and selling shares

Dealing is on a forward basis and share prices are calculated daily at 12 p.m. with the exception of the UBS Global Emerging Markets Equity Fund which is calculated at 2 p.m.

K and J shares in all Funds, where they are available, can be bought either by sending a completed application form to the transfer agent, J.P. Morgan Europe Limited, or by telephoning J.P. Morgan Europe Limited on 020 7742 1018.

Shares in all other funds can be bought by sending an application form to the administrator, International Financial Data Services (UK) Ltd (IFDS) or by telephoning IFDS on 0800 587 2112.

## Synthetic Risk and Reward Indicator (SRRI)

The SRRI is a numerical indicator of the risk and return profile of the Fund. This indicator is disclosed in the Key Investor Information document (KIID) for each shareclass which can be found on the website [www.ubs.com/retailfunds](http://www.ubs.com/retailfunds).

The values range from 1 through to 7 in a non-linear manner, where 1 denotes the lowest risk and therefore typically the lower rewards, while a 7 denotes the highest risk and therefore typically higher rewards.

The SRRI is based on return volatility over the last five years. Historical data may not be a reliable indication for the future. The risk category shown is not guaranteed and may vary over time. The lowest category does not mean 'risk free'.

	Current SRRI
UBS Corporate Bond UK Plus Fund	4
UBS Fixed Interest UK Plus Fund	4
UBS Global Emerging Markets Equity Fund	6
UBS Global Optimal Fund	6
UBS Sterling Corporate Bond Indexed Fund	4
UBS UK Equity Income Fund	6
UBS UK Opportunities Fund	6
UBS US Equity Fund	6

SRRI's at fund level above are consistent across shareclasses within each Fund.

**Minimum Investments**

		<b>Minimum initial lump- sum investment (£)</b>	<b>Minimum subsequent investment (£)</b>
UBS Corporate Bond UK Plus Fund	Class A & B shares*	£1,000	£500
	Class C shares	£1,000,000	£10,000
	Class J & K shares †	£100,000	£500
UBS Fixed Interest UK Plus Fund	Class J & K shares †	£100,000	£500
UBS Global Emerging Markets Equity Fund	Class A & B shares*	£1,000	£500
	Class C shares	£1,000,000	£10,000
	Class J & K shares †	£100,000	£500
UBS Global Optimal Fund	Class A & B shares*	£1,000	£500
	Class C shares	£1,000,000	£10,000
	Class K shares	£100,000	£500
UBS Sterling Corporate Bond indexed Fund	Class A shares	£1,000	£500
	Class C shares	£1,000,000	£10,000
	Class J & K shares †	£100,000	£500
UBS UK Equity Income Fund	Class A & B shares*	£1,000	£500
	Class C shares	£1,000,000	£10,000
UBS UK Opportunities Fund	Class A & B shares*	£1,000	£500
	Class C shares	£1,000,000	£10,000
UBS US Equity Fund	Class A & B shares*	£1,000	£500
	Class C shares	£1,000,000	£10,000

\* for Class A shares purchased through a regular savings plan, the minimum regular subscription is £50 per month.

† Available only to companies within the UBS AG group or to clients of companies within the UBS AG group (and others at the discretion of the ACD).

The ACD may at its discretion accept subscriptions and/or holdings lower than the minimum amounts.

If following a redemption a holding in any class of share should fall below the minimum holding for that class, the ACD has a discretion to require redemption of that shareholder's entire holding in that class of share.



**Shareholder funds**

Several classes of share may be issued in respect of each Fund. Each share class is distinguished by their criteria for subscription. The annual management charge on each share class is shown below.

		<b>Management fee (%)</b>
UBS Corporate Bond UK Plus Fund	Class A shares	1.10
	Class B shares	0.60
	Class C shares	0.50
	Class J shares	0.65
	Class K shares	0.00
UBS Fixed Interest UK Plus Fund	Class J shares	0.65
	Class K shares	0.00
UBS Global Emerging Markets Equity Fund	Class A shares	1.50
	Class B shares	1.00
	Class C shares	0.75
	Class J shares	1.25
	Class K shares	0.00
UBS Global Optimal Fund	Class A shares	1.50
	Class B shares	1.00
	Class C shares	0.75
	Class K shares	0.00
UBS Sterling Corporate Bond indexed Fund	Class A shares	0.35
	Class C shares	0.15
	Class J shares	0.10
	Class K shares	0.00
UBS UK Equity Income Fund	Class A shares	1.50
	Class B shares	1.00
	Class C shares	0.75
UBS UK Opportunities Fund	Class A shares	1.50
	Class B shares	1.00
	Class C shares	0.75
UBS US Equity Fund	Class A shares	1.50
	Class B shares	1.00
	Class C shares	0.75

For all Funds (with the exception of the UBS Corporate Bond UK Plus Fund, UBS Fixed Interest UK Plus Fund, UBS Sterling Corporate Bond Indexed Fund, and the UBS UK Equity Income Fund) the annual management fee is taken from income.

The net asset value of each share class in issue, the net asset value per share and the number of shares in each share class in issue are shown in the Performance table of each of the respective funds.

## Dealing charges

### Initial charge

The ACD may impose a charge on the purchase of shares in each Class. The current initial charge as a percentage of the amount subscribed and the permitted maximum initial charge allowable as a percentage of the amount subscribed are shown in the table below:

		Current charge	Maximum permitted charge
UBS Corporate Bond UK Plus Fund	Class A shares	3.50%	6.00%
	Class B, C, J & K shares	0.00%	6.00%
UBS Fixed Interest UK Plus Fund	Class J & K shares	0.00%	6.00%
UBS Global Emerging Markets Equity Fund	Class A shares	4.00%	6.00%
	Class B, C, J & K shares	0.00%	6.00%
UBS Global Optimal Fund	Class A shares	4.00%	6.00%
	Class B, C, J & K shares	0.00%	6.00%
UBS Sterling Corporate Bond indexed Fund	Class A shares	4.00%	6.00%
	Class C, J & K shares	0.00%	6.00%
UBS UK Equity Income Fund	Class A shares	4.00%	6.00%
	Class B, C, J & K shares	0.00%	6.00%
UBS UK Opportunities Fund	Class A shares	4.00%	6.00%
	Class B & C shares	0.00%	6.00%
UBS US Equity Fund	Class A shares	4.00%	6.00%
	Class B & C shares	0.00%	6.00%

## Charges on switching

The company is permitted to impose a charge for switching of shares between Funds or classes. The charge will not exceed an amount equal to the prevailing initial charge for new shares. The current charges on switching between Funds or classes in the company are detailed below.

	Switching charge %
Class A shares to Class B,C or J shares in the same Fund or another Fund	0.00%
Class A shares of any Fund to Class A shares of another Fund	0.25%
Class B, C, J or K shares of any Fund to Class B, J or K shares in the same Fund or another Fund	0.00%
Class B, C, J or K shares to Class A shares in the same Fund or another Fund*	0.25%

\* where the minimum holding for Class B, C or J shares is not maintained the ACD may switch Class B, C, or J shares into Class A shares, and a charge on switching of 0.25% will be charged, although the ACD may offer a waiver or a partial waiver of the initial charge.

**Directors of UBS Global Asset Management Funds Ltd**

I Barnes                      D S Carter  
R Beechey                  A J Davies  
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